Monthly Statistics of Building Materials and Components

Commentary

November 2012

Coverage: UK and Great Britain
Geographical area: Country, region and county
Date of publication: 5 December 2012

Headline results:

- The ‘All Work’ Construction Material Price Index rose by 1.2% in the year to October, up from 0.5% in September. This follows a downward trend in annual inflation seen in each of the eight months to August.

- The construction materials experiencing the largest price increases in the year to October were Coated Roadstone excluding levy (up 8.4%), Sand & Gravel excluding levy (up 7.7%) and Sand and Gravel including levy (up 7.0%).

- In the year to October, production of bricks fell by 8.8% and production of blocks rose by 5.9%.

- Exports of construction materials rose by 0.3% on the quarter in 2012Q3 (to £1,413 million). Imports fell by 2.9% (to £2,960 million). As a result, the trade deficit narrowed by £91 million, to £1,547 million, in 2012Q3.

Introduction

This commentary accompanies the latest Monthly Statistics of Building Materials and Components bulletin, published on the BIS Construction website on 5 December 2012.

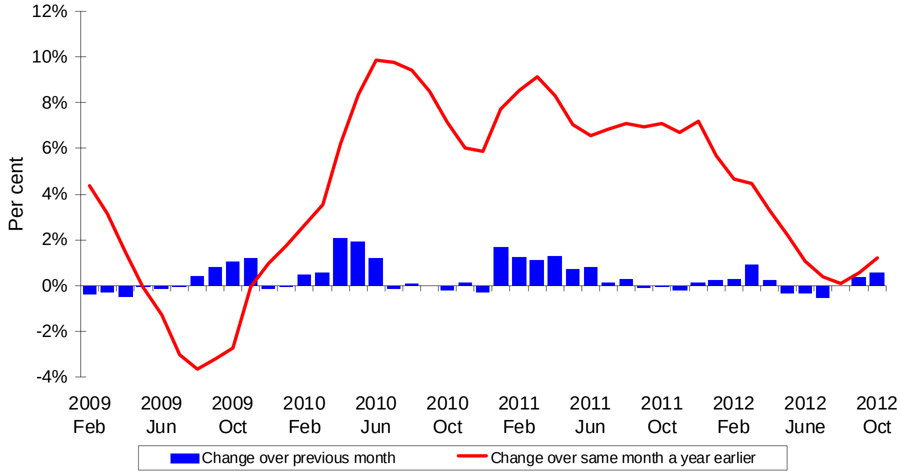
It aims to provide a brief overview of recent trends in the data presented in the bulletin. These data cover the following building materials statistics (in parentheses, the data collection frequency and the geographical area covered):

- Construction Material Price Indices (monthly, UK)
- Sand and Gravel sales (quarterly, GB*)
- Slate production, deliveries and stocks (quarterly, GB)
- Cement and Clinker production, deliveries and stocks (monthly, GB)
- Bricks production, deliveries and stocks (monthly, GB*)
- Concrete building blocks production, deliveries and stocks (monthly, GB*)
- Concrete roofing tiles production, deliveries and stocks (quarterly, GB)
- Ready Mixed Concrete deliveries (quarterly, UK)
- Values of overseas imports and exports trades for selected materials and components for use in construction (quarterly, UK)
- Value of EU and Non-EU Trade for selected materials and components for use in construction (annual, UK)

Note: * Regional figures available

Summary

Chart 1: Growth in 'All Work' Construction Material Price Index, UK
Percentage change over previous month and a year earlier (%)

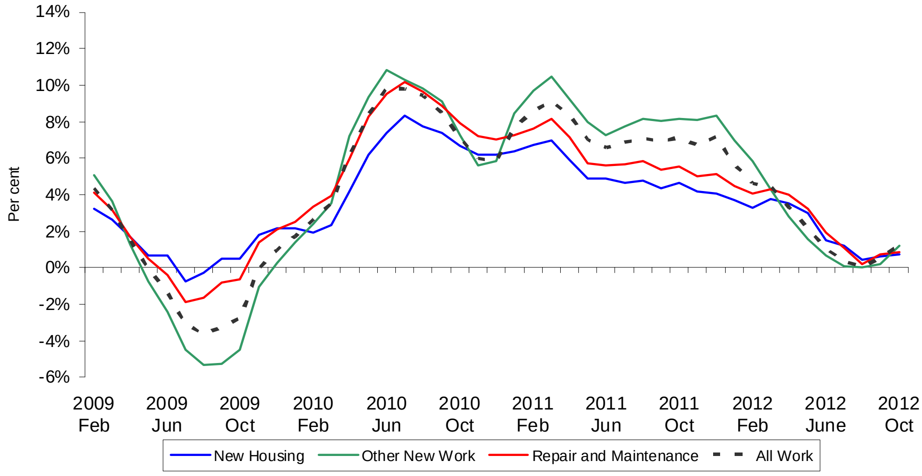


Source: Table 1 Monthly Statistics of Building Materials and Components

The headline 'All Work' Construction Material Price index rose by 0.6% on the month in October, following a 0.4% rise on the month in September.

Annual inflation rose to 1.2% in October, from 0.5% in September, and 0.1% in August. This follows eight successive months of falling annual inflation (from 7.2% in December 2011).

Chart 2: Growth in Construction Material Price Indices, UK
Percentage change over a year earlier (%)



Source: Table 1 Monthly Statistics of Building Materials and Components

Annual construction material price inflation saw a rise across all construction sub-sectors in October.

The 'Repair and Maintenance' sector saw annual inflation rising to 0.9% in October, from 0.7% in September. Over the same period, annual inflation in the 'New Housing' sector rose to 0.7%, from 0.6%, and in the 'Other New Work' sector it rose to 1.2% from 0.2%.

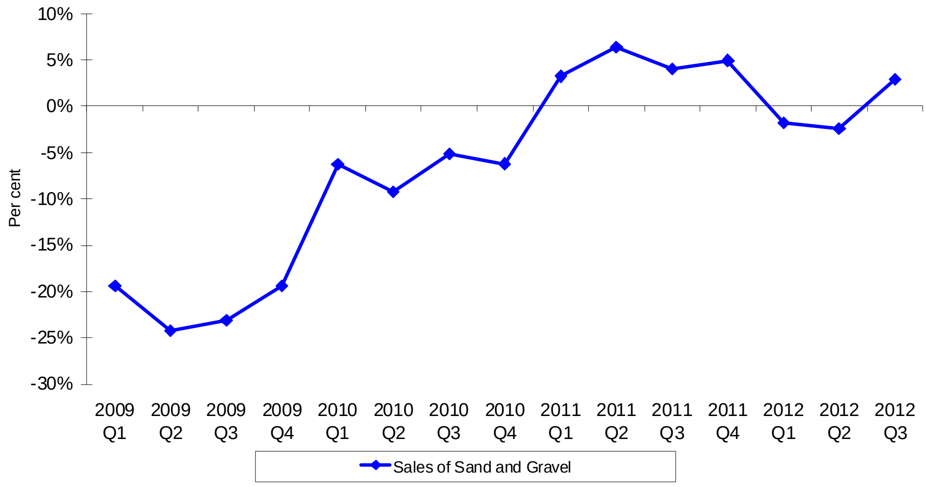
Table 1: Construction materials experiencing the largest price increases and decreases in the year to October 2012, UK

Construction Materials	% change on a year earlier
Largest price increases	
Coated Roadstone (excluding levy)	8.4
Sand and Gravel (excluding levy)	7.7
Sand and Gravel (including levy)	7.0
Largest price decreases	
Concrete reinforcing bars	-8.4
Crushed Rock (excluding levy)	-3.5
Fabricated Structural Steel	-3.1

Source: Table 2 Monthly Statistics of Building Materials and Components

Coated Roadstone excluding levy (up 8.4%), Sand & Gravel excluding levy (up 7.7%) and Sand & Gravel including levy (up 7.0%) experienced the largest price increases in the year to October. Over the same period, Concrete Reinforcing Bars (down 8.4%), Crushed Rock excluding levy (down 3.5%) and Fabricated Structural Steel (down 3.1%) experienced the largest price falls.

Chart 3: Sales of Sand and Gravel, GB
Percentage change over a year earlier (%)

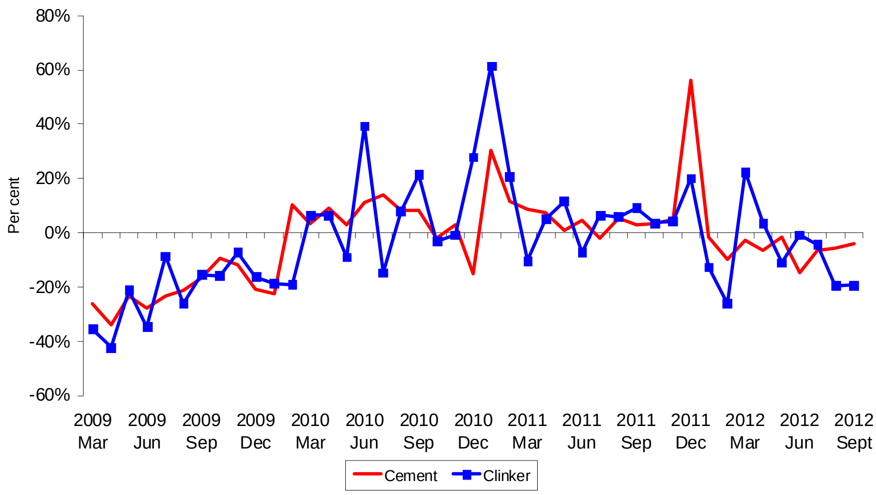


Source: Table 4 Monthly Statistics of Building Materials and Components

Sales of Sand and Gravel in Great Britain increased by 4.4% on the quarter in 2012Q3, to 15.1 million tonnes. This follows a quarterly increase of 4.2% in 2012Q2.

Compared to the same quarter last year, sales rose by 2.9% in 2012Q3, having fallen on this basis in the two previous quarters.

Chart 4: Production of Cement and Clinker, GB
Percentage change over a year earlier (%)

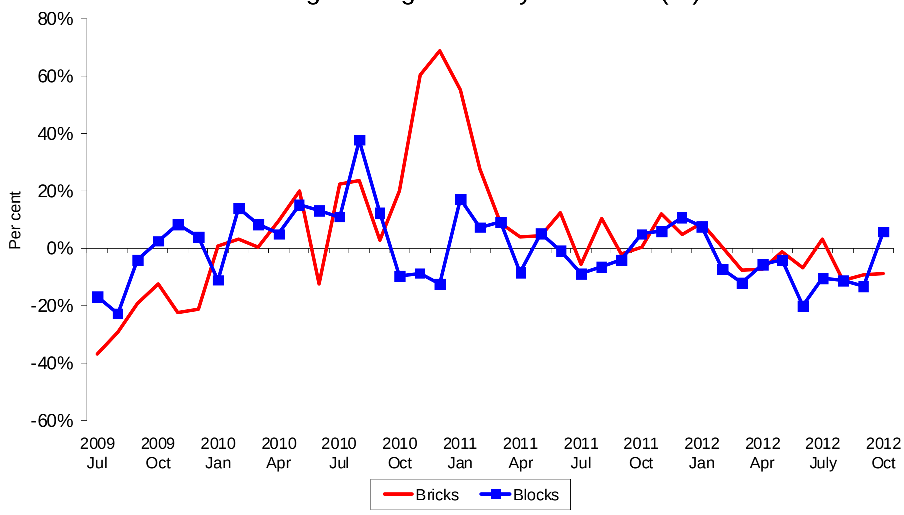


Source: Table 8 Monthly Statistics of Building Materials and Components

Cement production fell by 4.2% to 701 thousand tonnes in the year to September 2012. This is the ninth successive month in which production fell on a year-on-year basis and follows five successive months of positive year-on-year growth.

Production of Clinker also fell in the year to September, by 19.4%, following a decrease of 19.6% in the year to August.

Chart 5: Production of Bricks and Blocks, GB
Percentage change over a year earlier (%)

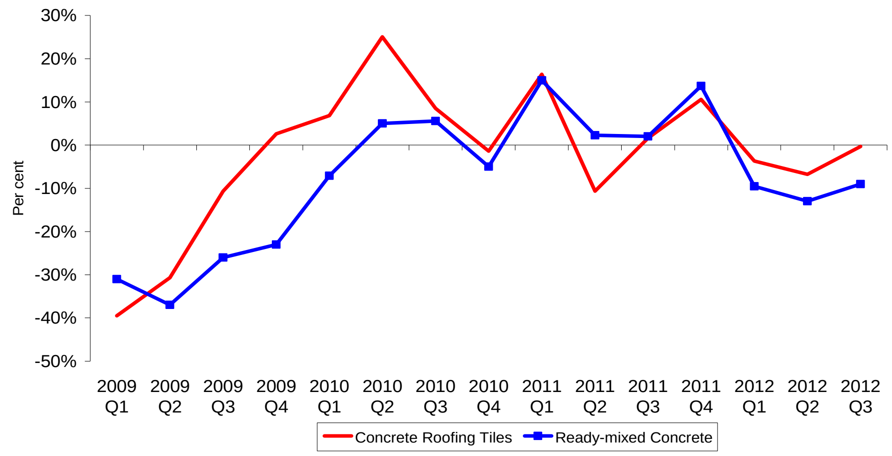


Source: Tables 9 and 11 Monthly Statistics of Building Materials and Components

In the year to October 2012, production of Bricks fell by 8.8%, the seventh decline on this basis in eight months.

Conversely, over the same period, production of Blocks rose by 5.9%, the first year-on-year rise since January 2012.

Chart 6: Deliveries of Concrete Roofing Tiles (GB) and Ready-mixed Concrete (UK)
Percentage change over a year earlier (%)

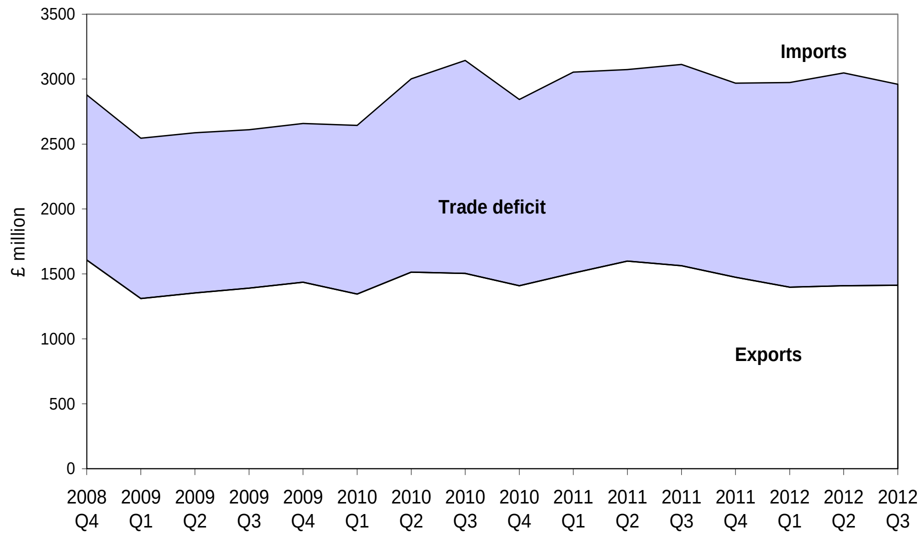


Source: Table 13 Monthly Statistics of Building Materials and Components

Deliveries of Concrete Roofing Tiles declined on a year-on-year basis for the third successive quarter in 2012Q3 (down 0.3%), after increasing on this basis in the second half of 2011.

Deliveries of Ready-mixed Concrete fell by 9.0% in the year to 2012Q3, after a year-on-year fall of 13.0% in 2012Q2 and 9.5% in 2012Q1.

Chart 7: Exports and Imports of Construction Materials, UK
£million



Source: Table 14 Monthly Statistics of Building Materials and Components

Exports of construction materials rose by 0.3% on the quarter in 2012Q3 (to £1,413 million). Imports fell by 2.9% (to £2,960 million). As a result, the trade deficit narrowed by £91 million, to £1,547 million, in 2012Q3.

The decrease in the trade deficit in 2012Q3 was largely due to a narrowing in the trade deficit in ‘semi-manufactures’ by £86 million. The trade deficit in ‘Raw materials’ also narrowed, by £6 million, whilst the ‘products and components’ stayed the same.

Table 2: Top-5 UK Exported and Imported Construction Materials in 2011

£ million

Top-5 Exported Materials		Top-5 Imported Materials	
Paints & Varnishes	622	Electrical Wires	1,347
Electrical Wires	572	Structural Units (Steel)	648
Structural Units (Steel)	473	Sawn Wood > 6mm thick	623
Lamps & Fittings	267	Air Conditioning Equip.	576
Air Conditioning Equip.	263	Central Heating Boilers	572

Source: Table 14 Monthly Statistics of Building Materials and Components

The top five exported materials in 2011 were Paints and Varnishes, Electrical Wires, Structural Units (Steel), Lamps & Fittings and Air Conditioning Equipment.

The top five imported construction materials in 2011 were Electrical Wires, Structural Units (Steel), Sawn Wood (thicker than 6mm), Air Conditioning Equipment and Central Heating Boilers.

Table 3: UK Trade of Construction Materials with EU and Non-EU Countries, 2011

£million (% of total trade in italics)

All Building Materials & Components	EU	Non-EU
Exports	3,836	2,308
	62%	*38%*
Imports	7,791	4,415
	64%	*36%*

Source: Table 15 Monthly Statistics of Building Materials and Components

In 2011, around 64% of all building material imports were from EU countries, while 62% of exports were to EU countries.

Table 4: Top 5 UK Export and Import Markets for Construction Materials in 2011

£ million

Top-5 Export Markets		Top-5 Import Markets	
Ireland	837	Germany	1,912
Germany	634	China	1,664
France	562	Italy	899
Netherlands	469	Netherlands	702
USA	373	Spain	586

Source: HMRC Overseas Trade Statistics

UK's largest export market for building materials was Ireland, followed by Germany, France, the Netherlands and the USA.

The largest import market was Germany, followed by China, Italy, the Netherlands and Spain.

Economic background

Last week saw the publication of ONS' second estimate of GDP which showed that GDP grew by 1.0% on the quarter in 2012Q3, unrevised from the previous estimate published in October. The ONS re-iterated that this relatively buoyant picture may partly reflect temporary factors, namely the boost from the Olympic and Paralympic games and the bounce-back from the Jubilee-affected second quarter.

The breakdown of the data indicated that the increase in GDP in 2012Q3 was largely driven by the services sector which saw its output rise by 1.3% on the quarter. Industrial production (up 0.9%) also made a positive contribution to growth, reflecting increases in manufacturing (up 0.9%), extraction (up 2.9%) and water and sewerage output (up 2.3%). However, the construction sector continued to act as a drag on growth, contracting by 2.6% on the quarter, slightly faster than previously assumed (-2.5%).

Looking at the demand side of the economy, net trade was the biggest contributor to the GDP increase in 2012Q3 (as exports rose and imports fell), followed by household consumption, business investment and government consumption.

Despite 2012Q3 GDP growth, UK's private sector forecasters, as polled by Consensus Economics, expect on average the UK economy to contract this year. According to the latest Consensus Economics forecasts, GDP is expected to drop 0.1% this year but rebound to +1.3% in 2013. In its latest Inflation report, the Bank of England also issued a pessimistic assessment of the UK economic outlook. Citing '*headwinds*' coming from Europe's sovereign debt crisis, the repercussions of the financial crisis and the need for rebalancing in the global economy as well as the fiscal consolidation at home continuing to act as a drag on growth, the Bank predicted a '*sustained, but slow, recovery over the next years*'.

Turning to the prospects for construction and manufacturing, two major forecasters have recently downgraded their expectations for growth in the construction sector. The Construction Products Association (CPA) and Experian now expect construction output to fall by around 6.5-7.5% in 2012 and 1.5-2.5% in 2013, attributing the weak picture to severe cuts in public investment and the subdued private sector not compensating for the cuts in public capital spending. The industry is expected to return to growth in 2014 but the rate of increase is expected to be moderate by historical standards. However, growth is predicted to gather momentum from 2014 onwards, reaching around 4% in 2015 and 5% in 2015, according to CPA.

The near term prospects for the manufacturing sector are also weak. According to the latest Consensus Economics forecasts, output in the sector is expected to fall by 1.0% in 2012. Although growth is likely to return to positive territory in 2013 (+1.1%), the increase in output would only just manage to offset the decline in 2012.

Background notes

Quality information for the Building Materials bulletin

1. The United Kingdom Statistics Authority has designated these statistics as National Statistics, in accordance with the Statistics and Registration Service Act 2007 and signifying compliance with the Code of Practice for Official Statistics.

   Designation can be broadly interpreted to mean that the statistics:
   - meet identified user needs;
   - are well explained and readily accessible;
   - are produced according to sound methods, and
   - are managed impartially and objectively in the public interest.

   Once statistics have been designated as National Statistics it is a statutory requirement that the Code of Practice shall continue to be observed. The full assessment report, published on 22nd December 2011, can be found on the UK Statistics Authority website.

2. Quality issues related to the *Building Materials and Components* outputs are discussed in the review of the Building Material statistics that was carried out in 2010 by BIS's construction team. The review aimed to: ascertain user needs; examine whether existing data collection methodologies are fit for purpose; estimate compliance costs; assess compliance with the Code of Practice; and identify options for change.

   The full report can be found on the BIS *Building Materials and Components* webpage.

   Detailed information on data suppliers, coverage and data collection methodology can be found in sections 2.1-2.10. Quality issues (coverage and accuracy of sample panels, response rates, survey results processing, disclosure etc.) and potential measures that could be employed to improve the quality of the statistics are discussed in section 2.11 of the review. Users' views on the quality of the *Building Materials and Components* statistics are given in section 3.3.4. These are derived from a user survey carried out in early 2010, as part of the review (see section 3 for details).

3. Following the review, BIS acted on the recommendations including commissioning the Office for National Statistics Methodology Advisory Service (ONS/MAS) to address some of the recommendations from the 2010 review. In July 2011, MAS published their preliminary findings. In July 2012, MAS published their final report. This will inform a full summary Quality Report that will be published by BIS shortly.

4. HM Revenue and Customs use administrative sources to produce Overseas Trade Statistics. A *Statement of Administrative Sources* used to compile construction material trade statistics is available on the BIS *Building Materials and Components* webpage:

   Separately, HM Revenue and Customs also have a *Statement of Administrative Sources* which covers Overseas Trade Statistics.

5. *The pre-announcement of any major changes to samples or methodology* also details some methodological changes to the collection of data.

6. The following table gives a summary of response rates related to some of the latest survey results. Where the response rate is less than 100%, estimates are made for missing values.

Latest data used in October 2012 edition	**Bulletin table number**	**Response rate**
Quarterly Sand and Gravel	4, 5 & 6	83%
Quarterly Sand and Gravel – Land Won	4, 5 & 6	48%
Quarterly Sand and Gravel – Marine Dredged	4, 5 & 6	91%
Quarterly Slate	7	83%
Monthly Bricks Provisional data	9	96%
Monthly Bricks Final data	9 & 10	100%
Monthly Concrete Blocks Provisional data	11	82%
Monthly Concrete Blocks Final data	11	98%
Quarterly Concrete Blocks Final data	11 & 12	98%
Quarterly Roofing Tiles	13	71%

Uses of the data

7. The *Building Materials and Components* statistics are used for a variety of purposes, including policy development and evaluation concerning the construction products industry, as well as monitoring market trends. In a wider context, the figures are regularly reported in the construction press to facilitate market analysis and business planning for its wide range of readers. The statistics are also increasingly used by financial institutions for assessing market information and industry trends. For more information on the uses of the Building Materials statistics, their usefulness to users and users' views on the quality of these statistics, see Section 3 of the *Building Materials and Components* review.

Related Statistics

8. In its monthly **Index of Production (IoP)** publication, the ONS publishes Gross Value Added (seasonally adjusted, UK) data for the following two industries:

- SIC 23.1-4/7-9 which includes the manufacture of bricks, tiles and other construction products.
- SIC 23.5-66 industry which includes the manufacture of concrete, cement and other products for construction purposes.

These data are not directly comparable with the data in this bulletin, due to differences in coverage and methodology. They are nevertheless useful in illustrating the latest output trends of related construction materials as measured by the ONS.

The latest IoP data show that output in the SIC 23.1-4/7-9 industry fell by 12.1% in the year to September 2012. This was the ninth successive month in which output fell on this basis, following a 12-month period in which the sector recorded uninterrupted year-on-year growth. In 2011 as a whole, the industry expanded by 7.3%, up from 2.5% in 2010.

In the year to September 2012, output in the SIC 23.5-6 industry fell by 13.3%, also the ninth consecutive fall on this basis, however in the 12-month period prior, nine months saw year-on-year declines. In 2011 as a whole, the sector suffered a 6.3% decline in output, more than offsetting a 4.7% increase in output recorded in 2010.

Turning to the **construction contracting sector**, the latest (non-seasonally adjusted) ONS data indicate that construction output fell by 13.1% in the year to September, a faster pace of decline than in the year to August (down 10.8%). The fall in the year to September was driven by declines in private commercial, repair and maintenance and public non-residential output. In 2011 as a whole, the construction sector achieved growth of 2.3%, down substantially from 8.3% in 2010.

Revisions

9. Our *revisions policy* can be found on the BIS Building Materials webpage.

10. *The pre-announcement of any major changes to samples or methodology* and *Summary of Revisions* give further information on revisions and other changes to data and can also be found on the BIS Building Materials webpage.

Further information

The coverage of cement and cementitious statistics changed from UK to GB in 2002 due to data confidentiality issues in Northern Ireland as the number of manufacturers decreased. Where the coverage of figures for other building materials is limited to Great Britain (i.e. sales of sand and gravel, and production, deliveries and stocks of slate, clinker, bricks, concrete building blocks and concrete roofing tiles), no equivalent data are collected for Northern Ireland.

The most recently published bulletin and accompanying data tables can be found on BIS' *Building Materials and Components* website

Accompanying tables with data relating to 2011 are accessible from this link.

Accompanying tables for 2005 - 2010 are accessible from this link.

Requests for older data should be sent to MaterialStats@bis.gsi.gov.uk

Please send us any comments or feedback you may have about this commentary.

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