Monthly Statistics of Building Materials and Components

Commentary

September 2012

Coverage: UK and Great Britain
Geographical area: Country, region and county
Date of publication: 3 October 2012

Headline results:

- The ‘All Work’ Construction Material Price Index continued its recent downward trend, rising by 0.1% in the year to August, down from a 0.5% rise in the year to July.

- The construction materials experiencing the largest price increases in the year to July were Sand and Gravel excluding levy (up 9.7%), Metal Doors and Windows (up 8.9%) and Thermal or Acoustic Insulating Materials (up 8.9%).

- Production of bricks fell by 11.1% in the year to August. Production of blocks fell by 14.9% in the year to August.

- Exports of construction materials rose by 0.7% on the quarter in 2012Q2 (to £1,409 million). Imports also rose, by more than exports (up 2.1% to £3,030 million). As a result, the trade deficit widened by £51 million, to £1,621 million, in 2012Q2.

Introduction

This commentary accompanies the latest Monthly Statistics of Building Materials and Components bulletin, published on the BIS Construction website on 3 October 2012.

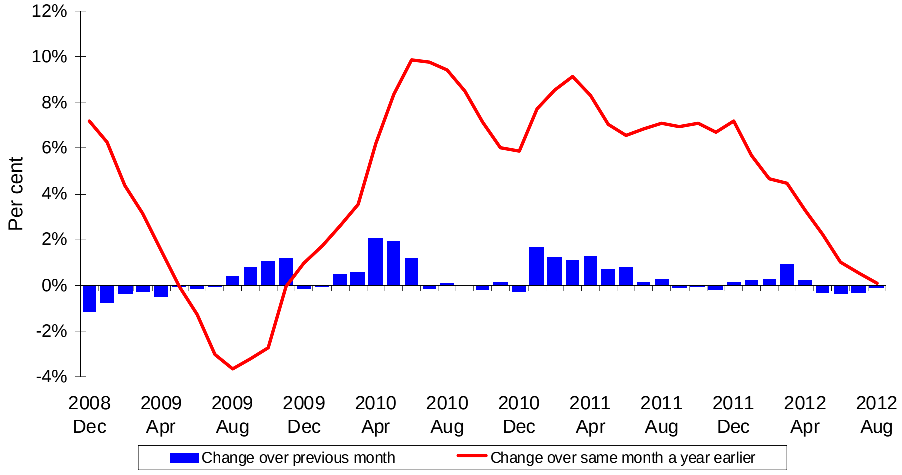
It aims to provide a brief overview of recent trends in the data presented in the bulletin. These data cover the following building materials statistics (in parentheses, the data collection frequency and the geographical area covered):

- 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 (%)

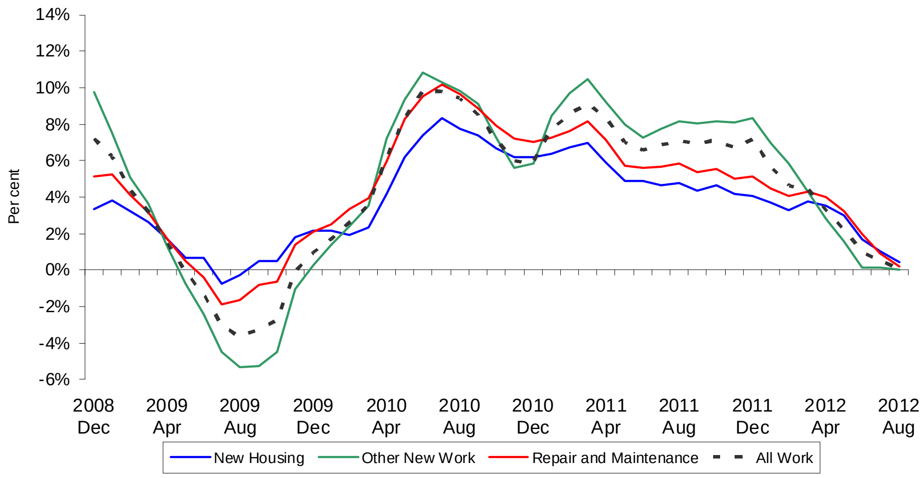


Source: Table 1 Monthly Statistics of Building Materials and Components

The headline 'All Work' Construction Material Price index fell by 0.1% on the month in August, after falling by 0.4% on the month in July.

Annual inflation continued the downward trend seen since the start of the year, falling to 0.1% in August, its lowest level since November 2009, from 0.5% in July.

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 eased in all construction sub-sectors in August.

The 'Repair and Maintenance' sector saw annual inflation falling to 0.2% in August, from 0.9% in July. Over the same period, annual inflation in the 'New Housing' sector fell to 0.4%, from 1.0% and in the 'Other New Work' sector it fell to 0.0% from 0.1%.

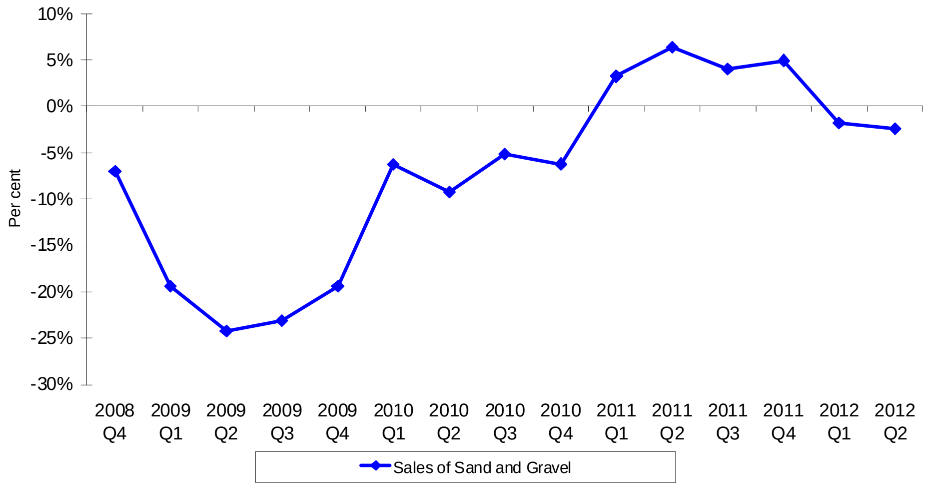
Table 1: Construction materials experiencing the largest price increases and decreases in the year to August 2012, UK

Construction Materials	% change on a year earlier
Largest price increases	
Sand and Gravel (excluding levy)	9.7
Doors and Windows (metal)	8.9
Insulating materials (thermal or acoustic)	8.9
Largest price decreases	
Concrete reinforcing bars	-6.9
Fabricated structural steel	-4.6
Imported sawn or planed wood	-2.6

Source: Table 2 Monthly Statistics of Building Materials and Components

Sand & Gravel excluding levy (up 9.7%), Metal Doors & Windows (up 8.9%) and Thermal or Acoustic Insulating Materials (up 8.9%) experienced the largest price increases in the year to August. Over the same period, Concrete Reinforcing Bars (down 6.9%), Fabricated Structural Steel (down 4.6%) and Imported Sawn or Planed Wood (down 2.6%) experienced the largest price falls.

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

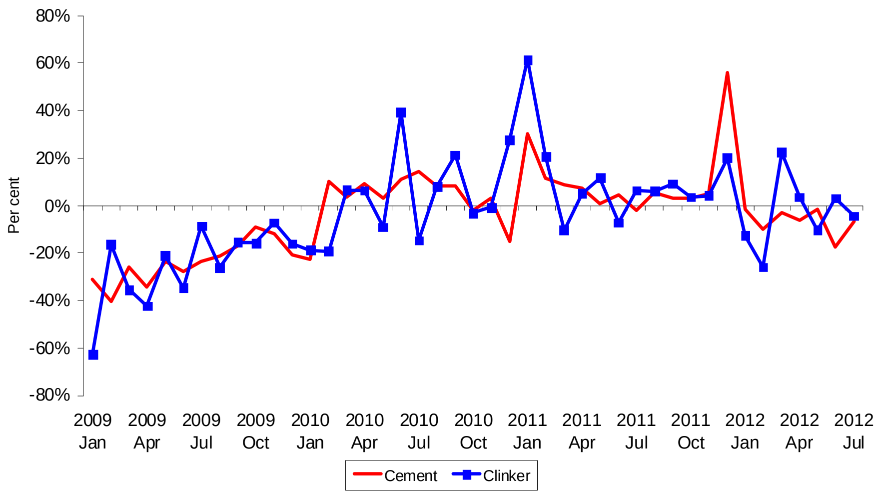


Source: Table 4 Monthly Statistics of Building Materials and Components

Sales of Sand and Gravel in Great Britain increased by 4.2% on the quarter in 2012Q2, to 14.5 million tonnes. This follows a quarterly increase of 3.7% in 2012Q1.

However, compared to the same quarter last year, sales fell by 2.4% in 2012Q2, and by 1.8% in 2012Q1. These declines come after four consecutive quarters of year-on-year growth.

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

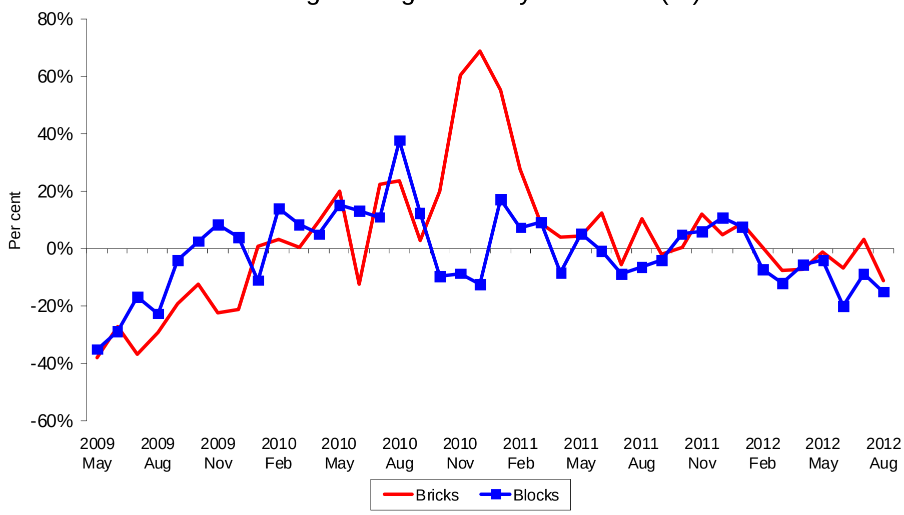


Source: Table 8 Monthly Statistics of Building Materials and Components

Cement production fell by 6.7% to 736 thousand tonnes in the year to July 2012. This is the seventh 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 July, by 4.4%, following an increase of 3.1% in the year to June.

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

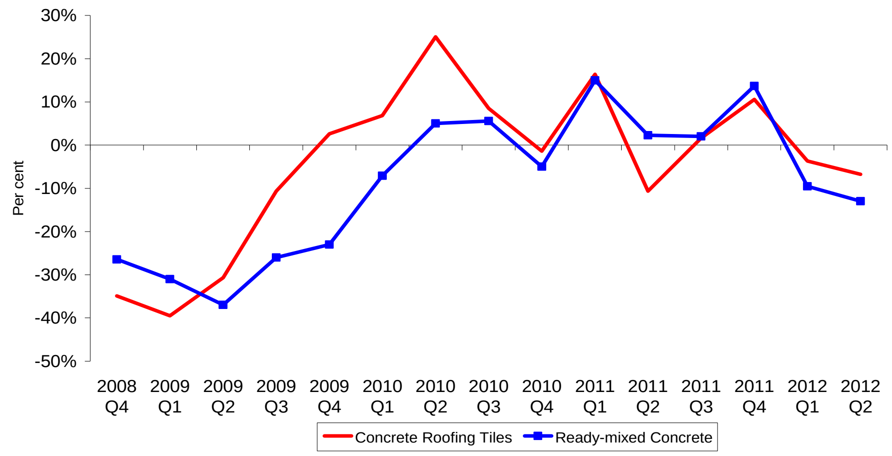


Source: Tables 9 and 11 Monthly Statistics of Building Materials and Components

In the year to August 2012, production of Bricks fell by 11.1%, following four declines in the previous five months on this basis; March (-7.6%), April (-7.0%), May (-1.0%), June (-6.9%).

Production of Blocks fell in the year to August, by 14.9%, the seventh successive year-on-year fall on this basis.

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

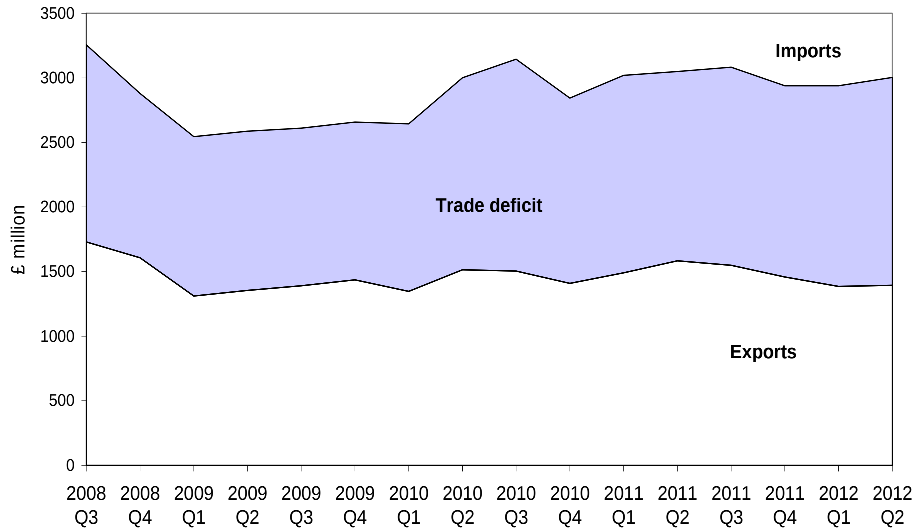


Source: Table 13 Monthly Statistics of Building Materials and Components

Deliveries of Concrete Roofing Tiles declined on a year-on-year basis for the second successive quarter in 2012Q2 (down 6.8%), after increasing on this basis in the second half of 2011.

Deliveries of Ready-mixed Concrete fell by 13.0% in the year to 2012Q2, after a fall of 9.5% in the previous quarter.

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 0.7% on the quarter in 2012Q2 (to £1,409 million). But imports rose, by more than exports (up 2.1% to £3,030 million). As a result, the trade deficit widened by £51 million, to £1,621 million, in 2012Q2.

The increase in the trade deficit in 2012Q2 was due to a widening in the trade deficit in ‘products and components’ by £18 million and ‘semi-manufactures’ by £35 million. By contrast, the deficit for ‘raw materials’ narrowed slightly, by £1 million.

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

This week the ONS published its third estimate of GDP, according to which the economy contracted by 0.4% on the quarter in 2012Q2, a 0.1ppts upward revision from last month's second estimate. The economy has now contracted by a total of 1% over the last three quarters. GDP growth for 2011 as a whole was also revised up 0.1ppts to 0.9%. Commenting on the GDP results, the ONS noted that that the weak GDP figures "*indicate that corporations are still suffering from subdued demand domestically due to the fragile position of households and subdued consumer confidence and internationally due to the continuing turmoil in the Euro Area, our main trading partner*."

On the supply side of the economy, the upward revision to GDP in 2012Q2 reflected upward revisions to industrial production and construction output. Output in the production sector was estimated to have fallen by 0.7% on the quarter in 2012Q2, rather than 0.9% as previously estimated, while construction output was revised up 0.9ppts to a fall of 3.0%. Output growth in the service sector was left unrevised at -0.1%.

The primary drivers of the decline in industrial production in 2012Q2 were the manufacturing and extraction sectors which saw a 0.8% and 3.3%, respectively, fall in activity. In construction, the fall in output was driven by decreases in infrastructure, public non-housing and private commercial output, according to separate figures published by the ONS on 14 September.

Going forward, the Bank of England expects increased activity associated with the Olympic Games to boost total GDP growth by a little more than 0.5 percentage points in 2012Q3. In the final quarter of the year, the Bank expects output to return to its underlying level, implying that growth will be slightly weaker than in 2012Q3.

Turning to the sectoral outlook, forecasters have generally downgraded their expectations in the last few months. The Construction Products Association (CPA) expects a contraction in construction output of 4.5% in 2012 and 1.3% in 2013 before output rebounds to positive growth of 2.8% in 2014. Similarly, Experian expects the sector to contract by 5.6% in 2012 and by 2.4% in 2013, with a return to growth of 0.8% in 2014. Both forecasters cite deep public sector cuts and weak private sector activity as reasons for their downbeat forecasts.

The near-term outlook is also weak for the manufacturing sector. According to the latest Consensus Economics forecasts, output in the sector is expected to decline by 1.1% in 2012, a sharp downward revision from forecasts made three months ago seeing only a 0.1% decline. That said, the sector is forecast to return to growth in 2013, growing by 1.6%.

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 Amendments to the May 2011 'Monthly Statistics of Building Materials and Components' Publication* 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 September 2012 edition	Bulletin table number	Response rate
Quarterly Sand and Gravel	4, 5 & 6	93%
Quarterly Sand and Gravel – Land Won	4, 5 & 6	58%
Quarterly Sand and Gravel – Marine Dredged	4, 5 & 6	100%
Quarterly Slate	7	83%
Monthly Bricks Provisional data	9	99%
Monthly Bricks Final data	9 & 10	100%
Monthly Concrete Blocks Provisional data	11	83%
Monthly Concrete Blocks Final data	11	95%
Quarterly Concrete Blocks Final data	11 & 12	100%
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 15.7% in the year to July 2012. This was the seventh 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 July 2012, output in the SIC 23.5-66 industry fell sharply by 16.6%, also the seventh consecutive fall on this basis. 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 10.1% in the year to July, a slower rate of decline than in the year to June (-14.1%). The fall in the year to July was driven by declines in private commercial and infrastructure output. In 2011 as a whole, the construction sector achieved growth of 2.4%, 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.

Next publication: 7 November 2012

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Department of Business of Business, Innovation & Skills.
www.bis.gov.uk
First published October 2012.

URN 12 / P125i