Monthly Statistics of Building Materials and Components

Commentary

February 2012

Coverage: UK and Great Britain
Geographical area: Country, region and county
Date of publication: 7 March 2012

Headline results:

- The ‘All Work’ Construction Material Price Index rose by 5.7% in the year to January, down from 6.8% in the year to December.
- The construction materials experiencing the largest price increases in the year to January were Thermal or Acoustic Insulating Materials (up 12.1%), Particle Board (up 10.3%) and Ceramic Sanitaryware (up 10.2%)
- Production of concrete blocks rose by 10.3% in the year to January, following a 17.1% increase in the year to December.
- In 2011Q4, exports of construction materials fell by 6.6% (to £1,441 million) compared to the previous quarter, while imports also fell by 6.1% (to £2,909 million). As a result, the trade deficit in construction materials narrowed by £89 million, to £1,468 million, in 2011Q4.

Correction Notice

In the Headline results on the front page, the fourth bullet point should have reported that the trade deficit narrowed by £89 million, to £1,468 million, in 2011Q4, but erroneously reported it narrowing by £689 million. On page 6, text relating to Chart 7 correctly reported that the deficit narrowed by £89 million. However, text relating to Chart 7 (see page 7 of this document) has been corrected to describe the decrease in the trade deficit in 2011Q4 being due to the narrowing of the trade deficit for ‘products and components’ and ‘semi-manufactures’ by £68 million and £37 million respectively, whilst the trade deficit in ‘raw materials’ widened by £15 million. This was previously unclear.

This document, published on 2 May 2012, has been corrected accordingly.

BIS apologises for any inconvenience caused.

Introduction

This commentary accompanies the latest Monthly Statistics of Building Materials and Components bulletin, published on the BIS Construction website on 7 March 2012.

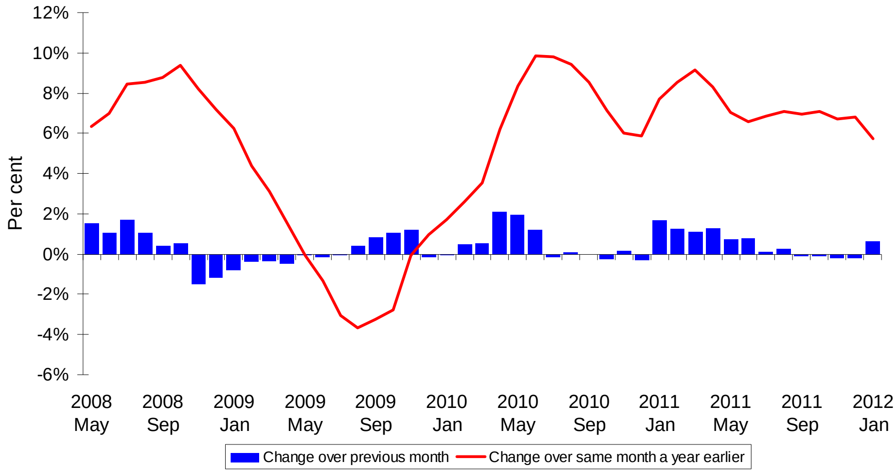
It aims to provide a brief overview of recent trends in the data presented in the bulletin. These data cover the following building materials statistics (in parentheses, the data collection frequency and the geographical area covered):

- 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 (%)



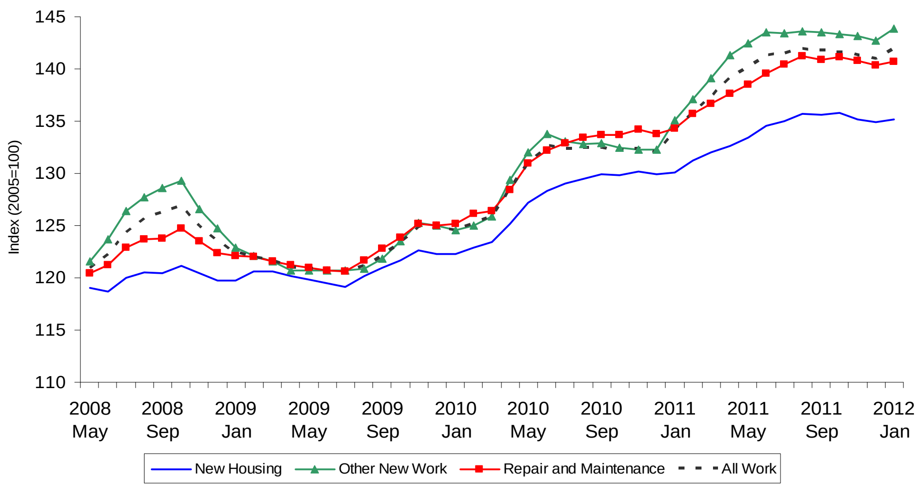
Source: Table 1 Monthly Statistics of Building Materials and Components

The headline 'All Work' Construction Material Price index rose by 0.6% on the month in January, after falling by 0.2% on the month in December.

The annual inflation rate was 5.7% in January, lower than in December (6.8%), and the lowest since March 2010 (3.5%).

In 2011 as a whole, 'All Work' Construction Material Prices rose by 7.4%.

Chart 2: Construction Material Price Indices, UK
2005 = 100



Source: Table 1 Monthly Statistics of Building Materials and Components

The year-on-year increase in the headline 'All Work' price index was broad-based, reflecting increases in all sub-indices.

The 'Other New Work' sub-index recorded the largest rise (up 6.5%), followed by 'Repair and Maintenance' (up 4.8%) and the 'New Housing' (up 3.9%) sub-indices.

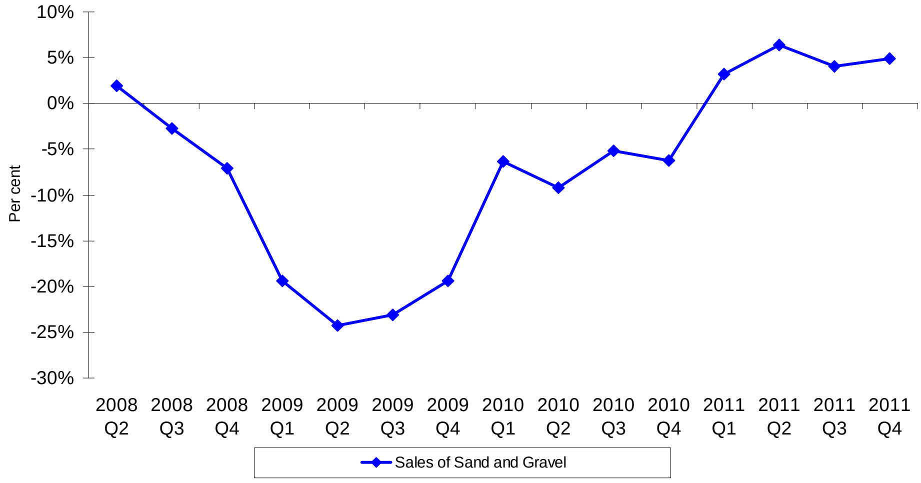
Table 1: Construction materials experiencing the largest price increases and decreases in the year to January 2012, UK

Construction Materials	% change on a year earlier
Largest price increases	
Insulating Materials (thermal or acoustic)	12.1
Particle Board	10.3
Ceramic Sanitaryware	10.2
Largest price decreases	
Imported sawn or planed wood	-3.0
Ceramic tiles	-2.3
Sand and Gravel (excluding levy)	-0.6

Source: Table 2 Monthly Statistics of Building Materials and Components

Thermal or Acoustic Insulating Materials (up 12.1%), Particle Board (up 10.3%) and Ceramic Sanitaryware (up 10.2%) experienced the largest price increases in the year to January. Over the same period, the materials that saw the largest price falls were Imported Sawn or Planed Wood (down 3.0%), Ceramic Tiles (down 2.3%) and Sand and Gravel, excluding levy (down 0.6%).

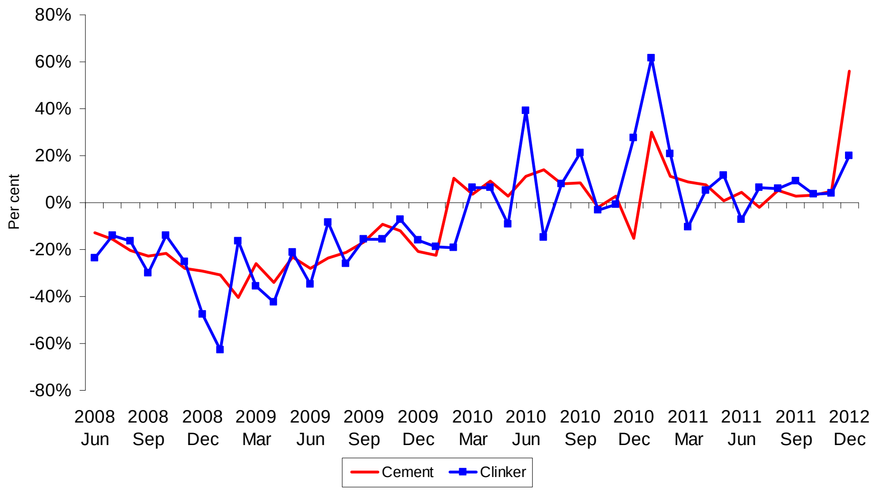
Chart 3: Sales of Sand and Gravel, GB
Percentage change over a year earlier (%)



Source: Table 4 Monthly Statistics of Building Materials and Components

In 2011Q4, Sales of Sand and Gravel in Great Britain decreased on the quarter by 8.8%, to 13.4 million tonnes. This is a continuation of the decline seen in the previous quarter (Q3) which followed solid increases in Q1 and Q2. However, compared to the same quarter last year, sales rose (up 4.9%), as was the case in the previous three quarters in 2011.

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

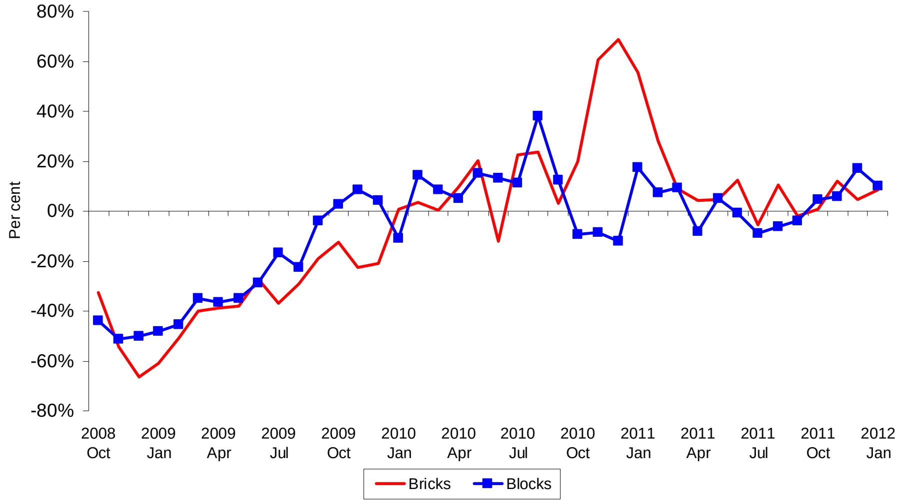


Source: Table 8 Monthly Statistics of Building Materials and Components

Cement production rose by 56.1%, to 574 thousand tonnes, in the year to December 2011. This was the fifth successive month of positive year-on-year growth.

Meanwhile, production of Clinker rose for the sixth successive month on this basis in December - up 20.0%, to 627 thousand tonnes.

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

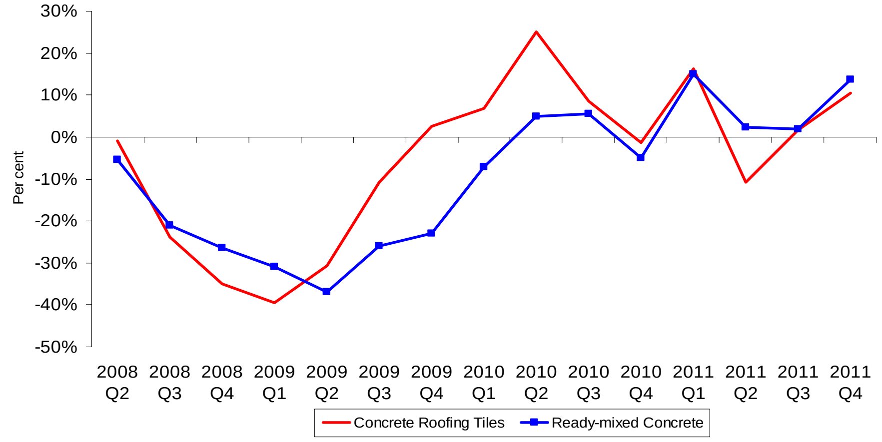


Source: Tables 9 and 11 Monthly Statistics of Building Materials and Components

Bricks data were revised between January 2009 and February 2011 inclusively (see paragraph 10 in 'Background Notes'). In January 2012, production of Bricks increased by 8.5% compared to a year ago.

Blocks production in Great Britain also rose on a year-on-year basis in January by 10.3%, slower than in December (up 17.1%). December and January have seen the two largest year-on-year increases since January 2011.

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

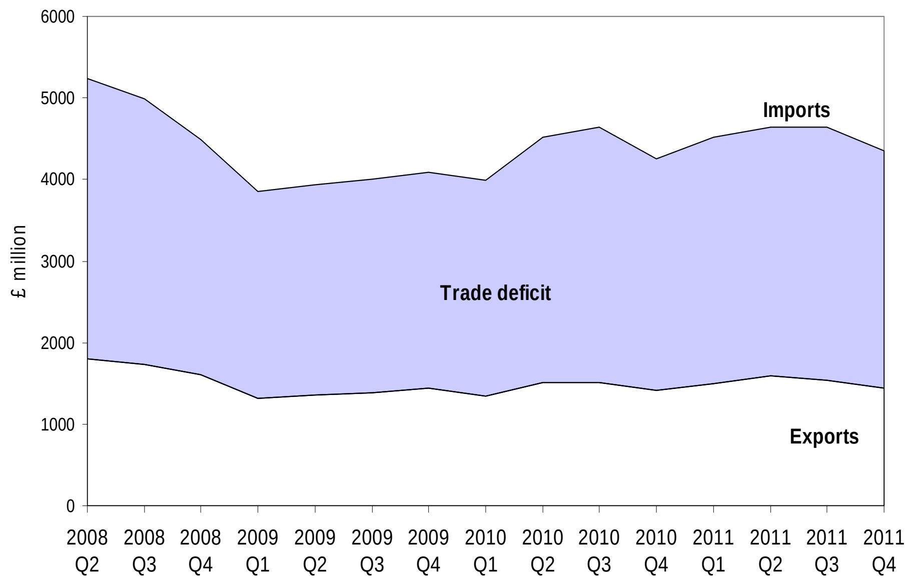


Source: Table 13 Monthly Statistics of Building Materials and Components

Deliveries of Concrete Roofing Tiles continued to recover from a year-on-year fall of 10.7% in 2011Q2, rising by 1.6% on this basis in 2011Q3 and by 10.6% in 2011Q4. Deliveries in 2011Q4 were enough to cover 4.3 million square metres.

Ready-mixed Concrete rose by 13.7% in the year to 2011Q4, up from 2.0% in the year to 2011Q3.

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



Source: Table 14 Monthly Statistics of Building Materials and Components

Exports of construction materials fell by 6.6% on the quarter in 2011Q4 (to £1,441 million) while imports also fell, by 6.1% (to £2,909 million). As a result, the trade deficit narrowed by £89 million, to £1,468 million, in 2011Q4.

The decrease in the trade deficit in 2011Q4 was due to a narrowing in the trade deficit in 'products and components' and 'semi-manufactures', of £68 and £37 million, respectively. Over the same period, the trade deficit in 'raw materials' widened by £15 million.

Table 2: Top-5 Exported and Imported Construction Materials, UK
£ million

Top-5 Exported Materials		Top-5 Imported Materials	
Electrical Wires	146.8	Electrical Wires	354.3
Paints & Varnishes	146.0	Central Heating Boilers	151.6
Structural Units (steel)	105.0	Structural Units (steel)	136.5
Lamps & Fittings	73.1	Lamps & Fittings	134.4
Air Conditioning Equipment	60.0	Sawn Wood > 6mm thick	132.3

Source: Table 14 Monthly Statistics of Building Materials and Components

The top five imported construction materials in 2011Q4 were Electrical Wires, Central Heating Boilers, Structural Units (Steel), Lamps & Fittings, and Sawn Wood (more than 6mm thick).

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

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	3,763	2,299
	62%	*38%*
Imports	7,680	4,407
	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	*819*	Germany	*1845*
Germany	*629*	China	*1661*
France	*545*	Italy	*887*
Netherlands	*465*	Netherlands	*701*
USA	*373*	Spain	*588*

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

Revised GDP estimates published by the Office for National Statistics (ONS) on 24 February confirmed that the UK economy contracted by 0.2% on the quarter in 2011Q4. The ONS also revised down by 0.1 percentage point its previous estimates for 2011Q1 and 2011Q3 growth, to 0.3% and 0.5%, respectively. As a result, GDP growth in 2011 as a whole came in slightly weaker than originally estimated, at 0.8%, down from an initial estimate of 0.9%, and down from 2.1% in 2010. Overall, the figures point to a relatively slow economic recovery, with less than half (3.4%) of the cumulative output lost during the recession (7.1%) currently been recovered.

The breakdown of the quarterly data indicates that the production sector acted as the biggest drag on the economy in 2011Q4, with output falling by 1.4%. Within this, manufacturing output, the largest component of industrial production, declined for a second successive quarter, by 0.8%. Construction output fell by 0.5% over the same period, also making a small negative contribution to overall GDP growth. By contrast, the dominant services sector recorded flat (0.0%) growth, supported by a rise in output in ‘Business services and finance’ and ‘Government and other services’.

In expenditure terms, fixed investment was the biggest contributor to the GDP decline in 2011Q4, influenced by a sharp 5.6% fall in business investment. Within this, manufacturing and private construction investment fell by 2.4% and 26.1%, respectively, having increased in the previous two quarters. All the other components of aggregate demand (household consumption, net trade and government consumption) supported growth in 2011Q4, noting in particular the 0.5% increase in household consumption, the first since the third quarter of 2010.

Timelier data covering the early part of 2012 show a more positive picture. Surveys from CIPS/Markit suggest that activity in both manufacturing and construction rebounded in the first two months of 2012, the latter benefiting from an increase in new orders and a pickup in business confidence. The latest CBI report on the manufacturing sector is also upbeat, pointing to an improvement in domestic and export orders and a rise in optimism among manufacturers, following a weak end to 2011.

That said, most commentators continue to remain cautious about future prospects in both sectors. The private sector forecasters polled by Consensus Economics expect, on average, that the manufacturing sector will stagnate (0.0%) this year after registering positive growth of 2.2% in 2011 and 3.7% in 2010. The latest forecasts on construction are not too encouraging either. Organisations such as the Construction Products Association and Experian believe that the sector will contract by over 5% this year, reflecting the combination of public expenditure cuts, rising economic uncertainty and continued weakness in lending to finance private sector projects. Trading conditions, however, are expected to improve in 2013, with growth strengthening substantially in subsequent years.

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. ONS/MAS are due to complete their work in March 2012 which will inform a full summary Quality Report that will be published by BIS.

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 February 2012 edition	Bulletin table number	Response rate
Quarterly Sand and Gravel	4, 5 & 6	93%
Quarterly Sand and Gravel – Land Won	4, 5 & 6	57%
Quarterly Sand and Gravel – Marine Dredged	4, 5 & 6	100%
Quarterly Slate	7	77%
Monthly Bricks Provisional data	9	96%
Monthy Bricks Final data	9 & 10	100%
Monthly Concrete Blocks Provisional data	11	81%
Monthly Concrete Blocks Final data	11	100%
Quarterly Concrete Blocks Final data	11 & 12	100%
Quarterly Roofing Tiles	13	100%

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 has risen on a year-on-year basis in every month this year, growing by 7.4% in 2011 as a whole, more than twice as fast as in 2010 (3.2%). A different picture emerges in the SIC 23.5-66 industry which contracted by 5.7% last year, following growth of 4.6% in 2010.

Turning to the construction contracting sector, the latest ONS data indicate that construction output fell by 0.5% on the quarter in 20111Q4, after increasing in the previous two quarters. Looking at 2011 as a whole, the pace of growth has moderated substantially, to 2.7%, from 8.2% in 2010. This was predominantly due to a decline in publicly-funded construction activity and, to a lesser extent, weaker growth in private house-building and infrastructure activity.

Revisions

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

10. Following the receipt of more accurate data on Brick Production, Deliveries and Stocks from sites already sampled and additional historical data from new sites which were added to the sample panel from February 2011, data covering January 2009 to February 2011 have been revised. A pre-announcement of the change was posted on the BIS website from 22 November 2011 and revised data tables were published on 11 January 2012. These revisions affect tables 9 and 10 of the Monthly Statistics of Building Materials and Components bulletin and subsequent bricks data discussed in this commentary document.

11. Data on the trade of construction materials and products have been revised. For Table 14, the Q2 2011 figure for Zinc Building Products Exports has been corrected as it was erroneous due to a processing error. For Table 15, data on Exports of Lifts & Escalators from 2004 to 2010 have been revised, again due to the discovery of a processing error. As a result, the Export and Balance figures in the sub-total (Products and Components) and total (All Building Materials and Components) have also been corrected. These revisions were first published in the February 2012 edition of this bulletin (published on 7 March 2012).

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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Statistical Contact: James Liley
Tel: +44 (0)207 215 6221
Email: MaterialStats@bis.gsi.gov.uk

Website: BIS Building Materials Construction Statistics, http://www.bis.gov.uk/analysis/statistics/construction-statistics/building-materials