Department for Business Innovation & Skills

Monthly Statistics of Building Materials and Components

Commentary

February 2013

Coverage: UK and Great Britain
Geographical area: Country, region and county
Date of publication: 6 March 2013

Headline results:

- The 'All Work' Construction Material Price Index rose by 0.8% in the year to January, up from 0.4% in December. This is 6.4 percentage points down from the recent peak of 7.2% in December 2011.

- The construction materials experiencing the largest price increases in the year to January were Particle Board (up 6.7%), Sand & Gravel excluding levy (up 6.5%) and Sand and Gravel including levy (up 6.4%).

- In the year to January, production of bricks fell by 5.7% and production of blocks fell by 9.8%.

- Exports of construction materials fell by 3.9% on the quarter in 2012Q4 (to £1,355 million). Imports fell by 6.7% (to £2,783 million). As a result, the trade deficit narrowed by £144 million, to £1,428 million, in 2012Q4.

Introduction

This commentary accompanies the latest Monthly Statistics of Building Materials and Components bulletin, published on the BIS Construction website on 6 March 2013.

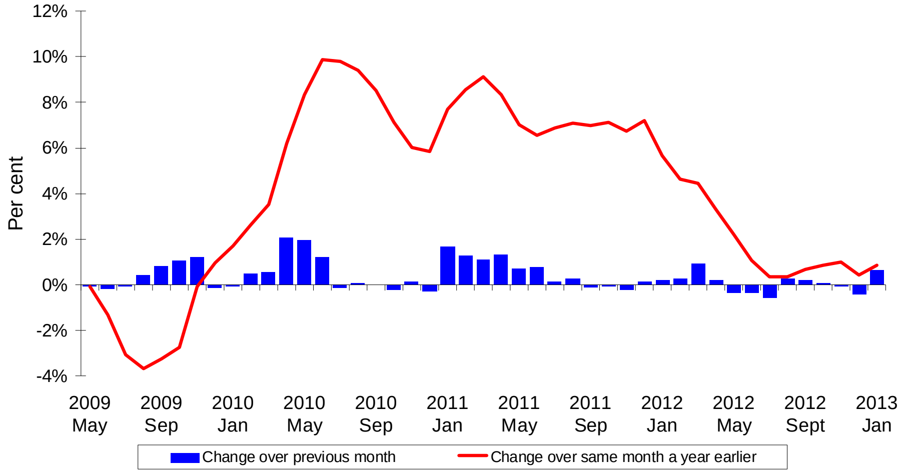
It aims to provide a brief overview of recent trends in the data presented in the bulletin. These data cover the following building materials statistics (in parentheses, the data collection frequency and the geographical area covered):

- 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 (%)

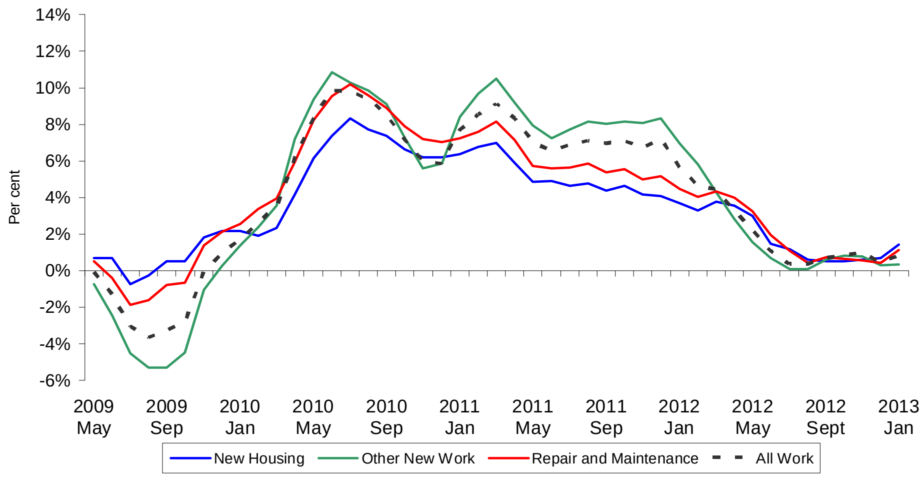


Source: Table 1 Monthly Statistics of Building Materials and Components

The headline 'All Work' Construction Material Price index rose by 0.6% on the month in January, following a 0.4% fall on the month in December.

Annual inflation fell to 0.8% in January, from 0.4% in December. This is 6.4 percentage points down from the recent peak of 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 rose in all construction sub-sectors in January, except in the 'Other New Work' sub-sector, which was unchanged at 0.3% in December.

The 'Repair and Maintenance' sector saw annual inflation rising to 1.1% in January, from 0.4% in December and in the 'New Housing' sector it rose to 1.4% from 0.7%.

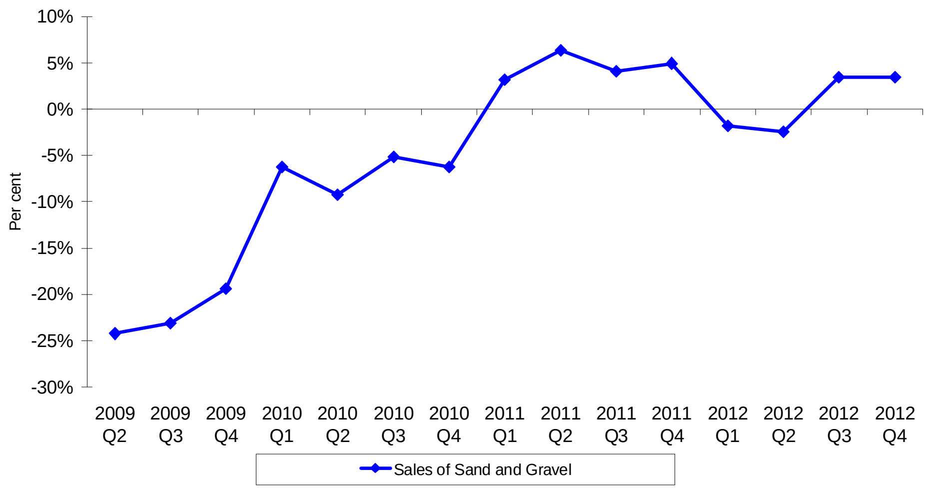
Table 1: Construction materials experiencing the largest price increases and decreases in the year to January 2013, UK

Construction Materials	% change on a year earlier
Largest price increases	
Particle Board	6.7
Sand and Gravel (excluding levy)	6.5
Sand and Gravel (including levy)	6.4
Largest price decreases	
Concrete Reinforcing Bars	-8.8
Doors & Windows (Builders' Woodwork)	-4.4
Crushed Rock (excluding levy)	-3.0

Source: Table 2 Monthly Statistics of Building Materials and Components

Particle Board (up 6.7%), Sand & Gravel excluding levy (up 6.5%) and Sand & Gravel including levy (up 6.4%) experienced the largest price increases in the year to January. Over the same period, Concrete Reinforcing Bars (down 8.8%), Doors and Windows from Builders' Woodwork (down 4.4%) and Crushed Rock excluding levy (down 3.0%) experienced the largest price falls.

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

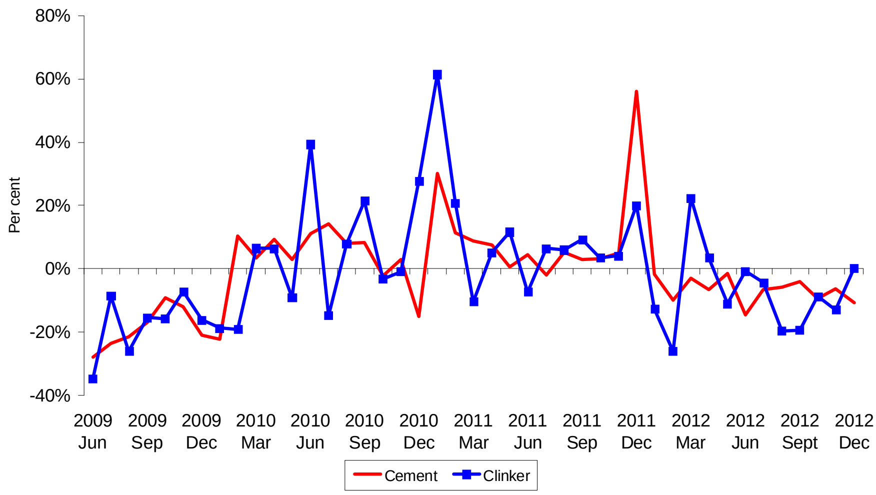


Source: Table 4 Monthly Statistics of Building Materials and Components

Sales of Sand and Gravel in Great Britain decreased by 8.8% on the quarter in 2012Q4, to 13.9 million tonnes. This follows a quarterly increase of 5.0% in 2012Q3.

However, compared to the same quarter last year, sales rose by 3.4% in 2012Q4. On the same basis, this followed an increase of 3.5% in 2012Q3 after declines in the first two quarters of 2012 (-1.8% in Q1, -2.4% in Q2).

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

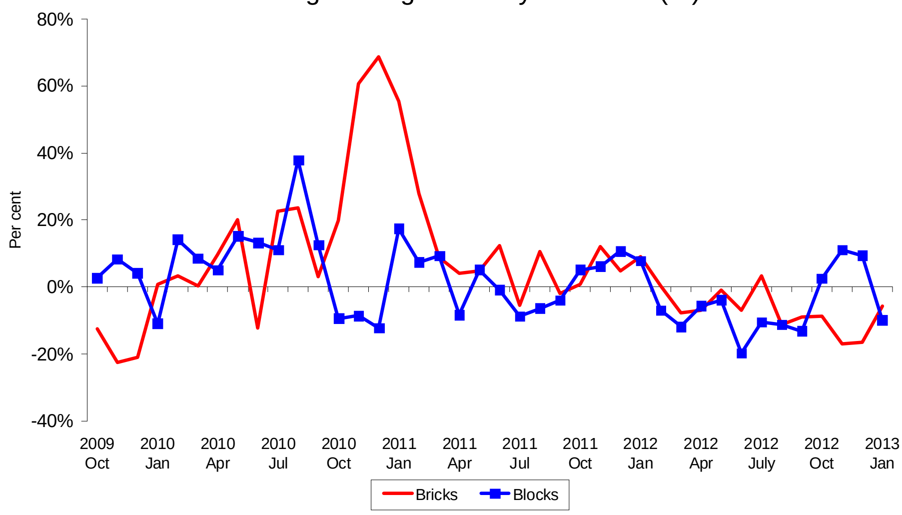


Source: Table 8 Monthly Statistics of Building Materials and Components

Cement production fell by 10.7% to 513 thousand tonnes in the year to December 2012. Production fell on a year-on-year basis in each month of 2012, which was preceded by five successive months of positive year-on-year growth.

Production of Clinker also rose in the year to December, by 0.3%, following a decrease of 12.9% in the year to November. This slight rise is the first following seven successive declines on this basis.

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

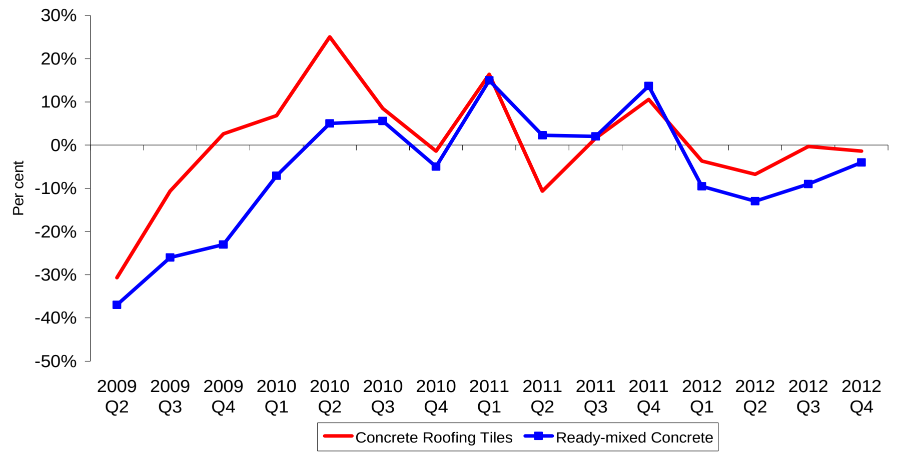


Source: Tables 9 and 11 Monthly Statistics of Building Materials and Components

In the year to January 2013, production of Bricks fell by 5.7%, the tenth decline on this basis in eleven months.

Production of Blocks also fell in the year to January, by 9.8%, following a 9.4% increase in the year to December. Eight year-on-year declines were seen in 2012 on this basis.

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

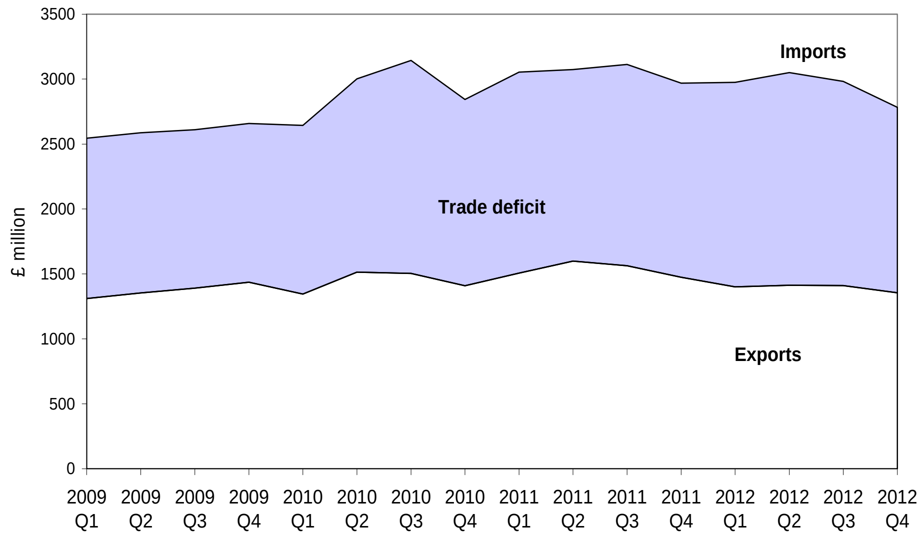


Source: Table 13 Monthly Statistics of Building Materials and Components

Deliveries of Concrete Roofing Tiles declined on a year-on-year basis for the fourth successive quarter in 2012Q4 (down 1.4%), after increasing on this basis in the second half of 2011.

Deliveries of Ready-mixed Concrete fell by 4.0% in the year to 2012Q4. Deliveries fell on this basis in each quarter of 2012. Comparing deliveries in 2012 with 2011, delivery volumes have fallen by 9.0%.

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 3.9% on the quarter in 2012Q4 (to £1,355 million). Imports fell by 6.7% (to £2,783 million). As a result, the trade deficit narrowed by £144 million, to £1,428 million, in 2012Q4.

The decrease in the trade deficit in 2012Q4 was largely due to a narrowing in the trade deficit in ‘products and components’ by £113 million. The trade deficit in ‘semi-manufactures’ also narrowed, by £24 million, whilst ‘raw materials’ narrowed by £8 million.

Table 2: Top-5 UK Exported and Imported Construction Materials in 2012

£ million

Top-5 Exported Materials		Top-5 Imported Materials	
Paints & Varnishes	630	Electrical Wires	1,373
Electrical Wires	509	Sawn Wood > 6mm thick	625
Lamps & Fittings	286	Lamps & Fittings	596
Air Conditioning Equip.	255	Central Heating Boilers	524
Plugs & Sockets	215	Air Conditioning Equip.	521

Source: Table 14 Monthly Statistics of Building Materials and Components

The top five exported materials in 2012 were Paints and Varnishes, Electrical Wires, Lamps & Fittings, Air Conditioning Equipment and Plugs & Sockets.

The top five imported construction materials in 2012 were Electrical Wires, Sawn Wood (thicker than 6mm), Lamps & Fittings, Central Heating Boilers and Air Conditioning Equipment.

Table 3: UK Trade of Construction Materials with EU and Non-EU Countries, 2012

£million (% of total trade in italics)

All Building Materials & Components	EU	Non-EU
Exports	3,342	2,236
	60%	*40%*
Imports	7,411	4,380
	63%	*37%*

Source: Table 15 Monthly Statistics of Building Materials and Components

In 2012, around 60% of all building material imports were from EU countries, while 63% of exports were to EU countries.

Table 4: Top 5 UK Export and Import Markets for Construction Materials in 2012

£ million

Top-5 Export Markets		Top-5 Import Markets	
Ireland	673	Germany	1,844
Germany	563	China	1,670
France	491	Italy	819
Netherlands	435	Spain	609
USA	364	Netherlands	560

Source: HMRC Overseas Trade Statistics

The 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, Spain and the Netherlands.

Economic background

Last week saw the publication of ONS' second estimate of GDP which showed that GDP fell by 0.3% on the quarter in 2012Q4, unrevised from the previous estimate published in January. Output in 2012 was known to be volatile as a result of the Diamond Jubilee and Olympics events and subsequently data for Q1 and Q3 were revised. Upward revisions of 0.1ppts on the quarter in Q1 (to -0.1%) and Q3 (to 1.0%) resulted in annual 2012 GDP growth being revised up to 0.2%.

The revision to the 2012 GDP growth was partly driven by revisions to construction output, with figures revised up in each quarter of 2012 by between 0.3ppts and 0.6ppts. These revisions mean that construction output in 2012 as a whole is estimated to have fallen 8.4%. Revisions to the second half of 2011 meant that construction output is estimated to have risen 2.4%, rather than 2.5%, during 2011.

Although the construction sector made a positive contribution to GDP in 2012Q4, this was offset by either very little or negative growth in all other sectors. The breakdown of the data indicated that the fall in GDP was mostly driven by the industrial production sector which saw its output fall 1.9% on the quarter. Within production, extraction made the largest negative contribution to growth, falling 11.0% on the quarter. The services sector also acted as a drag on growth, falling 0.1%.

UK's private sector forecasters, as polled by Consensus Economics, expect on average the UK economy to see moderate growth this year. According to the latest Consensus Economics forecasts, GDP is expected to rise 0.9% this year, with stronger growth of +1.7% in 2014. In its latest Inflation report, the Bank of England expects "*a slow but sustained recovery in both demand and effective supply*", highlighting in particular further easing in credit conditions coupled with the challenges facing the euro area.

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 2.2-3.5% in 2013 before the sector returns to growth in 2014 of around 0.8-2.0%. They attribute the weak picture in 2013 to the continued effect of severe cuts in public investment and the inability of the private sector to compensate for these cuts, but see growth for 2014 driven by private sector activity coupled with an ease of the effect of public investment cuts. Both expect growth to gather momentum from 2014 onwards, reaching around 4% in 2015 and 5% in 2016, according to CPA. The near term prospects for the manufacturing sector are also weak. According to the latest Consensus Economics forecasts, moderate growth is expected in the sector for 2013 (+0.4%) and further growth in 2014 (+2.0%).

The volume of new construction orders, published by ONS on 1 March, saw a second consecutive quarterly increase, with orders up 3.4% on the quarter in 2012Q4. Although this series cannot be used to directly predict future output in the construction sector, it can provide an indication of trends in the construction and allied trades industry. However, the recent ascent in orders follows 2012Q2, where orders were the third lowest since 1964. Orders were broadly flat in 2012 as a whole compared to the previous year, with orders rising by 0.4% compared to 2011.

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 interim report. 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 February 2013 edition	Bulletin table number	Response rate
Quarterly Sand and Gravel	4, 5 & 6	82%
Quarterly Sand and Gravel – Land Won	4, 5 & 6	52%
Quarterly Sand and Gravel – Marine Dredged	4, 5 & 6	68%
Quarterly Slate	7	67%
Monthly Bricks Provisional data	9	99%
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	94%
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. The Construction Statistics Annual brings together a wide range of statistics currently available on the construction industry from a variety of sources and provides a broad perspective on statistical trends in the construction industry, with some international comparisons.

9. 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 6.7% in the year to December 2012. This was the twelfth 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 2012 as a whole, the industry contract by 10.9%, down from an expansion of 7.1% in 2011. Monthly indices from April to December 2012 inclusively have been some of the lowest on record (since January 1997), with 9 of the 14 lowest being in these months (the lowest being in June 2012).

In the year to December 2012, output in the SIC 23.5-6 industry fell by 13.8%, also the twelfth consecutive fall on this basis, with 21 months in the last 24-month period seeing year-on-year declines. In 2012 as a whole, the sector suffered a 15.0% decline in output, following a contraction of 6.1% in output recorded in 2011.

Turning to the **construction contracting sector**, the latest (non-seasonally adjusted) ONS data indicate that construction output fell by 15.1% in the year to December, a faster pace of decline than in the year to November (down 8.8%) and the twelfth consecutive decline on a year-on-year basis. The fall in the year to December was largely driven by declines in new public and private commercial non-residential output. In 2012 as a whole, the construction sector shrank by 8.5%, more than offsetting growth of 2.2% achieved in 2011.

Revisions

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

11. *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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