Department for Business Innovation & Skills

Monthly Statistics of Building Materials and Components

Commentary

January 2014

Coverage: UK and Great Britain
Geographical area: Country, region and county
Date of publication: 5 February 2014

Contents

Headline results:

- The 'All Work' Construction Material Price Index rose by 1.1% in the 12 months to December 2013, up from 0.5% in the 12 months to November.
- The construction materials experiencing the largest price increases in the 12 months to December were Imported Sawn or Planed Wood (up 6.2%), Particle Board (up 4.8%) and Rigid Pipes and Fittings (up 4.0%).
- In the 12 months to December, deliveries of bricks rose by 51.2% and deliveries of blocks rose by 7.0%.
- Exports of construction materials rose by 2.0% on the quarter in 2013Q3 (to £1,509 million). Imports rose by 5.4% (to £3,356 million). As a result, the trade deficit widened by £142 million, to £1,847 million, in 2013Q3.

Introduction

This commentary accompanies the latest Monthly Statistics of Building Materials and Components bulletin, published on the BIS building materials web page on 5 February 2014. It aims to provide a brief overview of recent trends in the data presented in the bulletin.

The bulletin presents the latest detailed information on selected building materials and components. It covers the following building materials statistics (in parentheses, the data collection frequency and the geographical area covered):

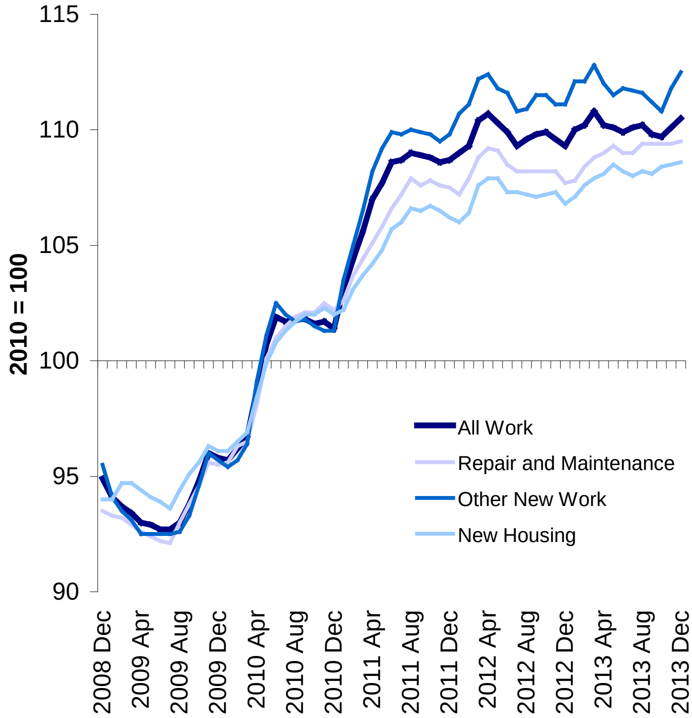
- Construction Material Price Indices (monthly, UK)
- Sand and Gravel sales (quarterly, GB*)
- Slate production, deliveries and stocks (quarterly, GB)
- Cement and Clinker production, deliveries and stocks (annual, GB)
- Bricks production, deliveries and stocks (monthly, GB*)
- Concrete building blocks 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

The statistics support analysis of the construction materials market and business planning. They are regularly reported in the construction press and are used for a variety of purposes, including policy development and evaluation concerning the construction products industry, as well as monitoring market trends. Further detail is available in this document under Uses of the data.

Summary of results

Chart 1: Construction Material Price Indices, UK



Source: Table 1, Monthly Statistics of Building Materials and Components

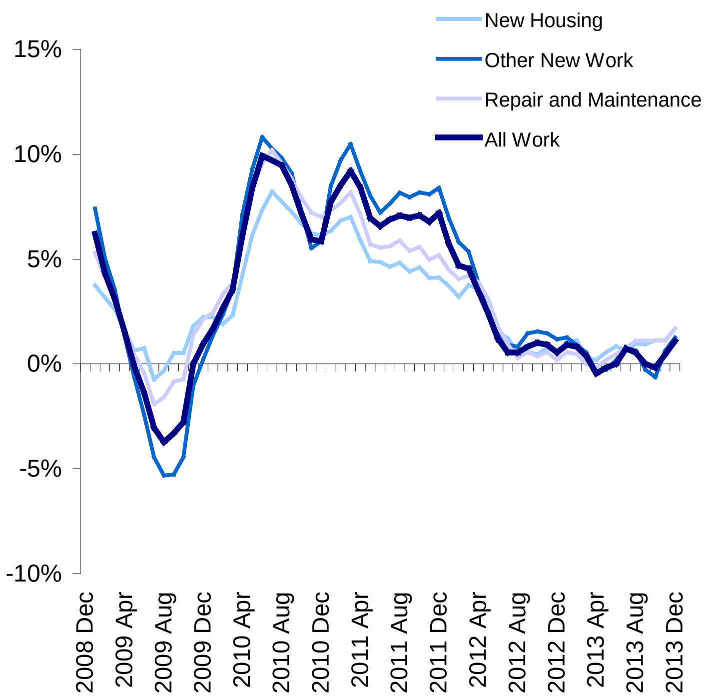
Data were recently rebased from 2005=100 to 2010=100 (as from the December 2013 tables).

The price of construction materials has been largely stable since July 2011. Since July 2011 each index fluctuated from month to month, rising by no more than 0.9% and falling by no less than 0.7%, with the exception of March 2012 where each index rose by between 0.8% and 1.1%.

The headline 'All Work' Construction Material Price Index rose 0.4% for a second consecutive month in December 2013.

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

Data were recently rebased from 2005=100 to 2010=100 (as from the December 2013 tables).

Annual construction material price inflation has been low in each month from July 2012 to November 2013, with no month exceeding 1%. In December, 'All Work' annual construction material price inflation rose to 1.1% in December, from 0.5% in November. This is the highest since June 2012 (1.2%).

In December annual inflation rates in the 'Repair and Maintenance' and 'New Housing' sectors were 1.7%. For the 'Other New Work' sector, annual inflation was 1.3%.

Table 1: Construction materials experiencing the largest price increases and decreases in the 12 months to December 2013, UK

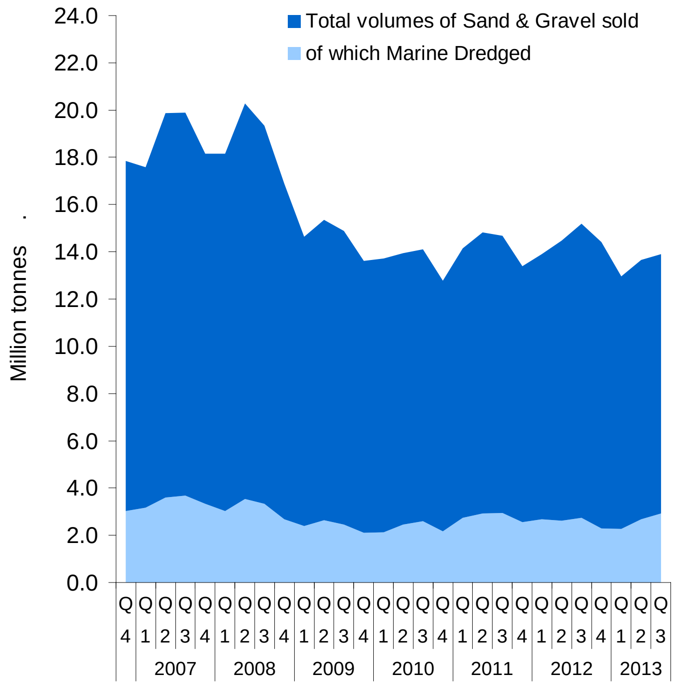
Construction Materials	% change on a year earlier
Largest price increases	
Imported Sawn or Planed Wood	6.2
Particle Board	4.8
Pipes and fittings (rigid)	4.0
Largest price decreases	
Fabricated Structural Steel	-3.7
Imported Plywood	-2.8
Crushed Rock (including levy)	-2.5

Source: Table 2 Monthly Statistics of Building Materials and Components

Imported sawn or planed wood (up 6.2%), particle board (up 4.8%) and rigid pipes and fittings (up 4.0%) experienced the largest relative price increases in the 12 months to December. Over the same period, fabricated structural steel (down 3.7%), imported plywood (down 2.8%) and crushed rock including levy (down 2.5%) experienced the largest relative price falls.

The aggregates levy (e.g. the levy in 'crushed rock including levy') is a tax on the commercial exploitation of aggregates which applies under certain circumstances. Further information is available from HM Revenue & Customs.

Chart 3: Volumes of Total and Marine Dredged Sand and Gravel sold, GB



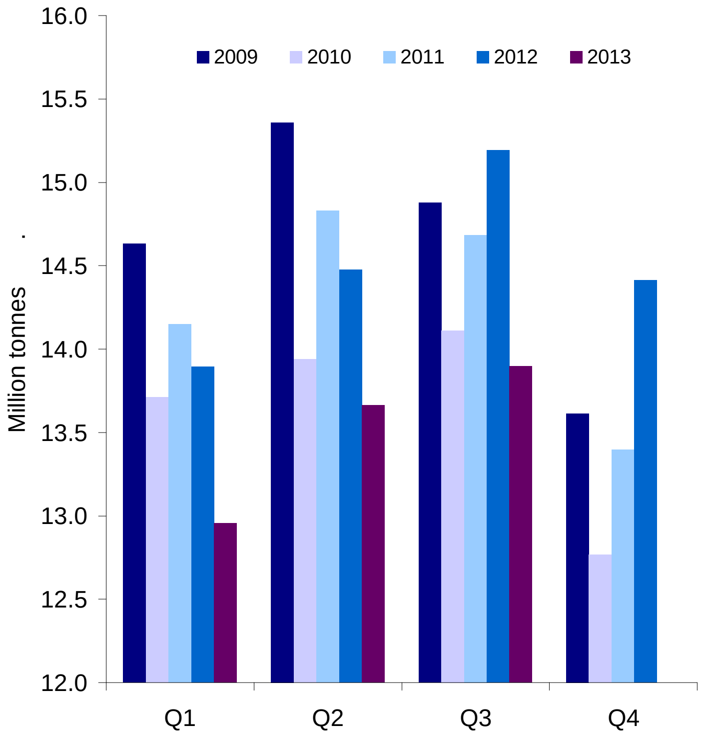
Source: Table 4 Monthly Statistics of Building Materials and Components

Volumes of Sand and Gravel sold in Great Britain increased by 1.3% on the quarter in 2013Q3, to 13.8 million tonnes. This followed a quarterly increase of 5.4% in 2013Q2.

Chart 3 shows a sharp drop in the total sales trend around the end of 2008. Before the UK economy entered recession in 2008Q2, quarterly sales averaged 19.1 million tonnes. During this recession, sales averaged 17.3 million tonnes. Following this recession (from 2009Q3), quarterly sales averaged 14.0 millions tonnes.

The proportion of Sand and Gravel sold that was Marine Dredged has been fairly constant each quarter, ranging between 15.5% and 21.0% of total quarterly sales.

Chart 4: Volumes of Sand and Gravel sold, GB



Source: Table 4, Monthly Statistics of Building Materials and Components

A closer look at the differences in total Sand and Gravel sales (Chart 4) shows that the volume sold in quarter 4 of 2012 was the largest compared to the same quarter in each year from 2009 to 2011. Compared to 2011Q4, sales rose by 7.6% in 2012Q4.

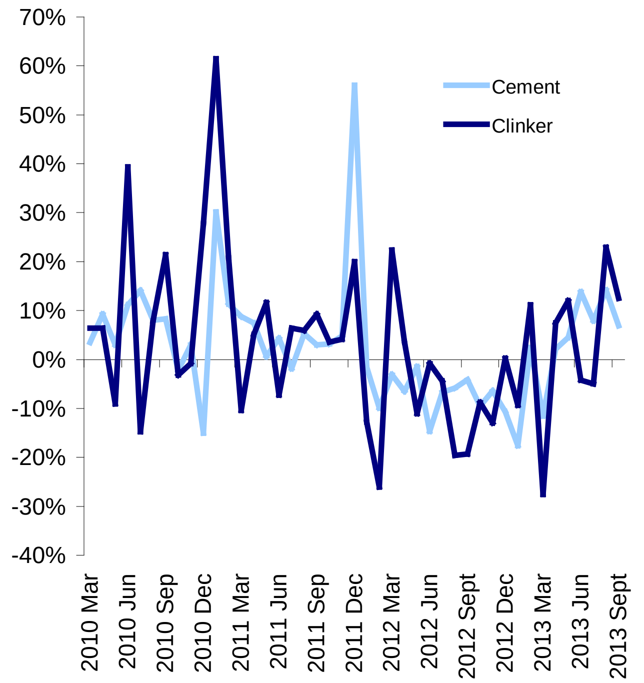
Continuing the comparison of sales in the same quarter across each year, quarter 3 sales in 2012 were also the largest since 2009. Compared to 2011Q3, sales rose by 3.5% in 2012Q3.

However, sales figures suggest that quarter 1 sales volumes in 2013 were the lowest seen in the first quarter of any year since 2009, falling 6.7% from 2012Q1.

Seasonal effects may help to explain these differences. The number of working days in a quarter varies each year, which may affect comparisons over periods.

Chart 5: Production of Cement and Clinker, GB

Percentage change over a year earlier (%)



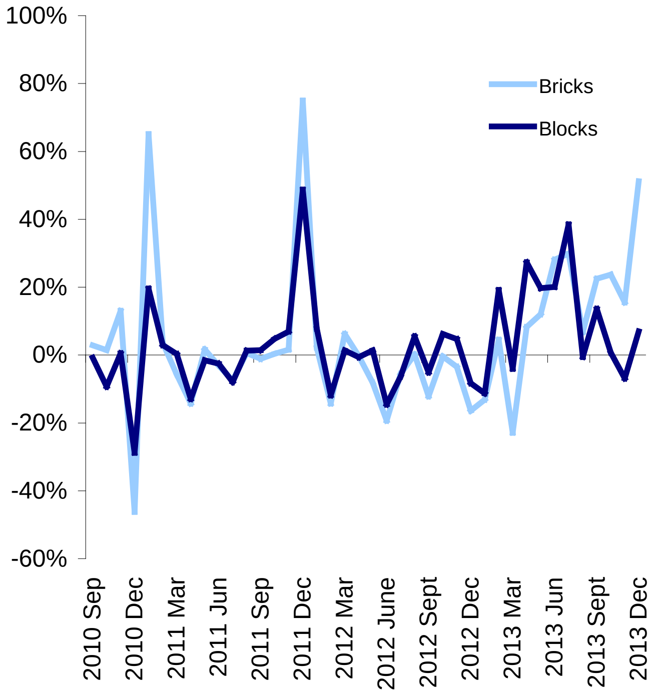
Source: Table 8 Monthly Statistics of Building Materials and Components

Cement and clinker figures are no longer available on a monthly basis due to changes in the collection and provision of these statistics. These statistics will be available on an annual basis, with figures for 2013 due for publication on 5 March 2014.

Cement production rose by 6.9% to 749 thousand tonnes in the 12 months to September 2013. This was the sixth consecutive year-on-year rise. Each month in 2012 saw a year-on-year decline. Each month in 2011 except July saw positive year-on-year growth.

Production of Clinker rose in the 12 months to September, by 12.5%, to 613 thousand tonnes. This was following an increase of 22.9% in the 12 months to August.

Chart 6: Deliveries of Bricks and Blocks, GB
Percentage change over a year earlier (%)

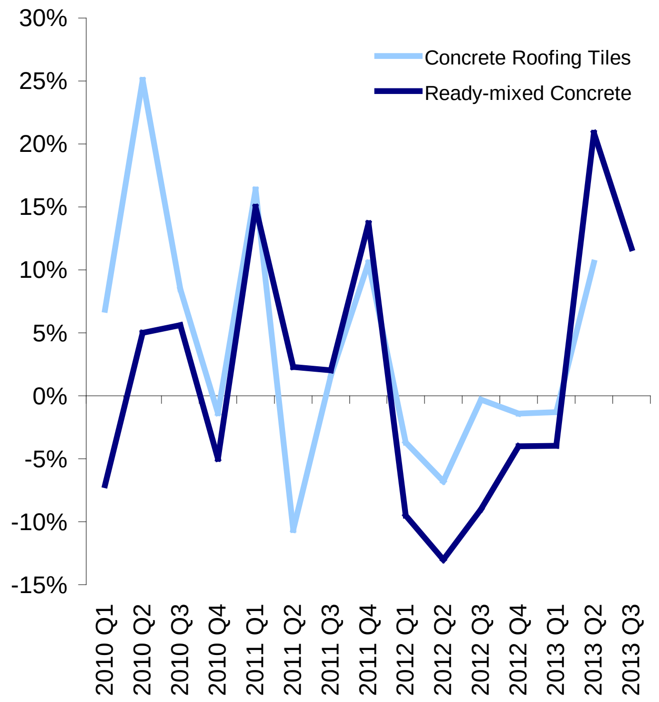


Source: Tables 9 and 11 Monthly Statistics of Building Materials and Components

In the 12 months to December, deliveries of bricks rose by 51.2%, following a rise of 15.5% in the 12 months to November. Annual increases in brick deliveries in each month since April coincides with a reported surge in recent house building activity (see the [Economic Background] for further detail)

Deliveries of concrete blocks increased by a more modest amount, up by 7.0% in December 2013 relative to the same month a year earlier.

Chart 7: Deliveries of Concrete Roofing Tiles (GB) and Ready-mixed Concrete (UK)
Percentage change over a year earlier (%)

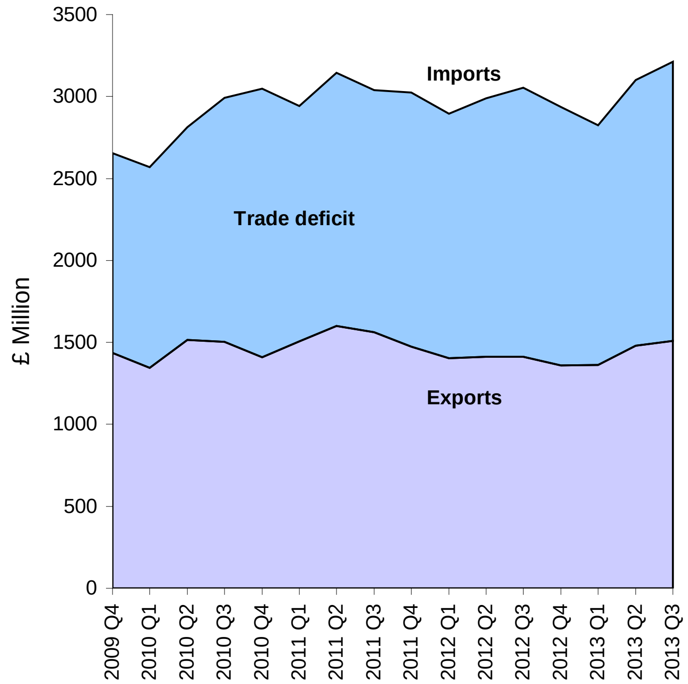


Source: Table 13 Monthly Statistics of Building Materials and Components

Deliveries of Concrete Roofing Tiles in 2013Q2 increased (up 10.6%) on a year-on-year basis for the first time since 2011Q4, with deliveries in Q2 sufficient to cover roughly 4.5 million square metres of roof area.

Deliveries of Ready-mixed Concrete rose, by 11.7%, in the 4 quarters to 2013Q3. This followed an increase of 20.9% in the 4 quarters to 2013Q2. Comparing deliveries in 2012 with 2011, delivery volumes fell by 9.0%.

Chart 8: Exports and Imports of Construction Materials, UK
£million



Source: Table 14 Monthly Statistics of Building Materials and Components

Exports of construction materials rose by £30 million, on the quarter in 2013Q3 (to £1,509 million), a rise of 2.0%. Imports also rose, by £172 million (to £3,356 million), a 5.4% increase. As a result, the trade deficit widened by £142 million, to £1,847 million, in 2013Q3.

The increase in the trade deficit in 2013Q2 was largely due to a widening in the trade deficit in 'products and components' by £162 million. The trade deficit in 'raw materials' also widened, by £3 million. However, the deficit in 'semi-manufactures' narrowed by £22 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	1,381
Electrical Wires	512	Sawn Wood > 6mm thick	626
Lamps & Fittings	287	Lamps & Fittings	599
Air Conditioning Equip.	255	Central Heating Boilers	524
Plugs & Sockets	217	Air Conditioning Equip.	522

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	3,349	2,236
	60%	*40%*
Imports	7,465	4,380
	63%	*37%*

Source: Table 15 Monthly Statistics of Building Materials and Components

In 2012, around 60% of all building material exports were from EU countries, while 63% of imports 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	675	Germany	1,855
Germany	564	China	1,670
France	492	Italy	823
Netherlands	433	Spain	612
USA	364	Netherlands	575

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.

The 'Rotterdam Effect' (also known as the 'Antwerp Effect') may affect trade figures. This is explained in detail by HM Revenue & Customs.

Economic background

Preliminary estimates of GDP, published by the Office for National Statistics (ONS) on 28 January, reported that the economy grew by 0.7% on the quarter in 2013Q4. This was the fourth consecutive quarter-on-quarter growth and over the whole of 2013 the economy grew 1.9%. GDP has gradually increased since the (2008Q2 to 2009Q3) recession however it remains 1.3% below its (2008Q1) pre-recession peak.

Of the three broad sectors of the economy, growth of 0.8% in services largely drove the estimated rise in GDP between 2013Q3 and 2013Q4. Industrial production, another broad sector, saw growth of 0.7% over the same period. Manufacturing output, which accounts for just over two-thirds of total production, rose by 0.9%, following growth of 0.8% between 2013Q2 and 2013Q3. Construction output, the other broad sector, fell 0.3% following growth of 2.6% in each of the two previous quarters. Over 2013 construction is estimated to have grown by 1.8%. This compares to a 7.5% decrease in 2012.

The latest reports from the Bank of England regional agents suggested that annual growth in construction output had increased further between late November and late December. Growth was largely attributed to accelerated private house building activity, though recruitment difficulties and shortages of some building materials were reportedly acting as constraints. Commercial construction activity reportedly saw signs of growth, with smaller-scale refurbishment activity also picking up. Office construction activity remained largely subdued outside of of London.

Going forwards, the latest monthly Consensus Economics forecasts (which uses an average of private sector forecasts) saw increased GDP expectations for 2014, up to 2.6% from 2.5%. The first forecast for 2015 stood at 2.4%. These forecasts were similar to those of the Office for Budget Responsibility (OBR) and Organisation for Economic Co-operation and Development (OECD) who forecast 1.4% growth in 2013 and 2.4% in 2014. They also expect manufacturing output to decline in 2013, by 0.1%, with growth expected to return in the sector in 2014 (2.3%).

In January, two forecasters revised their expectations for growth in the construction sector. The Construction Products Association (CPA) now expects a rise in construction output of 3.4% in 2014 (previously 2.7%), with continued growth in 2015 of 5.2% (previously 4.6%); each representing upgrades to their previous forecasts made in October. CPA suggests that “growth in private house building, infrastructure work and commercial activity are set to drive recovery in the industry over the next four years.” Construction output is also expected to grow in 2016 (+4.4%) and 2017 (+3.8%), with CPA explaining that “post-2015, there are still considerable uncertainties regarding the long-term sustainability of the recovery in the industry and wider economy.” Experian also expect growth in construction output in each year from 2014 to 2016, with the “strongest growth in 2014 expected in the housing sectors – public and private – and in infrastructure.” As such, Experian expect growth of 4.2% (previously 2.0%). “Private housing and infrastructure are expected to be the best performing sectors overall”, they explain, forecasting growth of 4.4% (previously 3.0%) in 2015 and 2.7% in 2016.

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 January 2014 edition	**Bulletin table number**	**Response rate**
Quarterly Sand and Gravel	4, 5 & 6	82%
Quarterly Sand and Gravel – Land Won	4, 5 & 6	67%
Quarterly Sand and Gravel – Marine Dredged	4, 5 & 6	96%
Quarterly Slate	7	80%
Monthly Bricks Provisional data	9	85%
Monthly Bricks Final data	9 & 10	100%
Monthly Concrete Blocks Provisional data	11	100%
Monthly Concrete Blocks Final data	11	93%
Quarterly Concrete Blocks Final data	11 & 12	91%
Quarterly Concrete 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. *Construction Statistics: Sources and Outputs* lists the known sources of information available on the construction industry and their outputs. These include information on employees, employment, enterprises, output and new orders in the construction industry as well as the contribution of the industry to the economy. Related information, for example housing, is also included.

9. 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.

10. 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 23.5-6 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 rose by 23.0% in the 12 months to November 2013 and was its highest since August 2011. This was the sixth consecutive month in which output rose on this basis, following seventeen successive declines on this basis, preceded by a 12-month period in which the sector recorded uninterrupted year-on-year growth. In 2012 as a whole, the industry contracted by 12.2%, down from an expansion of 7.0% in 2011. Monthly indices (2010=100) from February 2012 to August 2013 inclusively have been some of the lowest on record (since January 1997), the lowest being in October 2012.

In the 12 months to November 2013, output in the SIC 23.5-6 industry fell by 4.0%, the fifth consecutive fall on this basis, with 32 months in the last 36-month period seeing year-on-year declines. Monthly indices (2010=100) from December 2012 to August 2013, plus June 2012, have seen the lowest monthly index values on record (since January 1997), the lowest being in January 2013. In 2012 as a whole, the sector suffered a 14.5% decline in output, following a contraction of 6.3% in output recorded in 2011.

Turning to the **construction contracting sector**, the latest (seasonally adjusted) ONS data indicated that the volume of construction output rose 2.6% on the quarter in 2013Q3. Comparing 2013Q3 to 2012Q3, output rose 6.3%, with the rise largely due to increases in new private housing and private commercial and non-housing R&M output. A seasonally adjusted monthly series reported a 4.0% decrease in output volumes between October and November, however ONS emphasise that “due to seasonal adjustment taking place on a short span of data points used to interpret the seasonal effects there is potential for increased revisions until the seasonal pattern is established within the time series”. In 2012 as a whole, the construction sector shrank by 7.9%, more than offsetting growth of 2.3% achieved in 2011.

Revisions

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

12. *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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