



Department
for Business
Innovation & Skills



Quarterly Construction Price and Cost Indices

Commentary

4Q2013

Coverage: UK, Great Britain and England and Wales

Geographical area: Country and region

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PCI Headline results

The *BIS Output Price Index for New Construction (2010): All New Construction* for 4th Quarter 2013 increased by 0.9% on the previous quarter and by 4.2% year-on-year. Above average increases in output prices were noted in two new work sectors, namely *Private Housing* and *Private Commercial*.

The *BIS Output Price Index for Repair and Maintenance Construction (2010): All Repair and Maintenance* for 4th Quarter 2013 increased by 0.7% on the

previous quarter and by 3.0% year-on-year. Much of the increase was accounted for by rises in the *Private Housing Repair and Maintenance* sector which saw above average output price increases of 3.2% year-on-year.

- The *BIS Tender Price Index for Public Sector Non-Housing (PUBSEC)* 4th Quarter 2013 declined by 1.1% on the previous quarter, although remained unchanged year-on-year. The *BIS Tender Price Index of Social Housing (TPISH)* 4th Quarter 2014 increased by 0.5% on the previous quarter and by 3.2% year-on-year.
- The *BIS Resource Cost Indices* in 4th Quarter 2013 exhibited relatively stable input costs in building, housing and non-housing sectors. However, the *BIS Resource Cost Index of Road Construction (ROCOS)* declined by 0.4% on the previous quarter although increased by 0.8% year-on-year, while the *BIS Resource Cost Index of Infrastructure (FOCOS)* declined by 0.5% on the previous quarter and increased by 0.9% year-on-year.

Introduction

This commentary accompanies the latest [Quarterly Price and Cost Indices](#), published on the BIS Construction website on 18 March 2014.

It aims to provide a brief overview of recent trends in the data presented on the website. These data cover the following price and cost indices (in parentheses the publication frequency and geographical coverage).

Output Price Indices (OPIs)

All Work (2010): All New Construction and Repair and Maintenance Work (Quarterly, GB)
New Construction (2010): All New Construction (Quarterly, GB)
New Construction (2010): Infrastructure (Quarterly, GB)
New Construction (2010): Private Commercial (Quarterly, GB)
New Construction (2010): Private Housing (Quarterly, GB)
New Construction (2010): Private Industrial (Quarterly, GB)
New Construction (2010): Public Housing (Quarterly, GB)
New Construction (2010): Public Non-Housing (Quarterly, GB)
Repair and Maintenance (2010): All Repair and Maintenance (Quarterly, GB)
Repair and Maintenance (2010): Infrastructure (Quarterly, GB)
Repair and Maintenance (2010): Private Housing (Quarterly, GB)
Repair and Maintenance (2010): Private Non-Housing (Quarterly, GB)
Repair and Maintenance (2010): Public Housing (Quarterly, GB)
Repair and Maintenance (2010): Public Non-Housing (Quarterly, GB)
Direct Labour (2010): Public Housing New Construction (Quarterly, GB)
Direct Labour (2010): Public Housing Repair and Maintenance (Quarterly, GB)
Direct Labour (2010): Public Non-Housing New Construction (Quarterly, GB)
Direct Labour (2010): Public Non-Housing Repair and Maintenance (Quarterly, GB)

Tender Price Indices (TPIs)

All Construction TPI: All Construction (Quarterly, UK)
All Construction TPI: All New Construction (Quarterly, UK)
All Construction TPI: All Repairs and Maintenance, (Quarterly, UK)
BIS Tender Price Index of Public Sector Building Non-Housing PUBSEC¹ (Quarterly, UK)
Tender Price Index of Road Construction, BIS ROADCON² (Quarterly, UK)
Tender Price Index of Social Housebuilding (TPISH)³: New Build (Quarterly, England and Wales)⁴
Tender Price Index of Social Housebuilding: (TPISH) Derived Rehab (Quarterly, England and Wales)

¹ Regional location factors and Function factors are also available.

² Regional Road type and Value factors are also available.

³ Regional location factors are also available.

⁴ Figures for Scotland are prepared by the Scottish Government.

Resource Cost Indices (RCIs)

ALLCOS Index of All Construction (Quarterly, UK)

- All New Work
- All Repair and Maintenance
- All Work
- All Work: Labour and plant
- All Work: Materials

NOCOS Index for Building Non-Housing

- Combined
- Mechanical
- Electrical
- Building
- Labour and Plant
- Materials

HOCOS Index for House Building (Quarterly, UK)

- Combined
- Mechanical
- Electrical
- Building
- Labour and Plant
- Materials

ROCOS Index for Road Construction (Quarterly, UK)

- Combined
- Labour and Plant
- Materials

FOCOS Index for Infrastructure (Quarterly, UK)

- Combined
- Labour and Plant
- Materials

NOMACOS Index for Maintenance of Building Non-Housing (Quarterly, UK)

- Combined
- Mechanical
- Electrical
- Building
- Labour and Plant
- Materials

HOMACOS Index for Maintenance of House Building (Quarterly, UK)

- Combined
- Mechanical
- Electrical
- Building
- Labour and Plant
- Materials

Commentary

Cost and price pressures in construction currently appear to be gathering some momentum, there is an upward trend evident in several new work sectors when compared with both the previous quarter and year-on-year, although the repair and maintenance sectors appear somewhat subdued. The impetus currently is within private sector construction, in particular the *Private Commercial* and *Private Housing* New Work sectors.

BIS New Construction Output Price Indices 4Q2013

The BIS *Output Price Index for New Construction (2010): All New Construction* for 4th Quarter 2013 increased by 0.9% on the previous quarter and by 4.2% year-on-year.

The quarter on quarter change resulted from increases in output prices in Private Housing, Private Industrial and Private Commercial sectors (Table 1). The composition of the index was influenced by some quarter-on-quarter changes in the proportions of volume of output. The proportion of Private Housing and Infrastructure work increased while the proportion of work in the Public Non-Housing and Private Commercial sectors declined. The proportion of work in the Public Housing and Private Industrial sectors remained unchanged (Table 2).

Table 1: BIS New Construction Output Price Indices 4Q 2013 (% change)

Sector	Change			
	<i>on year</i>	<i>Y-on-Y</i>	<i>on quarter</i>	<i>Q-on-Q</i>
Public Housing	-1.8%	▼	-3.4%	▼
Private Housing	5.3%	▲	2.5%	▲
Infrastructure	2.5%	▼	-0.3%	▼
Public Non Housing	2.6%	▼	-1.3%	▼
Private Industrial	4.0%	▲	1.3%	▲
Private Commercial	6.8%	▲	2.2%	▲
All New Work	4.2%	▲	0.9%	▲

The year on year increase is attributable to upward movement in output prices in several sectors. Price increases are above average in the Private Housing (5.3%) and Private Commercial (6.8%) sectors (Table 1). The mix of the sectors in the index over the year was influenced by an increase in the proportion of output from the Private Housing and Public Housing sectors and a decline in the proportion of Infrastructure, Public Non-Housing and Private Industrial work (Table 2). The proportion of work in the Private Commercial sector remained unchanged.

Table 2: ONS New Construction Output proportion by sector
(based on current price non seasonally adjusted volume figures)

Period		Public Housing	Private Housing	Infrastructure	Public Non Housing	Private Industrial	Private Commercial	All New Work
2011	Q1	7%	20%	19%	19%	4%	30%	100%
	Q2	7%	21%	20%	17%	4%	30%	100%
	Q3	6%	21%	19%	17%	4%	32%	100%
	Q4	6%	21%	20%	16%	4%	33%	100%
2012	Q1 (P)	6%	23%	19%	16%	5%	32%	100%
	Q2 (P)	6%	23%	19%	15%	5%	32%	100%
	Q3 (P)	6%	22%	20%	16%	5%	31%	100%
	Q4 (P)	5%	23%	21%	14%	6%	31%	100%
2013	Q1 (P)	5%	22%	21%	14%	6%	32%	100%
	Q2 (P)	6%	25%	20%	14%	5%	30%	100%
	Q3 (P)	6%	24%	19%	14%	5%	32%	100%
	Q4 (P)	6%	26%	20%	13%	4%	31%	100%

BIS Repair & Maintenance Construction Output Price Indices 4Q2013

The BIS *Output Price Index for Repair and Maintenance Construction (2010): All Repair and Maintenance* for 4th Quarter 2013 increased by 0.7% on the previous quarter and by 3.0% year-on-year. Much of the year-on-year increase was accounted for by an above average rise in the Private Housing Repair and Maintenance sector which saw output price increases of 3.2% year-on-year (Table 3).

Table 3: BIS Repair & Maintenance Construction Output Price Indices 4Q 2013
(% change)

Sector	Change			
	on year	Y-on-Y	on quarter	Q-on-Q
Public Housing	2.9%	▼	0.5%	▲
Private Housing	3.2%	▼	-0.2%	▼
Non-Housing	2.8%	NA	1.1%	NA
All Repair & Maintenance	3.0%	▼	0.7%	▲

Generally, the movement of the Output Price Indices reflects the movement in tender prices in previous periods.

Notes

Details of [Construction output volumes](#) are available from ONS.

Details of the [Sector output price indices](#) are available on the BIS website

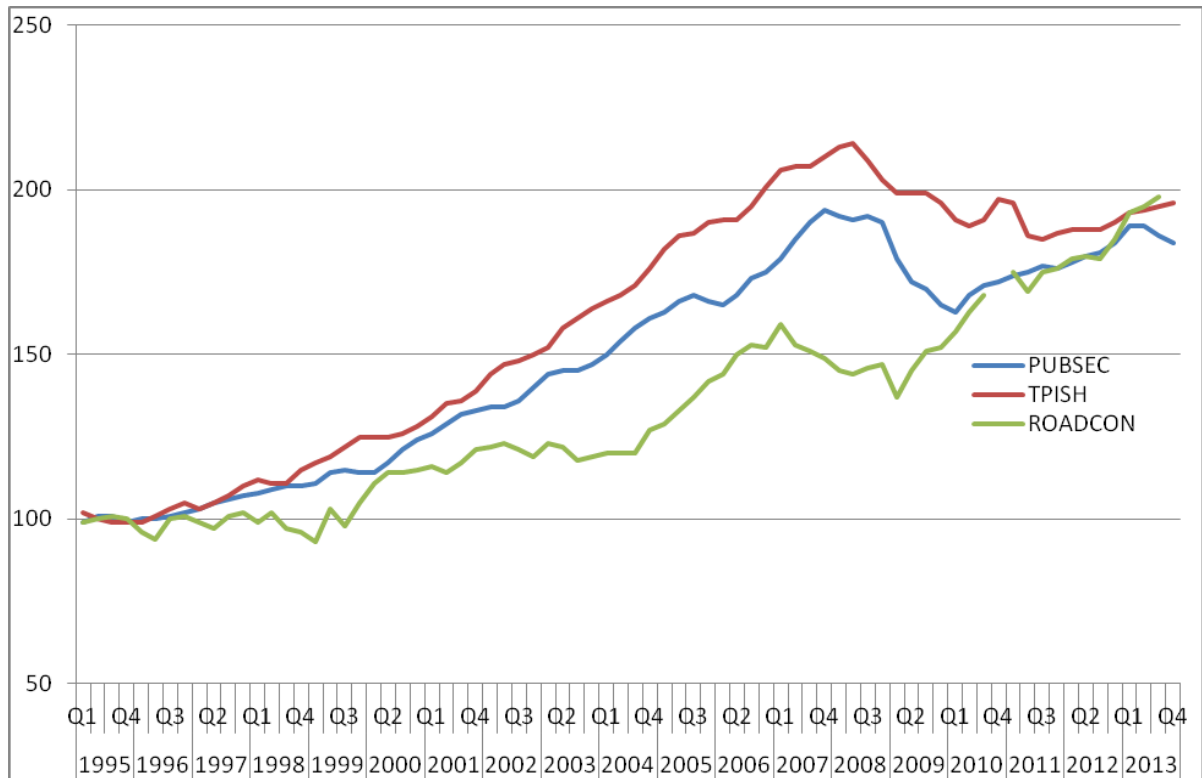
BIS Construction Public Sector Tender Price Indices 4Q2013

The *BIS Tender Price Index for Public Sector Non-Housing (PUBSEC)* 4th Quarter 2013 declined by 1.1% on the previous quarter, although remained unchanged year-on-year. The series indicates that prices in this sector have declined since 3rd Quarter 2013 following six consecutive quarters of growth.

The *BIS Tender Price Index of Social Housing (TPISH)* 4th Quarter 2013 increased by 0.5% on the previous quarter and by 3.2% year-on-year. The series indicates that prices in this sector have exhibited steady growth since 4th Quarter 2012.

The *BIS Tender Price Index of Road Construction (ROADCON)* 4th Quarter 2013 is not available this period due to small sample sizes.

Figure 1: Trends in PUBSEC, TPISH and ROADCON Tender Price Indices (1995=100)



Note:

PUBSEC: BIS Tender Price Index of Public Sector Building (Non-Housing);

TPISH: BIS Tender Price Index of Social House Building;

ROADCON: BIS Tender Price Index of Road Construction.

Figure 1 above provides quarterly data for the TPIs since 1995 and highlights the relative decline in both *PUBSEC* and *TPISH* since the recession in 2007/08, while *ROADCON* is now well above tender price levels last seen in early 2007. However, recent indications suggest price increases in *TPISH* and

decline in *PUBSEC* both with tender price levels still below their pre-recession peak.

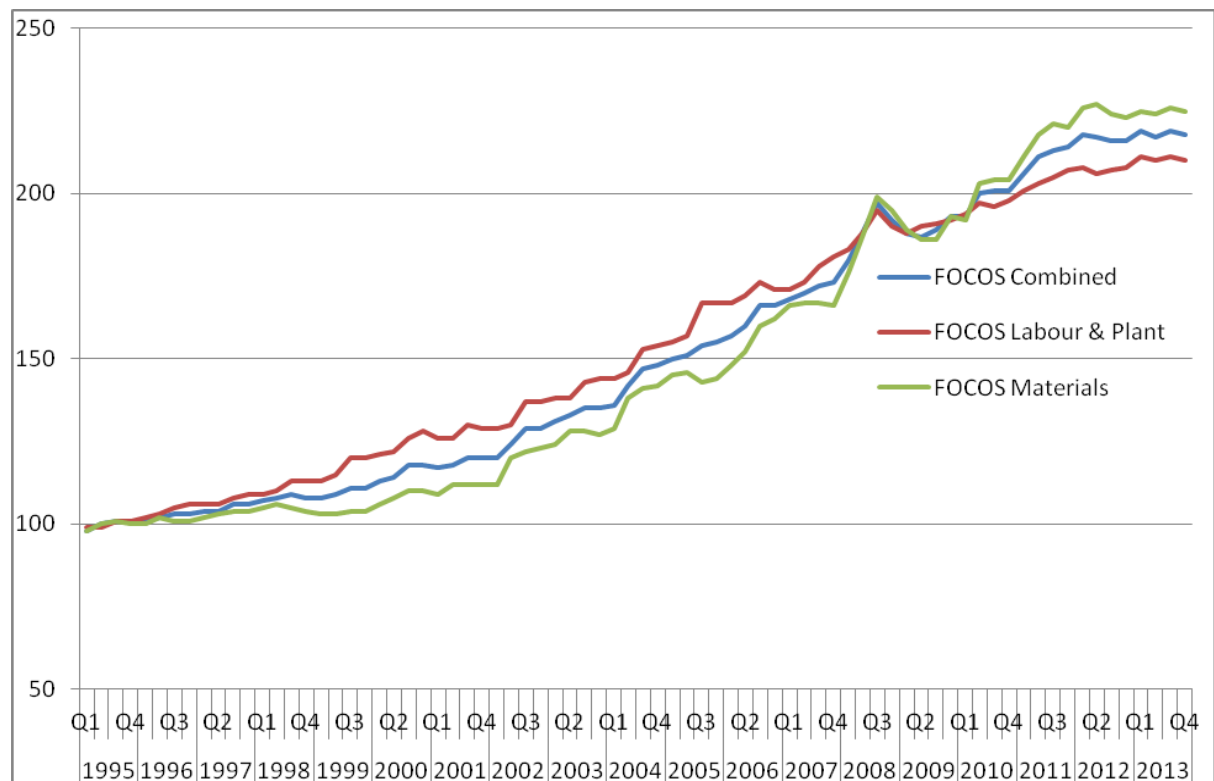
BIS Construction Resource Cost Indices 4Q2013

The *BIS Resource Cost Indices* 4th Quarter 2013 generally indicate that labour, plant and materials costs have remained largely static compared to the previous quarter. However, in terms of year-on-year changes, there are increases evident in labour, plant and material costs with the largest increases arising in the costs of labour and plant.

The *BIS Resource Cost Indices* in 4th Quarter 2013 exhibited fairly stable costs in building, housing and non-housing sectors.

However, costs in the infrastructure sectors, both roads and infrastructure generally, have declined compared with the previous quarter, although year-on-year there are slight cost increases evident. The *BIS Resource Cost Index of Road Construction (ROCOS)* declined by 0.4% on the previous quarter although increased by 0.8% year-on-year, while the *BIS Resource Cost Index of Infrastructure (FOCOS)* declined by 0.5% on the previous quarter and increased by 0.9% year-on-year.

Figure 2: Trends in Infrastructure Input Cost Indices FOCOS (1995=100)



Note:

FOCOS Combined: BIS Resource Cost Index of Infrastructure Construction Combined;
 FOCOS Labour & Plant: BIS Resource Cost Index of Infrastructure Labour & Plant;
 FOCOS Materials: BIS Resource Cost Index of Infrastructure Materials.

Figure 2 above provides quarterly data for *FOCOS* since 1995 and confirms the recent relative decline of input costs in the last quarter of 2013, following a period of relatively stability since early 2012, similar trends are also evident in *ROCOS*. Material costs continue to be the primary driver for any cost increases evident in the infrastructure cost indices.

Economic Background

Within the latest ONS statistical release “Output in the Construction Industry”, Construction Output and New Orders have increased both on the previous quarter and year-on-year, although both are still well below pre-recession peaks (<http://www.ons.gov.uk/ons/rel/construction/output-in-the-construction-industry/january-2014/index.html>)

BIS produce a monthly note on the economic background for construction, published with its [Monthly Statistics of Buildings Materials and Components](#)

Notes

Uses of Data

There are three types of indices which have different purposes and uses:

Tender Price Indices: Measure project construction prices to clients agreed at ‘commit to construct’. The TPIs are produced primarily for use in estimating, cost-checking and fee negotiation on public sector construction works. They are used by the Office for National Statistics (ONS) to deflate construction new orders from current to constant prices and in the calculation of the OPIs.

Output Price Indices: Measure project construction prices paid by clients at the point that the work is carried out. The OPIs are produced primarily to deflate construction output from current to constant prices and are generally derived from TPIs modelled to sector output in previous quarters.

Resource Cost Indices: Measure the notional trend of input costs to a contractor in terms of increases in the cost of labour, materials and plant by application of the BCIS Price Adjustment Formulae Indices (PAFI) for Building (Series 3), Specialist Engineering (Series 3) and Civil Engineering (1990 Series) to cost models. The PAFI are based on ONS Producer Price Indices (PPIs). The RCIs are used for budgeting, estimating, tendering or paying for construction work.

Quality Information

For the Tender Price and Output Price Indices that are based on project indices, sample sizes are stated for each index.

For OPIs that are based on modelled TPIs, the inputs come from the RCIs and TPIs.

The RCIs are based on PPIs and published wage awards. Details of the PPIs are available on the [ONS website](#)

Related Statistics

ONS publish [Producer Price Index \(PPI\)](#), a monthly survey that measures the price changes of goods bought and sold by UK manufacturers and provides a key measure of inflation. This Statistical Bulletin contains a comprehensive selection of data on input and output index series. It contains PPIs for materials and fuels purchased, and output of manufacturing industry by broad sector and includes many construction materials.

ONS publish [Construction Output statistics](#), a monthly series of the output of the construction industry in both the private and public sectors, and for both new work and repair and maintenance.

ONS publish [Construction New Orders](#). This information relates to contracts for new construction work awarded to main contractors by clients in both the public and private sectors. Also included is speculative work, undertaken on the initiative of the firm, where no contract or order is awarded. The value of this work is recorded in the period when foundation works are started.

Revisions Policy

The [revision policy](#) for these indices can be found on the BIS Building Price and Cost Indices webpage.

Further Information

As part of this programme of work BIS have published methodology notes for each set of BIS Construction and Price Indices:

- [Tender Price Indices \(PDF, 276 Kb\)](#) including the Tender Price Index of Public Sector Building Non-Housing (PUBSEC), Road Construction (ROADCON), Social Housebuilding (TPISH), and the All Construction Tender Price Index (ALLCON)
- [Output Price Indices, \(PDF, 188 Kb\)](#) including the Output Price Indices for: New Construction, Repair and Maintenance, Direct Labour.
- [Resource Cost Indices \(PDF, 150 Kb\)](#) including the Resource Cost Index of: Building Non-Housing (NOCOS), House Building (HOCOS), Road Construction (ROCOS), Infrastructure (FOCOS), Maintenance of Building Non-Housing (NOMACOS), Maintenance of House Building (HOMACOS), and All Construction (ALLCOS).

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