CONSULTATIVE COMMITTEE ON CONSTRUCTION INDUSTRY STATISTICS (CCCIS)

Minutes of meeting held on Thursday 22nd March 2021

Venue: Online

For queries regarding the Consultative Committee on Construction Industry Statistics, please contact: Frances Pottier frances.pottier@beis.gov.uk 020 7215 1953

Attendees

Frances Pottier Department for Business, Energy and Industrial Strategy
Oliver Wright Department for Business, Energy and Industrial Strategy
Alexios Venieris Department for Business, Energy and Industrial Strategy
Yi Zhang Department for Business, Energy and Industrial Strategy

John Allcoat Office for National Statistics
Jon Gough Office for National Statistics
Heather Bovill Office for National Statistics
Callum Moseley Office for National Statistics

Ian Pegg Royal Institute of Chartered Surveyors

Brian Green Brickonomics

John Kelsey University College London

Noble Frances Construction Products Association

James Hastings Whole Life Consultants

Lee Bryer CITB
Robert Davis Glenigan
Tom Hall Barbour ABI

James Donald Mace Consultancy Limited

Stephan Shelley Barbour ABI

Neil Higgins Ministry of Housing, Communities and Local Government

Alicia Hammond CITB Research

Ian Murdoch

Craig McLaren Office for National Statistics
James de la Salle CIL Management Consultants

Les Ruddock

Aurelie Delannoy Mineral Products Association
Joe Martin Building Cost Information Service

Marco Yu University College London Sandy Stewart Scottish Government

Roger Smith Office for National Statistics

Allen Wilén Glenigan

Cos Kamasho Building Cost Information Service

Stephan Gruneberg University College London

Apologies

1. Welcome, introductions and apologies

Frances Pottier (FP) welcomed attendees to the meeting, held online for the first time, due to the working from home restrictions.

2. Minutes from last meeting

There were the two actions from the previous meeting, held in January 2020.

- i. Craig McLaren (CM) to investigate whether ONS could provide guidance relating to large company SIC reclassifications.
- *ii. FP to investigate possible inclusion of new data in BEIS Building Materials and Components publication.*

FP noted that due to disruptions caused by Covid-19, she had not been able to make progress on action ii. She added that she did not expect any response from CM about action i, but requested he look into it in future.

3. Update on ONS construction statistics and challenges of Covid -19 - John Allcoat (JA)

JA provided a recap of <u>ONS construction output statistics</u> over the course of the Covid-19 pandemic, up to the end of January 2021 (see part i below), as well as a description of challenges involved, ONS' response to those challenges and future development work (part ii below).

Part i.

- The overall picture since the initial precipitous fall in construction output in April 2020 has been one of growth, though slowing over the period, and indeed declining in December 2020.
- The All Work index in January 2021 was 2.6% below pre-pandemic levels, though the profile of sub-indices varied, with the divergence between New Work (6.4% below pre-pandemic levels) and Repair and Maintenance (4.5% above pre-pandemic levels) noteworthy.
- In comparison to the recession of 2008 to 2009, the fall in the All Work index in 2020 was sharper but with a quicker recovery, suggesting the profile of the two economic events differs substantially.
- The profile of revisions to construction output estimates has changed since the methodology was updated in 2018. Since then, the prior upward bias in revision estimates has been replaced by a more balanced revisions profile. The magnitude of revisions from March 2020 onwards are similar to those prior to the update. This is likely to reflect the added uncertainty and lower levels of response at the time of the first estimate for a month.

- Based on comments in survey returns in January 2021, there has been a notable lavk of focus on EU exit related compared to Covid-19 related issues.
- New orders data up to Q4 2020 show the largest declines on record in Q2 2020, with a sharp bounce back in Q3. Q4 estimates show a divergence between Housing which bounced back, and Other New Work, which saw a sharp fall into Q4. The lack of one-off large orders (> £200 million) was also notable in Q4.

Comments/questions

- Brian Green (BG) asked about changes in numbers of and profile of survey returns, wondering if this could have created a bias in the data.
 - JA responded that ONS had had concerns around response rates, particularly at the start of the pandemic and especially from businesses that had temporarily or permanently ceased trading. What was reassuring is that businesses undertaking no work in the month were still returning their survey returns and thus included in the survey methodology. He also said that with response rates being lower than the prepandemic level since March 2020, ONS have been making more use of additional data sources to validate survey data.
- Noble Frances (NF) said ONS construction output data shows private housebuilding between 5 to 7% lower than the pre-Covid-19 period (January 2021 levels compared with January 2020). However, starts and completions data suggests this is an underestimate.
 - JA responded that this was useful to know, adding he would revisit relevant data.
 - BG said that you could have higher levels of starts and completions and lower levels of construction, especially if work has been shifting out of London where the value is lower.
- NF also asked about EU exit, noting that he too agreed there had been relatively little impact on construction activity since the end of the implementation period. He suggested 2 possible reasons: first, the construction industry is less reliant on imports than other sectors and second, there were already supply issues for some products predating the end of the implementation period, making it difficult to disentangle EU exit related effects from other effects. He added that the key EU exit related impacts on construction activity seen thus far relate to products going from Great Britain to Northern Ireland, so may not show up in the construction output data.
 - On the latter point, JA requested that NF feed forwards any data he has that may help provide insights.
- Tom Hall (TH) said had noticed a divergence between New Orders and Output in last 6 months. He asked if anyone had any evidence or comments on the topic.
 - BG said would expect increased hesitancy in the current environment in the commercial sector.
 - NF noted that, anecdotally, he had been hearing medium-sized contracts were slower to come through than previously, seemingly stuck in stage 3 procurement. This would lead to an impact on contract awards.

- James Hastings (JH) asked about revisions. He wondered if there was a regular pattern to them, which could imply an issue with seasonal adjustment.
 - JA thought there was not a regular pattern to date in terms of the revisions profile, but noted that the type of revision is slightly different as from 2018 VAT data is now used in construction output estimates. JA added he would look at the issue of seasonal adjustment which has been a challenge over the pandemic period, though issues have been mitigated with the help of ONS time series methodologic experts.
- Joe Martin (JM) noted that his KPI channel, mainly consisting of chartered surveyors, indicated there was ample work, but it was slow in coming through, particularly in going to tender and awarding tender. He suggested that there was a hesitancy to commit in the current climate.
- Stephan Gruneberg (SG) made the point that the orders series was a proxy for confidence and could be viewed from that perspective.

Part ii.

The meeting continued with the second part of JA's presentation.

- The key challenges that JA mentioned were:
 - Impact on ONS resources

Urgent requests for Covid-19 related analysis have impacted the ability to conduct business as usual work, particularly at the start of the pandemic.

- Response rates

Response rates decreased at the start of the pandemic period, though moving to online data collection has alleviated the decrease to some extent. JA also stressed that low response rates are not a problem provided responses received are representative of the population.

- Imputation for non-responders

Due to the lower levels of response more data are imputed, therefore there have been more manual interventions than usual in imputation processes during the Covid-19 period to increase representativeness of data produced by imputation.

- Bias adjustment

No bias adjustment has been applied for any reference month over the pandemic period, though it was noted that bias adjustment does not add much growth, so the overall narrative is not significantly altered.

- Impact of deflators

The mark-up for profit calculation is likely to not be as representative as it should be at present, as flagged by external users and ONS' Statistics steering group. This work is on the ONS development work plan, though at present there is no satisfactory alternative. JA welcomed suggestions for additional data sources from the group.

- Seasonal adjustment

ONS will conduct a full annual review of price adjustment as part of Blue Book 2021 delivery. As normal, these are likely to lead to revisions in the series.

- Birth and deaths of companies and those temporarily ceased trading There has been an uptick of zero survey responses during the most recent lockdown to around 13% of those returns provided for the first monthly estimate, however this is minor compared to the numbers of zero responses during the first lockdown period which was just over 40%.
- Treatment of HMRC Coronavirus job retention schemes (CJRS)

 CJRS is treated as a subsidy, so is currently excluded from value of work returns. In calendar quarter months where employment questions are included on the survey, relevant questions request that furloughed workers be included in estimates.

 -Additional data sources

JA said ONS have been using a wide range of additional data sources, such as BICS to validate survey data and welcomed additional suggestions for data sources to use in QA processes, but stressed that timely data sources (available 6 weeks after the reference month) are most useful in informing estimates.

- VAT data

VAT data used in revisions has been a challenge. ONS do not usually comment on this type of revision at a type of work level but are considering doing so if there is interest.

- JA next provided an overview of ONS construction statistics future development plans.
 - Much development work was undertaken as part of Office for Statistics Regulation Assessment between 2016 and 2019 that resulted in regaining the National Statistics badge for Construction output, new orders, and output price indices.
 - The pace of development work has slowed during the Covid-19 period as the focus has been on continuing to produce key publications.
 - Work on the <u>sub-national and sub-sector dataset</u> has been suspended since publication of Q4 2019 data in February 2020. However, publication will resume on 12th May 2021 (including data back to Q1 2020). There are also longer to term plans to make improvements in the model that underlies the data and to regain the National Statistics badge for this dataset.
- International data deliveries

JA noted that following EU exit data deliveries to Eurostat have stopped. For international comparisons he recommended using the <u>OECD statistics database</u>.

• Microdata availability

ONS construction output microdata from 2010 to 2019 has recently become available for <u>approved researchers</u> at the ONS Secure Research Service (SRS). More recent data is available on request.

Construction statistics annual (CSA)
 The <u>2020 edition</u> of the annual, covering 2019 data, was published in January 2021.
 2020 data should be published in October 2021. JA stated he would appreciate feedback on any topics that might be included in the publication.

• Bulletin content feedback

JA mentioned a short <u>survey</u> relating to the monthly construction output release, adding he would be grateful for any responses.

- Dates for diary
 - February 2021 output data due to be published 13th April
 - 2021 Q1 data (construction output, new orders, OPI's) due to be published 12^{th} May.
 - Quarterly National Accounts 2021 Q2 data due to be published 30th September
 - August 2021 output data due to be published 11th October
 - Construction statistics annual 2021 due to be published October 2021.
- Construction statistics steering group

 The next meeting is likely to be held in May 2021. JA welcomed suggestions for topics to include.

Comments/questions

- JH asked whether the subnational and regional data will include data for 2020 when publication resumes.
 - JA replied that gaps will be filled in, with data for 2020 Q1 to 2021 Q1 to be published in May 2021.
- TH extended his thanks to JA and his team for all the work they had done during the last year, noting that it was thanks to JA and his team that we have a reasonably clear picture of the effects of Covid-19 on the construction industry.

4. Impact of Covid-19 on building materials statistics – Frances Pottier

FP gave a presentation Covid-19 impacts on building materials, based on data from the Building materials and components statistics publication.

- April 2020 saw the largest fall in bricks deliveries since January 1949, the starting point of the current series.
- Block deliveries in April 2020 were the lowest since surveys began in 1967.
- Both brick and block deliveries (seasonally adjusted) recovered very quickly almost to pre-covid levels.
- Production of bricks and blocks showed a similar pattern to deliveries in 2020.
- Falls for quarterly series were largest in Q2, but the falls were considerably softer than falls in monthly series.
- Sand and gravel sales in Q2 2020 were lowest since surveys began in 1983.
- Roofing tile deliveries in Q2 2020 saw largest fall since Q1 2009.

- Trade data in building materials for the whole of 2020 showed imports decreasing by around 13%, with exports down by around 11%.
- After sharp decreases in the first half of 2020, in the second half of the year both imports and exports recovered strongly.
- Response rates on surveys declined in March and April 2020 for monthly data and in Q1 2020 for quarterly data as factories etc closed, though many suppliers were later able to provide revised data.

5. ONS Business Impact of coronavirus survey (BICS) - Jon Gough

- <u>BICS</u> is a bi-weekly online survey, formerly known the 'Business impact of coronavirus survey' and now as the 'Business insights and conditions survey'. The change in name reflects a broadening of the survey's scope.
- The survey was set up on a very tight timescale in March 2020 to identify impacts of Covid-19 on businesses.
- The survey's content has evolved considerably. The initial wave contained 12 questions focussed on businesses' trading status and financial performance. The latest wave (as of 22nd March 2021) contained over 90 questions, on topics such as workforce, prices data, trade, Covid-19 testing, and government schemes. A <u>list of questions</u> included in each wave of the publication is available.
- Questions focus on eliciting information about relative changes in businesses' status, rather than absolute values.
- For each wave of the survey, <u>initial estimates of key high level indicator</u> values are published before the survey closes.
- Sample sizes have risen from around 18,000 to over 39,000 over time, with the number of construction firms included rising from around 1,000 to around 3,500.
- Response rates were around 30% in early waves of the survey and around 25% in the most recent waves.
- From wave 7 onwards, the sample was redesigned to improve coverage of smaller businesses, allowing production of weighted estimates (by turnover, employment and count) that in turn allow comparison of results across waves.
- <u>Subnational estimates</u> have also been produced using data from business that trade from a single site. Some 98% of businesses operate from a single site, but these

businesses only account for half of turnover and employment. The BICS team are working on a method to produce subnational estimates that include business operating from more than one site.

- With reference to data collected from businesses operating in the construction sector.
 - Over the course of the survey, the trading status of construction sector businesses has been similar to that of all industries,
 - Compared to all industries over the course of the survey the pattern of construction industry workers on furlough, working at their normal place of work, and working remotely are similar. However, a larger proportion of construction industry workers have been working at their normal place of work than for all industries.
 - Data from the latest wave (26) shows that, compared to other sectors, changes in construction business turnover are around average, with 40% of construction businesses reporting decreased turnover, whilst 40% of construction sector businesses report having 3 months or less cash reserves, a higher percentage than for all but 2 other sectors.
 - On the same basis, 98% of businesses in the construction sector reported they had not exported in the last year, 93% reported not importing in the last year.
- BICS estimates match up well to other data sources, giving confidence in the validity and reliability of the estimates.

Comments/questions

NF noted how useful he had found the survey, particularly early waves. He did
however suggest that the reason few construction businesses reported issues with
exports was because the definition of construction is contractors who don't have
significant involvement with product importing, which is done by product
manufacturers, importers or builders' merchants.

6. Any other business

NF asked when next meeting would be.

FP tentatively suggested early autumn, subject to the current restrictions easing as planned.