

Interim solution for construction output price indices, quarter 3 (July to September) 2015

Abstract

This article contains a summary of the construction output price indices (OPIs) for quarter 3 (July to September) 2015, produced using an interim solution whilst ONS continues to develop appropriate methodologies for the long-term. Data in this release are experimental statistics.

Introduction

Since taking responsibility for the Construction Price and Cost Indices (CPCIs) on 1 April 2015, the Office for National Statistics (ONS) has developed an interim construction output price index (OPI). This index was put together in a short time frame and uses existing ONS data sources, the majority of which are National Statistics, so that users can be assured of the quality of the source data.

The results for the interim construction price index were published for the first time on 12 June 2015 and included data to quarter 1 (Jan to Mar) of 2015. This article provides an update to these results and includes data to quarter 3 (Jul to Sep) of 2015.

[Information about the methods used to compile the interim construction OPIs](#), as well as the results of our recent user survey and plans for the future development of price indices for construction, were published on 28 September 2015.

Headline Results

- The interim OPI for all construction rose 2.0% in the year to September 2015, down from an increase of 2.3% last month.
- The interim OPI for all new work increased 2.7% in the year to September 2015, down from an increase of 3.0% last month. The main two contributors to the rate came from housing and private commercial, where prices increased by 2.6% and 2.9% respectively in the year to September.
- The interim OPI for all repair and maintenance increased by 1.0% in the year to September 2015, which is unchanged from last month. This change is mostly accounted for by the non-housing repair and maintenance sector which saw an increase of 1.3% in the year to September.

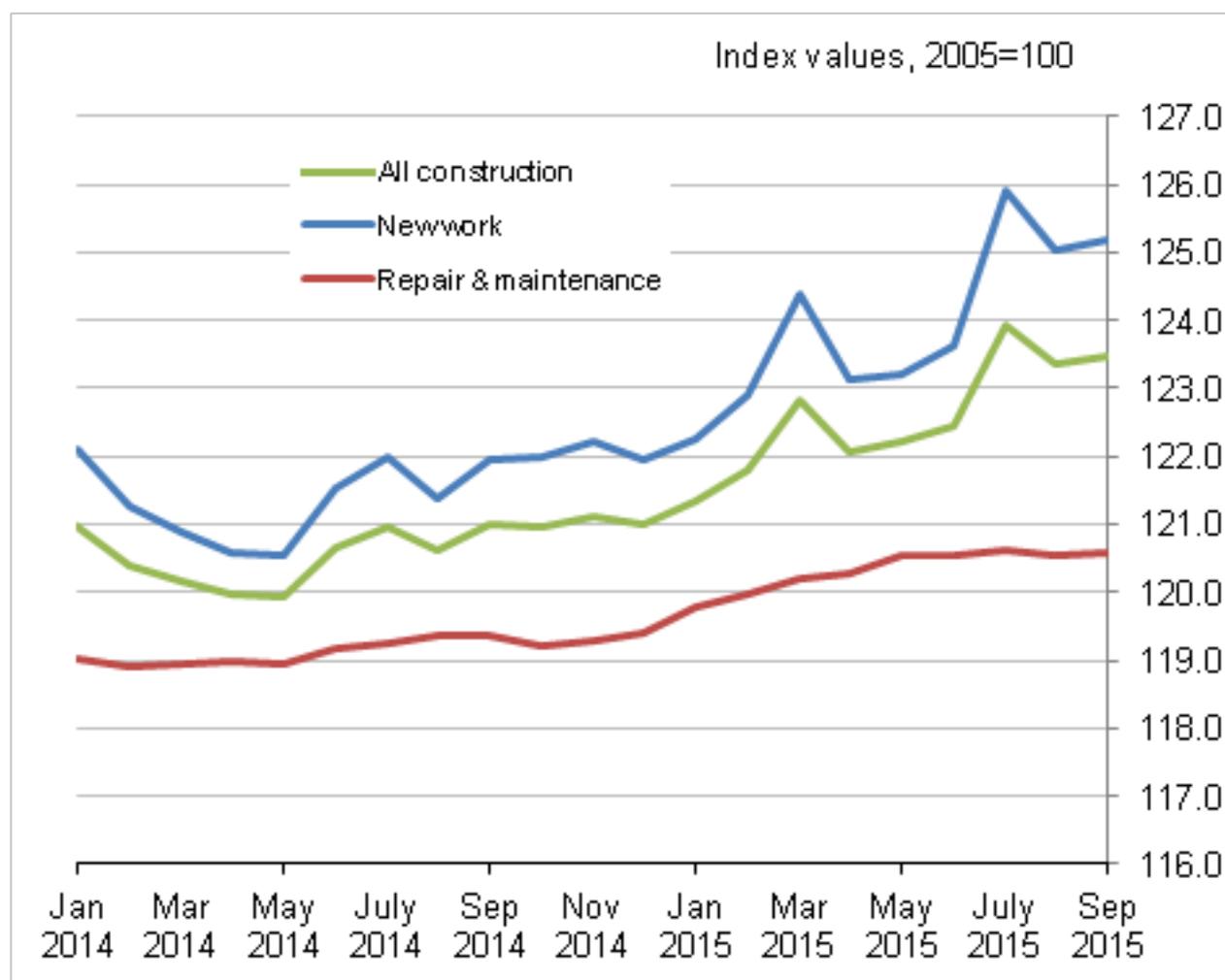
- Prices continued to rise in the year to September for all work types.

All Construction

Overall, prices in the construction industry, as estimated by the interim construction OPI, have risen during the period January 2014 to September 2015. There is an upward trend evident across all new work and repair and maintenance sectors when compared with both the previous month and the same month a year ago (figure 1), with peaks in all new work in March and July 2015.

Figure 1: Interim construction output price indices (2005=100), United Kingdom

January 2014 to September 2015



Source: Office for National Statistics

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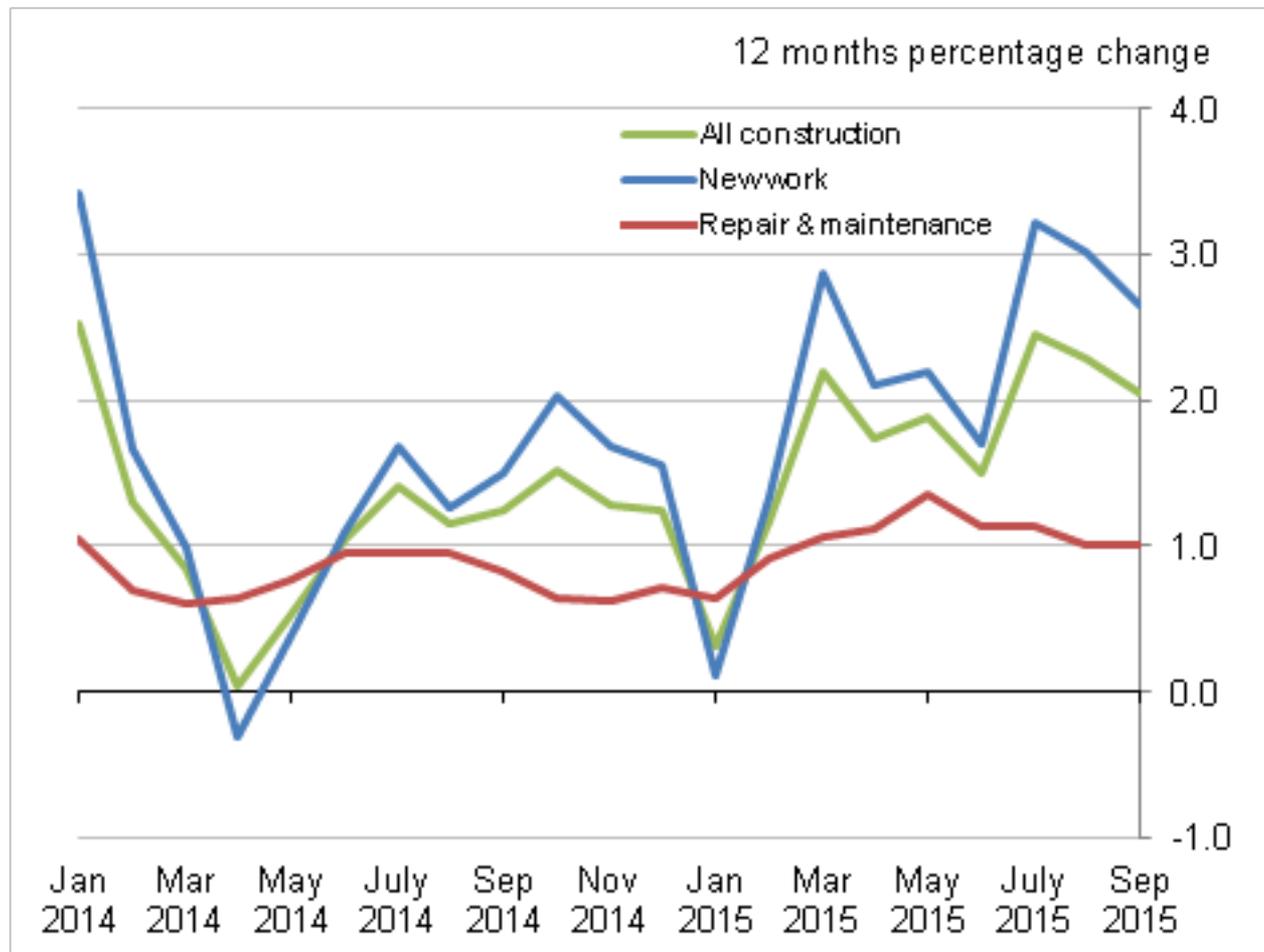
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Annual growth rates in the interim construction OPI were positive throughout the January 2014 to September 2015 period (figure 2) except for one instance where prices were lower than in the same

month of the previous year. The fall in the annual rate in April 2014 was due to a fall in the price of new work (across all sectors except infrastructure). Repair and maintenance work shows increases in price (positive annual growth rates) across the entire period.

Figure 2: Construction output price annual percentage change

UK, January 2014 to September 2015



Source: Office for National Statistics

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New Construction

The interim OPI for all new construction work increased 2.7% in the year to September 2015. These changes were a result of increases in output prices in all sectors (table 1).

Table 1: New construction output price indices September 2015 (% change)

United Kingdom

Sector	Change		Change	
	annual	direction	monthly	direction
Housing (public & private)	2.6%	↑	0.0%	-
Infrastructure	2.2%	↑	0.1%	↑
Public Non-housing	2.9%	↑	0.2%	↑
Private Industrial	2.3%	↑	0.1%	↑
Private Commercial	2.9%	↑	0.2%	↑
All New Work	2.7%	↑	0.1%	↑

Table source: Office for National Statistics

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(25 Kb)

All sectors show positive annual growth throughout the period with both public non-housing and private commercial leading the way in the latest period with the largest annual increase of 2.9%.

Repair & Maintenance

The interim OPI for all repair and maintenance increased 1.0% in the year to September 2015. Much of this increase was accounted for by a rise in the non-housing repair and maintenance sector which saw output price increases of 1.3% on the year (table 2).

Table 2: Repair & maintenance construction output price indices September 2015 (% change)

United Kingdom

Sector	Change		Change	
	annual	direction	monthly	direction
Housing R&M	0.7%	↑	0.0%	-
Non-housing R&M	1.3%	↑	0.0%	-
All Repair & Maintenance	1.0%	↑	0.0%	-

Table source: Office for National Statistics

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(24.5 Kb)

Background notes

1. Use within ONS

These interim construction OPIs were used to deflate [Output in the Construction Industry](#) for the first time in the April 2015 release, published on 12 June 2015. Further details on the impact of using these indices have been published in a separate [article on the impact of interim solution for OPIs on ONS outputs \(214.3 Kb Pdf\)](#).

2. Linking to previous series

The [Construction Price and Cost Indices](#) (CPCIs) were previously published by BIS and were published for the last time in September 2014, with the release suspended in December 2014. [Responsibility for these statistics transferred to ONS on 1 April 2015](#), as previously announced.

Users wishing to link the BIS CPCIs (prior to 2014) and the new ONS construction OPIs (from 2014 onwards) to create longer running time series, have many options. One approach would be to use a linking factor (based on a common time period) similar to the process suggested to link Producer Price Index series on different price bases described on page 2 of this [Producer Price Index \(PPI\) Rebasing 2010 – Question and Answer Document \(34 Kb Word document\)](#).

[Further guidance on using indices in indexation clauses \(197 Kb Pdf\)](#) is also available.

3. De-designation as National Statistics

The Construction Price and Cost Indices were de-designated as National Statistics in December 2014, after their suspension, as detailed in a [letter](#) from Ed Humpherson, Director General for Regulation.

4. Experimental statistics

[These statistics have been published on an experimental basis](#) to involve users in their development. As a result, improvements to methods may result in revisions to the series. Full details of any revisions will be released alongside the revised data.

5. Revisions policy

The interim construction OPIs are dependent on the revisions policies associated with their component series. For routine revisions, such as inclusion of late respondent data and monthly

re-estimation of seasonal adjustment factors, the interim COPIs will be open to revisions for a period of 5 months, in line with PPI, its main component.

Non-routine revisions may also occur for example as a result of reviews and updates of methodologies of component series. When historic changes to component series arise, their impact on the COPI series will be assessed and any changes highlighted to users.

6. Changes in this release

This release (quarter 3 2015) incorporates [revised average weekly earnings \(AWE\) data \(210.4 Kb Pdf\)](#) following a review of the methodology used to estimate for small firms (less than 20 employees) and re-estimation of seasonal adjustment factors

Another ad hoc update for this release is the use of finalised 2014 Annual Business Survey (ABS) data to weight new work, which have become available since the previous publication (at the time of the first publication of the interim solution, provisional ABS results for 2013 were used).

Both of these changes affected the series back to 2014 and incorporating this newer information has had minimal impact on the interim construction OPIs.

7. Details of the policy governing the release of new data are available by visiting www.statisticsauthority.gov.uk/assessment/code-of-practice/index.html or from the Media Relations Office email: media.relations@ons.gsi.gov.uk

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