

Article

Construction output price indices (OPIs): Quarter 2 (April to June) 2016

This article contains a summary of the construction output price indices (OPIs) for Quarter 2 (April to June) 2016, produced using an interim solution whilst we continue to develop appropriate methodologies for the long-term. Data in this release are experimental statistics.

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1. Introduction

Since taking responsibility for the construction price and cost indices (CPCIs) on 1 April 2015, we have developed an interim construction output price index (OPI). This index was put together in a short time frame and uses our existing 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. This article provides a quarterly update to these results and includes data to June 2016.

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

2. Headline results

The interim OPI for all construction rose 2.2% in the year to June 2016, down from an increase of 2.3% in the year to May 2016.

Prices continued to rise in the year to June 2016 for all work types, within new work and repair and maintenance.

The interim construction OPI for all new work increased 3.0% in the year to June 2016, down from an increase of 3.2% in the year to May 2016. Private industrial showed the largest movement with an increase of 4.2% in the year to June 2016.

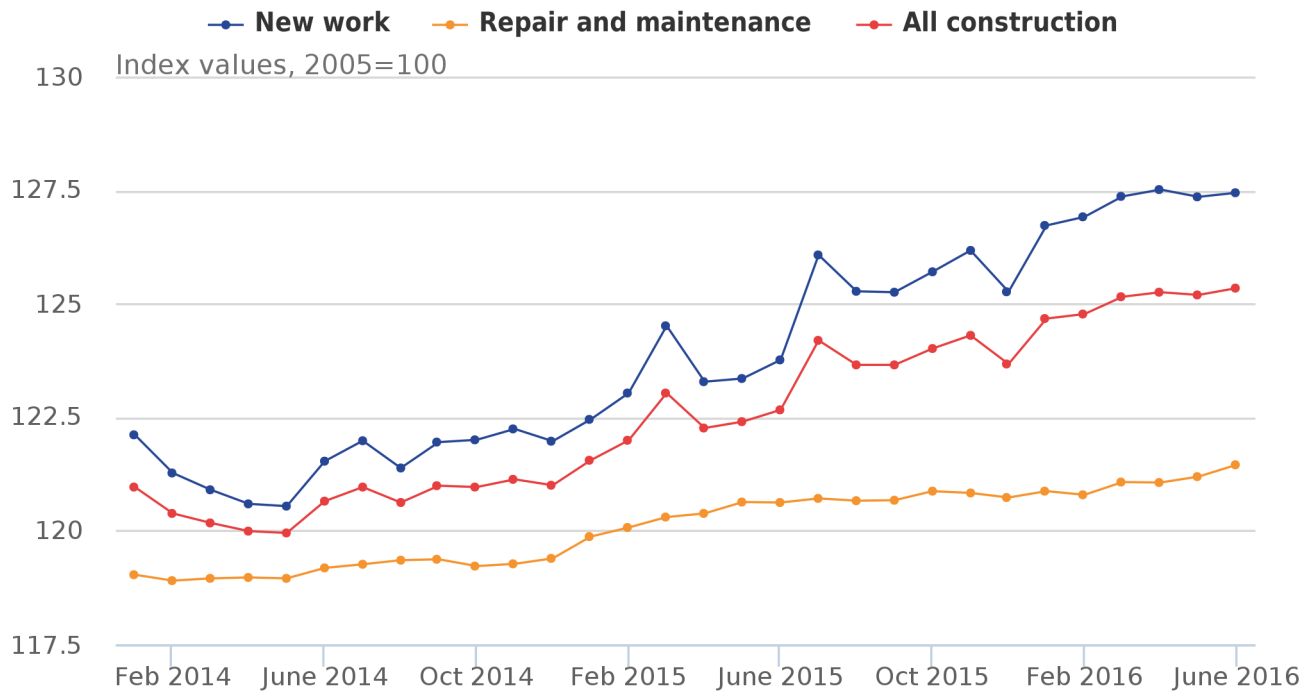
The interim OPI for all repair and maintenance increased by 0.7% in the year to June 2016, up from a 0.5% increase in May 2016. The housing repair and maintenance sector showed the largest increase in the year to June 2016, at 0.7%.

3. All construction

Overall, prices in the construction industry, as estimated by the interim construction OPI, rose between January 2014 and June 2016. There is an upward trend evident across all new work, repair and maintenance sectors when compared with the same period a year ago (Figure 1). The peaks and troughs seen in the all new work index between January 2014 and June 2016 were driven by the earnings component of the OPI, which is sourced from the Average Weekly Earnings index for construction.

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

January 2014 to June 2016

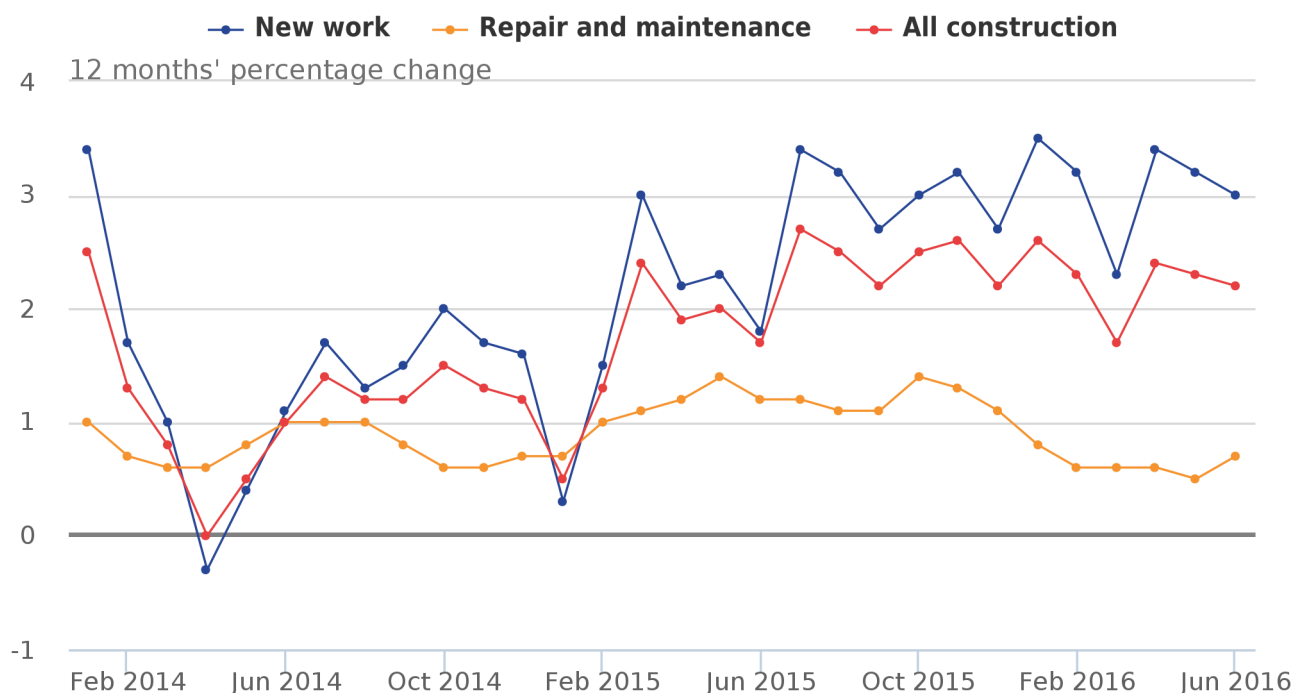


Source: Office for National Statistics

Annual growth rates in the interim construction OPI were positive throughout the January 2014 to June 2016 period (Figure 2) except for 1 instance where prices were lower than in the same month of the previous year. This occurred in the new work index in April 2014, when the index fell 0.3% on the year driven by the earnings component of the OPI, which is sourced from the Average Weekly Earnings index for construction. Repair and maintenance work shows positive year-on-year growth in all periods.

Figure 2: Construction output price annual percentage change, UK

January 2014 to June 2016



4. New work

The interim OPI for all new construction work increased 3.0% in the year to June 2016. This change was as a result of annual increases in output prices in all sectors (Table 1).

Table 1: New work output price indices June 2016 (Percentage change)

UK		
Sector	Percentage change	
	annual	monthly
Housing (public and private)	2.9	-0.1
Infrastructure	2.6	0.2
Public Non-housing	3.1	0.1
Private Industrial	4.2	0.4
Private Commercial	3.1	0.1
All New Work	3.0	0.1

Source: Office for National Statistics

All sectors show positive annual growth in June 2016. Private industrial showed the largest movement, where prices increased by 4.2% in the year to June 2016.

5. Repair and maintenance

The interim OPI for all repair and maintenance increased 0.7% in the year to June 2016. The housing repair and maintenance sector showed the largest increase of 0.7% in the year to June 2016 (Table 2).

Table 2: Repair and maintenance construction output price indices June 2016 (Percentage change)

UK		
Sector	Percentage change	
	annual	monthly
Housing R and M	0.7	0.2
Non-housing R and M	0.6	0.2
All Repair and Maintenance	0.7	0.2

Source: Office for National Statistics

6. 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.

2. Linking to previous series

The [construction price and cost indices](#) (CPCIs) were previously published by the Department for Business, Innovation and Skills (BIS) (now the [Department for Business, Energy and Industrial Strategy](#)) and were published for the last time in September 2014, with the release suspended in December 2014. [Responsibility for these statistics transferred to us on 1 April 2015](#), as previously announced.

Users wishing to link the BIS CPCIs (prior to 2014) and our new 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 the Producer Price Index series (PPI) on different price bases, as described on page 2 of this [question and answer paper](#).

Further [guidance on using indices in indexation clauses](#) 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 construction OPIs 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 construction OPI series will be assessed and any changes highlighted to users.