

Article

Construction output price indices (OPIs): UK, April to June 2017

A summary of the construction output price indices (OPIs) for Quarter 2 (Apr to June) 2017, 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, 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 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 OPI were published for the first time on 12 June 2015. This article provides a quarterly update to these results and includes data to June 2017.

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 . Main points

- The interim Construction Output Price Index (OPI) for all construction rose 1.8% in the year to June 2017, down from an increase of 2.0% in the year to May 2017.
- Prices rose in the year to June 2017 for all work types within new work, and repair and maintenance, with the exception of infrastructure, which fell 1.2% on the year.
- The interim OPI for all new work increased 1.5% in the year to June 2017, down from an increase of 1.6% in the year to May 2017; private industrial showed the largest movement with an increase of 3.3% in the year to June 2017.
- The interim OPI for all repair and maintenance increased 2.6% in the year to June 2017, which is unchanged from May 2017; the housing repair and maintenance sector showed the largest increase of 3.0% in the year to June 2017.

3 . All construction

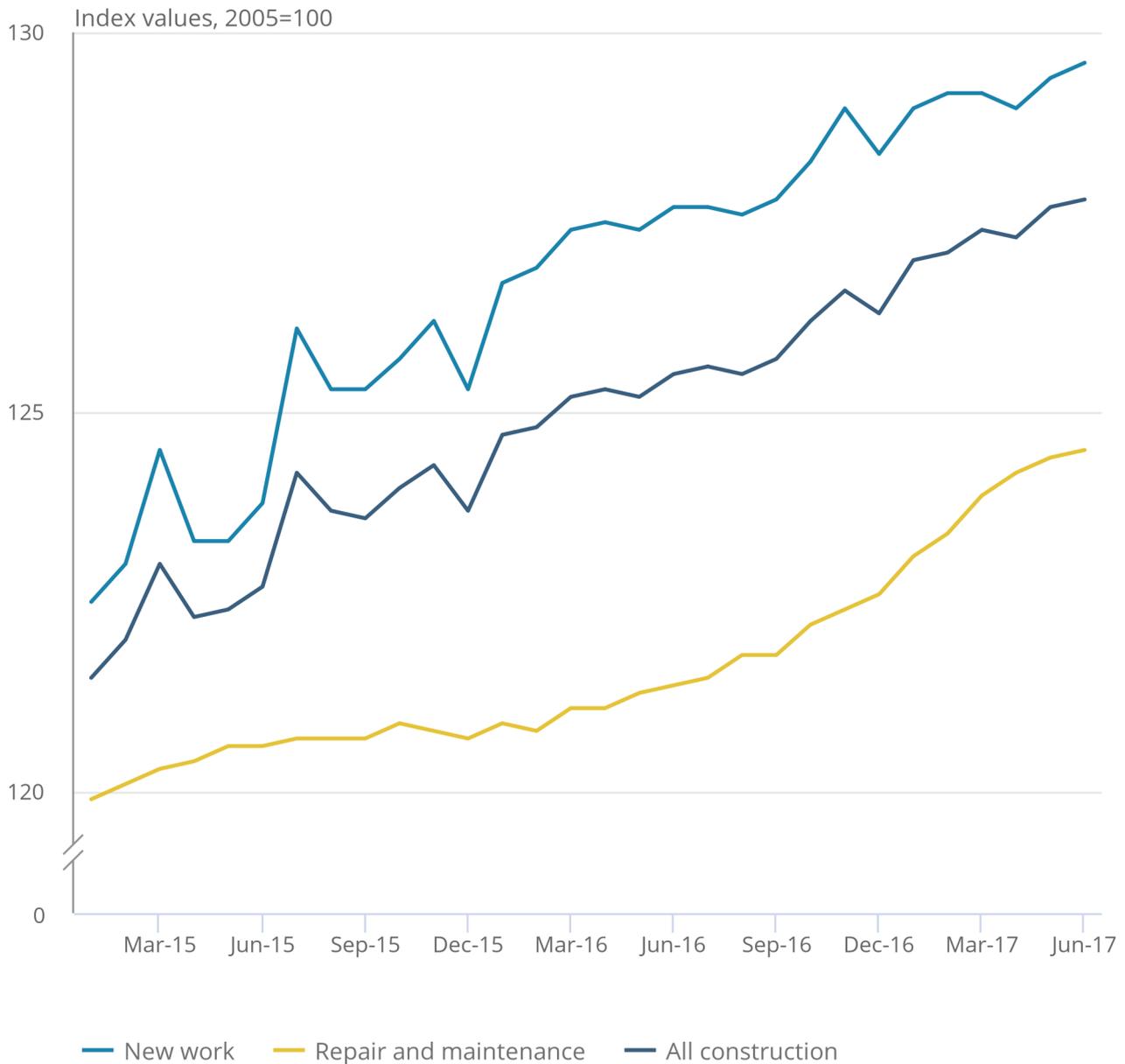
Overall, prices in the construction industry, as estimated by the interim Construction Output Price Index (OPI), rose between January 2015 and June 2017 (Figure 1). The peaks and troughs seen in the all new work index between January 2015 and June 2017 are mostly the result of the movements within the earnings component of the OPI, which is sourced from the Average Weekly Earnings (AWE) index for construction.

Figure 1: Interim construction output price indices, UK

January 2015 to June 2017

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January 2015 to June 2017



Source: Office for National Statistics

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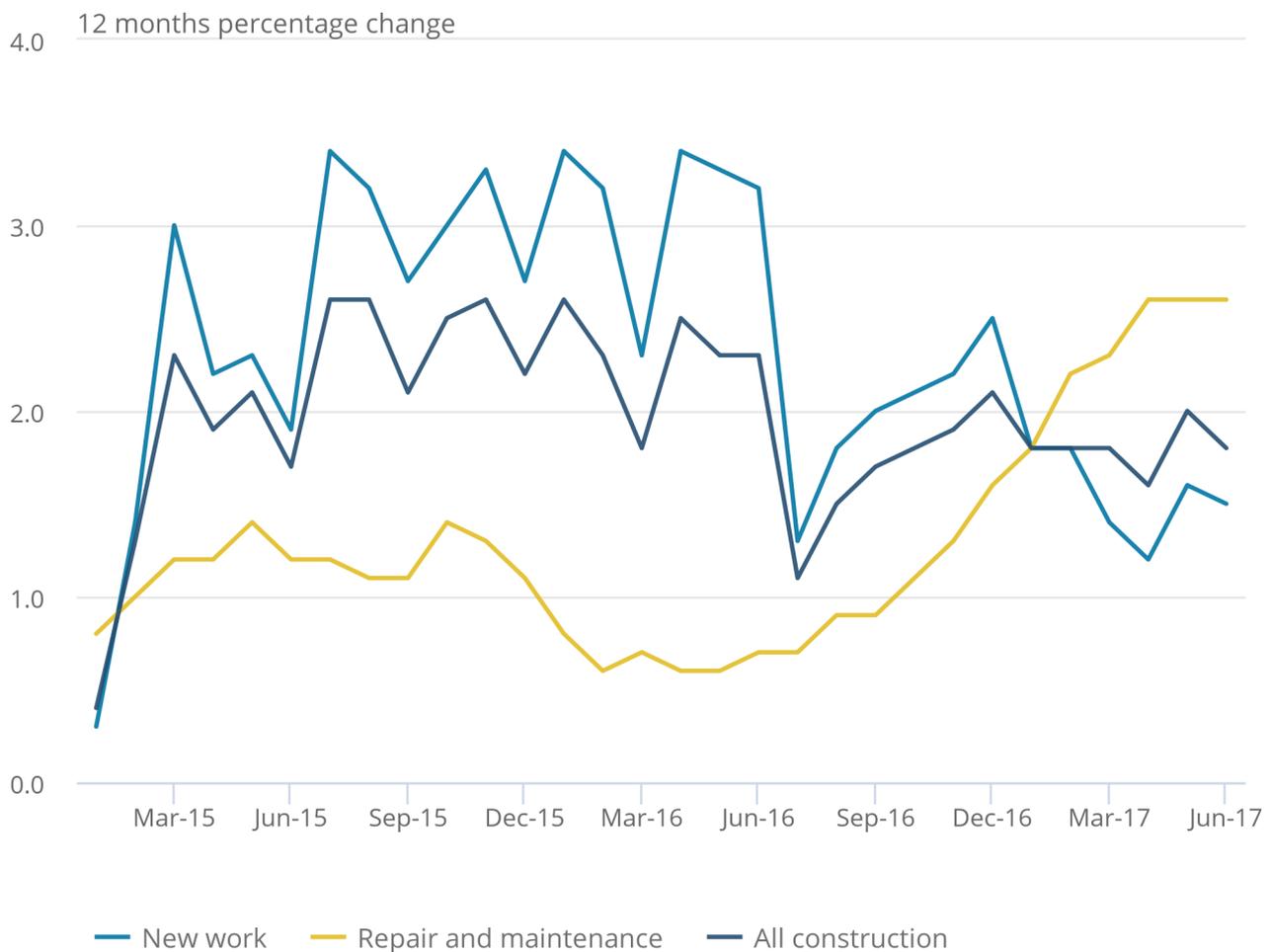
The headline rate of inflation for all construction was 1.8% in June 2017. Annual growth for repair and maintenance was unchanged at 2.6% in June 2017, which represents the joint fastest rate of growth across the period January 2015 to June 2017. Annual growth for new work was 1.5% in June 2017. Annual growth rates for the three main interim construction OPIs remained positive throughout the period to June 2017 (Figure 2).

Figure 2: Construction output price annual percentage change, UK

January 2015 to June 2017

Figure 2: Construction output price annual percentage change, UK

January 2015 to June 2017



Source: Office for National Statistics

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4 . New work

The interim Output Price Index (OPI) for all new construction work increased 1.5% on the year to June 2017. This increase was a result of annual increases in output prices across all sectors, with the exception of infrastructure, which fell 1.2% on the year (Table 1). This is the 12th consecutive period of falling prices within the infrastructure sector. Private industrial showed the largest positive movement at 3.3% on the year to June 2017.

Table 1: New work output price indices, UK, June 2017

Sector	Percentage change	
	Monthly	Annual
Housing (public and private)	0.1	3.0
Infrastructure	-0.2	-1.2
Public Non-housing	0.2	1.8
Private Industrial	0.0	3.3
Private Commercial	0.2	1.8
All New Work	0.2	1.5

Source: Office for National Statistics

5 . Repair and maintenance

The interim Output Price Index (OPI) for all repair and maintenance increased 2.6% in the year to June 2017, with the housing repair and maintenance sector showing the largest annual increase of 3.0% (Table 2).

Table 2: Repair and maintenance construction output price indices, UK, June 2017

Sector	Percentage change	
	Monthly	Annual
Housing R and M	0.1	3.0
Non-housing R and M	0.2	2.1
All Repair and Maintenance	0.1	2.6

Source: Office for National Statistics

6 . Background notes

1. Use within ONS

These interim Construction Output Price Indices (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) 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.