

Article

Construction Output Price Indices (OPIs): Interim solution Quarter 1 (January to March) 2016

This article contains a summary of the construction output price indices (OPIs) for Quarter 1 (January to March) 2016, produced using an interim solution whilst ONS continues 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 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 March 2016.

The data in this release (Quarter 1 2016) incorporates updated 2015 Output in the Construction Industry data to weight new work and repair and maintenance. The new weights affect the data from January 2015 onwards. For more information please see the background notes within this release.

[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 construction OPI for all construction rose 1.7% in the year to March 2016, down from an increase of 2.3% in the year to February 2016.

The interim construction OPI for all new work increased 2.2% in the year to March 2016, down from an increase of 3.2% in the year to February 2016. Public non-housing and private commercial are seeing the largest movements where prices for both increased by 2.3% in the year to March 2016.

The interim OPI for all repair and maintenance increased by 0.7% in the year to March 2016, up from a 0.6% increase in February 2016. This increase is mostly accounted for by the housing repair and maintenance sector, which saw an increase of 0.8% in the year to March 2016.

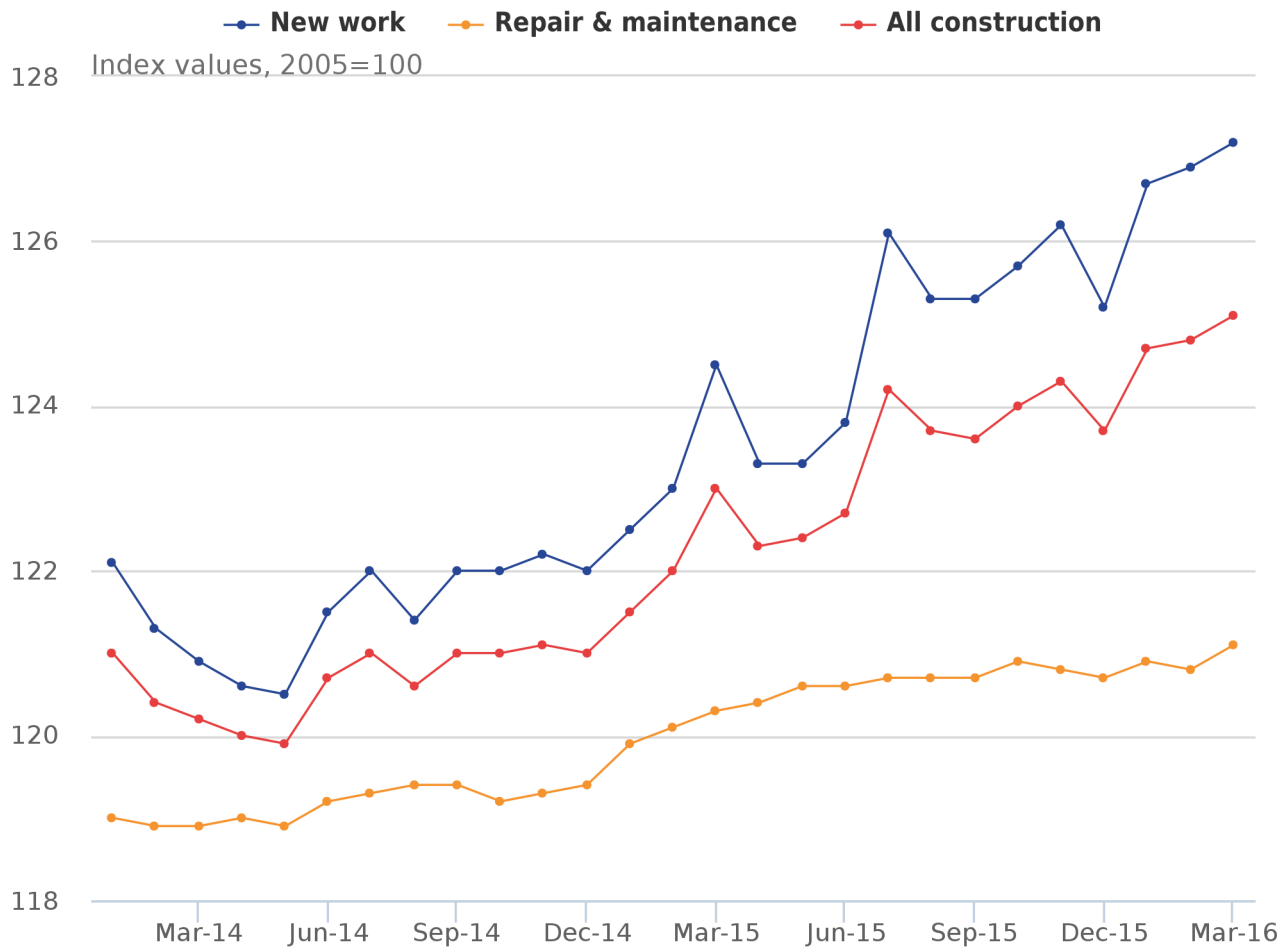
Prices continued to rise in the year to March 2016 for all work types.

3 . All construction

Overall, prices in the construction industry, as estimated by the interim construction OPI, have risen between January 2014 and March 2016. There is an upward trend evident across all new work, and repair and maintenance sectors when compared with the same month a year ago (Figure 1). The peaks and troughs seen in the all new work index 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 March 2016

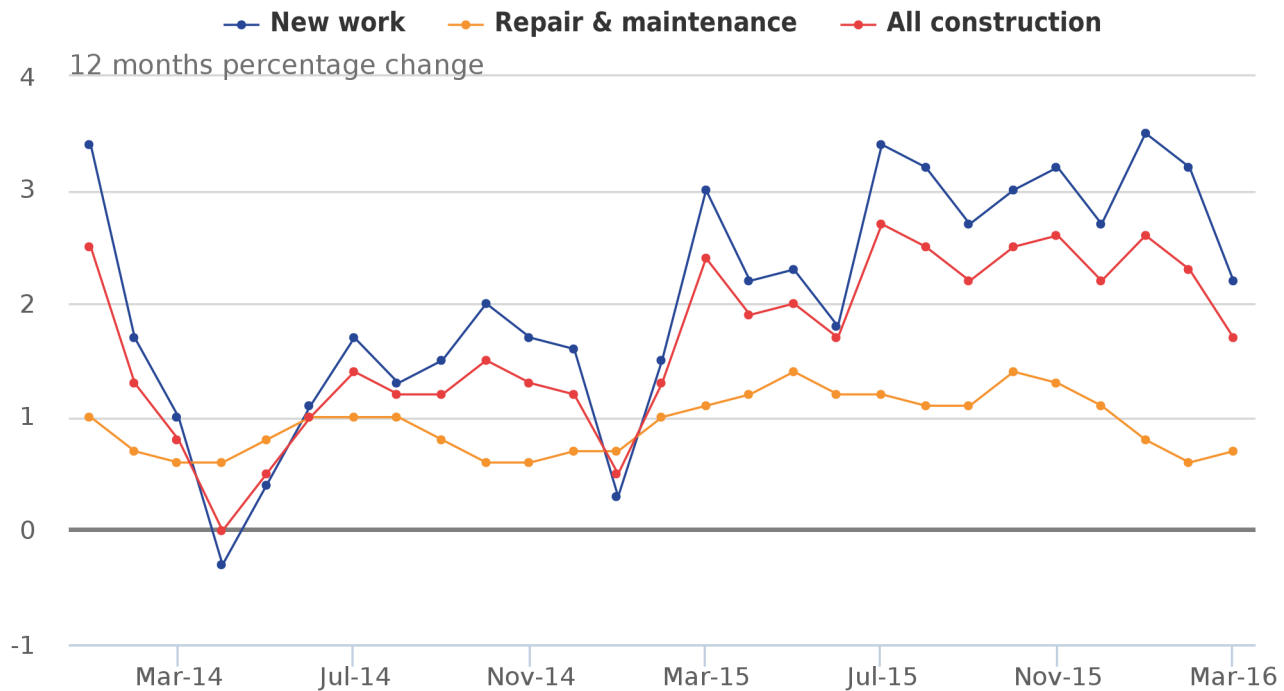


Source: Office for National Statistics

Annual growth rates in the interim construction OPI were positive throughout the January 2014 to March 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. 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 March 2016



Source: Office for National Statistics

4 . New work

The interim OPI for all new construction work increased 2.2% in the year to March 2016. These changes were a result of increases in output prices in all sectors (Table 1).

Table 1: New work output price indices, UK, March 2016 (percentage change)

| UK | | |
|----------------------------|-------------------|------------|
| Sector | Percentage change | |
| | annual | monthly |
| Housing (public & private) | 2.2 | 0.4 |
| Infrastructure | 1.9 | 0.3 |
| Public non-housing | 2.3 | 0.0 |
| Private industrial | 2.0 | 0.4 |
| Private commercial | 2.3 | 0.0 |
| All new work | 2.2 | 0.2 |

Source: Office for National Statistics

All sectors show positive annual growth in March 2016. Public non-housing and private commercial are both seeing the largest movement with annual increases of 2.3%.

5. Repair and maintenance

The interim OPI for all repair and maintenance increased 0.7% in the year to March 2016. Much of this increase was accounted for by a rise in the housing repair and maintenance sector, which saw output prices increase by 0.8% on the year (Table 2).

Table 2: Repair and maintenance construction output price indices, UK, March 2016 (percentage change)

| UK | | |
|--------------------------|-------------------|---------|
| Sector | Percentage change | |
| | annual | monthly |
| Housing R&M | 0.8 | 0.3 |
| Non-housing R&M | 0.5 | 0.2 |
| All repair & maintenance | 0.7 | 0.3 |

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) 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 Producer Price Index series 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.

6. **Changes in this release**

This release (Quarter 1 2016) incorporates updated [2015 Output in the Construction Industry](#) data to weight new work and repair and maintenance, which have become available since the previous publication in February 2016. The changes affect the series back to 2015. Incorporating this newer information has had minimal impact on the interim construction OPIs.