

Output in the Construction Industry, January 2013



Coverage: **GB**

Date: **08 March 2013**

Geographical Area: **Region**

Theme: **Economy**

Theme: **Business and Energy**

Key Findings

- Construction output estimates are a short term indicator of construction output by private sector and public corporations within the UK. The estimates are produced and published at current prices (including inflationary price effects) and at constant prices (with inflationary effects removed) both seasonally and non-seasonally adjusted, although the monthly data in this release are non-seasonally adjusted. Construction output is used in the compilation of the UK National Accounts' production measure of Gross Domestic Product.
- In non-seasonally adjusted, constant (2005) prices, the total volume of construction output in January 2013 was estimated to have been 7.9% lower than in January 2012.
- Comparing the constant price non-seasonally adjusted data for the three months from November 2012 to January 2013 with the same three months one year earlier the volume of construction output between these periods decreased by 10.2% to £6,734 million.
- Comparing the three months from November 2012 to January 2013 with the same three months a year earlier, new work was lower by 12.7%, driven by large falls in public other new work and private-commercial other new work which decreased of 23.5% and 14.5% respectively. Other

new work excludes the housing and infrastructure sectors but includes construction items such as factories, warehouses, schools and offices, etc.

- There was also a 5.3% decrease in repair & maintenance, mainly due to a 12.3% fall in private housing repair & maintenance.
- Comparing January 2013 with December 2012 the total volume of construction output fell by 6.3%, mainly due to a 7.9% decrease in new work.
- The 'Definitions and explanations' section in the background notes of this bulletin include additional information on items contained in this release.

Introduction

This bulletin includes commentary on the dataset in addition to relevant graphs and tables. The accompanying background notes provide information on coverage, quality reporting, revisions and publication policy.

Detailed estimates of construction output at current prices and measured as constant prices for seasonally and non-seasonally adjusted estimates are available to download in the Output in the Construction Industry, January 2013.

Economic Background

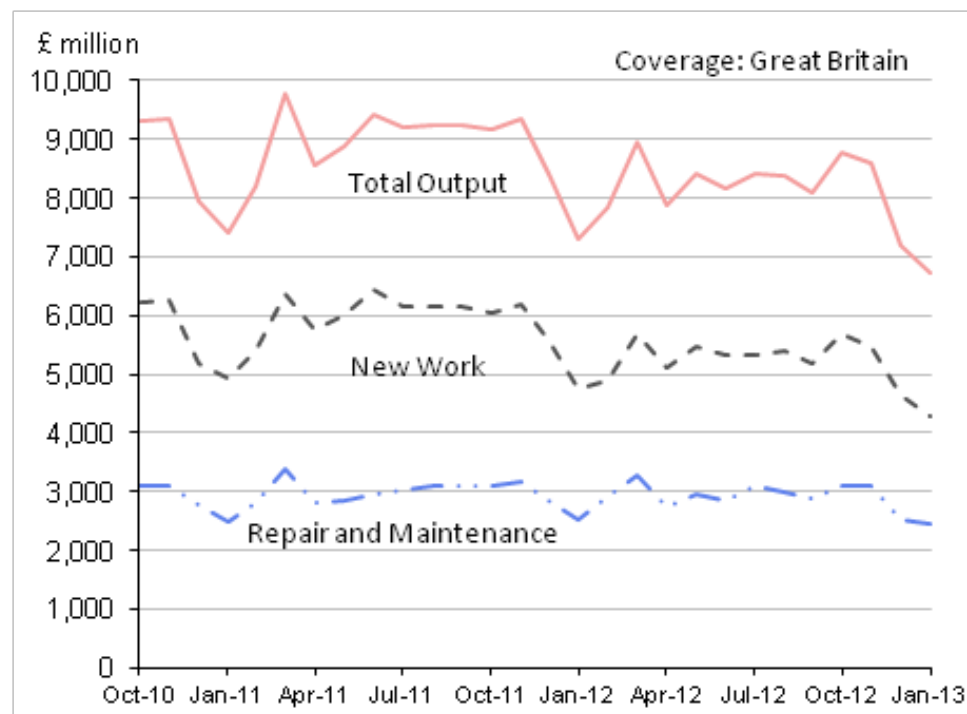
In seasonally adjusted constant prices, the last quarter of 2012 saw a 0.3% dip in the second estimate of Gross Domestic Product (GDP), reflecting the flat lining UK economy. Contrasting this, quarter-on-quarter growth in construction was quite strong, rising 0.8%, as projects that had previously been disrupted by the Olympic and Paralympic Games came back on-line. However, this did disguise some underlying weakness. Compared with a year ago construction output has fallen by 8.9%.

The [Construction Products Association](#) have noted that, recently, the minority of firms to have bucked the trend have been working on energy and rail projects or manufacturing construction products to be exported outside the EU.

Even though construction estimates account for just 6.8% of GDP, it has provided some of the main downward contributions to total output since the recession. Construction output is highly responsive to the economic cycle and fell by 16.7% when comparing the last quarter of 2012 with the first quarter of 2008. More positively, business confidence in the industry was upbeat this month, though it remains to be seen whether a sustained recovery can be made.

Output in the Construction Industry - January 2013

Figure 1: Construction Output (constant (2005) prices, non-seasonally adjusted)



Source: Construction: Output & Employment - Office for National Statistics

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In non-seasonally adjusted, constant (2005) prices, the total volume of construction output in January 2013 was estimated to have been 7.9% lower than in January 2012.

Comparing the three months from November 2012 to January 2013 with the same three months one year earlier, the volume of construction output in this period decreased by 10.2% to £6,734 million. New work was lower by 12.7%, driven by large falls in public and private-commercial other new work which decreased of 23.5% and 14.5% respectively. There was also a 5.3% decrease in repair and maintenance, which was mainly due to a 12.3% fall in private housing repair and maintenance.

Estimates of the volume of infrastructure work decreased by 8.9% over this period and public new housing decreased 20.4% to £216 million, its lowest level since the monthly survey began in January 2010.

Comparing the constant (2005) price, non-seasonally adjusted estimates between January 2013 and December 2012 the volume of construction output has decreased by 6.3%. The only sectors to show an increase in this period were repairs and maintenance of housing and non-housing by public corporations which showed increases of 1.9% and 11.1% respectively. However, care should be taken in comparing month-on-month estimates as these may be influenced by seasonal factors.

ONS is currently undertaking a detailed analysis of the three year seasonal adjustment pattern of these estimates. The results of this detailed analysis will be published once completed.

Changes since the forecast used in Q4 2012 Gross Domestic Product Second Estimate

The second estimate of [quarter four 2012 Gross Domestic Product \(GDP\)](#) included a rise of 0.9% in construction output in the fourth quarter of 2012 compared with the previous quarter.

The estimate released in this publication show that construction output grew by 0.8% in the fourth quarter.

There is, therefore, no impact at one decimal place on the second estimate of quarter four 2012 GDP from this release of construction output estimates.

An explanation of Gross Domestic Product can be found in the 'Definitions' section of the background notes of this bulletin.

Table 1: Construction Summary Tables, Constant Prices, Non-Seasonally Adjusted

Table 1: Construction	Percentage change				£million
	Most recent rolling 3 months on a year earlier	Most recent rolling 3 months on 3 months earlier	Most recent month on the previous month a year ago	Most recent month on the previous month	Most recent level
1. Total All Work	-10.2	-11.0	-7.9	-6.3	6,734
1a. Total All New Work	-12.7	-11.6	-10.1	-7.9	4,288
1b. Total Repairs and Maintenance	-5.3	-9.9	-3.7	-3.4	2,447

Table 1a: All New Work	Percentage change				£million
	Most recent rolling 3 months on a year earlier	Most recent rolling 3 months on 3 months earlier	Most recent month on the previous month a year ago	Most recent month on the previous month	Most recent level
1.a Total All New Work	-12.7	-11.6	-10.1	-7.9	4,288
i. New Housing					
Public Corporations	-20.4	-13.6	-28.7	-21.9	216
Private Sector	-6.4	-8.3	-9.9	-14.0	884
ii. Other New Work					
Infrastructure	-8.9	-9.3	0.4	-5.5	866
Excl Infrastructure					
Public Corporations	-23.5	-21.3	-23.7	-9.3	574
Private Sector					
Private Sector - Industrial	4.8	-3.5	-1.0	-15.4	231
Private Sector - Commercial	-14.5	-11.3	-7.4	-0.7	1,517

Table 1b: Repairs and Maintenance	Percentage change				£million
	Most recent rolling 3 months on a year earlier	Most recent rolling 3 months on 3 months earlier	Most recent month on the previous month a year ago	Most recent month on the previous month	Most recent level
1b. Total Repairs and Maintenance	-5.3	-9.9	-3.7	-3.4	2,447
i. Housing					
Public corporations	2.9	-8.1	1.1	1.9	444
Private sector	-12.3	-7.4	-8.5	-11.3	666
ii. Infrastructure	-5.3	-9.8	-8.4	-4.6	450
iii. Non- Housing					
Public corporations	1.5	-14.6	14.4	11.1	341
Private sector	-5.0	-11.6	-6.5	-4.0	546

Table source: Office for National Statistics

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Background notes

1. Code of Practice for Official Statistics

National Statistics are produced to high professional standards set out in the [Code of Practice for Official Statistics](#). They undergo regular quality assurance reviews to ensure that they meet customer needs and are produced free from any political interference.

2. Statistical continuous improvement

In December 2012, as part of its [Statistical Continuous Improvement](#) programme, ONS published a [Review of Sample Design and Estimation Methodology for Construction Output](#).

This report evaluated the sample design and estimation methods used on the Construction Output Survey. The conclusions of the review were that the current sample is performing well and that the current methodology for estimation within the survey produces the smallest standard error.

Seasonally adjusted monthly constant price data is undergoing review now that three years data are available for analysis. The results of this detailed analysis will be published once completed.

3. Understanding the Data

Short Guide to Construction

Construction output estimates are a short term indicator of construction output by private sector and public corporations within the UK. The estimates are produced and published at current prices and constant prices both seasonally and non-seasonally adjusted.

Construction output is used in the compilation of the UK National Accounts' production measure of [Gross Domestic Product](#).

Interpreting the Data

When making comparisons it is recommended that users focus on constant prices, seasonally adjusted estimates as these show underlying movements rather than seasonal movements.

Construction estimates are subject to revision because of:

- late responses to the Construction Output Survey
- revisions to seasonally adjusted factors which are re-estimated every quarter
- annual updating of the Inter-Departmental Business Register (IDBR) that forms the basis of the sampling for the Construction Output Survey. This occurs in January and can have an effect on the results published in May.

Definitions and Explanations

Definitions found within the main statistical bulletin are listed here:

- **Current Price (CP)**

Current prices are the actual or estimated recorded monetary value over a defined period. They show the value for each item expressed in terms of the prices of that period.

- **Constant Price (KP)**

A constant price measure is a series of economic data from successive years put in real terms by computing the production volume for each year in the prices of a reference year. The resultant time-series of production figures has the effects of price changes removed (that is, monetary inflation or deflation). In other words, from the raw data a series is obtained which reflects only production volume. See also deflation below.

- **Seasonally Adjusted (SA)**

Seasonal adjustment aids interpretation by removing effects associated with the time of the year or the arrangement of the calendar, which could obscure movements of interest.

- **Deflation**

It is common for the value of a group of financial transactions to be measured in several time periods. The values measured will include both the change in the volume sold and the effect of the change of prices over that year. Deflation is the process whereby the effect of price change is removed from a set of values. The current reference year is 2005.

- **Sectors**

Institutional sectors are defined in the System of National Accounts (SNA) glossary as;

Units that are grouped together to form institutional sectors on the basis of their principal functions, behaviour, and objectives.

The resident institutional units that make up the total economy are grouped into five mutually exclusive sectors:

- non-financial corporations
- financial corporations
- general government
- non-profit institutions serving households;
- households

In the case of non-financial and financial sectors these can be further broken down into private sector, those units controlled by private individuals or groups and public sector, those units controlled by the state.

Gross Domestic Product (GDP)

Gross Domestic Product (GDP) is an integral part of the UK national accounts and provides a measure of the total economic activity in a region.

GDP is often referred to as one of the main 'summary indicators' of economic activity and references to 'growth in the economy' are quoting the growth in GDP during the latest quarter.

Construction estimates are a component of GDP from the output or production approach (GDP(O)) which measures the sum of the value added created through the production of goods and services within the economy (our production or output as an economy). This approach provides the first estimate of GDP and can be used to show how much different industries (for example, agriculture) contribute within the economy.

Repairs and Maintenance

The repairs and maintenance heading in the construction estimates comprises of housing, infrastructure and other work. Table 2 of the bulletin aggregates infrastructure and other work into non-housing. The disaggregated series will be published once seasonal analysis has been completed on the monthly time series.

Other new work

Other new work excludes the housing and infrastructure sectors. This sector includes construction items such as factories, warehouses, schools and offices, etc.

Use of the Data

Output of the Construction Industry estimates are widely used both internally and externally and have been identified by legal requirement and user engagement surveys.

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The key users of data from the Output of the Construction Industry dataset are:

- United Kingdom National Accounts
- Eurostat, in order to comply with statutory requirements
- Industry analysts requiring estimates of the construction industry output of Great Britain
- Trade associations making UK and international comparisons
- Other government departments including; BIS, HM Treasury (HMT) and the Department for Communities and Local Government (DCLG).

As well as being a key indicator of the performance of construction companies, the results of the survey also contribute to the estimate of the gross domestic product of the UK, contributing approximately 6.8% of GDP.

Methods

The ONS Monthly Construction Output Survey measures output from the construction industry in Great Britain. It samples 8,000 businesses, with all businesses employing over 100 people or with an annual turnover of more than £60m receiving a questionnaire by post every month. The results of the survey are deflated using price indices from the Building Cost Information Service (BCIS) of the Royal Institute of Chartered Surveyors (RICS) and then seasonally adjusted using X-12 Arima to derive the published estimates.

Quality

The latest Quality and Methodology report for the Output of the Construction Industry estimates can be found on the [ONS website](#).

4. Revisions

In line with the revisions policy used for national accounts this month, this publication includes data revisions from January 2012. In addition to data revisions, a refinement to the seasonal pattern has caused slight revisions to the seasonally adjusted time series from quarter 3 of 2011.

One indication of the reliability of the key indicators can be obtained by monitoring the size of revisions. The tables below record the size and pattern of revisions which have occurred over the last five quarters. Please note that these indicators only report summary measures for revisions. The revised data may be subject to sampling or other sources of error. Details about this revisions material can be found in the document '[Revisions information in ONS First Release](#)'.

Table 2: Revisions Policy

Source of revisions	Revision periods
New survey data	New month + revised 12 previous months
Revised deflators from BIS*	New quarter + revised 2 previous quarters
Seasonal factors	New quarter + revised 5 previous quarters

Table source: Office for National Statistics

Table notes:

- * BIS - Department for Business, Innovation and Skills

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Table 3: Revisions Table (constant (2005) prices, seasonally adjusted)

	New work published in this release	New work estimates previously published*	New work revisions
2011 Q4	-1.1	-0.9	-0.2
2012 Q1	-8.3	-8.5	0.3
2012 Q2	-3.1	-3.2	0.1
2012 Q3	-1.6	-1.8	0.2
2012 Q4	1.4	1.6	-0.2

	R&M published in this release	R&M estimates previously published*	R&M revisions
2011 Q4	0.8	0.9	-0.1
2012 Q1	-0.6	-0.7	0.1
2012 Q2	-1.2	-1.0	-0.2
2012 Q3	-2.0	-2.8	0.8
2012 Q4	-0.4	-0.3	-0.1

	Total output published in this release	Total output estimates previously published*	Total output revisions
2011 Q4	-0.5	-0.3	-0.1
2012 Q1	-5.7	-5.9	0.2
2012 Q2	-2.4	-2.4	0.0
2012 Q3	-1.8	-2.2	0.4
2012 Q4	0.8	0.9	-0.2

Table source: Office for National Statistics

Table notes:

1. * Revised since December 2012 publication

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5. Relevant links

International Comparisons

International construction comparisons are compiled by Eurostat, the European statistical organisation. The estimates produced in this bulletin are included in these comparisons. Further information can be found on the [Eurostat web page](#).

6. Publication Policy

Details of the policy governing the release of new data are available from the Media Relations Office. Also available is a list of the names of those given pre-publication access to the contents of this bulletin.

7. Accessing Data

The Output of the Construction Industry statistical bulletin and time series datasets are available to download free from the [National Statistics website](#) at 9.30 am on the day of publication.

ONS allows a list of agreed officials to have access to data 24 hours before publication, which is available with the latest [Construction release \(62 Kb Pdf\)](#).

The Output in the Construction Industry statistical bulletin conforms to the standards set out in the UK Statistics Authority [Code of Practice](#).

8. Further Information and User Feedback

As a user of our statistics, we would welcome feedback on this release, in particular on the content, format and structure. For further information about this release, or to send feedback on our publications, please contact [Kate Davies](#).

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11. 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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