

Changes to construction price indices (P0151)

25 January 2018

Introduction

Statistics South Africa is changing the format of its construction price indices. For many years Stats SA has published indices for use in construction industry contract escalations. These are known as Contract price adjustment provisions (CPAP). The existing statistical release (P0151) will be supplemented with additional Construction input price indices (CIPI) starting with the January 2018 reference period, for publication on 22 February.

In designing the new set of indices, Stats SA worked with a number of industry associations and considered the needs of large and small businesses operating in different construction activities. The new tables represent a significant improvement in the quality of data available to the industry.

The name and number of the publication will change to reflect the amendments. It is now referenced as Statistical release P0151.1 and titled 'Construction materials price indices'. The base period of the indices will be December 2016, in line with the rebasing effected at the beginning of 2017 in all of Stats SA's price series.

Construction input price indices

The CIPIs will replace the tables on selected materials that were previously available from Stats SA (in Tables 2, 3 and 4). The set of products in these tables had not been revised for ten years and was outdated. Stats SA advised users of this termination in June last year and since then has engaged with a number of industry groupings to ascertain

their needs. No changes have been made to the format of the CPAP work groups, which remain as Table 1 of the release.

The following tables will be available:

Table 2 - Material purchases by type of service, showing price indices for 12 construction services, and their weighted average (where each weight is the share of the corresponding service in the industry's overall purchases of materials);

Table 3 - Material purchases for whole industry, showing price indices for 37 product categories purchased by construction industry enterprises, and their weighted average. This will be of use to firms needing indices to escalate specific contract prices;

Table 4 - Mining and construction plant and equipment, showing price indices for a breakdown of machinery according to the standard classification used by Stats SA, and their weighted average;

Table 5 - Mechanical and electrical engineering, showing price indices for materials used as inputs in the production of machinery and electrical components; and

Table 6 - Civil engineering material, showing price indices for materials weighted according to use in specific civil engineering activities.

Fuel has been excluded from all indices as most contracts contain a separate escalation factor for this. Indices for fuel are available in the producer price index (PPI) and the consumer price index (CPI), both published monthly by Stats SA.

The selection of the products and weights are mainly based on the expenditures on materials of businesses in the construction industry as reported in Stats SA's 2014 survey of the construction industry (Report 50-02-01) published in 2016.

The organisation of the indices is according to the international central product classification (CPC) used for the producer price index (PPI). All of the products to be included in the CIPI are also surveyed for the PPI, ensuring that all prices are subject to the quality standards required for the PPI.

All data in the release will be recognised as official statistics as defined in the Statistics Act. An example of the release layout is available.

Contract price adjustment provisions

It is important to note that there are no changes to the published CPAP work groups although some changes have been made to the specific products feeding into the indices. The CPAP work groups are overseen by an industry committee comprising constituent construction services.

Introduction of the CIPI

As the CIPI is a new set of indices, no individual index will be linked to any index previously published in Tables 2 - 4. Stats SA will provide the new indices going back to January 2015 on its website.

Stats SA is not in a position to advise on the application of the indices to specific contracts. However, there is a generic guide on how to link indices available on the website should anyone wish to do so.

Further information is available on the Stats SA website at www.statssa.gov.za/?page_id=2528.

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