

## Changes to the deflation of construction statistics

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### Introduction

The Office for National Statistics (ONS) currently uses construction price statistics to remove the effects of price movements (deflation) from current price estimates of the construction industry. Tender price indices are used to deflate new orders in the construction industry; these tender price indices are then converted by ONS to output price indices, which are used to deflate: (a) output in the construction industry; and (b) gross fixed capital formation (GFCF) (buildings and other structures, and dwellings).

The tender price indices are supplied to ONS by Aecom under a contract with the Department for Business Innovation and Skills (BIS). When this contract was let in July 2013, Aecom embarked on a programme of change to update and refresh the methodology. Following a [public consultation](#), tender price indices will no longer be produced, instead, Aecom will deliver to ONS input cost indices (ICIs) and output price indices (OPI's) using the methodology described in the [methods guides](#) published on the BIS website.

This note provides further information on how the input cost and output price indices will be used by ONS to deflate: new orders in the construction industry; output in the construction industry; and GFCF (buildings and other structures, and dwellings).

### How the new indices will be used by ONS

Construction price indices are used to deflate several ONS datasets. The dataset, and variables deflated are shown in Table 1; alongside the current construction deflators used and the construction deflators that will be used from December 2014 onwards.

Data set	Variable deflated	Current construction deflator	New construction deflator
New orders in the construction industry	Value of new construction orders by type of work	Tender Price Indices with a base year of 2005.	Output price indices with a base year of 2010.
Output in the construction industry	Value of work completed in a given period, split into new work categories and repair and maintenance.	Output price indices with a base year of 2005.	Output price indices with a base year of 2010.
Gross fixed capital formation (GFCF): <ul style="list-style-type: none"><li>• Buildings and other structures</li><li>• Dwellings</li></ul>	Value of asset	Output price indices that are calculated through a conversion of TPI's using lagged new orders data.	Output price indices with a base year of 2010.

Output in the construction industry and GFCF data sets are used in the compilation of the national accounts. Chained volume measures of construction output are used in the compilation of GDP when measured using the output approach. GFCF chained volume measures are used in the compilation of GDP when measured from the expenditure approach.

### Timetable

These new construction price deflators will be implemented according to the following timetable:

<b>Date</b>	<b>Publication</b>	<b>Data affected</b>	<b>Periods affected</b>
12 December 2014	Output in the Construction Industry October 2014 and New Orders Q3	<ol style="list-style-type: none"> <li>1. Chained volume measures of output in the construction industry.</li> <li>2. Implied price deflators.</li> <li>3. Volume estimates of New Orders</li> </ol>	Output: 2013 January and Q1 onwards New Orders: 2005 Q1 onwards
23 December 2014	Quarterly National Accounts	<ol style="list-style-type: none"> <li>1. Chained volume estimates of Gross Fixed Capital Formation (buildings and other structures, and dwellings).</li> <li>2. Output measure of GDP.</li> </ol>	2013 Q1 onwards
30 June 2015	Quarterly National Accounts consistent with Blue Book	<ol style="list-style-type: none"> <li>1. Chained volume estimates of Gross Fixed Capital Formation (buildings and other structures, and dwellings).</li> <li>2. Output measure of GDP.</li> </ol>	2005 Q1 onwards
10 July 2015	Output in the construction industry May 2015	<ol style="list-style-type: none"> <li>1. Chained volume measures of output in the construction industry.</li> <li>2. Implied price deflators</li> </ol>	2005 Q1 onwards

An article explaining the impact of how the change in methodology will impact on construction estimates will be published on December 12 2014.

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