

- ▼ Cost indices are expected to fall in the fourth quarter
 - ▼ Consumer prices have peaked and are expected to drop quickly
 - ▼ Input and output prices are on a declining trajectory
 - ▼ Steel prices are now falling
 - ▶ Construction earnings are virtually static
- The chart, right, shows how building costs have moved in different sectors over the past seven years and the consumer prices index.

Percentage change year on year (third quarter 2007 to third quarter 2008)

	Trend	Direction
Building cost index	7	▲
Mechanical cost index	3.7	▶
Electrical cost index	4.8	▶
Consumer prices index	4.9	▲

(Third quarter 2008 figures provisional)

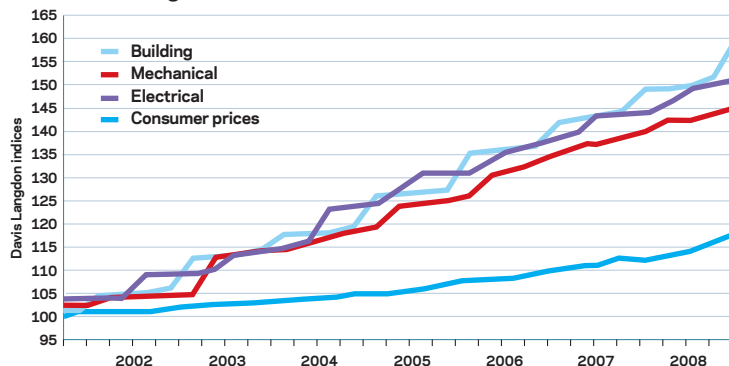
Building cost index The annual increase leaped to 7% in the third quarter, its highest level for nine quarters. This reflects a 6% wage award at the end of June and a record level of materials price rises.

Mechanical cost index This had a percentage rise of a little more than half the building cost index, reflecting a wage award of just 3.5% at the end of last year and a much lower level of materials price rises.

Electrical cost index This rose slightly more than the mechanical cost index because of the higher 4.5% labour cost increase at the beginning of the year and a slightly higher increase in materials prices.

Consumer prices index This was sharply up in the third quarter, mainly owing to higher gas and electricity bills. But the index peaked in September and is now expected to decline just as quickly.

Davis Langdon indices



Guide to data

Davis Langdon's cost indices track movements in the input costs of construction work in various sectors, incorporating national wage agreements and changes in materials prices as measured by the Office for National Statistics index series.

They provide an underlying indication of price changes and differential movements in the various work sectors but do not reflect changes in market conditions affecting profit and overheads provisions, site wage rates, bonuses or any discounts or premiums in materials price.

Market conditions are recorded in Davis Langdon's quarterly Market Forecast (last published in Building on 31 October).