

03 / EXECUTIVE SUMMARY

- ▼ Consumer price inflation has peaked and is expected to fall sharply
- ▼ Industry input costs are coming down from record highs
- ▼ Industry output prices are beginning to fall
- ▼ Housebuilding materials price rises are subdued
- ▲ Steel dominated price rise tables during 2008
- ▼ A number of materials showing price falls in recent months

04 / KEY INDICATORS

	% change	
	Oct 07- Oct 08	Apr 08- Oct 08
Consumer prices		
Consumer prices index (CPI)	+4.5	+2.2

CPI peaked in September at 5.2%, a level not surpassed since 1992. However as fuel costs have fallen since July, the annual percentage change is coming down, and the index actually fell by 0.3% in October. Inflation is now expected to slow sharply in the near term.

Industry input costs

Materials and fuels purchased by manufacturing industry	+13.8	-3.1
Materials and fuels purchased by manufacturing industry excluding food, beverages, tobacco and petroleum industries (FBTP)	+14.5	+2

Industry input costs have been falling since June when the annual rate of increase peaked at 34.1%. Costs have fallen 10.8% since June, mainly as a result of the fall in oil prices. The narrower index peaked at 21.4% in July and has since fallen by 3% as the price of gas and imported metals has come down. Gas prices fell 11% between July and October but electricity prices were still higher. The price of imported metals has fallen by 9% since May.

Industry output prices

Output prices of manufactured products	+6.8	+1.3
Output prices of manufactured products excluding FBTP	+4.9	+1.3

Output prices have fallen since peaking in July, when the annual inflation rate reached 9.9%, its highest level for 26 years. Prices fell by 1.8% in the three months to October led by a 12% drop in petroleum products. These are likely to have since fallen further.

Output prices of manufactured products excluding FBTP also peaked in July and have since fallen by 0.9%. Over the past six months the following price changes have occurred:

Wood and wood products	+2.2%
Rubber and plastic products	+4.4%
Fabricated metal products	+7.4%
Electrical machinery and apparatus	+0.4%
Recovered secondary raw materials	-29.8%

The biggest change has clearly been in scrap materials, the price of which soared 86% between December 2007 and May 2008 before dropping back 43% by October to almost to its starting level.

	% change	
	Sep 07- Sep 08	Mar 08- Sep 08
Construction materials		
New housing	+4.1	+3.1
Non-housing new work	+12.6	+9.8
Repair and maintenance	+5.6	+5.0

Overall construction materials prices rose by 8.7% over the year to September, but the figures above show the large disparity between housing and non-housing materials. Inflation in housebuilding materials has been relatively restrained, in part owing to the sharp contraction in housebuilding activity. The non-housing sector has suffered record high inflation, largely owing to the surge in steel prices that occurred in the first half of 2008. There has since been a worldwide slump in steel prices which will soon feed into the construction materials price chain.

	% change	
	Oct 07- Oct 08	Apr 08- Oct 08
Mechanical services materials		
Housing only	+6.4	+8.2
Non-housing	+5.1	+5.7
Electrical services materials	+6.4	+4.6

The annual rate of inflation in M&E materials has risen quickly over the past few months. However, prices appear to have stabilised over the past two months and may begin to dip.

Significant changes over the past year and the past six months include:

	Oct 07- Oct 08	Apr 08- Oct 08
Fabricated structural steel	+31.9	+30.7
Reinforcing steel	+43.6	+23.0
Metal sections	+31.1	+20.8
Steel tubes and fittings	+16.5	+15.6
Coated roadstone and bituminous products	+19.4	+5.5
Cement	+14.5	+4.7
Ready mixed concrete	+10.3	+2.0
Insulated wire and cables	+6.8	-0.3
Insulating materials	-2.2*	-0.5*
Aggregates	+11.1	-1.4
Gas oil fuel	+30.4	-4.2
Paint (non-aqueous)	+7.6	-2.4
Clay bricks and tiles	-3.0	-5.9
Imported softwood	-15.4*	-8.0*

* September 2007 to September 2008 / March 2008 to September 2008

September/October 2008 figures provisional (Data sources: ONS and BERR) ©