**CONSTRUCTION PRICE INDEX**

**(Input Cost Index for the construction of a single storey house)**

# 4th Quarter 2020

1. **Introduction**

This issue of the Economic and Social Indicators presents the monthly Construction Price Index (residential) for the fourth quarter of 2020 with first quarter of 2018 as base period. Figures showing the evolution of the index during the past twelve months are also included.

The methodology used for compiling the index is given in the annexed technical notes. Figures have been rounded to one or two decimal places although they have been calculated to many decimal places.

1. **Evolution of Construction Price Index (January to December 2020)**

The Construction Price index which stood at 103.1 in January 2020 maintained an increasing trend, to reach 106.5 in September 2020. The index increased to 106.8 in October 2020 to reach 106.9 in November 2020. It remained unchanged in December 2020.

**Chart 1 Construction Price Index January to December 2020**

**107.0**

**106.0**

**105.0**

**Index**

**104.0**

**103.0**

The index registered an increase of 0.1% in November 2020 following increases of 0.3% in the prices of steel bars and 1.1% in the prices of electrical installation.

In December 2020, the index remained unchanged as a result of an increase of 0.7% in the prices of steel bars offset by decreases of 0.2% in the prices of cement and 1.3% in the prices of tiles and granite.

**Chart 2: Percentage change from previous month**

**0.6**

**0.3**

**0.1**

**0.0**

**0.5**

**Percentage change (%)**

**0.4**

**0.3**

**0.2**

**0.1**

**0.0**

**Oct-20 Nov-20 Dec-20**

Compared to the corresponding months of the previous year, the index increased by 4.1% in October, 4.2% in November and 4.3% in December 2020. (Table 1.3).

**Chart 3: Percentage change from corresponding month of previous year**

**102.0**



1. **Changes in Construction Price Index (October to December 2020)**

The Construction Price Index, which stood at 106.5 at the end of September 2020, increased by 0.3% to reach 106.8 in October 2020 due to increases in the prices of cement (0.6%), premixed concrete (0.7%) steel bars (1.4%), timber carpentry (1.3%), timber joinery (2.7%) and laminated flooring (1.0%).

**4.5**

**4.1**

**4.2**

**4.3**

**Oct-20**

**Nov-20**

**Dec-20**

**4.0**

**3.5**

**Percentage change (%)**

**3.0**

**2.5**

**2.0**

**1.5**

**1.0**

**0.5**

**0.0**

1. **Changes by Input Categories**

Changes by input categories are shown in Tables 1.1 to 1.5.

During the fourth quarter of 2020, no change was registered in the “Labour”, “Hire of Plant” and “Transport” sub-indices.

The “Materials” sub-index increased by 0.5% in October 2020 due to increases in the prices of cement (0.6%), premixed concrete (0.7%) steel bars (1.4%), timber carpentry (1.3%), timber joinery (2.7%) and laminated flooring (1.0%).

In November 2020, increases of 0.3% in the prices of steel bars and 1.1% in electrical installation did not affect the “Materials” sub-index which remained at 108.2.

In December 2020, the sub-index remained unchanged as a result of an increase of 0.7% in the prices of steel bars offset by decreases of 0.2% in the prices of cement and 1.3% in the prices of tiles and granite.

The net monthly contributions of the input categories to the index during the period January 2020 to December 2020 are shown in Table 1.4.

Quarterly averages of the monthly indices by input category and the percentage change from quarter to quarter are shown in Table 1.5.

1. **Changes by Work Category**

Changes by work category are shown in Tables 2.1 to 2.5.

In October 2020, the grey building sub-index registered an increase of 0.4% as a result of increases in the prices of cement (0.6%) and premix concrete (0.7%). At the level of work categories, the main changes are as follows: “Internal openings and joinery works” (2.2%), “Parquet” (0.9%), “kitchen fit-out”

(0.3%) and “Tiling” (-0.2%).

In November 2020, the grey building sub-index increased by 0.1% due to an increase of 0.3% in the prices of steel bars. Changes in the following work

categories were noted: “Electrical works” (0.7%), “Plumbing and drainage” (0.1%).

In December 2020, the grey building sub-index remained at 109.7. However, at the level of work category a decrease of 2.2% was registered in the “Kitchen fit-out” index.

Table 2.4 shows the net monthly contributions of the work categories to the index since January 2020.

Quarterly averages of the monthly indices by work category and the percentage changes from quarter to quarter are shown in Table 2.5.

1. **Past Trends**

Table 3.1 summarises the monthly indices, the quarterly and yearly averages as well as the percentage changes in the yearly average since 2009. The base period for the calculation of the index as from 2009 up to 2018 is the second quarter of 2009. As from 2018, the base period used is the first quarter of 2018.

The series are not strictly comparable because of different base periods. However, for some particular purposes, comparison between the series may be necessary. A chain linked series with base period first quarter 2018, has been worked out and is given in Table 3.2.

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**Technical Note**

# Methodology for the compilation of the Construction Price Index

1. **Introduction**

A Construction Price Index measures the change in the level of construction prices. The construction industry is very broad and highly diversified with considerable variations from one type of construction to another. This makes it difficult to derive generalized indices that would be applicable to the industry as a whole. Hence, separate indices for the different types of construction need to be compiled. At present, Statistics Mauritius publishes an index that covers residential buildings only.

# Types of Construction Price Indices

Different approaches to index number compilation are used depending on the purpose for which the index is required. There are two main types of construction price indices:

*The Output Price Index*

In this approach, specific projects representative of the various categories of construction works are selected as models and construction firms are surveyed and asked to provide estimates of the prevailing market prices for each of the projects. As such, the output price indices respond to the changes in prices of materials used and cost of labour, as well as changes in overhead costs and profits.

*The Input Price Index*

The index is based on prices of a representative selection of basic inputs (labour, plant, materials and transport) that go into the construction work. Hence, the input price index measures the change in the cost of resources to the contractor, and not the change in the price that the client pays.

The office opted for the input price index which, though more limiting than the output price index, is simpler and less expensive to construct and maintain.

# Selection of representative dwelling

Since it would have been too time-consuming and costly to include all major types of residential dwellings, it was decided to restrict the index to a model dwelling, representing the most common type of dwelling in 2017. This model dwelling was determined on the basis of the 2011 Housing Census data and developments assumed to have taken place during the period 2011 to 2017. The drawings of the prototype model dwelling were provided by the Mauritius Housing Company Ltd. A description of the model is given at paragraph

(viii) below.

# Weighting scheme

The quantity survey work to determine the weighting pattern for the index was entrusted to a private Quantity Surveyor following established procedures.

Any given construction consists of an assembly of a certain number of stages or work categories. Seventeen stages or broad work categories were identified and detailed costs of inputs in terms of labour, plant, materials and transport that go into the construction of the selected model were calculated under each of the work categories. The weights have been worked out in such a way that they can be presented in terms of inputs as well as work categories. For publication purposes, weights and sub-indices are also shown for broad input categories of labour, plant, materials and transport, and also for “grey building”.

# Data collection

The data needed for the computation of the index are collected every month from a sample of around 70 outlets in 8 regions of the island. Prices are collected in respect of some 91 items, representative of all items that go into the computation of the index.

# Calculation of the Construction Price Index

The Construction Price Index is a weighted average of price relatives of individual items, based on the modified Laspeyres formula:

**It** =

Wi (Pit / Pio) x 100

Wi

where **It** = index for current period t

Pio = price of item i at base period 0 Pit = price of item i at current period t Wi = weight of item i

The base period is the 1st quarter of 2018.

At the level of individual items, the Jevons formula is used to calculate price relatives, that is, the geometric mean is used to compute the lowest level indices.

# Uses

1. Construction price indices give an indication of the change in the level of prices of construction works. As such, they are used as deflators for the measurement of real growth in the construction sector.
2. They are also useful for evaluating cost fluctuations in contracts regarding construction works and for renegotiating owner-tenant agreements.

# Description of model dwelling

The model used is a single storey (ground floor) detached house of 137 square meters (1,475 square feet) in floor area measured at plinth level to the external face of the external walls. The overall area is inclusive of 17 square metres (183 square feet) in respect of a garage.

It comprises three bedrooms, a living-dining room, a kitchen, a toilet, a bathroom, a porch and an attached garage. The building has concrete block walls, reinforced concrete flat roof, internal flush plywood doors, aluminium openings for windows and entrance door, screeded floor and roof, tiling to floors, walls of w.c. and bathroom and kitchen worktop, laminated flooring in bedrooms; the ceilings and walls are rendered and painted both internally and externally. Plumbing, sanitary installation and electrical installation are included as well as drainage which is to be connected to the sewerage system. The dwelling is also equipped with solar water heater and water tank.

Provision has been made, in the form of more substantial foundations and of stub columns on the roof, for converting the single into a two-storey house eventually. Site works are restricted to spreading and leveling surplus excavated material around the site.

The index excludes the cost of the building permit and the draughtman’s fee.

It is assumed that although the house is not constructed by a contractor, the client has recourse to the services of a foreman.