# CONSTRUCTION PRICE INDEX

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

**1st Quarter 2021**

**1. Introduction**

This issue of the Economic and Social Indicators presents the monthly Construction Price Index (residential) for the first quarter of 2021 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.

**2. Evolution of Construction Price Index**

**(April 2020 to March 2021)**

The Construction Price index which stood at 105.2 in April 2020 maintained an increasing trend, to reach 108.5 in February 2021. The index remained unchanged in March 2021.

**Chart 1: Construction Price Index**

**April 2020 to March 2021**



**3. Changes in Construction Price Index**

**(January to March 2021)**

The Construction Price Index, which stood at 106.9 at the end of December 2020, increased by 0.9% in January 2021 mainly due to higher labour cost (1.7%) and increases in the prices of steel bars (8.2%), tiles and granite (0.3%), sanitary installations (1.0%) and electrical installations (1.0%).

The index increased by 0.6% in February 2021 reaching 108.5. The 0.6% increase is mainly due to increases in the prices of cement (0.2%), steel bars (7.7%), timber joinery (0.3%), sanitary installations (1.0%) and electrical installations (1.0%), partly offset by decreases in the prices of tiles and granite (-0.3%).

In March 2021, no change was registered in the index.

**Chart 2: Percentage change from**

**previous month**



Compared to the corresponding months of the previous year, the index increased by 4.7% in January 2021, 3.9% in February 2021 and 3.1% in March 2021. (Table 1.3).

**Chart 3: Percentage change from**

**corresponding month of previous year**



**4. Changes by Input Categories**

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

From January to March 2021, the sub-indices for “Hire of plant” and “Transport” remained unchanged.

The “Labour” sub-index increased by 1.7% from 103.3 in December 2020 to 105.1 in January 2021 as a result of salary compensation. It remained unchanged during the months of February and March 2021.

The “Materials” sub-index increased by 0.8% in January 2021 mainly due to increases in the prices of steel bars (8.2%), tiles and granite (0.3%), sanitary installations (1.0%) and electrical installations (1.0%). The sub-index registered a further growth of 0.7% in February 2021 mainly due to increases in the prices of cement (0.2%), steel bars (7.7%), timber joinery (0.3%), sanitary installations (1.0%) and electrical installations (1.0%), partly offset by decreases in the prices of tiles and granite (-0.3%). No change was registered in March 2021.

The net monthly contributions of the input categories to the index during the period April 2020 to March 2021 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.

**5. Changes by Work Category**

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

In January 2021, the grey building sub-index registered an increase of 1.3% to reach 111.1 from 109.7. This increase was mainly due to a 1.7% increase in labour cost, coupled with increases in the prices of steel bars (8.2%).

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At the level of work categories, the main changes are as follows: “Concrete works” (0.1%), “Reinforcement” (7.0%), “Formwork” (1.1%), “Blockwork” (0.5%), “Plastering to ceilings and walls” (0.8%), “Screeding to floors and walls” (0.6%), “Internal openings and joinery works” (0.7%), “Tiling” (0.7%), “Painting” (0.8%), “Kitchen fit-out” (0.8%), “Electrical works” (1.2%), “Plumbing and Drainage” (0.3%) and “Site overhead costs” (1.1%).

The grey building sub-index further increased by 0.9% in February 2021 to reach 112.1. The 0.9% increase is due to increases in the prices of cement (0.2%) and steel bars (7.7%).

At the level of work categories, the main changes are “Reinforcement” (6.3%) and “Electrical works” (0.8%).

In March 2021, the grey building sub-index remained at 112.1.

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

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

**6. 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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**Annex**

**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.

1. **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.

1. **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.

1. **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”.

1. **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.

1. **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:

Σ Wi (Pit / Pio) x 100

**It**  =

Σ 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.

1. **Uses**
2. 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.
3. They are also useful for evaluating cost fluctuations in contracts regarding construction works and for renegotiating owner-tenant agreements.
4. **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.