

Guidance on the use of the new BIS Output Price Indices in existing contracts

Revisions June 2010

The Office for National Statistics introduced new construction output statistics in June 2010.

As part of this process revised Department of Business Innovation and Skills (BIS) construction Output Price Indices (OPIs) have been produced to deflate the current price output to constant prices. These are called the '2010 series' published with a base of 2005 =100.

There are also new '2010 series' for the BIS Direct Labour OPIs, although output is no longer collected separately for these sectors.

Revisions September 2010

On the 10 September 2010, ONS announced changes to the new 2010 BIS Output Price Indices (OPIs) first published in BIS Construction Price and Cost Indices *Online* at the end of July 2010.

These changes comprised revisions to some of the indices previously published for some of the new 2010 BIS OPI series.

These revisions affect some of the linking conversion factors previously published that link the new 2010 BIS OPI series to the superseded 1995 BIS OPI series, although the linking conversion factor for the 2010 BIS OPI for All New Construction (COPI) is not affected.

Future revisions to the 2010 BIS OPIs will be limited to the index values that are shown as provisional.

Application to existing Index linking arrangements

The primary purpose of these indices is to deflate current price output to constant prices but they are also widely used in contracts to adjust for inflation.

The BCIS view, which is agreed by BIS, is that in any existing arrangement where the old superseded series (1995=100) are being used, and subject to the wording of any contract, they should continued to be used up to the latest available firm index, called the 'linking quarter' (2Q2009 for OPIs for New Construction and Repairs and Maintenance and 4Q2009 for OPIs for Direct Labour) and thereafter the new '2010 series' (2005=100) should be used adjusted using the linking conversion factors in the tables.

NB: This conversion factor should only be used from the linking quarter going forward. It is not applicable to the back indices in the 'old superseded series'.

The following conversion factors can be used to convert the latest figures in the new series (2005=100) to the same base as the superseded series (1995=100). They are based on the last available firm index figure from the superseded series. These factors were first published in July 2010 and revised on 13 September 2010 following a revision of the firm indices.

These conversion factors should only be used where no firm indices have been published on the 1995=100 base i.e:

- 2Q2009 onwards for OPIs for New Construction and Repairs and Maintenance
- 1Q2010 for the OPIs for Direct Labour.

Prior to these dates the original 1995=100 indices should be used.

A New 2010 series	B Factor	C Superseded series
BIS Output Price Index for New Construction (2010): Public Housing	1.514	BIS Output Price Index for New Construction: Public Housing
BIS Output Price Index for New Construction (2010): Private Housing	1.859	BIS Output Price Index for New Construction: Private Housing
BIS Output Price Index for New Construction (2010): Infrastructure	1.330	BIS Output Price Index for New Construction: Infrastructure
BIS Output Price Index for New Construction (2010): Public Non-Housing	1.448	BIS Output Price Index for New Construction: Public Non-Housing
BIS Output Price Index for New Construction (2010): Private Industrial	1.189	BIS Output Price Index for New Construction: Private Industrial
BIS Output Price Index for New Construction (2010): Private Commercial	1.343	BIS Output Price Index for New Construction: Private Commercial
BIS Output Price Index for New Construction (2010): All New Construction	1.466	BIS Output Price Index for New Construction: All New Construction
BIS Output Price Index for Repair and Maintenance (2010): All Repair and Maintenance	1.504	BIS Output Deflators for Contractors: Repairs and Maintenance
BIS Output Price Index for Direct Labour (2010): Public Housing New Construction	1.550	BIS Output Price Index for Direct Labour: Public Housing New Construction
BIS Output Price Index for Direct Labour (2010): Public Housing Repair and Maintenance	1.733	BIS Output Price Index for Direct Labour: Public Housing Repair and Maintenance
BIS Output Price Index for Direct Labour (2010): Public Non-Housing New Construction	1.557	BIS Output Price Index for Direct Labour: Public Non-Housing New Construction
BIS Output Price Index for Direct Labour (2010): Public Non-Housing Repair and Maintenance	1.669	BIS Output Price Index for Direct Labour: Public Non-Housing Repair and Maintenance

To estimate a quarterly index figure for a superseded series (C) select the appropriate quarterly index from the 2010 series (A), multiply by the factor (B) and round to the nearest whole number. The factors are based upon the latest available firm index from the superseded series.

The old Output Price Indices for Public Works have been discontinued. They can be extended by linking them to the closest equivalent index in the new '2010 series' using the following conversion factors.

C Output Price Indices for Public Works	Notes	A Output Price Indices for New Construction (2010)	B Conversion factor
Building	The same as OPIs for New Construction: Public Works	Public Non-Housing	1.448
Roads	No direct equivalent could be linked to Infrastructure	Infrastructure	1.320
Non-Roads	The same as OPIs for New Construction: Public Works	Public Non-Housing	1.448
Civil Engineering	No direct equivalent could be linked to Infrastructure	Infrastructure	1.369
All Public Works	No direct equivalent could be linked to Public Non-Housing	Public Non-Housing	1.390

To estimate a quarterly index figure for a superseded series (C) select the appropriate quarterly index from the 2010 series (A), multiply by the factor (B) and round to the nearest whole number. The factors are based upon the latest available firm index from the superseded series.