

NORTHERN IRELAND CONSTRUCTION OUTPUT STATISTICS

METHODOLOGICAL NOTICE

CHANGE TO DEFLATORS

1. Introduction

The deflators that are used to take out the effect of price changes in the Northern Ireland Construction Output Volume Series have changed. The background to the changes which have occurred to the deflators can be found below.

2. Background

In December 2014, the Department for Business, Innovation and Skills (BIS) announced the [suspension of its publication of Construction Price and Cost Indices](#) (CPCIs). These price statistics were used in the production of output and new orders in the construction industry, and to maintain production, the UK Office for National Statistics (ONS) created a statistical model of the quarter 3 (July to Sept) 2014 output price indices (OPIs) to deflate the current price series. More information on how these models were created can be found in the article '[Modelling construction statistics deflators](#)'.

In using these statistical models as a substitute for these deflators, ONS has been conscious of the statistical uncertainty that surrounds their results. When the models were carried forward for the quarter 4 (Oct to Dec) output price indices (OPIs), this uncertainty increased and ONS advised caution when interpreting the resulting volume of construction output.

On 1 April 2015, responsibility for the production of the deflators was transferred from BIS to ONS, and ONS have been working to develop a solution to replace these statistical models. A proposed [interim solution](#) was presented to members of the Consultative Committee on

Construction Industry Statistics (CCCIS) and stakeholders and was judged to be a better alternative to the statistical models.

After further refinement the [Interim solution for construction output price indices](#) was published on 12 June 2015, along with an article describing the methodology used, and ONS has launched a consultation to consider whether this interim solution could be improved further.

ONS has advised users that it recognises the need for a longer term solution for CPCIs and will, by the end of 2015 provide users with its plans for this development.

3. Implementation

ONS has advised NISRA that the interim solution OPIs should be used to deflate the Construction Output statistics from Q1 2014 onwards. Table 1 below shows the revised growth rates when the interim solution OPIs have been applied to the Northern Ireland Construction Output data that was published in the Q4 NI Construction Bulletin.

Table 1: Chained Volume Measures of Output in Northern Ireland, Quarter on Quarter growth rates

	Period on Period		
	Previously Published Growth Rates NI Construction Bulletin Q4 2014	Revised Growth Rates using the Interim Solution OPIs	Total Output Growth Revisions
2014 Q1	3.3%	3.2%	-0.1%
2014 Q2	0.5%	1.8%	1.3%
2014 Q3	-0.9%	-0.6%	0.3%
2014 Q4	3.9%	4.9%	1.0%

The revised growth rates using the interim solution OPIs follow the same trend as previously published. These growth rates are likely to be revised further in the Q1 2015 NI Construction Bulletin due to be published on 16 July 2015 with the inclusion of late returns and revised data captured from firms in the current data collection cycle.

The interim solution OPIs will continue to be applied to the Northern Ireland Construction Output for Q1 2015 and subsequent quarters until further notice.

ONS has published an [article \(214.3 Kb Pdf\)](#) which details the impact of the interim solution OPIs on ONS Construction Outputs.

4. User Consultation

ONS has advised that the CPCI's are being released for the first time as experimental and are intended as a short-term solution only, while long-term development is ongoing.

ONS has launched a [consultation](#) to collect information on how users plan to use these experimental statistics and any suggestions they may have for short-term improvements that they could make to improve the CPCIs to better meet user needs.

5. Statistical Contacts

For further information please contact either of the following statistical contacts:

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