

03 Executive summary

- ▼ Consumer price inflation fell more sharply than expected.
- ▼ Manufacturers' input prices drifted lower, except for oil.
- Manufacturers' output price rises remained steady
- ▲ Construction materials prices over the past year were up by

more than the previous 12 months.

- ▲ Mechanical and electrical services prices were only slightly up over the year.
- ▲ Timber and steel prices drove construction materials inflation.

04 Key indicators

	Percentage (%) change over past 12 months (July 06 - July 07)	Direction of movement
Consumer prices index (CPI)	+1.9	▼

The annual percentage change in the consumer prices index has fallen steadily since breaching the 3% limit in March and surprised most by dipping below 2% in July. The index fell 0.6% in July, mainly owing to supermarket price reductions. The retail prices index declined from its 4.8% peak in February to 3.8% in July.

Industry input costs

Materials and fuels purchased by manufacturing industry	+0.1	▲
Materials and fuels purchased by manufacturing industry excluding food, beverages, tobacco and petroleum industries (FBT&P)	+1.1	▼

The costs of materials and fuel purchased by industry overall rose by just 0.1% over the 12 months to July but have been rising since the beginning of the year: over the past six months, the index shows a rise in input prices of 5%. This was largely owing to the increase in crude oil prices, which rose 36% between January and July.

The costs of materials and fuel purchased by manufacturing industry excluding FBT&P have risen by 1.1% over the past year but, conversely, have fallen by 0.4% over the past six months, reflecting, in particular, large reductions in gas and electricity prices.

Industry output prices

Output prices of manufactured products	+2.4	►
Output prices of manufactured products excluding food, beverages, tobacco and petroleum (FBT&P)	+2.3	►

Output prices have been steady over the past four months – the year-on-year increase not diverging by more than 0.1%. Output prices excluding FBT&P rose 0.4% over the four months from March, though prices of all manufactured products increased 1.3% over the same period, reflecting the increase in petroleum product prices. Materials price increases over the past year (to June 2007) are detailed below:

	June 2006-June 2007 %	Direction of movement
Construction materials generally		
New housing	+8.5	►
Non-housing new work	+7.8	▼

Repair and maintenance	+9.1	►
Mechanical services materials		
Housing only	+1.1	▼
Non-housing	+1.8	▼
Electrical services materials	+1.8	▼

The figures above display differing trends in inflation over the past year between building materials and engineering services materials. Annual inflation for construction materials for non-housing work has come down slightly from three months ago but is running higher than the equivalent period a year ago (5.1%). Materials prices for housing, repair and maintenance are at about 9% more than the past year.

In contrast, inflation in mechanical and electrical services materials fell sharply (from 5% to 6% three months ago). Prices rose in April and May in response to the copper market but have fallen again since.

Significant price changes over the past year include:

July 2006-July 2007	% change
Imported softwood	+30.7 *
Steel sheet piling	+29.4 *
Fabricated structural steel	+24.5 *
Concrete reinforcing bars	+21.5 *
Recovered secondary raw materials (eg, scrap metal)	+17.2
Veneer sheets (eg, plywood)	+12.8
Plastic pipes (rigid)	+9.4
Coated macadam and bituminous products	+9.2 *
Precast concrete products	+8.5
Timber doors and windows	+8.1
Insulated wire and cables	-0.8
Ready mixed concrete	-2.7
Aluminium bars, rods and profiles	-3.1
Copper pipes	-3.9 *
Gas oil	-4.8 *

* June 2006-June 2007 (Data sources: ONS and DTI)
(June/July 2007 figures provisional)

Imported timber prices head the table, rising 30% over the past 12 months, caused by high demand from the Far East and Middle East. Steel sheet piling, fabricated structural steel and reinforcement rose between 20% and 30%. European steel prices peaked in May and started to drift downwards. UK prices are likely to follow suit.

Gas oil prices were lower in June than 12 months earlier but, until the end of July, had been rising in line with crude oil prices. Non-ferrous metal prices are slightly lower than a year ago.