

**Preliminary response to PCI consultation**

The BIS consultation on methodological changes to the construction price and cost indices[[1]](#footnote-1) closed on 28 July 2014. This document provides an interim response to the consultation while a full response is being developed.

BIS received eight responses to the consultation. The responses were provided by:

* Office for National Statistics
* Bank of England
* HM Treasury
* Education Funding Agency
* Building Cost Information Service
* Three private individuals

In summary, the main points which emerged from the responses were:

* Sample and data collection methods for the basket of goods need to be clearly defined.
* There was a little confusion over the proposed quarterly updates to the basket of goods. Does this mean updating the prices of the goods quarterly, or amending which goods are in the basket? Some respondents felt that quarterly was unnecessarily frequent.
* In an ideal world, some respondents would prefer for output costs to be measured directly.
* There was some confusion over the weights for index calculation. It is defined in the methodology document as an un-weighted chain-linked Laspeyres index, yet a Laspeyres index is inherently weighted. The weights used for index calculation need to be clearly defined.
* The proposed methodology for the market indicator is problematic. However, ONS have a proposed alternative methodology which is described in an annex to their submission.
* Many respondents felt that a longer time series would be better.

BIS and Aecom are working with ONS to develop improvements in response to the detailed comments, in particular to the market indicator. A full response to the consultation will be made when this work is complete.

BIS

September 2014

1. [Methodological Changes to Construction Price and Cost Indices: user consultation](https://www.gov.uk/government/consultations/construction-price-and-cost-indices-methodological-changes) [↑](#footnote-ref-1)