Trends in Costs 2014

90% of firms see costs increase

The results of the 2014 cost survey of members of the Civil Engineering Contractors Association reveal that, contractors continue to experience cost pressures.

In 2013, a balance of 63% of respondents reported that costs had increased compared to 12 months ago. At the end of 2014, on balance, 90% of firms reported an increase in costs. However, the average rate of cost inflation was lower in 2014 for 10 out of the 20 sectors.

Cost pressures relating to labour were higher under all four measures in 2014. Wage inflation for engineering staff showed the biggest increase, from 0.7% in 2013 to 3.3% in 2014. The lowest rate of payroll inflation was for administrative staff at 1.9%, although this rose 1.3 percentage points compared to the 2013 survey.

Fuel cost pressures eased considerably compared to a year ago. On average, respondents reported falling fuel costs, which resulted from the fall in global oil prices. Between January and December 2014, the price of Brent crude oil fell from $107 per barrel to $62, a decline of 42.0% DERV fuel inflation was 3.9% in 2013, but at the end of 2014, respondents reported prices had fallen by 2.2%. Similarly gas oil fuel price inflation was reported at 3.6% in 2013 and a fall of 2.4% was reported in 2014 Q4.

Inflation in material prices persisted through 2014, but was lower across the majority of products than a year ago. Only aggregates, bricks and clay products, ready-mixed concrete and precast concrete products saw increased rates of inflation compared to 2013.

The results of the 2014 survey show cost pressures prevailing across most of the sampled firms. This is most likely to due to the continued pick-up in activity as indicated by both the Scotland and GB surveys in the 2014 Q4 survey. Going forward, increased demand for skilled labour, materials and plant are likely to sustain inflationary pressures over the coming year.

Civil Engineering Contractors Association (CECA) and Trends in Costs Survey

The Trends in Civil Engineering Contractors' Costs report is published annually and collects data on the cost pressures experienced by CECA members. In 2014, the number of contractors taking part in the survey totalled 96. Full reports of the Trends in Costs Survey are available to non-members; £30 per single copy.

CECA has over 300 member firms which carry out more than 80% of all civil engineering work in Great Britain.

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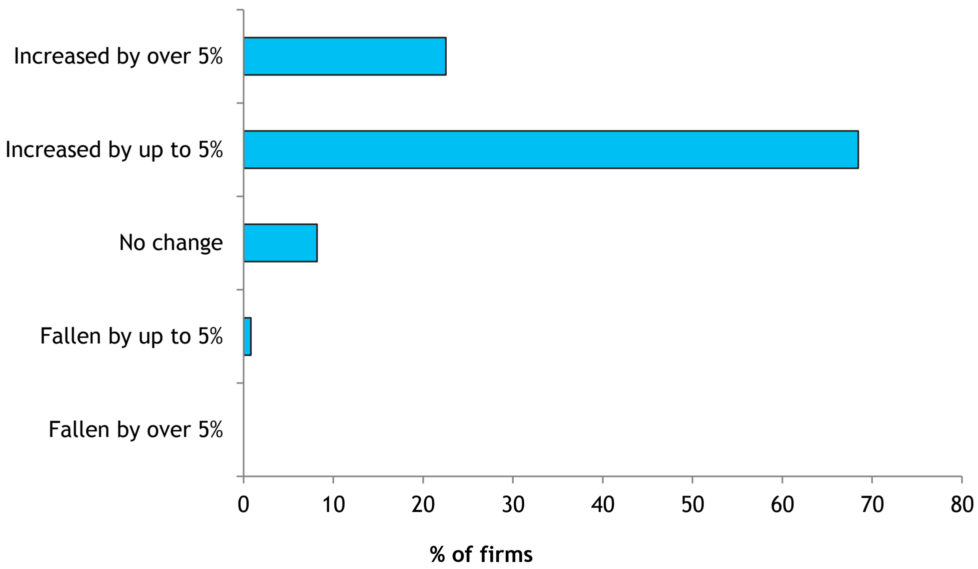
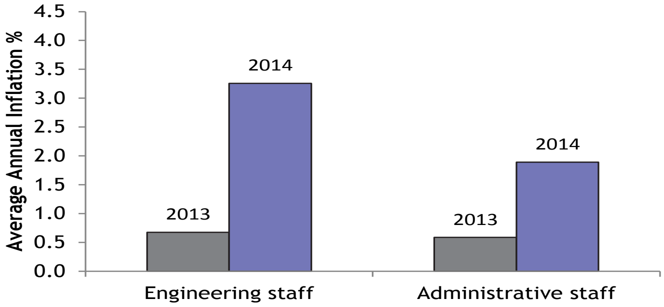
Costs Compared with 12 Months Ago in Great Britain



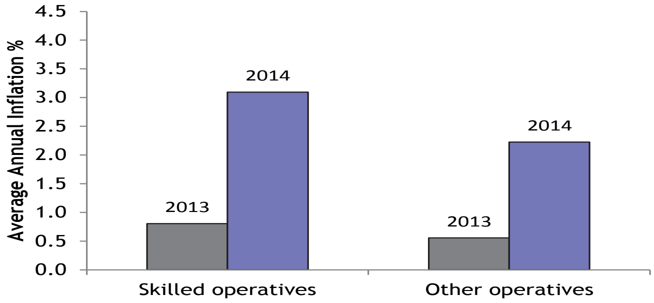
Labour Force Costs

Engineering and Administrative Staff



Cost inflation for engineering staff and administrative staff increased on average by 3.3% and 1.9%, respectively, in the 12 months to 2014 Q4. For engineering staff, 25% of respondents reported no change and 3% of respondents reported that costs declined compared to a year ago. 18% and 31% reported that costs increased by up to 2.5% and between 2.6%-5.0%, respectively. 22% reported that costs had increased by more than 5.0%. For administrative staff, 37% reported no change and only 2% reported declining costs. Of those reporting an increase in payroll costs, 27% reported increases up to 2.5% and 34% reported increases of more than 2.5%.

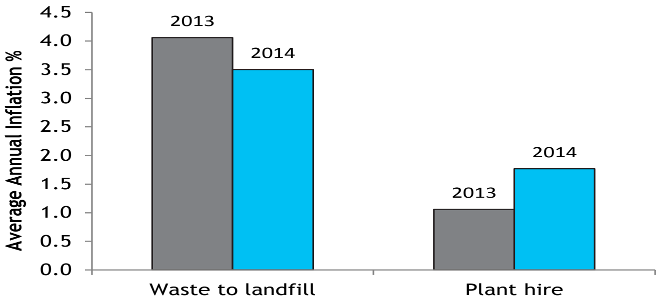
Skilled and Other Operative Jobs



The rate of payroll cost inflation increased on a yearly basis for skilled operatives and other operatives in 2014 compared to 2014 as costs increased by 3.1% and 2.2% compared to 0.8% and 0.6%, respectively in 2013. For skilled operatives, just 20% of respondents reported that costs remained unchanged and 3% that costs had declined compared to a year earlier. 22% of respondents reported that payroll costs had risen by up to 2.5% and 39% reported that costs had increased by between 2.6% and 5.0%. 25% of those surveyed reported no change in costs of other operatives and 3% reported that costs had fallen. Of those reporting rising costs, 37% reported rises up to 2.5% and 35% reported rises of more than 2.5%.

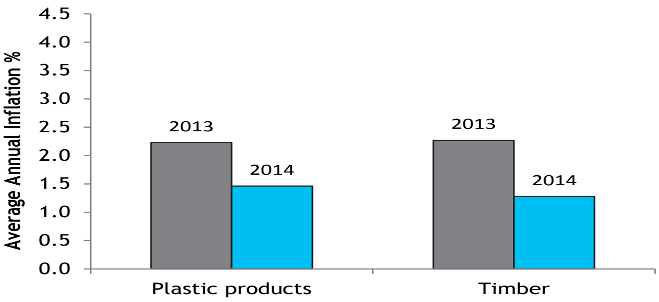
Other Civil Engineering Costs

Waste Costs and Plant Hire



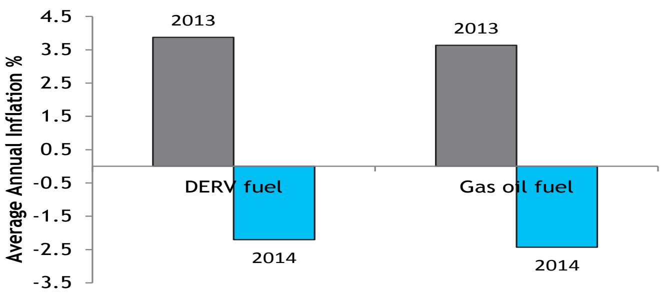
The cost of sending waste to landfill experienced the second highest level of inflation across the survey and rose by 3.5% on an annual basis in 2014, although this was below the 4.1% recorded in 2013. 24% of respondents reported unchanged costs and 2% that costs had fallen. 21% reported that costs had increased by up to 2.5%, 25% that costs had increased by 2.6%-5.0%, and 27% by more than 5.0%. Annual cost inflation for plant hire was reported at 1.8% from 1.1% in 2013. For plant hire, 43% reported no change in costs over the 12 month period and only 1% reported falls. 20% reported rises up to 2.5%, 28% between 2.6-5.0%, and 9% of respondents that costs rose by more than 5.0%.

Plastic Products and Timber



The rate of inflation of plastic products slowed in 2014 to 1.5% from 2.2% in 2013. 37% of firms reported no change in costs over the year and 6% reported falls. 30% of respondents reported cost rises up to 2.5%. 20% reported that costs had risen by 2.6%-5.0% and the remaining 7% that costs had risen by more than 5.0%. Annual timber costs rose by 1.3% in 2014, a decrease from 2013 when costs rose 2.3%. 42% of respondents reported that costs were unchanged compared to a year earlier and only 4% reported declines. According to 32% of respondents, costs rose by up to 2.5%, 18% reported inflation of 2.6-5.0%, and 5% that costs had increased by more than 5.0%.

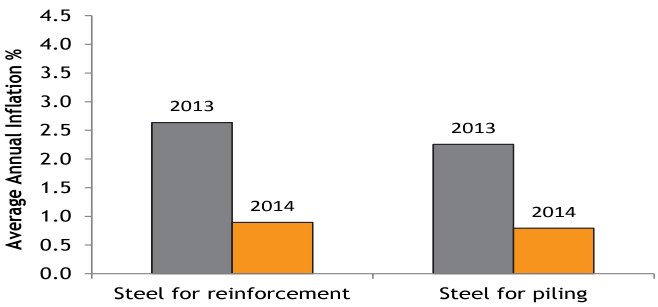
DERV Fuel and Gas Oil Fuel



DERV fuel prices fell by 2.2% in 2014, compared to a rise of 3.9% in 2013. For gas oil fuel, prices fell by 2.4% in 2014 compared to a 3.6% increase in 2013. 69% of respondents reported a decline in costs of DERV fuel and 24% of these reported a fall of greater than 5.0%. 21% of respondents reported no change in prices and only 10% reported that prices rose over the year. For gas oil fuel, the majority of respondents (67%) reported that costs were lower. 28% of these reported falls of more than 5.0%. 23% reported no change in prices and only 10% of respondents reported that costs increased during the period.

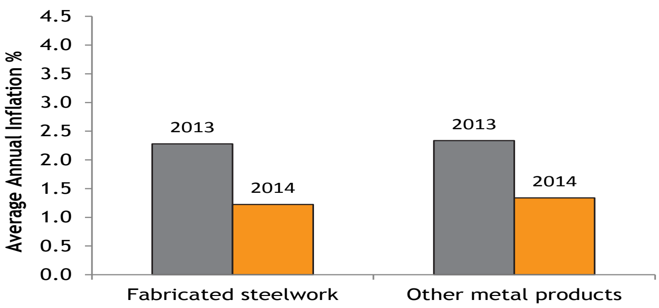
Cost of Steel and Other Metals

Steel for Reinforcement and Steel for Piling



Annual inflation for steel for reinforcement in 2014 was 0.9%, compared to 2.6% in 2013. 27% of respondents reported unchanged costs and 22% that costs had fallen. However, the majority of respondents reported increased costs; 28% reported that costs increased by up to 2.5%, 15% by 2.6%-5.0% and 7% by more than 5.0%. Cost inflation of steel for piling fell from 2.3% in 2013 to 0.8% in 2014. Around one-third (32%) of respondents reported no change in costs over the previous 12 months and 21% reported that costs had fallen. 25% of firms reported that costs increased by up to 2.5%, 14% reported that costs increased 2.6%-5.0%, and 8% of respondents reported that costs increased by more than 5.0%.

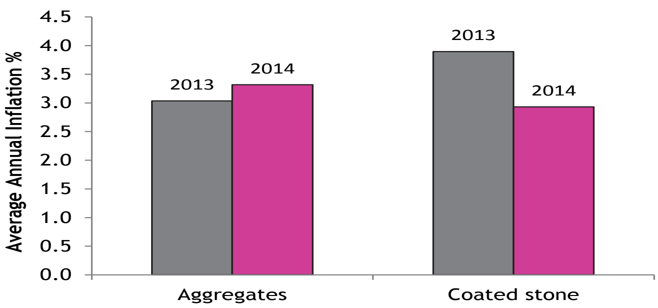
Fabricated Steelwork and Other Metal Products



Annual cost inflation for fabricated steelwork was 1.2% in 2014 compared to 2.3% in 2013. 32% of respondents reported no change in costs, and 16% reported that costs had fallen. 30% reported that costs increased up to 2.5% and 16% reported increases of 2.6%-5.0%. The remaining 8% of respondents reported increases of more than 5.0%. For other metal products, annual inflation averaged 1.3% in 2014, down from 2.3% in 2013. 37% of firms reported costs unchanged over the previous 12 month period and 11% reported falling costs. 26% reported increases up to 2.5%, 21% of firms reported increases of 2.6%-5.0%, and the remaining 5% of firms reported increases above 5.0%.

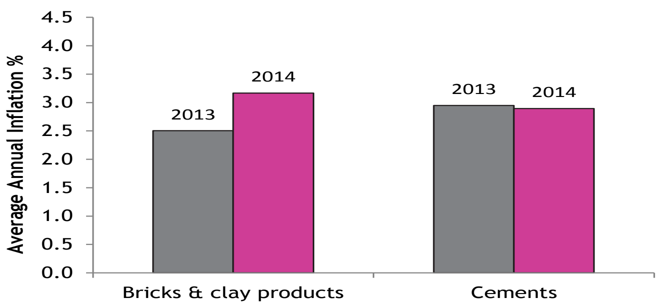
Costs of Aggregates, Bricks & Clay Products

Aggregates and Coated Stone



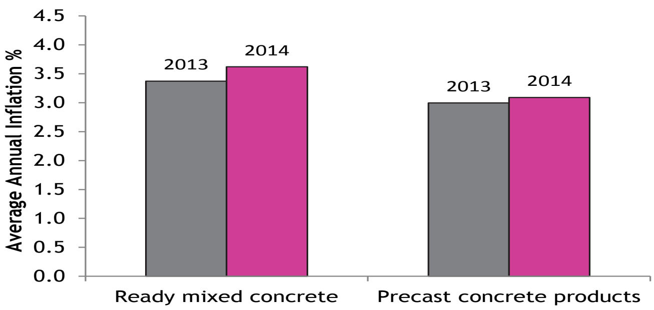
Annual cost inflation increased in 2014 to 3.3% from 3.0% in 2013 for aggregates. Just 1% of respondents reported falling costs and 22% reported that costs were unchanged. 26% of firms reported that costs had risen by up to 2.5% and 26% that costs had increased by 2.6%-5.0%. The remaining 23% of respondents reported inflation above 5% on the year. Annual cost inflation for coated stone was 2.9% in 2014, compared to 3.9% in 2013. Just 4% of respondents reported falling costs and 25% that costs were unchanged over the 12 month period. The majority of firms reported increased costs, 22% by up to 2.5%, 25% by 2.6%-5.0%, and 24% reported rises of 5.0% or more.

Bricks & Clay Products and Cements



Annual cost inflation for bricks and clay products was 3.2% in 2014, 0.7 percentage points higher than in 2013. For cements, annual cost inflation matched the 2013 rate of 2.9%. 4% of respondents reported decreased costs for brick and clay products and 27% reported costs unchanged. 22% of firms reported increased costs up to 2.5%, 17% reported increases of 2.6%-5.0%, and 30% that costs had increased by more than 5.0%. For cements, 2% of firms reported that costs had declined, and 25% that costs were unchanged. 22% of respondents reported costs increasing up to 2.5% and 29% that increases of 2.6%-5.0% had occurred. 22% of respondents reported that costs had increased by more than 5.0%.

Ready Mixed Concrete and Precast Concrete Products



Cost inflation for ready mixed concrete averaged 3.6% in 2014, down from 3.4% in 2013. 16% of firms reported unchanged costs, whilst 2% reported that costs had decreased. 81% of respondents said costs had increased; 23% by up to 2.5%, 26% between 2.6%-5.0%, and the remaining 32% by 5.0% or more. For precast concrete products, cost inflation was reported to be 3.1% in 2014, up from 3.0% in 2013. 2% of firms reported falling costs, and 18% reported costs were unchanged. Of the 79% reporting increases, 28% reported that costs had risen by up to 2.5%, 26% that rises were in the range 2.6%-5.0% and the remaining 25%, that costs had increased by at least 5.0%.

Average inflation	2009	2010	2011	2012	2013	2014
Engineering staff	0.9	-0.3	0.1	1.0	0.7	3.3
Administrative staff	0.7	-0.2	0.2	0.7	0.6	1.9
Skilled operatives	0.8	-0.3	0.2	0.9	0.8	3.1
Other operatives	0.3	-0.5	0.1	0.7	0.6	2.2
DERV fuel	4.7	7.7	10.4	7.7	3.9	-2.2
Gas oil fuel	4.5	8.2	10.4	7.6	3.6	-2.4
Aggregates	3.0	2.9	5.3	4.3	3.0	3.3
Coated stone	4.1	3.8	7.5	6.1	3.9	2.9
Bricks & clay products	2.6	2.2	4.3	3.3	2.5	3.2
Cements	3.6	3.0	4.6	4.0	2.9	2.9
Ready mixed concrete	3.5	2.2	5.7	4.8	3.4	3.6
Precast concrete products	3.3	2.7	4.8	4.6	3.0	3.1
Steel for reinforcement	2.1	7.4	7.8	4.9	2.6	0.9
Steel for piling	2.0	7.0	5.9	5.1	2.3	0.8
Fabricated steelwork	2.5	4.8	6.5	4.7	2.3	1.2
Other metal products	3.3	5.2	6.6	5.1	2.3	1.3
Plastic products	2.6	2.2	5.1	4.9	2.2	1.5
Timber	2.4	3.0	4.1	3.5	2.3	1.3
Waste to landfill	5.2	3.7	5.9	6.1	4.1	3.5
Plant hire	-1.0	-0.6	1.0	1.1	1.1	1.8

Median inflation	2009	2010	2011	2012	2013	2014
Engineering staff	1.3	1.2	1.4	2.1	-0.7	2.9
Administrative staff	1.3	1.2	1.5	1.9	-0.9	1.0
Skilled operatives	1.5	1.1	1.4	0.3	0.2	2.9
Other operatives	0.9	0.9	1.3	2.4	-0.3	1.4
DERV fuel	3.0	6.6	9.0	7.5	3.8	-0.9
Gas oil fuel	2.5	15.2	9.3	7.5	3.8	-0.7
Aggregates	2.5	3.6	4.8	4.4	3.1	2.7
Coated stone	3.4	3.6	7.3	6.3	3.8	2.5
Bricks & clay products	1.2	1.2	4.3	3.3	2.4	2.4
Cements	2.2	2.7	4.5	4.2	2.6	2.7
Ready mixed concrete	3.0	2.1	5.6	5.4	3.2	3.4
Precast concrete products	2.2	2.4	5.0	4.7	2.8	2.7
Steel for reinforcement	0.7	5.1	12.9	5.4	2.5	0.2
Steel for piling	2.0	5.8	6.1	5.6	2.2	-0.2
Fabricated steelwork	2.3	6.2	6.5	5.0	2.2	0.4
Other metal products	2.2	5.8	6.9	5.3	2.0	0.4
Plastic products	1.5	1.3	5.0	4.8	1.6	0.6
Timber	1.1	1.8	3.9	3.1	1.7	0.5
Waste to landfill	3.5	2.8	5.4	5.9	4.0	2.9
Plant hire	0.3	0.5	0.3	0.7	0.1	0.9