

# CONSTRUCTION



# COST INDEX

*Dear user,*

*The construction Cost Index is calculated until now taking into account the elements of expenditure for the construction of a residential building with 5-6 floors. Fourth quarter of 1999 has served as the base period. The prices of construction materials and other cost elements were collected from construction companies.*

*Referring to the current situation of construction sector, changes in the structure of construction of the multi-dwelling buildings as well as the new elements introduced in the construction process it is necessary to review the index, so that it represents reality more precisely.*

*The review of this index was focused on:*

- Change in the structure of costs so that this structure is totally consistent with the structure used by EUROSTAT*
- Change in the source of receiving information (price) about construction materials from construction firms to the distributors of materials, therefore increasing the representation level of with prices for each quarter.*
- Combination of different sources for receiving information (distributors of construction materials, construction firms, data from other activities that realizes INSTAT)*

*Starting from the first quarter 2011, INSTAT will calculate the new Construction Cost Index. The first quarter 2011 will be also the base period (First Quarter 2011=100).*

*The construction of the new weights for materials and other expenditures was based on the expenditure projections of construction companies for building a dwelling with 8-10 floors. This dwelling was considered as dwelling type for this period.*

*For calculation of the new weights we had a close corporation with construction engineers and specialist in the field. We had cooperation with the Ministry of Public Works, Ministry of Transport and Telecommunications, and Municipality of Tirana for providing necessary information about the selection of the basket materials and to calculate their weights.*

*All the pervious indexes were recalculated with the new base, thus ensuring continuity of time series of indices.*

## CONSTRUCTION COST INDEXES IV - 2011

In the fourth quarter 2011, Construction Cost Index reached 100.5 percent (**Q.IV 2011 = 100**) signing an increase of 0.3 percent against the previous quarter, while the annual change of it was 0.7 percent. In the same period of year 2010, this change was 0.5 percent.

The “Material Expenditure” index group is increased by 1.1 percent against the previous quarter. The index of “Construction materials” subgroup for this quarter is increased by 1.3 percent. Also the index price of “Electric materials” and “Hydro-sanitary materials” are increased respectively with 0.1 percent and 0.4 percent.

The index groups of “Transport fees” and “Machinery fees” signed an increase respectively by 0.8 percent and 0.2 percent compare with previews quarter.

Also the index group of “Other costs” signed an increase by 1.1 percent While the “Salaries fees” index group is decreased by 1.1 percent.

In this quarter compared with the previous quarter, the index of the other groups is not changed.

### WEIGHTS BY THE MAIN GROUPS OF EXPENDITURES

GROUPS	WEIGHTS IN %
<b>TOTAL</b>	<b>100</b>
<b>I.1. MATERIAL EXPENDITURES</b>	<b>55.2</b>
a. Materials of construction	42.3
b. Electric and communication materials	6.7
c. Hydro – sanitary materials	6.2
<b>2. SALARIES FEES</b>	<b>24.6</b>
<b>3. MACHINERY FEES</b>	<b>8.3</b>
<b>4. TRANSPORT FEES</b>	<b>5.3</b>
<b>5. ENERGY FEES</b>	<b>2.1</b>
<b>6. OTHER COSTS</b>	<b>4.5</b>

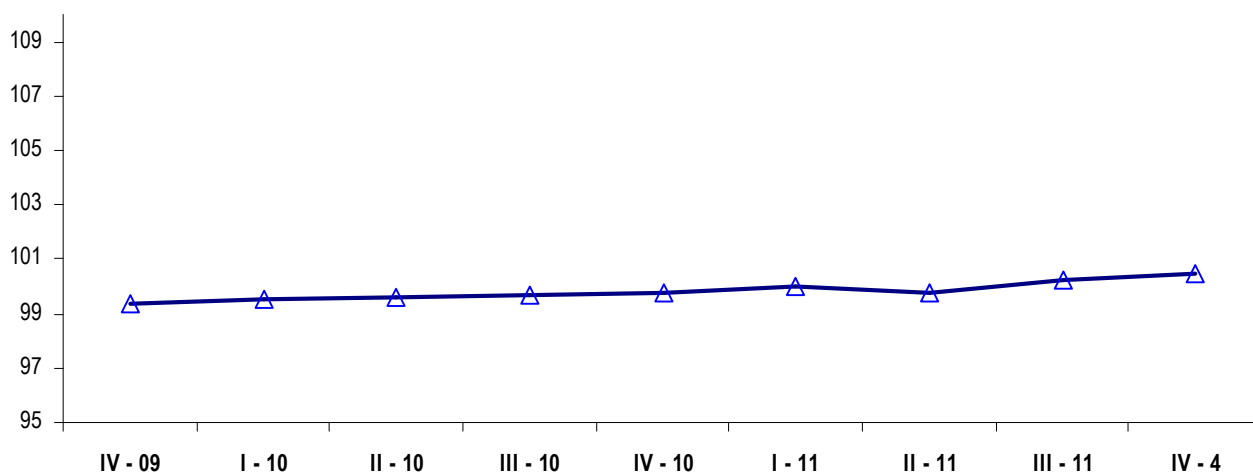
## CONSTRUCTION COST INDEX

First quarter 2011 = 100

First quarter 2011 = 100

Label	IV - 09	I - 10	II - 10	III - 10	IV - 10	I - 11	II - 11	III - 11	IV - 11	IV - 11 / IV - 10
<b>TOTAL (1+2+3+4+5+6)</b>	99.4	99.5	99.6	99.7	99.8	100	99.8	100.2	100.5	0.7
<b>1. MATERIALS (a+b+c)</b>	98.8	99.1	99.2	99.5	99.6	100	100.3	100.5	101.5	1.9
a.Construction materials	98.8	99.1	99.2	99.5	99.6	100	100.4	100.4	101.7	2.1
b.Electric and communication materials	95.3	95.7	97.8	99.2	99.5	100	99.7	101.0	101.1	1.6
c.Hydro - sanitary materials	99.6	99.6	99.6	99.6	99.7	100	100.0	100.3	100.7	1.0
<b>2. SALARIES FEES</b>	100.0	100.0	100.0	100.0	100.0	100	100.3	102.6	101.5	1.5
<b>3. MACHINERY FEES</b>	99.6	99.8	99.8	99.8	100.0	100	100.0	99.9	100.1	0.1
<b>4. TRANSPORT FEES</b>	98.2	98.8	99.6	99.8	99.9	100	98.8	99.4	100.2	0.3
<b>5. ENERGY FEES</b>						100	100.0	100.0	100.0	
<b>6. OTHER COSTS</b>						100	99.0	97.6	98.7	

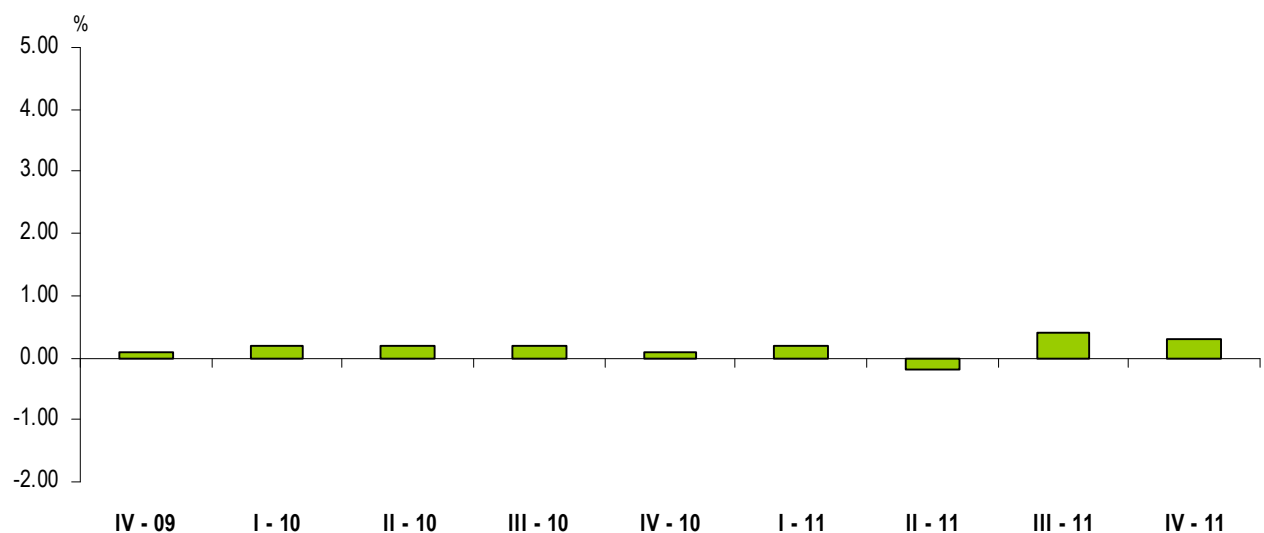
## CONSTRUCTION COST INDEX



## QUATERLY CHANGES OF CONSTRUCTION COST INDEX

Label	IV - 09	I - 10	II - 10	III - 10	IV - 10	I - 11	II - 11	III - 11	IV - 11
<b>TOTAL (1+2+3+4+5+6)</b>	<b>0.1</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>	<b>0.1</b>	<b>0.2</b>	<b>-0.2</b>	<b>0.4</b>	<b>0.3</b>
<b>1. MATERIALS (a+b+c)</b>	<b>0.1</b>	<b>0.3</b>	<b>0.4</b>	<b>0.3</b>	<b>0.1</b>	<b>0</b>	<b>0.3</b>	<b>0.2</b>	<b>1.1</b>
a.Construction materials	0.1	0.3	0.4	0.3	0.1	0	0.4	0.0	1.3
b.Electric communication materials	0.5	0.5	2.7	1.4	0.3	1	-0.3	1.4	0.1
c.Hydro - sanitary materials	0.1	0.0	0.0	0.0	0.1	0	0.0	0.3	0.4
<b>2. SALARIES FEES</b>	<b>0.2</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0</b>	<b>0.3</b>	<b>2.3</b>	<b>-1.1</b>
<b>3. MACHINERY FEES</b>	<b>0.0</b>	<b>0.6</b>	<b>1.4</b>	<b>0.2</b>	<b>0.1</b>	<b>0</b>	<b>0.0</b>	<b>-0.1</b>	<b>0.2</b>
<b>4. TRANSPORT FEES</b>	<b>0.0</b>	<b>0.2</b>	<b>0.2</b>	<b>0.0</b>	<b>0.2</b>	<b>0</b>	<b>-1.2</b>	<b>0.6</b>	<b>0.8</b>
<b>5. ENERGY FEES</b>							<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>6. OTHER COSTS</b>							<b>-1.0</b>	<b>-1.4</b>	<b>1.1</b>

## QUATERLY CHANGES OF CONSTRUCTION COST INDEX



## Methodology

The Construction Cost Index measures the price development of the production factors raw materials, labour, machinery, transports, energy and other costs that are used in building projects.

The Construction Cost Index is an important economic indicator for the construction sector. The main user of Construction Cost Index is the National Accounts as a deflator, Ministries, the Bank of Albania, IMF, World Bank and for analysing the construction sector.

The Construction Cost Index (CCI) started from first quarter 2011 will be calculated with a new basket of materials and expenditures. The new weights are calculated based on the projections for multi-dwelling buildings taken by firms.

The first quarter 2011 will be the base period for calculating the index (First quarter 2011=100). The new basket contains 73 items of which 68 are construction materials.

The prices for construction materials collected from 96 distributors and retailers of construction materials. The data for salaries, machinery and transport collected in 50 biggest construction companies concentrated mostly in Tirana. The selection of companies is based on the volume of construction companies realized over a period of one year.

The expenditure classification is based on classification of EUROSTAT for Construction Cost Index. The new CCI have six main expenditure groups:

- Construction Materials
- Salaries Expenditure
- Machinery Expenditure
- Transport Expenditure
- Energy
- Other costs

For calculation of Construction Cost Index we use the Laspeyres index model:

$$I_{0t}^L = \frac{\sum_{i=1}^n \left( \frac{P_t^i}{P_0^i} \times w_0^i \right)}{\sum_{i=1}^n w_0^i} \times 100$$

Where:

$I_{0t}$  = Index number at a point in time  $t$

$P_t^i$  = Price per unit at point in time  $t$  (current period)

$P_0^i$  = Price per unit at point in time  $0$  (base period)

$w_0^i$  = Weight of product  $i$  at the base period

### Measure of Index

The annual rate measures the price change between current quarter and the same quarter of the previous year. This measure is responsive to recent changes in price levels but can be influenced by one-off effects in either quarter.

The quarterly change measures the price change between current quarter and previous quarter. This index can be affected by seasonal effects and other effects.

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