

Producer price indices for construction - Dwellings maintenance and improvement work - IPEA

Producing organisation: INSEE

- [Read the “Informations Rapides” related to this indicator.](#)

Introduction

The “Observation of Industry and Services Prices” (OPISE) survey is the dwellings maintenance and improvement work price index's source, alongside with industry and services producer prices.

- [Presentation sheet of the OPISE survey](#) (version dated of May 2013, pdf file, in French, 510 kB)

Definition

The dwellings maintenance and improvement work price index (IPEA) is a quarterly index that measures the changes in prices -without VAT- invoiced by firms for their maintenance and improvement works in existing dwellings during the quarter under review. The “maintenance and improvement cost index” (BT50) reflects the changes in costs borne by these same firms (mainly gross wages and materials).

INSEE conducts a survey of a sample of firms selected among those that declared carrying out renovation works in dwellings in the [annual sectorial survey](#) for the construction sector.

The following works are excluded:

- new construction works;
- large-scale renovation or rehabilitation works (i.e. works which are conducted after an almost total demolition);
- works in non-residential buildings (offices, factories, shops, etc.);
- works to convert non-residential buildings into dwellings;
- works that do not lead to a market price agreement between the firm and the final client, in particular subcontracting works to an other firm;
- works that do not include both the supplying and the laying of materials: the supplying only of materials is a commercial activity.

The activity of dwellings maintenance and improvement has been broken down into nine families of works, which cover most of it:

- masonry works and building structural works;
- painting and floor and wall covering;
- wood and PVC joinery works;
- heat and air-conditioning installation;
- plumbing;
- roofing activities;

- electrical installation;
- metal joinery works and ironwork;
- plastering.

Goals

These indices can be used for the analysis of the activity, as short term indices or as deflators for national accounts. They can also be used for contract escalation.

Methodology

A price index is a tool to measure price changes. To reach this goal, “pure” price changes need to be isolated by excluding any price change due to a modification in the sampled product. Most of the time, price indices are produced as follows: the current period revenue for a set of goods or services is collected, and is then compared to the reference period revenue for the same set of goods or services. When a product is replaced by a different model, the quality effect - that is to say the effect of this change in quality on the product price - is calculated. This way, the “pure” price change can be determined by subtracting the quality effect.

The categories of works whose prices change in a similar way are grouped into families, and a “model service” is selected for each category of works. This “model service” is a service that is regularly provided and that represents the larger part of the turnover of the family. Generally, this leads to establishing a cost estimate with all the technical and commercial characteristics of the project.

The nine families of works and total IPEA are fixed-base Laspeyres indices, whose base is revised every five years.

The indices are expressed in reference 100 in 2010. More precisely, “elementary” Laspeyres indices are calculated from price series of “model services”. If, for a given quarter, the price of a service cannot be observed, its development is estimated by the weighted average of price developments of services belonging to the same stratum (“categories of works”). By the use of arithmetic means, these elementary indices are then aggregated in order to obtain successively indices by categories of works, then by families, and at last the total IPEA. The individual weight of a model service corresponds to the turnover achieved by the enterprise in the category of works to which the service belongs. The weights by categories of works within the families of works, and of families of works within the total IPEA are provided by the amounts of turnover observed in the structural business survey (ESA) in the construction activity.

Dissemination

The producer price indices for maintenance and improvement of existing dwellings are disseminated on the last working day of the second month following the quarter under review (Q+60 days). The [date of publication](#) is announced four months in advance. Except if specifically mentioned, the indices are provisional for a period of three months. Revisions integrate enterprises' late responses and changes of weights consecutive to the continuous renewal of the indices.

The quarterly Informations Rapides [dwellings maintenance and improvement work \(IPEA\)](#) provide the main results with some comments.

