

# CONSTRUCTION COSTS INDEX

## DEVELOPING THE BUILDING MATERIALS COST INDEX



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# AGENDA

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- ☑ INTRODUCTION
- ☑ USES OF INDICES
- ☑ CONSTRUCTION COST INDEX
  - ⊕ Building Materials Cost Index (BMCI)
- ☑ The Development of BMCI
- ☑ Conclusion



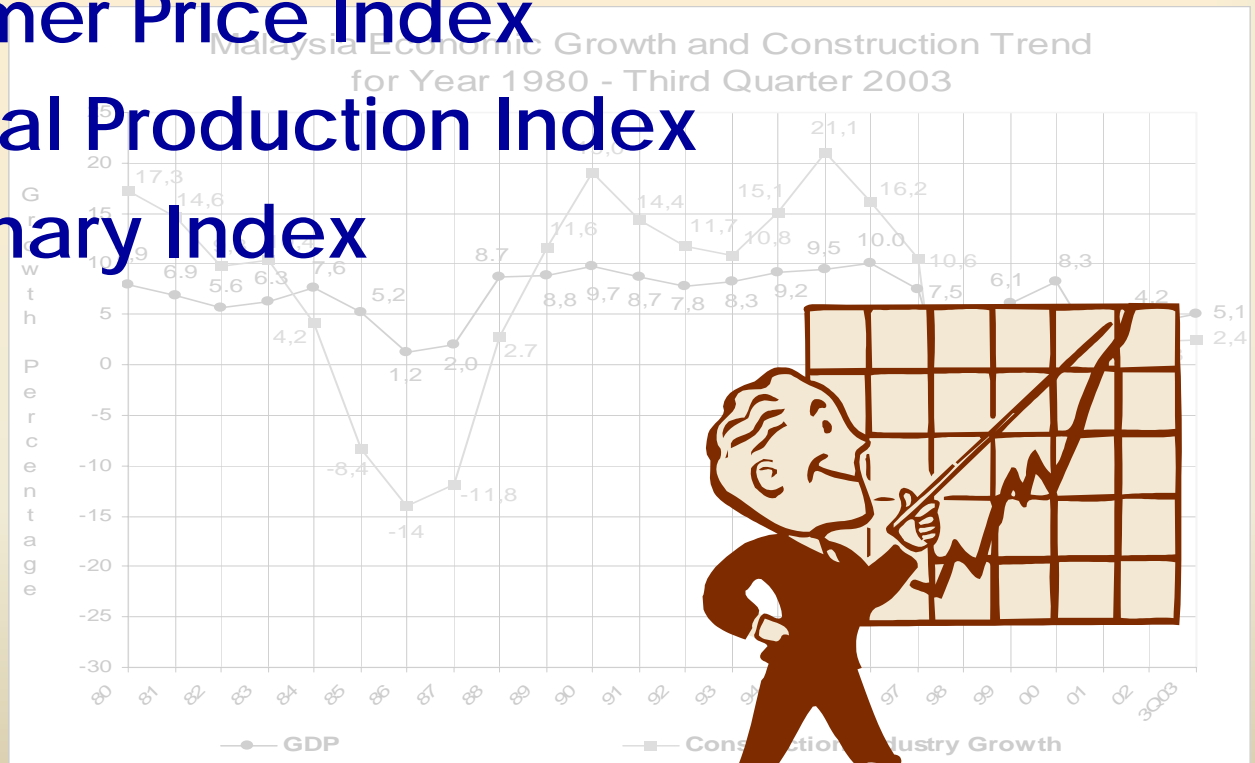
# WHAT IS AN INDEX?

✓ Statistical data

⊕ Consumer Price Index

⊕ Industrial Production Index

⊕ Inflationary Index



# WHY?

## ☑ Malaysian Construction Industry

- ⊕ Ups & Down
- ⊕ Supply & Demand
- ⊕ Escalation of costs

### ❄ Resources

- Artificial
- Cartel?

# USES OF INDICES

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- ✓ Calculation for price fluctuation
- ✓ Updating elemental cost analysis
- ✓ Identification of changes in cost relationships
- ✓ Extrapolation of existing trends
- ✓ Assessment of economics market conditions
- ✓ Updating for research

# COST INDEX

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## ☑ Objective

⊕ to measure changes in the cost of an item or group of items from one point in time to another.

☑ Historical cost data

☑ Forecasting techniques

☑ A base date is chosen and is usually given the value of 100, all past and future increases or decreases being related to this figure

# CONSTRUCTION COST INDEX

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## ☑ Construction Industry

⊕ Buildings

⊕ Civil & Infrastructure



## ☑ Resources based

⊕ Man, Materials, Machines & Money



## ☑ Building Materials

⊕ > 60% of building construction cost

# **BUILDING MATERIALS COST INDEX**

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- ① Selected basket of materials
- ② Materials price collection system & measurement
- ③ Building work section and building categories
- ④ Weightages
- ⑤ Work section weightages
- ⑥ Proposed formula

# REIMBURSEMENT FOR BUILDING MATERIALS PRICE ESCALATION

- ☑ Construction Standard Form of Contract
  - ⊕ PWD – Government Sector
  - ⊕ CIDB Standard Form Of Contract 2000
- ☑ Provision for Reimbursement Materials Price Fluctuation
  - ⊕ Identify risks
  - ⊕ Bidding price fairer
  - ⊕ Value for money

# Conclusion

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- ☑ Trial run since December 2003
- ☑ Time to stabilised
- ☑ Improvised
- ☑ List of materials



# Way Forward

- ✓ Labour Cost Index (LCI)
- ✓ Machinery Cost Index (MCI)

$$\text{BMCI} + \text{LCI} + \text{MCI} = \text{CCI}$$

- ✓ Index for other sub sectors
  - 🕯 Civil & infrastructure
  - 🕯 Oil & Gas etc

**THANK YOU  
FOR  
YOUR ATTENTION**