

BUILDING MATERIALS PRICE FLUCTUATION

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Prices of building materials increased more frequently with larger magnitudes in 1990 than in 1989. The increases varied between 0-22% in 1989 and 1-90% in 1990. This is according to the survey carried out in the Joint Building Council's (JBC) fluctuation price list for Nairobi zone. The survey further reveals that while prices of some building materials did not increase in 1989, the prices of nearly all building materials increased in 1990.

The price of cement increased twice in 1990, with 10% in April and 1% in June. The overall increase was 11%. In 1989, the increase was once, by 10% which is slightly less than the increase in 1990.

There were no increases in the prices of sand and aggregate in 1989. However, in 1990, sand increased once in June by 5%, aggregate increased twice, in June by 44% and in October by 30%. The overall increase in the price of aggregate was a staggering 88%.

The prices of concrete blocks increased by a remarkable 80% in 1990. There was no increase in 1989. However, increases in the prices of blocks is influenced by increases in the prices of cement, sand and aggregate.

Steel was not spared. In 1989 the price of 16 mm diameter bar increased by 7%. The price of the same bar in 1990 increased twice, by 1% in August and 37% in November. The overall increase was 39%. The price of 8 mm diameter bar increased also twice in 1990, by 1% in August and 17% in November. The overall increase was 18%. Before June 1989 the 12, 10, 8 and 6 mm diameter steel bars were not included in the price fluctuation list.

Perhaps the most interesting changes are in the prices of timber. The price changes for different types of timber in 1990 were not consistent. In 1989 the prices of all types of timber did not change. In 1990, while the price of camphor increased by only 1%, the price of cypress increased twice, by 1 % in June and 36% in October. The overall increase in the price of cypress was 37%.

The price of paint increased once by 22% in 1989. In 1990, the increase was twice, in June and in October, nevertheless, the overall percentage was 16%.

As for the iron sheets, there was no price increase in 1989, but in June 1990 there was an increase of 1%.

From the foregoing, several things are apparent: one is that prices of building materials have a tendency to increase between June and November. Knowledge of this is important to estimators for predicting the likely influences on their estimates for building work prior to the tender date. The tendency for prices to change in this period can be explained simply by effects of the budget, and the 'spill-over' of the aftermath of the budget.

An observation of price increases in 1990 shows instances of abnormal behaviour. This is particularly true with the prices of aggregate, concrete blocks, steel and cypress timber, and the fact that the prices of nearly all building materials increased.

The abnormal increase in the prices of concrete blocks could be attributed to cumulative and explosive response to the changes in the prices of cement, sand and aggregate. The prices of blocks had not changed since June 1988 notwithstanding

the increases in the price of the three during the same period.

Changes in the prices of aggregate and steel could be attributed to increases in the price of oil due to the Gulf Crisis, and indeed the prices of other materials that undergo a manufacturing process. In addition, for steel, raw materials are imported and therefore problems of foreign exchange and increased costs of shipping must have played a role.

The aphid menace explains the abnormal behaviour for the price of cypress timber. However, the full effect of the destruction of cypress trees and related species by the aphid is yet to manifest itself in the timber industry.

For 1991 therefore, as long as the Gulf crisis looms and the aphid remains a mystery, prices in the Building Industry will go up even higher, and indeed prices of other goods and services. Even if the Gulf crisis were to come to an end now, the effects will affect the Building Industry for a good part of the early nineties.

However, while the foregoing is an attempt to explain price increases for building materials, it must be noted that this is not adequate. There are many factors which affect price increases. To be able to understand the phenomena, an intensive research is needed in this area.