

Fact Sheet 2

What makes up the BICI?

The Building Industry Comparative Index is calculated over 16 variables agreed by investors and building industry leaders as significant indicators of cost and risk in the commercial sector. These include costs per square metre, tender prices, contingencies and industrial disputes.

The variables are not independent as the individual components all end up, directly or indirectly, in the total cost of building.

The weights applied to the individual variables across BICI mean that the contributions of labour-related factors (for example, industrial disputes, labour supply, average weekly earnings), materials and other costs to the total Index are consistent with quantity surveyors' estimates of the relative contributions of these factors to the total cost of building.

Twelve indicators are attributed to cost and a further four to risk, with 70 per cent of the total weight of the Index assigned to cost, and 30 per cent to risk. Variables are weighted in accordance with a formula agreed to best reflect the relative importance of each individual variable.

BICI combines data from the 16 weighted variables to determine an overall score from zero to 100 compared against a benchmark of 50. If the score of an individual variable rises or falls, the overall score will move up or down in proportion to the weighting of that variable.

A change in a variable with a higher weighting will influence the overall score more than a variable of a lesser weighting.

BICI is not a predictive tool. It cannot determine exactly how specific events or incidents may influence the rise or fall of the Index, as BICI is the product of data from four states over a seven year time period.

BICI indicates the change over time for the following variables.

VARIABLES	WEIGHT
Cost factors	
Tender price relativity	10%
Commercial tender prices	10%
Cost per square metre	10%
Building price movements	10%
Average weekly earnings	5%
Productive days worked	5%
Labour productivity	5%
Cost of building materials	10%
Stamp duty	2%
Payroll tax	1%
Land tax	1%
Workers compensation premiums	1%
Sub-total	70%
Risk factors	
Contingencies	10%
Industrial disputes	10%
Labour supply	5%
Injury rates	5%
Sub-total	30%

Key points

- > The Building Industry Comparative Index is based on seven years of data from sources including the Australian Bureau of Statistics, State and Federal governments and private sector organisations such as leading quantity surveyor Davis Langdon, and Westpac.
- > The Index is based on 16 critical variables agreed by industry as key indicators of costs and risk in the commercial sector, including costs per square metre, tender prices, contingencies and industrial disputes.

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