



Israel

Country Commodity Report

Q4 2022



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According to a recent Finance Ministry's update Israel's economy is projected to grow at a rate of 6.3% in 2022, followed by a slower growth of 2.8% in 2023, owing to contractions in consumer spending, amid a slowdown in the global economy. Driven by the increasing cost of housing, transportation and communication, inflation has hit a record high, with the consumer price index rising to 5.3% in 2022, however it is expected to ease to 3% over the coming year.

The construction sector is expected to grow by 4% in real terms in 2022, driven by growth in the industrial and commercial sectors. Downside risks including high inflation, material costs, and supply chain disruptions as well as impacts of tightening monetary policy, which are likely to dampen the growth in the short-term. However, opportunities in sectors such as data centres and life sciences will continue to expand in the medium to long term



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Lumber

With Israel's construction industry expanding rapidly, demand for materials such as lumber has been high. Israel relies on imports to meet its local demand, and weaker lumber prices globally have helped to contain upwards pressure on domestic prices.



Cement and aggregates

Cement and aggregate prices are expected to remain at a high level, given the high costs faced by domestic producers amid strong demand, primarily from significant investment in transport infrastructure projects. However, helping to alleviate some of this upward pressure is the availability of cheaper imports, notably from Turkey.



Concrete blocks and bricks

High interest rates will slow residential construction growth, but public housing programs will keep activity levels relatively high, thereby maintaining demand for blocks and bricks.



Steel (rebar and structural)

Domestic demand for steel is set to stay relatively high, given the ongoing expansion in building and infrastructure construction albeit at a slower pace than in the past two years. However, steel prices globally have been on a downward trend from the highs of mid-2022, and this will feed into domestic prices as Israel relies heavily on steel imports to meet its demand, given limited domestic capacity.



Copper

Copper prices recovered ground in late 2022, having previously dropped sharply from the highs reached in April 2022. Concerns on the supply-side, including disruptions in production in Chile and Peru, and underinvestment in new mining operations will contribute to upward pressure, but the global economic slowdown will contain price rises in the short term.



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Materials	Q1 2023 (f)	Q1 2022 – Q1 2023 (f)		Q3 – Q4 2022 (e)
	ILS	ILS	2022-23 % change	% change
Copper (ILS/MT)	28,241	31,772	-11.1% ↓	7.6% ↑ ●
Steel rebar (ILS/MT)	2,285	4,250	-46.2% ↓	1.9% ↑ ●
Steel flat (ILS/MT)	1,911	2,520	-24.2% ↓	-4.7% ↓ ●
Stainless steel (ILS/MT)	3,813	NA	NA	NA
Lumber (ILS/M3)	757	819	-7.6% ↓	-0.1% ↓ ■
Asphalt (ILS/MT)	2,488	2,367	5.1% ↑	0.0% ↔ ■
Limestone (ILS/MT)	231	216	6.7% ↑	0.8% ↑ ■
Cement (ILS/MT)	392	315	24.4% ↑	-0.1% ↓ ■
Concrete (ILS/M3)	430	347	23.9% ↑	-0.1% ↓ ■
Welded mesh (ILS/unit)	216	239	-9.9% ↓	-6.1% ↓ ●
Concrete blocks (ILS/'000 unit)	3,417	3,167	7.9% ↑	0.4% ↑ ■
Plasterboard (ILS/unit)	43.9	42.2	3.8% ↑	-0.4% ↓ ■
Diesel (ILS/litre)	6.5	6.7	-3.3% ↓	-7.0% ↓ ■

(f) Forecast (e) Estimated

● Q3 to Q4 2022 % change greater than estimation in our Q3 report
■ Q3 to Q4 2022 % change less than estimation in our Q3 report

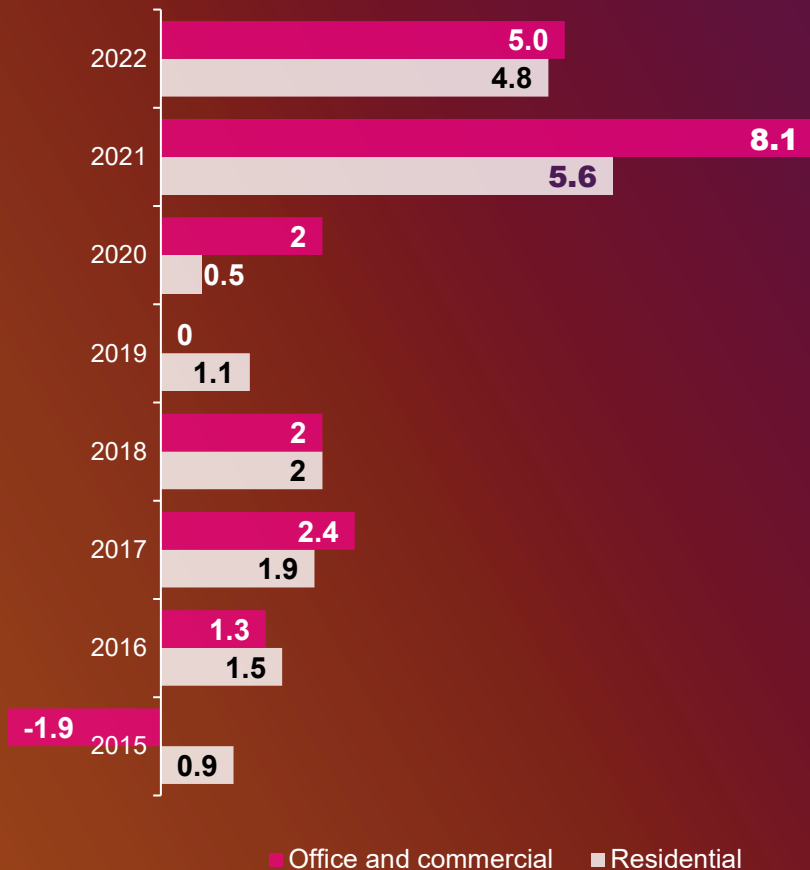
Welded mesh: 600 x 250cm, dia.-6mm Plasterboard: 260 x 120 x 1.25cm (L x W x T)

Material	% change Q4 – Q1 2023 (f)	Level of impact of pricing on construction procurement and supply chain *	
 Copper	+1.0% ↑	Low	Copper prices appreciated by more than 5% in Q4 2022 compared to the previous quarter, with the reopening of China's economy providing an expectation of a boost on the demand side. In addition, low global stockpiles and falling levels of copper production have sustained upward pressure on copper prices. Despite the outlook for weaker demand globally, copper prices are likely to remain volatile over the medium term.
 Steel prices - Steel rebar - Flat steel	-1.0% ↓ -1.0% ↓	Low	On a quarterly average basis, flat steel prices registered a decline of close to 5% in Q4 2022 from Q3 prices, while steel rebar prices edged higher on a quarterly average basis. Strong demand from the construction sector driven by residential construction activity has kept the demand for steel rebar relatively high. However, declining steel demand globally and greater supply driven by increasing export volumes from China and Turkey will sustain downward pressure on prices.
 Stainless steel	+1.0% ↑	Low	Rising nickel and other key alloying materials prices have sustained upward pressure on stainless steel prices, despite overall steel demand falling.
 Lumber	+0.5% ↑	Low	Lumber prices have remained stable in recent months. Construction industry demand has been strong, but improvements in the supply chain have helped to keep prices in check. Although increased interest rates will contribute to a slowdown in construction industry growth, residential construction will be supported by the government's plan to build new houses. Lumber prices will therefore stay elevated in the coming quarters.
 Asphalt	-0.5% ↓	Moderate	Asphalt prices have stabilized in recent quarters, owing primarily to cooling demand for crude oil on international markets. With demand for crude oil expected to remain weak in the coming quarters, asphalt prices are likely to remain stable. However, supply-side disruptions in the international crude oil market could renew upward pressure on asphalt prices in the medium term.
 Limestone	+1.0% ↑	Low	Limestone prices have remained fairly stable in recent months. Although the pace of expansion in the construction industry will reduce, production and transportation costs will keep prices close to current levels.

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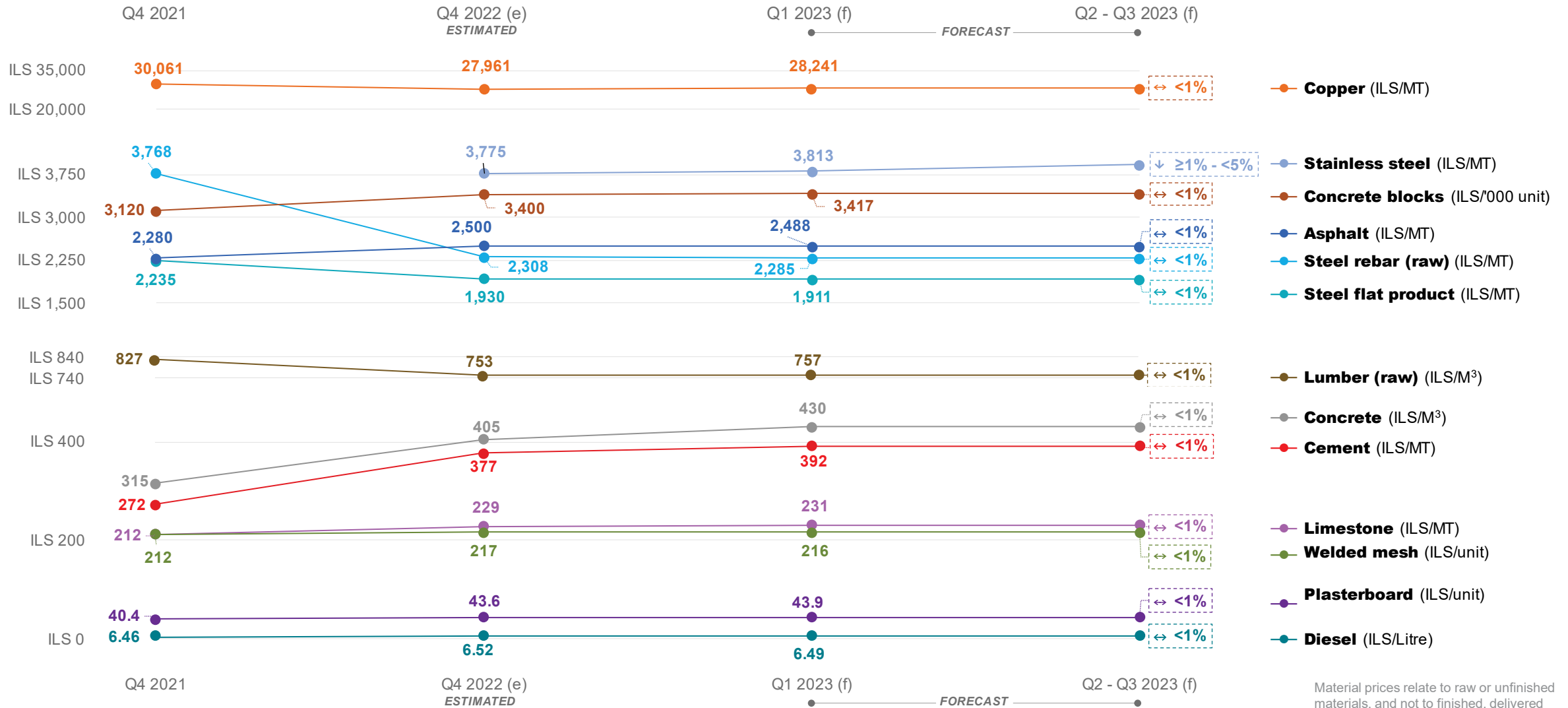
Price index of input in residential, office and commercial buildings 2015-2022



Material	% change Q4 – Q1 2023 (f)	Level of impact of pricing on construction procurement and supply chain *	
 Cement Concrete	+4.0% ↑ +6.0% ↑	Moderate	Prices for cement and related products have remained high in recent quarters, reflecting both solid demand from the construction industry and high production costs. Cement prices are expected to increase in the short term. In December ready-mixed cement industries announced that it was intending to increase ready-mixed concrete prices by up to 15% owing to abnormal increases in prices for key inputs.
 Welded mesh	-0.5% ↓	Low	Welded mesh prices dropped back in Q4 2022 and will fall marginally in the coming months in line with steel rebar prices. However, with production costs remaining high, prices will remain elevated.
 Concrete blocks	+0.5% ↑	Moderate	Concrete block prices have stayed at a high level in the past quarter, reflecting strong demand in the residential construction sector and high production costs. Although the pace of expansion in residential construction will slow, costs pressures will remain significant in the coming quarters.
 Plasterboard	+0.5% ↑	Low	Prices for plasterboard are expected to remain close to current high levels. Although demand pressure will ease as high interest rates are likely to impact rate of growth in construction, high production costs will prevent a marked decline in prices.
 Diesel	-0.5% ↓	Low	Diesel prices fell by 7% in Q4 compared to Q3, primarily due to a decline in international crude oil prices. Decreasing demand for oil amid slowing global economic growth, coupled with fuel tax subsidies implemented by the Israeli government to ease cost-of-living pressures, will contain further increases in the price of diesel. However, supply-side disruptions in the international crude oil market could cause some volatility in diesel prices over the medium term.

* Level of impact rating reflects a combination of factors: the price movement and also price level (compared to recent past beyond the last quarter), the importance of the material, and general state of the supply chain in terms of stability. Please note that commodity prices are based on representative materials available in the respective countries, and as these materials may not be standard across all markets, cross-country comparisons on prices can be ineffective. For example, asphalt types can vary between hot, cold or a bitumen price, and standard unit sizes for materials can vary across countries.

Israel – Construction Materials Pricing (2021-2023)



Material prices relate to raw or unfinished materials, and not to finished, delivered and erected on-site prices.

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Israel – Report methodology



Linesight has commissioned independent global research to track construction materials and commodity prices. The approach and methodology for the collection of construction material pricing and other indicators is based on primary and secondary research.

Primary and secondary research

Primary research is conducted on a quarterly basis with stakeholders in the value chain, including manufacturers and suppliers/distributors of the target materials, to ascertain market information on prices in recent quarters, and also on projections for changes in the coming quarter and remainder of the year. The market analysis also involves a thorough assessment of secondary sources of data on materials and labour prices, in addition to underlying demand and supply trends that will impact market prices.

Sources include GlobalData's Construction Intelligence Center (CIC), the World Bank, IMF, OECD, as well as country specific national statistics offices, such as the U.S. Bureau of Economic Analysis, Bureau of Labor Statistics, and also industry specific associations and publications.

Definitions

- Commodity prices are net of taxes for all the countries
- Prices are not customer delivered
- All commodities are raw materials
- Nominal and real data

Nominal data series do not exclude changes in prices and are also referred to as current prices series.

Annual changes in nominal data for construction output will include changes in construction activity, as well as changes in costs for materials and equipment.

Real data series are calculated by keeping prices constant (so, are also referred to as constant price series), and therefore, they reflect changes in activity only. Growth rates in nominal terms can overstate the pace of growth in construction activity if there is high inflation stemming from rising prices for key inputs.

Sample sources – Israel

For Israel, sources for this report include, but are not limited to:

- IMF
- The Central Bureau of Statistics
- GlobalData's Construction Intelligence Center (CIC)

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