



# Israel

## Country Commodity Report

### Q3 2022





# Israel

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Israel's central bank has updated its forecast for GDP growth early in October to 6% for 2022 and 3% in 2023, from previous predictions of 5% for 2022 and 3.5% for 2023. As is the case in many parts of the world, spikes in inflation and interest rates pose a key threat to economic performance, with five interest rate hikes to date in 2022, the latest of which is to 2.75%. The central bank is also forecasting a benchmark interest rate of 3.5% by Q3 2023. The upper target range for inflation stands at 3%, with a 12-month rate of 4.6% at present.

In terms of construction, the industry looks set to record 4% growth in real terms this year. There is a keen focus on infrastructure projects to support continued economic growth, such as large-scale transport projects and renewable energy. Key industry threats include electricity costs, elevated material prices, the re-emergence of political turmoil in recent months, supply chain disruption, and the impact of these factors on investor confidence.



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### Lumber

Israel is highly dependent on lumber imports, mainly from China, the US and mainland Europe. Lumber prices globally have eased, and with a recession on the horizon in the US and mainland Europe, prices will remain low. However, local demand could be stimulated by government spending, and with further dollar appreciation, import prices will increase.



### Cement and aggregates

Although still relatively high, cement prices have stabilised over the past quarter as the cost of core input pet coke has stabilised and shipping costs have fallen. Israel is heavily reliant on imported cement, with domestic producers losing market share. Around 60% of the cement in Israel is imported from Turkey, and the Russia-Ukraine conflict and ensuing sanctions on Russia have restricted the export of pet coke, which consequently drove up the price of cement. Prices are levelling off due to dampening demand and an easing of supply-side tightness. In addition, the weakness in the Turkish Lira has made imports from Turkey far cheaper.



### Concrete blocks and bricks

Domestic interest rate hikes and a fall in real incomes are a downside risk for construction projects, but public housing programmes will support demand and keep prices high. The recently introduced housing plan for 2022–25, aims to reduce house prices by increasing the supply of apartments. The plan includes starting construction of

280,000 homes over the next four years (70,000 annually), and providing approval for another 500,000 housing units (62,500 annually). There is also significant investment in transport infrastructure, including light rail projects in Tel Aviv and Beersheba.



### Steel (rebar and structural)

The prospect of a global economic recession and slowdown in infrastructure investment, as well as the real estate crisis in China have been key drivers in the fall in global steel prices. In Europe, the impact of the energy crisis will keep a tight grip on Turkish and Italian steel producers, who have felt the effect of the sharp increase in natural gas prices. However, the continuation of the monetary tightening cycle and the slowdown in economic activity in the region will quell demand for steel, and put negative pressure on prices. Local prices will reflect these trends, as Israel relies heavily on steel imports to meet demand, given limited domestic capacity.



### Copper

Copper prices have dropped over the past quarter, but supply-side factors continue to prevent prices from lowering to pre-pandemic levels. This includes protests in Chile and Peru that have limited production, and underinvestment in new mining operations that will likely limit supply into the future. Subdued demand from China and the US due to a decline in economic activity has put downward pressure on prices. Over the long term, though, prices are expected to recover; increased enthusiasm to invest in EVs, renewable energy and infrastructure will add to copper demand.



# Israel – Commodity Report



Materials	Q4 2022 (f)	Q4 2021 - Q4 2022 (f)		Q2 2022 - Q3 2022 (e)
	ILS	ILS	2021-22* % change	% change
<b>Copper</b> (ILS/MT)	25,275	30,061	-16% ↓	-19.1% ↓ ●
<b>Steel rebar</b> (ILS/MT)	2,251	2,235	1% ↑	-18.4% ↓ ●
<b>Steel flat</b> (ILS/MT)	1,951	3,768	-48% ↓	-22.2% ↓ ●
<b>Lumber</b> (ILS/M3)	758	827	-8% ↓	-2.5% ↓ ●
<b>Asphalt</b> (ILS/MT)	2,475	2,280	9% ↑	3.4% ↑ ●
<b>Limestone</b> (ILS/MT)	229	212	8% ↑	0.8% ↑ ■
<b>Cement</b> (ILS/MT)	384	272	41% ↑	3.4% ↑ ●
<b>Concrete</b> (ILS/M3)	408	315	29% ↑	1.5% ↑ ●
<b>Welded mesh</b> (ILS/unit (a))	230	212	8% ↑	-3.5% ↓ ●
<b>Bricks</b> (ILS/'000 unit)	3,402	3,120	9% ↑	2.8% ↑ ●
<b>Plasterboard</b> (ILS/unit (b))	44	40	10% ↑	1.9% ↑ ●
<b>Diesel</b> (ILS/litre)	6.31	6.46	-2% ↓	-3.8% ↓ ●

(a) 600x250cm, dia.-6mm  
(b) 260x120x1.25cm (LxWxT)

● Q2 to Q3 2022 % change greater than estimation in our Q2 report  
■ Q2 to Q3 2022 % change less than estimation in our Q2 report

Material	% change Q3 – Q4 2022 (f)	Level of impact of pricing on construction procurement and supply chain *	
 <b>Copper</b>	-2.7% ↓		Low
 <b>Steel prices</b> - Steel rebar - Flat steel	-0.6% ↓ -3.6% ↓		Moderate
 <b>Lumber</b>	+0.5% ↑		Low
 <b>Asphalt</b>	-1.0% ↓		Low
 <b>Limestone</b>	+1.0% ↑		Low

Copper prices have declined by more than 15% over the previous quarter, reflecting the decline in demand in major economies across the globe, especially in China, which accounted for roughly half of the demand. With further economic weakness expected, copper prices are expected to decline further. However, in the long run, copper prices will rise on the back of demand from the EV industry and renewable energy investment.

Steel prices have been on a downturn and registered a decline of more than 15% from the previous quarter. Increasing interest rates and fear of recession have weakened the demand from the real estate and housing sector, leading to a slump in demand for steel. However, the pace of decline in the price of steel is expected to slow, with major steel producers cutting down production or adjusting prices to balance supply.

With supply chain delays stabilising and a decrease in logistics costs due to lower crude oil prices, lumber prices have eased back, but they will remain around current highs in the coming quarters.

The price of asphalt has stayed high, despite the recent drop in crude oil prices. With demand improving on the back of public infrastructure investment, and also the potential for renewed volatility in crude oil price, asphalt prices will stay close to current levels.

Limestone demand will remain fairly strong, owing to continued expansion within the construction industry.

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 – Commodity Report



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

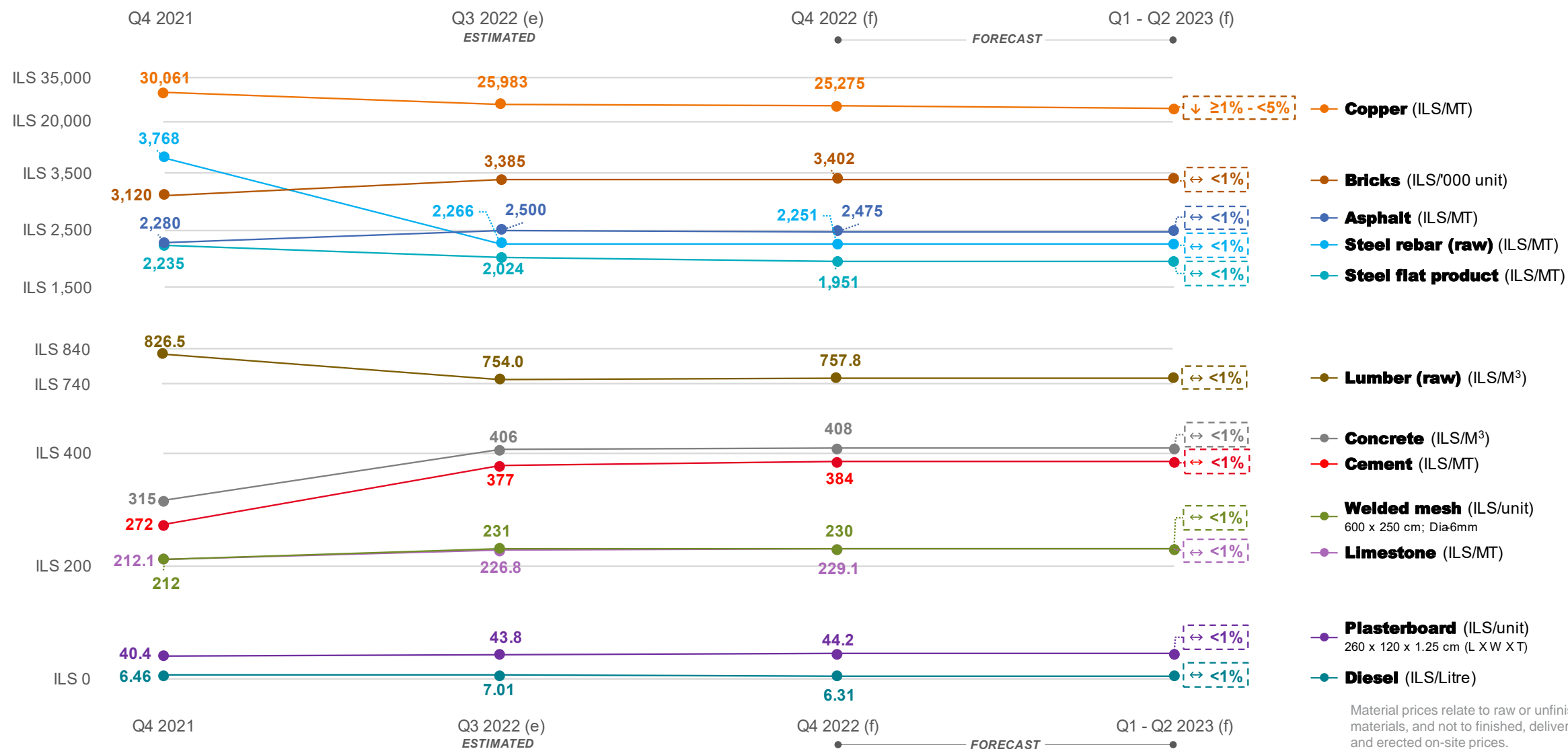


Material	% change Q3 – Q4 2022 (f)	Level of impact of pricing on construction procurement and supply chain *	
 <b>Cement Concrete</b>	+1.8% ↑ +0.5% ↑	 Moderate	Having witnessed a sharp increase during H1 2022, cement prices have stabilised at a high level in recent months. With the government's plan to invest in housing projects, the demand for cement and related products is likely to pick up. The recent budget includes the introduction of a new housing plan for 2022–25, which includes starting construction of 280,000 homes over the next four years.
 <b>Welded mesh</b>	-0.5% ↓	 Moderate	The price for welded mesh is derived from steel rebar prices. Mesh prices remained relatively high for H1, but with steel rebar prices stabilising, the price for rebar is likely to remain relatively flat in the coming quarters.
 <b>Bricks</b>	+0.5% ↑	 Low	The price for bricks has shown a slight increase, which is due to high energy costs, and relatively high transportation and logistics costs. Building construction demand will be bolstered by government housing investment plans, helping to support demand for key materials, such as bricks.
 <b>Plasterboard</b>	+1.0% ↑	 Low	Volatility in prices for plasterboard has been limited in recent quarters, but prices will edge upwards in line with improving demand.
 <b>Diesel</b>	-10.0% ↓	 Low	Diesel prices have declined from the previous quarter, mainly due to stabilising crude oil prices. However, with OPEC+'s decision to cut oil production, the price of diesel is expected to hold close to current levels in the coming months.

\* 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.

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# Israel – Construction Materials Pricing (2021-2022)



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# Israel – Macroeconomic overview



## Economic indicators



**6%**

GDP growth in 2022 (f)  
and **8.19%** in 2021



**4.32%**

inflation rate in 2022 (f)  
and **1.49%** for 2021



**4.05M**

people employed in 2022 (f)  
and **3.94M** in 2021



**3.92%**

unemployment rate for 2022 (f)  
and **4.99%** in 2021



**113.77**

Consumer Price Index in  
2022 (f) and **109.06** in  
2021



**122.6**

Producer Price Index in  
Aug 2022 and **110.2** in  
Aug 2021

## National holidays



## 11 official holidays

in Israel.

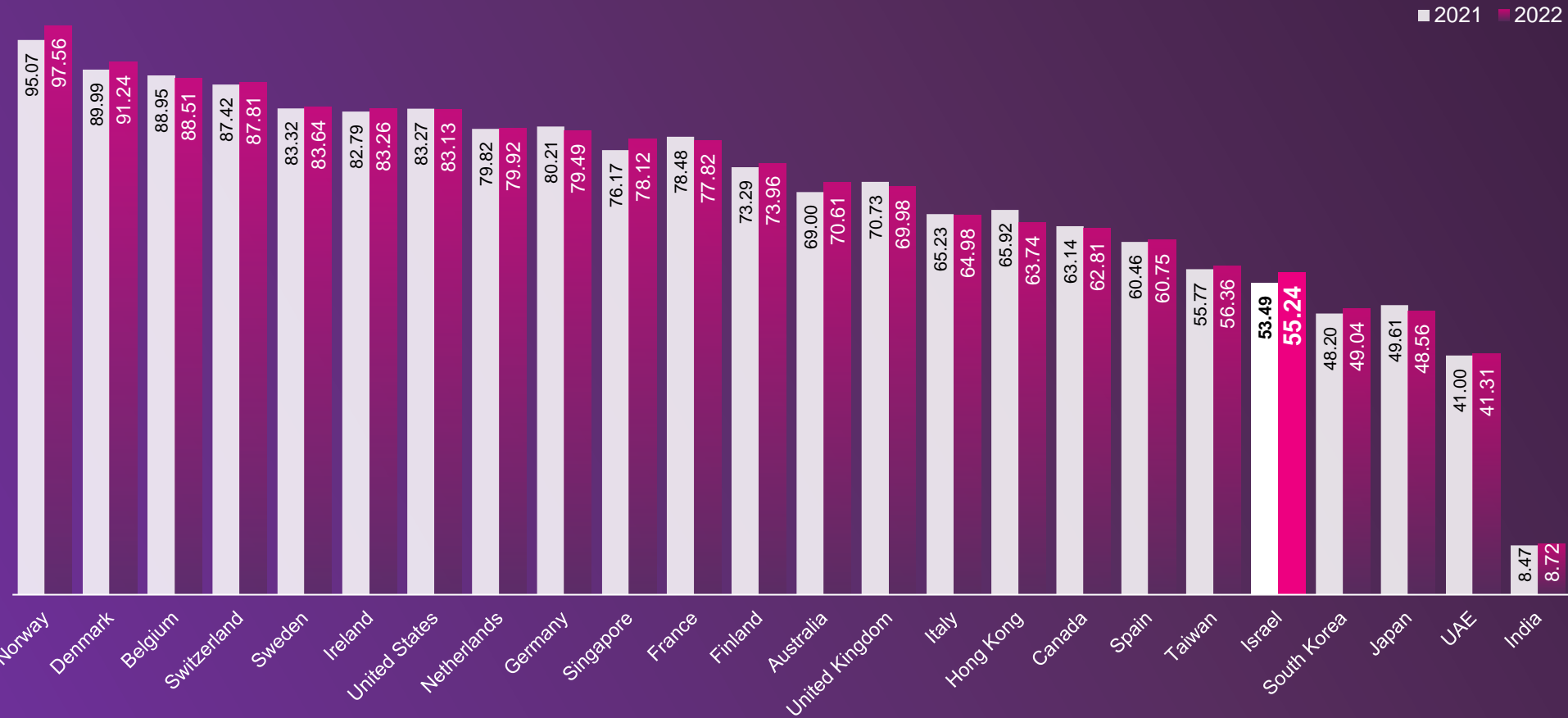
- Feast of Purim – Tel Aviv (17 March)
- Feast of Purim – Jerusalem (18 March)
- Last Day of Pesach (Passover) (22 April)
- Israel Independence Day (5 May)
- Feast of Shavout (Pentecost) (5 June)
- Fast Of Ninth of Av (7 August)
- Rosh Hashanah (New Year – 1<sup>st</sup> day) (26 September)
- Rosh Hashanah (New Year – 2<sup>nd</sup> day) (27 September)
- Yom Kippur (Atonement Day) (5 October)
- Succot (1<sup>st</sup> day) (10 October)
- Simchat Torah (Shemini Atzeret) (17 October)



# Israel – Macroeconomic overview



## Labour productivity



## Labour costs







**5,400 ILS**   
per month minimum  
wage in 2022

Labour productivity per hour worked in 2021 international dollars, converted using Purchasing Power Parities

# Israel – Construction overview



## Output 2021 and 2022 (in millions)

	Total 2021	Total 2021	Total 2022 (f)	% change
Commercial 		ILS19,219	ILS20,162	4.9%
Energy and utilities 		ILS14,367	ILS14,961	4.1%
Industrial 		ILS7,036	ILS7,386	5%
Infrastructure 		ILS16,659	ILS17,457	4.8%
Institutional 		ILS20,162	ILS20,960	4%
Residential 		ILS103,256	ILS107,022	3.6%

## Long-lead equipment (LLE) and Supply Chain narrative

Long-lead equipment (LLE) lead times have changed drastically since the start of 2022. Suppliers have seen the implications of material shortages, delays and price hikes throughout the supply chain, which is leading to extended lead times and reduced commitment from suppliers for new projects. The key areas in focus are:

- Demand:** The demand for long-lead equipment in the data centre sector has continued to increase in Q3 2022. More data centre and crypto mining providers are joining the market, and this continued demand far outweighs the capacity of the supply chain. Entry onto the production line remains a significant challenge, with suppliers reporting fully booked capacity until Q2 2024. There has been some growth in the development of Tier 2 and Tier 3 suppliers to support this demand. However, it will take time to build an extended supply chain. There has also been no sign of a decline in demand yet in early Q4 2022.
- Material shortage:** Just as material availability started to improve, the further threat of escalation with the Russia-Ukraine conflict has cast further uncertainties of future material stocks and reserves. The supply chain has continued to seek alternative sources of raw materials, and although this has been with partial success, market lead times remain conservative.
- Freight durations and costs:** Heightened by the increase in fuel costs, and compounded by the instability of labour and container availability, freight durations have been particularly volatile in recent times. Early indications from Q4 2022 suggest some stabilization in shipping durations is returning to the market, but the associated costs remain volatile due to the global fuel crisis. As clients consider alternative solutions, it almost becomes cost prohibitive to use quicker forms of transport, such as air freight, due to these increasing fuel costs.

## Construction Health and Safety practices and culture



The Israel Institute for Occupational Safety and Hygiene (IIOSH) is its national public institution, which oversees workplace safety and health.



# Israel – Report methodology



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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.

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## 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. A more comprehensive list of sources is included below.

## 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
- Israel Institute for Occupational Safety and Hygiene (IIOSH)
- GlobalData's Construction Intelligence Center (CIC)
- Conference-board.org

