



UAE

# Country Insights and Commodity Report

Q3 2022





# UAE

## Q2 2022

The International Monetary Fund (IMF) has recently revised its outlook for the UAE's economic growth upwards to 5.1% for this year, marking the highest growth over the last seven years. Growth for next year is anticipated to stand at 4.3% - again an upward revision on previous estimates. 5.2% inflation has been forecast for this year by the UN's global financial agency, before moderating to 3.6% in 2023.

The UAE's construction industry is projected to grow by 3.8% in real terms this year, driven by developments in infrastructure, energy and utilities, and residential projects. However, the industry faces key challenges from downside risks that are prevalent globally, such as spikes in inflation and interest rates, ongoing supply chain constraints and the cost of labour.



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### Lumber

The expected improvement in construction output in the UAE, supported by government investment, will contribute to domestic demand for lumber, prices for which have eased globally. With most imports sourced from Europe and North America, where prices have dropped, local price inflation will be contained.



### Cement and aggregates

Cement prices have stayed high this year, with high production costs and improving demand contributing to this trend. The UAE has sufficient capacity to meet domestic consumption needs, and this has helped the market avoid a significant impact on prices stemming from global supply chain disruption.



### Concrete blocks and bricks

The outlook for global economic growth is gloomy, but oil-rich markets have benefited from the high oil price environment. The UAE is set to push ahead with investment programs that will support a pickup in construction activity, which will keep prices for key building materials, such as bricks, at relatively high levels.



### Steel (rebar and structural)

Steel prices have moderated in recent months, having spiked in early 2022. The downturn reflects weakness in global demand, but production costs remain high. The UAE's largest public steel company, Emirates Steel Arkan, posted a profit of \$56m in Q2 2022, owing to rising sales volumes and prices. This compares to a small loss in the year-earlier period. The company has joined with Japan's Itochu and JFE Steel in a plan to build a ferrous raw material production facility in Abu Dhabi, part of an effort to meet growing global demand for 'green' steel.



### Copper

Amid weakness in global demand, and concerns over the prospect of economic recession in major markets, global copper prices have dropped sharply from the mid-2022 highs. Although prices are set to remain around current lows in the coming quarters, demand will recover given the importance of the metal in the energy transition drive.



# UAE - Commodity Report



Materials	Q4 2022 (f)	Q4 2021 – Q4 2022 (f)		Q2 2022 – Q3 2022 (e)
	AED	AED	2021-22* % change	% change
<b>Copper</b> (AED/MT)	26,317	35,635	-26.15% ↓	-26.5% ↓ ●
<b>Steel rebar</b> (AED/MT)	2,304	2,430	-5.21% ↓	-20.2% ↓ ●
<b>Steel flat</b> (AED/MT)	2,292	3,361	-31.80% ↓	-27.9% ↓ ●
<b>Lumber</b> (AED/M3)	655	608	7.83% ↑	0% ↔ ■
<b>Asphalt</b> (AED/MT)	1,872	1,764	6.12% ↑	-1.0% ↓ ■
<b>Limestone</b> (AED/MT)	452	432	4.65% ↑	0% ↔ ■
<b>Cement</b> (AED/MT)	219	204	7.30% ↑	0% ↔ ■
<b>Concrete</b> (AED/M3)	231	196	17.93% ↑	0% ↔ ■
<b>Welded mesh</b> (AED/unit (a))	82	75	10.06% ↑	-11.3% ↓ ●
<b>Bricks</b> (AED/'000 unit)	1,717	1,388	23.75% ↑	0% ↔ ■
<b>Plasterboard</b> (AED/unit (b))	14	13	5.88% ↑	0% ↔ ■
<b>Diesel</b> (AED/litre)	3.80	2.70	40.93% ↑	4.3% ↑ ●

(a) 244x488cm, dia.-6mm  
(b) 122x244x1.2cm (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>	-1.0% ↓		Moderate
 <b>Steel prices</b> - Steel rebar - Flat steel	-3.0% ↓ -6.4% ↓		High
 <b>Cement Concrete</b>	+0.8% ↑ +0.5% ↑		Moderate
 <b>Asphalt</b>	-0.5% ↓		Moderate
 <b>Limestone</b>	+0.7% ↑		Low

Copper prices have fallen sharply from the highs of late Q1 2022, recently dropping back to levels recorded in early 2021. With interest rates increasing across major economies and weakening economic activity, copper demand has in turn weakened. Global demand is not expected to strengthen markedly in the coming quarters, keeping prices at these moderate levels.

After rising sharply in March and remaining high in Q2 this year, steel prices have dropped back, a trend that reflects the weakening in global demand. However, construction activity in the UAE is expected to regain momentum, bolstered by the government's plan to expand the non-oil economy.

Cement and concrete prices are projected to remain at a high level, as demand picks up, with spending on infrastructure, energy and utilities, and residential construction projects. Major infrastructure projects include the Dubai Metro expansion lines, comprising the expansion of two existing metro lines and the construction of 12 new stations, as well as deep sewer tunnels.

Owing in part to easing global crude oil prices, asphalt prices have fallen marginally in recent months. However, there could be renewed volatility in crude oil prices in the coming quarters, and investment in road transport projects will bolster demand.

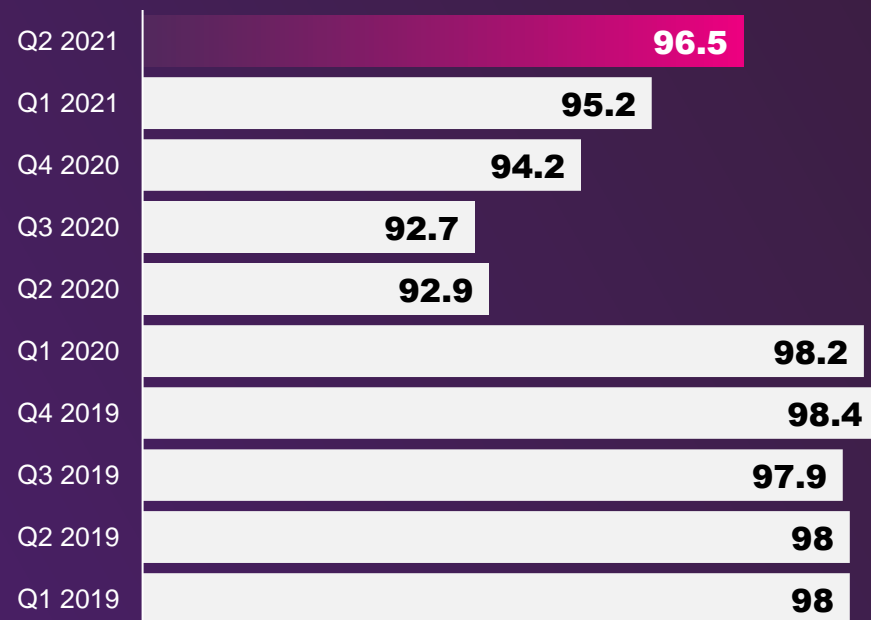
Although remaining relatively stable, in part because demand is mainly met through domestic production, limestone prices will stay high in the coming quarters, reflecting prospects for renewed growth in construction.

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.

# UAE - Commodity Report



## Construction cost index 2019-2021

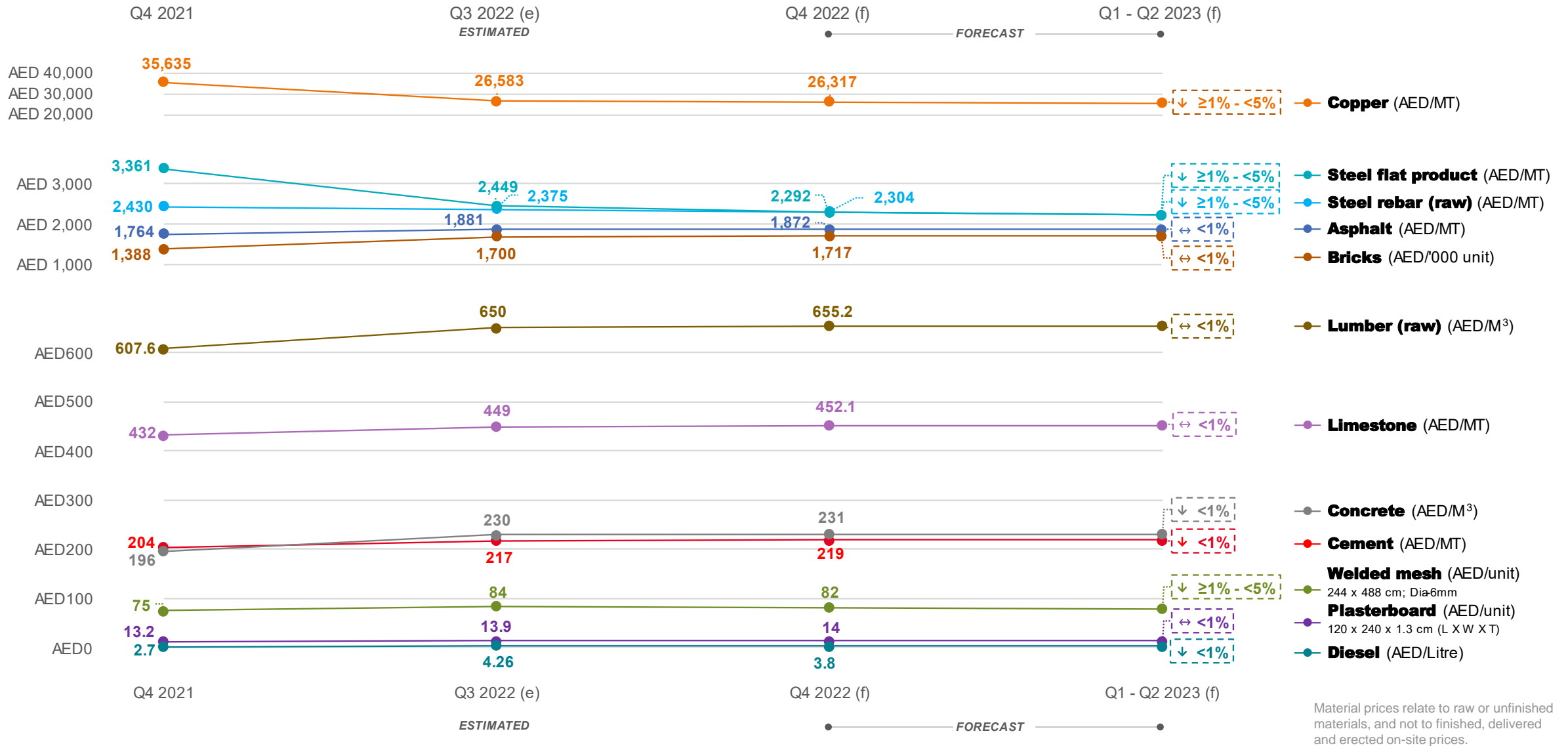


Material	% change Q2 – Q3 2022 (f)	Level of impact of pricing on construction procurement and supply chain *	
 <b>Lumber</b>	+0.8% ↑	 Moderate	Lumber prices have been relatively stable in the past two quarters, having risen earlier in the year amid rising transportation costs. With local demand edging up, prices are set to stay close to current levels.
 <b>Welded mesh</b>	-2.0% ↓	 High	Following the trend in steel rebar products, welded mesh prices have eased back in recent months, and will continue to fall in the coming quarters.
 <b>Bricks</b>	+1.0% ↑	 Moderate	Brick prices will stay at a high level in the coming quarters, with demand expected to pick up and production costs also remaining high. Longer-term demand will be supported by the government's focus on building affordable housing units; the government recently announced an investment of \$17.7 billion towards the Emirati housing programme in Dubai.
 <b>Plasterboard</b>	+1.0% ↑	 Low	With energy prices stabilising and raw materials such as gypsum produced domestically, the price for plasterboard is expected to remain at current levels in the coming quarters.
 <b>Diesel</b>	-10.7% ↓	 Moderate	Diesel prices dropped below AED4/litre in September having been above that level since April. Planned cuts in crude oil production by OPEC+ could lead to renewed volatility in prices in the coming quarters.

\* 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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# UAE - Construction Materials Pricing (2021-2022)



# UAE – Macroeconomic overview

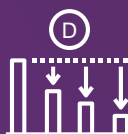


## Economic indicators



**5.1%**

GDP growth in 2022 (f)  
and **2.24%** in 2021



**5.2%**

inflation rate in 2022 (f)  
and **1%** for 2021



**6.65M**

people employed in 2022 (f)  
and **6.56M** in 2021



**2.76%**

unemployment rate for 2022 (f)  
and **3.4%** in 2021



**117.99**

Consumer Price Index in  
2022 (f) and **113.26** in  
2021

## National holidays



**14 public holidays**

in UAE each year. Most holidays are taken  
during Eid al-Fitr.

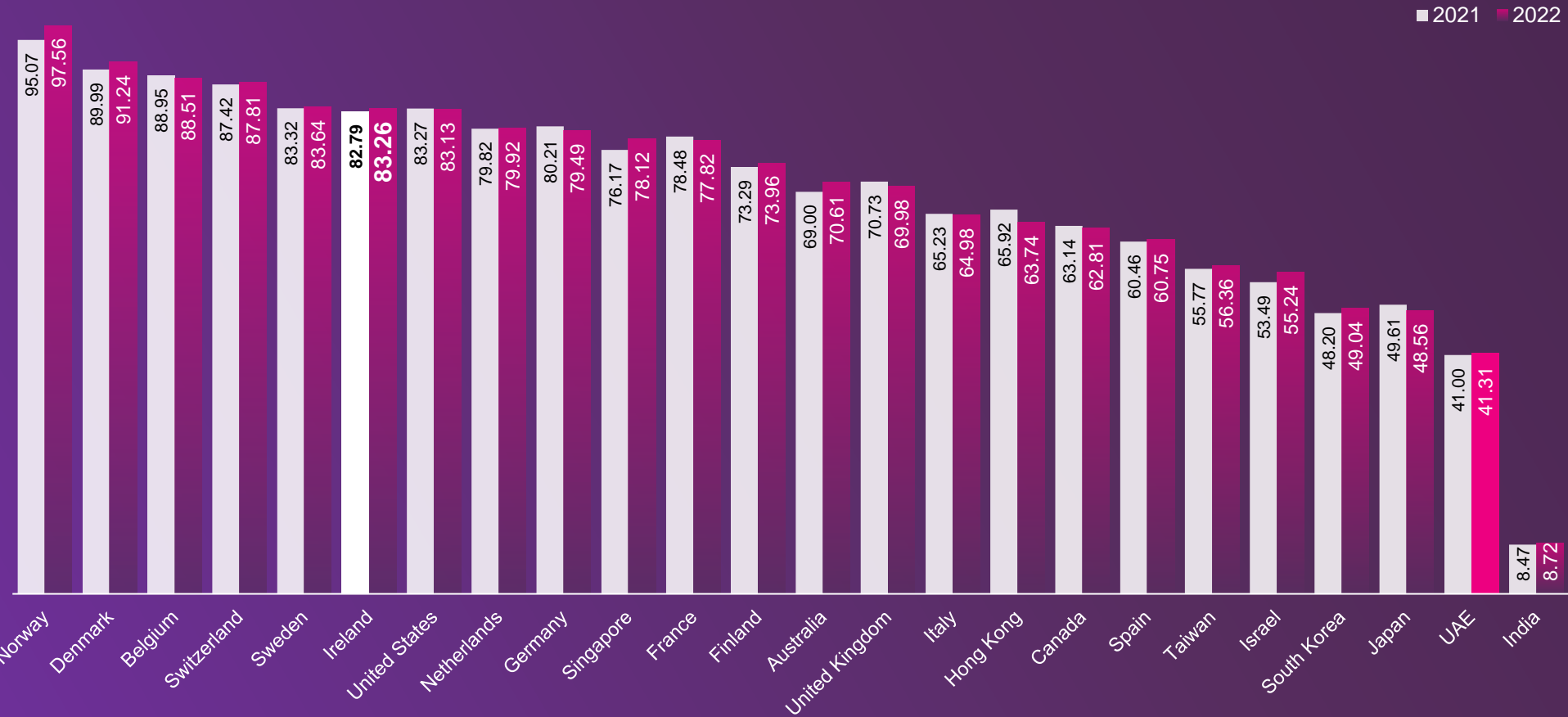
- Gregorian New Year (1 January)
- Eid Al Fitr (29 Ramadan to 3 Shawwal\*)
- Arafah day and Eid Al Adha (Feast of Sacrifice) (9 to 12 Dhu al Hijjah\*)
- Hijri New Year (Islamic New Year) (1 Muharram\*)
- Prophet Mohammed's birthday (8 October)
- Commemoration Day (1 December)
- National Day (2 and 3 December)

\* Denotes that Islamic holidays are determined according to moon sighting

# UAE – Macroeconomic overview



## Labour productivity



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

## Labour costs

**AED57**

is the average hourly earnings or

**AED118,078**  
average construction worker gross salary in UAE.

An entry level construction worker (1-3 years of experience) earns an average salary of **AED88,366**. On the other end, a senior level construction worker (8+ years of experience) earns an average salary of **AED143,896**.

**\$38**







is the labour productivity per hour worked in 2021 international dollars, and \$39 in 2020 (converted using Purchasing Power Parities)



# UAE – Macroeconomic overview



## Output 2021 and 2022 (f) (in AED millions)

Sectors	Total 2021	Total 2022 (f)	% change
Commercial 	AED38,755	AED39,358	1.6%
Energy and utilities 	AED73,473	AED75,354	2.6%
Industrial 	AED14,440	AED14,571	0.9%
Infrastructure 	AED59,011	AED60,637	2.8%
Institutional 	AED8,338	AED8,432	1.1%
Residential 	AED97,580	AED99,048	1.5%

## 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



Health and safety requirements are governed by the federal law of the UAE



The principal law governing entities and employees is Federal Law (8) of 1980, as amended ('Labour Law'). Furthermore, subsequent and various decisions of the Ministry of Labour and Social Affairs are also relevant and taken into account



# UAE - 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. 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 – UAE

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

- IMF
- Statistics Center – Abu Dhabi
- National Bureau of Statistics (United Arab Emirates)
- Dubai Statistics Center
- GlobalData's Construction Intelligence Center (CIC)
- The Ministry of Economy

