



Germany

Country Commodity Report

Q2 2022



Germany

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Germany recorded a modest economic performance in Q1, with 0.2% quarter-on-quarter growth (price and seasonally-adjusted) reported by Destatis. While the Bundesbank had previously forecast 4.2% growth for the full year, it revised this down to 1.9% in June given the current geopolitical climate. Inflation hit an almost 50-year high in May at 7.9% and is expected to further erode consumer confidence.

Construction output is still expected to grow by 1.9% over the year, although small month-on-month contractions were recorded for March, April and May (1.6%, 1.2% and 1.96% respectively). Workforce capacity limits, the level of escalation and supply chain disruption will all weigh on the industry, and these challenges are expected to remain for the foreseeable future, with the ongoing Russia-Ukraine conflict.

As material costs will continue to represent a challenge for the construction industry for the foreseeable future, Linesight will publish quarterly updates to track commodities and provide insights about future projections on movements.



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Lumber

Lumber prices have been relatively stable in recent months, and pressures are easing. However, there remains potential for market supply instability given disruptions in global lumber trade, with Russia being a leading exporter. Domestic lumber prices rose throughout 2021, up by an estimated 65% between Q1 2021 and Q4 2021.



Cement and aggregates

Although a leading producer of cement within the EU, with sufficient capacity to meet local demand, there has been upward pressure on cement prices owing to some supply disruption amid high demand levels. The recent surge in diesel prices will also feed through into higher prices for concrete deliveries. Prices will stay at elevated levels in 2022, given the impact of higher energy prices on production costs.



Concrete blocks and bricks

Although rising recently, brick prices have not faced the same pressure as metals, and this reflects relatively stable supplies and distribution networks that are generally localised. However, higher energy costs will keep production costs elevated, and rising construction activity will maintain demand.



Steel (rebar and structural)

Germany is the leading producer of steel in the EU, but is also a major steel importer, and disruptions in exports from Russia and Ukraine have had a major impact on the market. The EU has banned steel imports from Russia currently under safeguarding measures, as part of its sanctions on Russia. The sharp rise in energy prices has also been a factor in driving up production costs.



Copper

To meet its high levels of demand, Germany has significant domestic capacity, but also relies on imports to meet requirements for copper intermediary products. The onset of the Russia-Ukraine conflict contributed to a rise in prices, but pressure on prices has since eased amid weakness in China.

Germany - Commodity Report



Materials	Q3 2022 (f)	Q3 2021 - Q3 2022 (f)		Q1 2022 - Q2 2022 (e)
	€	€	2021-22* % change	% change
Copper (€/MT)	8,785	7,956	10.42% ↑	1.6% ↑ ■
Steel rebar (€/MT)	833	560	48.75% ↑	33.9% ↑ ●
Steel flat (€/MT)	860	615	39.84% ↑	21.8% ↑ ●
Lumber (€/M3)	117	100	16.70% ↑	3.6% ↑ ●
Asphalt (€/MT)	73.00	55.00	32.73% ↑	16.9% ↑ ●
Limestone (€/MT)	37.40	35.00	6.86% ↑	3.1% ↑ ●
Cement (€/MT)	142	116	22.41% ↑	10.2% ↑ ●
Concrete (€/M3)	175	140	25.00% ↑	5.5% ↑ ●
Welded mesh (€/unit)	101	70.00	44.29% ↑	33.9% ↑ ●
Bricks (€/000 unit)	672	550	22.18% ↑	8.0% ↑ ●
Plasterboard (€/unit)	3.30	2.59	27.41% ↑	13.8% ↑ ●
Diesel (€/litre)	2.00	1.41	41.84% ↑	14.1% ↑ ■

● Q1 to Q2 2022 % change greater than estimation in our Q1 report
■ Q1 to Q2 2022 % change less than estimation in our Q1 report

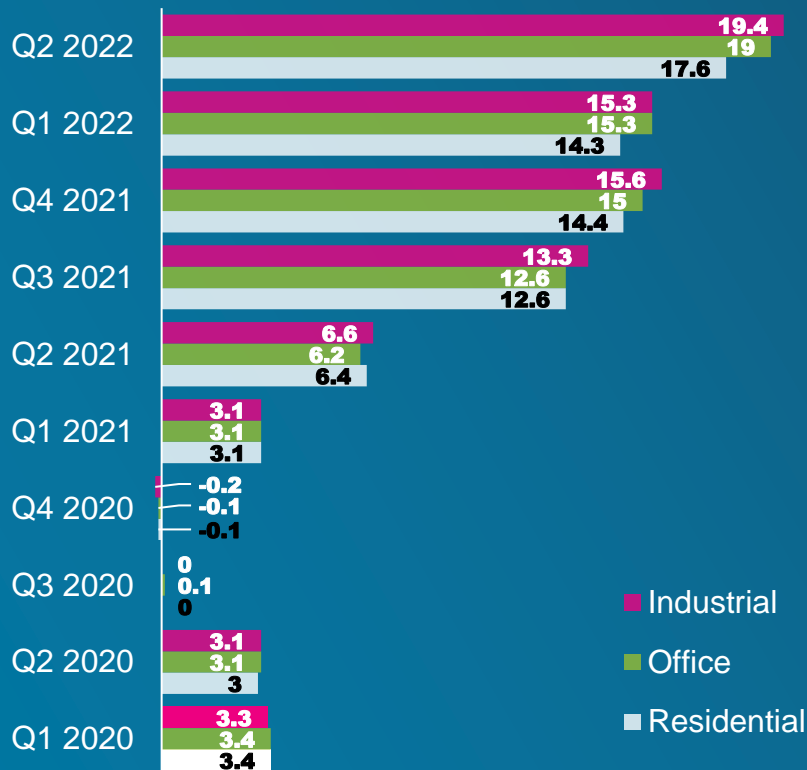
Material	% change Q2 – Q3 2022 (f)	Level of impact of pricing on construction procurement and supply chain *	
Copper	-2.9% ↓	Moderate	After spiking during the initial stages of the Russia-Ukraine conflict, the copper market has softened recently, with prices trending downwards amid weaker demand in China and fear of economic recession. However, underlying copper demand will continue to be strengthened by investment in electric vehicle manufacturing and associated charging infrastructure, and energy costs will remain high.
Steel prices - Steel rebar - Flat steel	-0.5% ↓ -1.0% ↓	High	Steel prices jumped sharply in March and then continued to rise in the following months - a result of supply disruptions and high energy costs. Although there has been some reluctance to buy at high prices amid relatively long lead times, mills have been reporting healthy order books. Prices are therefore expected to remain around current levels in the short term and expected to fall in the mid to long term.
Cement Concrete	-1.3% ↓ -1.0% ↓	Low	Prices for cement and concrete have been on an upward trend, reflecting strong demand to date, but more significantly the sharp jump in energy costs. Although demand has been dampened by the surge in prices, activity in Germany's construction industry remains relatively solid. Germany is a leading producer of cement within the EU, but its previous reliance on energy supplies from Russia have severely impacted producer prices domestically.
Asphalt	+4.2% ↑	Low	Supply challenges have impacted asphalt prices. The German Asphalt Association, for example, has warned of the risk of up to a third of the local bitumen supply being impacted because key refineries were dependent on supplies from Russia. However, the new government is set to prioritise railway investment over roads, and Germany is the leading adopter of recycled asphalt usage in EU. With more recycling, asphalt price inflation can be relatively well contained.
Limestone	+1.5% ↑	Low	Demand for limestone is relatively stable, but prices have been pushed up, owing to higher energy costs.

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.

Germany - Commodity Report





Construction price indices – new construction (2020-2022)



Knoema World Data Atlas

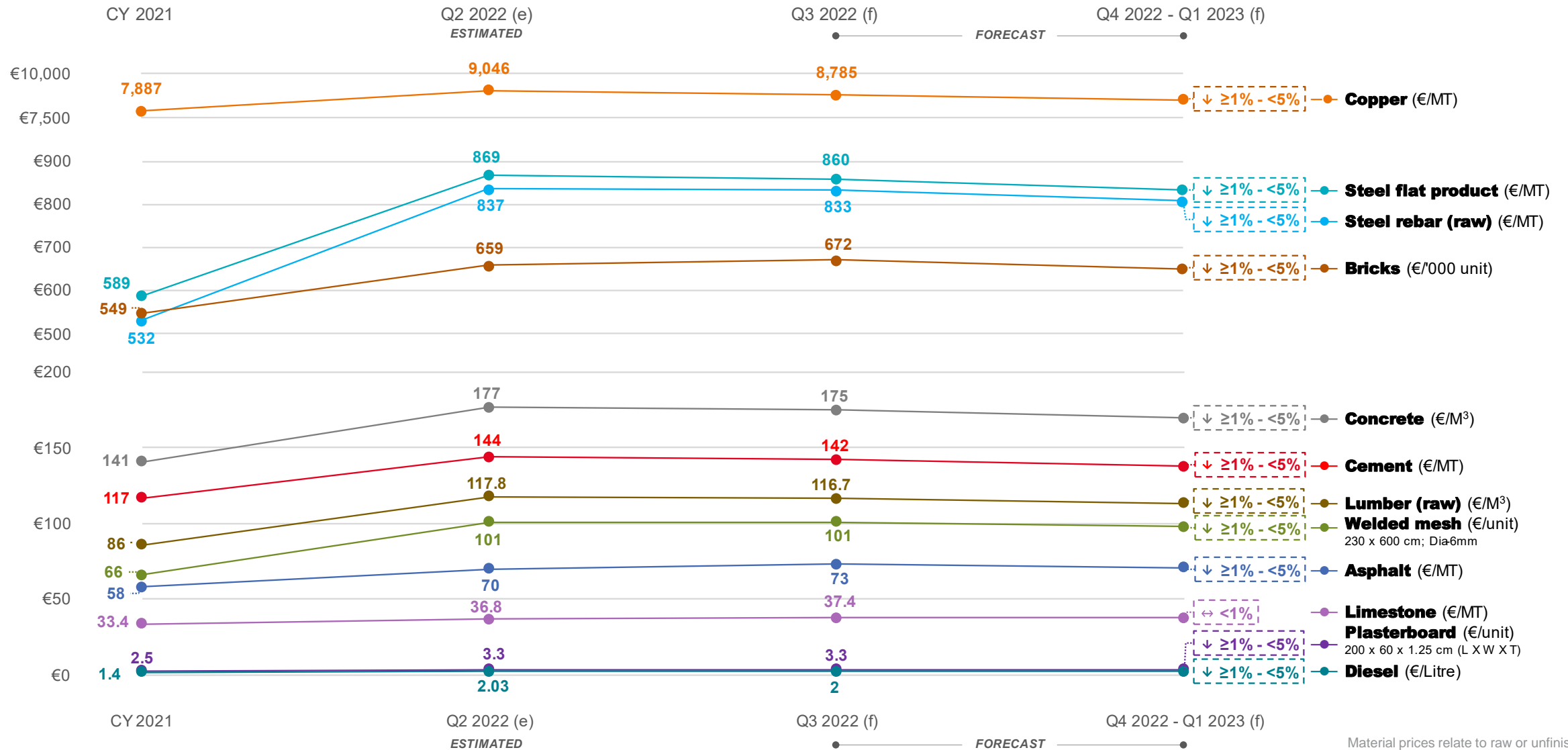
Index of economic freedom **72.5 out of 100**

Material	% change Q2 – Q3 2022 (f)	Level of impact of pricing on construction procurement and supply chain *	
 Lumber	-1.0% ↓	Moderate	The price of lumber continued to edge upwards through to April, but has eased back since then. Russia's timber export ban, which has been in effect since the beginning of 2022, had squeezed supply, and since the outbreak of the conflict and the classification by the PEFC that timber from Russia and Belarus is 'conflict timber', market conditions remain tight across the region. Although demand is still strong, prices are expected to decline by the end of 2022.
 Welded mesh	-0.5% ↓	High	The price of welded mesh is mainly impacted by steel rebar prices. Prices are expected to remain elevated in the coming quarters.
 Bricks	+2.0% ↑	Low	Solid demand for housing construction, combined with higher energy costs, will keep prices for bricks at relatively high levels.
 Plasterboard	+1.0% ↑	Low	As above, sustained residential demand, coupled with higher energy costs, will keep plasterboard prices elevated.
 Diesel	-1.6% ↓	Low	Diesel prices jumped in March, as global oil prices soared in the wake of the Russia-Ukraine conflict, and prices have since remained above €2 per litre. Tax cuts are to be applied between June-August, but without any clear resolution in the short term to the conflict, and given Germany's reliance on imports for its oil needs and a large share of its diesel, prices will remain elevated in the coming quarters and subject to a high degree of volatility.

* 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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Germany - Construction Materials Pricing (2021-2022)



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

Germany - 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 - Germany

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

- IMF
- Economy.com
- The Global Economy
- Weather Spark
- Destatis
- GlobalData's Construction Intelligence Center (CIC)
- Conference-board.org

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