



United Kingdom Country Commodity Report Q2 2022



United Kingdom

Q2 2022

Following a sluggish start to the year for the UK economy, including some month-on-month contractions, the most recent data from the Office for National Statistics (ONS) indicates growth of 0.5% for May, with year-on-year growth of 3.5%. GDP is now estimated to be around 1.7% above its pre-pandemic level. Consumer price inflation hit a 40-year high as of May at 9.1% (up from April's 9%) - the highest rate of the G7.

Construction continued on an upward trend, posting its seventh consecutive month of output growth in May at 1.5%. This now constitutes the highest level since monthly records began in 2010, according to the ONS, and is over 4% above the pre-pandemic figure. However, as is the case worldwide, downside risks remain with the current geopolitical climate exacerbating material price volatility, inflation, high energy costs and supply chain constraints. There are also more local political considerations at play, with the government's long-term investment strategy currently unclear.

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

Following the surge in timber prices and a squeeze on stocks in 2021, import demand picked up sharply in Q1 2022. According to the Timber Trade Federation, hardwood import volumes increased by 30% year-on-year in Q1 2022, the highest Q1 import volume recorded this century. Prices had been easing throughout Q1, but have since trended upwards. High transportation costs will be a factor in keeping prices at relatively high levels, but any softening in residential construction will help to contain inflationary pressures.



Cement and aggregates

Shortages in supply and high demand contributed to rising prices for cement in 2021, while the upward trend this year is in part a reflection of the surge in energy prices that has pushed up production costs. Sand and gravel production has been picking up, with production in Q1 2022 being the highest since Q4 2019.



Concrete blocks and bricks

Owing to the energy-intensive production, prices for blocks and bricks will remain high in 2022, given the expectation of a surge in energy costs. Longer lead times can be expected for bricks and aircrete blocks, according to the Construction Leadership Council, which has also previously warned that the UK will remain reliant on imports (mainly from the EU) to meet high demand levels, given that domestic production is already at full capacity.



Steel (rebar and structural)

The escalation in steelmaking costs amid the surge in energy prices has resulted in continued high price levels for steel in H1 2022. Prices have since fallen, and the outlook contains a high degree of uncertainty and volatility given the ongoing Russia-Ukraine conflict, with both Ukraine and Russia being major suppliers of steel products and inputs. To support UK producers, the government extended existing tariffs in June 2022 on five categories of steel until June 2024 - a move that risks breaching WTO rules.



Copper

The copper market has remained volatile, with prices fluctuating sharply in recent quarters reflecting marked changes in demand and supply, as well as in the wider macroeconomic environment. Weak demand in China amid lockdowns in major cities, as well as growing fears of economic recession, have contributed to a recent decline in copper prices.



United Kingdom - Commodity Report



	Q3 2022 (f)	Q3 2021 - Q3 2022 (f)		Q1 2022 - Q2 2022 (e)
Materials	£	£	2021-22* % change	% change
Copper (£/MT)	6,242	6,846	-8.82% ↓	1.6% ↑ ■
Steel rebar (£/MT)	689	504	36.70% ↑	21.4% ↑ ●
Steel flat (£/MT)	791	626	26.42% ↑	16.7% ↑ ●
Lumber (£/M3)	70.80	67.70	4.52% ↑	12.7% ↑ ●
Asphalt (£/MT)	535	545	-1.83% ↓	-0.2% ↓ ■
Limestone (£/MT)	39.69	38.50	3.09% ↑	-12.5% ↓ ●
Cement (£/MT)	209	186	12.33% ↑	4.5% ↑ ●
Concrete (£/M3)	129	110	17.64% ↑	4.1% ↑ ●
Welded mesh (£/unit)	44.37	33.00	34.47% ↑	24.1% ↑ ●
Bricks (£/'000 unit)	1,062	876	21.18% ↑	6.7% ↑ ●
Plasterboard (£/unit)	8.41	7.30	15.22% ↑	5.5% ↑ ●
Diesel (£/litre)	1.95	1.36	43.26% ↑	15.8% ↑ ●

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

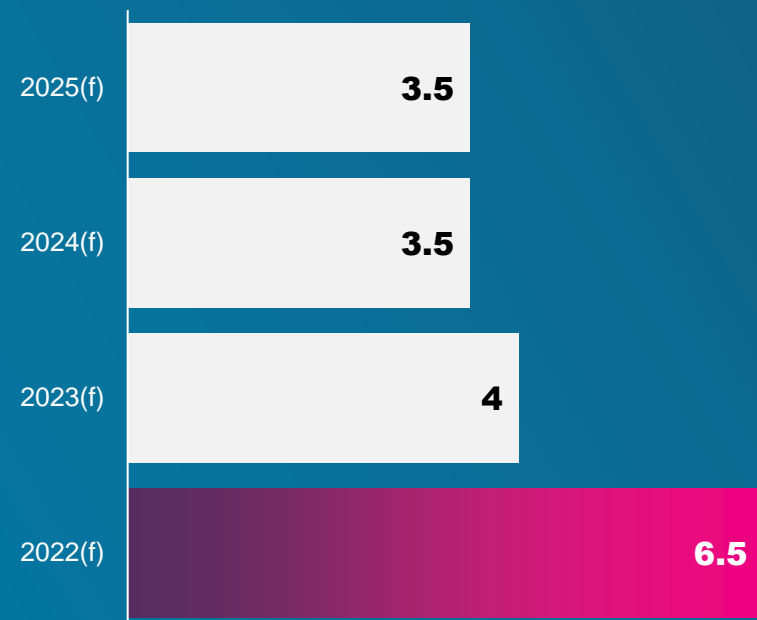
Material	% change Q2 – Q3 2022 (f)	Level of impact of pricing on construction procurement and supply chain *	
Copper	-17.6% ↓	Moderate	The copper market has weakened recently, with prices trending downwards reflecting the US dollar strengthening and the Chinese lockdowns that hit consumption. Underlying copper demand will also continue to be strengthened by investment in electric vehicle manufacturing and associated charging infrastructure, and energy costs will remain high. However, prices are set to fall below the highs of 2021 in the coming quarters.
Steel prices - Steel rebar - Flat steel	-3.5% ↓ -3.9% ↓	High	After rising sharply in Q2 2022, steel prices have dropped back and the outlook is clouded by uncertainty stemming from the Russia-Ukraine conflict. Global demand weakened amid the recent COVID-19 lockdowns in China, but high energy costs and supply side disruption will be a factor keeping prices relatively high. High inflation and increased interest rates present some downside risk for new construction investment.
Cement Concrete	+2.5% ↑ +2.0% ↑	Moderate	Owing to the energy intensity of concrete and cement production, the recent surge in energy costs has pushed prices up. However, a weakening in demand growth as construction industry output slows will contain inflationary pressures in the coming quarters.
Asphalt	+1.0% ↑	Moderate	Bitumen demand is primarily met through imports, and with crude oil prices at current high levels amid the disruption caused by the Russia-Ukraine conflict, asphalt prices are expected to rise from current highs. Demand will also be propped up with investment in road construction projects. In 2021, new orders for road construction projects reached £2.7 billion, up from £1.2 billion in 2020. Due to the expected increase in crude oil output, the price of fuels and related products is expected to decline in the coming quarters.
Limestone	+0.8% ↑	Low	Limestone demand is primarily met through domestic production. However, high production costs will be passed on to customers, keeping prices high in 2022.

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.

United Kingdom - Commodity Report




Linesight tender price change forecast (%), 2022-2025



Knoema World Data Atlas

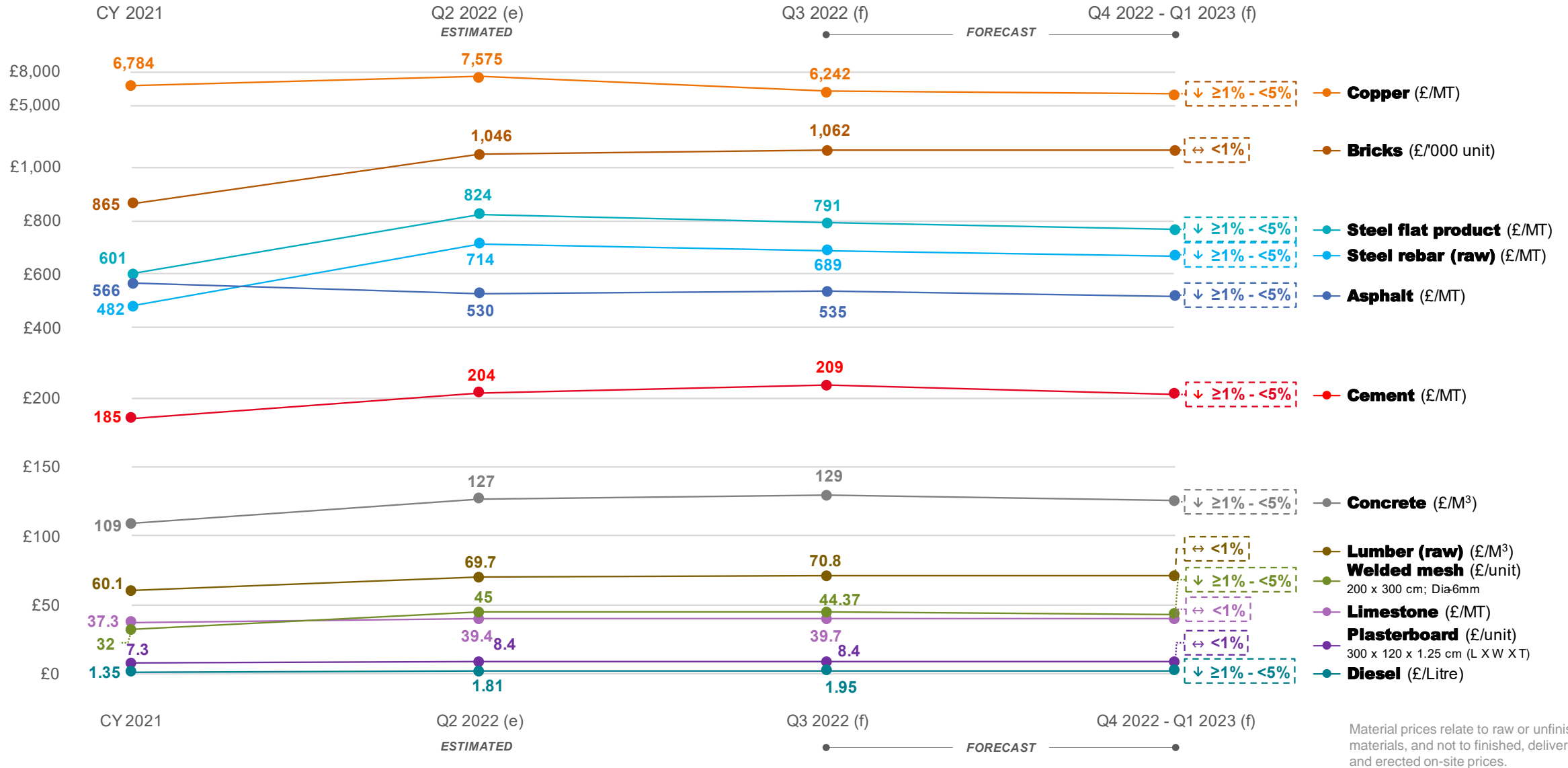
Index of economic freedom **78.4 out of 100**

Material	% change Q2 – Q3 2022 (f)	Level of impact of pricing on construction procurement and supply chain *	
 Lumber	+1.5% ↑	 Moderate	Having eased in early 2022 following the surge in prices during 2021, lumber prices again turned upwards in Q2 2022, impacted by supply disruptions and sharp rises in transportation costs. Challenges in distribution will prevent a marked easing in prices, but risks of an economic downturn could impact the residential markets and weaken demand.
 Welded mesh	-0.5% ↓	 High	The price trend for welded mesh is closely linked with the price of steel. Hence, a similar price trend is expected for mesh products.
 Bricks	+1.5% ↑	 Moderate	Demand for bricks will remain strong given ongoing high levels of construction output in the UK. Although production levels picked up throughout 2021, stocks were also being run down to meet demand. Stocks stood at 283 million in April 2022, close to the average for 2021, but down from 362 million on average in 2017-2020. A combination of ongoing strong demand and upward pressure on production costs stemming from rising energy prices will underpin higher prices in 2022.
 Plasterboard	+0.5% ↑	 Low	Prices edged upwards in 2021 amid shortages in supply and a surge in demand. Although there will be greater stability in the coming quarters in the demand-supply balance, higher energy and transportation costs will keep prices elevated.
 Diesel	+7.6% ↑	 Moderate	Diesel prices continued on a steep upward trend throughout Q2 2022, owing to rising crude oil prices. As of late June, prices were hovering around £1.95 per litre. Prices will remain high in comparison to pre-COVID levels in the coming quarters, but there will be a high degree of volatility. However, as crude oil prices fall, diesel prices should start to ease.

* 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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United Kingdom - Construction Materials Pricing (2021-2022)



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United Kingdom - 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 – United Kingdom

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

- IMF
- ONS
- Gov.uk
- GlobalData's Construction Intelligence Center (CIC)
- BCIS

