Linesight

Italy
Country Commodity Report
Q4 2022

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According to a recent ISTAT update, Italian GDP is expected to grow by 3.9% in 2022 before reducing to 0.6% in 2023. As one of the largest exporters in Europe, Italy was heavily impacted by the rise in energy costs resulting in inflated production and transport costs. The average inflation rate in 2022 was 8.1%, and prices are expected to remain high in 2023.

The Italian construction industry expanded by 12.8% year-on-year in the first three quarters of 2022. The Recovery and Resilience Facility (RRF), supported by the EU was introduced to finance large-scale residential building renovations and was a key driver in improving the performance of the residential sector. However, a slowdown is expected in 2023 due to delays in the delivery of residential schemes, economic uncertainty, high inflation, and rising interest rates. Nonetheless, the industry is expected to recover in 2024-26, with an average annual growth of 2.1% led by investments in the transportation, electricity, and housing sectors.

John O'Sullivan
Project Director
john.osullivan@linesight.com

Lumber

High production and transportation costs, as well as strong demand from the residential construction sector have helped to keep lumber prices high. The share of wood in construction in Italy is relatively low compared to other markets in Europe, but the Italian city of Trento is one of seven Early Adopter Cities under the EU's 'Build-in-Wood' project to increase the use of wood as a building material.

Cement and aggregates

There has been a surge in concrete and cement prices in recent quarters, driven by the sharp rise in energy costs. Demand levels have also been high, while production levels have fallen owing to the impact of high production costs on producer profits.

Concrete blocks and bricks

Brick prices have remained high, with producers passing on their higher production costs. Prices are expected to stay close to current levels, with an easing of pressure on the demand side containing further price rises.

Steel (rebar and structural)

Steel prices have trended downwards amid weaker demand. With producers struggling to pass on high production costs to buyers, output levels have been cut. Prices will remain under downward pressure in the short term given the weaker demand outlook.

Copper

Copper prices will remain volatile given the competing forces of weak demand and the potential for supply-side shocks in the short term. However, demand over the long term will be strengthened by investments in renewable energy projects and electric vehicle manufacturing.

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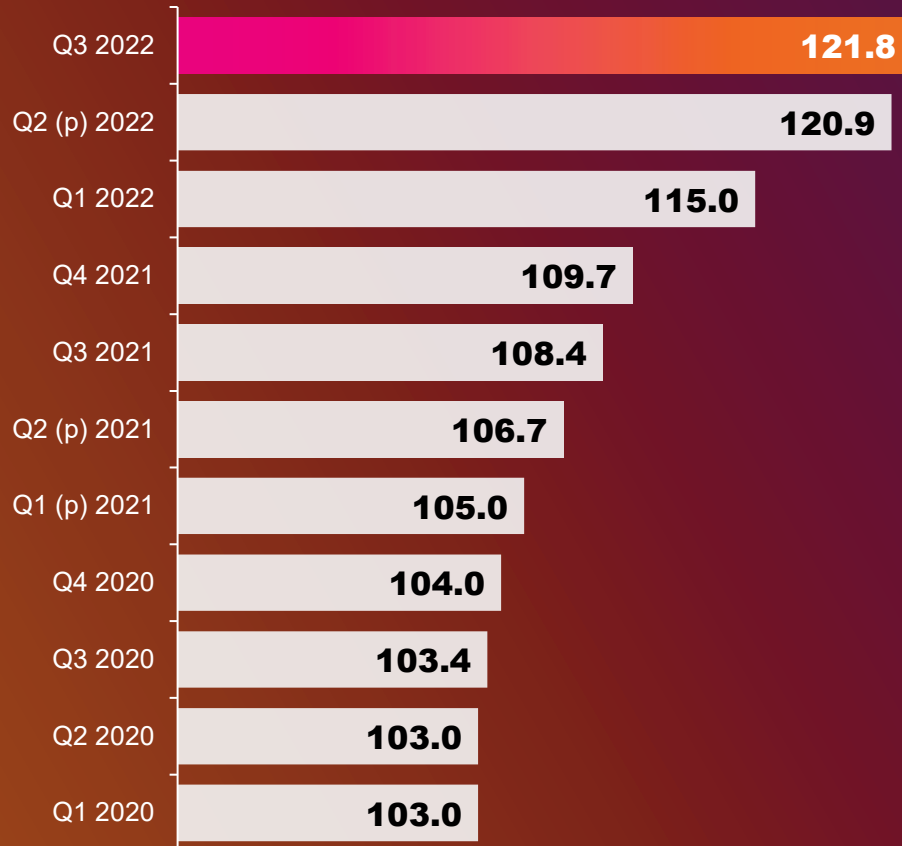| Materials	Q1 2023 (f) €	Q1 2022 – Q1 2023 (f)		Q3 – Q4 2022 (e)
		€	2022-23 % change	% change
Copper (€/MT)	7,925	8,939	-11.3% ↓	1.6% ↑ ●
Steel rebar (€/MT)	902	828	8.9% ↑	-5.7% ↓ ●
Stainless steel (€/MT)	881	1,003	-12.2% ↓	0.1% ↑ ■
Steel flat (€/MT)	3,825	NA	NA	NA
Lumber (€/M3)	101	118	-14.5% ↓	-5.3% ↓ ●
Asphalt (€/MT)	104.0	96.0	8.3% ↑	-0.8% ↓ ■
Limestone (€/MT)	59.4	46.5	27.8% ↑	11.8% ↑ ●
Cement (€/MT)	222	148	50.3% ↑	6.8% ↑ ●
Concrete (€/M3)	155	139	11.6% ↑	4.7% ↑ ●
Welded mesh (€/unit)	46.3	43.0	7.6% ↑	-5.7% ↓ ●
Bricks (€/'000 unit)	875	690	26.8% ↑	11.8% ↑ ●
Plasterboard (€/unit)	13.4	10.2	31.2% ↑	4.2% ↑ ●
Diesel (€/litre)	1.6	1.8	-9.9% ↓	-12.4% ↓ ●

(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: 3m x 2m, dia.-6mm   Plasterboard: 13mm x 200 x 120cm (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% ↑	Moderate	Copper prices picked up in November and December and are set to edge higher in Q1 2023. The reopening of China's economy has provided optimism for renewed demand growth, despite the country's real estate crisis. Political disruption in South America is also adding to price pressures. Although the global economic outlook is gloomy, copper demand will be bolstered by investment in energy transition projects.
Steel prices - Steel rebar - Flat steel	-1.0% ↓ -1.3% ↓	Moderate	Steel prices continued on a general downward trend during the final few months of 2022. Prices had soared earlier in the year as a result of rising energy costs. However, prices will continue to decline in the coming quarters due to decreased demand and less expensive imports from producers outside of Europe. Given the challenging operating environment, local manufacturers have cut production levels.
Stainless steel	+1.5% ↑	Low	As a result of high raw materials prices, including nickel, stainless steel prices are predicted to remain high in the coming quarters.
Lumber	+2.0% ↑	Low	Lumber prices have been at a relatively high level over the past year amid the surge in residential construction works and high energy costs. Demand levels are expected to ease, which will contain price pressures.
Asphalt	-1.0% ↓	Low	With crude oil prices falling from mid-2022 highs, asphalt prices have eased back down. Utilising reclaimed asphalt will help to limit future price increases.
Limestone	-1.0% ↓	Low	High energy prices have driven up production costs, which has resulted in limestone prices remaining elevated.

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Construction cost index for residential buildings (Q1 2020 - Q3 2022)

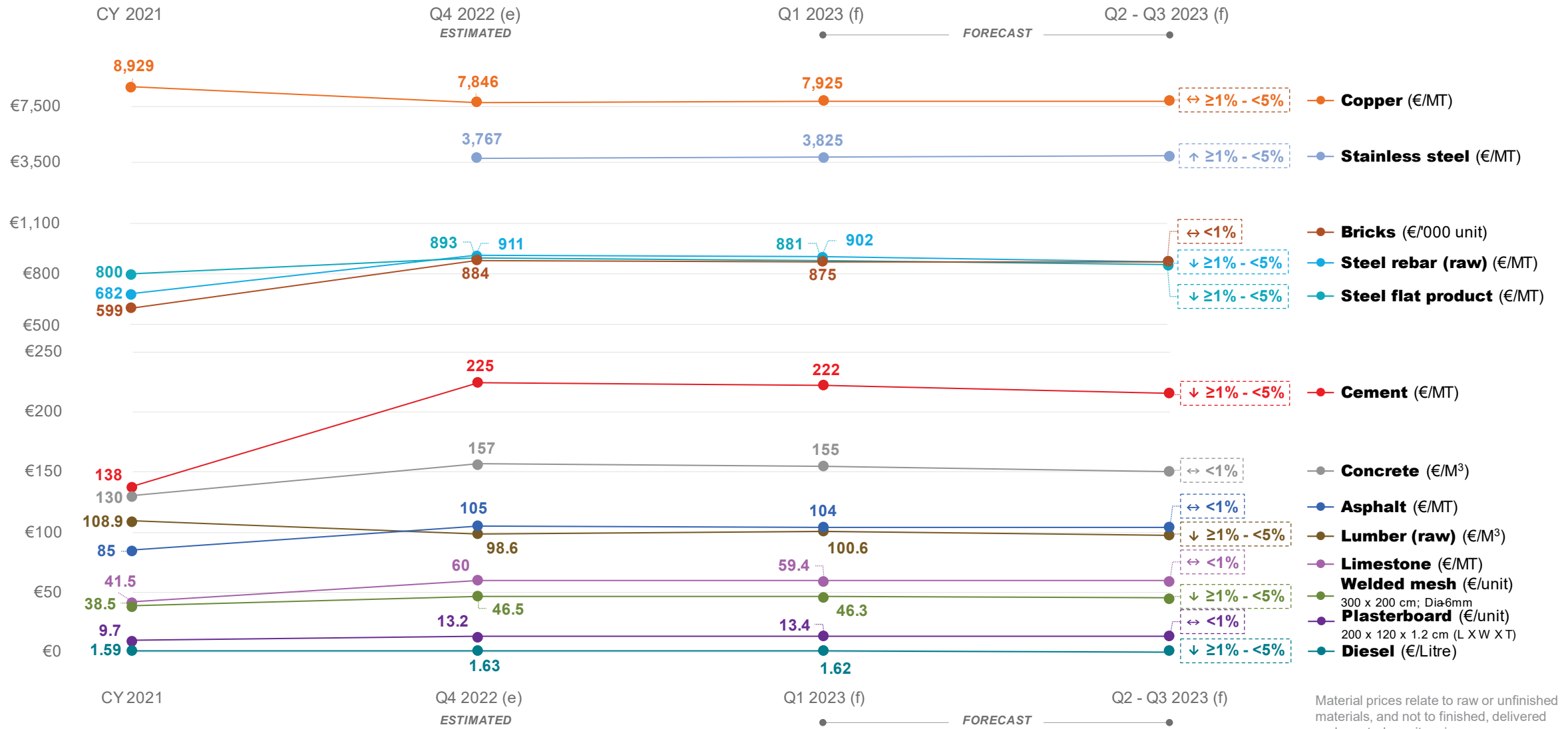| Quarter	Index
Q3 2022	121.8
Q2 (p) 2022	120.9
Q1 2022	115.0
Q4 2021	109.7
Q3 2021	108.4
Q2 (p) 2021	106.7
Q1 (p) 2021	105.0
Q4 2020	104.0
Q3 2020	103.4
Q2 2020	103.0
Q1 2020	103.0

*(p) - Provisional

Material	% change Q4 – Q1 2023 (f)	Level of impact of pricing on construction procurement and supply chain *	
Cement Concrete	-1.0% ↓ -1.0% ↓	High	Cement prices continued on an upward trend in late 2022, primarily driven by high production costs. In November, the producer price index for cement manufacturing was up by 67% year on year, and facing such high costs, producers have cut output levels. Ready-mixed concrete prices have also risen sharply in recent quarters. Residential construction has also been booming, and this has contributed to solid demand growth. Although expected to ease back, prices will remain elevated.
Welded mesh	-0.5% ↓	Moderate	Prices for welded mesh have been falling in line with the decline in steel rebar. Due to the outlook for weaker market demand, prices are anticipated to drop.
Bricks	-1.0% ↓	Moderate	Due to increased production costs, brick prices have remained at a high level. In November, the producer price index for brick manufacturing was 63% higher than in November 2021. Although inflationary pressures will ease amid a slowdown in demand, prices are expected to remain close to current highs in the coming quarters.
Plasterboard	+1.1% ↑	Moderate	Prices have continued to increase as a result of higher production costs and continued high demand in the residential sector. Although residential construction output has fallen back from recent highs, activity levels are still much higher than in previous years.
Diesel	-0.5% ↓	Low	Due to the decreased demand and government financial assistance, diesel prices are anticipated to continue to fall in the first quarter of 2023. However, prices will remain volatile, with OPEC+'s production cuts preventing a marked fall in diesel prices.

* 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.

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Italy – Construction Materials Pricing (2021-2023)

CY 2021	Q4 2022 (e) ESTIMATED	Q1 2023 (f) FORECAST	Q2 - Q3 2023 (f)

Copper (€/MT): 8,929 → 7,846 → 7,925 → ↔ ≥1% - <5%

Stainless steel (€/MT): 3,767 → 3,825 → ↑ ≥1% - <5%

Bricks (€/'000 unit): 599 → 884 → 875 → ↔ <1%

Steel rebar (raw) (€/MT): 800 → 893 → 881 → ↓ ≥1% - <5%

Steel flat product (€/MT): 682 → 911 → 902 → ↓ ≥1% - <5%

Cement (€/MT): 138 → 225 → 222 → ↓ ≥1% - <5%

Concrete (€/M³): 130 → 157 → 155 → ↔ <1%

Asphalt (€/MT): 85 → 105 → 104 → ↔ <1%

Lumber (raw) (€/M³): 108.9 → 98.6 → 100.6 → ↓ ≥1% - <5%

Limestone (€/MT): 41.5 → 60 → 59.4 → ↔ <1%

Welded mesh (€/unit) 300 x 200 cm; Dia 6mm: 38.5 → 46.5 → 46.3 → ↓ ≥1% - <5%

Plasterboard (€/unit) 200 x 120 x 1.2 cm (L X W X T): 9.7 → 13.2 → 13.4 → ↔ <1%

Diesel (€/Litre): 1.59 → 1.63 → 1.62 → ↓ ≥1% - <5%

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

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.

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Italy – 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 – Italy

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

- IMF
- ISTAT
- Eurostat
- GlobalData's Construction Intelligence Center (CIC)

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