



France

Country Commodity Report

Q2 2022



France

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France posted a small economic contraction of 0.2% in volume terms in Q1 2022, as household consumption weakened. The Central Bank of France released its latest projections in March, forecasting 3.4% growth for 2022, which is slightly above the April estimate from the IMF for 2.9% growth. As is the case worldwide, inflation is high as a result of the current geopolitical climate, with the provisional figure for June standing at 5.8% according to INSEE, up from 5.2%.

Following the notable expansion in the construction industry seen in 2021, more moderate growth of 3.3% is expected for 2022, as the focus remains on improving infrastructure for increased regional connectivity, as well as energy and manufacturing investments. The Russia-Ukraine conflict, and its impact on the supply chain and material price escalation will continue to pose a risk to industry performance.

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 at an elevated level in recent months, reflecting global supply tightness. Demand in France will remain high, with a 2020 law requiring half of the materials used to construct public buildings to be wood or other natural substances. The law is part of the country's drive to become carbon neutral by 2050. There was already a directive in place that any new buildings constructed in Paris for the 2024 Summer Olympics measuring eight stories or less must be made entirely from wood.



Cement and aggregates

Cement demand has picked up in line with the recovery in the construction industry in recent quarters, and along with higher production costs stemming from energy cost increases, cement and concrete prices have trended upward. It is anticipated that cement and concrete costs will remain at elevated levels in 2022 owing to high energy and transportation costs.



Concrete blocks and bricks

Brick prices jumped sharply in Q2 2022, with production costs being pushed upwards by higher energy costs. France is a major producer of bricks in the EU, and as result, supplies are expected to be sufficient to meet higher demand amid the recovery in construction.



Steel (rebar and structural)

France is the world's fifth largest importer of steel, and domestic prices soared in Q2 2022 amid disruptions in global supply that were exacerbated by the Russia-Ukraine conflict. Steel demand will also remain high, reflecting in part the government's commitment to investing in infrastructure developments, and this will keep prices close to recent levels in the coming quarters.



Copper

Copper prices have been volatile over the past year or so; in 2021, prices were up by 44% on an annual average basis, and there were further increases in the first half of this year. Although local demand will remain relatively strong, global price pressures have eased, which will result in prices softening in H2.

France - Commodity Report



Materials	Q3 2022 (f)	Q3 2021 - Q3 2022 (f)		Q1 2022 - Q2 2022 (e)
	€	€	2021-22* % change	% change
Copper (€/MT)	8,705	8,263	5.3% ↑	0.6% ↑ ■
Steel rebar (€/MT)	878	625.0	40.4% ↑	27.5% ↑ ●
Steel flat (€/MT)	891	667.0	33.5% ↑	12.4% ↑ ●
Lumber (€/M3)	101	80.0	26.3% ↑	0.0% ↔ ■
Asphalt (€/MT)	88	60.0	46.1% ↑	9.3% ↑ ●
Limestone (€/MT)	52.10	50.0	4.3% ↑	12.4% ↑ ●
Cement (€/MT)	169	140.0	21.0% ↑	6.1% ↑ ●
Concrete (€/M3)	151	125.0	21.0% ↑	6.1% ↑ ■
Welded mesh (€/unit)	169	120.0	40.6% ↑	27.5% ↑ ●
Bricks (€/’000 unit)	909	700.0	29.9% ↑	18.5% ↑ ●
Plasterboard (€/unit)	3.20	3.0	7.4% ↑	3.3% ↑ ●
Diesel (€/litre)	2.12	1.4	47.4% ↑	9.3% ↑ ●

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

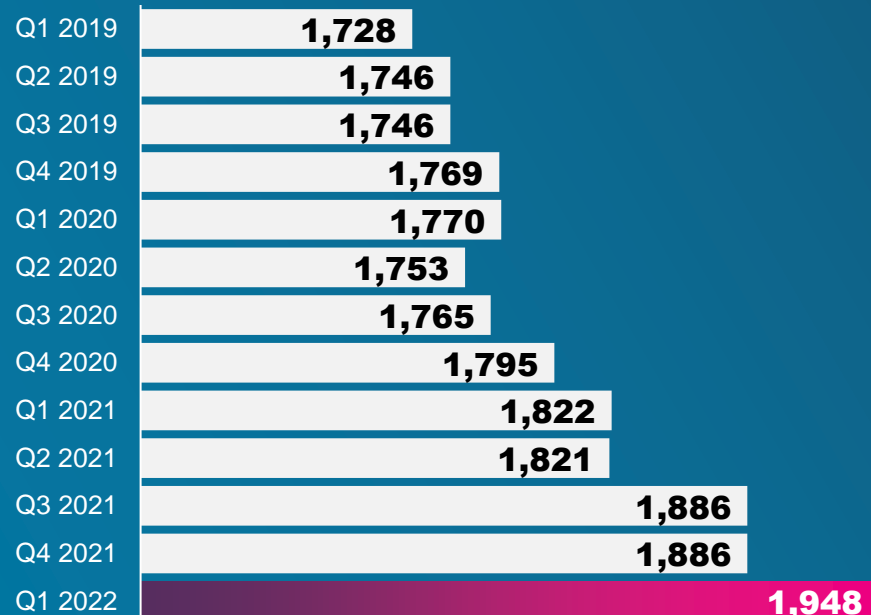
Material	% change Q2 – Q3 2022 (f)	Level of impact of pricing on construction procurement and supply chain *	
 Copper - Steel rebar - Flat steel	-5.1% ↓	 Moderate	Copper prices continued on an upward trend in early 2022, with disruptions and uncertainty stemming from the Russia-Ukraine conflict contributing to this trend. But prices have started on a downward trend, with a decline in demand from China due to COVID-19 lockdowns relieving pressure in prices. Nevertheless, longer term demand will be sustained via investments in EVs and renewable energy technology.
 Steel prices - Steel rebar - Flat steel	-0.5% ↓ -1.0% ↓	 High	The price of steel products continued on an upward trend in the first half of the year, reflecting pressures coming from tight supplies in the global market. Higher energy costs, disruption in supply chains, and the embargo on imports from Russia to EU led to a surge in prices from March to May. Higher energy costs will also ensure prices remain around the current high levels. Cheaper imports from India and Turkey will help to reduce the dependency on imports from Russia, it is expected this will help ease price pressures by end of this year.
 Cement Concrete	+6.4% ↑ +6.4% ↑	 Moderate	With the French construction industry set to continue to expand in 2022, and with cement producers facing higher energy costs, concrete and cement prices will remain around current levels.
 Asphalt	+2.0% ↑	 Low	Asphalt prices have continued on an upward trend, reflecting the increase in international crude oil prices. However, the increasing use of recycled material will also help to contain price inflation.
 Limestone	+1.0% ↑	 Low	Owing to balanced demand in the market, limestone prices will be relatively stable, but higher energy costs will keep prices at around current high levels.

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.

France - Commodity Report



Construction cost index 2015-2021



Knoema World Data Atlas

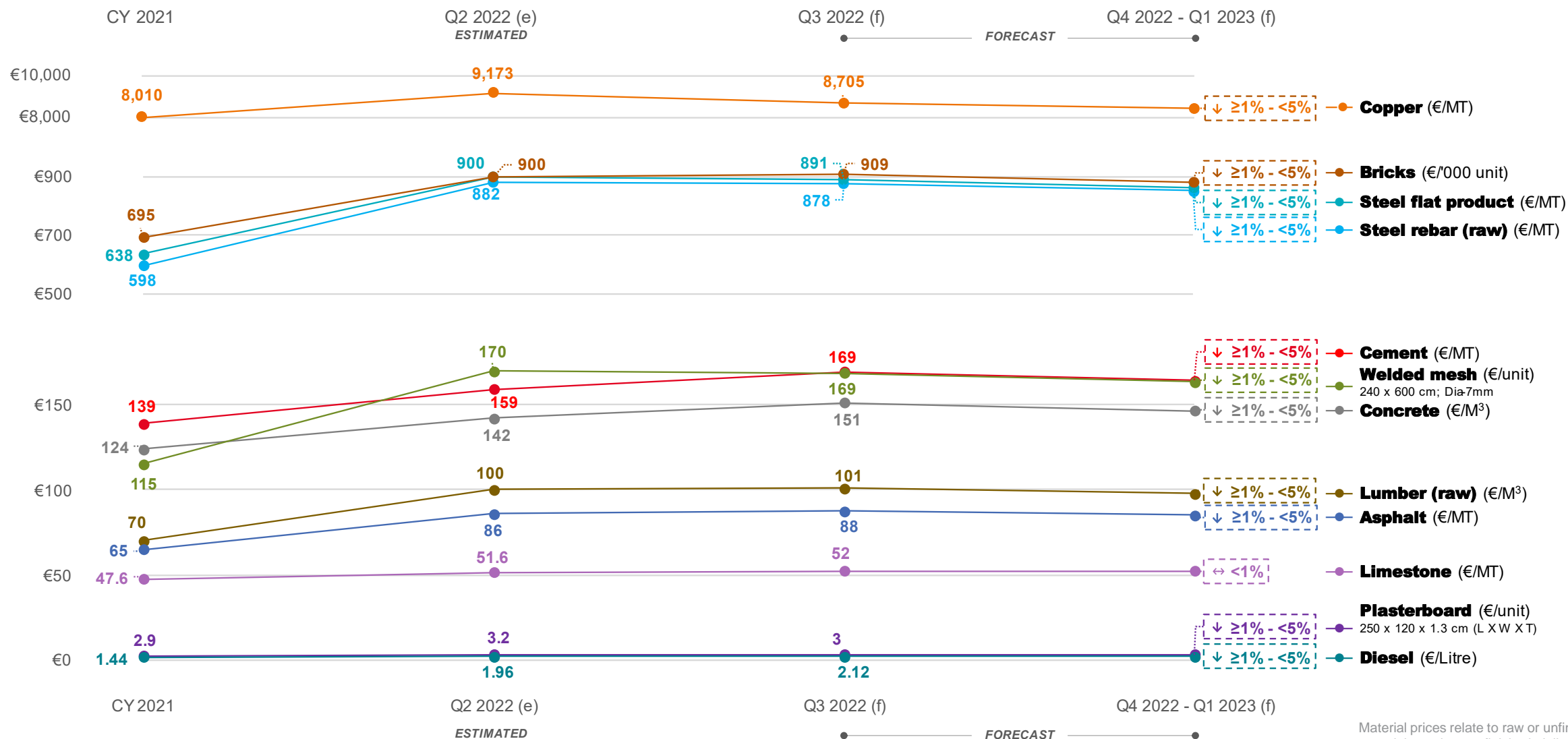
Index of economic freedom **65.7 out of 100**

Material	% change Q2 – Q3 2022 (f)	Level of impact of pricing on construction procurement and supply chain *	
 Lumber	+1.0% ↑	 Moderate	Lumber prices have leveled off at a relatively high level, having previously soared amid a shortage of supply. Demand will remain strong, in part stemming from the impact of the 2020 environmental law mandating that wood accounts for 50% of public buildings construction. However, with an easing in supply disruptions, prices will fall back from recent highs.
 Welded mesh	-0.5% ↓	 High	Price of welded mesh is mainly impacted by the steel rebar prices, and as such prices are expected to stay high in the coming quarters.
 Bricks	+1.0% ↑	 Low	Despite headwinds, the construction industry will continue to expand, and demand for bricks will stay relatively high. Higher energy prices have also fed into production costs, which have been reflected in a sharp rise in brick prices in recent months.
 Plasterboard	+2.0% ↑	 Low	With the industry expected to continue to grow, plasterboard demand will be sustained, thus keeping prices buoyant. Similar to a number of materials, rising energy costs will apply upwards pressure on prices.
 Diesel	+8.5% ↑	 Low	Diesel prices have fluctuated around €2 per litre in recent months, with prices rising to these highs amid the jump in global crude oil. The government introduced a 15 cents per litre discount on fuel price from April 1st and has also provided support to hauliers.

* 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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France - Construction Materials Pricing (2021-2022)



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

France - 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 - France

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

- IMF
- Trading Economics
- INSEE
- GlobalData's Construction Intelligence Center (CIC)
- Conference-board.org

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