



# India

## Country Commodity Report

### Q2 2022



# India

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India's economy recorded year-on-year growth of 4.1% in Q1, according to the Ministry of Statistics and Programme Implementation. This slower pace of growth is being largely attributed to the escalation in commodity prices. In the Reserve Bank of India's latest bulletin, inflation was reported as easing very slightly for a second consecutive month to 7.01% for June. However, inflation, supply chain disruptions and geopolitical tensions are expected to weigh on output in the coming quarters.

While more moderate growth than what was seen in 2021 is expected for construction in 2022 at 5.8% in real terms, there will be a focus on burgeoning demand in sectors like industrial, logistics and data centres, as well as commercial and residential. Some industry challenges exist, including inflation, a general rise in the cost of construction (up 6-12%, and putting pressure on margins and cash flow), material price escalation, volatile FX markets, and supply chain bottlenecks.

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

India is reliant on imported lumber for construction, and much of this is sourced from Europe. Reflecting global trends, domestic prices in India rose sharply in 2021 and will remain high in 2022, though price increases are expected to moderate in the second half of the year. This reflects ongoing strong demand and the disruption to supplies in Europe stemming from bans on imports from Russia.



### Cement and aggregates

The continued expansion in construction output will ensure high demand for cement and concrete, particularly given the large-scale public infrastructure developments currently underway. While India benefits from having domestic supplies of raw materials for cement production (such as limestone), the prominence of thermal coal and petcoke as fuel sources at Indian cement manufacturers has resulted in production costs rising significantly as global coal and petcoke prices increase, and this will further contribute to higher cement and cement product price levels.



### Concrete blocks and bricks

Brick prices are expected to remain elevated in the second half of this year, given the robust demand from the construction industry, and high costs and tight supplies of thermal coal, on which producers of traditional burnt clay bricks are heavily reliant.



### Steel (rebar and structural)

Although India is a major steel producer, with limited reliance on imports of steel products, domestic prices rose in 2021, reflecting strong demand, supply disruptions and a surge in iron ore prices. Steel prices continued to rise in the first half of 2022, driven by government development schemes aimed at boosting residential sector growth, as well as major infrastructure development programmes. However, prices are expected to moderate in the second half of the year, with the imposition of an export duty on steel products expected to significantly increase supply in India, leading to a lower equilibrium price level.



### Copper

India's imports of copper have risen sharply in recent years, and are expected to rise from 234,000 tonnes in 2021/22 to a projected 300,000 tonnes in 2021/22. Given tight global supplies and a rapid recovery in industrial activity, prices in India soared in 2021 on an annual average basis. Copper prices continued to rise in the first half of this year, with additional price pressures stemming from the Russia-Ukraine conflict and fears over a potential dearth of supply. However, with global economic growth slowing, international demand for copper is expected to moderate in the second half of this year, driving down domestic prices.





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	Q3 2022 (f)	Q3 2021 - Q3 2022 (f)	Q1 2022 - Q2 2022 (e)	
Materials	INR	INR	2021-22* % change	% change
<b>Copper</b> (INR/MT)	832,933	750,000	11.06% ↑	3.5% ↑ ■
<b>Steel rebar</b> (INR/MT)	65,475	55,000	19.05% ↑	5.2% ↑ ■
<b>Steel flat</b> (INR/MT)	66,673	65,000	2.57% ↑	1.0% ↑ ■
<b>Lumber</b> (INR/M3)	11,931	8,832	35.08% ↑	8.0% ↑ ●
<b>Asphalt</b> (INR/MT)	60,308	40,100	50.39% ↑	9.9% ↑ ●
<b>Limestone</b> (INR/MT)	455	450	1.00% ↑	0.0% ↔ ■
<b>Cement</b> (INR/MT)	8,507	7,300	16.54% ↑	10.2% ↑ ■
<b>Concrete</b> (INR/M3)	4,444	3,850	15.43% ↑	7.3% ↑ ■
<b>Welded mesh</b> (INR/unit)	356	300	18.83% ↑	5.0% ↑ ●
<b>Bricks</b> (INR/'000 unit)	9,349	8,095	15.49% ↑	2.9% ↑ ■
<b>Plasterboard</b> (INR/unit)	364	350	3.89% ↑	2.9% ↑ ●
<b>Diesel</b> (INR/litre)	91.28	89.4	2.08% ↑	6.4% ↑ ●

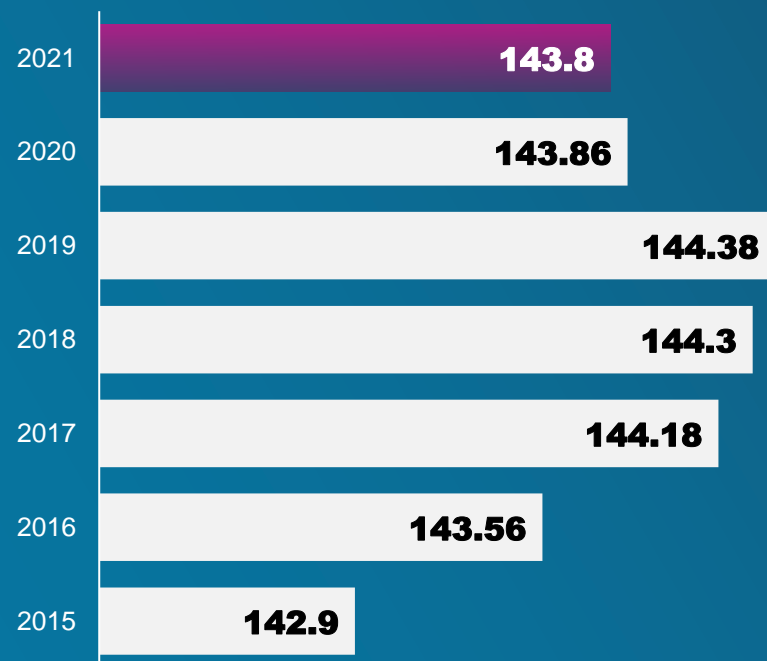
● Q1 to Q2 2022 % change greater than estimation in our Q1 report  
 ■ Q1 to Q2 2022 % change less than estimation in our Q1 report

Material	% change Q2 – Q3 2022 (f)	Level of impact of pricing on construction procurement and supply chain *	
<b>Copper</b>	-2.0% ↓	Moderate	Copper prices in India remain heavily influenced by international prices, given its reliance on imports of copper concentrate. Prices increased during the March 2022 quarter, reflecting strong demand globally and the uncertainty created by the Russia-Ukraine conflict. However, copper prices began to decline in April, as demand from China and Europe's slowing industrial sectors softened, which is expected to continue in the second half of 2022, as global economic growth slows.
<b>Steel prices</b> - Steel rebar - Flat steel	-3.0% ↓ -2.0% ↓	Moderate	The supply gap created by the Russia-Ukraine conflict and amidst growing global demand created significant opportunities for Indian steel mills to increase product prices, and rising energy and raw material prices added further upwards pressure. The Indian government increased the export duty of steel products in May 2022, leading to greater availability in the domestic market. Approximately 18 million tonnes of steel was exported in 2021, and this is expected to decrease to 12 million tonnes this year.
<b>Cement Concrete</b>	+1.0% ↑ +1.0% ↑	High	Strong demand for concrete and cement, amid the robust recovery and expansion of India's construction industry, is expected to drive prices higher in the second half of 2022, though price growth is expected to moderate. The sharp rise in cement producers' costs stemming from higher imported coal prices has also impacted, and further upwards pressure is expected in the coming quarters.
<b>Asphalt</b>	+2.0% ↑	Moderate	Public investment in the expansion and construction of roads will reinforce strong asphalt demand, and this has been reflected in an increase in more costly imports, compared to rather limited domestic supplies in Q2 2022. The Indian government has increased its purchases of cheap crude oil from Russia, and an early monsoon season is expected to reduce demand for bitumen, slowing price growth in the second half of 2022. Crude oil prices are expected to decline for the rest of the year, as global economic growth slows, and this is expected to ease pressure on the price of domestic and imported bitumen.
<b>Limestone</b>	+1.0% ↑	Low	With balanced demand in the market, limestone prices will be relatively stable, but higher energy costs will keep prices around current high levels.

# India - Commodity Report



## Construction cost index



## Knoema World Data Atlas

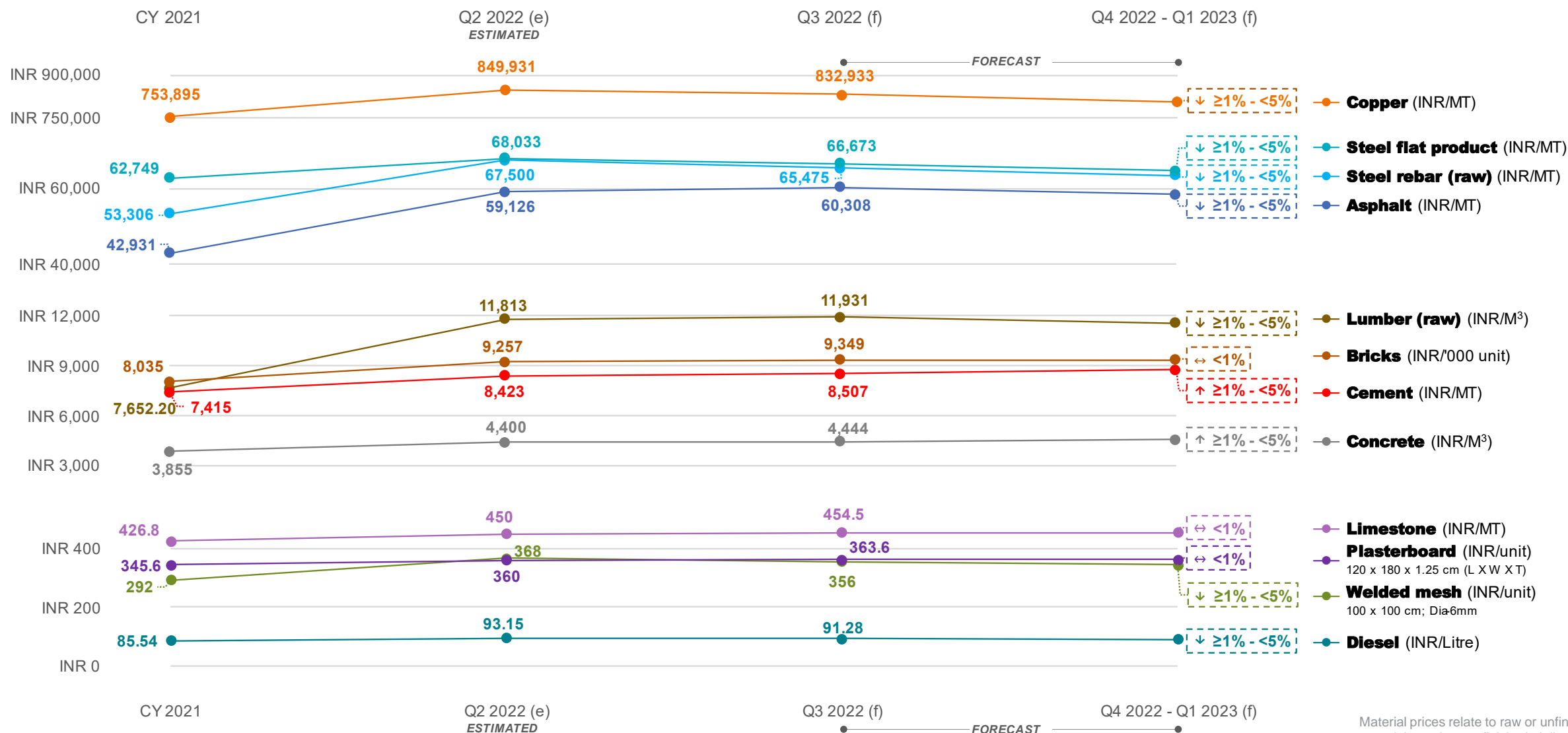
**Index of economic freedom** **56.50 out of 100**

Material	% change Q2 – Q3 2022 (f)	Level of impact of pricing on construction procurement and supply chain *	
 <b>Lumber</b>	+1.0% ↑	 Low	With economic activity accelerating and construction demand strengthening, lumber prices rose sharply over the course of 2021. This trend continued in the first half of this year, with average lumber prices projected to have risen by approximately 87% year-on-year in this period. However, price growth is expected to moderate in the second half of 2022, as global and domestic timber supplies improve.
 <b>Welded mesh</b>	-3.0% ↓	 Moderate	Welded mesh prices are expected to fall in the coming quarters, in line with the fall in steel rebar prices.
 <b>Bricks</b>	+1.0% ↑	 Low	Having risen throughout 2021, driven in part by higher demand, brick prices are set to remain at a relatively high level, with production costs being pushed up by high energy prices. Bricks produced in India mainly use coal as the key source of energy, as confirmed by the All India Brick Manufacturers Association.
 <b>Plasterboard</b>	+1.0% ↑	 Low	No major change is expected in the price of plasterboard. Demand increased marginally, owing to the increase in construction activities.
 <b>Diesel</b>	-2.0% ↓	 Low	India is heavily dependent on imported crude oil, which accounts for 80% of domestic needs. While prices of crude oil spiked in the wake of the Russia-Ukraine conflict, the central government cut excise duty in May in a bid to bring petrol and diesel prices down, and this has brought about some stabilisation in the market.

\* 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.

# India - Construction Materials Pricing (2021-2022)



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

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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.

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## 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 – India

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

- IMF
- Reserve Bank of India
- Ministry of Statistics and Programme Implementation
- ILO
- GlobalData's Construction Intelligence Center (CIC)

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