



United Kingdom Country Commodity Report Q4 2022



United Kingdom

Q4 2022

The outlook for the UK economy remains gloomy for 2023 with a recovery unlikely before 2024. While the Office for National Statistics reported that the economy grew by 0.1% and 0.5% in October and November 2022, respectively, the Bank of England predicts that the economy will remain in recession for an extended period of time, owing to the high cost of living. The BoE's monetary tightening appears to be continuing in the near term, with inflation remaining high at 10.5% in December 2022, albeit slightly down from 10.7% in November 2022.

The outlook for the construction sector is similarly tough and is expected to contract by 1.9% with output being negatively affected by rising interest rates, high energy prices and uncertain global conditions. With material price hyperinflation largely behind us, it is expected that for the most part prices will either continue to moderate or drop back throughout 2023. Sectors such as residential, commercial and industrial are forecast to slow sharply but 'mission critical' sectors such as data centres and life sciences will see continued high demand. However, a continued shortage of labour and specialist skills, high energy prices, contractor capacity and funding challenges remain a concern. Relationship-based supply chain management continues to be a key strategy to mitigate such risks.



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Lumber

Although construction activity has held up well amid wider economic weakness, lumber prices have dropped from recent highs. Strong domestic stock levels has eased price pressures and has also resulted in a drop off in imports. With the residential construction sector facing a downturn as recent interest rate hikes impact on investment, lumber prices will fall further in the coming quarters. However, demand for lumber will be maintained in the longer term, with lumber offering a solution for low carbon building projects.



Cement and aggregates

Cement prices stabilised at a high level in late 2022, having risen steadily throughout the year - by October cement prices were up by 17% year-on-year, while ready-mixed concrete was up by 18.5%. Solid demand in the construction sector has driven this trend along with high production costs. Aggregates prices have been more stable, coming down marginally from mid-2022 highs. However, longer-term concerns persist over risks of insufficient supply.



Concrete blocks and bricks

Brick production levels stayed high in late 2022, and the downward trend in stocks had slowed. Prices have continued to rise, pushed up mainly by high production costs. In its most recent trading update, Forterra Group revealed that its revenue was up 23% year-on-year in January to October, bolstered by price hikes during the year (the latest being a 16.5% increase effective October 1st). It noted further price increases planned for Q1 2023 to account for cost inflation.



Steel (rebar and structural)

Steel prices have fallen from recent highs. However, the UK steel industry is facing significant challenges, with two of British Steel's blast furnaces facing closure. With the pressures of rising energy costs and weakening demand, the company has stated that it requires approximately £100 million to offset the financial impact of carbon permits issued under the government's emissions trading scheme. At the same time, the company is negotiating a financial assistance package with the government.



Copper

Copper prices edged higher in late 2022, and there is an expectation of price volatility in the coming quarters, with potential supply-side disruption offsetting the impact of weakening global demand in the short term.

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Materials	Q1 2023 (f)	Q1 2022 – Q1 2023 (f)		Q3 – Q4 2022 (e)
	£	£	2022-23 % change	% change
Copper (£/MT)	6,840	7,458	-8.3% ↓	3.3% ↑ ●
Steel rebar (£/MT)	619	588	5.1% ↑	-9.9% ↓ ●
Steel flat (£/MT)	724	706	2.6% ↑	-9.3% ↓ ●
Stainless steel (£/MT)	2,073	NA	NA	NA
Lumber (£/M3)	55.7	61.8	-9.9% ↓	-14.1% ↓ ●
Asphalt (£/MT)	581	531	9.4% ↑	8.7% ↑ ●
Limestone (£/MT)	40.0	45.0	-11.2% ↓	0.7% ↑ ■
Cement (£/MT)	219	195	12.4% ↑	0.7% ↑ ■
Concrete (£/M3)	144	122	18.3% ↑	2.3% ↑ ●
Welded mesh (£/unit)	43.5	35.5	22.5% ↑	-5.3% ↓ ●
Bricks (£/000 unit)	1,338	981	36.5% ↑	10.2% ↑ ●
Plasterboard (£/unit)	10.5	7.9	31.9% ↑	1.2% ↑ ●
Diesel (£/litre)	1.8	1.6	15.8% ↑	-2.2% ↓ ■

(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

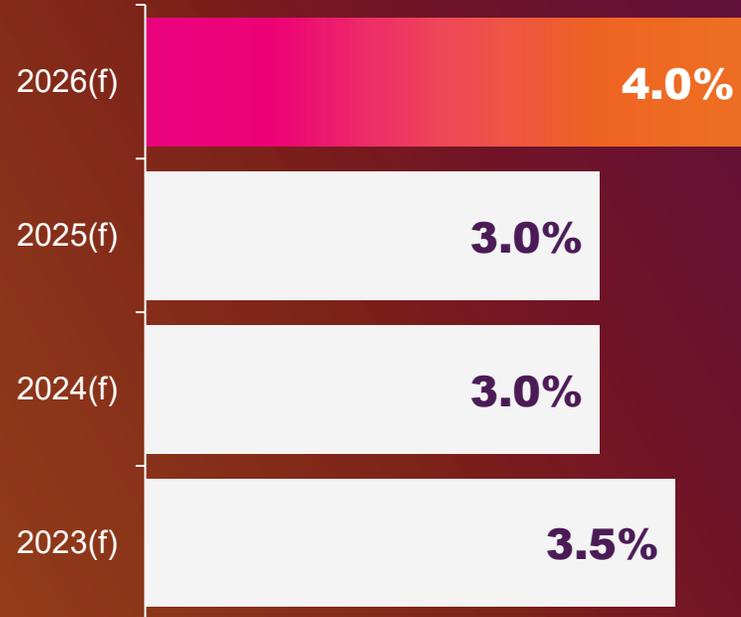
Welded mesh: 240 x 480cm, dia.-6mm Plasterboard: 240 x 120 x 1.25cm (L x W x T)

Material	% change Q4 – Q1 2023 (f)	Level of impact of pricing on construction procurement and supply chain *	
 Copper	+0.50% ↑	Moderate	Copper prices faced some upward pressure towards the end of 2022. Supply disruptions in Peru, impacted by political unrest, have been a factor driving recent trends, and the relaxation in China's zero COVID policy has lifted investor confidence. The outlook is mixed, with concerns over a global economic downturn on one hand being offset by projections of a global supply deficit in copper.
 Steel prices - Steel rebar - Flat steel	-0.5% ↓ -0.5% ↓	Moderate	Steel prices continued on a downward trend in Q4 2022, dropping at a faster rate than previously anticipated. This is despite steel production levels being hit by high energy costs, which has led to temporary shutdowns of production plants. Although prices were down from the highs reached in Q2 2022, prices are still high compared to year-earlier levels.
 Stainless steel	+0.6% ↑	Low	Stainless steel prices are expected to remain elevated due to the increase in the prices for key raw materials, such as nickel.
 Lumber	-1.0% ↓	Moderate	Lumber prices have declined further, reflecting mainly a healthy stock level. Construction activity has held up well in recent quarters, including new residential works and refurbishment. Import volumes have also been on a downward trend. Prices are set to weaken further given the expectation of a drop-off in construction work.
 Asphalt	-1.0% ↓	Moderate	Asphalt prices picked up in the fourth quarter of 2022 having been fairly stable in the preceding few quarters. Demand for material for road repairs has been high, and the value of new orders for road construction rose by 20% year-on-year in the first three quarters of the year. Although global crude oil prices have fallen from the highs of the second quarter, prices are expected to remain around \$80 per barrel.
 Limestone	+0.8% ↑	Low	Limestone prices have been relatively stable compared to other materials. Prices are expected to remain close to current levels, as weaker demand will be offset by still high production and transport costs.

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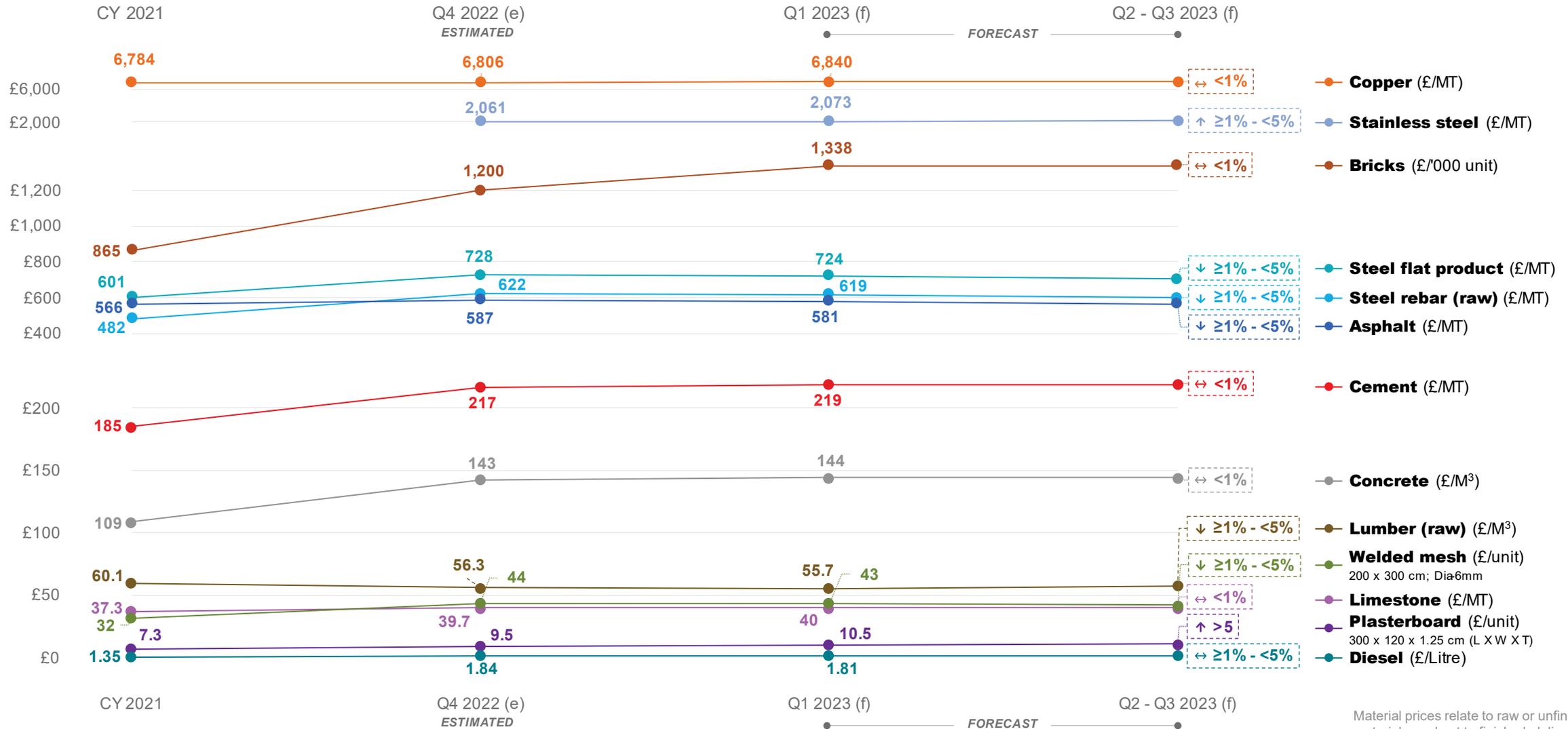
Linesight tender price change forecast 2023-2026



Material	% change Q4 – Q1 2023 (f)	Level of impact of pricing on construction procurement and supply chain *	
 Cement Concrete	+1.0% ↑ +1.0% ↑	Moderate	Concrete and cement prices have continued to trend upwards in recent months, with solid demand and high energy costs being key factors. Although prices will remain elevated in the short term, a decline in construction activity and easing upward pressure on energy prices will result in concrete and cement prices coming down from recent highs.
 Welded mesh	-0.4% ↓	High	Welded mesh prices have eased back from recent high levels, a trend that reflects movement in rebar prices.
 Bricks	+11.5% ↑	Moderate	Brick prices have recorded a further jump in recent months, driven primarily by high production costs being passed on to buyers. Prices are set to remain elevated in the coming quarters, based on indications from producers of further increases to come, despite emerging weakness on the demand side.
 Plasterboard	+10.0% ↑	Low	Plasterboard prices edged higher in Q4 2022 and are set for further increases in the coming quarters, with manufacturers and distributors indicating forthcoming price rises.
 Diesel	-1.7% ↓	Moderate	Diesel prices have fallen back from the high levels of close to £2 per litre reached in July 2022, but in late 2022 were still around 20% higher than in late 2021. Crude oil prices are expected to remain above \$80 per barrel in 2023, which will keep pressure on diesel prices. There is also a possibility of a hike in fuel duty in March 2023, according to recent forecasts made by the Office for Budget Responsibility. Duty could rise by 23%, which would add 12p per litre on fuel 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.

United Kingdom – Construction Materials Pricing (2021-2023)



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

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.

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

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