



Canada

Country Commodity Report

Q2 2022



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Canada's GDP growth in Q1 year-on-year was slower than anticipated at 3%, where 5.6% had been forecast by Bank of Canada. Household consumption has been weaker in the face of rising inflation and higher interest rates. The inflation rate hit a 39-year high of 8.1% in June, according to Statistics Canada.

Construction activity has been sluggish this year so far, with Statistics Canada reporting that building permits were down 2% in Q1 and construction investment down 12.3%. Similar to much of the rest of the world, the current geopolitical situation, the supply chain challenges and high inflation rates present downside risks for the industry as a whole, and are expected to temper growth.

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

A mixture of strong demand and tight supply over the past two years has contributed to a period of extremely volatile lumber prices. Lumber demand soared during 2020-21, reflecting high residential construction activity, both in Canada and the US. This was driven by record-low interest rates, demand for larger living spaces for work-from-home scenarios, and a glut in savings. Forest fires and skilled labor shortages also further exacerbated upward pressure on prices. However, prices tumbled in the second quarter of this year, as demand weakened. Aggressive monetary tightening by the Bank of Canada and the Federal Reserve to tackle excessive inflation has driven up the cost of credit, constraining demand in the residential sector.



Cement and aggregates

Demand has remained fairly strong, and lead times on supplies are long. Challenges on the supply side reflect labor shortages, major issues at production plants (including a recent fire at British Columbia's largest production facility), and inflated raw material prices. The concrete and cement market is expected to remain tight, as there is little sign of the supply chain easing in the short to medium term. However, demand is likely to ease, as the residential sector loses growth momentum, with interest rates set to rise.



Concrete blocks and bricks

The expansion in residential building exerted upward pressure on prices for concrete blocks and bricks in 2021 and into 2022. Although demand is set to ease, production costs have been pushed up by rising energy prices, and this will keep prices close to current levels.



Steel (rebar and structural)

Canada heavily relies on steel imports from the US (45% of Canada's steel imports are sourced from the US), and prices therefore largely reflect trends in the US. Steel prices eased in the latter part of Q2 2022, amid a fall in lead times and capacity gains. Anticipation of a global economic downturn and lockdowns in China have also negatively impacted steel demand and prices.













Copper

Having risen sharply earlier this year, copper prices have fallen amid market expectations of an upcoming slowdown, lockdowns in China, and rising inventories. For the first time since November 2020, copper futures dipped below \$3.50 per pound. Copper supply chains, however, remain tight due to continued disruptions in Peru and Chile, and capacity depletion. There will also be strong underlying demand, stemming from investments in electric vehicles and other 'green' technologies that will support price growth in the medium to long term.

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	Q1 2022 - Q2 2022 (e)	Q3 2022 (f)
Materials	% change	
Copper (CA\$/T)	-4.0% ↓	9,397
Steel rebar (CA\$/T)	4.3% ↑	824
Steel flat (CA\$/T)	4.3% ↑	2,147
Lumber (CA\$/cu.ft.)	-35.3% ↓	69.14
Asphalt (CA\$/T)	30.4% ↑	1,132
Limestone (CA\$/T)	4.5% ↑	35.49
Cement (CA\$/T)	4.2% ↑	239
Concrete (CA\$/CY)	0.3% ↑	178
Welded mesh (CA\$/unit)	4.3% ↑	243
Bricks (CA\$/'000 unit)	19.5% ↑	610
Drywall (CA\$/unit)	5.5% ↑	17.79
Diesel (CA\$/gallon)	29.8% ↑	10.14

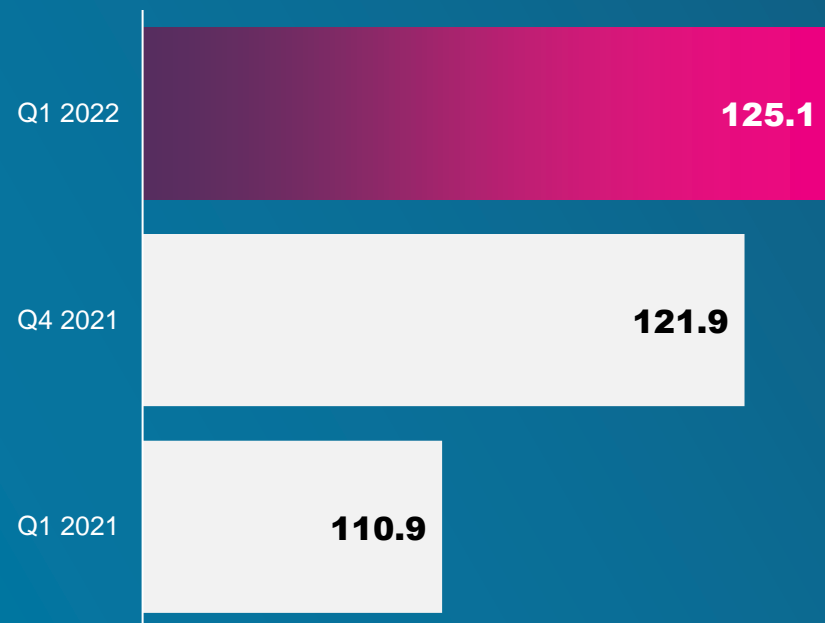
Material	% change Q2 – Q3 2022 (f)	Level of impact of pricing on construction procurement and supply chain *	
 Copper	-14.7% ↓	 Moderate	The price of copper is being pulled down by concerns that North America and Europe are facing a slowdown. The recent drop has also reflected the impact on demand stemming from China's COVID-19 lockdowns.
 Steel prices - Steel rebar - Flat steel	-12.9% ↓ -12.9% ↓	 Moderate	Steel prices rose sharply during the first five months of the year, reflecting solid demand and tight supplies, which were exacerbated by the disruptions caused by the Russia-Ukraine conflict. Rising energy costs were also a factor. However, prices have since eased, owing to weaker demand growth.
 Cement Concrete	+0.8% ↑ +0.8% ↑	 Moderate	Canada's cement and concrete industry is largely dependent on raw materials produced domestically, as well as on imports from the US and China. Supply chains have struggled over the past year as numerous issues have come to a head, driving extended lead times. In addition, demand in the summer months has yet to slow markedly.
 Asphalt	-1.0% ↓	 Moderate	The upward trend in crude oil prices contributed to the high levels of pricing for asphalt. Due to the expected increase in output from OPEC and downturn expectations, the price of crude is expected to decline in the near future. Because of this, asphalt prices are expected to fall in the short term.
 Limestone	+0.3% ↑	 Low	Canada has little dependence on foreign supply chains, as the country has an established, large-scale limestone mining industry. Demand for limestone from the agricultural and construction industries will keep prices close to current 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.

Canada - Commodity Report



Building construction price indices – quarterly, non-residential buildings



Knoema World Data Atlas

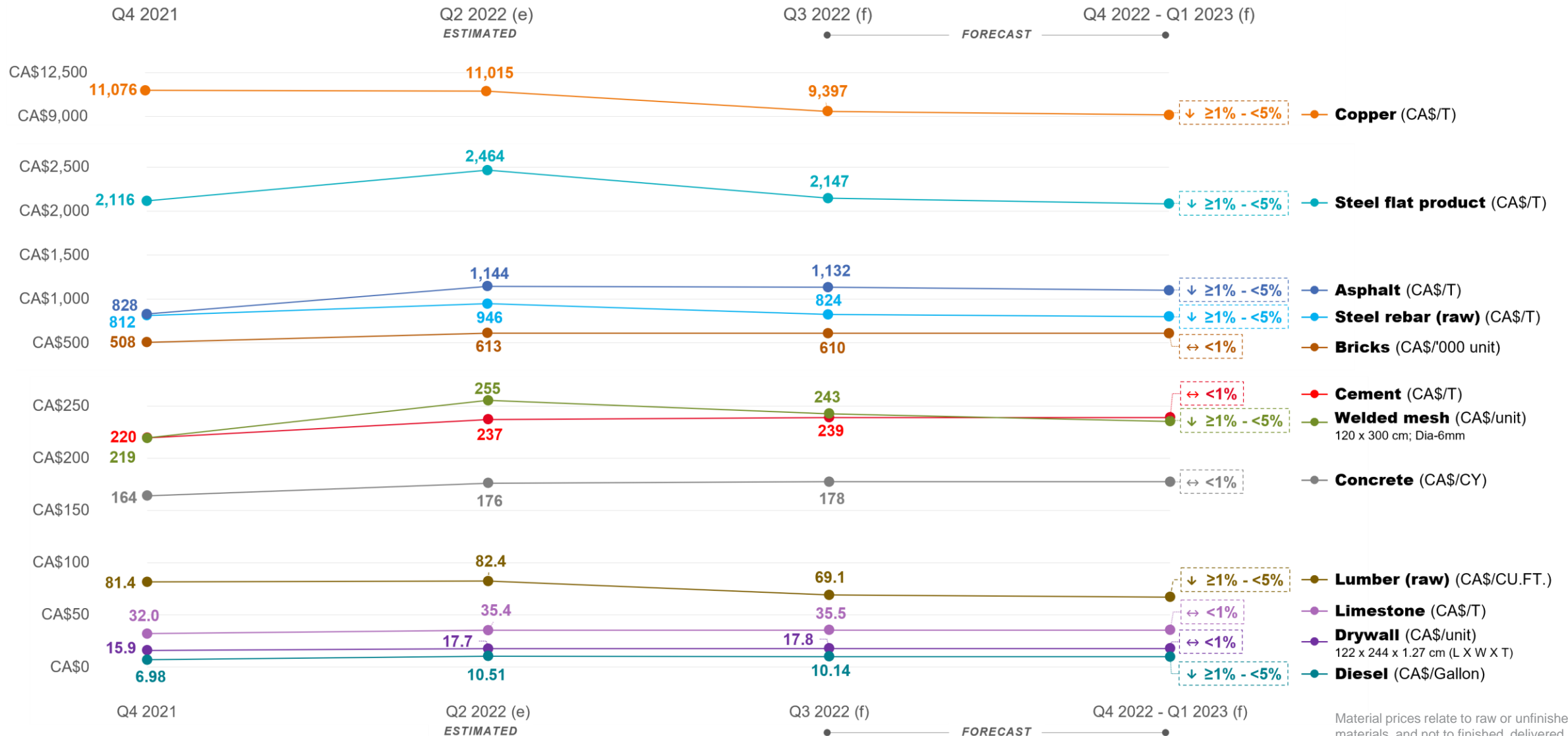
Index of economic freedom **81.4 out of 100**

Material	% change Q2 – Q3 2022 (f)	Level of impact of pricing on construction procurement and supply chain *	
 Lumber	-16.0% ↓	 High	Lumber prices have been highly volatile over the past 18 months, with spikes reflecting periods of high demand and supply disruption. Demand is heavily dependent on residential construction, both domestically and in the US, and with markets anticipating weaker housing demand due to aggressive rate hikes by the Federal Reserve and the Central Bank of Canada, lumber prices are set to decline in the short to medium term.
 Welded mesh	-5.0% ↓	 Moderate	The price of mesh is heavily dependent on steel prices. Hence, it is expected that the prices will decline in 2022, but at a slower pace than steel, with mesh being further down in the supply chain.
 Bricks	-0.5% ↓	 Moderate	Although residential output is still at a high level, growth is slowing, and this will put some downward pressure on the demand for bricks. However, this will be balanced by ongoing tightness in supply. Also, although energy prices are expected to fall, they will likely remain relatively high, keeping pressure on production costs.
 Drywall	+0.4% ↑	 Low	Having been pushed up by strong demand in recent quarters, drywall prices will stabilize, as residential construction growth loses momentum amid the rising trend in interest rates.
 Diesel	-3.6% ↓	 High	Diesel prices have soared this year, but will ease back from these highs, reflecting trends in global crude oil. However, a sharp reversal is not expected.

* 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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Canada - 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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Canada - 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 labor 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 - Canada

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

- IMF
- Statistics Canada
- The Global Economy
- GlobalData's Construction Intelligence Center (CIC)

