



Israel

Country Commodity Report

Q2 2022



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The Israeli central bank has revised its GDP forecast for 2022 downward to 5% recently, as inflation and supply chain disruptions arise from the Russia-Ukraine conflict and the restrictions imposed in China to combat the additional waves of COVID. An inflation rate of 4.5% is expected across the year, with the Central Bank having raised rates to 1.25% of late, up from 0.1% in April.

While more moderate growth of 2.6% is forecast for this year, following the 6.2% posted last year, the rate of inflation, supply chain bottlenecks and high energy costs remain a downside risk. The core government focus is on public infrastructure and renewable energy projects, in an effort to achieve clean energy targets.

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

Israel is highly dependent on lumber imports, mainly from China, the US and mainland Europe. A considerable slowdown in residential housing demand globally and domestically has dampened pressure on lumber prices.



Cement and aggregates

Israel has become increasingly reliant on imported cement, with domestic producers losing market share in recent years owing to cheaper imports from Turkey. Nesher is now the only domestic producer. Soaring production costs, both locally and in Turkey, will contribute to continued upward pressure on domestic prices. Concerns over shortages of aggregates recently resulted in a pilot programme to allow Palestinian trucks to avoid security checks and deliver aggregates directly to the construction sites in Israel.



Concrete blocks and bricks

The construction industry has recovered from the COVID-19 crisis and the residential sector, in particular, is continuing to expand, supported by the government's plan to build new houses to meet the demands of a rising population and ongoing urbanisation. This, combined with rising production costs, will keep prices for blocks and bricks at a high level.



Steel (rebar and structural)

Israel relies heavily on steel imports to meet demand, as domestic capacity is limited. Imports from China, the US, Italy and Turkey make up the majority of the market. After steel prices surged in 2021 and the early stages of this year, expectations of a global recession and an economic slowdown in China have put downward pressure on prices, which dropped notably early this summer. Demand globally is likely to recover, infrastructure programmes in China and the US will soak up global demand in the medium to long term, and supply disruptions stemming from the Russia-Ukraine conflict will likely stabilise the price of steel, albeit above pre-pandemic levels.



Copper

Copper prices have fallen sharply in recent months, as market expectations for a global recession and recent lockdowns in China have taken a heavy toll. Although demand has fallen, it is unlikely that prices will fall to pre-pandemic levels, and will probably remain elevated as supply constraints remain prevalent. In particular, strikes and protests in Chile and Peru will continue to constrain global supplies.



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Q3 2022 (f)		Q1 2022 - Q2 2022 (e)
Materials	ILS	% change
Copper (ILS/MT)	29,939	1.1% ↑ ■
Steel rebar (ILS/MT)	2,5349	-34.7% ↓ ●
Steel flat (ILS/MT)	2,4539	3.3% ↑ ■
Lumber (ILS/M3)	777	-5.6% ↓ ●
Asphalt (ILS/MT)	2,368	2.1% ↑ ●
Limestone (ILS/MT)	227	4.0% ↑ ●
Cement (ILS/MT)	369	15.9% ↑ ●
Concrete (ILS/M3)	402	15.3% ↑ ●
Welded mesh (ILS/unit)	238	0.0% ↑ ■
Bricks (ILS/'000 unit)	3,310	4.0% ↑ ●
Plasterboard (ILS/unit)	43.43	1.8% ↑ ●
Diesel (ILS/litre)	7.41	8.6% ↑ ●

● 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	-6.8% ↓	 High	Copper prices have declined from the previous quarter, amid weak demand from major copper consuming countries due to a slowdown in economic activity. Although posting a decline, copper prices will likely remain elevated and above pre-pandemic levels due to tighter supply.
Steel prices - Steel rebar - Flat steel	-8.7% ↓ -5.7% ↓	 High	Steel prices have weakened from recent highs. A decrease in the export price for rebar in Turkey, from which Israel imports a large proportion of steel, has had a significant impact. Soaring energy prices, constrained supply from Russia and Ukraine, and strong post-pandemic demand drove up steel prices earlier in the year, but a deteriorating global economic outlook has had a moderating effect on prices.
Cement Concrete	+1.0% ↑ +0.5% ↑	 Moderate	The cement market in Israel is heavily reliant on imports from Turkey. Soaring pet coke and crude oil prices have increased operational costs, as well as input costs for cement producers, which have reflected an increase in price. However, stable demand from the construction industry, primarily driven by government investment in public housing, will maintain upward pressure on prices.
Asphalt	-2.0% ↓	 Moderate	The price for asphalt has a high dependence on crude oil prices, which reached new highs in previous quarters. Although coming down from these highs, crude oil prices will remain elevated, and consequently impact the price of asphalt.
Limestone	+1.0% ↑	 Low	Limestone prices have been increasing, and given shortages of aggregates, prices are expected to remain high.

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.

Israel - Commodity Report



Price index of input in residential, office and commercial buildings



Knoema World Data Atlas

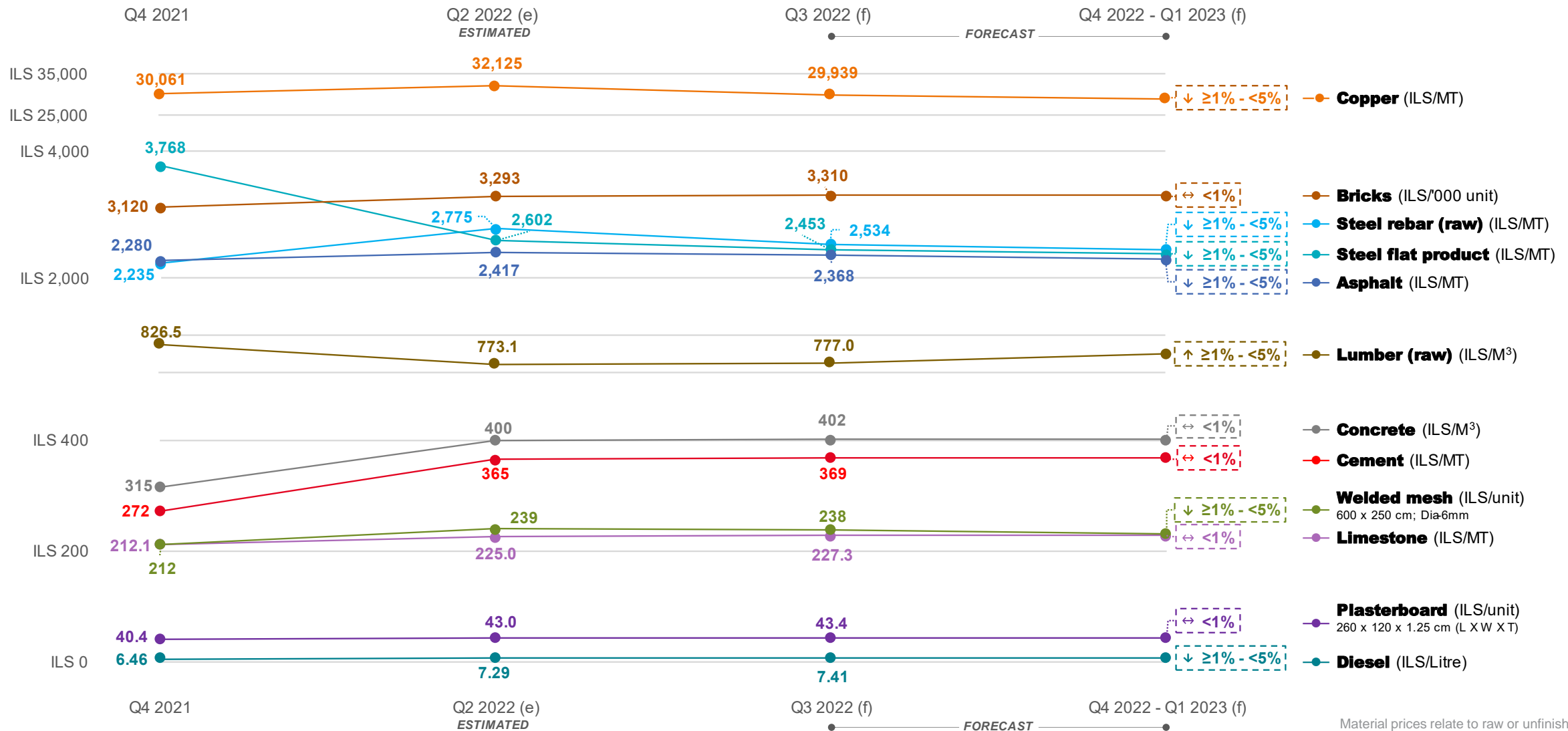
Index of economic freedom **73.8 out of 100**

Material	% change Q2 – Q3 2022 (f)	Level of impact of pricing on construction procurement and supply chain *	
 Lumber	+0.5% ↑	 Moderate	Israel is dependent on lumber imports, and therefore trends in local prices reflect external changes. Lumber prices have stabilised after recently easing back, and this is largely due to weakening global residential demand. The price for lumber will likely remain close to current levels in the coming quarters.
 Welded mesh	-0.5% ↓	 High	The price of mesh has remained stable and has not shown any change since last quarter. The trend for welded mesh is largely based on the price of steel rebar, and so, a similar price trend is expected for mesh products, likely to follow the decline in the price of steel.
 Bricks	+0.5% ↑	 Moderate	Rising production costs, along with increasing fuel prices, have been pushing up prices for bricks. The price of bricks will remain relatively high in the coming quarters, but further inflationary pressures will be contained.
 Plasterboard	+1.0% ↑	 Low	Plasterboard prices have remained stable, and although the domestic mortgage market is deteriorating, residential housing demand will be supported by government investment and consequently demand for plasterboard will be relatively unchanged. In addition, rising energy prices and input costs will maintain a grip on the supply side.
 Diesel	+1.7% ↑	 Moderate	Diesel prices have soared over the past six months and are likely to remain elevated. However, there will likely be a slight drop off in prices in the medium term, as oil prices are cooling at present. In addition, the government is using subsidies and tax breaks to soften the impact on diesel prices, although, it will not make a considerable difference.

* 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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Israel - Construction Materials Pricing (2021-2022)



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

Israel - 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 - Israel

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

- IMF
- Economy.com
- The Global Economy
- Weather Spark
- The Central Bureau of Statistics
- Israel Institute for Occupational Safety and Hygiene (IIOSH)
- GlobalData's Construction Intelligence Center (CIC)
- Conference-board.org

