



# Canada

## Country Commodity

### Report

**Q2 2023**





# Canada

## Q2 2023

The Canadian economy showed resilience as Real GDP exceeded expectations and job growth continued in Q1 2023. High inflationary pressures and rising interest rates are indeed impacting the construction industry. It is important to note that the Bank of Canada (BoC) currently maintains a conservative approach, indicating potential further interest rate hikes if inflation does not move towards the 2% target. This situation adds to the uncertainty and challenges faced by the construction industry.

Labor shortages continue to be a major challenge, which are impacting overall project delivery and cost. Despite a relatively modest anticipated increase in costs over the next few quarters, cost growth for certain materials continues to hamper margin recovery. While the residential sector decline has contributed to a contraction in the construction industry, the industrial sector is poised for growth. This growth is fueled by investments in EV markets, green hydrogen, metals and material processing, along with the government's aim to establish the country as an industrial hub.



**John Fitzgerald**  
Vice President



**Eoin Byrne**  
Vice President



**Dawn Cantrell**  
Vice President



## Key Indicators

### GDP

Grew by 3.1% at an adjusted annualized rate in Q1 2023



- GDP growth outperformed the Bank of Canada's forecast of 2.5%
- Favorable international trade and increased household spending contributed to a 0.8% QoQ economic growth following a period of no change

### CPI

Grew by 2.8% YoY in June 2023



- The increase was less than the YoY inflation of 3.4% in May 2023
- Deceleration was attributed to decrease in gasoline prices, while food prices have continued to rise

### Construction output

Anticipated to shrink by 5.2% 2023



- The residential sector has experienced a more significant decline than anticipated, resulting in a slowdown in the industry
- It is expected to grow at an annual rate of 2.7% from 2025-2027 led by investments in the industrial, energy and transportation sectors

## Commodities Pricing Snapshot

	Price % change			Remarks
	YoY Q2 '22 - Q2 '23 (e)	QoQ Q1 - Q2 '23 (e)    Q2 (e) - Q3 '23 (f)		
<b>Copper</b>	↓ -5%	↓ -5%	↔ 0%	Prices have declined but likely to remain volatile
<b>Steel rebar (raw)</b>	↓ -11%	↑ 2%	↓ -1%	Prices are down from the highs of 2022 and likely to edge downwards
<b>Cement</b>	↑ 23%	↑ 4%	↓ -1%	Prices continued to increase but likely to decrease in the coming quarters
<b>Lumber</b>	↓ -42%	↑ 5%	↑ 2%	Prices are down from the highs of 2022 and likely to appreciate slightly

(e) - estimate    (f) - forecast

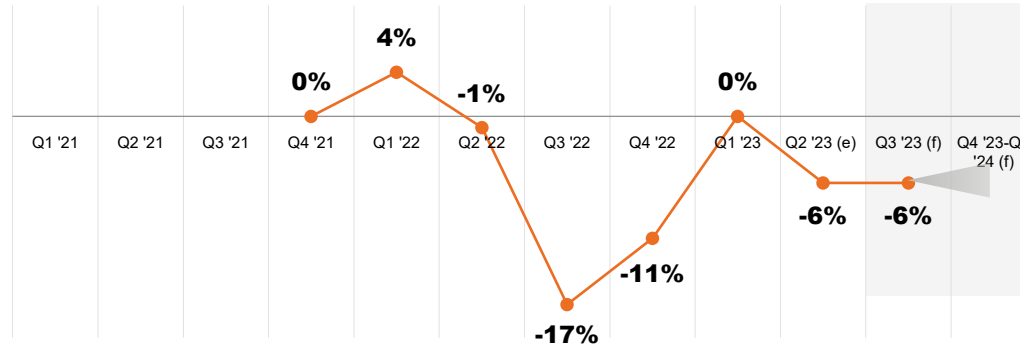
# Canada – Construction Materials Price Trends



## Copper

Level of Impact			
Price Change (e) vs (f)		Material Availability	General State of Supply Chain
●●●● Moderate		●●●● Moderate	●●●● Moderate
Price (CA\$/t)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
CA\$10,442	CA\$10,441	↓ -5.5%	↔ 0%

Price change comparison against Q4 2021

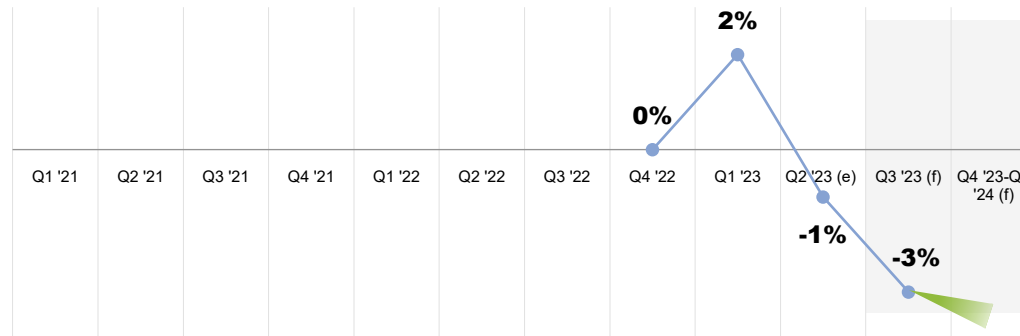


- Copper prices remain volatile, with prices dropping back on a quarterly average basis in Q2 2023, after having recovered ground in the previous two quarters
- Although high interest rates and weaker residential construction activity will dampen demand, price support will come from significant investment in electric vehicles and renewable energy projects

## Stainless Steel

Level of Impact			
Price Change (e) vs (f)		Material Availability	General State of Supply Chain
●●●● Low		●●●● Moderate	●●●● Low
Price (CA\$/t)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
CA\$6,480	CA\$6,322	↓ -3.2%	↓ -2.4%

Price change comparison against Q4 2022



- Owing to weak demand and falling costs for key materials, stainless steel prices have been weakening, with a 3.2% QoQ drop in Q2 2023
- Given the projected drop in demand, production levels will be scaled back in the short term

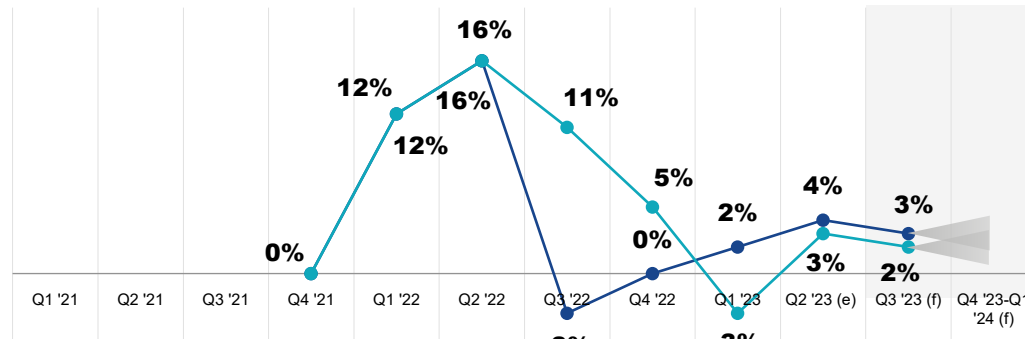
# Canada – Construction Materials Price Trends



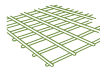
## Steel – rebar and flat

Price Change (e) vs (f)		Level of Impact		Material Availability		General State of Supply Chain	
Low		Moderate		Moderate		Moderate	
Price		% change		Q1 '23 - Q2 '23 (e)		Q2 '23 (e) - Q3 '23 (f)	
Q2 '23 (e)	Q3 '23 (f)						
<b>Steel rebar (raw) (CA\$/t)</b>							
CA\$845	CA\$834	↑	1.7%	↓	-1.2%		
<b>Steel flat product (CA\$/t)</b>							
CA\$2,180	CA\$2,154	↑	6.3%	↓	-1.2%		

Price change comparison against Q4 2021



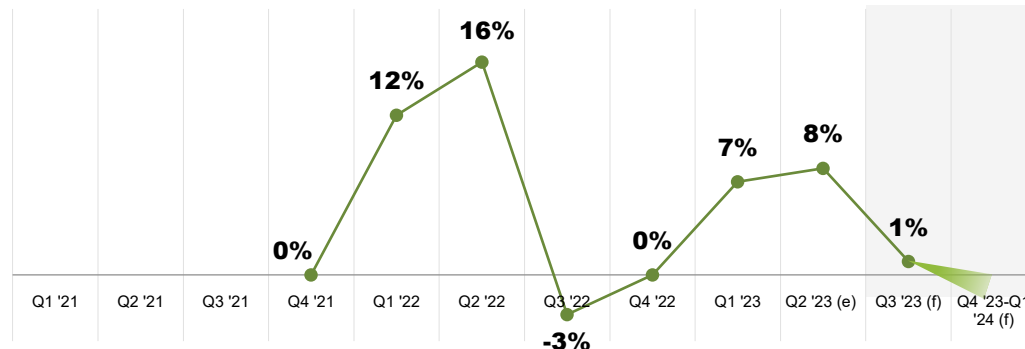
- Steel prices have come down from the highs of Q2 2022, when global supply disruptions and high production costs drove up prices for rebar and flat products. However, prices picked up again in Q2 2023 on a QoQ basis, by 4% for rebar and 3% for steel flat
- Demand will continue to be underpinned by significant investment in infrastructure projects in the coming quarters. However, easing production costs and cheaper steel imports to help meet infrastructure construction needs will help limit upward pressure



## Welded mesh

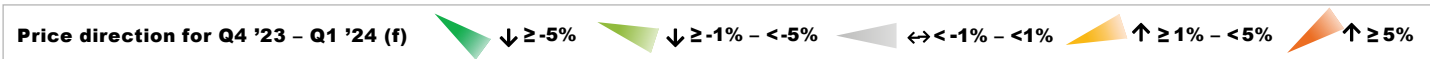
Price Change (e) vs (f)		Level of Impact		Material Availability		General State of Supply Chain	
Low		Moderate		Moderate		Moderate	
Price (CA\$/unit*)		% change		Q1 '23 - Q2 '23 (e)		Q2 '23 (e) - Q3 '23 (f)	
Q2 '23 (e)	Q3 '23 (f)						
CA\$237	CA\$221	↑	1%	↓	-6.9%		

Price change comparison against Q4 2021



- Although welded mesh prices edged up again in Q2 2023, the general trend remains negative as reflected in steel rebar prices
- There will be an improvement in infrastructure investment, which will provide some support, but this will be offset by a prolonged downturn in housebuilding, as indicated by the recent sharp drop in building permits issued

\* 47.2 x 118.1 inches, diameter 0.24 inches



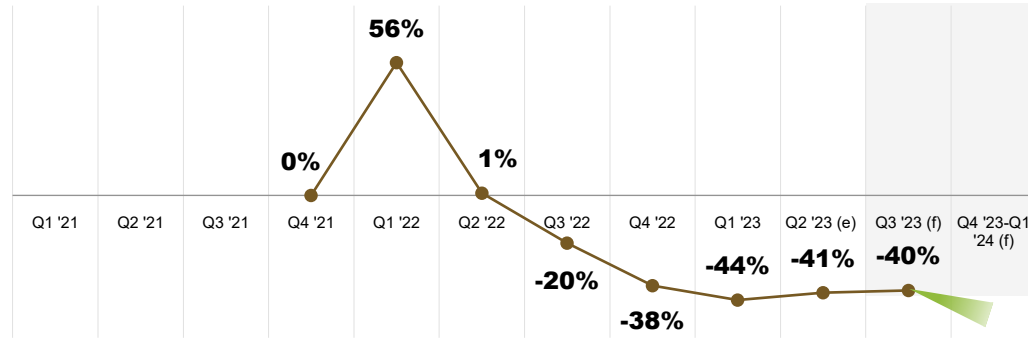
# Canada – Construction Materials Price Trends



## Lumber (raw)

Level of Impact			
Price Change (e) vs (f)		Material Availability	General State of Supply Chain
●●●● Moderate		●●●● Moderate	●●●● Moderate
Price (CA\$/ft <sup>3</sup> )		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
CA\$47.7	CA\$48.6	↑ 4.8%	↑ 2%

Price change comparison against Q4 2021



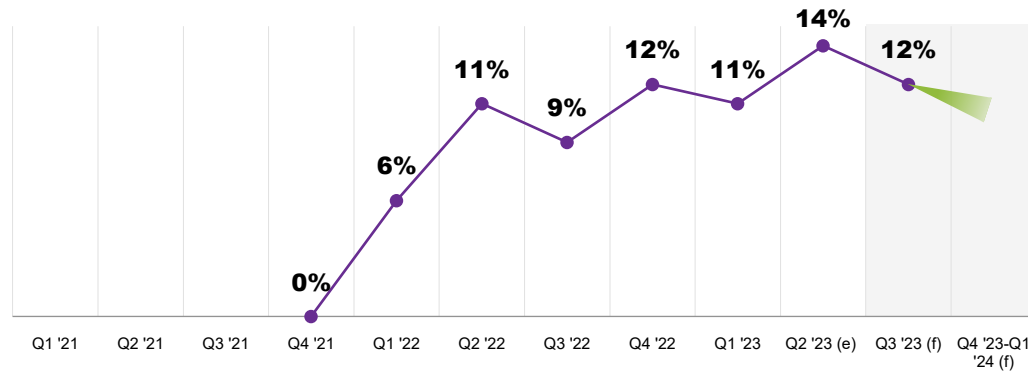
- After two years of high volatility, lumber prices have been relatively stable this year. Prices picked up in Q2 2023, owing mainly to the impact of wildfires in June that resulted in sawmills shutting down
- However, the trend in the coming quarters will be one of weakness, given the downturn in housing construction. A steep decline of 10.7% YoY in residential building investment was recorded in Q1 2023



## Drywall

Level of Impact			
Price Change (e) vs (f)		Material Availability	General State of Supply Chain
●●●● Low		●●●● Low	●●●● Low
Price (CA\$/unit*)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
CA\$18.1	CA\$17.9	↑ 2.8%	↓ -1.2%

Price change comparison against Q4 2021



- After staying high in recent quarters on the back of increasing production costs, drywall prices are set to drop amid weakness in the residential construction sector
- Producers have still managed to pass on costs to buyers despite lackluster demand, with prices in Q2 2023 being 14% higher than in Q4 2021

\* 47.2 x 96.1 x 0.5 inches (L X W X T)

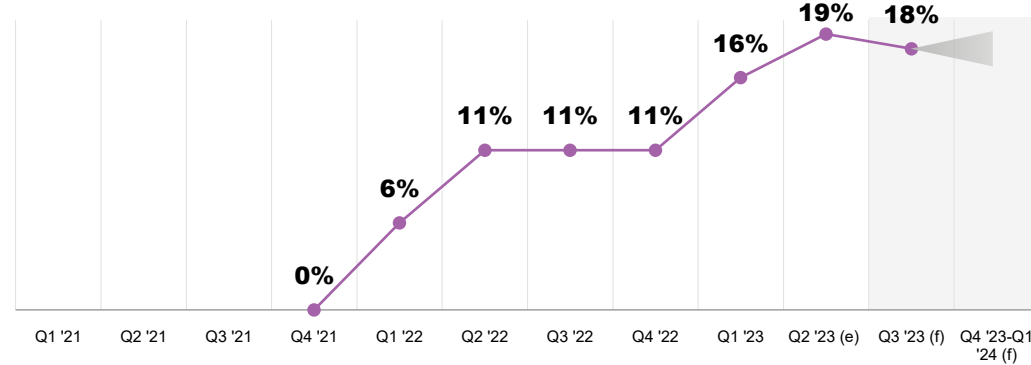
# Canada – Construction Materials Price Trends



## Limestone

Level of Impact			
Price Change (e) vs (f)	Material Availability	General State of Supply Chain	
Moderate	Low	Low	
Price (CA\$/t)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
CA\$38.1	CA\$37.9	↑ 3.0%	↓ -0.5%

Price change comparison against Q4 2021

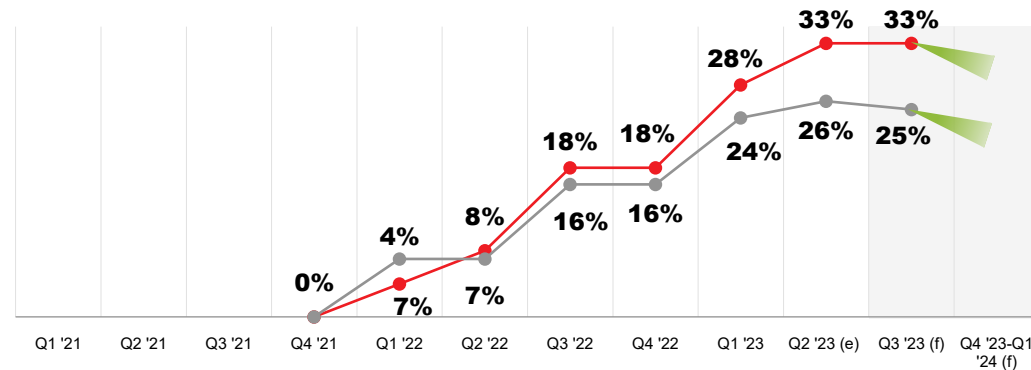


- After rising through 2022, limestone prices continued to rise in the first half of this year, despite weakness in overall construction demand. The producers are still recovering from the high production costs incurred last year
- Prices are set to ease back from these recent highs, as the construction industry contracts

## Cement and Concrete

Level of Impact			
Price Change (e) vs (f)	Material Availability	General State of Supply Chain	
Moderate	Moderate	Moderate	
Price		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
CA\$293	CA\$291	↑ 4.4%	↓ -0.5%
<p>● <b>Cement</b> (CA\$/t)</p> <p>● <b>Concrete</b> (CA\$/yd<sup>3</sup>)</p>			
CA\$206	CA\$205	↑ 1.4%	↓ -0.5%

Price change comparison against Q4 2021



- Cement and concrete prices have stayed high in recent quarters, edging up further on a QoQ basis in Q2 2023 by 4.4% for cement and 1.4% for concrete
- However, prices are increasing at a slower pace, and with an expected decrease in production costs and overall contraction in construction output, prices are set to decline in the coming quarters
- Over the medium term, higher costs due to increased environmental regulations on production will contribute to further upward pressure

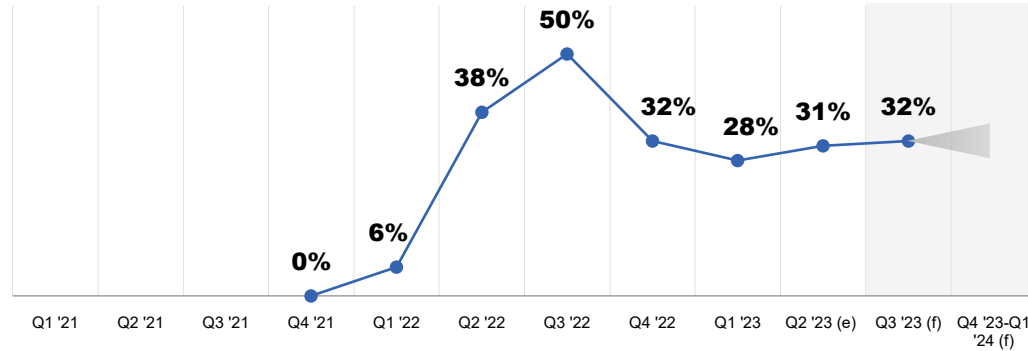
# Canada – Construction Materials Price Trends



## Asphalt

Level of Impact			
Price Change (e) vs (f)		Material Availability	General State of Supply Chain
Moderate		Moderate	Moderate
Price (CA\$/t)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
CA\$1,086	CA\$1,096	↑ 2.5%	↑ 1%

Price change comparison against Q4 2021



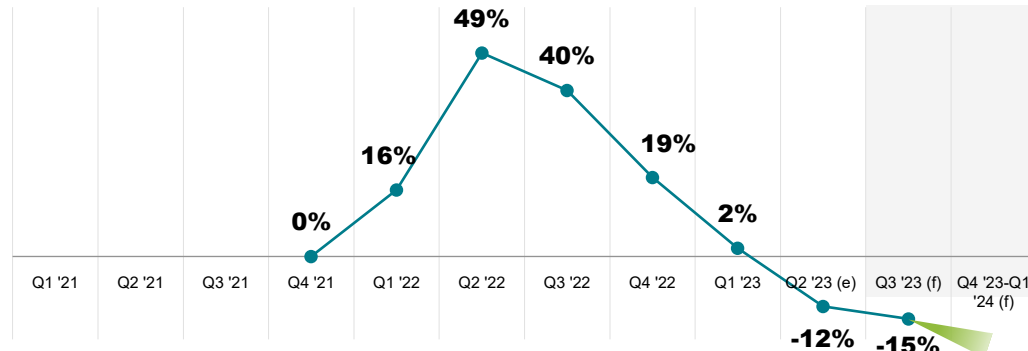
- Asphalt prices edged up again in Q2 2023, after having dropped back sharply in the preceding two quarters. Prices rose by 2.5% QoQ, and although down from the Q3 2022 highs, prices in Q2 2023 were still 31% above the Q4 2021 levels
- Road infrastructure spending is picking up, which is likely to keep upward pressure on prices



## Diesel

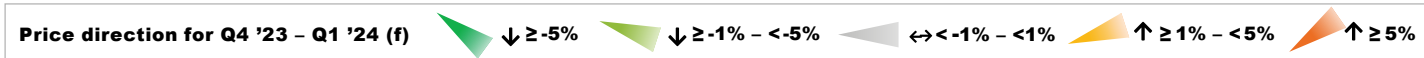
Level of Impact			
Price Change (e) vs (f)		Material Availability	General State of Supply Chain
Low		Moderate	Moderate
Price (CA\$/gallon)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
CA\$6.12	CA\$5.90	↓ -13.8%	↓ -3.6%

Price change comparison against Q4 2021



- Diesel prices have continued to fall sharply from the highs of Q2 2022, when high oil prices and supply disruptions drove prices upwards. Prices dropped by 13.8% QoQ in Q2 2023
- Prices will continue on a downward trend in the short term, but OPEC+ production cuts could generate some volatility in crude oil prices

OPEC - Organization of the Petroleum Exporting Countries





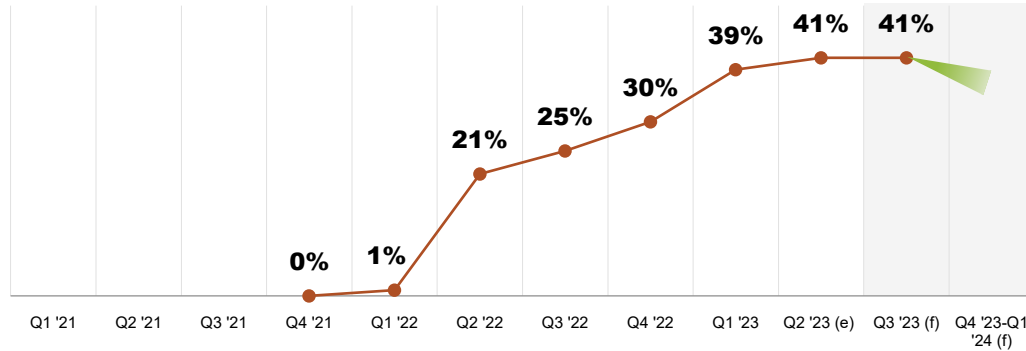
# Canada – Construction Materials Price Trends



## Bricks

Level of Impact			
Price Change (e) vs (f)		Material Availability	General State of Supply Chain
o o o o Moderate		o o o o Moderate	o o o o Moderate
Price (CA\$/'000 unit)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
CA\$718	CA\$716	↑ 1.9%	↓ -0.4%

Price change comparison against Q4 2021



- Despite the recent weakness in buildings construction activity, brick prices have stayed high
- Owing to high production costs, prices in Q2 2023 were 41% higher than in Q4 2021.
- However, such pricing power will be limited in the coming quarters given the weak buildings construction outlook

Level of impact rating reflects a combination of factors: price change (compared to recent past beyond the last quarter), the importance of the material, and general state of the supply chain in terms of stability.

Level of Impact					
Price Change Estimate (e) vs Forecast (f)		Material Availability		General State of Supply Chain	
Range	Impact	State	Impact	State	Impact
≥5%	o o o o High	Deficit	o o o o High	Stressed	o o o o High
≥1% – <5%	o o o o Moderate	Balanced	o o o o Moderate	Adequate	o o o o Moderate
<1%	o o o o Low	Surplus	o o o o Low	Easily Available	o o o o Low

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

QoQ Quarter on Quarter  
 YoY Year on Year  
 MoM Month on Month  
 GDP Gross Domestic Product  
 CPI Consumer Price Index (wherever not specified)  
 e estimated  
 f forecasted  
 EV Electric Vehicles  
 DC Data Centre



# Canada – Industry trends

## Sector trends



### Data Centers

Over the past years, the Data Center sector in Canada has experienced remarkable growth, driven by increasing demand for cloud computing, IoT favorable climatic conditions, and a low risk profile. Toronto and Montreal serve as key data center locations in the country. Currently, there are numerous data center projects in the pipeline, totaling a value of over US\$7.4bn, with a significant concentration in the Ontario and Quebec regions.



### Life Sciences

Canada's life sciences sector is renowned for research excellence, pioneering life-saving treatments, and houses top-notch universities and hospitals, making it a key location in the field. Recently, the Canadian government unveiled a CA\$50mn investment in six venture capital funds dedicated to the life sciences sector as part of the renewed Venture Capital Catalyst Initiative (VCCI). The three largest markets for life sciences in Canada are Toronto-Golden Horseshoe, Montréal, and Vancouver.



### High-tech Industrial

Despite economic challenges, the industrial construction sector has shown positive trends in investments and building permits since the start of 2023. It is projected to achieve a growth rate of 15.5% in 2023. The sector's output will be bolstered by investments in Electric Vehicle (EV) markets and the government's ambition to establish the country as an industrial hub.

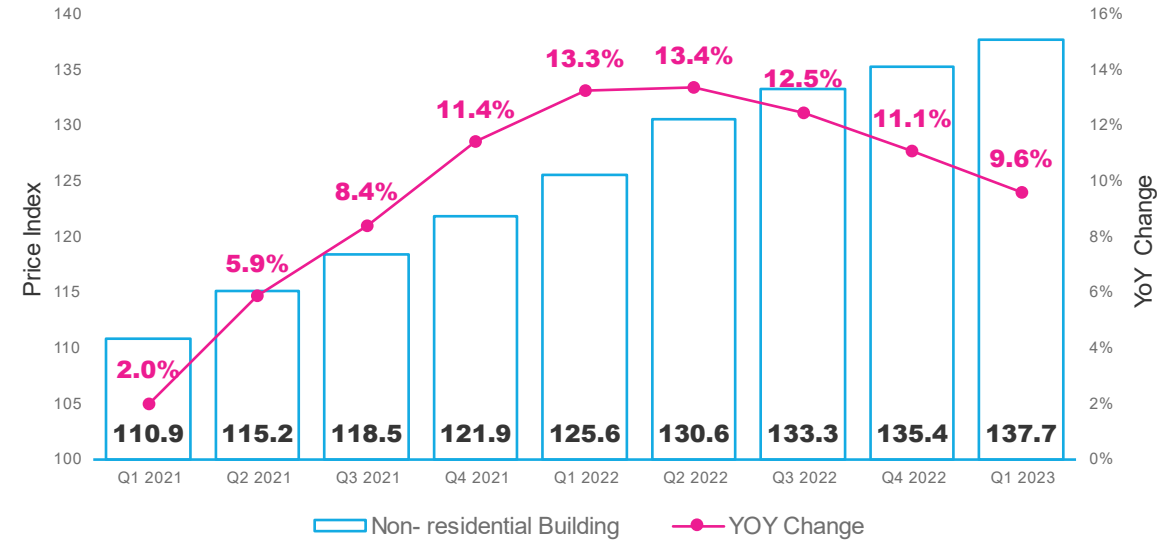


### Renewable Energy

Canada is an established leader in the renewable energy market, benefiting from abundant natural resources that offer significant potential. In 2022, the wind, solar, and energy storage sector experienced substantial growth, expanding by 10.5%. Canada aims for net zero emissions by 2050. The 2023 Budget introduces a 15% refundable Clean Electricity Investment Tax Credit, amounting to CA\$6.3 bn over four years, to support clean electricity technologies.



## Building Construction Price Index for Non-Residential Building



# Canada – Report methodology



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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.

## 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 Canada, sources for this report include, but are not limited to:

- IMF
- Govt of Canada
- Bank of Canada
- Statistics Canada
- Oxford Economics
- GlobalData's Construction Intelligence Center (CIC)
- Economic Research Institute
- Canada.ca

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