



# Canada

## Country Insights and Commodity Report

**Q1 2023** A series of white icons representing various aspects of industry and commerce: a factory, a warehouse, a construction crane, a gear, a group of people, a network of nodes, and a percentage sign.



# Canada

## Q1 2023

The Canadian economy grew by 3.4% in 2022 and is expected to experience a more modest growth rate of 1.4% in 2023. However, the Bank of Canada has provided a recent update indicating that the GDP growth in Q1 2023 is stronger than previously projected in January. Inflation is expected to decrease in the near term, with the Bank of Canada anticipating a decline to around 3% by the middle of this year due to lower energy prices, improved supply chain conditions, and tighter monetary policy.

The Canadian construction industry is expected to contract by 0.9% in 2023, because of a drop in residential output coupled with elevated construction cost and a shortage of skilled labor. While supply chain pressures are easing out, the lead time for certain goods and equipment, such as doors and electrical hardware, remains very long. On a positive note, Canada's industrial construction sector is expected to remain robust, with a forecasted growth of 14.9% in 2023, supported by increased investment and permits for industrial construction, as well as the government's efforts to establish Canada as an industrial hub. The life sciences sector is also expected to grow because of investor interest and government policy support.



**John Fitzgerald**  
Vice President  
john.fitzgerald@linesight.com



**Eoin Byrne**  
Vice President  
eoin.byrne@linesight.com



**Dawn Cantrell**  
Vice President  
dawn.cantrell@linesight.com



### Lumber

The outlook for the housebuilding sector is gloomy, with high interest rates and falling building permits indicating a decline in construction works in the coming quarters. This will limit demand growth for lumber, prices for which have continued to drop in recent months from the highs reached in the first half of last year.



### Cement and aggregates

Higher energy costs have been a key factor in the recent upward trend in cement and aggregates prices. Over the medium term, higher costs due to increased environmental regulations on production will contribute to further upward pressure on prices.



### Concrete blocks and bricks

Despite weak demand in the buildings construction sector, brick manufacturers have been passing on higher production costs to buyers. However, such pricing power will be limited in the coming quarters given the weak buildings construction outlook. The value of residential building permits, for example, dropped by 12% in 2022.



### Steel (rebar and structural)

Steel prices rose in the first few months of 2023, having trended downwards in the second half of last year. In addition to improved demand as civil engineering works have picked up, prices rose on the back of higher input costs, lower import volumes and reports of domestic mill production delays. However, with supply improving, prices are set to fall from recent highs posted in late March.



### Copper

A combination of improved demand, following China's relaxation of COVID policies and supply pressures stemming from unrest in Chile and Peru, drove up copper prices in Q1 2023. Demand over the medium to long term will be supported by the Net Zero agenda and the energy transition, especially in the US and the EU.

# Canada – Commodity Report



Materials	Q2 2023 (f)	Q2 2022 – Q2 2023 (f)		Q4 2022 – Q1 2023 (e)
	CAS	CAS	2022-23 % change	% change
<b>Copper</b> (CA\$/T)	11,105	11,015	0.8% ↑	12.1% ↑ ●
<b>Steel rebar</b> (CA\$/T)	866	946	-8.4% ↓	7.0% ↑ ●
<b>Steel flat</b> (CA\$/T)	2,093	2,464	-15.1% ↓	-7.7% ↓ ●
<b>Stainless steel</b> (CA\$/T)	6,561	NA	NA	-0.3% ↓ ■
<b>Lumber</b> (CA\$/cu.ft.)	45.5	82	-44.7% ↓	-10.5% ↓ ●
<b>Asphalt</b> (CA\$/T)	1,070	1,144	-6.5% ↓	-3.0% ↓ ●
<b>Limestone</b> (CA\$/T)	37.2	35.4	5.2% ↑	4.5% ↑ ●
<b>Cement</b> (CA\$/T)	281	237	18.5% ↑	8.3% ↑ ●
<b>Concrete</b> (CA\$/CY)	204	176	15.7% ↑	6.4% ↑ ●
<b>Welded mesh</b> (CA\$/unit)	234	255	-8.3% ↓	7.0% ↑ ●
<b>Bricks</b> (CA\$/'000 unit)	689	613	12.4% ↑	4.1% ↑ ●
<b>Drywall</b> (CA\$/unit)	18.4	17.7	4.1% ↑	-0.7% ↓ ●
<b>Diesel</b> (CA\$/gallon)	6.3	10.4	-39.3% ↓	-14.1% ↓ ●

(f) Forecast (e) Estimated

- Q4 2022 to Q1 2023 % change greater than estimation in our Q4 2022 report
- Q4 2022 to Q1 2023 % change less than estimation in our Q4 2022 report

Welded mesh: 47.2 x 118.1 in, dia.-0.24 in Drywall: 47.2 x 96.1 x 0.5 in (L x W x T)

Material	% change Q1 – Q2 2023 (f)	Level of impact of pricing on construction procurement and supply chain *
 <b>Copper</b>	+0.5% ↑	 Moderate
 <b>Steel prices</b> - Steel rebar - Flat steel	-0.7% ↓ +2.1% ↑	 Moderate
 <b>Stainless Steel</b>	+0.6% ↑	 Low
 <b>Lumber</b>	+0.1% ↑	 High
 <b>Asphalt</b>	+1.0% ↑	 Moderate
 <b>Limestone</b>	+0.7% ↑	 Low

**Copper**  
Copper prices jumped in January, by around 8% compared to the average level in December, but prices have eased back since then. The elevated level reflects the impact of the re-opening of China's economy and continued momentum behind the energy transition. However, prices will be volatile in the coming quarters, given the potential for disruption on the supply side and ongoing uncertainty over the outlook for the global economy.

**Steel prices**  
After dropping steadily through to late last year, steel prices picked up in the first few months of 2023, reflecting higher production costs and efforts by steel manufacturers to maintain margins. Rebar prices in March were up by 6.8% compared to the December average, and hot rolled plate prices in early April were at their highest level since November last year. Although flat steel prices are likely to drop from these April highs, on a quarterly average basis they will still be relatively high when compared to the Q1 2023 average.

**Stainless Steel**  
Recent trends in stainless steel prices reflect upward price pressure from key inputs being offset by weakness on the demand side. This will continue to be the case in the coming quarters.

**Lumber**  
Lumber prices continued on a steep downward trend in early 2023, dropping in January to a level that was around 58% lower than the highs of March 2022. Prices have started to edge up again, but given the gloomy outlook for the residential market domestically and in the US, lumber prices are expected to remain around the current low levels.

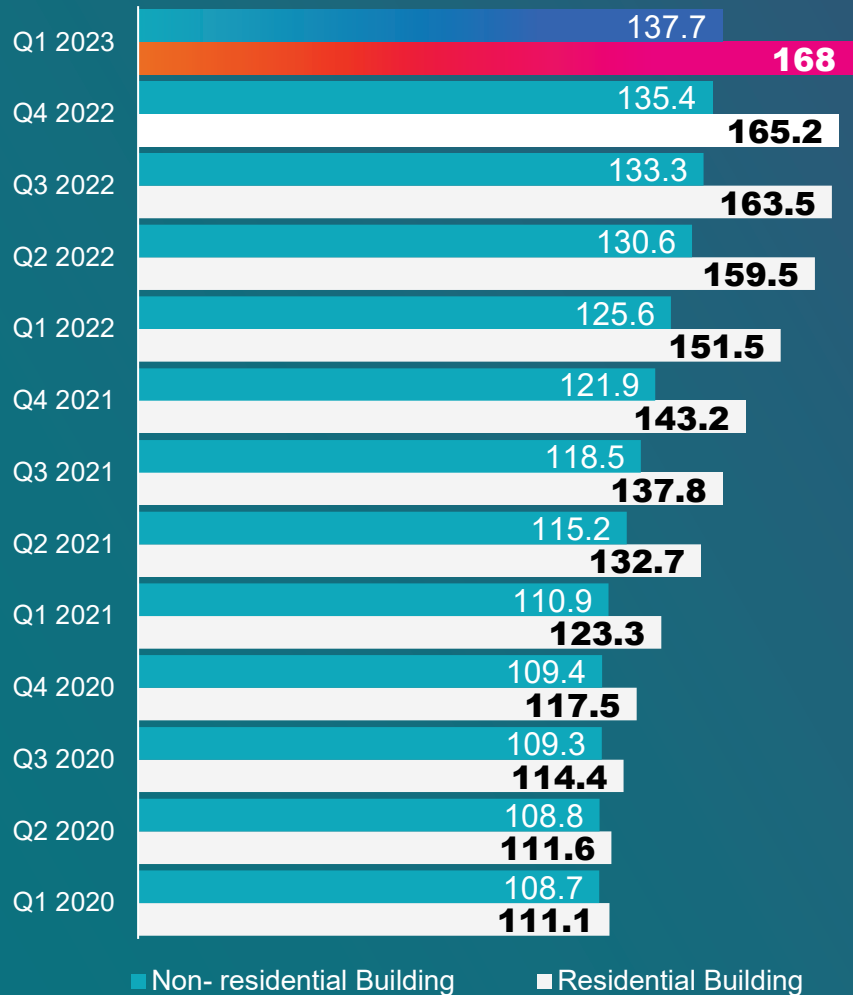
**Asphalt**  
Asphalt prices dropped sharply in Q4 2022 and remained low on a quarterly average basis in Q1 2023. However, prices picked up in March, and with crude oil prices facing upward pressure following OPEC+'s production cuts, prices will rise in Q2 2023, then remain relatively high given the prospect of an expansion in road infrastructure spending.







**Limestone**  
Limestone prices edged up in Q1 2023, and will remain fairly stable in the coming quarters. There has been an improvement in mining for limestone and primary aggregates, which will support steady supply.

# Canada – Commodity Report



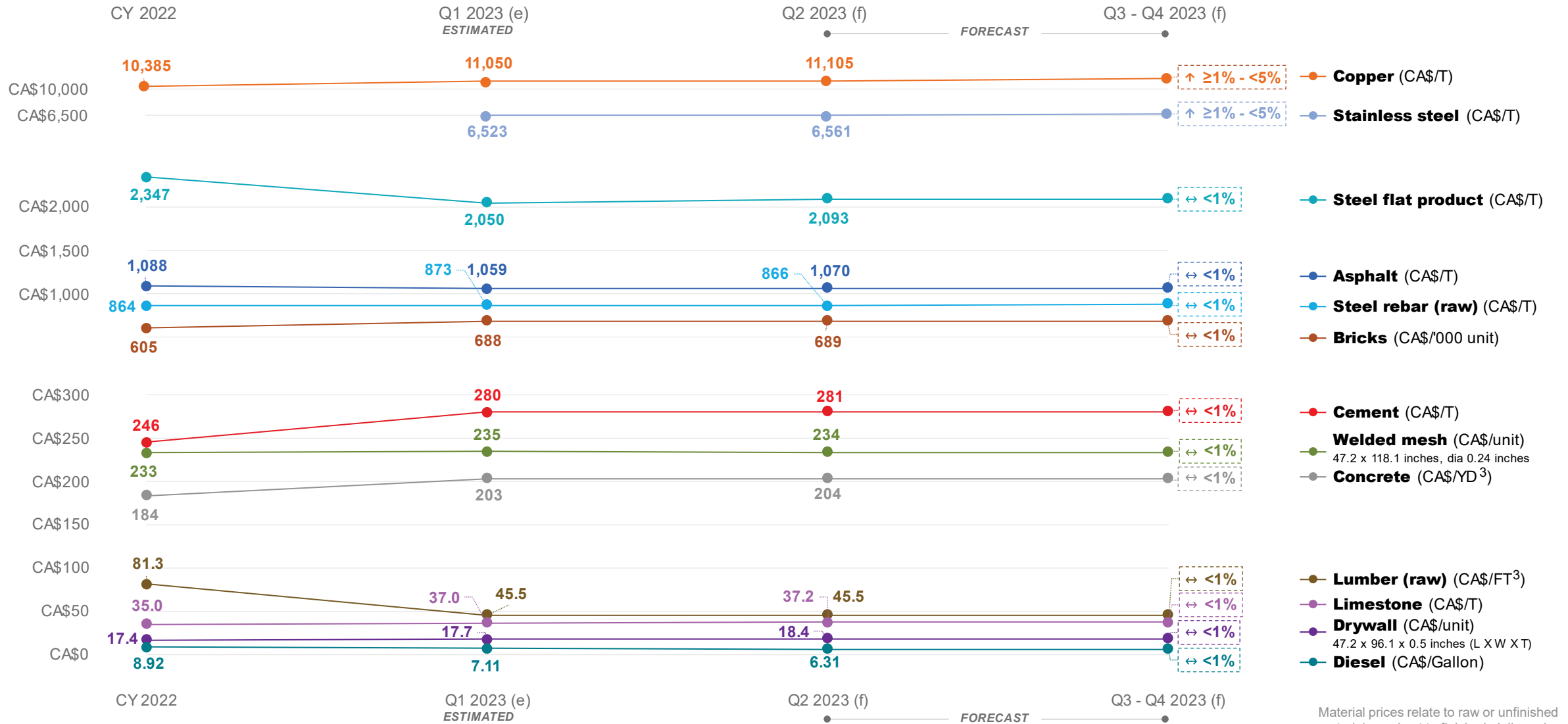
## Building Cost Index (2016-2023) (2017=100)



Material	% change Q1 – Q2 2023 (f)	Level of impact of pricing on construction procurement and supply chain *
 <b>Cement Concrete</b>	+0.2% ↑ +0.2% ↑	 Moderate After stabilizing in Q4 last year, cement and concrete prices came under renewed upward pressure in the first few months of 2023. On an average quarterly basis, cement prices in Q1 2023 jumped by 8% compared to Q4 2022, owing to higher production costs, including coking coal price increases.
 <b>Welded mesh</b>	-0.3% ↓	 Moderate Overall demand for welded mesh will ease, but production and logistical costs will remain elevated.
 <b>Bricks</b>	+0.1% ↑	 Moderate Higher production costs have driven up brick prices, as manufacturers have pushed up prices to maintain margins. In Q1 2023 prices were up by 4.1% on a quarterly average basis compared to Q4 last year. Demand will be sluggish in the coming quarters, with buildings construction work in decline, which will contain further rises in brick prices.
 <b>Drywall</b>	+4.2% ↑	 Low Drywall prices were fairly stable in early 2023, but there is underlying upward pressure owing to high costs, with producer prices for lime and gypsum products picking up in recent months. However, demand is weak in the residential sector, which could make it difficult to pass on higher costs to buyers.
 <b>Diesel</b>	-11.3% ↓	 High Diesel prices have continued on a downward trend, dropping below CA\$7 per gallon in March for the first time since February last year. With crude oil prices picking up after OPEC+'s production cuts in March, further drops in diesel prices will be contained.

\* 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.

# Canada – Construction Materials Pricing (2022-2023)



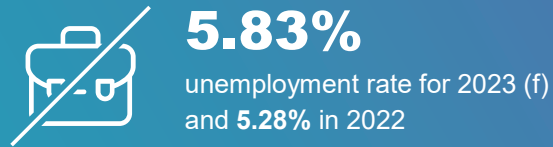
Material prices relate to raw or unfinished materials, and not to finished, delivered and erected on-site prices.



# Canada – Macroeconomic overview

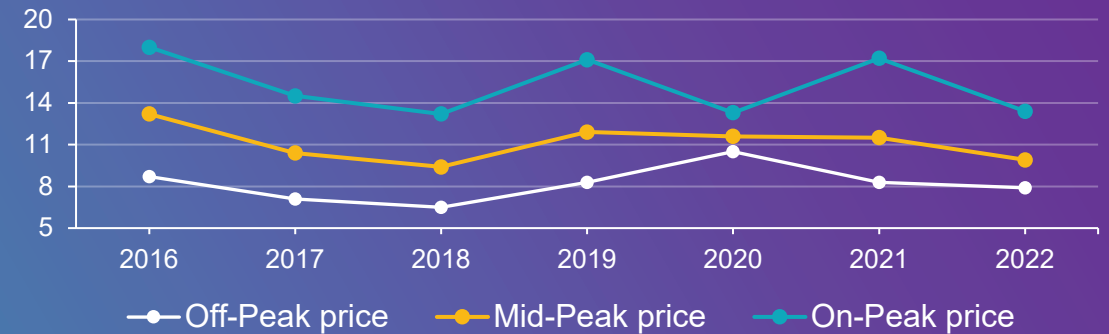


## Economic indicators



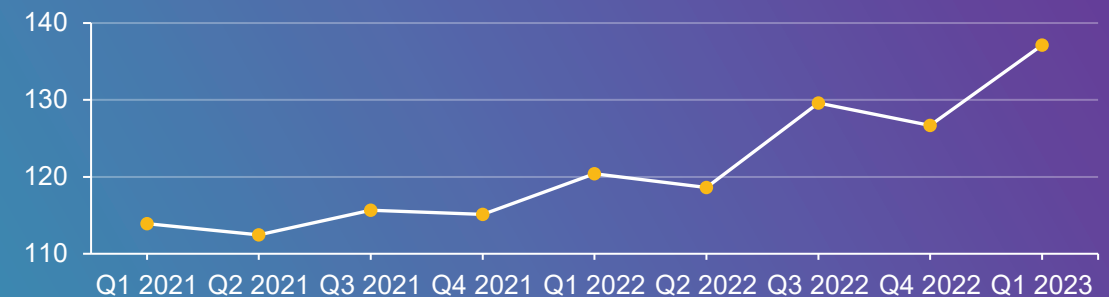
## Canada Energy Prices

Average Energy Price (Canadian cents/kWh)









Note: The above graph is for time-of-use electricity rates (yearly average- based on monthly data in the respective year) as published by Ontario Energy Board. These rates applies to residential consumers, small business and farms

Indexed quarterly average electric power selling price (2014=100)



# Canada – Construction overview



Output 2022 and 2023 (in CAD millions)			
	Total 2022	Total 2023 (f)	Total 2024 (f)
Commercial 	30,858	30,813	32,395
Energy and utilities 	99,636	100,231	102,413
Industrial 	19,534	22,449	23,731
Infrastructure 	30,175	30,384	31,260
Institutional 	22,355	22,913	23,442
Residential 	180,617	173,118	169,902

\*The output is in real terms at constant prices with 2017 as base year

## Long lead equipment (LLE) - Supply Chain Overview

2022 was a turbulent year for the global supply chain with the fallout from the global pandemic combined with the emergence of the Russia-Ukraine conflict, leading to supply chain disruptions across the globe. However, 2023 is showing signs of relief in the market for long lead equipment (LLE). The following are the specifics of the LLE supply chain dynamic:

- Demand:** Demand for LLE has remained exceptionally high across all regions and industry sectors. Organizations have moved to expand their supply chain portfolios and include secondary and tertiary suppliers, whilst most are continuing to invest in inventory management systems to prevent any supply chain disruptions. There is no sign of reduced demand, so the constraints to the supply chain will continue for the remainder of 2023.
- Supply:** The stock levels of raw materials have finally started to stabilize, alleviating some recent pressures on manufacturers and suppliers. However, it is worth noting that most LLE suppliers have reported being at operational capacity, with order books full up to Q3 2024, which may cause some concern for those relying on their products. Nevertheless, there is some hope as Tier 2 and Tier 3 supply chains have started to increase their capacity and support the larger demand within the market, which may help to mitigate any negative impact of capacity restrictions.
- Freight durations and costs:** Freight durations have begun to shorten in early 2023 as the global infrastructure and operations have developed to meet the rising demand and freight companies are shipping much faster than they did during the pandemic. Average freight costs have also reduced to align with pre-pandemic levels suggesting a return to normality within the industry. The benefits have been experienced in early 2023 and further reductions are expected throughout the rest of 2023.

# 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
- Ontario Energy Board



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