



India

Country Insights and Commodity Report

Q1 2023     

India

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The IMF forecasts 6.83% growth in the Indian economy in FY 2023, and the Ministry of Statistics' second advance estimates indicate growth of around 7%. Although there will be some moderation in growth due to global challenges and slower consumption, the IMF predicts a growth rate of 5.9 % for FY 2024. Additionally, inflation has eased, falling to 5.8% in March 2023, which is within the RBI's tolerance band.

India's construction industry is anticipated to grow by 5% in real terms in 2023, bolstered by government investments to complete significant infrastructure projects. From 2024 to 2027, the industry is projected to experience an annual growth rate of 6.3%, driven by investments and government's support in renewable energy, housing, and transport sectors. Notably, data centres, industrial and logistics, and healthcare are expected to be among the fastest-growing real estate sectors due to continued investments. However, rising construction costs and supply chain constraints are likely to remain a challenge for the industry. The construction market has been evolving and there has also been an increased focus on sustainability aspects in the construction, use of digital tools, and construction cost benchmarking.



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Lumber

Lumber prices are expected to ease in the first half of 2023. However, domestic demand for lumber is expected to remain strong, owing to India's urbanisation efforts, rebound in real estate market, and healthy outlook for building construction in the hospitality and healthcare sectors.



Cement and aggregates

Cement prices are expected to remain elevated in 2023, supported by strong demand amid increased government spending, accelerated project executions, rising real-estate and urban housing demand, and increasing private capital expenditure. The upward pressure from demand side is likely to be offset by expected reduction of GST on cement.



Concrete blocks and bricks

Brick prices are estimated to have increased in the first quarter of 2023, due to a surge in the cost of coal. Prices are expected to rise further in the coming quarters, due to a ban on use of coal at the brick-kilns in the National Capital Region (NCR), which came into effect on January 1st, 2023.



Steel (rebar and structural)

The imposition of a 15% duty on steel exports (in May 2022) resulted in an increase in supply in the domestic market, thereby leading to a decline in steel prices in India. Steel-rebar and steel-flat product prices fell by approximately 6% quarter-on-quarter in Q4 2022, but they rebounded in early 2023 owing to the removal of export duty on steel products in November 2022. Moreover, the increased capital expenditure in the recent Indian budget is expected to boost demand for steel in 2023.



Copper

Copper prices increased sharply in Q1 2023 owing to an increase in consumer and industrial demand, amid a loosening of COVID-19 restrictions in China. In India, copper prices are expected to remain relatively high in 2023, amid higher government spending on infrastructure and demand from automobile and energy sectors.

India – Commodity Report



Materials	Q2 2023 (f)	Q2 2022 – Q2 2023 (f)		Q4 2022 – Q1 2023 (e)
	INR	INR	2022-23 % change	% change
Copper (INR/MT)	810,767	849,931	-4.6% ↓	11.7% ↑ ●
Steel rebar (INR/MT)	61,717	67,500	-8.6% ↓	10.3% ↑ ●
Steel flat (INR/MT)	59,428	68,033	-12.6% ↓	4.7% ↑ ●
Stainless steel (INR/MT)	195,980	NA	NA	2.6% ↑ ●
Lumber (INR/M ³)	12,373	11,813	4.7% ↑	-4.2% ↓ ●
Asphalt (INR/MT)	62,297	59,126	5.4% ↑	7.8% ↑ ●
Limestone (INR/MT)	477	450	6.1% ↑	0.0% ↔ ■
Cement (INR/MT)	8,056	8,423	-4.4% ↓	1.5% ↑ ■
Concrete (INR/M ³)	4,606	4,400	4.7% ↑	4.4% ↑ ●
Welded mesh (INR/unit)	324	368	-11.9% ↓	9.6% ↑ ●
Bricks (INR/'000 unit)	9,548	9,257	3.1% ↑	4.0% ↑ ●
Plasterboard (INR/unit)	358	360	-0.6% ↓	0.1% ↑ ■
Diesel (INR/litre)	89.6	93.1	-3.8% ↓	0.0% ↔ ■

(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

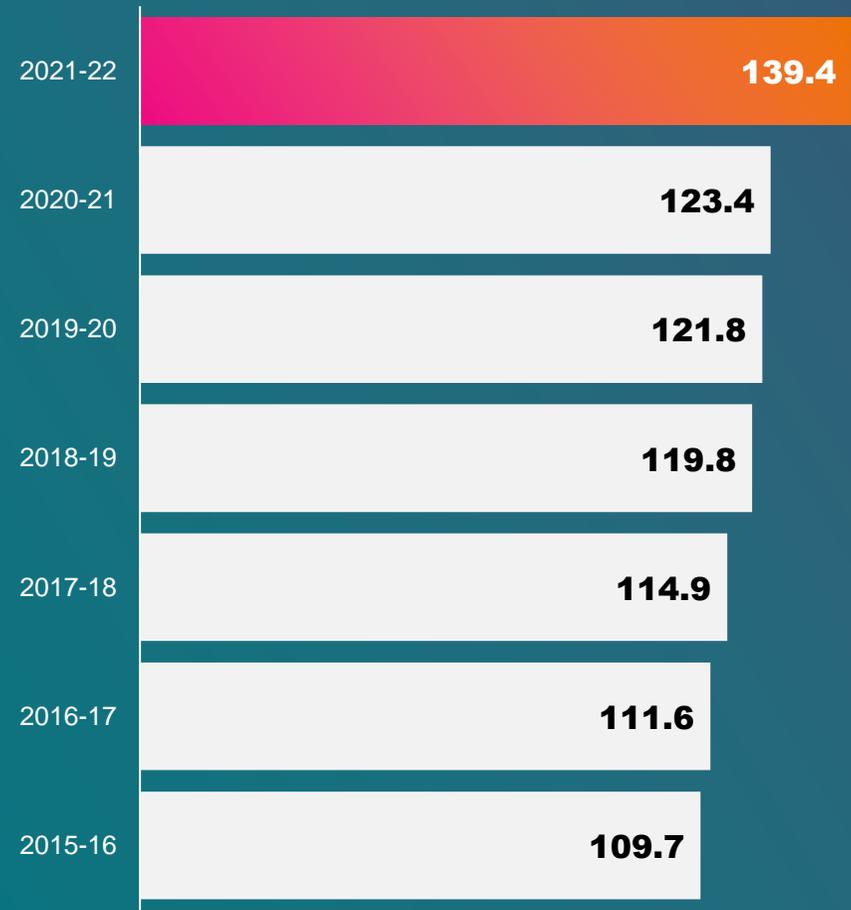
Welded mesh: 100 x 100cm, dia.-6mm Plasterboard: 120 x 180 x 1.25cm (L x W x T)

Material	% change Q1 – Q2 2023 (f)	Level of impact of pricing on construction procurement and supply chain *	
 Copper	-0.8% ↓	 High	Domestic copper prices rose in line with global prices and peaked in February, due to low inventories and rising Chinese demand. Global supply issues erupted due to protests in Peru where key mines reduced or temporarily halted production in January and February 2023. Although Peru's top mines have stabilized since early March 2023 and hope to increase output in the remaining part of the year, the potential for further bouts of instability could disrupt supplies again in the coming quarters.
 Steel prices - Steel rebar - Flat steel	+1.0% ↑ +1.0% ↑	 Moderate	Steel prices have continued to increase in recent months, owing to increases in input prices of materials such as iron ore and coking coal. Additionally, the removal of export duty on steel in November 2022 has also contributed to the increase of steel prices in India. The prices are expected to remain strong over the next quarter, owing to low inventories and strong domestic demand.
 Stainless Steel	+0.5% ↑	 Low	Stainless steel prices are expected to remain high in 2023, amid export demand from sanction hit Russian buyers coupled with strong domestic demand. India's biggest stainless-steel manufacturer, Jindal Stainless expects its exports to reach a five-year high in FY2023-24.
 Lumber	+1.0% ↑	 Low	Lumber prices are estimated to have shrunk by 4.2% quarter-on-quarter in Q1 2023, owing to easing of supply chain disruption and reduced global demand for lumber. Prices are expected to remain stable in 2023, supported by demand from key construction sectors, notably residential and commercial buildings.
 Asphalt	+1.0% ↑	 Low	Bitumen prices remain at an elevated level. Prices are expected to remain high in the next few quarters, as demand for the commodity will be supported by an infrastructure push by the government. Moreover, demand for bitumen is likely to outpace supply this year, despite steady domestic production and imports.
 Limestone	+0.5% ↑	 Low	Although limestone prices have remained relatively unchanged in the past quarter, owing to stable supply and demand, prices are expected to continue at an elevated level owing to high production costs.

India – Commodity Report



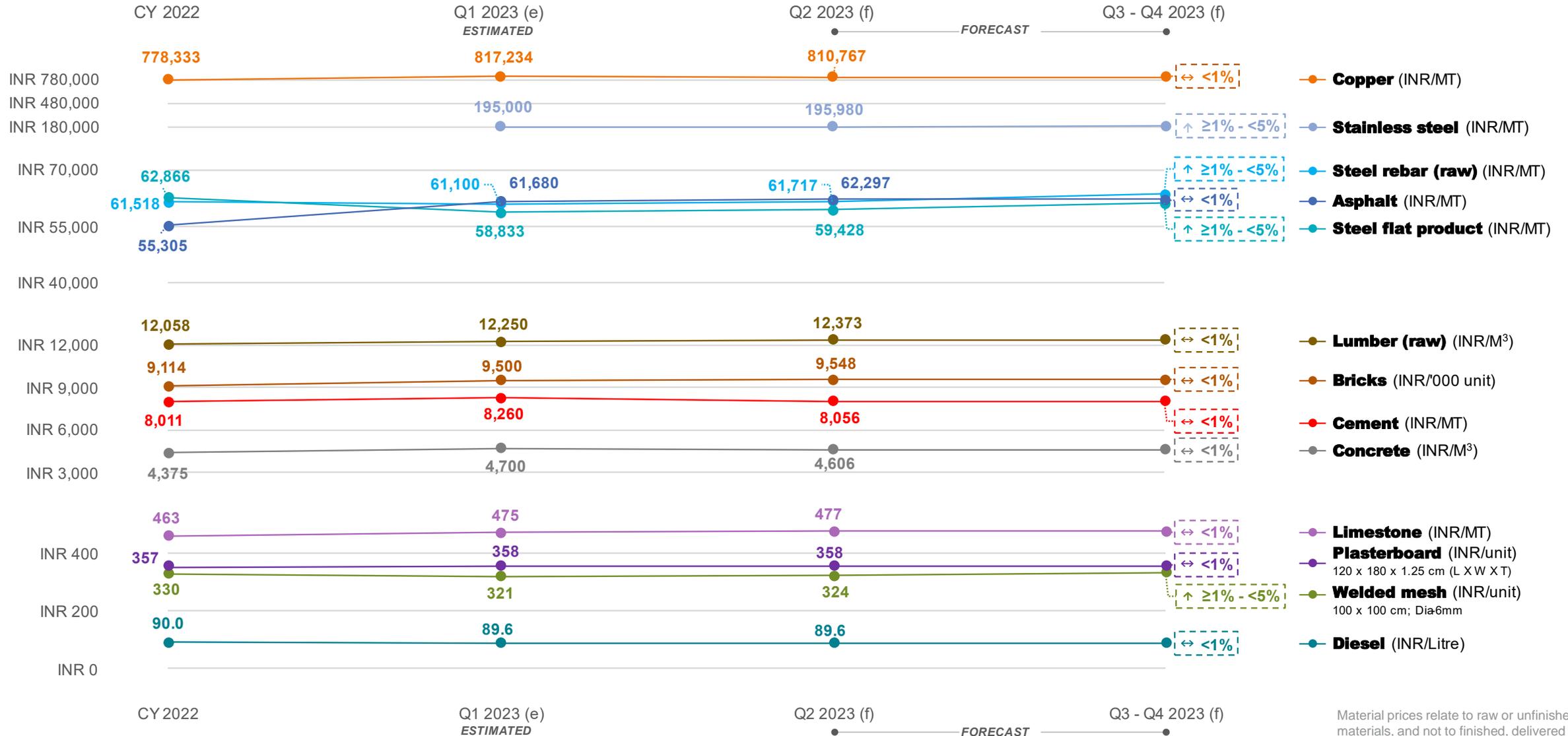
India - Wholesale Price Index FY 2015-2022 (2007=100)



Material	% change Q1 – Q2 2023 (f)	Level of impact of pricing on construction procurement and supply chain *
 Cement Concrete	-2.5% ↓ -2.0% ↓	 High Cement prices rose in January 2023, owing to factors such as a seasonal uptick in demand, and shortage due to closure of some plants in Himachal Pradesh, amid truckers' strike over freight charges. Prices have however declined albeit marginally in February and March 2023, due to discounts, incentives, and price cuts offered by manufacturers, to meet their financial year-end volume targets. Government planning to reduce the GST on cement from 28% to 18%, as part of the updated tax scheme is expected to lead to a reduction in cement prices in the coming quarters.
 Welded mesh	+1.0% ↑	 Moderate The prices for welded mesh increased in Q1 2023, on account of hike in steel rebar prices. Furthermore, the industry is expected to witness price fluctuations, owing to varied prices of steel rebar across the regions.
 Bricks	+0.5% ↑	 Low Brick prices are expected to rise marginally in the coming months, due to factors such as increasing coal rates – which is one of the primary raw materials for bricks. Businesses are likely to shut down their kilns temporarily if coal rates are not reduced. This could further impact output of bricks and put upward pressure on brick prices.
 Plasterboard	0.0% ↔	 Low Plasterboard prices are expected to remain relatively stable in the coming quarters, with demand remaining strong.
 Diesel	0.0% ↔	 Low Diesel prices in India have remained stable since May 2022. The price of diesel is expected to remain unchanged in the coming months, despite global decline in crude oil price, as oil marketing companies (OMCs) have to recover accumulated losses of INR180 billion (\$2.2 billion) that have been incurred due to high crude 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.

India – Construction Materials Pricing (2022-2023)



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

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India – Macroeconomic overview



Economic indicators



5.89%

GDP growth in FY 2024 (f)
and **6.83%** in FY 2023 (e)



4.95%

inflation rate in 2023 (f)
and **6.67%** for 2022



410.20

people employed in 2022
and **406.00** in 2023



7.80%

unemployment rate for Mar 2023
and **7.60%** in 2022



177.20

Consumer Price Index (general) in
Mar 2023 (p) and **167.7** in 2022



150.90

Wholesale Price Index in March
2023 and **148.90** in Mar 2022

National holidays



17 public holidays

in India each year

India – Construction overview



Output 2022 and 2023 (in INR millions)			
	Total 2022	Total 2023 (f)	Total 2024 (f)
Commercial 	2,827,450	2,943,604	3,088,132
Energy and utilities 	11,547,018	12,165,699	13,061,052
Industrial 	3,127,772	3,264,263	3,483,287
Infrastructure 	9,987,885	10,602,596	11,332,416
Institutional 	1,453,144	1,503,780	1,577,993
Residential 	12,081,669	12,610,352	13,428,314

*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 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.

Construction Health and Safety practices and culture



40% fatalities due to falls
8% stuck by objects fatalities
8.5% fatalities by electrocution*

* Based on Studies on Labour Safety in Construction Sites Volume 2015 | Article ID 590810



165 per 1,000 workers
accident rate*

* Based on A study on construction jobsite safety management, *International Journal of Innovative Research in Science, Engineering and Technology*, vol. 3

India – 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 – India

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

- World Bank
- Reserve Bank of India
- Ministry of Statistics and Programme Implementation (MoSPI)
- ILO
- Construction Industry Development Council (CIDC)
- GlobalData's Construction Intelligence Center (CIC)
- Economic Research Institute
- Public Holidays
- Statista
- Centre for Monitoring Indian Economy Pvt. Ltd.
- Office of Economic Advisor

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