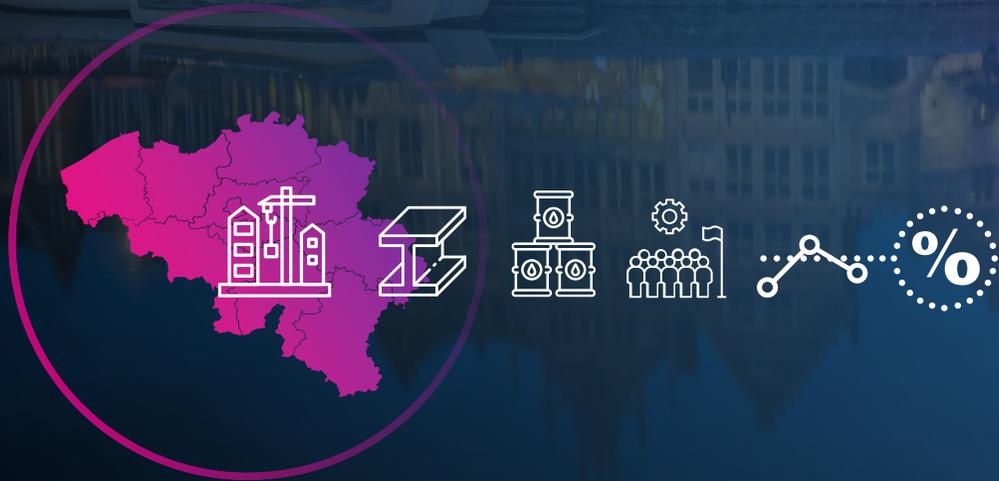




Belgium Country Insights and Commodity Report Q3 2022



Belgium

Q3 2022

Belgium is expected to record 2.37% economic growth for the full 2022-year, with more moderate expansion of 0.93% expected next year, as it grapples with the current macroeconomic factors weighing on many economies around the world. Inflation has soared this year and hit its highest level in 50 years in September – 11.27% year-on-year. For the full 2022-year, inflation of 9.16% is expected, while some stabilisation is anticipated in 2023, with 3.11% forecast. Eurostat announced earlier this year that Belgium has the highest energy inflation rate in Europe.

Following its rebound in 2021, growth momentum is slowing in the construction industry this year, and is expected to come in at around 2%, as energy prices and supply chain disruption weigh on output. High interest rates will impact project feasibility, and elevated costs for both materials and labour will also hamper industry performance. However, it is expected that market correction and stabilisation is coming.



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Lumber

Lumber accounts for around a 2% share of total construction production value in Belgium, which is amongst the highest in Europe. Due to the competitive nature of global lumber markets, the price is likely to be volatile over the medium term, owing to economic uncertainty and declining housing demand, as a result of rising interest rates. Demand for lumber in Belgium will remain high over the long term, owing to the growing popularity of wood as a construction material. Moreover, the usage of wood in construction is expected to aid the country's push for carbon neutrality by 2050.



Cement and aggregates

Demand for cement is likely to weaken over the coming quarters due to slowing economic growth, which will impact on construction activity. Rising interest rates coupled with high real estate prices will dampen demand for new housing in the short term, while weak investor confidence will impact the level of private investment in the industry. However, cement and concrete producers are also likely to face elevated costs over the coming quarters owing to high energy costs, which is likely to keep prices elevated despite the fall in demand.



Concrete blocks and bricks

Despite slowing activity in the construction industry expected over the coming quarters, prices for bricks and concrete blocks are likely to remain elevated due to high production and transportation costs. Brick prices have been on an upward trend since the start of 2022, due to rising production costs, coupled with rising demand amid the

recovery in buildings construction. The decline in demand owing to slowing economic growth is expected to limit further upward pressure on prices. However, due to the smaller and more localised nature of brick markets, the normalisation of prices is expected to be slower than other construction materials.



Steel (rebar and structural)

Although steel prices have fallen from recent highs, the market is expected to remain volatile over the medium term owing to downward pressure from the demand-side due to weakening economic growth, coupled with upward pressure from the supply side, stemming from supply disruptions and elevated energy costs. However, Belgium's position as a net exporter of steel will help to limit the exposure of domestic prices to large fluctuations in global pricing and reduce the risk of domestic shortages. Steel demand is expected to remain relatively high over the longer term, owing in part to the government's commitment to greater infrastructure investment.



Copper

Global copper prices are likely to remain volatile, reflecting in part the shifting pattern of consumption in China and fears of a recession hitting advanced economies, amid high energy costs and rising interest rates. Despite supply-side challenges stemming from elevated energy costs and supply disruptions feeding into the cost of producing copper, demand is likely to remain subdued over the coming quarters, which will keep prices relatively low in the short term. Over the long term, global demand for copper will be strong as it will be a key material used in EV production and renewable energy technology.

Belgium - Commodity Report



Materials	Q4 2022 (f)	Q4 2021 - Q4 2022 (f)		Q2 2022 - Q3 2022 (e)
	€	€	2021-22* % change	% change
Copper (€/MT)	7,801	8,672	-10.04% ↓	-13.6% ↓ ●
Steel rebar (€/MT)	1,035	861	20.25% ↑	-16.8% ↓ ●
Steel flat (€/MT)	1,152	1,124	2.52% ↑	-7.8% ↓ ●
Lumber (€/M3)	113	97	17.18% ↑	3.8% ↑ ●
Asphalt (€/MT)	77	69	11.38% ↑	-2.1% ↓ ■
Limestone (€/MT)	78	56	38.07% ↑	3.0% ↑ ●
Cement (€/MT)	225	160	40.84% ↑	10.2% ↑ ●
Concrete (€/M3)	105	70	49.45% ↑	12.6% ↑ ●
Welded mesh (€/unit (a))	32	26	23.74% ↑	-14.4% ↓ ●
Bricks (€/000 unit)	641	587	9.17% ↑	3.2% ↑ ●
Plasterboard (€/unit (b))	5	4	27.77% ↑	3.0% ↑ ●
Diesel (€/litre)	1.98	1.72	14.84% ↑	-2.1% ↓ ■

(a) 200x300cm, dia.-6mm
(b) 260x60x1.3cm (LxWxT)

● Q2 to Q3 2022 % change greater than estimation in our Q2 report
■ Q2 to Q3 2022 % change less than estimation in our Q2 report

Material	% change Q3 – Q4 2022 (f)	Level of impact of pricing on construction procurement and supply chain *	
Copper	-2.0% ↓	Low	Following the surge in copper prices in early Q2 2022, the market has weakened due to a decline in global demand amid slowing economic activity, high inflation and rising interest rates. Slower economic growth over the coming quarters will impact domestic copper demand. High energy costs feeding into the production of copper will place downward pressure on prices, which will help stabilisation in H1 2023.
Steel prices - Steel rebar - Flat steel	-2.0% ↓ -2.0% ↓	Moderate	Steel prices have been volatile this year amid mounting pressure on supply chains and the Russia-Ukraine conflict. After rising rapidly during H1, prices have retracted from highs reached in early Q2, as the market has begun to cool amid growing fears of a recession. Demand from the manufacturing and construction industries has dropped, which are anticipating a fall in output. Moreover, an increase in the supply of cheaper steel imports from Asia will exert further downward pressure on prices.
Lumber	+1.0% ↑	Moderate	The lumber market has been relatively stable in recent months due to weakening demand amid the prospect of slowing activity in the construction industry. However, prices have edged upwards marginally due to high production and transportation costs. Prices are expected to fall in early 2023 as rising interest rates begin to weigh on housing demand and homebuilding, but the growing popularity of wood as a construction material will be a factor in keeping local prices elevated over the long term.
Asphalt	-1.0% ↓	Low	Asphalt prices were exposed to upward pressure in Q2 2022, stemming from the impact of the Russia-Ukraine conflict on the crude oil market. More recently, crude oil prices have stabilised and declined from highs reached in early Q2. However, the decision by OPEC+ in early October to cut oil production is likely to cause further volatility in the global crude oil market, which could force asphalt prices high in the coming quarters.
Limestone	-1.0% ↓	Low	Limestone prices are expected to stabilise over the coming quarters as weak demand in the construction industry will offset high production costs. Prices are likely to edge downward in early 2023 as producers will become less able to pass on higher costs amid low levels of construction activity.

Belgium - Commodity Report



Construction cost index 2015-2022

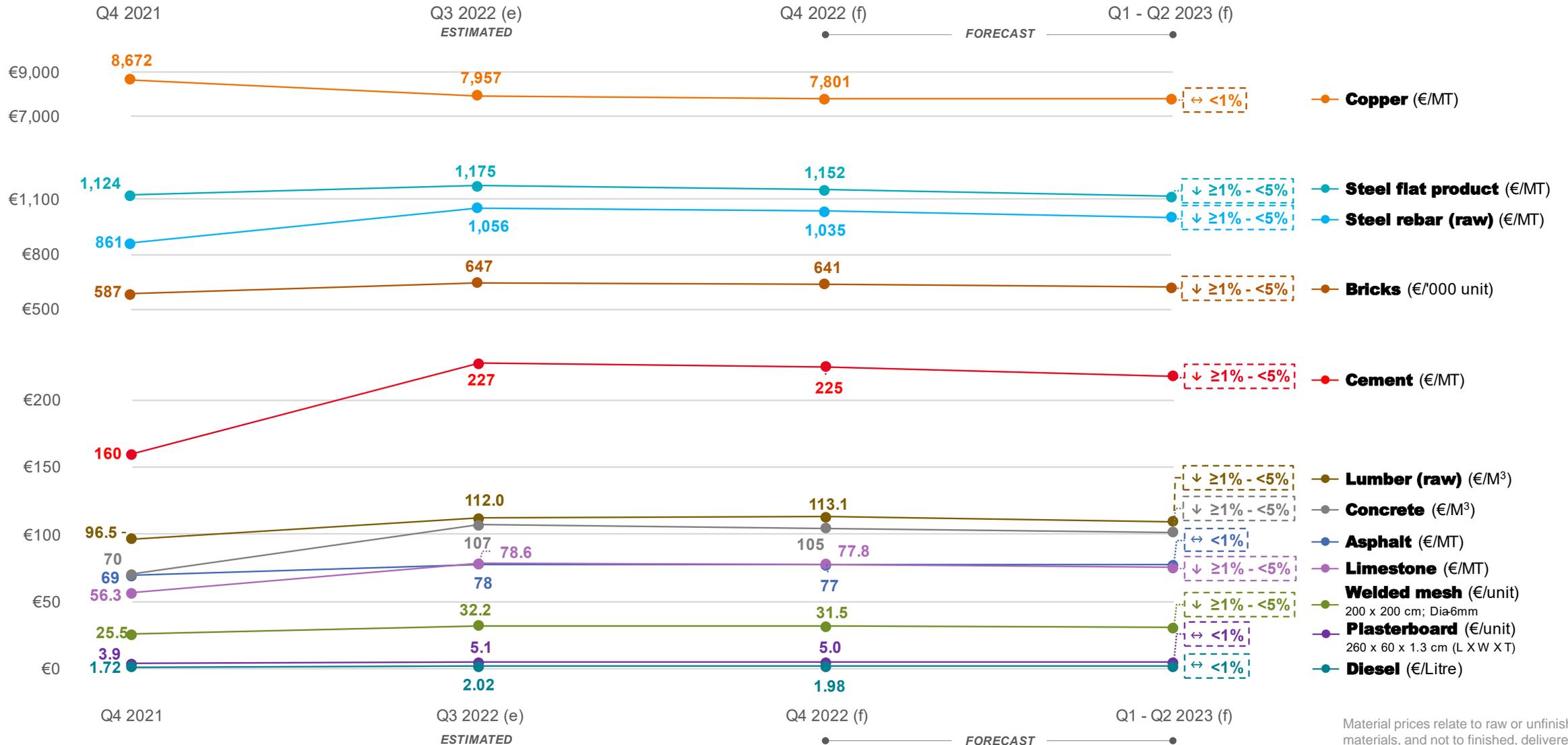


Material	% change Q3 – Q4 2022 (f)	Level of impact of pricing on construction procurement and supply chain *	
 Cement Concrete	-1.0% ↓ -2.0% ↓	Moderate	Cement prices rose sharply throughout Q2 2022 owing to the soaring cost of electricity following the onset of the Russia-Ukraine conflict. Between February and August, producer prices for cement manufacturing rose by 30%. Although prices remain elevated, further upward pressure on prices is expected to ease due to falling levels of activity in the construction industry, which will limit cement producers' ability to continue to pass on higher costs.
 Welded mesh	-2.0% ↓	Moderate	Owing to falling steel prices, the price of welded mesh is expected to fall over the coming quarters. Downward pressure on prices will be limited, however, due to the elevated production cost of steel products.
 Bricks	-1.0% ↓	Low	Surging energy costs caused brick prices to rise sharply in Q2 and Q3 2022. Although high energy costs will continue to keep prices elevated, weaker demand owing to declining levels of construction activity will contain inflationary pressures in the coming quarters.
 Plasterboard	-1.0% ↓	Low	Plasterboard prices have been edging upwards since Q1 2022. However, prices are set to stabilise over the coming quarters due to weakening demand. However, the high cost of raw materials and energy will ensure that prices remain elevated.
 Diesel	-2.1% ↓	Moderate	In line with the trend in global crude oil prices, diesel prices have fallen to the €2/litre mark after hitting a high of €2.18/litre in June 2022. However, the recent decision by OPEC+ to cut oil production could put renewed upward pressure on diesel prices in the coming quarters.

* 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.

Belgium - Construction Materials Pricing (2021-2022)



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

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.

Belgium – Macroeconomic overview



Economic indicators



2.37%

GDP growth in 2022 (f)
and **6.24%** in 2021



9.16%

inflation rate in 2022 (f)
and **2.44%** for 2021



4.71M

people employed in 2022 (f)
and **4.66M** in 2021



6.02%

unemployment rate for 2022 (f)
and **6.30%** in 2021



131.93

Consumer Price Index in
2022 (f) and **120.86** in
2021



2.6%

Producer Price Index in
August 2022 and **36.2%**
from August 2021

National holidays



10 public holidays

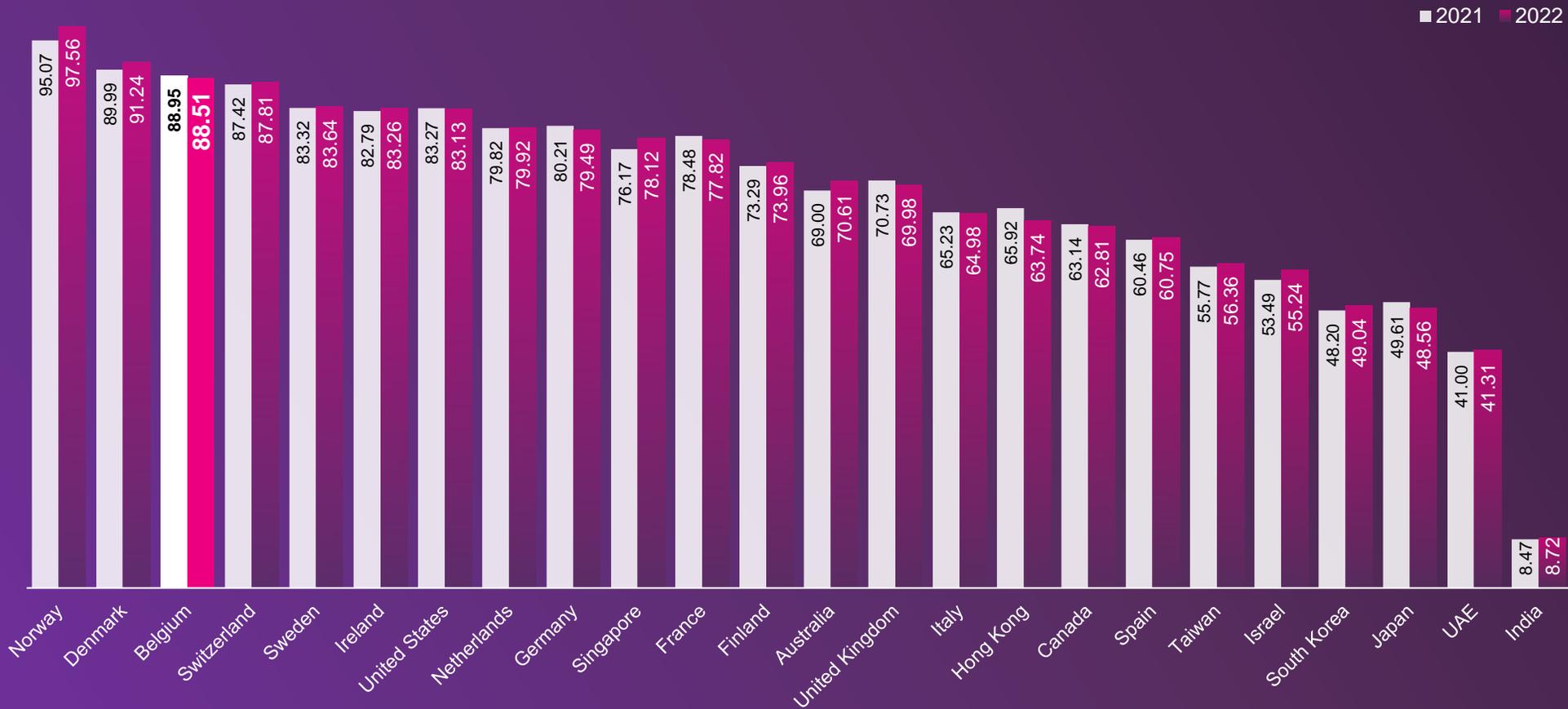
in Belgium each year.

- New Year's Day (1 January)
- Easter Monday (18 April)
- Labour Day (1 May)
- Ascension Day (26 May)
- Whit Monday (6 June)
- National Day (21 July)
- Assumption Day (15 August)
- All Saints' Day (1 Nov)
- Armistice Day (11 Nov)
- Christmas Day (25 December)

Belgium – Macroeconomic overview



Labour productivity



Labour costs



116.6pts

in Q2 2022 compared to 111.2pts in Q2 2021, and 111.7 in Q2 2020

Labour productivity per hour worked in 2021 international dollars, converted using Purchasing Power Parities

Belgium – Construction overview



Output 2021 and 2022 (in millions)			
Sector	Total 2021	Total 2022 (f)	% change
Commercial 	€14,326	€14,725	2.8%
Energy and utilities 	€7,222	€7,470	3.4%
Industrial 	€5,778	€5,912	2.3%
Infrastructure 	€19,442	€20,029	3.0%
Institutional 	€5,309	€5,456	2.8%
Residential 	€39,245	€39,551	0.8%

Long-lead equipment (LLE) and Supply Chain narrative

Long-lead equipment (LLE) lead times have changed drastically since the start of 2022. Suppliers have seen the implications of material shortages, delays and price hikes throughout the supply chain, which is leading to extended lead times and reduced commitment from suppliers for new projects. The key areas in focus are:

- Demand:** The demand for long-lead equipment in the data centre sector has continued to increase in Q3 2022. More data centre and crypto mining providers are joining the market, and this continued demand far outweighs the capacity of the supply chain. Entry onto the production line remains a significant challenge, with suppliers reporting fully booked capacity until Q2 2024. There has been some growth in the development of Tier 2 and Tier 3 suppliers to support this demand. However, it will take time to build an extended supply chain. There has also been no sign of a decline in demand yet in early Q4 2022.
- Material shortage:** Just as material availability started to improve, the further threat of escalation with the Russia-Ukraine conflict has cast further uncertainties of future material stocks and reserves. The supply chain has continued to seek alternative sources of raw materials, and although this has been with partial success, market lead times remain conservative.
- Freight durations and costs:** Heightened by the increase in fuel costs, and compounded by the instability of labour and container availability, freight durations have been particularly volatile in recent times. Early indications from Q4 2022 suggest some stabilization in shipping durations is returning to the market, but the associated costs remain volatile due to the global fuel crisis. As clients consider alternative solutions, it almost becomes cost prohibitive to use quicker forms of transport, such as air freight, due to these increasing fuel costs.

Belgium – 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 – Belgium

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

- IMF
- Economie
- Trading Economics
- GlobalData's Construction Intelligence Center (CIC)

Linesight

