



Linesight



Germany

Country Commodity

Report

Q2 2023



Germany

Q2 2023

The German economy remained in a contraction phase during Q1 of 2023, leading to a technical recession. While real gross domestic product (GDP) declined as expected, real gross value added (GVA) displayed an unexpected increase in the first quarter, with the biggest growth reported in the construction industry at 6.1%, attributable to the unusually mild weather.

Although there are lingering challenges, a slight uptick in GDP is anticipated for the current quarter. Energy and certain commodity prices have shown a gradual decline throughout May and June. However, elevated financing costs are impeding investments in the industry and sustaining higher construction expenses. Additionally, supply chain disruptions, especially in active sectors like Data Centres, are compounding price pressures.

There was a slight improvement in the labour market, with job vacancy rates in construction sector declining to 6.7% in Q1 2023 from 7% in Q4 2022, however it's still very high compared to the EU average of 3.7%. Overall, the construction industry is expected to contract, however continued investments in sectors such as Data Centres and semi-conductor manufacturing are bucking this trend.



Michael Riordan
Senior Director – Europe



Key Indicators

GDP

Decreased by 0.2% in Q1 2023 in YoY basis



- GDP contracted by 0.3% on a QoQ basis resulting in two consecutive negative quarters
- The construction industry and manufacturing sector in particular, witnessed the largest increase in GVA on a quarterly basis

CPI

Increased by 6.4% in June 2023 on annualised basis



- Increase of 0.3% on the previous month
- Private consumption declined on a yearly basis due to rising prices, with food prices remaining the key contributor to inflation

Construction output

Expected to shrink by 4.4% in real terms in 2023



- A high inflation rate and rising interest rates are impacting the construction industry
- It is likely to gain momentum from 2025 supported by investments in renewable energy and manufacturing sectors

Commodities Pricing Snapshot

	Price % change			Remarks
	YoY Q2 '22 - Q2 '23 (e)	QoQ Q1 - Q2 '23 (e)	QoQ Q2 (e) - Q3 '23 (f)	
 Copper	↓ -6%	↓ -5%	↓ -1%	Prices are edging downwards but likely to remain volatile in coming quarters
 Steel rebar (raw)	↓ -38%	↓ -3%	↓ -2%	Prices have continued to decline and are likely to dip further
 Cement	↑ 35%	↑ 3%	↓ -1%	Prices are still elevated, but are likely to decrease marginally
 Lumber	↑ 6%	↔ 0%	↓ -1%	Prices are elevated but edging downwards

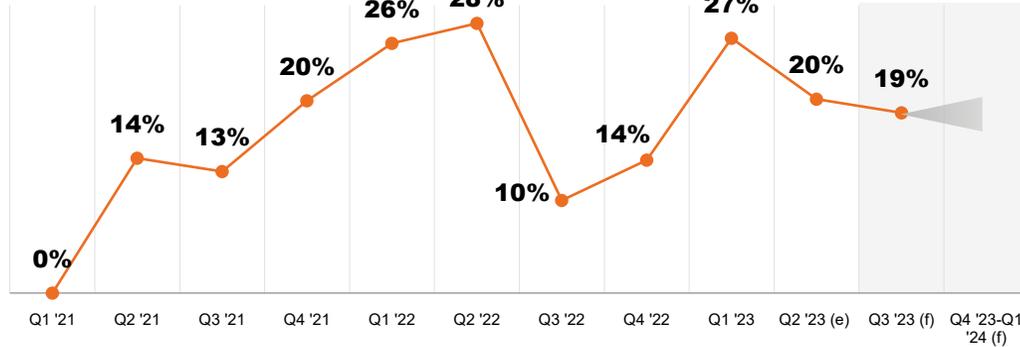
Germany – Commodity Price Trends



Copper

Level of Impact			
Price Change (e) vs (f)		Material Availability	General State of Supply Chain
●●●● Low		●●●● Moderate	●●●● Moderate
Price (€/mt)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
€8,489	€8,387	↓ -5.0%	↓ -1.2%

Price change comparison against Q1 2021



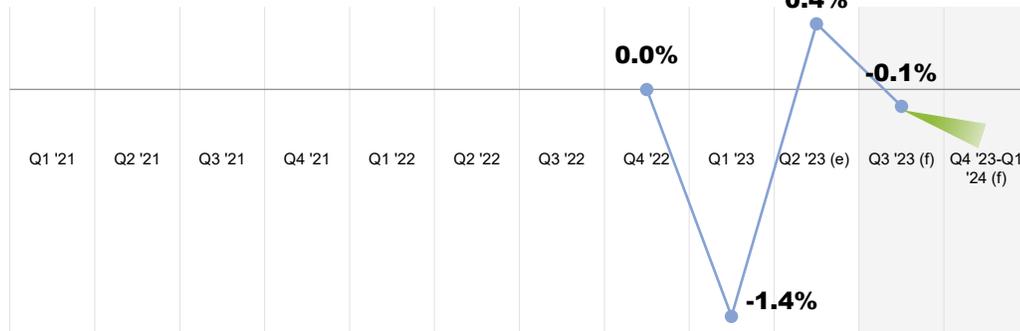
- Copper prices trended downwards on a QoQ basis in Q2 2023, falling by 5.0%
- Prices will remain volatile, due to weak global demand and rising interest rates leading to possible decreases, and yet prices may be propped up given concerns over falling inventories and strengthening demand from China



Stainless Steel

Level of Impact			
Price Change (e) vs (f)		Material Availability	General State of Supply Chain
●●●● Moderate		●●●● Low	●●●● Low
Price (€/mt)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
€3,768	€3,749	↑ 1.8%	↓ -0.5%

Price change comparison against Q4 2022



- Despite a decline in nickel prices, stainless steel prices edged up on a quarterly average basis in Q2 2023
- Producers are cutting production to rebalance supply and demand
- Prices are expected to fall steadily in the coming quarters, with weak demand and falling costs contributing to this trend

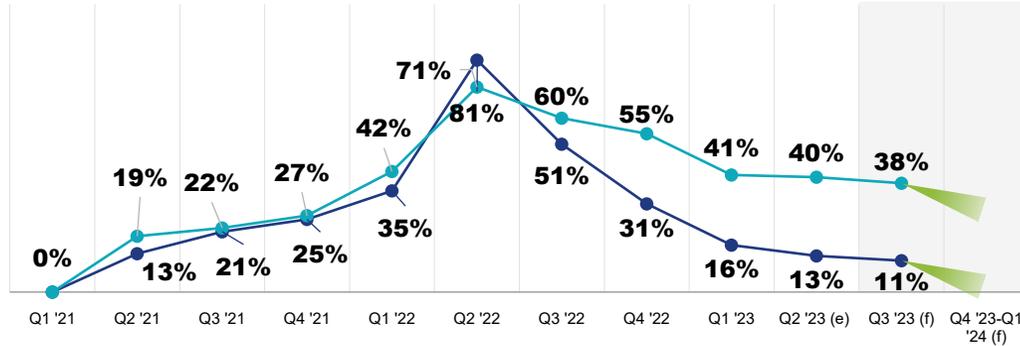
Germany – Commodity Price Trends



Steel – rebar and flat

Level of Impact			
Price Change (e) vs (f)	Material Availability	General State of Supply Chain	
●●●● Low	●●●● Moderate	●●●● Moderate	
Price		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
● Steel rebar (raw) (€/mt)			
€521	€514	↓ -3.2%	↓ -1.5%
● Steel flat product (€/mt)			
€704	€693	↓ -0.6%	↓ -1.5%

Price change comparison against Q1 2021



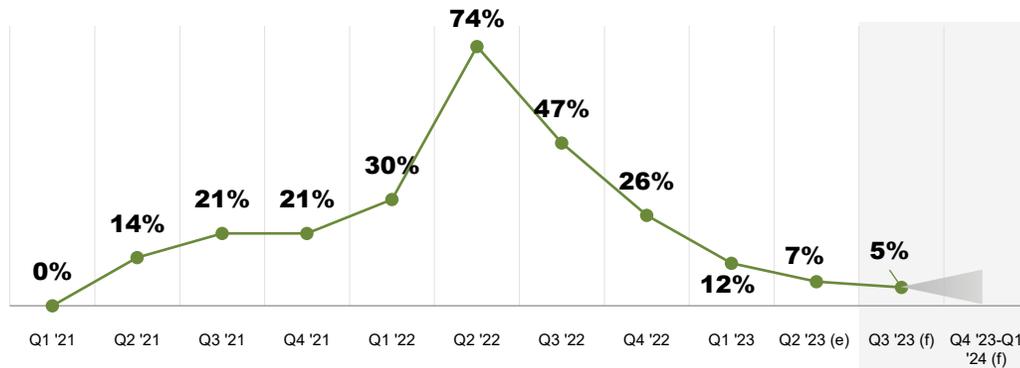
- Steel rebar prices continue to fall amid the slowdown in the construction industry
- In Q2 2023 prices dropped by 3% QoQ, and were 38% lower than in Q2 last year, and are expected to drop further, with reduced demand from the Residential sector
- Steel flat prices have also dropped, but at a much slower pace than for rebar
- Steel mills are reducing their production capacity, to stabilise prices but weak market demand is expected to keep prices under pressure



Welded mesh

Level of Impact			
Price Change (e) vs (f)	Material Availability	General State of Supply Chain	
●●●● Low	●●●● Moderate	●●●● Low	
Price (€/unit*)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
€62.0	€61.1	↓ -4.7%	↓ -1.5%

Price change comparison against Q1 2021



- Prices for welded mesh have been on a declining trend, mirroring similar movements in rebar prices
- In Q2 2023 prices were down by 4.7% compared to previous quarter, and 38.6% below prices in Q2 last year
- Weak demand will contribute to a further drop in welded mesh prices in the coming quarters

* 230 x 600 cm; diameter 6mm



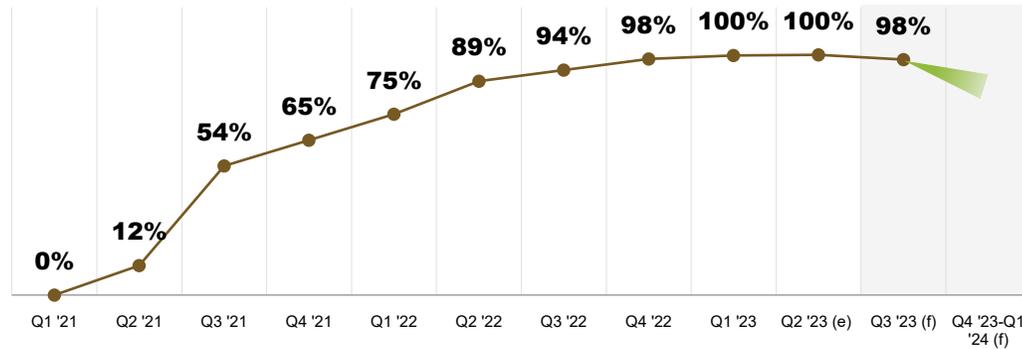
Germany – Commodity Price Trends



Lumber (raw)

Level of Impact			
Price Change (e) vs (f)		Material Availability	General State of Supply Chain
Moderate		Low	Low
Price (€/m³)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
€130	€129	↑ 0.1%	↓ -1.0%

Price change comparison against Q1 2021



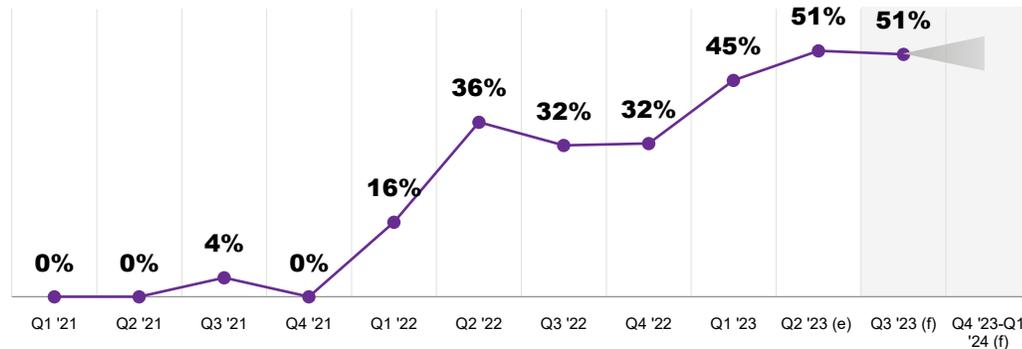
- Despite weak demand, lumber prices have edged upwards in recent quarters, and they remain at a very high level when compared to price levels in 2021
- However, it is unlikely that prices will be maintained at such high levels, given underlying weakness in demand
- Prices are expected to decline in the coming quarters, due to the fall in construction orders and high interest rates dampening investment in new building works



Plasterboard

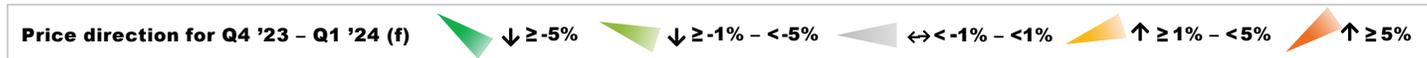
Level of Impact			
Price Change (e) vs (f)		Material Availability	General State of Supply Chain
Moderate		Moderate	Moderate
Price (€/unit*)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
€3.78	€3.76	4.2%	-0.5%

Price change comparison against Q1 2021



- Despite the decline in buildings construction, plasterboard prices in Germany have stayed high recently, being up by 4% QoQ in Q2 2023
- High costs for inputs and energy have contributed to the upward trend, and in Q2 2023 prices were 51% higher than in Q1 2021
- With supply-side pressures easing and given the context of weakening demand, prices are expected to fall steadily in the coming quarters

* 200 x 60 x 1.25 cm (L x W x T)



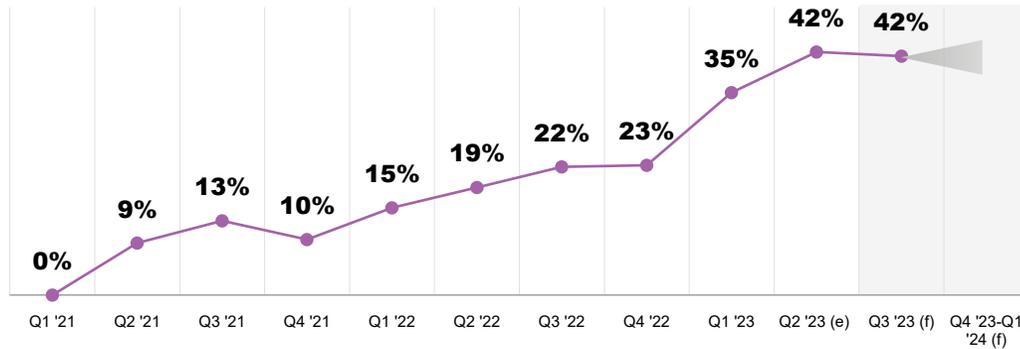
Germany – Commodity Price Trends



Limestone

Level of Impact			
Price Change (e) vs (f)		Material Availability	General State of Supply Chain
Moderate		Low	Low
Price (€/mt)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
€44.1	€43.9	↑ 5.2%	↓ -0.5%

Price change comparison against Q1 2021

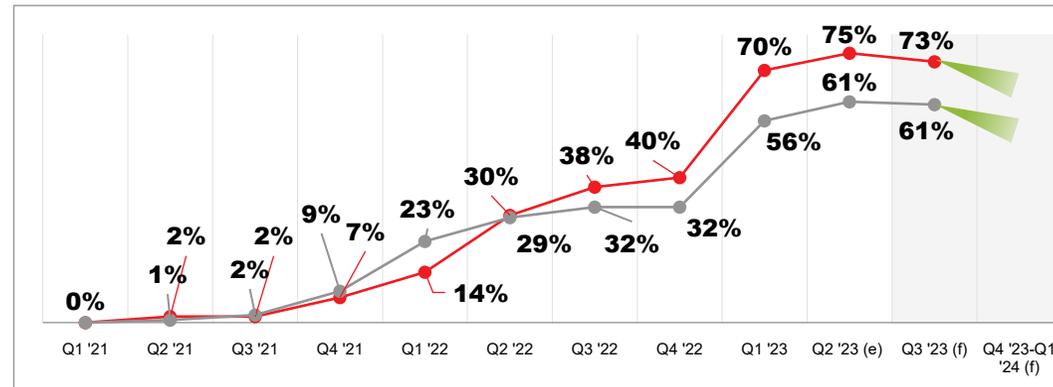


- Despite weak demand in the construction industry, limestone prices rose further in Q2 2023, increased by 5% QoQ
- High production costs have been a factor in driving up prices in recent quarters
- With the buildings construction sector experiencing sluggish demand due to high interest rates and weaker economic growth, prices are expected to fall back in the coming quarters

Cement and Concrete

Level of Impact			
Price Change (e) vs (f)		Material Availability	General State of Supply Chain
Low		Moderate	Moderate
Price		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
€199	€197	↑ 2.8%	↓ -1.3%
● Cement (€/mt)			
€221	€220	↑ 3.4%	↓ -0.5%
● Concrete (€/m³)			

Price change comparison against Q1 2021



- Cement prices edged up further on a quarterly average basis in Q2 2023, with prices up by 3.1% QoQ and 35% YoY
- Concrete prices have followed a similar trend, being up by 3.4% QoQ in Q2 2023
- Production costs are still relatively high compared to levels prior to 2022, and ongoing investment in infrastructure and civil works projects will prevent a marked decline in prices in the coming quarters

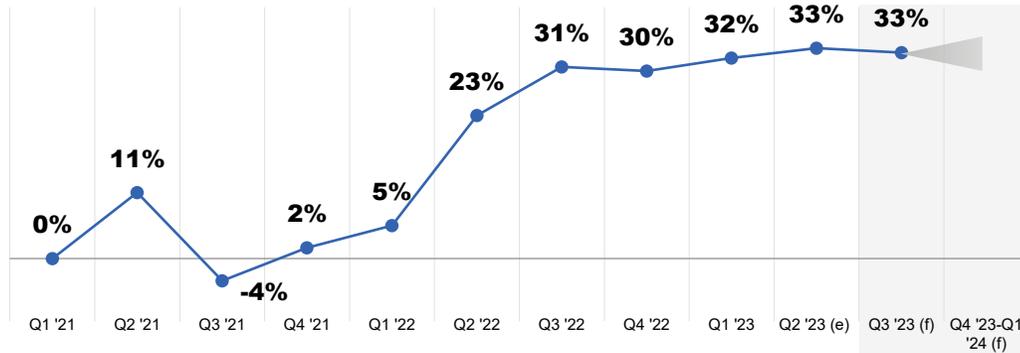
Germany – Commodity Price Trends



Asphalt

Level of Impact			
Price Change (e) vs (f)		Material Availability	General State of Supply Chain
Moderate		Moderate	Low
Price (€/mt)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
€76.1	€75.7	↑ 1.2%	↓ -0.5%

Price change comparison against Q1 2021



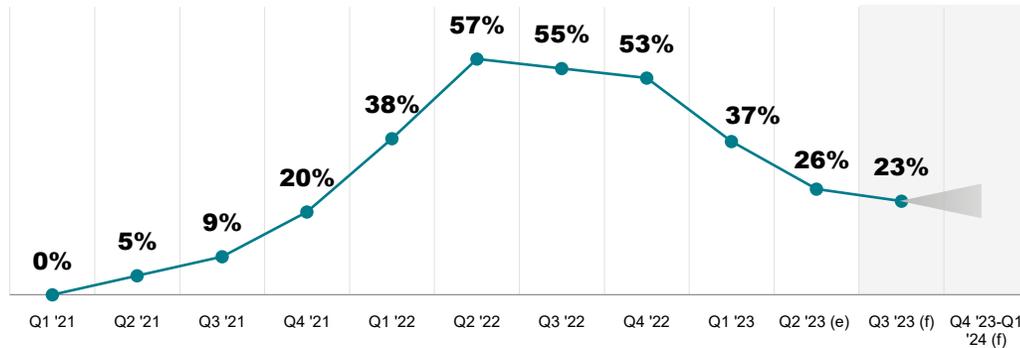
- The price for asphalt recorded a marginal increase of 1.2% QoQ in Q2 2023, contributing to an overall 34% price increase when compared to Q1 2021
- In the short term, prices are expected to ease back owing to falling raw materials costs
- However, ongoing road infrastructure investment in the coming quarters will help to strengthen demand, preventing prices from falling back too sharply



Diesel

Level of Impact			
Price Change (e) vs (f)		Material Availability	General State of Supply Chain
Low		Low	Low
Price (€/litre)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
€1.62	€1.58	↓ -8.4%	↓ -2.3%

Price change comparison against Q1 2021



- Diesel prices have continued to decline, dropping by 8.4% QoQ in Q2 2023
- Prices in June were at the lowest level since January last year, but in Q2 2023 prices were still 26% higher than in Q1 2021
- There will be further declines in prices in Q3 2023, however OPEC+ plans to cut production are expected to limit the supply of crude oil, which could prevent prices for diesel falling much further in the following two quarters

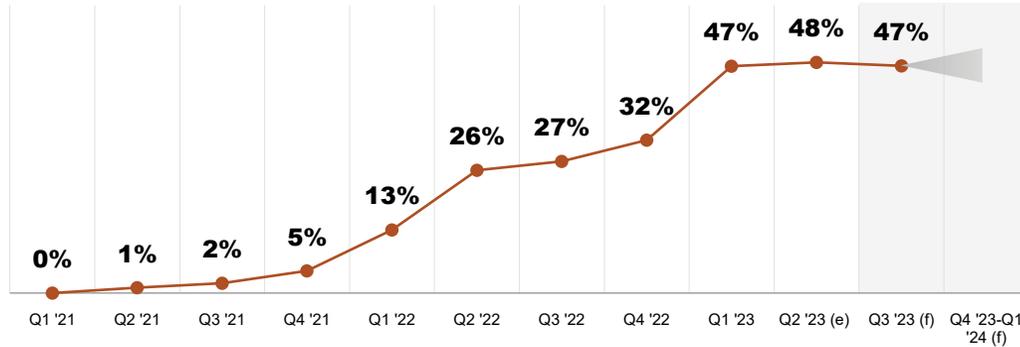
Germany – Commodity Price Trends



Bricks

Level of Impact			
Price Change (e) vs (f)		Material Availability	General State of Supply Chain
Moderate		Moderate	Low
Price (€/000 unit)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
€798	€794	↑ 0.5%	↓ -0.5%

Price change comparison against Q1 2021



- Brick prices have remained relatively stable, at an elevated price, which has edged up again by 0.5% in Q2 2023 on a QoQ basis
- However, there are signs that prices are set to fall back amid weak demand and easing pressures on the supply side
- In Q3 2023 prices will come down from the recent highs, yet are still 47% higher when compared to levels in Q1 2021
- According to Destatis, the new orders value index for housing construction fell by 27% YoY in Q1 2023

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%	High	Deficit	High	Stressed	High
≥1% – <5%	Moderate	Balanced	Moderate	Adequate	Moderate
<1%	Low	Surplus	Low	Easily Available	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

Germany – Industry trends

Sector trends



Data Centres

Germany has projects totaling more than €9bn in the Data Centres pipeline in various stages of planning and execution. The Frankfurt metropolitan region continues to be a preferred Data Centres location, with the majority of the new investments focused there. The German government passed a draft act on the Energy Efficiency Act in April, which is currently under consideration in Parliament. One section of the draft specifically addresses the energy efficiency requirements for Data Centres. With substantial construction activity in the Frankfurt metropolitan region, the local supply chain is coming under pressure.



Life Sciences

While Berlin-Potsdam and Munich are established Life Sciences regions, the Ruhr valley is an emerging location for this sector. According to Biotechgate following the global VC trend, the German Life Sciences sector saw a decline in investments in 2022. This came after notable investments in the preceding years.



High-tech Industrial

The industrial sector is projected to grow by 1.9% in real terms in 2023, driven by investments in manufacturing, particularly in semi-conductor plants, which will sustain momentum in the coming years. Germany is now a favoured destination for battery manufacturing, with numerous projects in the pipeline. The country also anticipates further substantial investments in semi-conductor and battery manufacturing plants, amounting to approximately €48bn. Many of these projects are currently in the early stages of planning.

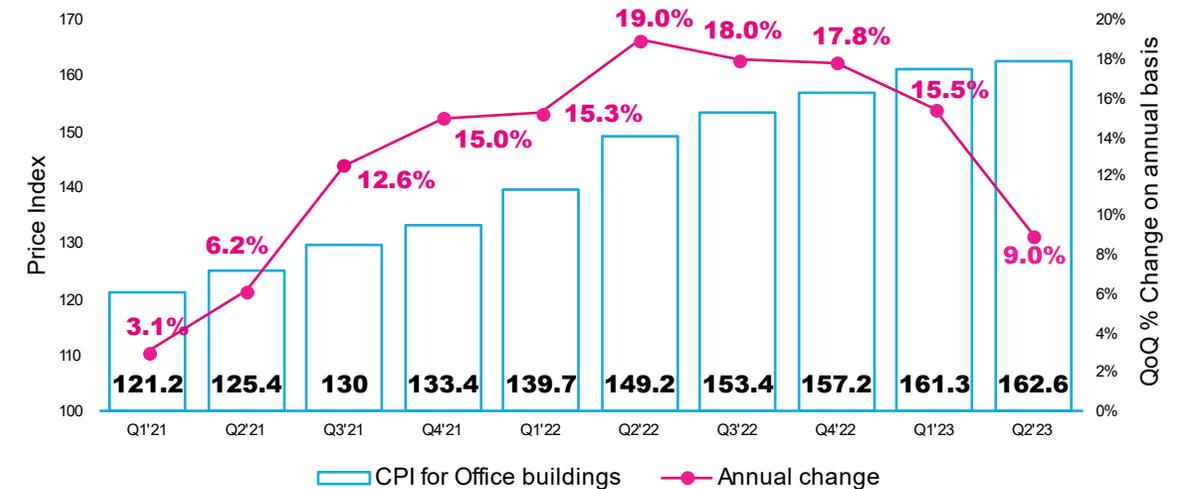


Renewable Energy

The Energy and utilities sector is expected to expand by 4.6% in 2023 and maintain an average annual growth of 2.2% from 2024 to 2027, driven by investments in renewable energy to achieve the government's 80% renewable electricity target by 2030. Around 2.7 GW of solar capacity was added in Q1 2023 and is on course to reach a target of 9 GW of solar power installations by end of 2023.



Construction Price Index (CPI)*



* CPI for office buildings and QoQ % change in CPI on annual basis (base year 2015 =100)

Germany – 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 – Germany

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

- IMF
- Destatis
- GlobalData's Construction Intelligence Center (CIC)
- BDEW Federal Association of Energy and Water - Germany
- The Conference Board Total Economy Database™
- Economic Research Institute
- Biotechgate
- Eurostat

Disclaimer: The commodity report contains information, data, and analysis related to the construction industry.

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