



Australia

Country Commodity Report

Q2 2023



Australia

Q2 2023

The Australian economy saw marginal QoQ growth in Q1 2023, with positive trends in business investments. Inflation has also appeared to have peaked.

In the construction industry, labour costs are rising across the board due to a shortage of skilled workers. Furthermore, interest rates remain high, affecting the profitability of the construction industry, particularly for small businesses.

Despite the expected contraction in the construction industry this year, there is a positive outlook with investments in data centres, renewables, hospitality, and manufacturing sectors, which are anticipated to drive the industry's recovery and regain momentum in the following year.

Additionally, freight costs, which have a significant impact on material prices in Australia, have slightly decreased, and steel prices have substantially fallen, providing some relief to the industry.



John Carleton
Director – Australia | New Zealand



Brian Coyle
Director



Key Indicators

GDP

Increased by 2.3% on a YoY basis



- Economic activity increased at a slow pace of 0.2% on a seasonally adjusted QoQ basis in Q1 2023
- Business investment increased by 2.9% QoQ, marking the highest growth rate since early 2021

CPI

Increased to 5.6% in May 2023 on a YoY basis



- Inflation appears to have peaked as May's figures show a decrease from April's figure of 6.8%
- Nominal unit labour costs surge, up 2% QoQ and tracking close to 8% YoY, reflecting cyclical pressure in the labour market

Construction output

Expected to contract by 2.5% in real terms in 2023



- Contraction is expected due to high interest rates, labour shortages and weakness in the residential sector
- It is expected to grow at a rate of 3.1% from 2024 to 2027 supported by investments in infrastructure, manufacturing, renewables and health sectors

Commodities Pricing Snapshot

	Price % change			Remarks
	YoY Q2 '22 - Q2 '23 (e)	QoQ Q1 - Q2 '23 (e) Q2 (e) - Q3 '23 (f)		
Copper	↓ -7%	↓ -3%	↓ -2%	Prices are in decline but likely to remain volatile
Steel rebar (raw)	↓ -20%	↓ -7%	↓ -1%	Prices have fallen from peaks of last year and likely to marginally reduce further
Cement	↑ 7%	↔ 0%	↑ 0.2%	Prices are still elevated and are expected to marginally increase further
Lumber	↑ 9%	↑ 2%	↑ 0.2%	Prices have continued to rise and are expected to marginally increase

(e) - estimate (f) - forecast

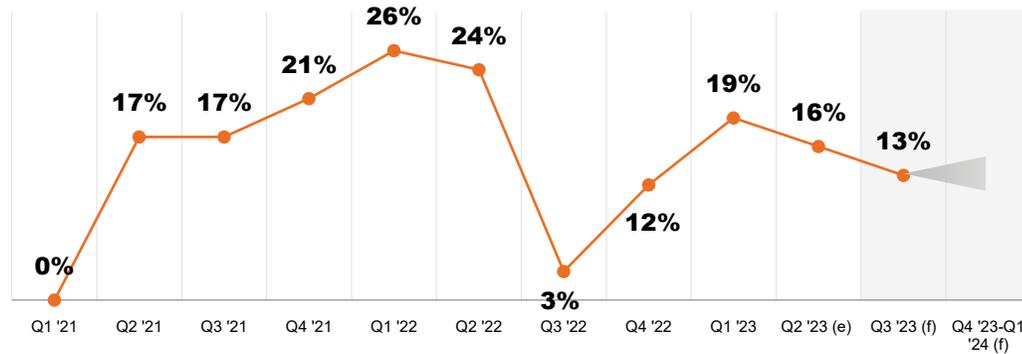
Australia – Commodity Price Trends



Copper

Level of Impact			
Price Change (e) vs (f)		Material Availability	General State of Supply Chain
●●●● Low		●●●● Low	●●●● Low
Price (AU\$/mt)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
AU\$12,776	AU\$12,534	↓ -2.6%	↓ -1.9%

Price change comparison against Q1 2021



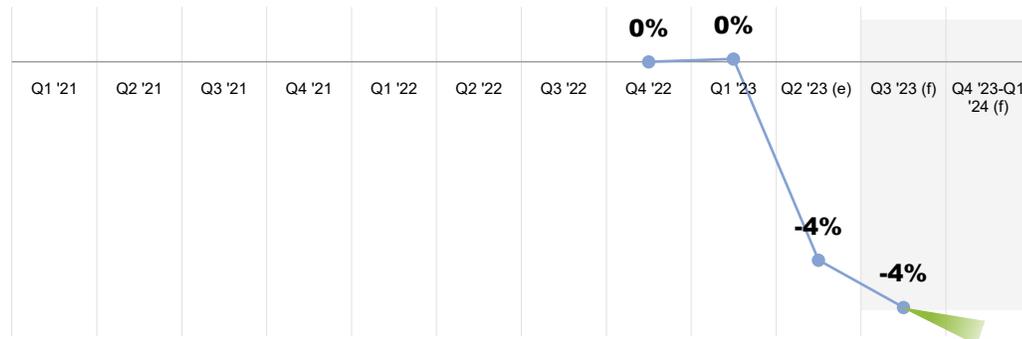
- Copper prices are estimated to have fallen by 2.6% QoQ in Q2 2023, with the slowing of global economic growth and weak manufacturing output
- Though copper prices rose in the first quarter due to optimism that China's recovery would be strong, the recovery has faltered, with manufacturing activity contracting for a third successive month in June 2023
- Copper prices are expected to remain relatively high in the coming quarters, owing to concerns over global inventories



Stainless Steel

Level of Impact			
Price Change (e) vs (f)		Material Availability	General State of Supply Chain
●●● Moderate		●●●● Low	●●●● Low
Price (AU\$/mt)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
AU\$2,006	AU\$1,988	↓ -3.7%	↓ -0.9%

Price change comparison against Q4 2022



- Falling nickel prices, due to surplus supply, and declining production costs resulted in a 3.7% QoQ decline in stainless steel prices in Q2 2023
- Subdued demand from the construction sector and the decline in global manufacturing activity is expected to exert additional downward pressure on stainless steel prices in the coming quarters

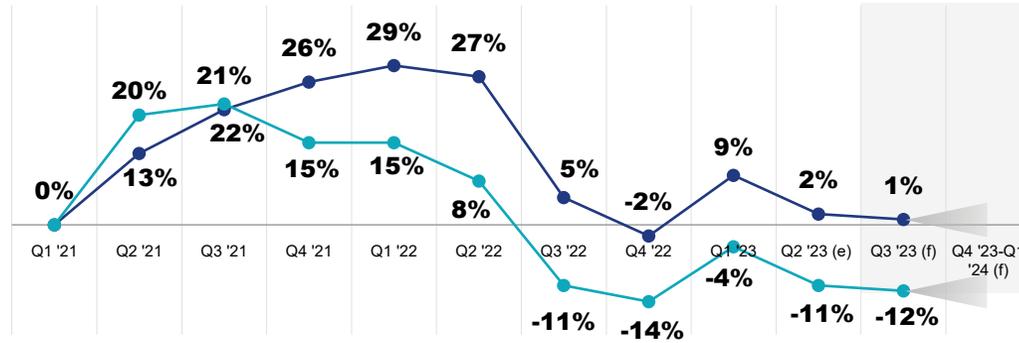
Australia – Commodity Price Trends



Steel – rebar and flat

Level of Impact			
Price Change (e) vs (f)	Material Availability	General State of Supply Chain	
Moderate	Low	Low	
Price		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
Steel rebar (raw) (AU\$/mt)			
AU\$824	AU\$815	↓ -6.6%	↓ -1.2%
Steel flat product (AU\$/mt)			
AU\$847	AU\$836	↓ -6.9%	↓ -1.2%

Price change comparison against Q1 2021



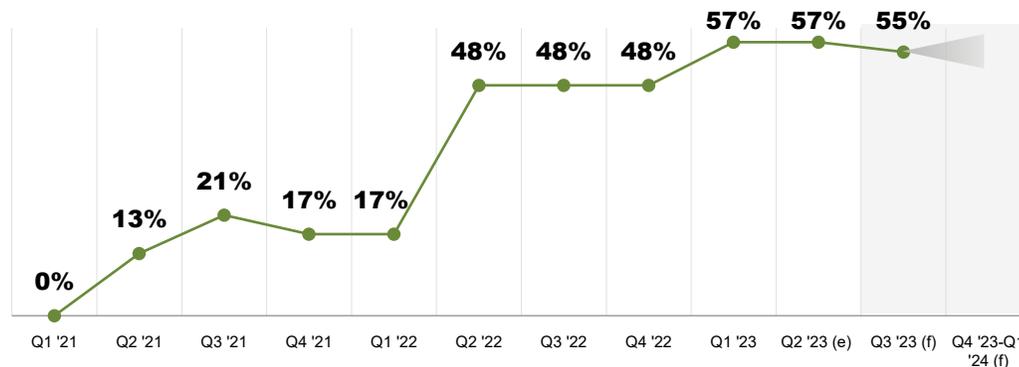
- Steel rebar and steel flat prices declined in Q2 2023, due to softer demand and a glut of supply from China as its residential construction sector continued to slump
- Steel prices have fallen substantially from their peaks in 2021/2022; steel rebar prices only 1.8% higher in Q2 2023 than Q1 2021, while steel flat prices were 10.7% lower
- A slowing of construction activity is expected to further weigh on prices in the coming quarters



Welded mesh

Level of Impact			
Price Change (e) vs (f)	Material Availability	General State of Supply Chain	
Low	Low	Low	
Price (AU\$/unit*)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
AU\$130	AU\$128	↔ 0%	↓ -1.2%

Price change comparison against Q1 2021



- Welded mesh prices remained relatively stable in Q2 2023, having picked up earlier in the year
- In annual terms and in comparison, to Q1 2021 however, prices remained elevated, being 6.1% higher in Q2 2023 than in Q2 2022 and 57.1% higher than in Q1 2021
- In the coming quarters, prices for welded mesh are expected to ease back in line with trends in steel rebar prices

* 600 x 240 cm; diameter 6mm



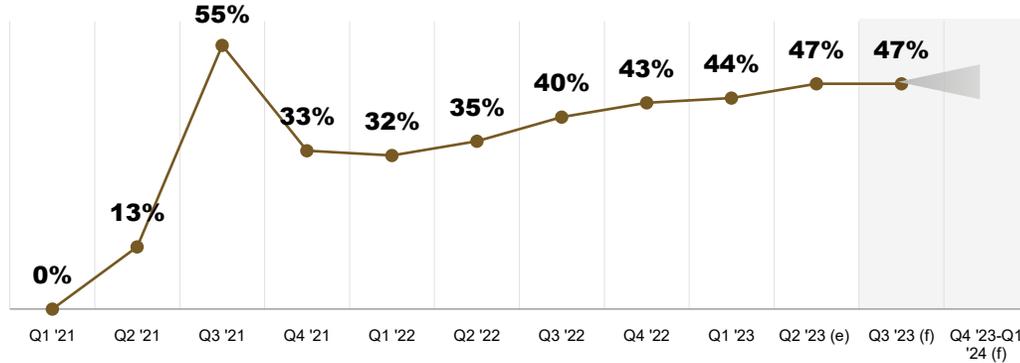
Australia – Commodity Price Trends



Lumber (raw)

Level of Impact			
Price Change (e) vs (f)		Material Availability	General State of Supply Chain
Moderate		Low	Low
Price (AU\$/m ³)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
AU\$144	AU\$145	↑ 1.9%	↑ 0.2%

Price change comparison against Q1 2021



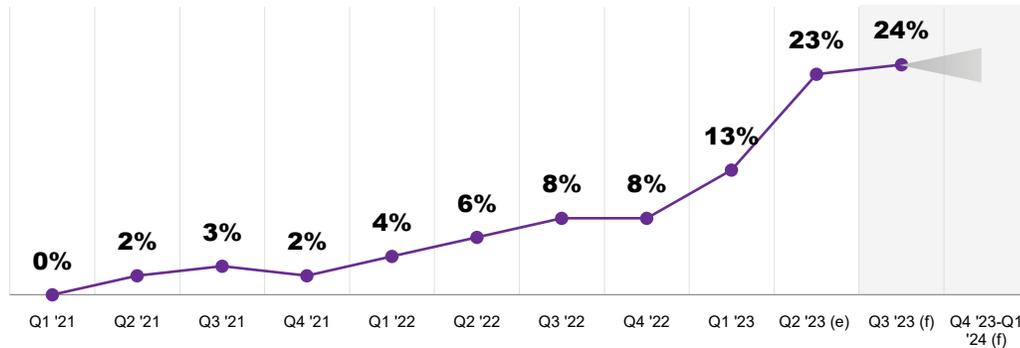
- Lumber prices edged up further in Q2 2023, rising by 1.9% QoQ, and are expected to continue to increase in Q3 2023
- While the quarterly price increases recorded in Q2 2023 was relatively marginal, lumber prices remain inflated, being 46.9% higher in Q2 2023 than in Q1 2021
- Price rise in Q3 2023 is expected to be moderate, offset by the decline in residential building activity



Plasterboard

Level of Impact			
Price Change (e) vs (f)		Material Availability	General State of Supply Chain
Moderate		Low	Low
Price (AU\$/unit*)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
AU\$41.7	AU\$41.8	↑ 9.4%	↑ 0.3%

Price change comparison against Q1 2021



- Higher input costs, as well as labour and transport costs see plasterboard prices rise in Q2 2023
- Plasterboard prices were approximately 23% higher in Q2 2023 than in Q1 2021
- The price of plasterboard is expected to remain elevated in the second half of this year, with upward pressure being moderated by the slowdown in building activity

* 300 x 120 x 1 cm (L x W x T)

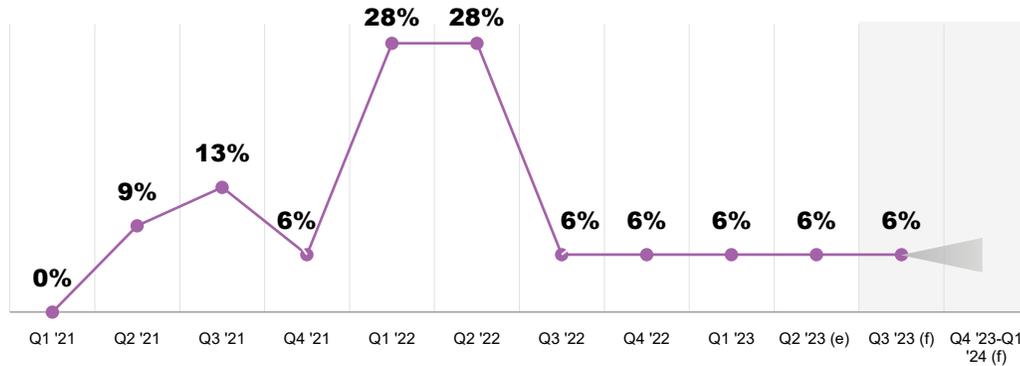
Australia – Commodity Price Trends



Limestone

Level of Impact			
Price Change (e) vs (f)		Material Availability	General State of Supply Chain
Moderate		Low	Low
Price (AU\$/mt)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
AU\$50.0	AU\$50.0	↔ 0%	↔ 0%

Price change comparison against Q1 2021

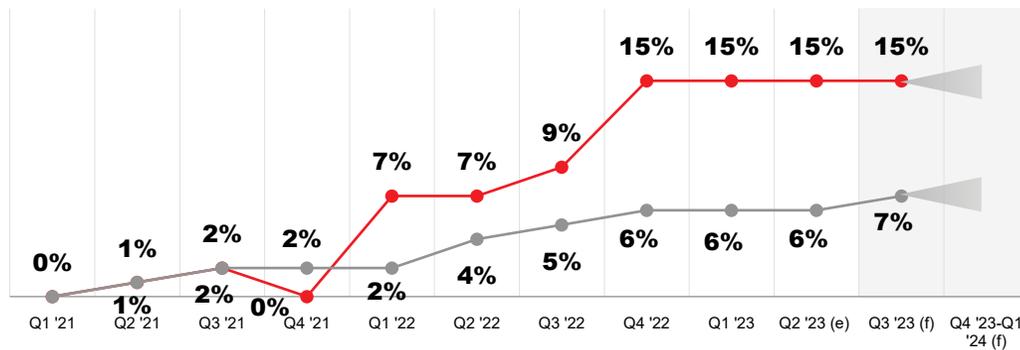


- Limestone prices were stable in Q2 2023. Although prices are below the levels of the first half of 2022, they are still 6.4% higher than in Q1 2021
- Prices are likely to remain stable in the coming quarters, though the expected decline in residential construction and lower production costs could affect this

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)
<p>● Cement (AU\$/mt)</p> <p>AU\$554 AU\$554 ↔ 0% ↑ 0.2%</p> <p>● Concrete (A\$/m³)</p> <p>AU\$333 AU\$333 ↔ 0% ↑ 0.1%</p>			

Price change comparison against Q1 2021



- Cement and concrete prices remained stable in Q2 2023, recording no notable change in price
- In annual terms, prices remained elevated, with cement prices 7.0% higher in Q2 2023 than in Q2 2022, while concrete prices were up 2.2% YoY
- Prices are expected to trend upwards in the coming quarters, though this is only expected to be marginal, with weaker demand in the building construction sector partially offsetting elevated cartage and labour costs

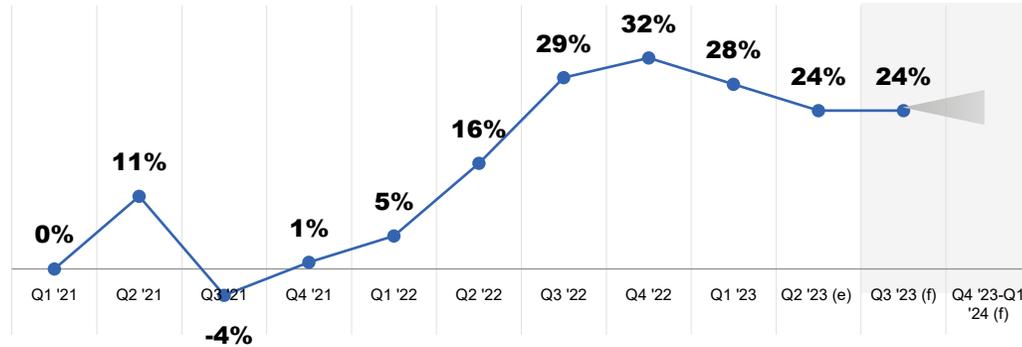
Australia – Commodity Price Trends



Asphalt

Level of Impact			
Price Change (e) vs (f)		Material Availability	General State of Supply Chain
Moderate		Low	Low
Price (AU\$/mt)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
AU\$1,552	AU\$1,542	↓ -3%	↓ -0.7%

Price change comparison against Q1 2021



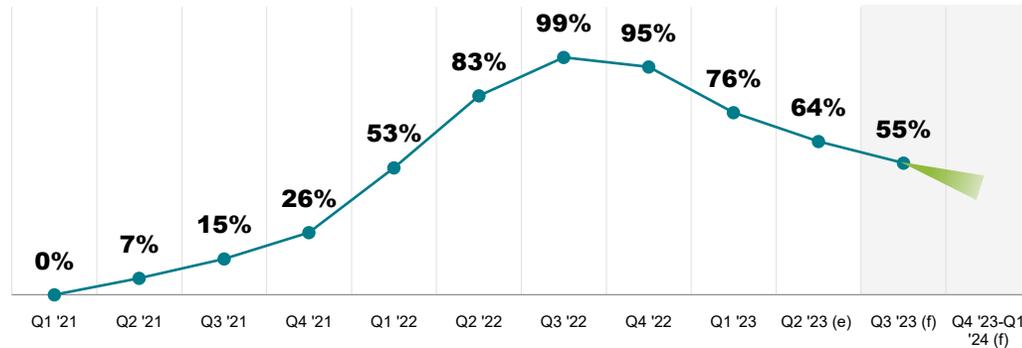
- Asphalt prices have continued to trend downwards, falling by approximately 3% QoQ in Q2 2023, due to the fall in crude oil prices
- Despite this decline, asphalt prices remain elevated, being approximately 7% higher than the previous year
- While some upwards pressure on prices will be generated by Australia's significant pipeline of road infrastructure works, prices are expected to moderate further in Q3 2023 as economic activity and oil demand continues to struggle



Diesel

Level of Impact			
Price Change (e) vs (f)		Material Availability	General State of Supply Chain
Low		Low	Low
Price (AU\$/litre)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
AU\$1.90	AU\$1.80	↓ -6.8%	↓ -5.2%

Price change comparison against Q1 2021



- Diesel prices dropped further in Q2 2023, falling by 6.8% QoQ. Softer global oil demand as China's recovery falters, and weak global economic activity have weighed on crude oil prices, leading to the decline in diesel prices
- Despite this decline however, diesel prices remain elevated, being 64% higher in Q2 2023 than in Q1 2021
- With these trends expected to continue into the second half of this year, diesel prices are expected to continue to fall

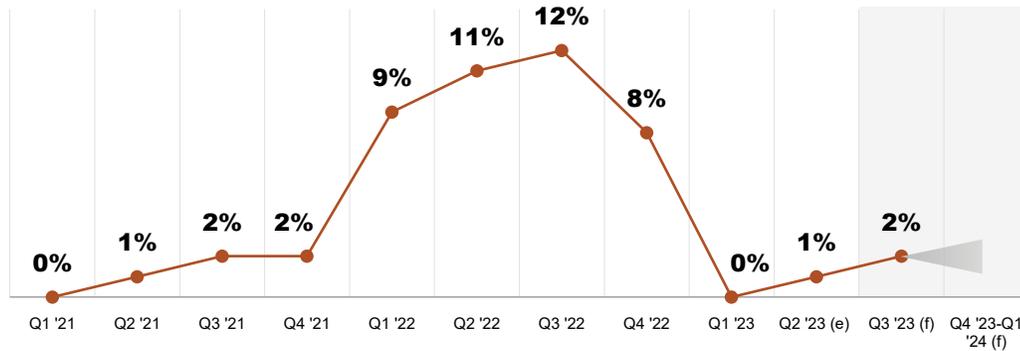
Australia – Commodity Price Trends



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 (AU\$/'000 unit)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
AU\$1,536	AU\$1,547	↑ 1.5%	↑ 0.7%

Price change comparison against Q1 2021



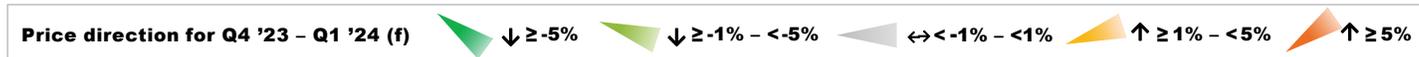
- Despite the decline in building activity during the quarter, brick prices edged up again in Q2 2023, owing to still elevated transport and labour costs
- Although prices have picked up, they are close to the levels of early 2021 having dropped from the peaks reached in Q3 2022
- Brick prices are expected to remain close to current levels in the coming quarters, with higher electricity costs offsetting a softening of demand as building activity declines

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



Australia – Industry trends

Sector trends



Data Centres

The Australian data centre market has a substantial pipeline, with approximately US\$11bn worth of projects currently in progress. Approximately 60% of these projects, in terms of value, are in the planning or design stage. Sydney remains a preferred location for data centres, with the majority of projects concentrated there, while Melbourne is also attracting investments from international players. Other upcoming regions include, Adelaide, Perth, and Brisbane.



Life Sciences

The life sciences sector has witnessed a significant 43% growth from 2019 to 2022, with Victoria, Queensland and NSW serving as vital hubs for 73% of the sector. The Government's National Reconstruction Fund is prioritising the life sciences sector, aiming to foster medical science innovation, local manufacturing, and intellectual property support in Australia.



High-tech Industrial

The Australian government is developing a national battery strategy with the aim of establishing Australia as a prominent battery manufacturing hub. While the semiconductor industry in Australia is currently in its early stages, it is gradually gaining traction and showing potential for future growth. Battery and semiconductor manufacturing projects, valued at around US\$900m, are currently in the pipeline across Victoria, Northern Territory and Queensland. Most of these projects are still in the early stages of planning.

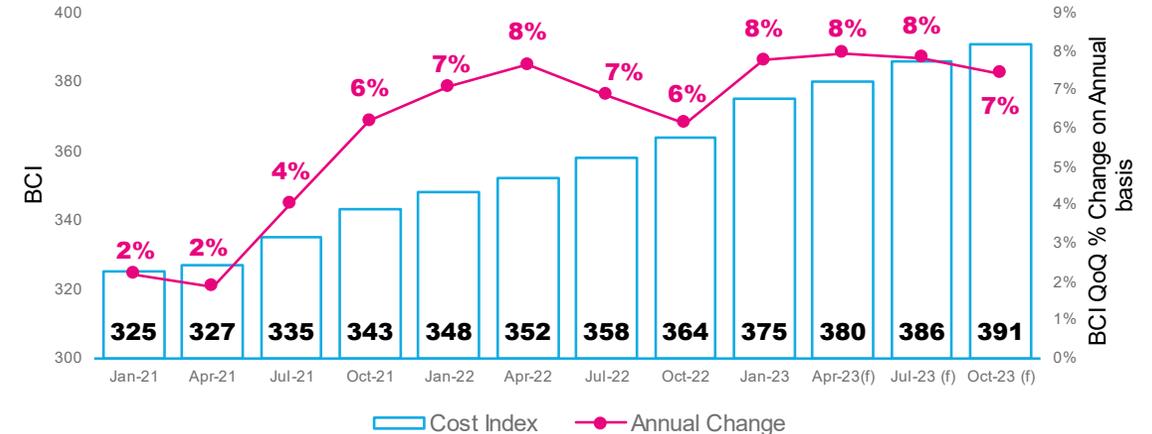


Renewable Energy

The energy and utilities sector is projected to achieve an average annual growth of 4.9% from 2024 to 2027, driven by investments in renewable energy projects, in line with the government's target to increase the share of renewable energy in the electricity mix to 82% by 2030. Notably, there is a specific focus on hydrogen projects through the government's US\$2bn Hydrogen Headstart program. Furthermore, the Climate Change Act of 2022 is set to further drive investments in the clean energy sector.



AIQS Building Cost Index(BCI) and annual change



*The base has been set at 100 and represents the Australian Weighted Average (AWA) Building Cost Index as of July 1985

Australia – 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 – Australia

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

- IMF
- ABS
- AIQS
- RBA
- GlobalData's Construction Intelligence Center (CIC)
- The Conference Board Total Economy Database™
- Australian Energy Market Operator
- Economic Research Institute
- Ausbiotech Annual report 2022

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