



# United Kingdom

## Country Insights and Commodity Report

### Q1 2022



# United Kingdom

## Q1 2022

Following a challenging 2020, wherein an economic contraction of 9.2% was recorded, 2021 saw 7.3% growth. According to its February 2022 estimates, the Bank of England anticipates 3.75% growth this year, before it moderates in 2023 and 2024. Growth could be revised downwards as the Russia-Ukraine conflict continues to impact.

Following its resurgence in 2021, with 12.7% growth, the construction industry is expected to record more moderate growth of 3.4%. However, downside risks are at play with the current escalation in material prices and supply chain challenges, which are being spurred on by the Russia-Ukraine conflict, meaning that the moderation previously anticipated following the volatility seen in 2021 has not materialised.

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As material costs will continue to represent a challenge for the construction industry for the foreseeable future, Linesight will publish quarterly updates to track commodities and provide insights about future projections on movements.

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### Lumber

Timber stocks were squeezed in 2021 as demand surged in the residential building sector, while supply chains were disrupted, and prices rose 35% in 2021 on an annual average basis. Although suppliers are expected to be in a strong position to meet demand in 2022, high transportation costs, given the jump in oil prices, will offset downward pressure from the market fundamentals.



### Concrete and aggregates

Shortages in supply and high demand contributed to rising prices for cement in 2021. The supply situation was expected to be a much more stable in 2022, but higher energy prices, a trend that has been exacerbated by the Russia-Ukraine conflict, will push up production costs.



### Concrete blocks and bricks

Owing to the energy-intensive production, prices for blocks and bricks will remain high in 2022, given the expectation for a surge in energy costs. Prices rose in 2021 as residential construction rebounded and drove a sharp recovery in demand, as well as associated pressures on supplies of bricks. At the end of 2021, stocks were at relatively low levels, down by 22% compared to the average of the previous four years. According to the Construction Leadership Council, the UK will remain reliant on imports (mainly from the EU) to meet high demand levels, given that domestic production is already at full capacity. This domestic production shortfall will remain an issue until three new production plants come on-stream in 2023 and 2024, which will boost UK capacity by about 150 million bricks per year.



### Steel (rebar and structural)

Having already been under intense upward pressure in 2021, the rapid escalation of steelmaking costs amid the surge in energy prices has resulted in even sharper rises in steel prices so far in 2022. For example, in March 2022, British Steel announced that it had increased prices of structural sections for all new orders by £250 per tonne, which is estimated to be a 25% hike. More concerning is that the company stated that it was unable to offer price guarantees beyond April, which reflects the high degree of uncertainty and volatility in the market following the outbreak of the Russia-Ukraine conflict.



### Copper

Before the market volatility brought about by the Russia-Ukraine conflict, copper prices were expected to ease back from their recent highs, which included prices reaching record highs in May 2021. However, prices are now to remain elevated in 2022.



# United Kingdom - Commodity Report



Materials	Q3 Q4 2021	Q3 Q4 2022 (f)		Q4 - Q1 (e) 2022
	£	£	2021-22 (f) % change	% change
<b>Copper</b> (£/MT)	7,018.5	8,140	16% ↑	1.2% ↑ ■
<b>Steel rebar</b> (£/MT)	519.0	631	21.5% ↑	4.6% ↑ ●
<b>Steel flat</b> (£/MT)	641.0	797	24.3% ↑	7.6% ↑ ●
<b>Lumber</b> (£/M3)	73.5	72.5	-1.4% ↓	-9.3% ↓ ●
<b>Asphalt</b> (£/MT)	533.8	557	4.4% ↑	1.6% ↑ ●
<b>Limestone</b> (£/MT)	39.0	46.4	18.8% ↑	12.1% ↑ ●
<b>Cement</b> (£/MT)	186.2	199	7.1% ↑	1.2% ↑ ■
<b>Concrete</b> (£/M3)	109.4	129	17.6% ↑	12.1% ↑ ●
<b>Welded mesh</b> (£/unit)	34.2	38	9.9% ↑	0.0% ↑ ■
<b>Bricks</b> (£/'000 unit)	867.9	1,040	19.9% ↑	14.1% ↑ ●
<b>Plasterboard</b> (£/unit)	7.6	8.0	5.7% ↑	1.3% ↑ ●
<b>Diesel</b> (£/litre)	1.4	1.74	23.2% ↑	6.6% ↑ ●

**Q3 Q4 2021:** Average      **Q3 Q4 2022 (f):** Forecasted average  
**2021-22 % change:** % change from Q3 Q4 2021 average to Q3 Q4 2022 average  
 ● **Q4 to Q1 2022 % change greater than estimation in our Q4 report**  
 ■ **Q4 to Q1 2022 % change less than estimation in our Q4 report**

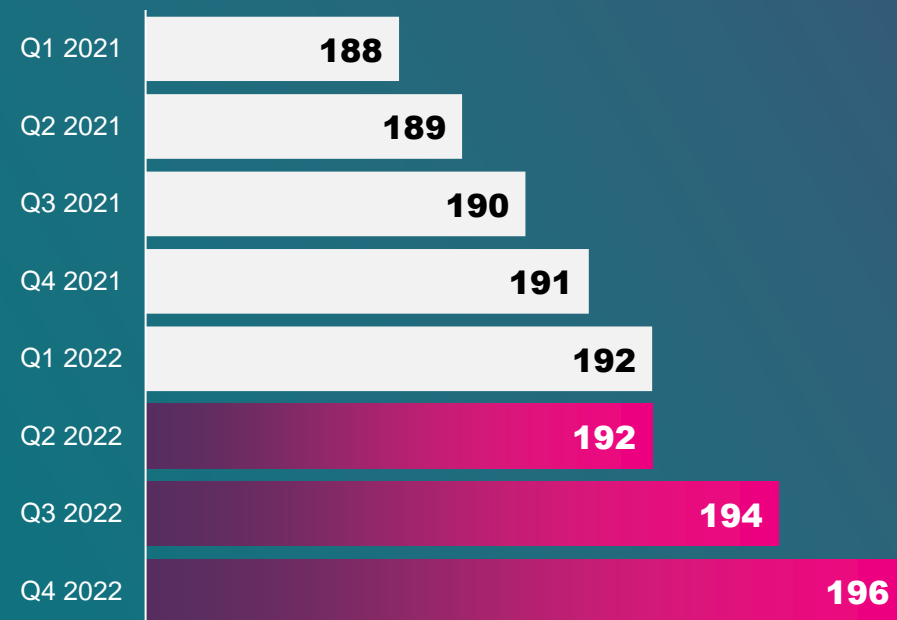
Material	% change Q1 – Q2 (f) 2022	Level of impact of pricing on construction procurement and supply chain *	
<b>Copper</b>	+6.5% ↑	High	Copper prices will remain high in 2022, having already risen sharply in 2021 owing to disruptions in global supply and strong demand. Although supply will likely to be sufficient to meet demand, higher energy costs will be a factor in keeping prices high. Underlying copper demand will also continue to be strengthened by investment in electric vehicle manufacturing and associated charging infrastructure.
<b>Steel prices</b> - Steel rebar - Flat steel	+7.5% ↑ +7.5% ↑	High	Steel prices have been under intense upward pressure. Domestic steel production in the UK picked up in 2021, but the pace of increase did not match the surge in demand, and combined with global supply side disruption, producers were able to push up prices significantly during the year. In the wake of the Russia-Ukraine conflict, there have been further rounds of price rises, owing to supply disruptions and soaring energy costs.
<b>Cement Concrete</b>	+2.7% ↑ +2.5% ↑	High	Strong domestic demand resulted in a boom in imports of timber and panel products in 2021, but with disruptions in supply chains, on an annual average basis prices rose sharply in the year. However, prices started to fall back in late 2021 and this trend continued into early 2022. There is a low risk of insufficient supply in the coming quarters, but the price for lumber is also expected to be impacted by the rising transportation costs. Continued high demand alongside challenges in distribution will prevent a marked easing in prices.
<b>Asphalt</b>	+1.9% ↑	High	Bitumen demand is primarily met through imports, and with crude oil prices set to rise further in 2022 amid the disruption caused by the Ukraine war, asphalt prices are expected to rise from current highs.
<b>Limestone</b>	+1.5% ↑	Moderate	Limestone demand is primarily met through domestic production. However, high production costs will be passed on to customers, keeping prices high in 2022.

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.

# United Kingdom - Commodity Report



## Tender price index, 2021 and 2022



## Knoema World Data Atlas

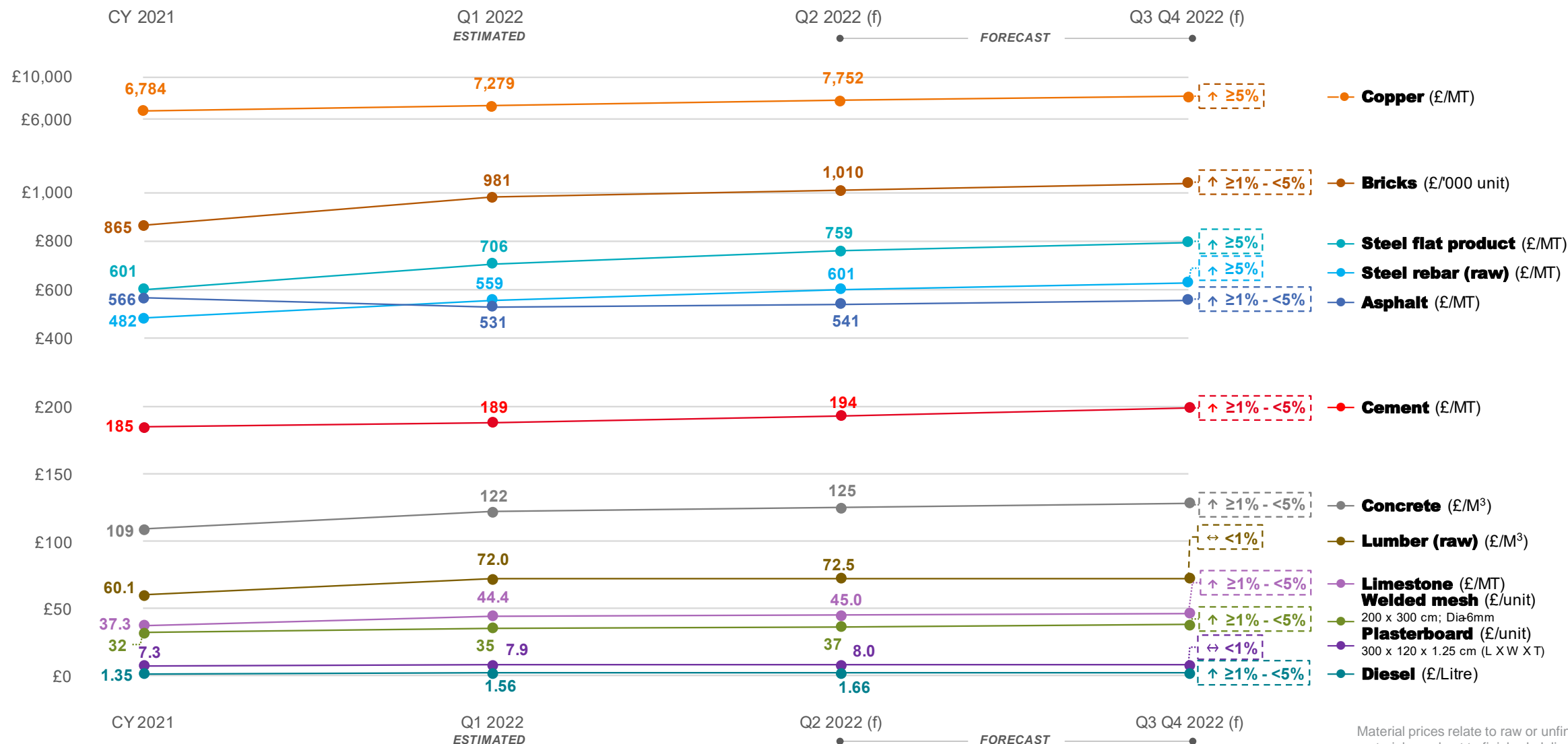
Index of economic freedom **78.4 out of 100**

Material	% change Q1 – Q2 2022 (f)	Level of impact of pricing on construction procurement and supply chain *	
 <b>Lumber</b>	+0.7% ↑	 High	Strong domestic demand resulted in a boom in imports of timber and panel products in 2021, but with disruptions in supply chains, on an annual average basis prices rose sharply in the year. However, prices started to fall back in late 2021 and this trend continued into early 2022. There is a low risk of insufficient supply in the coming quarters, but the price for lumber is also expected to be impacted by the rising transportation costs. Continued high demand alongside challenges in distribution will prevent a marked easing in prices.
 <b>Welded mesh</b>	+3% ↑	 High	The price trend for welded mesh is largely based on the price of steel. Hence a similar price trend is expected for mesh products.
 <b>Bricks</b>	+3% ↑	 Moderate	Demand for bricks will remain strong given ongoing high levels of construction output in the UK. Although production levels picked up throughout 2021, stocks were also being run down to meet demand. A combination of ongoing strong demand and upward pressure on production costs stemming from rising energy prices will underpin higher prices in 2022.
 <b>Plasterboard</b>	+0.8% ↑	 Low	Prices edged upwards in 2021 amid shortages in supply and a surge in demand. Although there will be greater stability in the coming quarters in the demand-supply balance, higher energy and transportation costs will keep prices elevated.
 <b>Diesel</b>	+6% ↑	 High	Diesel prices jumped sharply in March following the outbreak of the Russia-Ukraine conflict, reflecting concerns over potential shortages in supply. As of late March, prices were hovering around €1.80 per litre. Prices will remain elevated in the coming quarters, but there will be a high degree of volatile.

\* 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.

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# United Kingdom - Construction Materials Pricing (2021-2022)



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

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# UK - Macroeconomic overview



## Economic indicators



**4.7%**

GDP growth in 2022 (f) and 7.3% in 2021



**2.62%** inflation rate for UK in 2022 (f) and **2.19%** in 2021



**32.65M**

people employed in 2022 (f) and 32.34M in 2021



**5.01%** unemployment rate in 2022 (f) and 4.98% in 2021



**115.8**

Consumer Price Index in 2022 (f) and 115.1 in 2021

## Weather conditions



**4°C to 23°C**

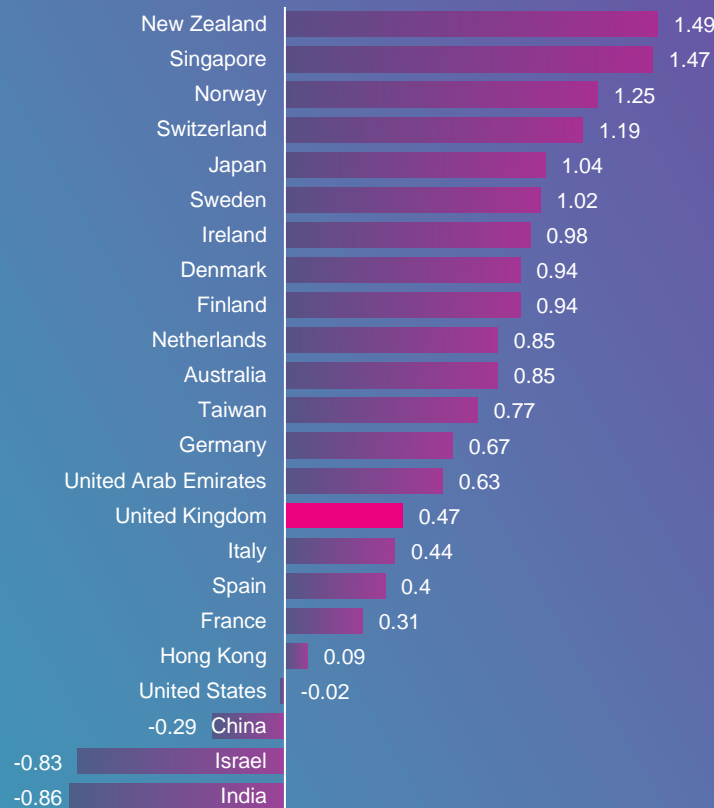
typical temperature range throughout the year



**1,373mm**

average annual rainfall

## Political stability



Political stability index (-2.5 weak; 2.5 strong)

The index of Political Stability and Absence of Violence/ Terrorism measures perceptions of the likelihood that the government will be destabilised or overthrown by unconstitutional or violent means, including politically-motivated violence and terrorism.

## National holidays



**8** public holidays in UK each year. Most holidays are taken during December.

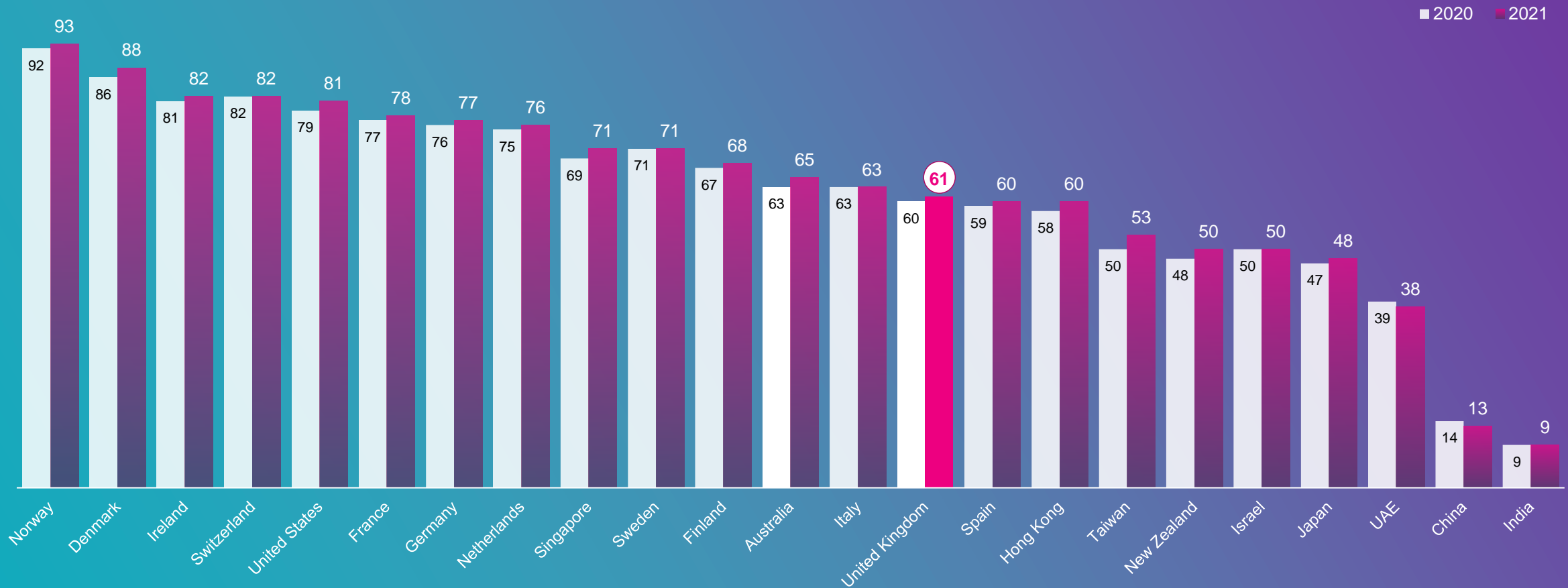
10 days for Christmas period (from 23<sup>rd</sup> December till 3<sup>rd</sup> January)

- New Year's Day: 1 January
- St. Patrick's Day (Northern Ireland only): 17 March
- Good Friday: 2 April
- Easter Monday (Wales, England and Northern Ireland only): 5 April
- Early May Bank Holiday: 3 May
- Spring Bank Holiday: 31 May
- Christmas Day: 25 December
- Boxing Day: 26 December

# UK - Macroeconomic overview



## Labour productivity









Labour productivity per hour worked in 2020 international dollars, converted using Purchasing Power Parities



# UK - Construction overview



## Output 2021 and 2022(f) (in millions)

Sector	Total 2021	Total 2022(f)	% change
Commercial 	£60,503.36	£66,987.39	10.7%
Energy and utilities 	£29,122.82	£28,596.52	-1.8%
Industrial 	£7,514.76	£7,146.09	-4.9%
Infrastructure 	£31,444.89	£30,886.96	-1.8%
Institutional 	£30,731.41	£32,716.22	6.5%
Residential 	£133,100.69	£135,929.10	2.1%
<b>Total output</b>	<b>£292,417.91</b>	<b>£302,262.21</b>	<b>3.4%</b>

## Long-lead equipment (LLE) – time risks

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 increased exponentially with the IT boom. More data centre and crypto mining providers are joining the market, and this new demand far outweighs the capacity of the supply chain. Entry onto the production line has become a significant challenge, with suppliers reporting fully booked capacity until Q1 2023. Opportunities exist for the development of Tier 2 and Tier 3 suppliers to Tier 1 status. However, it will take time to develop an extended supply chain.
- Material shortage:** The end of Q1 2022 saw a significant drop in the availability of raw materials used for LLE production. Global factors such as the Russia-Ukraine conflict and the resurgence of COVID-19 has halted production, which is at its lowest levels in recent years. The ethical approach in the supply chain to manoeuvre away from the use of Russian gas and oil has reduced production levels and added longer lead times within the supply chain. The raw material shortages are expected to continue into Q2 2022, whilst there is uncertainty for the security of the supply chain.
- Freight durations and costs:** Heightened by the increase in fuel costs and compounded by the shortage of labour and low supply of shipping containers, freight durations have soared as suppliers look for ways to mitigate these challenges. The demand for freight services has grown across all markets in recent years and the competition amongst industries has had a negative effect on availability and durations. As clients consider alternative solutions, it almost becomes cost prohibitive to use quicker forms of transport, such as air freight, due to increasing fuel costs.

## Construction health & safety practices and culture



**39** fatal injuries to workers and 4 to members of the public in 2020/21



**36** is the average number of worker fatalities and 5 members of the public, each year, over the last five years



**50%** of deaths over the last five years were due to falls from a height

- Around 2.9% of industry workers suffered from an injury
- This rate is significantly higher than that for workers across all industries (1.7%)



Provisional figures for 2020/21 show a total of 1,260 notices issued by HSE inspectors in construction:

- 54% were prohibition notices and 46% were improvement notices
- This compares to 1,995 notices issued in the previous year



# United Kingdom - 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. 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 – United Kingdom

For the United Kingdom, sources for this report include, but are not limited to:

- IMF
- Economy.com
- Gov.uk
- The Global Economy
- Weather Spark
- HSE
- GlobalData's Construction Intelligence Center (CIC)
- Conference-board.org
- BCIS

