



France

Country Insights and Commodity Report

Q1 2022



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Improvement in the global economy, increased household spending as COVID restrictions eased and government investment resulted in a solid 6.3% GDP growth in 2021. However, the final quarter was somewhat marred, by an additional wave of COVID and supply chain disruption. The expectation is for growth to slow this year. A 3.9% projection was made by the IMF in October and does not account for more recent market conditions.

Following its sharp contraction in 2020, the construction industry rebounded in 2021, with real growth estimated to have stood at 13% in real terms. While more modest growth is expected this year, downside risks are at play, including the Russia-Ukraine conflict, and its impact on the supply chain and material price escalation.

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.



Ludovic Lecoeur
Project Director
ludovic.lecoeur@linesight.com



Lumber

Lumber demand has strengthened following the 2020 law requiring half of the materials used to construct public buildings to be wood or other natural substances. The law is part of the country's drive to become carbon neutral by 2050. There was already a directive in place that any new buildings constructed in Paris for the 2024 Summer Olympics measuring eight stories or less must be made entirely from wood. Lumber prices have been rising, pressured by global supply tightness at a time of surging demand, and given the likely upturn in demand and disruption in trade, prices are expected to remain at relatively high levels.



Concrete and aggregates

French cement production is estimated to have risen by 6% in 2021 reaching around 19 million tonnes, and demand has picked up in line with the recovery in the construction industry. Construction output will continue to grow - building permits granted for new buildings jumped by 16.6% in 2021 in terms of the floor area covered. It is anticipated that cement and concrete costs will remain at high levels in 2022 owing to the rise in energy and transportation costs.



Concrete blocks and bricks

France is a major producer of bricks in the EU, and supply will be sufficient to prevent significant price inflation as demand continues to rise following the severe disruption to the construction industry in 2020. However, there will be upwards pressure stemming from higher energy costs.



Steel (rebar and structural)

Steel prices rose sharply last year and continued to trend upwards in early 2022 prior to the Russia-Ukraine war, which has further disrupted the trade in steel. France is the world's fifth largest importer of steel. Steel demand will also remain high, reflecting in part the government's commitment to investing in infrastructure developments.



Copper

Global copper prices soared to record highs in May 2021, and on an annual average basis prices were up by 44% in the year as whole. Global supply chain issues were expected to improve in 2022, but the market has been impacted by the disruption to Russia's supplies, and given continued strong demand, prices will remain high.

France - Commodity Report



Materials	Q3 Q4 2021		Q3 Q4 2022 (f)		Q4 - Q1 (e)
	€	€	2021-22 % change	2021-22 % change	2022 % change
Copper (€/MT)	8,466.5	9,675	14.3% ↑	14.3% ↑	5.2% ↑ ●
Steel rebar (€/MT)	644	782	21.4% ↑	21.4% ↑	4.4% ↑ ●
Steel flat (€/MT)	677	871	28.7% ↑	28.7% ↑	17.2% ↑ ●
Lumber (€/M3)	85	106.1	24.8% ↑	24.8% ↑	11.1% ↑ ●
Asphalt (€/MT)	65	89	36.2% ↑	36.2% ↑	12.3% ↑ ●
Limestone (€/MT)	49	46.7	-4.7% ↓	-4.7% ↓	-4.4% ↓ ●
Cement (€/MT)	140	167	19.3% ↑	19.3% ↑	7.2% ↑ ●
Concrete (€/M3)	125	150	19.9% ↑	19.9% ↑	7.2% ↑ ●
Welded mesh (€/unit)	123.5	150	21.5% ↑	21.5% ↑	4.6% ↑ ●
Bricks (€/000 unit)	700	775	10.7% ↑	10.7% ↑	8.6% ↑ ●
Plasterboard (€/unit)	3	3.1	5.6% ↑	5.6% ↑	5.2% ↑ ●
Diesel (€/litre)	1.5	1.97	31.8% ↑	31.8% ↑	11.8% ↑ ●

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 2022 (f)	Level of impact of pricing on construction procurement and supply chain *	
Copper	+3% ↑	High	Copper prices continued on an upward trend in Q1 2022. Markets have been disrupted by the fallout from the Russia-Ukraine conflict, and solid demand from investments in EVs and renewable energy technology will keep prices elevated.
Steel prices - Steel rebar - Flat steel	+9.7% ↑ +5% ↑	High	The price of steel products continued on an upward trend in early 2022, reflecting pressures coming from tight supplies in the global market, along with the continued recovery in demand in the French construction sector. An improvement in supply had been expected, but the outlook has changed dramatically following the outbreak of the Russia-Ukraine conflict, given that both countries account for a significant share of the EU's steel imports. Higher energy costs will also ensure prices remain around the current high levels.
Cement Concrete	+8.1% ↑ +8.6% ↑	Moderate	With the French construction industry set to continue to expand in 2022, and with cement producers facing higher energy costs, concrete and cement prices will remain at least around current levels.
Asphalt	+9.4% ↑	Low	With international crude oil prices rising in the wake of the outbreak of the Russia-Ukraine conflict, the upward trend in asphalt prices recorded last year will extend in 2022. However, the increasing use of recycled material will help to contain price inflation.
Limestone	+1.7% ↑	Low	Owing to balanced demand in the market, limestone prices will be relatively stable, but higher energy costs will keep prices around current high levels.

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.

France - Commodity Report



Construction cost index 2015-2021



Base is Q4 1953 (100)

Knoema World Data Atlas

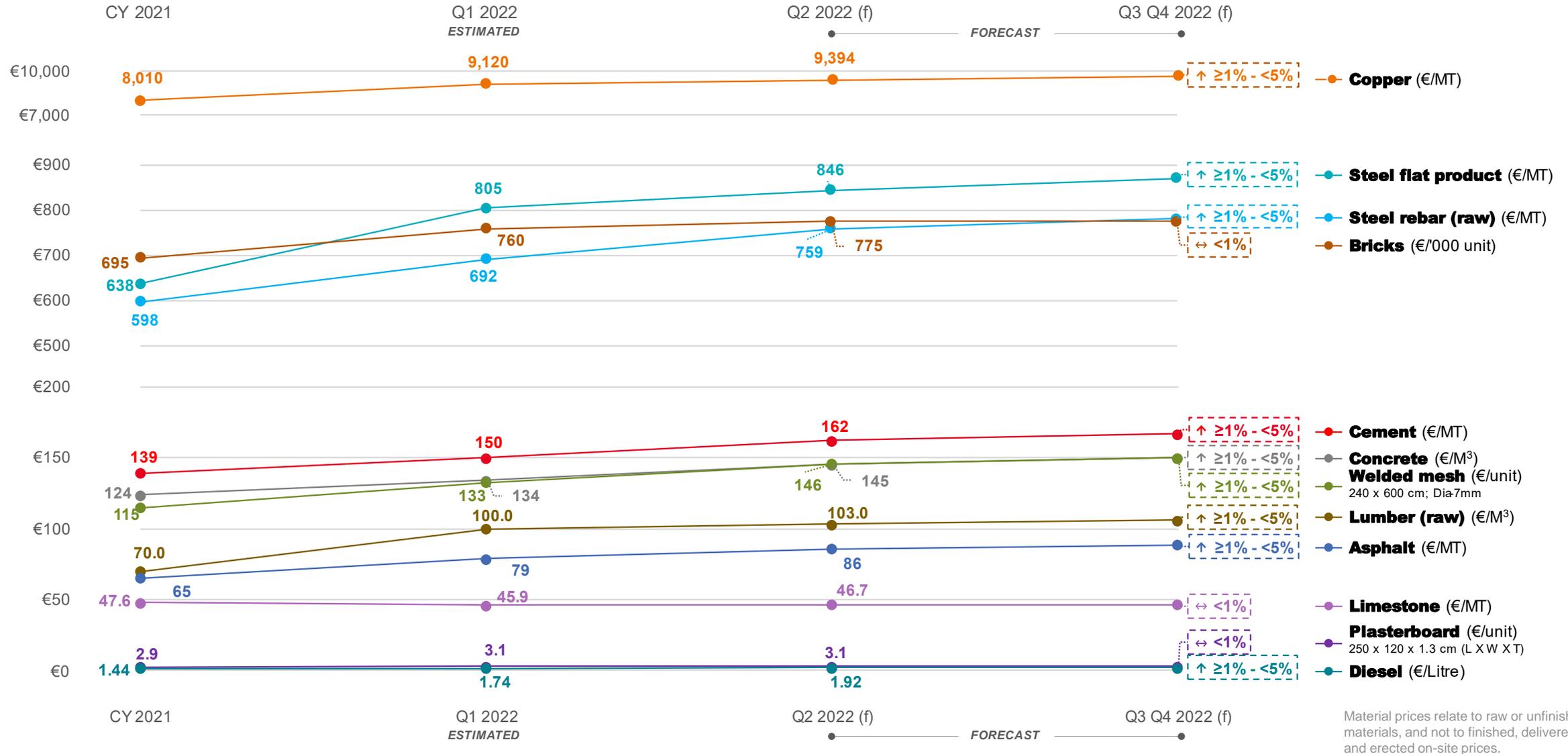
Index of economic freedom **65.7 out of 100**

Material	% change Q1 – Q2 2022 (f)	Level of impact of pricing on construction procurement and supply chain *
 Lumber	+3% ↑	 Moderate Lumber prices have been pushed up by a shortage of supply amid high demand, in part stemming from the impact of the 2020 environmental law mandating that wood accounts for 50% of public building construction. A continued increase in demand as the construction industry continues to recover will keep prices at relatively high levels, and disruption in trade from Russia will also be a factor in driving this trend.
 Welded mesh	+9.7% ↑	 High Price of welded mesh is mainly impacted by the steel rebar prices, and as such prices are expected to stay high in the coming quarters.
 Bricks Plasterboard	+2% ↑ +2% ↑	 Low Following a strong recovery in 2021, construction output will continue to rise in 2022, and demand for materials such as bricks and plasterboard will stay relatively high.
 Diesel	+10.3% ↑	 Low Diesel prices jumped sharply in March, as global crude oil prices spiked in the wake of the outbreak of the Russia-Ukraine conflict. As of the end March, the price of diesel was over €2 per litre. There is likely to be a high degree of volatility in prices in the coming quarters, given the potential for continued disruptions in supply.

* 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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France - Construction Materials Pricing (2021-2022)



France - Macroeconomic overview



Economic indicators



3.93%
GDP growth in 2022 (f) and 6.29% in 2021



1.62% inflation rate in 2022 (f), and **1.96%** for 2021



27.43M people employed in 2022 (f) and 27.38M in 2021



7.6% unemployment rate in 2022 (f) and 8.13% in 2021



109.29 Consumer Price Index in 2022 (f) and 107.8 in 2021

Weather conditions

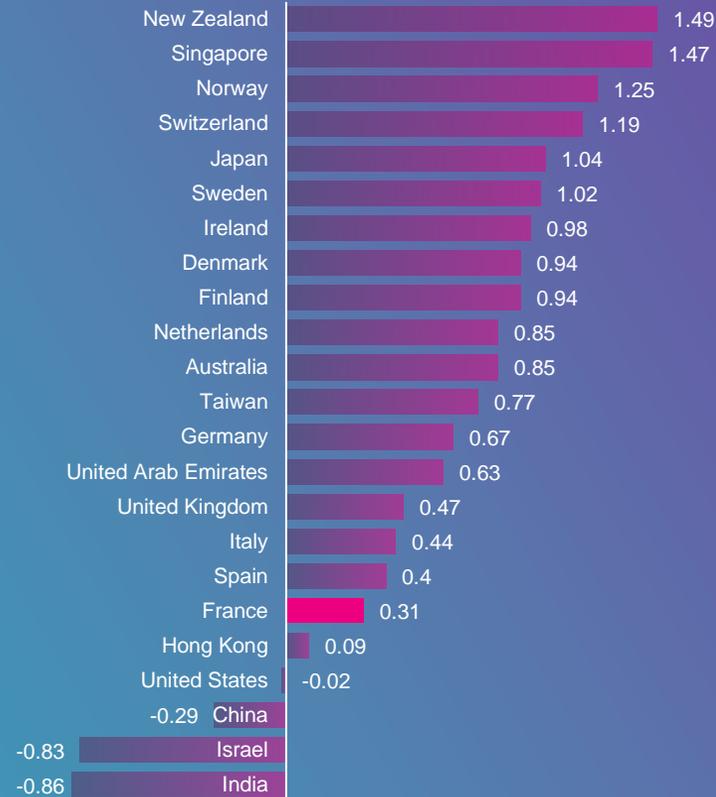


2°C to 26°C
typical temperature range throughout the year



635mm – 1,016mm
range of 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

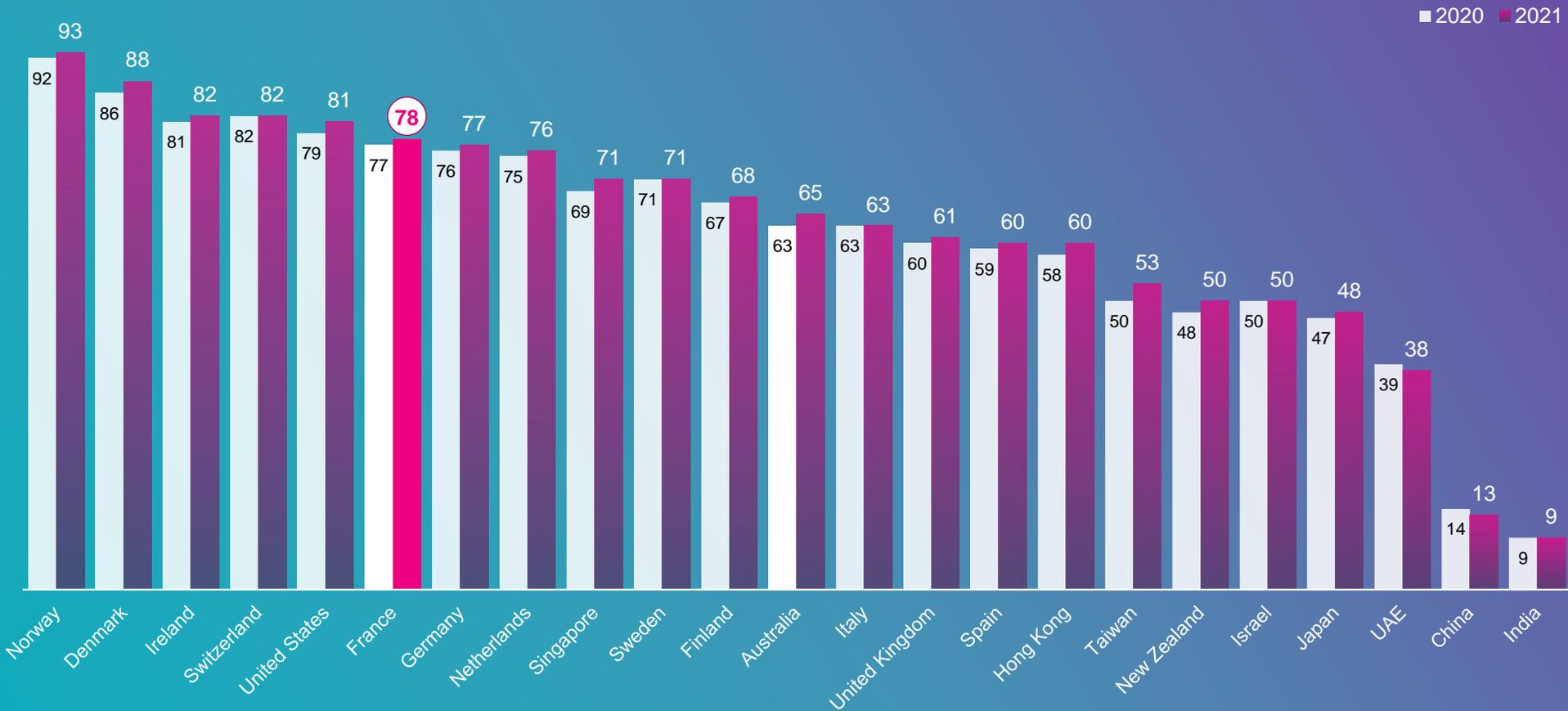


11 official public holidays in France each year. Most holidays are taken between mid-July and mid-August

France - Macroeconomic overview



Labour productivity



Labour costs

€33,386 
 average construction worker gross salary in France or an equivalent hourly rate of €16

- An entry level construction worker (1-3 years of experience) earns an average salary of €24,848.
- On the other end, a senior level construction worker (8+ years of experience) earns an average salary of €40,463.

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

France - Construction overview



Output 2021 and 2022 (f) (in millions)			
Sector	Total 2021	Total 2022(f)	% change
Commercial 	€47,854.46	€47,656.46	-0.4%
Energy and utilities 	€25,082.66	€25,685.48	2.4%
Industrial 	€28,484.17	€29,613.25	2.7%
Infrastructure 	€58,484.17	€60,632.37	3.7%
Institutional 	€23,988.89	€24,839.56	3.5%
Residential 	€124,360.80	€128,509.40	3.3%
Total output	€308,396.56	€318,511.33	3.3%

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



Health and safety requirements are regulated at the EU level by both:

- EU Health and Safety Framework Directive (89/391/EC).
- Directive 92/57 on health and safety requirements at temporary or mobile construction sites.

France - 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 - France

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

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

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