



United Kingdom

Country Insights and Commodity Report

Q1 2023



United Kingdom

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The IMF has revised the UK's 2023 economic forecast, predicting a smaller GDP contraction of 0.3%, down from the previous estimate of 0.6%. Despite narrowly avoiding recession in 2022, the UK economy has demonstrated resilience in the early part of 2023, with the Bank of England projecting nominal growth in the second quarter, after a minor contraction in the first quarter. However, inflation rose to 10.4% in February 2023, driven by higher food and energy prices, after three months of decline.

Due to inflationary pressures, rising interest rates, labour productivity challenges, elevated energy costs, and uncertain global conditions, the UK's construction industry is expected to contract by 2.5% in real terms in 2023. Following a 15.2% increase in 2021, the average construction material price index increased by 19.2% in 2022. Digitisation in the industry, as well as close monitoring of budgets and supply chains, can assist the industry in overcoming these challenges. The industry is expected to grow at a 2.9% annual rate from 2024 to 2027, led by investments in the transportation, energy, healthcare, and infrastructure sectors.



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Lumber

In the upcoming quarters, the overall decrease in building construction is expected to result in a reduction in lumber demand, leading to a decline in prices. Timber Development UK reported a 20% decline in volume compared to 2021. However, this was partly due to improvements in domestic supply.



Cement and aggregates

Despite signs of weakening demand, prices for cement have remained high in recent months, driven largely by high production costs. Aggregates prices have eased back from recent highs, although still much higher than a year ago. Reflecting the decline in demand, ready-mixed concrete deliveries were down by 11% year-on-year in Q4 last year. Seasonally-adjusted delivery volumes in Q4 2022 were at the lowest level in over 10 years (excluding Q2 2020).



Concrete blocks and bricks

Brick production has been declining, reflecting weakening demand with latest data showing production of all types were down by 10% YOY in January 2023. Conversely, stock levels were up by 18% year-on-year, reaching the highest level since 2019. Despite this weak demand backdrop, prices have remained high, reflecting continued high production costs that are being passed on to buyers.



Steel (rebar and structural)

Steel prices will continue to fall from the highs reached in mid-2022, with weak demand impacting steel producers' efforts to keep prices high in the face of elevated production costs. British Steel sought to increase prices in early 2023 with an increase of GBP75 per tonne on structural steel, but reports suggest that there has been push back from buyers given weak demand. The British steelmaking industry remains in a troubled financial state, given current high costs of production and the investment required to decarbonise.



Copper

Copper prices have remained high buoyed by a more optimistic demand outlook following China's reopening. However, there was some weakness towards the end of Q1 2023, and there is likely to be further bouts of volatility in the coming quarters with the potential for supply-side disruptions.

United Kingdom – Commodity Report



Materials	Q2 2023 (f)		Q2 2022 – Q2 2023 (f)		Q4 2022 – Q1 2023 (e)	
	£	£	2022-23 % change		% change	
Copper (£/MT)	7,314	7,575	-3.4% ↓		7.8% ↑ ●	
Steel rebar (£/MT)	598	769	-22.2% ↓		-5.5% ↓ ●	
Steel flat (£/MT)	715	888	-19.5% ↓		6.6% ↑ ●	
Stainless steel (£/MT)	2,017	NA	NA		0.0% ↔ ●	
Lumber (£/M ³)	50.8	70.1	-27.6% ↓		-2.8% ↓ ●	
Asphalt (£/MT)	591	530	11.6% ↑		0.5% ↑ ■	
Limestone (£/MT)	39.2	39.4	-0.5% ↓		-1.2% ↓ ●	
Cement (£/MT)	247	205	20.2% ↑		6.1% ↑ ●	
Concrete (£/M ³)	158	133	19.1% ↑		4.2% ↑ ●	
Welded mesh (£/unit)	39.7	44.6	-11.0% ↓		-8.3% ↓ ●	
Bricks (£/000 unit)	1,308	1,046	25.1% ↑		8.0% ↑ ■	
Plasterboard (£/unit)	11.1	8.4	32.5% ↑		11.4% ↑ ●	
Diesel (£/litre)	1.6	1.8	-11.2% ↓		-7.6% ↓ ●	

(f) Forecast (e) Estimated

- Q4 2022 to Q1 2023 % change greater than estimation in our Q4 2022 report
- Q4 2022 to Q1 2023 % change less than estimation in our Q4 2022 report

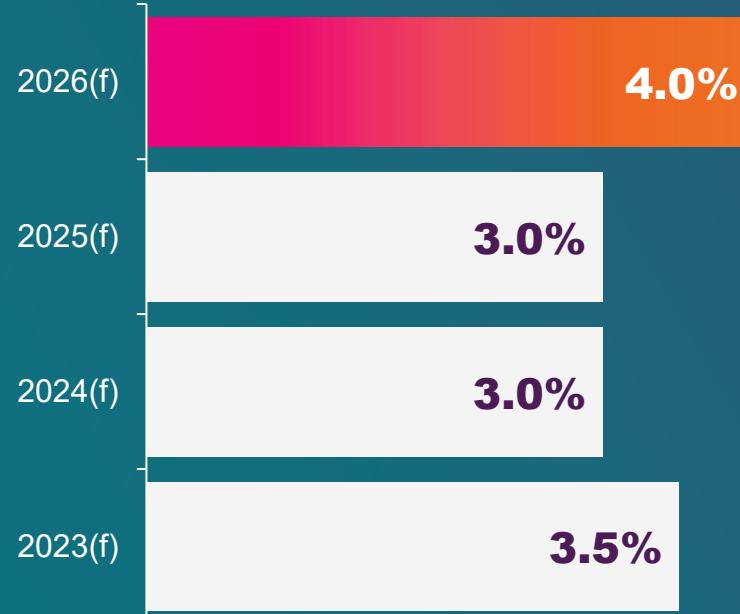
Welded mesh: 240 x 480cm, dia.-6mm Plasterboard: 240 x 120 x 1.25cm (L x W x T)

Material	% change Q1 – Q2 2023 (f)	Level of impact of pricing on construction procurement and supply chain *
 Copper	-0.5% ↓	 Moderate
 Steel prices - Steel rebar - Flat steel	-0.8% ↓ -2.1% ↓	 Moderate
 Stainless steel	-0.5% ↓	 Low
 Lumber	-8.5% ↓	 Moderate
 Asphalt	+0.2% ↑	 Moderate
 Limestone	-1.2% ↓	 Low

United Kingdom – Commodity Report



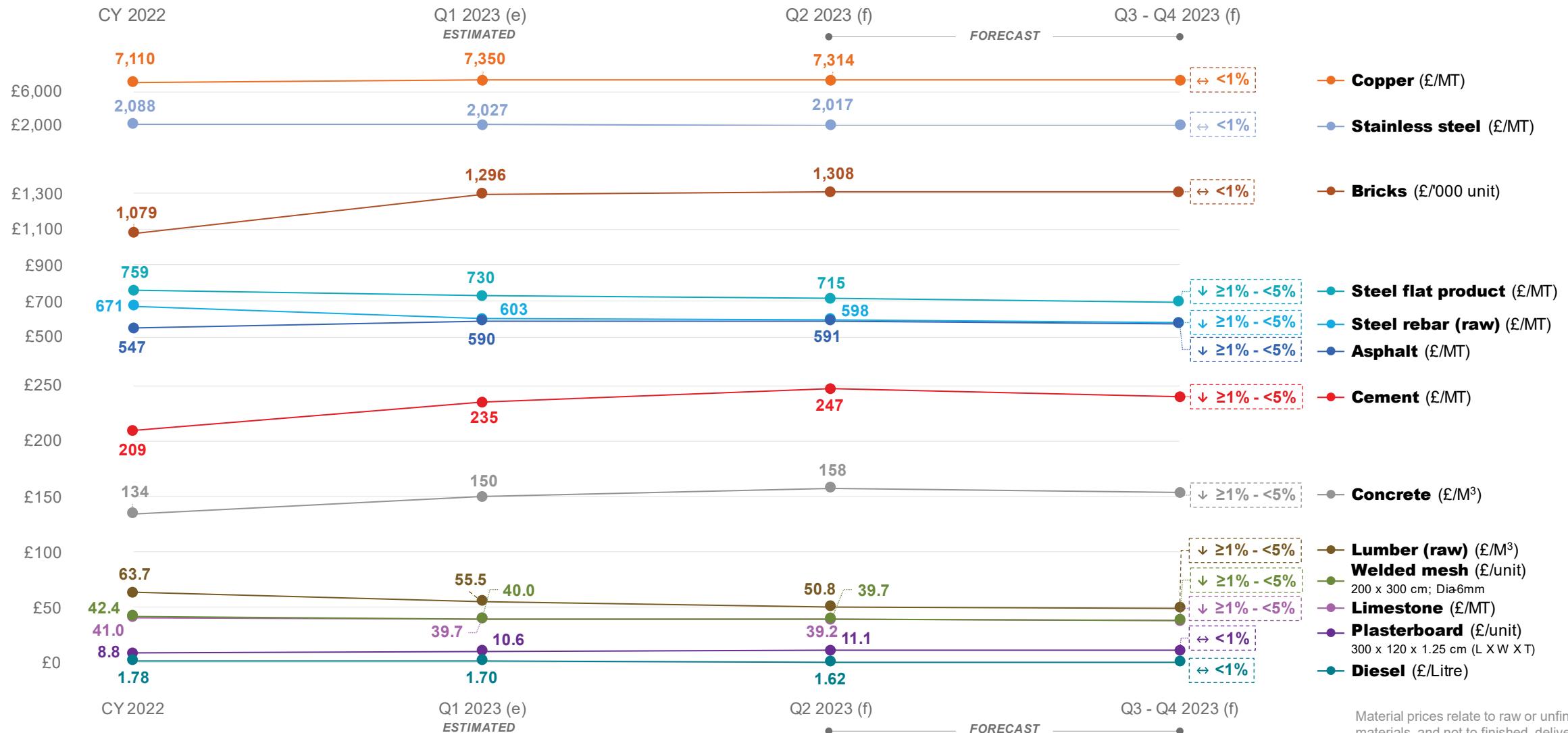
Linesight tender price change forecast 2023-2026



Material	% change Q1 – Q2 2023 (f)	Level of impact of pricing on construction procurement and supply chain *
 Cement Concrete	+5.1% ↑ +5.3% ↑	 Moderate
 Welded mesh	-0.8% ↓	 High
 Bricks	+0.9% ↑	 Moderate
 Plasterboard	+4.7% ↑	 Low
 Diesel	-4.7% ↓	 Moderate

* 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.

United Kingdom – Construction Materials Pricing (2022-2023)



United Kingdom – Macroeconomic overview



Economic indicators



-0.30%

GDP growth in 2023 (f) and 4.0% in 2022



6.80%

inflation rate in 2023 (f) and 9.10% for 2022



32.80M

people employed in 2023 (f) and 32.74M in 2022



4.15%

unemployment rate for 2023 (f) and 3.70% in 2022



126.00

Consumer Price Index in Feb 2023 and 115.40 in Feb 2022



136.70

Producer Price Index in Feb 2023 and 121.90 in Feb 2022

National holidays

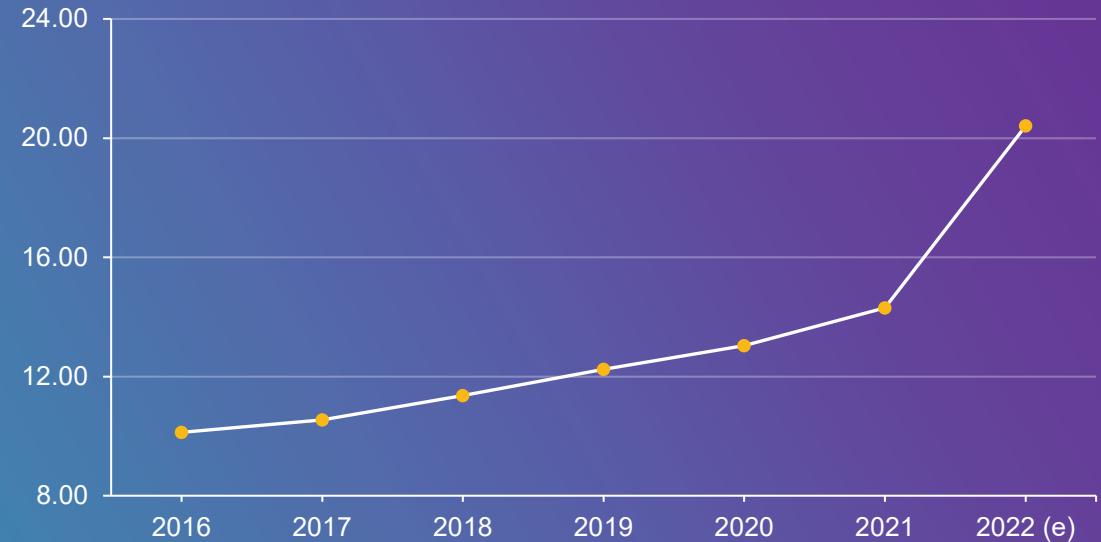


10 public holidays

in UK in 2023.

Energy prices

Average electricity price for non-domestic consumers (pence per kWh)



Note: Excluding the Climate Change Levy (CCL)

United Kingdom – Construction overview



Output 2022 and 2023 (in £ millions)*

Sector	Total 2022	Total 2023 (f)	Total 2024 (f)
Commercial 	61,503	61,044	62,335
Energy and utilities 	23,236	25,982	28,755
Industrial 	10,718	10,370	10,273
Infrastructure 	37,858	38,874	39,618
Institutional 	32,239	32,551	32,840
Residential 	148,436	137,202	137,417

*The output is in real terms at constant prices with 2017 as base year

Long lead equipment (LLE) - Supply Chain Overview

2022 was a turbulent year for the global supply chain with the fallout from the global pandemic combined with the emergence of the Russia-Ukraine conflict, leading to supply chain disruptions across the globe. However, 2023 is showing signs of relief in the market for long lead equipment (LLE). The following are the specifics of the LLE supply chain dynamic:

- Demand:** Demand for LLE has remained exceptionally high across all regions and industry sectors. Organizations have moved to expand their supply chain portfolios and include secondary and tertiary suppliers, whilst most are continuing to invest in inventory management systems to prevent any supply chain disruptions. There is no sign of reduced demand, so the constraints to the supply chain will continue for the remainder of 2023.
- Supply:** The stock levels of raw materials have finally started to stabilise, alleviating some recent pressures on manufacturers and suppliers. However, it is worth noting that most LLE suppliers have reported being at operational capacity, with order books full up to Q3 2024, which may cause some concern for those relying on their products. Nevertheless, there is some hope as Tier 2 and Tier 3 supply chains have started to increase their capacity and support the larger demand within the market, which may help to mitigate any negative impact of capacity restrictions.
- Freight durations and costs:** Freight durations have begun to shorten in early 2023 as the global infrastructure and operations have developed to meet the rising demand and freight companies are shipping much faster than they did during the pandemic. Average freight costs have also reduced to align with pre-pandemic levels suggesting a return to normality within the industry. The benefits have been experienced in early 2023 and further reductions are expected throughout the rest of 2023.

Construction Health and Safety practices and culture



1.62 fatal injuries per 100,000 workers in construction industry (from April 2020–March 2021)



30 fatalities occurred in the construction sector between April 2021 and March 2022 Compared to 40 in 2020–2021 and 42 in 2019–20.

*estimated annual average 2019/20-2021/22

59,000* non-fatal work-related injuries in construction sector in UK.

United Kingdom – 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 – United Kingdom

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

- IMF
- ONS
- Gov.uk
- GlobalData's Construction Intelligence Center (CIC)
- BCIS

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