



United Kingdom

Country Insights and Commodity Report

Q1 2023      

United Kingdom

Q1 2023

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.



Michael Riordan
Managing Director – UK
michael.riordan@linesight.com



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

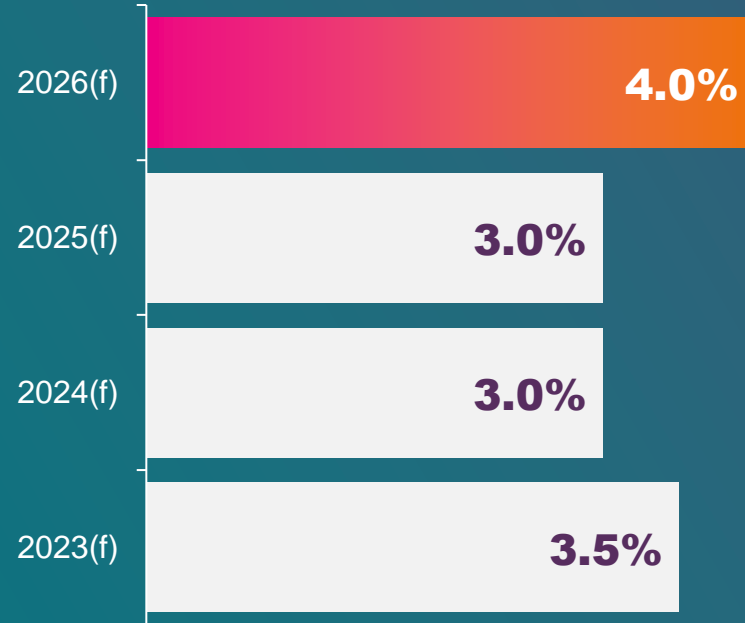
Welded mesh: 240 x 480cm, dia.-6mm Plasterboard: 240 x 120 x 1.25cm (L x W x T)




Material	% change Q1 – Q2 2023 (f)	Level of impact of pricing on construction procurement and supply chain *	
 Copper	-0.5% ↓	Moderate	Copper prices continued to rise in early 2023, extending a general upward trend that started in July 2022. But prices have levelled off more recently. The relaxation in China's zero COVID policy has contributed to prices holding at a relatively high level, while investment in renewable energy and electric vehicle production will be a factor in keeping prices elevated.
 Steel prices - Steel rebar - Flat steel	-0.8% ↓ -2.1% ↓	Moderate	Steel rebar prices fell sharply during the second half of 2022 and continued to drop in January this year, when prices were around 25% lower than in June 2022. Prices edged up in February and March, but there will be a general downward trend over the coming quarters as demand weakens. There will be similar trends for flat steel products, with steel producers struggling to continue to pass on higher production costs.
 Stainless steel	-0.5% ↓	Low	The price impact of weak demand has been offset by declining production and relatively high prices for key raw materials. The outlook for demand is weak, and prices will edge downwards in the coming quarter.
 Lumber	-8.5% ↓	Moderate	Lumber prices have continued to fall from the highs of the first half of 2022. Prices dropped by 22% between June 2022 and January 2023 albeit they are still at elevated levels when compared to previous years.
 Asphalt	+0.2% ↑	Moderate	Despite a general weakening in crude oil prices, there has yet to be a marked drop in asphalt prices, which reflects disruptions on the supply side as well as relatively high demand. The vale of new orders for road construction was up by 27% in 2022.
 Limestone	-1.2% ↓	Low	Weakening demand will start to weigh on prices, resulting in a steady decline in the coming quarters.

United Kingdom – Commodity Report



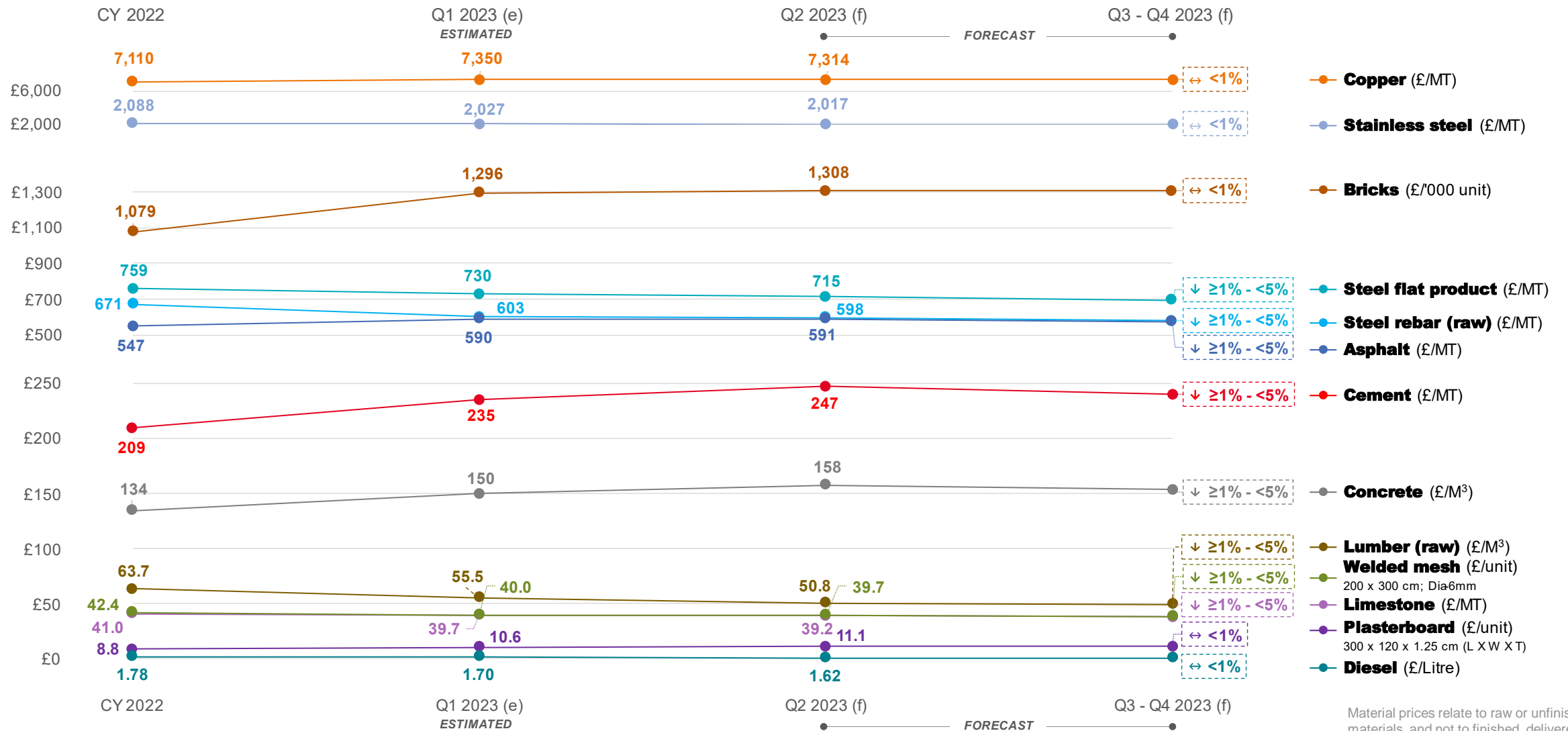
Linesight tender price change forecast 2023-2026



Material	% change Q1 – Q2 2023 (f)	Level of impact of pricing on construction procurement and supply chain *
 Cement Concrete	+5.1% ↑ +5.3% ↑	 Moderate Owing to continued elevated energy costs and high levels of energy consumption in cement manufacturing, prices have risen further in recent months. However, demand will fall back in the coming quarters, and producers will struggle to continue to pass on higher costs to buyers.
 Welded mesh	-0.8% ↓	 High In line with trends in steel prices, welded mesh prices have fallen from recent highs.
 Bricks	+0.9% ↑	 Moderate Despite weakening demand, brick prices have risen further in recent months, such that in March prices were up by an average of 8% compared to levels in December. Upward price pressure is expected to ease in the coming quarters.
 Plasterboard	+4.7% ↑	 Low As expected, reflecting indications from manufacturers, plasterboard prices have continued on an upward trend in recent months. In late March prices were around 11% higher than in late December, and 33% higher than in March 2022. High production costs have been the key factor in driving up prices.
 Diesel	-4.7% ↓	 Moderate Diesel prices have continued on a steady decline in recent months, falling to a quarterly average of £1.70 per litre in Q1 2023, down by 7.5% from Q4 2022. However, prices are still relatively high; prices were up by 8.6% in Q1 2023 when compared to Q1 2022.

* 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)



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

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

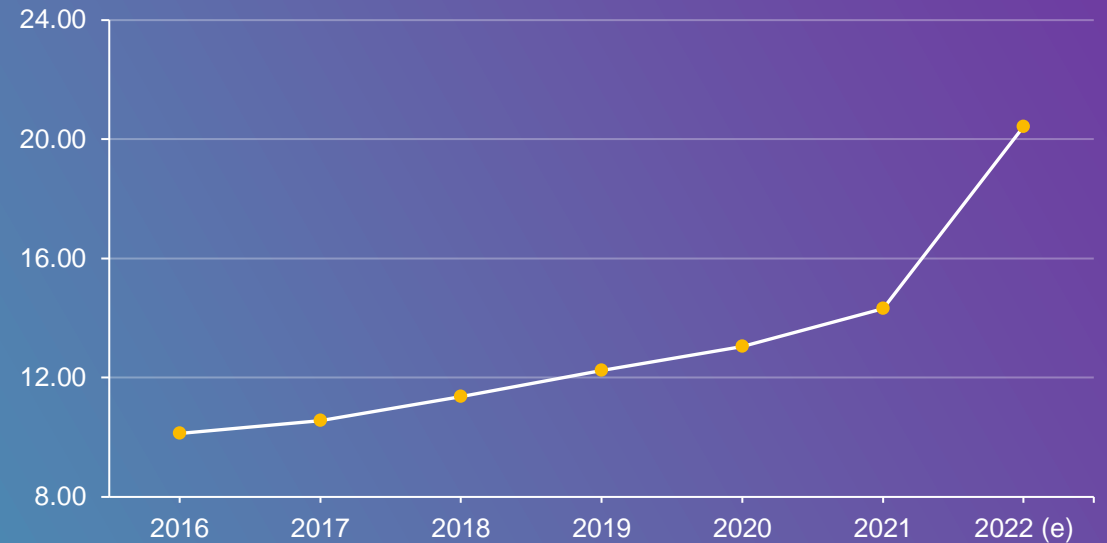


10 public holidays

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.



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

*estimated annual average 2019/20-2021/22

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
- The Conference Board Total Economy Database™
- Gov.uk
- Economic Research Institute

Linesight 

