



Canada Country Commodity Report Q4 2022



Canada

Q4 2022

According to a recent IMF estimate, Canada's economy will rise by 3.5% in 2022 but will then drop to 1.5% in 2023. High inflationary pressures, lower consumer spending and high interest rates are the key factors causing the economy to weaken in 2023. However, inflation is expected to ease throughout 2023 with improvements in the supply chain globally and a tightening of fiscal policy with increased interest rates. While general unemployment may increase in 2023, a shortage of core skilled construction labor is expected, resulting in stable costs for labor throughout the year.

In 2022, Canada's construction industry is expected to grow by 1.7% in real terms. Residential construction is likely to be slower this year because of the overall economic sentiment, an increase in interest rates and a readjustment for significant house price inflation over the past few years. The government has announced a significant number of major infrastructure projects such as road and light rail projects in the major metropolitan areas. This will help offset some of the slowdowns in other areas of the economy. Opportunities for growth in the Data Center and Life Sciences sectors, similar to what is seen in the United States, are likely to emerge in the coming year, with a majority of these projects based in Eastern Canada



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Lumber

Canadian lumber prices have continued along a slight downward trend over the past quarter as demand has remained subdued. Due to a high dependence on US exports (85% of the US softwood imports are sourced from Canada), price determination is linked to the US housing market, which is facing a prolonged downturn. With interest rates expected to remain high over 2023, the US housing market is unlikely to recover in the short- to medium-term. This has led many producers in Canada to curtail production and shut down mills to maintain a demand-supply balance.



Cement and aggregates

Hauler strikes and a shutdown of major plants due to fires added to supply tightness in mid to late 2022. However, supply has gradually recovered, and stocks have been replenished while intensive demand from the housing sector has subsided. However, high energy prices remain a key factor in keeping prices for cement and aggregates high. Furthermore, over the medium term, producers are likely to be hit by higher costs due to increased environmental regulations on production.



Concrete blocks and bricks

Although demand from the residential sector has subsided, energy prices have remained a key determinant in a high brick price.

Elevated oil and gas prices will continue to put upward pressure on brick prices over the next quarter.



Steel (rebar and structural)

Around 50% of steel supply is produced in Canada. With supply-side issues easing and inventories now stable, demand-side uncertainty has been the key driver behind price weakness. However, a long-term infrastructure program by the government will help to boost the demand to some extent.



Copper

Although the anticipation of the global economic recession impacted copper demand, prices have picked up in part owing to political and social unrest in Chile and Peru, with subdued output in the two countries restricting global copper supply. Demand over the medium- to long-term will be supported by the Net Zero agenda and renewable energy drive.

Canada – Commodity Report



Materials	Q1 2023 (f)	Q1 2022 – Q1 2023 (f)		Q3 – Q4 2022 (e)
	CAS	CAS	2022-23 % change	% change
Copper (CA\$/T)	9,911	11,474	-13.6% ↓	7.3% ↑ ■
Steel rebar (CA\$/T)	808	907	-10.9% ↓	3.3% ↑ ■
Steel flat (CA\$/T)	2,106	2,363	-10.9% ↓	3.3% ↑ ■
Stainless steel (CA\$/T)	9,083	NA	NA	NA
Lumber (CA\$/cu.ft.)	49.8	127	-60.8% ↓	-21.5% ↓ ●
Asphalt (CA\$/T)	1,113	877	26.8% ↑	-11.1% ↓ ●
Limestone (CA\$/T)	35.6	33.9	5.2% ↑	0.0% ↔ ■
Cement (CA\$/T)	259	228	13.9% ↑	0.0% ↔ ■
Concrete (CA\$/CY)	192	176	9.2% ↑	0.0% ↔ ■
Welded mesh (CA\$/unit)	219	245	-10.5% ↓	3.3% ↑ ■
Bricks (CA\$/'000 unit)	663	513	29.2% ↑	4.2% ↑ ●
Drywall (CA\$/unit)	17.9	16.8	6.5% ↑	2.4% ↑ ●
Diesel (CA\$/gallon)	8.4	8.1	3.5% ↑	-5.5% ↓ ●

(f) Forecast (e) Estimated

- Q3 to Q4 2022 % change greater than estimation in our Q3 report
- Q3 to Q4 2022 % change less than estimation in our Q3 report

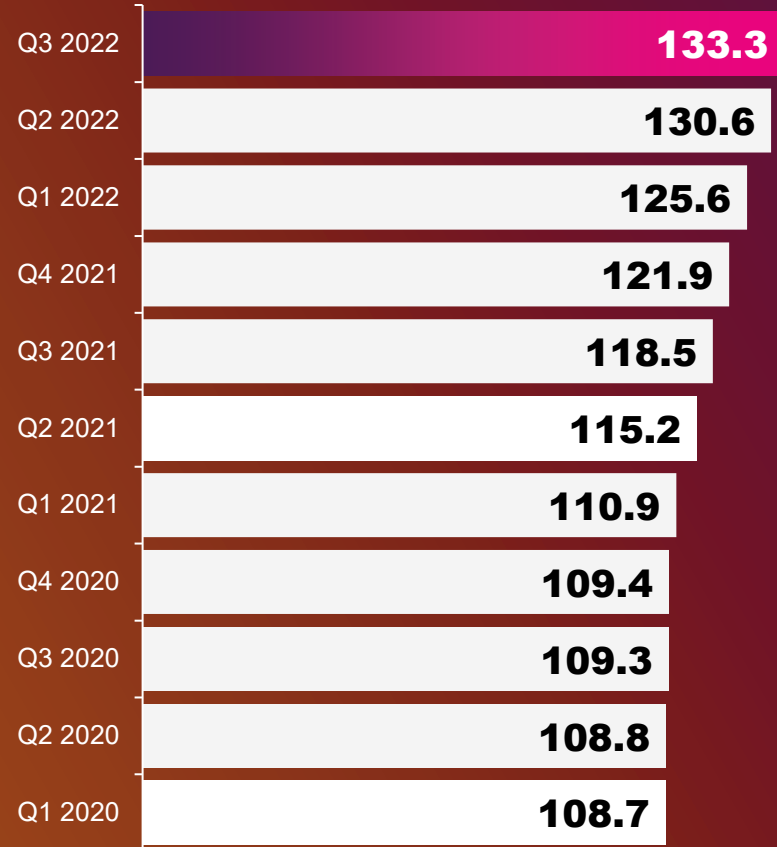
Welded mesh: 47.2 x 118.1 in, dia.-0.24 in Drywall: 47.2 x 96.1 x 0.5 in (L x W x T)











Material	% change Q4 – Q1 2023 (f)	Level of impact of pricing on construction procurement and supply chain *	
 Copper	+0.5% ↑	Moderate	The supply outlook for copper has been impacted by subdued output from Chile and Peru, which contributed to upward pressure in late 2022. The demand outlook is more complex. While economic activity is down globally due to increased interest rates, the reopening of the Chinese economy and the continued momentum behind the energy transition will keep copper prices volatile in the coming quarters.
 Steel prices - Steel rebar - Flat steel	-0.6% ↓ -0.6% ↓	Moderate	Steel prices remained relatively low in late 2022 compared to the high levels in the first half of the year. Demand from the infrastructure sector will be supported by federal and local government investments in upgrading the country's transport infrastructure, but residential construction will be sluggish in the coming quarters.
 Stainless Steel	+1.0% ↑	Low	Stainless steel prices have been pushed up by higher raw materials prices, and this will continue to be the case in the coming quarters.
 Lumber	-2.0% ↓	High	Short-term volatility in the lumber market looks to be in the past, as supply chain issues have largely been resolved. However, with continued downward pressure from the residential market domestically and in the US, prices are expected to fall.
 Asphalt	+1.0% ↑	Moderate	Asphalt prices eased in Q4 2022, with the trend reflecting in part the decline in crude oil prices. Although staying below the highs reached in 2022, prices for crude oil are expected to remain around \$80 per barrel, thereby keeping asphalt prices elevated.
 Limestone	+0.8% ↑	Low	Mining for limestone and primary aggregates has been stable in Canada and supply chains remain strong. However, elevated energy prices will continue to put upward pressure on prices. Hence, prices are expected to remain stable at current highs in the coming quarters.

Canada – Commodity Report



Non-residential building construction price index 2020- Q3 2022

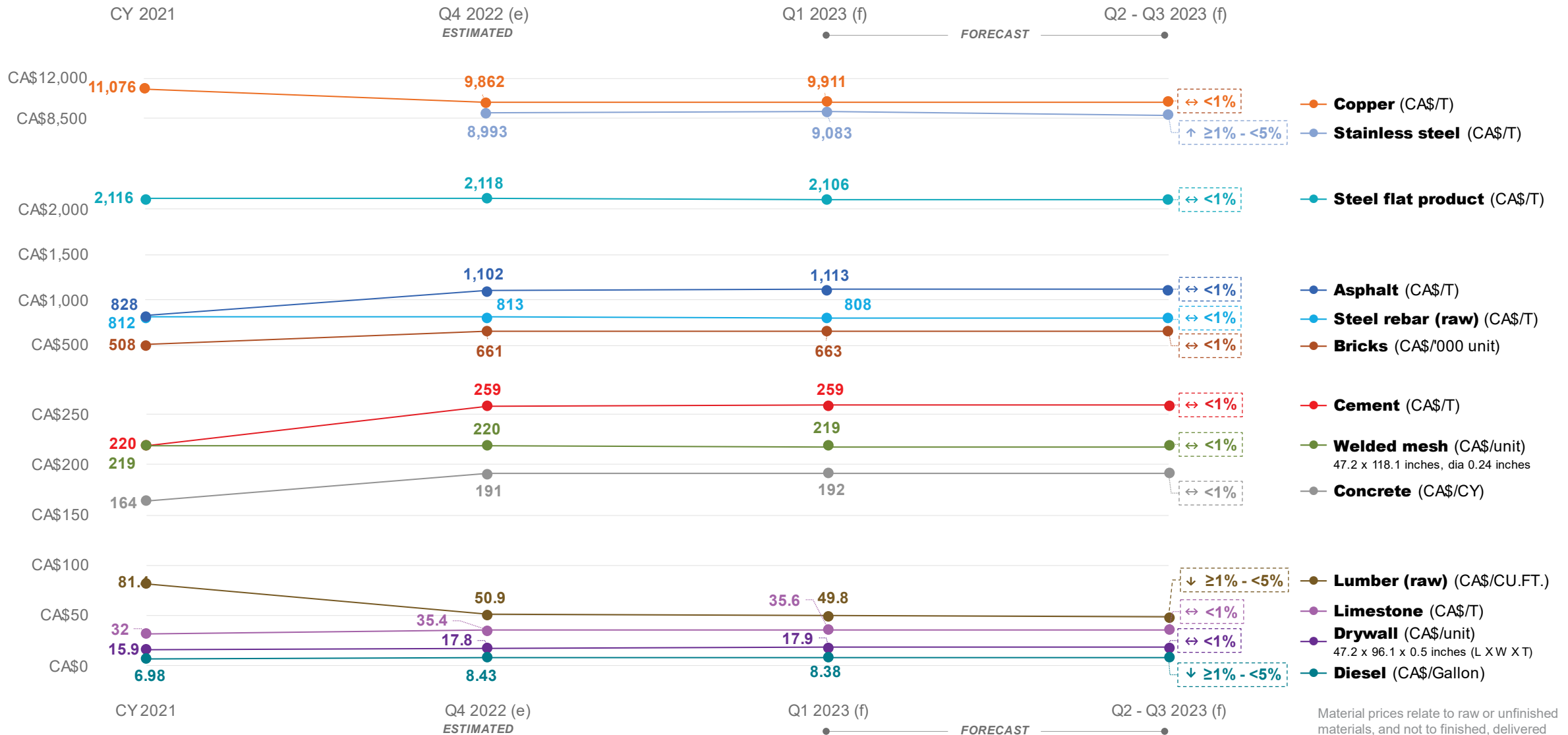


Material	% change Q4 – Q1 2023 (f)	Level of impact of pricing on construction procurement and supply chain *
 Cement Concrete	+0.2% ↑ +0.2% ↑	 Moderate Cement prices have flattened in recent months as demand pressures have lessened, although supply issues remain prevalent. A slowing construction market has been the key driver in lower demand for cement. However, elevated energy costs and logistical issues such as the haulers' strike continue to impose upward pressure on prices.
 Welded mesh	-0.1% ↓	 Moderate Following the steel price trends, demand for welded mesh will ease in the latter part of the year, but production and logistical costs will remain elevated.
 Bricks	+0.2% ↑	 Moderate Construction output for the residential sector is expected to decline in 2023, driving down demand for bricks. However, supply chains remain tight, hence the price is expected to remain around current levels.
 Drywall	+0.5% ↑	 Low As the residential construction sector loses momentum, pressure on plasterboard prices is expected to ease. Consequently, prices will likely remain at similar levels to the previous quarter.
 Diesel	-0.5% ↓	 High Diesel prices have been on a declining trend since June 2022. However, the recent decision by OPEC+ to cut production targets is expected to keep prices elevated in the near future.

* 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.

Canada – Construction Materials Pricing (2021-2023)



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

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Canada – 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 – Canada

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

- IMF
- Bank of Canada
- Statistics Canada
- Oxford Economics
- GlobalData's Construction Intelligence Center (CIC)

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