



France

Country Insights and Commodity Report

Q3 2022



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INSEE expects the French economy to post a flat performance in terms of economic growth for Q4, following its 0.2% estimation for Q3, with its full-year forecast standing at 2.6%. Inflation remains a key threat for France as it does globally, with October expected to come in around the 5.6% mark as seen in September, before a further increase to 6.4% for the final two months of the year. The latest International Monetary Fund (IMF) release has downgraded its economic growth forecast for France in 2023 to 0.7%.

The French construction industry is expected to expand by 3.3% in real terms this year, supported by government infrastructure investment in renewables and railway. Downside risks remain, with high inflation levels and interest rates, elevated commodity prices facing further upwards pressure from electricity costs, and ongoing supply chain disruption due to the geopolitical climate. Ultimately, this perfect storm of factors may impact investor confidence and delay some project starts.



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Lumber

Trade disruption, coupled with high production and transportation costs have kept lumber prices relatively elevated. Although there will be a period of weakness in demand, there are directives in place that will drive demand in the coming years. Examples of this are the requirement that any new buildings for the 2024 Summer Olympics (measuring eight stories or less) are to be made entirely from wood, and also a 2020 law requiring half of the materials used to construct public buildings to be wood or other natural substances.



Cement and aggregates

Building construction growth will slow in the coming quarters, and this is in part owing to the surge in material costs, including cement and aggregates. Although the government has implemented policies to offset high energy costs for businesses, the cement industry has been subject to high producer price inflation and will likely struggle to continue to pass this on to buyers due to weakened demand.



Concrete blocks and bricks

France has domestic capacity to meet demand, being a major producer of bricks in the EU. However, brick manufacturers are facing rising production costs, and recent indicators of purchasing activity suggest that demand has been weak, particularly in the residential sector.



Steel (rebar and structural)

Although construction output growth will be sluggish in the coming quarters, investment in infrastructure development will prop up demand for steel. Supplies of steel have been disrupted; France is the world's fifth largest importer of steel and the Russia-Ukraine conflict has greatly reduced the availability of products across Europe. With prices increasing sharply in Q2 2022 and remaining relatively high, buyers are shifting to cheaper sources, such as Turkey and India.



Copper

There has been a drop in copper prices, as global price pressures have eased amid weakening investor sentiment. Although a revival in demand in China could push prices up again, European demand levels will be relatively weak.

France – Commodity Report



	Q4 2022 (f)	Q4 2021 - Q4 2022 (f)	Q2 2022 - Q3 2022 (e)	
Materials	€	€	2021-22* % change	% change
Copper (€/MT)	7,877	8,670	-9.14% ↓	-13.9% ↓ ●
Steel rebar (€/MT)	865	663	30.53% ↑	-0.7% ↓ ●
Steel flat (€/MT)	861	687	25.31% ↑	-3.5% ↓ ●
Lumber (€/M3)	104	90	15.03% ↑	2.5% ↑ ●
Asphalt (€/MT)	81	70	15.57% ↑	-4.9% ↓ ●
Limestone (€/MT)	55	48	14.79% ↑	5.7% ↑ ●
Cement (€/MT)	169	140	20.86% ↑	4.9% ↑ ■
Concrete (€/M3)	151	125	20.88% ↑	4.9% ↑ ■
Welded mesh (€/unit (a))	166	127	30.79% ↑	-0.8% ↓ ●
Bricks (€/’000 unit)	1,010	700	44.29% ↑	11.1% ↑ ●
Plasterboard (€/unit (b))	3	3	5.50% ↑	-1.9% ↓ ■
Diesel (€/litre)	1.82	1.55	17.17% ↑	-5.1% ↓ ■

(a) 240x600cm, dia.-7mm
(b) 250x120x1.3cm (LxWxT)

● Q2 to Q3 2022 % change greater than estimation in our Q2 report
■ Q2 to Q3 2022 % change less than estimation in our Q2 report

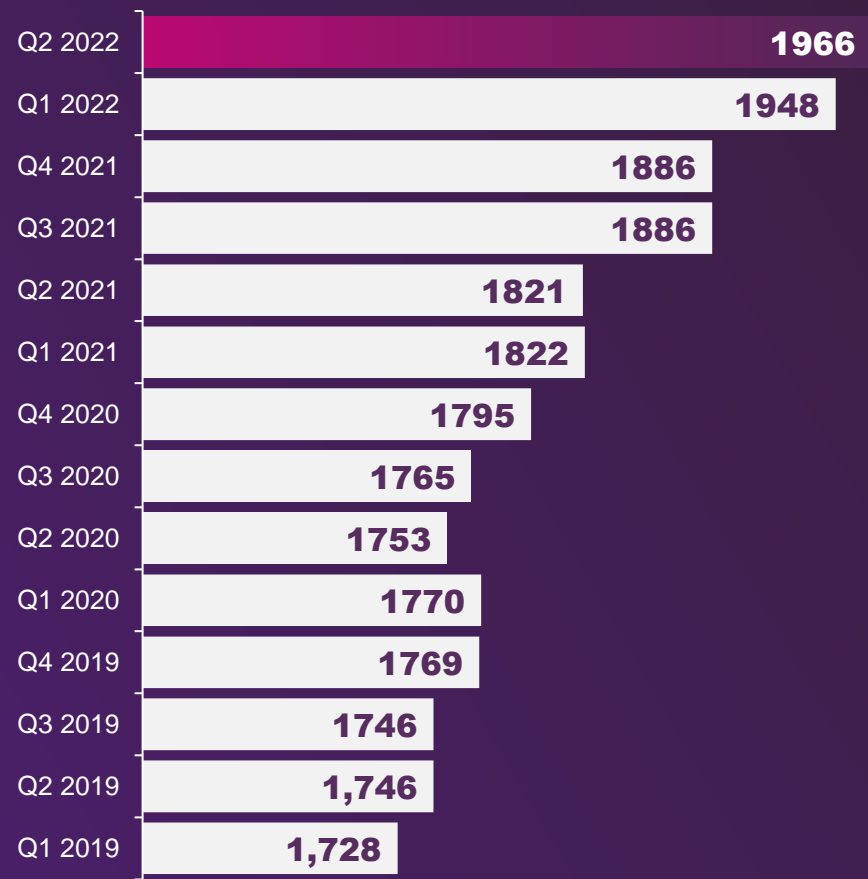
Material	% change Q3 – Q4 2022 (f)	Level of impact of pricing on construction procurement and supply chain *	
 Copper	-0.3% ↓	 Moderate	Copper prices have dropped from the highs of early Q2, and with the outlook for a sluggish overall economic performance in the coming quarters, prices will continue to slide. However, with investments in electric vehicles and renewable energy set to rise, this will sustain demand for the metal.
 Steel prices - Steel rebar - Flat steel	-1.0% ↓ -1.0% ↓	 Moderate	Producer prices in the steel industry jumped sharply in Q2 2022, having been on an upward trend for much of last year. Prices have since eased back, with producers struggling to pass on higher costs to buyers, with buyer interest waning. Producers have also been cutting production. ArcelorMittal, for example, has reported that it will be slowing production at some sites and shutting down furnaces for maintenance. Cheaper imports from suppliers outside Europe, which have not faced the same energy cost pressures, have also risen.
 Lumber	+1.0% ↑	 Moderate	Lumber prices have stayed high in recent quarters, with producer prices escalating. Although construction starts for dwellings have been on a downward trend this year, the 2020 environmental law mandating that wood accounts for 50% of public building construction will mean that underlying demand is maintained.
 Asphalt	-1.0% ↓	 Moderate	With crude oil prices falling from mid-2022 highs, there has been a weakening in the asphalt price. But crude oil prices could pick up again following OPEC+'s decision in early October to cut production.
 Limestone	+0.9% ↑	 Low	Limestone prices have edged up marginally, and are set to remain close to these elevated levels, reflecting the impact of high production and transportation costs.







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 2019-2022

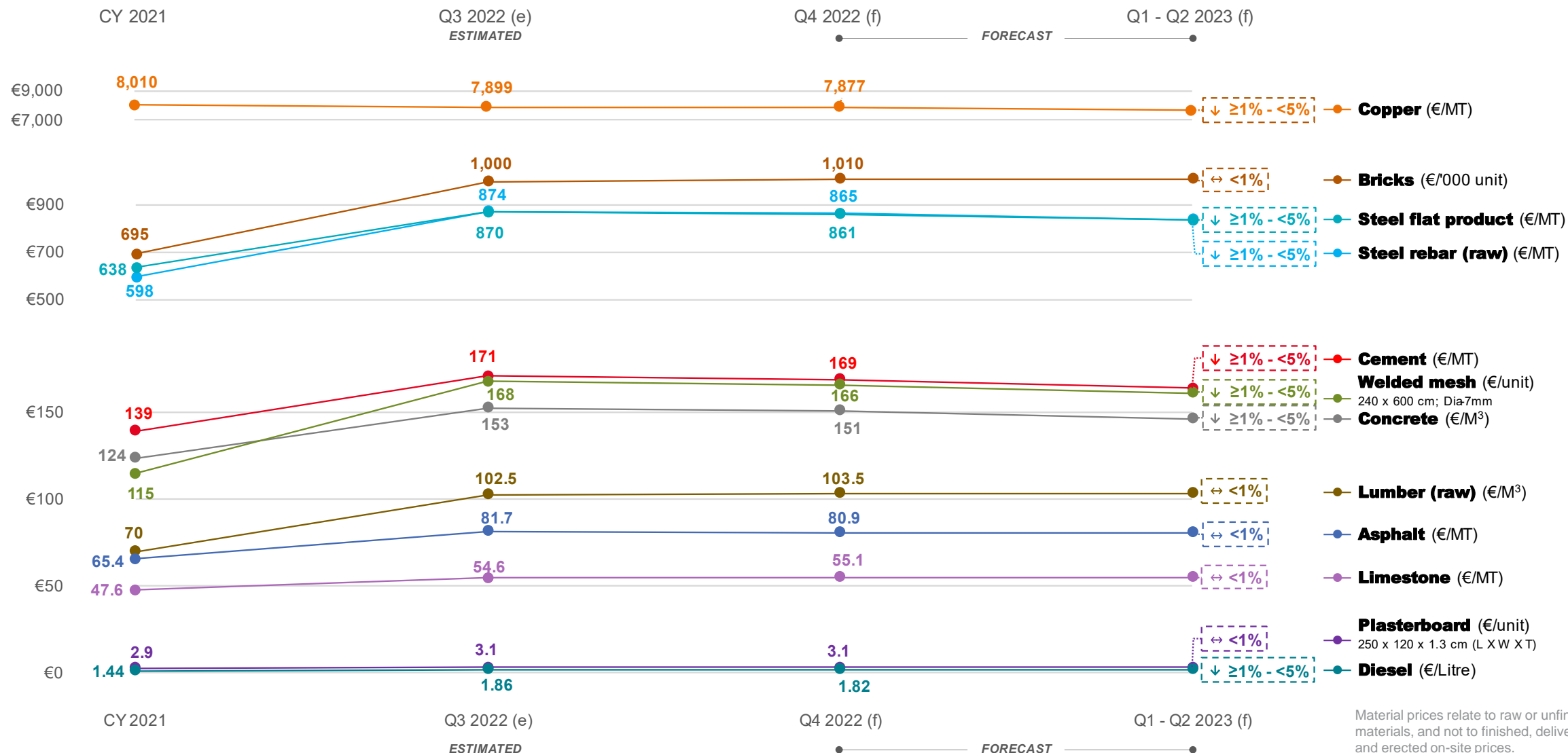


Material	% change Q3 – Q4 2022 (f)	Level of impact of pricing on construction procurement and supply chain *	
 Cement Concrete	-1.0% ↓ -1.0% ↓	 High	French cement prices have been pushed up sharply by high production costs - producer prices for cement manufacturing were up by 18% year-on-year in August. Government support measures to contain energy price inflation may help to reduce upwards pressure on prices, while demand is also expected to soften.
 Welded mesh	-1.0% ↓	 Moderate	Welded mesh prices will fall back from the recent highs, moving in line with trends in the rebar market.
 Bricks	+1.0% ↑	 Low	As with other building materials, high production costs have driven up prices this year. In Q3 2022, brick prices were up by around 43% year-on-year. At such high levels, demand is waning as building projects become too costly.
 Plasterboard	-1.0% ↓	 Low	Although easing back recently, plasterboard prices are still high when compared to 2021 levels. Production costs have been a factor in driving prices up, but demand growth has been weak, as evidenced by the downward trend in dwelling construction starts this year.
 Diesel	-2.2% ↓	 Low	After reaching a monthly average high of €2.07 per litre in June, diesel prices have fallen back as global crude prices have dropped, also reflecting the increase in the government rebate from €0.18 per litre to €0.30 per litre effective September 1st. However, prices could come under renewed upward pressure following the decision by OPEC+ in early October to cut crude production.

* 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)



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France – Macroeconomic overview



Economic indicators



2.6%

GDP growth in 2022 (f)
and **6.96%** in 2021



5.75%

inflation rate in 2022 (f)
and **1.64%** for 2021



27.32M

people employed in 2022 (f)
and **27.14M** in 2021



7.88%

unemployment rate for 2022 (f)
and **7.9%** in 2021



118.85

Consumer Price Index in
2022 (f) and **112.39** in
2021



142.8

Producer Price Index in
Aug 2022 and **110.3** in
2021

National holidays



**11 public
holidays**

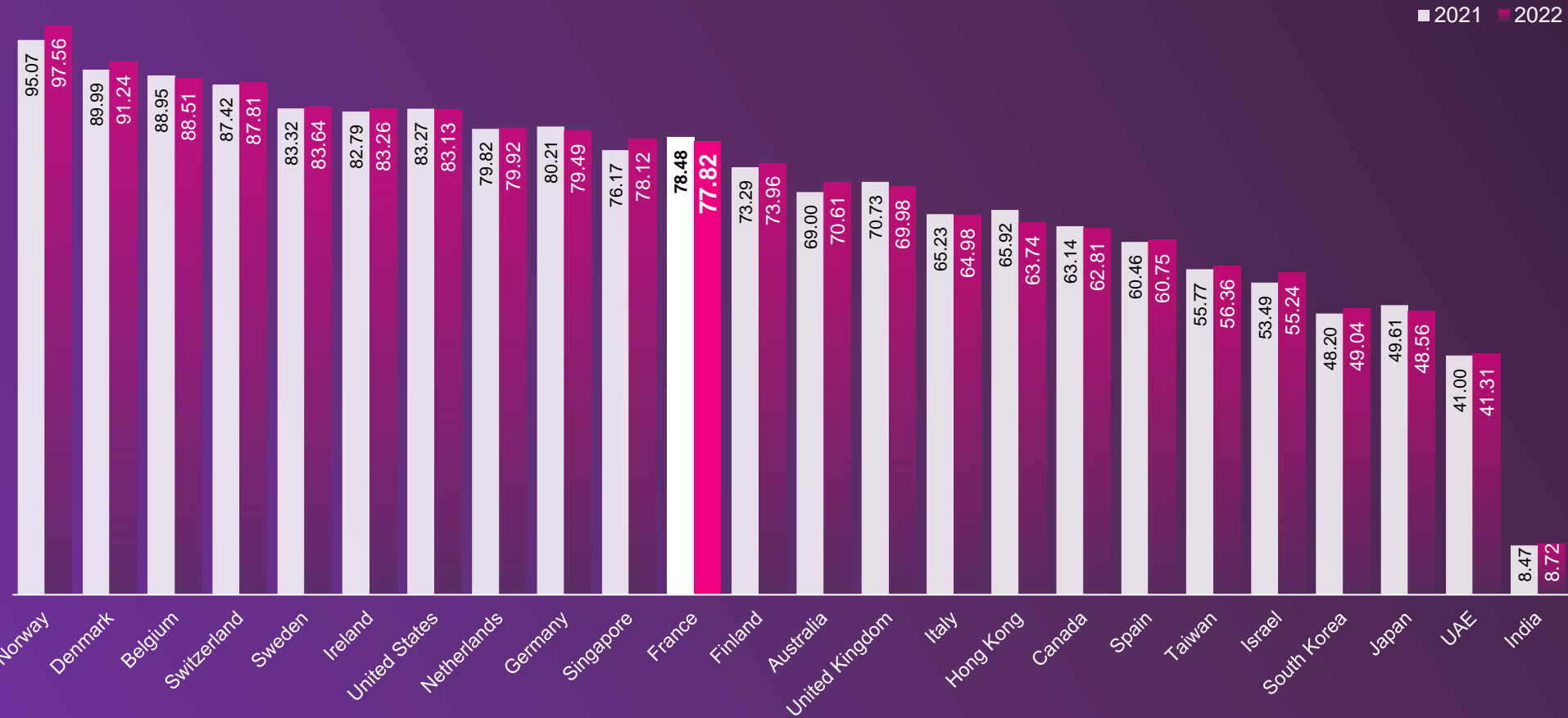
in France each year.

- New Year's Day (1 January)
- Easter Monday (18 April)
- Labour Day (1 May)
- Victory Day (8 May)
- Ascension Day (26 May)
- Whit Monday (6 June)
- Bastille Day (14 July)
- Assumption Day (15 August)
- All Saints' Day (1 November)
- Armistice Day (11 November)
- Christmas Day (25 December)

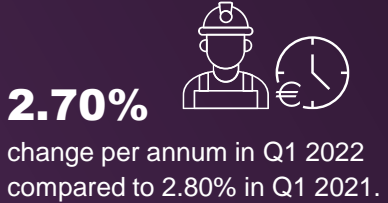
France – Macroeconomic overview



Labour productivity



Labour costs









Labour productivity per hour worked in 2021 international dollars, converted using Purchasing Power Parities

France – Construction overview



Output 2021 and 2022 (in millions)

Sector	Total 2021	Total 2022 (f)	% change
Commercial 	€52,846	€52,085	-1.4%
Energy and Utilities 	€27,589	€27,567	-0.1%
Industrial 	€31,883	€31,790	-0.3%
Infrastructure 	€64,388	€64,730	0.5%
Institutional 	€26,550	€26,794	0.9%
Residential 	€137,170	€135,610	-1.1%

Long-lead equipment (LLE) and Supply Chain narrative

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 continued to increase in Q3 2022. More data centre and crypto mining providers are joining the market, and this continued demand far outweighs the capacity of the supply chain. Entry onto the production line remains a significant challenge, with suppliers reporting fully booked capacity until Q2 2024. There has been some growth in the development of Tier 2 and Tier 3 suppliers to support this demand. However, it will take time to build an extended supply chain. There has also been no sign of a decline in demand yet in early Q4 2022.
- Material shortage:** Just as material availability started to improve, the further threat of escalation with the Russia-Ukraine conflict has cast further uncertainties of future material stocks and reserves. The supply chain has continued to seek alternative sources of raw materials, and although this has been with partial success, market lead times remain conservative.
- Freight durations and costs:** Heightened by the increase in fuel costs, and compounded by the instability of labour and container availability, freight durations have been particularly volatile in recent times. Early indications from Q4 2022 suggest some stabilization in shipping durations is returning to the market, but the associated costs remain volatile due to the global fuel crisis. As clients consider alternative solutions, it almost becomes cost prohibitive to use quicker forms of transport, such as air freight, due to these increasing fuel costs.

Construction Health and 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
- Trading Economics
- INSEE
- GlobalData's Construction Intelligence Center (CIC)
- Conference-board.org

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