



UAE

Country Commodity Report

Q4 2022



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The UAE's economic performance in 2022 is expected to fall short of initial projections of 6.5%, with a GDP growth rate of slightly more than 5.9%. Given the pressures from the global economy, general economic slowdown and geopolitical conditions, the outlook for 2023 GDP growth is expected to be around 4.1%. It is expected that the Dubai World Expo and robust expansion of the non-oil economy will help divert critical dependency on oil. Inflation continues to be a challenge at close to 5% in 2022 and is expected to further modify to a very acceptable 3.6% in 2023.

In 2022, the construction sector is expected to grow by 2% in real terms, which is 1.8% less than previous projections. The downward revision is attributed to supply chain disruptions, higher labour costs, and higher interest rates. The sector is expected to rebound with a 3.3% growth in 2023, fuelled by investments in the energy sector and growth in economy buoyed by higher oil prices.



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Lumber

Lumber demand will be sustained by continued expansion in the construction industry. However, upward pressure on prices will be contained by the decline in prices in major source markets, including North America.



Cement and aggregates

With investment in infrastructure and major buildings projects, demand for cement and aggregates will remain strong. The UAE has sufficient capacity to meet domestic consumption needs, but production costs will remain elevated. Prices are therefore set to remain around current high levels.



Concrete blocks and bricks

High demand and rising production costs have contributed to upward pressure on prices for concrete blocks. No major change is expected in market dynamics and prices are expected to remain at elevated levels in the coming quarters.



Steel (rebar and structural)

Having come down sharply from the highs of April 2022, steel prices are again coming under some upward pressure, as producers seek to pass on higher production costs, such as energy and transportation costs to buyers. In late December, the UAE's largest public steel company, Emirates Steel Arkan, announced rebar price increases of \$33 per ton, a 5% increase over the previous month, due to higher production costs.



Copper

Global copper prices dropped significantly in Q3 2022 due to weak global demand. However, the prices picked up marginally in late 2022, and are set to be volatile in the coming quarters given the opposing impacts of weak global economic demand and supply tightness. Demand over the longer term will be bolstered by the importance of the metal in the energy transition drive.

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Materials	Q1 2023 (f)	Q1 2022 – Q1 2023 (f)		Q3 2022 – Q4 2022 (e)
	AED	AED	2022-23 % change	% change
Copper (AED/MT)	27,972	36,749	-23.9% ↓	4.2% ↑ ●
Steel rebar (AED/MT)	2,350	2,681	-12.3% ↓	-6.2% ↓ ●
Steel flat (AED/MT)	2,307	3,287	-29.8% ↓	-11.1% ↓ ●
Stainless steel (AED/MT)	4,481	NA	NA	NA
Lumber (AED/M3)	653	620	5.4% ↑	0.0% ↔ ■
Asphalt (AED/MT)	1,778	1,818	-2.2% ↓	-5.0% ↓ ●
Limestone (AED/MT)	455	445	2.3% ↑	0.9% ↑ ●
Cement (AED/MT)	223	214	4.0% ↑	0.9% ↑ ●
Concrete blocks (AED/M3)	232	205	13.3% ↑	0.0% ↔ ■
Welded mesh (AED/unit)	84.8	82.5	2.8% ↑	0.0% ↔ ■
Bricks (AED/'000 unit)	1,818	1,500	21.2% ↑	5.9% ↑ ●
Plasterboard (AED/unit)	14.0	13.5	3.8% ↑	0.0% ↔ ■
Diesel (AED/litre)	3.8	2.9	30.7% ↑	-9.9% ↓ ■

(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

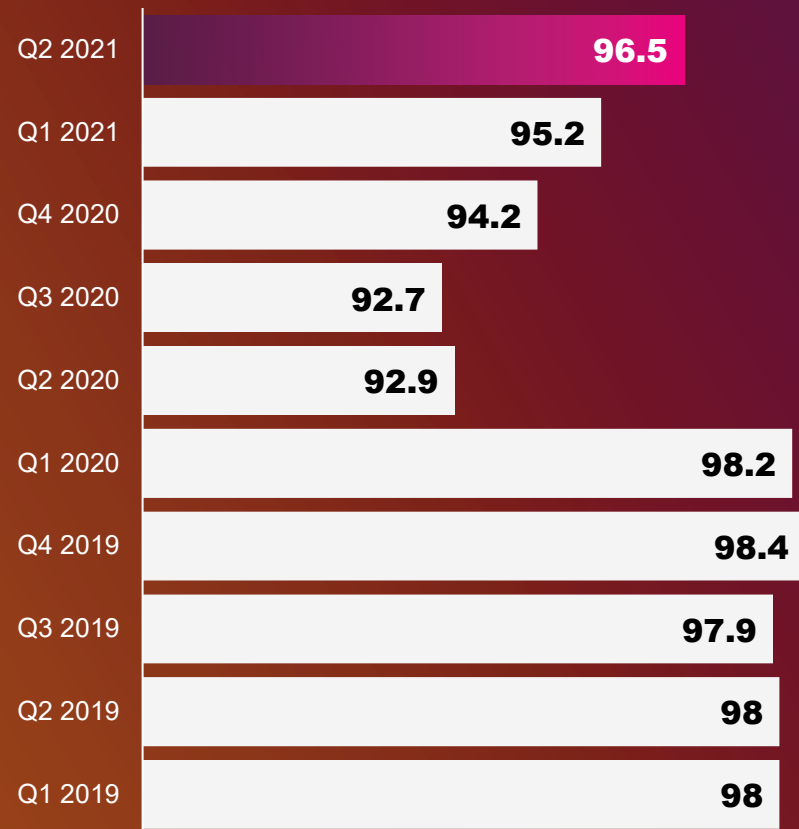
Welded mesh: 244 x 488cm, dia.-6mm Plasterboard: 122 x 244 x 1.2cm (L x W x T)











Material	% change Q4 – Q1 2023 (f)	Level of impact of pricing on construction procurement and supply chain *	
 Copper	+1.0% ↑	Low	Copper prices picked up again in Q4 2022 having dropped from the April 2022 highs. However, increased interest rates and global economic weakness will weigh on prices, but this will be offset by concerns over supply tightness, along with the potential recovery in Chinese demand.
 Steel prices - Steel rebar - Flat steel	+5.5% ↑ +6.0% ↑	Low	Although steel prices have fallen sharply in the second half of 2022, steel prices are facing renewed upward pressure with local producers signalling price hikes in the short-term owing to high production costs. Demand is also picking up given the outlook for continued growth in the construction industry in the UAE.
 Stainless Steel	+3.0% ↑	Low	With increased input costs, the price for stainless steel is expected to rise further from recent levels.
 Lumber	+0.5% ↑	Moderate	Lumber prices have been stable in recent quarters. Prices are expected to remain close to current levels, with improving supply chains helping to offset demand-side pressures.
 Asphalt	-0.5% ↓	Low	Asphalt prices have fallen moderately in line with the decline in prices for petroleum and related products. Prices will remain stable on a quarterly average basis, but there could be renewed volatility in global crude oil prices.
 Limestone	+0.5% ↑	Low	Prices for limestone have been stable in recent quarters, with little change expected in the short term. Demand will be healthy, and this will be met primarily through domestic production.

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Construction cost index 2019-2021

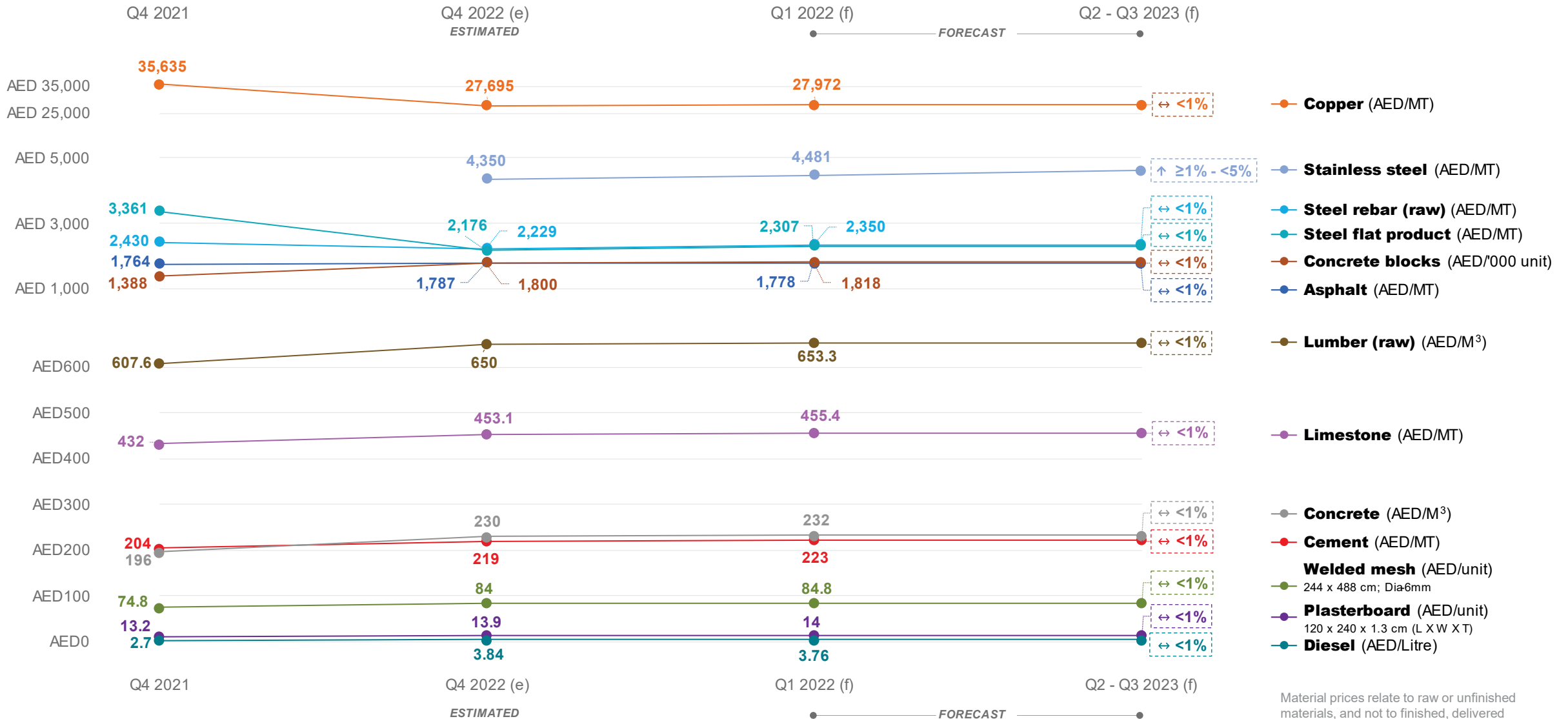


Material	% change Q4 – Q1 2023 (f)	Level of impact of pricing on construction procurement and supply chain *
 Cement Concrete	+1.5% ↑ +1.0% ↑	 Moderate <p>With steady demand from the construction sector driven by infrastructure projects, the demand for cement and concrete is expected to remain strong in the short term. Prices are therefore expected to remain close to current highs, propped up by high production costs.</p>
 Welded mesh	+1.0% ↑	 Low <p>Having been stable in recent months, welded mesh prices will edge slightly higher in the short term, in line with trends in steel rebar.</p>
 Concrete blocks	+1.0% ↑	 Moderate <p>Prices for concrete blocks picked up in Q4 2022, with solid demand from the construction sector. Prices are expected to remain elevated in the coming quarters, reflecting still high prices for concrete, and demand stemming from investment in housebuilding programs.</p>
 Plasterboard	+1.0% ↑	 Low <p>Plasterboard price have remained stable. The region has abundant gypsum resources, which will help to contain inflationary pressure.</p>
 Diesel	-2.0% ↓	 Low <p>Diesel prices have continued to fall steadily having reached close to AED4.8 per litre in July. In line with trends in global crude oil prices, the price of diesel is expected to remain close to current levels in the coming quarters, but there will be a degree of volatility.</p>

* 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.

UAE – Construction Materials Pricing (2021-2022)



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

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UAE – 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 – UAE

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

- World Bank
- Statistics Center – Abu Dhabi
- National Bureau of Statistics (United Arab Emirates)
- Dubai Statistics Center
- GlobalData's Construction Intelligence Center (CIC)
- The Ministry of Economy

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