



UAE

Country Insights and
Commodity Report

Q1 2023



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In 2022, UAE's GDP grew by 7.4%, the fastest pace since 2010, due to higher oil production and a rebound in the non-oil sector. Despite uncertainties related to the global economic outlook, the IMF predicts that the economy will still grow by 3.5% in 2023. Inflation is also expected to decrease, with the Consumer Price Index projected to be around 3.4% in 2023, compared to 4.8% in 2022.

The UAE's construction industry grew by 2% in real terms in 2022, benefiting from an economic recovery after the easing of COVID-19 restrictions and increased oil receipts. It is anticipated to grow by 3.3% in 2023, supported by the government's continued emphasis on infrastructure investments. Despite concerns over material costs, skills shortages amid increasing labour demand in neighboring states the country's construction sector remains resilient and strong.



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Lumber

The expected improvement in construction output in the UAE, supported by government investment, will contribute to domestic demand for lumber, prices for which have eased globally. With most imports sourced from Europe and North America, where prices have dropped, local price inflation will be contained.



Cement and aggregates

Cement prices will remain at an elevated level in 2023, as consumption increases due to investment in infrastructure and major buildings projects. As the UAE not only has sufficient capacity to meet domestic consumption needs, but is also an exporter, so rising demand would be met by domestic suppliers. Prices are therefore set to remain around current high levels.



Concrete blocks and bricks

Benefiting from the high oil price environment, the UAE is set to push ahead with investment programs that will support a pickup in construction activity. This will generate stronger demand for key building materials, such as bricks, thereby keeping prices at relatively high levels.



Steel (rebar and structural)

Steel prices picked up in the first quarter, and prices will remain high in the coming quarters as producers seek to pass on higher production costs to buyers. Domestic steel production has been positive in recent quarters, with Emirates Steel Arkan, the UAE's largest public steel company, reporting a net profit of AED 125 million in Q4 2022.



Copper

Copper prices will stabilize in the second half of 2023, as an easing in major economic growth constraints in developed countries combined with the restart of production and recovery of consumption by Chinese companies (which consume approximately 52% of the world's copper). Although prices are expected to remain near current lows in the second quarter, demand is expected to increase due to the metal's importance in the energy transition drive.

UAE – Commodity Report



Materials	Q2 2023 (f)	Q2 2022 – Q2 2023 (f)		Q4 2022 – Q1 2023 (e)
	AED	AED	2022-23 % change	% change
Copper (AED/MT)	30,026	36,162	-17.0% ↓	7.4% ↑ ●
Steel rebar (AED/MT)	2,507	2,975	-15.7% ↓	10.3% ↑ ●
Steel flat (AED/MT)	2,504	3,398	-26.3% ↓	13.9% ↑ ●
Stainless steel (AED/MT)	4,650	NA	NA	5.0% ↑ ●
Lumber (AED/M ³)	644	650	-1.0% ↓	0.0% ↔ ■
Asphalt (AED/MT)	1,721	1,900	-9.4% ↓	-7.0% ↓ ●
Limestone (AED/MT)	455	449	1.4% ↑	1.0% ↑ ●
Cement (AED/MT)	222	217	1.9% ↑	0.0% ↔ ■
Concrete blocks (AED/M ³)	231	230	0.5% ↑	0.0% ↔ ■
Welded mesh (AED/unit)	84.4	94.6	-10.8% ↓	0.0% ↔ ■
Bricks (AED/000 unit)	1,809	1,700	6.4% ↑	0.0% ↔ ■
Plasterboard (AED/unit)	14.0	13.9	0.8% ↑	0.0% ↔ ■
Diesel (AED/litre)	3.2	4.1	-22.7% ↓	-14.8% ↓ ●

(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

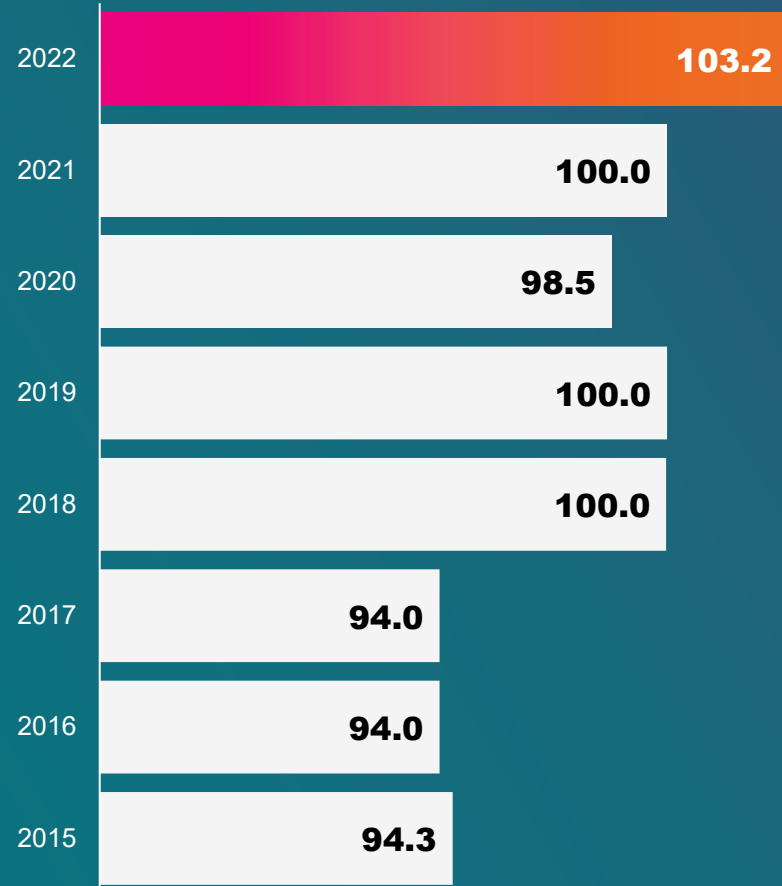
Welded mesh: 244 x 488cm, dia.-6mm Plasterboard: 122 x 244 x 1.2cm (L x W x T)











Material	% change Q1 – Q2 2023 (f)	Level of impact of pricing on construction procurement and supply chain *	
 Copper	+1.0% ↑	Low	After rising continuously from October to January, copper prices fell in February and March 2023. Despite the drop, Q1 2023 prices remain high due to increased demand from China following its reopening. In the short term, the global slowdown in economic activity, combined with the fear of a recession, will keep price pressures in check, but prices are expected to rise slightly in the coming quarters.
 Steel prices - Steel rebar - Flat steel	+2.0% ↑ +1.0% ↑	Low	Steel rebar prices in the UAE are expected to trend upwards in the short term, following a 3.8% M-o-M increase in March and a 6.9% increase since the start of 2023. Meanwhile, steel flat prices have increased by more than 10% from the price level of Q4 2022. Expectations of big projects to be awarded in first half of 2023, along with an extended import duty period for rebar till November 2023 will keep the demand strong and keep prices relatively high.
 Stainless Steel	+1.8% ↑	Moderate	High raw materials prices have kept stainless-steel prices relatively high. The price of stainless steel has increased by nearly 5% in the current quarter compared to the previous price level in Q4 2022. Stabilising energy and nickel prices are expected to keep stainless steel prices steady at a high level in the coming quarters.
 Lumber	-1.0% ↓	Moderate	Lumber price have witnessed no notable change from the level of Q4 2022. Improvements in the supply chain and reduced transportation cost due to stabilisation of international crude oil prices have improved the supply of imported lumber in the region. The price for lumber is expected to remain at current levels for the next quarter.
 Asphalt	+3.5% ↑	Low	Asphalt prices have fallen sharply from the levels of Q4 2022. However, prices are expected to rise in the short-term owing to production cuts by OPEC as well as rising demand stemming from road construction projects in the country.
 Limestone	-0.5% ↓	Low	Limestone prices edged up slightly in Q1 2023 compared to the price level of Q4 2022. Continued demand from construction sector and stabilising energy costs will likely keep limestone prices close to current levels over the coming quarters.

UAE – Commodity Report



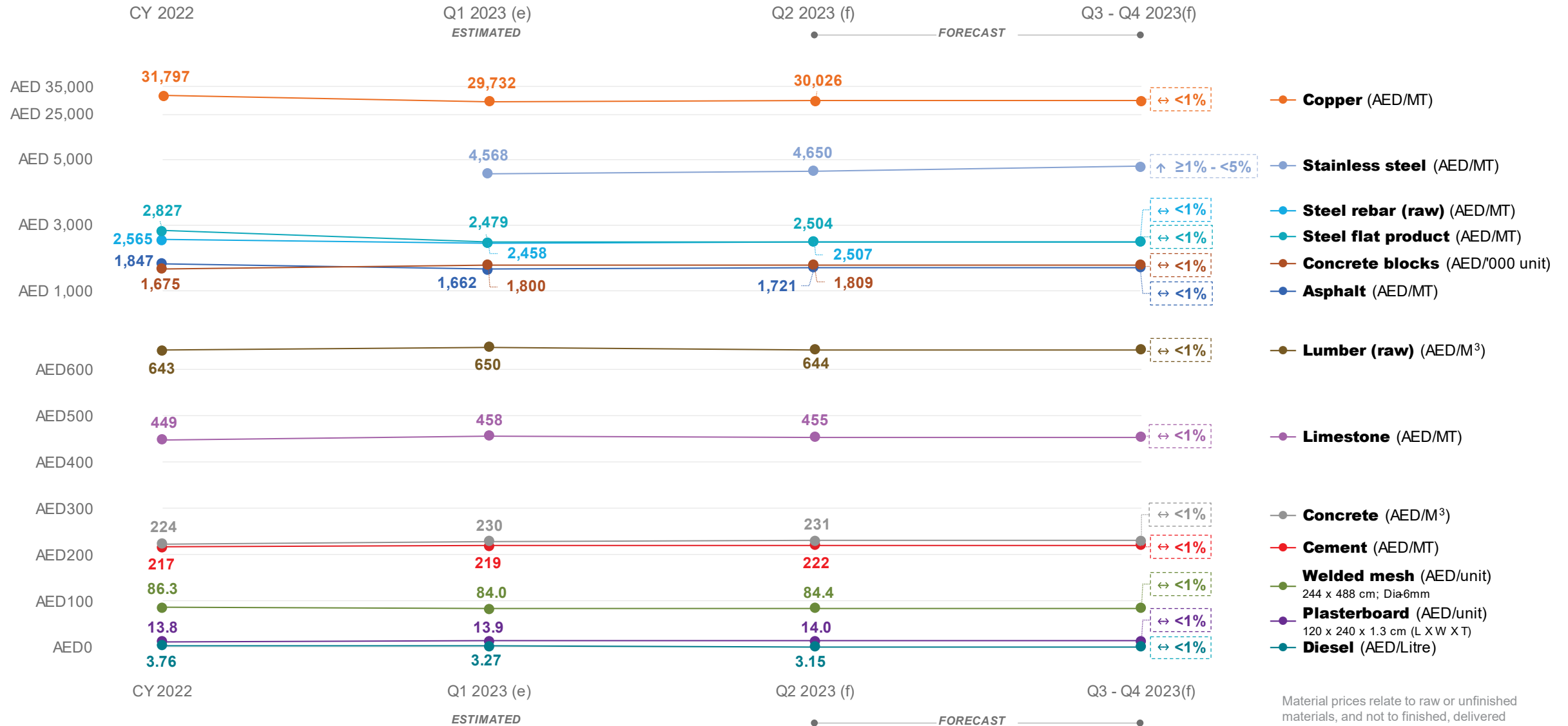
Construction Cost Index 2015-2022 (Dubai) (2019=100)



Material	% change Q1 – Q2 2023 (f)	Level of impact of pricing on construction procurement and supply chain *
 Cement Concrete	+1.0% ↑ +0.5% ↑	 Moderate Cement and concrete prices have remained stable in recent months. With many large construction projects expected to be awarded in first half of 2023, the demand for cement and related products is expected to remain strong, keeping prices relatively high.
 Welded mesh	+0.5% ↑	 Low Welded mesh price are expected to edge upwards marginally reflecting the increasing prices of rebar in next quarter. An increase in demand in line with the expansion in buildings projects will keep prices high in the coming quarters.
 Bricks	+0.5% ↑	 Moderate Prices of concrete blocks have remained stable recently. As with other building materials, demand will be strengthened by commencement of key projects by major developers in the region, and this will keep prices close to current highs.
 Plasterboard	+0.8% ↑	 Low Plasterboard prices are expected to remain stable in the first half of 2023, with no significant changes witnessed in comparison to the prices of Q4 2022. Stabilising energy prices and improvement in supply of domestic gypsum will keep the prices contained.
 Diesel	-3.6% ↓	 Low Diesel prices have fluctuated in the UAE in the past few months. The price of diesel per litre rose from AED3.29 in January to AED3.38 in February before dropping back to AED3.14 in March 2023. On a quarterly average basis, the price of diesel fell from AED3.84/litre in Q4 2022 to 3.27/litre in Q1 2023. The decline in prices has mainly reflected a general decline in international crude oil prices. However, in the coming quarters, prices are expected to remain volatile, with recent OPEC+ production cuts resulting in a jump in crude prices.

* 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 (2022-2023)



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

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UAE – Macroeconomic overview



Economic indicators



3.52%

GDP growth in 2023 (f)
and 7.41% in 2022



3.42%

inflation rate in 2023 (f)
and 4.83% for 2022



3.00%

unemployment rate for 2023 (f)
and 3.50% in 2022



107.19

Consumer Price Index in March
2023 and 102.75 in March 2022

National holidays

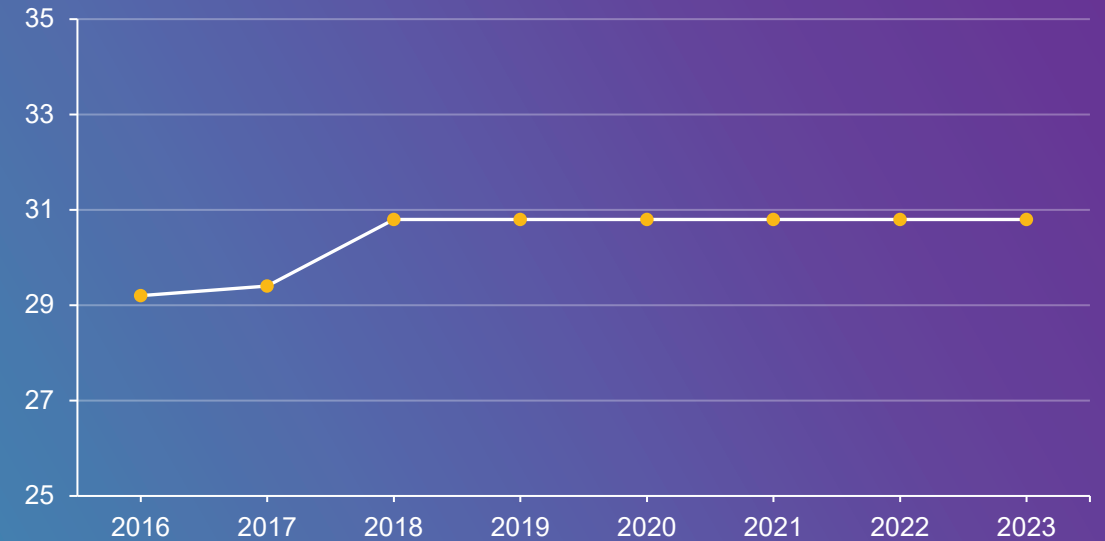


14 public holidays

in UAE each year

UAE Energy Prices

Average Electricity Charges in UAE (fills/kWh) –
Commercial Use









Note:

100 fills = 1 AED

Electricity cost have not changed in the last 5 years for commercial use

UAE – Construction overview



Output 2022 and 2023 (in AED millions)			
	Total 2022	Total 2023 (f)	Total 2024 (f)
Commercial 	39,358	40,768	42,850
Energy and utilities 	75,354	78,199	81,406
Industrial 	14,570	14,903	15,386
Infrastructure 	60,637	63,305	66,756
Institutional 	8,432	8,643	8,943
Residential 	99,048	101,351	103,968

*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:

- 1. 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.
- 2. Supply:** The stock levels of raw materials finally started to stabilize, 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.
- 3. 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.

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
- National Bureau of Statistics (United Arab Emirates)
- Dubai Statistics Center
- Statistics Center Abu Dhabi
- GlobalData's Construction Intelligence Center (CIC)
- Central Bank of UAE
- Economic Research Institute

Linesight

