



Italy

Country Commodity Report

Q2 2023



Italy

Q2 2023

Italy's real GDP rebounded in Q1 2023 following a slowdown in the latter half of 2022, while the annual inflation rate reached its lowest point in 14 months. The construction sector stood out with increased confidence and improved employment expectations. Labour input, measured by hours worked, also saw growth. Additionally, construction costs for industrial buildings experienced a 5% decline in May 2023 compared to the previous year. There is cautious optimism in the industry as the second half of the year may see a moderation in economic growth.

While steel prices are declining, copper remains volatile, and cement and concrete prices remain elevated. Following a period of remarkable growth in the last two years, driven by government incentives to boost the residential sector, the construction industry is anticipated to contract in 2023. However, the industry will find support through ongoing investments in the renewable energy sector.



Damien Gallogly
Senior Director - Europe



Key Indicators

GDP

Increased by 1.9% on an annual basis in Q1 2023



- On a QoQ basis GDP grew by 0.6% in Q1 2023
- Growth was driven by manufacturing and exports
- However, a recent contraction in the manufacturing sector may impact the economy in the second half of 2023

CPI

Stood at 4.5% in June 2023 on a YoY basis



- Overall inflation was low because of a decrease in energy prices but core inflation is high, resulting in weak household spending

Construction output

Expected to shrink by 8.6% in real terms in 2023



- The industry grew by 10.2% in 2022, driven by government incentives to boost residential construction, which are now being phased out
- Industry will be supported by investments in the manufacturing and renewable energy sectors

Commodities Pricing Snapshot

	Price % change			Remarks
	YoY Q2 '22 - Q2 '23 (e)	QoQ Q1 - Q2 '23 (e) Q2 (e) - Q3 '23 (f)		
Copper	↓ -13%	↓ -6%	↓ -1%	Prices have stabilised but could become more volatile
Steel rebar (raw)	↓ -29%	↓ -14%	↓ -9%	Prices have continued to trend downwards
Cement	↑ 1%	↓ -1%	↓ -1%	Prices have started to edge downward, and are likely to drop further
Lumber	↓ -32%	↓ -9%	↓ -12%	Prices have dropped sharply, and are likely to decrease further

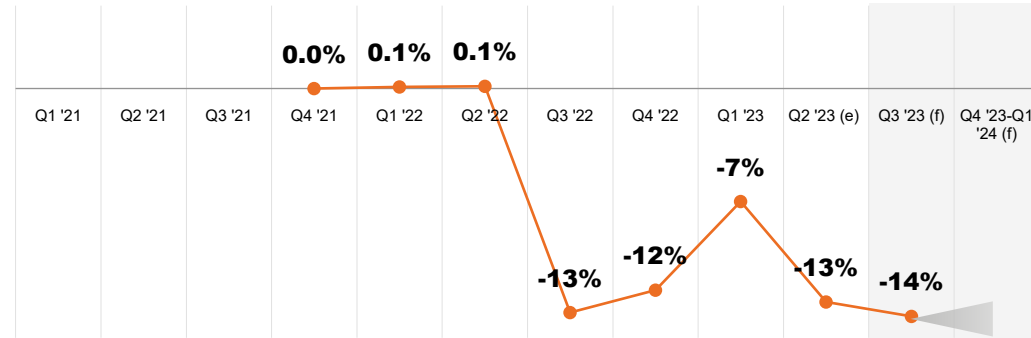
Italy – Commodity Price Trends



Copper

Level of Impact			
Price Change (e) vs (f)		Material Availability	General State of Supply Chain
Moderate		Moderate	Moderate
Price (€/mt)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
€7,783	€7,705	↓ -6.5%	↓ -1.0%

Price change comparison against Q4 2021



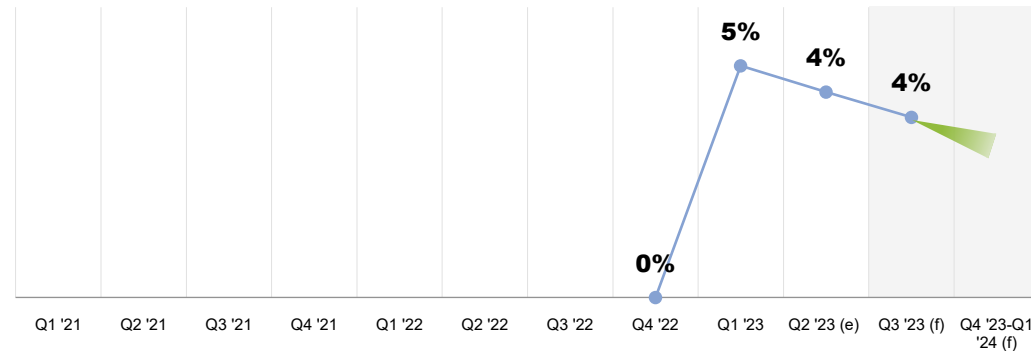
- Although there has been some volatility in copper prices this year, on a quarterly average basis prices were down by 6.5% QoQ in Q2 2023
- Given the impact of weak demand stemming from rising interest rates and also concerns in the short term over limited global inventories, prices will remain volatile, but will stay close to current levels on a quarterly average basis



Stainless Steel

Level of Impact			
Price Change (e) vs (f)		Material Availability	General State of Supply Chain
Moderate		Low	Low
Price (€/mt)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
€3,927	€3,907	↓ -0.5%	↓ -0.5%

Price change comparison against Q4 2022



- Stainless steel prices will continue on a weakening trend, given the drop in prices for key raw materials, such as nickel
- Global nickel prices are projected to decline further given that the top producer, Indonesia, is ramping up stock levels
- Relatively weak domestic demand will also be a factor in the downward trend in the coming quarters

Italy – Commodity Price Trends

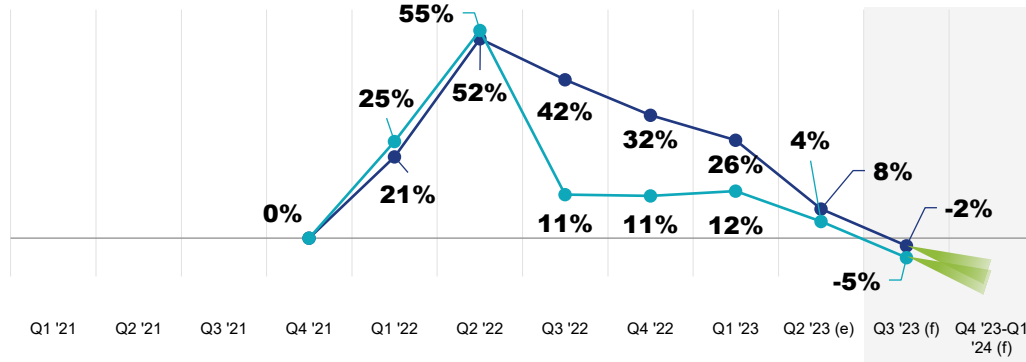


Steel – rebar and flat

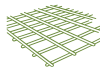
Level of Impact		
Price Change (e) vs (f)	Material Availability	General State of Supply Chain
Moderate	Moderate	Low

Price		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
Steel rebar (raw) (€/mt)			
€734	€668	↓ -14.4%	↓ -9.0%
Steel flat product (€/mt)			
€835	€759	↓ -9.1%	↓ -9.1%

Price change comparison against Q4 2021



- Steel rebar prices have continued to trend downward given weak demand and easing production costs
- In Q2 2023 prices dropped by 14% QoQ, extending the downward trend to four successive quarters from the peaks of Q2 2022
- Similarly, prices of steel-flat product have also been on a downward trend, registering a 7% QoQ drop in Q2 2023
- Lower supplies for the domestic market will help to limit the decline in prices in the coming quarters

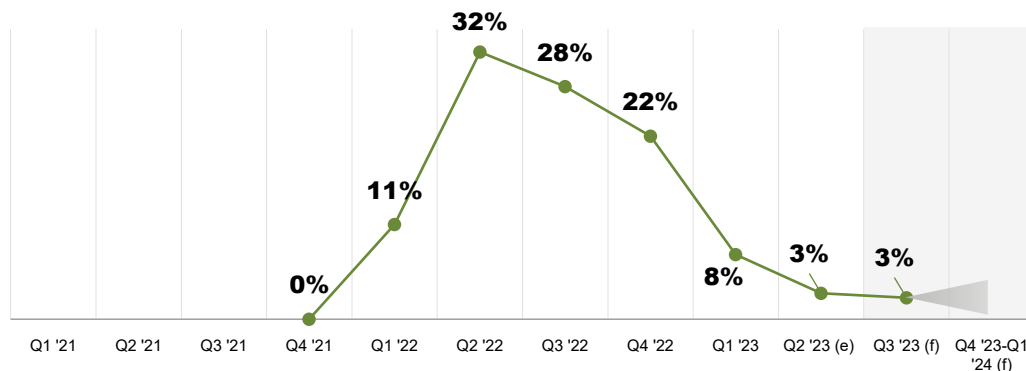


Welded mesh

Level of Impact		
Price Change (e) vs (f)	Material Availability	General State of Supply Chain
Moderate	Moderate	Moderate

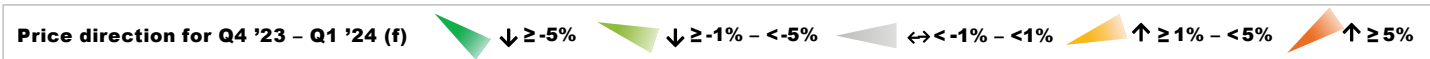
Price (€/unit*)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
€39.7	€39.5	↓ -4.3%	↓ -0.5%

Price change comparison against Q4 2021



- Welded mesh prices fell by 4% on a quarterly average basis in Q2 2023, reflecting weaker demand and easing production costs
- Having fallen back to levels close to those in late 2021, prices are expected to remain relatively stable in the coming quarters

* 300 x 200 cm; diameter 6mm



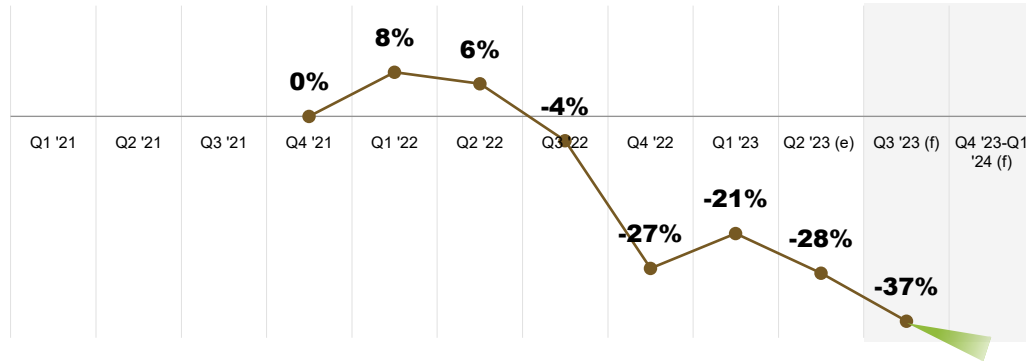
Italy – Commodity Price Trends



Lumber (raw)

Level of Impact			
Price Change (e) vs (f)	Material Availability	General State of Supply Chain	
Moderate	Low	Low	
Price (€/m ³)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
€78.1	€68.6	↓ -9.1%	↓ -12.1%

Price change comparison against Q4 2021



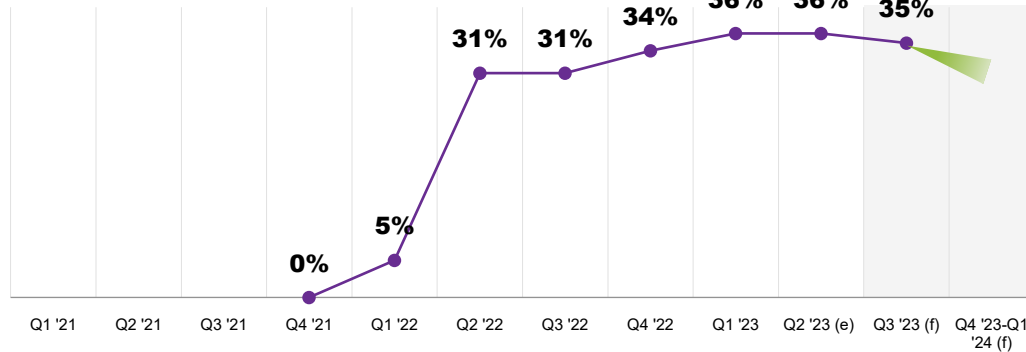
- Lumber prices dropped sharply in Q2 2023 on a quarterly average basis, falling by 9.1% QoQ
- The fall was particularly steep in June, when prices dropped by 15% compared to May
- Weakness in the residential construction sector compared to the high levels of activity in the past two years will be a factor in the downward pressure on prices in the coming quarters



Plasterboard

Level of Impact			
Price Change (e) vs (f)	Material Availability	General State of Supply Chain	
Moderate	Moderate	Moderate	
Price (€/unit*)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
€13.2	€13.1	↔ 0.0%	↓ -1.0%

Price change comparison against Q4 2021



- Plasterboard prices have remained stable at an elevated level in recent quarters after rising sharply in the first half of last year
- Residential construction boomed last year, but demand is easing amid the reduction in fiscal support schemes for renovation and refurbishment
- High interest rates will also impact on new building construction works

* 200 x 120 x 1.2 cm (L x W x T)

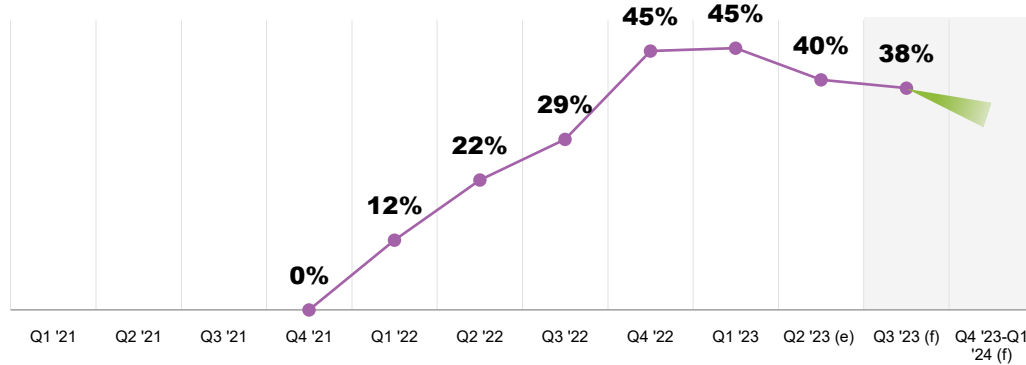
Italy – Commodity Price Trends



Limestone

Level of Impact			
Price Change (e) vs (f)	Material Availability	General State of Supply Chain	
Moderate	Low	Low	
Price (€/mt)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
€57.9	€57.4	↓ -3.8%	↓ -1.0%

Price change comparison against Q4 2021

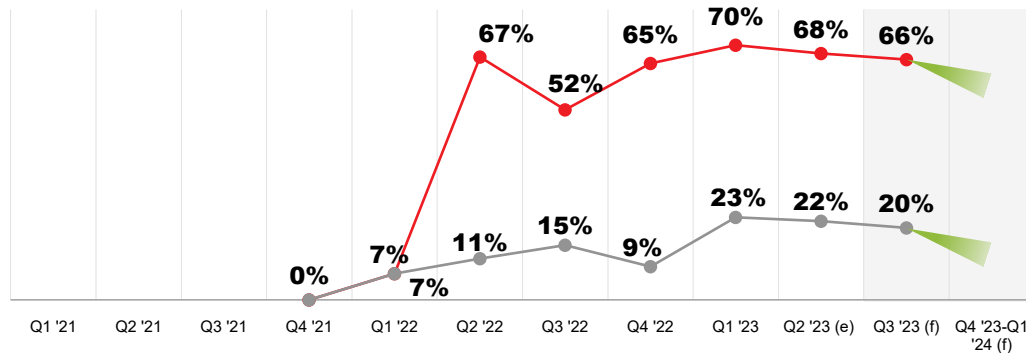


- Limestone prices in Italy have edged down from recent highs, and amid weakening demand and falling energy and transportation costs, and prices will continue on this downward trend
- However, the prices will remain elevated, as Q3 2023 prices will be around 38% higher than in Q4 2021

Cement and Concrete

Level of Impact			
Price Change (e) vs (f)	Material Availability	General State of Supply Chain	
Moderate	Moderate	Moderate	
Price		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
€232	€229	↓ -1.3%	↓ -1.0%
<p>● Cement (€/mt)</p> <p>● Concrete (€/m³)</p>			
€158	€156	↓ -0.9%	↓ -1.6%

Price change comparison against Q4 2021



- Cement prices are edging downwards, as prices dropped by 1.3% on a quarterly average basis in Q2 2023, but were still 68% higher than in Q4 2021
- There has also been a marginal drop in concrete prices in recent months, and with production and transportation costs on the decline, prices in the coming quarters will fall back further
- Cement production is also contracting, in April cement production was down by 13% YoY, according to Federbeton

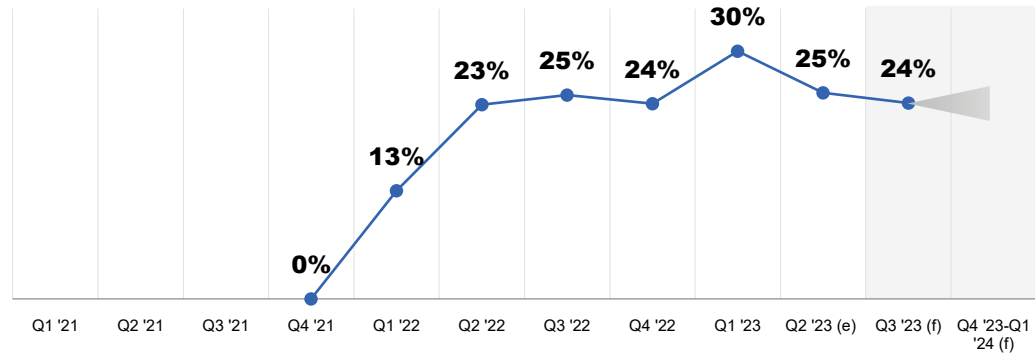
Italy – Commodity Price Trends



Asphalt

Level of Impact			
Price Change (e) vs (f)	Material Availability	General State of Supply Chain	
Moderate	Low	Low	
Price (€/mt)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
€106	€105	↓ -3.8%	↓ -1.0%

Price change comparison against Q4 2021



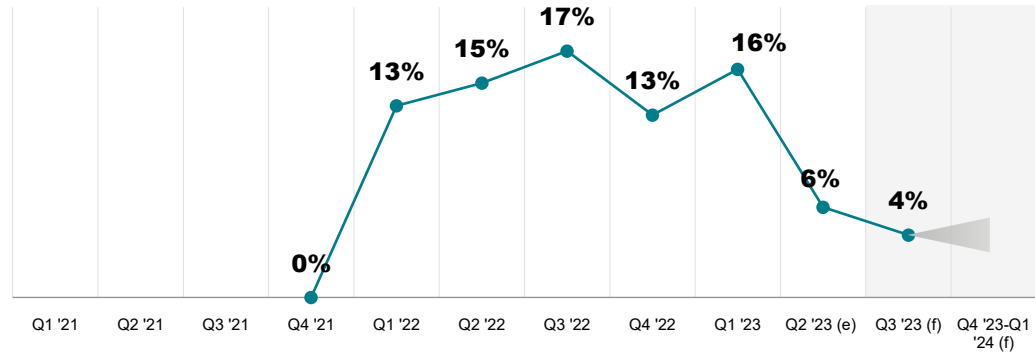
- Asphalt prices declined by 3.8% QoQ in Q2 2023, reflecting an easing in input costs
- Stable demand from road construction is expected to keep asphalt prices close to current levels in the short term
- The Italian government has set aside €4.5bn for this year's execution of major road development projects in Sicily, Calabria, Puglia, and Lazio regions



Diesel

Level of Impact			
Price Change (e) vs (f)	Material Availability	General State of Supply Chain	
High	Low	Low	
Price (€/litre)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
€1.69	€1.66	↓ -8.2%	↓ -1.8%

Price change comparison against Q4 2021



- Diesel prices in Italy have dropped back again, falling on a quarterly average basis by 8.2% in Q2 2023 reflecting trends in global crude oil prices
- However, prices were still 6% higher than in Q4 2021
- There will be some volatility in diesel prices in the short term, given OPEC+ plan to reduce overall production to support crude oil prices

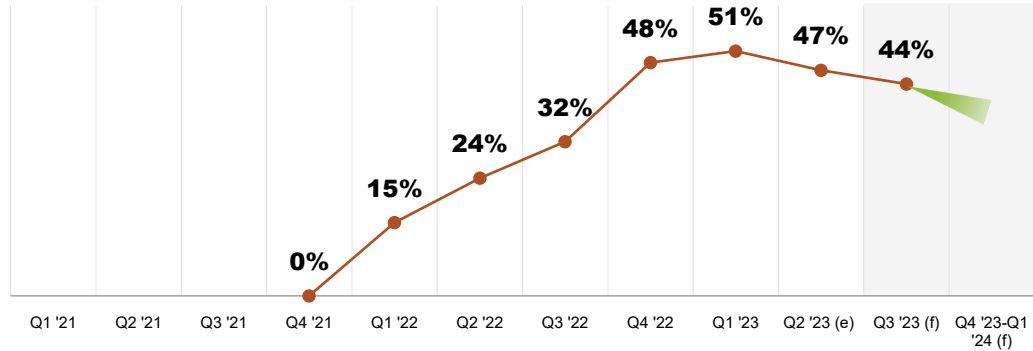
Italy – Commodity Price Trends



Bricks

Level of Impact			
Price Change (e) vs (f)		Material Availability	General State of Supply Chain
o o o o Moderate		o o o o Moderate	o o o o Moderate
Price (€/000 unit)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
€879	€861	↓ -2.6%	↓ -2.0%

Price change comparison against Q4 2021



- Having risen sharply through 2022 on the back of high demand and a surge in production costs, brick prices in Italy are dropping back, by 2.6% on a QoQ basis in Q2 2023
- Prices are still relatively high, but with subdued demand in the housing sector following the recent period of strong growth, brick prices are expected to decline further in the coming quarters

Level of impact rating reflects a combination of factors: price change (compared to recent past beyond the last quarter), the importance of the material, and general state of the supply chain in terms of stability.

Level of Impact					
Price Change Estimate (e) vs Forecast (f)		Material Availability		General State of Supply Chain	
Range	Impact	State	Impact	State	Impact
≥5%	o o o o High	Deficit	o o o o High	Stressed	o o o o High
≥1% – <5%	o o o o Moderate	Balanced	o o o o Moderate	Adequate	o o o o Moderate
<1%	o o o o Low	Surplus	o o o o Low	Easily Available	o o o o Low

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

QoQ Quarter on Quarter
 YoY Year on Year
 MoM Month on Month
 GDP Gross Domestic Product
 CPI Consumer Price Index (wherever not specified)
 e estimated
 f forecasted
 EV Electric Vehicles
 DC Data Centre

Italy – Industry trends

Sector trends



Data Centres

Italy is one of the emerging Data Centres markets in Western Europe. The growth in the sector is driven by 5G deployments, cloud service adoption, and improved subsea cable connectivity. Milan is a prominent hub for facility development. Data Centres projects with a value of more than €1bn are in the pipeline with majority of those are coming up in and around Milan and the Lombardy region.



Life Sciences

Italy's Life Sciences industry thrives on strong manufacturing capabilities and a diverse biotech sector. Italy's pharmaceutical exports reached a value of €47.6bn in 2022, a 25% increase from 2021. Italy's strengthening position in the life sciences industry will drive increasing demand for specialised facilities, research labs, manufacturing plants, and related infrastructure to support sector expansion.



High-tech Industrial

The Italian government is committed to advancing the semi-conductor and battery manufacturing industries within the country. Several high-tech industrial projects, such as chip manufacturing and assembly, solar photovoltaic production, and battery manufacturing plants, are in the pipeline, with a total value of over €6bn. The majority of these projects are currently in the planning stage.

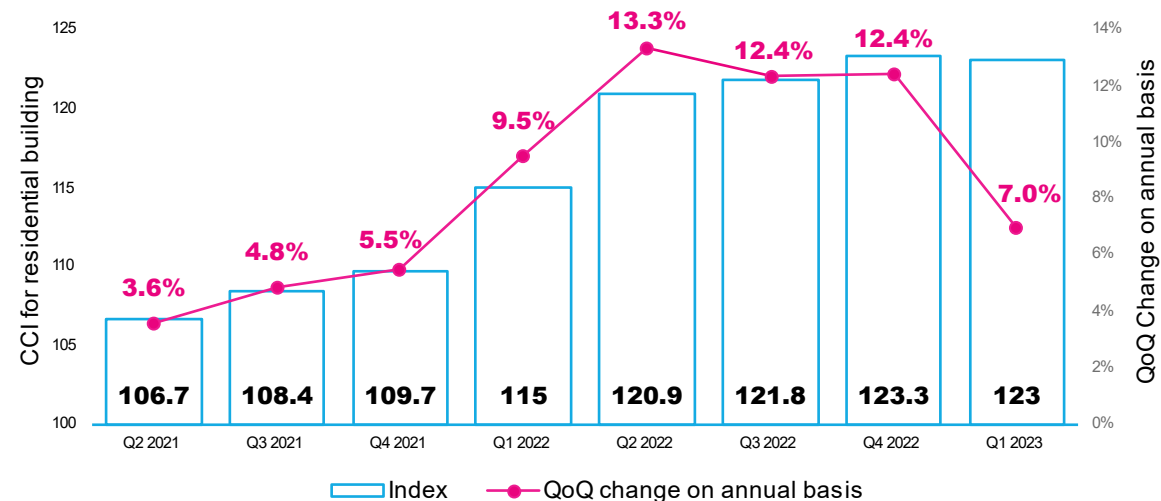


Renewable Energy

The renewable Energy sector is witnessing considerable growth supported by investments by the government. In January 2023, the Italian Energy Agency, Gestore dei Servizi Energetici (GSE) allocated 116.2MW of renewable energy capacity to their latest auction. The government aims to achieve an additional renewable Energy capacity of approximately 85 GW by 2030.



Construction Cost Index (CCI)*



*CCI for residential buildings and QoQ change on annual basis (base year 2015=100)

Italy – 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 – Italy

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

- IMF
- ISTAT
- Eurostat
- GlobalData's Construction Intelligence Center (CIC)
- Economic Research Institute
- Eurostat
- Reuters
- UN Comtrade Database

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