



UAE

Country Insights and Commodity Report

Q1 2022



UAE

Q1 2022

Economic growth of 2.2% growth was recorded in 2021, with output converging on pre-COVID levels. Local demand drove growth, along with international demand and an improvement in the non-oil sector performance, as well as a boost from Expo 2020. Growth is expected this year, with the IMF forecasting 3%.

Construction demonstrated healthy growth of 4.4% in 2021, with low base effects and pent-up demand having a positive impact, and 4.2% is forecast for 2022. Government investment in infrastructure is significant, with the two main projects being Dubai Metro expansion and sewer tunnels in Bur Dubai and Deira. The projected growth is at risk due to the threat posed by the impact of the Russia-Ukraine conflict on supply chains and material price inflation.

As material costs will continue to represent a challenge for the construction industry for the foreseeable future, Linesight will publish quarterly updates to track commodities and provide insights about future projections on movements.



Ciaran McCormack

Director

ciaran.mccormack@linesight.com

UAE Country Report Q1 2022 - Commodities



Lumber

Reflecting its reliance in imports, prices for lumber have been impacted by global supply disruptions. Most imports are sourced from Europe and North America.



Cement and concrete

The UAE is a leading exporter of limestone, and cement and concrete prices were relatively stable in 2021 compared to other building materials, which in part reflecting sluggish domestic demand. However, as demand starts to recover and producers absorb higher energy costs, prices will trend upwards in the coming quarters.



Concrete blocks and bricks

The recovery in construction output will strengthen demand for concrete blocks, prices for which were fairly stable throughout 2021.



Steel (rebar and structural)

Having weakened slightly in late 2021 and early this year, steel prices have since soared in the UAE. In March Emirates Steel Arkan Group announced a 20% increase in the domestic rebar prices, effective 1 April 2022, owing to the surge in the international raw materials prices stemming from the disruption caused by the Russia-Ukraine conflict. According to the group, scrap prices had surged by 29% and billet prices by 25% over the previous month.



Copper

Copper prices have returned to record highs amid the disruption and uncertainty caused by the Ukraine war. The UAE imports significant volumes of refined copper, which totalled \$2.8 billion in 2020, but it is a leading exporter of copper wire.

UAE - Commodity Report



Materials	Q3 Q4 2021		Q3 Q4 2022 (f)		Q4 - Q1 (e) 2022
	AED	AED	2021-22 (f) % change	% change	
Copper (AED/MT)	35,635	40,055	12.4% ↑	3.1% ↑	
Steel rebar (AED/MT)	2,430	3,222	32.6% ↑	10.3% ↑	
Steel flat (AED/MT)	3,361	3,877	15.4% ↑	-2.2% ↓	
Lumber (AED/M3)	607.6	648.8	6.8% ↑	2% ↑	
Asphalt (AED/MT)	1,764	1,901	7.8% ↑	3.1% ↑	
Limestone (AED/MT)	432.0	462.9	7.2% ↑	3.0% ↑	
Cement (AED/MT)	204	223	9% ↑	4.8% ↑	
Concrete (AED/M3)	196	213	8.8% ↑	4.6% ↑	
Welded mesh (AED/unit)	75	87	15.9% ↑	10.3% ↑	
Bricks (AED/'000 unit)	1,388	1,560	12.5% ↑	8.1% ↑	
Plasterboard (AED/unit)	13.2	14.0	6.1% ↑	2% ↑	
Diesel (AED/litre)	2.7	3.38	25.5% ↑	6.7% ↑	

Q3 Q4 2022 (f): Forecasted average
2021-22 % change: % change from Q4 2021 to Q3 Q4 2022 average

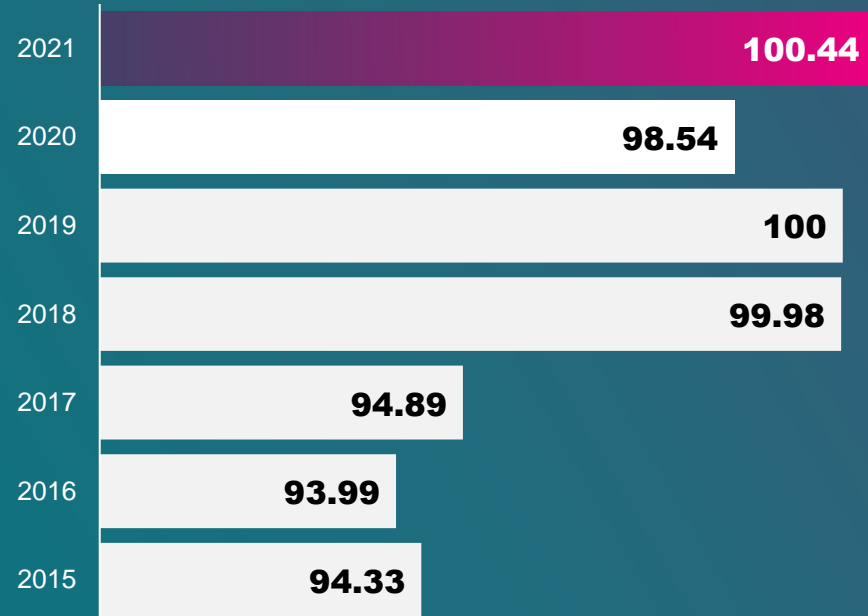
Material	% change Q1 – Q2 2022 (f)	Level of impact of pricing on construction procurement and supply chain *	
 Copper	+5.8% ↑	High	Following the market shock stemming from the Russia-Ukraine conflict, copper prices rose sharply in March, reaching the highs of May last year. Disrupted supplies and robust demand will keep prices high in the coming quarters.
 Steel prices - Steel rebar - Flat steel	+16.7% ↑ +14.5% ↑	High	Owing to higher prices for fuel and raw materials, prices for steel trended upwards during much of last year, but there was an easing in the last quarter of the year and in January this year. However, prices have since soared. Major steel producers have been pushing up prices reflecting the ongoing repercussions of the Russia-Ukraine conflict. The price of steel and related products will remain on the high side in coming quarters, which will also reflect increasing demand given infrastructure development plans.
 Cement Concrete	+1% ↑ +1% ↑	Moderate / High	Government support packages and incentives to drive up the infrastructure sector will contribute to stronger demand for concrete and cement, prices for which are expected to edge upwards as margins are squeezed owing to higher production and logistics costs.
 Asphalt	+1.5% ↑	High	The recovery in infrastructure spending along with the high price of crude oil will ensure that asphalt prices continue on an upward trend.
 Limestone	+1% ↑	Moderate	The recovery in infrastructure spending along with the high price of crude oil will ensure that asphalt prices continue on an upward trend.

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 - Commodity Report










Building cost index by capital city



Knoema World Data Atlas

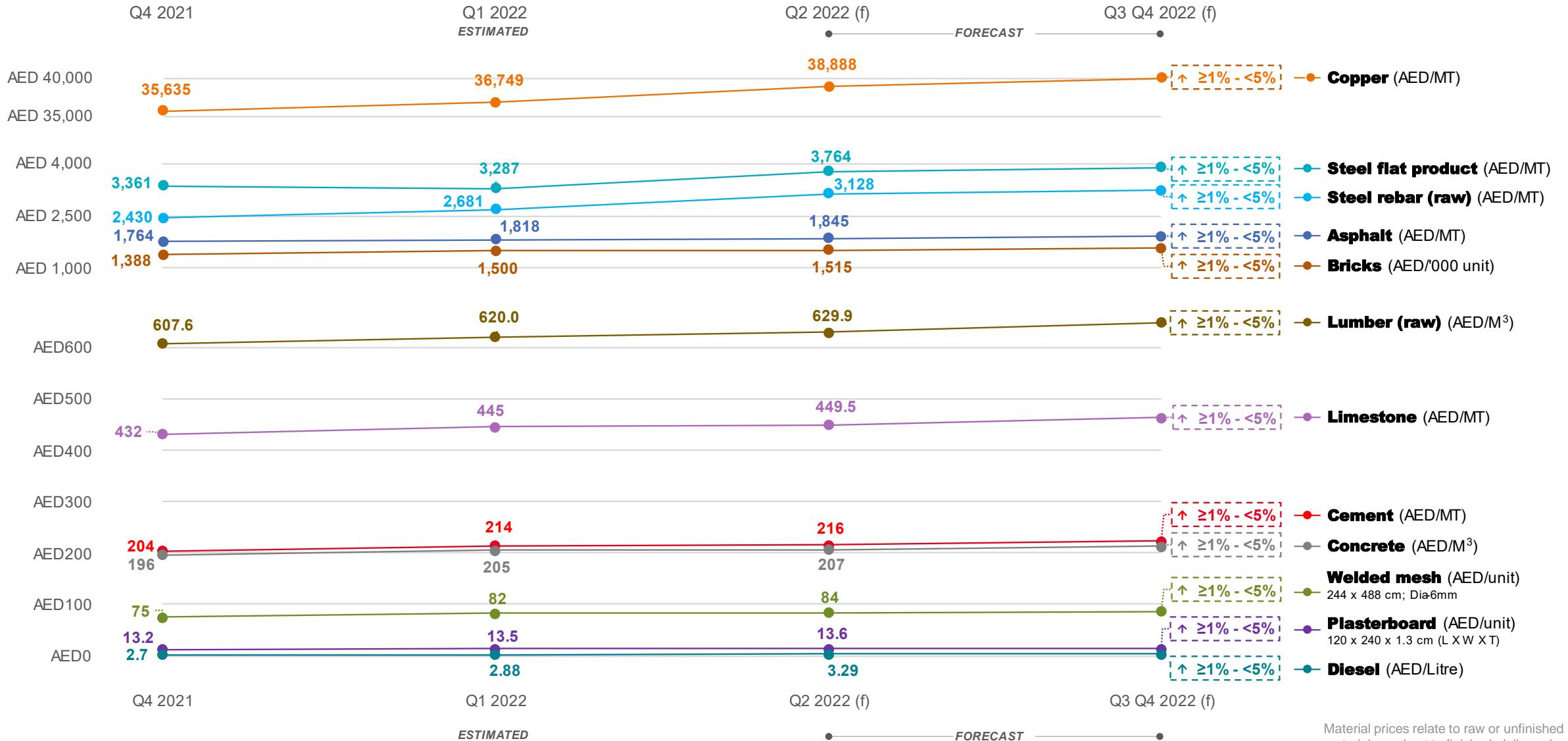
Index of economic freedom 76.90 out of 100

Material	% change Q1 – Q2 2022 (f)	Level of impact of pricing on construction procurement and supply chain *
 Lumber	+3% ↑	 Moderate Lumber prices have been on an upward trend reflecting global factors. With domestic demand recovering and transportation costs rising, prices will remain high.
 Welded mesh	+2% ↑	 High The price trend for welded mesh is heavily impacted by the price of steel. Hence a similar price trend is expected for mesh products.
 Bricks Plasterboard	+1% ↑ +1% ↑	 Low Improving demand for housing construction, combined with higher energy costs, will keep prices for blocks, bricks and plasterboard at relatively high levels.
 Diesel	+14.2% ↑	 High The price of diesel has soared in recent months, with Adnoc Distribution showing prices above AED3.19/litre in March, around 15% higher than in December, and early indicators showed prices above AED4/litre in April.

* 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.

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 - Macroeconomic overview



Economic indicators



3.04%

GDP growth in 2022 (f) and 2.24% in 2021



2.18%

inflation rate in 2022 (f), and **2.02%** for 2021



3%

people employed in 2022 (f) and 2.1% in 2021



3.5%

unemployment rate in 2022 (f) and 4% in 2021



109.9

Consumer Price Index in 2022 and 108.62 in 2021

Weather conditions



15°C to 40°C

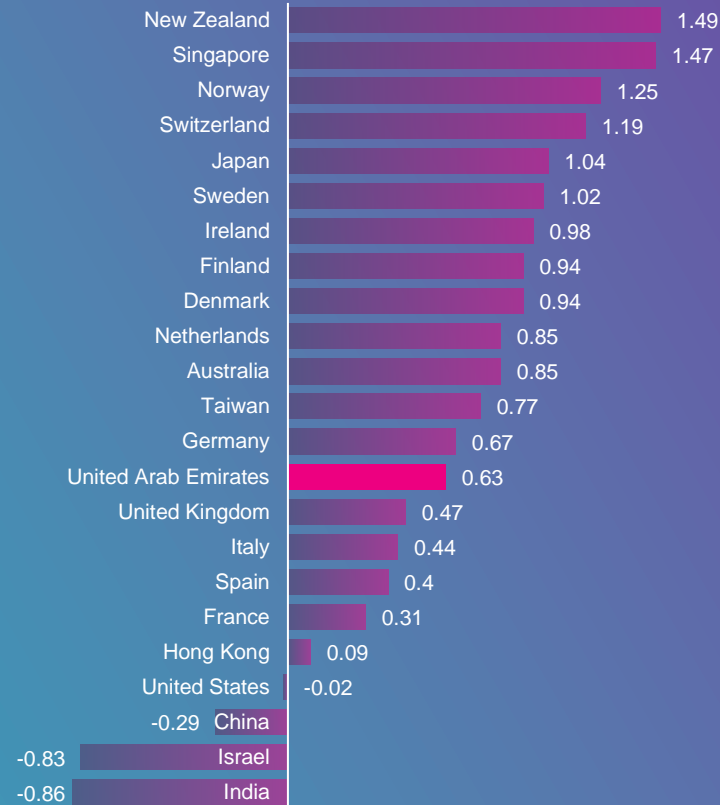
typical temperature range varies throughout the year



100mm

average annual rainfall in UAE

Political stability



Political stability index (-2.5 weak; 2.5 strong)

The index of Political Stability and Absence of Violence/ Terrorism measures perceptions of the likelihood that the government will be destabilised or overthrown by unconstitutional or violent means, including politically-motivated violence and terrorism.

National holidays

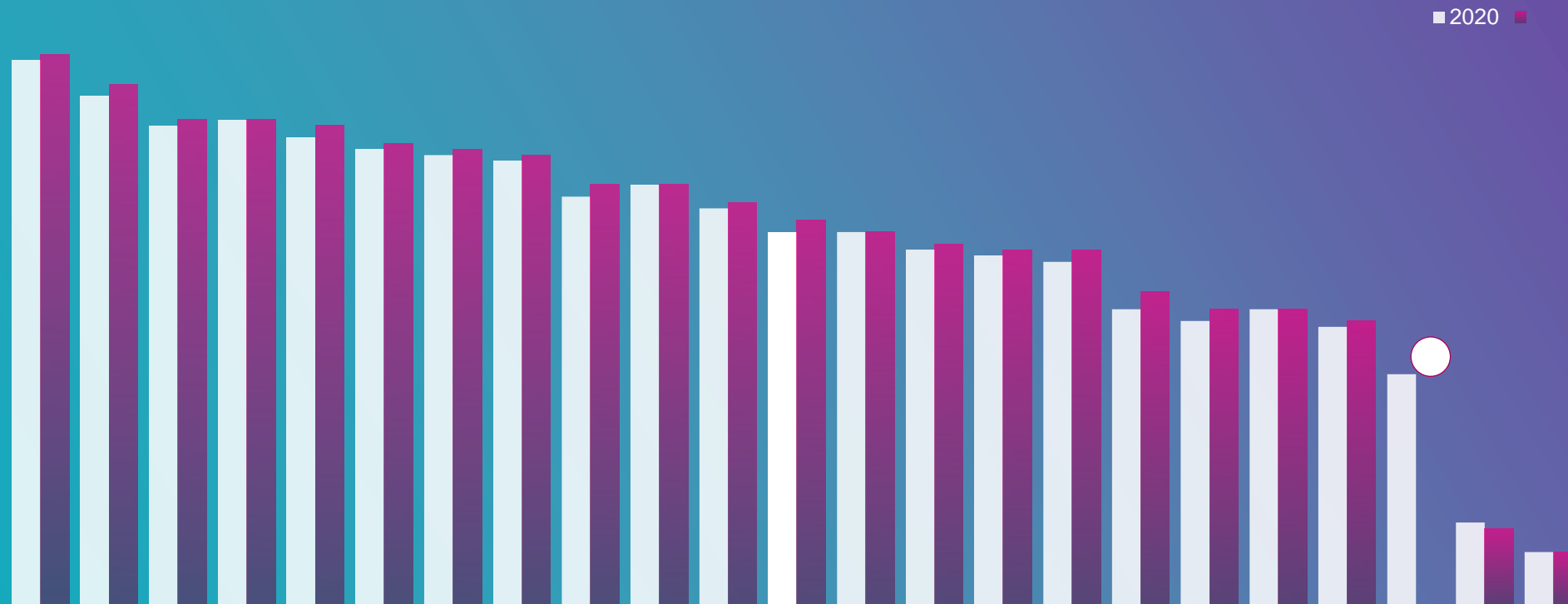


14 national public holidays in UAE each year. Most holidays are taken during Eid al-Fitr.

UAE - Macroeconomic overview



Labour productivity



Labour costs

AED57



is the average hourly earnings or

AED118,078

average construction worker gross salary in UAE.

An entry level construction worker (1-3 years of experience) earns an average salary of **AED88,366**. On the other end, a senior level construction worker (8+ years of experience) earns an average salary of **AED143,896**.







\$38



is the labour productivity per hour worked in 2021 international dollars, and \$39 in 2020 (converted using Purchasing Power Parities)

UAE - Construction overview



Output 2021 and 2022 (f) (in millions)			
Sector	Total 2021	Total 2022(f)	% change
 Commercial	AED 39,297.26	AED 41,035.74	4.4%
 Energy and utilities	AED 77,635.18	AED 81,036.54	4.4%
 Industrial	AED 14,816.16	AED 15,223.53	2.7%
 Infrastructure	AED 62,308.53	AED 65,875.03	5.7%
 Institutional	AED 8,624.13	AED 8,878.83	3%
 Residential	AED 100,163.11	AED 103,654.38	3.5%
Total output	AED 302,844.36	AED 315,704.04	4.2%

Long-lead equipment (LLE) – time risks

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 sector has increased exponentially with the IT boom. More and more data centre and crypto mining providers are joining the market and this new demand far outweighs the capacity of the supply chain. Entry onto the production line has become a significant challenge with suppliers reporting fully booked capacity until Q1 2023. Opportunities exist for the development of Tier 2 and Tier 3 suppliers to Tier 1 status however that will take time to develop an extended supply chain.
- Material shortage:** The end of Q1 2022 saw a significant drop in the availability of raw materials used for LLE production. Global factors such as the conflict in Ukraine and the resurgence of COVID19 has halted production which is at its lowest levels in recent years. The ethical approach, which is to manoeuvre away from the use of Russian gas and oil, has reduced production levels and added longer lead times within the supply chain – even for APAC, as the European impact is felt. The raw material shortages are expected to continue into Q2 2022, whilst there is uncertainty for the security of the supply chain.
- Freight durations and costs:** Heightened by the increase in fuel costs and compounded by the shortage of labour and low supply of shipping containers, freight durations have soared as suppliers look for ways to mitigate these challenges. The demand for freight services has grown across all markets in recent years and the competition amongst industries has had a negative effect on availability and durations. As clients consider alternative solutions, it almost becomes cost prohibitive to use quicker forms of transport such as air freight due to increasing fuel costs.

Construction health & safety practices and culture



Health and safety requirements are governed by the federal law of the UAE.



The principal law governing entities and employees is Federal Law (8) of 1980, as amended ('Labour Law'). Furthermore, subsequent and various decisions of the Ministry of Labour and Social Affairs are also relevant and taken into account.



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 – UAE

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

- IMF
- Economy.com
- The Global Economy
- Weather Spark
- National Bureau of Statistics (United Arab Emirates)
- Dubai Statistics Center
- GlobalData's Construction Intelligence Center (CIC)
- Conference-board.org

Linesight

