



UAE

Country Commodity Report

Q2 2022



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The Ministry of Economy released its latest estimates in March 2022, forecasting 5-6% economic growth in 2022. The IMF's April 2022 forecast for the year is 4.2% growth. Inflation will weigh on growth, having increased in Q1 by 3.35%. The Purchasing Manager's Index fell from 55.6 in May to 54.8 in June, as these inflationary pressures impacted the non-oil economy.

Construction is anticipated to grow by 3.8% in real terms in 2022, although output is expected to remain below pre-pandemic levels for the moment. The market has seen low base effects and pent-up demand, with infrastructure development expected to drive growth in the coming years. However, inflation will weigh on industry growth, as will supply chain challenges and the current geopolitical climate globally.

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.



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Lumber

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



Cement and aggregates

Cement production in the UAE far outweighs its domestic consumption, with much of its production exported. This will soften the impact of supply chain disruption on domestic prices to some degree. However, rising raw material and energy costs are expected to drive moderate price growth in the coming quarters. Further upward pressure will be generated by increased cement demand from the construction industry, as economic activity continues to strengthen, with non-oil GDP rising by 6.1% year-on-year in Q1 2022. Prices are expected to moderate towards the end of 2022 and into early 2023, as more restrictive monetary policy and inflationary pressures soften mortgage demand, weighing on cement demand in the residential construction sector.



Concrete blocks and bricks

Economic growth and real estate activity strengthened significantly in Q1 2022, with residential sales up 83.4% year-on-year in Dubai. Considerable housing demand and strong economic growth are expected to stimulate an improvement in residential construction works, driving demand for, and increasing prices of, bricks and concrete blocks. Price rises may soften towards the end of the year,

as rising interest rates weigh on mortgage demand. Prices will, however, be underpinned by robust business loan demand, with leading indicators suggesting credit demand will remain strong into the September quarter, which will result in an increase in wider construction activity in the latter half of this year.



Steel (rebar and structural)

Steel prices soared in the UAE up to May 2022. This reflected moves by companies, such as Emirates Steel Arkan Group, which announced a 20% increase in the domestic rebar prices effective April 1st 2022, owing to the surge in the international raw materials prices stemming from the disruption caused by the Russia-Ukraine conflict. However, prices started to fall back at the end of Q2 2022, in part reflecting weaker global demand.



Copper

Global copper prices surged in March 2022, driven by historically low global inventories and intense demand, due to fears of supply disruption due to the Russia-Ukraine conflict. Copper prices in the UAE are expected to remain elevated over the course of this year, driven by robust loan demand and borrowing in the construction and manufacturing industries. A further driver comes in the form of a recovery in copper demand in China, as lockdown restrictions are eased and infrastructure spending ramps up. Towards the end of the year and into early 2023, however, slowing global economic growth will soften copper demand, exerting downwards pressure on prices.

UAE - Commodity Report



	Q3 2022 (f)	Q1 2022 - Q2 2022 (e)
Materials	AED	% change
Steel rebar (AED/MT)	36,704	-1.6% ↓ ■
Steel rebar (AED/MT)	2,646	11.0% ↑ ■
Steel flat (AED/MT)	3,060	3.4% ↑ ■
Lumber (AED/M3)	660	4.8% ↑ ●
Asphalt (AED/MT)	1,929	4.5% ↑ ●
Limestone (AED/MT)	454	0.9% ↑ ■
Cement (AED/MT)	219	1.6% ↑ ●
Concrete (AED/M3)	231	12.2% ↑ ●
Welded mesh (AED/unit)	92.74	14.7% ↑ ●
Bricks (AED/'000 unit)	1,717	13.3% ↑ ●
Plasterboard (AED/unit)	14.01	2.8% ↑ ●
Diesel (AED/litre)	4.07	41.8% ↑ ●

● Q1 to Q2 2022 % change greater than estimation in our Q1 report
 ■ Q1 to Q2 2022 % change less than estimation in our Q1 report

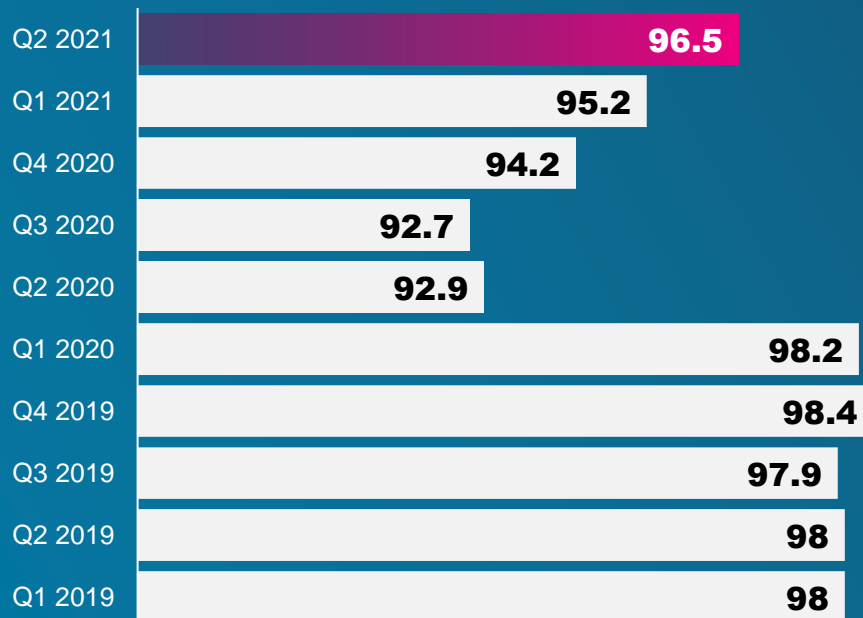
Material	% change Q2 – Q3 2022 (f)	Level of impact of pricing on construction procurement and supply chain *	
 Copper	+1.5% ↑	 Moderate	Copper prices have been volatile in recent months, reflecting weak demand and economic uncertainty in major copper consuming countries including the impact of further COVID-19 lockdowns in China. Copper prices will continue to reverse from the sharp rise earlier in the year, but upward pressure will still come from the green energy sector and the likely pick-up in demand in China.
 Steel prices - Steel rebar - Flat steel	-11.1% ↓ -9.9% ↓	 High	Having soared to new highs from March to May, reflecting major disruptions in supply and soaring production costs, steel prices dropped back in June and look set to weaken steadily amid growing concerns over demand.
 Cement Concrete	+0.8% ↑ +0.5% ↑	 Moderate	Input costs for cement have been increasing amid rising energy prices. There is also strong demand from the construction industry, supported by demand for residential buildings, coupled with investments in residential projects as part of the Sheikh Zayed Housing Programme. Prices for cement-related products will remain relatively high in the coming quarters.
 Asphalt	+1.5% ↑	 Moderate	High global oil prices have put upward pressure on the price of bitumen, which in turn has contributed to the recent jump in asphalt prices. With oil prices easing back, there is set to be a steady reversal in prices in the coming quarters. However, demand will be supported by a strong pipeline of transport infrastructure projects planned under the 'Traffic and Transportation Plan 2030', including plans to expand roads and public transport routes.
 Limestone	+1.0% ↑	 Low	Limestone demand is primarily met through domestic production, and the price fluctuation has mainly reflected a recovery in demand and increase in production 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.

UAE - Commodity Report













Construction cost index (Base: 2013=100)



Knoema World Data Atlas

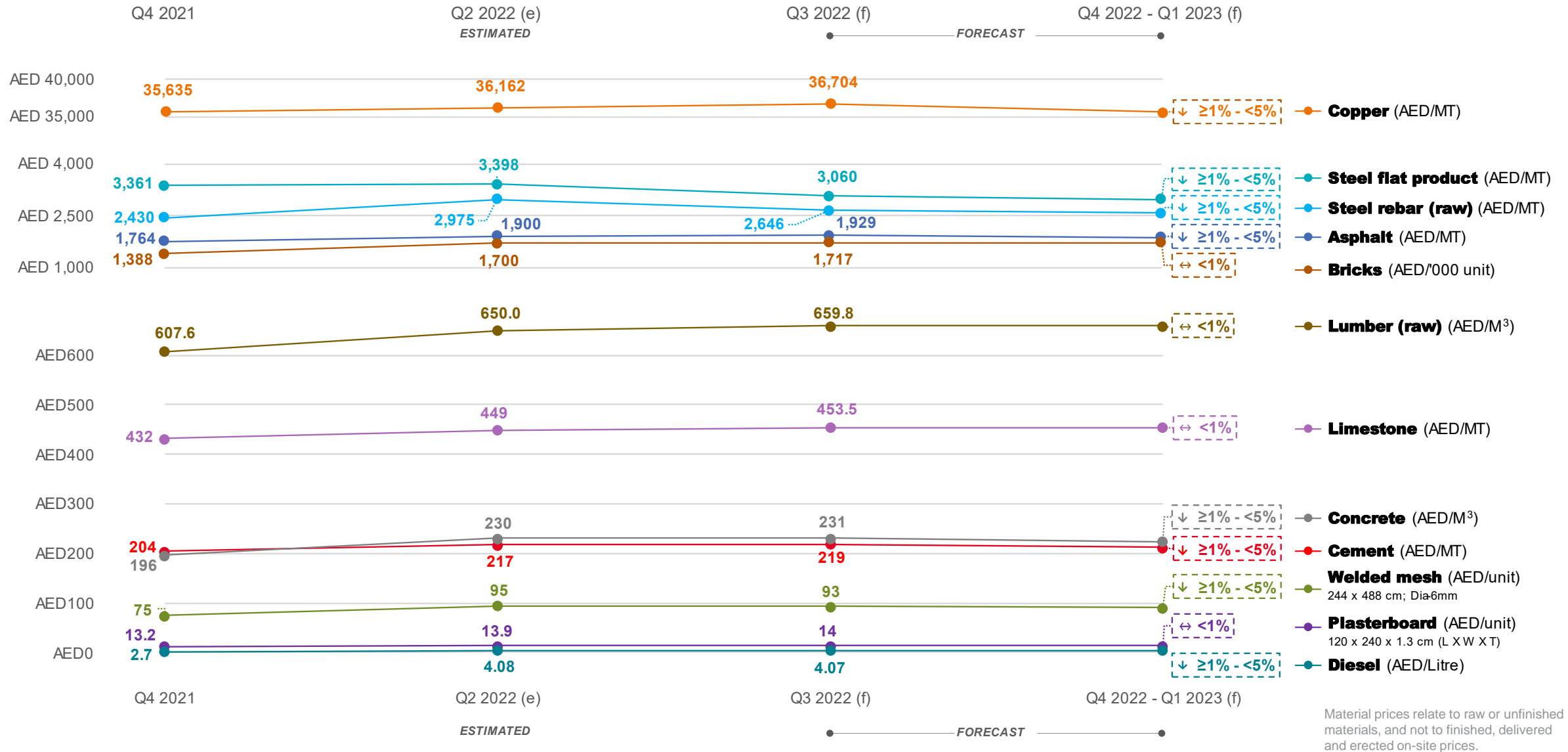
Index of economic freedom 70.20 out of 100

Material	% change Q2 – Q3 2022 (f)	Level of impact of pricing on construction procurement and supply chain *	
 Lumber	+1.5% ↑	 Moderate	The increase in lumber prices has mainly been due to an increase in logistics and transportation costs, and despite some drops in other markets, prices are set to remain close to recent highs domestically.
 Welded mesh	-2.0% ↓	 High	The price trend for welded mesh is heavily impacted by the price of steel. Hence, a similar trend as that mentioned above is expected for mesh products.
 Bricks	+1.0% ↑	 Moderate	Improving demand for housing construction, combined with higher energy costs, will keep prices for blocks and bricks at relatively high levels.
 Plasterboard	+1.0% ↑	 Low	Plasterboard prices have edged upwards in recent quarters amid an improvement in demand stemming from a pick-up in residential construction works, and a brighter outlook for the commercial sector will be a factor in maintaining demand growth momentum.
 Diesel	-0.4% ↓	 Moderate	Amid high oil prices, diesel prices have soared, touching AED4.14 per litre in June. However, with increased production of crude oil by OPEC countries, the price of diesel will ease in coming quarters.

* 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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UAE - Construction Materials Pricing (2021-2022)





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
- 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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