



Israel

Country Insights and Commodity Report

Q1 2023



Israel

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Israel posted a strong GDP growth of 6.4% in 2022 supported by a rapid increase in private consumptions, exports and investments-mainly in residential sector. However as per a recent update by the IMF, the growth is likely to moderate to 2.9% amid a slowing global economy, rising inflation, tightening monetary conditions and geopolitical risks. Inflation remains around 5%, well above the government's target range of 1% to 3%.

The Israeli construction industry grew by 9.2% in 2022 due to robust construction output and public infrastructure projects but faces challenges in 2023 such as supply chain disruption, high inflation, and unemployment. Despite this, the industry is projected to maintain growth momentum with an expected expansion of 4% in 2023. Industrial and commercial sectors are likely to be the fastest growing real estate sectors with investments in office and manufacturing projects.



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Lumber

Lumber prices are expected to remain stable in the first half of 2023. This is largely due to a weak global economy and a decline in residential construction in Europe and North America, which could weigh on lumber demand in key export markets. Increased interest rates will impact domestic housing demand in the short term, and in turn reduce demand for residential construction.



Cement and aggregates

Israel is heavily reliant on imported cement, with around 60% of the cement being imported from Turkey. The earthquake reconstruction efforts in Turkey will lead to an increase in demand and consumption there, thereby putting an upward pressure on import prices, compounded by the falling value of the Israeli shekel. Additionally, the Israeli government's focus on investing in transport infrastructure projects will also lead to an increase in the prices of cement and aggregate prices in the coming quarters.



Concrete blocks and bricks

Concrete block and brick prices are anticipated to remain stable in the first half of 2023, as a result of subdued demand in the housing market. Rising interest rates, falling real income and decrease in apartment sales will contain inflationary pressure. However, investments in public housing programs will maintain demand and prices at around current levels in the latter part of 2023.



Steel (rebar and structural)

Steel prices are anticipated to remain relatively high in the coming quarters however they are trending downwards globally. As Israel relies heavily on steel imports to meet demand, this should feed into domestic prices. However, the weakness in the Israeli shekel will make imports relatively more expensive.



Copper

Copper prices are expected to remain elevated in 2023, as a rebound in Chinese demand is likely to deplete already low inventory. Disruptions to the production of copper in Chile and Peru is also expected to weigh on supply and lead to further increase in prices, compounded by the Israeli shekel's depreciation. Global demand will also be buoyed by increased investment in EVs, renewable energy and infrastructure.



Israel – Commodity Report



Materials	Q2 2023 (f)	Q2 2022 – Q1 2023 (f)		Q4 2022 – Q1 2023 (e)
	ILS	ILS	2022-23 % change	% change
Copper (ILS/MT)	32,253	32,125	0.4% ↑	13.1% ↑ ●
Steel rebar (ILS/MT)	2,561	2,775	-7.7% ↓	8.8% ↑ ●
Steel flat (ILS/MT)	2,279	2,602	-12.4% ↓	16.9% ↑ ●
Stainless steel (ILS/MT)	16,709	NA	NA	-2.4% ↓ ●
Lumber (ILS/M3)	765	773	-1.0% ↓	1.1% ↑ ●
Asphalt (ILS/MT)	2,488	2,417	2.9% ↑	0.0% ↔ ■
Limestone (ILS/MT)	229	225	1.8% ↑	0.2% ↑ ■
Cement (ILS/MT)	396	365	8.6% ↑	1.1% ↑ ■
Concrete (ILS/M3)	443	400	10.8% ↑	3.1% ↑ ■
Welded mesh (ILS/unit)	215	239	-10.1% ↓	-1.3% ↓ ●
Concrete blocks (ILS/'000 unit)	3,427	3,293	4.1% ↑	0.0% ↔ ■
Plasterboard (ILS/unit)	44.2	43.0	2.8% ↑	0.8% ↑ ●
Diesel (ILS/litre)	6.63	7.29	-8.9% ↓	5.0% ↑ ●

(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

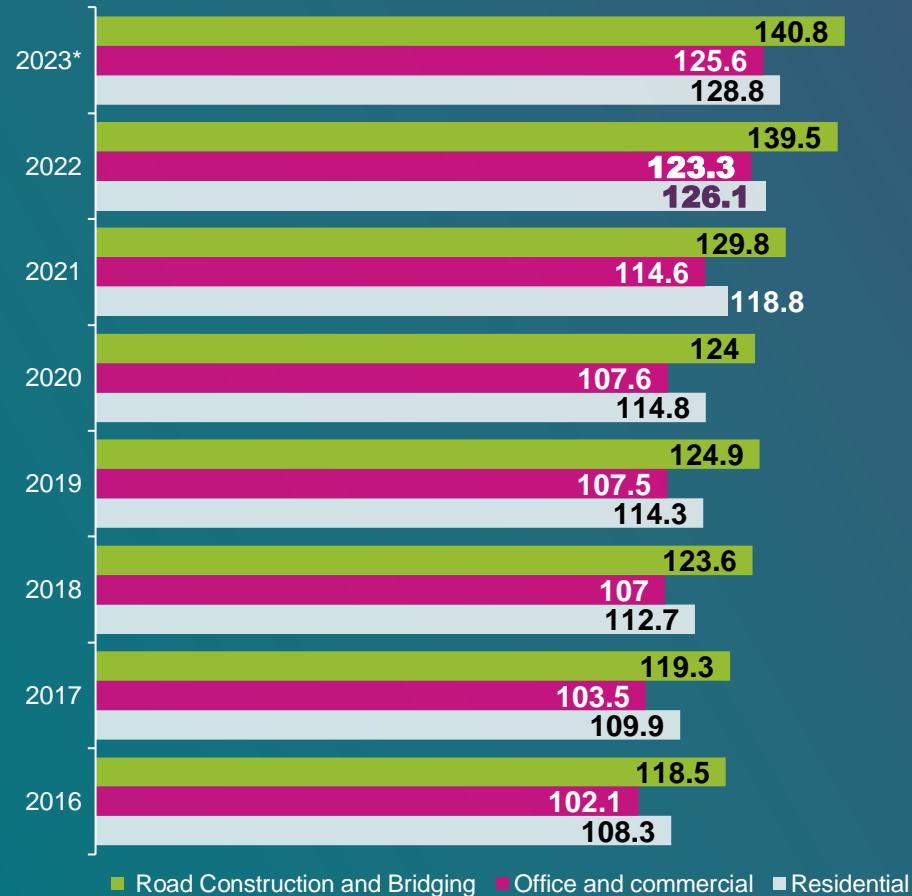
Welded mesh: 600 x 250cm, dia.-6mm Plasterboard: 260 x 120 x 1.25cm (L x W x T)

Material	% change Q1 – Q2 2023 (f)	Level of impact of pricing on construction procurement and supply chain *	
 Copper	+2.0% ↑	Low	Copper prices rose sharply by 13% quarter-on-quarter in Q1 2023, owing to rising demand from China, amid the removal of its zero-COVID policy. Prices are expected to remain high in 2023, due to rising demand, coupled with the risk of supply-side constraints stemming from disruptions to production in the world's two biggest copper producers – Chile and Peru.
 Steel prices - Steel rebar - Flat steel	+2.0% ↑ +1.0% ↑	Low	Both rebar and flat steel prices have increased continuously for the last four months (December-March). However, sluggish demand from the Israeli residential construction sector will contain price inflation for the coming quarter.
 Stainless steel	+0.5% ↑	Low	Stainless steel prices showed no significant change in Q1 2023, but prices are expected to rise in the next quarter, owing to rising nickel and other key alloying materials prices. Stainless steel prices are however expected to rise only at a marginal rate in the short term, as rising global production of nickel will keep prices in check.
 Lumber	+0.5% ↑	Moderate	Lumber prices edged up in Q1 2023, amid rising demand. Prices are however expected to remain stable in Q2 2023, as increased interest rates will keep the demand from residential construction soft in the short term.
 Asphalt	-0.5% ↓	Low	Asphalt prices remained stable in Q1 2023. Prices are expected to ease marginally in the next quarter owing to subdued demand in the construction industry. In the long term, however, prices could see an upward trend supported by the government's plan to accelerate infrastructure projects in the transportation sector.
 Limestone	0.0% ↔	Low	Limestone prices will remain stable in the short term, but potential shortages of the material could lead to a steady increase in prices over the longer term.











Israel – Commodity Report



Price index of input in residential, office and commercial buildings, road construction and bridging 2016-2023 (2012 = 100)

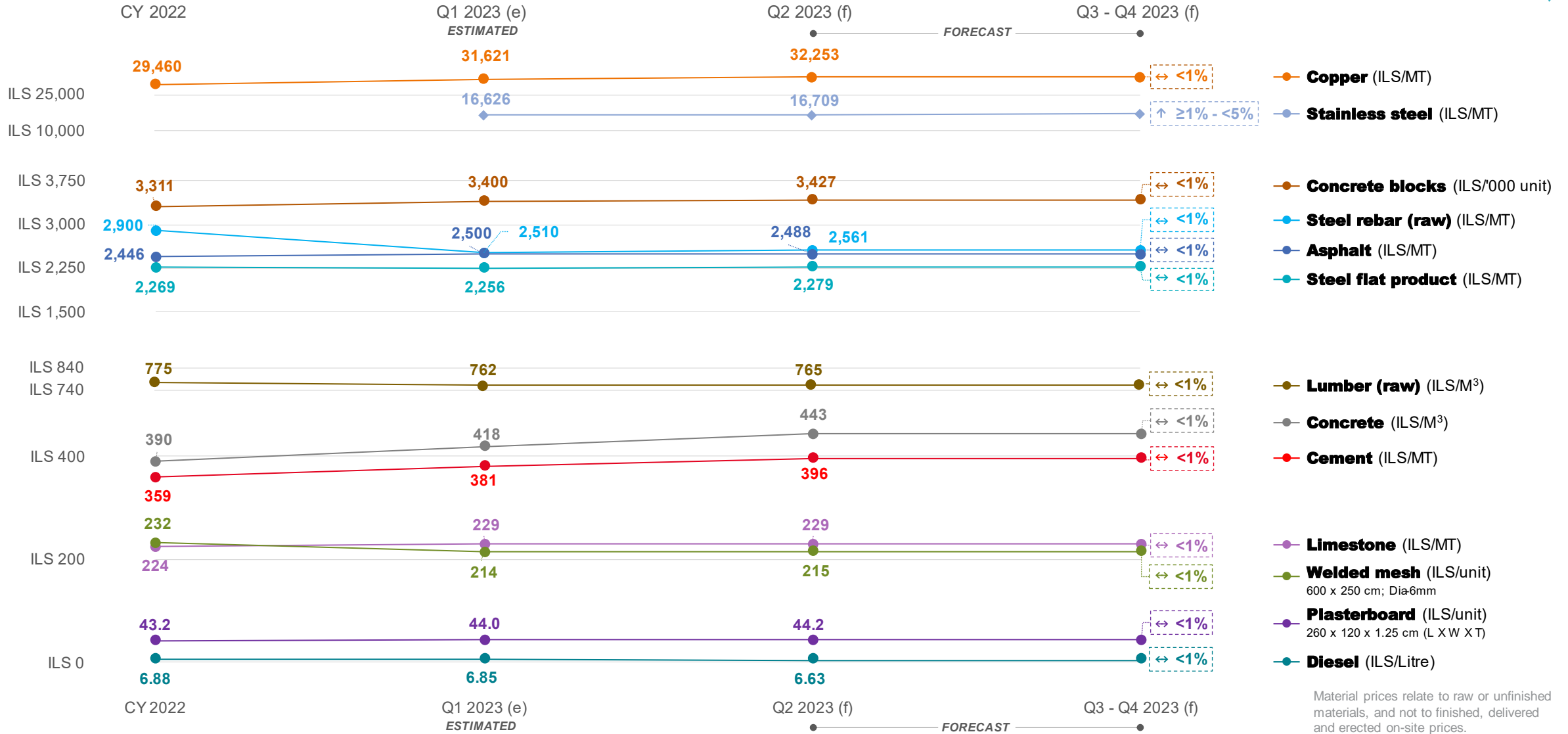


*For 2023 Index is average of Jan to March 2023 Indices

Material	% change Q1 – Q2 2023 (f)	Level of impact of pricing on construction procurement and supply chain *
 Cement Concrete	+4.0% ↑ +6.0% ↑	 Moderate Cement and concrete prices are expected to remain high in the first half of 2023. Additionally, the recent lifting of a ban on concrete deliveries to the Gaza Strip (in January 2023) following a two-month ban is expected to boost demand for the commodity and put upward pressure on concrete prices in the short term.
 Welded mesh	+0.5% ↑	 Low Welded mesh fell by 1.3% quarter-on-quarter in Q1 2023, amid soft demand from the construction industry. Welded mesh prices are however expected to increase marginally in the coming months, owing to an anticipated steady increase in steel rebar prices.
 Concrete blocks	+0.8% ↑	 Moderate Brick prices have remained stable and have not witnessed any significant change from the level of Q4 2022. This is attributed to subdued demand for bricks amid a slowdown in the housing market, caused by higher interest rates. However, brick prices are expected to edge slightly upward in the short term, due to high production costs.
 Plasterboard	+0.5% ↑	 Low Plasterboard prices rose marginally in Q1 2023. Prices are expected to remain stable in the coming months, in the wake of subdued demand in the construction industry, particularly in the residential sector.
 Diesel	-3.1% ↓	 Low Diesel prices increased on a quarterly average by 5% quarter-on-quarter in Q1 2023, but prices fell back in March. Prices are forecast to stabilise in the coming months, with Israeli shekel set to regain some ground against the US dollar. However, there will continue to be volatility in global crude oil prices given OPEC+ production cuts.

* 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.

Israel – Construction Materials Pricing (2022-2023)



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Israel – Macroeconomic overview



Economic indicators



2.87%

GDP growth in 2023 (f)
and **6.43%** in 2022



4.28%

inflation rate in 2023 (f) and
4.40% for 2022



4.29M

people employed in 2023 (f)
and **4.19M** in 2022



3.80%

unemployment rate for 2023 (f)
and **3.76%** in 2022



103.20

Consumer Price Index in Mar
2023 and **104.90** in Mar 2022



121.80

Producer Price Index in Mar
2023 and **123.10** in Mar 2022

National holidays

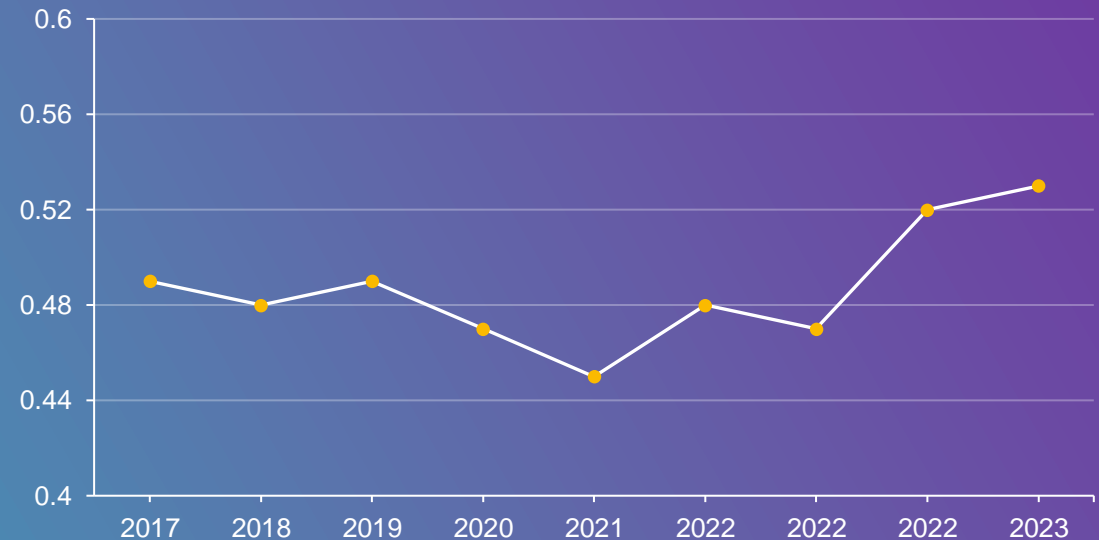


8 public holidays

in Israel in 2023.

Energy prices







LV Electricity cost for buildings for craft, industry, or
commerce (ILS per kWh)



Note: Excluding VAT
Price for 2023 is for Jan 2023

Israel – Construction overview



Output 2022 and 2023 (in ILS millions)*			
Sector	Total 2022	Total 2023 (f)	Total 2024 (f)
Commercial 	20,479	21,514	22,431
Energy and utilities 	15,809	16,496	17,084
Industrial 	7,597	7,990	8,324
Infrastructure 	18,507	19,402	20,212
Institutional 	21,381	22,231	22,999
Residential 	113,623	117,659	120,297

*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:

- 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.
- Supply:** The stock levels of raw materials have finally started to stabilise, 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.
- 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.

Construction Health and Safety practices and culture

 **14 accidents**
per 100,000
workers accident
rate across all labor
market sectors in 2022

 **1.66**
fatalities
per 100,000
workers
fatality rate in
2022

 Construction sector 2022 accident rate is
112.66 accidents
per 100,000 workers
and the fatality rate was
12.25 fatalities
per 100,000 workers.

Israel – 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 – Israel

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

- IMF
- The Central Bureau of Statistics
- GlobalData's Construction Intelligence Center (CIC)
- Economic Research Institute

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