



Germany Country Commodity Report Q4 2022



Germany

Q4 2022

Amid massively increasing prices, labour shortages and supply-chain bottlenecks, the German economy grew by 1.9% in 2022, as per a recent update by Destatis. Despite being adversely impacted by the energy crisis and high inflation caused by the Russia- Ukraine conflict, Germany's economy narrowly escaped recession and is now expected to grow at 0.2% in 2023, up from the October forecast of a contraction of 0.4%. Though the outlook appears to be positive, the situation remains volatile due to the record high inflation rates. While the inflation rate was 7.9% in 2022, it is expected to fall to 6% in 2023, a 1% decrease from the previous forecast.

Germany's construction industry output is expected to fall by 3.2% in 2022, compared to the previous 1.6% estimate. High energy prices resulting in higher material and financing costs have had a significant impact on the industry. Shortages of skilled labour and materials are exacerbating the industry's woes. Even though supply chain issues are subsiding, low investor confidence and high borrowing costs will have an impact on the residential and commercial sectors. Nonetheless, investment in mission-critical facilities such as Data Centres, Life Sciences, and High-Tech Industrial will continue.



Michael Riordan
Senior Director - Europe
michael.riordan@linesight.com



Lumber

Lumber prices will remain elevated as a result of the ongoing Russia-Ukraine conflict and high energy costs. In 2021, Russian softwood lumber accounted for 14% of overall imports. With weakness on the demand side, further upward price pressure will be contained.



Cement and aggregates

Despite weak demand amid the downturn in the construction industry, prices for cement have stayed high. Germany is a leading producer of cement within the EU, and key producers have been passing on higher costs to buyers. When presenting its recent results, Heidelberg Cement noted that high energy and raw material costs in the third quarter of 2022 were offset by energy savings, cost discipline, and price adjustments.



Concrete blocks and bricks

Despite weak demand, brick prices have stayed relatively high owing to rising production costs. Production capacity will remain healthy. Wienerberger recently took over the Steinheim brick plant in North Rhine Westphalia, which it stated was a demonstration of its commitment to long-term growth and further expanding the production of sustainable clay building materials.



Steel (rebar and structural)

Germany's construction industry remains weak, and demand for structural steel and rebar has been sluggish. Production costs have also fallen from recent highs, with electricity prices easing, it will become less expensive to manufacture with electric arc furnaces.



Copper

Copper prices faced significant volatility in 2022, reaching record highs in the second quarter amid uncertainty over the Russia-Ukraine conflict, before falling back on concerns over weakening global demand. Prices rallied again in the fourth quarter, with supply tightness and prospects of stronger demand. The outlook remains mixed, but a tightly balanced market and limited stocks will keep prices relatively high.

Germany – Commodity Report



Materials	Q1 2023 (f)	Q1 2022 – Q1 2023 (f)		Q3 – Q4 2022 (e)
	€	€	2022-23 % change	% change
Copper (€/MT)	8,169	8,900	-8.2% ↓	3.9% ↑ ●
Steel rebar (€/MT)	569	626	-9.1% ↓	-13.0% ↓ ●
Steel flat (€/MT)	760	714	6.5% ↑	-3.1% ↓ ●
Stainless steel (€/MT)	3,773	NA	NA	NA
Lumber (€/M3)	128	114	12.2% ↑	2.2% ↑ ●
Asphalt (€/MT)	74.0	60.0	23.3% ↑	0.5% ↑ ■
Limestone (€/MT)	38.5	35.7	7.9% ↑	1.0% ↑
Cement (€/MT)	157	130	20.3% ↑	0.9% ↑ ■
Concrete (€/M3)	186	168	10.9% ↑	1.5% ↑ ●
Welded mesh (€/unit)	68.9	75.6	-8.9% ↓	-12.9% ↓ ●
Bricks (€/000 unit)	715	610	17.2% ↑	3.1% ↑ ●
Plasterboard (€/unit)	3.7	2.9	28.9% ↑	12.2% ↑ ●
Diesel (€/litre)	2.0	1.8	9.7% ↑	-1.5% ↓ ●

(f) Forecast (e) Estimated

● Q3 to Q4 2022 % change greater than estimation in our Q3 report
■ Q3 to Q4 2022 % change less than estimation in our Q3 report

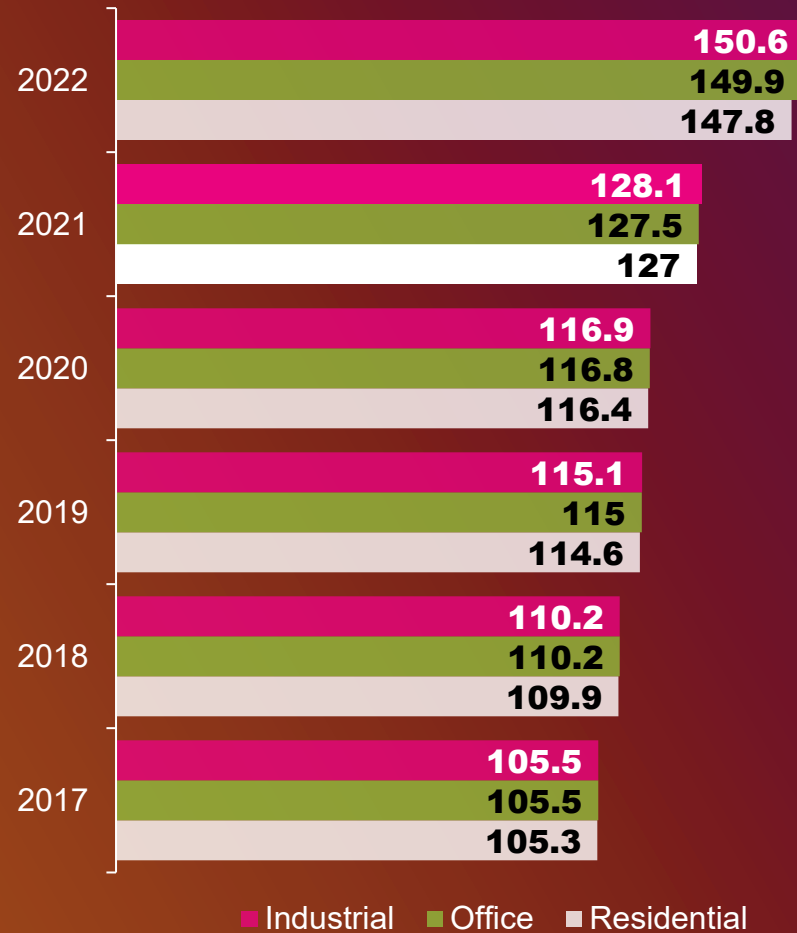
Welded mesh: 600 x 230cm, dia.-6mm Plasterboard: 200 x 60 x 1.25cm (L x W x T)











Material	% change Q4 – Q1 2023 (f)	Level of impact of pricing on construction procurement and supply chain *	
 Copper	+1.55% ↑	Moderate	Copper prices rose in the final few months of 2022, as supply tightness and expectations of a boost to demand from China's relaxation of its zero COVID policy. Political unrest in Peru, the second largest producer in the world, also added to upside price pressure.
 Steel prices - Steel rebar - Flat steel	-6.78% ↓ -2.83% ↓	Moderate	Steel prices dropped in Q4 2022 reflecting weak demand and lower production costs (as gas prices have fallen from recent peaks). Prices are expected to remain weak, although sellers are reportedly demanding higher prices.
 Stainless steel	+3.02% ↑	Low	Stainless steel prices are expected to face further upwards pressure stemming from the increase in the prices for key raw materials, such as nickel.
 Lumber	-0.99% ↓	Moderate	Lumber prices have remained relatively high, despite weak demand on the construction side. This trend mainly reflects limited raw materials and supply constraints stemming from the disruption caused by the Russia-Ukraine crisis.
 Asphalt	-1.00% ↓	Moderate	Crude oil prices have dropped from the Q2 2022 highs but are expected to remain high relative to average levels in recent years, given action by OPEC+ to cut supplies. Demand in Germany though will be flat. The volume of new construction orders in civil engineering has been in decline in recent months, with new orders for road construction dropping by 6.3% year-on-year in the first three quarters of 2022.
 Limestone	+0.72% ↑	Low	Limestone prices have been steady in recent months, reflecting high production and transportation costs on one hand and weak demand on the other.

Germany – Commodity Report



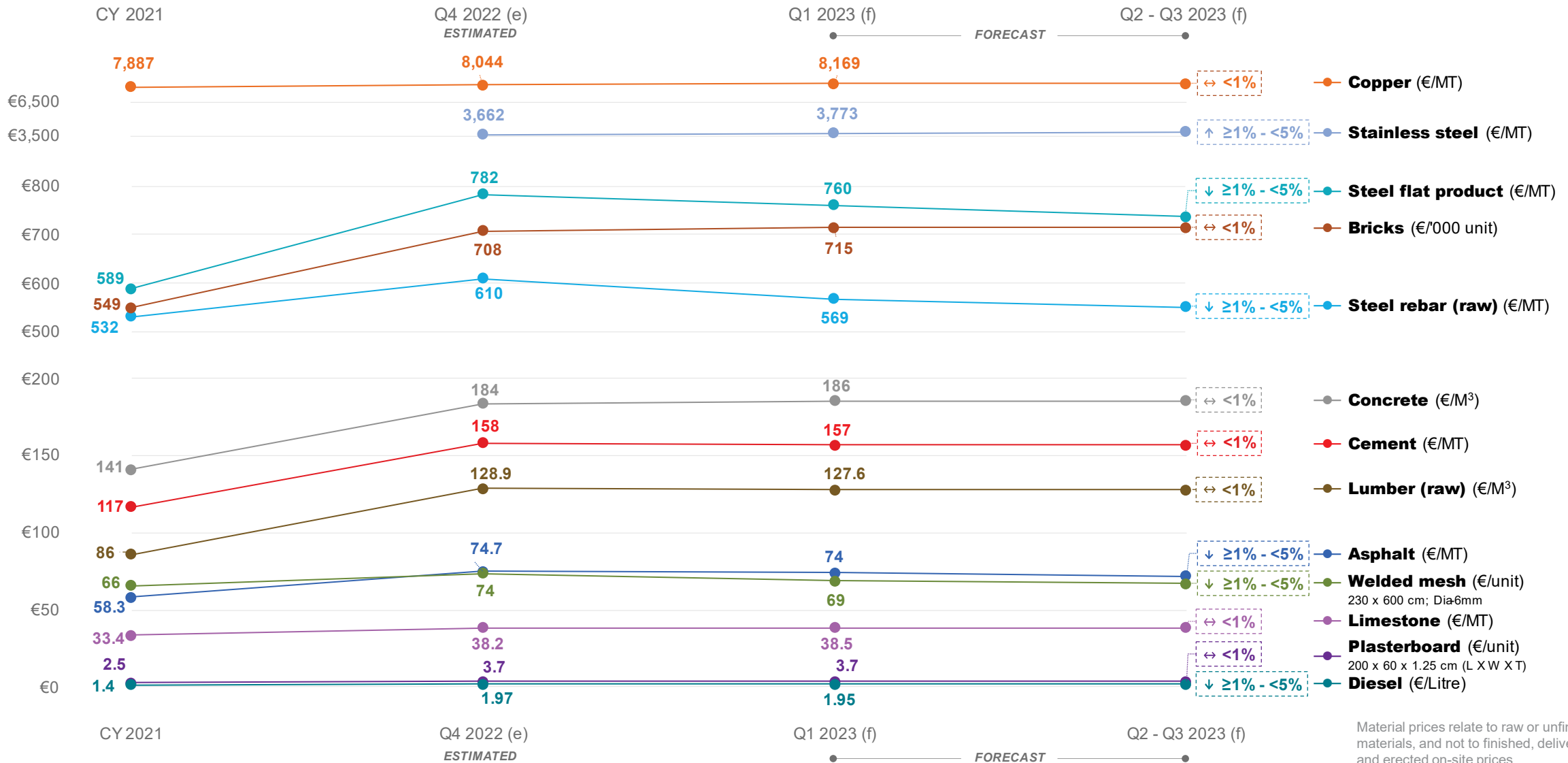
Construction price indices 2017-2022



Material	% change Q4 – Q1 2023 (f)	Level of impact of pricing on construction procurement and supply chain *
 Cement Concrete	-0.74% ↓ +1.01% ↑	 High Weakness in the German construction industry is expected to continue into 2023, reflecting the downturn in the number of building permits issued and as a result of current economic headwinds. However, concrete and cement prices are set to remain close to recent highs given the determination of producers to pass on high production costs.
 Welded mesh	-6.63% ↓	 Moderate Welded mesh prices have continued to fall from the highs of Q2 2022, in line with the general trend recorded for steel. In addition to weakness in demand, domestic prices will fall amid a rise in cheaper imports from CIS and Asian suppliers.
 Bricks	+1.00% ↑	 Low Brick production costs remained elevated in the past quarter, and the producer price index for bricks was up by 17% year-on-year in November 2022. However, with building construction facing a downturn, brick demand growth will be limited.
 Plasterboard	+1.01% ↑	 Low Plasterboard prices have stayed relatively high, reflecting ongoing high production costs. In November 2022, producer prices for plaster products for the construction industry were up by 18% year on year.
 Diesel	-0.99% ↓	 Low Although crude oil prices have fallen from the highs of Q2 2022, the drop in diesel prices has been marginal. Prices are expected to edge downwards, but crude oil prices are projected to remain close to current levels.

* 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.

Germany – 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.

Germany – 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 – Germany

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

- IMF
- Destatis
- GlobalData's Construction Intelligence Center (CIC)

Linesight 

