



Israel

Country Commodity

Report

Q2 2023



Israel

Q2 2023

Following a remarkable recovery from the pandemic, the outlook is for growth to slow. In Q1 2023 Israel's economy grew at a moderate rate of 2.5%, which was higher than expected. Inflation is gradually easing, standing at 4.2% in June 2023, which is above the 1-3% central bank's target range. In July, the Bank of Israel kept the policy rate at 4.75%, driven by a slight decline in inflation in recent months. However, monetary policy conditions should remain tight until inflation is firmly on a path towards the inflation target. Growth is projected to pick up towards in 2024 as inflation abates.

The construction industry which witnessed a growth of 9.2% in 2022, is expected to maintain momentum and grow at a rate of 4% in real terms in 2023. However, the industry continues to be hampered by ongoing labour shortages and a weakening Shekel which has depreciated in the first five months of the year. The industry is expected to register an annual average growth rate of 2.8% between 2024–27, supported by the government's focus on the development of transport infrastructure, energy and utilities, and residential projects.



Shay Dahan
Director



Key Indicators

GDP

Grew by 2.5% in Q1 2023 on seasonally adjusted annualised base terms



- 0.6% QoQ growth compared to previous quarter
- Despite political instability, there has been growth, led by strong industrial investments, however there was a decline in the private consumption

CPI

Stood at 4.2% in June 2023 on a YoY basis



- In May the inflation rate stood at 6.1%
- The decrease in inflation was mainly due to the price reduction of motor fuels and food

Construction output

Expected to grow by 4% in real terms in 2023



- Growth is likely to be driven by investments in transport infrastructure, and energy construction projects
- Between 2024 and 2027 a growth of 2.8% is expected for the sector

Commodities Pricing Snapshot

	Price % change			Remarks
	YoY Q2 '22 - Q2 '23 (e)	QoQ Q1 - Q2 '23 (e) Q2 (e) - Q3 '23 (f)		
Copper	↓ -3%	↓ -1%	↓ -1%	Prices are falling but expected to remain volatile in coming quarters
Steel rebar (raw)	↓ -16%	↓ -7%	↓ -4%	Prices continue to trend downward
Cement	↑ 8%	↑ 3%	↑ 2%	Prices continued trending upward, but are expected to stabilise
Lumber	↓ -1%	↔ 0%	↓ -2%	Prices have remained stable, but are likely to dip marginally

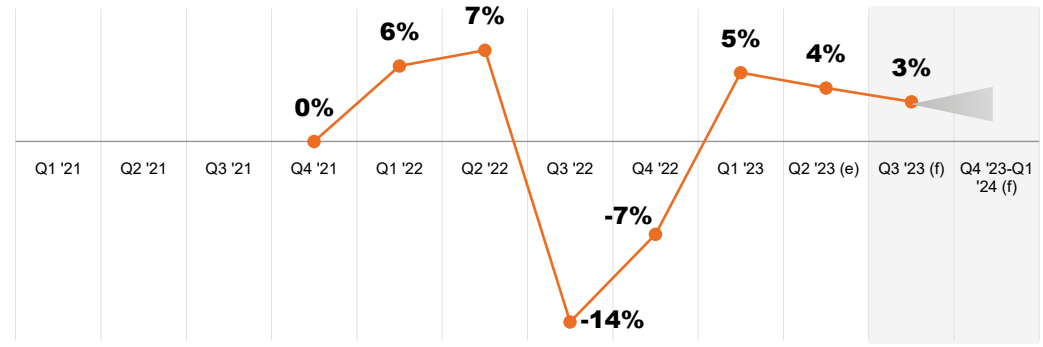
Israel – Commodity Price Trends



Copper

Level of Impact			
Price Change (e) vs (f)		Material Availability	General State of Supply Chain
Moderate		Low	Low
Price (ILS/mt)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
ILS31,275	ILS30,962	↓ -1.1%	↓ -1.0%

Price change comparison against Q4 2021

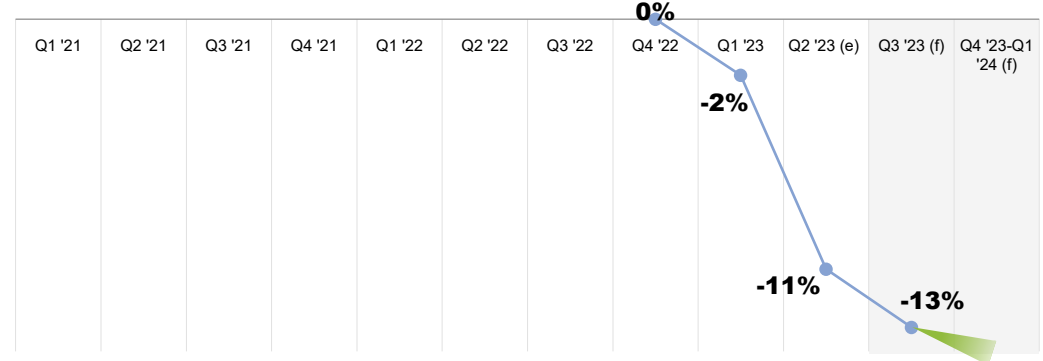


- The copper price in Israel has been volatile on a monthly basis, but dropped back in both May and June, falling by 4% MoM in June and 2% in May
- Prices will stabilize around current levels on a quarterly average basis in the coming quarters, but there will be continued volatility

Stainless Steel

Level of Impact			
Price Change (e) vs (f)		Material Availability	General State of Supply Chain
Low		Moderate	Moderate
Price (ILS/mt)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
ILS15,235	ILS14,818	↓ -8.4%	↓ -2.7%

Price change comparison against Q4 2022



- With nickel prices falling, amid an increase in global supplies and weak demand from end-use industries, stainless steel prices declined by 8.4% QoQ in Q2 2023
- Prices are expected to remain on a downward trend



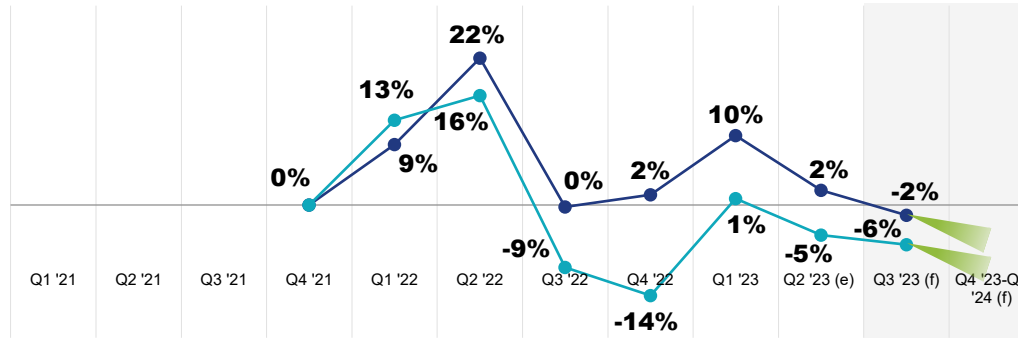
Israel – Commodity Price Trends



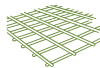
Steel – rebar and flat

Level of Impact			
Price Change (e) vs (f)		Material Availability	General State of Supply Chain
Moderate		Low	Low
Price		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
Steel rebar (raw) (ILS/mt)			
ILS2,324	ILS2,238	↓ -7.4%	↓ -3.7%
Steel flat product (ILS/mt)			
ILS2,133	ILS2,101	↓ -5.5%	↓ -1.5%

Price change comparison against Q4 2021



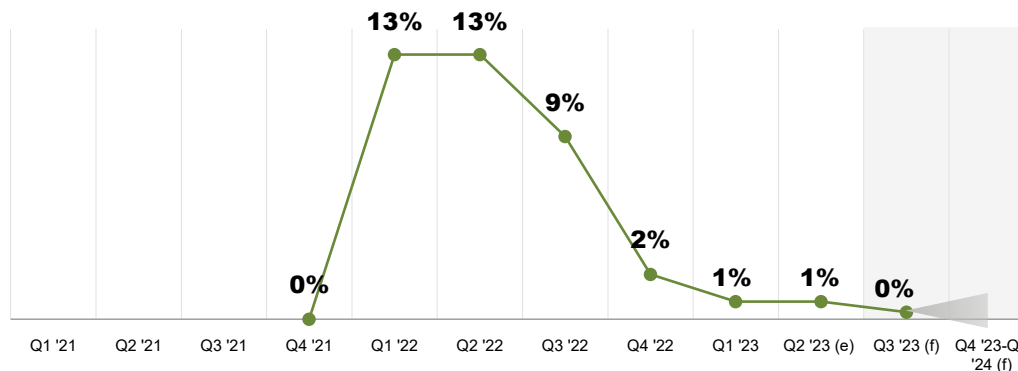
- Steel rebar prices have recorded a downward trend, dropping by 7.4% QoQ in Q2 2023, while steel flat products prices fell by 5.5%
- Weak demand from the construction industry and rising interest rates may lead to relatively weak demand for steel in the short term, but infrastructure investments could provide support
- Israel's reliance on steel imports and Turkey's increased demand due to reconstruction efforts may affect prices



Welded mesh

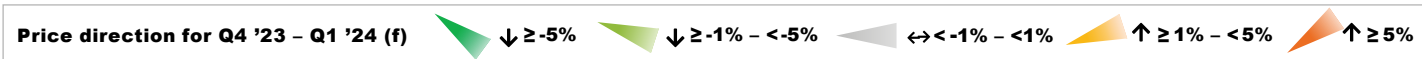
Level of Impact			
Price Change (e) vs (f)		Material Availability	General State of Supply Chain
Moderate		Low	Low
Price (ILS/unit*)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
ILS214	ILS213	↔ 0.0%	↓ -0.5%

Price change comparison against Q4 2021



- The price for welded mesh has fallen from the highs of mid-2022, in line with lowering production costs, and the decline in rebar also contributing to this trend
- Prices had already dropped back in late 2022, and the period of recent stability in prices is expected to continue over the coming quarters

* 600 x 250 cm; diameter 6mm



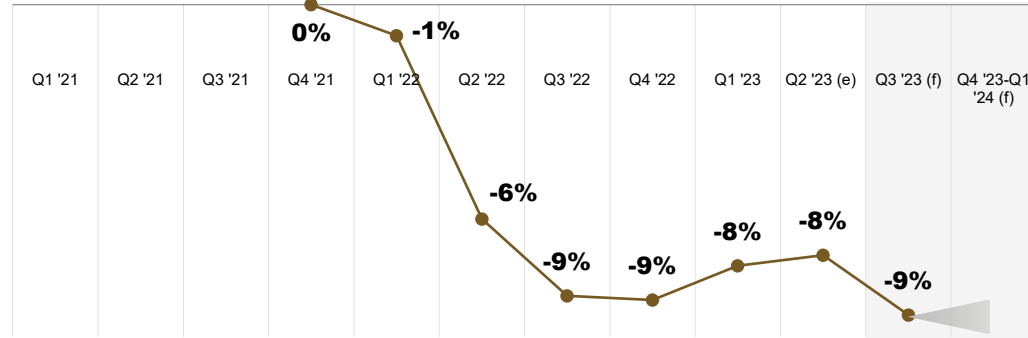
Israel – Commodity Price Trends



Lumber (raw)

Level of Impact			
Price Change (e) vs (f)	Material Availability	General State of Supply Chain	
Moderate	Moderate	Moderate	
Price (ILS/m ³)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
ILS764	ILS749	↑ 0.3%	↓ -1.9%

Price change comparison against Q4 2021



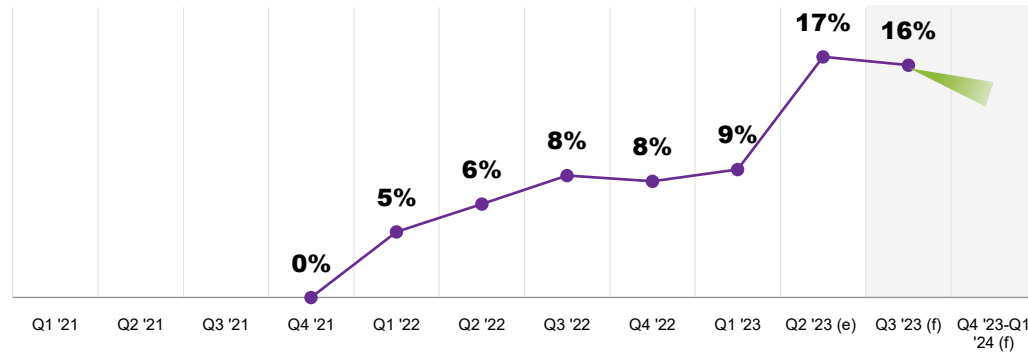
- Lumber prices have been on a downward trend over the past two years, but prices have been relatively stable in the past two quarters
- There will be further weakness ahead in the short term given the decline in the housing sector in part due to rising mortgage rates
- However, the government is pushing to increase the housing supply, which may cause upward pressure on the pricing



Plasterboard

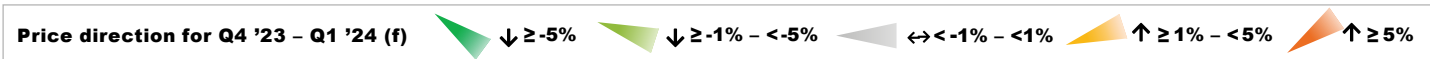
Level of Impact			
Price Change (e) vs (f)	Material Availability	General State of Supply Chain	
Moderate	Low	Low	
Price (ILS/unit*)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
ILS47.1	ILS46.9	↑ 7.1%	↓ -0.5%

Price change comparison against Q4 2021



- After rising moderately during 2022, prices for plasterboard jumped in Q2 2023, increasing by 7.1% on a quarterly average basis
- However, with falling demand for new apartment construction amid increasing interest rates the demand for plasterboard is expected to remain weak, resulting in weaker prices in the coming quarters

* 260 x 120 x 1.25 cm (L x W x T)



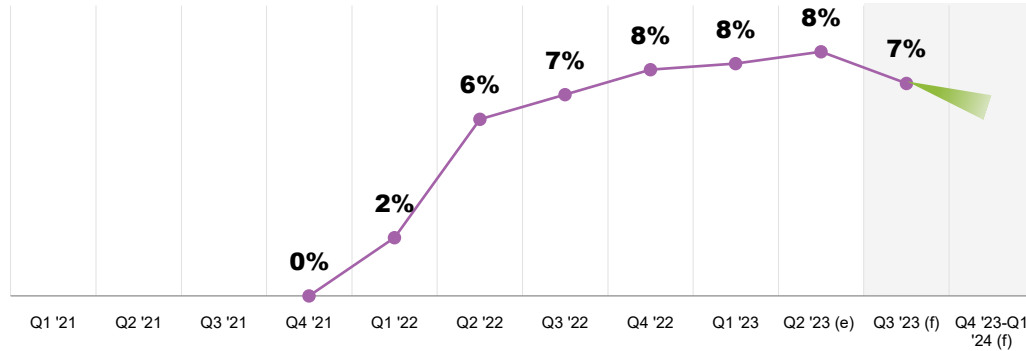
Israel – Commodity Price Trends



Limestone

Level of Impact			
Price Change (e) vs (f)	Material Availability	General State of Supply Chain	
Moderate	Low	Low	
Price (ILS/mt)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
ILS230	ILS228	↑ 0.4%	↓ -1.0%

Price change comparison against Q4 2021

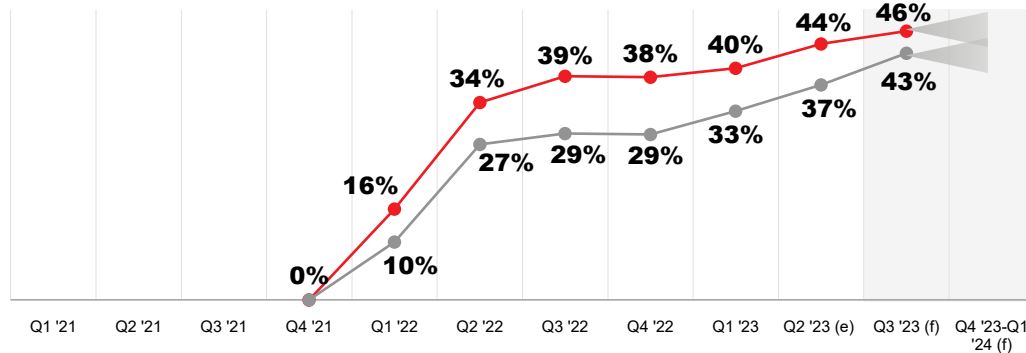


- The prices for limestone remained stable in Q2 2023, and was around 8% higher than the level in Q4 2021
- Although the overall construction sector has posted strong growth recently, the residential buildings sector is weakening, which will contribute to a steady drop in limestone prices from recent highs

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)
<p>● Cement (ILS/mt)</p> <p>ILS392 ILS398 ↑ 3.0% ↑ 1.5%</p> <p>● Concrete (ILS/m³)</p> <p>ILS432 ILS450 ↑ 3.4% ↑ 4.0%</p>			

Price change comparison against Q4 2021



- Concrete and cement prices have continued on an upward trend, with concrete up by 3.4% QoQ in Q2 2023, driven up by higher prices for key materials, along with the 3% increase in cement
- With a further rise expected in Q3, concrete prices will be 43% higher than in Q1 2022 and cement 46% higher
- Demand is expected to weaken reflecting a slowdown in residential buildings construction activity, however infrastructure investment will provide support

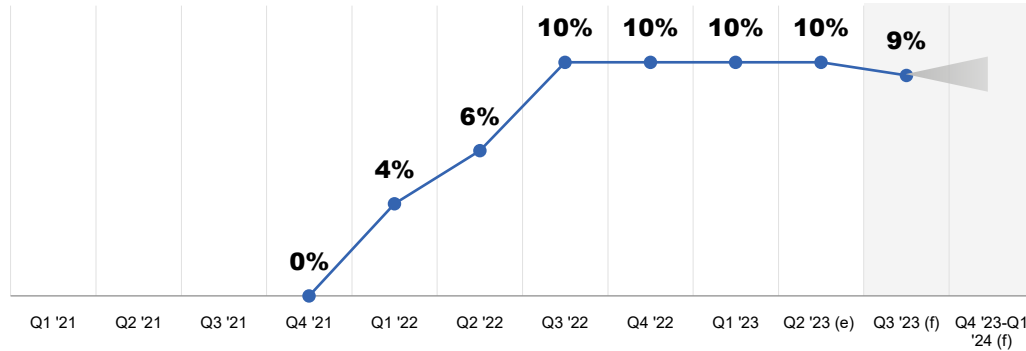
Israel – Commodity Price Trends



Asphalt

Level of Impact			
Price Change (e) vs (f)		Material Availability	General State of Supply Chain
Moderate		Low	Low
Price (ILS/mt)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
ILS2,500	ILS2,488	↔ 0.0%	↓ -0.5%

Price change comparison against Q4 2021



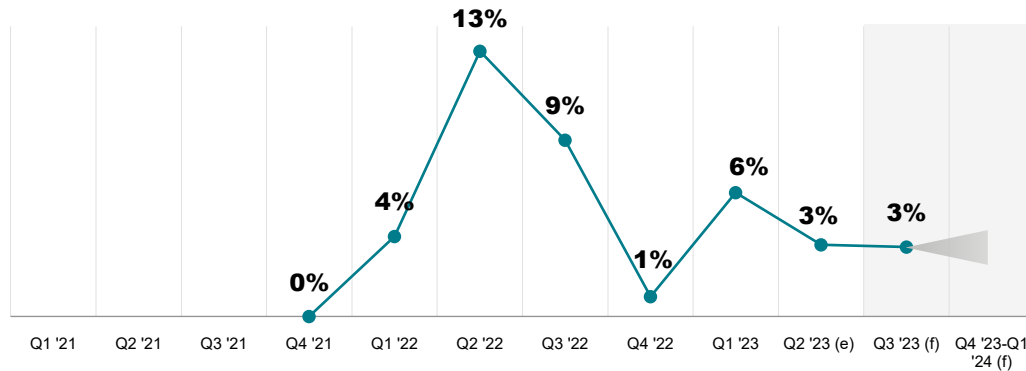
- Asphalt prices have stayed unchanged in recent quarters, standing around 10% higher than in Q4 2021
- Prices are expected to fall marginally in the next quarter owing to subdued demand in the construction industry, amid rising interest rates
- In the long term, prices will be supported by the government's plan to accelerate infrastructure projects in the transportation sector, with significant spending planned



Diesel

Level of Impact			
Price Change (e) vs (f)		Material Availability	General State of Supply Chain
Moderate		Low	Low
Price (ILS/liter)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
ILS7	ILS7	↓ -2.4%	↓ -0.1%

Price change comparison against Q4 2021



- Diesel prices decreased by 2.4% in Q2 2023 compared to the average price in the previous quarter
- With OPEC+ extending the crude oil production cuts in order to support prices, diesel prices are expected to remain close to current levels in the coming quarters

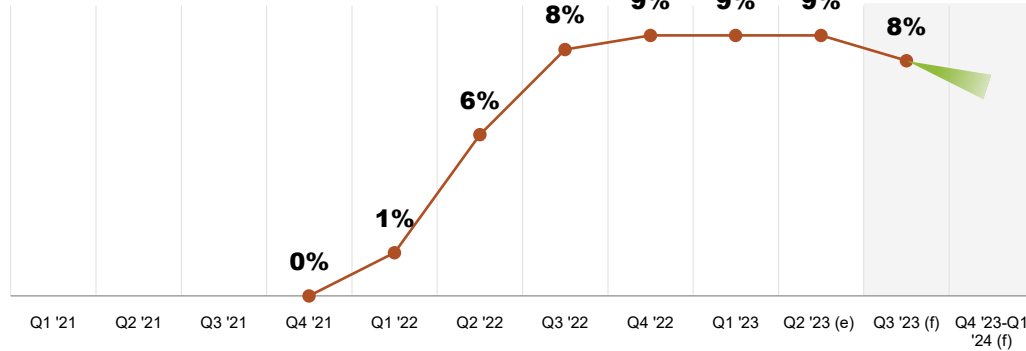
Israel – Commodity Price Trends



Concrete blocks

Level of Impact			
Price Change (e) vs (f)		Material Availability	General State of Supply Chain
Moderate		Moderate	Moderate
Price (ILS/'000 unit)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
ILS3,400	ILS3,373	↔ 0.0%	↓ -0.8%

Price change comparison against Q4 2021



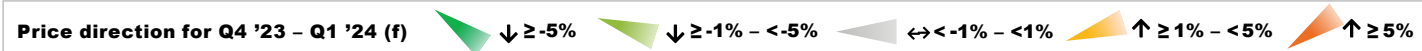
- Bricks prices have continued to remain unchanged, with prices at a similar high level to recent quarters, owing to elevated production costs
- However, prices will revert to a downward trend, owing to subdued demand for bricks amid a slowdown in the housing market, caused by higher interest rates

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%	High	Deficit	High	Stressed	High
≥1% – <5%	Moderate	Balanced	Moderate	Adequate	Moderate
<1%	Low	Surplus	Low	Easily Available	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



Israel – Industry trends

Sector trends



Data Centres

The Israel Data Centers market stands out as a highly advanced hub in the Middle East region. Factors such as cloud computing adoption, government initiatives, digitalization, and cutting-edge technologies fuel its growth, leading to a surge in colocation demand.



Life Sciences

Israel's biotech ecosystem is flourishing alongside its high-tech industry. The Life Sciences sector, particularly medical devices, stands out as a leading segment and represents almost half of Israel's industry. Key drivers include a robust network of academic and research institutes, advanced R&D facilities, and well-developed medical centers. Notably, Israeli Health-tech and Life Sciences startups attracted \$2.8bn in investments in 2022.



High-tech Industrial

In 2023, the industrial construction sector is set to grow by 5.2% due to a resurgence in manufacturing and exports. Israel, a leader in the global semi-conductor industry, houses prominent chip manufacturers. According to Statista, semi-conductor revenue in Israel is projected to hit US\$1.3bn by 2027, with a CAGR of 5.27%.

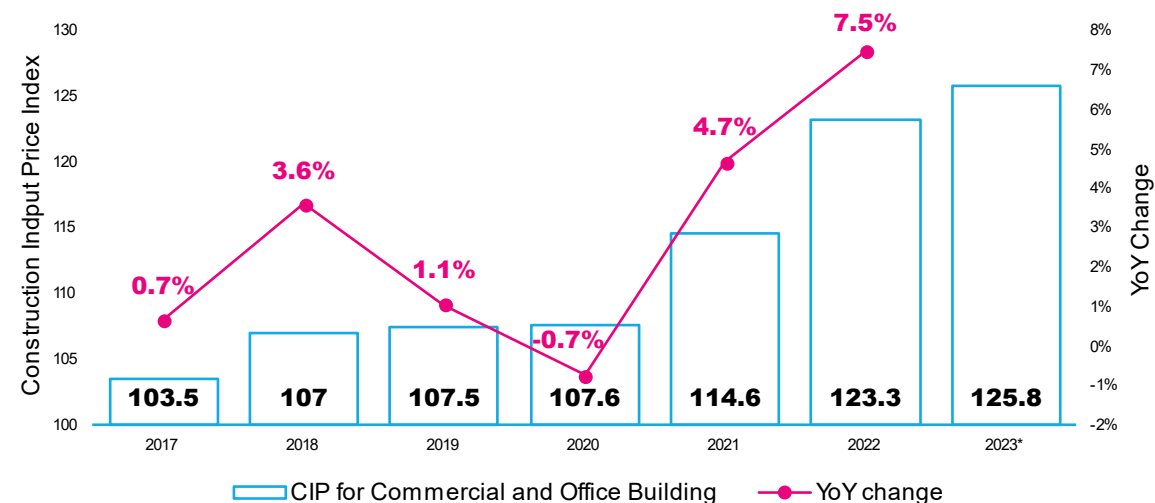


Renewable Energy

Israel aims to generate 30% of its energy from renewables by the end of the decade. The strategy involves increasing renewable energy capacity from 3.7GW in 2021 to 7.4GW by 2025 and reducing carbon emissions by 27% from 2015 levels by 2030, ultimately achieving carbon neutrality by 2050. Recently the government mandated regulations for solar panels on new non-residential buildings.



Construction Input Price (CIP) Index**



*Average from Jan to June 2023

** for Commercial and Office buildings, excl. VAT, Change in construction input price index from June 2022 to June 2023 is 0.9%

Base year 2012 = 100

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
- Statista
- Biospace.com
- EIU.com

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