Linesight

CONSTRUCTION MARKET INSIGHTS – EUROPE

Industry Update

NOVEMBER 2024

Belgium • Denmark • Finland • France • Germany • Ireland • Israel • Italy • Netherlands • Sweden • UK

Linesight

Executive summary

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As Europe's economies continue their cautious recovery, most countries are expected to see some growth in construction output in 2025.

Projected GDP outcomes across Europe and the UK are showing slightly stronger results in the second half of 2024, than originally anticipated, despite several countries experiencing slowdowns in exports and manufacturing amid poor global demand and widespread geopolitical crises.

Coupled with this, inflation has continued to ease and has been revised slightly downwards for the Eurozone in 2025. This has enabled the European Central Bank to bring main refinancing operations rate to 3.4%, with further cuts anticipated. In the UK, Goldman Sachs predicts interest rates could drop to 2.75% by the end of next year.

This is likely to provide a boost for construction, with increased availability of financing leading to a rise in activity. Most countries are forecasted to see increases in construction output in 2025, with a few exceptions. The UK and Denmark, are expected to see a marginal decline, and Italy a more pronounced contraction of nearly 8.7%.

Prices for energy-intensive commodities are largely stable but may rise in select countries, due to carbon taxes and levies targeting decarbonisation efforts. However, volatility in metal prices remains a concern.

Supply chains up to Q3 2024 have performed largely as anticipated given market influences, and reports of weather-related delays and transportation challenges have decreased.

As AI-driven requirements grow and Europe deepens it's commitments to climate neutrality, the focus on grid enhancements and alternative energy is anticipated to intensify.

However, key challenges remain on the horizon include persistent labour shortages in mission-critical sectors, dwindling contractor availability due to high demand and increases in insolvency rates.

Recent developments in the US presidential election, and the collapse of the German coalition government could mean there are further significant market shifts ahead. While it is too early to call, a ripple effect from both these situations would suggest a renewed caution is to be advised as we head into 2025.

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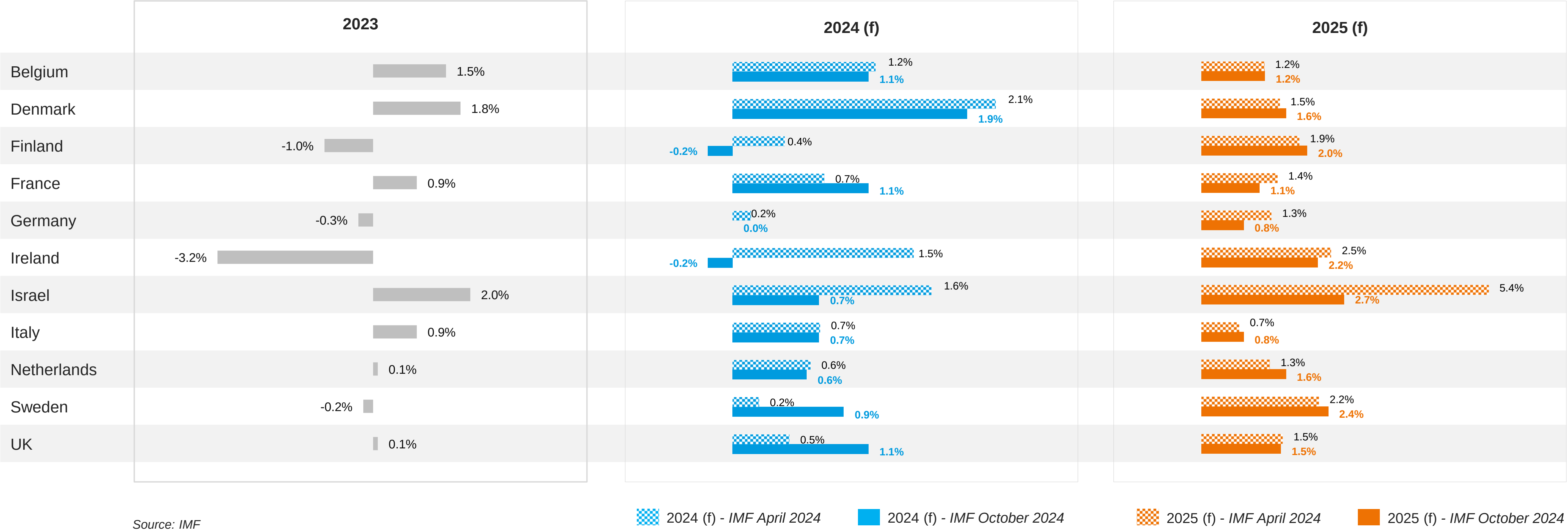
GDP Growth

Linesight

2024 will see a moderate uplift for the European economy with an increase in disposable income, and resilient consumer spending amid slowing inflation.

The economic outlook for the European Union for the remainder of 2024 is for modest growth, with GDP growth expected to reach 1.0% for the EU and 0.8% for the eurozone. September saw inflation drop below 2% for the first time since mid-2021, hitting the European Central Bank's 2% target. Lower inflation has increased the likelihood of a more rapid rate-cutting cycle by the ECB, as evidenced by October's main refinancing operations rate cut to 3.4%. This short-term growth is primarily fuelled by rising real wages and increased private consumption, while we are still seeing restraint on the private investment front. The Next Generation EU (NGEU) and its Recovery and Resilience Facility (RRF) are expected to remain key instruments for financing strategic investments and reforms through to 2026.

Real GDP annual growth (%)



Source: IMF

Macroeconomic overview

GDP Growth

Belgium

According to the IMF's October 2024 update, Belgium's stable growth projection has been revised to 1.1% for 2024, due to a slowdown in exports and manufacturing, as a result of sluggish global demand. This growth will be driven by steady consumer spending and, growth in public investment. Looking ahead, the IMF still expects GDP growth to reach 1.2% in 2025, while the latest OECD estimates place it higher at 1.4%.

Denmark

Denmark is maintaining growth, with GDP expected to hover around 1.9% in 2024. The export boom experienced by Denmark is starting to fade, and economists also expect a modest decline in domestic demand, likely influenced by elevated financing costs in 2024. Recent ECB's interest rate cuts should boost demand from 2025 onwards.

Finland and Sweden

Sweden is forecast to experience GDP growth at 0.9%, due to strong foreign trade and stable employment. Finland, on the other hand, is slowly coming out of recession, with a contraction expected at 0.2% for 2024, due to sluggish exports and rising unemployment.

France

The French economy showed acceleration after the Olympics in Q3 2024, with a revised overall GDP growth projection for 2024 up to 1.1% which is in line with INSEE forecasts. There are concerns for 2025 arising from the recent budget plan, which includes spending cuts and tax hikes to reduce the budget deficit, potentially dampening growth and impacting purchasing power.

Germany

After contracting by 0.3% in 2023, Germany's economy is expected to remain stagnant in 2024. The manufacturing sector remains weak, due to lower exports, amid poor global demand and geopolitical tensions. Slight improvements are anticipated as global trade rebounds modestly, and private consumption rises due to falling inflation and increasing wage growth. With the recent 49-measure growth initiative by the government, a boost to the economy is expected in 2025, of up 0.8%. However, the recent coalition breakdown could result in an extended bleak economic period as a new government is estimated to be in place by Q1 2025.

Ireland

The 2024 outlook for Ireland has been revised down to contract by 0.2% in October's forecast. Despite this, key indicators such as stable inflation, low unemployment, and strong tax revenues signal a resilient Irish economy, with a strong rebound of 2.2% growth expected in 2025.

Israel

Israel's economy has been impacted by the ongoing conflicts, causing a slowdown in key sectors like tourism and technology. GDP growth projections for 2024 have been revised down again in the IMF's October forecast to 0.7%, but the economy is expected to recover in 2025, bolstered by a rebound in global trade and domestic consumption. However, inflationary pressures and geopolitical risks remain significant risk factors in the near term.

Italy

Italy is forecast to experience marginal growth of 0.7% in 2024, buoyed by investments funded by the EU's RRF. However, persistent inflationary pressures and subdued domestic demand are limiting stronger expansion.

UK

The UK economy is transitioning from a period of stagnation and recession toward moderate growth. While government spending has been a key driver, future growth is expected to be led by consumer spending, driven by rising real incomes, tax cuts, and falling interest rates, along with a more favourable business environment. GDP growth was initially forecast at 0.5% for 2024, by the IMF however, this has been revised up to 1.1% in line with forecasts by OECD for 2024 and could reach 1.5% in 2025.

Source: IMF

Macroeconomic overview

Inflation

Inflation across Europe is expected to continue easing in late 2024 and into 2025, largely due to falling energy prices and weak economic growth in second half of the year.

After peaking at 10.6% in October 2022, the eurozones inflation averaged approximately 5.4% in 2023 and dropped below 2% in September 2024 for the first time since mid-2021.

In its latest update, the ECB maintained inflation projections for the Euro area at 2.4% for 2024 and 1.9% for 2026, while slightly revising the 2025 forecast down to 1.9% from 2%. This adjustment was mainly due to lower oil prices and weaker economic growth expectations for the second half of 2024.

Although inflation is cooling, wage-driven cost increases and potential rises in oil prices due to risks of supply disruptions in the Middle East could exert upward pressure on overall inflation.

Belgium

As per October's IMF update, inflation in Belgium is likely to reach 4.3% in 2024 and then fall back to 2.1% in 2025, due to the phasing out of government measures to mitigate high energy prices.

Denmark

Denmark's inflation is forecasted to ease to 1.8% in 2024, reflecting the moderation in energy costs and demand pressures. A slight cooling phase is expected due to weakening domestic demand.

Finland

Inflation in Finland is expected to remain stable at 1.2% in 2024. Falling energy prices and reduced inflationary pressures from external markets will likely contribute to this lower rate.

France

In France, inflation is expected to drop to 2.3% in 2024, following a sharp decrease from 5.7% in 2023, driven by cooling wage pressures and base effects from earlier energy price hikes.

Germany

Germany's inflation is expected to stabilise at around 2.4% in 2024, down from higher levels in previous years. However, wage increases feeding into core inflation and energy price volatility could affect this trajectory.

Ireland

Inflation in Ireland is projected to be 1.7% in 2024. Easing energy prices, as well as reduced pressures in the housing and food sectors, will support this moderation.

Israel

Inflation in Israel is expected to remain around 3.1% in 2024, but the ongoing regional conflicts might introduce volatility that could affect energy prices and inflation forecasts.

Italy

Inflation is projected to drop to 1.3% in 2024, driven by lower energy prices, though core inflation remains elevated due to wage growth and persistent service sector costs.

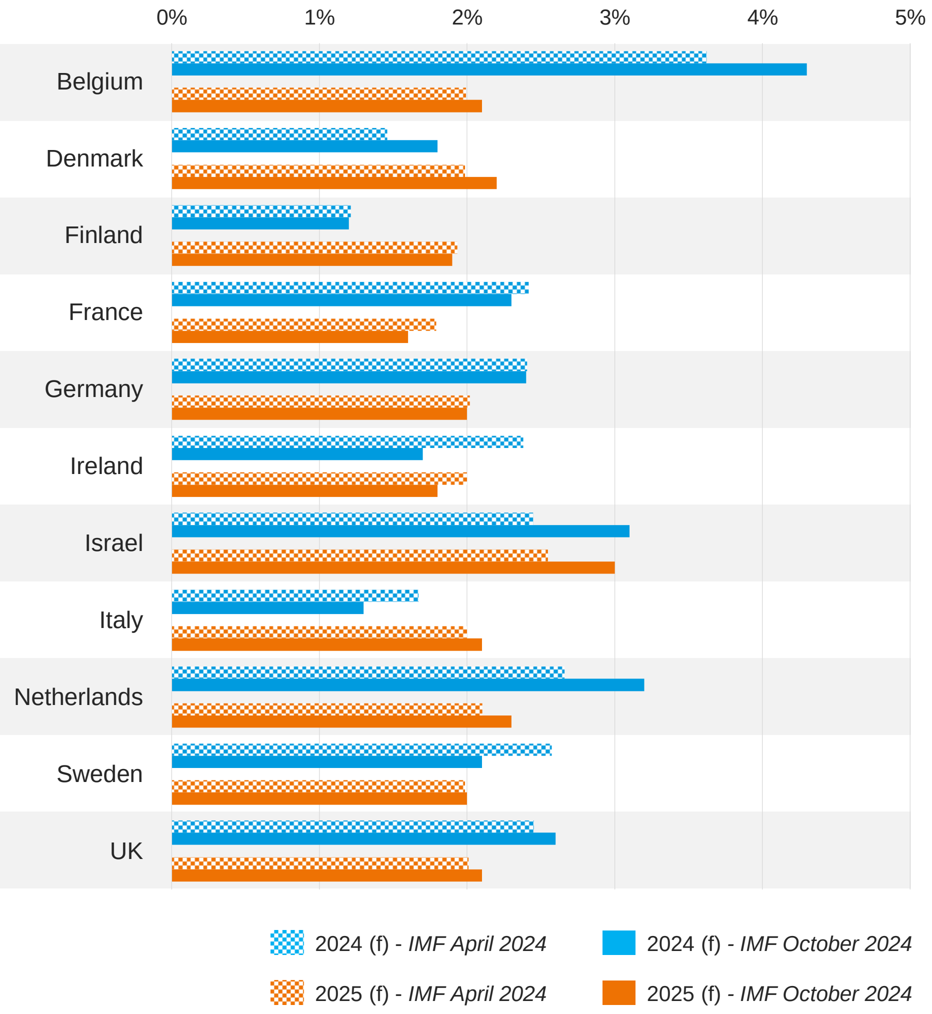
Sweden

Inflation is expected to slow to about 2.1% by late 2024, driven by easing energy prices and base effects, though high wage pressures and a weak Swedish krona could sustain core inflation.

UK

In the UK, inflation eased to 3.9% by Q3 2024, down from over 9.1% in 2023. It is forecast to continue falling to around 2.6% in 2024. Core inflation, however, remains elevated due to wage pressures and labour market tightness.

CPI inflation



Source: IMF

Macroeconomic overview

Interest rates

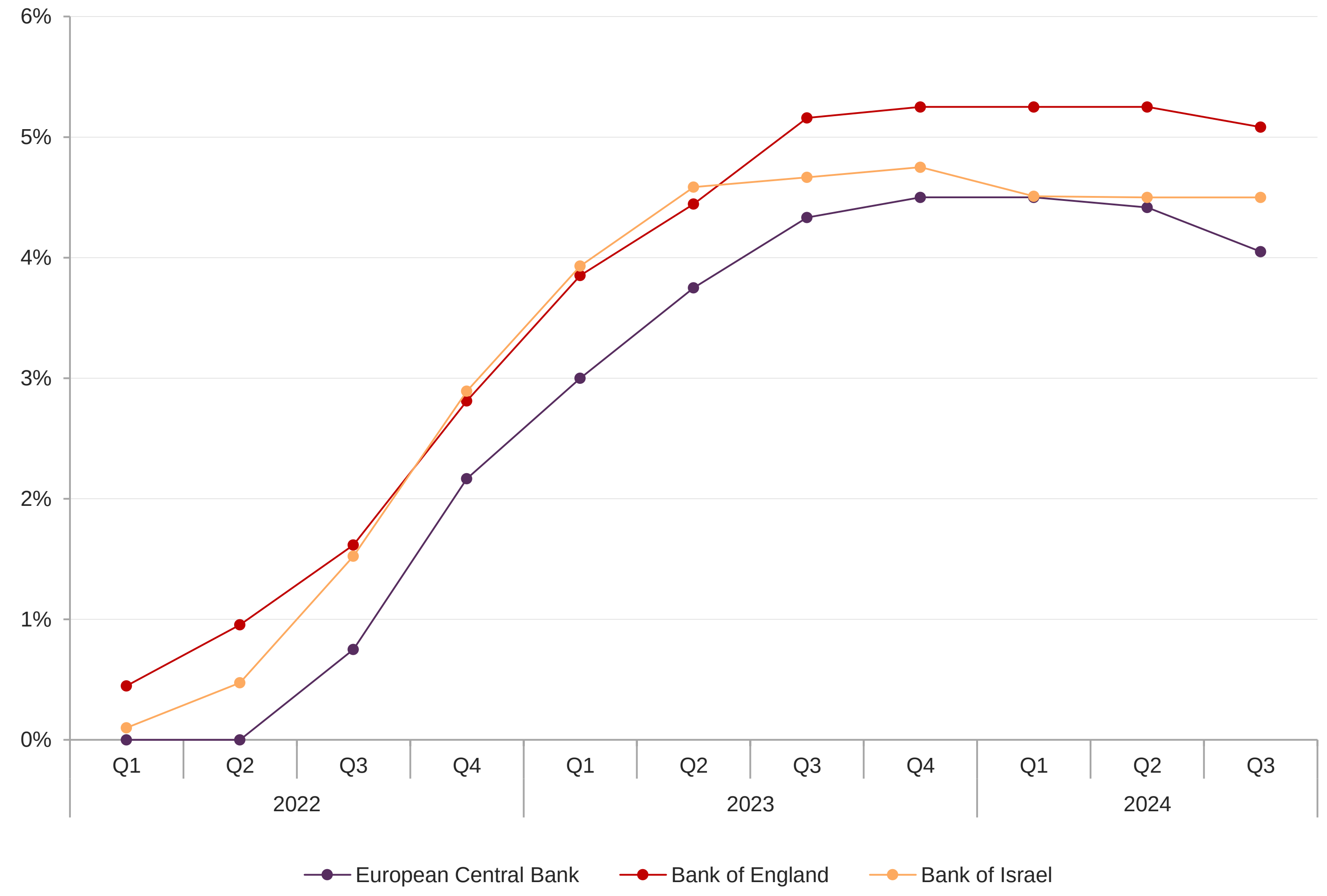
- The European Central Bank began its rate-cutting cycle in June 2024 from a peak of 4%. With eurozone inflation revised to 1.7% YoY in September, slightly below the 1.8% estimate, the ECB made its third rate cut this year, bringing the rate down to 3.4% in October 2024. Further rate cuts are expected to address economic weakness and support households and businesses.
- The Bank of England cut rates from 5.25% to 5% in August, the first reduction in over four years, after raising rates on an ongoing basis since 2021, due to surging inflation. With inflation near the 2% target, Goldman Sachs predicts borrowing rates could drop to 2.75% by the end of next year.
- Currently grappling with insolvencies due to high interest rates, the industry will benefit from these rate cuts, aiding recovery and stabilisation.
- The construction industry is poised for a revival in early 2025, benefiting from further anticipated declines in interest rates. This positive outlook is expected to enhance investment and stimulate activity within the industry as financing becomes more accessible.

Interest rates definitions:

- *The Governing Council of the European Central Bank (ECB) sets the key interest rates for the euro area. The rate referenced here is the main refinancing rate, which is the rate at which banks can borrow money from the central bank for the duration of one week.*
- *Base rate is the rate that Bank of England (BoE) charges other banks, and lenders when they borrow money. The base rate influences the interest rates that many lenders charge for mortgages, loans and other types of credit they offer.*
- *The Bank of Israel's "headline" rate of interest is announced by the Governor at the end of every liquidity period. The Bank of Israel's interest rate is the rate at which it lends money to commercial banks in the country. These announcements provide the commercial banks with a benchmark for their rates.*

Source: OECD, European Central Bank, Bank of England, Bank of Israel

Interest rates (% change per annum)



Note: 3-month average considered for each quarter

Construction industry overview

Construction industry output

2024

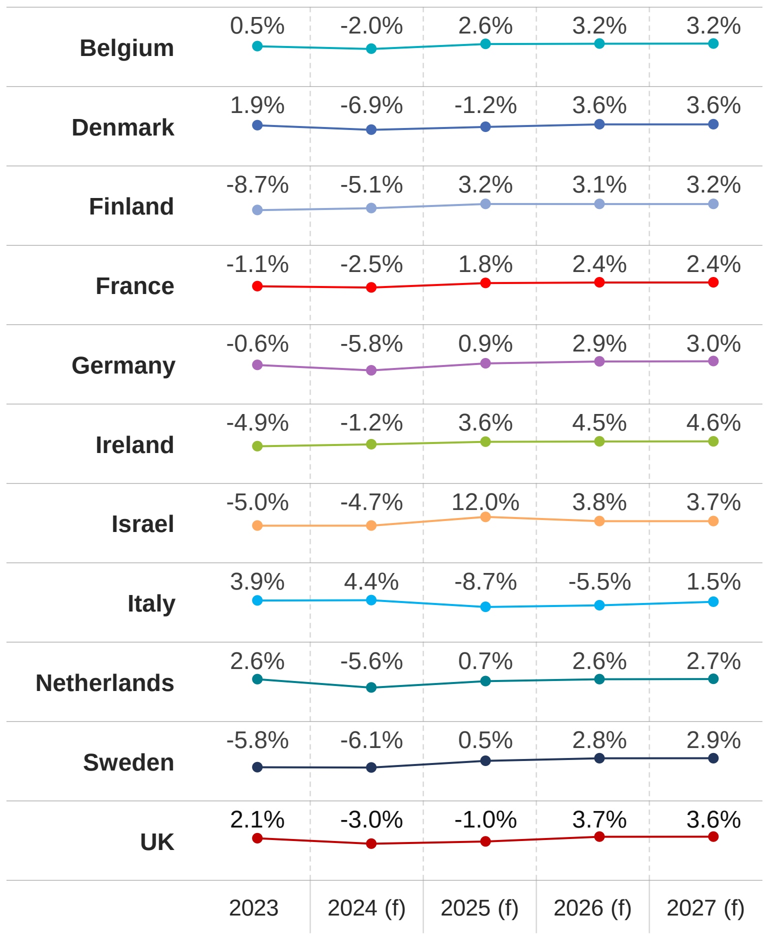
- Over 2024 the construction industry across Europe continued to be challenged, with activity being hit by subdued business and consumer confidence, amid elevated interest rates and rising labour costs.
- The residential sector remains the region's main weak point in 2024, with high interest rates and quantitative tightening constraining new investment; a trend already seen in declining building permits. However, growth in infrastructure, industrial, energy, and data centre sectors is helping to sustain the momentum in the industry.
- There has been a strong push towards the battery and semiconductor sectors. However, changing global demand dynamics in the last few months has led to a temporary slowdown in these sectors, resulting in construction delays to existing projects and the downsizing or halting of new ones.
- In the UK, the total number of construction firms that went insolvent in the year leading up to August 2024 reached 4,310. This reflected a 1.1% increase from the 4,263 insolvencies documented in the year to August 2023, and a significant rise of 33.9% from the 3,218 insolvencies noted in the year of 2019.
- While the region's construction output is forecast to contract in 2024, the overall contraction is less than the previous projections, due to stronger than expected performance in a few countries, in the first half of 2024.

Source: Global Data, BCIS, Europa

What lies ahead: 2025

- Most European countries are expected to witness positive growth in overall construction output in 2025. The growth momentum in sectors such as industrial, infrastructure, energy and utilities is likely to persist, driven by significant public investments in energy and infrastructure, as well as increased funding in data centres, pharmaceuticals and green hydrogen.
- EU funding, via the Recovery and Resilience Facility (RRF) the centrepiece of Next Generation EU, will be a key source of support for construction activity, with a maximum of €807bn being spent on reforms and projects.
- Additional funding for construction projects, are to be made available at country level, to improve energy efficiency, build low-income housing as well as improve infrastructure.
- With the rising demand for AI, the size and scale of mission-critical sectors such as data centres and semiconductors are expected to grow significantly. This will likely exacerbate the skilled labour shortage, with peak labour demand for large-scale projects increasing substantially compared to current levels, leading to more labour-related challenges.
- Simultaneously, as AI-driven requirements grow and Europe deepens its commitment to climate neutrality, the focus on alternative energy is anticipated to intensify. This shift is underscored by the fact that in 2023, and for the first time, renewable energy accounted for 44.7% of total electricity generation in the EU.

YoY % change in construction output



Source: Global Data
Note: Construction output data is presented in real terms and is calculated in US dollars using 2022 as a base. Forecast for the output is projected based on the data available up to and including Q2 2024.

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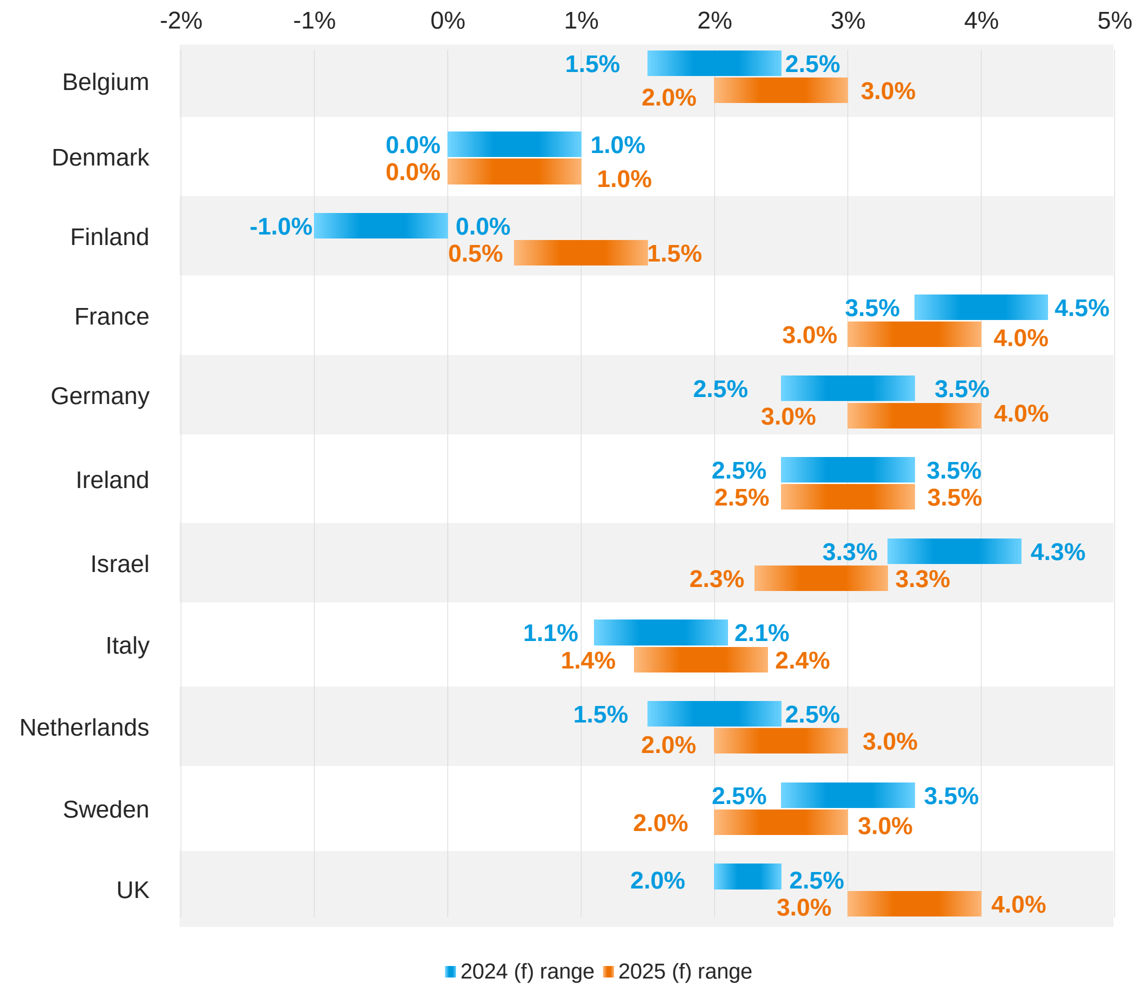
Construction inflation

As interest rates drop, the construction industry is poised for a revival, which may bring inflationary pressures to the overall supply chain. Key challenges on the horizon include persistent labour shortages in mission-critical sectors, dwindling contractor availability due to high demand and increases in insolvency rates.

- Cost pressures on key inputs have reduced, as supply and demand have been rebalanced. Prices for energy-intensive commodities are largely stable but may rise in select countries, due to carbon taxes and levies targeting decarbonisation efforts.
- However, volatility in metal prices remains a concern. Metals such as copper and aluminium are elevated as compared to 2023 levels while stainless steel remains volatile due to supply, raw material volatility and import costs. Steel prices are notably down amid a weak construction market.
- With reduced market activity, lower interest rates, and rising deflationary pressures, contractor pricing is projected to become more competitive in 2024. Subsequently, high insolvency rates may lead to fewer contractors in tenders, which could lead to high-value projects being prioritised, especially in the mission-critical sectors.
- Labour remains a key cost factor due to skill shortages. Reduced construction activity has temporarily eased demand, but falling interest rates could revive activity and put labour costs back under pressure, especially in high-tech sectors. However, regions with significant high-tech and mission-critical projects continue to face skilled labour shortages, affecting overall cost, with MEP labour availability presenting the most concern.
- Capacity pressures for MEP equipment are also expected to increase due to AI-driven project requirements.
- Overall construction cost inflation is expected to be a little lower than what was projected in early 2024, except in Israel, where inflationary pressures are increasing due to regional conflicts.
- Labour and contractor constraints will persist into 2025, and as interest rates fall, a rise in construction activity may push inflationary pressures slightly above 2024 levels.
- In 2025, conflicts in the Middle East could impact material costs and delivery timelines, adding further strain to commodities and supply chains, and driving cost inflation in 2025.

Construction inflation forecast 2024 & 2025



Source: Linesight

Construction industry overview

Supply chain outlook for long-lead equipment

Review of 2024

- Throughout Q3 2024, market performance largely aligned with expectations, with the general economy growing moderately.
- Lead times are anticipated to hold steady in Q4 as suppliers grapple with the persistent global increases in demand. Any open opportunities with manufacturers are quickly absorbed by this ever-increasing market demand.
- Reports of weather-related delays and transportation challenges have decreased, however freight costs remain volatile due to fluctuations in labour and fuel expenses, as well as workforce factors.
- The increased need for power and cooling solutions will further aggravate the supply chain capacity for certain sectors.
- Geopolitical tensions, regional conflicts, and labour strikes (especially in key locations like US ports) have caused minor disruptions in the supply chain. Together, these factors contribute to delays and periodic shortages, challenging the supply chain's resilience.

Outlook to 2025

- Projections from the supply chain indicate a similar performance to 2024 with an expected annual increase of 3% to 5%, driven by rising labour and production expenses.
- The outlook for freight and logistics remains uncertain, with fluctuating costs, labour strikes and port disruptions posing a significant risk to the global freight industry. Extended lead times remain a possibility.
- As we move into 2025, cooling solutions are rapidly emerging as a critical trend to monitor, especially for data centre operators. Supplier capacity and lead times have begun to be impacted.
- Several LLE suppliers have publicised investment in facility expansion which is expected to provide some relief to lead times in the second half of 2025.
- Maintaining strong, collaborative partnerships with vendors can help secure a reliable supply chain, mitigate risks of disruptions and support consistent lead times.
- Enhancing the demand forecast for the supply chain can also mitigate the risk of capacity shortages and ensure timely access to the production line.
- Addressing the demand for AI computing and the densification of data centres will continue to pose significant challenges for 2025. The increased need for power and cooling solutions will further pressurize the supply chain capacity.

Equipment supply timelines (in weeks)

	Europe	
	Q3 2024	Q4 2024 – Q1 2025
Transformers	42-48	↘
Generators	53-110	↗
UPS	27-35	↔
Batteries	28-32	↔
LV switchgears	26-40	↘
PDU/RPP	24-32	↘
STS	28-32	↘
Chillers-PRR	33-42	↔
CRAC	24-30	↘
Cooling tower	30-35	↔

↗ Increasing
↔ Stable
↘ Decreasing

Source: Linesight

Disclaimer:
The timelines provided are based on specific specifications and brands, as reported in Q3 2024, and reflect market conditions at that time. However, it's important to note that market conditions are subject to geopolitical and other influences which may cause supply chain disruptions that could impact the delivery schedules of equipment. Therefore, the timelines mentioned above are indicative and subject to change.

Linesight

Commodities

Construction commodities play a crucial role in the global economy, and their prices are subject to fluctuations due to various factors such as supply and demand, economic outlook, and geopolitical events.

At Linesight, we closely monitor the trends and developments in the commodities market to provide our clients with the most up-to-date and accurate information.

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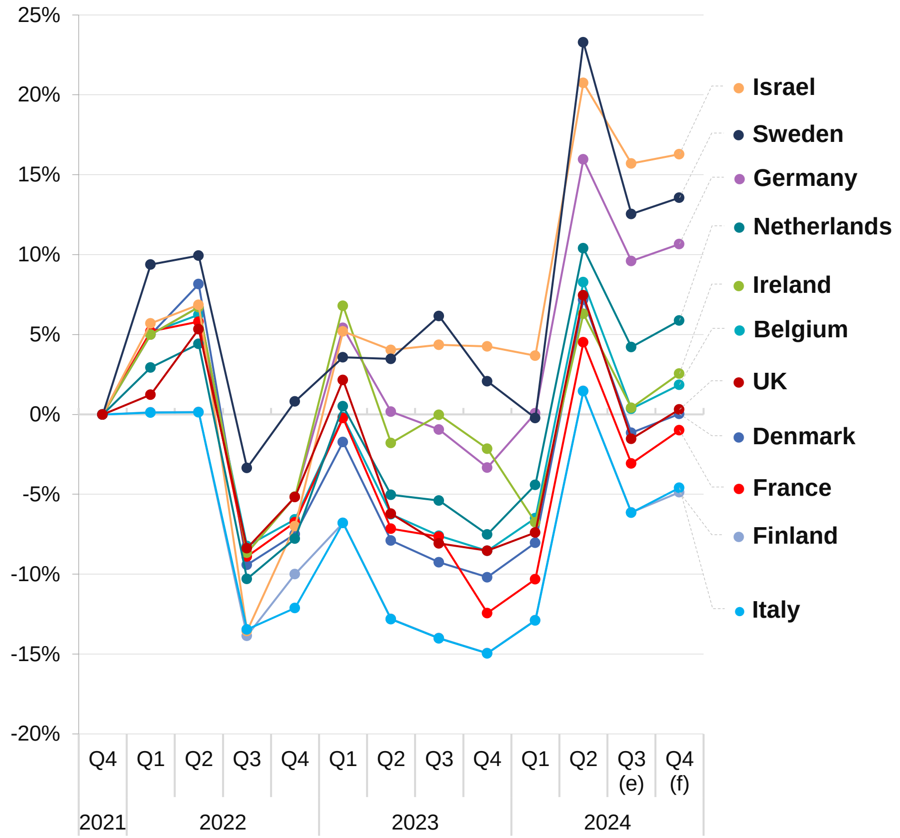
Please note that commodity prices are based on representative materials available in the respective countries, and as these materials may not be standard across all markets, cross-country comparisons on prices can be ineffective. For example, asphalt types can vary between hot, cold or a bitumen price, 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.

- Copper
- Steel rebar
- Steel flat
- Stainless steel
- Cement
- Concrete
- Lumber
- Bricks/Blocks
- Plasterboard
- Diesel
- Aluminium

Commodities
Copper

Linesight

Price change comparison against Q4 2021



(e) estimate (f) forecast

	YoY % price change	Level of impact on construction industry			Forecast
	Q4'23 – Q4'24 (f)	Price change (e) vs (f)	Material availability	General state of supply chain	Q1 – Q2'25 (f)
Israel	12%	≤1%	Balanced	Stressed	↔
Sweden	11%	≤1%	Surplus	Adequate	↔
Germany	14%	>1%-≤5%	Balanced	Adequate	↔
Netherlands	14%	>1%-≤5%	Balanced	Adequate	↔
Ireland	5%	>1%-≤5%	Surplus	Adequate	↗
Belgium	11%	>1%-≤5%	Balanced	Adequate	↗
UK	10%	>1%-≤5%	Balanced	Adequate	↘
Denmark	11%	>1%-≤5%	Balanced	Easily available	↗
France	13%	>1%-≤5%	Surplus	Adequate	↗
Finland	12%	>1%-≤5%	Balanced	Easily available	↗
Italy	12%	≤1%	Balanced	Adequate	↔

Price change	Material availability	General state of supply chain	Forecast
>5%	Deficit	Stressed	↑ ≥ 5%
>1%-≤5%	Balanced	Adequate	↗ ≥ 1% – < 5%
≤1%	Surplus	Easily available	↔ < -1% – <1%
			↘ ≥ -1% – < -5%
			↓ ≥ -5%

Source: Global Data

Past trend

From Q3 2023 to Q1 2024, copper prices remained mostly stable, but Q2 saw a sharp surge, with prices on the London Metal Exchange rising over 15% QoQ to reach an all-time high. This spike was driven by tightened supply and speculative buying. Adding to the upward pressure, Chinese copper smelters agreed in March 2024 to cut production by 5-10% in response to falling refining charges. This price hike rippled into Europe, with market participants noting a 15-20% rise in primary material costs for the quarter.

Current situation

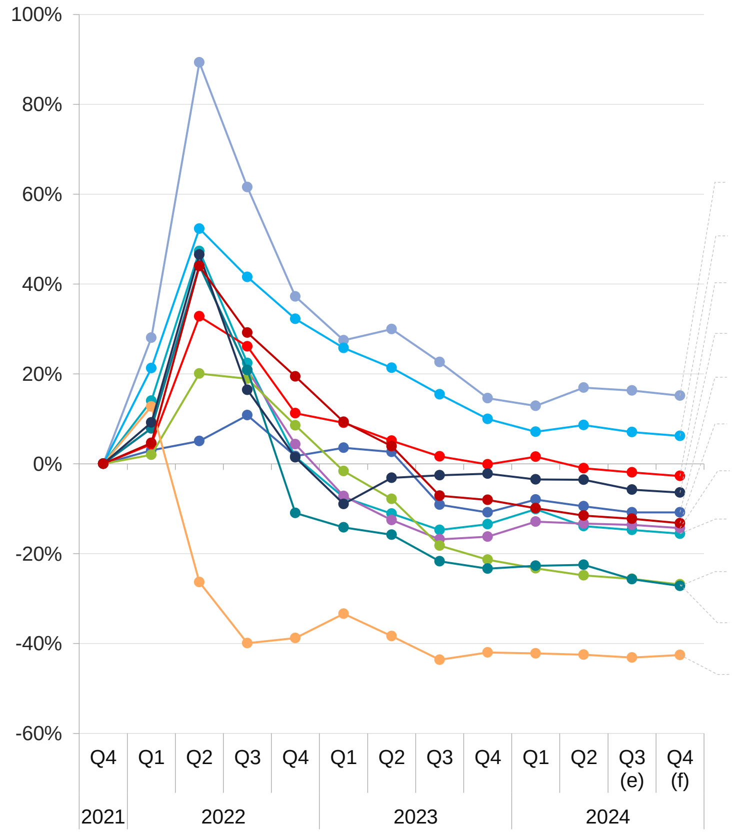
In Q3 2024, copper prices experienced notable volatility. Following strong growth in the previous quarter, prices across Europe fell by between 4% to 9%, impacted by weak demand from China and oversupply from Chile and Peru. However, a recovery began in September 2024, with prices rising between 1.3% to 2.3%, driven by increased demand from the renewable energy and EV sectors. Despite this late uptick, the overall quarterly average for copper prices in Q3 2023 declined.

Future outlook

Copper prices are projected to rise modestly by between 0.5% to 2.2% in Q4 2024. This increase will be driven by a recent US Fed rate cut expected to stimulate investment and increased spending on renewable energy. It is also anticipated that there will be growing demand in sectors such as electric vehicles and data centres, along with China's latest stimulus measures.

Commodities
Steel rebar

Price change comparison against Q4 2021



(e) estimate (f) forecast

	YoY % price change	Level of impact on construction industry			Forecast
	Q4'23 – Q4'24 (f)	Price change (e) vs (f)	Material availability	General state of supply chain	Q1 – Q2'25 (f)
Finland	0%	■ >1%-≤5%	● Surplus	◆ Easily available	⇔
Italy	-3%	■ ≤1%	● Balanced	◆ Easily available	⇔
France	-3%	■ ≤1%	● Surplus	◆ Adequate	⇔
Sweden	-4%	■ ≤1%	● Balanced	◆ Easily available	⇔
Denmark	0%	■ ≤1%	● Surplus	◆ Easily available	⇔
UK	-6%	■ >1%-≤5%	● Surplus	◆ Adequate	⇔
Germany	2%	■ ≤1%	● Surplus	◆ Adequate	⇔
Belgium	-2%	■ >1%-≤5%	● Surplus	◆ Easily available	⇔
Netherlands	-5%	■ >1%-≤5%	● Surplus	◆ Adequate	⇔
Ireland	-7%	■ >1%-≤5%	● Surplus	◆ Adequate	⇔
Israel	-1%	■ >1%-≤5%	● Surplus	◆ Adequate	⇔

Price change	Material availability	General state of supply chain	Forecast
■ >5%	● Deficit	◆ Stressed	↑ ≥ 5%
■ >1%-≤5%	● Balanced	◆ Adequate	↗ ≥ 1% – < 5%
■ ≤1%	● Surplus	◆ Easily available	⇔ < -1% – <1%
			↘ ≥ -1% – < -5%
			↓ ≥ -5%

Source: Global Data

Past trend

In H1 2024, steel prices across most of Europe showed a minor downward trend on a QoQ basis, primarily due to oversupply and weak demand in the construction and manufacturing sectors.
However, a few countries experienced moderate price upticks as suppliers and distributors adjusted pricing to match the demand.

Current situation

Steel prices continued to show moderate decreases in Q3 2024, declining QoQ by up to 4%, driven by soft demand from the construction and manufacturing sectors, high inventory levels, and oversupply.
China's announcement in July of a new rebar standard for H2 2024 led to a sell-off of existing stocks at reduced prices, further pressuring global rebar prices.

Future outlook

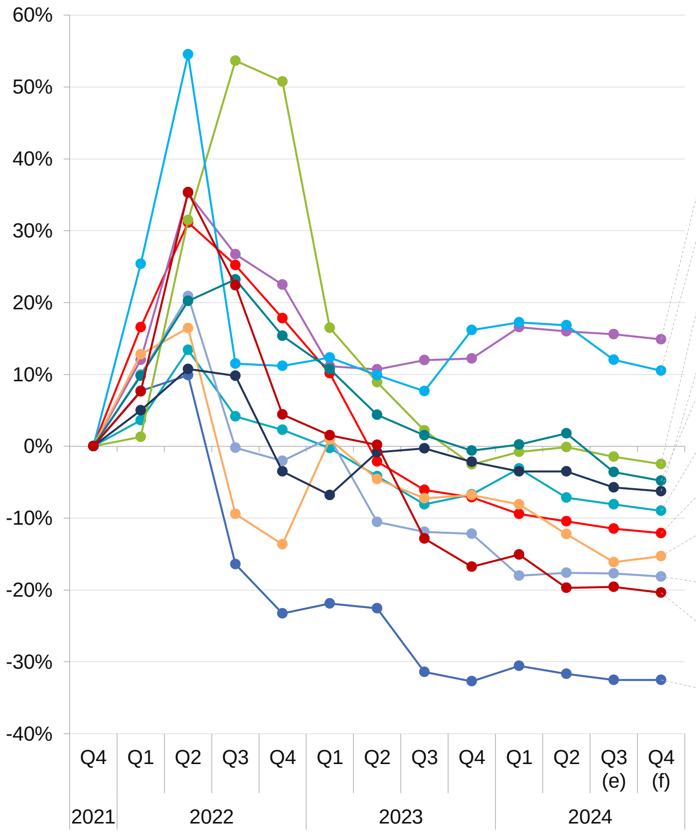
Steel prices are expected to keep declining in the coming quarters due to falling scrap steel and iron ore prices, weak demand, and rising production in Europe. According to the World Steel Association, EU crude steel production rose by 1.5% YoY to 87.2 million metric tons in the first eight months of 2024, anticipated to contribute to moderate price declines across most markets in Q4. With recent and further anticipated ECB rate cuts, steel demand is expected to increase in 2025.

In Israel, however, steel rebar prices are projected to rise by 1% QoQ in Q4, driven by regional instability and higher freight costs due to the escalating Middle East conflict, which is exacerbating supply shortages.

Commodities

Steel flat

Price change comparison against Q4 2021



(e) estimate (f) forecast

	YoY % price change	Level of impact on construction industry			Forecast
	Q4'23 – Q4'24 (f)	Price change (e) vs (f)	Material availability	General state of supply chain	Q1 – Q2'25 (f)
Germany	2%	≤1%	Surplus	Adequate	↔
Italy	-5%	>1%-≤5%	Balanced	Easily available	↔
Ireland	0%	>1%-≤5%	Surplus	Adequate	↔
Sweden	-4%	>1%-≤5%	Surplus	Adequate	↔
Netherlands	-4%	≤1%	Balanced	Easily available	↔
Belgium	-2%	>1%-≤5%	Surplus	Easily available	↔
France	-5%	≤1%	Surplus	Adequate	↔
Israel	-9%	>1%-≤5%	Surplus	Adequate	↔
Finland	-7%	≤1%	Surplus	Easily available	↔
UK	-4%	>1%-≤5%	Surplus	Adequate	↔
Denmark	0%	≤1%	Surplus	Easily available	↔

Price change	Material availability	General state of supply chain	Forecast
>5%	Deficit	Stressed	↑ ≥ 5%
>1%-≤5%	Balanced	Adequate	↗ ≥ 1% – < 5%
≤1%	Surplus	Easily available	↔ < -1% – <1%
			↘ ≥ -1% – < -5%
			↓ ≥ -5%

Source: Global Data

Past trend

Steel flat prices were largely on a declining trend in 2023. To stabilise prices and enhance profit margins, steel producers started reducing output and in H1 2024 steel flat prices fluctuated moderately, with an average QoQ change of less than 3%. A weak economic backdrop, supply chain disruptions in the Red Sea and increased infrastructure spending contributed to this price volatility.

Current situation

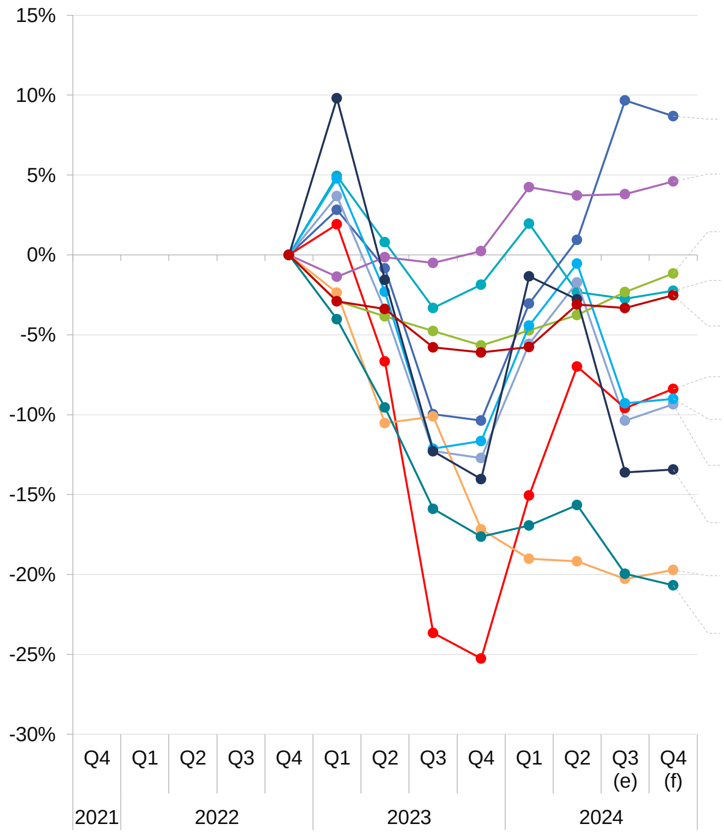
Flat steel prices in Q3 2023 have edged downwards, similar to steel rebar, in most countries. However, the decline in prices in Israel, Italy, and the Netherlands was more pronounced compared to rebar, largely due to weak demand from the automotive sectors in the Netherlands and Italy, as well as significant base effects from previous quarters. Notably, prices in Israel began to pick up in September due to the ongoing regional conflicts.

Future outlook

Flat steel prices are expected to mirror the price trends of steel rebar. In the long-term demand from infrastructure and automotive sector is likely to drive the growth in prices.

Commodities
Stainless steel

Price change comparison against Q4 2022



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	YoY % price change	Level of impact on construction industry			Forecast
	Q4'23 – Q4'24 (f)	Price change (e) vs (f)	Material availability	General state of supply chain	Q1 – Q2'25 (f)
Denmark	21%	■ >1%-≤5%	● Balanced	◆ Adequate	⇔ < -1% – <1%
Germany	4%	■ ≤1%	● Balanced	◆ Adequate	⇔ < -1% – <1%
Ireland	5%	■ >1%-≤5%	● Surplus	◆ Adequate	↗ ≥ 1% – < 5%
Belgium	0%	■ >1%-≤5%	● Balanced	◆ Adequate	⇔ < -1% – <1%
UK	4%	■ ≤1%	● Balanced	◆ Adequate	⇔ < -1% – <1%
France	23%	■ >1%-≤5%	● Balanced	◆ Adequate	⇔ < -1% – <1%
Italy	3%	■ ≤1%	● Balanced	◆ Adequate	⇔ < -1% – <1%
Finland	4%	■ >1%-≤5%	● Balanced	◆ Adequate	↗ ≥ 1% – < 5%
Sweden	1%	■ ≤1%	● Balanced	◆ Adequate	⇔ < -1% – <1%
Israel	-3%	■ ≤1%	● Surplus	◆ Adequate	⇔ < -1% – <1%
Netherlands	-4%	■ ≤1%	● Balanced	◆ Adequate	⇔ < -1% – <1%

- ■ >5%
- ■ >1%-≤5%
- ■ ≤1%

- ● Deficit
- ● Balanced
- ● Surplus

- ◆ Stressed
- ◆ Adequate
- ◆ Easily available

- ↑ ≥ 5%
- ↗ ≥ 1% – < 5%
- ⇔ < -1% – <1%
- ↘ ≥ -1% – < -5%
- ↓ ≥ -5%

Source: Global Data

Past trend

Due to nickel price fluctuations in H1 2024, stainless steel prices remained volatile across the region. Notable price spikes were observed in France, Sweden, Italy, and Denmark, with increases ranging from 13% to 24% between Q4 2023 and Q2 2024. However, on a YoY basis from Q2 2023 to Q2 2024, price variations were under 4% in most countries. Israel, however, experienced a 9.7% YoY decline, while the Netherlands saw a 6.8% drop, both reflecting weakness in the construction and industrial sectors.

Current situation

In Q3 2024, prices exhibited divergent trends across Europe, influenced by supply-side factors from volatile global nickel prices and demand-side variations due to local market conditions. Denmark saw an 8.65% QoQ increase, largely driven by robust growth in wind turbine manufacturing. In contrast, Sweden recorded an 11% decline, influenced by the appreciation of the SEK. In Italy, the Netherlands, and Finland, price declines are expected to range from 5% to 10%, due to sharper drops in construction activity compared to other European markets. While construction demand remained weak, rising nickel prices at the end of September added further volatility, which impacted output prices. As a result, minor price fluctuations were observed in other markets.

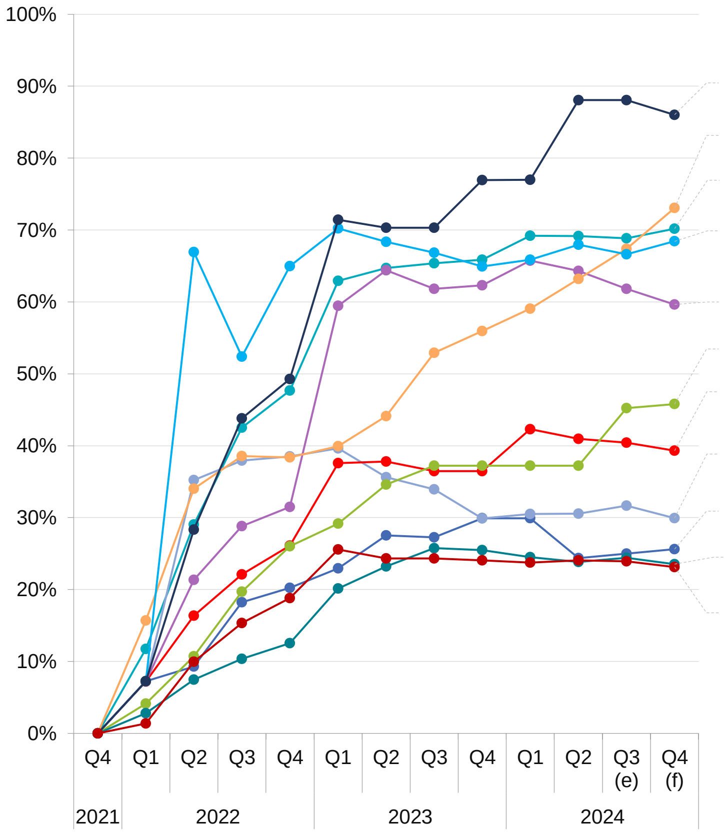
Future outlook

European prices are expected to rise due to high production costs, elevated nickel prices, reduced output amid strikes and anti-dumping duties on imports. Long-term demand from renewable energy projects and decarbonization efforts is also expected to add pressure, with infrastructure developments in Sweden further supporting regional prices. UK prices may increase as the government's support for onshore wind projects drives demand.

Construction Market Insights
Europe

Commodities
Cement

Price change comparison against Q4 2021



(e) estimate (f) forecast

Source: Global Data

	YoY % price change	Level of impact on construction industry			Forecast
	Q4'23 – Q4'24 (f)	Price change (e) vs (f)	Material availability	General state of supply chain	Q1 – Q2'25 (f)
Sweden	5%	>1%-≤5%	Surplus	Adequate	↘
Israel	11%	>1%-≤5%	Balanced	Stressed	↗
Belgium	3%	≤1%	Surplus	Easily available	↔
Italy	2%	≤1%	Balanced	Adequate	↗
Germany	-2%	>1%-≤5%	Surplus	Adequate	↔
Ireland	6%	≤1%	Surplus	Adequate	↗
France	2%	≤1%	Balanced	Adequate	↔
Finland	0%	>1%-≤5%	Balanced	Easily available	↘
Denmark	-3%	≤1%	Surplus	Adequate	↔
Netherlands	-2%	≤1%	Balanced	Easily available	↔
UK	-1%	≤1%	Balanced	Adequate	↔

Price change	Material availability	General state of supply chain	Forecast
■ >5%	● Deficit	◆ Stressed	↑ ≥ 5%
■ >1%-≤5%	● Balanced	◆ Adequate	↗ ≥ 1% – < 5%
■ ≤1%	● Surplus	◆ Easily available	↔ < -1% – <1%
			↘ ≥ -1% – < -5%
			↓ ≥ -5%

Past trend

In H1 2024, cement prices remained elevated yet stable in most countries amid a weak overall construction industry, with notable spikes in France, Israel, and Sweden. France saw a 4.6% price increase in Q1 following three stable quarters, though prices slightly corrected in subsequent quarters due to weak demand. In Sweden, strong infrastructure demand drove a 6.25% price rise in Q2, while a trade ban with Turkey pushed prices higher in Israel.

Current situation

In Q3 2024, cement prices largely remained sticky, with a variation less than 2% across the region. However, Israel continued to see price increases amid trade bans and geopolitical conflicts. Ireland also observed a 5.82% QoQ price increase in Q3 2024 due to rising wholesale energy costs and higher sand and gravel prices.

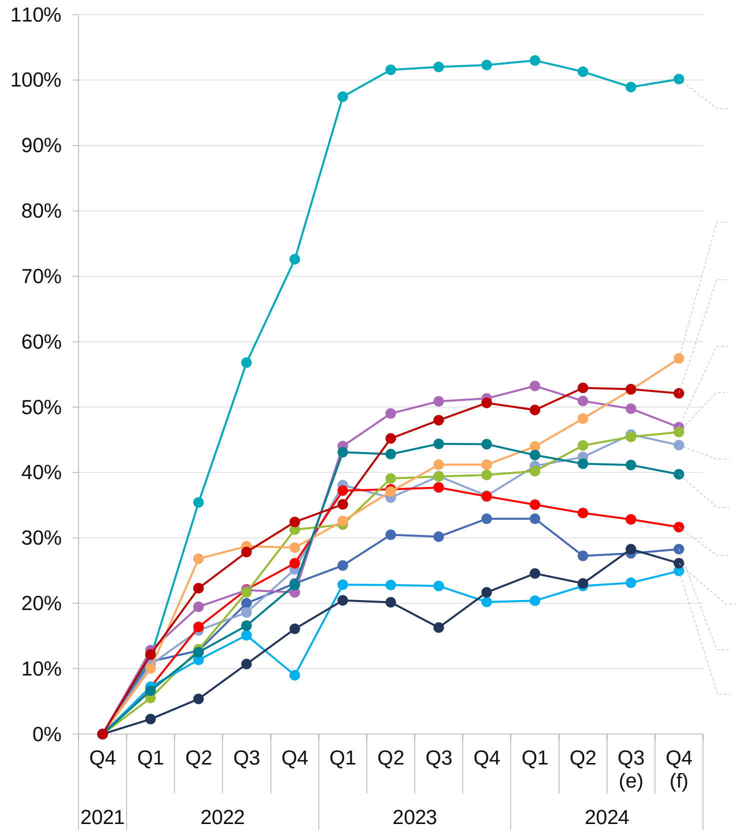
Future outlook

Cement prices are expected to remain sticky with the same variation, as supply adjusts to demand, amid rising input costs and weak construction activity. Israel is likely to see continued price increases in the coming quarters. In the long term, countries investing in sustainable housing and infrastructure may experience upward pressure on cement prices, particularly for low-carbon options.

Commodities
Concrete

Linesight

Price change comparison against Q4 2021



(e) estimate (f) forecast

	YoY % price change	Level of impact on construction industry			Forecast
	Q4'23 – Q4'24 (f)	Price change (e) vs (f)	Material availability	General state of supply chain	Q1 – Q2'25 (f)
Belgium	-1%	≤1%	Surplus	Easily available	↔
Israel	12%	>1%-≤5%	Balanced	Stressed	↗
UK	1%	≤1%	Balanced	Adequate	↔
Germany	-3%	>1%-≤5%	Surplus	Adequate	↔
Ireland	5%	≤1%	Surplus	Adequate	↗
Finland	6%	>1%-≤5%	Balanced	Easily available	↘
Netherlands	-3%	>1%-≤5%	Balanced	Easily available	↔
France	-3%	≤1%	Balanced	Adequate	↔
Sweden	-3%	≤1%	Surplus	Adequate	↔
Denmark	4%	>1%-≤5%	Surplus	Adequate	↘
Italy	4%	≤1%	Balanced	Adequate	↗

Price change: >5% · >1%-≤5% · ≤1%

Material availability: Deficit · Balanced · Surplus

General state of supply chain: Stressed · Adequate · Easily available

Forecast: ↑ ≥ 5% · ↗ ≥ 1% – < 5% · ↔ < -1% – <1% · ↘ ≥ -1% – < -5% · ↓ ≥ -5%

Source: Global Data

Past trend

In H1 2024 Concrete prices have followed trends similar to cement prices across Europe; however, the price spikes seen in cement in France and Sweden were not reflected in concrete prices in the same period. In 2023, the Concrete Association of Finland enacted strict sustainability legislation on concrete production, adding upward price pressure despite a weak construction outlook. In Ireland, following the enactment of a 5% Defective Concrete Products Levy in September 2023, concrete prices increased by 3% between Q4 2023 and Q2 2024, while cement prices remained flat.

Current situation

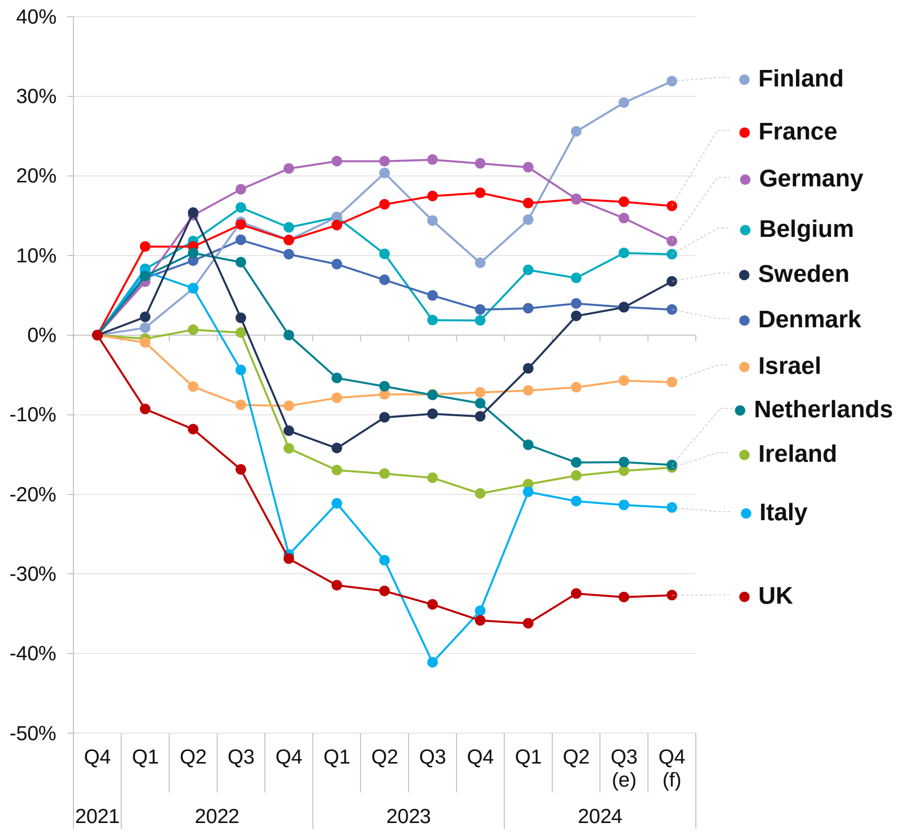
In Q3 2024, concrete prices largely remained flat, with increases of over 2% in Finland, Sweden, and Israel. Previous cement price hikes were reflected in Sweden's concrete prices, while import restrictions on various commodities sustained upward pressure in Israel.

Future outlook

Concrete prices are expected to follow a similar trend to cement prices across the region. However, the demand for sustainable and low-carbon concrete options is likely to support higher prices in the long term.

Commodities
Lumber

Price change comparison against Q4 2021



(e) estimate (f) forecast

	YoY % price change	Level of impact on construction industry			Forecast
	Q4'23 – Q4'24 (f)	Price change (e) vs (f)	Material availability	General state of supply chain	Q1 – Q2'25 (f)
Finland	21%	■	●	◆	↗
France	-1%	■	●	◆	↔
Germany	-8%	■	●	◆	↘
Belgium	8%	■	●	◆	↗
Sweden	19%	■	●	◆	↗
Denmark	0%	■	●	◆	↔
Israel	1%	■	●	◆	↔
Netherlands	-8%	■	●	◆	↔
Ireland	4%	■	●	◆	↔
Italy	20%	■	●	◆	↔
UK	5%	■	●	◆	↔

- ■ >5%
- ■ >1%-≤5%
- ■ ≤1%

- ● Deficit
- ● Balanced
- ● Surplus

- ◆ Stressed
- ◆ Adequate
- ◆ Easily available

- ↑ ≥ 5%
- ↗ ≥ 1% – < 5%
- ↔ < -1% – <1%
- ↘ ≥ -1% – < -5%
- ↓ ≥ -5%

Source: Global Data

Past trend

In H1 2024, lumber prices largely remained stable, however, notable price surges occurred in the UK, Finland, and Sweden. In the UK, prices rose due to low availability of saw logs and increased demand from the private residential sector. In Sweden, a weakened Swedish krona, depreciating against both the Euro and US Dollar in Q2 2024, along with supply shortages, drove up prices. Finland and Italy similarly experienced price increases due to supply shortages.

Current situation

In Q3 2024, lumber prices remained mostly stable, with supply adjusting to residential demand, though some countries experienced price variations exceeding 2%. Belgium saw a 2.9% QoQ rise, driven by increased demand for residential renovations, while Finland's lumber prices increased due to reduced softwood production output. Meanwhile, Germany faced QoQ decline of 2.1%, with prices down due to weak residential construction activity.

Future outlook

In Q4 2024, lumber prices are expected to remain under pressure across many countries, driven by subdued construction activity, particularly in the residential sector. Finland and Sweden may experience upward pressure due to EU regulatory constraints on lumber production, while Ireland is projected to see a modest rise as housing activity increases. In early 2025, the UK may see a price rise with the government's planned housing development boost.

Executive summary

Macroeconomic overview

Construction industry overview

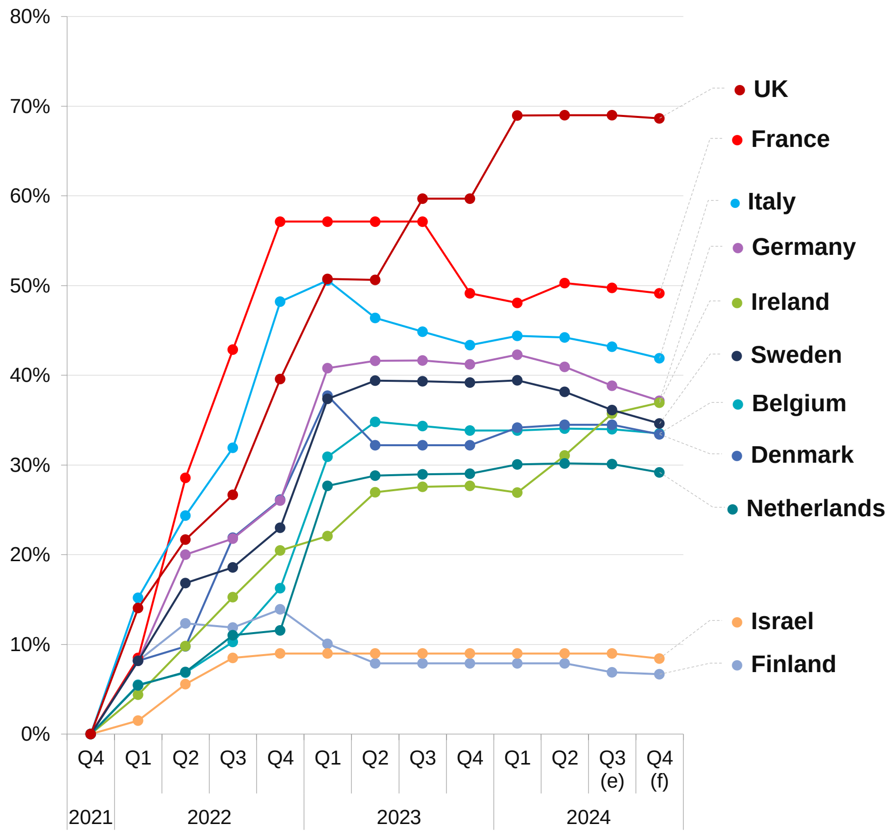
Commodities

Methodology

Commodities
Bricks/Blocks

Linesight

Price change comparison against Q4 2021



(e) estimate (f) forecast

	YoY % price change	Level of impact on construction industry			Forecast
	Q4'23 – Q4'24 (f)	Price change (e) vs (f)	Material availability	General state of supply chain	Q1 – Q2'25 (f)
UK	6%	≤1%	Surplus	Adequate	< -1% – <1%
France	0%	≤1%	Surplus	Easily available	< -1% – <1%
Italy	-1%	≤1%	Surplus	Adequate	< -1% – <1%
Germany	-3%	>1%-≤5%	Surplus	Easily available	≥ -1% – < -5%
Ireland	7%	≤1%	Balanced	Adequate	< -1% – <1%
Sweden	-3%	>1%-≤5%	Surplus	Easily available	≥ -1% – < -5%
Belgium	0%	≤1%	Surplus	Easily available	< -1% – <1%
Denmark	1%	≤1%	Surplus	Easily available	< -1% – <1%
Netherlands	0%	≤1%	Surplus	Adequate	< -1% – <1%
Israel	-1%	≤1%	Surplus	Adequate	< -1% – <1%
Finland	-1%	≤1%	Surplus	Easily available	< -1% – <1%

Legend:
- >5% / >1%-≤5% / ≤1%
- Deficit / Balanced / Surplus
- Stressed / Adequate / Easily available
- ↑ ≥ 5% / ↗ ≥ 1% – < 5% / ↔ < -1% – <1% / ↘ ≥ -1% – < -5% / ↓ ≥ -5%

Source: Global Data

Past trend

Brick prices have largely remained stable in H1 2024, with only marginal dips in a few countries. This stickiness is primarily due to a weak residential sector exerting downward pressure on prices, while elevated input material costs create upward pressure. Although energy costs have decreased, the prices of raw materials like clay have increased over the past two years and remain elevated. Additionally, suppliers are holding firm to prevent further declines in brick prices.

Current situation

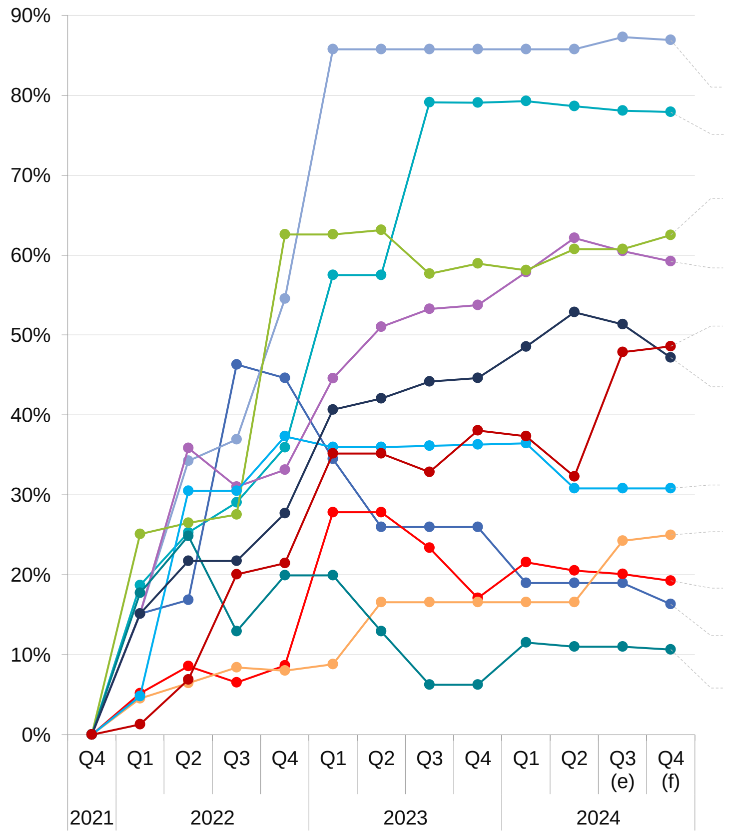
In Q3 2024, brick prices were either stagnant or observed slight decline due to weakness in the construction industry, particularly in the residential sector. However, Ireland stands out as an exception, with government spending on housing reaching some of the highest levels in the European Union.

Future outlook

Looking ahead, brick prices are expected to continue their marginal decline across most countries due to a weak residential sector. In the Nordic countries, particularly Finland and Sweden, there is a strong preference for alternative building materials like timber, which is restricting demand for bricks. In contrast, Ireland is projected to see rising brick prices fuelled by a renewed focus on housing.

Commodities
Plasterboard

Price change comparison against Q4 2021



(e) estimate (f) forecast

Source: Global Data

	YoY % price change	Level of impact on construction industry			Forecast
	Q4'23 – Q4'24 (f)	Price change (e) vs (f)	Material availability	General state of supply chain	Q1 – Q2'25 (f)
Finland	1%	■ (≤1%)	● (Surplus)	◆ (Easily available)	⇔
Belgium	-1%	■ (≤1%)	● (Surplus)	◆ (Easily available)	⇔
Ireland	2%	■ (>1%-≤5%)	● (Balanced)	◆ (Easily available)	↗
Germany	4%	■ (≤1%)	● (Surplus)	◆ (Easily available)	⇔
UK	8%	■ (≤1%)	● (Surplus)	◆ (Easily available)	⇔
Sweden	2%	■ (>1%-≤5%)	● (Surplus)	◆ (Easily available)	⇔
Italy	-4%	■ (>1%-≤5%)	● (Surplus)	◆ (Easily available)	⇔
Israel	7%	■ (≤1%)	● (Balanced)	◆ (Adequate)	⇔
France	2%	■ (≤1%)	● (Surplus)	◆ (Easily available)	⇔
Denmark	-8%	■ (>1%-≤5%)	● (Surplus)	◆ (Easily available)	⇔
Netherlands	4%	■ (≤1%)	● (Balanced)	◆ (Easily available)	⇔

Price change	Material availability	General state of supply chain	Forecast
■ >5%	● Deficit	◆ Stressed	↑ ≥ 5%
■ >1%-≤5%	● Balanced	◆ Adequate	↗ ≥ 1% – < 5%
■ ≤1%	● Surplus	◆ Easily available	⇔ < -1% – <1%
			↘ ≥ -1% – < -5%
			↓ ≥ -5%

Past trend

While demand for plasterboard has been weak in most European countries due to softer building activity, prices have largely remained flat in these regions. Producers and wholesalers have been better positioned to increase prices in response to factors such as higher wage costs. Due to these factors, along with demand for renovation and remodelling, plasterboard prices increased by 3% to 5% in H1 2024 in Germany, France, the Netherlands, and Sweden.

Current situation

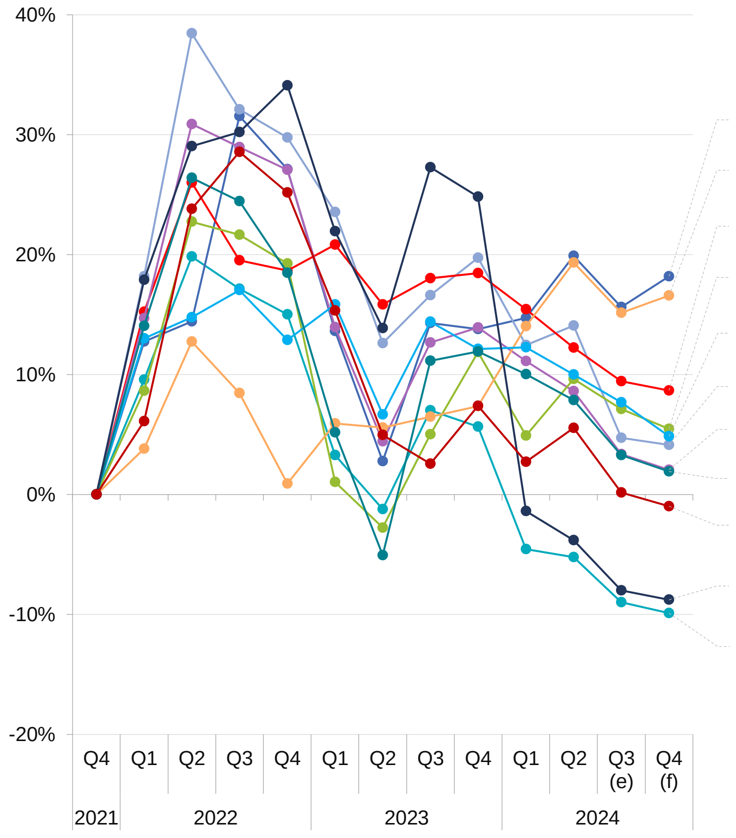
In Q3 2024, plasterboard prices remained sticky in most countries due to slower new construction, subdued business confidence, and economic uncertainty, with suppliers holding firm to prevent significant price declines. However, prices in the UK rose by 11.7%, driven by strong non-housing repair and maintenance demand. In Israel, prices increased by 6.6% amid geopolitical tensions, as the country relies on imports for its gypsum supply.

Future outlook

Looking ahead to Q4 2024, plasterboard prices in most European countries are anticipated to marginally edge downwards due to low construction demand. However, Ireland and the UK may see moderate price increases, driven by renovation and housing demand. In the first half of 2025, Ireland is expected to see a further increase in prices due to housing activity, while prices in the rest of Europe are likely to remain stable. In Israel, prices are expected to remain elevated due to import disruptions amid geopolitical tensions.

Commodities
Diesel

Price change comparison against Q4 2021



(e) estimate (f) forecast

	YoY % price change	Level of impact on construction industry			Forecast
	Q4'23 – Q4'24 (f)	Price change (e) vs (f)	Material availability	General state of supply chain	Q1 – Q2'25 (f)
Denmark	4%	■ >1%-≤5%	● Balanced	◆ Adequate	↗ ≥ 1% – < 5%
Israel	9%	■ >1%-≤5%	● Balanced	◆ Adequate	↗ ≥ 1% – < 5%
France	-8%	■ ≤1%	● Balanced	◆ Adequate	↔ < -1% – <1%
Ireland	-6%	■ >1%-≤5%	● Balanced	◆ Adequate	↗ ≥ 1% – < 5%
Italy	-7%	■ >1%-≤5%	● Balanced	◆ Adequate	↘ ≥ -1% – < -5%
Finland	-13%	■ ≤1%	● Surplus	◆ Adequate	↔ < -1% – <1%
Germany	-10%	■ >1%-≤5%	● Surplus	◆ Adequate	↔ < -1% – <1%
Netherlands	-9%	■ >1%-≤5%	● Balanced	◆ Adequate	↘ ≥ -1% – < -5%
UK	-8%	■ >1%-≤5%	● Balanced	◆ Easily available	↘ ≥ -1% – < -5%
Sweden	-27%	■ ≤1%	● Balanced	◆ Adequate	↔ < -1% – <1%
Belgium	-15%	■ >1%-≤5%	● Balanced	◆ Adequate	↔ < -1% – <1%

- ■ >5%
- ■ >1%-≤5%
- ■ ≤1%

- ● Deficit
- ● Balanced
- ● Surplus

- ◆ Stressed
- ◆ Adequate
- ◆ Easily available

- ↑ ≥ 5%
- ↗ ≥ 1% – < 5%
- ↔ < -1% – <1%
- ↘ ≥ -1% – < -5%
- ↓ ≥ -5%

Source: Global Data

Past trend

Diesel prices showed varied trends across Europe in H1 2024. Most countries experienced a drop in diesel prices; however, some regions saw slight increases due to seasonal factors, imposition of taxes and geopolitical tensions. In Ireland, on a QoQ basis, prices rose by 4.5% in Q2 2024 following the reinstatement of fuel excise duties in April. Meanwhile, prices in Israel increased amid the conflict in the region. Sweden on the other hand saw a dip of 21% in the prices in Q1 2024 due to reduction of fuel taxes.

Current situation

By Q3 2024, diesel prices experienced broader declines across Europe. Weakening global demand, increased EV adoption, and rising U.S. crude production drove prices down. However, volatile geopolitical conditions, particularly conflicts in the Middle East, created temporary upward pressure on crude oil prices, which were mitigated by well-supplied global inventories.

Future outlook

Diesel prices are expected to continue falling in the coming quarters due to a number of factors including EV transition policies, lower global demand, and substantial oil inventories. However conflict in the Middle East has recently driven crude oil prices higher, this spike is expected to be short-lived. Countries like Ireland and Denmark, anticipate modest price increases in 2025 due to scheduled carbon taxes, while Israel may see a minor price uptick amid continued regional geopolitical uncertainties. In the UK, price declines are expected to be marginal, with anticipated fuel duties offsetting the drop.

Executive summary

Macroeconomic overview

Construction industry overview

Commodities

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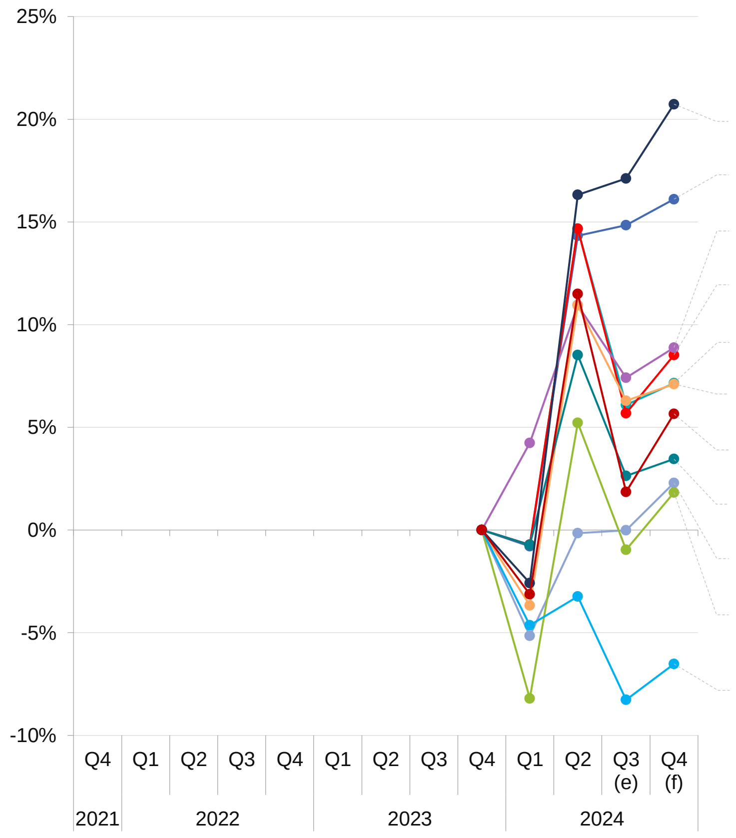
Linesight

Commodities
Aluminium

Price change comparison against Q4 2023



(e) estimate (f) forecast

	YoY % price change	Level of impact on construction industry			Forecast
	Q4'23 – Q4'24 (f)	Price change (e) vs (f)	Material availability	General state of supply chain	Q1 – Q2'25 (f)
Sweden	21%	■	●	◆	↗
Denmark	16%	■	●	◆	↗
Germany	9%	■	●	◆	↗
France	9%	■	●	◆	⇔
Belgium	7%	■	●	◆	↗
Israel	7%	■	●	◆	⇔
UK	6%	■	●	◆	↗
Netherlands	3%	■	●	◆	↗
Finland	2%	■	●	◆	↗
Ireland	2%	■	●	◆	⇔
Italy	-7%	■	●	◆	↗

■ >5%	● Deficit	◆ Stressed	↑ ≥ 5%
■ >1%-≤5%	● Balanced	◆ Adequate	↗ ≥ 1% – < 5%
■ ≤1%	● Surplus	◆ Easily available	⇔ < -1% – <1%
			↘ ≥ -1% – < -5%
			↓ ≥ -5%

Source: Global Data

Past trend

In Q2 2024, aluminium prices surged across Europe, driven by supply disruptions from geopolitical tensions and rising alumina costs, alongside increased energy prices and sanctions on Russian aluminium.

Current situation

In Q3 2024, European aluminium prices generally declined due to large base effect, weaker industrial demand, global price drops, and high base effects. Countries like Belgium, France, and the UK saw notable price declines, while Nordic countries, experienced stable or marginal price increases driven by demand from the renewable energy sector.

Future outlook

Aluminium prices are expected to rise by 1% to 4% in Q4 2024 due to supply deficits from alumina and bauxite shortages, along with sanctions on Russian metal. Additionally, a weaker euro against the US dollar is likely to further support price increases.

Methodology

Linesight has commissioned independent global research to track construction activity, 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.

Published November 2024

Definitions

- All commodities are raw materials.
- 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.
- 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.

Abbreviations

QoQ	Quarter on Quarter
YoY	Year on Year
MoM	Month on Month
GDP	Gross Domestic Product
CPI	Consumer Price Index (wherever not specified)
e	estimate
f	forecast
EV	Electric Vehicles
DC	Data Centre

Disclaimer

Methodology

Acknowledgements

Linesight wishes to thank all who took the time to contribute to this report including but not limited to:

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