



France

Country Insights and Commodity Report

Q1 2023



France

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French GDP grew by 2.6% in 2022 but the growth is expected to slow to 0.7% in 2023, following weak economic performance in the second half of last year. However, business sentiment has improved as supply chain challenges and inflationary pressures have eased, with headline inflation falling to 5.6% in March from 6.3% in February 2023..

France's construction industry is expected to shrink by 0.6% in 2023. However, the industry is expected to rebound in 2024, driven by investments in transport and renewable energy infrastructure projects. While other real estate sectors face challenges, niche sectors, such as data centres and research facilities, are expected to maintain the growth momentum.



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



Lumber

In the short term, weaker demand will limit further upward pressure on lumber prices, which edged upward in recent quarters following a decline from mid-2022 highs. Demand will remain strong assisted by a recent law passed in 2020, requiring developers for half of materials to be wood in the construction of public buildings. Furthermore, new buildings for the 2024 Summer Olympics (measuring eight stories or less) are required to be made entirely from wood.



Cement and aggregates

Concrete and cement prices were driven up in the second half of 2022 by high production costs owing to the sharp rise in energy costs. Weakening demand and easing energy costs have since caused prices to retract from mid-2022 highs. Nevertheless, due to a time lag in reflecting price changes in these commodities, prices are expected to remain elevated for some time. Weakening demand from France's residential and commercial construction sectors, which are both set to contract in 2023, will limit further upward pressure on prices in 2023 which are expected to gradually fall.



Concrete blocks and bricks

Rising production costs were the primary driver of high brick prices throughout the second half of 2022. Falling energy prices and weakening levels of construction activity in the residential and commercial sectors will limit further upward pressure on brick prices over the coming quarters, but prices are likely to be sticky over short to medium term.



Steel (rebar and structural)

Domestic steel prices have remained high in recent quarters despite the global steel market cooling after reaching record highs in mid-2022, largely due to production cuts. Increasing use of competitively priced imported steel is likely to ease pressure on prices over the coming quarters, but prices are expected to remain relatively high as global steel demand strengthens. Moreover, France's large pipeline of rail projects and infrastructure spending commitments will keep steel demand high over the medium to long term.



Copper

Copper prices continued on an upward trend in early 2023, reflecting trends on the London Metal Exchange (LME). Following a sharp jump in January owing largely to a rebound in demand from China, copper prices retracted in March, exemplifying the volatility in the copper market. Prices are expected to remain volatile over the coming quarters, with strong underlying demand stemming from net-zero commitments likely to sustain upward pressure on prices over the long term.

France – Commodity Report



Materials	Q2 2023 (f)	Q2 2022 – Q2 2023 (f)		Q4 2022 – Q1 2023 (e)
	€	€	2022-23 % change	% change
Copper (€/MT)	8,736	9,173	-4.8% ↓	7.0% ↑ ●
Steel rebar (€/MT)	727	880	-17.4% ↓	-2.0% ↓ ■
Steel flat (€/MT)	825	901	-8.4% ↓	0.9% ↑ ■
Stainless steel (€/MT)	4,082	NA	NA	4.4% ↑ ●
Lumber (€/M ³)	102	100	2.0% ↑	0.8% ↑ ■
Asphalt (€/MT)	84.1	86.0	-2.2% ↓	1.6% ↑ ●
Limestone (€/MT)	59.7	52.0	14.7% ↑	10.0% ↑ ●
Cement (€/MT)	196	163	20.5% ↑	10.1% ↑ ●
Concrete (€/M ³)	175	145	20.9% ↑	10.1% ↑ ●
Welded mesh (€/unit)	146	169	-13.4% ↓	-2.0% ↓ ■
Bricks (€/000 unit)	1,106	900	22.8% ↑	0.0% ↔ ■
Plasterboard (€/unit)	3.74	3.00	24.6% ↑	17.6% ↑ ●
Diesel (€/litre)	1.93	1.96	-1.64% ↓	2.5% ↑ ■

(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

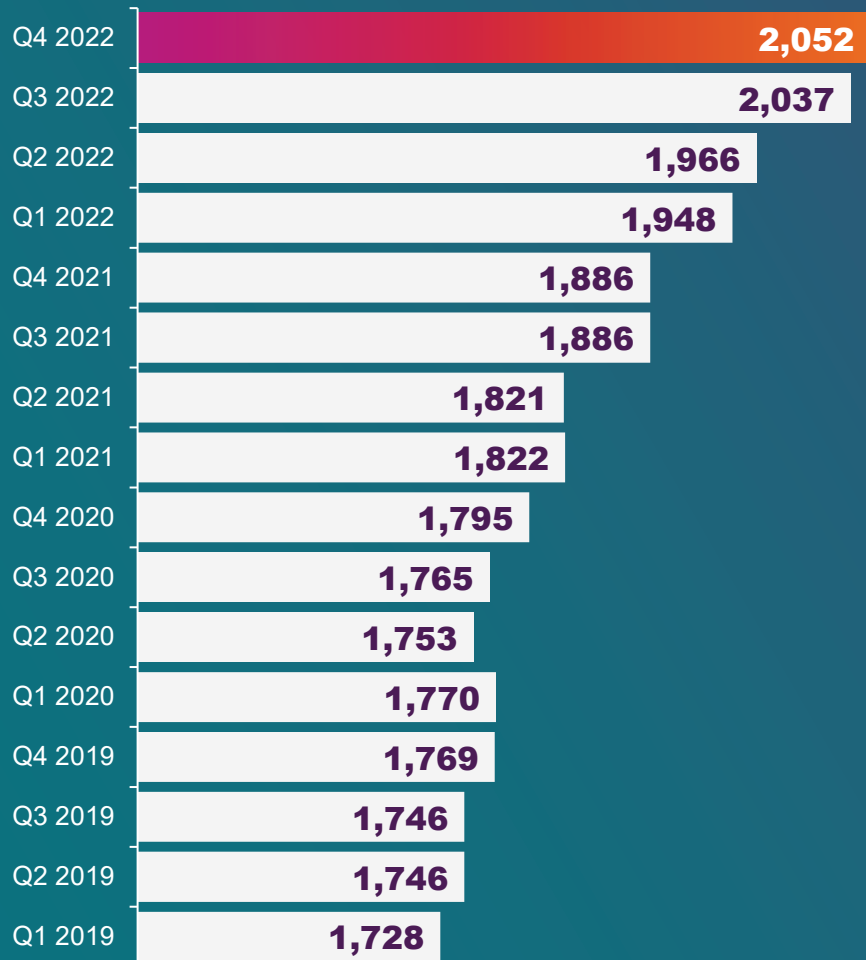
Welded mesh: 240 x 600cm, dia.-7mm Plasterboard: 250 x 120 x 1.3cm (L x W x T)

Material	% change Q1 – Q2 2023 (f)	Level of impact of pricing on construction procurement and supply chain *	
 Copper	+1.0% ↑	High	Copper prices jumped in mid-January 2023 owing to the sudden increase in demand from China, which has renewed upward pressure on copper prices following a period of relative price stability in Q3 and Q4 2022. The re-opening of China's economy following the end of its "Zero Covid" Policy has significantly increased pressure on global supplies, leading to increased copper prices in France as well as globally.
 Steel prices - Steel rebar - Flat steel	+0.5% ↑ +1.0% ↑	Moderate	Steel prices have been in decline since June 2022, and are expected to stabilise over the coming quarters. Despite falling demand, prices however rose by 8.6% in March compared to February, driven by increase in prices by the domestic producers. However, falling demand is expected to sustain downward pressure on prices.
 Stainless steel	+1.0% ↑	Low	Despite subdued demand for stainless steel limiting further significant upward pressure on prices in the short term, high prices for key raw materials used for alloying will keep prices high over the coming quarters. Owing to the expectation of rising raw material prices, stainless steel prices remain on a long-term upward trend.
 Lumber	+0.5% ↑	Low	Lumber prices had eased from the highs of mid-2022 but have since begun to edge upward in Q1 2023. Despite subdued demand from the construction sector, supply-side issues continue to weigh on the lumber market in France. However, slowing growth in the construction sector will limit upward pressure on prices, which are expected to remain around current levels over the coming quarters.
 Asphalt	+2.0% ↑	Low	Asphalt prices have stabilised in recent quarters, owing primarily to stable crude oil prices. However, industrial action by energy workers in response to the French government's pension reform is expected to hit the volume of crude oil imports in France over the coming months. This could lead to asphalt shortages which will exert upward pressure on prices.
 Limestone	-0.5% ↓	Low	Although limestone prices have edged upward in recent quarters owing to production costs, an increase in supply and relatively weak demand have caused prices to stabilise in recent months. Prices are expected to fall marginally but remain high compared to historical levels over the coming quarters.

France – Commodity Report



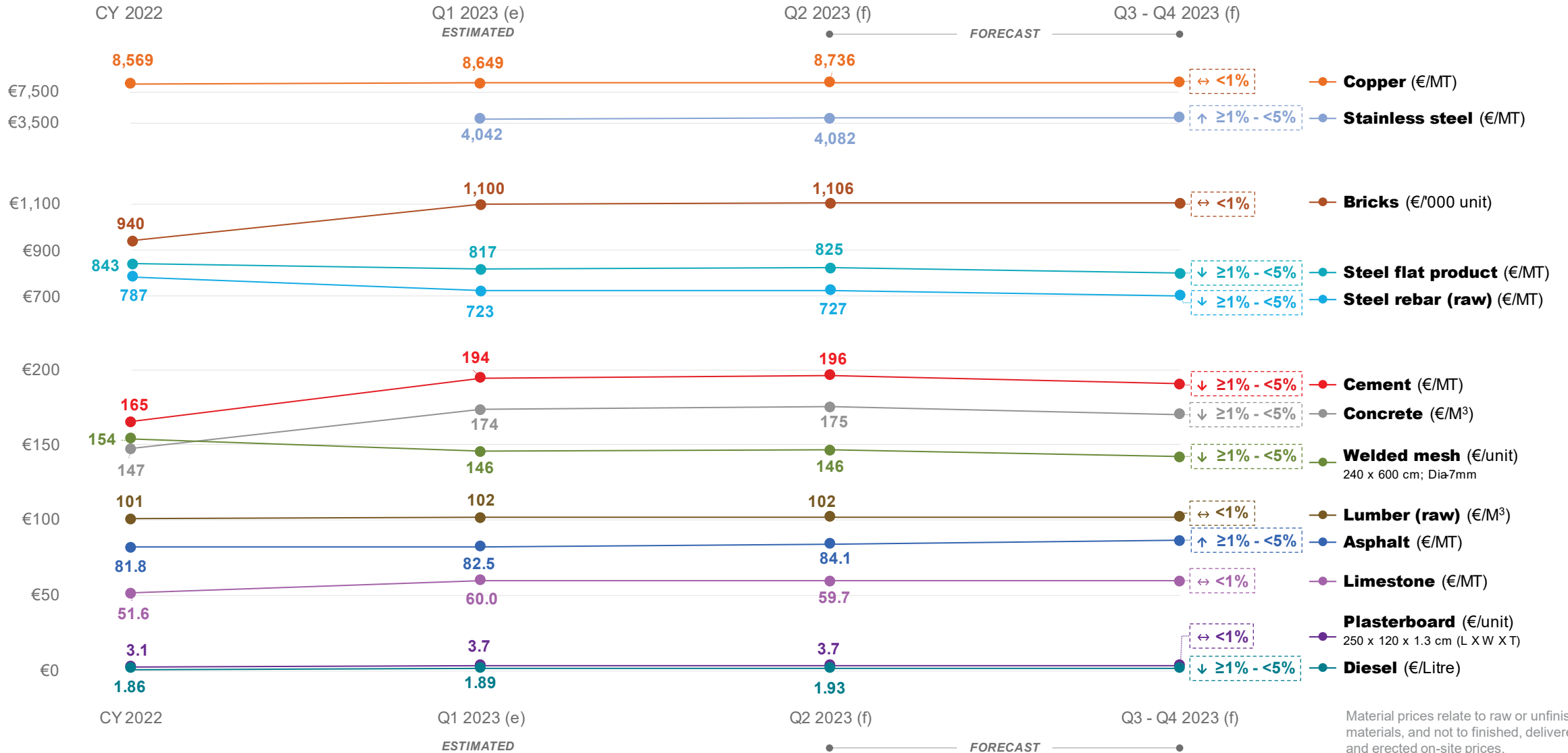
Cost of Construction Index (CCI) 2019-2022 (2010=100)



Material	% change Q1 – Q2 2023 (f)	Level of impact of pricing on construction procurement and supply chain *
 Cement Concrete	+1.0% ↑ +1.0% ↑	 High High energy and raw materials costs caused prices to rise rapidly in mid-2022 as producers passed on higher prices to consumers. Despite input costs decreasing in recent months, the same has not been reflected in the selling prices. However, in coming quarters prices are expected to gradually fall.
 Welded mesh	+0.5% ↑	 Moderate The price of welded mesh is expected to remain elevated in the short-term owing to high rebar prices. Prices are likely to begin to decline beyond Q3 2023.
 Bricks	+0.5% ↑	 Moderate Despite the decline in energy prices, the prices for bricks remained high at the start of the year and the trend continued throughout the first quarter. The prices are expected to steadily decline but remain elevated over the coming quarters.
 Plasterboard	+0.5% ↑	 Moderate Plasterboard prices rose sharply in Q1 2023, with prices standing around 17% higher than in Q2 2022. This has largely been due to high production costs stemming from high energy costs. Over the coming months, the easing of energy prices will limit further upward pressure on plasterboard prices, which are expected to remain elevated.
 Diesel	+2.0% ↑	 Low Diesel prices have retracted slightly from mid-2022 highs amid the easing of crude oil prices and have been stable in recent months. Diesel prices in Q1 2023 were 3.4% lower than in Q2 2022 on average. However, risks to supplies stemming from striking energy sector workers and global oil production cuts are likely to put upward pressure on diesel prices over the coming quarters, which are expected to be volatile.

* 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.

France – Construction Materials Pricing (2022-2023)



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France – Macroeconomic overview



Economic indicators



0.70%

GDP growth in 2023 (f)
and **2.61%** in 2022



5.05%

inflation rate in 2023 (f) and
5.90% for 2022



28.36M

people employed in 2023 (f)
and **28.36M** in 2022



7.36%

unemployment rate for 2023 (f)
and **7.29%** in 2022



116.79

Consumer Price Index in March
2023 and **110.49** in March 2022



152.40

Producer Price Index in Feb
2023 and **135.00** in Feb 2022

National holidays

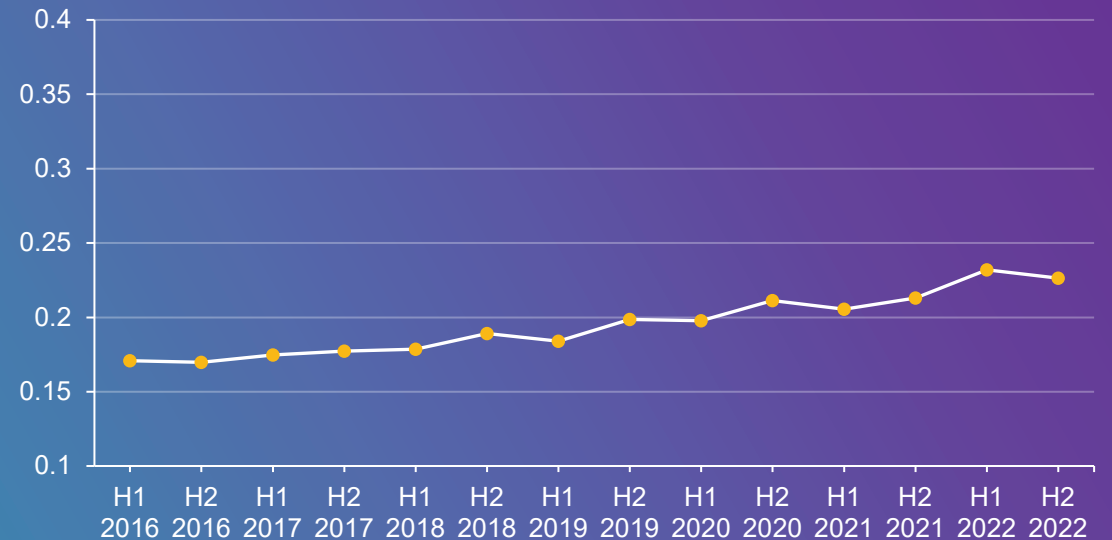


11 public holidays

in France in 2023.

Energy prices







Electricity prices for non-household consumers,
consumption < 20 MWh (€ per kWh)



Note: All taxes and levies included

France – Construction overview



Output 2022 and 2023 (in € millions)*			
Sector	Total 2022	Total 2023 (f)	Total 2024 (f)
Commercial 	45,635	45,294	47,155
Energy and Utilities 	24,018	24,149	24,615
Industrial 	27,769	27,340	27,925
Infrastructure 	56,537	56,907	57,408
Institutional 	23,313	23,106	23,456
Residential 	118,668	117,268	120,880

*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.

France – 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 Centre (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 Labour 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 – France

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

- IMF
- Eurostat
- French National Institute of Statistics and Economic Studies (INSEE)
- GlobalData's Construction Intelligence Center (CIC)
- Public Holidays

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