



# Italy

## Country Commodity Report

**Q2 2022**



# Italy

## Q2 2022

Istat reported 5.8% year-on-year economic growth for Italy in Q1, following growth periods in Q3 and Q4 2021, and overall annual growth in 2021. However, the Russia-Ukraine conflict is weighing on Italy's economy, with investor confidence impacted and an elevated rate of inflation taking hold. Government growth forecasts have been revised downwards to 3.1% for 2022 as a result. Inflation hit a 23-year high in May on an annual basis, at a rate of 6.8%.

Construction industry growth of 19.7% was recorded in Q1, according to Istat, on a year-on-year basis, but growth is expected to slow to 2.3% for the full year. This is a result of the downside risk posed by the Russia-Ukraine conflict and associated impacts – inflation and escalation, energy prices and supply chain disruption.

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As material costs will continue to represent a challenge for the construction industry for the foreseeable future, Linesight will publish quarterly updates to track commodities and provide insights about future projections on movements.

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### Lumber

Lumber prices are set to remain high in 2022, with domestic demand in Italy being buoyed by high levels of residential building activity, with the extension of the 'first home bonus' until 2022 and the 'Superbonus 110' scheme to enable construction of affordable housing.



### Cement and aggregates

Domestic cement producers recorded an upturn in sales in 2021, reflecting the sharp recovery in construction output following the 2020 slump. Rising production costs, pushed up by the marked increase in the prices of energy, will be a key factor underpinning high cement and concrete prices in 2022. Demand will also be strong, supported in part by spending on projects funded by schemes under the Next Generation EU plan.



### Concrete blocks and bricks

Government support packages and incentives to drive up the housing sector have contributed to stronger demand for building construction materials, including blocks and bricks. Prices are expected to remain high, with production costs having risen in line with the surge in energy costs. In May 2022, producer prices were already up by 34% year-on-year.



### Steel (rebar and structural)

Italy's domestic steel supply has been fairly volatile, and disruptions caused by the Russia-Ukraine conflict have compounded the situation. With steel supply likely to remain tight and energy costs rising, steel prices are expected to remain elevated in 2022.



### Copper

Copper prices started to fall in late Q2 2022, following the global trend as weak demand in China impacted. Although fundamentally there has not been much change, and inventory levels are still quite tight, concerns over the global economic outlook have weighed on the metal's price, and this will be a major factor in price volatility in the coming quarters.

# Italy - Commodity Report



	Q3 2022 (f)	Q1 2022 - Q2 2022 (e)
Materials	€	% change
<b>Copper</b> (€/MT)	<b>8,561</b>	<b>-1.3%</b> ↓ ■
<b>Steel rebar</b> (€/MT)	<b>858</b>	<b>5.8%</b> ↑ ■
<b>Steel flat</b> (€/MT)	<b>1,095</b>	<b>11.8%</b> ↑ ■
<b>Lumber</b> (€/M3)	<b>124</b>	<b>3.5%</b> ↑ ■
<b>Asphalt</b> (€/MT)	<b>103</b>	<b>9.2%</b> ↑ ■
<b>Limestone</b> (€/MT)	<b>51.30</b>	<b>9.2%</b> ↑ ■
<b>Cement</b> (€/MT)	<b>226</b>	<b>55.7%</b> ↑ ●
<b>Concrete</b> (€/M3)	<b>144</b>	<b>3.8%</b> ↑ ■
<b>Welded mesh</b> (€/unit)	<b>49.32</b>	<b>18.5%</b> ↑ ●
<b>Bricks</b> (€/000 unit)	<b>735</b>	<b>6.2%</b> ↑ ■
<b>Plasterboard</b> (€/unit)	<b>12.80</b>	<b>24.5%</b> ↑ ●
<b>Diesel</b> (€/litre)	<b>1.80</b>	<b>3.6%</b> ↑ ■

● Q1 to Q2 2022 % change greater than estimation in our Q1 report  
 ■ Q1 to Q2 2022 % change less than estimation in our Q1 report

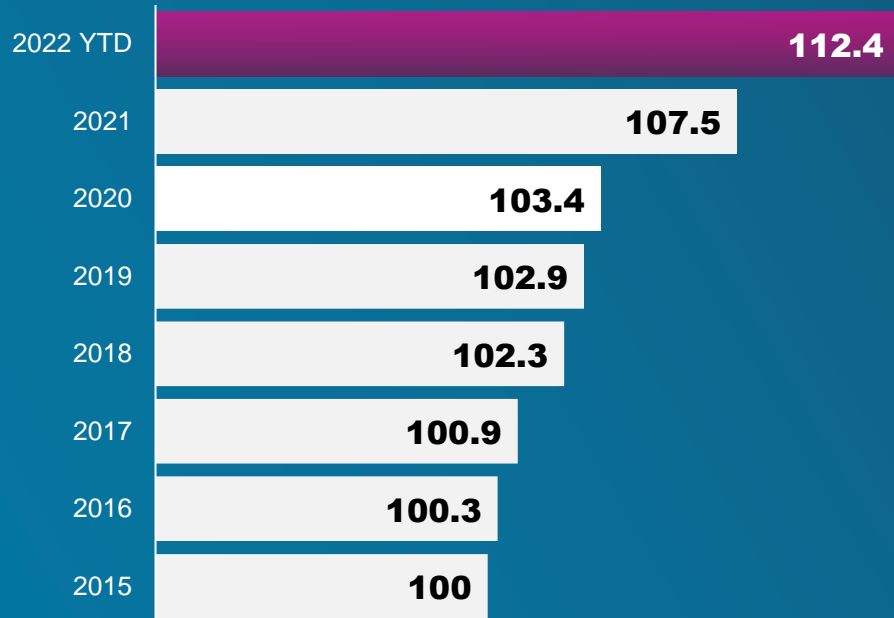
Material	% change Q2 – Q3 2022 (f)	Level of impact of pricing on construction procurement and supply chain *	
 <b>Copper</b>	<b>-3.0%</b> ↓	Moderate	Copper prices rose sharply on an annual average basis in 2021, reflecting global pressures. Prices remained relatively high during the first half of 2022, but have started to ease back amid a global drop that stemmed in part from weaker demand in China.
 <b>Steel prices</b> - Steel rebar - Flat steel	<b>-2.0%</b> ↓ <b>-2.4%</b> ↓	High	High demand and increases in raw materials contributed to the rise in the price of steel products in 2021. The disruption in supply across Europe stemming from the Russia-Ukraine conflict resulted in renewed upward pressure in Q2 2022, and rising energy costs are set to keep mill production costs high.
 <b>Cement</b> <b>Concrete</b>	<b>-2.0%</b> ↓ <b>-0.6%</b> ↓	Moderate	Strong demand stemming from the expansion in construction activity, along with high production and transportation costs will keep concrete and cement prices close to current levels in the coming quarters.
 <b>Asphalt</b>	<b>-2.0%</b> ↓	Moderate	Asphalt demand will remain strong given the expected expansion in investment in road development projects, supported by EU recovery funds. Having jumped in 2021, prices are expected to remain elevated, but easing global crude oil prices will remove some of the upward pressure.
 <b>Limestone</b>	<b>+1.0%</b> ↑	Low	Limestone demand is primarily met through domestic production and the price fluctuation is mainly due to increase in logistics costs.

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.

# Italy - Commodity Report



## Construction cost index – residential, 2015-2022



## Knoema World Data Atlas

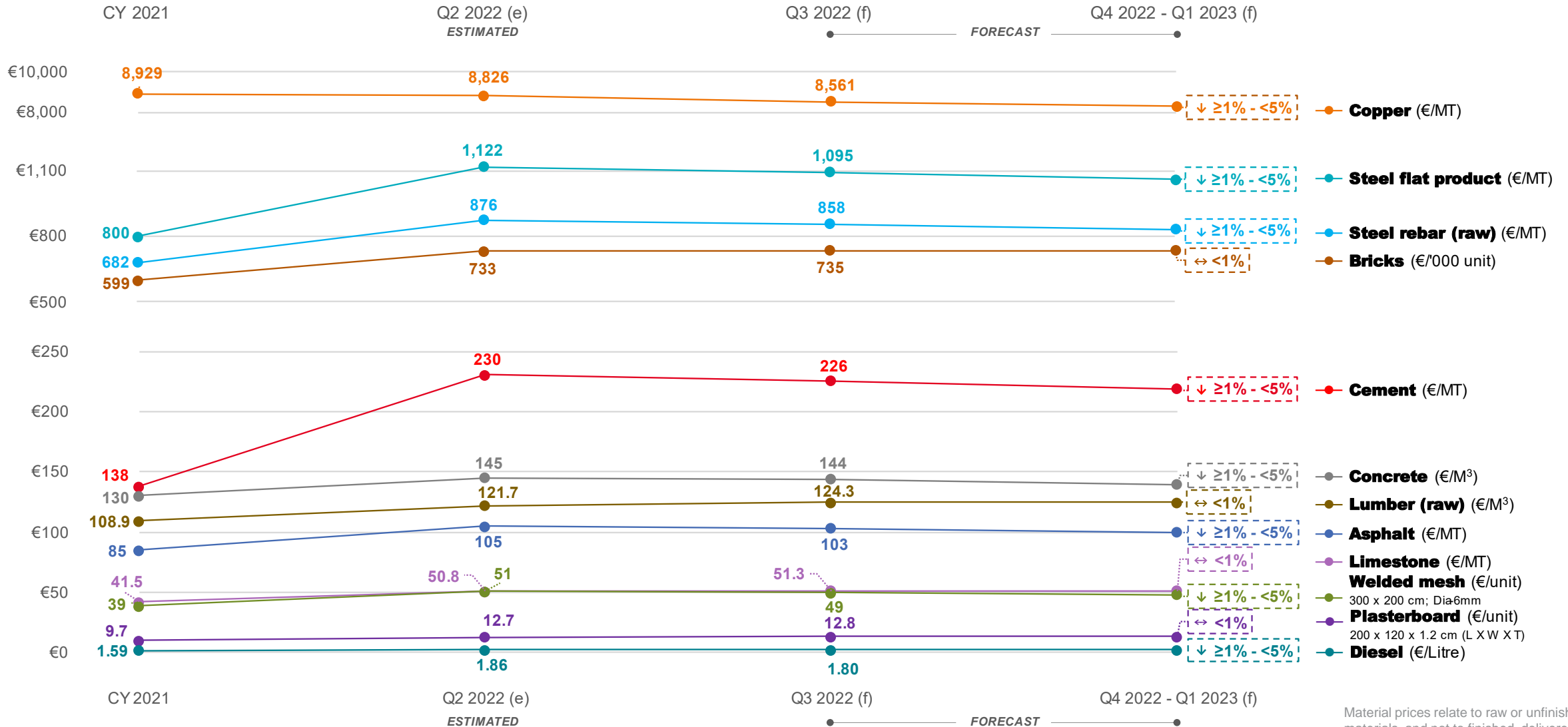
Index of economic freedom **64.9 out of 100**

Material	% change Q2 – Q3 2022 (f)	Level of impact of pricing on construction procurement and supply chain *	
 <b>Lumber</b>	+2.1% ↑	Moderate	The sharp expansion in construction activity has contributed to the high price levels for lumber, and with rising transport and logistics costs, prices are expected to remain close to current elevated levels in the coming quarters.
 <b>Welded mesh</b>	-3.0% ↓	High	The price trend for welded mesh reflects movements in the price of steel. Hence a similar price trend is expected for mesh products.
 <b>Bricks</b>	+0.3% ↑	Moderate	Reflecting the surge in energy costs, production costs are rising, while demand is also still strong, particularly stemming from the recovery in residential buildings construction. Prices rose sharply in March 2022 and are expected to remain close to current elevated levels in the coming quarters.
 <b>Plasterboard</b>	+1.0% ↑	Low	The significant rise in fuel prices is expected to affect mining and logistics costs, which is in turn expected to keep the final price of the finished product at a high level.
 <b>Diesel</b>	-3.2% ↓	Moderate	As in other markets across Europe, diesel prices in Italy have crossed the €2 per litre point. Italy relies heavily on imported energy, and Russia accounted for around 12% of its oil and petroleum products imports in 2020. The disruption to trade and the sanctions imposed on Russia following the outbreak of the Russia-Ukraine conflict has resulted in a sharp rise in diesel prices. However, with crude oil prices levelling off, and rising production of oil from OPEC countries, further upward pressure diesel prices is expected to be contained.

\* 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.

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# Italy - Construction Materials Pricing (2021-2022)



Material prices relate to raw or unfinished materials, and not to finished, delivered and erected on-site prices.

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# Italy - Report methodology



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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.

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## 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. A more comprehensive list of sources is included below.

## 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 - Italy

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

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

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