



# Australia

## Country Commodity Report

### Q2 2022





# Australia

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The December 2021 to March 2022 quarter saw economic growth slow to 0.8%, and year-on-year, March 2022 posted 3.3% growth. While the Omicron variant did not hamper growth to the extent of other COVID variants, the severe weather events during the quarter did, tempering activity and disrupting supply chains. The IMF has just released its 2022 forecast update for Australia, anticipating 2.9% growth. Similar to the majority of the world, inflation is posing a significant challenge, with a 1.8% CPI increase in the June 2022 quarter, marking a 6.1% year-on-year increase.

Healthy construction activity has been seen, with 3.5% growth reported year-on-year as of March 2022. Industry output is expected to surpass pre-pandemic levels this year, with 4.3% expansion this year and growth is forecast for the coming few years too. Downside risks remain with the current global geopolitical climate, leading to material price volatility, high energy costs, and supply chain constraints.

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

While lumber prices in Australia have not been as volatile as those in other major economies, supply disruptions and intense demand from the residential sector have led to shortages in recent quarters. Tariffs on the import of Russian and Belarusian timber, set to be applied from October 2022, will further weigh on availability and inflate the prices of lumber products. According to the Australian Forest Products Association, in the longer term, there are concerns over the supply of housing timber in Australia, with new dwelling construction set to rise considerably as Australia's population grows and the availability of imports set to tighten, as efforts to halt deforestation and the greater use of sustainable biofuels limits global supply.



### Cement and aggregates

Robust demand for building construction works, particularly from the residential and public infrastructure sectors, will see continued price growth in H2 2022. Increasing energy costs will further inflate cement production prices, while additional upwards price pressure will be generated by the effect of disruption to global supply chains on the availability of imported cement clinker. Elevated shipping costs due to the rise in oil prices will further contribute to cement price levels.



### Concrete blocks and bricks

Much like the rise in cement and concrete prices, solid demand for residential and infrastructure construction will ensure brick prices remain elevated. Increased energy costs will further contribute to price growth this year, as production costs rise.



### Steel (rebar and structural)

While steel prices had been expected to moderate sharply this year, limits to global supply as a result of the Russia-Ukraine conflict will likely keep prices elevated in 2022. Robust domestic construction demand in both the residential and public infrastructure sectors will reinforce steel price levels in the coming quarters, with the newly-elected Labor government expected to maintain much of the prior government's planned increase in the level of public infrastructure construction. An acceleration of infrastructure investment in China will add further upwards pressure to steel prices, though this will likely be offset by the slowing of activity in the Chinese residential sector.



### Copper

Copper prices recorded a sharp increase 2021, owing to high demand and low inventory levels. Copper futures peaked in March 2022 at US\$10,730 per metric tonne on the London Metal Exchange, with the Russia-Ukraine conflict increasing fears of a supply shortage. However, this peak was short lived, with copper demand moderating, as lockdowns in China dampened industrial production and industrial output in Europe slowed. Copper prices are expected to rise in the coming quarters, as Chinese industrial output recovers, though slowing global economic growth is likely to exert considerable downwards pressure on prices towards the end of the year.

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Materials	Q3 2022 (f)	Q3 2021 - Q3 2022 (f)	Q1 2022 - Q2 2022 (e)	
	AUS	AUS	2021-22* % change	% change
<b>Copper</b> (AU\$/MT)	13,467	12,930	4.2% ↑	-2.1% ↓ ■
<b>Steel rebar</b> (AU\$/MT)	989	979	1.0% ↑	-2.1% ↓ ■
<b>Steel flat</b> (AU\$/MT)	977	1,160	-15.7% ↓	-6.0% ↓ ●
<b>Lumber</b> (AU\$/M3)	134	152	-12.0% ↓	2.6% ↑ ●
<b>Asphalt</b> (AU\$/MT)	1,437	1,200	19.7% ↑	10.6% ↑ ●
<b>Limestone</b> (AU\$/MT)	60.30	53.00	13.8% ↑	0.0% ↔ ■
<b>Cement</b> (AU\$/MT)	525	490	7.2% ↑	0.0% ↔ ■
<b>Concrete</b> (AU\$/M3)	331	320	3.3% ↑	1.8% ↑ ■
<b>Welded mesh</b> (AU\$/unit)	120	100	20.1% ↑	26.3% ↑ ●
<b>Bricks</b> (AU\$/'000 unit)	1,689	1,550	9.0% ↑	1.8% ↑ ■
<b>Plasterboard</b> (AU\$/unit)	36.00	35.00	2.9% ↑	1.6% ↑ ●
<b>Diesel</b> (AU\$/litre)	2.10	1.33	57.9% ↑	19.2% ↑ ●

- Q1 to Q2 2022 % change equal to estimation in our Q1 report
- Q1 to Q2 2022 % change greater than estimation in our Q1 report
- Q1 to Q2 2022 % change less than estimation in our Q1 report

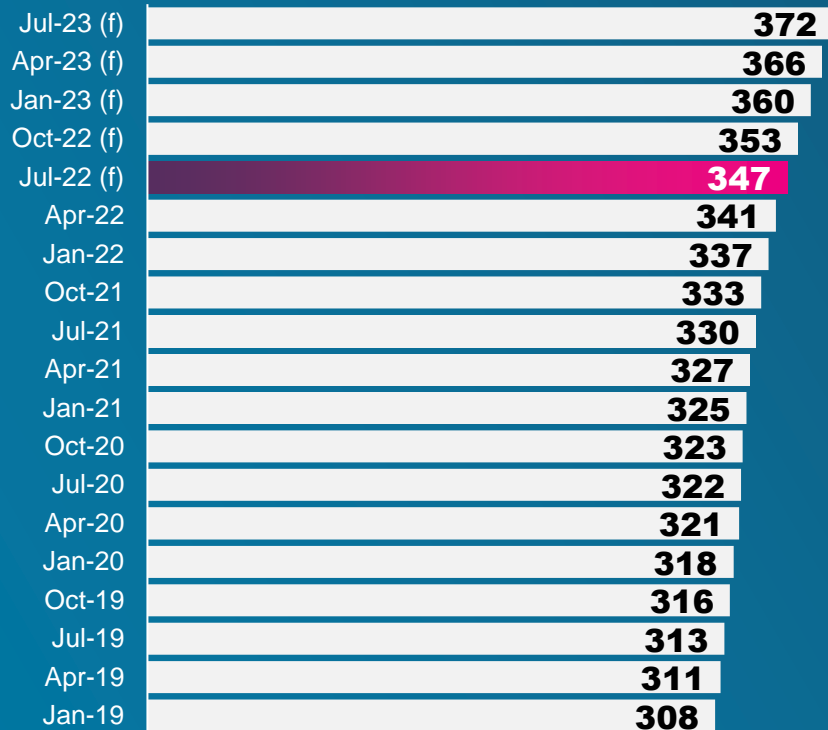
Material	% change Q2 – Q3 2022 (f)	Level of impact of pricing on construction procurement and supply chain *	
 <b>Copper</b>	-1.5% ↓	Moderate	Copper prices moderated in Q2, following their peak in March 2022, when low inventories and fears over a shortage of supply due to the Russia-Ukraine conflict drove prices to a record high of \$10,730 per tonne on the LME. The fall in prices was predominantly due to a softening of demand following a slowing of industrial production in China and Europe, and a stronger US dollar, as the Federal Reserve aggressively tightened policy. In the long term, demand for copper will be underpinned by the the increased prominence of renewable energy.
 <b>Steel prices</b> - Steel rebar - Flat steel	-3.7% ↓ -4.3% ↓	High	Steel rebar prices moderated slightly in Q2. However, rising fuel prices and an increase in raw material prices are expected to keep costs relatively high in the second half of 2022. Disruption to global supply chains will generate additional upwards pressure on steel prices. However, the slowing of construction activity in the Chinese residential sector will soften the increase in prices in the second half of the year.
 <b>Cement Concrete</b>	+1.5% ↑ +1.5% ↑	Moderate	Demand for cement and cement products is expected to remain relatively strong in the second half of 2022, with residential and public infrastructure being the primary drivers of this demand. Elevated fuel costs will exert upwards pressure on cement prices, given the energy intensity of the manufacture of cement clinker. Disruption to global supply chains may further inflate prices, with approximately 40% of the cement clinker used for the manufacture of cement in Australia being imported.
 <b>Asphalt</b>	-0.8% ↓	Moderate	Rising crude oil prices had propped the price of petroleum-based products, which invariably increased the price of asphalt. With a considerable volume of public infrastructure works in the project pipeline, demand for asphalt is expected to remain strong for the remainder of 2022, applying further upward pressure. However, global oil price declines will help to cool asphalt prices.
 <b>Limestone</b>	+0.5% ↑	Low	Following the sharp increase in Q1, prices are expected to remain relatively stable through 2022, as demand remains balanced.

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.

# Australia - Commodity Report



## AIQS Building Cost Index 2019-2023(f)



## Knoema World Data Atlas

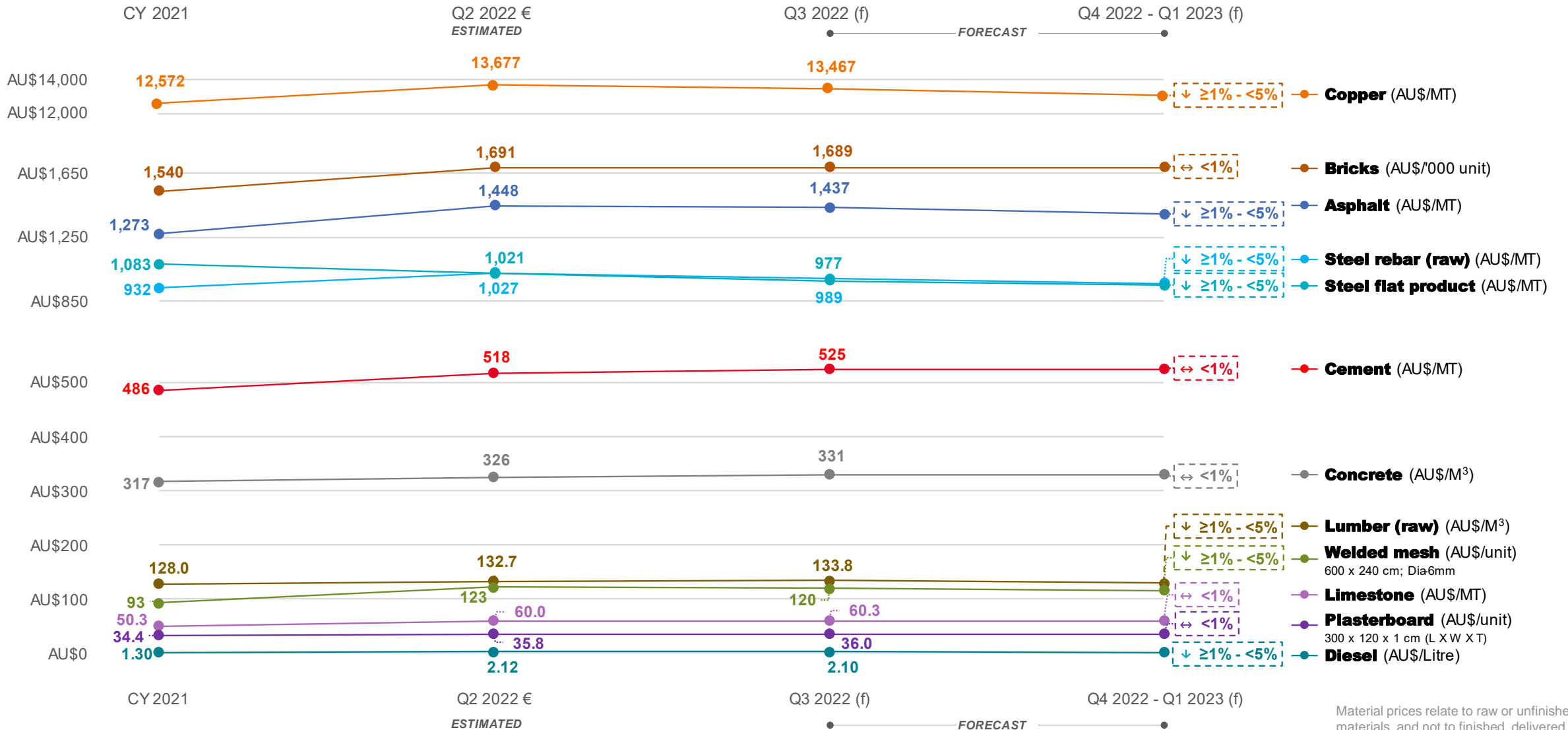
Index of economic freedom **82.4 out of 100**

Material	% change Q2 – Q3 2022 (f)	Level of impact of pricing on construction procurement and supply chain *	
 <b>Lumber</b>	+0.8% ↑	High	Continued disruption to global supply chains and the smoothing of residential construction demand stimulated by the HomeBuilder scheme will see lumber prices remain elevated in the second half of the year. However, towards the end of 2022, the normalisation of monetary policy by the Reserve Bank of Australia and rising inflation will soften home buyer demand, leading to a moderation of residential activity, exerting downwards pressure on lumber prices.
 <b>Welded mesh</b>	-2.0% ↓	High	Welded mesh prices are predominantly driven by the price of steel rebar. Prices are expected to moderately trend upward in Q3 2022.
 <b>Bricks</b>	-0.1% ↓	Moderate	Brick and plasterboard prices peaked in Q2 2022, primarily due to increased energy costs as a result of the Russia-Ukraine conflict and strong demand from the residential construction sector. However, price growth will begin to moderate towards the end of this year, as increased interest rates and multi-year inflation rates soften home buyer demand.
 <b>Plasterboard</b>	+0.7% ↑	Low	
 <b>Diesel</b>	-1.0% ↓	Moderate	Australia's diesel price, which is benchmarked against Singapore's, fell slightly in April 2022 due to a 22 cents per litre (cpl) fuel excise cut by the prior federal government in the March 2022 Federal Budget. Daily average retail diesel prices fell by approximately 33 cpl in the weeks following the announcement, while wholesale prices fell by around 32 cpl. Although crude oil prices will ease back in the coming quarters, the weakening of the AU\$ against the US\$ will keep diesel prices relatively high.

\* 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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# Australia - Construction Materials Pricing (2021-2022)



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

# Australia - 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 – Australia

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

- IMF
- ABS
- AIQS
- Safe Work Australia
- GlobalData's Construction Intelligence Center (CIC)



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