



# United Kingdom

## Country Commodity

### Report

**Q2 2023**



# United Kingdom

## Q2 2023

The Office for National Statistics reported that the UK's monthly construction output is estimated to have increased by 1.6% in volume terms in June 2023, which is welcome news. Overall however, economic activity has shown mixed results, with high interest rates continuing to impact project profitability. Thankfully we are witnessing some market corrections on commodities which will provide timely relief.

As we move into Q3, a recent Life Sciences Competitiveness Indicators report has highlighted the importance of identifying strengths, areas for improvement and where we can harness innovation opportunities in this high growth sector. The Data Centres sector also has great potential to lead the way for construction industry growth, as the rise of artificial intelligence (AI) technology is accelerating demand for data storage. Lastly, the announcement of the National Semiconductor Strategy, sets out how the UK will build on industry strengths, and maintain supply chains from disruption, which will also further support the government's priority of economic growth.

Embracing these new opportunities, and putting strong supports in place will help safe guard the UK's ongoing competitiveness in these high growth sectors globally.



**Michael Riordan**  
Managing Director – UK



## Key Indicators

### GDP

Increased by 0.1% in Q1 2023 compared to Q1 2022



- A flat growth is attributed to weak consumer spending, due to a surge in cost of living
- The IMF has upgraded the 2023 growth forecast to 0.4%, up from a 0.3% contraction, citing lower energy prices and better financial stability

### CPI

Rose by 8.7% annually in May 2023



- Interest rates were raised to 5%, their highest in 15 years, to help inflation return to the 2% target rate
- Significant cost increases were seen in housing, utilities and fuels over the year

### Construction output

Likely to shrink by 1.2% in real terms in 2023



- The high cost of construction is further impacted by high interest rates which is weighing on the industry
- Mission-critical sector investments are likely to offset the weakness in the construction industry

## Commodities Pricing Snapshot

	Price % change			Remarks
	YoY Q2 '22 - Q2 '23 (e)	QoQ Q1 - Q2 '23 (e)	QoQ Q2 (e) - Q3 '23 (f)	
<b>Copper</b>	↓ -11%	↓ -8%	↓ -1%	Having fallen from recent highs, prices are likely to remain volatile
<b>Steel rebar (raw)</b>	↓ -26%	↓ -2%	↓ -2%	Continued decline in prices likely to persist
<b>Cement</b>	↑ 13%	↓ -1%	↓ -1%	Prices have marginally decreased, but remain elevated
<b>Lumber</b>	↓ -23%	↓ -1%	↓ -1%	Prices have declined from 2022 highs, however volatility remains

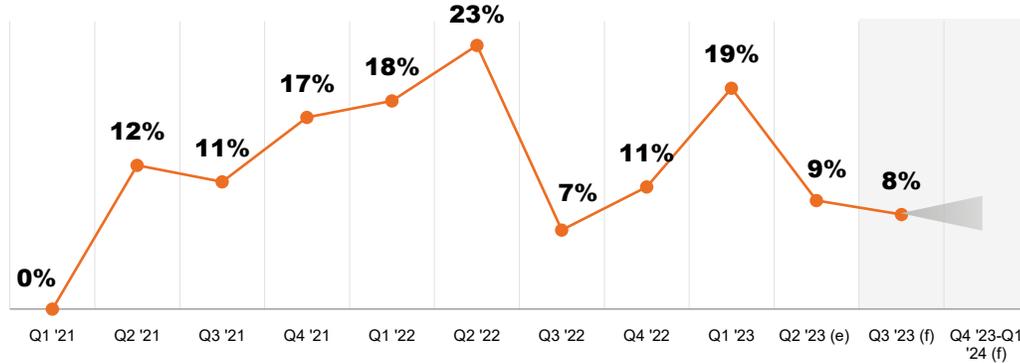
# United Kingdom – Commodity Price Trends



## Copper

Level of Impact			
Price Change (e) vs (f)	Material Availability	General State of Supply Chain	
Low	Moderate	Moderate	
Price (£/mt)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
£6,745	£6,670	↓ -8.2%	↓ -1.1%

Price change comparison against Q1 2021

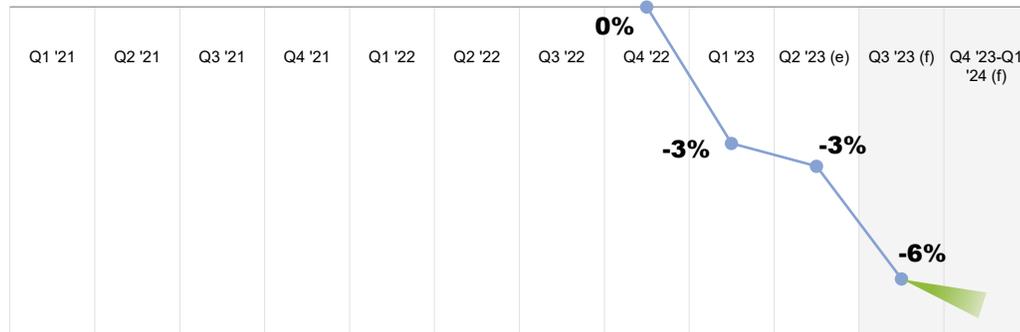


- On a quarterly average basis, copper prices fell back in Q2 2023, dropping by 8.2% compared to the previous quarter
- Short term volatility will persist given concerns on the one hand over tight monetary conditions on economic activity, and on the other tight inventory positions
- Further ahead, investment in renewable energy and electric vehicle production will be a factor in keeping prices elevated

## Stainless Steel

Level of Impact			
Price Change (e) vs (f)	Material Availability	General State of Supply Chain	
Low	Low	Low	
Price (£/mt)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
£2,017	£1,967	↓ -0.5%	↓ -2.5%

Price change comparison against Q4 2022



- With key raw materials prices falling, stainless steel prices will continue on a downward trend
- Global nickel prices have been declining due to high levels of production in Asia
- The demand outlook is weak, given the expected decline in residential buildings construction, and in response stainless steel production levels are likely to drop

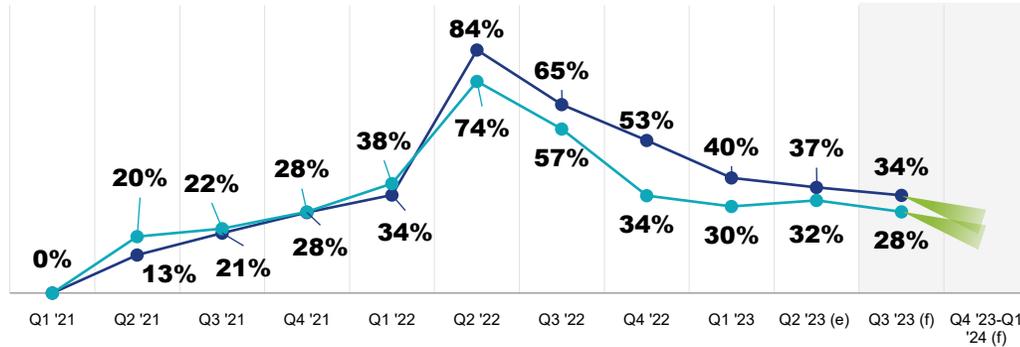
# United Kingdom – Commodity Price Trends



## Steel – rebar and flat

Level of Impact			
Price Change (e) vs (f)	Material Availability	General State of Supply Chain	
Low	Moderate	Moderate	
Price		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
<b>Steel rebar (raw) (£/mt)</b>			
£570	£559	↓ -2.4%	↓ -2.0%
<b>Steel flat product (£/mt)</b>			
£676	£656	↑ 1.5%	↓ -3.0%

### Price change comparison against Q1 2021



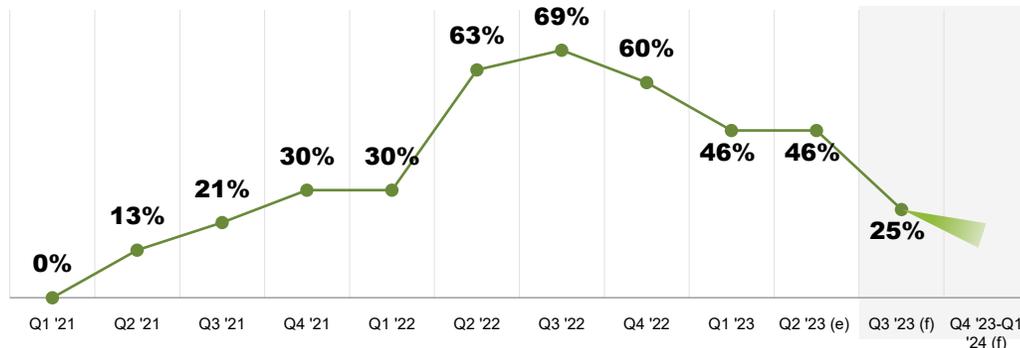
- Steel rebar prices continue to fall from the highs recorded in mid-2022, dropping by 2.4% QoQ in Q2 2023.
- However, prices were still 37% above the levels recorded in Q1 2021
- Steel producers are still struggling with relatively high production costs, and also in meeting the investment required to decarbonise
- Demand within the construction industry is set to weaken, which will contribute to further downward pressure on steel prices



## Welded mesh

Level of Impact			
Price Change (e) vs (f)	Material Availability	General State of Supply Chain	
Moderate	Moderate	Low	
Price (£/unit*)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
£40	£34	↔ 0.0%	↓ -15.0%

### Price change comparison against Q1 2021



- After falling in early 2023 from the highs of mid-2022, prices for welded mesh stabilised in Q2 2023, but will drop sharply in Q3 2023
- Although falling, they remain around 25% higher in Q3 2023 compared to levels in Q1 2021
- Prices are set to continue falling in the coming quarters in line with easing production costs and weaker demand

\* 200 x 300 cm; diameter 6mm

Price direction for Q4 '23 – Q1 '24 (f) ↓ ≥ -5% ↓ ≥ -1% – < -5% ↔ < -1% – < 1% ↑ ≥ 1% – < 5% ↑ ≥ 5%

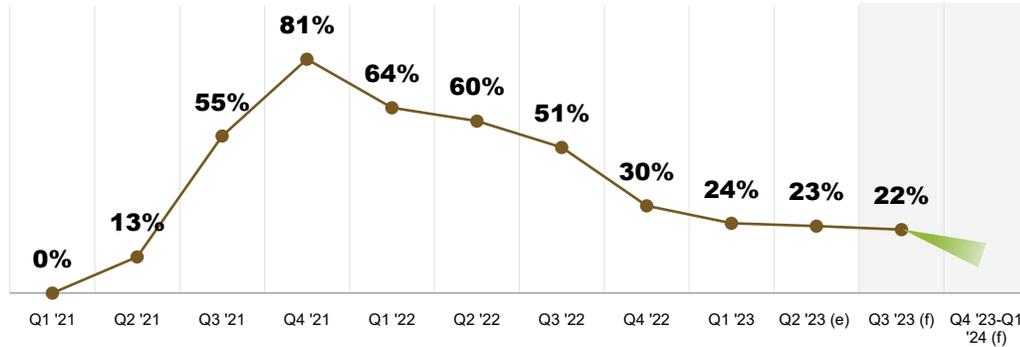
# United Kingdom – Commodity Price Trends



## Lumber (raw)

Level of Impact			
Price Change (e) vs (f)		Material Availability	General State of Supply Chain
Moderate		Moderate	Moderate
Price (£/m <sup>3</sup> )		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
£54.0	£53.5	↓ -0.8%	↓ -1.0%

### Price change comparison against Q1 2021



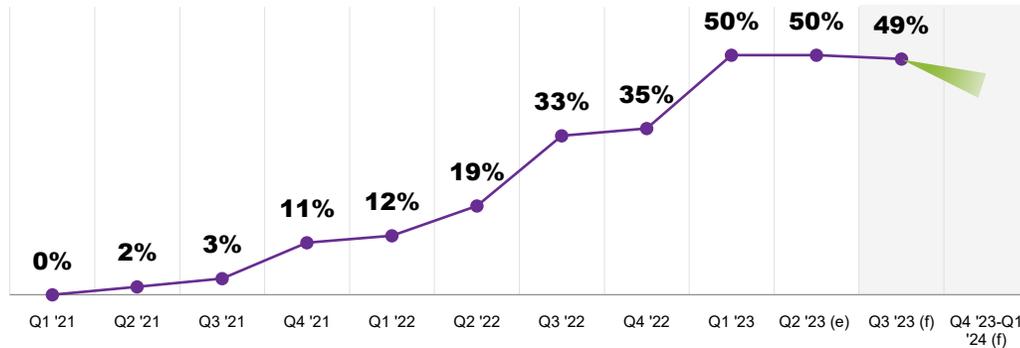
- There has been some volatility in lumber prices in recent months, with prices rising in April before edging back down
- Although continuing to fall on a quarterly average basis, the pace of decline has slowed, with just a 0.8% decline in Q2 2023 compared to Q1
- Prices are still 23.3% higher in Q2 2022 than in Q1 2021
- Residential construction is set to weaken as high interest rates hit demand, so prices will continue to decline in the coming quarters



## Plasterboard

Level of Impact			
Price Change (e) vs (f)		Material Availability	General State of Supply Chain
Moderate		Moderate	Low
Price (£/unit*)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
£10.6	£10.5	↔ 0.0%	↓ -0.5%

### Price change comparison against Q1 2021



- Plasterboard prices have remained stable in recent months, following a sharp rise in 2022, due to increased production costs
- Prices are expected to ease back as these cost pressures lessen and residential construction demand weakens

\* 300 x 120 x 1.25 cm (L x W x T)

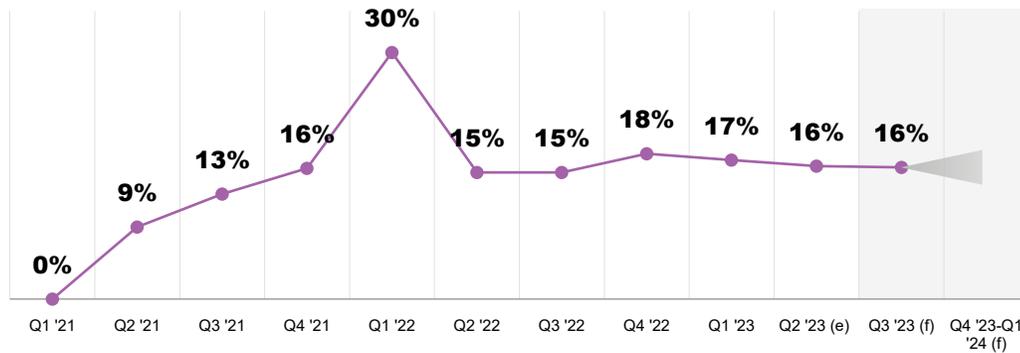
# United Kingdom – Commodity Price Trends



## Limestone

Level of Impact			
Price Change (e) vs (f)		Material Availability	General State of Supply Chain
Moderate		Low	Low
Price (£/mt)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
£40	£40	↓ -0.6%	↓ -0.1%

Price change comparison against Q1 2021

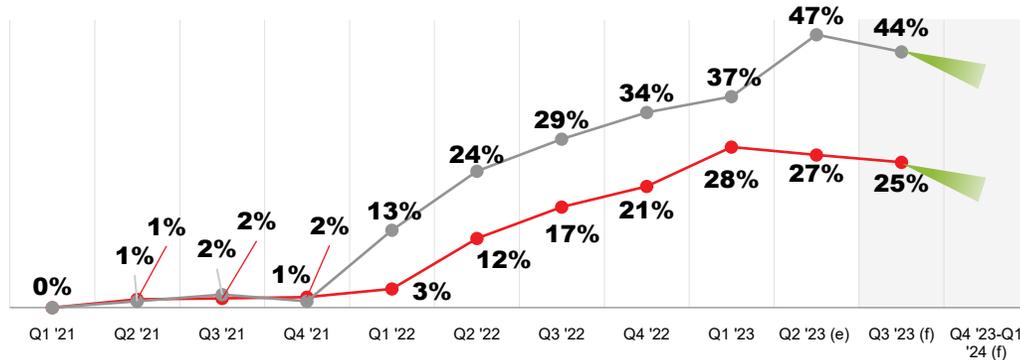


- Limestone prices are expected to continue on a steady decline, but prices have stayed at a relatively high level with Q2 2023 prices 16% higher than in Q1 2021
- Limestone demand is primarily met through domestic production, and high production and transportation costs have contributed to keeping prices at current levels
- However, with weakening demand and easing cost pressures, prices will continue to fall back in the coming quarters

## 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)
£232	£229	↓ -1.1%	↓ -1.0%
● <b>Cement</b> (£/mt)			
£158	£155	↑ 7.9%	↓ -2.0%
● <b>Concrete</b> (£/m³)			

Price change comparison against Q1 2021



- Having risen sharply since early 2022, prices for cement have started to fall
- On a QoQ basis, prices were down by 1.1% in Q2 2023
- Prices remain elevated, up 26.5% compared to the level in Q1 2021, which reflects the impact of soaring energy costs over this time
- Concrete prices rose further in Q2 2023, jumping by 7.9% QoQ
- Weaker demand and a drop in production costs should see prices for concrete and cement trend downward in the coming quarters



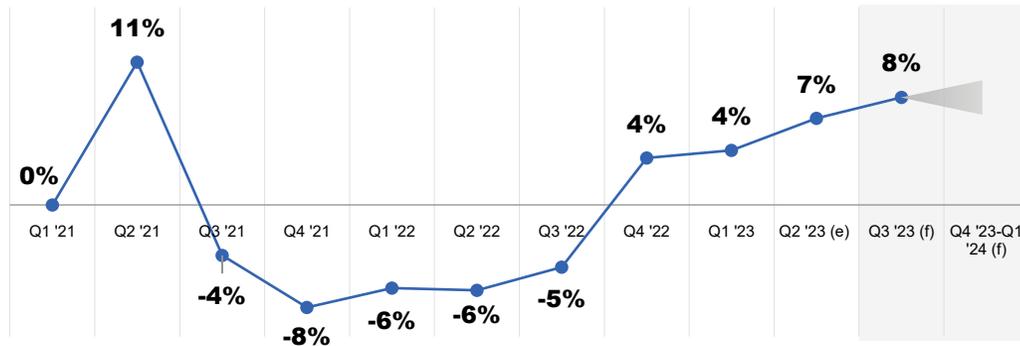
# United Kingdom – Commodity Price Trends



## Asphalt

Level of Impact			
Price Change (e) vs (f)	Material Availability	General State of Supply Chain	
Moderate	Moderate	Moderate	
Price (£/mt)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
£604	£613	↑ 2.3%	↑ 1.5%

Price change comparison against Q1 2021



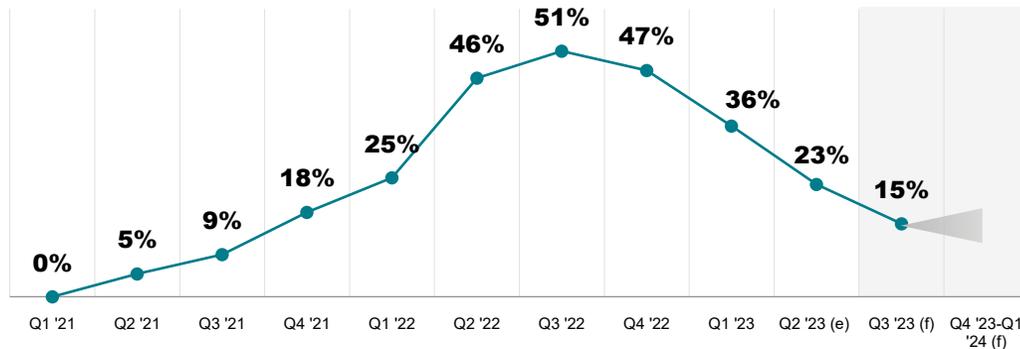
- Asphalt prices have continued on a steady upward trend in recent quarters, rising by 2.3% QoQ in Q2 2023 and 14% YoY
- Solid demand stemming from increased road infrastructure investment will continue to keep prices high
- OPEC+ production cuts will likely result in a fall in global crude oil inventories, keeping oil prices relatively high, and this in turn will keep upwards pressure on asphalt prices in the coming quarters



## Diesel

Level of Impact			
Price Change (e) vs (f)	Material Availability	General State of Supply Chain	
Low	Moderate	Moderate	
Price (£/litre)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
£1.54	£1.44	↓ -9.0%	↓ -6.6%

Price change comparison against Q1 2021



- Diesel prices fell sharply in May this year and continued to decrease in June, such that the quarterly average price in Q2 2023 was 9% lower than in the previous quarter
- Despite this fall, prices in Q2 2023 were still 23% higher than in Q1 2021
- While prices are expected to fall on a quarterly average basis in Q3 2023, with OPEC+ planning on cutting oil production, this may offset this fall in the following two quarters

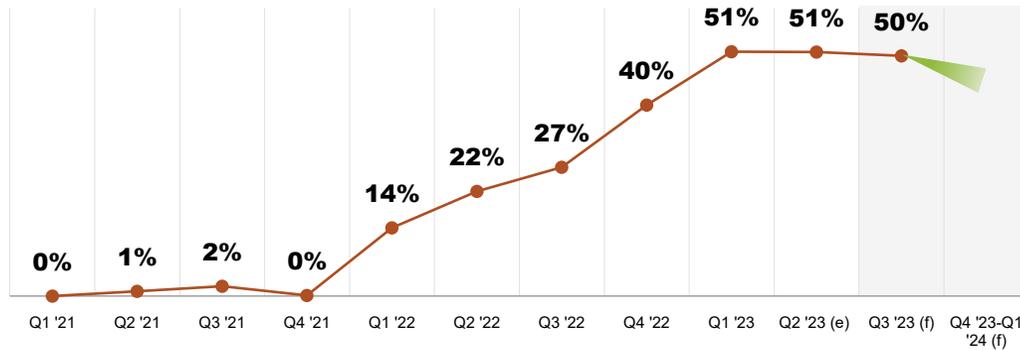
# United Kingdom – Commodity Price Trends



## Bricks

Level of Impact			
Price Change (e) vs (f)		Material Availability	General State of Supply Chain
Moderate		Moderate	Moderate
Price (£/000 unit)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
£1,295	£1,289	↓ -0.1%	↓ -0.5%

Price change comparison against Q1 2021



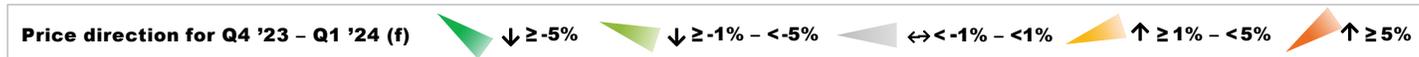
- Brick prices have stabilised, albeit at an elevated level, being 50% higher in Q2 2023 compared to levels in Q1 2021
- Price pressures have mainly come from the supply side amid high production costs
- However, with energy costs easing and demand set to fall, prices will drop in the coming quarters

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



# United Kingdom – Industry trends



## Sector trends



### Data Centres

Despite challenging macroeconomic conditions, the demand for Data Centre space in the UK is expected to remain strong. While most activity is centered around Greater London, there are also upcoming projects in Cardiff, Oxfordshire, and Slough. The shortage of skilled labour particularly in the MEP trades, is impacting the cost and timelines of projects.



### Life Sciences

As per a recent report by the BioIndustry Association, in Q2 2023, the UK biotech sector saw steady growth in venture investment, raising £338 million, a 31% increase from the previous quarter and 22% higher than the same period last year. Nonetheless regulatory frameworks and flexible designs are needed to expedite project delivery and accommodate emerging pharmaceutical technologies. The Golden Triangle remains a favored investment location.



### High-tech Industrial

The manufacturing sector is forecast to achieve a real growth rate of 4.1% in 2023. This growth is fueled by the UK government prioritising battery manufacturing as the automotive industry shifts towards achieving net-zero emissions, and recently launched a £1bn semi-conductor plan to support this field. Currently, there are battery and semi-conductor manufacturing projects with a value of more than £10bn in various stages of planning and execution.



### Renewable Energy

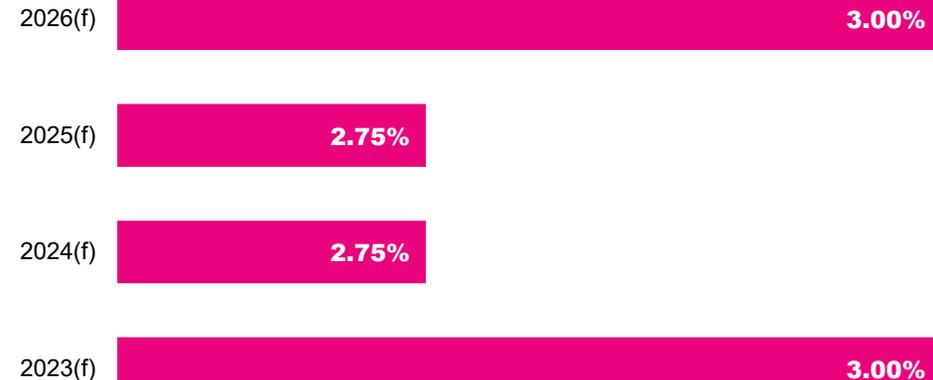
The Energy and utilities sector is forecast to grow by 11.6% in 2023, driven by a governmental focus on renewable energy. The UK government aims to achieve 100% electricity generation from clean sources like wind and solar by 2035. To support the energy transition, the UK Infrastructure Bank announced plans recently to invest £200mn in power storage technologies.



### Commercial

The commercial sector is expected to contract by 2% in real terms in 2023, as demand for office space has yet to fully recover post-COVID, and investor confidence is low. However, there is a greater emphasis on ESG considerations, which is driving demand for high-quality office space. The sector is expected to grow at a 1.7% annual rate in 2024.

## Linesight Tender Price Index change forecasts (2023-2026)



# United Kingdom – 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 – United Kingdom

For the United Kingdom, sources for this report include, but are not limited to:

- IMF
- ONS
- Gov.uk
- GlobalData's Construction Intelligence Center (CIC)
- BCIS
- The Conference Board Total Economy Database™
- Gov.uk
- Economic Research Institute

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