



# Canada Country Insights and Commodity Report Q3 2022





# Canada

## Q3 2022

While the International Monetary Fund (IMF) expects Canada to record growth of 3.3 percent this year, it projects 1.5 percent in 2023. However, Oxford Economics expects 2023 to see Canada record contraction of 3 percent in real terms. This is being attributed largely to its housing market, which is seeing a sustained boom in prices, coupled with a spike in household debt. Its inflation rate is projected to stand at 7.02 percent for the full year 2022, with 7 percent posted in August to follow July's 7.6 percent, before moderating in 2023. The central bank has raised its policy rate by 300 points since March of this year, and a further half point increase is anticipated very soon.

Following a marked recovery in 2021, Canada's construction industry is expected to post 4 percent expansion in 2022. The downside risks that are prevalent in many markets around the world are expected to weigh heavily on industry performance for the foreseeable future – high interest rates and inflation will impact the viability of projects, with energy price escalation, material prices and labor costs, and sustained supply chain disruption having a bearing.



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### Lumber

Lumber prices in Canada are heavily linked to demand in the US market; 85 percent of US softwood lumber imports are from Canada. Prices have been extremely volatile over the past two years due to intensive supply chain disruption and strong residential demand. They are not expected to reach the highs seen in the past two years, as the gradual recovery in supply chains across British Colombia, after flooding and forest fires earlier this year, has eased supply tightness. On the demand side, with climbing interest rates on both sides of the border, the residential housing market in North America looks to be at a turning point, and expectations of a further slump in residential activity have added negative pressure on prices. Furthermore, the fall in the 17.99 percent US tariff to 8.59 percent will likely add competition and drive down prices.



### Cement and aggregates

Demand for cement has remained relatively buoyant and continues to bear down on stocks. Plants are at full capacity and supply chain issues remain prevalent; plant fires, site closures, and hauler strikes earlier this year have amplified backlogs. In the short term, prices are likely to remain elevated. However, in the medium to long term, pressure on prices is expected to ease as the residential sector loses momentum and supply chains recover.



### Concrete blocks and bricks

The drop off in crude oil prices in recent months will likely ease pressure on manufacturing costs and prices. However, OPEC+'s

recent cut to production has added to the risk that manufacturing costs will remain elevated.



### Steel (rebar and structural)

Canada is a net importer of steel rebar, and 50 percent of steel supply to the construction industry is sourced domestically. Steel import costs from the US are exacerbated due to the 25 percent tariff, and with the majority of imports sourced from the US, this is a significant cost. There is potential for the tariff to be reduced along with the reduction of lumber tariffs, but this does not look likely to happen in the near future. Furthermore, the ever-appreciating US dollar will further drive-up import costs. Steel prices have stabilized after the drop-off in early summer, and with low demand due to the expected global economic slowdown and China's faltering construction industry, pressure on prices is low. However, energy input costs remain high.



### Copper

Copper prices have maintained strength over the past quarter, after the rapid fall in price in early summer. The increased likelihood of a global recession, and falling demand in China due to the real estate crisis and lack of investment in infrastructure construction, is weakening pressure on prices. However, supply remains muted, with protests and strikes in Chile and Peru limiting output. Over the longer term, demand is expected to be strong, as the EV and renewable energy revolution gain momentum, putting upward pressure on prices.









# Canada – Commodity Report



Materials	Q4 2022 (f)	Q4 2021 – Q4 2022 (f)		Q2 2022 – Q3 2022 (e)
	CAS	CAS	2021-22* % change	% change
<b>Copper</b> (CA\$/T)	9,153	11,076	-17% ↓	-17.3% ↓ ●
<b>Steel rebar</b> (CA\$/T)	779	812	-4% ↓	-16.8% ↓ ●
<b>Steel flat</b> (CA\$/T)	2,029	2,116	-4% ↓	-16.8% ↓ ●
<b>Lumber</b> (CA\$/cu.ft.)	64	81	-22% ↓	-21.4% ↓ ●
<b>Asphalt</b> (CA\$/T)	1,246	828	50% ↑	8.4% ↑ ●
<b>Limestone</b> (CA\$/T)	36	32	11% ↑	0.0% ↔ ■
<b>Cement</b> (CA\$/T)	261	220	19% ↑	9.1% ↑ ●
<b>Concrete</b> (CA\$/CY)	192	164	17% ↑	8.5% ↑ ●
<b>Welded mesh</b> (CA\$/unit (a))	210	219	-4% ↓	-16.8% ↓ ●
<b>Bricks</b> (CA\$/'000 unit)	628	508	24% ↑	2.3% ↑ ●
<b>Drywall</b> (CA\$/unit (b))	18	16	12% ↑	-1.8% ↓ ●
<b>Diesel</b> (CA\$/gallon)	9.73	6.98	39% ↑	-7.0% ↓ ●

(a) 47.2x118.1 inches, dia.-0.24 inches  
(b) 47.2x96.1x0.5 inches (LxWxT)

● Q2 to Q3 2022 % change greater than estimation in our Q2 report  
■ Q2 to Q3 2022 % change less than estimation in our Q2 report

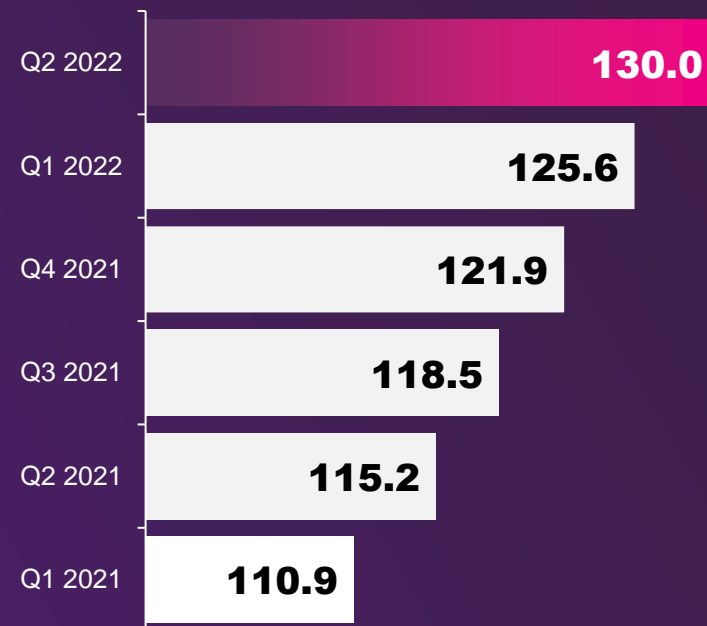
Material	% change Q3 – Q4 2022 (f)	Level of impact of pricing on construction procurement and supply chain *	
 <b>Copper</b>	+0.5% ↑	 Moderate	Copper prices have declined nearly 22 percent from the highs in March. Demand for copper is expected to remain fairly weak in the short term, but prices will be propped up by copper usage from emerging demand for EVs and renewable energy facilities.
 <b>Steel prices</b> - Steel rebar - Flat steel	-1.0% ↓ -1.0% ↓	 Moderate	Steel prices are expected to decline in 2022 due to lower demand from China and the risk of a global recession. Furthermore, with the gradual easing of supply chains, firms have been able to replenish stocks, putting further negative pressure on prices. However, an ever-stronger US dollar remains a concern for import costs.
 <b>Lumber</b>	-1.7% ↓	 High	Prices have stabilized over the past quarter, as the subdued economic outlook has suppressed price growth. High inflation, rising interest rates, and the expected downturn in residential construction have reduced demand for lumber. The gradual recovery in the supply chain has put further negative pressure on prices.
 <b>Asphalt</b>	+0.5% ↑	 Moderate	Asphalt prices are expected to remain elevated due to high production costs caused by OPEC+'s decision to cut production.
 <b>Limestone</b>	+0.2% ↑	 Low	Mining for limestone and primary aggregates has been stable in Canada and supply chains remain strong. However, elevated energy prices will continue to put upward pressure on prices. Hence, prices are expected to remain stable at current highs in the coming quarters.











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.

# Canada – Commodity Report



## Building construction price index 2021-2022

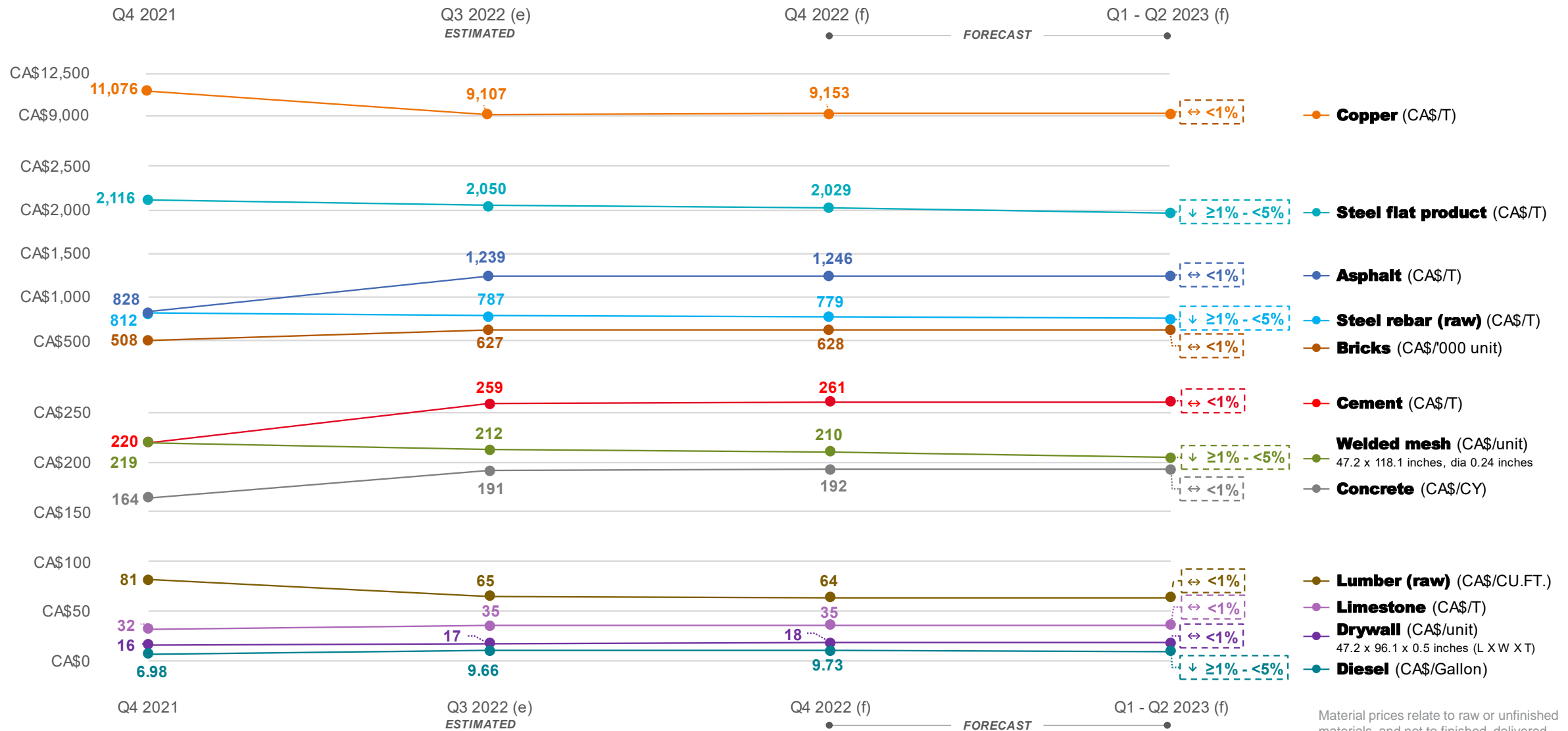


Material	% change Q3 – Q4 2022 (f)	Level of impact of pricing on construction procurement and supply chain *
 <b>Cement Concrete</b>	+0.7% ↑ +0.6% ↑	 Moderate Cement prices have flattened in recent months as demand pressures have lessened, although supply issues remain prevalent. A slowing construction market has been the key driver in lower demand for cement. However, elevated energy costs and logistical issues, such as the hauler's strike, continue to exert upward pressure on prices.
 <b>Welded mesh</b>	-1.0% ↓	 Moderate Following the steel price trends, demand for welded mesh will ease in the latter part of the year, but production and logistical costs will remain elevated.
 <b>Bricks</b>	+0.3% ↑	 Moderate Construction output for the residential sector is expected to decline in 2023, driving down demand for bricks. However, supply chains remain tight, hence the price is expected to remain at the current levels.
 <b>Drywall</b>	+2.3% ↑	 Low As the residential sector loses momentum, pressure on drywall prices is expected to ease. Consequently, prices will likely remain at similar levels to the previous quarter.
 <b>Diesel</b>	+0.7% ↑	 High Diesel prices have been on a declining trend since June 2022. However, the recent decision of OPEC+ to cut production targets is expected to keep the prices elevated in the near future.

\* 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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# Canada – Construction Materials Pricing (2021-2022)



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

# Canada – Macroeconomic overview



## Economic indicators



**3.35%**

GDP growth in 2022 (f) and **4.56%** in 2021



**7.02%**

inflation rate in 2022 (f), and **3.40%** for 2021



**18.18M**

people employed in 2022 (f) and **17.62M** in 2021



**5.88%**

unemployment rate for 2022 (f) and **7.43%** in 2021



**130.12**

Consumer Price Index in 2022 (f) and **121.59** in 2021



**126.70**

Producer Price Index in Aug 2022 and **114.60** in Aug 2021

## Labor costs



**126.64**

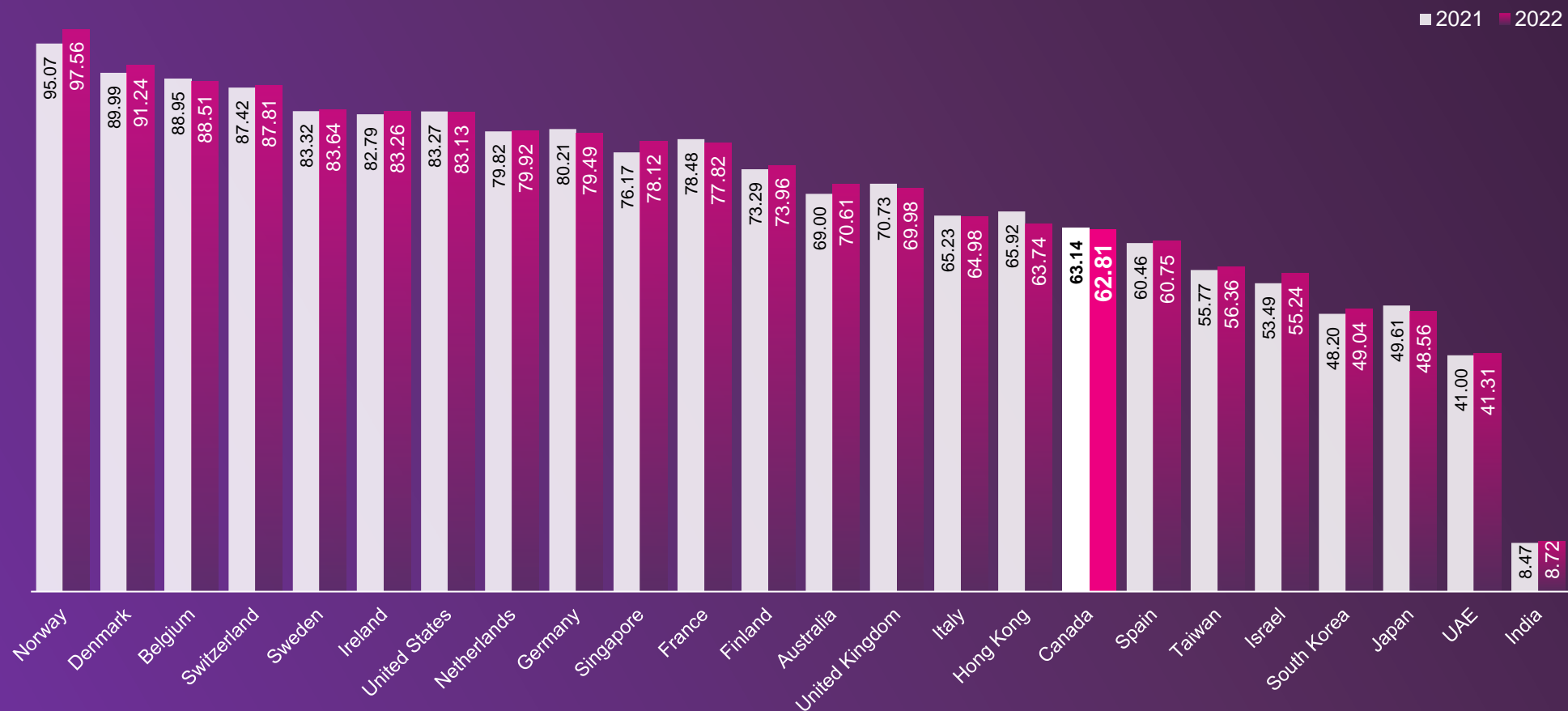
index of labor costs for August 2022 versus 118.53 in August 2021



# Canada – Macroeconomic overview









## Labor productivity



Labor productivity per hour worked in 2021 international dollars, converted using Purchasing Power Parities

# Canada – Construction overview



Output 2021 and 2022 (in millions)			
Total 2021	Total 2021	Total 2022 (f)	% change
Commercial 	CA\$31,235	CA\$30,451	-2.5%
Energy and utilities 	CA\$102,263	CA\$105,386	3.1%
Industrial 	CA\$19,587	CA\$19,196	-2.0%
Infrastructure 	CA\$32,482	CA\$33,511	3.2%
Institutional 	CA\$23,240	CA\$24,077	3.6%
Residential 	CA\$191,337	CA\$203,708	6.5%

## Long-lead equipment (LLE) and Supply Chain narrative

Long-lead equipment (LLE) lead times have changed drastically since the start of 2022. Suppliers have seen the implications of material shortages, delays and price hikes throughout the supply chain, which is leading to extended lead times and reduced commitment from suppliers for new projects. The key areas in focus are:

- Demand:** The demand for long-lead equipment in the data centre sector has continued to increase in Q3 2022. More data centre and crypto mining providers are joining the market, and this continued demand far outweighs the capacity of the supply chain. Entry onto the production line remains a significant challenge, with suppliers reporting fully booked capacity until Q2 2024. There has been some growth in the development of Tier 2 and Tier 3 suppliers to support this demand. However, it will take time to build an extended supply chain. There has also been no sign of a decline in demand yet in early Q4 2022.
- Material shortage:** Just as material availability started to improve, the further threat of escalation with the Russia-Ukraine conflict has cast further uncertainties of future material stocks and reserves. The supply chain has continued to seek alternative sources of raw materials, and although this has been with partial success, market lead times remain conservative.
- Freight durations and costs:** Heightened by the increase in fuel costs, and compounded by the instability of labour and container availability, freight durations have been particularly volatile in recent times. Early indications from Q4 2022 suggest some stabilization in shipping durations is returning to the market, but the associated costs remain volatile due to the global fuel crisis. As clients consider alternative solutions, it almost becomes cost prohibitive to use quicker forms of transport, such as air freight, due to these increasing fuel costs.



# Canada – 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 – Canada

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

- IMF
- Trading Economics
- Oxford Economics
- GlobalData's Construction Intelligence Center (CIC)

