



Italy

Country Insights and Commodity Report

Q1 2023



Italy

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Italy's economy experienced a growth of 3.7% in 2022, but this is expected to slow down to 0.7% in 2023, as per the latest update from the IMF. However, amid challenges, there are signs of improvement. Inflation, which had been in the double digits for four consecutive months until January, has started to decrease and dropped to 8.2% (year-on-year) in March. Additionally, both consumer and business confidence are growing, which could signal a positive turn for the economy.

The Italian construction industry is expected to decline by 8.6% in real terms in 2023 and 6.1% in 2024 after experiencing growth of 10.2% in 2022 and 20.7% in 2021. The growth in recent years was due to government incentive schemes, particularly for residential construction, which are now ending. High interest rates and construction material prices are also affecting the industry. However, the renewable energy sector is expected to grow as a result of government investment in the area.



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Lumber

Lumber prices have dropped from the highs of the first half of last year, and with residential construction activity set to decline after rapid growth since 2021, lumber prices will remain relatively low.



Cement and aggregates

With high production costs being passed on to buyers, cement prices have continued on an upward trend. Prices will remain high in the coming quarters, with demand being bolstered by investment in infrastructure projects.



Concrete blocks and bricks

Residential construction is set to fall from recent highs, but brick prices have remained high in recent months, with producers passing on their higher production costs, and this situation will persist in the coming quarters.



Steel (rebar and structural)

Steel prices have continued on a downward trend, despite costs of production staying relatively high. Buyers are reportedly holding off purchasing, and steel output levels have been declining - crude steel output was down by 7% year-on-year in February, the ninth consecutive month that output was lower than year-earlier levels.



Copper

Copper prices picked up in January, with expectations of stronger demand in China likely to keep global price levels elevated. There will also be demand stemming from investments in renewable energy projects and electric vehicle manufacturing.

Italy – Commodity Report



Materials	Q2 2023 (f)	Q2 2022 – Q2 2023 (f)		Q4 2022 – Q1 2023 (e)
	€	€	2022-23 % change	% change
Copper (€/MT)	8,271	8,941	-7.5% ↓	6.5% ↑ ●
Steel rebar (€/MT)	861	1,039	-17.1% ↓	-3.5% ↓ ●
Stainless steel (€/MT)	901	1,236	-27.1% ↓	0.3% ↑ ■
Steel flat (€/MT)	4,014	NA	NA	4.9% ↑ ●
Lumber (€/M3)	88	115	-23.8% ↓	9.2% ↑ ●
Asphalt (€/MT)	109	105	4.2% ↑	5.4% ↑ ●
Limestone (€/MT)	59.7	50.8	17.4% ↑	1.2% ↑ ●
Cement (€/MT)	247	208	18.6% ↑	9.4% ↑ ●
Concrete (€/M3)	145	145	0.1% ↑	1.5% ↑ ●
Welded mesh (€/unit)	41.3	50.9	-18.8% ↓	-10.8% ↓ ●
Bricks (€/000 unit)	899	745	20.6% ↑	2.3% ↑ ●
Plasterboard (€/unit)	13.1	12.7	3.2% ↑	-1.0% ↓ ■
Diesel (€/litre)	1.79	1.82	-1.9% ↓	2.6% ↑ ●

(f) Forecast (e) Estimated

- Q4 2022 to Q1 2023 % change greater than estimation in our Q4 2022 report
- Q4 2022 to Q1 2022 % change less than estimation in our Q4 2022 report

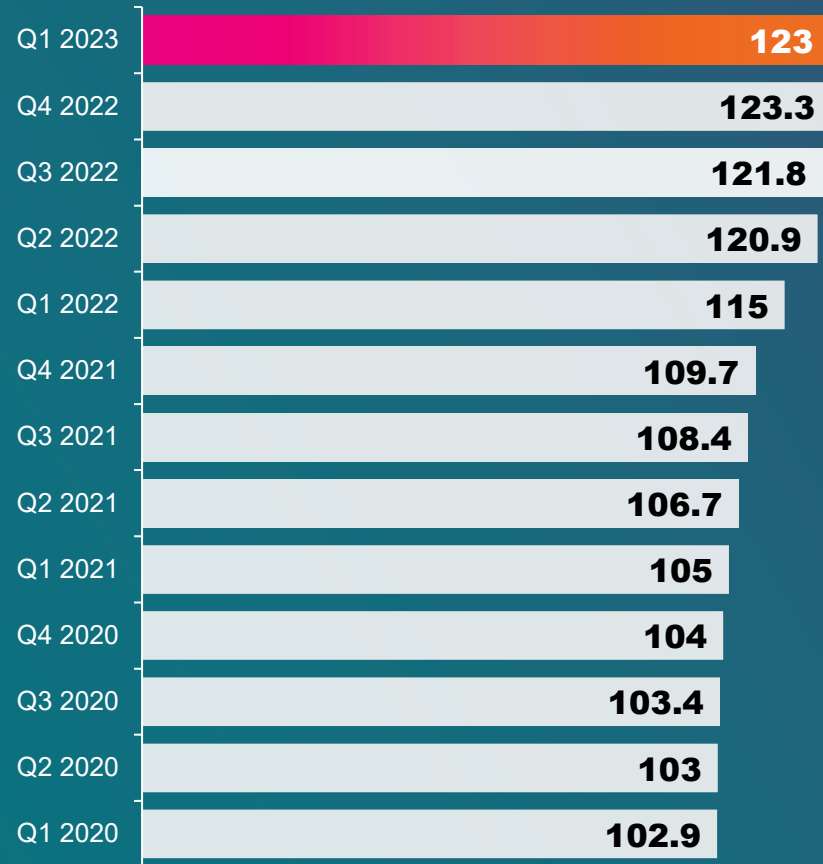
Welded mesh: 3m x 2m, dia.-6mm Plasterboard: 13mm x 200 x 120cm (L x W x T)

Material	% change Q1 – Q2 2023 (f)	Level of impact of pricing on construction procurement and supply chain *	
 Copper	-1.0% ↓	Moderate	Copper prices rose in January, reflecting the improvement in demand globally stemming from China's easing of COVID restrictions. Prices will remain relatively high, but there will be periods of volatility in the coming quarters given uncertainty over global economic growth in the short term and possible disruptions in supply.
 Steel prices - Steel rebar - Flat steel	-1.0% ↓ +1.0% ↑	Moderate	Steel rebar prices have declined in recent months, while steel flat products have been relatively stable. Despite the growth in the construction industry in recent quarters, rebar distributors have noted sluggish demand which has made it difficult to push up prices amid high costs. Given this recent weakness, producers are operating below capacity.
 Stainless steel	+1.5% ↑	Low	Stainless steel prices have stayed relatively high, given trends in prices for key inputs. Demand though will remain sluggish.
 Lumber	+2.0% ↑	Low	Lumber prices have declined slightly from the levels of Q4 2022. Demand from residential construction is set to weaken given high interest rates and the plans to scrap the "Superbonus" incentive scheme, a tax credit scheme aimed at making homes energy-efficient.
 Asphalt	-1.0% ↓	Low	Asphalt prices have registered an upward trend reflecting higher prices for key inputs. With OPEC+ cutting crude oil output levels, prices for asphalt are expected to remain elevated. Domestic demand could also be boosted by government plans to spend €4.5 billion on major road development works in Sicily, Calabria, Puglia and Lazio.
 Limestone	-1.0% ↓	Low	Limestone prices have stayed relatively high. Although demand is set to weaken with residential works falling from recent highs, production costs are also still relatively high.

Italy – Commodity Report



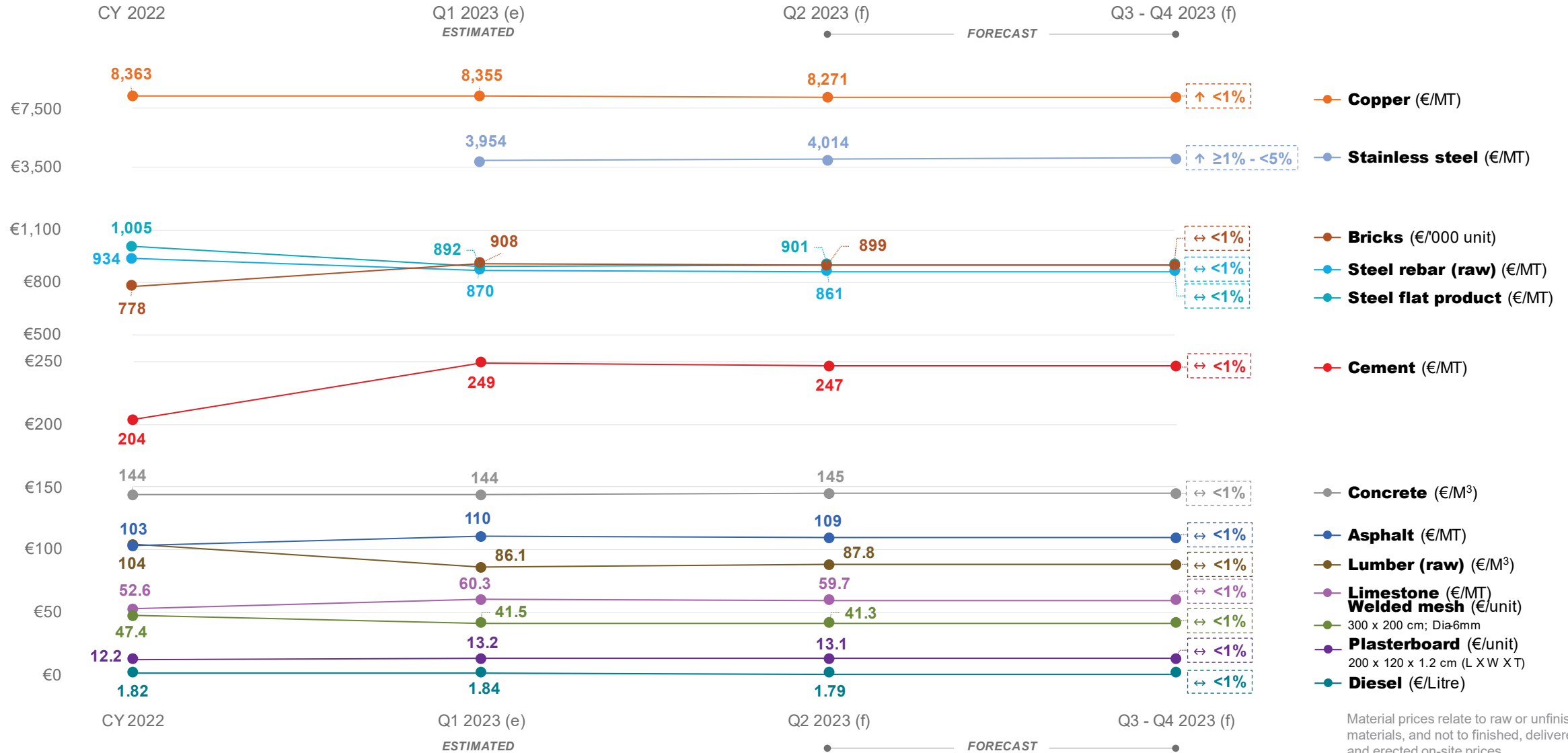
Construction cost index for residential buildings (Q1 2020 – Q1 2023) (2015=100)



Material	% change Q1 – Q2 2023 (f)	Level of impact of pricing on construction procurement and supply chain *
 Cement Concrete	-1.0% ↓ +0.8% ↑	 High Cement prices continued to rise in the first few months of 2023, with the average quarterly price in Q1 2023 being 68% higher than in Q1 2022. There has been a boom in residential construction over the past year, and increased production costs have also contributed to the sharp rise in cement prices. However, concrete prices have not risen in line with cement in recent months, suggesting an absorption of price hikes by cement manufacturers. In the short term the price of cement and related products is expected to remain elevated, but residential construction work is set to fall back from recent highs.
 Welded mesh	-0.5% ↓	 Moderate Prices for welded mesh have fallen recently, reflecting the trend of rebar prices. With soft demand from the construction sector, the price of mesh is expected to remain close to current levels in the short term.
 Bricks	-1.0% ↓	 Moderate Brick prices picked up sharply in the first few months of this year. Demand in the residential sector is still high, and production costs have also been a factor in keeping prices high.
 Plasterboard	-1.0% ↓	 Moderate Plasterboard prices have levelled off in recent months but remain relatively high, with ongoing high demand in the residential sector.
 Diesel	-2.8% ↓	 Low Diesel prices have been fairly volatile in recent quarters, and on a quarterly average basis, prices edged up again in Q1 2023 having eased in the previous quarters. Prices are set to remain volatile given shifts in global crude oil prices amid planned OPEC+ production cuts.

* 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.

Italy – Construction Materials Pricing (2022-2023)



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

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Italy – Macroeconomic overview



Economic indicators



0.65%

GDP growth in 2023 (f)
and **3.68%** in 2022



4.45%

inflation rate in 2023 (f) and
8.74% for 2022



23.15M

people employed in 2023 (f)
and **23.10M** in 2022



8.30%

unemployment rate for 2023 (f)
and **8.09%** in 2022



118.80

Consumer Price Index in
March 2023 and **110.40** in
March 2022



149.80

Producer Price Index in Feb
2023 and **142.20** in Feb
2022

National holidays

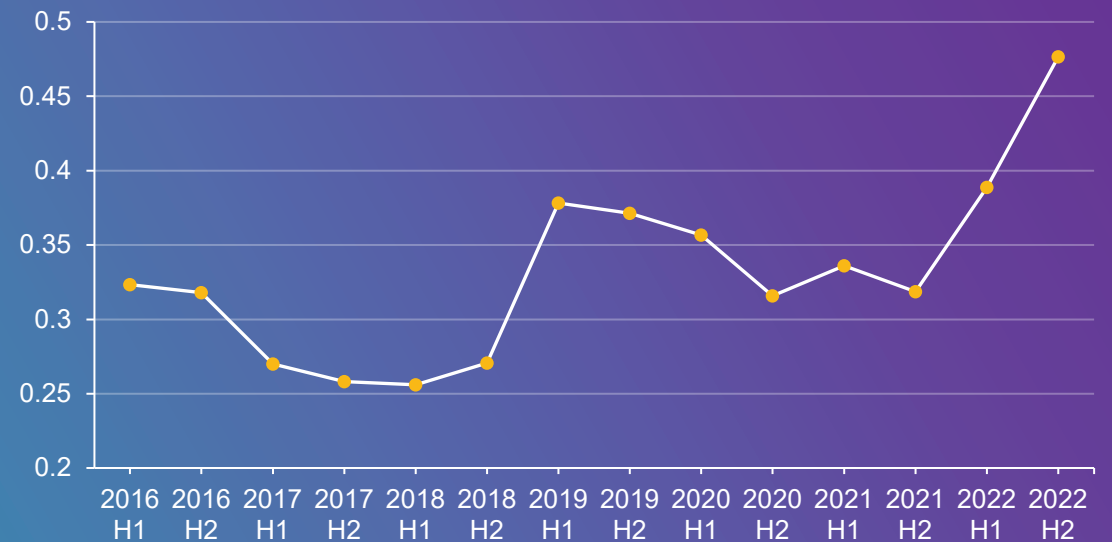


12 public holidays

in Italy in 2023.

Energy prices







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



Note: All taxes and levies included

Italy – Construction overview



Output 2022 and 2023 (in € millions)*			
Sector	Total 2022	Total 2023 (f)	Total 2024 (f)
Commercial 	21,202	19,800	19,607
Energy and Utilities 	10,981	11,263	11,452
Industrial 	6,604	6,313	6,159
Infrastructure 	36,076	37,273	37,915
Institutional 	16,033	15,619	15,304
Residential 	149,730	129,652	116,098

*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 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.

Italy – 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 – Italy

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

- IMF
- ISTAT
- Eurostat
- GlobalData's Construction Intelligence Center (CIC)
- Economic Research Institute
- Public Holidays
- Eurostat

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