



Netherlands Country Commodity Report Q3 2022



Netherlands

Q3 2022

The Statistics Netherlands CBS Business Cycle Tracker reported nine of 13 indicators performing above the long-term trend, although consumer confidence was at an all-time low. Economic growth was at 2.6% in Q2 2022, according to the agency's second estimate, buoyed by investment and a strong level of exports. Inflation has hit a record high as of September, with the consumer price index rising to 14.5% year-on-year, which was not equal amongst all sectors of the economy. The housing, water and energy sectors experienced one of the highest inflation rates in September, at 30.2%, according to Statista.

Construction output is expected to record growth of 2.5% this year, as investments in renewables and transport infrastructure ramp up. Growth has been particularly robust in the residential and commercial sectors. Challenges posed by labour market constraints, the abovementioned level of energy inflation, commodity price inflation and supply chain disruptions remain potential threats for industry performance.



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Lumber

Overall construction growth is slowing, but the residential sector will benefit from government funding for key projects and housing schemes, with the government committed to building 100,000 new homes per year until 2030. However, high building material costs and rising interest rates present a downside risk. Lumber prices are likely to remain close to the current high levels. Although disruptions in supplies have eased, producer costs have been rising.



Cement and aggregates

Despite the expectation of weaker demand as construction growth slows, prices for cement and aggregates will stay high, given the recent upward trend in production costs. Concerns over the issuance of new extraction licences also raises the risk of supply issues relating to sand and gravel products.



Concrete blocks and bricks

With construction output expanding steadily over the past two years, demand has been fairly robust for bricks, and the recent surge in energy costs has driven up producer prices. Although demand will ease on the back of rising interest rates and slowing economic growth, brick prices will remain around current highs given the cost pressures facing manufacturers.



Steel (rebar and structural)

Steel prices are set to fall from recent highs, which were caused by supply disruptions and high production costs. However, as production cost pressures will remain strong, prices for steel products will stay high when compared to 2021 levels. The government is also planning significant investment to improve transport infrastructure, which will be a key source of demand.



Copper

Copper prices will fall in the coming quarters from the highs reached earlier this year, reflecting the expectation of a weakening in demand as economic growth slows.

Netherlands – Commodity Report



Materials	Q4 2022 (f)	Q4 2021 - Q4 2022 (f)		Q2 2022 - Q3 2022 (e)
	€	€	2021-22* % change	% change
Copper (€/MT)	9,230	8,563	7.79% ↑	4.3% ↑ ●
Steel rebar (€/MT)	845	694	21.81% ↑	2.3% ↑ ●
Steel flat (€/MT)	906	744	21.81% ↑	2.3% ↑ ●
Lumber (€/M3)	109	93	17.44% ↑	5.6% ↑ ●
Asphalt (€/MT)	87	80	9.30% ↑	4.5% ↑ ●
Limestone (€/MT)	91	83	9.35% ↑	3.2% ↑ ●
Cement (€/MT)	169	153	10.19% ↑	1.6% ↑ ●
Concrete (€/M3)	165	141	16.80% ↑	3.0% ↑ ●
Welded mesh (€/unit (a))	81	52	54.41% ↑	-1.2% ↓ ●
Bricks (€/’000 unit)	567	510	11.25% ↑	3.4% ↑ ●
Plasterboard (€/unit (b))	10	9	13.04% ↑	-9.6% ↓ ●
Diesel (€/litre)	1.98	1.62	22.28% ↑	-1.5% ↓ ■

(a) 200x300cm, dia.-6mm
(b) 300x120x1.25cm (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

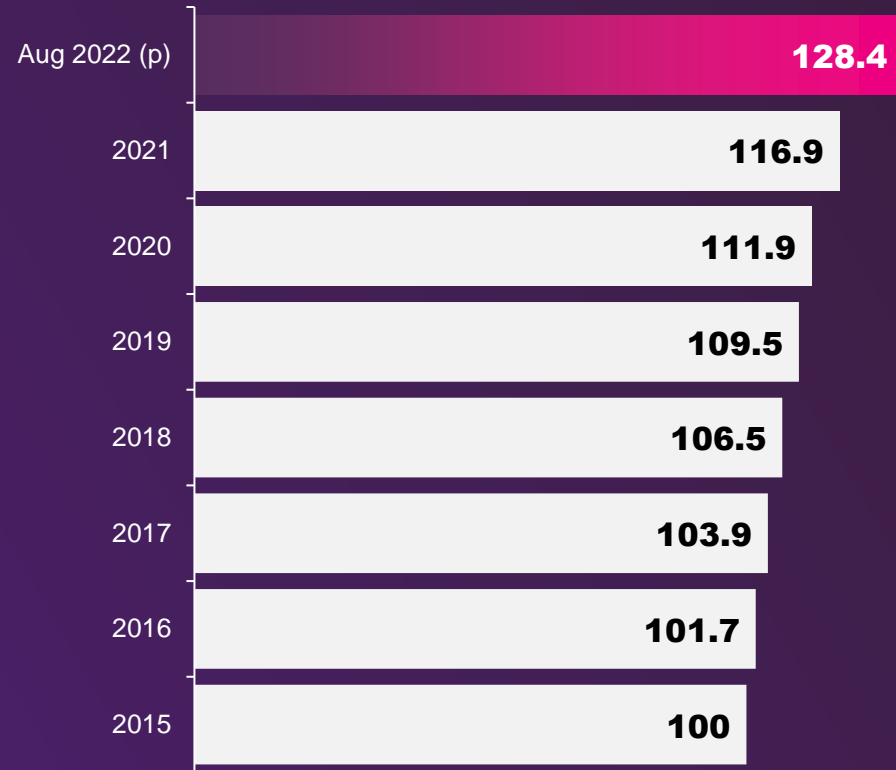
Material	% change Q3 – Q4 2022 (f)	Level of impact of pricing on construction procurement and supply chain *	
 Copper	-1.0% ↓	High	Due to slowing economic growth in China and shrinking copper demand in Europe amid the energy crisis, copper prices have generally been on a downward trend, but preliminary data suggests prices picked up in Q3 in the Netherlands. Nevertheless, with weaker economic growth expected, copper prices are forecast to decline in the near future.
 Steel prices - Steel rebar - Flat steel	-1.0% ↓ -1.0% ↓	Moderate	Steel demand has been weakening amid the slowdown in construction, owing to rising interest rates and a decline in investor confidence. However, production costs will remain high, and government investment plans for infrastructure works will provide some support on the demand side, so the expected fall in prices overall will not be severe.
 Lumber	+0.8% ↑	Moderate	Lumber prices have stayed at a high level in recent months, driven by high production costs. Distributors' inventories have been secured at a relatively high price following the disruption to supplies during the height of the COVID-19 pandemic, and more recently, following the outbreak of the Russia-Ukraine conflict. Despite weaker demand-side pressures in the coming quarters, prices will remain elevated.
 Asphalt	-1.0% ↓	Moderate	With crude oil prices falling back, there has been a slight easing in asphalt prices, but investment in road construction projects and the expected tightness in the global crude market (following OPEC+'s decision to cut production) will keep prices high in the coming quarters.
 Limestone	+0.4% ↑	Low	Higher production and transportation costs have been a key factor in keeping limestone prices at recent high levels.

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.






Netherlands – Commodity Report



New dwellings; input price indices building costs 2015-2022



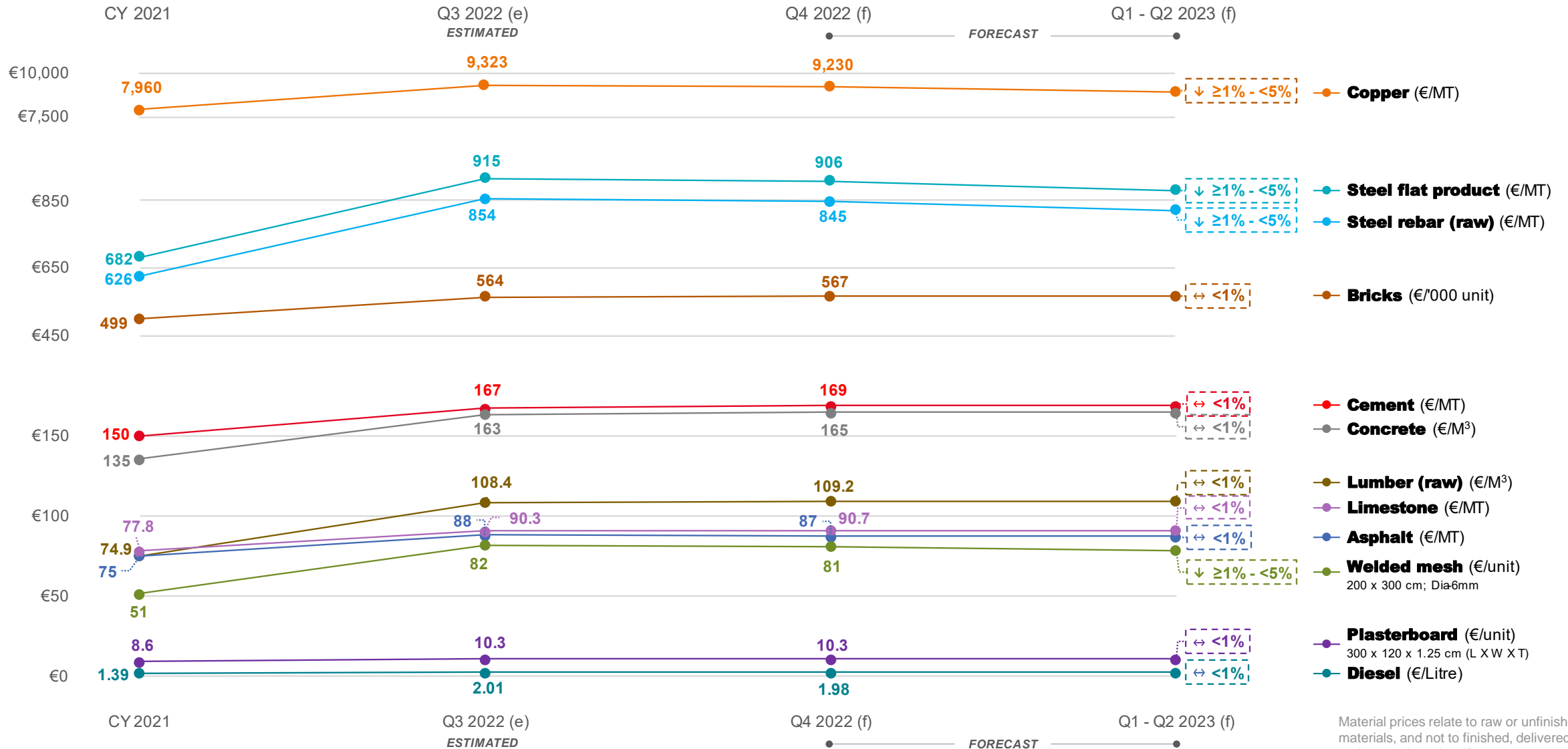
Note: 2015=100

Material	% change Q3 – Q4 2022 (f)	Level of impact of pricing on construction procurement and supply chain *	
 Cement Concrete	+0.9% ↑ +0.8% ↑	Moderate	Rising production costs have been the main factor in pushing up cement and concrete prices in recent quarters, with Dutch manufacturers having a relatively high dependence on gas for production. Demand growth in the construction industry has been flagging, and with interest rates rising the outlook is for continued sluggish demand.
 Welded mesh	-1.0% ↓	Moderate	Due to the expected decline in the price of steel, the price of welded mesh will be on a steady decline.
 Bricks	+0.6% ↑	Low	As has been the case with many building materials, pressures on the supply-side have been the main cause of recent price rises. However, producer prices for bricks have risen at a relatively slow pace, up by around 7% year-on-year in Q3 2022. Residential construction will benefit from government plans to boost the housing stock (over 917,000 new housing units by 2030, with 25% of these in Zuid-Holland and 600,000 of these categorised as affordable), but overall construction growth will slow in the coming quarters.
 Plasterboard	+0.1% ↑	Low	Plasterboard prices eased back in Q3 2022, but owing to high costs for raw materials and energy, it is expected that prices will stay high compared to 2021 levels.
 Diesel	-1.7% ↓	High	Diesel prices have remained close to the €2 per litre mark in recent months. Prices had started to trend downwards marginally in September, but the decision by OPEC+ in early October to cut crude oil production levels will keep diesel around current highs.

* 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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Netherlands – Construction Materials Pricing (2021-2022)



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

Netherlands – Macroeconomic overview



Economic indicators



2.66%

GDP growth in 2022 (f)
and **5.04%** in 2021



9.15%

inflation rate in 2022 (f)
and **2.68%** for 2021



9.45M

people employed in 2022 (f)
and **8.75M** in 2021



3.57%

unemployment rate for 2022 (f)
and **3.5%** in 2021



131.56

Consumer Price Index in
2022 (f) and **120.52** in
2021



143.1

Producer Price Index in
Aug 2022 and **116.5** in
Aug 2021

National holidays



**11 national
holidays**

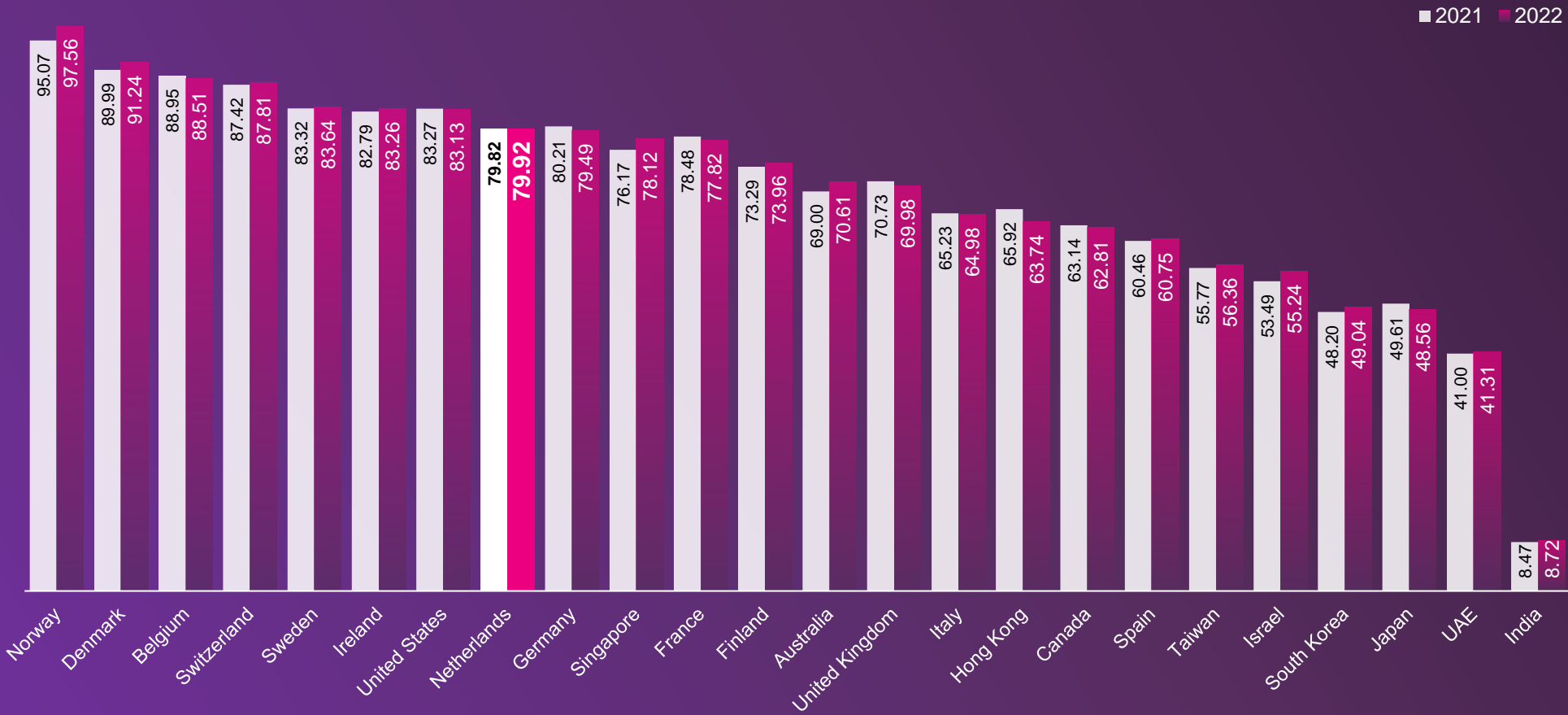
in Netherlands each year.

- Nieuwjaarsdag (New Year's Day) (1 January)
- Goede vrijdag (Good Friday) (15 April)
- Eerste en tweede paasdag (Easter Sunday and Easter Monday) (17 and 18 April)
- Koningsdag (King's Day) (27 April)
- Bevrijdingsdag (Liberation Day) (5 May)
- Hemelvaartsdag (Ascension Day) (26 May)
- Eerste en tweede pinksterdag (Whit Sunday and Whit Monday) (5 June and 6 June)
- Eerste en tweede kerstdag (Christmas Day and Boxing Day) (25 and 26 December)

Netherlands – Macroeconomic overview



Labour productivity



Labour costs









index figure of hourly contractual wage costs for September 2022 compared to €123.30 in September 2021.

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

Netherlands – Construction overview



Output 2021 and 2022 (in millions)			
Sector	Total 2021	Total 2022 (f)	% change
Commercial 	€17,245	€17,504	1.5%
Energy and Utilities 	€6,897	€7,036	2.0%
Industrial 	€4,088	€4,149	1.5%
Infrastructure 	€23,142	€23,841	3.0%
Institutional 	€8,917	€9,072	1.7%
Residential 	€67,988	€69,832	2.7%

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.

Construction Health and Safety practices and culture



The Netherlands Labour Authority (NLA) works for fair, healthy and safe working conditions and socio-economic security for all.

Netherlands – 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. 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 – Netherlands

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

- IMF
- Netherlands Labour Authority
- Statistics Netherlands (CBS)
- GlobalData's Construction Intelligence Center (CIC)
- Conference-board.org

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