



Linesight



Germany

Country Insights and Commodity Report

Q1 2023



Germany

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Despite facing challenges from rising inflation and supply chain disruptions, Germany registered an economic growth rate of 1.8% in 2022, supported by an improvement in energy prices and policy support to businesses and households. However, amid weak global outlook the economy is expected to contract by 0.1% in 2023. Nonetheless, according to the latest estimates by the IMF, Germany's GDP is projected to increase by 1.1% in 2024. Energy prices, which have been a major contributor to inflation, have now begun to fall, resulting in a drop in the Consumer Price Index to 7.4% in March 2023, after continuing highs in the first two months of 2023.

Germany's construction industry is expected to contract by 3.6% in real terms in 2023 due to higher material and energy prices, labour shortages, and monetary policy tightening. However, it is expected to regain momentum from 2024, aided by investments in transport, renewable energy, housing, and manufacturing projects. The government has set aside a budget of €28 billion, focusing on developing renewable energy sources. The main objective is for 80% of electricity production to be generated from renewable sources by 2030, with a further goal of climate neutrality targeted by 2045.



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Lumber

Germany's buildings construction industry has continued to weaken. However, for some key building materials, such as lumber, prices have been held at a relatively high-level. This is mostly due to squeezed supplies, made worse by bans on Russian imports contributing to the sustained high price points.



Cement and aggregates

Cement prices have recently risen, owing to key producers' ability to pass on higher production costs. Although Heidelberg Materials, a major German cement manufacturer, expects sales volume to increase, it is concerned that raw material and energy cost volatility will reduce operating profit.



Concrete blocks and bricks

Brick prices have rocketed in recent months, up by 30% in Q1 2023 compared to the same period in 2022. The trend has been primarily supply-side driven, given the weakness in demand in the construction industry.



Steel (rebar and structural)

Steel prices continued on a downward trend in early 2023, with prices falling sharply when compared to the highs of mid-2022. There could be some renewed upward pressure in the coming quarters given the prospect of constrained supplies and producers cut back on output.



Copper

Copper prices have picked up again on the back of expectations of improved demand in China and disruptions in supply stemming from instability in key producing markets in Latin America. The weak outlook for global economy will contain upward pressure, but demand will be bolstered by investment in energy transition projects.

Germany – Commodity Report



Materials	Q2 2023 (f)	Q2 2022 – Q2 2023 (f)		Q4 2022 – Q1 2023 (e)
	€	€	2022-23 % change	% change
Copper (€/MT)	8,872	8,900	-0.3% ↓	11.1% ↑ ●
Steel rebar (€/MT)	538	626	-14.0% ↓	-10.2% ↓ ●
Steel flat (€/MT)	721	714	1.1% ↑	-8.0% ↓ ●
Stainless steel (€/MT)	3,943	NA	NA	3.0% ↑ ●
Lumber (€/M ³)	132	114	15.6% ↑	1.0% ↑ ●
Asphalt (€/MT)	75.6	60.0	26.0% ↑	0.6% ↑ ■
Limestone (€/MT)	40.1	35.7	12.4% ↑	5.2% ↑ ●
Cement (€/MT)	193	130	47.9% ↑	19.4% ↑ ●
Concrete (€/M ³)	213	168	27.2% ↑	16.8% ↑ ●
Welded mesh (€/unit)	65.0	75.6	-14.0% ↓	-10.2% ↓ ●
Bricks (€/000 unit)	793	610	30.0% ↑	11.0% ↑ ●
Plasterboard (€/unit)	3.61	2.89	25.0% ↑	7.6% ↑ ●
Diesel (€/litre)	1.80	1.78	0.8% ↑	-9.9% ↓ ●

(f) Forecast (e) Estimated

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

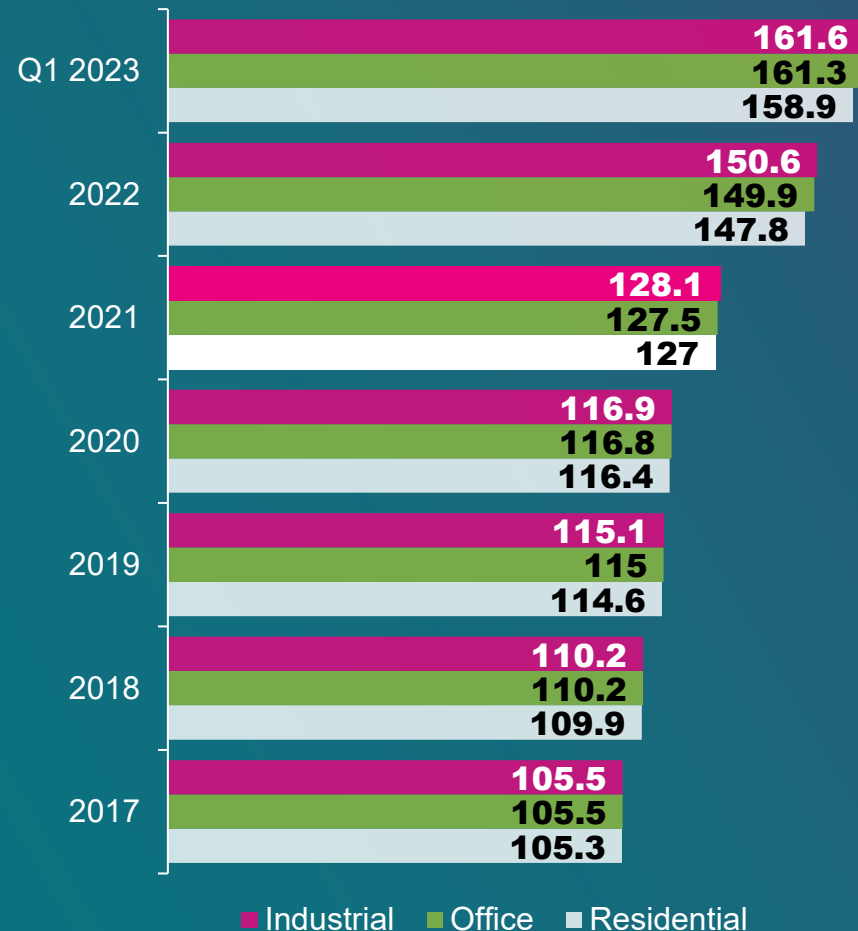
Welded mesh: 600 x 230cm, dia.-6mm Plasterboard: 200 x 60 x 1.25cm (L x W x T)

Material	% change Q1 – Q2 2023 (f)	Level of impact of pricing on construction procurement and supply chain *	
Copper	-0.71% ↓	High	The quarterly average copper prices increased by more than 11% quarter-on-quarter in Q1 2023 owing to the tight supply and improving demand from China. Prices will remain elevated in the coming quarters, with demand bolstered by investment in energy transition projects.
Steel prices - Steel rebar - Flat steel	-1.00% ↓ +0.50% ↑	Moderate	Steel prices were still relatively low in early 2023, but have started to regain ground on the back of improving order books and constrained supplies owing to the import ban on Russian steel and limited production due to the energy crisis. However, generally weak domestic demand on account of sluggish performance of key steel end-user sectors is expected to contain growth in demand.
Stainless steel	+2.00% ↑	Low	The price for stainless steel has continued on an upward trend, and a further increase is expected in the coming quarter owing to volatility in supply of nickel, given the economic sanctions placed on imports from Russia.
Lumber	+1.00% ↑	Low	Lumber prices have remained relatively high, with weak demand from the construction sector being offset by tight supply and ongoing disruptions stemming from the Russia-Ukraine conflict.
Asphalt	+1.00% ↑	Moderate	Asphalt prices edged upwards in Q1 2023, despite relatively weak demand recently. However, with the government allocating €1.3 billion for federal road projects in the 2023 Budget, there is scope for a pick up in demand for asphalt, but as a portion of which will be met by recycled materials upward price pressure will be contained.
Limestone	+0.80% ↑	Low	Although the overall buildings construction industry remains in decline, prices for materials including limestone have trended upwards reflecting ongoing upward pressure on production.

Germany – Commodity Report



Construction price indices 2017-2023 (2015=100)

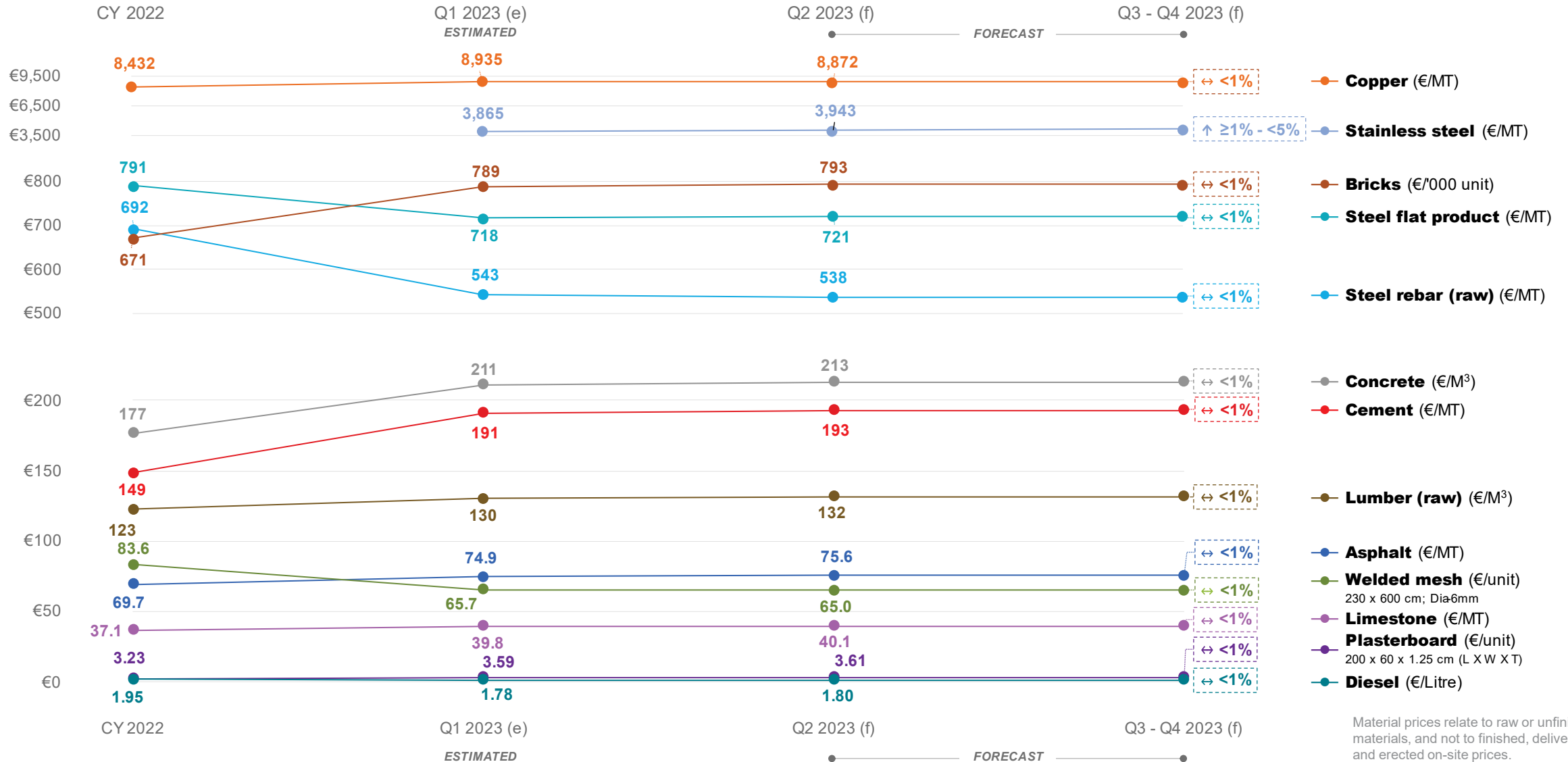


Figures included represent the average indices of quarter-on-quarter each year. Q1 2022 to Q1 2023 represents a circa 15% increase for the 12 month period.

Material	% change Q1 – Q2 2023 (f)	Level of impact of pricing on construction procurement and supply chain *
 Cement Concrete	+1.00% ↑ +1.00% ↑	 High Cement and concrete prices have risen sharply in recent months, with prices for cement in February 2023 being 24% higher than in December last year and 52% up from levels in February last year. High gas and electricity prices continue to keep producer prices high, with major cement manufacturers passing on these costs to buyers.
 Welded mesh	-1.00% ↓	 Moderate Welded mesh prices dropped by 10% in Q1 2023 compared to the average of Q4 last year. Local producers have been seeking to push up prices, but demand has been limited.
 Bricks	+0.50% ↑	 Moderate Brick prices jumped by an estimated 11% in Q1 2023 compared to the average price in the previous quarter. Despite limited growth in demand, high production costs continue to beset manufacturers.
 Plasterboard	+0.50% ↑	 Moderate Owing to high production costs, including energy and raw materials, plasterboard prices remain relatively high, rising by 7.6% on a quarterly average basis in Q1 2023.
 Diesel	+1.00% ↑	 Low Diesel prices have continued to fall in recent months, dropping below €1.70 per litre at the end of March, the lowest level since February last year and down from highs of €2.15 per litre in October. Weak domestic demand will contain upward price pressures, but the recent decision by OPEC+ to cut crude oil production could generate renewed price volatility in the short term.

* 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.

Germany – Construction Materials Pricing (2022-2023)



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Germany – Macroeconomic overview



Economic indicators



-0.11%

GDP growth in 2023 (f)
and **1.77%** in 2022



6.19%

inflation rate in 2023 (f) and
8.66% for 2022



42.44M

people employed in 2023 (f)
and **42.41M** in 2022



3.27%

unemployment rate for 2023 (f)
and **3.07%** in 2022



116.10

Consumer Price Index in Mar
2023 and **108.80** in Mar 2022



134.90

Wholesale Price Index in Feb
2023 and **132.50** in Feb 2022

National holidays

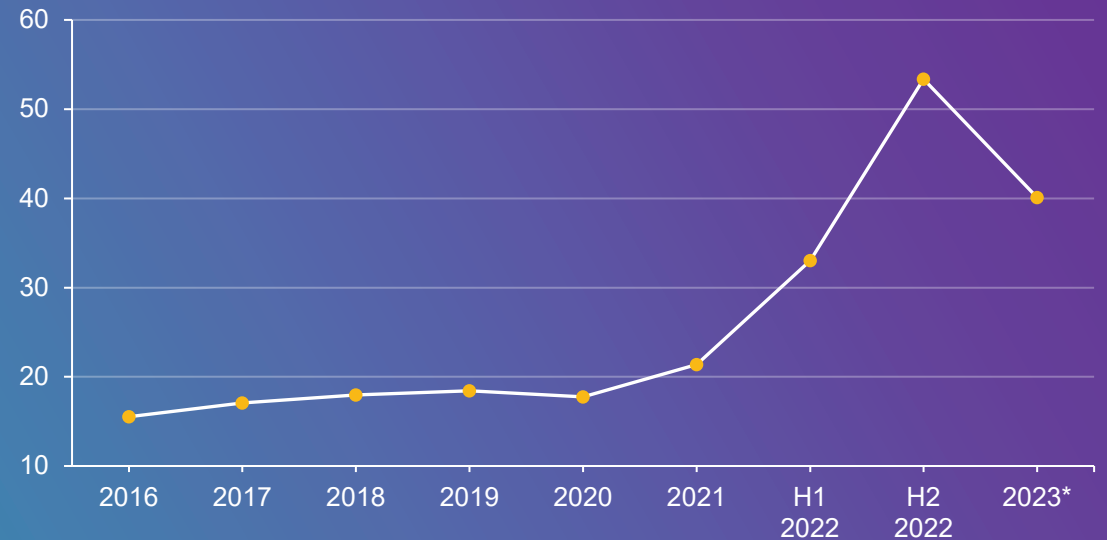


9 public holidays

in Germany in 2023.

Energy prices

Average electricity price for small to medium-sized industrial companies (cent per kWh)









Note: Included taxes

* Till Feb 2023

Germany – Construction overview



Output 2022 and 2023 (in € millions)*			
Sector	Total 2022	Total 2023 (f)	Total 2024 (f)
Commercial 	49,093	48,309	48,920
Energy and Utilities 	16,610	16,623	16,802
Industrial 	18,275	18,329	18,562
Infrastructure 	44,422	43,820	44,752
Institutional 	19,699	19,266	19,354
Residential 	153,902	144,672	148,413

*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 have 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.

Germany – 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 – Germany

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

- IMF
- Destatis
- GlobalData's Construction Intelligence Center (CIC)
- BDEW Federal Association of Energy and Water - Germany
- Public Holidays
- Eurostat

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