



France

Country Commodity

Report

Q2 2023



France

Q2 2023

The French economy grew faster than expected in Q1 2023, with energy prices normalising, inflation easing and supply chains improving. The second half of the year is expected to be modest, but the economy appears to be resilient. The Bank of France has maintained its tighter monetary policy to combat inflation, resulting in high interest rates, which are impacting the profitability of the construction industry.

While the prices of a few key materials, such as steel, have stabilised, cement and concrete prices remain high. YoY growth in construction costs has slowed to 6.6% from 8.8% in Q4 2022.

Nonetheless, according to INSEE's survey, the overall business climate indicator (which reflects general perception and activity in the construction industry) has been declining for the past six months. Amid a weakening residential sector and overall weak global outlook, the construction industry is likely to contract in real terms in 2023.

However, it is expected to receive substantial support in the next few years through investments in renewable energy, decarbonisation of industries, electric vehicle manufacturing, and the development of the green hydrogen sector as part of the France 2030 plan.



Michael Riordan
Senior Director – Europe



Key Indicators

GDP

0.9% growth in Q1 2023 in YoY terms



- Growth is attributed to increased industrial production and foreign trade
- In QoQ terms, GDP grew by 0.2% followed by muted performance in Q4 2022

CPI

Increased by 4.5% on a YoY basis to June 2023



- The Inflation rate has dropped compared to the previous month which was at 5.1%
- This dip in inflation was triggered by a decrease in energy prices and reduction in food prices





Construction output

Expected to shrink by 2.4% in real terms in 2023



- Contraction is attributed to high construction costs, rising interest rates and subdued residential sector
- Investments in Energy and Infrastructure sectors is expected to support construction industry growth in 2024

Commodities Pricing Snapshot

	Price % change			Remarks
	YoY Q2 '22 - Q2 '23 (e)	QoQ Q1 - Q2 '23 (e) Q2 (e) - Q3 '23 (f)		
 Copper	↓ -12%	↓ -7%	↓ -1%	Prices are trending downward but will remain volatile
 Steel rebar (raw)	↓ -15%	↑ 3%	↓ -1%	Prices are decreasing and likely to edge down further
 Cement	↑ 17%	↓ -1%	↓ -1%	Prices edging marginally downward, and are likely to dip further
 Lumber	↑ 5%	↑ 3%	↓ -1%	Prices have remained stable but are likely to drop in the coming quarter

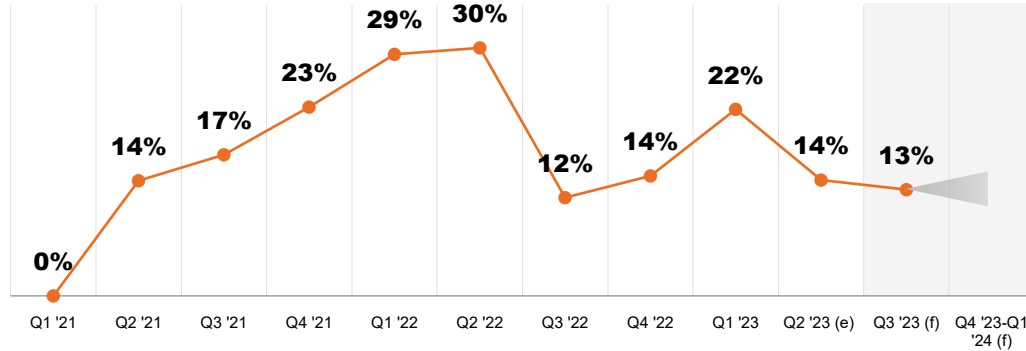
France – Commodity Price Trends



Copper

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)
€8,049	€7,968	↓ -6.9%	↓ -1.0%

Price change comparison against Q1 2021



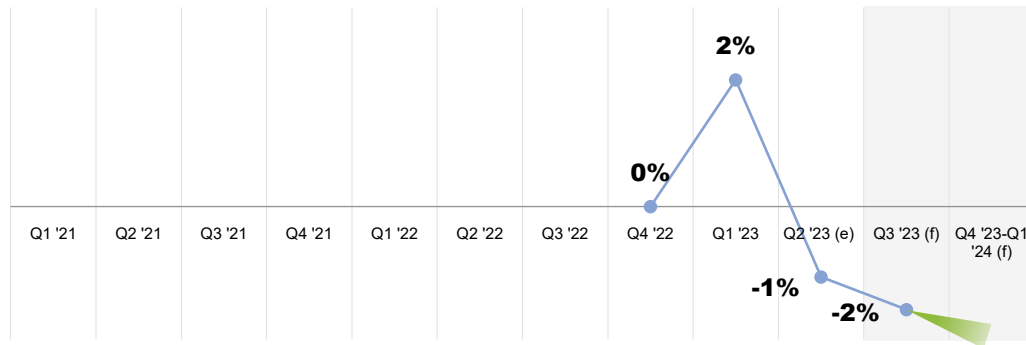
- Having picked up in early 2023, copper prices have again trended downward on a quarterly average basis
- However, the copper market remains volatile
- Prices will face downward pressure given the impact of higher interest rates on global demand, but concerns over low copper stocks will provide some price support in the short term along with demand associated with investment in renewable energy and electric vehicles



Stainless Steel

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)
€3,832	€3,813	↓ -2.9%	↓ -0.5%

Price change comparison against Q4 2022



- With prices for key raw materials dropping, and sluggish demand, there has been a drop in stainless-steel prices on a quarterly average basis in Q2 2023
- This trend will continue in the short term, with prices set to fall further in the coming quarters

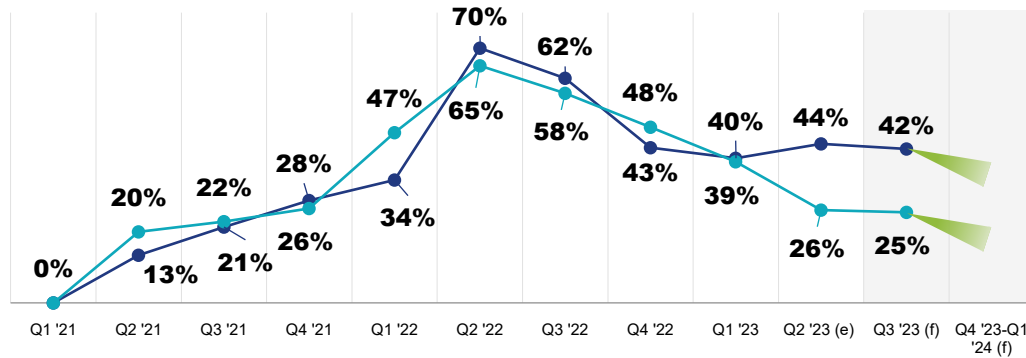
France – Commodity Price Trends



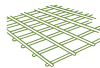
Steel – rebar and flat

Level of Impact			
Price Change (e) vs (f)		Material Availability	General State of Supply Chain
o o o o Moderate		o o o o Moderate	o o o o Moderate
Price		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
Steel rebar (raw) (€/mt)			
€744	€736	↑ 2.8%	↓ -1.0%
Steel flat product (€/mt)			
€685	€681	↓ -9.6%	↓ -0.5%

Price change comparison against Q1 2021



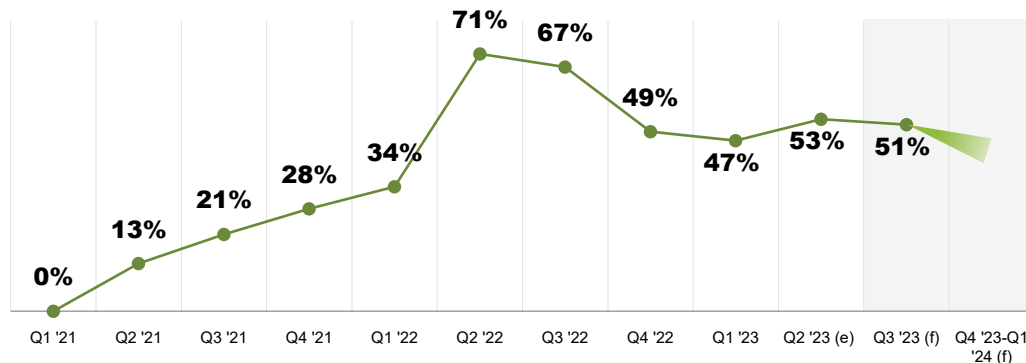
- Steel prices in France have continued on a general downward trend from the highs of mid-2022 when severe supply disruptions resulted in a surge in prices, however prices are still higher than they were in early 2021
- Prices will fall further in the coming quarters owing to weak demand in buildings construction
- However, there will be support as spending increases within the Infrastructure sector



Welded mesh

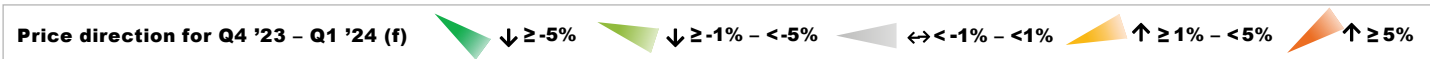
Level of Impact			
Price Change (e) vs (f)		Material Availability	General State of Supply Chain
o o o o Moderate		o o o o Moderate	o o o o Moderate
Price (€/unit*)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
€151	€150	↑ 4.0%	↓ -1.0%

Price change comparison against Q1 2021



- Prices for welded mesh picked up again in Q2 2023 on a quarterly average basis, but there has been monthly volatility, and prices are again trending downward
- Weak demand in construction activity is expected to contribute to a steady decline in prices in the coming quarters
- However, prices are still at an elevated level, over 50% higher than in Q1 2021

* 240 x 600 cm; diameter 7mm



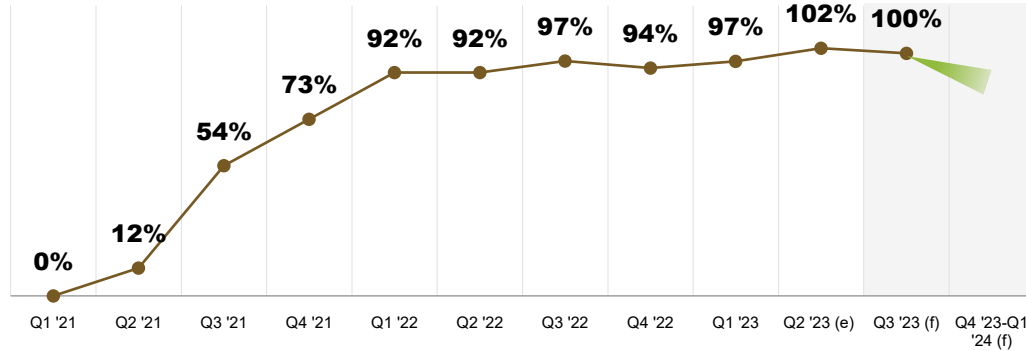
France – Commodity Price Trends



Lumber (raw)

Level of Impact			
Price Change (e) vs (f)		Material Availability	General State of Supply Chain
Moderate		Low	Low
Price (€/m ³)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
€105	€104	↑ 2.7%	↓ -1.0%

Price change comparison against Q1 2021



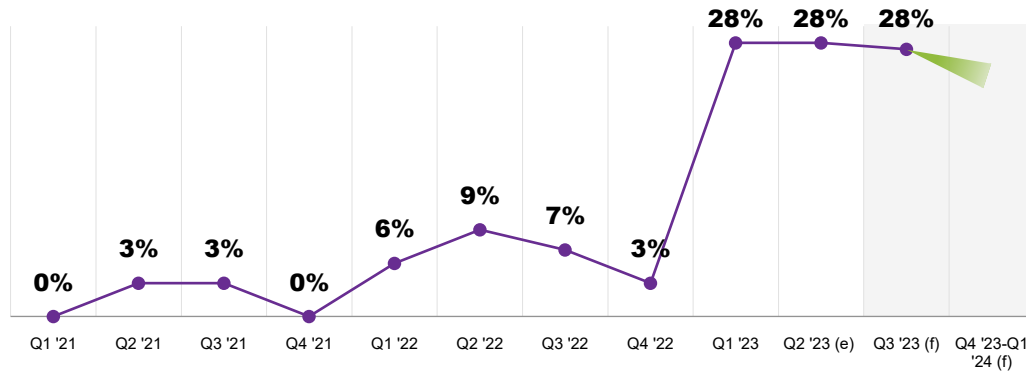
- Lumber prices have remained high in recent quarters despite weak demand from the construction industry
- Prices are expected to fall in the coming quarters, given the weakness in the residential sector
- Key directives requiring the use of natural materials in public buildings, including for a number of building types for the 2024 Summer Olympics, will sustain the demand for wood in construction



Plasterboard

Level of Impact			
Price Change (e) vs (f)		Material Availability	General State of Supply Chain
Moderate		Moderate	Moderate
Price (€/unit*)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
€3.72	€3.70	↔ 0.0%	↓ -0.5%

Price change comparison against Q1 2021



- Despite weak demand in buildings construction, plasterboard prices remain high in France, as producers recover from the high cost of production last year
- Prices jumped in Q1 2023, and have remained stable in recent months
- However, prices are set to fall, as residential demand declines and supply-side pressures ease

* 250 x 120 x 1.3 cm (L x W x T)

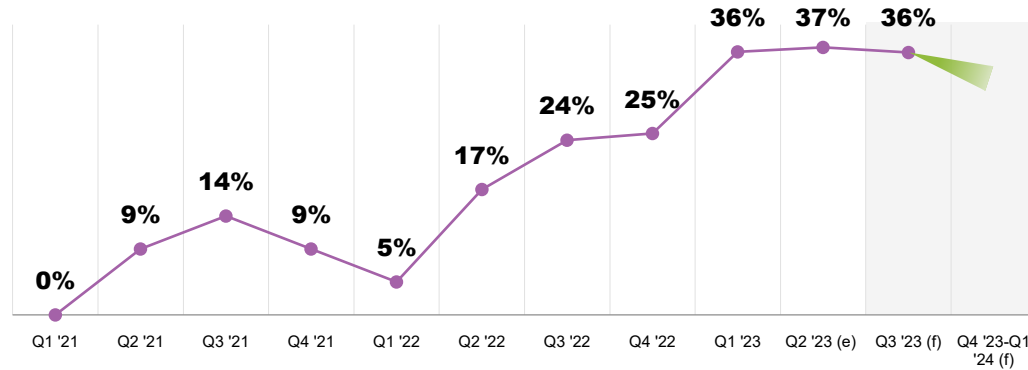
France – Commodity Price Trends



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)
€60	€60	↑ 0.5%	↓ -0.5%

Price change comparison against Q1 2021

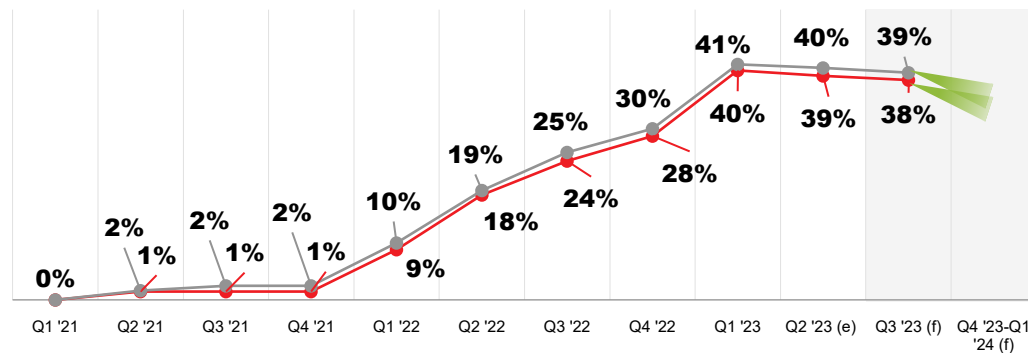


- Limestone prices rose sharply over 2022, and have now stabilised at a high level
- Prices in Q2 2023 were close to 37% higher than in Q1 2021
- Buildings construction is set to weaken, amid high interest rates and weak economic growth, and this will contribute to downward pressure on prices in the 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)
€191	€190	↓ -0.7%	↓ -0.5%
—●— Cement (€/mt)			
€171	€170	↓ -0.4%	↓ -0.6%
—●— Concrete (€/m³)			

Price change comparison against Q1 2021



- Concrete and cement prices have stayed relatively high in the past quarter, edging down marginally
- Although the demand from the construction industry has been weak, prices remain stubbornly high
- With declines expected in the output of residential and commercial construction this year, demand will remain weak, contributing to a drop in prices in the coming quarters

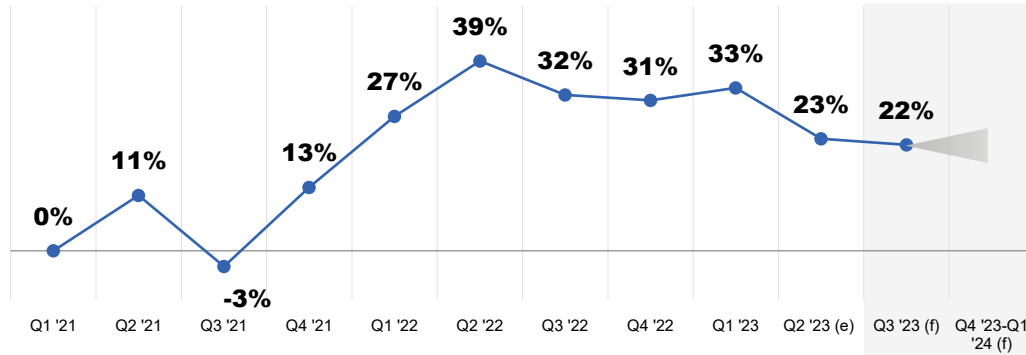
France – Commodity Price Trends



Asphalt

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)
€76	€75	↓ -7.8%	↓ -1.0%

Price change comparison against Q1 2021



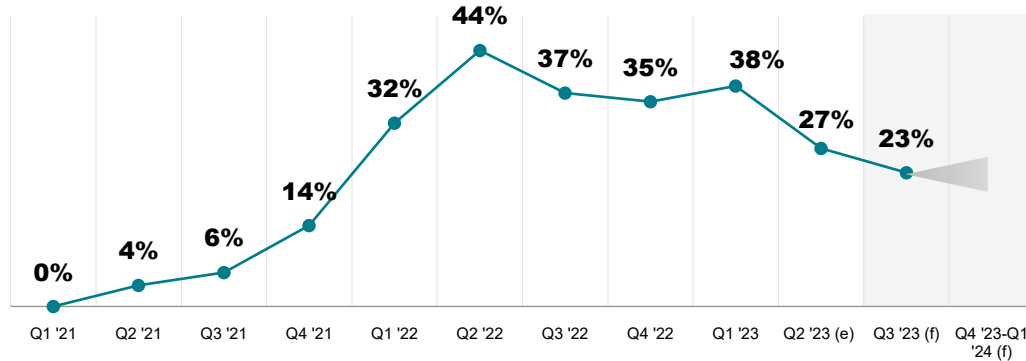
- Asphalt prices have dropped back from recent highs, owing mainly to a decline in raw material costs, but prices are still relatively high historically, being 23% higher in Q2 2023 compared to Q1 2021
- Road infrastructure investment is expected to pick up in the coming quarters, and this will contain further downward pressure on prices



Diesel

Level of Impact			
Price Change (e) vs (f)		Material Availability	General State of Supply Chain
●●●● Low		●●●● Low	●●●● Low
Price (€/litre)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
€1.73	€1.67	↓ -7.8%	↓ -3.3%

Price change comparison against Q1 2021



- Diesel prices dropped sharply in Q2 2023, falling by 7.8% QoQ, mainly due to a decline in prices in May, when prices fell to the lowest level since January 2022
- Despite the recent fall in prices, on a quarterly average basis, in Q2 2023 prices were still 27% higher than in Q1 2021
- Although there will be further decreases in Q3 2023, prices will face some upwards pressure owing to planned OPEC+ oil production cuts that will limit the supply of crude oil

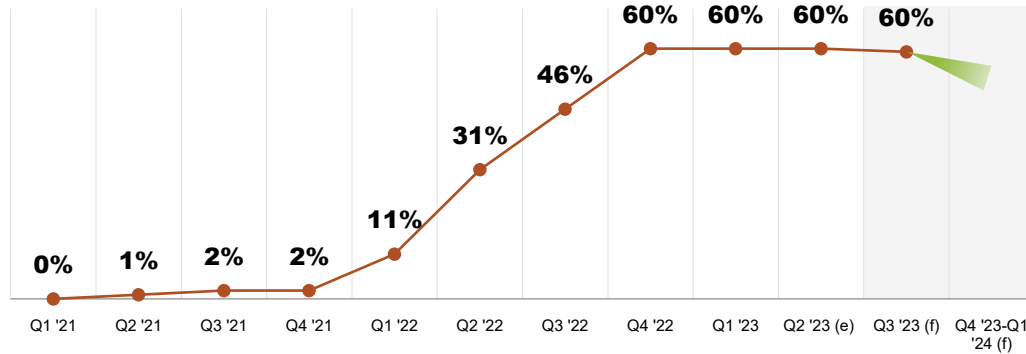
France – Commodity Price Trends



Bricks

Level of Impact			
Price Change (e) vs (f)		Material Availability	General State of Supply Chain
o o o o Moderate		o o o o Moderate	o o o o Low
Price (€/000 unit)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
€1,100	€1,095	↔ 0.0%	↓ -0.5%

Price change comparison against Q1 2021



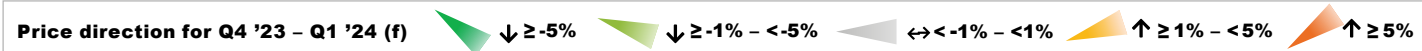
- Brick prices have remained stable at an elevated level due to the high production costs incurred last year
- With easing pressures on the supply side, along with a projected decline in residential building work, prices will drop back in the coming quarters
- Although in Q3 2023 prices will come down from the recent highs, when compared to levels in Q1 2021 they will still be close to 60% higher in Q3 2023

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



France – Industry trends

Sector trends



Data Centres

France is a significant Data Centres hub, with projects of more than €4bn in value at various stages of planning and execution, with the majority of these projects coming up in the Ile-de-France region. The country is steadily rolling out 5G services, with substantial investments from various telecom operators and government sectors aimed at expanding the 5G network across the nation.



Life Sciences

France is experiencing increased interest from Life Sciences companies and Life Sciences Real Estate investors, both in facilities acquisition as well as developing purpose-built buildings. Pharmaceutical manufacturing plants worth more than €2.9bn are in the pipeline, with more than 50% of the projects by value in execution stage. Paris is emerging as a prominent preferred location.



High-tech Industrial

France has made semi-conductors a strategic priority with 'Electronique 2030', a €5bn investment plan, aiming to double manufacturing capacity by 2030. Northern France is becoming a favoured location for battery manufacturing, with the French government setting a target to become self-sufficient in electric battery production by 2027. Projects with a value of more than €10bn are in the pipeline.

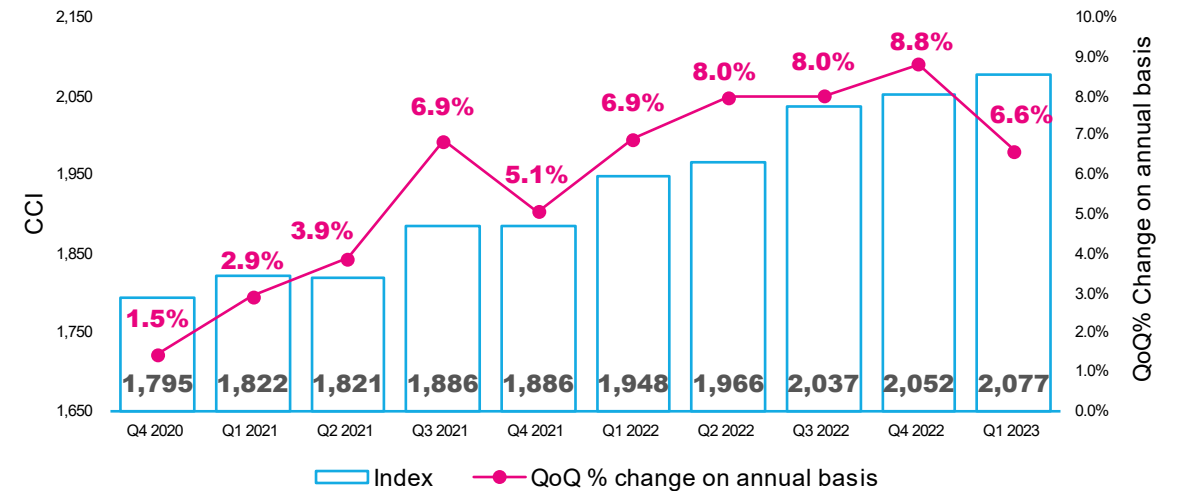


Renewable Energy

The renewable Energy sector in France is expected to expand by 0.5% in 2023, followed by an average annual growth of 2% from 2024 to 2027. The growth in the sector is largely supported by government's aim of reducing greenhouse gas emissions by 35% compared to 2015 levels, by 2030. Renewable power installed capacity is set to undergo a remarkable tenfold increase by 2050, reaching an impressive 100 GW.



Cost of Construction Index (CCI)*



* QoQ change on annual basis (base year 2010 =100)

France – 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 Centre (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 Labour 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 – France

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

- IMF
- Eurostat
- French National Institute of Statistics and Economic Studies (INSEE)
- GlobalData's Construction Intelligence Center (CIC)
- The Conference Board Total Economy Database™
- Economic Research Institute
- Biotechgate
- International Energy Agency (IEA)
- France24.com

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