



United States

Country Insights and Commodity Report

Q1 2023      

United States

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Despite multiple challenges, the US economy grew by 2.1% in 2022 due to growth in manufacturing, private investment, and consumer spending. However, amid a weak global outlook, the IMF forecasts a moderate growth of 1.6% in 2023. Furthermore, the recent banking crisis has created concerns in terms of tightening lending standards, which may impact industries that rely on smaller regional banks for credit. Nonetheless, inflation has reached its lowest level in nearly two years, with a 5% year-on-year increase in March 2023. There are also signs of positivity in the job market with the unemployment rate falling to a 53-year low of 3.4% in April 2023.

The US construction industry contracted by 8.2% in 2022, due to a decline in residential output. The industry is expected to contract further in 2023 by 0.9% because of continued decline in the residential sector, ongoing labor shortages, worker unrest and elevated interest rates. The longer-range forecast is more optimistic with a projected growth rate of 4.5% CAGR from 2024 to 2027 due to increased investments in the energy, transportation, and housing sectors. The manufacturing sector will also continue to grow rapidly, aided by the government's industrial promotion programs. Furthermore, mission-critical industries such as data centers and life sciences are expanding. Supply chain issues remain but have subsided slightly. Material prices are expected to fall through the middle of the year as rising demand is offset by high inventories. Skilled labor shortages are expected to last a few more quarters.



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Lumber

Weak demand in the housebuilding sector has contributed to a decline in lumber prices, and with high interest rates and leading indicators for housebuilding suggesting further weakness, lumber prices will continue to slide. Stockpiles have also recovered, and mill capacity has improved, suggesting limited shocks on the supply-side in the coming quarters.



Cement and aggregates

Although residential construction has weakened, there has been a revival in construction activity in the industrial and infrastructure sectors, which has bolstered demand for materials such as cement and concrete. Cement manufacturers have also maintained pricing power, being able to pass on higher production costs to buyers and move towards restoring profit margins recorded prior to the surge in energy prices.



Concrete blocks and bricks

With non-residential construction demand improving, and with production costs remaining high, brick manufacturers have been successful in pushing up prices in recent months. However, prices will level off in the coming quarters.



Steel (rebar and structural)

Having risen during the first few months of the year, steel prices are expected to drop back again. Although there will be significant demand stemming from government stimulus programs, with improvements on the supply side, and cheaper imports potentially available, price pressures are likely to be contained.



Copper

Although not expected to return to the highs of March 2022, copper prices are being bolstered by demand stemming from government stimulus programs related to the energy transition, as well as demand from China, following its relaxation of COVID restrictions. The potential for further bouts of political instability and protests in Chile and Peru could disrupt supplies and generate volatility in prices.

United States – Commodity Report



Materials	Q2 2023 (f)	Q2 2022 – Q2 2023 (f)		Q4 2022 – Q1 2023 (e)
	US\$	US\$	2022-23 % change	% change
Copper (US\$/T)	8,497	8,825	-3.7% ↓	12.0% ↑ ●
Steel rebar (US\$/T)	998	1,064	-6.2% ↓	1.2% ↑ ●
Steel flat (US\$/T)	1,554	1,931	-19.5% ↓	-7.5% ↓ ●
Stainless steel (US\$/T)	4,897	NA	NA	0.0% ↔ ●
Lumber (US\$/FT ³)	4.8	11.9	-59.3% ↓	-14.6% ↓ ●
Asphalt (US\$/T)	520	631	-17.6% ↓	-10.7% ↓ ●
Limestone (US\$/T)	30.2	28.1	7.5% ↑	6.5% ↑ ●
Cement (US\$/T)	143	127	12.8% ↑	3.2% ↑ ●
Concrete (US\$/YD ³)	122	110	11.3% ↑	3.2% ↑ ●
Welded mesh (US\$/unit)	238	250	-5.0% ↓	1.2% ↑ ●
Bricks (US\$/'000 unit)	976	810	20.5% ↑	15.0% ↑ ●
Drywall (US\$/unit)	13.1	12.2	7.6% ↑	0.4% ↑ ■
Diesel (US\$/gallon)	4.27	5.48	-22.1% ↓	-13.0% ↓ ●

(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: 47.2 x 118.1 in, dia.-0.24 in Drywall: 47.2 x 143.7 x 0.49 in (L x W x T)

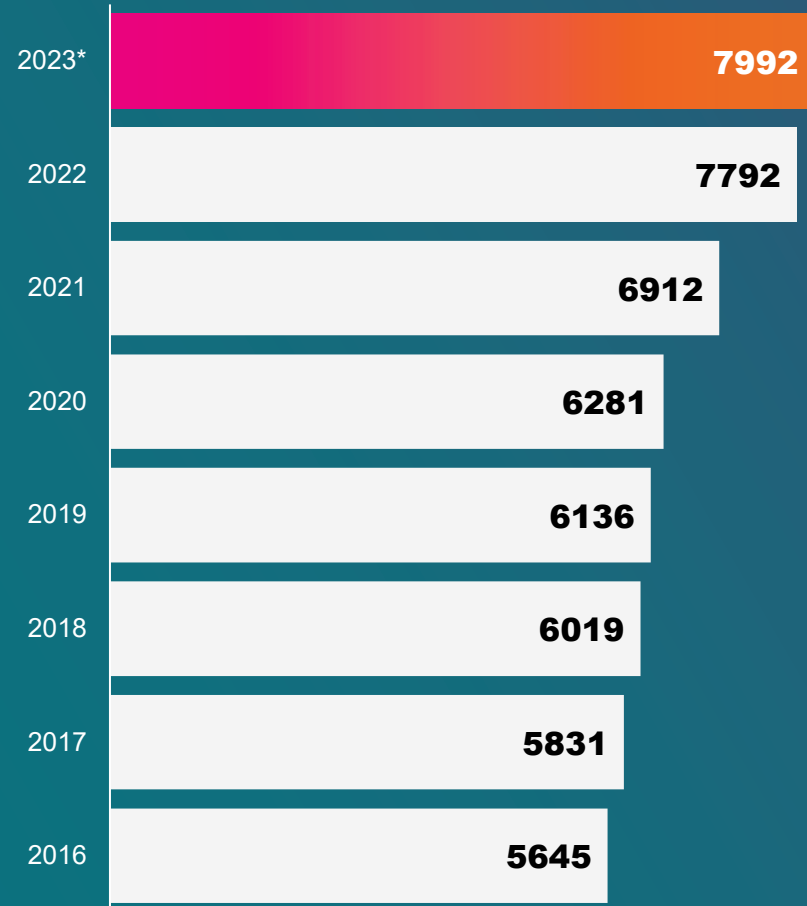
Material	% change Q1 – Q2 2023 (f)	Level of impact of pricing on construction procurement and supply chain *	
Copper	+2.0% ↑	Moderate	Copper prices picked up in early 2023, with tightening supply conditions affecting Chile and Peru coupled with resurgent demand from China. Prices are expected to remain around current levels in the coming quarters. Although there are concerns over the potential for economic weakness given the recent interest rate hikes, investment in the energy transition will contribute to solid underlying demand for copper.
Steel prices - Steel rebar - Flat steel*	-1.0% ↓ +2.5% ↑	Moderate	Steel prices came under renewed upward pressure in Q1 2023, having declined throughout the second half of 2022. Prices for rebar in March were at the highest level since mid-2022. Flat steel also rose in Q1 2023, but on a quarterly average basis prices were below the Q4 2022 level. Prices are expected to fall back from the recent monthly highs in March, with improved supply and weakness in the residential sector helping to offset the impact of increased spending on infrastructure and industrial construction projects. However, on a quarterly average basis, flat steel prices in Q2 2023 will still be relatively high compared to the first quarter.
Stainless Steel	+1.0% ↑	Moderate	Stainless steel prices have been fairly stable in recent months, with the impact of relatively sluggish demand being offset by high prices for key inputs, such as nickel and molybdenum.
Lumber	-1.0% ↓	Moderate	Lumber prices continued to fall in Q1 2023, with the average quarterly price being down by 14.5% compared to Q4 last year. With weak output in residential construction, and ample supplies available, lumber prices will remain on a downward trend.
Asphalt	-2.0% ↓	Moderate	Asphalt prices fell sharply in Q1 2023, dropping by 11% compared to the average of Q4 last year. Recent trends have mainly reflected weakness in oil prices, but demand is expected to strengthen as road construction investment picks up. Prices will remain close to current levels on a quarterly average basis, but there will be bouts of volatility given the prospect for further surprise production cuts by OPEC+.
Limestone	+1.0% ↑	Low	There has been a steady increase in limestone prices recently reflecting higher production costs. Increased spending on infrastructure projects will prop up demand in the coming quarters.

*flat steel prices refer to Hot Coiled Plates

United States – Commodity Report



Building Cost Index (2016-2023) (1993=100)

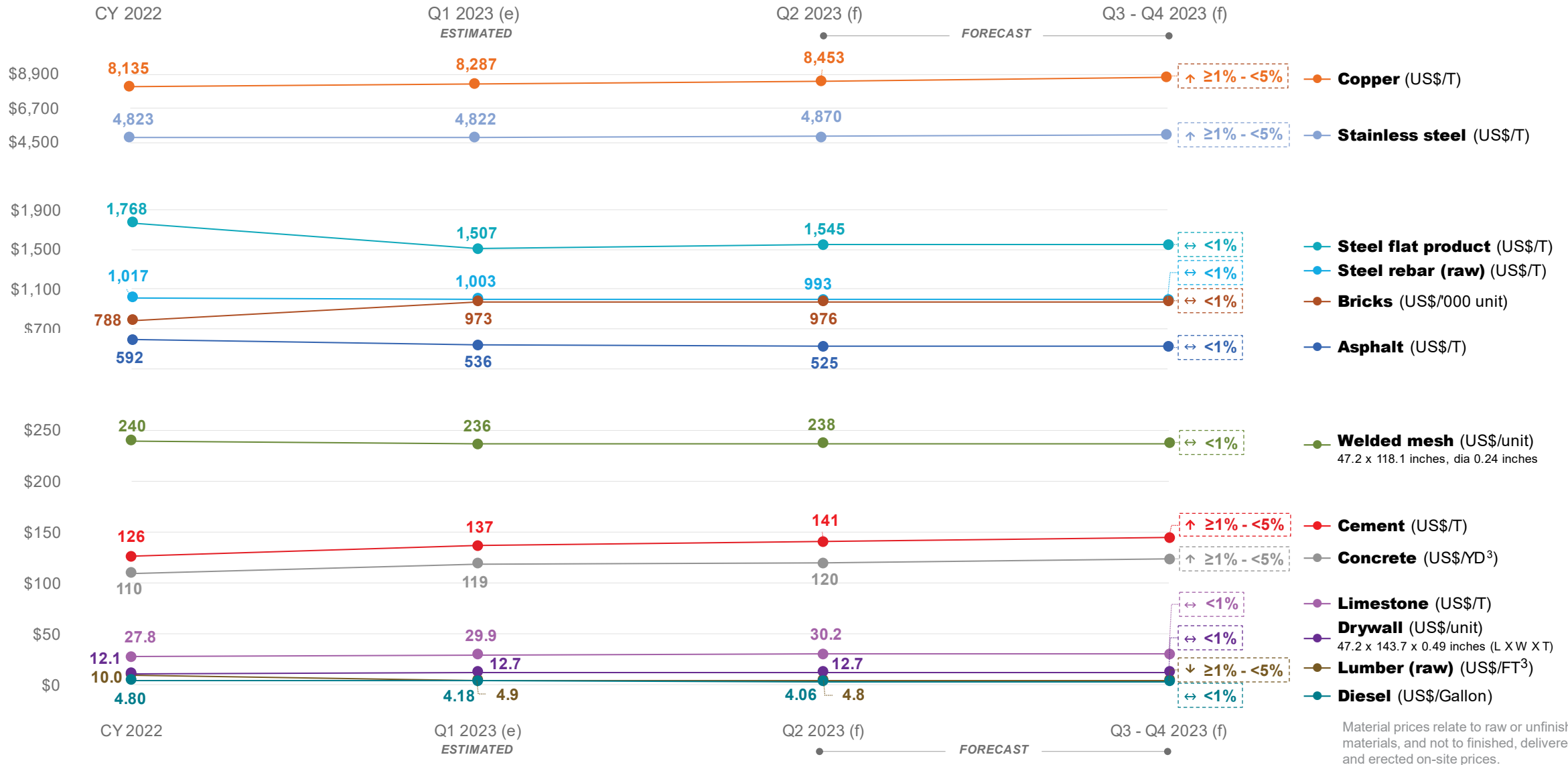


Note: *As of March 2023

Material	% change Q1 – Q2 2023 (f)	Level of impact of pricing on construction procurement and supply chain *
 Cement Concrete	+3.0% ↑ +1.0% ↑	 Moderate <p>Cement prices have continued to increase in recent months, and in February 2023 were up by 14% compared to levels in the same month last year. Producers have been able to pass on higher costs to buyers. Despite weak demand in the housebuilding sector, there is significant growth in industrial and infrastructure construction. With emerging signs of domestic supply shortages, prices are expected to continue to trend upwards.</p>
 Welded mesh	+0.5% ↑	 Moderate <p>Reflecting trends in steel rebar prices, prices for welded mesh have edged upwards in recent months.</p>
 Bricks	+0.3% ↑	 Moderate <p>Brick prices have jumped sharply again, rising by 15% on an average quarterly basis in Q1 2023. Although demand-side pressures have eased amid the downturn in the housebuilding sector, brick manufacturers are succeeding in passing on high production costs.</p>
 Drywall	+0.5% ↑	 Low <p>Despite weak demand in housing construction, drywall prices remained high in Q1 2023 compared to year-earlier levels, being 12% higher. This reflects the relatively high production costs still impacting manufacturers. However, after a consistent upward trend in prices since late 2020, prices are levelling off.</p>
 Diesel	-3.0% ↓	 High <p>Diesel prices continued to fall in Q1 2023, with average quarterly prices dropping by 13% compared to Q4 last year, and in March prices were 27% lower than the July 2022 highs. Weaker demand and the decline in crude oil prices have contributed to the downturn. However, OPEC+ production cuts could generate some upward pressure on prices in the near term.</p>

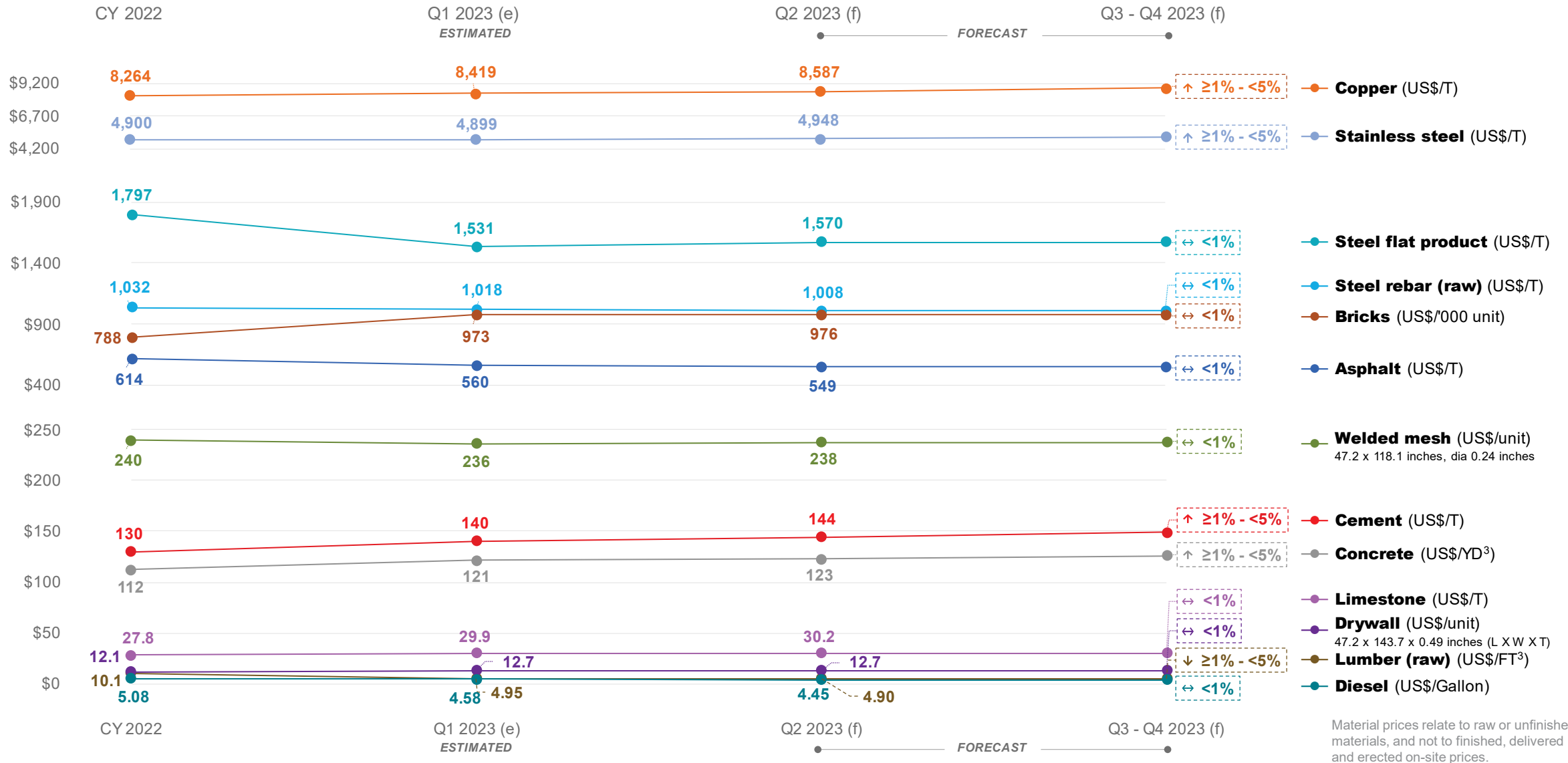
* Level of impact rating reflects a combination of factors: the price movement and also price level (compared to recent past beyond the last quarter), the importance of the material, and general state of the supply chain in terms of stability. Please note that commodity prices are based on representative 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.

US Central – Construction Materials Pricing (2022-2023)



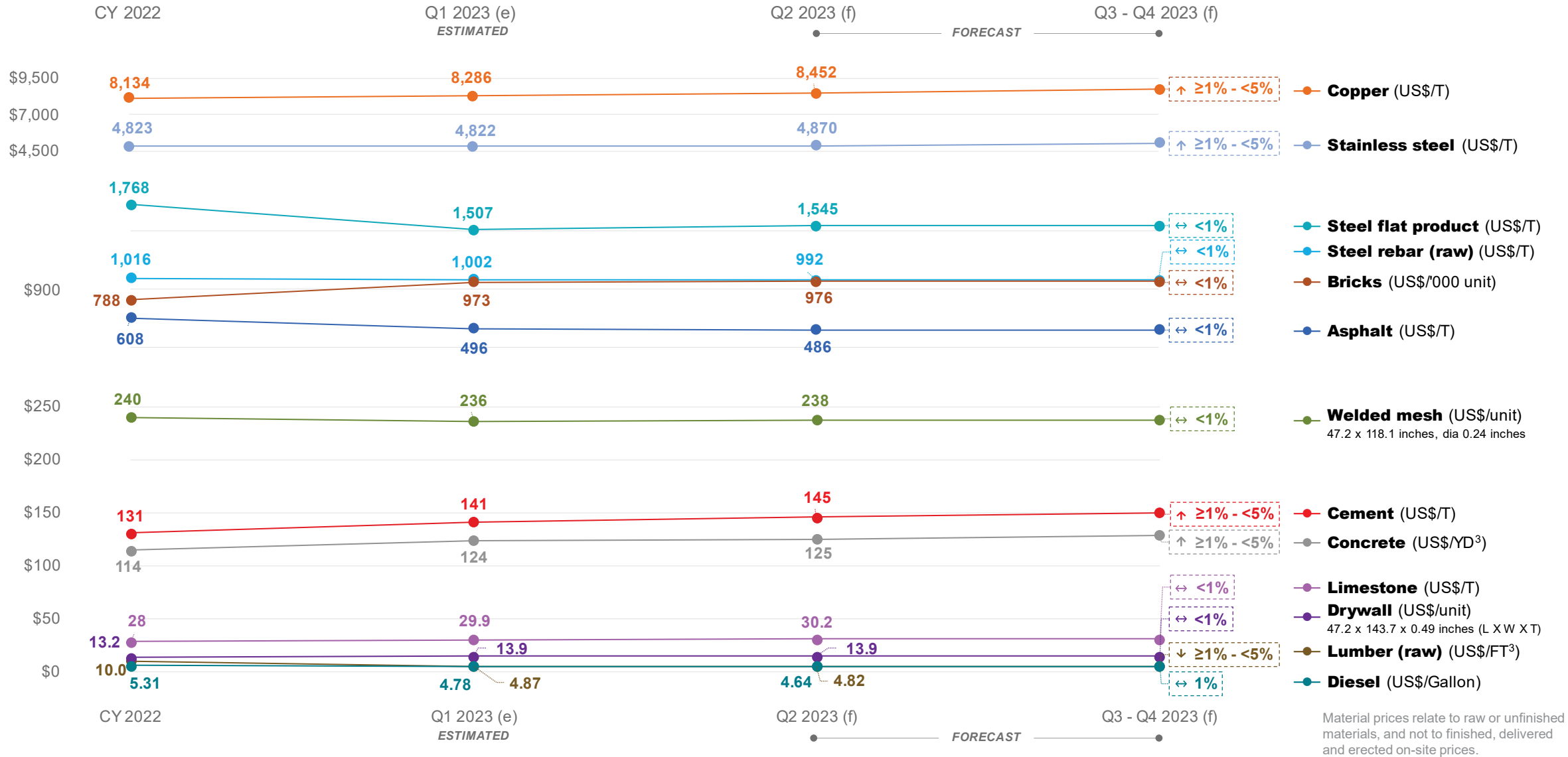
Material prices relate to raw or unfinished materials, and not to finished, delivered and erected on-site prices.

US East – Construction Materials Pricing (2022-2023)



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US West – Construction Materials Pricing (2022-2023)



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United States – Macroeconomic overview



Economic indicators



1.58%

GDP growth in 2023 (f)
and **2.07%** in 2022



4.52%

inflation rate in 2023 (f)
and **7.99%** for 2022



159.38M

people employed in 2023 (f)
and **158.30M** in 2022



3.83%

unemployment rate for 2023 (f)
and **3.64%** in 2022



300.80

Consumer Price Index in Feb
2023 and **287.50** in Feb 2022

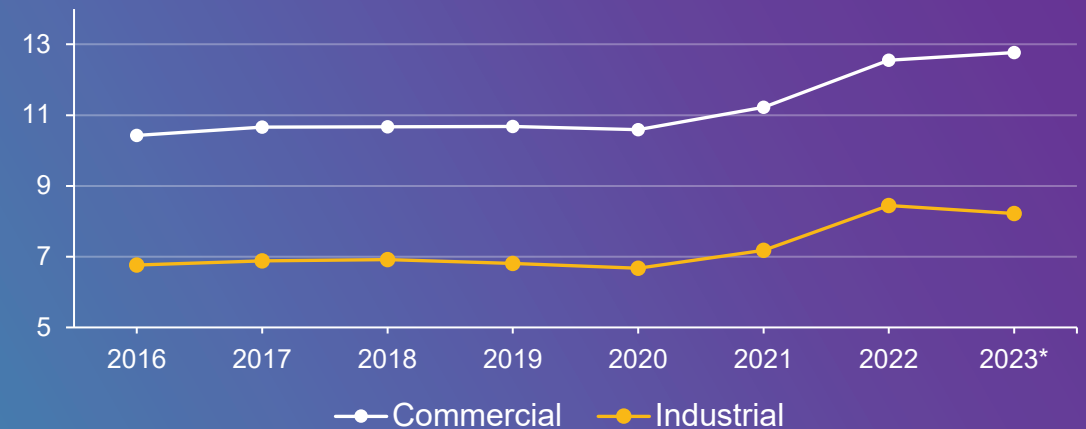


172.68

Producer Price Index in Feb 2023
and **182.57** in Feb 2022

US Energy Prices

Average Electricity Price for Commercial & Industrial Sector- Prices to Ultimate Customers (cents/kWh)









Note: *As of February 2023

Energy prices rose sharply in 2021 as a result of increased business activity following the pandemic. Weather-related factors played a significant role in raising energy prices in 2022. The year 2022 saw a mild winter and record-breaking summer temperatures across the country. The United States felt the effects of higher energy costs caused by the Russia-Ukraine conflict in February 2022. The rise in wholesale energy prices was also reflected in end-user prices. According to the EIA, natural gas prices fell by 41% from December 2022 to January 2023 as a result of higher national average winter temperatures. Following a sharp increase from 2021 to 2023, electricity costs may fall or at least slow.

United States – Construction overview



Output 2022 and 2023 (in USD millions)			
	Total 2022	Total 2023 (f)	Total 2024 (f)
Commercial 	208,032	215,512	221,931
Energy and utilities 	194,561	221,347	242,695
Industrial 	59,998	64,279	67,146
Infrastructure 	139,588	156,146	174,276
Institutional 	139,639	145,940	151,770
Residential 	764,710	689,846	674,157

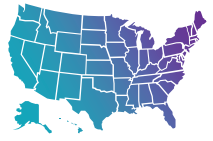
*The output is in real terms at constant prices with 2017 as base year

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 stabilize, 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.

United States – 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 labor 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 – United States

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

- ENR
- IMF
- GlobalData's Construction Intelligence Center (CIC)
- Federal Reserve Economic Data
- Bureau of Economic Analysis
- Economic Research Institute
- World Data
- U.S. Energy Information Administration
- Save on Energy
- International Energy Agency (IEA)
- US Energy Information Administration (EIA)

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