



Netherlands

Country Insights and Commodity Report

Q1 2022



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The Dutch economy grew by 5% in 2021, up from the initial estimate of 4.8% from Statistics Netherlands, and reversing the 3.8% contraction seen in 2020. Exports performed well, while domestic demand was also a key contributor to this growth. A moderation in growth is expected for 2022, at 3.2%.

In the wake of a small contraction in 2020, 2021 saw construction industry growth return at 2% as activity gathered momentum again. Growth is expected to be somewhat conservative this year, as downside risks remain. These include government policies on nitrogen emissions and the associated impact on construction projects, as well as the Russia-Ukraine conflict prompting a return to volatility in material pricing and exacerbating supply chain challenges.

As material costs will continue to represent a challenge for the construction industry for the foreseeable future, Linesight will publish quarterly updates to track commodities and provide insights about future projections on movements.



Brian McClinton
Senior Director – Europe
brian.mcclinton@linesight.com



Lumber

Owing to high demand and a reliance on imports of lumber, domestic prices in the Netherlands almost doubled in 2021 when compared to the average in 2020. Demand will remain strong in 2022. The Dutch government has announced an investment of €1 billion to boost housing construction, with the funding put into the 'woningbouwimpuls' (residential building impulse) scheme, which will be used by local municipalities to invest in projects that could potentially struggle to secure funding. Further upward pressure on prices in the coming quarters will stem from the disruption to regional trade and the EU ban on imports from Russia.



Concrete and aggregates

The Netherlands is one of the top five importers of cement globally. The cost of cement and concrete has increased but not to the same levels seen with other materials. However, it is anticipated that production costs will rise given the increase in gas prices, and this will feed through into higher prices. There are also growing concerns over the potential lack of sand and gravel products if no new extraction licences are issued.



Concrete blocks and bricks

As the recovery in construction gains momentum, demand for blocks and bricks will strengthen. Reflecting this recovery, there has been fast growth in the value of dwellings on which construction has started. Higher energy costs will also be a factor in prices remaining close to recent levels.



Steel (rebar and structural)

Given that the Netherlands is reliant on imports to meet steel demand, prices domestically have been rising sharply due to global pressures. This trend has been exacerbated by the disruption to steel imports from Russia and Ukraine, while demand for steel products is expected to strengthen owing to the government's plans for 2022 to invest €3.6 billion on the maintenance, replacement, and renovation of roads, waterways, railways and bridges.



Copper

With global prices soaring to record highs in May 2021, on an annual average basis, prices were up by 45% in the year as whole. While Russia is not a major global copper exporter, the prevailing tightness in the global copper market means that the disruption caused by the ongoing conflict will prevent a marked easing in prices this year.

Netherlands - Commodity Report



Materials	Q3 Q4 2021		Q3 Q4 2022 (f)		Q4 - Q1 (e)
	€	€	2021-22 (f) % change	% change	2022
Copper (€/MT)	8,297.4	9,247	11.4% ↑	2.5% ↑	●
Steel rebar (€/MT)	674.5	800	18.6% ↑	8.8% ↑	●
Steel flat (€/MT)	727	856	17.7% ↑	8.8% ↑	●
Lumber (€/M3)	90	104	15.5% ↑	7.2% ↑	●
Asphalt (€/MT)	74.4	85.9	15.5% ↑	2.4% ↑	●
Limestone (€/MT)	81.5	83.2	2.2% ↑	-0.3% ↓	●
Cement (€/MT)	151.6	164	8.2% ↑	2.8% ↑	●
Concrete (€/M3)	138.0	156	13.2% ↑	6.3% ↑	●
Welded mesh (€/unit)	53.6	79.1	47.4% ↑	44.1% ↑	●
Bricks (€/000 unit)	505.0	560	10.9% ↑	5.6% ↑	●
Plasterboard (€/unit)	8.8	10.8	22.9% ↑	17.7% ↑	●
Diesel (€/litre)	1.5	1.95	29.2% ↑	13.3% ↑	●

Q3 Q4 2021: Average **Q3 Q4 2022 (f):** Forecasted average
2021-22 % change: % change from Q3 Q4 2021 average to Q3 Q4 2022 average
● **Q4 to Q1 2022 % change greater than estimation in our Q4 report**
■ **Q4 to Q1 2022 % change less than estimation in our Q4 report**

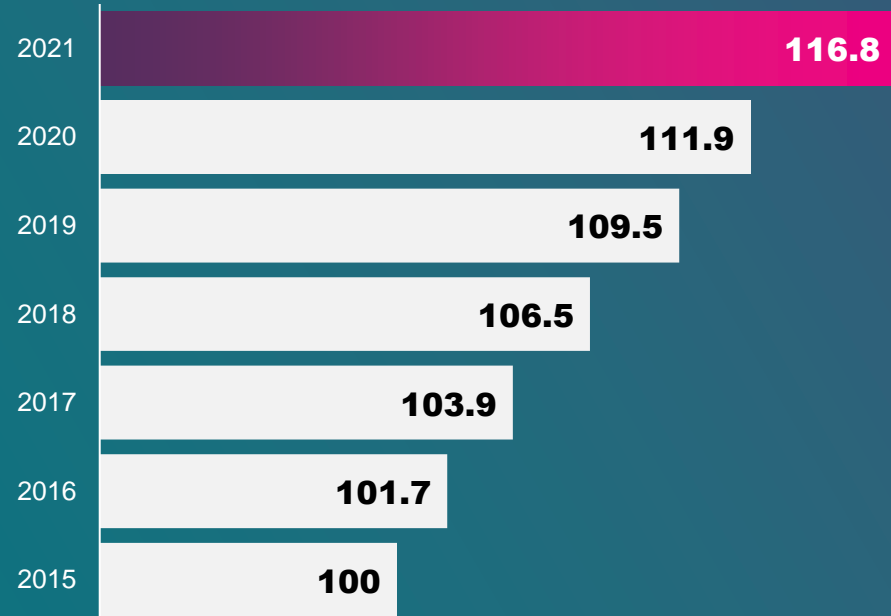
Material	% change Q1 ±Q2 2022 (f)	Level of impact of pricing on construction procurement and supply chain *	
 Copper	+2.3% ↑	High	Although Russia is not a major player in terms of global copper supply, the prevailing tightness in the global copper market means that the disruption caused by the Russia-Ukraine conflict will prevent a marked easing in prices this year. Underlying copper demand remains strong, and prices will remain high in the coming quarters.
 Steel prices - Steel rebar - Flat steel	+2.9% ↑ +2.7% ↑	High	Steel prices rose during 2021, owing to high demand amid the domestic economic recovery, and a slight easing had been anticipated for 2022. However, the Russia-Ukraine conflict has meant that steel and iron ore supplies to the EU have been greatly impacted, pushing up prices further. Although the demand for steel is primarily met through local production, the Netherlands is highly dependent on imports for iron ore.
 Cement Concrete	+1.2% ↑ +1.2% ↑	Moderate	Although there are likely to be improvements on the supply-side compared to the disruption recorded throughout 2021, high demand and limited domestic competition on the supply side means that prices will remain relatively strong in 2022. Dutch materials manufacturers also have a relatively high dependence on gas and given the surge in gas prices across the region, this will add further upward pressure on prices in the coming quarters.
 Asphalt	+2.2% ↑	Low	Asphalt prices will remain elevated reflecting the higher production costs stemming from the rise in global crude oil prices as well as the
 Limestone	+0.7% ↑	Low	The Netherlands' demand for limestone, which is mainly imported across from Belgium, is expected to remain solid given the steady expansion in construction output.

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



Construction cost index 2015-2021



Knoema World Data Atlas

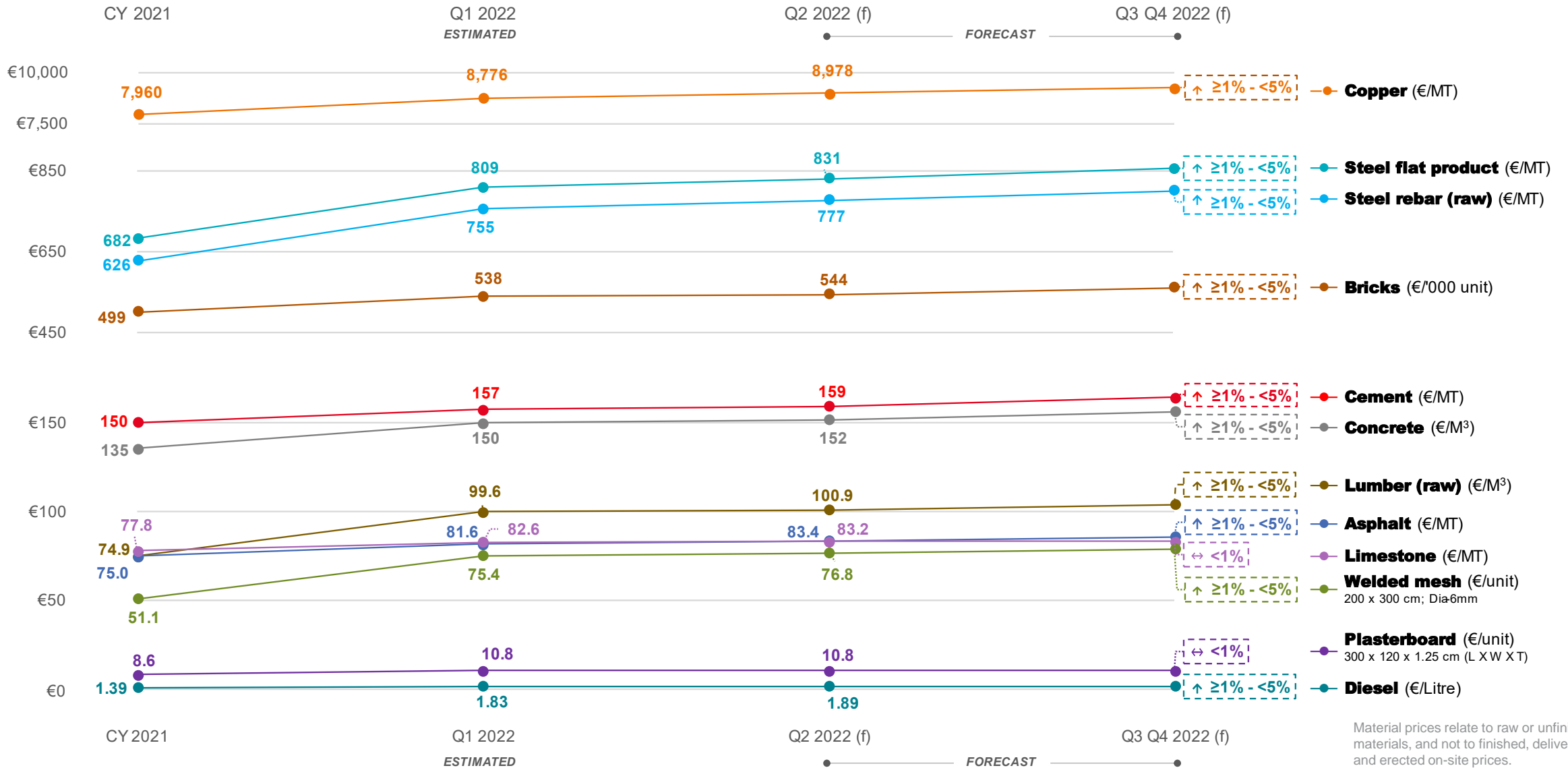
Index of economic freedom **76.8 out of 100**

Material	% change Q1 – Q2 2022 (f)	Level of impact of pricing on construction procurement and supply chain *
 Lumber	+1.3% ↑	 Moderate High demand and supply side constraints resulted in a surge in lumber prices throughout 2021. As the Netherlands is dependent on imports to meet domestic demand, and with regional trade disrupted by the banning of Russian imports, prices in the coming quarters are expected to remain high.
 Welded mesh	+1.9% ↑	 High Due to the expected increase the price of steel, price of welded mesh will also continue an upwards trend in 2022
 Bricks	+1% ↑	 Low Brick prices will remain high in the coming quarters, reflecting continued demand amid the expansion in building construction, alongside upward pressure on production costs. As part of the latest budget, the government announced an investment of €1 billion to boost the housing construction, given that the country is facing a housing crisis with a severe shortage of affordable housing.
 Plasterboard	+0.8% ↑	 Low As with other key building materials, the price of plasterboard is expected to remain at high levels given ongoing recovery in building construction.
 Diesel	+3.2% ↑	 High Diesel prices surged in March, as markets responded to the fallout from the Russia-Ukraine conflict. Although prices may ease back from the peaks reached in March, prices will remain close to current highs while the military conflict persists.

* 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



3.16%

GDP growth in 2022 (f) and 5% in 2021



9.7% inflation rate YoY in March 2022, and **1.94%** for 2021



9.03M people employed in 2022 (f) and 9.02M in 2021



4% unemployment rate in 2022 (f) and 3.6% in 2021



115.27 Consumer Price Index in 2022 (f) and 114.01 in 2021

Weather conditions



1°C to 22°C

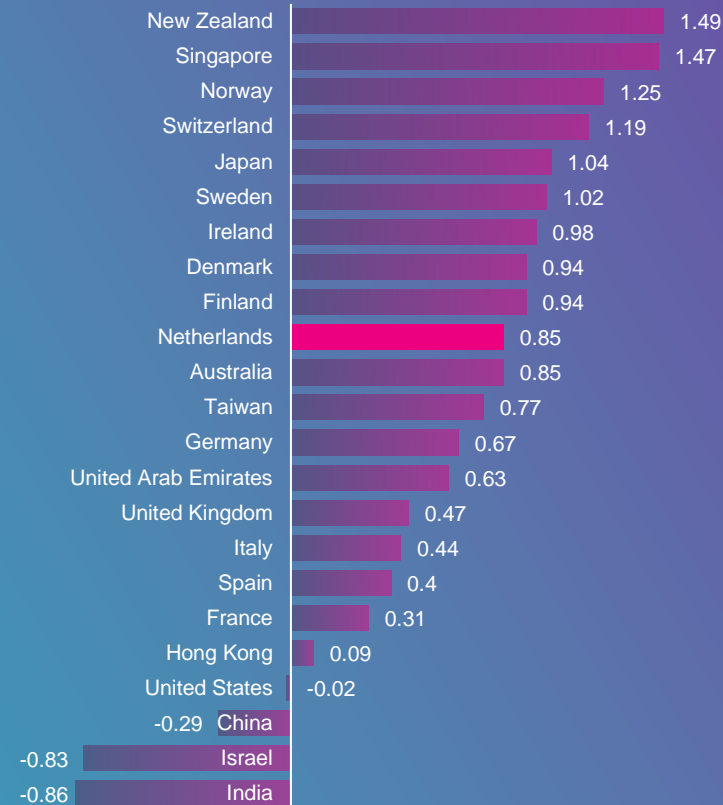
typical temperature range throughout the year



790mm

average annual rainfall

Political stability



Political stability index (-2.5 weak; 2.5 strong)

The index of Political Stability and Absence of Violence/ Terrorism measures perceptions of the likelihood that the government will be destabilised or overthrown by unconstitutional or violent means, including politically-motivated violence and terrorism.

National holidays

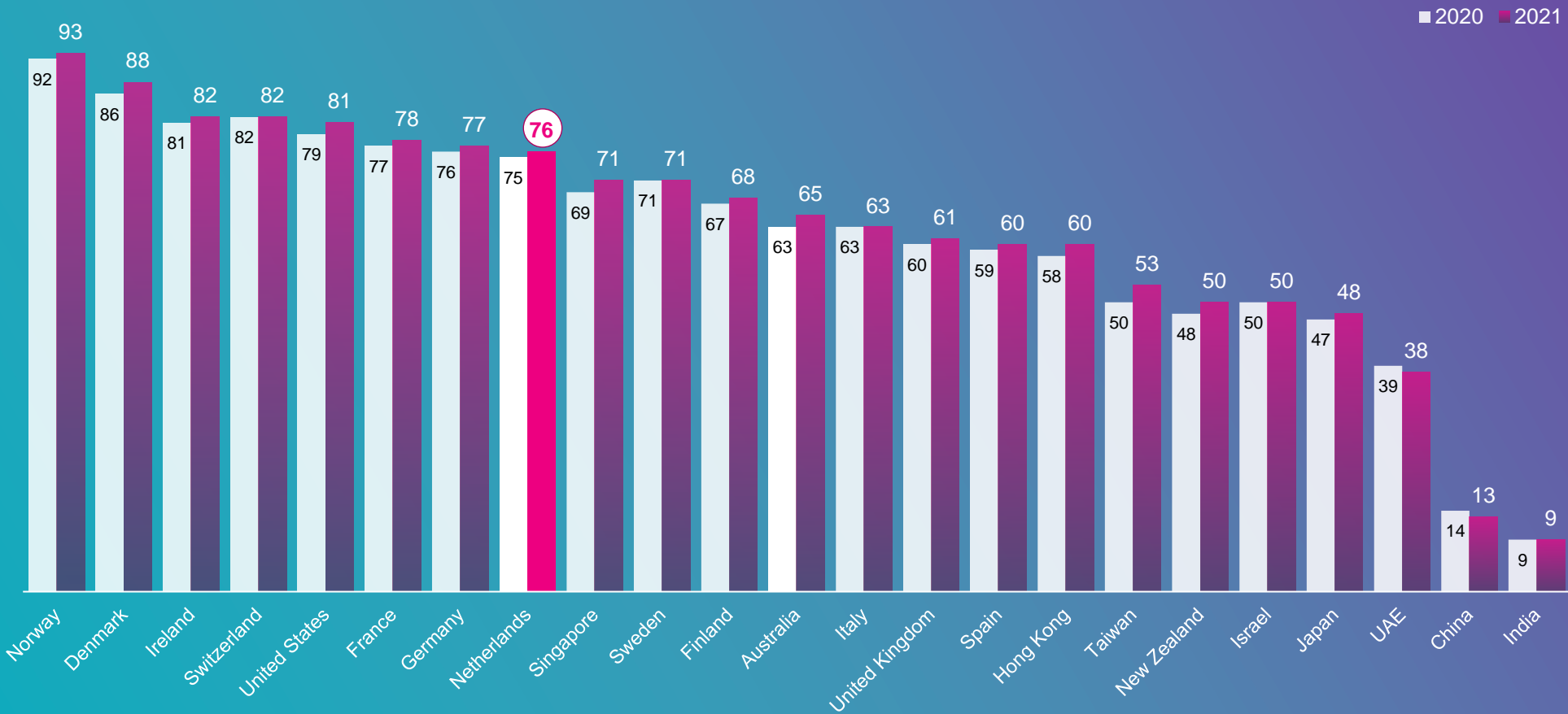


9 public holidays in Netherlands each year. Most holidays are taken during December.

Netherlands - Macroeconomic overview



Labour productivity



Labour productivity per hour worked in 2020 international dollars, converted using Purchasing Power Parities

Labour costs







€44,872  

average construction worker gross salary in Netherlands or an equivalent hourly rate of €22

- An entry level construction worker (1-3 years of experience) earns an average salary of €33,396.
- On the other end, a senior level construction worker (8+ years of experience) earns an average salary of €54,383.

Netherlands - Construction overview



Output 2021 and 2022 (f) (in millions)			
Sector	Total 2021	Total 2022(f)	% change
Commercial 	€15,759.04	€16,039.71	1.8%
Energy and utilities 	€6,295.17	€6,378.41	1.3%
Industrial 	€3,728.46	€3,734.23	0.2%
Infrastructure 	€20,646.84	€21,082.17	2.1%
Institutional 	€8,102.07	€8,134.99	0.4%
Residential 	€60,480.32	€61,926.10	2.4%
Total output	€116,931.69	€119,861.10	2.5%

Long-lead equipment (LLE) – time risks

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 increased exponentially with the IT boom. More data centre and crypto mining providers are joining the market, and this new demand far outweighs the capacity of the supply chain. Entry onto the production line has become a significant challenge, with suppliers reporting fully booked capacity until Q1 2023. Opportunities exist for the development of Tier 2 and Tier 3 suppliers to Tier 1 status. However, it will take time to develop an extended supply chain.
- Material shortage:** The end of Q1 2022 saw a significant drop in the availability of raw materials used for LLE production. Global factors such as the Russia-Ukraine conflict and the resurgence of COVID-19 has halted production, which is at its lowest levels in recent years. The ethical approach in the supply chain to manoeuvre away from the use of Russian gas and oil has reduced production levels and added longer lead times within the supply chain. The raw material shortages are expected to continue into Q2 2022, whilst there is uncertainty for the security of the supply chain.
- Freight durations and costs:** Heightened by the increase in fuel costs and compounded by the shortage of labour and low supply of shipping containers, freight durations have soared as suppliers look for ways to mitigate these challenges. The demand for freight services has grown across all markets in recent years and the competition amongst industries has had a negative effect on availability and durations. As clients consider alternative solutions, it almost becomes cost prohibitive to use quicker forms of transport, such as air freight, due to increasing fuel costs.

Construction health & 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
- Economy.com
- The Global Economy
- Weather Spark
- Netherlands Labour Authority
- Statistics Netherlands (CBS)
- GlobalData's Construction Intelligence Center (CIC)
- Conference-board.org

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