



India

Country Insights and Commodity Report

Q3 2022



India

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In its October release, the International Monetary Fund (IMF) has cut its forecast for India's 2022-2023 economic growth to 6.8% from the previous prediction of 7.4%, which in itself was a downward revision. However, it referenced India as a "bright spot on this otherwise dark horizon" with the current global landscape, given its growth rate. Inflation for September came in at 7.41%, up from 7% in August, and above the 2-6% target range of the Reserve Bank of India (RBI).

In terms of construction, 5.8% growth is expected this year, with the downside risks of elevated energy and material costs, bottlenecks in terms of land acquisition and tendering, and ongoing supply chain issues hampering performance in H2 after a relatively good H1 performance. However, in comparison to prior quarters, there has been a stabilisation in commodity prices and construction costs. Sectors like data centres, logistics (warehousing) and infrastructure are undoubtedly seeing growth. The government has been reaching out to the high-tech sector with regards to the establishment of semiconductor manufacturing facilities in India, in light of the global shortages in this area. The recent rollout of 5G is expected to further enhance growth in the digital sector.



Ameya Gumaste
Country Head – India
ameya.gumaste@linesight.com



Lumber

India relies on imports to satisfy much of the lumber demand from the construction industry and, as a result, disruption to global supply chains and rising shipping rates have pushed up prices. Strong residential and commercial construction activity will exert further upwards pressure on prices into next year, though a potential fall in global demand for lumber as tighter monetary policies weigh on residential construction demand may offset this.



Cement and aggregates

While cement prices recorded a near 7% QoQ fall in the third quarter of this year, prices are expected to rally in Q4 2022 and into 2023. Cement prices fell in Q3 2022 due to a seasonal fall in construction activity during the height of the monsoon period, and a fall in petroleum coke prices. In the remainder of 2022 and into 2023, improving demand from the construction industry as activity ramps up and the beginning of works on a sizeable pipeline of public infrastructure developments will drive up cement prices.



Concrete blocks and bricks

Concrete block and brick prices fell in the third quarter of this year, as demand from the construction industry softened during the monsoon period. However, with demand from the construction industry expected to recover in the final quarter of this year and thermal coal prices, on which India's brick manufacturers are reliant, remaining elevated, prices are expected to remain high.



Steel (rebar and structural)

A glut of supply in Q2 and Q3 2022 as a result of the Indian government's imposition of export tariffs and weak global demand saw steel prices contract in India. Soft global demand, an increasingly strong US dollar and a substantial fall in iron ore prices are expected to weigh significantly on steel prices into the first half of next year. Works on India's sizeable pipeline of infrastructure construction and the ending of steel export tariffs will exert some upwards pressure on prices, particularly as construction activity recovers following the end of the monsoon season, but this is unlikely to have a significant enough impact to offset the aforementioned risks.



Copper

Copper prices have fallen significantly from their highs in Q2 2022, with prices in India estimated to have fallen by upwards of 16% on a quarterly basis in Q3 2022. Weighing on domestic prices during the quarter was the fall in global prices, as industrial activity in the EU and China slowed and global economic growth stumbled. Domestic copper prices in India are particularly exposed to movements in international markets, given India's reliance on imports of copper concentrate. Some upwards pressure on prices may be generated towards the end of the year as demand strengthens due to an acceleration of public infrastructure construction works in India and China, but this is unlikely to be sufficient to drive a return to the highs seen in late 2021 and early 2022.

India - Commodity Report



Materials	Q4 2022 (f)	Q4 2021 – Q4 2022 (f)		Q2 2022 – Q3 2022 (e)
	INR	INR	2021-22* % change	% change
Copper (INR/MT)	696,306	804,966	-13.50% ↓	-16.4% ↓ ■
Steel rebar (INR/MT)	56,103	61,200	-8.33% ↓	-12.6% ↓ ■
Steel flat (INR/MT)	56,796	69,333	-18.08% ↓	-12.0% ↓ ■
Lumber (INR/M3)	12,814	9,625	33.14% ↑	7.4% ↑ ●
Asphalt (INR/MT)	53,815	43,707	23.13% ↑	-8.1% ↓ ●
Limestone (INR/MT)	480	424	13.15% ↑	5.6% ↑ ■
Cement (INR/MT)	8,038	7,620	5.48% ↑	-6.9% ↓ ■
Concrete (INR/M3)	4,545	4,000	13.63% ↑	2.3% ↑ ■
Welded mesh (INR/unit (a))	302	339	-10.83% ↓	-15.2% ↓ ●
Bricks (INR/'000 unit)	9,157	8,100	13.05% ↑	-2.1% ↓ ■
Plasterboard (INR/unit (b))	364	350	3.89% ↑	0.0% ↔ ●
Diesel (INR/litre)	87.83	90.30	-2.73% ↓	-3.8% ↓ ●

(a) 100x100cm, dia.-6mm
(b) 120x180x1.25cm (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	-2.0% ↓	Moderate	Copper prices in India remain heavily influenced by international prices, given India's reliance on imports of copper concentrate. Prices have trended downwards since the second quarter of 2022, with slowing global economic growth, weak industrial activity in the EU and China, and the depreciation of the Indian rupee against the US dollar slowing global demand. This decline in prices is expected to continue into the first half of 2023.
 Steel prices - Steel rebar - Flat steel	-4.9% ↓ -5.2% ↓	Moderate	Steel prices declined during the second and third quarter of 2022 owing to sluggish demand in the domestic market and higher inventory levels. The Indian government increased the export duty on steel products in May 2022, which led to a glut of steel in the domestic market. With demand from China and Europe weak due to a collapse in residential construction in China and poor industrial activity in the EU, prices are expected to decline further in the final quarter of this year and into 2023. However, the Indian government is planning to withdraw the export duty by the end of the year, and this is expected to restrict domestic supply, exerting a degree of upwards pressure on prices.
 Lumber	+1.0% ↑	Moderate	Lumber prices are expected to have increased by approximately 7.5% on a quarterly basis in Q3 2022. Elevated demand from the construction industry is expected to drive lumber prices higher in the final quarter of this year and into early 2023.
 Asphalt	-1.0% ↓	Low	An easing of global crude oil prices in the second and third quarter of 2022 is expected to have weighed on asphalt prices, with prices estimated to have fallen by approximately 8% quarter-on-quarter in Q3 2022. Further weighing on prices was the Indian government's sourcing of discount crude oil from Russia. In Q4, however, prices are expected to rise marginally as a result of increased crude oil prices following OPEC+'s decision to cut output by two million barrels per day.
 Limestone	+1.0% ↑	Low	With limestone demand expected to continue to be well balanced, prices are expected to remain relatively stable, though higher energy costs will see some price appreciation in the final two quarters of this year.

India - Commodity Report



Construction cost index – 2015-2021



Material	% change Q3 – Q4 2022 (f)	Level of impact of pricing on construction procurement and supply chain *
 Cement Concrete	+2.5% ↑ +1.0% ↑	 Moderate Declining input prices and a fall in demand due to a softening of construction activity during the monsoon season is expected to have resulted in a 7.4% quarter-on-quarter fall in cement prices in Q3 2022. However, with demand anticipated to improve in the final quarter of this year as construction activity picks up, prices are expected to rise.
 Welded mesh	-3.0% ↓	 Moderate Welded mesh prices are expected to fall in the second half of this year, in line with the decline in steel rebar prices.
 Bricks	+1.0% ↑	 Low Brick prices declined in Q3 2022 as construction activity slowed during the monsoon season. Prices are expected to rise marginally in the final quarter of this year and into 2023, as construction activity intensifies.
 Plasterboard	+1.0% ↑	 Low While no significant change is expected in the price of plasterboard, a slight increase in price is expected in the final quarter of this year as demand from the construction industry strengthens.
 Diesel	-2.0% ↓	 Low India is heavily dependent on imported crude oil, which accounts for approximately 80% of its domestic needs. Due to the fall in global crude oil prices and India's sourcing of discounted crude from Russia, the price of diesel is expected to have declined in Q3 2022. However, with OPEC+ cuts to production expected to drive global crude oil prices higher, diesel prices are expected to remain high in the coming quarters.

* 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.

India - Construction Materials Pricing (2021-2022)



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

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India – Macroeconomic overview



Economic indicators



6.8%

GDP growth in 2022 (f)
and **8.95%** in 2021



6.58%

inflation rate in 2022 (f), and
5.13% for 2021



437.21M

people employed in
2022 (f) and **420.43M**
in 2021



7.00%

unemployment rate
for 2022 (f) and **7.81%**
in 2021



207.64

Consumer Price Index in
2022 (f) and **194.83** in
2021



153.10

Producer Price Index in
Aug 2022 and **136.20** in
Aug 2021

National holidays



17 public holidays

in India each year. Public holidays can vary significantly by state, and so we do not list them below.

India – Macroeconomic overview



Output 2021 and 2022 (in millions)			
Sectors	Total 2021	Total 2022 (f)	% change
Commercial 	INR3,163,737	INR3,355,525	6.1%
Energy and utilities 	INR12,988,090	INR13,598,945	4.7%
Industrial 	INR3,509,659	INR3,712,841	5.8%
Infrastructure 	INR11,053,625	INR11,814,943	6.9%
Institutional 	INR1,660,470	INR1,743,426	5%
Residential 	INR13,526,290	INR14,341,068	6%

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



38

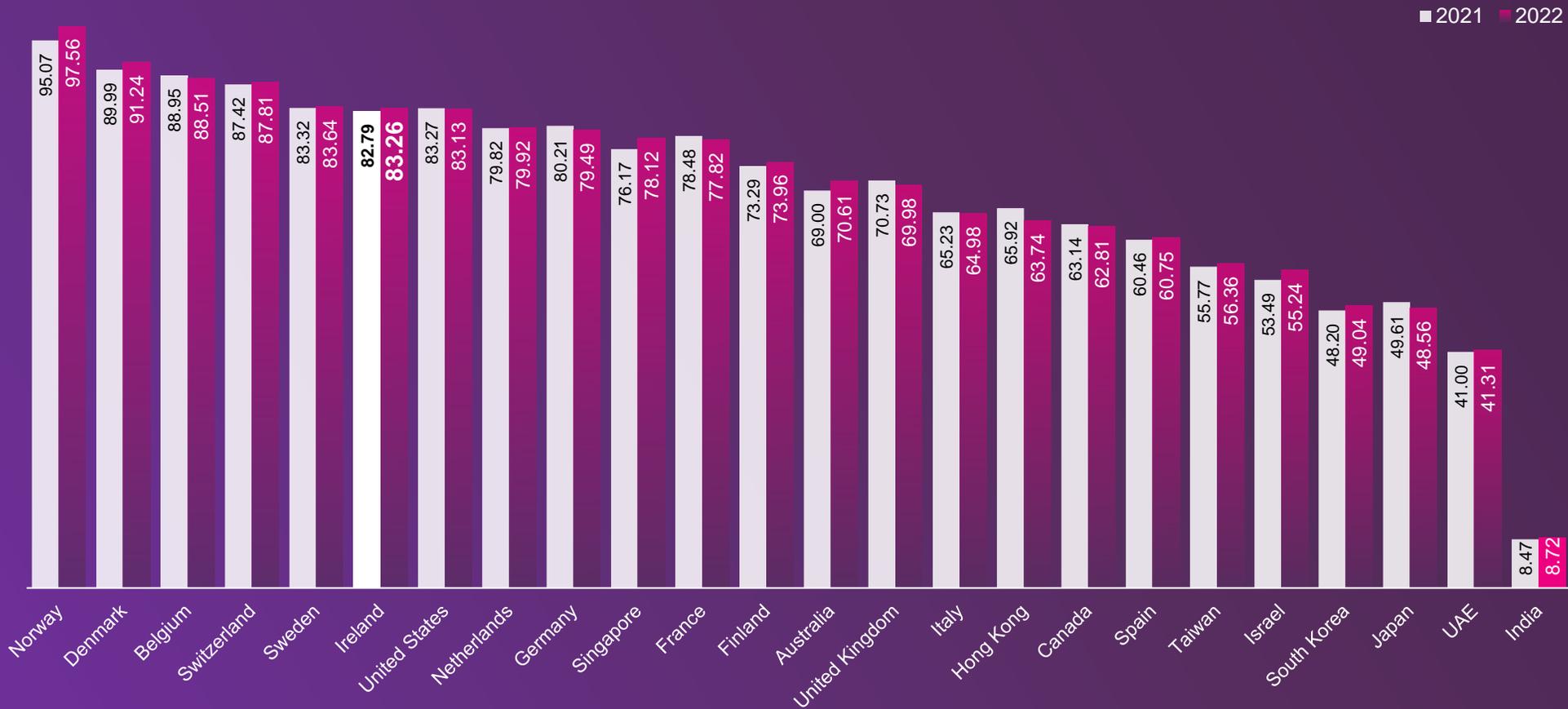
fatal accidents a day in 2022

Causes: Falls from heights, electrocutions, falling walls, and falling from scaffolds.

India – Macroeconomic overview



Labour productivity



Labour costs



INR178/day

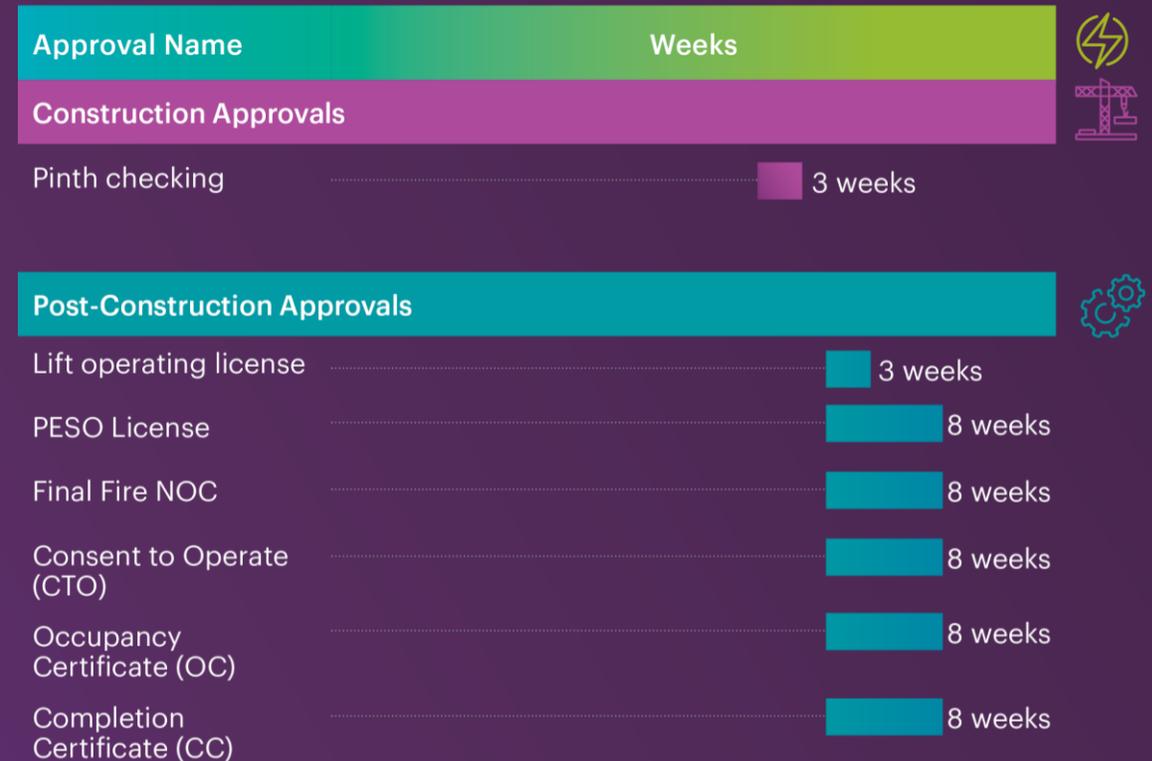
minimum wage

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

India – Construction programme considerations



Typical Delivery Programme



Note: All of the above information on process and timelines are from secondary sources. Linesight cannot independently verify the authenticity nor veracity of the information. We recommend engaging a suitable statutory consultants to have further and accurate details. Please also note that the permit process can differ from state/city/location.

India - 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 – India

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

- IMF
- Reserve Bank of India
- Ministry of Statistics and Programme Implementation
- ILO
- GlobalData's Construction Intelligence Center (CIC)

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