



Australia

Country Commodity Report

Q4 2022



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Amid a bleak global economic outlook, IMF estimated a slowing of Australia's economic growth rate from 3.6% in 2022 to 1.6% in 2023, in its most recent statement. While the actual inflation figures are awaited, the forecast for December 2022 had been raised from 7.75% to 8% earlier last year, due to an increase in retail energy and food prices caused by the recent extreme weather events.

The Australian construction industry is predicted to have real-term declines of 0.4% and 2.7% in 2022 and 2023 respectively as a result of supply chain disruptions, rising interest rates and inflation, and prolonged difficulties in the residential construction sector. The industry is also experiencing a labour crunch, which is causing cost overruns and project delays. However, from 2024 to 2026, the industry is anticipated to recover at an average annual growth rate of 3.1%, helped by the government's sustained emphasis on infrastructure development.



John Carleton
Director – Australia | New Zealand
john.carleton@linesight.com



Brian Coyle
Director
brian.coyle@linesight.com



Lumber

Residential construction is expected to slow in 2023, given the recent declines in dwelling approvals and new residential commencements. However, demand in the short term will persist given that dwellings under construction remain relatively high. Tariffs on imported lumber from Russia and Belarus will also exert sufficient upward pressure to maintain prices around current levels. The Government's commitment to invest AUD300 million to support the forestry industry will to some extent ease price and supply pressures in the longer term.



Cement and aggregates

With construction activity expected to moderate in the first half of 2023 and input costs falling as a result of a government cap on domestic prices of natural gas and thermal coal, cement prices are expected to decline in the coming quarters. The energy consumed by Australian cement producers is predominantly generated by thermal coal, which accounted for approximately 57% of the industry's energy use in 2020-21, according to the Cement Industry Federation. Some upwards pressure on cement prices will be generated by the commencement of works on a number of large civil engineering projects in Q1 2023, including the Sydney Metro West project and the North East Link Road development, but this is likely to be more than offset by an expected fall in demand from the residential construction sector.



Concrete blocks and bricks

Demand for bricks and concrete blocks is expected to ease in the coming quarters, as new residential construction slows, and energy costs fall.

Brick kilns in Australia are predominantly fired using natural gas, which has been capped by the government at AUD12 per gigajoule until December 2023, less than half its average price in Q3 2022.



Steel (rebar and structural)

Steel demand is expected to continue to slow in Q1 2023, and prices are expected to decline as a result. Weighing on demand will be a weakening of global economic growth, which is expected to lead to a moderation of both manufacturing production and construction activity. However, with global crude steel production falling, down 5.4% YoY in H1 2022, and construction works on a number of major civil engineering projects in Australia expected to begin in early 2023, the fall in steel prices is expected to be moderate. A potential easing of China's import ban on Australian coking coal, which is used in the manufacture of steel, will further soften the expected decline in steel prices.



Copper

Copper prices are expected to remain relatively stable in the coming quarters, though risks to the price outlook are weighted heavily to the upside. Factors influencing price reduction include weakening industrial activity in Europe and the United States, reduced monetary support and reduced demand as a result of elevated inflation. Counter factors include increased demand from China, driven by significant infrastructure investment. In Australia, the Government's 'Rewiring the nation' plan has made AUD20 billion available to fund improvements to the transmission infrastructure, and AUD7.8 billion investment in critical transmission projects in December 2022. In the long term, copper prices are expected to rise substantially, mainly driven by increased demand from electric vehicle manufacturing and rising investment in renewable energy generation.

Australia – Commodity Report



Materials	Q1 2023 (f)	Q1 2022 – Q1 2023 (f)		Q3 – Q4 2022 (e)
	AUS\$	AUS\$	2022-23 % change	% change
Copper (AU\$/MT)	12,376	13,968	-11.4% ↓	8.2% ↑ ●
Steel rebar (AU\$/MT)	783	1,048	-25.3% ↓	-6.4% ↓ ●
Steel flat (AU\$/MT)	811	1,087	-25.4% ↓	-2.5% ↓ ●
Stainless steel (AU\$/MT)	2,102	NA	NA	NA
Lumber (AU\$/M3)	141	129	8.9% ↑	2.0% ↑ ■
Asphalt (AU\$/MT)	1,661	1,310	26.8% ↑	2.7% ↑ ●
Limestone (AU\$/MT)	50.3	60.0	-16.3% ↓	0.0% ↔ ■
Cement (AU\$/MT)	548	518	5.9% ↑	5.7% ↑ ●
Concrete (AU\$/M3)	331	320	3.4% ↑	1.2% ↑ ●
Welded mesh (AU\$/unit)	122	97	26.2% ↑	0.0% ↔ ■
Bricks (AU\$/'000 unit)	1,640	1,661	-1.3% ↓	-3.0% ↓ ●
Plasterboard (AU\$/unit)	36.3	35.2	3.1% ↑	0.0% ↔ ■
Diesel (AU\$/litre)	2.3	1.8	26.5% ↑	-2.1% ↓ ●

(f) Forecast (e) Estimated

● Q3 to Q4 2022 % change greater than estimation in our Q3 report
■ Q3 to Q4 2022 % change less than estimation in our Q3 report

Welded mesh: 600 x 240cm, dia.-6mm Plasterboard: 300 x 120 x 1cm (L x W x T)

Material	% change Q4 – Q1 2023 (f)	Level of impact of pricing on construction procurement and supply chain *	
 Copper	+0.4% ↑	Low	Despite unfavourable conditions, copper prices began to rise toward the end of 2022. The increase in international copper markets is primarily due to anticipated demand from China following the relaxation of China's zero COVID policy; however, with the expectation of a global economic downturn, prices are likely to remain relatively flat. An increase in demand from the civil engineering sector will put upward pressure on copper prices in Australia, though this will be mitigated by a decrease in demand from the residential construction sector.
 Steel prices - Steel rebar - Flat steel	-1.3% ↓ +1.1% ↑	Low	Steel Rebar and Flat Steel prices registered a decline of 6.4% and 2.5% respectively in Q4 2022 from Q3 prices. This is primarily due to weakening industrial output globally and falling demand in the construction sector. As demand weakens further, steel prices are expected to continue falling in coming quarters though marginally, as Japanese and European steel producers cut production due to increasing energy costs and ramping up Chinese domestic demand. However, rising iron ore prices will partly offset the impact of falling demand on Australian prices in Q1 2023.
 Stainless Steel	+1.0% ↑	Low	Stainless steel prices have shown an upward trend mainly driven by increasing raw material prices and elevated energy costs.
 Lumber	+0.5% ↑	Moderate	Lumber prices have edged up slightly from their Q3 2022 levels, mainly driven by tight demand and limited availability of imported wood. However, with interest rates rising and residential building approvals falling, demand from the construction sector is expected to soften in the short term.
 Asphalt	+0.5% ↑	Low	Asphalt prices have increased moderately from their Q3 2022 levels, increasing by a relatively marginal 0.5% in Q4 2022. There is likely to be further pressure on asphalt prices in early 2023 as a result of the Australian cap of \$60/barrel on Russian seaborne crude oil and the subsequent Russian ban on exports from Australia.
 Limestone	+0.5% ↑	Low	Limestone price have not shown any notable changes and remained stable at their Q3 2022 levels. Rising inflation and a softening of demand from the Australian construction sector is expected to maintain limestone prices close to their current levels in Q1 2023.

Australia – Commodity Report



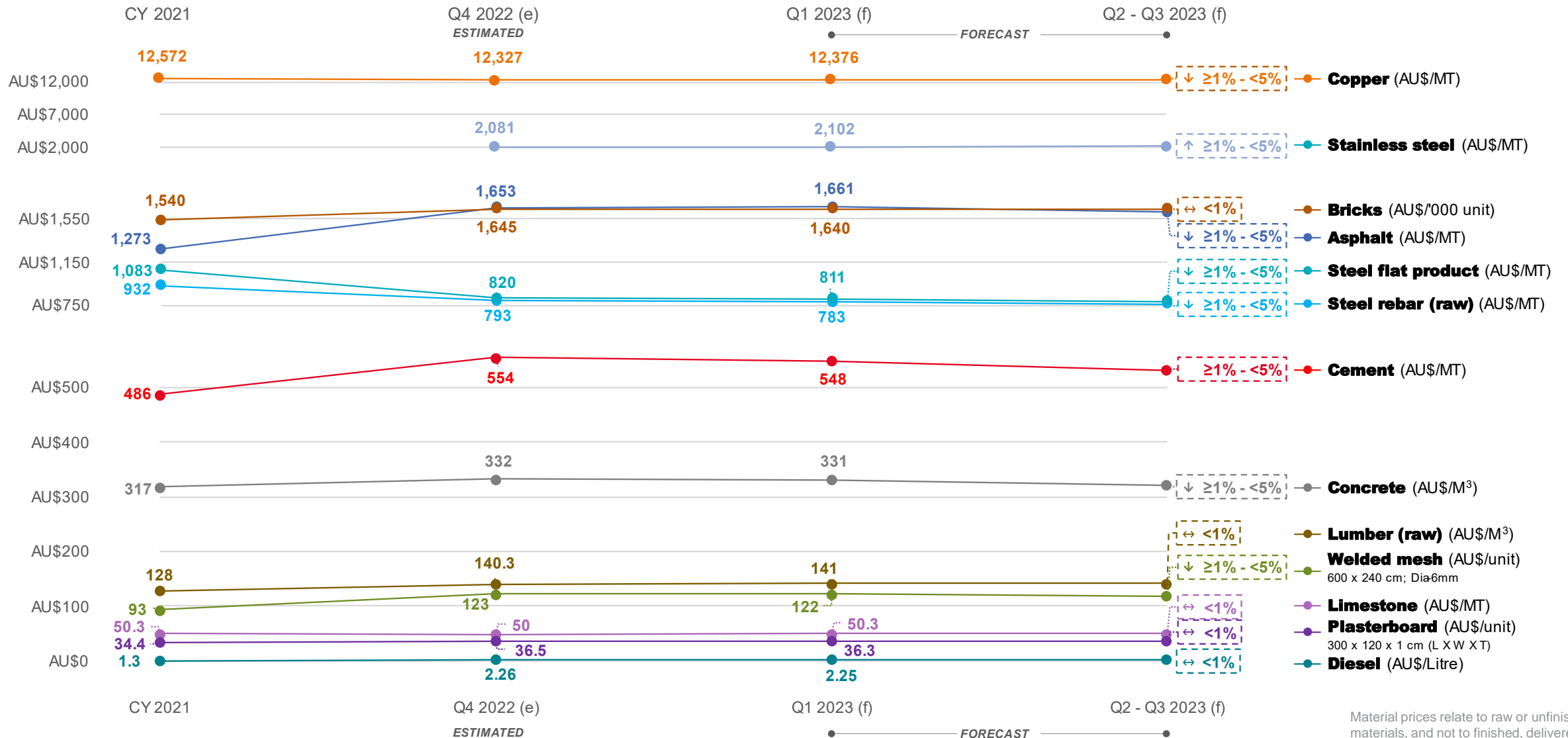
AIQS Building Cost Index 2019-2023(f)

Jul-23 (f)	372
Apr-23 (f)	366
Jan-23 (f)	360
Oct-22 (f)	353
Jul-22	347
Apr-22	341
Jan-22	337
Oct-21	333
Jul-21	330
Apr-21	327
Jan-21	325
Oct-20	323
Jul-20	322
Apr-20	321
Jan-20	318
Oct-19	316
Jul-19	313
Apr-19	311
Jan-19	308

Material	% change Q4 – Q1 2023 (f)	Level of impact of pricing on construction procurement and supply chain *	
 Cement Concrete	-1.0% ↓ -0.4% ↓	Moderate	Cement prices are expected to have risen marginally in Q4 2022 due to rising input costs and elevated energy prices; this increase has resulted in a rise in concrete prices. However, with the Australian senate recently introducing a cap on domestic energy prices at AUD125 per metric ton of coal and AUD12 per gigajoule of gas, cement prices are expected to decline from their current levels in Q1 2023.
 Welded mesh	-0.1% ↓	Low	Welded mesh prices have remained stable and have not exhibited any notable change from their Q3 2022 levels. With steel rebar prices expected to fall in Q1 2023, welded mesh prices are expected to decline from their current levels.
 Bricks	-0.3% ↓	Moderate	Brick prices are estimated to have declined by approximately 3% from their Q3 2022 levels. The decrease in price is mainly due to a softening of demand from the residential construction industry. Building approvals in Australia fell by 6% on a monthly basis in October 2022, while private sector house approvals, which make up the bulk of residential construction in Australia, fell by 2.2%. Brick prices are expected to continue to decline in Q1 2023.
 Plasterboard	-0.7% ↓	Low	Plasterboard prices remain stable and have recorded no notable change from their Q3 2022 price. Due to reduced demand from the construction sector, especially residential construction, plasterboard prices are expected to decline marginally in Q1 2023.
 Diesel	-0.3% ↓	Low	Diesel prices edged downward by approximately 2% from their Q3 2022 average in Q4 2022. The decrease was mainly due to falling international crude oil prices. Having declined further in December 2022, the price for diesel is expected to decline marginally in Q1 2023. However, with Australia having decided to cap Russian seaborne crude oil to \$60 a barrel and Russia in retaliation having decided not to sell under this cap, tighter supply may exert some upward pressure on diesel prices 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.

Australia – Construction Materials Pricing (2021-2023)



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

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Australia – 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 – Australia

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

- IMF
- ABS
- AIQS
- RBA
- Safe Work Australia
- GlobalData's Construction Intelligence Center (CIC)

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