



Australia

Country Insights and Commodity Report

Q1 2023      

Australia

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In Q4 2022, Australia's economic growth decelerated due to rising interest rates and high inflation, although trade improved. The annual growth rate for 2022 was 3.7%, down from 5.2% in 2021. RBA predicts that economic growth will slow to 1.5% by the end of 2023 due to rising interest rates, high living costs, and declining incomes. However, the rebound in tourism and education-related travel is expected to support growth in coming years. Inflation is also gradually easing, with the annual Consumer Price Index standing at 7% in the March quarter, 80 points lower than the December quarter last year.

Australian construction industry is predicted to decrease by 2.6% in real terms, following a 0.6% increase in 2022. Supply chain problems, labour constraints, and the country's residential sector's persistent difficulties all weighing on the industry's growth. Nonetheless, due to the government's sustained emphasis on infrastructure development, the industry is predicted to grow at a 3.1% annual rate from 2024 to 2027. Another sector that is seeing investment, particularly in health, education, and research projects, is the institutional sector, which is expected to expand by 8.8% in 2023.



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Lumber

New residential construction activity, a leading indicator for lumber demand, continued to decline in early 2023, with the number of private sector houses approved falling to an 11-year low of 7,560 in January 2023. With this trend expected to continue through this year, lumber prices are expected to plateau, with the fall in demand in the residential construction sector offsetting upwards pressure on prices generated by tariffs on imported Russian and Belarussian timber and demand from the non-residential construction sector.



Cement and aggregates

Government's wholesale price cap on natural gas and thermal coal and a projected decline in overall construction activity in Australia this year is expected to see cement prices trend downwards. Coal remains the primary energy source used by Australia's cement manufacturers, with the cap expected to result in an appreciable reduction in costs. However, Labor's tightening of the Safeguard Mechanism, which will see many cement manufacturers required to reduce their CO₂ emissions by 4.9% per annum from July 2023, may generate some upwards pressure on prices.



Concrete blocks and bricks

Declining residential and commercial construction activity this year is expected to see demand for brick and concrete blocks moderate, weighing on prices this year. The AUD12 per gigajoule price cap on natural gas through the Energy Price Relief Plan will continue to generate

further downwards pressure on prices. However, worries in the Australian LNG industry over unintended compliance breaches of the plan, with energy deals being assessed on a case-by-case basis, may see some tightness of LNG supply to industry, preventing a large decline in brick and concrete block prices.



Steel (rebar and structural)

With risks of economic recession easing globally and many central banks coming to the end of their tightening cycles, manufacturing and construction output in China continuing to strengthen, and demand in the Australian civil engineering sector expected to remain robust this year, demand for steel is expected to rise in the coming quarters. A potential 2.5% cut in Chinese crude steel output this year will keep pressure on prices as supply tightens.



Copper

Robust demand in China, due to both a strengthening of manufacturing activity and its expansive investment in renewable energy and electricity grid infrastructure, and a brighter outlook for global economic growth is expected to see global prices trend upwards in the coming quarters. In Australia, spending on electricity infrastructure as part of Labor's Rewiring the Nation initiative and the beginning of construction works on the \$1.7 billion Townsville to Mount Isa transmission line development will keep domestic prices high this year.

Australia – Commodity Report



Materials	Q2 2023 (f)	Q2 2022 – Q2 2023 (f)		Q4 2022 – Q1 2023 (e)
	AUS	AUS	2022-23 % change	% change
Copper (AU\$/MT)	13,235	13,677	-3.2% ↓	6.4% ↑ ●
Steel rebar (AU\$/MT)	902	1,027	-12.1% ↓	11.3% ↑ ●
Steel flat (AU\$/MT)	949	1,021	-7.1% ↓	11.0% ↑ ●
Stainless steel (AU\$/MT)	2,112	NA	NA	0.1% ↑ ●
Lumber (AU\$/M ³)	142	133	6.9% ↑	1.1% ↑ ●
Asphalt (AU\$/MT)	1,616	1,448	11.5% ↑	-1.6% ↓ ●
Limestone (AU\$/MT)	50.3	60.0	-16.3% ↓	0.0% ↔ ■
Cement (AU\$/MT)	547	518	5.7% ↑	0.0% ↔ ■
Concrete (AU\$/M ³)	332	326	1.8% ↑	0.2% ↑ ■
Welded mesh (AU\$/unit)	133	123	8.4% ↑	6.1% ↑ ●
Bricks (AU\$/000 unit)	1,508	1,691	-10.8% ↓	-8.1% ↓ ●
Plasterboard (AU\$/unit)	37.9	35.8	5.9% ↑	4.4% ↑ ●
Diesel (AU\$/litre)	2.0	2.1	-7.3% ↓	-9.7% ↓ ●

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

Material	% change Q1 – Q2 2023 (f)	Level of impact of pricing on construction procurement and supply chain *	
Copper	+0.9% ↑	Low	Copper prices in Australia appreciated by in excess of 6% quarter-on-quarter in the first quarter of this year, though prices did slow towards the end of the quarter. With demand in China strengthening and global copper inventories at their lowest in over a decade, prices are expected to continue to rise. In Australia, weak building construction will somewhat soften the impact of the global increase in demand on domestic prices.
Steel prices - Steel rebar - Flat steel	+2.2% ↑ +4.3% ↑	Low	Steel rebar and flat are estimated to have registered growth of more than 10% quarter-on-quarter in Q1 2023. Within the quarter, prices for both steel flat and rebar rose, being in excess of 7% higher in March 2023 than in January 2023. Stronger demand in China and robust demand in the Australian civil engineering sector have been the primary drivers of this price increase.
Stainless Steel	+1.5% ↑	Low	With input prices, such as nickel and ferrochrome, rising on low inventories and stronger demand, stainless steel prices are expected to rise in the coming quarters. Higher iron ore prices, with demand in China expected to remain robust, will add yet further upwards pressure on stainless steel prices.
Lumber	+0.3% ↑	Low	Lumber prices are estimated to have risen marginally in the first quarter of this year, increasing by 1.1% QoQ. However, with housing demand softening as high interest rates and inflation erode homebuyer demand, declining new residential construction is expected to see lumber prices plateau. Residential building approvals declined by 14.7% in 2022.
Asphalt	-0.7% ↓	Low	Asphalt prices are estimated to have declined marginally in the first quarter of this year, primarily due to a fall in diesel prices during the quarter. Prices are expected to continue to decline in line with diesel prices, though the decline will be softened by healthy demand from the road infrastructure construction sector.
Limestone	+0.5% ↑	Low	Limestone prices have remained stable and have not recorded any notable change in Q1 2023, in comparison to Q4 2022. Declining demand from the residential construction sector is expected to maintain prices at close to their current levels in the upcoming quarter.

Australia – Commodity Report



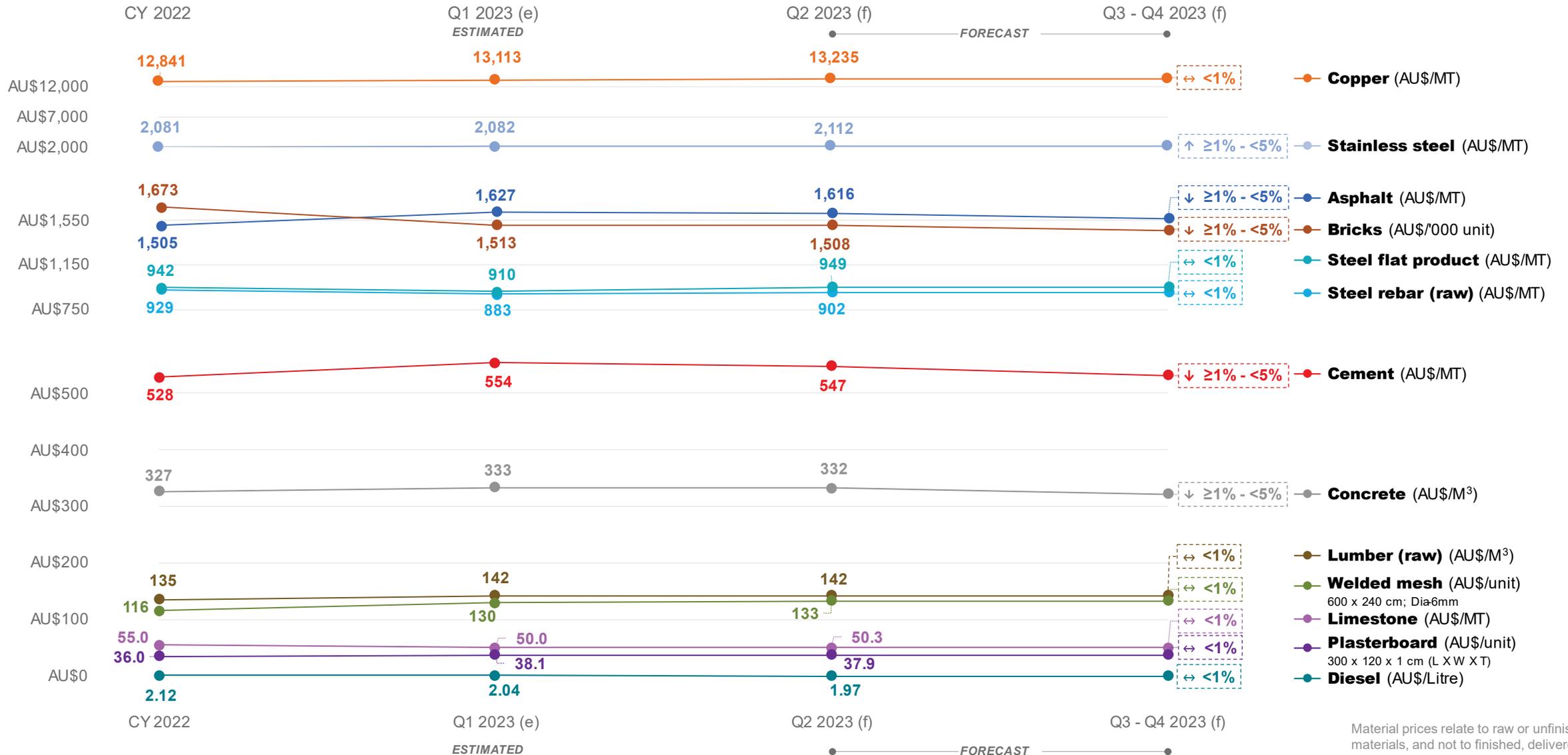
AIQS Building Cost Index 2020-2023(f) (1985=100)

Oct-23 (f)	391
Jul-23 (f)	386
Apr-23(f)	380
Jan-23	375
Oct-22	364
Jul-22	358
Apr-22	352
Jan-22	348
Oct-21	343
Jul-21	335
Apr-21	327
Jan-21	325
Oct-20	323
Jul-20	322
Apr-20	321
Jan-20	318

Material	% change Q1 – Q2 2023 (f)	Level of impact of pricing on construction procurement and supply chain *	
 Cement Concrete	-1.1% ↓ -0.4% ↓	Moderate	Cement prices remained stable in Q1 2023 and have not recorded any notable change from their Q4 2022 levels. In line with the negligible change in cement prices, concrete prices have also exhibited little change from the levels of Q4 2022. However, with overall construction activity expected to decline in Australia this year, cement and related product prices are expected to decline marginally in the coming quarters.
 Welded mesh	+2.1% ↑	Low	Welded mesh prices are estimated to have increased by in excess of 6% in the first quarter of this year, in comparison to Q4 2022, primarily due to an increase in steel rebar prices. Prices are expected to continue to rise in Q2 2023, by approximately 2.1% quarter-on-quarter, in line with the projected increase in rebar prices. An expected decline in construction activity in Australia will, however, soften the increase in prices this year.
 Bricks	-0.3% ↓	Moderate	Brick prices are estimated to have fallen by 8% in Q1 2023 compared to their Q4 2022 levels. This decrease in price is expected to have been due to a fall in new demand from the residential construction sector. With inflation expected to remain elevated in the short-term and interest rates high, demand from the residential construction sector is expected to continue to soften in the coming quarters.
 Plasterboard	-0.7% ↓	Low	Plasterboard prices are expected to have registered a moderate growth of approximately 3% in Q1 2023, in comparison to their prices in Q4 2022. Prices are expected to decline in the coming quarters however, with demand from the residential construction sector expected to soften as declining new residential investment weighs on construction activity.
 Diesel	-3.6% ↓	Low	In Q1 2023, diesel prices declined by 10% in comparison to their Q4 2022 price levels. The pace of decline slowed through the quarter, with the average diesel price in March 2023 falling 2.2% month on month, in February 2023 by 3.0%. With international crude oil prices set to stabilize around current levels, diesel prices are expected to remain just below AUD 2 per litre 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 (2022-2023)



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

Australia – Macroeconomic overview



Economic indicators



1.60%

GDP growth in 2023 (f)
and **3.66%** in 2022



5.35%

inflation rate in 2023 (f)
and **6.62%** for 2022



13.71M

people employed in 2023 (f)
and **13.58 M** in 2022



3.96%

unemployment rate for 2023 (f)
and **3.71%** in 2022



132.60

Consumer Price Index in March
2023 and **123.90** in March 2022



124.40

Producer Price Index in March
2023 and **118.30** in March 2022

National holidays

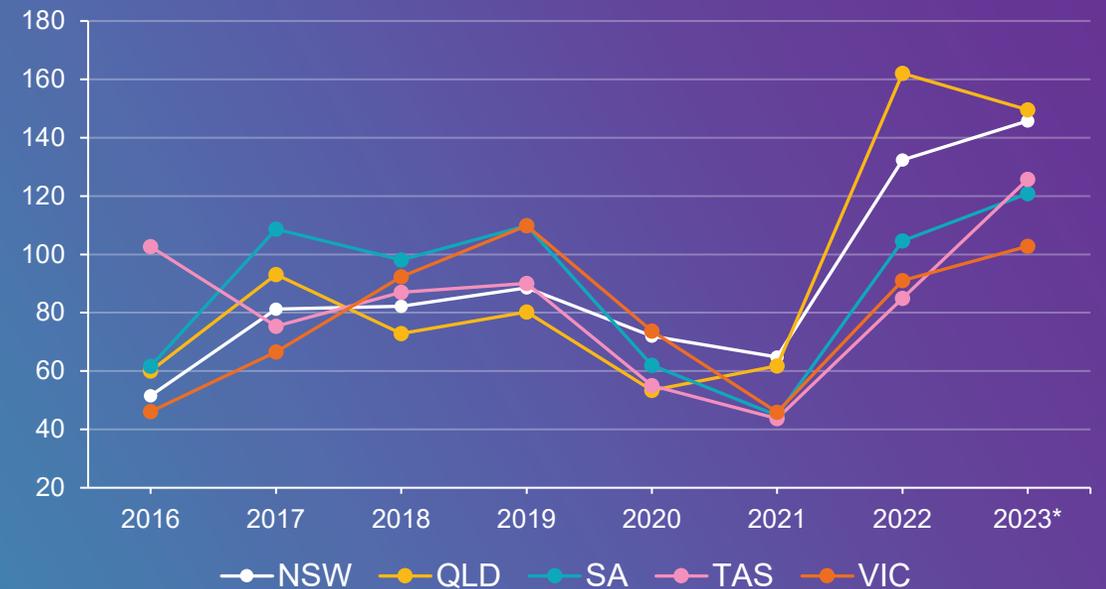


8 public holidays

in Australia, each year

Australia Energy Prices

Average wholesale spot energy price across national electricity market regions in Australia (AU\$/MWh)



Note:

* As of March 2023

Annual year refers to the financial year, not calendar year

Australia – Construction overview



Output 2022 and 2023 (in AU\$ millions)			
	Total 2022	Total 2023 (f)	Total 2024 (f)
Commercial 	31,516	30,499	31,958
Energy and utilities 	36,144	36,643	38,913
Industrial 	14,646	14,591	15,153
Infrastructure 	36,509	37,959	40,775
Institutional 	15,055	16,374	17,014
Residential 	70,785	63,368	61,886

*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 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.

Construction Health and Safety practices and culture



160 Australian worker fatalities on the job in 2022.

Fatalities in key sectors in 2022:

- Transport, postal & warehousing **65 fatalities**
- Agriculture, forestry & fishing **37 fatalities**
- Manufacturing and Construction **17 fatalities**

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)
- Australian Energy Market Operator
- Public Holidays
- AEMO

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