



United States

Country Commodity Report

Q2 2022



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The US economy recorded a contraction in Q1 2022 for the first time since Q2 2020, with the Bureau of Economic Analysis' third estimate showing a decline of 1.6 percent, reflecting a fall-off in exports, federal, state and local government spending, and private investment. In June, the Federal Reserve approved the largest interest rate hike in over 25 years, in a bid to curtail US inflation, which has hit a 40-year record high. Concerns continue to mount about the impact this will have on employment and overall economic health, with two previous interest rate increases having failed to stem the gathering momentum of inflation rates. The dollar and euro reached parity in July for the first time since 2002.

The US's aggressive monetary policy is also impacting construction, with a 0.1 percent decline in industry spending in May, following a 0.8 percent increase in April. Downside risks include the current global geopolitical climate, driving material price volatility, high energy costs and supply chain constraints.

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.



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Lumber

Volatility in the lumber market has remained in 2022; following a substantial uptick in prices earlier this year, prices then fell sharply in early summer. This is the result of a sustained rise in interest rates in the first five months of 2022 and falling real incomes, with pressure on lumber markets easing as demand from the residential sector was expected to fall. However, although demand has substantially decreased, the supply side remains tight; tariffs placed by the US on Canadian suppliers, labor shortages, increased lead times and low stocks will keep some upward pressure on prices.



Cement and aggregates

Higher energy and crude oil prices have driven up the cost of production for asphalt, which combined with steady demand over 2021 and early 2022, and has been passed directly onto end users. However, domestic demand is faltering, which will have a dampening effect on prices, as residential demand subsides due to rising interest rates and infrastructure spending is delayed, which will only be realized towards the end of 2022 and into early 2023. As infrastructure spending starts to ramp up, concrete and cement prices are expected to resume their long-term upward trend.



Concrete blocks and bricks

High price growth in 2021 was supported by strong demand from the residential sector and restricted supply. In 2022, easing pressure from residential demand will likely quell price growth. However, existing fragilities remain. Elevated input costs, with high energy and limestone prices will support a moderate price rise to the end of 2022.



Steel (rebar and structural)

Steel prices have eased at the onset of the summer. Demand has subsided as fears of an economic downturn and lockdowns in China have dampened market expectations, and a recovery in domestic supply has put further negative pressure on prices. However, disruption from the Russia-Ukrainian conflict will stay prevalent, and the supply of pig iron and semi-finished products will likely stay restricted over the rest of the year, which will keep prices above pre-pandemic levels. Infrastructure spending from the US and other major economies will likely rise towards the end of the year, and will prop up demand in the medium term.



Copper

Copper prices have seen a sudden drop in recent months, after a greater than expected increase by the Federal Reserve and COVID-19 related lockdowns in China. Markets are anticipating a slowdown, thus driving down demand in the short term, and consequently, prices. However, ongoing protests and strikes in Peru and Chile, which make up approximately 45% of global copper production, has restricted trade. Demand over the medium to long term will be strong, as 'net zero' targets and continued investment in electric vehicles, as well as renewable energy production and storage will drive demand and price growth.

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	Q1 2022 - Q2 2022 (e)	Q3 2022 (f)	Q3 2021 - Q3 2022 (f)	
Materials	% change	US\$	US\$	2021-22* % change
Copper (US\$/T)	-4.7% ↓ ●	7,696	9,505	-19% ↓
Steel rebar (US\$/T)	8.2% ↑ ●	1,011	1,039	-3% ↓
Steel flat (US\$/T)	10.6% ↑ ●	1,851	1,819	2% ↑
Lumber (US\$/cu.ft.)	-22.2% ↓ ●	10.50	6.92	52% ↑
Asphalt (US\$/T)	24.8% ↑ ●	634	426	49% ↑
Limestone (US\$/T)	4.5% ↑ ●	28.30	26.00	9% ↑
Cement (US\$/T)	4.2% ↑ ●	128	127	0% ↔
Concrete (US\$/CY)	4.2% ↑ ●	111	132	-15% ↓
Welded mesh (US\$/unit)	8.2% ↑ ●	242	170	42% ↑
Bricks (US\$/'000 unit)	18.5% ↑ ●	814	650	25% ↑
Drywall (US\$/unit)	5.5% ↑ ●	12.38	10.83	14% ↑
Diesel (US\$/gallon)*	27.9% ↑ ●	5.02	3.36	49% ↑

* Denotes that this is a US average cost, and will vary across states and regions within the US

● Q1 to Q2 2022 % change greater than estimation in our Q1 report
■ Q1 to Q2 2022 % change less than estimation in our Q1 report

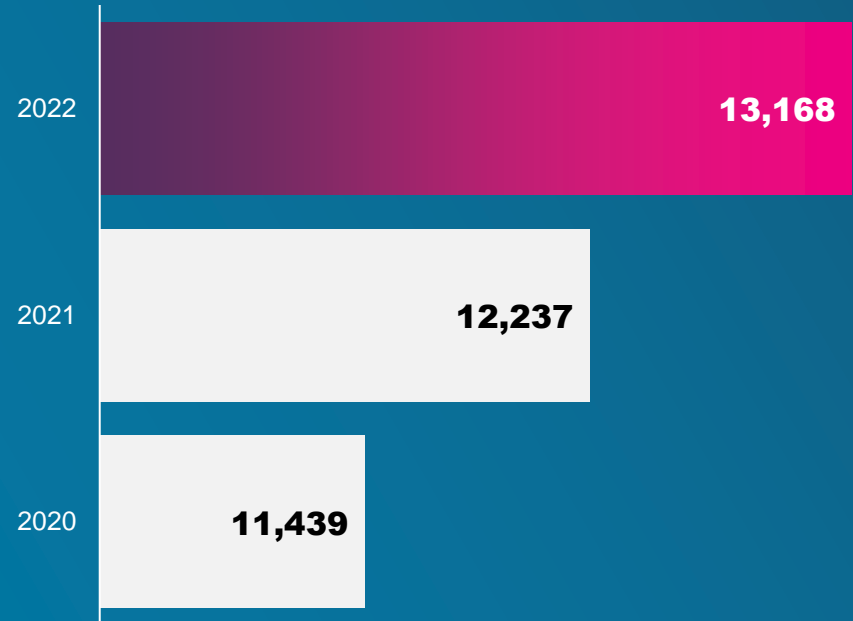
Material	% change Q2 – Q3 2022 (f)	Level of impact of pricing on construction procurement and supply chain *	
 Copper	-12.8% ↓	 Moderate	Rising US interest rates have pushed the dollar to its strongest point in two decades, making dollar-priced metals more costly for non-US buyers and dampening demand. Copper prices declined heavily as central banks began to raise rates rapidly to quell decade-high inflation, sparking fears of an economic downturn. The spike in COVID-19 cases in China, a potential weaker economic performance and rising inventories have also weighed on investor sentiment.
 Steel prices - Steel rebar - Flat steel	-5.0% ↓ -4.5% ↓	 Moderate	The World Steel Association recently revised its forecast for global steel demand this year to an annual increase of 0.4 percent, down from an estimate of 2.2 percent growth, largely due to expectations of a global economic slowdown and COVID-19 lockdowns in China. However, demand is expected to pick up in 2023, as large-scale infrastructure will drive demand through the medium to long term. In the US, a total of US\$550 billion in new infrastructure spending is planned over the next five years under the President's Infrastructure Investment and Jobs Act. This includes the 'Buy American' clause, restricting buyers to purchasing steel from US suppliers, which will likely drive up domestic prices further. Supply is expected to remain tight and prevent prices from falling below pre-pandemic levels, as the Russia-Ukraine conflict causes huge disruption to the imports of pig iron and semi-finished steel.
 Cement Concrete	+0.8% ↑ +0.8% ↑	 Moderate	US cement consumption is forecasted to decline from 4.1 percent growth in 2021 to 1.2 percent in 2022, and 0.8 per cent in 2023 (Portland Cement Association). Cement consumption growth was solid in the Southwest and the East in 2021, driven by low mortgage rates and high residential construction. Although the demand outlook has worsened, owing to higher energy costs, prices will remain high in 2022.
 Asphalt	+0.9% ↑	 Moderate	Infrastructure construction was relatively weak in 2021, but the upward trend in crude oil prices contributed to the high levels of pricing for asphalt. As infrastructure spending ramps up, demand for asphalt will rise, and the upward trend in prices will be compounded by rising crude oil prices.

* 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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US - construction cost index (July of each year)



Knoema World Data Atlas

Index of economic freedom 77.8 out of 100

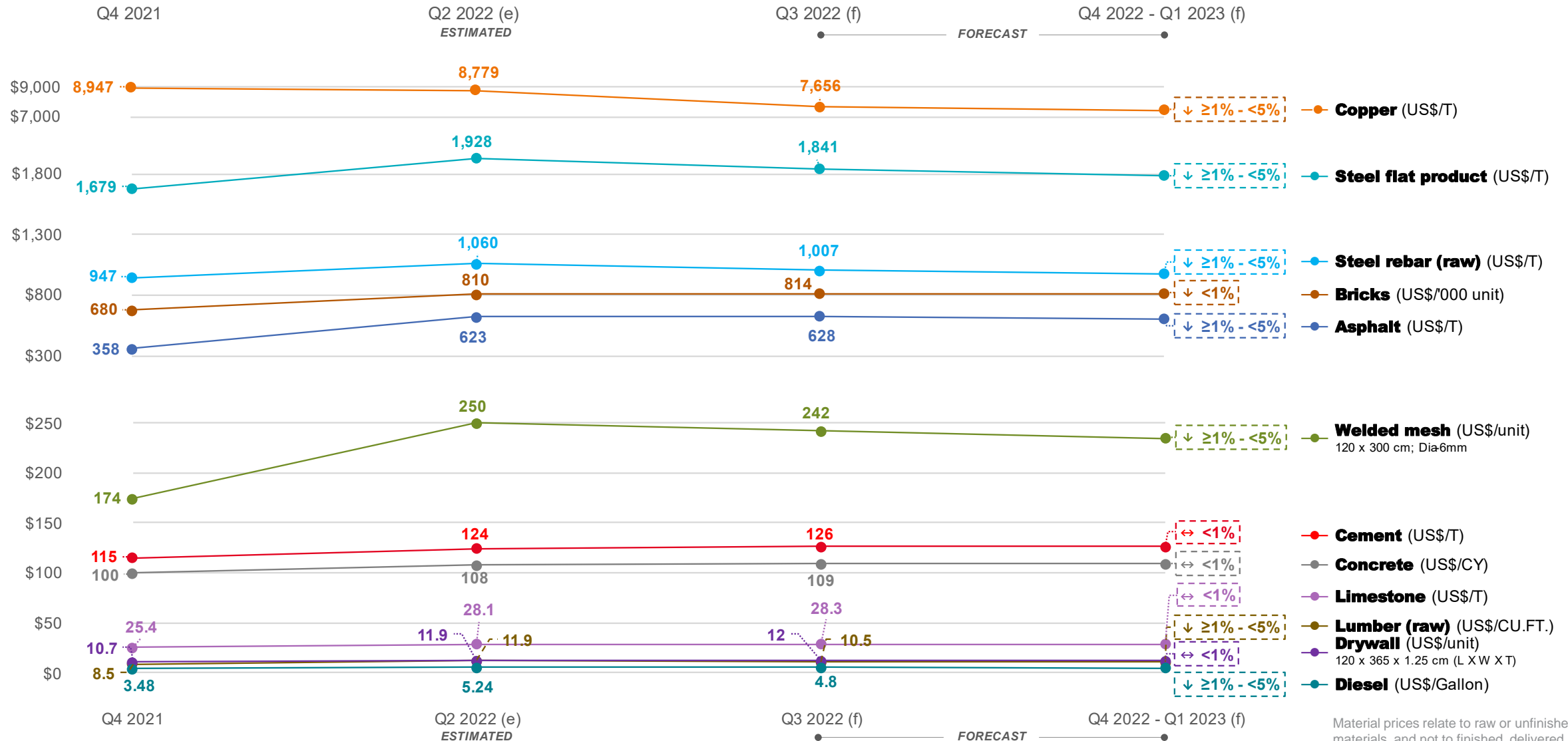
This index compares countries on economic freedom, which is determined by a society in which people are free to work, produce, consume, and invest in any way they please, with that freedom both protected by the state and unconstrained by the state. The maximum score is 100.

Material	% change Q2 – Q3 2022 (f)	Level of impact of pricing on construction procurement and supply chain *	
 Limestone	+0.8% ↑	 Moderate	Limestone prices will remain stable in 2022, due to growing demand across several industries, in addition to tight supplies.
 Lumber	-12.0% ↓	 High	Having eased back, prices more than doubled between mid-November last year and early March 2022. However, prices have since dropped significantly - a greater than expected increase in interest rates by the Federal Reserve has driven up the cost of mortgages, and consequently, has had a negative effect on demand. Although prices are falling, supply-side issues remain, stemming from an increase in tariffs on lumber imports from Canada, which has more than doubled to 17.99%, and continued disruptions from labor shortages at sawmills, as well as transportation and logistical challenges.
 Welded mesh	-3.1% ↓	 Moderate	The rise in demand in the early stages of the year for mesh products was down to residential construction, combined with constrained supply chains due to the Russia-Ukraine conflict. The price of mesh will fall further in the coming quarters due to economic slowdown fears.
 Bricks	+0.5% ↑	 Low	The double-digit expansion in residential construction work in 2020 and 2021 has contributed to a steady rise in brick and drywall prices. Continued demand, along with restocking efforts by building material suppliers, will keep prices at relatively high levels in 2022. Elevated fuel and production costs will also support prices over the rest of the year.
 Drywall	+0.6% ↑		
 Diesel	-8.5% ↓	 High	After crude oil prices skyrocketed past \$100 a barrel upon the outbreak of the Russia-Ukraine conflict, diesel prices followed suit; according to the U.S. Energy Information Administration, diesel prices averaged \$4.91/gal in H1, up from \$3.06/gal year-on-year. However, oil markets have cooled recently, but remain volatile due to recession expectations and uncertain supply levels.

* 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.

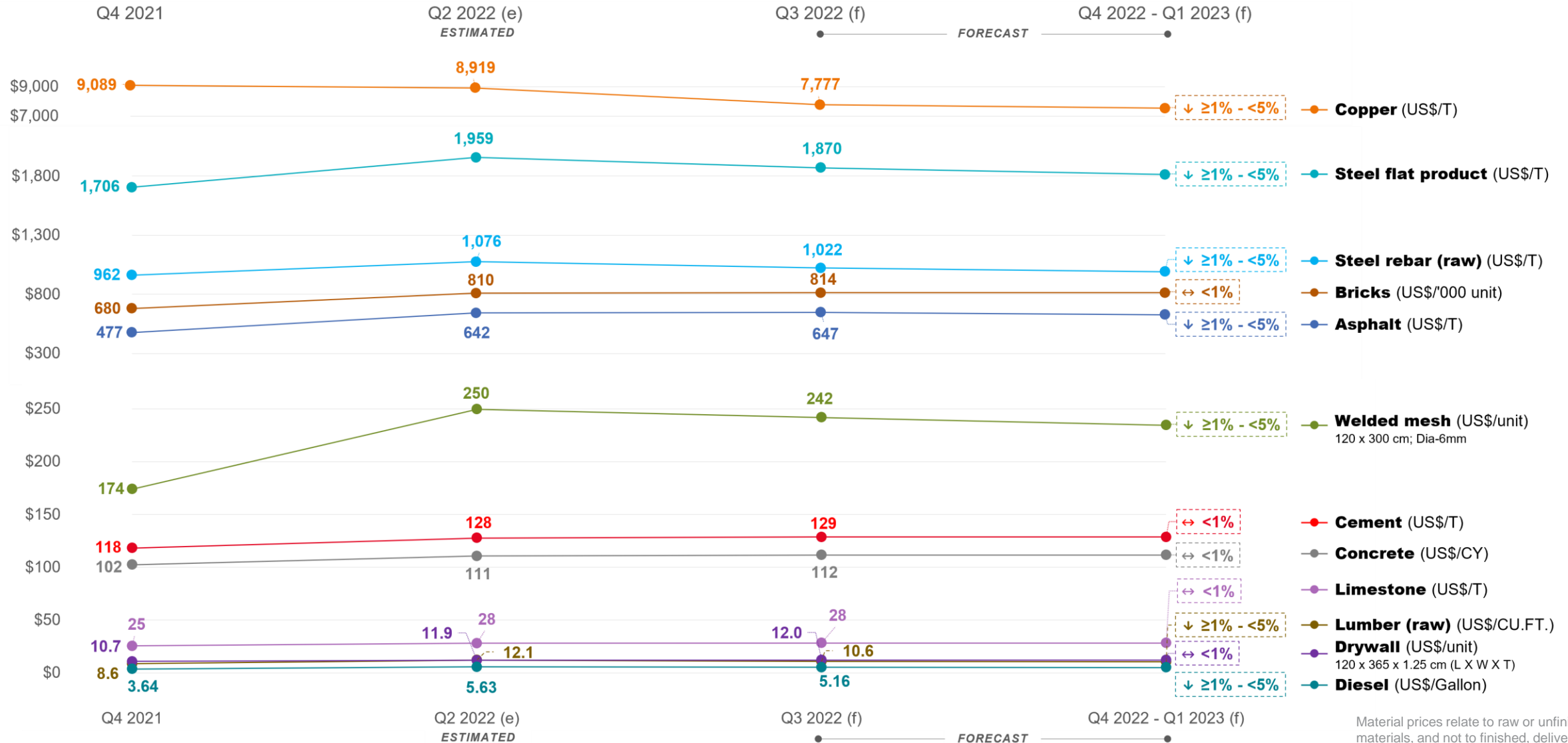
Please note that commodity prices are based on representative materials available in the respective countries, and as these materials may not be standard across all markets, cross-country comparisons on prices can be ineffective. For example, asphalt types can vary between hot, cold or a bitumen price, and standard unit sizes for materials can vary across countries.

US Central - Construction Materials Pricing (2021-2022)



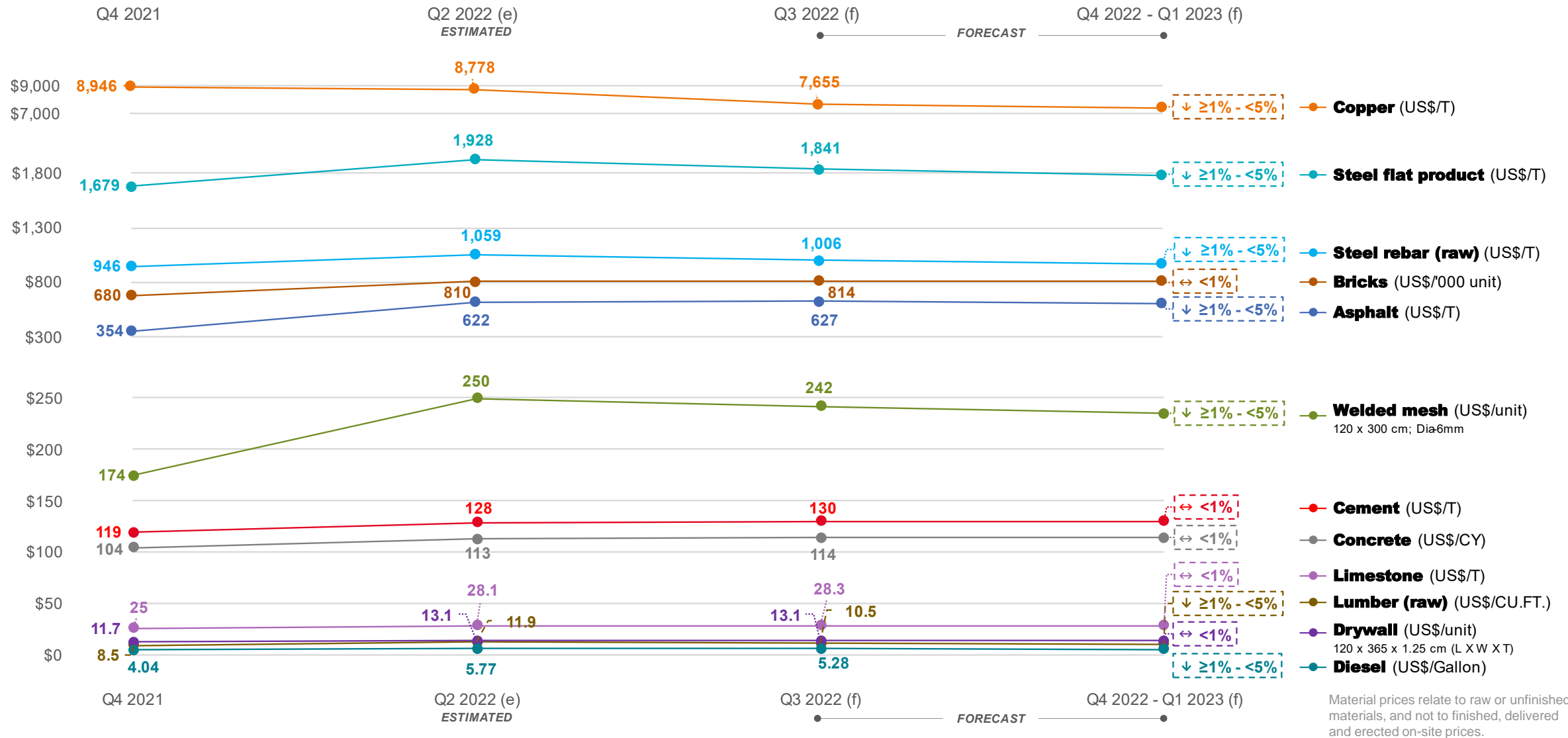
Material prices relate to raw or unfinished materials, and not to finished, delivered and erected on-site prices.

US East - Construction Materials Pricing (2021-2022)



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

US West - Construction Materials Pricing (2021-2022)



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. 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 – United States

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

- ENR
- IMF
- US Bureau of Labor Statistics
- GlobalData's Construction Intelligence Center (CIC)
- Federal Reserve Economic Data
- Bureau of Economic Analysis

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