

A spotlight on

Materials issues

Now including EU outlook

Key statistics:



Shipping turn-around times have jumped from 60-days to 100-days and prices to ship one container from Asia to Europe have ballooned from €1500 to €7500



The most recently published Spanish steel price index has revealed a nearly 30% increase from April to May and British Steel announced two price hikes in May



of respondents to our UK market survey saw tender prices increasing in 2021

There were issues with supply of materials and products on construction projects throughout Europe in the first quarter.

Issues included:

- Specified materials/products not being available
- Long lead-in times
- Material price increases
- Issues importing materials
- Increased lead-in times due to the ongoing global shipping crisis

These issues have continued into the second quarter and are ongoing.

What are the key impacts of the issues currently?

The key issues impacting projects are increased lead-in times and price uplifts. Issues are being seen across all packages and the table below summarises the key issues:

Package	Commentary	Indicative lead-in times
Groundworks and Reinforced Concrete frame	There are reports of increased costs for groundworks and frame driven from raw materials shortages, and demand for labour and materials for large infrastructure projects across the UK and Europe. Spain has documented a significant increase in cement consumption in the last two months.	<ul style="list-style-type: none"> • Ready mix concrete: up to 2 weeks • Plastic drainage: 3–4 weeks • Concrete/clay drainage: 2 weeks • Bulk aggregates: 2 weeks
Steelwork	<p>Steelwork prices have increased over the past year predominantly due to global demand as industry has restarted since the pandemic.</p> <p>The major price drop seen in China has not affected the EU Steel industry as seen by the daily price increases. Cargo and shipping issues have only increased demands on EU steel supplies resulting in continuous price increases.</p>	<ul style="list-style-type: none"> • 14–16 weeks+
Masonry	As well as materials pressures for masonry support and demand for bricks increasing after slowing during the pandemic	<ul style="list-style-type: none"> • Facing bricks: 4–20 weeks+ • Engineering bricks: 10–12 weeks+ • Ready spread mortar: 3–4 weeks • Brick support: 3–4 weeks+ • Insulation: 4–6 weeks
Facades	Cladding is being impacted by steel and aluminium availability	<ul style="list-style-type: none"> • Aluminium windows/external doors: 8–10 weeks+
Roofing	Insulation and roofing material price increases due to demand and raw material pressures	<ul style="list-style-type: none"> • Single ply/hot melt: 8–10 weeks
Drylining/suspended ceilings	Many reports of longer lead-ins for materials due to demand	<ul style="list-style-type: none"> • Metalwork: British Gypsum on allocation for some products • Plasterboard/plaster: 6–8 weeks • Suspended ceilings: 6–8 weeks+
Joinery and doors/timber generally	There is global demand for timber (particularly a large increase from the USA); price increases and longer lead-in times are being seen for timber products	<ul style="list-style-type: none"> • Timber door sets: 10–12 weeks+ • Ironmongery: 4 weeks • Sheet materials: 2–3weeks • Trusses: 8–10 weeks

Package	Commentary	Indicative lead-in times
Finishes	Some increased delivery costs/ materials costs being seen	<ul style="list-style-type: none"> • Ceramic tiling: 4–6 weeks • Paint: some instances of 4 weeks+ • Carpet: depends on product but some reports of 4 weeks+
M&E services and lifts	Availability of raw materials is causing volatility for cabling and containment and some longer lead-in times generally	<ul style="list-style-type: none"> • Radiators: 3–4 weeks • Air conditioning: 2–3 weeks • Lighting: 6–8 weeks+ • Sprinklers: 6–8 weeks+ • Ventilation ducts and fittings: 6–8 weeks+ • Lifts: 16–20 weeks
Fitted furniture, fittings and equipment	Some increased delivery costs/ materials costs being seen	<ul style="list-style-type: none"> • Fitted furniture: 10–12 weeks • White goods: 3–4 weeks



Why are there issues?

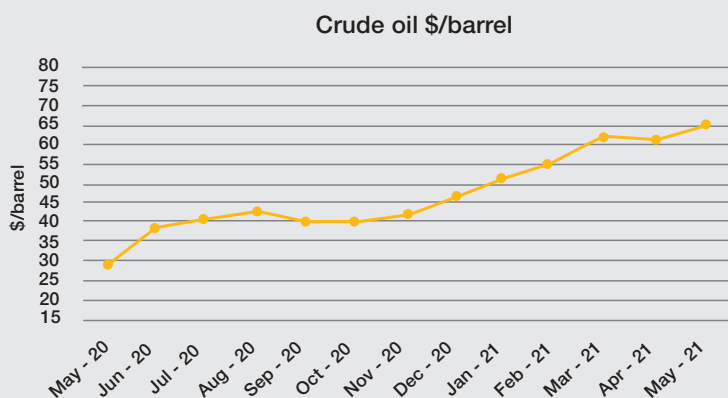
There is a perfect storm of factors behind the materials issues:

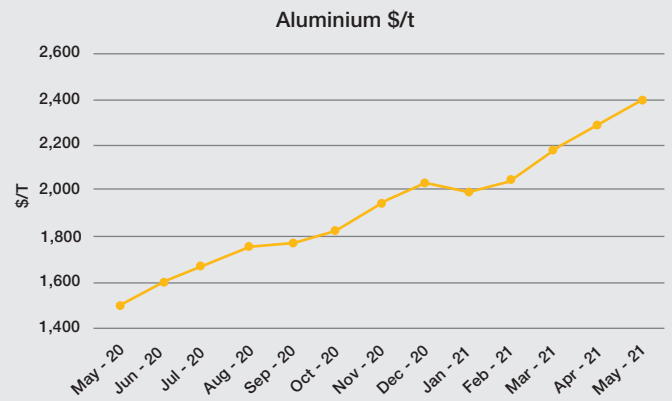
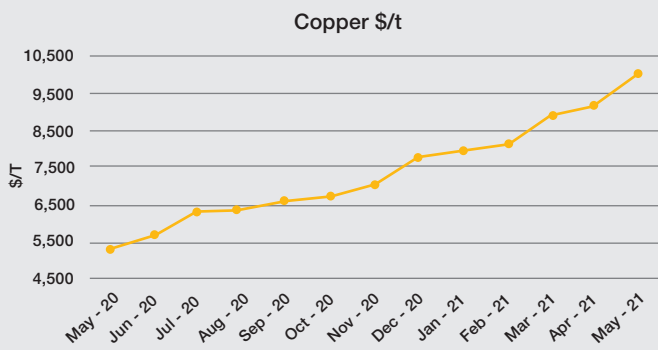
- Commodity price increases have been seen as industry around the world has restarted following lockdowns during the pandemic
- Major economies have seen increases in demand as they try to revive their economies which has contributed to shortages and price inflation. The World Steel Association recently upgraded its 2021 forecast to 5.8 percent growth as the buoyant economic recovery last year in top steel consumer China is accompanied by gains elsewhere
- Warmer weather, particularly in Scandinavia, has affected timber production and colder weather in Texas has affected the production of chemicals, plastics and polymers
- COVID-19 cases are continuing to have an impact with operating restrictions and interruptions where workers need to self-isolate
- Shortages in shipping containers driving up shipping prices and shipping issues have been exacerbated by the week-long blockage of the Suez Canal. Forbes recently reported on the shipping container crisis - that shipping turn-around times have jumped from 60-days to 100-days and prices to ship one container from Asia to Europe have ballooned from €1500 to €7500. Already increased demands on shipping are further complicated due to delayed returns of containers to continue the cycle
- Lockdowns have seen a dramatic increase for DIY and garden project materials across most G7 countries. The USA has seen a rapid surge in demand for timber which could not be serviced through its existing supply chains leading to key European suppliers diverting stock
- With a shift to renewable energy and electrical vehicles there is increased demand for materials such as copper and aluminium.

How long are issues expected to continue?

Materials issues and price increases are expected to continue for at least the remainder of this year, as a result of pent-up demand, and economies investing in infrastructure to support economic recovery.

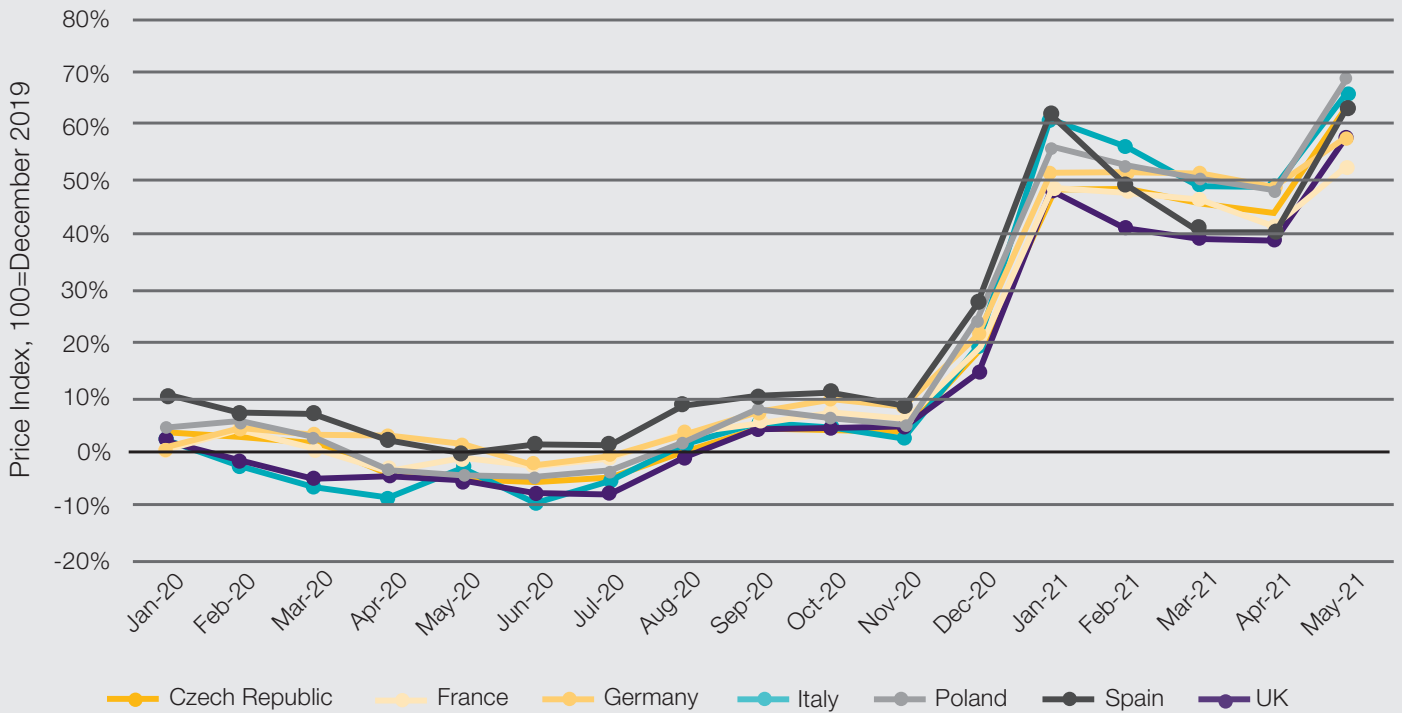
Raw materials prices are continuing to rise





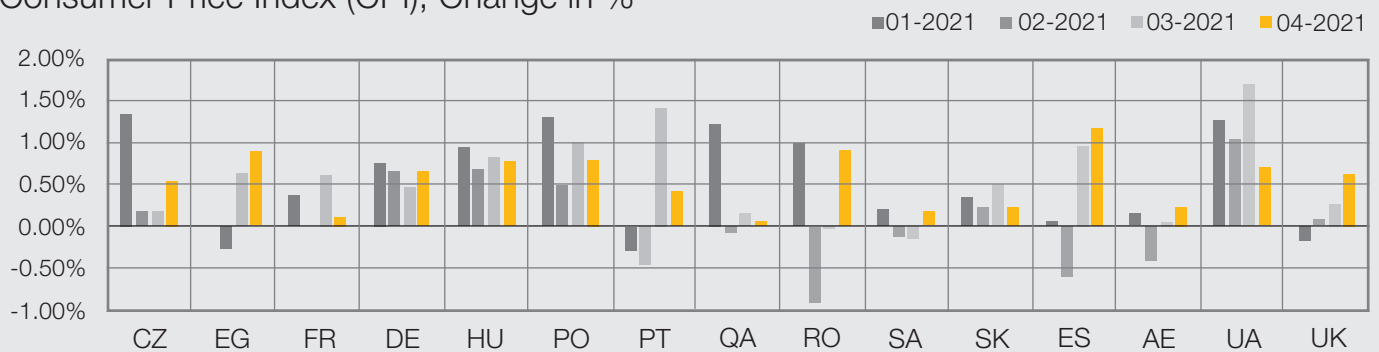
Raw materials prices 2020-2021 - London Metal Exchange

Re-Bar, Average Monthly Trading Price



Note: Price Index calculated by Gleeds from third party market pricing data

Consumer Price Index (CPI), Change in %



Sources: Trading economics

What is the impact on projects?

Pre-construction

- Materials availability and price increases are affecting project budgets. For projects tendering to start on site later in the year, a 2–3 percent plus increase is generally expected to tender prices, as a result of inflation.
- As always, inflation on projects should be considered individually, taking into account the particular factors and make-up of the project
- Depending on the materials make-up of projects, the impact may be greater (e.g. for projects with large proportions of steel)
- Lead-in times are increasing and may push back start dates
- Quote validity is reducing and main contractors may reduce the period that tenders are open for acceptance
- Main contractors will be cautious on projects with longer programmes, and will carefully consider risk premiums, particularly for fixed price, and may look for contract amendments.

Construction

- Materials availability may impact site progress and programme
- Some subcontractors and contractors may be under pressure due to material price increases if they have given a fixed price for a project.



Are there any ways to mitigate issues?

Advanced orders

Advanced orders can be placed to secure key materials ahead of project start.

Understanding lead-in times

Information on lead-in times can be factored into programmes, to give contractors an extended period to place orders and consideration of float in programmes.

Be open to alternative suppliers

Supply chain engagement and collaborative working can help to establish alternative suppliers for products, to reduce some lead-in time issues. When possible, select locally sourced materials and manufacturers.

Fluctuations

For projects with a long programme, fluctuations can be considered to reimburse the contractor for price escalation during the contract.

Summary

There are significant pressures currently being seen with materials. These are expected to continue until at least the end of the year, due to large global demand as infrastructure is used to support economic recovery. It is important to understand the issues and to consider strategies to mitigate these, where possible. Collaboration across the supply chain will be important to ensure best project outcomes and to minimise the impact.

Talk to an expert



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