



Q1 Market Intelligence Update | **MEA Construction**

Research | Q1 2022

Market intelligence

Although indicators pointed to improving market sentiment towards the end of last year, notable economic developments more recently have led many forecasters to revise their projections for global GDP. Furthermore, the impact of geo-political tensions and rising commodity & energy prices is reflected in recent inflation data.

Ongoing supply chain disruptions (partly

stemming from China’s Covid-related restrictions in Q2), manufacturing delays and increasing global demand for materials has resulted in rising commodity prices. Meanwhile soaring energy prices, as well as the rising price of metal commodities, is impacting construction material prices in Middle East and other parts of the world. In our view, the current trend of rising material prices in the region will continue in the near term.

Tender price indices (TPI)

Our current 2022 TPI forecast for KSA is 4-6%, which considers local and global market influences. We are continuing to monitor ongoing economic developments which could drive KSA inflation above the forecast range. We have witnessed accelerating inflation across giga-projects in the kingdom (stemming from unique supply and demand side factors); as a result, we have excluded these outliers so they do not impact our central forecast for the country.

Our UAE inflation forecast for 2022 is 2-5%. By year end the potential impact of economic influences could drive UAE inflation above the forecast range.

Our TPI projections are calculated using various indicators, including commodity prices and construction material rates. We will continue to monitor our market intelligence data and provide a further update after Q2 2022, including for Egypt.

Oil



It is important to track the oil price since the commodity is widely utilised across industries. The increasing demand from a revival in activity to near pre-pandemic levels by year-end 2021 contributed to oil prices recovering to \$70/barrel.



In Q1 2022, the OPEC oil price averaged \$98/barrel - a sharp increase compared to the previous quarter and the highest outturn in 14 years. Emirates NBD Research global benchmark (Brent) forecast for 2022 is \$112/barrel; influenced by the global economic outlook, the impact of geo-political tensions and the the geo-political risks and uncertainty of recently announced trade sanctions in Europe.



OPEC+ is due to meet at the end of March where it is anticipated they will consider plans for increasing oil production. According to Emirates NBD, the increasing oil price is reflective of a perceived shortage which will become more apparent throughout 2022. Should an oil shortage occur or physical disruptions to supply then this could lead to higher production levels to balance rising prices.

2020
avg.

2021
avg.

2022 Q1
avg.

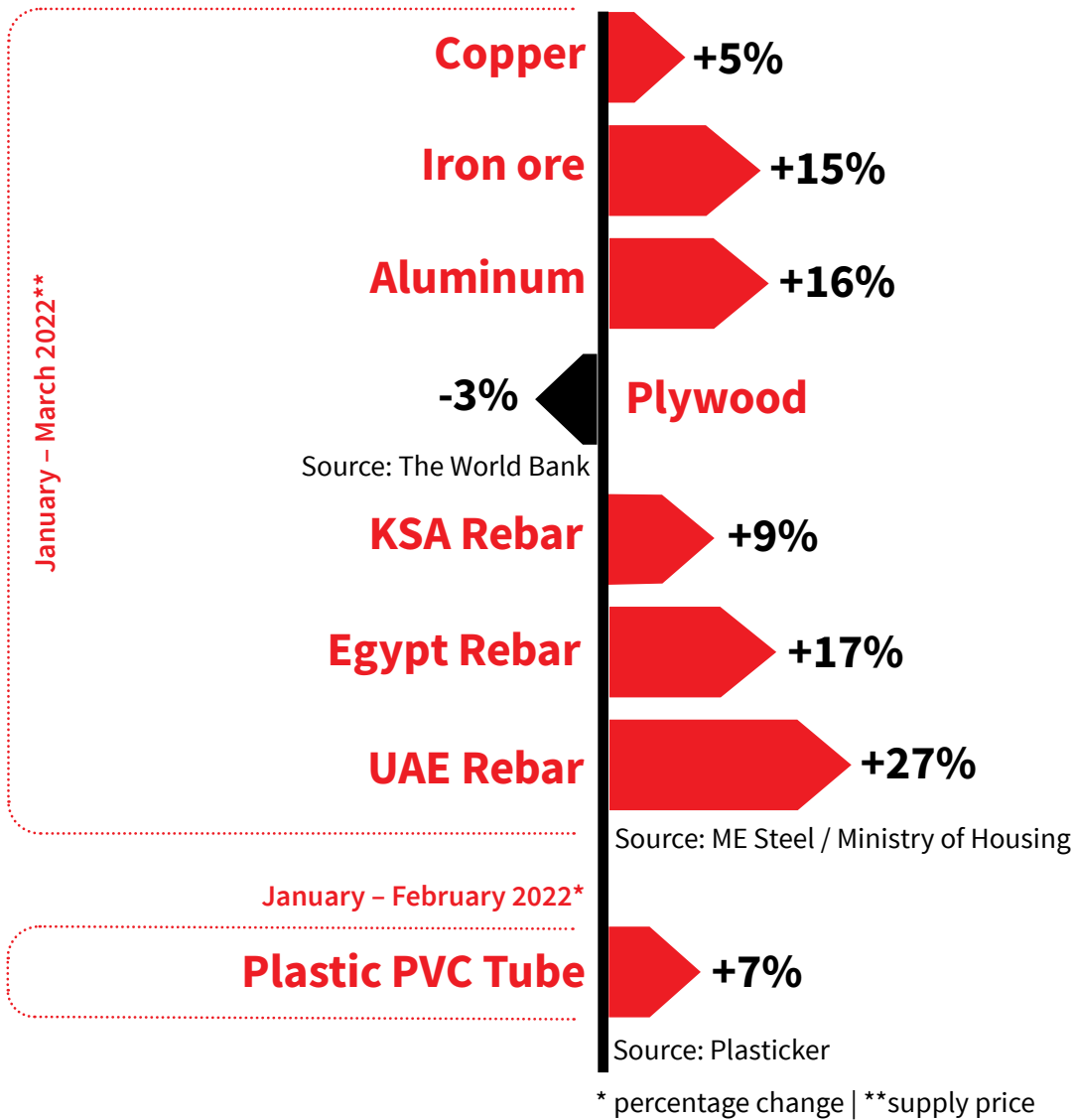
2022 F



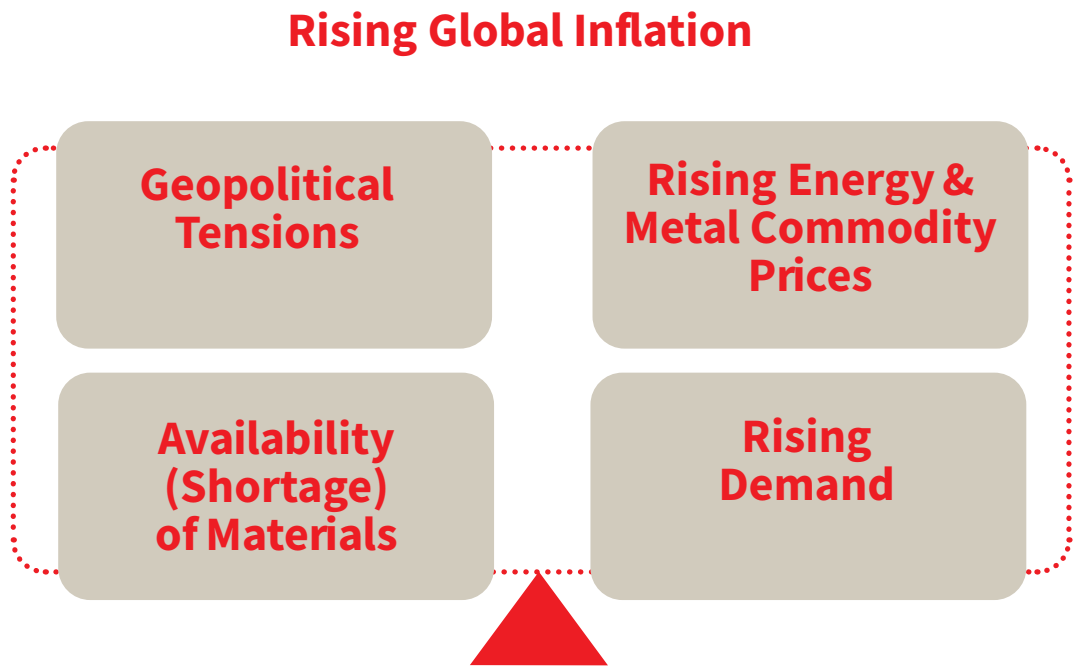
Material prices

We have noted a resurgence in material supply prices following the volatility witnessed during the Covid-19 pandemic. The normalisation of the trade of raw materials is imperative to stabilising prices and may encourage alternative solutions being adopted for the import of materials should availability and supply be affected. Additionally, elevated oil prices have directly impacted material prices due to the increasing cost of production, manufacturing and transportation. Our market

intelligence data suggests that Egypt is likely to be more susceptible to increasing construction material prices across the supply chain, as demonstrated by the recent introduction of rules by Egypt’s Central Bank requiring the issuance of ‘letters of credit’ for the import of goods by Egypt’s Central Bank. Additionally, the price of materials will be further affected by currency fluctuations as the Egyptian Pound was devalued by circa 18%.



Economic factors impacting prices



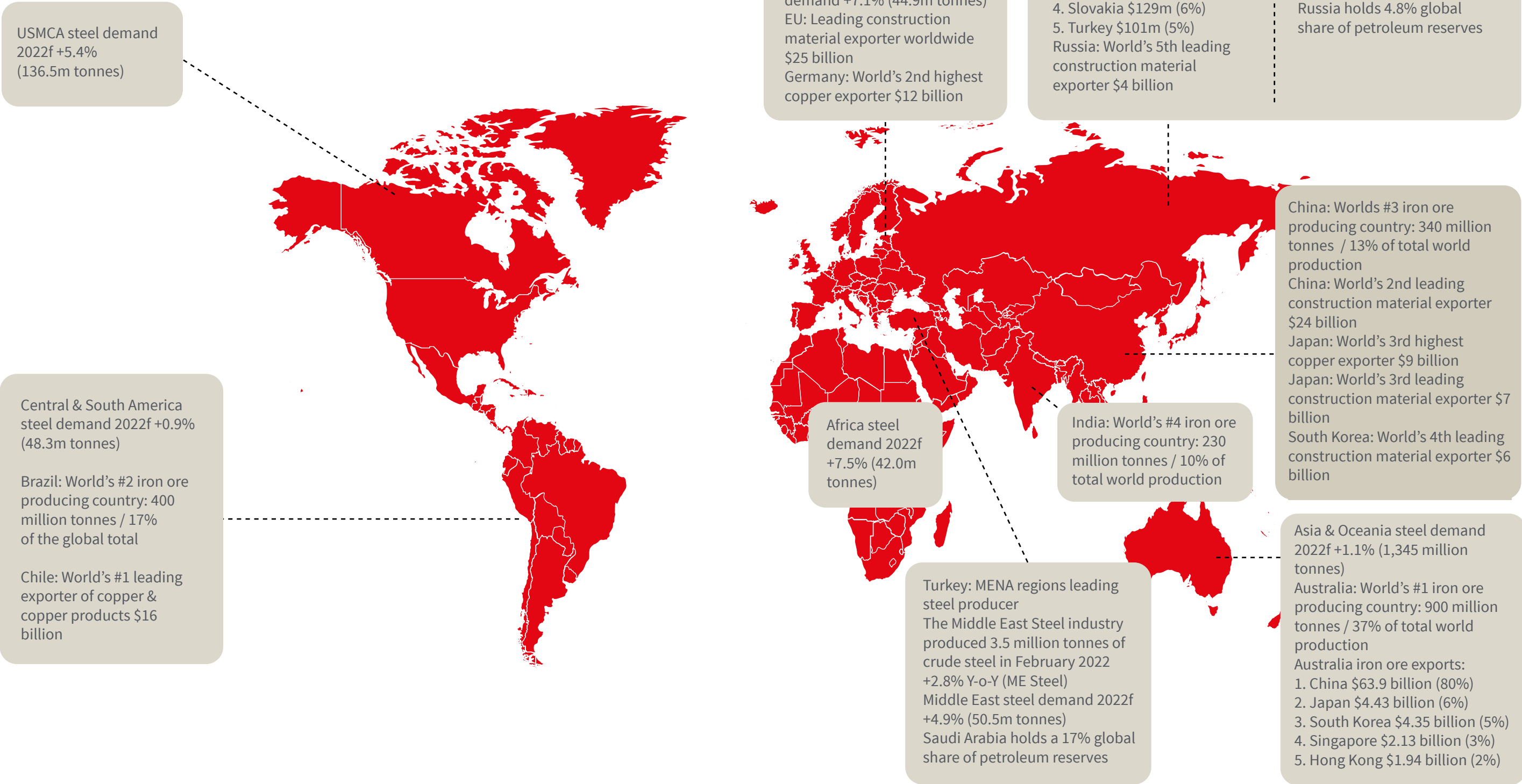
Conclusion

The economic uncertainty stemming from the Covid-19 pandemic led to global construction output rising by 4.1% in 2021, according to Engineering News Record. Over 2022–2030, construction output is forecast to grow at an annual average growth rate of 2.3%. Prices in the near-term are likely to be impacted by the geo-political situation, inflation and supply &

demand side factors. Across the Middle East, the vision programmes are contributing to growing construction activity and generating a busy projects market. Thus, we will continue to monitor our market intelligence sources to evaluate the ongoing impact on the MEA construction market.

Market intelligence update

Global construction output grew by 4.1% in 2021, growth is forecast at +2.3% Y-o-Y to 2030.



Note: Market intelligence data is tracked up to and including Q1 2022.

Sources: World Steel Association, OEC 2020, OPEC



Cairo

Star Capital 2, 14th Floor
Office 141, 2 Aly Rashed Street
Heliopolis, Cairo
Cairo Governorate, Egypt

Tel: +20 2 24801946

Dubai

Emaar Square, Building 1
Office 403, Sheikh Zayed Road
PO Box 214029, Dubai, UAE

Tel: +971 4 426 6999
Fax: +971 4 365 3260

Abu Dhabi

Abu Dhabi Trade Centre Building
Office No. 3, Tourist Club Area
PO Box 36788 Abu Dhabi, UAE

Tel: +971 2 443 7772
Fax: +971 2 443 7762

With other MEA offices in:

Cairo, Riyadh, Jeddah, Al Khobar, Johannesburg and Casablanca

For questions and enquiries, please contact:

Gary Tracey, MRICS
Head of Cost
Management MEA

gary.tracey@eu.jll.com

Laura Morgan, MRICS
Associate, Market Intelligence Lead MEA
Project & Development Services

laura.morgan@eu.jll.com

www.jll-mena.com

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