

CONSTRUCTION MATERIALS PRICES SURGE AS DEMAND RECOVERS

A sharp rise in steel and sand prices due to lack of supply is sending construction costs skyrocketing.

Duc Chien in Hanoi's downtown Ba Dinh District recently completed the construction of a new house, but the cost ended up 30 percent higher than his original estimate.

"The contractor asked to hike prices several times during the course of four months, and I have no choice but to accept so that the construction could finish in time," he said.

The contractor had cited rising construction material prices, including 50 percent for sand and 35 percent for steel.

"Several other contractors in my neighborhood complained about the same issue, and so I guess it is the norm." A group 40 construction companies in the southern province of Ca Mau have recently petitioned provincial authorities to review and make adjustments to prices of materials such as steel, stone and sand, which have been rising sharply. They said sand prices have tripled in recent months and steel prices doubled amid shortages, which have also led to construction delays.

"Contractors are at risk of going bankrupt," one company in the group said.

In the southern province of Bac Lieu, Nguyen Van Duc, the chief of a construction company, said sand prices in the province have nearly doubled to VND210,000 (\$9) per cubic meter from earlier this year.

Lu Gia Mechanical Electric, a manufacturer of lamp posts and lights in HCMC, had to increase prices after the prices of steel plates rose by 70 percent.

Nguyen Tuan Em, the CEO of a small construction firm in Ho Chi Minh City, said the company's four projects currently underway are set to lose since the contracts were signed in February with fixed prices.

"My only hope is that the customers will agree to change the contract to flexible pricing."

The surge in the construction material prices comes amid increased demand for construction and manufacturing as countries recover from Covid-19.

The Ministry of Industry and Trade said recently that prices of intermediate goods have risen because of long shipping times as the supply chain is hindered by the ongoing pandemic.

Local steel prices depend on the prices of intermediate goods needed for production, most of which are imported, it added.

Steel prices have risen by 40-50 percent since the end of 2020, according to the Vietnam Steel Association (VSA), which forecast prices to continue rising until the end of the third quarter.

The international media has reported that strong demand in China, Europe and the U.S., thanks to their recovery after Covid-19, has pushed up prices of materials such as iron ore, copper and timber.

In the case of sand, construction companies said prices have been rising because of