

A white silhouette map of Hong Kong is positioned to the left of the main title text.

Hong Kong

Country Commodity Report

Q2 2023



Hong Kong

Q2 2023

Hong Kong's economy showed improvement in Q1 2023, driven by domestic demand and a recovery in tourism. The construction sector is expected to recover further due to government investments in housing and infrastructure. To support the construction industry, the government has also allocated HKD 75 million for studies on establishing a Building Testing and Research Institute and strengthening the supply chain of Modular Integrated Construction.

There is an overall improvement in the supply chain and material costs are stabilising. Steel and copper prices have declined, but cement and concrete prices remain elevated, although showing some signs of easing.

There is a shortage of labour in the construction industry, and to address this, Hong Kong is relaxing immigration rules and introducing new plans to recruit up to 12,000 foreign workers. Additionally, they have allocated a HK\$100 million fund for career development and training allowances to support the industry's workforce needs.



Scott Halyday
Director



Key Indicators

GDP

Grew by 2.7% in Q1 2023 on an annual basis



- GDP grew by 5.3% on a QoQ basis as compared to the previous quarter
- In the first quarter of 2023, the Hong Kong economy showed clear signs of improvement, primarily driven by the robust rebound in both inbound tourism and domestic demand

CPI

Rose by 1.9% in June 2023 from the same month in last year



- Prices of energy-related items as a whole continued to increase sharply year-on-year

Construction output

Expected to grow by 3.6% in real terms in 2023



- Growth of 2.3% is expected in the period 2024-2027 led by investments in transportation, electricity, housing, and industrial sectors

Commodities Pricing Snapshot

	Price % change			Remarks
	YoY Q2 '22 - Q2 '23 (e)	QoQ Q1 - Q2 '23 (e)	QoQ Q2 (e) - Q3 '23 (f)	
Copper	↓ -1%	↓ -5%	↓ -1%	Prices declined but likely to remain volatile
Steel rebar (raw)	↓ -14%	↓ -10%	↓ -2%	Prices trending downwards, likely to dip further
Cement	↑ 3%	↓ -2%	↓ -1%	Prices edging downwards but still elevated
Lumber	↓ -5%	↓ -4%	↔ 0%	Prices declining, expected to remain stable

(e) - estimate (f) - forecast

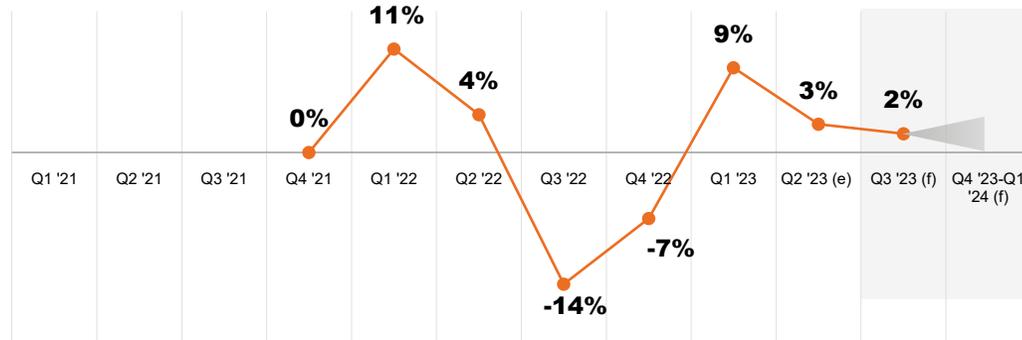
Hong Kong – Commodity Price Trends



Copper

Level of Impact			
Price Change (e) vs (f)		Material Availability	General State of Supply Chain
Moderate		Moderate	Moderate
Price (HK\$/mt)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
HK\$66,584	HK\$66,175	↓ -5.2%	↓ -0.6%

Price change comparison against Q4 2021

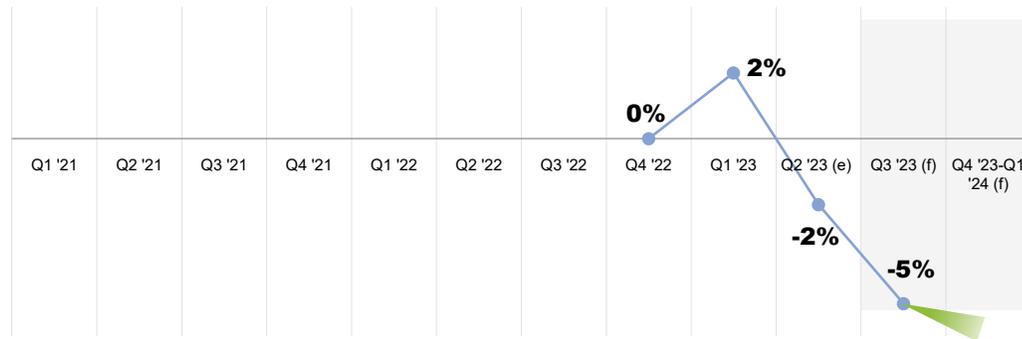


- Copper prices fell by 5.2% QoQ in Q2 2023, reversing some of the price gain in the previous quarter
- Global demand fell sharply in Q2 2023, largely due to China's faltering economic rebound, which weighed on prices during the quarter
- Prices are expected to edge downwards on a quarterly average basis in Q3 2023, amid weak global manufacturing activity and sluggish economic growth

Stainless Steel

Level of Impact			
Price Change (e) vs (f)		Material Availability	General State of Supply Chain
Low		Low	Moderate
Price (HK\$/mt)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
HK\$9,228	HK\$8,987	↓ -4.1%	↓ -2.6%

Price change comparison against Q4 2022



- Stainless steel prices fell by 4.1% QoQ in Q2 2023, driven down by lower nickel and nickel pig iron prices and weaker global demand
- With global demand expected to remain weak in the second half of this year and rising nickel output in Indonesia is likely to see prices fall further, stainless steel prices are expected to continue to fall
- The continued decline in global manufacturing activity will also weigh on the demand for stainless steel

Hong Kong – Commodity Price Trends



Steel – rebar and flat

Level of Impact		
Price Change (e) vs (f)	Material Availability	General State of Supply Chain
Low	Moderate	Moderate

Low	Moderate	Moderate
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Price		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
HK\$5,185	HK\$5,090	↓ -9.8%	↓ -1.8%
HK\$6,470	HK\$6,393	↓ -4.4%	↓ -1.2%

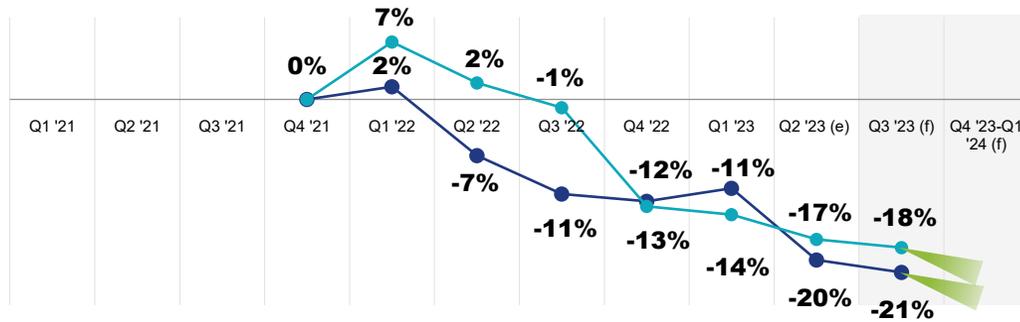
—●— **Steel rebar (raw)** (HK\$/mt)

HK\$5,185 HK\$5,090 ↓ -9.8% ↓ -1.8%

—●— **Steel flat product** (HK\$/mt)

HK\$6,470 HK\$6,393 ↓ -4.4% ↓ -1.2%

Price change comparison against Q4 2021



- Steel prices declined in Q2 2023, with rebar prices dropping by 9.8% QoQ and steel-flat prices down by 4.4%
- Lower iron ore prices and weak steel demand in China contributed to the drop in prices during the quarter
- Prices are expected to continue to decline in the coming quarters, though the decline will be softened by an expected improvement in construction activity in Hong Kong



Welded mesh

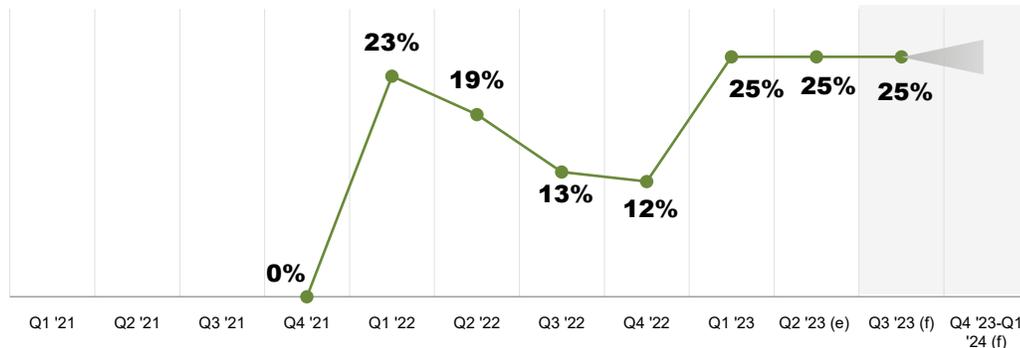
Level of Impact		
Price Change (e) vs (f)	Material Availability	General State of Supply Chain
Moderate	Moderate	Moderate

Moderate	Moderate	Moderate
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Price (HK\$/unit*)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
HK\$78.1	HK\$78.1	↓ -0.5%	↔ 0%

* 100 x 100 cm; diameter 6mm

Price change comparison against Q4 2021



- The price of welded mesh remained relatively stable in Q2 2023, recording a marginal decline of 0.5% from Q1 2023
- In comparison to Q4 2021, welded mesh prices were 25% higher in Q2 2023
- Though construction activity is expected to improve in the second half of this year, falling rebar prices are expected to offset this, keeping welded mesh prices stable

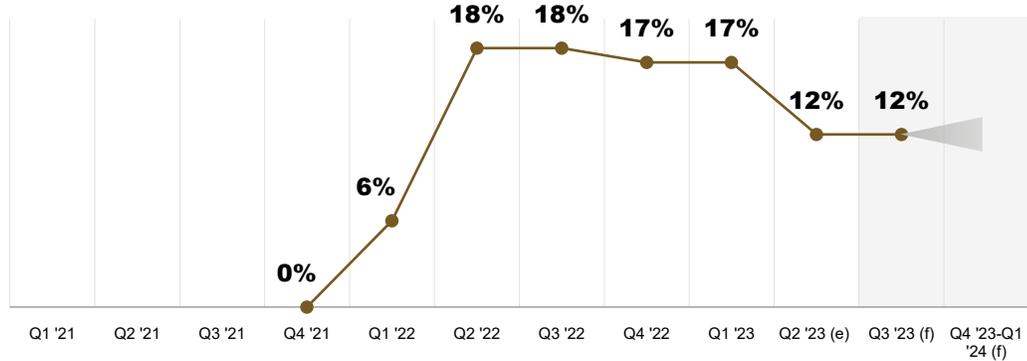
Hong Kong – Commodity Price Trends



Lumber (raw)

Level of Impact			
Price Change (e) vs (f)		Material Availability	General State of Supply Chain
Moderate		Moderate	Moderate
Price (HK\$/m ³)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
HK\$7,465	HK\$7,450	↓ -3.9%	↓ -0.2%

Price change comparison against Q4 2021



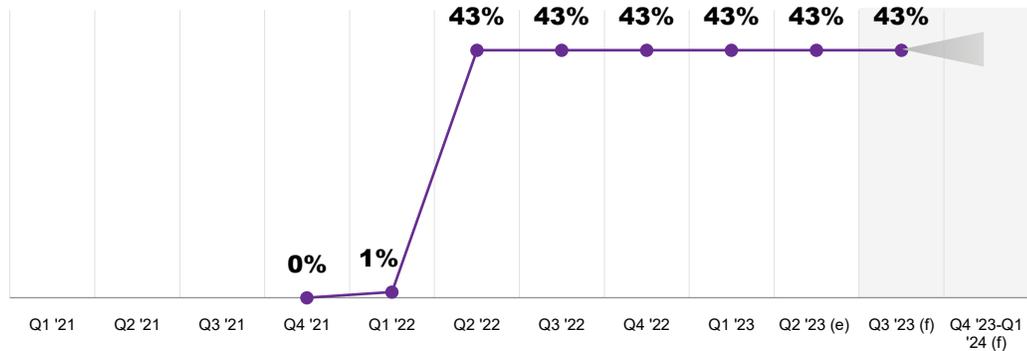
- Lumber prices have fallen back marginally from recent highs, recording a decline of 1% QoQ in Q2 2023
- Weak demand from the residential construction sector, which is expected to record only marginal growth this year, is expected to keep lumber prices trending downwards in the coming quarters



Plasterboard

Level of Impact			
Price Change (e) vs (f)		Material Availability	General State of Supply Chain
Moderate		Low	Low
Price (HK\$/unit*)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
HK\$100	HK\$100	↔ 0%	↔ 0%

Price change comparison against Q4 2021



- Since the sharp rise of plasterboard prices in mid-2022, the price of plasterboard has been stable in recent quarters
- Plasterboard prices are expected to remain around their current levels in the coming quarters, reflecting solid demand in the construction industry

* 122 x 244 x 1.2 cm (L x W x T)

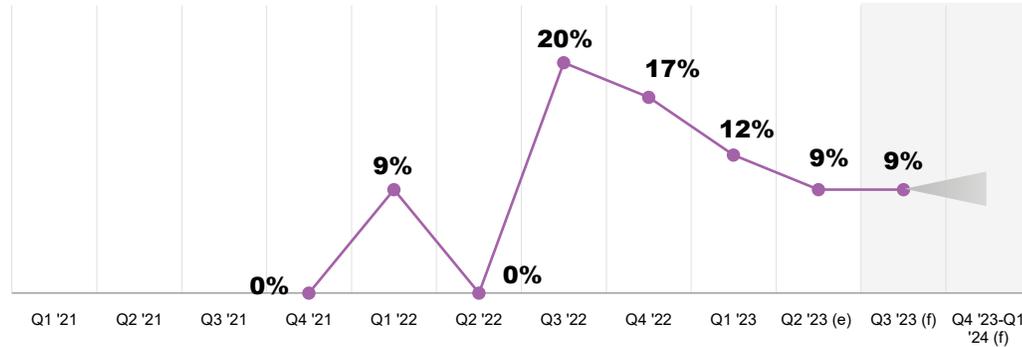
Hong Kong – Commodity Price Trends



Limestone

Level of Impact			
Price Change (e) vs (f)		Material Availability	General State of Supply Chain
Moderate		Low	Low
Price (HK\$/mt)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
HK\$68.8	HK\$68.7	↓ -2.2%	↓ -0.1%

Price change comparison against Q4 2021

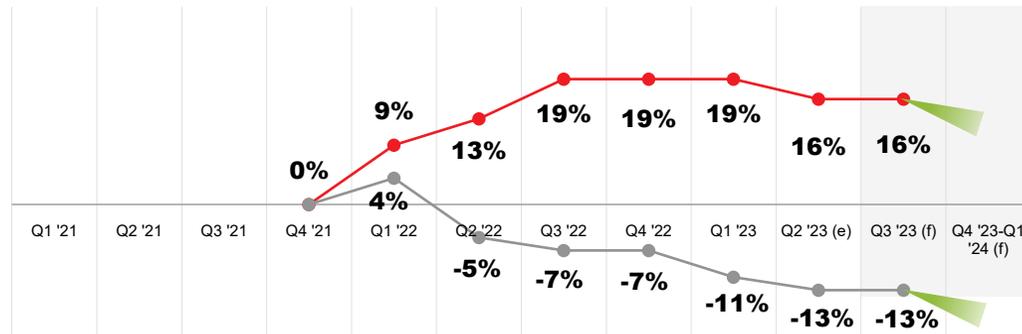


- Limestone prices declined by 2.2% QoQ in Q2 2023, recording a third successive quarterly fall in prices
- An improvement in activity in the construction sector is expected to see demand for limestone strengthen in the second half of this year, stabilising prices around their current levels

Cement and Concrete

Level of Impact			
Price Change (e) vs (f)		Material Availability	General State of Supply Chain
Moderate		Moderate	Moderate
Price		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
HK\$911	HK\$904	↓ -2.2%	↓ -0.7%
● Cement (HK\$/mt) ● Concrete (HK\$/m³)			
HK\$1,074	HK\$1,069	↓ -1.9%	↓ -0.4%

Price change comparison against Q4 2021



- In Q2 2023, cement and concrete prices declined marginally, reflecting a decline in energy costs as thermal coal and LNG prices fell. A decline in building work in H1 has weighed on cement and concrete prices during the quarter
- While construction activity is expected to strengthen in the second half of this year, driving an improvement in demand, cement and concrete prices are expected to continue to moderate owing to falling production costs

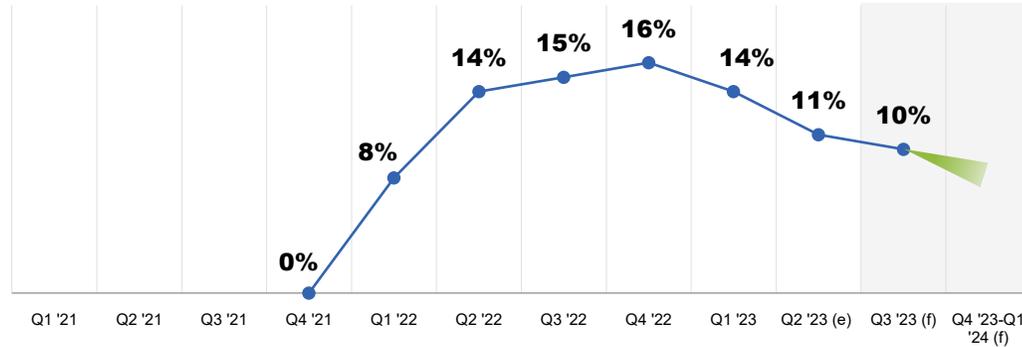
Hong Kong – Commodity Price Trends



Asphalt

Level of Impact			
Price Change (e) vs (f)		Material Availability	General State of Supply Chain
●●●● Low		●●●● Moderate	●●●● Moderate
Price (HK\$/mt)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
HK\$9,321	HK\$9,210	↓ -2.2%	↓ -1.2%

Price change comparison against Q4 2021



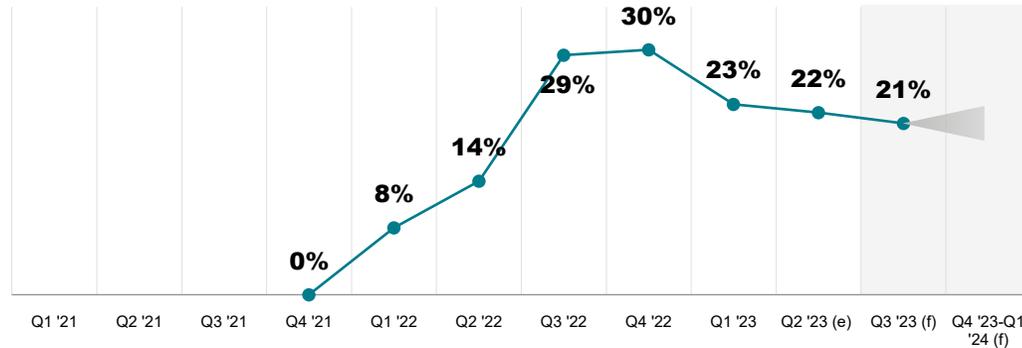
- Asphalt prices declined further in Q2 2023, falling by 2.2% QoQ due to the decline in refined petroleum products
- Asphalt prices are expected to decrease further in the coming quarters, with continued weakness in prices for key materials. However, government spending on major road projects will prop up demand



Diesel

Level of Impact			
Price Change (e) vs (f)		Material Availability	General State of Supply Chain
●●●● Low		●●●● Moderate	●●●● Moderate
Price (HK\$/litre)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
HK\$17.1	HK\$16.9	↓ -0.8%	↓ -1.1%

Price change comparison against Q4 2021



- Diesel prices have declined by approximately 0.8% QoQ in Q2 2023, driven down by weak global oil demand
- Despite the decline, prices were still 22% higher than in Q4 2021
- Prices are expected to remain close to current levels in the coming quarters. Global oil demand is likely to remain weak, but prices will be held up by the extension of OPEC+ output cuts through 2024 and Saudi Arabia's additional output cut from July 2023

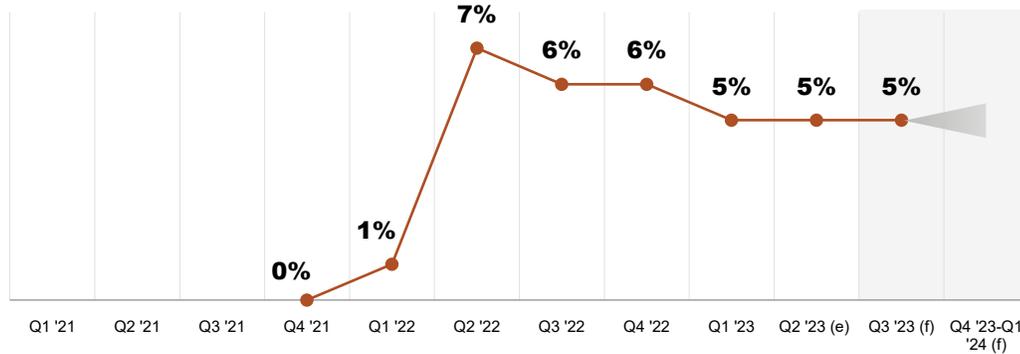
Hong Kong – Commodity Price Trends



Bricks

Level of Impact			
Price Change (e) vs (f)		Material Availability	General State of Supply Chain
o o o o Moderate		o o o o Moderate	o o o o Moderate
Price (HK\$/'000 unit)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
HK\$3,314	HK\$3,306	↓ -0.2%	↓ -0.2%

Price change comparison against Q4 2021



- Brick prices declined further in Q2 2023, registering a fourth successive quarterly decline
- The price decline has been moderate, though, and prices are still around 5% higher than in Q4 2021
- With construction activity expected to strengthen in the second half of this year, the impact on prices from stronger demand will be offset by falling LNG and thermal coal costs

Level of impact rating reflects a combination of factors: price change (compared to recent past beyond the last quarter), the importance of the material, and general state of the supply chain in terms of stability.

Level of Impact					
Price Change Estimate (e) vs Forecast (f)		Material Availability		General State of Supply Chain	
Range	Impact	State	Impact	State	Impact
≥5%	o o o o High	Deficit	o o o o High	Stressed	o o o o High
≥1% – <5%	o o o o Moderate	Balanced	o o o o Moderate	Adequate	o o o o Moderate
<1%	o o o o Low	Surplus	o o o o Low	Easily Available	o o o o Low

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

QoQ Quarter on Quarter
 YoY Year on Year
 MoM Month on Month
 GDP Gross Domestic Product
 CPI Consumer Price Index (wherever not specified)
 e estimated
 f forecasted
 EV Electric Vehicles
 DC Data Centre

Hong Kong – Industry trends

Sector trends



Data Centres

Hong Kong's data centre market benefits from strong demand, digitisation initiatives and excellent connectivity. Additionally, the presence of major cloud operators, strong ecosystems, nationwide deployment of 5G technology, and data protection laws further contribute to the market's growth. Land shortage has been a concern in Hong Kong for data centre development. The government has introduced various measures to address this, including waivers for converting industrial buildings.

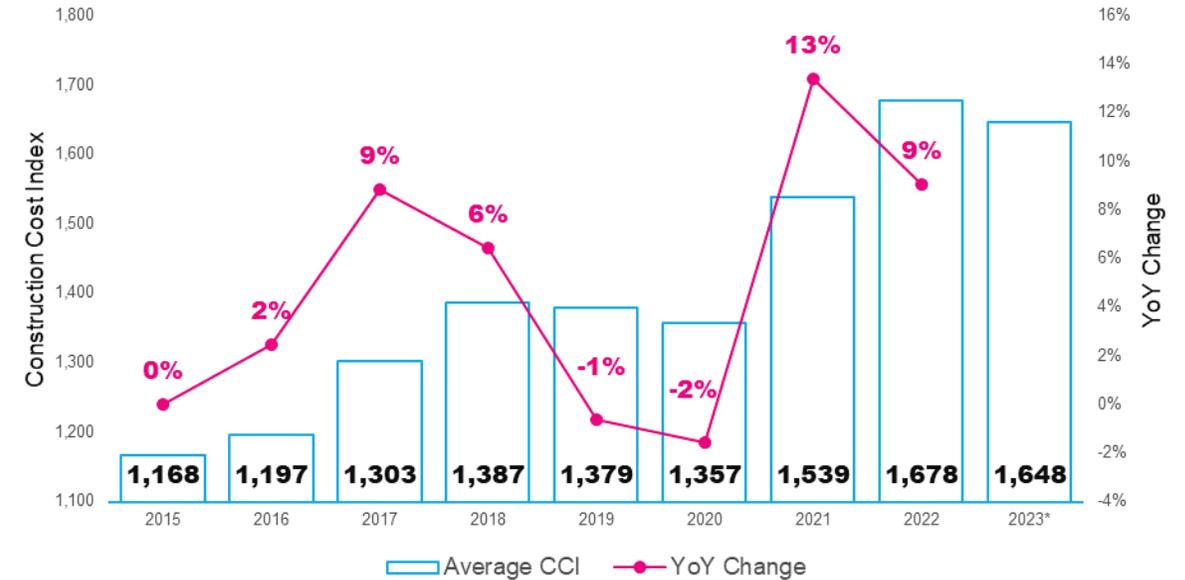


Renewable Energy

The energy and utilities construction sector is set to grow by 3.4% in 2023 driven by the government's aim to increase renewable energy's share in the total energy mix from 7.5% in 2021 to 10% by 2035 and to reduce carbon emissions by 50% by 2035. In October 2022, the "RE100 Hong Kong" platform was launched by the Hong Kong Association of Solar Energy Industry and GBA Carbon Neutrality Association to promote renewable energy adoption among local organisations and companies, contributing to carbon emission reduction.



Construction Cost Index (CCI)**



*Average from Jan 2023 to June 2023

**The index is Revised Index effective from July 09. Original HyD CCI index applies to Lighting Division/HyD's MOM contracts until Sep 2013.

Hong Kong – 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 – Hong Kong

For Hong Kong, sources for this report include, but are not limited to:

- IMF
- Civil Engineering and Development Department – The Government of the Hong Kong Special Administrative Region
- The Census and Statistics Department
- GlobalData's Construction Intelligence Center (CIC)
- Economic Research Institute
- Public Holidays
- Trading Economics

Disclaimer: The commodity report contains information, data, and analysis related to the construction industry.

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