



South Korea

Country Commodity

Report

Q2 2023



South Korea

Q2 2023

The South Korean economy outperformed expectations in Q2 2023, with inflation also following a decelerating trajectory. Interest rates however, are still elevated which is impacting the construction industry.

Freight costs are gradually normalising and prices of key commodities like steel and copper have declined from the highs of 2022, however, prices of cement and concrete are still elevated.

The construction industry is projected to experience a marginal growth in 2023 due to a weakness in the residential sector. Major South Korean construction firms are planning to boost their overseas ventures and decrease domestic projects in 2023 to enhance profitability. This shift comes in response to escalating domestic construction costs and a slowdown in the housing market. However, investments in high-tech sectors like EV and battery manufacturing projects are steadily increasing. Despite short term challenges, the overall construction sector is expected witness growth in medium-long term.



Garvan Barry
Director - North East Asia



Key Indicators

GDP

Grew by 0.9% QoQ on an annual basis



- GDP grew by 0.6% on a QoQ basis as compared to previous quarter
- Growth was faster than expected which was led by an increase in manufacturing and services sector output

CPI

Rose by 2.7% in June 2023 from the same month in last year



- Inflation slowed more than expected and was lowest in the last 21 months
- Slowdown was attributed to reduction in fuel prices

Construction output

Expected to grow marginally by 0.8% in real terms in 2023



- A slowdown in growth is attributed to global economic and industrial weakness, increase in inflation and high interest rates
- Growth of 3.5% is expected in the period 2024-2027 led by investments in battery and electric vehicle manufacturing sectors

Commodities Pricing Snapshot

	Price % change			Remarks
	YoY Q2 '22 - Q2 '23 (e)	QoQ Q1 - Q2 '23 (e) Q2 (e) - Q3 '23 (f)		
Copper	↓ -6%	↓ -2%	↔ 0%	Prices have declined and likely to remain volatile
Steel rebar (raw)	↓ -16%	↓ -3%	↓ -1%	Prices have continued to decline
Cement	↑ 12%	↑ 4%	↑ 1%	Prices have continued to rise, likely to edge upwards
Lumber	↑ 6%	↓ -1%	↓ -2%	Prices trending downwards

(e) - estimate (f) - forecast

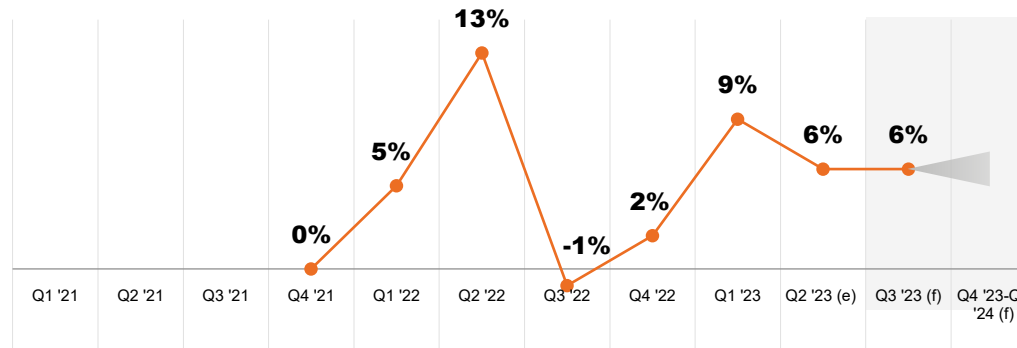
South Korea – Commodity Price Trends



Copper

Price Change (e) vs (f)		Level of Impact		General State of Supply Chain	
Q2 '23 (e)	Q3 '23 (f)	Material Availability	General State of Supply Chain	Q2 '23 (e) - Q3 '23 (f)	Q3 '23 (f) - Q4 '23 (f)
11,151,644	11,099,089	Low	Low	-2%	-0.5%

Price change comparison against Q4 2021



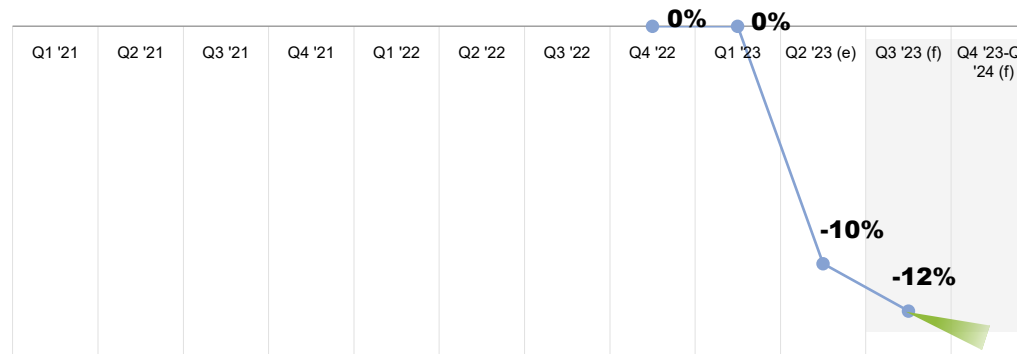
- Copper prices dropped by 2% QoQ in Q2 2023
- The fall in price was primarily due to declining demand from China and weaker market sentiment as global economic growth slowed
- Prices are expected to remain at current levels on a quarterly average basis in the short term, given ongoing weakness on the demand side



Stainless Steel

Price Change (e) vs (f)		Level of Impact		General State of Supply Chain	
Q2 '23 (e)	Q3 '23 (f)	Material Availability	General State of Supply Chain	Q2 '23 (e) - Q3 '23 (f)	Q3 '23 (f) - Q4 '23 (f)
1,645,707	1,609,595	Moderate	Moderate	-10%	-2.2%

Price change comparison against Q4 2022



- Stainless steel prices dropped by 10% QoQ in Q2 2023, driven down by declining nickel and nickel pig iron prices and a softening of demand as global manufacturing output slumped
- With steel manufacturer POSCO freezing its prices in June 2023, prices will remain close to current levels in the short term, however with weak end-user demand and further weakness in key inputs, price is expected to decline further in the coming quarters

South Korea – Commodity Price Trends

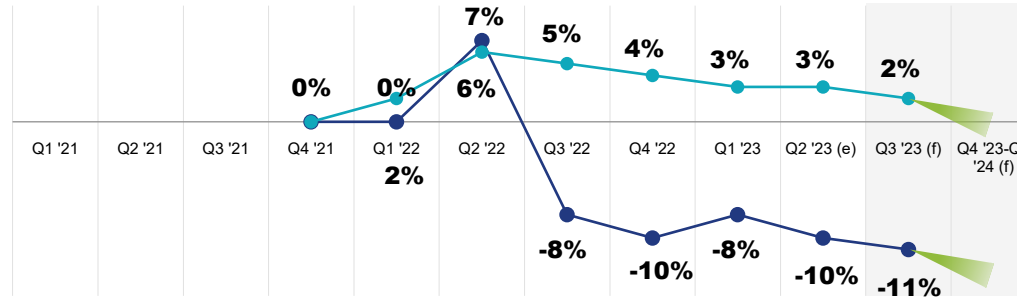


Steel – rebar and flat

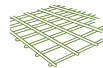
Level of Impact		
Price Change (e) vs (f)	Material Availability	General State of Supply Chain
Moderate	Moderate	Moderate

Price		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
Steel rebar (raw) (KRW/mt)			
931,915	924,522	↓ -2.6%	↓ -0.8%
Steel flat product (KRW/mt)			
971,771	968,263	↓ -0.7%	↓ -0.4%

Price change comparison against Q4 2021



- Steel prices have continued on a general downward trend, with steel rebar prices dropping in Q2 2023 by 2.6% QoQ and steel flat prices by a more marginal 0.7%
- Comparatively weaker demand from the construction sector amid high interest rates and a slowing economy is expected to keep demand for steel soft in the short term, although demand from the automobile manufacturing sector will moderate the decline in steel flat prices

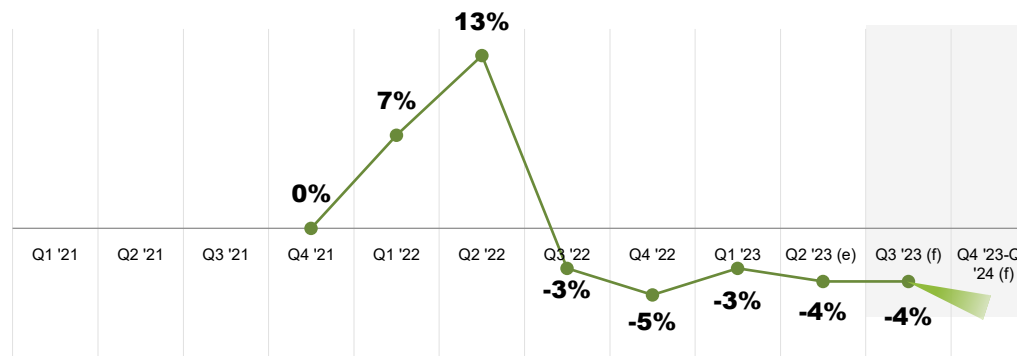


Welded mesh

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

Price (KRW/unit*)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
7,957	7,932	↓ -1.1%	↓ -0.3%

Price change comparison against Q4 2021



- Steel mesh prices have been relatively stable in recent quarters, and in comparison, to Q4 2021, steel mesh prices were 4.1% lower in Q2 2023
- With steel rebar prices declining and demand from the building construction sector relatively soft, the price of steel mesh is expected to continue to fall in the second half of this year

* 100 x 200 cm; diameter 5mm

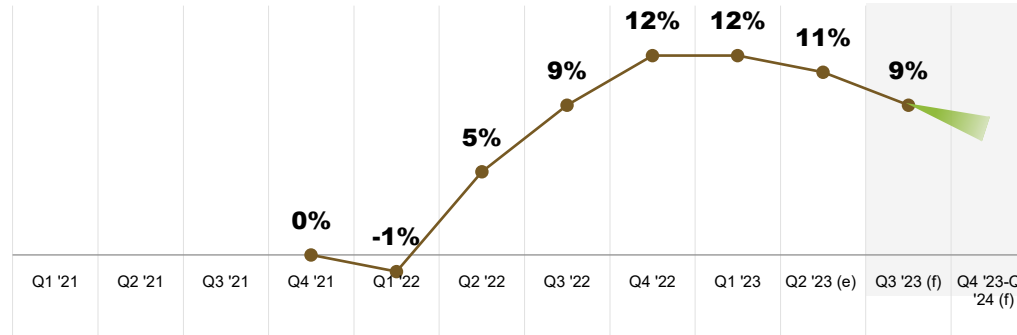
South Korea – Commodity Price Trends



Lumber (raw)

Level of Impact			
Price Change (e) vs (f)	Material Availability	General State of Supply Chain	
Low	Moderate	Moderate	
Price (KRW/m ³)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
367,738	361,000	↓ -0.9%	↓ -1.8%

Price change comparison against Q4 2021



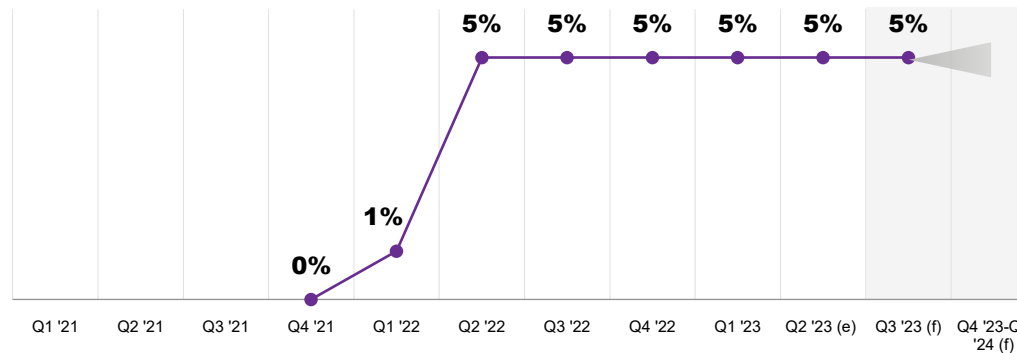
- Lumber prices have fallen back marginally from recent highs, recording a decline of 1% QoQ in Q2 2023
- Weak demand from the residential construction sector, which is expected to record only marginal growth this year, is expected to keep lumber prices trending downwards in the coming quarters



Plasterboard

Level of Impact			
Price Change (e) vs (f)	Material Availability	General State of Supply Chain	
Moderate	Low	Low	
Price (KRW/unit*)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
4,125	4,125	↔ 0%	↔ 0%

Price change comparison against Q4 2021



- Weak demand from the building construction sector has contained upward pressure on plasterboard prices, which has been stable in recent quarters
- Prices were, however, still up by 5% in comparison to Q4 2021
- Building construction activity will remain sluggish in the coming quarters, keeping the price of plasterboard close to current levels

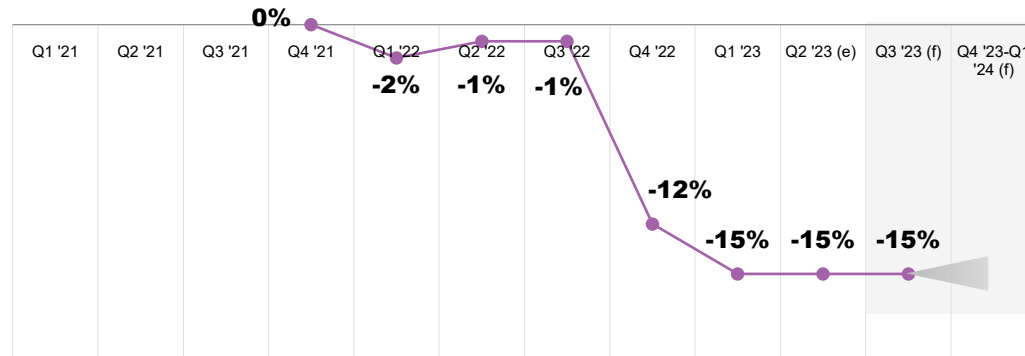
* 90 x 180 x 1.2 cm (L x W x T)

South Korea – Commodity Price Trends

Limestone

Level of Impact			
Price Change (e) vs (f)	Material Availability	General State of Supply Chain	
Moderate	Low	Low	
Price (KRW/mt)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
825,833	825,833	↔ 0%	↔ 0%

Price change comparison against Q4 2021

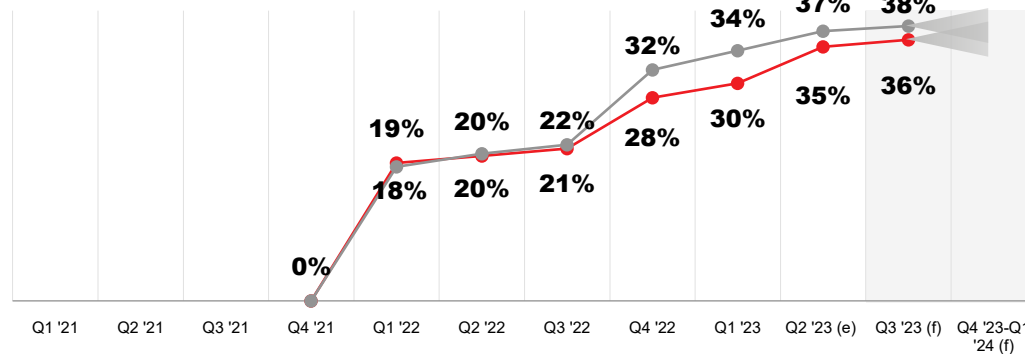


- The price of limestone is estimated to have remained stable in Q2 2023, having dropped back in late 2022
- With construction demand being sluggish, limestone prices are expected to remain close to current low levels in the coming quarters

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)
420,081	423,695	↑ 4.0%	↑ 0.9%
—●— Cement (KRW/mt)			
162,798	163,612	↑ 2.0%	↑ 0.5%
—●— Concrete (KRW/m ³)			

Price change comparison against Q4 2021



- Owing to high production costs, cement and concrete prices continued to rise in Q2 2023
- The upward trend reflects KEPCO's increase of electricity rates in H1 2023 with major cement producers citing higher electricity rates as a reason for the rise. Prices will remain high in the short term, however the Ministry of Trade, Industry, and Energy is urging cement manufacturers to prioritize price stabilisation
- Weaker demand will also help in levelling off the price

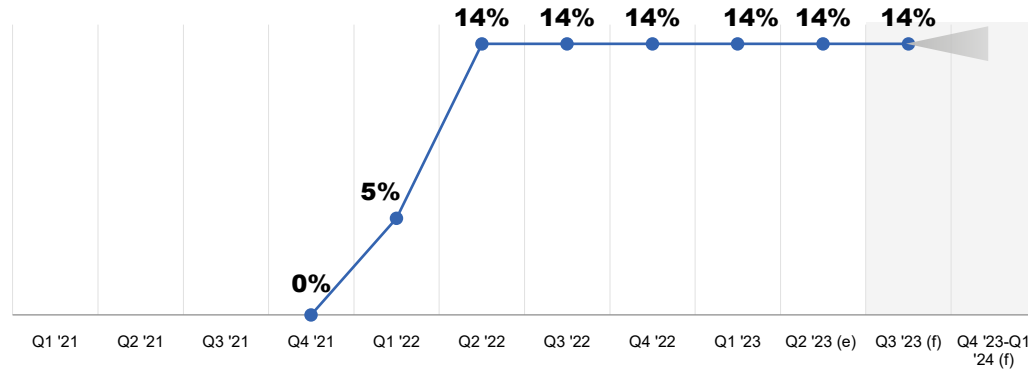
South Korea – Commodity Price Trends



Asphalt

Level of Impact			
Price Change (e) vs (f)		Material Availability	General State of Supply Chain
●●●● Moderate		●●●● Low	●●●● Low
Price (KRW/mt)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
66,200	66,200	↔ 0%	↔ 0%

Price change comparison against Q4 2021



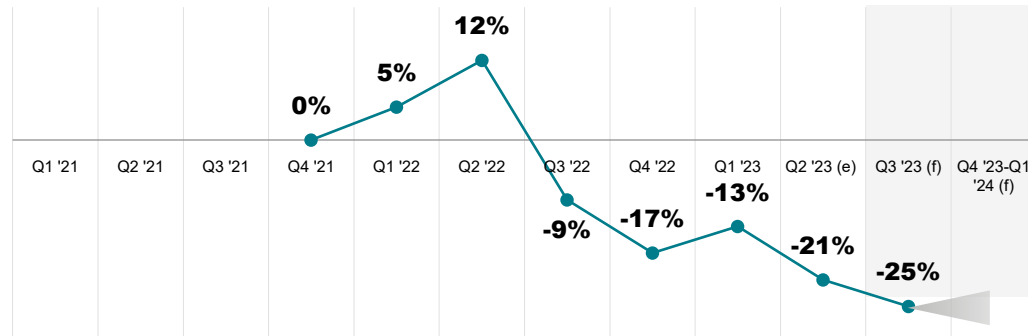
- Asphalt prices remained stable in Q2 2023, recording no notable change to Q1 2023 levels
- The price of asphalt is expected to remain around its current level in the coming quarters, with lower crude oil prices offset by robust demand from the road construction sector
- The Korea Motorway Corporation's Motorway Construction Promotion Plan, 2023, involves a total investment of \$4.7 billion for the development of a 150km motorway



Diesel

Level of Impact			
Price Change (e) vs (f)		Material Availability	General State of Supply Chain
●●●● Low		●●●● Low	●●●● Low
Price (KRW/litre)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
1,467	1,402	↓ -8.8%	↓ -4.5%

Price change comparison against Q4 2021



- Diesel prices decreased by 9% QoQ in Q2 2023, continuing a general downward trend since Q2 2022
- Prices fell sharply through the quarter, dropping by 5.3% MoM in June 2023, following a 4.1% decline in May and a 0.3% fall in April 2023
- Diesel prices are expected to continue to decline in Q3 2023. However, with OPEC+ nations extending crude oil production cuts into 2024, prices will then remain relatively stable

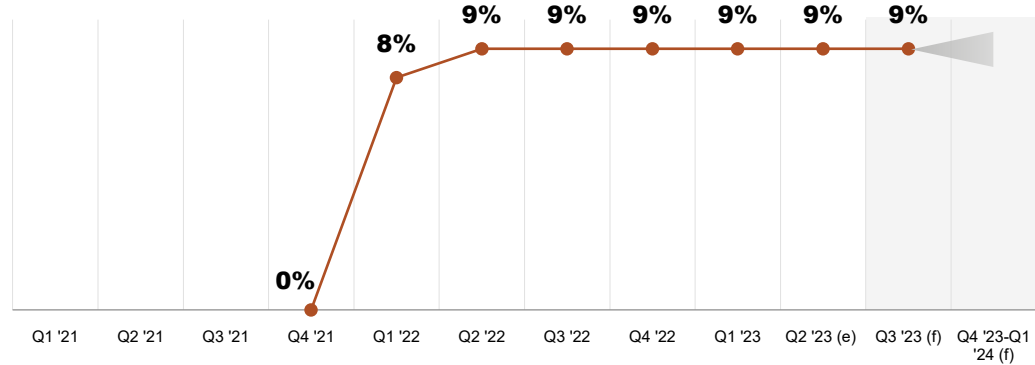
South Korea – Commodity Price Trends



Bricks

Level of Impact			
Price Change (e) vs (f)		Material Availability	General State of Supply Chain
Moderate		Low	Low
Price (KRW/'000 unit)		% change	
Q2 '23 (e)	Q3 '23 (f)	Q1 '23 - Q2 '23 (e)	Q2 '23 (e) - Q3 '23 (f)
650,000	650,000	↔ 0%	↔ 0%

Price change comparison against Q4 2021



- Brick prices have remained stable in recent quarters, but at a high level relative to Q4 2021
- Higher interest rates, sluggish economic growth and elevated rates of inflation have kept construction activity relatively moderate, containing upward pressure
- Brick prices are expected to remain at their current levels in the second half of this year

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%	High	Deficit	High	Stressed	High
≥1% – <5%	Moderate	Balanced	Moderate	Adequate	Moderate
<1%	Low	Surplus	Low	Easily Available	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

South Korea – Industry trends

Sector trends



Data Centres

The Korean data centre market, previously dominated by local players, is now attracting international investors due to its digital progression, growing cloud adoption, and a flourishing gaming and media industry, supported by robust connectivity. The Seoul Metropolitan region serves as the primary hub for data centres in the country. There are more than \$13bn worth of data centre projects in the pipeline with 70% of the projects (by value) in planning stage.



Life Sciences

The life science industry in South Korea has experienced rapid growth in recent years, supported by various initiatives to enhance research, development, and commercial activities in the sector. As per a report by biotechgate, in 2021, the industry received a VC funding of US\$228 mn. Songdo International City is an established bio cluster while regions like Pangyo Techno Valley, Osong High-tch medial complex, Kmedi-hub are supporting R&D activities.



High-tech Industrial

South Korea is known for its technology-oriented manufacturing industry. It is one of the world's leading players in the memory chip market and EV manufacturing sector. To boost the battery manufacturing sector, the South Korean government recently announced a US\$15bn funding initiative to support advanced battery technologies, including solid state batteries.

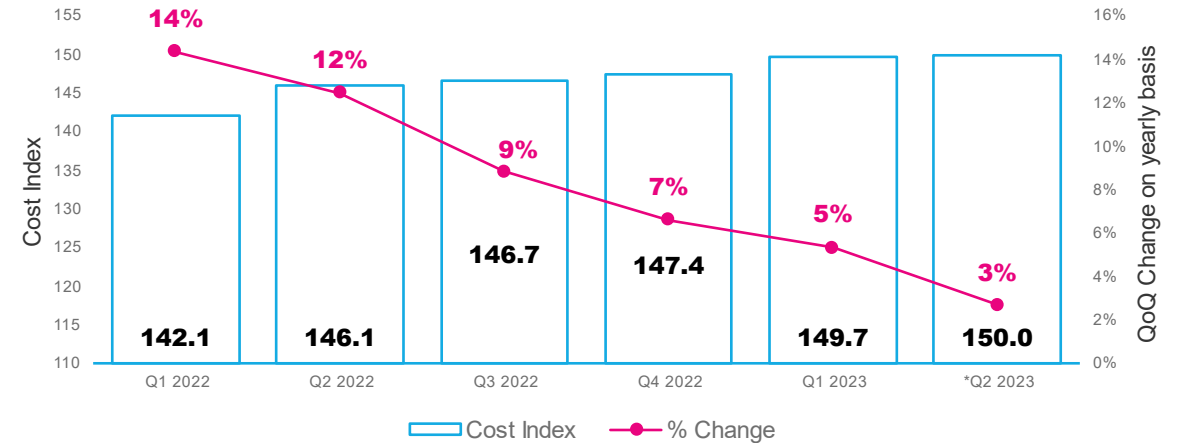


Renewable Energy

The South Korean government is committed to substantially increasing the share of renewable energy as a percentage of the total energy generation in the country. The government has a target to reduce greenhouse gas emissions by 40% from 2018 levels by 2023, and achieving carbon neutrality by 2050. The Ministry of Industry, Trade, and Energy (MoI TE) has set new goals to escalate renewable energy generation from 9% in 2021 to 21.6% in 2030 and 30.6% in 2036.



Construction price Index (CPI) for Non-Residential**



*Average of April and May 2023 (Values for May are provisional)

**Base year 2015=100,

South Korea – 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 – South Korea

For South Korea, sources for this report include, but are not limited to:

- IMF
- Statistics Korea
- The Korean Statistical Information System (KOSIS)
- Bank of Korea
- Korea Institute of Civil Engineering and Building Technology (KICT)
- GlobalData's Construction Intelligence Center (CIC)
- Economic Research Institute
- Reuters

Disclaimer: The commodity report contains information, data, and analysis related to the construction industry. While we strive to provide accurate and up-to-date information, it is important to note that the commodity market is subject to various factors, uncertainties, and changes that may impact the accuracy or reliability of the report's contents. By using the commodity report, you acknowledge and agree that Linesight assumes no responsibility or liability for any inaccuracies, errors, omissions, or losses that may arise from your reliance on the information presented in the report. It is essential that users exercise their independent judgment, conduct their own research, and seek professional advice before making any decisions based on the information contained within the report.



To view more of our Industry Insights, including the full suite of Commodity Reports, please go to <https://www.linesight.com/insights/>