



South Korea

Country Commodity Report

Q2 2022



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According to the Korean Statistical Information System (KOSIS), South Korea saw 2.8% economic expansion year-on-year in Q1 2022, following year-on-year growth of 4.2% in Q4 2021. This was weaker than anticipated, with higher energy costs, high inflation and weak private consumption at play. The Bank of Korea (BOK) expects GDP to grow by 3% this year, while the IMF expects growth of 2.5%.

Following a 2.1% contraction in 2021, construction output is expected to return to real growth in 2022 of 2% and in the coming years, as the focus remains on the development of infrastructure and energy production. The downside risks remain for the industry, of supply chain challenges, the rate of inflation and the global geopolitical climate impacting.

As material costs will continue to represent a challenge for the construction industry for the foreseeable future, Linesight will publish quarterly updates to track commodities and provide insights about future projections on movements.



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Lumber

Although domestic demand growth has been fairly limited given the sluggish performance of the construction industry, lumber prices have increased marginally, in part owing to higher transportation costs. Lumber trade has also been heavily impacted by the sanctions imposed on Russia by South Korea, Japan and major European markets.



Cement and aggregates

Local cement production has been hampered recently by issues with the supply of bituminous coal, as 75% of such coal imports had come from Russia in 2021. The government is proceeding with plans to improve sustainability and switch away from a reliance on coal to alternative fuel sources. Supplies have also been disrupted recently by a truck drivers' strike in June, which halted operations at a number of ready-mix concrete batching plants.



Concrete blocks and bricks

South Korea's construction industry has been in a steady decline in recent years, which has limited demand growth in key building materials, such as blocks and bricks. However, construction permits for housing and commercial properties recovered in 2021, and this is expected to contribute to renewed demand growth for these materials.



Steel (rebar and structural)

South Korea has a sizeable steel industry, being the sixth largest steel producer in the world in 2021. The industry's focus is on self-sufficiency and reducing emissions. However, there are concerns among major producers that tougher regulations to reduce industry pollution will drive up costs and benefit competitors in China.





Copper

Copper prices are set to remain volatile given the uncertain economic outlook, and major shifts in demand stemming from China's zero-COVID policies.

South Korea - Commodity Report



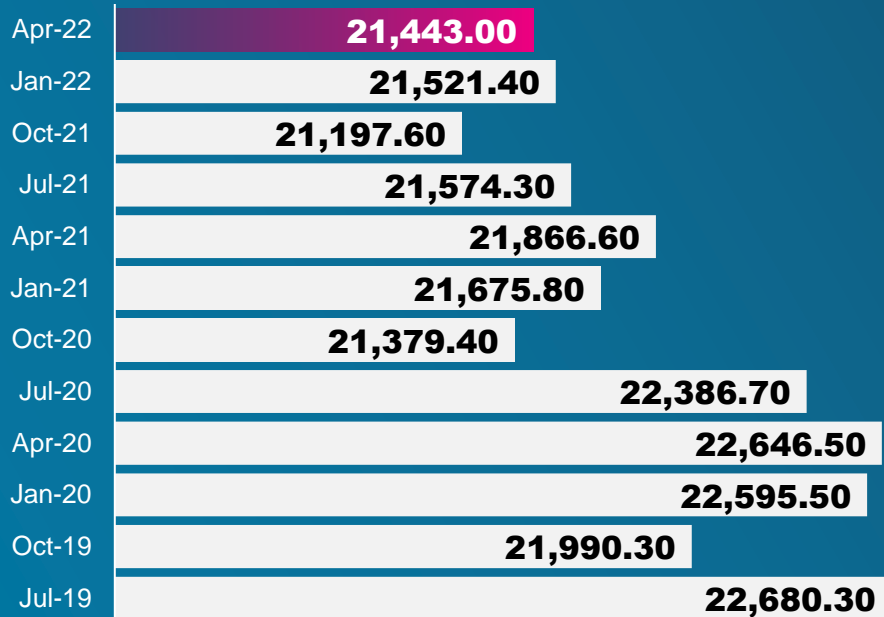
Materials	Q3 2022 (f)	Q1 – Q2 (e) 2022
	KRW	% change
Copper (KRW/MT)	11,602,751	7.2% ↑
Steel rebar (KRW/MT)	1,062,753	6.4% ↑
Steel flat (KRW/MT)	942,037	4.2% ↑
Lumber (KRW/M3)	340,695	3.4% ↑
Asphalt (KRW/MT)	64,545	9.1% ↑
Limestone (KRW/MT)	974,561	0.5% ↑
Cement (KRW/MT)	371,250	1.5% ↑
Concrete (KRW/M3)	141,326	1.5% ↑
Welded mesh (KRW/unit)	9,210	5.9% ↑
Bricks (KRW/000 unit)	653,250	1.0% ↑
Plasterboard (KRW/unit)	4,158	4.5% ↑
Diesel (KRW/litre)	2,024.08	6.2% ↑

Material	% change Q2 – Q3 2022 (f)	Level of impact of pricing on construction procurement and supply chain *	
 Copper	-1.8% ↓	Moderate	Copper prices in South Korea are expected to decline in Q3 2022, following a trend that started late in Q2 as demand in China slowed and amid heightened fears of a slowdown in major countries. The weakness in the won against US\$ is also holding back investment in copper.
 Steel prices - Steel rebar - Flat steel	-4.4% ↓ -6.4% ↓	Moderate	With energy and fuel prices touching record highs, steel prices picked up sharply in Q2 2022, having already risen in the previous quarters. However, with signs of weaker demand, prices have started to drop back, and given a relatively gloomy outlook, prices will continue on a downward trend in the coming quarters.
 Cement Concrete	-1.0% ↓ -1.0% ↓	Moderate	Given the weakness in domestic construction demand in recent quarters, concrete and cement prices have mainly been impacted by higher production costs. However, supplies were tight in Q2 2022, with reports in April that seven cement producers had agreed to ramp up production (by 36% quarter-on-quarter) to alleviate shortages and divert volumes from the export market to help meet domestic demand. Prices are set to remain relatively high owing to a recovery in demand, which is expected as construction picks up.
 Asphalt	-2.5% ↓	Moderate	Bitumen prices have risen sharply this year given the jump in crude oil prices, and South Korea's export prices have reached record highs. However, with international crude oil prices easing, the price of asphalt is expected to show a downward turn in the coming quarters.
 Limestone	+1.0% ↑	Moderate	Volatility in limestone prices is expected to be minimal in the second half of this year, with prices on average set to remain close to current levels.

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.

South Korea - Commodity Report

GDP from construction – KRW billions



Knoema World Data Atlas

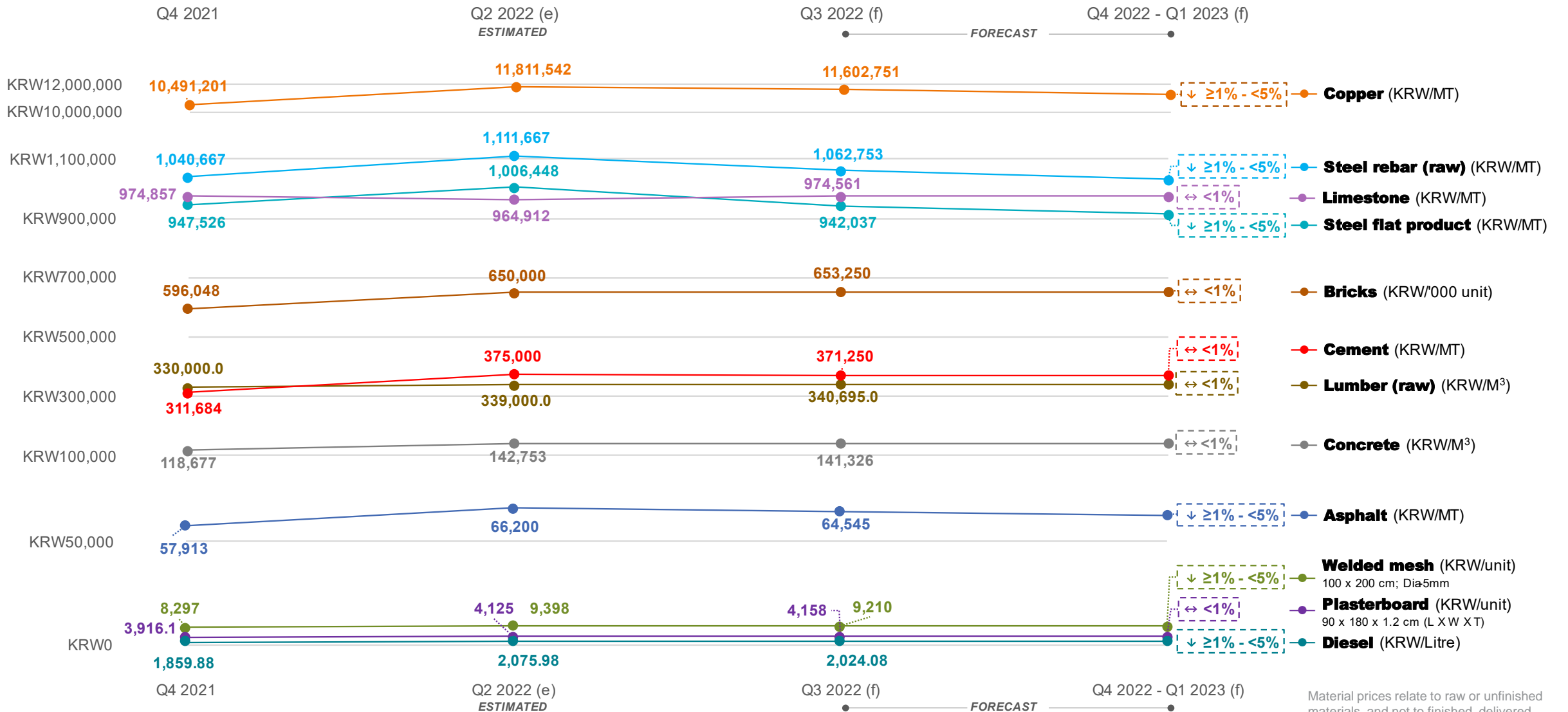
Index of economic freedom **74.6 out of 100**

Material	% change Q2 – Q3 2022 (f)	Level of impact of pricing on construction procurement and supply chain *	
 Lumber	+0.5% ↑	 High	The price of lumber continues to trend upwards. Given the sluggish performance of the construction industry, the lumber price trend has mainly reflected rising transportation and logistics costs. However, in the coming quarters, demand is expected to pick up, with the government pushing through major housebuilding programmes. The impact on prices will be offset by easing supply-side pressure.
 Welded mesh	-2.0% ↓	 Moderate	The price of welded mesh is primarily influenced by the price of steel rebar, which is expected to ease in the coming quarters, driving down welded mesh prices.
 Bricks	+0.5% ↑	 Low	Construction activity is expected to pick up in the coming quarters, reflecting a positive trend in building permits recently. This will stimulate demand for bricks, the prices of which have mainly been driven up in recent quarters by elevated production costs. Prices are expected to remain close to current levels, as a pickup in demand is offset by weaker energy cost inflation.
 Plasterboard	+0.8% ↑	 Low	As with other building materials, price trends in recent quarters have reflected higher production and transportation costs, but as construction activity picks up, this will keep prices close to current highs despite the easing in costs.
 Diesel	-2.5% ↓	 High	South Korea is major exporter of refined crude oil, and there has been a fine balancing act in recent quarters to contain domestic price inflation of diesel while also maintaining export volumes. Prices surpassed KRW2,000 per litre in Q2 2022, but with international crude oil prices set to ease, domestic fuel prices will fall back in the coming quarters.

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

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South Korea - Construction Materials Pricing (2021-2022)



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

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. A more comprehensive list of sources is included below.

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
- The Korean Statistical Information System (KOSIS)
- Bank of Korea
- GlobalData's Construction Intelligence Center (CIC)

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