



South Korea

Country Commodity Report

Q4 2022



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According to the Bank of Korea's recent advance estimates, the South Korean economy is expected to grow by 2.6% in 2022 but will slow to less than 1.7% in 2023. Prolonged interest rate hikes in major countries, global energy crisis, and weakening of the pent-up demand post COVID is impacting the economy. The economy is expected to recover in the second half of 2023 as the Information Technology (IT) sector recovers. Inflation remained high at 5% in December 2022, but it is expected to be in the mid-3% range this year.

Following contractions of 2.6% in 2021 and 1.3% in 2020, the South Korean construction industry is expected to contract by 0.5% in 2022. The key factors affecting the industry are rising construction costs, high inflation, and supply chain disruptions. However, with government investments in infrastructure and financial and regulatory support for the semiconductor industry, construction sector is expected to grow at a 4.1% average annual rate between 2024 and 2026.



Garvan Barry
Director
garvan.barry@linesight.com



Lumber

Lumber prices rose in Q4 2022, due to tight supply, disruption following the truck drivers' strike and increased logistical costs. In 2023, prices are expected to decline as the Bank of Korea's hawkish policy stance and slowing economic growth weighs on new residential investment and construction activity, a key driver of lumber demand.



Cement and aggregates

Major cement producers are set to further increase wholesale prices as bituminous coal costs, which account for approximately 40% of production costs, rise. Ssangyong C&E and Halla Cement, two of Korea's largest cement producers, have stated that they plan to increase cement prices from February 2023.



Concrete blocks and bricks

While brick demand weakened as activity in the Korean construction industry was relatively muted in recent months, elevated thermal coal prices and increased logistical costs have kept brick prices relatively high. This trend is expected to continue in Q1 2023.



Steel (rebar and structural)

While input costs such as iron ore and coking coal have risen, weaker domestic demand as construction and manufacturing activity slows has seen steel prices decline recently. With demand, both global and domestic, expected to remain soft in the first quarter of this year, steel prices are expected to continue to fall. Prices may begin to firm, however, as the year progresses, and demand in China accelerates to feed its infrastructure construction drive.



Copper

Copper prices rose on the back of China's easing of its zero COVID restrictions, creating expectations of renewed copper demand. However, with macroeconomic headwinds mounting, price growth is expected to be more moderate in the coming quarters. In the long term, copper demand and prices are expected to appreciate substantially, driven by Korea's net-zero transition and demand from its sizeable EV battery manufacturing industry.

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Materials	Q1 2023 (f)	Q1 2022 – Q1 2023 (f)		Q3 2022 – Q4 2022 (e)
	KRW	KRW	2022-23 % change	% change
Copper (KRW/MT)	10,848,159	11,020,169	-1.6% ↓	3.4% ↑ ●
Steel rebar (KRW/MT)	923,914	1,045,000	-11.6% ↓	-2.4% ↓ ●
Steel flat (KRW/MT)	988,023	965,994	2.3% ↑	-1.0% ↓ ●
Stainless steel (KRW/MT)	1,840,083	NA	NA	NA
Lumber (KRW/M3)	380,813	328,000	16.1% ↑	3.0% ↑ ●
Asphalt (KRW/MT)	66,531	60,705	9.6% ↑	0.0% ↔ ■
Limestone (KRW/MT)	862,625	960,088	-10.2% ↓	-11.0% ↓ ●
Cement (KRW/MT)	425,705	369,375	15.3% ↑	5.5% ↑ ●
Concrete (KRW/M3)	167,430	140,612	19.1% ↑	8.5% ↑ ●
Welded mesh (KRW/unit)	7,850	8,876	-11.6% ↓	-2.4% ↓ ●
Bricks (KRW/'000 unit)	649,350	643,681	0.9% ↑	0.0% ↔ ■
Plasterboard (KRW/unit)	4,104	3,948	4.0% ↑	0.0% ↔ ■
Diesel (KRW/litre)	1,567	1,955	-19.8% ↓	-8.7% ↓ ●

(f) Forecast (e) Estimated

- Q3 to Q4 2022 % change greater than estimation in our Q3 report
- Q3 to Q4 2022 % change less than estimation in our Q3 report

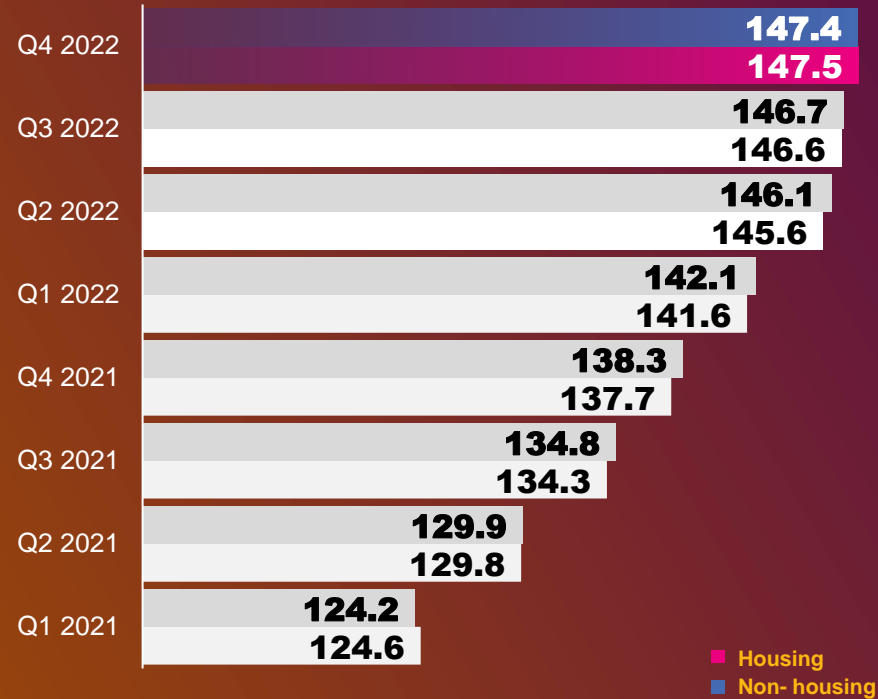
Welded mesh: 100 x 200cm, dia.-5mm Plasterboard: 90 x 180 x 1.2cm (L x W x T)

Material	% change Q4 – Q1 2023 (f)	Level of impact of pricing on construction procurement and supply chain *	
 Copper	+1.0% ↑	Low	Copper prices appreciated in Q4 2022, with an increase in speculative demand following China's easing of its zero-COVID policy. Fears of recession in Europe and the US combined with increased interest rates will soften demand. Copper prices are expected to remain elevated amid concerns over tight supplies.
 Steel prices - Steel rebar - Flat steel	-1.0% ↓ -0.1% ↓	Moderate	Steel prices have declined from their Q3 2022 levels as a result of weaker demand. Rising input costs due to the weak Korean won and falling prices have impacted the profitability of steel mills. POSCO's operating profit in 2022, for example, reportedly fell by 33%.
 Stainless steel	+0.6% ↑	Low	The increase in raw material prices for the manufacturing of stainless steel is exerting upwards pressure on prices. Increasing nickel prices and elevated energy costs will drive-up stainless steel prices in the short term.
 Lumber	+2.7% ↑	Moderate	Lumber prices picked up again in Q4 2022. A mismatch in demand and supply along with supply-chain disruptions has tightened lumber supply. Elevated interest rates, slowing domestic economic growth and rising unemployment are expected to impact on housing demand in the short term, softening demand for lumber and exerting downwards pressure on prices.
 Asphalt	+0.5% ↑	Low	Asphalt prices have remained stable in recent months. Asphalt prices are primarily driven by crude oil prices, and with global crude oil prices stabilising, the price for asphalt is expected to remain around its current levels in Q1 2023.
 Limestone	+0.5% ↑	Low	Limestone prices have trended downwards, with reduced demand from the construction sector being the primary driver of this decline.






South Korea – Commodity Report



Average Construction Cost Index – Building Construction (Q1 2021 - Q4 2022)



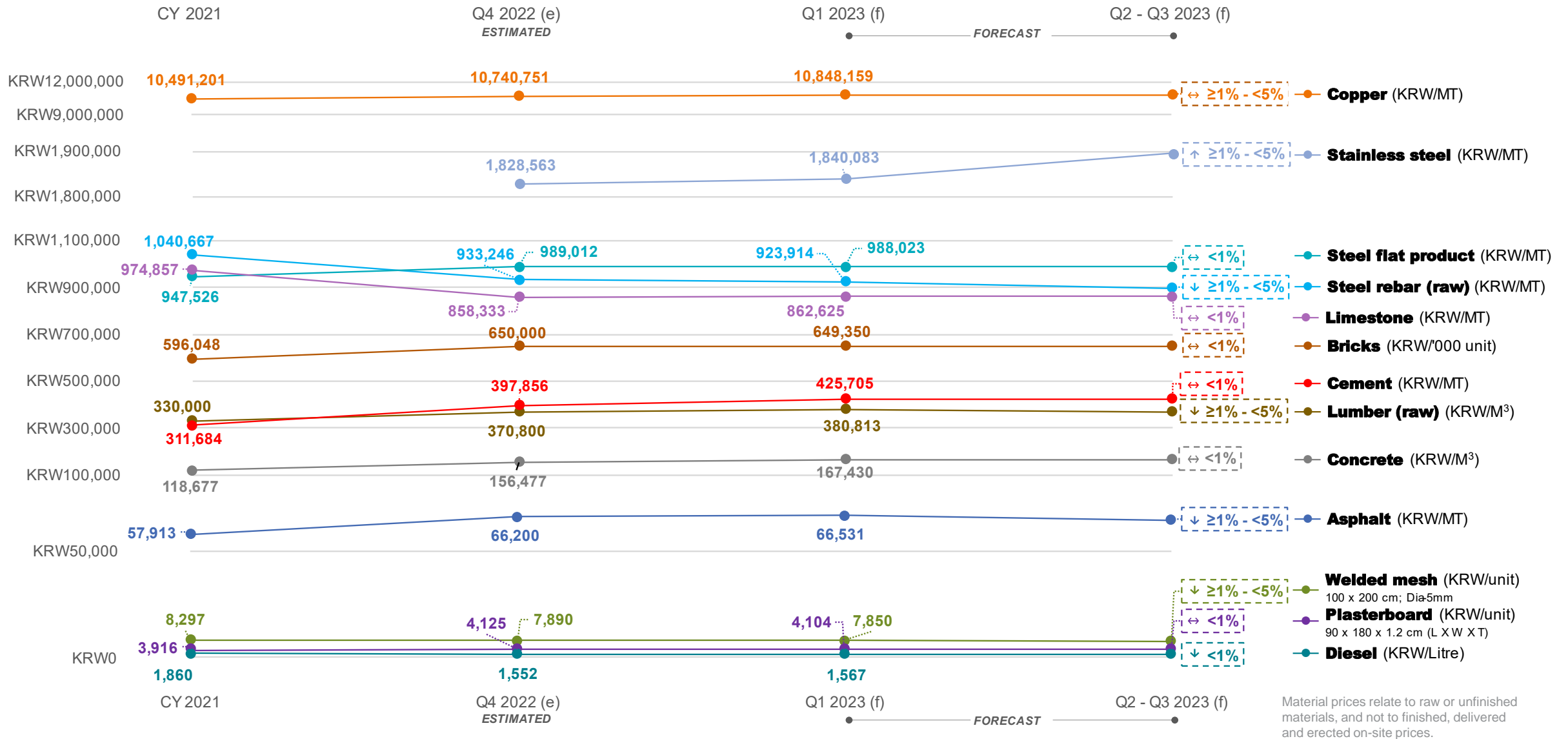
Housing and Non-housing construction cost indices are sub-indices of Building Construction and repair Index which is a sub-category of Construction Cost Index (CCI) published by Korea Institute of Civil Engineering and Building Technology (KICT). This is a statistical data based on Korea Producer Price Index, Bank-of-Korea Inter-Industry relation table, and the construction sector's market wages of the construction association of Korea. CCI measures the price change of direct construction cost of resources such as material, labour, equipment etc. The base year of the current index is 2015, and it is revised every 5 years to reflect changes in the economic structure to the index. The index is calculated by fixing it and linking it with the producer price index.

Material	% change Q4 – Q1 2023 (f)	Level of impact of pricing on construction procurement and supply chain *	
 Cement Concrete	+7.0% ↑ +7.0% ↑	Moderate	Cement prices have been driven up further by high energy costs, and cement manufacturers are pushing on with decisions to further increase in prices. Ready-mixed concrete suppliers have also already increased prices to account for the rise in cement costs.
 Welded mesh	-0.5% ↓	Low	With steel rebar prices expected to decline in Q1 2023, the price of welded mesh is expected to edge down slightly from current levels.
 Bricks	-0.1% ↓	Low	Brick prices have remained stable at a relatively high level. Increasing energy costs will exert upward pressure on brick prices, but this will be offset by weakening demand.
 Plasterboard	-0.5% ↓	Low	Soft demand from the construction sector will drive down the price of plasterboard in Q1 2023 from recent highs.
 Diesel	+1.0% ↑	Low	Diesel prices registered a quarterly decline of approximately 9% in Q4 2022. The drop in price is mainly due to the stabilising of international crude oil prices, in addition to the subsidy provided by the government to contain the increase of diesel prices. However, with government planning to reduce the subsidy from January 2023, diesel prices are expected to increase slightly from their current levels in Q1 2023.

* 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.

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 – Construction Materials Pricing (2021-2023)



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

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