



Taiwan

Country Commodity Report

Q2 2022



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Taiwan is demonstrating robust economic growth this year so far, up 3.1% year-on-year across April-June, and 3.14% in Q1 2022. However, full-year forecasts have been revised downwards to 4%, given the current climate. Strong capital expenditure in the semiconductor space will remain a key growth driver, although the COVID-induced lockdowns in major Chinese cities in recent times has impacted the demand for Taiwanese imports. Inflation hit a 14-year high in June at 3.5%, with a rise in interest rates looking highly likely in the near future.

The construction industry in Taiwan is expected to expand by 3.4% in real terms in 2022, following annual growth of 8.5% in 2021. Output will be supported by infrastructure development, under the Forward-Looking Infrastructure Development Program (FLIDP). Similar to the rest of the world, inflation, material price escalation, supply chain bottlenecks and the general geopolitical climate pose downside risks to industry performance.

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

With freight costs rising and the stress on global supply chains yet to fully ease, Taiwan's dependence on imports to meet lumber demand is expected to lead to prices remaining elevated in H2 2022. Further upward pressure on prices will be generated by demand from the residential sector, which is expected to expand by 2.6% this year.



Cement and aggregates

Robust activity in Taiwanese construction, predominantly due to works on the Forward-Looking Infrastructure Development Program, kept demand for cement and concrete strong in H1, pushing up domestic prices. Rising energy prices due to the Russia-Ukraine conflict, coupled with elevated freight costs, will increase the production and import costs of cement clinker, further pushing up domestic prices of cement and cement products.



Concrete blocks and bricks

Domestic brick production in Taiwan has declined considerably in recent years, despite strong domestic demand, with imports, predominantly from China and Vietnam, making up the shortfall. With freight costs likely to remain elevated in H2, this reliance on imports will continue to contribute to increases in domestic brick prices. Higher energy prices following the outbreak of the Russia-Ukraine conflict are expected to increase domestic production costs, generating further upwards pressure on prices.



Steel (rebar and structural)

Increased production costs as a result of the rise in both energy and raw material prices drove up steel prices in the first half of this year, but weaker demand in China has reversed this trend. Steel demand in Taiwan will be primarily driven by works under the Forward-Looking Infrastructure Development Program, which covers a wide range of public infrastructure projects.



Copper






Copper prices in Taiwan fell on a quarterly basis in the second quarter of this year, as global demand softened following a slowing of production in the industrial sectors of China and Europe. Prices are expected to remain weak in the coming quarters relative to recent highs.

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	Q3 2022 (f)	Q1 – Q2 (e) 2022
Materials	NT\$	% change
Copper (NT\$/MT)	252,694	-2.5% ↓ ■
Steel rebar (NT\$/MT)	22,718	6.5% ↑ ●
Steel flat (NT\$/MT)	32,903	7.0% ↑ ●
Lumber (NT\$/M3)	7,135	3.9% ↑ ●
Asphalt (NT\$/MT)	13,405	-3.1% ↓ ●
Limestone (NT\$/MT)	1,876	6.6% ↑ ●
Cement (NT\$/MT)	3,771	9.5% ↑ ●
Concrete (NT\$/M3)	1,614	0.0% ↔ ■
Welded mesh (NT\$/unit)	355	13.6% ↑ ●
Bricks (NT\$/'000 unit)	18,117	3.8% ↑ ●
Plasterboard (NT\$/unit)	255	7.6% ↑ ●
Diesel (NT\$/litre)	27.69	-3.1% ↓ ●

● Q1 to Q2 2022 % change greater than estimation in our Q1 report
 ■ Q1 to Q2 2022 % change less than estimation in our Q1 report

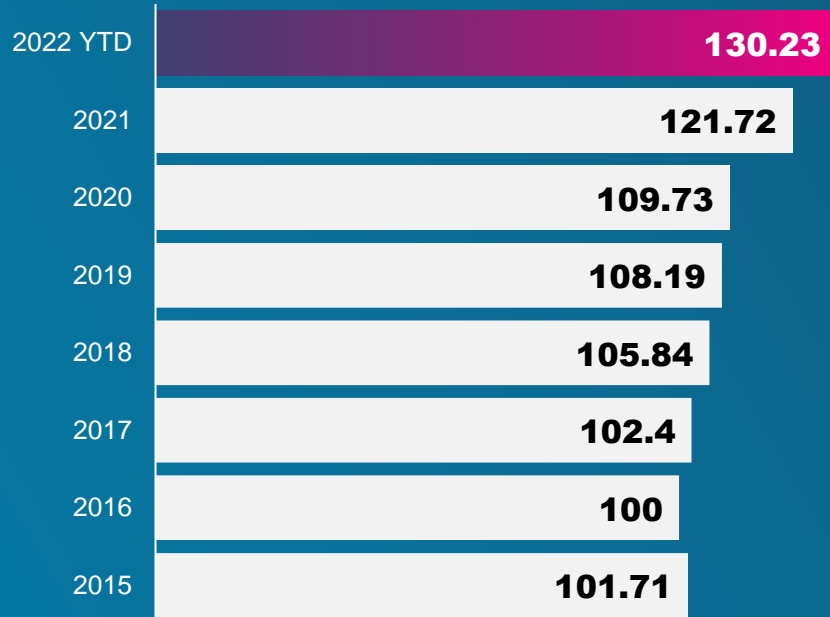
Material	% change Q2 – Q3 2022 (f)	Level of impact of pricing on construction procurement and supply chain *
 Copper	-4.6% ↓	 Moderate Copper prices fell in the second quarter of this year due to the slowing of industrial production in both China and Europe. Domestic copper prices fell by 2.5% quarter-on-quarter in Q2 2022. Prices are expected to be volatile in the coming quarters, given the fluctuation in demand and the potential for COVID-19 lockdowns in China. Concerns over the global economic outlook will contribute to further weakness in prices in the coming quarters.
 Steel prices - Steel rebar - Flat steel	-5.4% ↓ -2.5% ↓	 High Steel prices fell in the latter part of Q2 2022 in response to slower demand in domestic and international markets. Some large steel producers in Taiwan are expected to reduce steel prices further from August 2022. A decline in iron ore prices will help to contain steel price inflation in the short term.
 Cement Concrete	+2.0% ↑ +0.9% ↑	 Moderate Cement prices increased by over 9% quarter-on-quarter in Q2 2022, with the rise primarily due to higher energy prices as a result of the Russia-Ukraine conflict, as well as strong demand in the construction industry. Price rises in the coming quarters are expected to be far less sharp, though robust construction activity will generate upwards pressure on prices in the second half of the year.
 Asphalt	-1.0% ↓	 Moderate Asphalt prices are primarily influenced by the price of crude oil, with asphalt prices trending upwards in H1 2022, as oil demand strengthened. Given crude oil prices are likely to fall back H2 2022, asphalt prices are expected to show a downward trend from recent highs.

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.

Taiwan - Commodity Report



Construction cost index 2015-2021



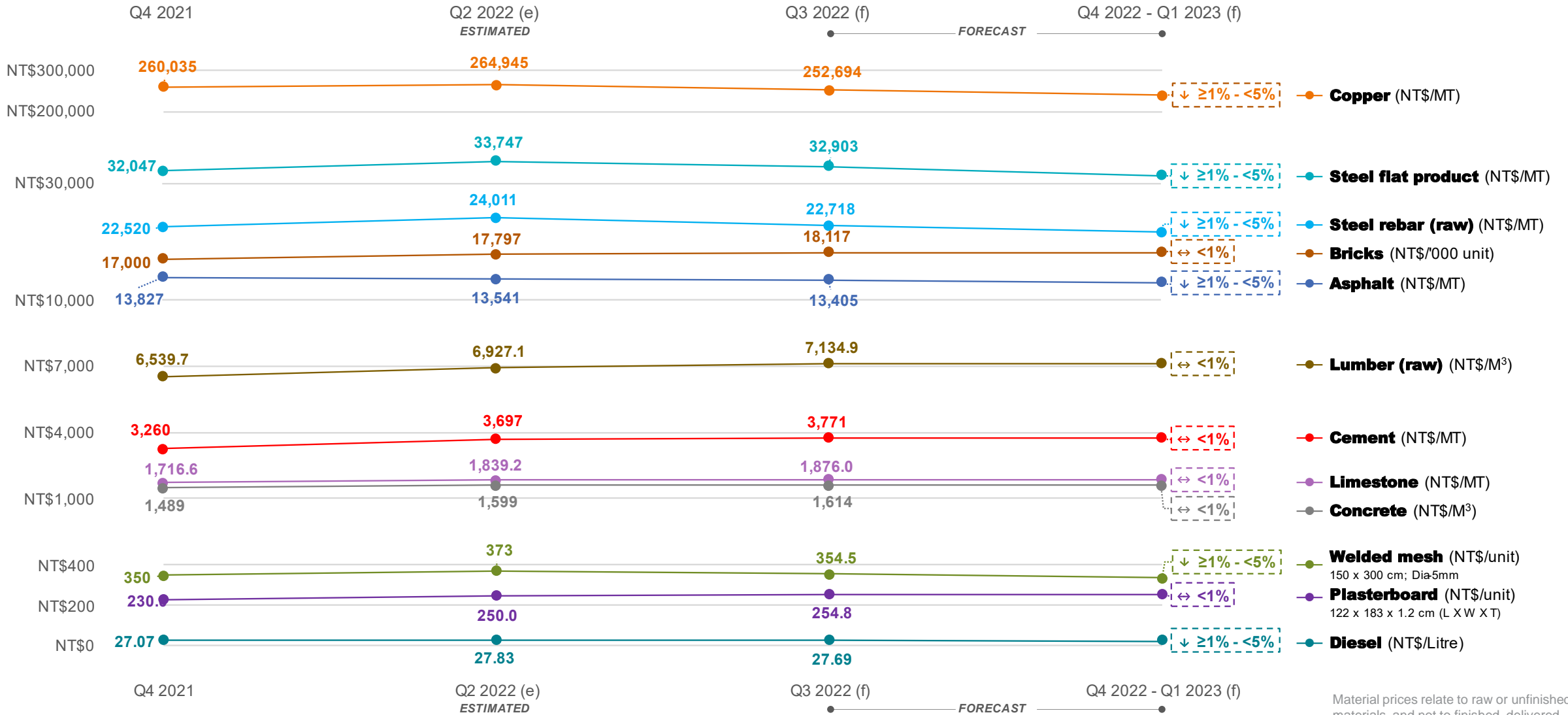
Knoema World Data Atlas

Index of economic freedom 78.6 out of 100

Material	% change Q2 – Q3 2022 (f)	Level of impact of pricing on construction procurement and supply chain *	
 Limestone	+2.0% ↑	Low	Limestone prices remain considerably less volatile than those of other construction materials, and prices are to remain stable in H2 2022.
 Lumber	+3.0% ↑	Moderate	Lumber prices are expected to continue to rise in the short term, owing to increased shipping and logistical costs, as fuel prices increase. Robust demand for residential construction will generate additional upwards pressure on lumber prices in the coming quarters.
 Welded mesh	-5.0% ↓	High	Given that welded mesh prices are predominantly influenced by the price of steel and steel prices are expected to decrease moderately in the second half of 2022, welded mesh prices are likely to decline in the same period.
 Bricks	+1.8% ↑	Moderate	Brick prices increased steadily in H1 2022, owing to rising energy and freight costs. On a quarterly basis, prices recorded an increase of approximately 5-7%. Demand is expected to remain robust in H2, with the floor area of construction commencements up approximately 30% year-on-year as of May. However, price increases are expected to moderate in comparison to their rise in H1 2022.
 Plasterboard	+1.9% ↑	Low	Plasterboard recorded similar price increases to brick (5-7% on a quarterly basis), and H2 demand is expected to remain high, although price increases will moderate.
 Diesel	-0.5% ↓	Moderate	While fuel prices have risen due to sanctions on Russia, intervention by the Taiwanese government to stabilise fuel prices and maintain them below neighbouring economies has kept domestic diesel prices from surging. The state-owned refiner, CPC, has incurred losses of approximately \$1.9 billion, absorbing fuel price increases in H1 2022. The price of diesel is expected to remain close to recent highs in the coming quarters.

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Taiwan - Construction Materials Pricing (2021-2022)



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

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Taiwan - 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 – Taiwan

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

- IMF
- National Statistics
- Department of Statistics
- GlobalData's Construction Intelligence Center (CIC)

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