



Taiwan

Country Commodity Report

Q4 2022



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Taiwan's GDP grew at a rate of 2.43% in 2022, down from the predicted level of 3.06%, primarily due to lower export volumes as a result of weakening technology demand, according to Directorate General of Budget, Accounting and Statistics (DGBAS). Domestic inflationary pressures appear to be easing, with core consumer prices rising by 2.71% year on year in December 2022, slightly less than the previous month's rate of around 2.86%.

In 2022, the Taiwanese construction sector is predicted to rise by 2.5% in real terms. Foreign direct investments, increasing investor confidence, and the loosening of COVID-19 related restrictions have all contributed to the industry's growth. However, due to declining exports, deteriorating demand, and rising inflation, the industry is expected to grow at a 1.1% annual rate in 2023. From 2018 to 2020, the construction price index increased at a moderate rate of 1% to 3%, but in 2021 and 2022, it registered a sharp hike and increased by 11% and 7%, respectively. Nonetheless, the industry is likely to regain speed, with an annual growth rate of 3.4% projected from 2024 to 2026, due to investments in the transportation, electrical, and industrial sectors.



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Lumber

Although down from recent highs, lumber is still relatively expensive compared to levels in 2021. Price inflation is expected to be contained by cheaper imports and slightly weaker demand in residential construction.



Cement and aggregates

Cement prices have remained high in recent quarters, a trend that reflects high production costs and a fall in production levels in China.



Concrete blocks and bricks

Taiwan is reliant on imports from China and Vietnam to meet demand given the steady reduction in domestic production since 2013. Prices have stayed relatively high given the rise in energy costs.



Steel (rebar and structural)

Steel prices were stable in Q4 2022 having fallen from the highs reached earlier in the year. High inventories and weaker demand contributed to this trend, with China Steel Corp, the largest integrated steel maker in Taiwan, indicating that it would lower prices on this basis, and it has also revealed further downward price adjustments in Q1 2023. In the year ahead, however, demand of steel in 2023 is expected to improve not only driven by the Forward-looking Infrastructure Development Program, but also the solid demand for office development and factories in 2023.



Copper

Copper prices recovered ground in late 2022 having fallen during Q3. The copper market is expected to remain volatile. While there will be global economy weakness in the coming quarters as a result of increased costs due primarily to interest rate increases, there is also likely to be supply shortages combined with an increase in demand, primarily from the renewable energy and electric vehicles sectors.

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Materials	Q1 2023 (f)	Q1 2022 – Q1 2023 (f)		Q3 2022 – Q4 2022 (e)
	NT\$	NT\$	2022-23 % change	% change
Copper (NT\$/MT)	256,950	271,721	-5.4% ↓	8.3% ↑ ●
Steel rebar (NT\$/MT)	19,679	22,544	-12.7% ↓	-2.9% ↓ ●
Steel flat (NT\$/MT)	31,271	31,547	-0.9% ↓	-5.9% ↓ ●
Stainless steel (NT\$/MT)	36,492	NA	NA	NA
Lumber (NT\$/M3)	6,822	6,668	2.3% ↑	-0.2% ↓ ■
Asphalt (NT\$/MT)	13,084	13,979	-6.4% ↓	0.1% ↑ ■
Limestone (NT\$/MT)	1,857	1,725	7.6% ↑	-0.2% ↓ ■
Cement (NT\$/MT)	3,840	3,377	13.7% ↑	0.0% ↔ ■
Concrete (NT\$/M3)	1,711	1,599	7.0% ↑	1.5% ↑ ●
Welded mesh (NT\$/unit)	358	328	9.1% ↑	0.0% ↔ ■
Bricks (NT\$/000 unit)	17,467	17,153	1.8% ↑	-0.2% ↓ ■
Plasterboard (NT\$/unit)	251	232	7.8% ↑	0.0% ↔ ■
Diesel (NT\$/litre)	26.9	28.7	-6.3% ↓	0.2% ↑ ■

(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

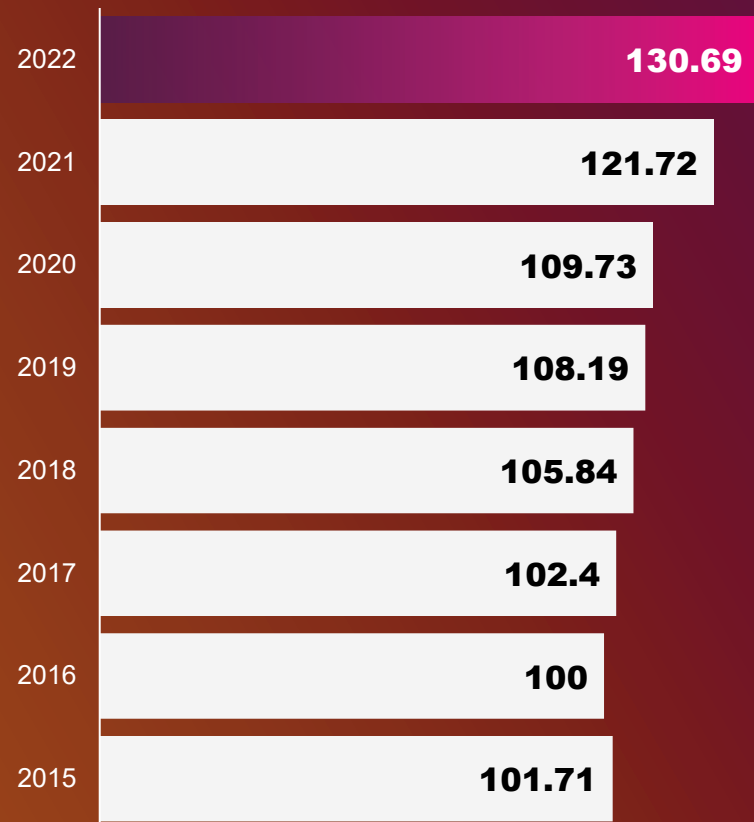
Welded mesh: 150 x 300cm, dia.-5mm Plasterboard: 183 x 122 x 1.2cm (L x W x T)

Material	% change Q4 – Q1 2023 (f)	Level of impact of pricing on construction procurement and supply chain *	
 Copper	+2.6% ↑	 Low	Copper prices have recovered ground, picking up in late 2022 having previously slipped from the record high reached in March. The rise in price can be attributed in part to China's easing of COVID restrictions as well as concerns over supply shortages. Although a downturn in the global economy would typically see copper prices drop, demand in Taiwan will remain relatively healthy, and global demand for copper will be buoyed by investment in renewable energy and electric vehicles.
 Steel prices - Steel rebar - Flat steel	-1.0% ↓ -1.5% ↓	 Low	After dropping sharply in Q3, steel prices were relatively stable in Q4, but are expected to fall further in early 2023, based on indicative pricing from China Steel Corp. An easing in production costs will help to contain inflationary pressure. However, steel demand in the longer term in Taiwan will be bolstered by infrastructure construction works. In August 2022, the government proposed spending of TWD210 billion (\$7.3 billion) for the fourth phase of the Forward-looking Infrastructure Development Program over the next two years.
 Stainless Steel	+1.0% ↑	 Low	The price of stainless steel increased in Q4 as a result of an increase in prices for key raw materials, such as nickel. With the ongoing Russia-Ukraine conflict the price of nickel increased by more than 10% in Q4 2022. Owing to low availability, the price will edge up in the short term, but demand pressures will ease.
 Lumber	+0.2% ↑	 Moderate	Lumber prices have been stable in recent months, reflecting improvements in the supply chain. Demand in the short term will be impacted by weaker growth in the residential building sector amid the tightening in monetary policy.
 Asphalt	-0.5% ↓	 Low	Asphalt prices have fallen reflecting trends in crude oil prices, and will remain close to current levels in the coming quarters with demand from road infrastructure investment remaining healthy.
 Limestone	+0.2% ↑	 Low	Limestone prices were relatively stable in Q4 2022, but with overall construction industry output edging up in 2023, prices will remain elevated in the coming quarters.

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Construction cost index 2015-2022

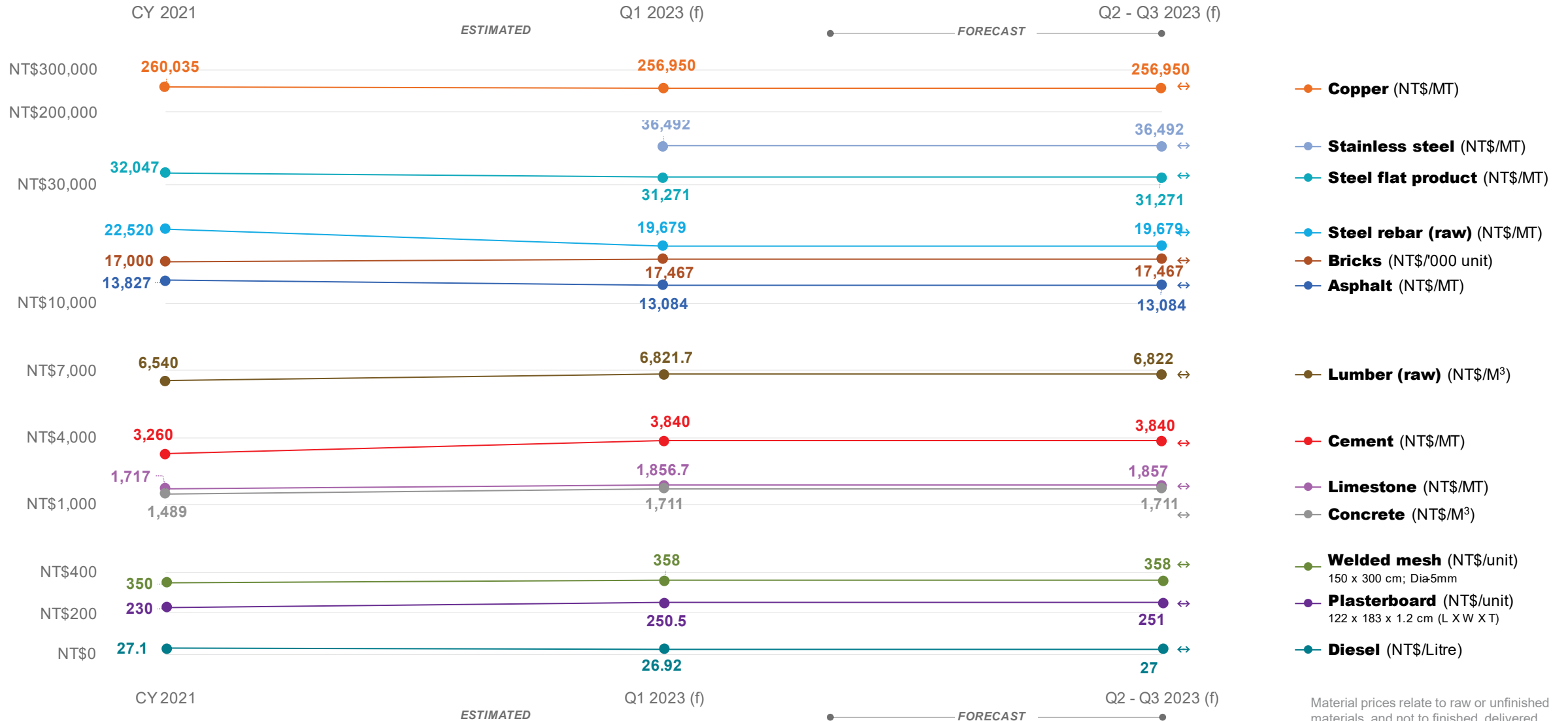


Material	% change Q4 – Q1 2023 (f)	Level of impact of pricing on construction procurement and supply chain *
 Cement Concrete	+0.8% ↑ +0.8% ↑	 Moderate Cement prices have stabilised at a high level in recent quarters, reflecting high production costs and solid demand in the construction industry. However, ready-mixed concrete prices have risen further, surpassing previous record highs and ending 2022 at a level that was 17% higher than at the end of 2021. Prices are expected to remain close to these high levels in the coming quarters, with demand in the overall construction industry holding up.
 Welded mesh	-0.5% ↓	 Low In line with rebar prices, welded mesh prices will edge downwards in the coming quarter but will remain relatively high given still solid demand in the construction industry.
 Bricks	-0.5% ↓	 Moderate Brick prices have remained high in recent quarters, given high production costs and as well as continued steady expansion in construction output. Residential construction will weaken slightly, which will offset upward pressure from production costs.
 Plasterboard	+0.2% ↑	 Low Although residential building construction growth will ease, overall levels of demand for building materials will stay relatively high in the coming quarters, which will contribute to continued high prices for plasterboard.
 Diesel	-0.4% ↓	 Low Diesel prices have remained relatively high and will remain close to current levels in Q1 2023, with the main distributors announcing that the price of premium diesel is to drop NT\$0.1 per litre in early January. Price inflation has been contained by the price stabilisation mechanism, with state-owned CPC Corp absorbing part of the crude oil price increases in support of a government policy to keep domestic fuel prices lower than in neighbouring markets.

* 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.

Taiwan – Construction Materials Pricing (2021-2023)



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

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.

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
- Directorate General of Budget, Accounting and Statistics (DGBAS)
- GlobalData's Construction Intelligence Center (CIC)

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