



# Japan Country Commodity Report Q4 2022





# Japan

## Q4 2022



The Japanese economy's GDP growth rate is estimated to remain at an unremarkable level of around 1.4% in 2022. Going forward, growth is forecasted at 1.8% and 0.9% in 2023 and 2024, respectively, as per a recent update by IMF. This is primarily due to waning confidence in the household sector and reduced economic activities, resulting in low disposable income. A new economic package by the government is expected to address some of these concerns. For years, inflation in Japan had been held in check. But core consumer prices in December 2022 rose 4% from a year earlier, exceeding the Bank of Japan's (BOJ) target and hitting a high not seen in four decades. For its part, the BOJ raised the long-term interest rate cap to around 0.5% from the previous 0.25%. The result was a further strengthening of the yen, which had been on the rise since October.

Like many other countries, the Japanese construction sector faces ongoing challenges presented by weak investor sentiment, ongoing COVID waves, and inflationary pressures. With sluggish demand from the construction sector, commodity prices are expected to level off in the coming quarters. The government's commitment to the energy and infrastructure sectors, combined with demand in the healthcare and commercial sectors, are positive steps to stimulate the construction sector in 2023.



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### Lumber

Lumber prices in Japan are expected to continue to rise in the coming quarters, though price increases are expected to slow from the 2% rise seen in Q4 2022. While Japan's reliance on imported timber has eased in recent years, imported wood products still account for approximately 60% of domestic lumber demand. Although the yen began to recover in Q4 2022 after a brief decline, it will remain relatively weak compared to levels in 2021, and the ban on Russian timber will contribute to challenges on the supply side.



### Cement and aggregates

While the upward pressure on prices seen in Q4 2022 is expected to ease in early 2023, rising input costs including energy and transportation costs, will continue to drive up cement and concrete prices. Relatively weak public investment through the first three quarters of 2022 will soften demand for cement and concrete, though this is not expected to be significant enough to drive down the prices.



### Concrete blocks and bricks

The prices of brick and concrete blocks are estimated to rise marginally in the coming quarters, with elevated energy costs driving this price growth. However, import cost pressures will ease as the yen picks up from recent lows.



### Steel (rebar and structural)

Steel prices are projected to rise in the coming quarters, though marginally. The prices are likely to witness downward pressure with weakening global demand, as manufacturing activity in Europe and United States contracts and a downturn is seen in the Chinese residential sector. However, this downward pressure is expected to be outweighed by increased demand from China, caused by its infrastructure construction drive. Also offsetting downward pressure on prices are increasing input costs, such as for energy and transportation, and a reduction in global steel output



### Copper

Copper prices rose in Q4 2022, with the expected ramp up of demand post easing of China's zero COVID restrictions, driving an increase in speculative buying. However, the rise in copper prices is expected to slow in the coming quarters due to a drop in global demand amid economic difficulties and the impact of high inflation rates on consumer demand.

# Japan – Commodity Report



Materials	Q1 2023 (f)	Q1 2022 – Q1 2023 (f)		Q3 – Q4 2022 (e)
	JPY	JPY	2021-22 % change	% change
<b>Copper</b> (JPY/MT)	1,199,272	1,209,910	-0.9% ↓	6.2% ↑ ●
<b>Steel rebar</b> (JPY/MT)	115,938	99,967	16.0% ↑	-1.7% ↓ ●
<b>Steel flat</b> (JPY/MT)	149,776	137,350	9.0% ↑	1.1% ↑ ■
<b>Stainless steel</b> (JPY/MT)	192,280	NA	NA	NA
<b>Lumber</b> (JPY/M3)	75,110	66,667	12.7% ↑	2.3% ↑ ●
<b>Asphalt</b> (JPY/MT)	116,487	95,333	22.2% ↑	-5.6% ↓ ●
<b>Limestone</b> (JPY/MT)	82,075	90,722	-9.5% ↓	-10.0% ↓ ●
<b>Cement</b> (JPY/MT)	14,957	12,800	16.9% ↑	8.0% ↑ ●
<b>Concrete</b> (JPY/M3)	17,544	15,000	17.0% ↑	13.2% ↑ ●
<b>Welded mesh</b> (JPY/unit)	661	631	4.6% ↑	-0.5% ↓ ■
<b>Bricks</b> (JPY/'000 unit)	135,952	126,360	7.6% ↑	4.0% ↑ ●
<b>Plasterboard</b> (JPY/unit)	1,543	1,474	4.7% ↑	0.0% ↔ ■
<b>Diesel</b> (JPY/litre)	149	151	-1.3% ↓	-1.3% ↓ ●

(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: 182 x 91 x 0.95cm (L x W x T)

Material	% change Q4 – Q1 2023 (f)	Level of impact of pricing on construction procurement and supply chain *	
 <b>Copper</b>	+0.5% ↑	Low	Copper prices increased sharply in Q4 2022, increasing by 6% over the previous quarter. The price recovery was primarily driven by increased demand in China as restrictions were lifted. However, the price is likely to level off in the coming months as a result of the global slowdown on the one hand and China reopening and working on its infrastructure development projects.
 <b>Steel prices</b> - Steel rebar - Flat steel	+1.5% ↑ +1.2% ↑	Low	Steel rebar prices are expected to have declined slightly in Q4 2022, in comparison to Q3 2022 prices. In contrast, flat steel prices are estimated to have risen marginally. As the global steel demand weakens, the steel prices will continue to fall. Domestically, however, an improvement in demand from the automotive sector has seen a marginal increase in flat steel prices.
 <b>Stainless Steel</b>	+1.2% ↑	Moderate	Stainless steel prices have increased due to higher nickel prices, and this trend is expected to continue in the short term. Japan is a major importer of nickel.
 <b>Lumber</b>	+1.5% ↑	Moderate	Lumber prices rose moderately in Q4 2022, registering an increase in excess of 2% in comparison to Q3 2022 prices. Supply chain disruptions and a mismatch in supply and demand has tightened lumber supply globally. Although Japan has increased its domestic production of timber, its demand is still met by the import of foreign products. The rise in imported timber prices, has fuelled demand for domestic timber, pushing domestic timber prices upward.
 <b>Asphalt</b>	+1.0% ↑	Low	Asphalt prices have remained stable and have not shown any notable change from Q3 2022. Stabilising international crude oil prices and steady domestic demand will buttress prices around their current price level.
 <b>Limestone</b>	+0.5% ↑	Low	Limestone prices are expected to have fallen by approximately 10% in Q4 2022, in comparison to their Q3 2022 levels, primarily because of sluggish demand and a glut of supply. Japan is domestically self-sufficient in limestone production. However, an improvement in demand from the construction sector is expected to keep limestone prices at their current levels in the short term.

# Japan – Commodity Report



## Construction material (general) price index 2019-2022

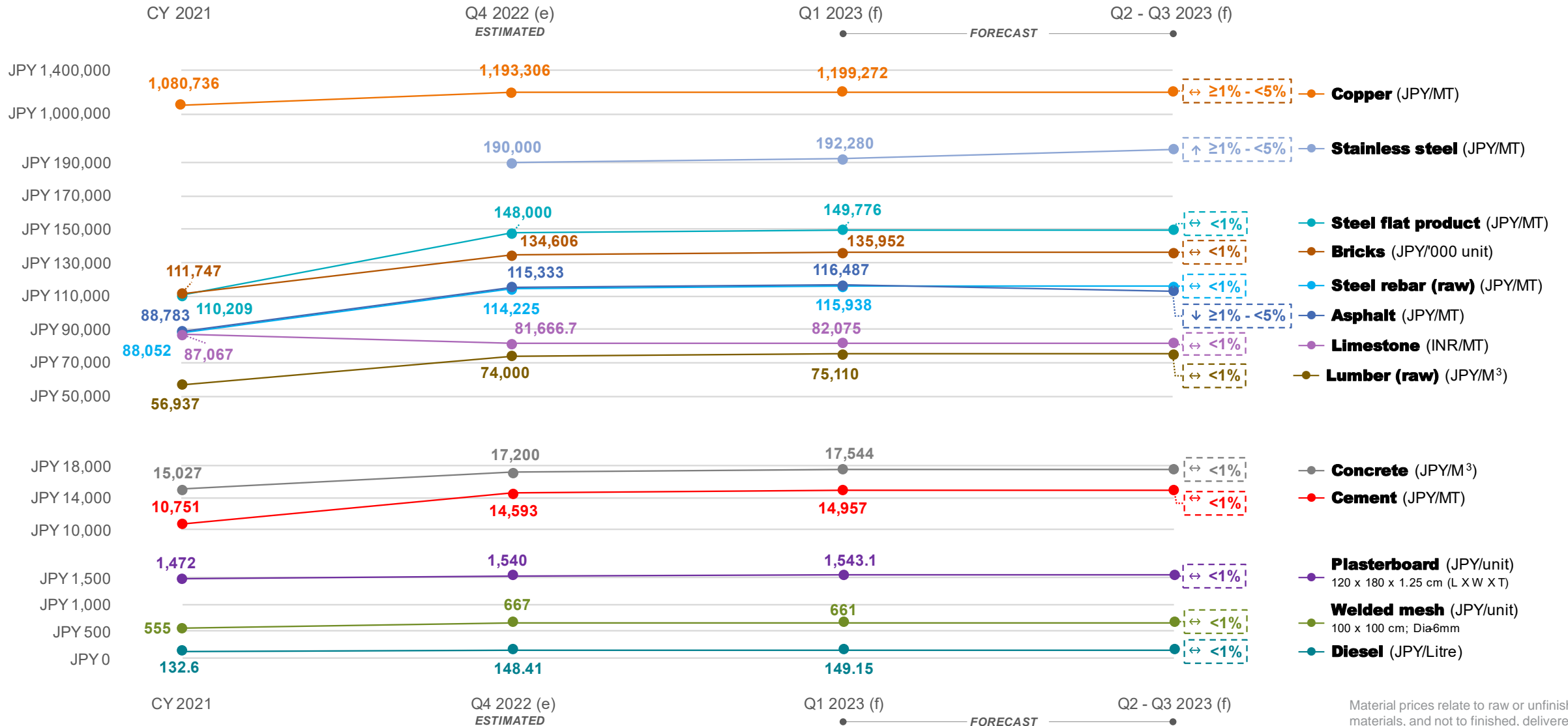
Nov-22	<b>138.4</b>
Oct-22	<b>137</b>
Sep-22	<b>134.3</b>
Aug-22	<b>133.8</b>
Jul-22	<b>133.1</b>
Jun-22	<b>131.9</b>
May-22	<b>130.1</b>
Apr-22	<b>128</b>
Mar-22	<b>126.7</b>
Feb-22	<b>126.2</b>
Jan-22	<b>125.4</b>
2021	<b>115.4</b>
2020	<b>108.2</b>
2019	<b>108.2</b>

Material	% change Q4 – Q1 2023 (f)	Level of impact of pricing on construction procurement and supply chain *	
 <b>Cement Concrete</b>	+2.5% ↑ +2.0% ↑	Moderate	The price of cement recorded a rise of more than 5% in Q4 2022, in comparison to Q3 2022, primarily driven by an increase in energy costs. During the same period, ready mixed concrete prices recorded a sharp increase of around 13%. While domestic cement suppliers are negotiating with buyers over price increases, ready mix concrete suppliers have already increased their prices to reflect this increase in cement prices. The prices of cement and related products are expected to increase slightly in the coming quarters.
 <b>Welded mesh</b>	-1.0% ↓	Low	Welded mesh prices have declined slightly in the past quarter. With steel rebar prices expected to increase marginally in the short term, mesh prices are expected to reflect this.
 <b>Bricks</b>	+1.0% ↑	Moderate	Brick prices are estimated to have increased by approximately 4% in Q4 2022, in comparison to Q3 2022 prices. The weakening of the yen during much of 2022 and increased energy costs put upward pressure on brick prices, but prices will stabilise in the coming quarters given the expectation of a slight strengthening in the yen and slowing energy inflation.
 <b>Plasterboard</b>	+0.2% ↑	Low	Plasterboard prices are expected to have remained stable in Q3 2022 and will stay close to current levels into 2023.
 <b>Diesel</b>	+0.5% ↑	Low	With the Japanese government providing subsidies to wholesale fuel retailers to limit the impact of oil price rises on consumers, the price of diesel fell to a national average of 148.3 yen in December 2022. The price of diesel is expected to remain stable around its current price level, with the Japanese government extending its current subsidy program to September 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.

# Japan – Construction Materials Pricing (2021-2023)



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

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# Japan – Report methodology



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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.

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## 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 – Japan

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

- IMF
- Japan Industrial Safety and Health Association
- Statistics Bureau of Japan
- GlobalData's Construction Intelligence Center (CIC)
- Bank of Japan (BoJ)
- Construction Prices Research Institute



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