

A white silhouette map of Hong Kong is positioned to the left of the main title text.

# Hong Kong

## Country Insights and Commodity Report

**Q1 2023**      

# Hong Kong

## Q1 2023

Hong Kong's economy, which suffered a contraction of 3.5% in 2022 due to strict Covid restrictions and weakened global demand, is expected to return to growth and expand by 3.5% in 2023. With the relaxation of COVID related curbs, economic growth is likely to be supported by rise in industries such as tourism, real estate, and trade. Inflation rate in Hong Kong stood at 1.88% in 2022 which is expected to remain at 2.3% in 2023.

The construction industry's growth was estimated to be around 1.42% in 2022, and it is expected to grow by 1.95% in real terms in 2023. Like other regions, the industry has faced challenges, including labour shortages, inflated construction costs, and supply chain issues. However, with these challenges expected to get settled gradually, the industry will grow at a 2.3% annual average growth rate from 2024 to 2027, also supported by investments in infrastructure, housing, and industrial sectors.



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### Lumber

Despite lumber prices declining in the first quarter of this year, an improvement in construction activity in the coming quarters is expected to see demand pick up. The government's commitment to complete approximately 13,000 public housing units this year and a further 31,800 in 2024 is expected to underpin lumber prices around current levels.



### Cement and aggregates

An easing of thermal coal costs, seasonally slow construction activity in Hong Kong and the continued downturn in the Chinese residential construction sector, saw cement and concrete prices decline in early 2023. With demand for thermal coal in China strengthening in March and expected to continue in the coming quarter, rising input costs are expected to see cement prices increase in Q2 2023. However, with RMC producers not fully passing on the decline in cement prices in Q1 2023, concrete prices are expected to marginally soften in Q2 2023.



### Concrete blocks and bricks

With construction activity in Hong Kong expected to have been relatively soft in the first quarter of 2023 and thermal costs falling during the quarter, brick prices moderated, though only marginally. As construction activity begins to pick up and thermal coal costs firm on increased demand, brick prices are expected to trend upwards in Q2 2023.



### Steel (rebar and structural)

Amid weak global manufacturing outlook, the price of steel flat products continued to decline in Hong Kong. Rebar prices, in contrast, are expected to have strengthened following their decline in Q4 2022. With construction activity in Hong Kong expected to improve in Q2 2023, increased domestic demand for steel is expected to see steel prices rise, though moderating iron ore and metallurgical coal prices will ensure this is relatively marginal.



### Copper

Unrest in Peru and robust Chinese construction activity, is expected to have seen copper prices in Hong Kong rise in Q1 2023. However, with disruption in Peru easing in March 2023 and Chinese copper smelters announcing lower refining and treatment charges for Q2 2023, the growth of copper prices is expected to moderate in Q2 2023.

# Hong Kong – Commodity Report



Materials	Q2 2023 (f)	Q2 2022 – Q2 2023 (f)		Q4 2022 – Q1 2023 (e)
	HK\$	HK\$	2022-23 % change	% change
<b>Copper</b> (HK\$/MT)	66,557	67,249	-1.0% ↓	6.3% ↑ ●
<b>Steel rebar</b> (HK\$/MT)	5,824	6,003	-3.0% ↓	1.8% ↑ ●
<b>Steel Flat</b> (HK\$/MT)	6,820	8,026	-15.0% ↓	-1.2% ↓ ●
<b>Stainless Steel</b> (HK\$/MT)	9,655	NA	NA	1.8% ↑ ●
<b>Lumber</b> (HK\$/M3)	7,796	7,842	-0.6% ↓	-0.4% ↓ ■
<b>Asphalt</b> (HK\$/MT)	9,740	9,553	2.0% ↑	-1.9% ↓ ●
<b>Limestone</b> (HK\$/MT)	73.8	62.8	17.6% ↑	-0.5% ↓ ●
<b>Cement</b> (HK\$/MT)	881	884	-0.4% ↓	-6.0% ↓ ●
<b>Concrete</b> (HK\$/M3)	1,114	1,163	-4.2% ↓	-1.4% ↓ ●
<b>Welded mesh</b> (HK\$/unit)	72.8	74.9	-2.7% ↓	2.0% ↑ ●
<b>Bricks</b> (HK\$/'000 unit)	3,332	3,390	-1.7% ↓	-0.4% ↓ ●
<b>Plasterboard</b> (HK\$/unit)	100.0	100.0	0.0% ↔	0.0% ↔ ■
<b>Diesel</b> (HK\$/litre)	17.9	15.9	12.1% ↑	-4.3% ↓ ●

(f) Forecast (e) Estimated

- Q4 2022 to Q1 2023 % change greater than estimation in our Q4 2022 report
- Q4 2022 to Q1 2023 % change less than estimation in our Q4 2022 report

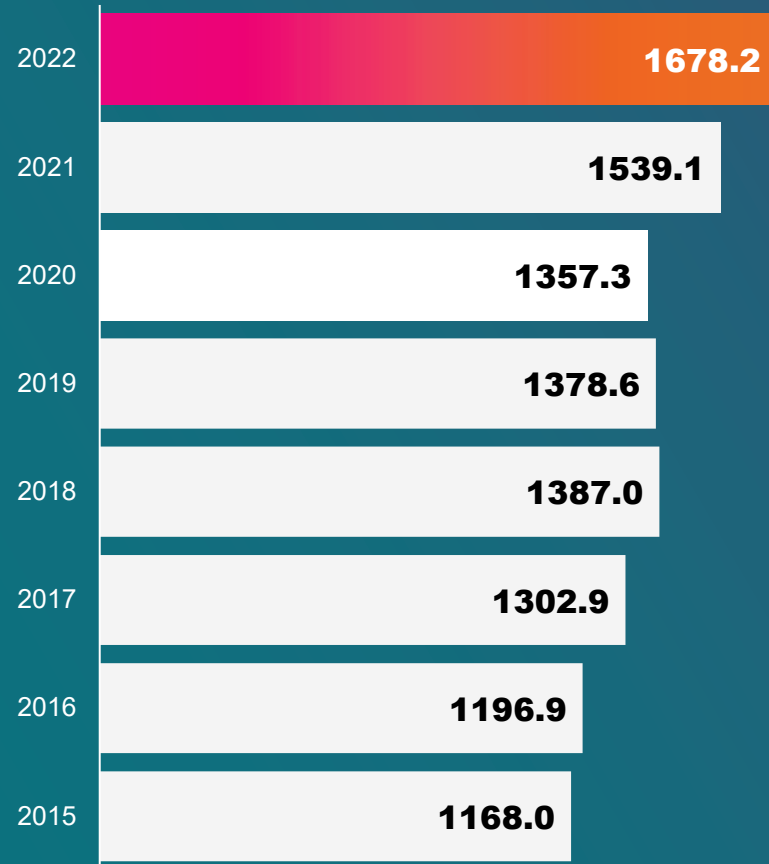
Welded mesh: 100 x 100cm, dia.-6mm Plasterboard: 122 x 244 x 1.2cm (L x W x T)






Material	% change Q1 – Q2 2023 (f)	Level of impact of pricing on construction procurement and supply chain *	
 <b>Copper</b>	+4.3% ↑	Low	Copper prices rose by over 6% in Q1 2023 compared to the average price in Q4 2022. However, prices declined in March 2023, with the average copper price being 1.5% lower than in January 2023, but prices are expected to continue to rise in Q2 2023.
 <b>Steel prices</b> - Steel rebar - Flat steel	+1.3% ↑ +0.7% ↑	Low	While steel rebar prices rose marginally on a quarterly average basis in 1.8% in Q1 2023, prices for steel flat products edged downwards by 1.2%, in part owing to weaker demand from manufacturing activity. However, in Q2 2023, the price of both rebar and flat is expected to rise with demand in construction set to improve following recent weakness.
 <b>Stainless Steel</b>	+0.3% ↑	Low	The price of stainless steel is estimated to have risen by approximately 1.8% in the first quarter of this year. Rising ferrochrome and iron ore prices, and still elevated nickel prices, are expected to have driven this increase. With nickel pig iron prices declining, the increase in stainless steel prices is expected to moderate in Q2 2023.
 <b>Lumber</b>	+0.4% ↑	Moderate	Seasonally weaker residential construction activity and an easing of supply chain pressures resulted in lumber prices falling marginally in the first quarter of this year. However, prices are expected to rise in the coming quarters, as construction activity begins to pick up.
 <b>Asphalt</b>	+2.2% ↑	Low	Asphalt prices continued on a downward trend in the first quarter of this year, primarily due to the decline in crude oil prices during the quarter. However, with an expected rise in crude prices following OPEC+ production cuts, asphalt prices will come under upward pressure.
 <b>Limestone</b>	+0.4% ↑	Low	No significant change in limestone prices is expected in the coming quarters, though prices are projected to trend marginally upwards as construction activity improves.

# Hong Kong – Commodity Report



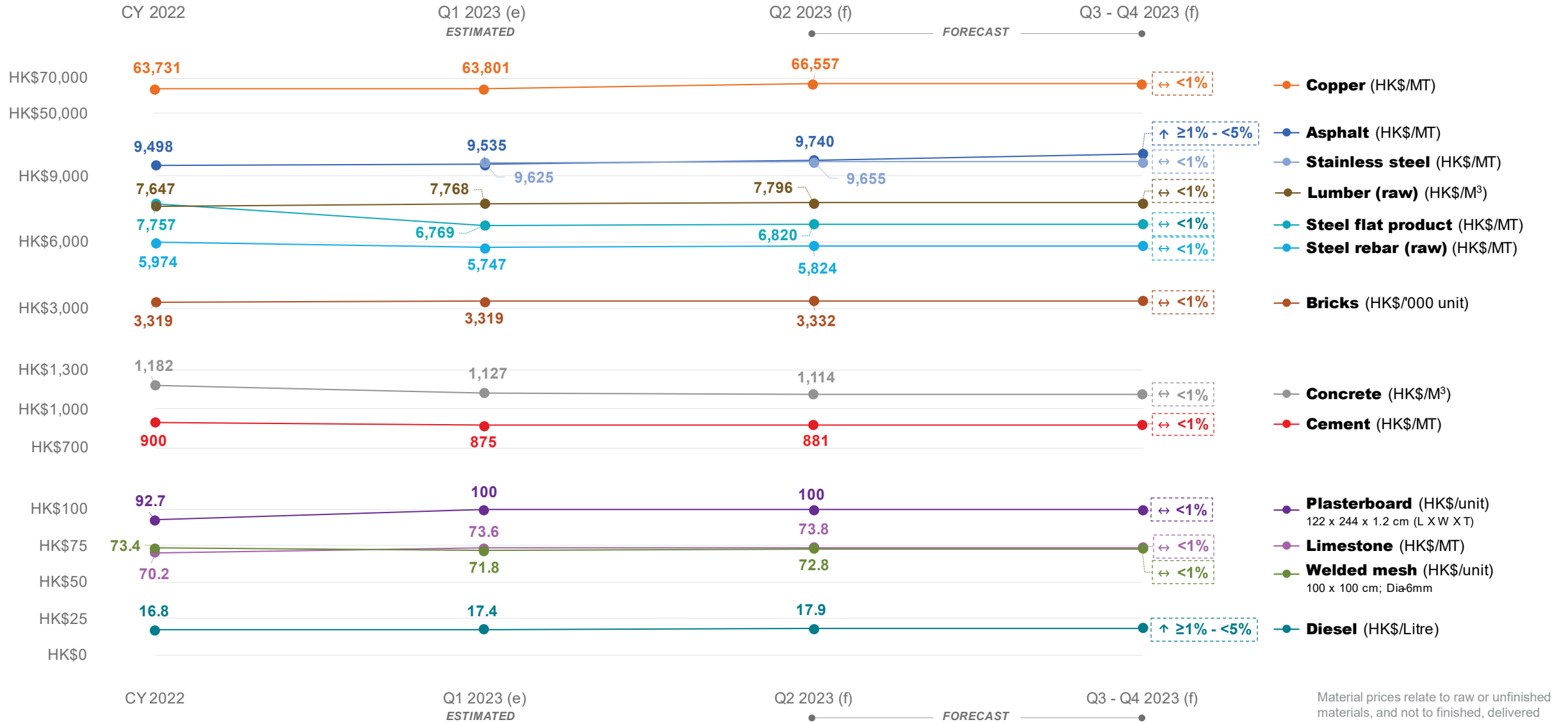
## Construction Cost Index 2015-2022 (1975=100)



Material	% change Q1 – Q2 2023 (f)	Level of impact of pricing on construction procurement and supply chain *	
 <b>Cement Concrete</b>	+0.7% ↑ -1.1% ↓	Moderate	Cement and concrete prices are expected to have fallen in the first quarter of this year, primarily due to seasonally slow construction activity in Hong Kong and the continued downturn in residential construction activity in China. Cement prices are expected to rise slightly in Q2 2023, as construction picks up in Hong Kong and the Chinese construction industry enters its peak season.
 <b>Welded mesh</b>	+1.4% ↑	Low	Driven by a rise in steel rebar prices in the first quarter of this year, welded mesh prices are estimated to have increased by approximately 2% in comparison to their Q4 2022 levels. Prices are expected to continue to rise in Q2 2023, in line with the projected increase in rebar prices.
 <b>Bricks</b>	+0.4% ↑	Moderate	Brick prices fell in Q4 2022, weighed down by soft demand from the residential construction sector. With construction output in Hong Kong forecast to strengthen in 2023, brick demand is expected to improve and a marginal rise in prices is anticipated in the first half of 2023.
 <b>Plasterboard</b>	0.0% ↔	Low	No notable change in plasterboard prices is expected to have occurred in the first quarter of this year. Prices are expected to remain similarly stable in Q2 2023.
 <b>Diesel</b>	+2.8% ↑	Low	Diesel prices are expected to fall by approximately 4.3% in the first quarter of 2023, though prices did pick up towards the end of the quarter. The average diesel price in March 2023 was estimated to be 1.2% higher than in February and 0.9% higher than in January 2023. With OPEC+ announcing output cuts in April 2023, oil prices are expected to rise, driving higher diesel prices in Q2 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.

# Hong Kong – Construction Materials Pricing (2022-2023)



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

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.

# Hong Kong – Macroeconomic overview



## Economic indicators



**3.47%**

GDP growth in 2023 (f)  
and **-3.51%** in 2022



**2.30%**

inflation rate in 2023 (f)  
and **1.88%** for 2022



**3.64M**

people employed in 2023 (f)  
and **3.62M** in 2022



**3.43%**

unemployment rate for 2023 (f)  
and **4.20%** in 2022



**103.10**

Consumer Price Index in Feb  
2023 and **104.90** in Feb 2022



**110.70**

Producer Price Index in Jan 2023  
and **111.1** in Jan 2022

## National holidays



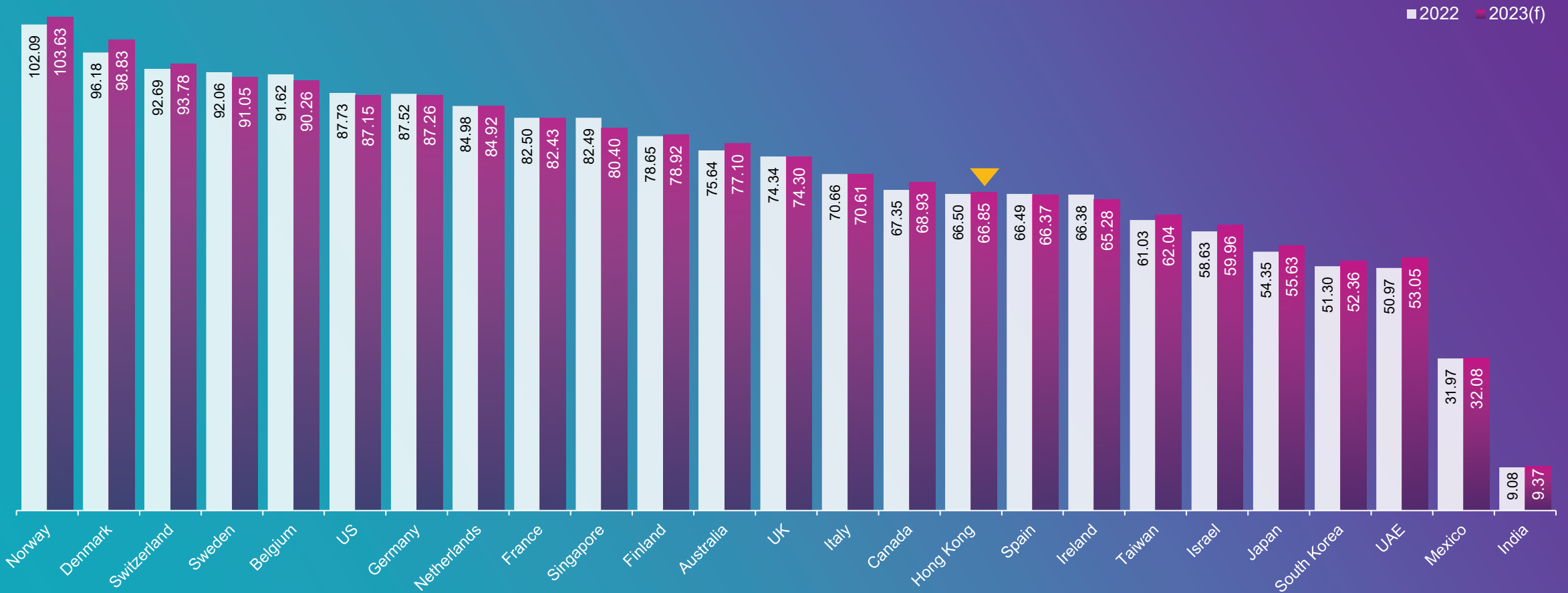
**11 public holidays**

in Hong Kong each year

# Hong Kong – Macroeconomic overview









## Labour productivity (in int. USD per hour worked)



Labour Productivity is a measure of output (in terms of GDP of the respective country) per hour worked. For more details on the definition refer to Total Economy Database by The Conference Board.  
 Labour productivity per hour worked in 2022 is in international dollars, converted using Purchasing Power Parities.  
 Data for 2023 in this database are based on forecasts.

# Hong Kong – Construction overview



Output 2022 and 2023 (in HK\$ millions)			
	Total 2022	Total 2023 (f)	Total 2024 (f)
Commercial 	47,794	49,346	51,151
Energy and utilities 	21,093	21,814	22,648
Industrial 	4,479	4,542	4,583
Infrastructure 	56,998	57,191	57,201
Institutional 	13,081	13,214	13,348
Residential 	72,014	73,549	75,234

\*The output is in real terms at constant prices with 2017 as base year

## Long lead equipment (LLE) - Supply Chain Overview

2022 was a turbulent year for the global supply chain with the fallout from the global pandemic combined with the emergence of the Russia-Ukraine conflict, leading to supply chain disruptions across the globe. However, 2023 is showing signs of relief in the market for long lead equipment (LLE). The following are the specifics of the LLE supply chain dynamic:

- Demand:** Demand for LLE has remained exceptionally high across all regions and industry sectors. Organizations have moved to expand their supply chain portfolios and include secondary and tertiary suppliers, whilst most are continuing to invest in inventory management systems to prevent any supply chain disruptions. There is no sign of reduced demand, so the constraints to the supply chain will continue for the remainder of 2023.
- Supply:** The stock levels of raw materials finally started to stabilize, alleviating some recent pressures on manufacturers and suppliers. However, it is worth noting that most LLE suppliers have reported being at operational capacity, with order books full up to Q3 2024, which may cause some concern for those relying on their products. Nevertheless, there is some hope as Tier 2 and Tier 3 supply chains have started to increase their capacity and support the larger demand within the market, which may help to mitigate any negative impact of capacity restrictions.
- Freight durations and costs:** Freight durations have begun to shorten in early 2023 as the global infrastructure and operations have developed to meet the rising demand and freight companies are shipping much faster than they did during the pandemic. Average freight costs have also reduced to align with pre-pandemic levels suggesting a return to normality within the industry. The benefits have been experienced in early 2023 and further reductions are expected throughout the rest of 2023.

## Construction Health and Safety practices and culture



**29.5** per 1,000 workers  
**construction industry**  
**accident rate** in Hong Kong  
 in 2022 up to Q3 2022

**3,065** industrial  
**accidents** were recorded on  
 construction sites in 2022  
 (up to Q3 2022)



**0.162** per 1000  
**workers fatality rate**  
 for the construction industry  
 recorded in 2022



# Hong Kong – 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 – Hong Kong

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

- IMF
- Civil Engineering and Development Department – The Government of the Hong Kong Special Administrative Region
- The Census and Statistics Department
- GlobalData's Construction Intelligence Center (CIC)
- Economic Research Institute
- Public Holidays
- Trading Economics

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