



Japan

Country Commodity Report

Q2 2022



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The Japan Center for Economic Research expected real GDP year-on-year growth for Q2 2022 to be 3.18% as of its latest release (July), with a 3.38% increase forecast for Q3, as the slowdown in Chinese growth tempers Japanese performance. Inflation is anticipated to move from 2.1% as of Q2 to 2.24% in Q4 of this year.

Construction growth is anticipated to moderate slightly from the 2021 performance, with 3.2% expansion expected in 2022. Growth will be supported by the government focus on renewables and the further development of the semiconductor industry, as well as sustained demand for Japanese exports and a sizeable fiscal stimulus package put into play by the Prime Minister. As is the case in many other parts of the world, ongoing geopolitical tensions, inflation and material price escalation will all weigh on 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

Lumber prices will face renewed upward pressure in the second half of this year, given the halting of veneer sheet and log exports by Russia. However, domestic lumber supplies have been expanding, and there is an aim to achieve a timber self-sufficiency rate of 50% by 2025, though these measures will have little effect on prices in the short term.



Cement and aggregates

Although Japan's construction industry has recovered from its downturn during the pandemic, activity remains relatively muted. As a result, price pressures on cement and concrete due to domestic demand have been relatively negligible. The majority of the cement price increase expected this year will be attributable to increased production costs as energy prices rise, and to a lesser extent, increased cement clinker import costs.



Concrete blocks and bricks

As with concrete and cement, prices for bricks have edged upwards, but have not recorded the levels of inflation as those seen in the price of industrial metals. However, higher energy costs will generate upward pressure on prices in the coming quarters.



Steel (rebar and structural)

Having been driven up by elevated iron ore and coking coal prices in late 2021, steel prices surged again in March in response to the fallout from the Russia-Ukraine conflict. Russia and Ukraine are key sources of imports of iron ore and coking coal, and scrap steel prices have also soared. However, with greater coking coal production capacity becoming operational in-region this year, metallurgical coal prices are expected to moderate, slowing the rise of steel prices in the second half of the year.



Copper

Copper prices rose sharply over 2021, reflecting global supply constraints and improving demand. This trend continued in the first half of the year, despite demand softening as industrial output in China and Europe slowed. Looking forward, copper prices are expected to fall marginally, as fears over slowing global economic growth soften demand, both domestically and globally. In the longer term, Japan's investment in renewable energy sources and electric vehicles, which will require significant volumes of copper, will keep demand high, and will contribute to ongoing efforts to improve self-sufficiency rates.

Japan - Commodity Report



Materials	Q3 2022 (f)	Q3 2021 - Q3 2022 (f)		Q1 2022 - Q2 2022 (e)
	JPY	JPY	2021-22* % change	% change
Copper (JPY/MT)	1,285,540	1,085,000	18.48% ↑	7.2% ↑ ●
Steel rebar (JPY/MT)	115,097	88,575	29.94% ↑	15.9% ↑ ●
Steel flat (JPY/MT)	141,966	109,000	30.24% ↑	3.3% ↑ ■
Lumber (JPY/M3)	71,260	68,500	4.03% ↑	5.0% ↑ ●
Asphalt (JPY/MT)	101,960	82,735	23.19% ↑	9.1% ↑ ●
Limestone (JPY/MT)	90,949	90,000	1.05% ↑	0.0% ↔ ■
Cement (JPY/MT)	13,187	10,800	22.10% ↑	1.5% ↑ ■
Concrete (JPY/M3)	15,217	14,700	3.52% ↑	0.4% ↑ ■
Welded mesh (JPY/unit)	655	558	17.47% ↑	5.9% ↑ ●
Bricks (JPY/000 unit)	128,864	111,110	15.98% ↑	1.0% ↑ ■
Plasterboard (JPY/unit)	1,548	1,500	3.18% ↑	4.5% ↑ ●
Diesel (JPY/litre)	148.10	136.00	8.90% ↑	0.3% ↑ ■

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

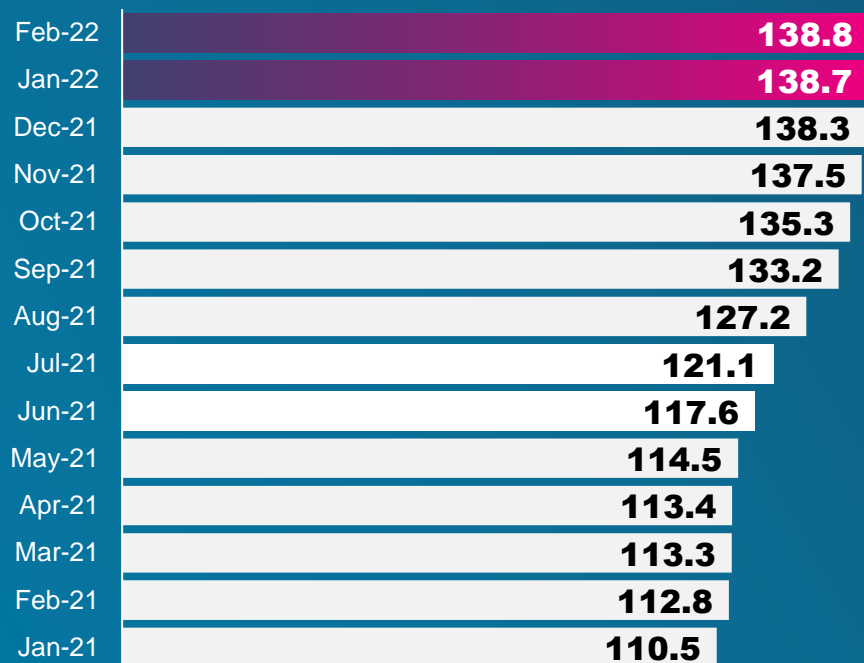
Material	% change Q2 – Q3 2022 (f)	Level of impact of pricing on construction procurement and supply chain *	
 Copper	-0.9% ↓	Moderate	Copper prices in Japan are expected to regress in Q3 2022. Slowing global economic growth is expected to weigh on demand for copper from Japan's manufacturing sector in the second half of the year, while improved global inventories deflate domestic prices.
 Steel prices - Steel rebar - Flat steel	-0.7% ↓ 0.0% ↔	High	Rising production and freight costs will keep domestic steel prices at a relatively high level, with energy and fuel prices expected to remain elevated for the rest of 2022. Further upward pressure could come from elevated raw material input costs, though slowing global economic growth has begun to drive down the prices of these inputs. Steel prices will be relatively moderate in the coming quarters.
 Cement Concrete	+1.5% ↑ +1.0% ↑	Moderate	Cement prices are expected to remain elevated in the second half of 2022, with rising energy costs impacting production costs. Increased freight costs and the weaker Japanese yen are leading to rising import costs for cement clinker, generating further upward pressure. Japanese manufacturers are adapting their pricing strategies in the face of these difficulties, with Taiheiyō Cement Corporation announcing a surcharge system, which links the market price of coal to cement prices.
 Asphalt	-2.0% ↓	Moderate	While the majority of Japan's supply of asphalt is sourced through domestic production, its manufacture is heavily reliant on the import of crude oil. With global crude oil prices expected to remain elevated in the second half of this year, asphalt prices are expected to continue to trend upwards. This will be exacerbated by further pressure on crude oil prices, driven by the weakening of the Japanese yen against the US dollar, which fell to a 24-year low in July 2022.
 Limestone	+0.2% ↑	Low	Volatility in limestone prices is expected to be minimal in the second half of this year, and they are not expected to record notable rises.

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 - Commodity Report



Construction cost index 2021-2022



Knoema World Data Atlas

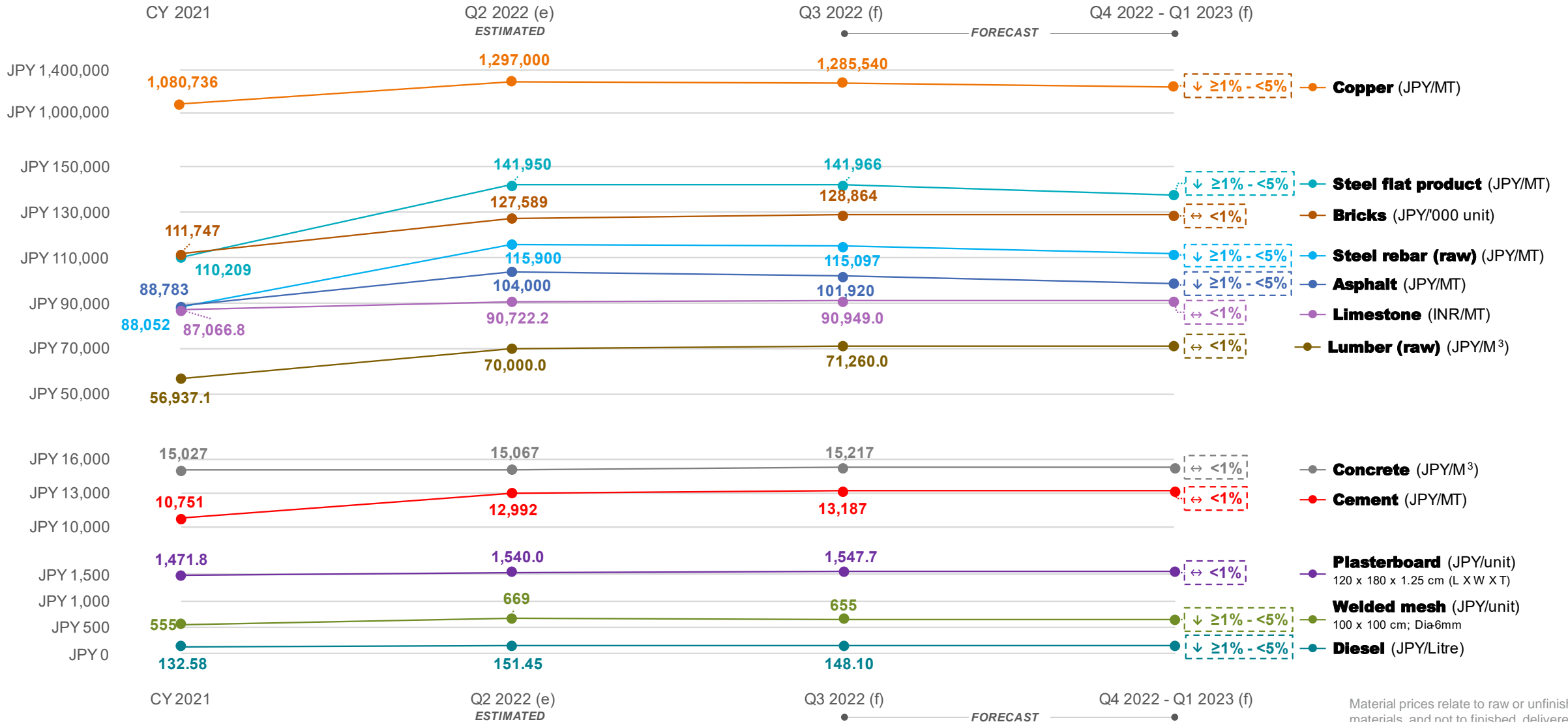
Index of economic freedom **74.1 out of 100**

Material	% change Q2 – Q3 2022 (f)	Level of impact of pricing on construction procurement and supply chain *	
 Lumber	+1.8% ↑	Moderate	The price of lumber continues to trend upwards, which is predominantly due to Russia's halting of the export of logs and veneer sheets to Japan, and a weakening of the yen. Although the Japanese government is taking measures to mitigate lumber shortages and limit its dependence on Russian wood by promoting domestic production, this will have little effect in the short term. Further upward pressure on prices will be generated by increased freight costs, due to the rise of fuel prices.
 Welded mesh	-2.0% ↓	High	The price of welded mesh is primarily influenced by the price of steel rebar, which is expected to decline in H2 2022, driving down welded mesh prices.
 Bricks	+1.0% ↑	Moderate	Elevated production costs are expected to be the primary factor driving up brick prices in the short term, with construction demand likely to only have a moderate impact on prices.
 Plasterboard	+0.5% ↑	Low	Similar to bricks, production costs are trending upwards and impacting plasterboard prices in the short term, and demand is likely to have a relatively limited impact on prices.
 Diesel	-2.2% ↓	Moderate	Though global crude oil prices have fallen from their March 2022 peak, they remain close to multi-year highs. Unsurprisingly, diesel prices in Japan have risen as a result. However, a 35-yen per litre of fuel subsidy announced by the government in April 2022, and in place until September, has prevented the extent of price hikes seen in other economies and is expected to soften the full-year growth of diesel prices.

* 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.

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Japan - 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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Japan - 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 – 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)

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