



# South Korea

Country Insights and  
Commodity Report

**Q1 2023**

A row of six white icons representing various industrial and economic concepts: a factory, a building, a truck, a gear, a group of people, and a percentage sign.

# South Korea

## Q1 2023

South Korea's GDP grew by 2.6% in 2022 and is expected to grow by 1.5% in 2023. The economy is expected to slowdown in the first half of 2023, due to weak global economic outlook and interest rate hikes, but it is likely to gradually improve, as global economy picks up. Consumer prices are forecasted to rise by 3.5% in 2023 and then reduce to 2.6% in 2024.

The construction industry in South Korea grew marginally by 0.2% in 2022, due to headwinds caused by inflation, supply chain disruptions and elevated interest rates. It is predicted to gradually regain its growth momentum and register a growth of 0.8% in 2023. Furthermore, with investments in the energy, transport, and industrial sectors, the sector is likely to grow at a 3.6% average annual growth from 2024-2027.



**Garvan Barry**  
Director - North East Asia  
garvan.barry@linesight.com



### Lumber

Lumber price inflation is expected to be contained by sluggishness in the residential construction sector, which reflects the impact of recent interest rate hikes. The total number of residential construction permits issued in the country declined by 26% year-on-year in January-February 2023; this followed a drop of 23% in Q4 2022.



### Cement and aggregates

Despite a moderation of bituminous coal prices in the first quarter of this year, the Korean government's decision to hike electricity rates by 13.1 won per kilowatt-hour has driven an increase in cement prices. Cement and concrete prices are expected to continue rise this year as electricity rates increase, with KEPCO calling for a total increase of 51.6 won per kilowatt-hour this year, though the government has delayed its decision on raising electricity rates in Q2 2023.



### Concrete blocks and bricks

With construction activity relatively soft in the final quarter of 2022 and into the first quarter of this year, subdued demand for bricks ensured prices remained stable. This trend is expected to be maintained in the coming quarters, with the Korean construction industry projected to record only a marginal growth of 0.8% this year.



### Steel (rebar and structural)

Steel flat prices declined in the first quarter of this year, primarily driven by a fall in demand due to the downturn of activity in the Korean manufacturing industry and a fall in trade volumes as external demand slowed. In contrast, robust demand for rebar from the Chinese construction industry saw rebar prices rise. In the coming quarters, prices are expected to remain relatively stable, with prices capped by a moderation of iron ore and metallurgical coal prices.



### Copper

Robust copper demand and increased optimism of a rapid economic rebound in China in early-2023 saw the average copper price in the first quarter of 2023 rise. A weaker Korean won further drove up domestic prices, with prices rising through the quarter despite a marginal fall in USD prices. Prices are expected to continue to rise in the second quarter of 2023, though the increase is expected to be moderate due to an increase in supply following the end of protests that had disrupted output at Peruvian copper mines.

# South Korea – Commodity Report



Materials	Q2 2023 (f)	Q2 2022 – Q2 2023 (f)		Q4 2022 – Q1 2023 (e)
	KRW	KRW	2022-23 % change	% change
<b>Copper</b> (KRW/MT)	11,466,398	11,811,542	-2.9% ↓	6.0% ↑ ●
<b>Steel rebar</b> (KRW/MT)	959,999	1,111,667	-13.6% ↓	2.5% ↑ ●
<b>Steel flat</b> (KRW/MT)	986,632	1,006,448	-2.0% ↓	-1.0% ↓ ●
<b>Stainless steel</b> (KRW/MT)	1,834,753	NA	NA	0.0% ↔ ■
<b>Lumber</b> (KRW/M3)	354,170	346,000	2.4% ↑	-2.6% ↓ ●
<b>Asphalt</b> (KRW/MT)	66,289	66,200	0.1% ↑	0.0% ↔ ■
<b>Limestone</b> (KRW/MT)	814,650	964,912	-15.6% ↓	-3.8% ↓ ●
<b>Cement</b> (KRW/MT)	411,438	375,000	9.7% ↑	1.5% ↑ ■
<b>Concrete</b> (KRW/M3)	160,307	142,753	12.3% ↑	2.0% ↑ ●
<b>Welded mesh</b> (KRW/unit)	8,065	9,398	-14.2% ↓	2.0% ↑ ●
<b>Bricks</b> (KRW/'000 unit)	650,000	650,000	0.0% ↔	0.0% ↔ ■
<b>Plasterboard</b> (KRW/unit)	4,121	4,125	-0.1% ↓	0.0% ↔ ■
<b>Diesel</b> (KRW/litre)	1,612	2,076	-22.3% ↓	3.8% ↑ ●

(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

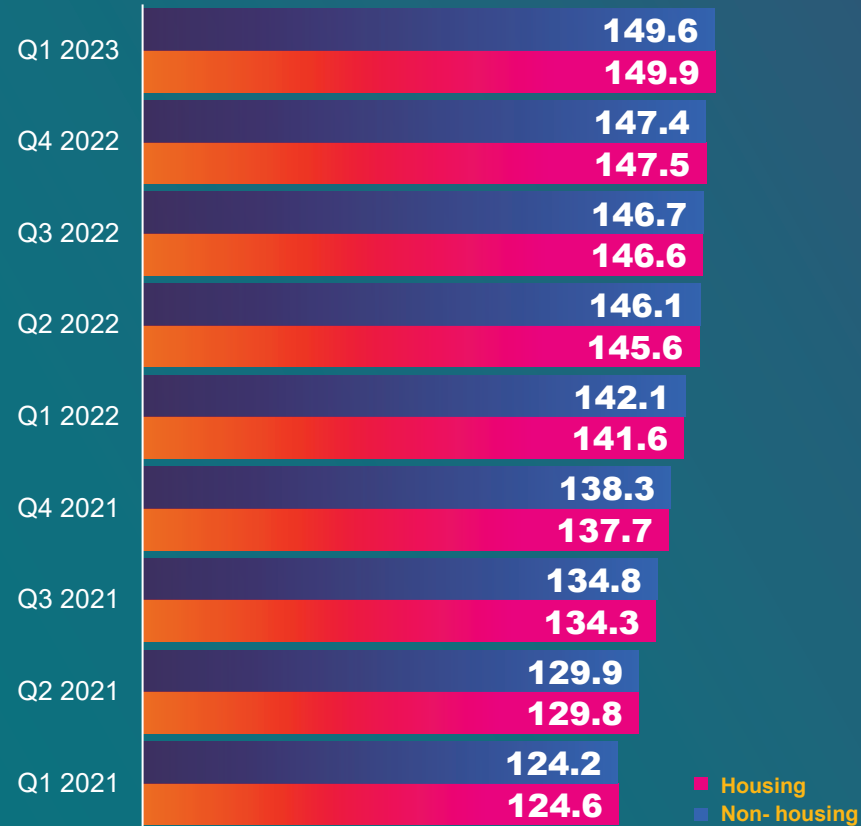
Welded mesh: 100 x 200cm, dia.-5mm Plasterboard: 90 x 180 x 1.2cm (L x W x T)








Material	% change Q1 – Q2 2023 (f)	Level of impact of pricing on construction procurement and supply chain *	
 <b>Copper</b>	+0.7% ↑	Low	Copper prices rose by approximately 6% in the first quarter of this year, in comparison to their Q4 2022 levels. Increased copper demand in China and the depreciation of the Korean Won were the primary drivers of this price growth. Prices rose through the quarter, with the average copper price 2.7% higher in March 2023 than in January 2023.
 <b>Steel prices</b> - Steel rebar - Flat steel	+0.3% ↑ +0.8% ↑	Moderate	Steel rebar prices picked up by 2.5% in the first quarter of this year, while the price of steel flat products eased back by 1.0%. Weaker manufacturing activity, both domestically and in the Eurozone and the United States, contributed to the decline in steel flat prices, but marginal growth in the construction industry in the coming quarters will keep prices for both steel rebar and flat products around current levels.
 <b>Stainless steel</b>	+0.3% ↑	High	An increase in nickel supply from Indonesia and falling nickel pig iron prices have kept stainless steel prices fairly stable in the first quarter of this year. Stainless steel prices are expected to trend marginally upwards in the coming quarters.
 <b>Lumber</b>	-1.9% ↓	Moderate	Lumber prices recorded a decline of 2.6% in Q1 2023, in comparison to their Q4 2022 levels. Although construction output will edge upward from recent low levels of activity, improved supply from Vietnam and Indonesia will weigh on lumber prices in the coming quarters.
 <b>Asphalt</b>	+0.1% ↑	Low	Asphalt prices are estimated to have remained stable in the first quarter of this year. With demand from the construction sector expected to remain soft, the price of asphalt is expected to remain around its current levels in the short term. However, a potential increase in crude oil prices following recent OPEC+ output cuts may generate some upwards pressure on prices.
 <b>Limestone</b>	-1.4% ↓	Low	Limestone prices fell by 3.8% on a quarterly average basis in Q1 2023, in comparison to their Q4 2022 levels. Sluggish demand from the construction sector, amid rising interest rates, has contributed to this decline. Limestone prices are expected to continue to fall in Q2 2023, though the pace of the decline is expected to slow.

# South Korea – Commodity Report



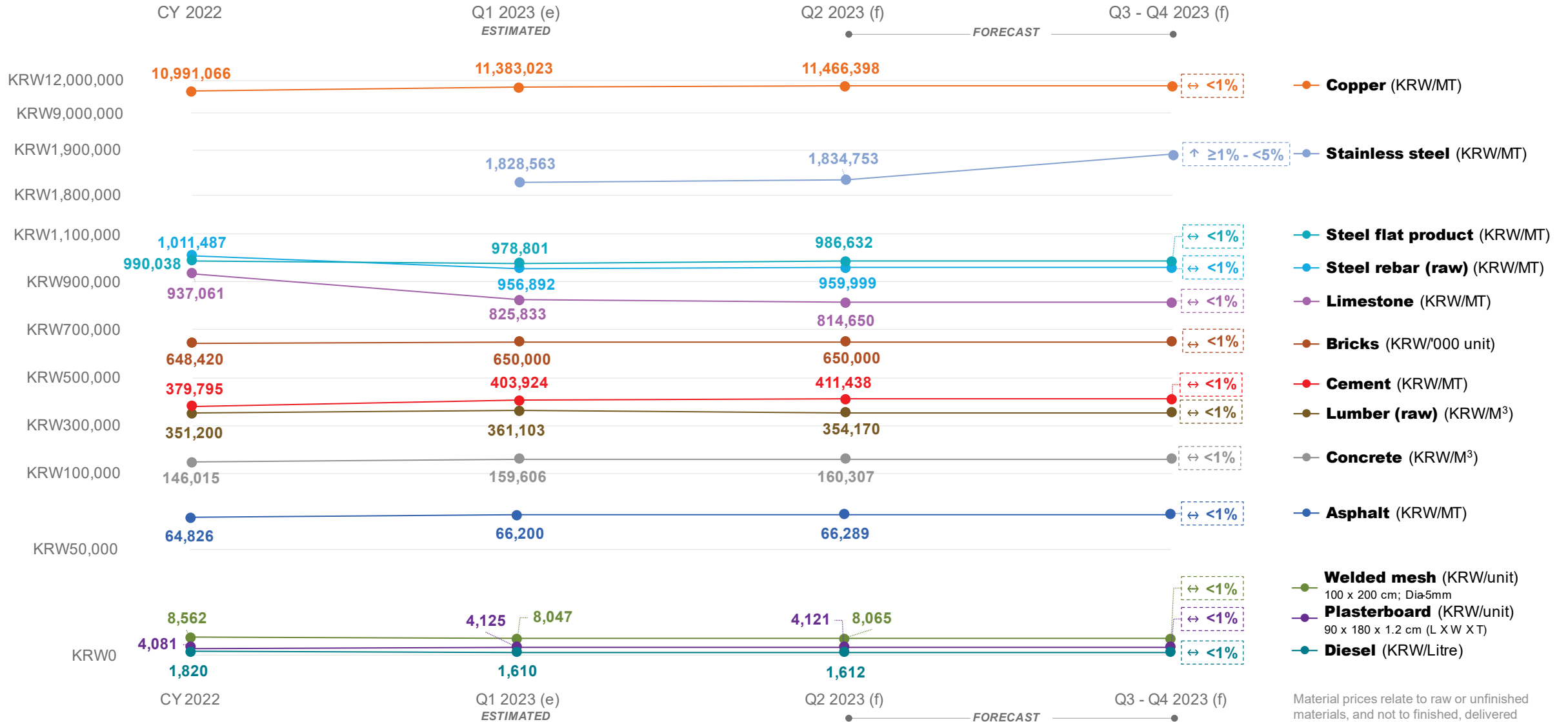
## Construction Cost Index (Q1 2021 - Q1 2023) (2015=100)



Material	% change Q1 – Q2 2023 (f)	Level of impact of pricing on construction procurement and supply chain *
 <b>Cement Concrete</b>	+1.9% ↑ +0.4% ↑	 Moderate Cement and concrete prices rose in Q1 2023, with input costs increasing following the government’s decision to increase electricity rates. The increase in prices was, however, softened by weak demand from the construction sector, with activity in the infrastructure sector moderating in the first quarter of 2023. Cement and concrete prices are expected to edge up further in Q2 2023.
 <b>Welded mesh</b>	+0.2% ↑	 Low Welded mesh prices are predominantly driven by the trend of steel rebar prices and are estimated to have risen in line with the increase in rebar prices in Q1 2023. With the price of rebar expected to record only a marginal increase in the second quarter of this year, the price of welded mesh is expected to remain around its current levels.
 <b>Bricks</b>	0.0% ↔	 Moderate Brick prices remained stable in the first quarter of this year. Despite an increase in electricity rates by the government, weak demand growth from the construction sector, particularly in the residential sector, will keep brick prices close to their current levels in the coming quarters.
 <b>Plasterboard</b>	-0.1% ↓	 Low Plasterboard prices are estimated to have remained at their Q4 2022 levels in the first quarter of this year. Weak construction activity and a moderation of residential demand are expected to contain upward price pressures.
 <b>Diesel</b>	+0.1% ↑	 Low Diesel prices rose by 3.8% in the first quarter of this year on a quarter-on-quarter basis. However, prices fell through the quarter. With the government planning to remove its diesel subsidy after May 2023, the price of diesel is expected to continue to rise 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.

# South Korea – Construction Materials Pricing (2022-2023)



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

# South Korea – Macroeconomic overview

## Economic indicators



**1.51%**

GDP growth in 2023 (f)  
and **2.56%** in 2022



**3.54%**

inflation rate in 2023 (f)  
and **5.09%** for 2022



**28.27M**

people employed in 2023 (f)  
and **28.09M** in 2022



**3.65%**

unemployment rate for 2023 (f)  
and **2.88%** in 2022



**110.56**

Consumer Price Index in Mar  
2023 and **106.06** in Mar 2022



**120.42**

Producer Price Index in Feb 2023  
and **116.70** in Feb 2022

## National holidays









**11 public holidays**

in South Korea each year

# South Korea – Construction overview



## Output 2022 and 2023 (in KRW millions)

	Total 2022	Total 2023 (f)	Total 2024 (f)
Commercial 	45,505,382	45,395,350	46,714,044
Energy and utilities 	8,707,746	8,751,406	8,978,934
Industrial 	36,746,428	37,557,049	38,117,333
Infrastructure 	35,957,538	35,705,392	36,448,138
Institutional 	16,437,382	16,672,645	17,188,859
Residential 	93,234,115	94,375,296	97,879,102

\*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:

- 1. 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.
- 2. 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.
- 3. 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



**4.7 fatalities per 10,000 workers per working week**  
**construction industry occupational fatality rate in 2022.**

Ranks 34 out of 38 OECD countries.

# South Korea – 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 – South Korea

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

- IMF
- Statistics Korea
- The Korean Statistical Information System (KOSIS)
- Bank of Korea
- Korea Institute of Civil Engineering and Building Technology (KICT)
- GlobalData's Construction Intelligence Center (CIC)



Linesight 

