

Construction Materials Business

Agenda

- Thailand Construction Materials: Overview
- Thailand Construction Materials: Outlook
- Thailand Construction Materials Business :
SMEs' competition and business opportunities

**Business Research
October 2023**



Construction Materials Business Overview & Outlook

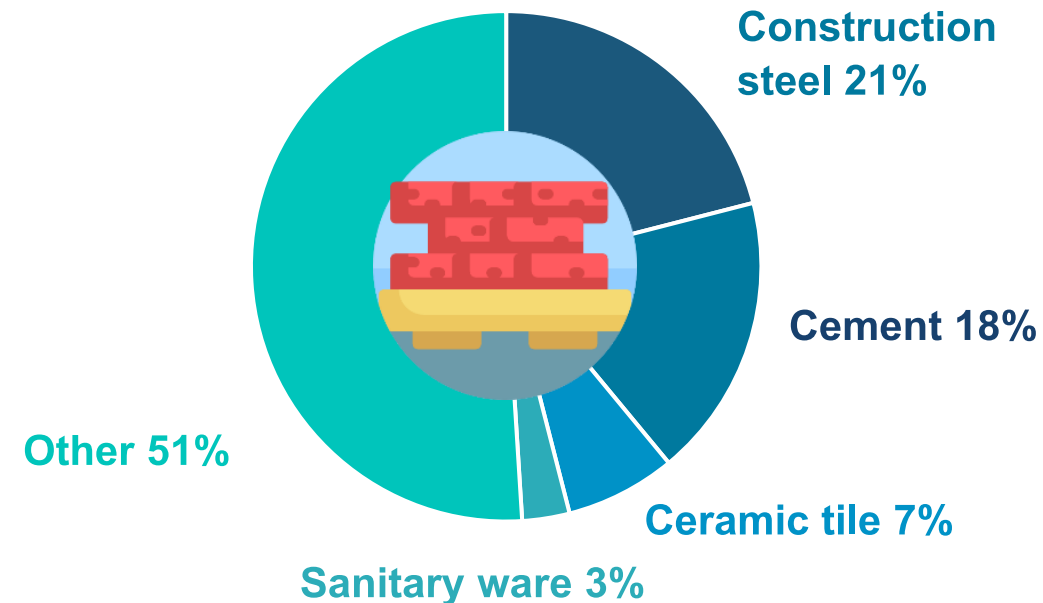
Construction materials distribution business is likely to expand at a slower rate in 2023 in line with the real estate market, which is expected to be pressured by purchasing power that is still fragile, rising home interest rates, the end of loan-to-value (LTV) easing measures. Labor and construction materials costs are also expected to increase and may affect the profit rate of operators.

Business Overview

Sales volumes of many construction materials have shrunk, mainly due to the value of private construction investment. However, there are still some items that are selling in a positive direction, such as ready-mixed concrete, prefabricated concrete floors and deformed steel bars.

Products	Units	2021	2022	8M23
Floor-Wall Tiles	1,000 sq.m.	177,945	177,430	113,492
	%YoY	-0.5	-0.3	-8.0
Cement	1,000 tons	42,817	41,145	31,251
	%YoY	-0.4	-3.9	-7.9
Ready-mix concrete	1,000 Cubic.m.	16,736	16,983	11,596
	%YoY	-8.5	1.5	1.9
Concrete piles	1,000 Cubic.m.	1,068	1,160	775
	%YoY	7.5	11.1	-0.2
Prefabricated concrete floor	1,000 sq.m.	6,377	7,145	4,883
	%YoY	-19.4	12.0	1.1
Structural steels	1,000 tons	1,620	1,451	354
	%YoY	9.6	-10.4	-21.3
Round steel bar	1,000 tons	364	297	165
	%YoY	-26.7	-18.4	-21.1
Deformed steel bars	1,000 tons	1,763	1,802	1,179
	%YoY	-19.6	2.2	0.6

Share of total sales value by major product

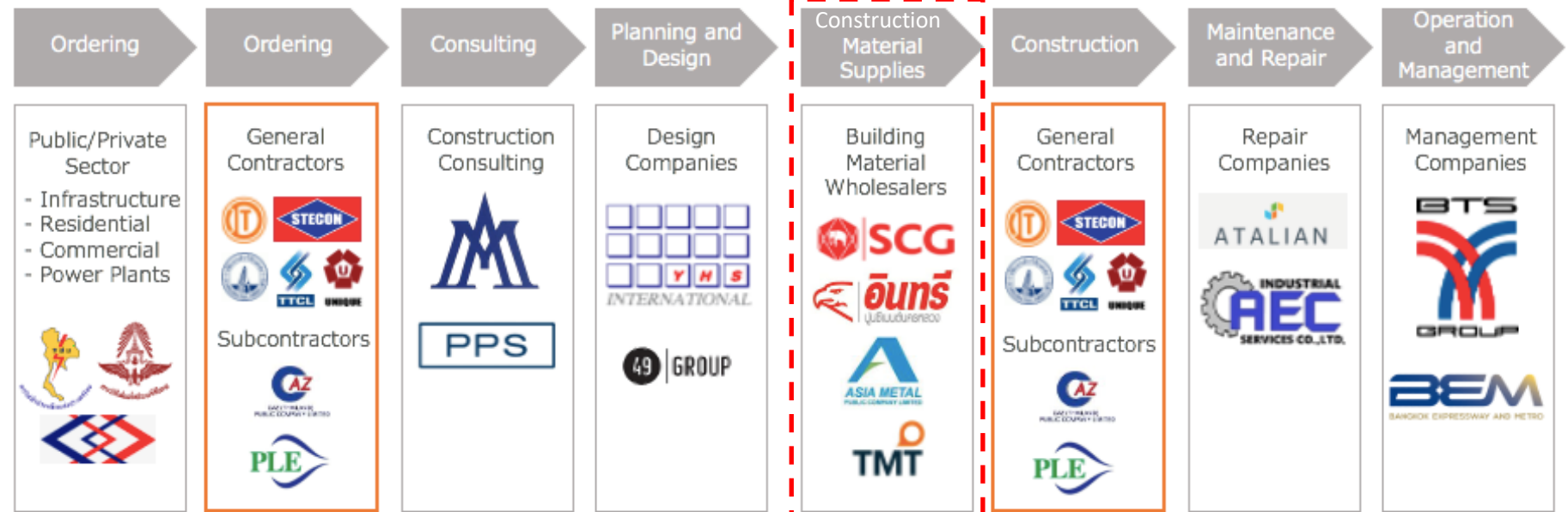


The cost of construction materials accounts for up to 60% of the construction value. The main types of construction materials are divided into structural materials (including cement, construction steel), with a total sales value accounting for 39% of the total sales value of construction materials, and decorative materials (including ceramic tiles, ceramic sanitary ware).

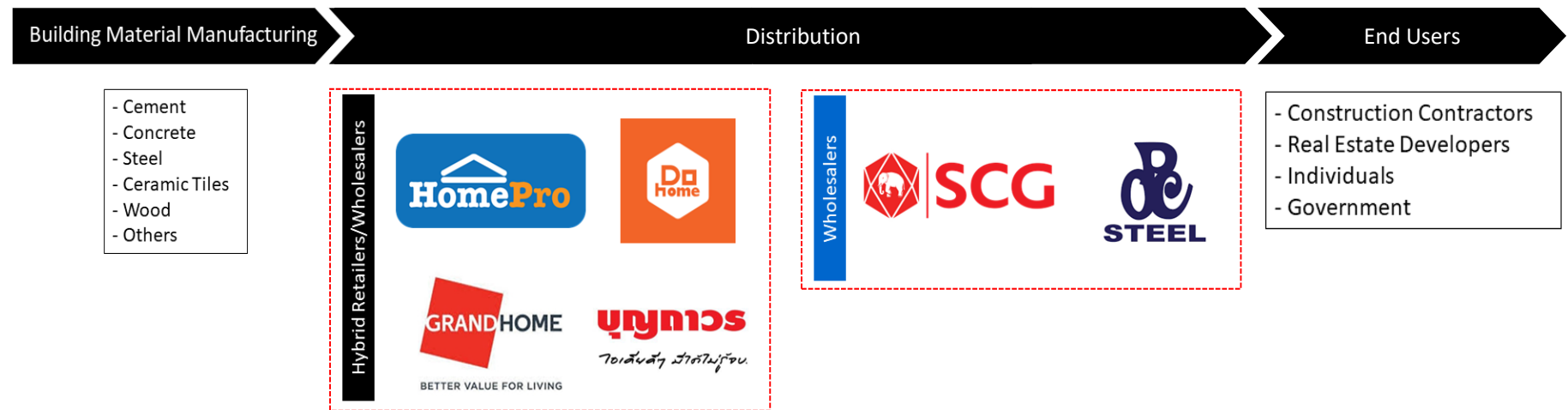
Construction Materials Business – Industry Value Chain Overview

Construction Value Chain

*Construction material business is one of subsets in construction industry

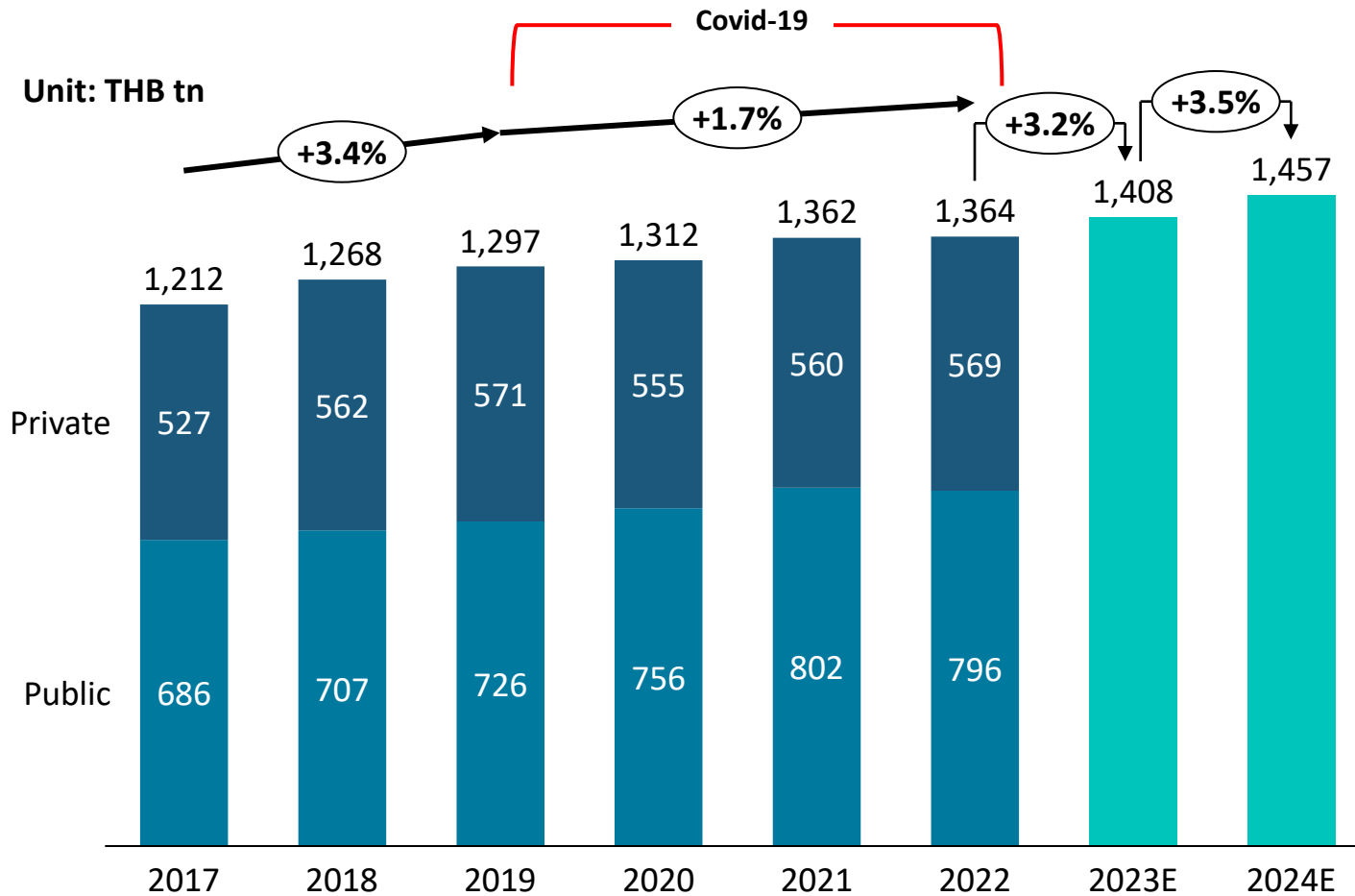


Construction Material Value Chain



Construction Material Business – Overview and Outlook

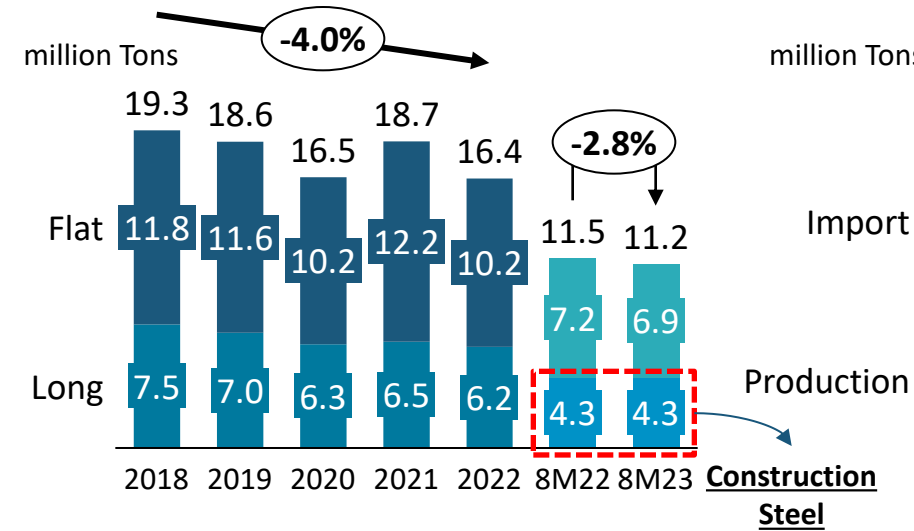
Public and Private Construction Investments



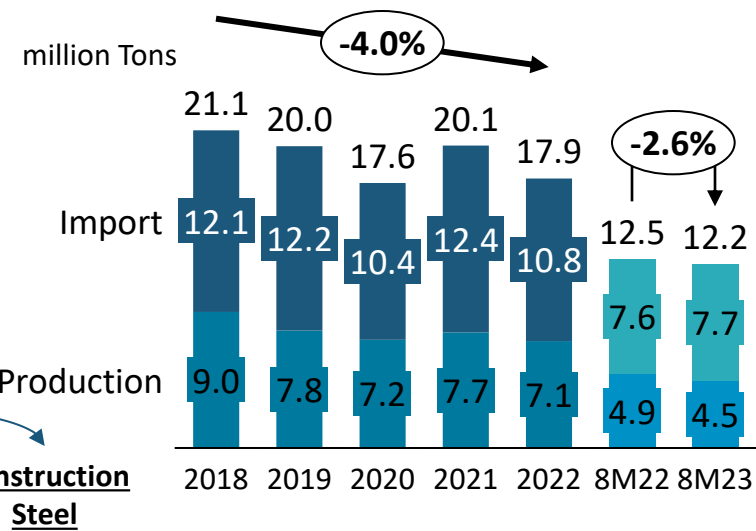
- **Construction value is expected to grow 3.2%YoY in 2023 and will increase to 3.5%YoY in 2024**, following the expansion of both public and private construction investment.
- **Public construction expanded following investment in megaprojects, both from ongoing projects and new projects**, including the development of construction projects in the EEC area after the COVID-19 situation.
- **Private construction is expected to expand due to investment in the real estate sector, including the launch of new housing projects and the construction of large mixed-use projects that are still underway**, including the renovation of retail spaces and hotels to support the recovery of the tourism sector following the continued expansion of foreign tourists.
- However, it is still necessary to monitor the investment situation in public construction, **especially the tenders for new mega projects, which may be delayed from the preparation of the 2024 budget, and from household debt problems that may hinder the expansion of the real estate sector**. These factors may lead to a lower-than-expected demand for construction materials.

Construction Materials Business – Steel

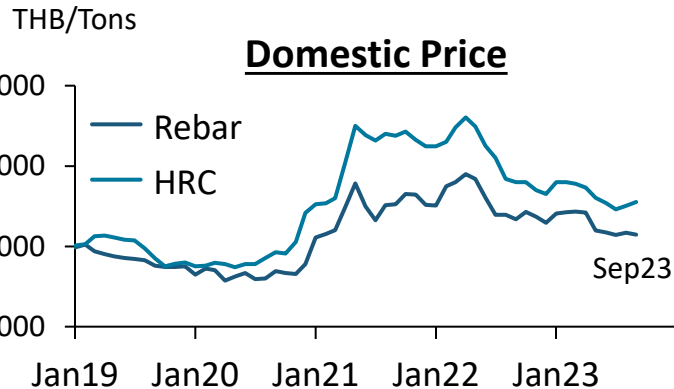
Thailand's Steel Consumption



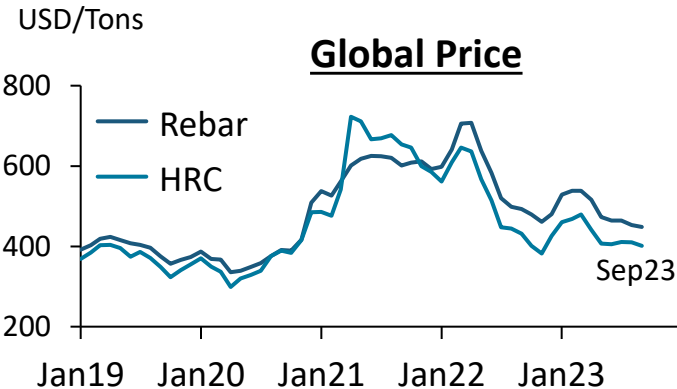
Thailand's Steel Supply



Construction Steel



Domestic Price



Global Price

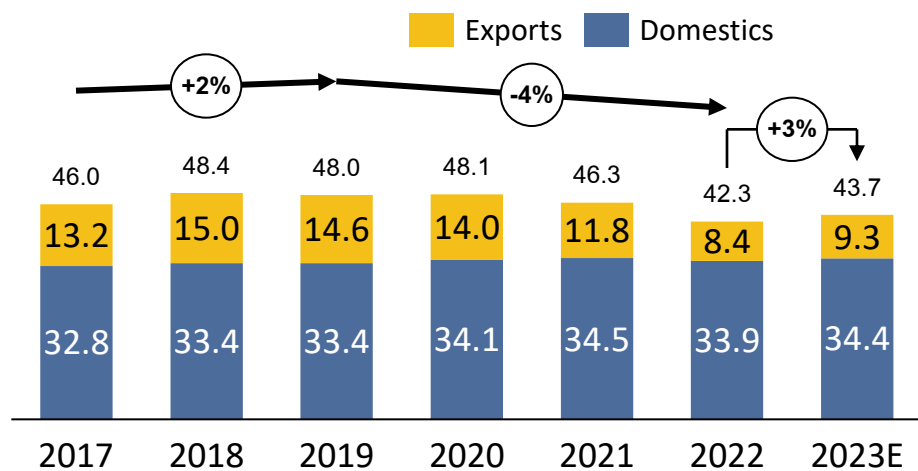
	THB/Tons			%YoY		
	2021	2022	9M23	2021	2022	9M23
Rebar	24,512	25,509	22,790	47.6	4.1	-12.8
HRC	31,404	31,050	26,411	67.2	-1.1	-18.3

	USD/Tons			%YoY		
	2021	2022	9M23	2021	2022	9M23
Rebar	594	567	491	55.4	-4.5	-17.8
HRC	619	506	431	69.2	-18.4	-20.1

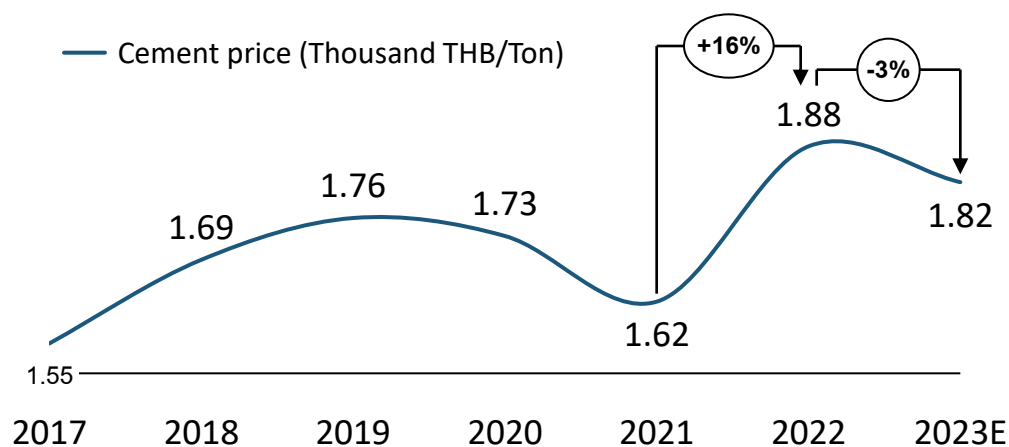
- In 8M2023, Thailand's long steel (steel used in construction is mostly long steel) consumption demand was stable from the previous year at 4.3 million tons, with an improved trend compared to the average of the past 5 years, in line with the expansion of domestic construction investment. Meanwhile, demand for flat steel is expected to decline due to the decline in the production of household electrical appliances.
- Domestic steel production is on a downward trend while steel imports are on the rise, reflecting the intense competition among Thai steel producers and cheap imported steel from China, especially during a period of sluggish Chinese economy, resulting in an increased oversupply of steel for export.
- Domestic steel prices have continued to decline in line with the direction of world market prices due to a return to normalcy in the global logistics sector, including an increase in global steel supply due to a slowdown in Chinese steel consumption.
- Although the falling steel price has affected the market size of the steel business, it has also had a positive impact on Thai steel producers who mainly rely on importing raw materials from abroad at a reduced cost.

Construction Materials Business – Cement

Cement Sales & Exports (Million Tons)



Average Cement Price



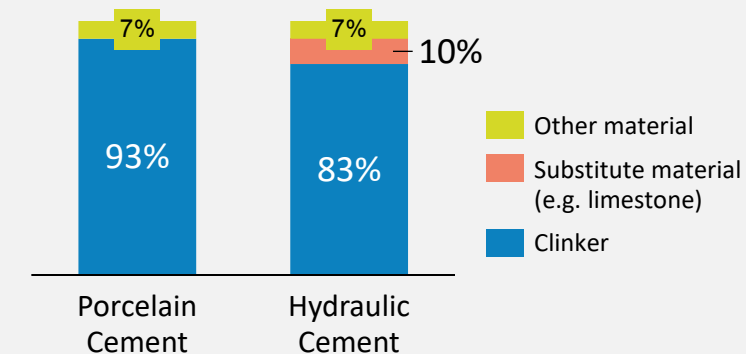
- **Domestic sales for Cement in 2023-2024 are expected to increase** from ongoing government mega projects while private sector's project and investment would be slowing down due to high interest rate and other costs.

- **High recovery in export markets** especially in Cambodia, Bangladesh, Australia and US.

- **Cement price is likely to decrease but remained high** due to high energy costs.

ESG Trend for Cement

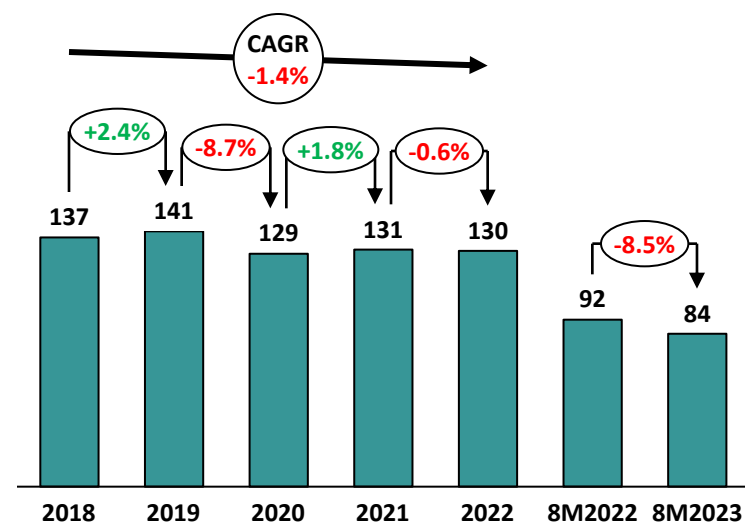
- **To reduce the portion of clinker mix in cement**
- In Thailand, government has announced for **using the hydraulic cement in all government's projects:** building, road infrastructure.
- Thailand's hydraulic cement still contain clinker at 83% higher than the global average at 77-78%.



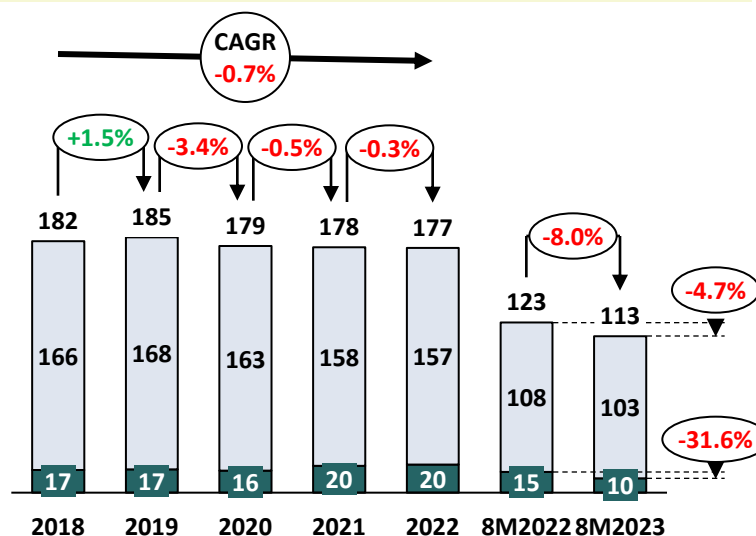
- **EU's CBAM, carbon tax on cement may become a new international standard** for cement product exports and affect the Thai cement industry.

Construction Materials Business – Tiles

Production Volume of Tiles (million sq.m.)

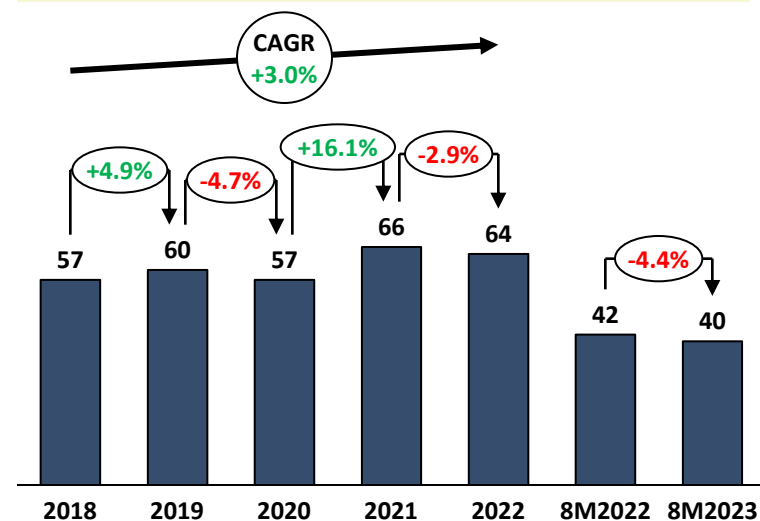


Domestic Sales Volume of Tiles (million sq.m.)

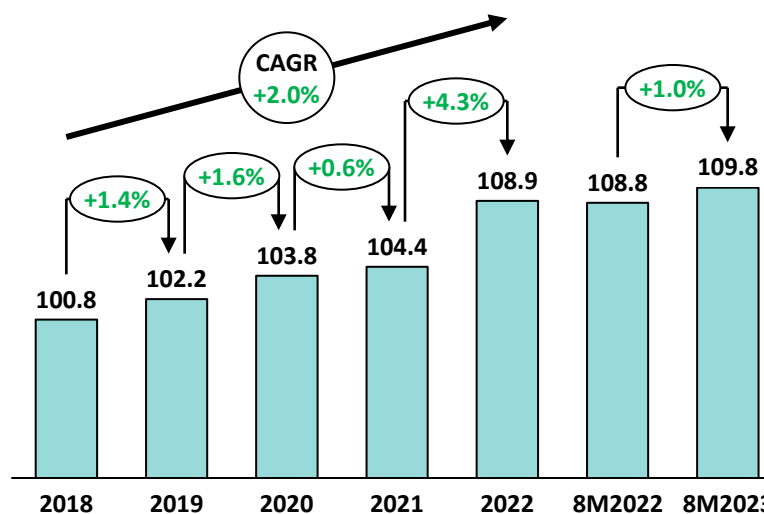


❑ In 8M2023, tile production volume decreased by 8.5%YoY, mainly due to domestic sales volume decreasing by 4.7%YOY and exports shrinking by 31.6%YOY. On the supply side, higher production and transportation costs affected production, while on the demand side, rising inflation eroded consumers' purchasing power. This particularly affected the home repair market, as many consumers decided to postpone non-essential activities such as home renovation projects in the face of tight spending.

Import Sales Volume of Tiles (million sq.m.)








Construction Material Price Index



❑ In 2024, domestic demand for ceramic tiles is expected to increase due to 1) the recovery of residential construction, especially the launch of new residential projects, 2) the continued expansion of commercial construction projects and the renovation of retail spaces and hotels, and 3) the growth of home repairs is also expected to increase due to the projected increase in household consumption, especially as a result of the government's stimulus program.

Sales of construction materials are expected to grow as the government continues to invest in mega-projects.

The government plans to gradually invest in mega projects worth THB 892bn from 2024 onwards.

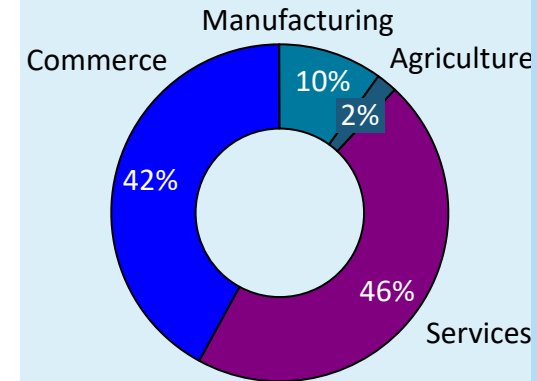
Projects	Value (THB,bn)
 Double Track Railway Phase 2	276.0
 Airports	224.2
 Sky Train	144.7
 Motorway / Expressway / Bridge	246.8
 High-speed Train	n.a.
Total	891.7

- The new cabinet has approved 3.48 trillion baht in budget expenditure for FY2024. **Capital expenditure is set at 719,199.6 million baht, an increase of 4%YoY.**
- During the delay in approving the 2024 budget, most of the construction value of megaprojects still comes from projects that are continuing construction from the past.
- However, **the government is likely to speed up disbursements after the 2024 budget comes into force.** There are many new projects to be constructed from 2024 onwards.

The projects will be pushed to use the 2024 budget	Value (THB,bn)
The Bang Pa-in–Nakhon Ratchasima Motorway	84.6
The Bang Yai - Kanchanaburi Intercity Motorway	61.0
The Chiang Khong Intermodal Facilities Center in Chiang Rai	2.9
The Nakhon Phanom Cross Border Transportation Center	1.4
The 27 airport improvement projects	n.a.
The Kathu-Patong Expressway Project in Phuket	14.7
The Chalong Rat-Nakhon Nayok expressway, section from Chatu Chote to Lam Lukka	24.1
The Ban Phai – Nakhon Phanom Railway	66.8
The Den Chai-Chiang Rai-Chiang Khong Railway Project	72.9

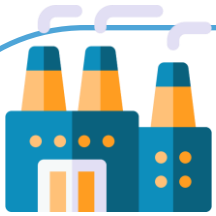
Measures to support SMEs in accessing government procurement (GP)

- ✓ **Government agencies must procure from SMEs at least 30 % of the budget** for the procurement of goods and services included in the list of supplies and the list of SME registered with OSMEP or THAI SME-GP (according to ministerial decrees).
- ✓ **In 2022, government agencies procured more than 481,831 million baht with THAI SME-GP, accounting for 41% of the procurement value. While OSMEP aims to increase government procurement with THAI SME-GP to 50%**
- ✓ There are currently more than 150,000 entrepreneurs registered in THAI's SME-GP system, mostly in the service and commercial sectors.



TOP SME-GP

- 1) Purchasing machinery and construction equipment
- 2) Construction services, repairs & maintenance road / building
- 3) Purchasing materials used in hospital
- 4) Purchasing electrical equipment and computer
- 5) Purchasing office stationery



Manufacturers

Tail Wind

- **The government investment in infrastructure megaprojects**, especially EEC-related projects, to stimulate economic expansion at a time when the export sector is likely to slow.
- **The recovery of private construction** is in line with the development of the mass transit system, especially residential projects along the electric train and new transportation routes, including the construction of industrial estate in related areas.
- **Recovery in construction related to the tourism sector**, especially retail space and hotels, to support the return of foreign tourists.

Head Wind

- **Production costs are expected to remain high in line with the global oil price level**, which is expected to continue to be affected by geopolitical issues and the reduction in oil production by OPEC+.
- **Delays in the preparation of the 2024 budget may affect the bidding for new government projects**, which may also be delayed.
- Labor shortage problem in building materials production.



Traders

Tail Wind

- **The gradual recovery of the real estate market in the provinces, especially major tourist cities** to support the recovery of the tourism sector and labor force after the easing of the COVID-19 situation.
- **The recovery of the tourism sector and government policies to stimulate purchasing power** have a positive impact on renovation demand for housing, retail space, and hotels.
- **Renovation projects of the regional transport infrastructure**

Head Wind

- **Strong competition among SMEs from a large number of players in the market, including the competition from modern trade group**, which has expanded its branches to more secondary provinces.
- **Construction material manufacturers are turning to selling their products directly to SME contractors.**

Construction Material Business – Market Overview

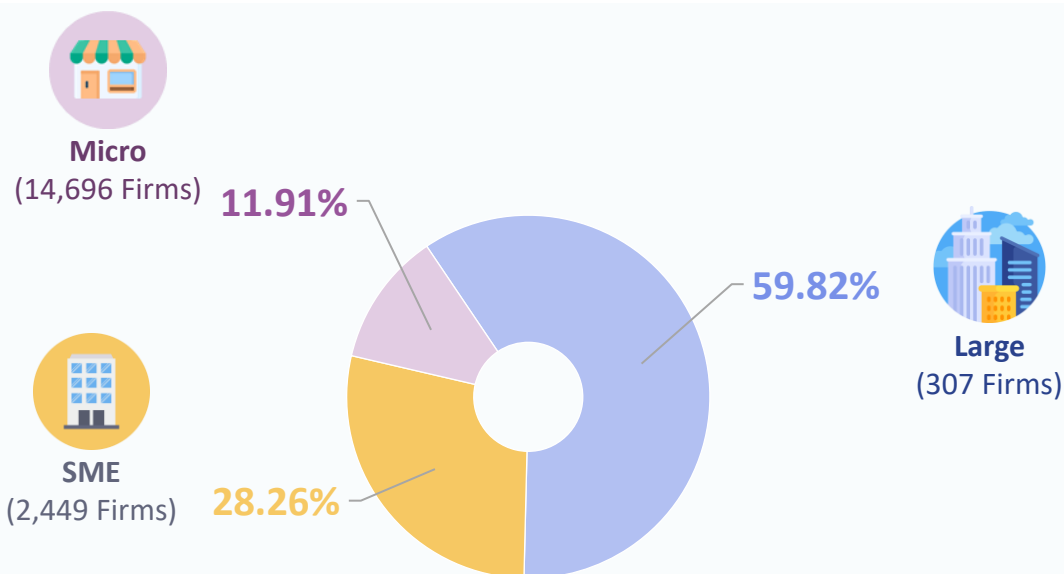
Based on selected TSIC groups (in 2022), Thailand's Construction Material Business was valued at **1,209,364.84 million baht**, with large enterprises accounting for 59.82% of the market share. This is followed by SME with 28.26% and micro with 11.91%.

Share of Construction Material Business Value by firm size

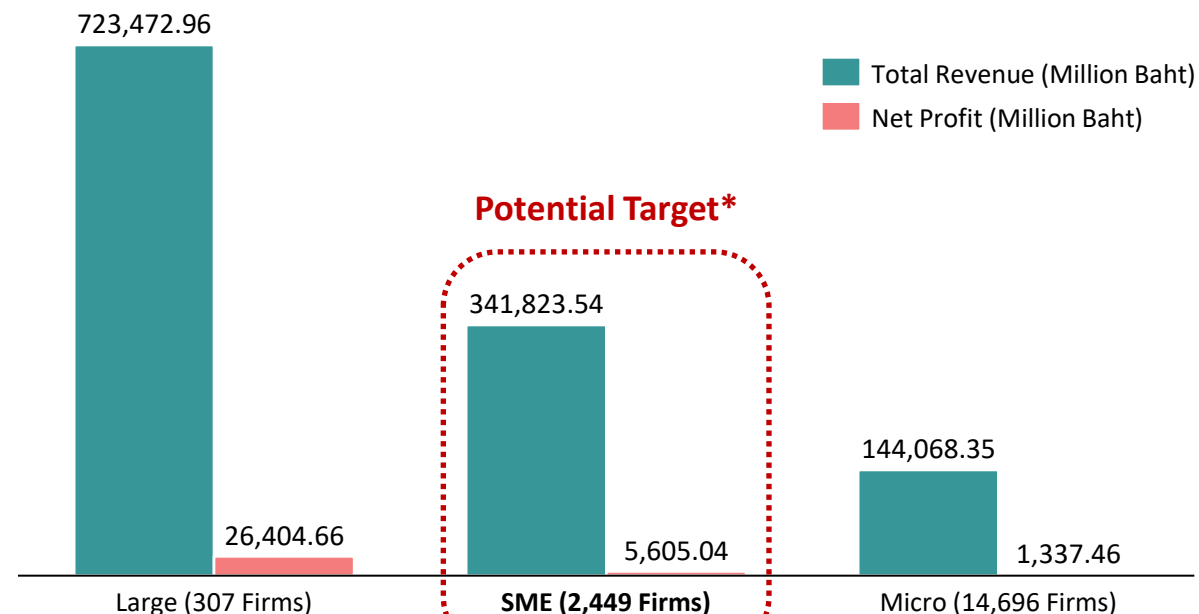
(46107, 46639, 47524, 47525, 23951, 23959, 46631, 23953)

Market Value (L, SME, Micro) = 1,209,364.84 Mn THB

Total Firms = 25,796 Firms



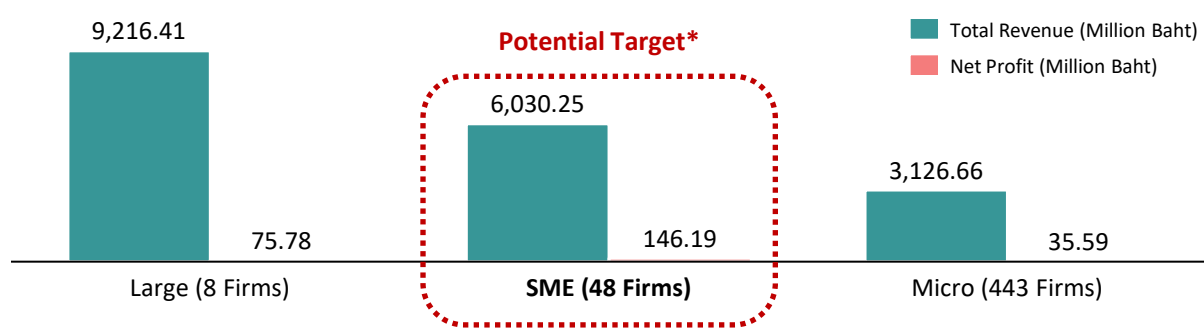
Note : No. Firm (L, SME, Micro) = 17,452 Firms No. Firm (Not Specify) = 8,344 Firms No. Total Firm = 25,796 Firms



Construction Material Business – Key Financial Performance

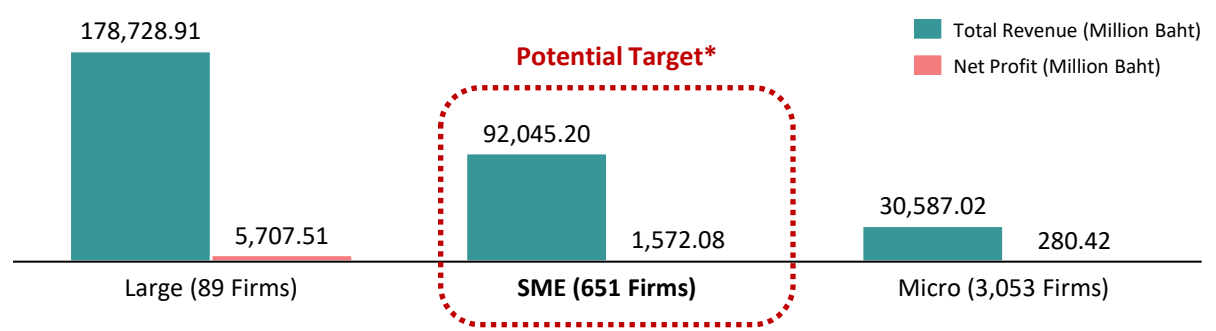
46107 Wholesale on a fee or contract basis of construction materials, hardware, plumbing and heating equipment and supplies

Market Value = 18,373.33 Million Baht
Total Players = 992 Firms



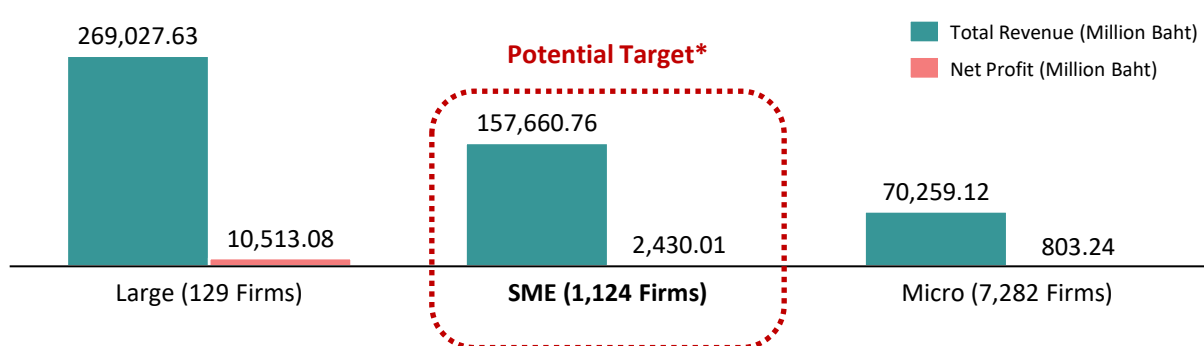
46639 Wholesale of other construction materials

Market Value = 301,361.12 Million Baht
Total Players = 5,078 Firms



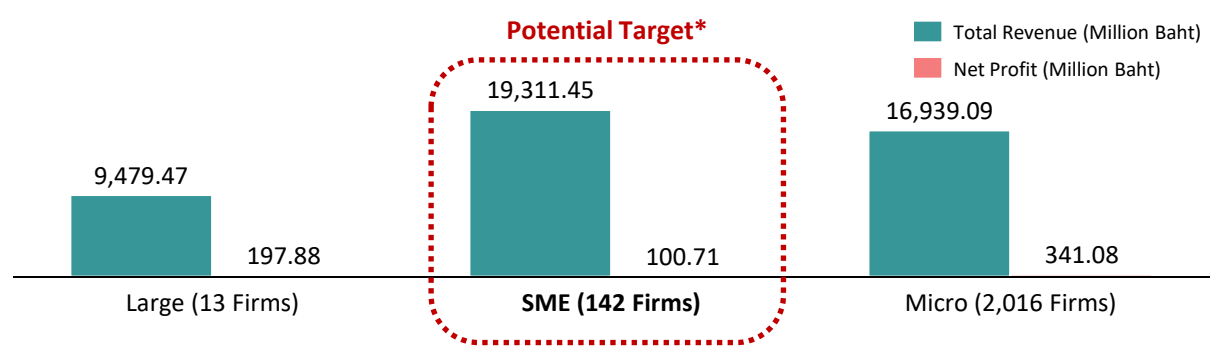
47524 Retail sale of other construction materials in specialized stores

Market Value = 496,947.52 Million Baht
Total Players = 12,949 Firms

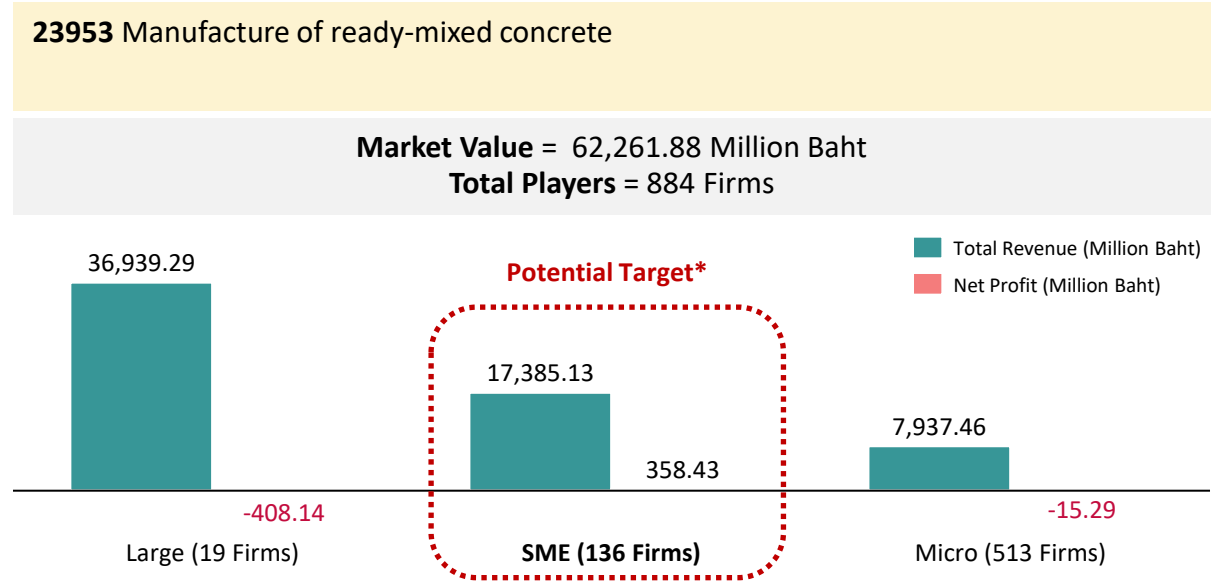
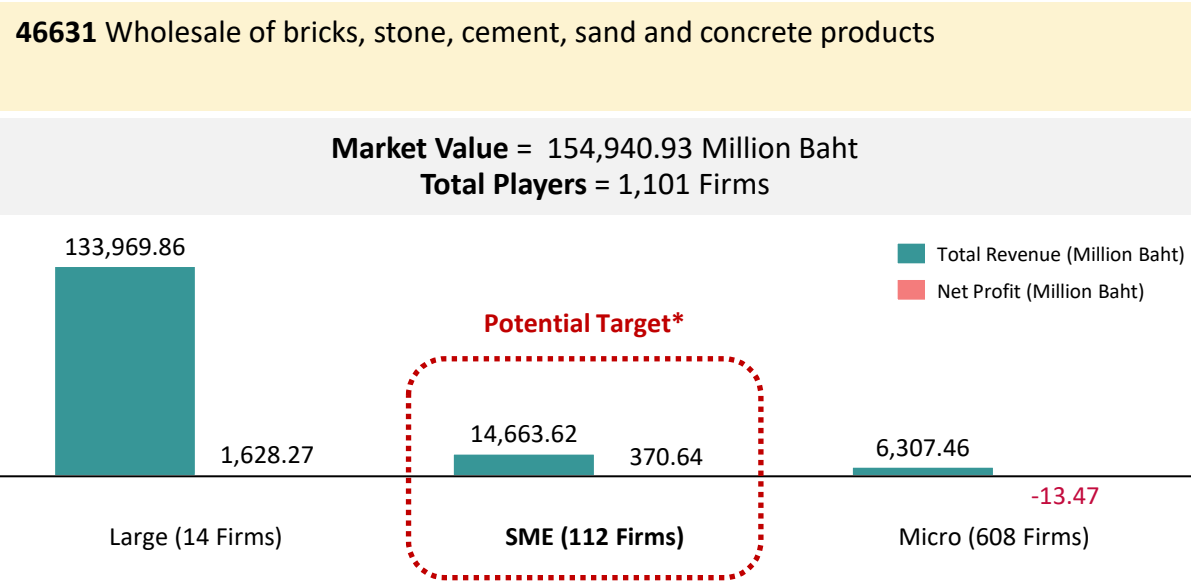
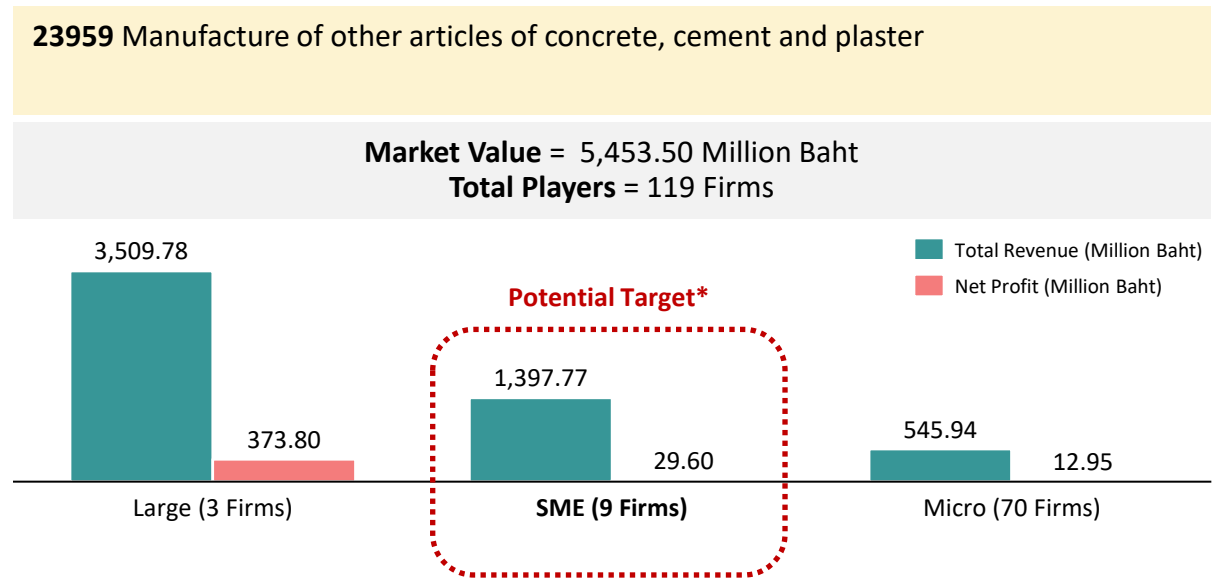
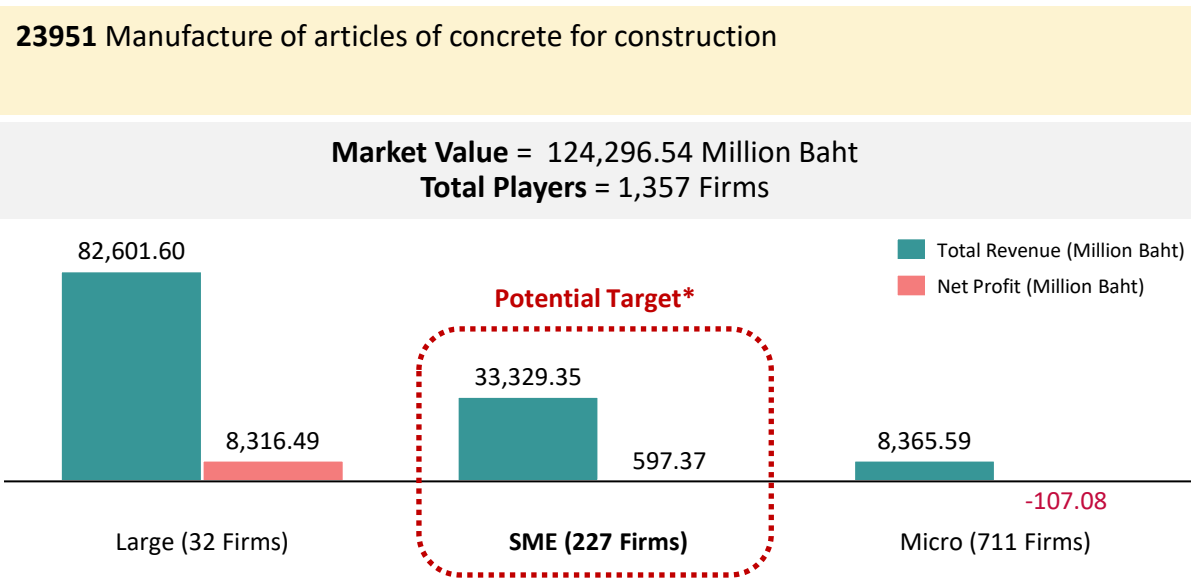


47525 Retail sale of a variety of construction materials including do-it-yourself material and equipment in specialized stores

Market Value = 45,730.01 Million Baht
Total Players = 3,316 Firms



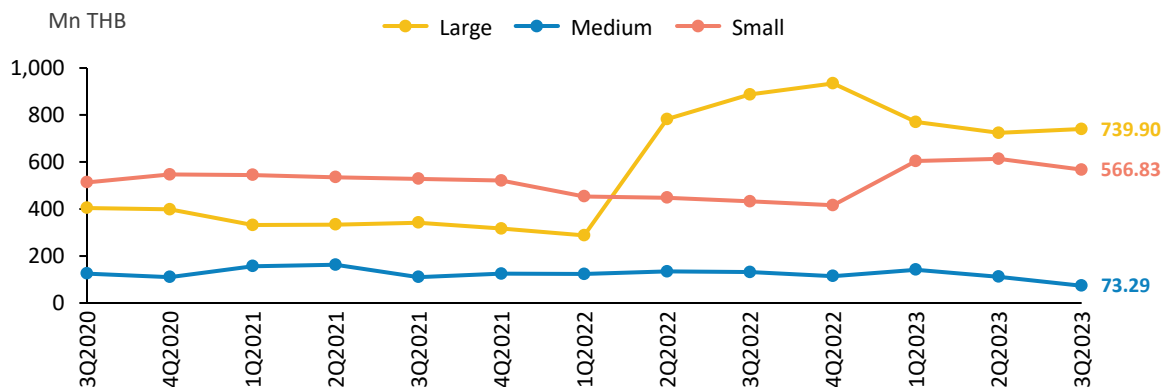
Construction Material Business – Key Financial Performance



Construction Material Business – Loan Outstanding

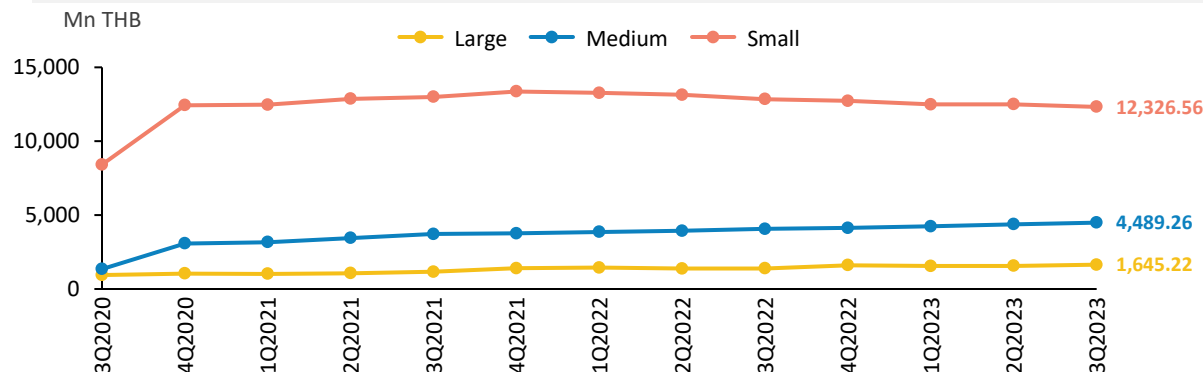
46107 Wholesale on a fee or contract basis of construction materials, hardware, plumbing and heating equipment and supplies

Loan Size* = 1,380.02 Million Baht



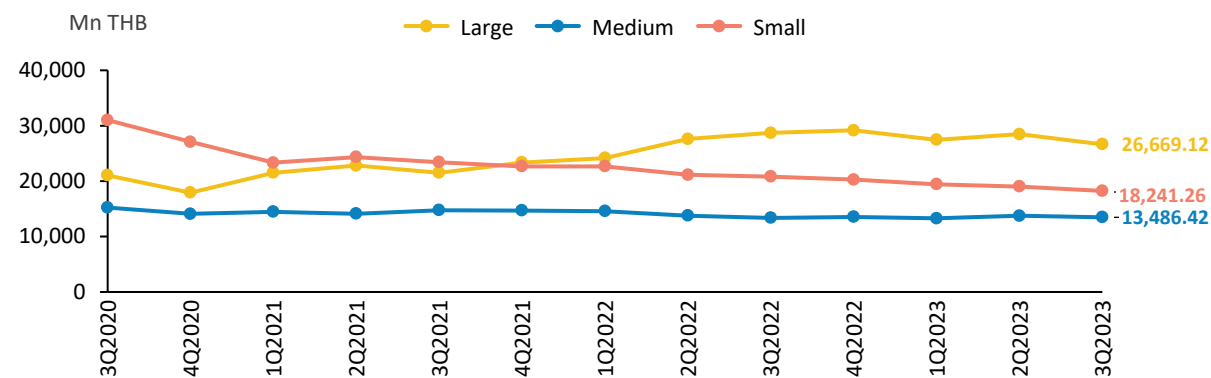
47524 Retail sale of other construction materials in specialized stores

Loan Size* = 18,461.04 Million Baht



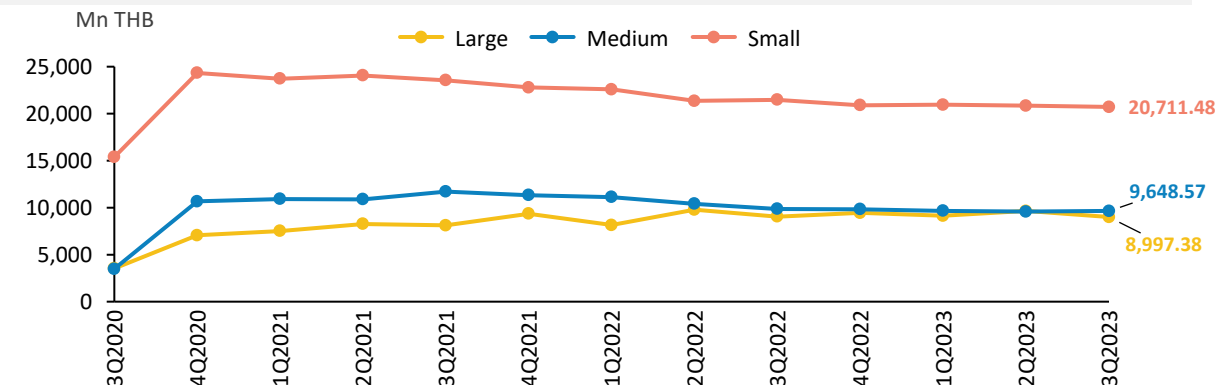
46639 Wholesale of other construction materials

Loan Size* = 58,396.80 Million Baht



47525 Retail sale of a variety of construction materials including do-it-yourself material and equipment in specialized stores

Loan Size* = 39,357.44 Million Baht

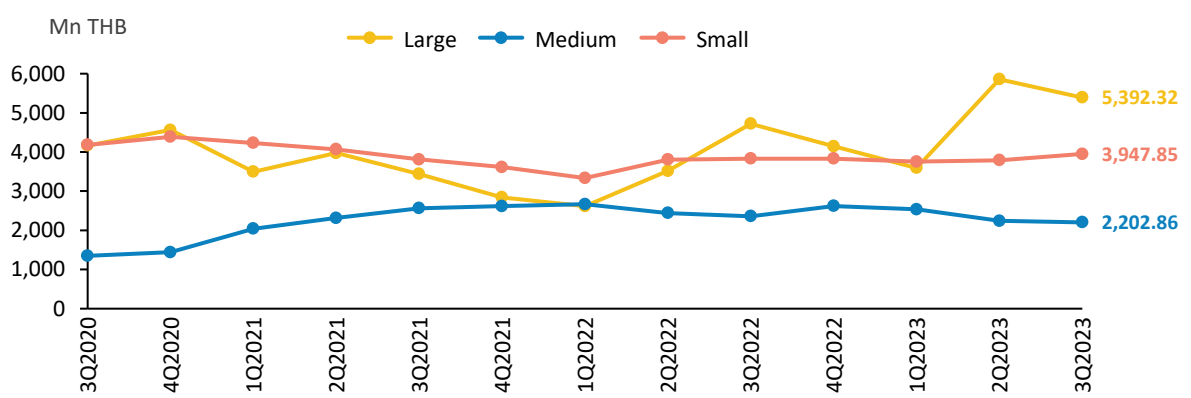


* Data as of 3Q2023

Construction Material Business – Loan Outstanding

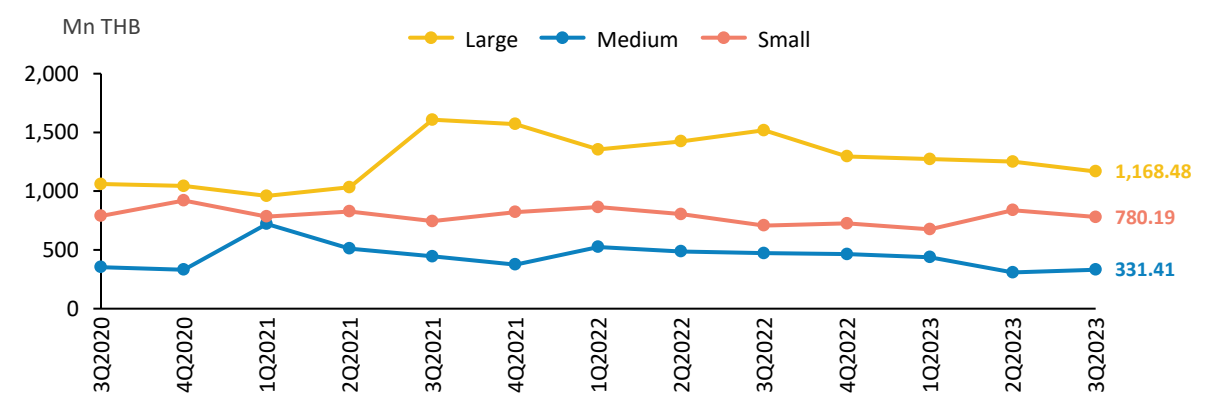
23951 Manufacture of articles of concrete for construction

Loan Size* = 11,543.03 Million Baht



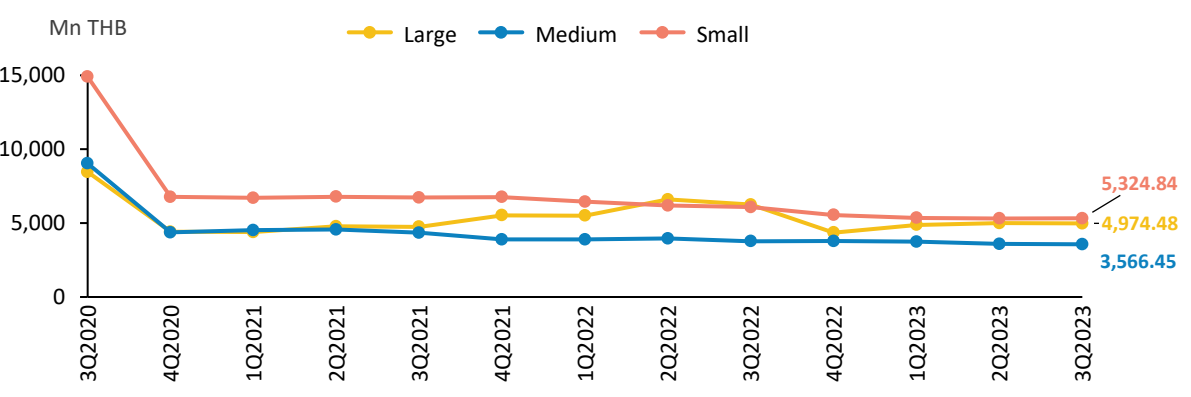
23959 Manufacture of other articles of concrete, cement and plaster

Loan Size* = 2,280.08 Million Baht



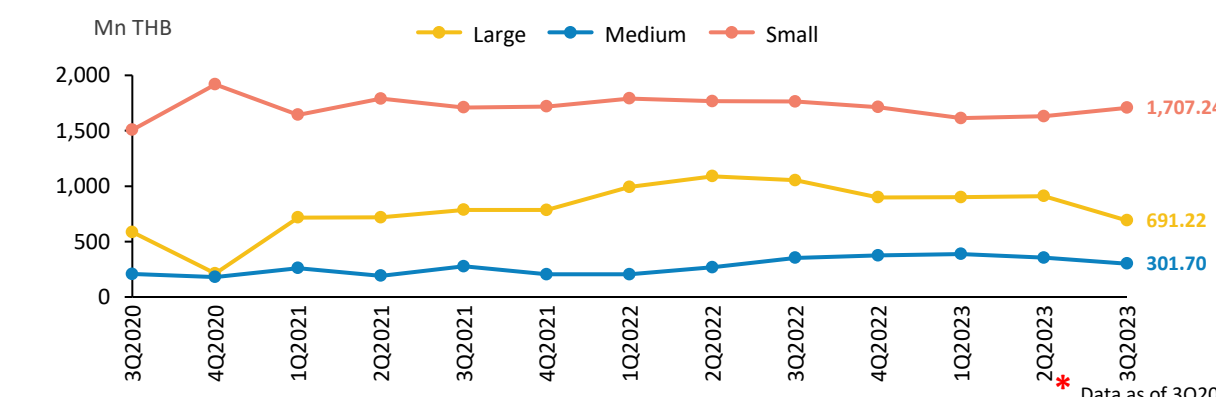
46631 Wholesale of bricks, stone, cement, sand and concrete products

Loan Size* = 13,865.77 Million Baht



23953 Manufacture of ready-mixed concrete

Loan Size* = 2,700.16 Million Baht



End of Presentation

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