



Finland

Country Commodity Report

Q4 2022



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According to a latest update by Statistics Finland, Finnish GDP shrunk by 0.3% in Q3 2022 from the previous quarter and is expected to remain bleak in coming quarters as well. This is primarily because of a surge in energy prices and high inflation impacting purchasing power. The consumer price index in Finland grew by 7% in 2022, but with labour market recovery and government's support, it is predicted to moderate in 2023.

Amid challenges such as high construction costs, supply chain disruptions, high inflation rates, and low investor confidence, Finland's construction industry is expected to grow by 1.8% in real terms in 2022. However, growth is expected to accelerate somewhat to 1.9% in 2023-2024, due to government investments in infrastructure and renewables. Finland's national Recovery and Resilience Plan (RRP) under the EU's Recovery and Resiliency Facility (RRF) and EU's funding to boost SMEs are the key programmes that are likely to fuel the growth of the industry.



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Lumber

Finland has been reliant on Russian lumber imports in recent years, despite its large domestic wood industry. With the value of wood products accounting for 8% of its total construction production value, Finland uses more lumber for construction than any other European country. The domestic market has been sensitive to short-term supply shocks. However, Finland is likely to cut its lumber export volume and increase its usage of domestically produced lumber, which, according to the Finnish Central Union of Agricultural Producers and Forest Owners, can meet the construction industry's needs.



Cement and aggregates

Supply disruptions and high energy costs have pushed up the price of cement and concrete in recent quarters. However, further upward pressure on prices will be contained by falling demand amid weakening activity in the construction sector. Prices are likely to remain elevated over the coming quarters due to limited competition in the cement and concrete markets, which will allow producers to pass on higher costs for longer. Finnsementti, a subsidiary of CRH, is the only Finnish cement manufacturer, with the majority of domestic cement production taking place at its Parainen and Lappeenranta plants.



Concrete blocks and bricks

Despite elevated energy costs continuing to feed into the production and transportation costs of bricks, weakening demand owing to slowing activity in the construction sector and a cooling housing

market will limit further upward pressure on brick and concrete block prices over the coming quarters. Prices are likely to remain elevated over the medium term as domestic brick producers continue to pass on higher costs to developers.



Steel (rebar and structural)

Owing to its position as a net importer of steel, Finland has been heavily exposed to supply shortages and price fluctuations in the global market in the wake of EU sanctions on Russian steel imports. However, weakening global demand for steel, coupled with increasing production in China and Turkey is expected to ease pressure on prices over the coming quarters. Over the longer term, strengthening demand driven by improving economic conditions and government plans to develop transport and energy infrastructure could put upward pressure on steel prices in Finland.



Copper

Although copper prices have fallen from record highs reached in Q2 2022, low global stockpiles and the potential for an increase in demand from China, the world's largest consumer of copper, could keep upward pressure on copper prices. Copper prices are likely to remain volatile over the medium term due to its sensitivity to global supply and demand. Over the longer term, greater investment in renewable energy and electric vehicle production will keep copper demand strong.

Finland – Commodity Report



Materials	Q1 2023 (f)	Q1 2022 – Q1 2023 (f)		Q3 – Q4 2022 (e)
	€	€	2022-23 % change	% change
Copper (€/MT)	8,006	8,939	-10.4% ↓	2.1% ↑ ●
Steel rebar (€/MT)	890	828	7.5% ↑	-13.9% ↓ ●
Steel flat (€/MT)	887	1,003	-11.6% ↓	-1.6% ↓ ●
Stainless steel (€/MT)	3,805	NA	NA	NA
Lumber (€/M3)	70.0	63.9	9.6% ↑	-2.0% ↓ ●
Asphalt (€/MT)	74.1	68.2	8.7% ↑	-1.8% ↓ ●
Limestone (€/MT)	58.6	49.0	19.6% ↑	0.8% ↑ ■
Cement (€/MT)	299	228	31.0% ↑	0.9% ↑ ■
Concrete (€/M3)	154	133	15.7% ↑	6.9% ↑ ●
Welded mesh (€/unit)	89.1	76.0	17.2% ↑	-6.0% ↓ ●
Bricks (€/000 unit)	822	773	6.4% ↑	1.8% ↑ ●
Plasterboard (€/unit)	14.3	10.5	35.6% ↑	12.8% ↑ ●
Diesel (€/litre)	2.0	1.9	4.5% ↑	-1.8% ↓ ●

(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

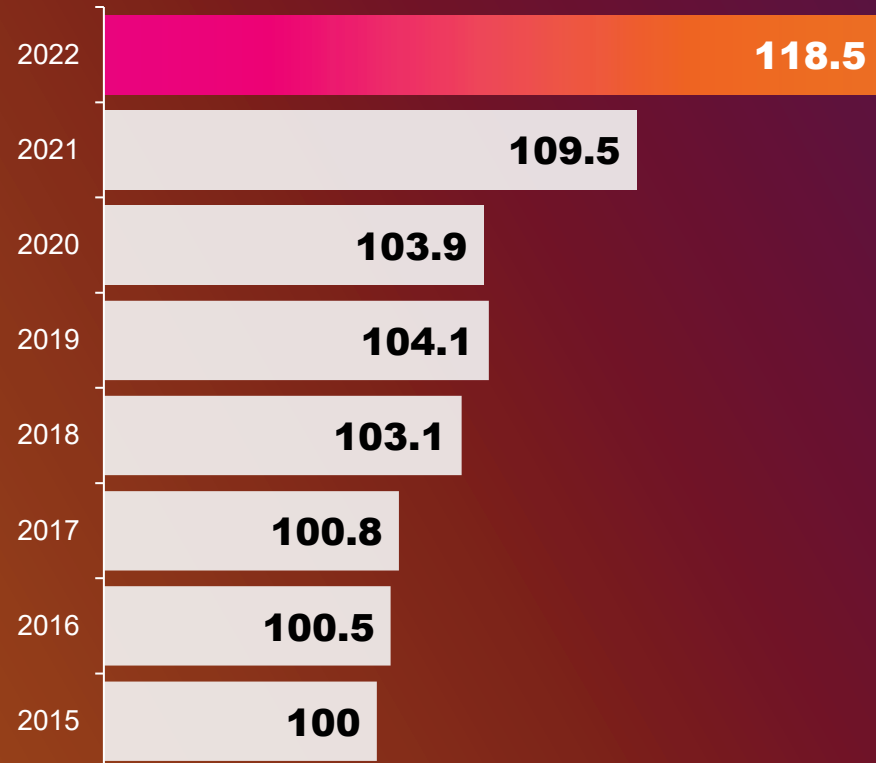
Welded mesh: 235 x 500cm, dia.-8mm Plasterboard: 120 x 240 x 1.3cm (L x W x T)

Material	% change Q4 – Q1 2023 (f)	Level of impact of pricing on construction procurement and supply chain *	
 Copper	+1.9% ↑	 Low	Global demand for copper has been relatively strong in recent months, despite prospects of slowing economic growth in 2023. Underlying demand also remains strong as it will increasingly be used in the renewable energy drive. Low global stockpiles are also increasing pressure on the supply side, which will keep prices high in the coming quarters.
 Steel prices - Steel rebar - Flat steel	-1.0% ↓ -1.0% ↓	 Low	The impact of high energy costs was particularly strong in Finland where 40% of domestic production use the electric arc furnace process, causing prices to soar in Q2 2022. While high energy costs will continue to impact domestic producers, pressure on steel prices will ease somewhat as supply increases from Asian exporters such as China and Turkey and demand reduces due to slowing global economic growth.
 Stainless steel	+1.0% ↑	 Low	High energy costs and volatility in the price of nickel and key alloying materials such as molybdenum are expected to sustain upward pressure on stainless steel costs over the coming quarters.
 Lumber	-1.2% ↓	 Low	Lumber prices have edged downwards but will remain at an elevated level due to high production and transportation costs as a result of continued high energy prices. However, further upward pressure on prices will be contained by falling demand from the construction sector, particularly in the residential sector which has been impacted by rising interest rates.
 Asphalt	-1.0% ↓	 Low	The impact of declining crude oil prices in recent months has caused asphalt prices to fall. Weakening demand amid slowing economic growth will keep downward pressure on prices over the coming quarters. However, uncertainty in the global crude oil market and planned supply cuts by OPEC+ could keep asphalt prices volatile in the medium term.
 Limestone	+1.0% ↑	 Low	Although limestone demand is largely met through domestic production, high energy and transportation costs have driven inflated costs in recent quarters. Supply-side costs will continue to keep upward pressure on prices in the coming quarters, however, weakening demand in the construction sector will limit further price increases.

Finland – Commodity Report



Building cost index 2015-2022

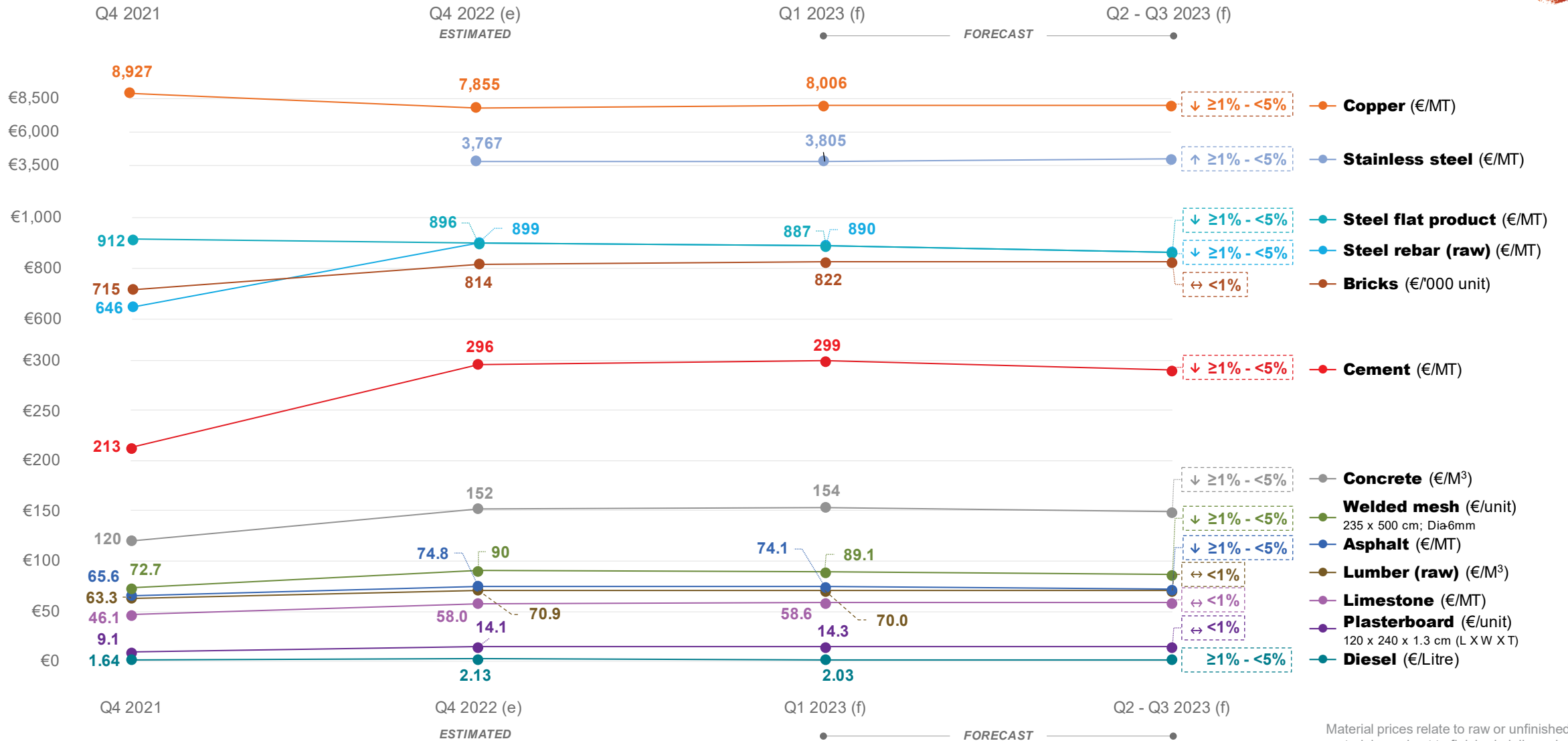


Note: 2015=100

Material	% change Q4 – Q1 2023 (f)	Level of impact of pricing on construction procurement and supply chain *	
 Cement Concrete	+1.0% ↑ +1.0% ↑	Moderate	Despite high energy costs continuing to exert upward pressure on production and transportation costs, falling demand for concrete and cement is expected to ease further pressure on prices, which are expected to remain elevated but stable over the coming quarters. Further ahead, legislation approved by the Finnish government such as the Building Act, which will go into force in early 2024, will ensure the increasing use of recycled and carbon-free materials in the production process such as fly ash or blast furnace slag. This is expected to keep prices on a declining trend.
 Welded mesh	-1.0% ↓	Low	Welded mesh prices have retracted in recent quarters from highs reached in Q2 2022, owing primarily to declining steel rebar prices. As rebar prices are expected to continue to fall in the coming quarters, mesh prices are expected to be subjected to downward pressure. However, prices are likely to remain elevated due to volatility in the steel market.
 Bricks	+1.0% ↑	Low	Demand for bricks is expected to weaken over the coming quarters due to declining demand in the residential sector, which will ease further upward pressure on prices. However, high energy costs feeding into production and transportation costs will keep prices elevated.
 Plasterboard	+1.0% ↑	Low	Prices are expected to remain elevated, but weakening demand in the construction sector will prevent further upward pressure.
 Diesel	-4.8% ↓	Low	Diesel prices are expected to fall over the coming quarters, as a result of decline in crude oil prices and weakening demand. However, from January 2023, the government has imposed a tax increase on paraffinic diesel of 2 cents per litre, partially offsetting the fall in prices. Volatility in the global crude oil market could renew upward pressure on diesel prices in the medium term.

* 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.

Finland – 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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Finland – 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 – Finland

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

- IMF
- Statistics Finland
- Finnish Institute of Occupational Health (FIOH)
- GlobalData's Construction Intelligence Center (CIC)
- Conference-board.org

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