



# Norway

## Country Insights and Commodity Report

**Q1 2023**      



# Norway

## Q1 2023

The Norwegian economy experienced a high level of activity in 2022, with a 3.3% increase in GDP. It is expected to slow to 2.2% growth in 2023, but to remain higher than previous projections. Petroleum investment and exports will help keep the economy going, while lower household income will reduce consumption. Lower energy prices are expected to reduce future consumer price inflation, but underlying inflation will be sustained for a longer period of time due to the krone's recent depreciation and higher wage growth.

The construction sector in Norway grew by 4% in real terms in 2022, however it is expected to contract by 1.7% in 2023. The key factors affecting the industry are rising construction costs, labour shortages and high inflation. The sector is likely to bounce back in 2024 with a growth rate of 1.3% given the government's investments in transport and renewable energy sectors.



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### Lumber

The growing popularity of wood as a sustainable building material is expected to keep underlying demand for lumber strong over the longer term. The EU's 'Build-in-Wood' initiative will help to drive the growth of wood-based developments in cities such as Trondheim, an early adopter of the initiative. However, demand remains subdued owing to a weak construction sector and falling demand for new housing, which has caused prices to steadily fall in recent quarters.



### Cement and aggregates

Cement and concrete prices have stabilised recently as upward pressure from high energy costs has subsided and weakening demand from the construction sector has eased pressure on supplies. However, prices are likely to remain elevated due to price stickiness stemming from low competition in the domestic market. Moreover, imported cement from Germany, France and Denmark, will be more costly given price rises in those markets.



### Concrete blocks and bricks

Brick prices have continued to trend upwards in recent quarters despite the easing of energy costs which weighed heavily on production and transportation costs in the second half of 2022. Although construction activity is weakening, particularly in the homebuilding sector, limited competition among brick producers continues to place upward pressure on prices. However, further significant upward pressure on prices will be contained by falling demand over the coming year.



### Steel (rebar and structural)

Declining steel prices globally amid weakening demand from manufacturing and construction sectors will continue to put downward pressure on domestic steel prices over the coming quarters, despite Norway's strong domestic production output. Owing to its position as a net exporter of steel, Norway is well-positioned to avoid global shortages and market volatility. However, medium-to-long term demand is set to increase as the government undertakes new railway developments under the National Transport Plan, which will limit further price declines.



### Copper

Copper prices in Norway have increased in recent months following China's reopening, which has significantly increased global demand for copper, coupled with supply tightness which is clouding the outlook over the coming quarters. Prices in Q1 2023 reached the highest levels since Q2 2022. Strong underlying demand and limited stocks will sustain upward pressure on prices, notwithstanding short-term fluctuations.

# Norway - Commodity Report



Materials	Q2 2023 (f)	Q2 2022 – Q2 2023 (f)		Q4 2022 – Q1 2023 (e)
	NOK	NOK	2022-23 % change	% change
<b>Copper</b> (NOK/MT)	85,870	89,454	-4.0% ↓	7.0% ↑ ●
<b>Steel rebar</b> (NOK/MT)	8,359	11,495	-27.3% ↓	-16.4% ↓ ●
<b>Steel flat</b> (NOK/MT)	7,291	10,336	-29.5% ↓	-4.2% ↓ ■
<b>Stainless steel</b> (NOK/MT)	44,087	NA	NA	10.8% ↑ ●
<b>Lumber</b> (NOK/M3)	408	501	-18.6% ↓	-6.5% ↓ ●
<b>Asphalt</b> (NOK/MT)	1,165	1,096	6.3% ↑	0.9% ↑ ■
<b>Limestone</b> (NOK/MT)	594	563	5.4% ↑	0.0% ↔ ■
<b>Cement</b> (NOK/MT)	4,520	4,460	1.3% ↑	0.3% ↑ ■
<b>Concrete</b> (NOK/M3)	1,858	1,545	20.3% ↑	9.5% ↑ ●
<b>Welded mesh</b> (NOK/unit)	212	214	-1.0% ↓	2.4% ↑ ●
<b>Bricks</b> (NOK/000 unit)	11,891	10,000	18.9% ↑	8.6% ↑ ●
<b>Plasterboard</b> (NOK/unit)	182	179	1.4% ↑	2.1% ↑ ●
<b>Diesel</b> (NOK/litre)	20.4	22.6	-9.8% ↓	-9.6% ↓ ●

(f) Forecast (e) Estimated

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

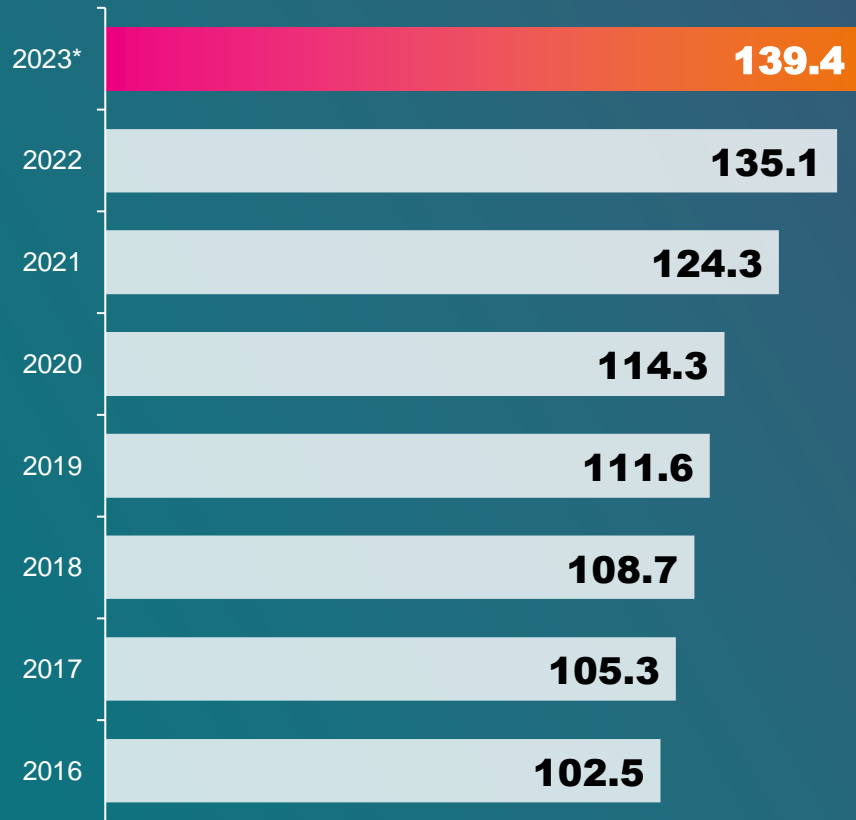
Welded mesh: 120 x 240cm, dia.-5mm Plasterboard: 240 x 120 x 1.25cm (L x W x T)

Material	% change Q1 – Q2 2023 (f)	Level of impact of pricing on construction procurement and supply chain *	
 <b>Copper</b>	+1.5% ↑	Moderate	Copper prices have seen a resurgence in recent months and are set to rise further in Q1 2023. The easing of the zero-Covid policy by China has kept the upward pressure on the copper prices, despite weakening global economic growth. Moreover, the potential for supply disruption at Chilean mines and political instability in Peru could further exacerbate upward pressure on prices.
 <b>Steel prices</b> - Steel rebar - Flat steel	-1.5% ↓ -1.0% ↓	Low	Steel rebar prices fell by 16% in Q1 2023, marking a sharp acceleration in the downward trend in steel prices. On a monthly basis, however, prices rose slightly in February after falling sharply in January. Falling demand from the construction sector, coupled with a rise in cheaper available imports will keep prices relatively low in the coming quarters.
 <b>Stainless steel</b>	+1.5% ↑	Low	Weakening demand in the short term will partially ease upward pressure on stainless steel prices. However, volatility in the price of key alloying materials such as nickel will keep prices elevated.
 <b>Lumber</b>	-1.0% ↓	Low	Lumber prices have declined moderately in recent quarters. Weaker demand and an improvement in supply is expected to keep lumber on a declining trend. However, the rising popularity of wood as a construction material is likely to limit downward pressure on prices over the longer term.
 <b>Asphalt</b>	+1.0% ↑	Low	Relatively stable demand from the road construction sector has kept asphalt prices elevated in recent quarters. Increased volatility in crude oil prices could exacerbate upward pressure on asphalt prices over the coming quarters.
 <b>Limestone</b>	-1.0% ↓	Low	Weak demand from the construction sector amid rising interest rates and slowing economic growth is expected contain further upward pressure on prices. However, prices are expected to remain stable but elevated despite the easing of energy costs.


# Norway - Commodity Report



## Construction cost index for residential buildings (2016-2023\*) (2015=100)

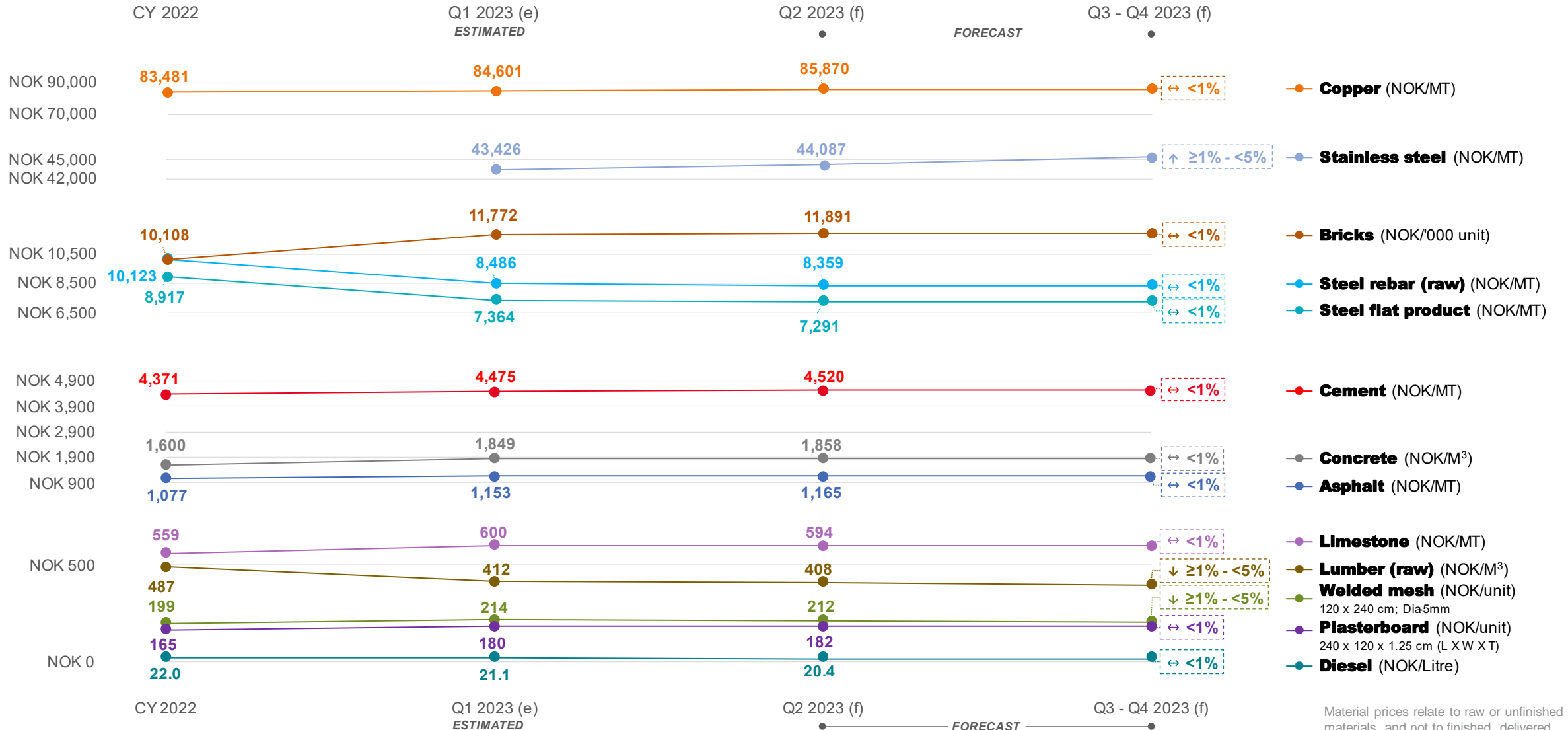


\*For 2023 Index is average of Jan to March 2023 Indices

Material	% change Q1 – Q2 2023 (f)	Level of impact of pricing on construction procurement and supply chain *	
 <b>Cement Concrete</b>	+1.0% ↑ +0.5% ↑	Moderate	Cement prices have only been edged up in recent quarters in Norway, unlike other markets in Europe, where there has been stronger upward pressure. However, prices are still high compared to year-earlier levels reflecting higher production costs.
 <b>Welded mesh</b>	-1.0% ↓	Low	Welded mesh prices have increased slightly from the levels of Q4 2022. However, with steel rebar prices following a downward trend, the price of mesh is expected to remain at current levels in short term before beginning to decline.
 <b>Bricks</b>	+1.0% ↑	Low	Brick prices continue on an upward trend despite stabilizing energy prices due to limited competition in the sector.
 <b>Plasterboard</b>	+1.0% ↑	Moderate	Plasterboard prices have been steadily rising in recent quarters, with prices in Q1 2023 following this trend. However, with easing energy prices and weakening demand from the construction sector expected to limit further upward pressure, the price of plasterboard is expected to stabilise in the coming quarters.
 <b>Diesel</b>	-3.3% ↓	Low	The stabilization of international crude oil prices, coupled with a tax reduction on diesel enacted at the beginning of the year has caused diesel prices to fall by around 10% quarter-on-quarter in Q1 2023. However, a surprise cut in crude oil production volumes announced by OPEC+ nations could lead to more volatility in international oil markets which could renew upward pressure on diesel prices in the coming months.

\* 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.

# Norway – Construction Materials Pricing (2022-2023)



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

# Norway – Macroeconomic overview



## Economic indicators



**2.15%**

GDP growth in 2023 (f)  
and **3.28%** in 2022



**4.90%**

inflation rate in 2023 (f) and  
**5.76%** for 2022



**2.86M**

people employed in 2023 (f)  
and **2.85M** in 2022



**3.50%**

unemployment rate for 2023 (f)  
and **3.25%** in 2022



**127.60**

Consumer Price Index in Mar  
2023 and **119.80** in Mar 2022



**165.80**

Producer Price Index in Mar  
2023 and **212.40** in Mar 2022

## National holidays

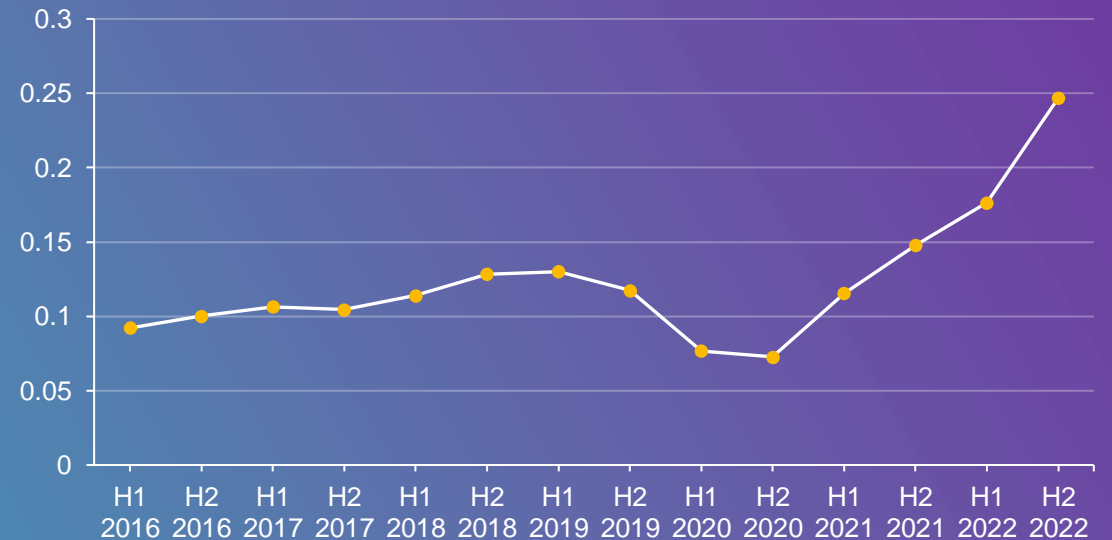


**12 public holidays**

in Norway in 2023.

## Energy prices

Electricity prices for non-household consumers ,  
consumption < 20 MWh (€ per kWh)



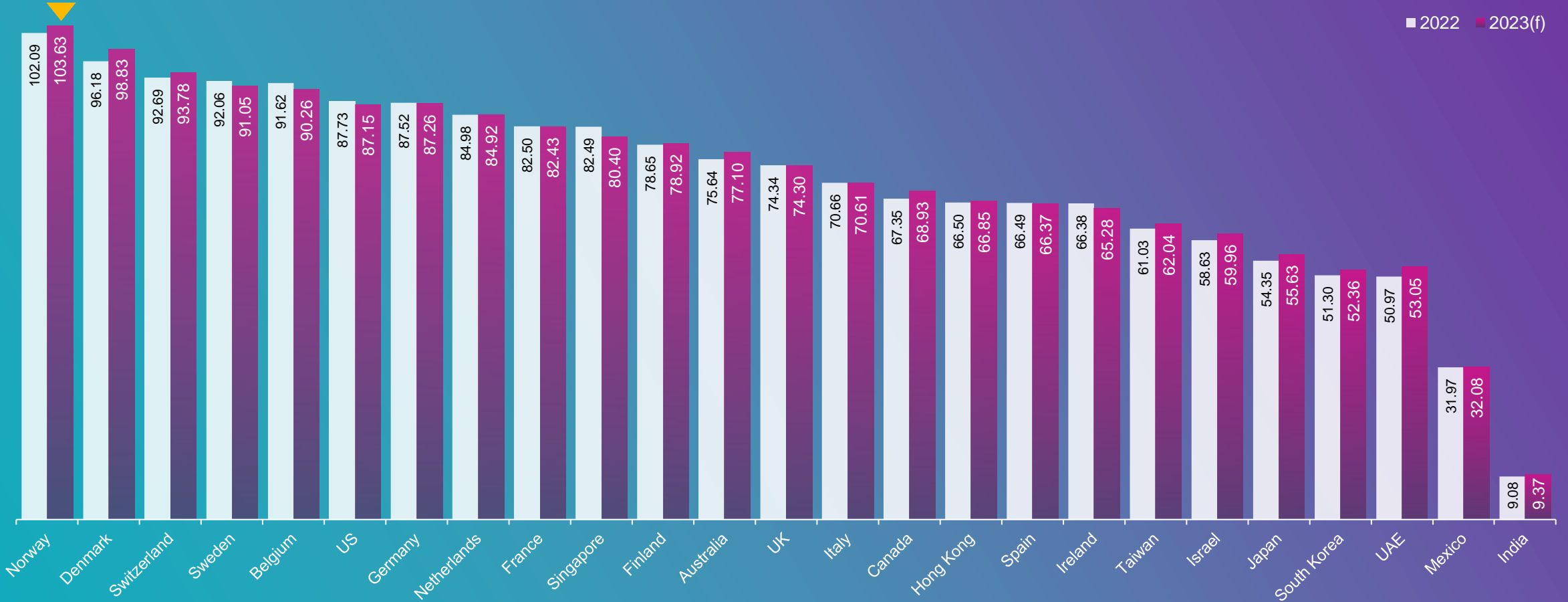
Note: All taxes and levies included



# Norway – Macroeconomic overview



## Labour productivity (in int. US\$ 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.

# Norway – Construction overview



## Output 2022 and 2023 (in NOK millions)\*

Sector	Total 2022	Total 2023 (f)	Total 2024 (f)
Commercial 	124,316	121,360	123,353
Energy and utilities 	39,690	40,376	41,360
Industrial 	21,855	23,043	23,167
Infrastructure 	148,074	147,660	151,624
Institutional 	33,068	32,146	32,472
Residential 	253,121	244,716	245,505

\*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 have finally started to stabilise, 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.



# Norway – 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 – Norway

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

- IMF
- Statistics Norway
- GlobalData's Construction Intelligence Center (CIC)
- Statistisk Sentralbyrå (SSB)
- Economic Research Institute
- Public Holidays
- Eurostat

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