



# Norway Country Insights and Commodity Report Q3 2022



# Norway

## Q3 2022

Norway is expected to record 2.79% growth in 2022 and 1.51% in 2023. Inflation came in at 6.9% in September on an annual basis, with cost-of-living increases at a 34-year high. Contrary to much of Europe, energy is not posing a challenge for Norway, as the country is now the EU's top natural gas supplier in light of the situation with Russia. It is expected that the petroleum sector will secure revenues of US\$109 billion this year for the nation.

Following modest growth of 1.2% in 2021, a slight improvement to 1.8% growth in real terms is anticipated for this year, as investments focus on the development of oil and gas infrastructure, due to the reason outlined above, as well as on renewable sources. Norway will not be immune from soaring inflation and elevated material prices, which will pose downside risks for its construction industry also.



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### Lumber

Domestic demand for lumber in Norway has been relatively high due to high demand for wooden housing and general wood-based building materials to support the country's transition toward a circular economy. Moreover, the city of Trondheim has been an early adopter of the 'Build-in-Wood' initiative funded by the EU to promote greater usage of timber-based construction. This will continue to support long-term demand for lumber in Norway. However, due to the competitive nature of lumber markets, prices are likely to fluctuate over the short to medium term, owing to slowing economic growth and a decline in demand for new housing amid rising interest rates.



### Cement and aggregates

Concrete and cement prices have been trending sharply upwards this year, owing to the impact of the Russia-Ukraine conflict on the cost of energy and raw materials. However, further upward pressure on prices will be contained by weakening demand amid declining activity in the construction industry over the coming quarters. Prices are likely to remain elevated, however, due to sustained upward pressure on energy costs and the lack of competition in the domestic market, which will delay the adjustment of prices. Norcem, a subsidiary of HeidelbergCement, is the sole producer of cement in Norway.



### Concrete blocks and bricks

Prices have been trending sharply upwards this year due to rising energy costs and supply disruptions stemming from the Russia-Ukraine conflict. However, demand for concrete blocks and

bricks is expected to decline over the coming quarters owing to slowing economic growth, which will dampen construction output. This will ease further upward pressure on prices. However, elevated energy costs will keep prices relatively high in the short term.



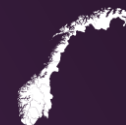
### Steel (rebar and structural)

Being a marginal net exporter of steel, Norway is relatively well-positioned to cope with global supply shortages resulting from the Russia-Ukraine conflict, as both Russia and Ukraine are major steel exporters. However, prices are likely to remain volatile over the medium term owing to high input costs for production counteracted by weakening demand in the short term. Moreover, the government's plan to develop transport infrastructure will bolster steel demand in the long term. Under the new National Transport Plan 2022–2033, the government increased its allocation for railway infrastructure by over 23%.



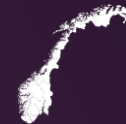
### Copper

Greater investment in renewable energy and electrification will drive demand for copper in Norway. To help meet this demand domestically and in a sustainable manner, Norway is planning to build a new copper mine that will be powered by renewable sources. However, pushback from environmentalists and indigenous rights activists is causing uncertainty and delaying progress on the project. Over the coming quarters, the global price of copper is expected to fall owing to growing fears of a recession, amid high inflation and rising interest rates.





# Norway - Commodity Report



	Q4 2022 (f)	Q4 2021 - Q4 2022 (f)		Q2 2022 - Q3 2022 (e)
Materials	NOK	NOK	2021-22* % change	% change
<b>Copper</b> (NOK/MT)	76,188	84,661	-10.01% ↓	-14.% ↓ ●
<b>Steel rebar</b> (NOK/MT)	10,413	7,924	31.41% ↑	-8.5% ↓ ●
<b>Steel flat</b> (NOK/MT)	9,409	9,896	-4.92% ↓	-8% ↓ ■
<b>Lumber</b> (NOK/M3)	474	568	-16.63% ↓	-4.5% ↓ ●
<b>Asphalt</b> (NOK/MT)	1,080	901	19.82% ↑	0% ↔ ■
<b>Limestone</b> (NOK/MT)	598	468	27.76% ↑	5.1% ↑ ●
<b>Cement</b> (NOK/MT)	4,635	3,618	28.12% ↑	5% ↑ ●
<b>Concrete</b> (NOK/M3)	1,638	1,384	18.34% ↑	5% ↑ ●
<b>Welded mesh</b> (NOK/unit (a))	207	154	34.03% ↑	-2.3% ↓ ●
<b>Bricks</b> (NOK/'000 unit)	10,097	8,732	15.63% ↑	1.5% ↑ ●
<b>Plasterboard</b> (NOK/unit (b))	173	114	51.51% ↑	-3.2% ↓ ●
<b>Diesel</b> (NOK/litre)	21.26	16.73	27.07% ↑	-4% ↓ ●

(a) 120x240cm, dia.-5mm  
(b) 240x120x1.25cm (LxWxT)

● Q2 to Q3 2022 % change greater than estimation in our Q2 report  
■ Q2 to Q3 2022 % change less than estimation in our Q2 report

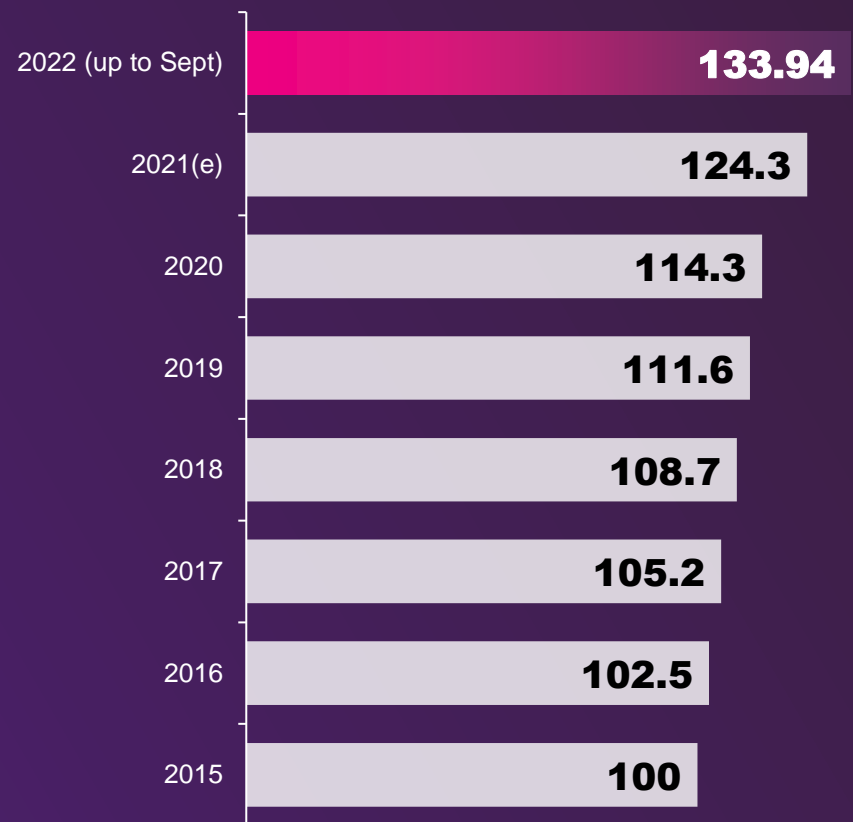
Material	% change Q3 – Q4 2022 (f)	Level of impact of pricing on construction procurement and supply chain *	
<b>Copper</b>	-1.0% ↓	High	Following the surge in prices in Q2 2022, the global copper market weakened in Q3 due to a decline in demand amid investors' growing fear of recession in early 2023. Underlying demand remains strong due to the importance of copper in emerging technology industries, such as electric vehicles. Due to the impact of high energy prices on copper production, prices are expected to stabilise in the first half of 2023.
<b>Steel prices</b> - Steel rebar - Flat steel	-1.0% ↓ -1.0% ↓	Moderate	The steel market has cooled in recent months following a surge in prices in Q2 2022, driven by the onset of the Russia-Ukraine conflict. Weaker demand from the construction and manufacturing industries will limit upward pressure on prices. However, the high cost of production due to increasing energy costs will keep prices elevated, despite government subsidies to ease the burden on businesses.
<b>Lumber</b>	-1.0% ↓	Moderate	High production and transportation costs have renewed upward pressure on lumber prices recently, following a decline in prices from Q2 2022 levels. However, downward pressure from weak demand in the construction industry as a result of rising interest rates will outweigh rising costs on the supply side over the coming quarters.
<b>Asphalt</b>	-1.5% ↓	Moderate	Asphalt prices have remained elevated in recent months, despite weakening demand, due to high crude oil prices. Prices are expected to remain uncertain over the coming quarters following the decision by OPEC+ in early October to cut production by two million barrels per day. However, demand will be buoyed over the medium term by the rise in public revenue generated from the rising value of energy exports, coupled with government plans to invest in road infrastructure.
<b>Limestone</b>	+1.0% ↑	Low	Limestone prices are expected to remain stable over the coming quarters, as the impact of weakening demand in the construction industry will offset pressures on the supply side.

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 - Commodity Report



## Construction cost index (residential) 2015-2022

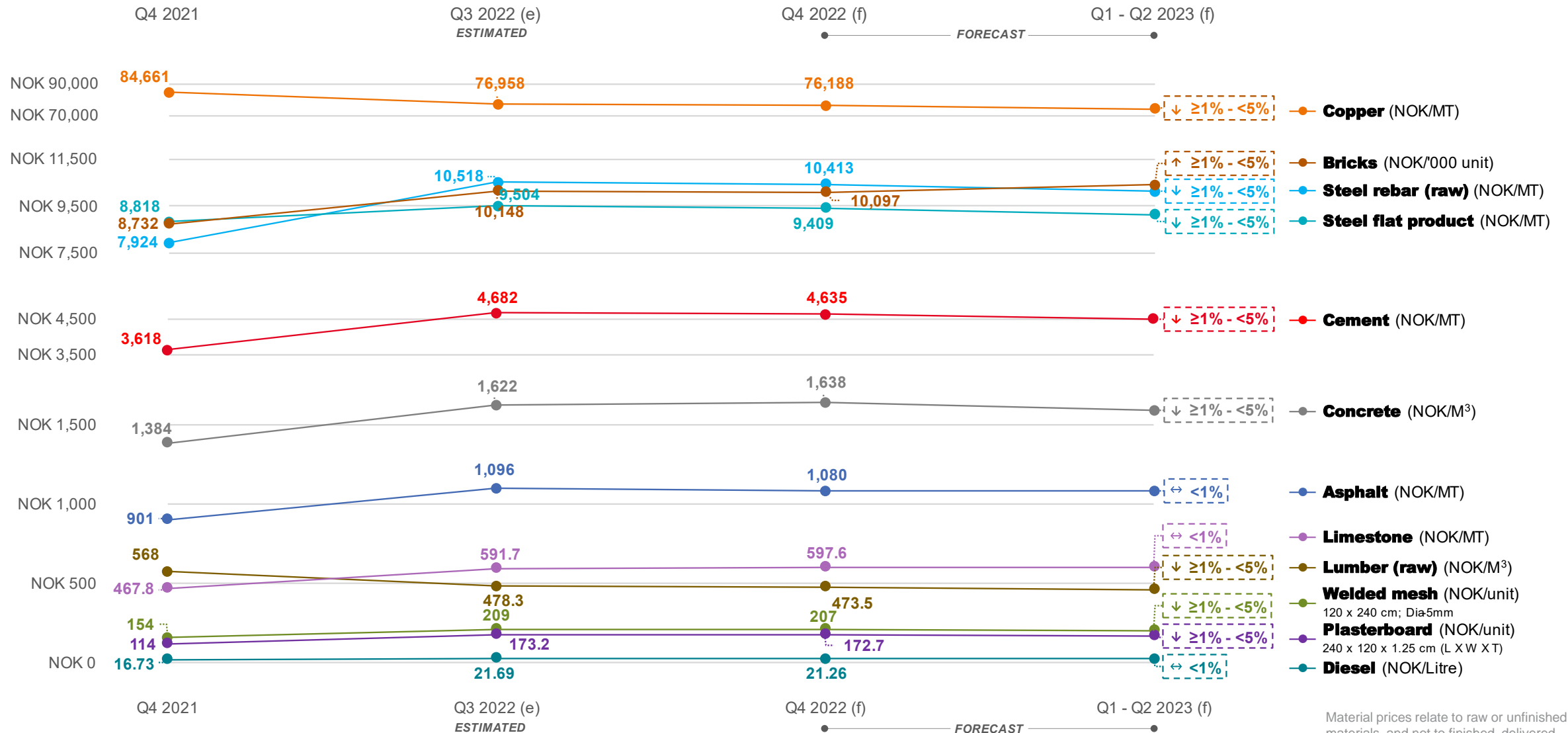


Material	% change Q3 – Q4 2022 (f)	Level of impact of pricing on construction procurement and supply chain *	
 <b>Cement Concrete</b>	-1.0% ↓ +1.0% ↑	 Moderate	Cement and concrete prices have been on an upward trend this year. Over the coming quarters, a marked slowdown in construction activity amid slowing economic growth will weaken demand-side pressures and ease prices. However, downward pressure on prices will be contained by elevated energy costs.
 <b>Welded mesh</b>	-1.0% ↓	 Moderate	The price of welded mesh rose sharply in Q2 2022 in line with the spike in steel prices following the onset of the Russia-Ukraine conflict. Prices have since eased in Q3 and are expected to decline further, owing to falling steel prices amid weakening demand. However, downward pressure on prices will be contained by high energy costs, which will feed into the cost of steel production.
 <b>Bricks</b>	-0.5% ↓	 Low	Falling demand amid an expected slowdown in construction activity will ease pressure on brick prices over the coming quarters. Rising energy costs are likely to keep prices elevated in H2 2022, despite government support measures to partially subsidise power costs for energy-intensive industries.
 <b>Plasterboard</b>	-0.3% ↓	 Low	Plasterboard prices are expected to remain stable over the coming quarters following a sharp increase in Q2 2022, with sustained pressure on production due to high energy costs expected to be offset by a fall in demand.
 <b>Diesel</b>	-2.0% ↓	 Moderate	Diesel prices had been on an upward trend since the beginning of 2022 before reaching a peak in June. Since then, prices have fluctuated but remained at high levels. Prices are expected to decline marginally in the coming quarters due to the reduction of global crude oil prices from mid-2022 highs. However, following the decision by OPEC+ in early October to cut oil production, there is a risk that crude oil prices could rebound and put renewed upward pressure on 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.

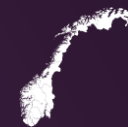
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# Norway – Construction Materials Pricing (2021-2022)



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

# Norway – Macroeconomic overview

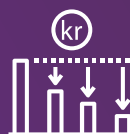


## Economic indicators



**2.79%**

GDP growth in 2022 (f)  
and **3.92%** in 2021



**5.41%**

inflation rate in 2022 (f)  
and **3.48%** for 2021



**2.64M**

people employed in  
2022 (f) and **2.61M** in  
2021



**4%**

unemployment rate  
for 2022 (f) and **4.36%**  
in 2021



**132.87**

Consumer Price Index in  
2022 (f) and **126.06** in  
2021



**232.2**

Producer Price Index in  
Sept 2022 and **152.4** in  
Sept 2021

## National holidays



**12 public  
holidays**

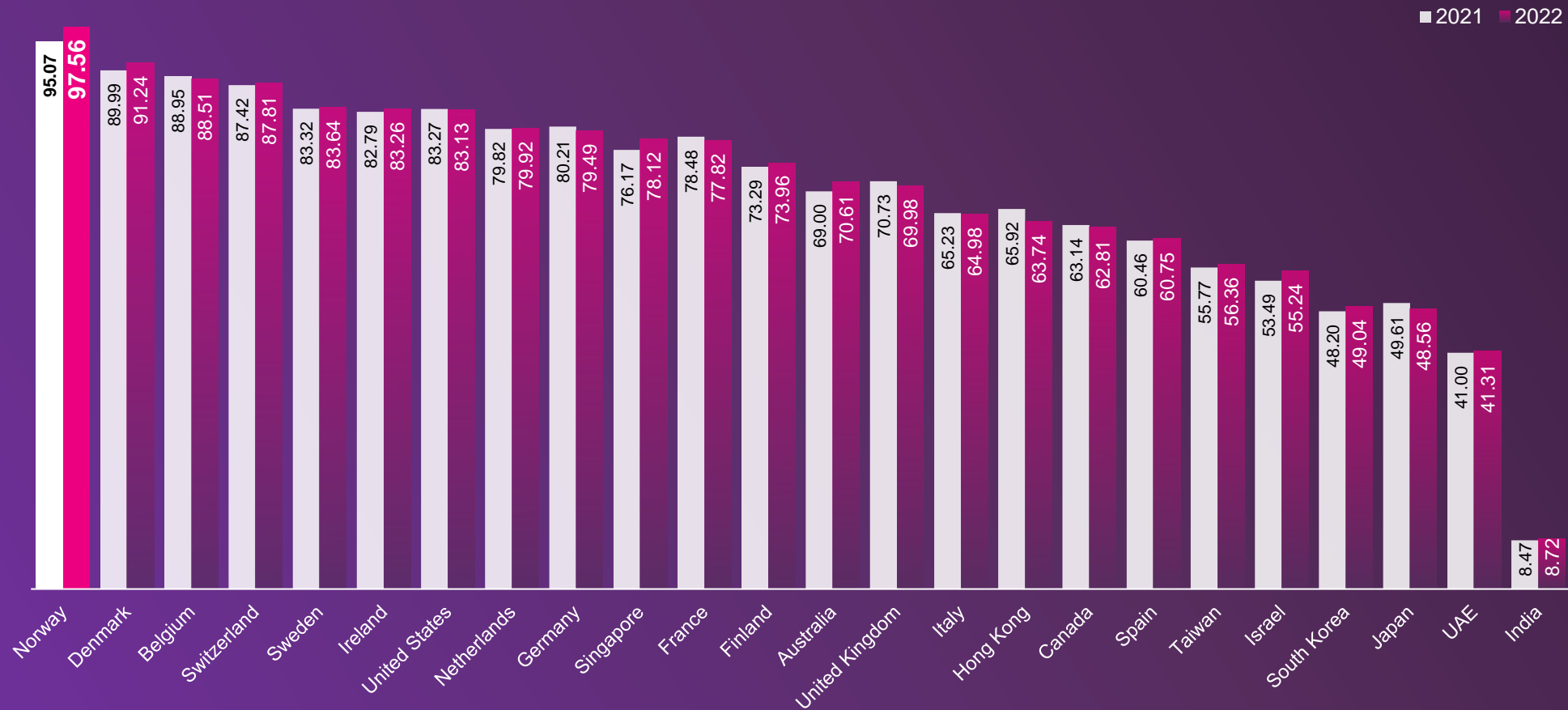
in Norway each year.

- New Year's Day (1 January)
- Maundy Thursday (14 April)
- Good Friday (15 April)
- Easter Sunday (17 April)
- Easter Monday (18 April)
- Labour Day (1 May)
- Constitution Day (17 May)
- Ascension Day (26 May)
- Whit Sunday (5 June)
- Whit Monday (6 June)
- Christmas Day (25 December)
- 2nd Day of Christmas (26 December)

# Norway – Macroeconomic overview



## Labour productivity



## Labour costs

**152.89**  kr.  
in July 2022 compared to  
145.13 in July 2021







Labour productivity per hour worked in 2021 international dollars, converted using Purchasing Power Parities



# Norway – Construction overview



## Output 2021 and 2022 (in millions)

Sector	Total 2021	Total 2022 (f)	% change
Commercial 	NOK150,672	NOK152,628	1.3%
Energy and utilities 	NOK46,796	NOK48,827	4.3%
Industrial 	NOK25,927	NOK26,225	1.2%
Infrastructure 	NOK175,441	NOK182,498	4.0%
Institutional 	NOK40,587	NOK41,560	2.4%
Residential 	NOK318,159	NOK322,701	1.4%

## Long-lead equipment (LLE) and Supply Chain narrative

Long-lead equipment (LLE) lead times have changed drastically since the start of 2022. Suppliers have seen the implications of material shortages, delays and price hikes throughout the supply chain, which is leading to extended lead times and reduced commitment from suppliers for new projects. The key areas in focus are:

- Demand:** The demand for long-lead equipment in the data centre sector has continued to increase in Q3 2022. More data centre and crypto mining providers are joining the market, and this continued demand far outweighs the capacity of the supply chain. Entry onto the production line remains a significant challenge, with suppliers reporting fully booked capacity until Q2 2024. There has been some growth in the development of Tier 2 and Tier 3 suppliers to support this demand. However, it will take time to build an extended supply chain. There has also been no sign of a decline in demand yet in early Q4 2022.
- Material shortage:** Just as material availability started to improve, the further threat of escalation with the Russia-Ukraine conflict has cast further uncertainties of future material stocks and reserves. The supply chain has continued to seek alternative sources of raw materials, and although this has been with partial success, market lead times remain conservative.
- Freight durations and costs:** Heightened by the increase in fuel costs, and compounded by the instability of labour and container availability, freight durations have been particularly volatile in recent times. Early indications from Q4 2022 suggest some stabilization in shipping durations is returning to the market, but the associated costs remain volatile due to the global fuel crisis. As clients consider alternative solutions, it almost becomes cost prohibitive to use quicker forms of transport, such as air freight, due to these increasing fuel costs.



# 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. 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 – 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)

