



Finland

Country Insights and Commodity Report

Q1 2023      

Finland

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Finland's economy grew by 2.1% in 2022, but it is expected to contract by 0.2% in 2023, according to the latest Bank of Finland update, with the IMF expecting almost no growth this year. The expected slowdown is attributed to elevated inflation rates, a reduction in exports, the energy crisis exacerbated by Russia-Ukraine conflict and the surge in the cost of living. However, growth will return to 1.1% as the global economic outlook improves. Though inflation is expected to fall to 5.3% this year from 7.2% in 2022, underlying inflation, excluding food and energy, continues to rise, indicating that despite a reduction in energy prices, higher production costs are still being reflected in end-user pricing.

In 2022, the Finnish construction industry grew by 0.7%, but it is expected to contract by 3% in real terms in 2023. Rising construction costs and liquidity issues for ongoing projects are weighing on the industry. However, due to the government's investments in transport and renewable energy, an annual average growth rate of 1.9% is expected from 2024 to 2027. The institutional sector in real estate is a bright spot, expected to grow at around a 2% annual rate in 2023, supported by public and private investment plans in healthcare and education projects.



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Lumber

Due to the popularity of wood products in Finland's construction industry, strong underlying demand will limit downward pressure on lumber prices. Despite slowing levels of activity in the construction sector amid deteriorating economic conditions, the availability of wood will play a key role in sustaining activity in the sector. Global supply-side disruption has caused some volatility in prices over the past year despite domestic production being able to meet domestic demand. Greater external demand for Finnish lumber to fill the global supply gap will increase pressure on Finland's domestic supply.



Cement and aggregates

The price of ready-mixed concrete soared in Q1 2023, while cement prices continue to edge upwards despite the easing of energy costs. This reflects price hikes and production cuts by domestic producers which are trying to recover losses from 2022. However, over the longer term, growing popularity of recycled materials will help to bring prices down.



Concrete blocks and bricks

Following the easing of energy costs which factored heavily in the rise in brick prices in the second half of 2022. Prices are on a downward trend due to a fall in demand for housing and low confidence among investors and developers. However, prices remain elevated compared to 2021 levels and could see some resurgence once demand picks up again.



Steel (rebar and structural)

Finland has been in a precarious position over the last year due to its reliance on imported Russian steel. However, with weakening demand combined with an increase in exports from China, prices have been declining and stand at 30% below Q2 2022 levels. Plans by the Finnish government to develop transport infrastructure over the coming years, however, will spur demand and renew upward pressure on prices.



Copper

Copper prices have been volatile over the past year and price fluctuations are expected to continue over the coming quarters due to uncertainty over global supplies, the performance of the global economy and strong underlying demand amid the green transition. The recent spike in global copper prices in Q1 2023 resulted from the increase in demand from China following the reopening of its economy from its "zero-Covid" policy.

Finland – Commodity Report



Materials	Q2 2023 (f)	Q2 2022 – Q2 2023 (f)		Q4 2022 – Q1 2023 (e)
	€	€	2022-23 % change	% change
Copper (€/MT)	8,337	8,942	-6.8% ↓	3.6% ↑ ●
Steel rebar (€/MT)	820	1,223	-33.0% ↓	-6.6% ↓ ●
Steel flat (€/MT)	918	1,102	-16.7% ↓	3.3% ↑ ●
Stainless steel (€/MT)	4,014	NA	NA	3.7% ↑ ●
Lumber (€/M3)	73.8	67.0	10.2% ↑	2.6% ↑ ●
Asphalt (€/MT)	72.7	79.8	-9.0% ↓	-4.8% ↓ ●
Limestone (€/MT)	62.7	56.2	11.6% ↑	7.1% ↑ ●
Cement (€/MT)	300	288	4.4% ↑	0.9% ↑ ■
Concrete (€/M3)	163	139	17.5% ↑	7.7% ↑ ●
Welded mesh (€/unit)	81.3	107.5	-24.4% ↓	-6.6% ↓ ●
Bricks (€/000 unit)	783	803	-2.5% ↓	-3.4% ↓ ●
Plasterboard (€/unit)	17.8	12.3	45.3% ↑	20.2% ↑ ●
Diesel (€/litre)	2.00	2.27	-12.1% ↓	-4.8% ↓ ●

(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

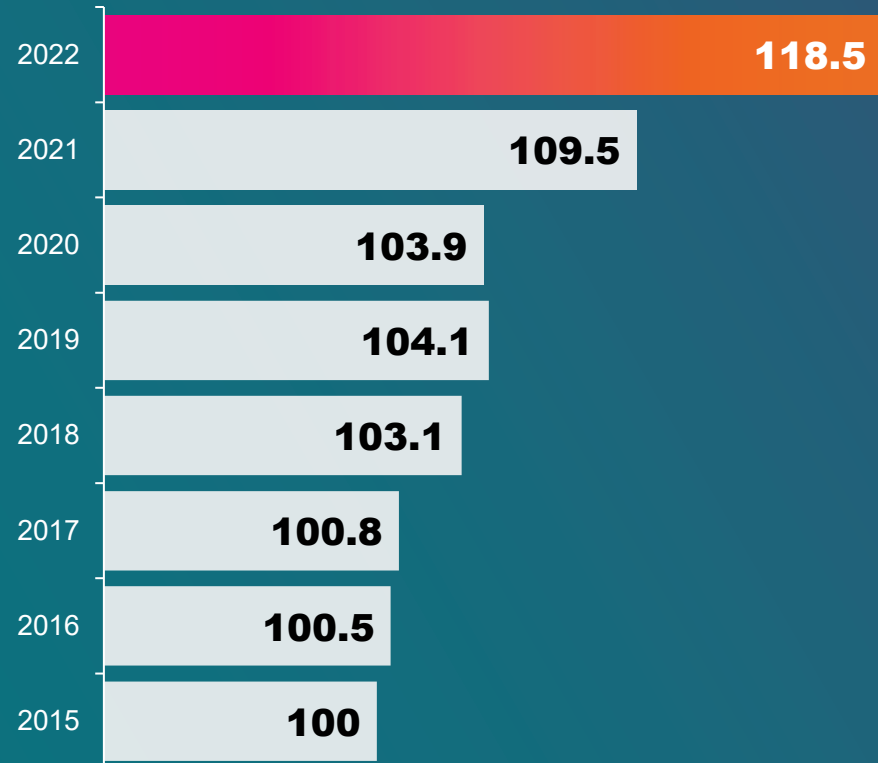
Welded mesh: 235 x 500cm, dia.-8mm Plasterboard: 120 x 240 x 1.3cm (L x W x T)

Material	% change Q1 – Q2 2023 (f)	Level of impact of pricing on construction procurement and supply chain *	
 Copper	+0.2% ↑	 Low	Increasing demand from China following the re-opening of its economy has renewed upward pressure on copper prices. Prices jumped by around 6% in January 2023 compared to the previous month and remain elevated compared to Q4 2022 despite a slight easing of prices in February and March. Prices are expected to remain volatile over the medium term.
 Steel prices - Steel rebar - Flat steel	-1.0% ↓ -0.5% ↓	 Low	Steel prices in Finland have been in decline in recent quarters owing to weak demand amid falling levels of economic and construction activity. Rebar prices in January 2023 were over 30% lower than the highs of Q2 2022 but rose marginally in February. Flat steel, however, has remained relatively stable at around €900/Ton since falling from highs of €1,254/Ton in April 2022.
 Stainless steel	+1.5% ↑	 Low	Stainless steel prices are expected to continue to edge upward over the coming quarters as a result of high prices for raw materials used in the alloying process. Weak demand for steel from the construction sector amid slowing economic growth will limit rapid price hikes in the short-to-medium term.
 Lumber	+1.5% ↑	 Low	Lumber prices have been relatively stable at high levels in recent quarters, despite falling demand from the construction sector. Global supply issues amid the Russia-Ukraine conflict have increased external demand for Finnish lumber, while the popularity of wood as a construction material in Finland has helped sustain underlying demand for domestic supplies.
 Asphalt	+2.0% ↑	 Low	Stabilizing crude oil prices have eased further upward pressure on asphalt prices in recent quarters. Weaker demand amid slowing economic growth has caused prices to decline in the previous two quarters. Price volatility is expected to increase over the coming quarters, however, due to uncertainty over supplies from OPEC+.
 Limestone	+2.0% ↑	 Low	Limestone prices were pushed up by high energy and transportation costs in Q2 2022 and have remained elevated in the following quarters. In the second half of 2022, prices were stable at around €57/MT but have since increased by 7.1% quarter-on-quarter in Q1 2023, reflecting supply cuts and price increases by domestic producers recuperating profits amidst the easing of energy prices.

Finland – Commodity Report



Building cost index 2015-2022 (2015=100)

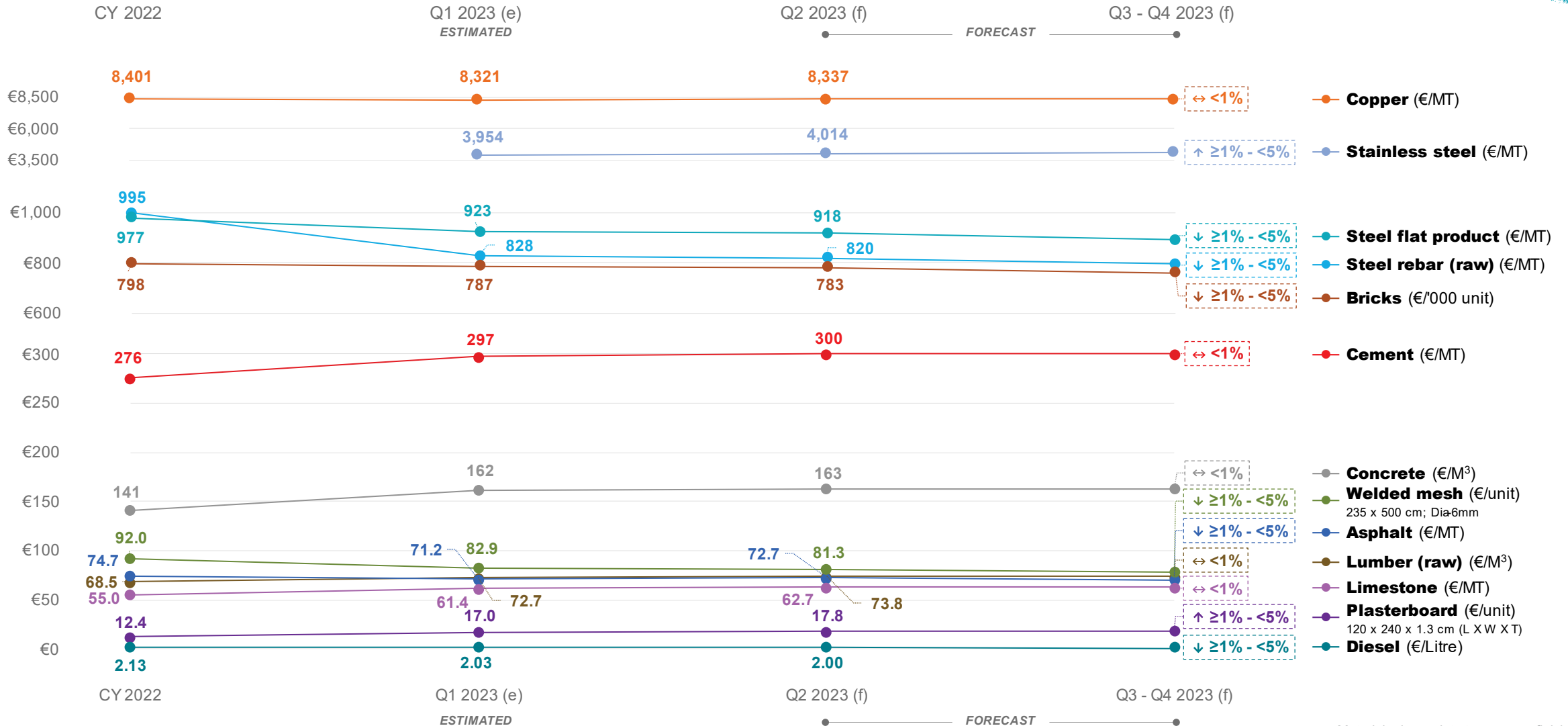


Note: 2015=100

Material	% change Q1 – Q2 2023 (f)	Level of impact of pricing on construction procurement and supply chain *	
 Cement Concrete	+1.0% ↑ +1.0% ↑	Moderate	High energy and transportation costs have impacted on supplies, putting upward pressure on prices in the second half of 2022. Prices are continuing to edge upwards due to low production and price hikes by domestic producers. Ready-mixed concrete recorded the sharpest increase among cement and concrete products in Q1 2023, rising by an estimated 8% compared to Q4 2022.
 Welded mesh	-2.0% ↓	Low	Declining steel rebar prices are expected to cause mesh prices in Finland to fall over the coming quarters. Weak demand amid falling levels of construction activity, coupled with an influx of cheaper imports is limiting price elevation. Supply-side uncertainty over the medium term will limit downward pressure beyond Q3 2023.
 Bricks	-0.5% ↓	Low	Brick prices in Finland have been in decline in recent quarters as energy and transportation costs have eased following the highs of mid-2022. Weak demand from the construction industry has forced domestic producers to reduce prices, which are expected to continue to weaken over the coming quarters.
 Plasterboard	+5.0% ↑	Low	Plasterboard prices in Finland rose sharply by 20% quarter-on-quarter in Q1 2023, following quarter-on-quarter growth of 13% in Q4. Building construction activity has slowed, but producers have still been able to pass on the higher energy costs that have fed into production. The easing of energy prices will limit the further acceleration of prices in the coming quarters, which are expected to lose momentum and stabilise.
 Diesel	-1.5% ↓	Low	Diesel prices have fallen back from highs reached in mid-2022 and have maintained a downward trend in recent months, aided by falling crude oil prices. Prices in March dipped below €2/litre for the first time in a year.

* 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 (2022-2023)



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

Finland – Macroeconomic overview



Economic indicators



0.05%

GDP growth in 2023 (f)
and **2.08%** in 2022



5.30%

inflation rate in 2023 (f) and
7.17% for 2022



2.62M

people employed in 2023 (f)
and **2.62M** in 2022



7.47%

unemployment rate for 2023 (f)
and **6.78%** in 2022



119.75

Consumer Price Index in
March 2023 and **110.95** in
March 2022



134.20

Producer Price Index in
March 2023 and **140.10** in
March 2022

National holidays

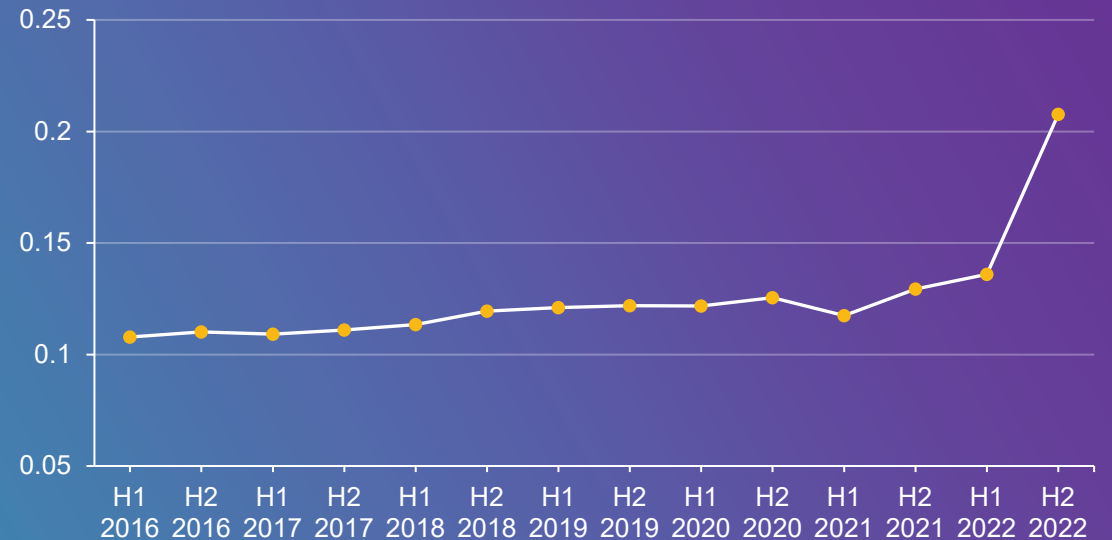


15 public holidays

in Finland in 2023.

Energy prices

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









Note: All taxes and levies included

Finland – Construction overview



Output 2022 and 2023 (in € millions)*

Sector	Total 2022	Total 2023 (f)	Total 2024 (f)
Commercial 	8,810	8,166	8,409
Energy and utilities 	4,656	4,760	4,882
Industrial 	2,607	2,438	2,463
Infrastructure 	6,458	6,635	6,775
Institutional 	2,643	2,697	2,791
Residential 	14,017	13,337	13,035

*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.

Construction Health and Safety practices and culture



23 deaths in the workplace reported in Finland in 2022

according to the Finnish Workers' Compensation Center, while in 2021 this number was 12.

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)
- Public Holidays
- Eurostat

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