



Finland

Country Commodity Report

Q2 2022



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In Q1 2022, Finland's real GDP growth slowed, against the backdrop of the Russia-Ukraine conflict, high inflation and weakening private consumption. The European Commission forecasts 1.8% for the full year, supported by investment in construction and government spending. Inflation hit 4.8% in Q1 year-on-year, with 6.4% forecast by the Commission for the full 2022 year.

The construction industry recorded moderate growth in 2021 of 0.8%, as a result of the impact of COVID-19 containment measures. Slightly accelerated growth is expected for 2022 at 1.8%, with significant investment in infrastructure and energy projects aimed at stimulating the economy. However, as is the case globally, growth will be hampered by surging inflation, high energy costs and renewed supply chain disruption, as the Russia-Ukraine conflict continues to impact economies across the world. The additional waves of COVID in China and ensuing lockdowns are also having a bearing.

As material costs will continue to represent a challenge for the construction industry for the foreseeable future, Linesight will publish quarterly updates to track commodities and provide insights about future projections on movements.



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Lumber

Although a key exporter of lumber to markets across Europe, Finland has also been an importer of wood products from Russia, which are now banned under EU sanctions. In 2021, around 9 million cubic metres of wood was imported from Russia. However, according to reports from the Finnish Central Union of Agricultural Producers and Forest Owners, the industry's needs can be met by domestic forests.



Concrete and aggregates

Cement supplies will be impacted by the ban on Russian imports, while high energy costs have pushed up Finland's cement manufacturing costs. However, prices could fall over the next few quarters owing to weakening demand amid recession fears. The CRH's Finnsementti is the only Finnish cement manufacturer, with the majority of domestic cement production taking place at its Parainen and Lappeenranta plants. Rudus, also part of CRH, is a leading producer of aggregates and ready-mixed concrete.



Concrete blocks and bricks

Recession fears amid rising interest rates will dampen demand for new buildings over the short and medium term, easing upward pressure on prices. Overall demand could be buoyed by strong housing demand, reflected in a rise in residential building permits in late 2021 and early 2022. However, this could be offset by rising mortgage rates over the next few quarters. High energy and fuel costs, feeding into production and transportation costs, will keep prices elevated.



Steel (rebar and structural)

High production costs owing to elevated energy costs, combined with disruptions in imports, will keep steel prices relatively high. Demand is expected to weaken amid rising interest rates and recession fears, which will put downward pressure on prices. However, demand could be partially buoyed by government plans to develop transport and energy infrastructure.



Copper

Demand for copper in Finland will be boosted by investments in renewable energy and electric vehicles over the long term. However, in the short term, the abovementioned recession fears amid rising interest rates will put downward pressure on copper prices.



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Materials	Q3 2022 (f) €	Q1 2022 - Q2 2022 (e) % change
Copper (€/MT)	8,944	0.0% ↔ ■
Steel rebar (€/MT)	1,099	47.8% ↑ ●
Steel flat (€/MT)	924	9.9% ↑ ●
Lumber (€/M3)	70.69	4.9% ↑ ●
Asphalt (€/MT)	78.24	17.1% ↑ ●
Limestone (€/MT)	56.46	14.7% ↑ ●
Cement (€/MT)	289	26.1% ↑ ●
Concrete (€/M3)	140	4.7% ↑ ●
Welded mesh (€/unit)	105	41.4% ↑ ●
Bricks (€/000 unit)	799	3.9% ↑ ●
Plasterboard (€/unit)	12.35	16.6% ↑ ●
Diesel (€/litre)	2.23	17.1% ↑ ●

● Q1 to Q2 2022 % change greater than estimation in our Q1 report
 ■ Q1 to Q2 2022 % change less than estimation in our Q1 report

Material	% change Q2 – Q3 2022 (f)	Level of impact of pricing on construction procurement and supply chain *	
 Copper	0.0% ↔	Moderate	Global copper prices have fallen from the previous quarter, owing to investors' fears of recession and weak demand, which is likely to continue to put downward pressure on copper prices in the H2 2022 and early 2023. Short-term recession fears as a result of the Russia-Ukraine conflict are reflected in the weakening of the euro against the US dollar. Severe economic pressures facing Europe are likely to weaken demand for copper. However, rising import costs will keep local copper prices relatively elevated.
 Steel prices - Steel rebar - Flat steel	-10.2% ↓ -16.2% ↓	High	Steel prices rose sharply earlier this year. Finland is dependent on steel imports from Germany, which faces high energy costs and disruption due to its heavy reliance on Russian oil and gas imports. This has fed into production costs and adds upward pressure to steel prices in Finland. However, upward pressure on steel prices from the supply-side is likely to be outpaced by falling demand due to recession fears, which will cause the price to decline over the next year.
 Cement Concrete	+0.5% ↑ +1.0% ↑	Moderate	High energy costs and supply chain disruptions have put upward pressure on production and transportation costs this year. However, weakening demand for energy and raw materials amid fears of recession will reduce the upward pressure on prices.
 Asphalt	-2.0% ↓	Moderate	Asphalt prices will remain elevated, owing to high crude oil prices feeding into the production cost of bitumen. However, crude oil prices are expected to stabilise over the long term, as oil production from OPEC countries is set to increase to offset the shortfall in Russian supply. In the short term, a fall in demand for crude oil owing to recession fears could put downward pressure on asphalt prices.
 Limestone	+0.5% ↑	Low	Limestone demand is primarily met through domestic production. High energy costs have pushed up production and transportation costs this year. However, prices are expected to remain stable during the second half of 2022, as energy costs moderate.

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 - Commodity Report













Building cost index (2015=100)



Knoema World Data Atlas

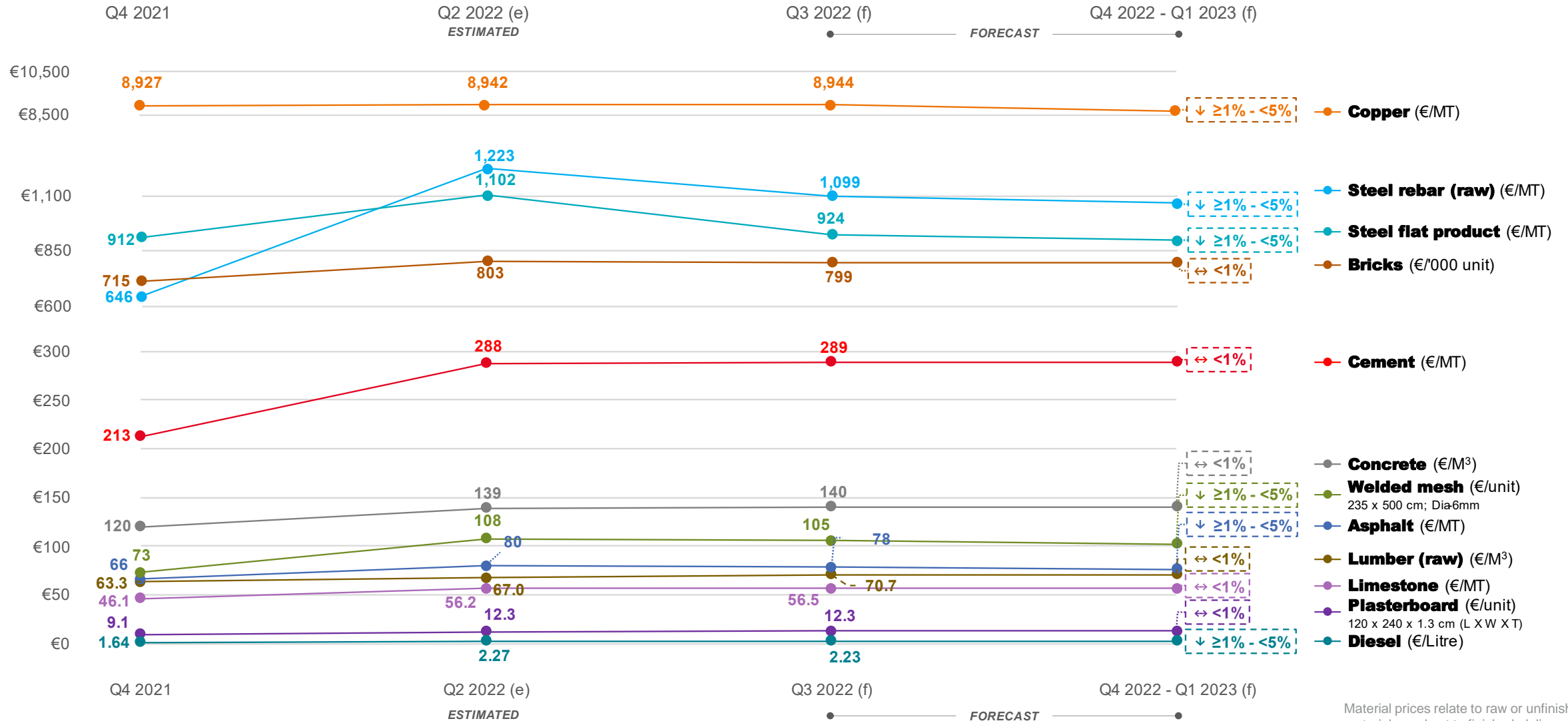
Index of economic freedom **76.1 out of 100**

Material	% change Q2 – Q3 2022 (f)	Level of impact of pricing on construction procurement and supply chain *	
 Lumber	+5.5% ↑	 High	Finland has abundant forest coverage, which is sufficient to meet domestic demand, reducing the likelihood of widespread shortages. However, in the short term, the wood processing industry will be impacted by EU restrictions on wood imports from Russia, on which it has been somewhat reliant, and this will keep prices close to current highs.
 Welded mesh	-2.0% ↓	 High	The price of welded mesh is mainly impacted by steel rebar prices. Prices are expected to stay high in the coming quarters, but are likely to retract slightly after peaking in Q2 2022.
 Bricks	-0.5% ↓	 Moderate	As noted above, elevated energy costs and disruptions to the supply chain have put upward pressure on production and transportation costs this year. However, prices are set to stabilise, as demand for energy and raw materials weakens amid fears of recession. This will limit upward pressure on prices over the next few quarters.
 Plasterboard	+0.5% ↑	 Low	The price of plasterboard has been driven upwards this year due to increases in energy and raw material costs. Stabilising input costs will limit upward pressure on prices over the next few quarters.
 Diesel	-2.0% ↓	 Moderate	The price for diesel is expected to stabilise as the price of crude oil eases, amid weakening demand and increased production. Diesel prices are expected to fall over the long 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.

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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. 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 – Finland

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

- IMF
- Economy.com
- The Global Economy
- Weather Spark
- Statistics Finland
- Finnish Institute of Occupational Health (FIOH)
- GlobalData's Construction Intelligence Center (CIC)
- Conference-board.org

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