



Sweden Country Commodity Report Q3 2022



Sweden

Q3 2022

Sweden's economic growth is expected to be moderate for the full 2022 year at 2.02%, and 0.83% anticipated for 2023. Consumer price inflation is predicted to run at 7.35% for the full 2022 year, before dropping off to 4.07% in 2023. Sweden's interest rate was hiked by one percentage point in September to hit 1.75% - its biggest hike since November 1992, and further rises are expected in the coming months to tackle soaring inflation.

After sluggish growth for the last two years, the construction industry is expected to post modest 1.5% growth for the full 2022 year, as the commercial sector remains sluggish, while residential and infrastructure are both anticipated to demonstrate expansion. As is the case throughout Europe, material price escalation, energy costs, supply chain disruption, labour shortages and tightening monetary policy remain key threats to industry performance.



Paul Butler
Senior Director - Europe
paul.butler@linesight.com



Lumber

As the second largest user of lumber in construction in Europe, with the share of wood products used in construction (in terms of value) standing at 6%, demand for lumber in Sweden is relatively high. Due to its substantial forest cover and its position as Europe's largest timber export market, Sweden is largely self-sufficient in meeting its domestic demand and is therefore well protected from global supply shocks. However, high global demand put pressure on Sweden's timber stocks, which fell to 20-year lows in 2021, and in turn caused prices to rise substantially. A decline in demand that is expected over the coming quarters due to slowing economic growth will ease pressure on stocks and prices, but prices are likely to remain volatile over the medium term.



Cement and aggregates

The risk of a cement supply shortage in Sweden is particularly acute owing to the ongoing dispute between the Swedish government and the largest domestic producer of cement, Cementa, over environmental concerns regarding limestone mining activity at its Slite quarry site in Gotland. Averting an immediate crisis, in late 2021, the Swedish government announced that it would allow Cementa to continue its mining operations until December 2022. However, uncertainty remains as to what will happen in 2023. As Cementa produces 75% of Sweden's domestic cement consumption, closure of the quarry will be highly disruptive to the Swedish construction industry and will put significant upward pressure on cement prices.



Concrete blocks and bricks

Fears of a global recession amid high inflation and rising interest rates is expected to dampen demand for new buildings over the short and medium term, easing upward pressure on prices. However, the high cost of energy and fuel feeding into production and transportation costs will keep prices elevated over the coming quarters.



Steel (rebar and structural)

As a net exporter of steel, Sweden has been relatively well insulated from the adverse effects of the Russia-Ukraine-induced supply shock in mid-2022. Despite avoiding the problem of shortages, steel prices in Sweden have been largely influenced by global market forces. Prices are expected to remain volatile over the medium term owing to the challenging economic environment. In the short term, declining manufacturing and industrial activity will weigh on demand for steel and keep prices subdued. Over the medium term, domestic steel demand will be buoyed by a high-value pipeline of infrastructure construction projects.



Copper

Although demand for copper will be strong over the long term to support the green transition, recession fears amid rising energy costs and monetary tightening are impacting heavily on demand for copper in the short to medium term, putting downward pressure on global copper prices. In a move that will increase domestic production in 2023, Copperstone Resources has announced revised and enlarged ambitions for the reopening of the Viscaria copper mine in Kiruna. This increase in supply is likely to put further downward pressure on prices, while reducing medium to long-term price volatility.



Sweden – Commodity Report



Materials	Q4 2022 (f)	Q4 2021 - Q4 2022 (f)		Q2 2022 - Q3 2022 (e)
	SEK	SEK	2021-22* % change	% change
Copper (SEK/MT)	80,790	85,265	-5.25% ↓	-12.1% ↓ ●
Steel rebar (SEK/MT)	8,006	7,832	2.22% ↑	-1.0% ↓ ■
Steel flat (SEK/MT)	7,546	7,382	2.22% ↑	-1.0% ↓ ■
Lumber (SEK/M3)	861	831	3.63% ↑	-11.1% ↓ ●
Asphalt (SEK/MT)	944	777	21.47% ↑	-6.4% ↓ ●
Limestone (SEK/MT)	602	497	21.18% ↑	13.5% ↑ ●
Cement (SEK/MT)	2,546	1,807	40.92% ↑	12.0% ↑ ●
Concrete (SEK/M3)	1,270	1,213	4.71% ↑	3.1% ↑ ●
Welded mesh (SEK/unit (a))	911	647	40.73% ↑	-1.0% ↓ ●
Bricks (SEK/'000 unit)	8,858	7,397	19.76% ↑	1.5% ↑ ●
Plasterboard (SEK/unit (b))	93	76	22.35% ↑	0.0% ↔ ■
Diesel (SEK/litre)	24.19	18.93	27.81% ↑	0.9% ↑ ●

(a) 500x230cm, dia.-6mm
(b) 250x90x1.25cm (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

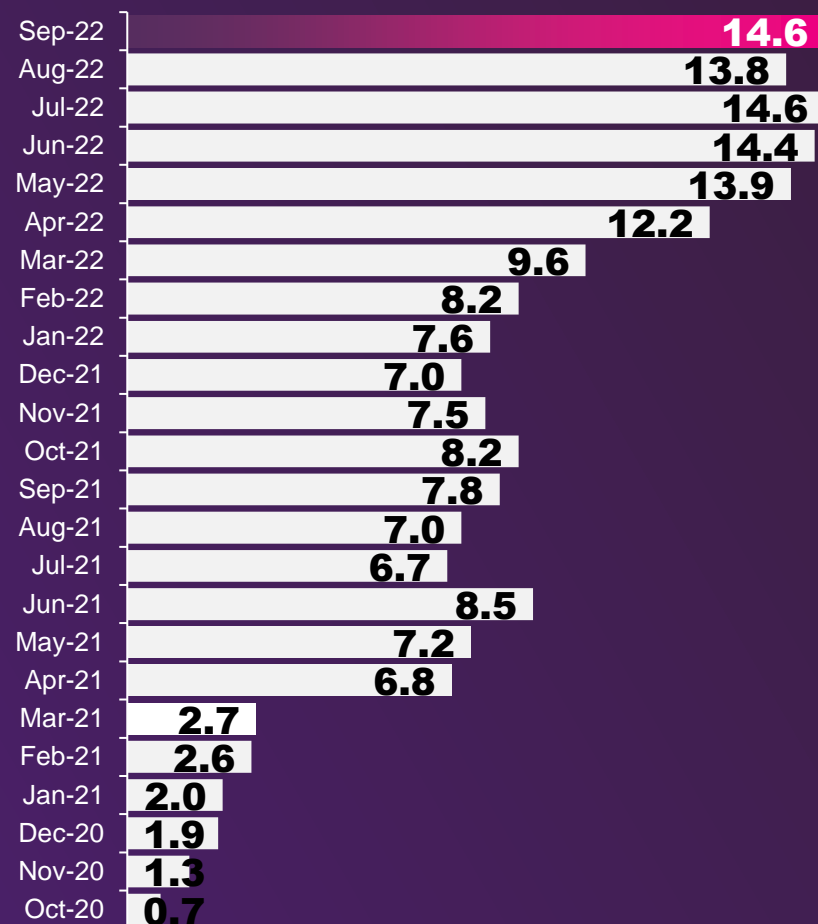
Material	% change Q3 – Q4 2022 (f)	Level of impact of pricing on construction procurement and supply chain *	
Copper	-2.0% ↓	Low	Copper prices surged in Q2 2022 following the onset of the Russia-Ukraine conflict. Prices have since retracted from the highs amid an increasingly gloomy outlook for the European economy, which will continue to put downward pressure on prices in Q4 2022. Nevertheless, increasing investment in renewable energy and electric vehicle manufacturing will sustain demand over the coming quarters.
Steel prices - Steel rebar - Flat steel	-6.8% ↓ -6.8% ↓	Moderate	Steel prices have eased in recent months following a surge in prices in Q2 resulting from the impact of the Russia-Ukraine conflict on production costs, which will continue to weigh on European steelmakers over the coming quarters. The decline in prices is due to weakening demand amid the rising likelihood of a recession hitting Europe, coupled with an increase in cheaper imports from outside Europe.
Lumber	+1.0% ↑	Moderate	Lumber prices have retracted from highs reached in Q2 2022, due to weakening demand amid fears of slowing economic growth. However, renewed upward pressure from high production and transportation costs will keep prices elevated over the coming quarters. Moreover, the popularity of lumber as a construction material in Sweden, coupled with sustained pressure on timber stocks, will keep prices elevated.
Asphalt	-4.7% ↓	Low	Asphalt prices have declined in recent months due to the decline in crude oil prices from mid-2022 highs. However, renewed upward pressure on crude oil prices following OPEC+'s decision in early October to decrease production could result in a rise in asphalt prices over the coming quarters.
Limestone	-2.9% ↓	Low	The supply of limestone in 2023 remains uncertain due to the ongoing environmental dispute between Cementsa, the sole producer of cement in Sweden, and the Swedish government over mining activity at the Slite limestone quarry. With Cementsa's mining license set to expire at the end of 2022, there is an acute risk of a supply shock in early 2023.

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.

Sweden – Commodity Report



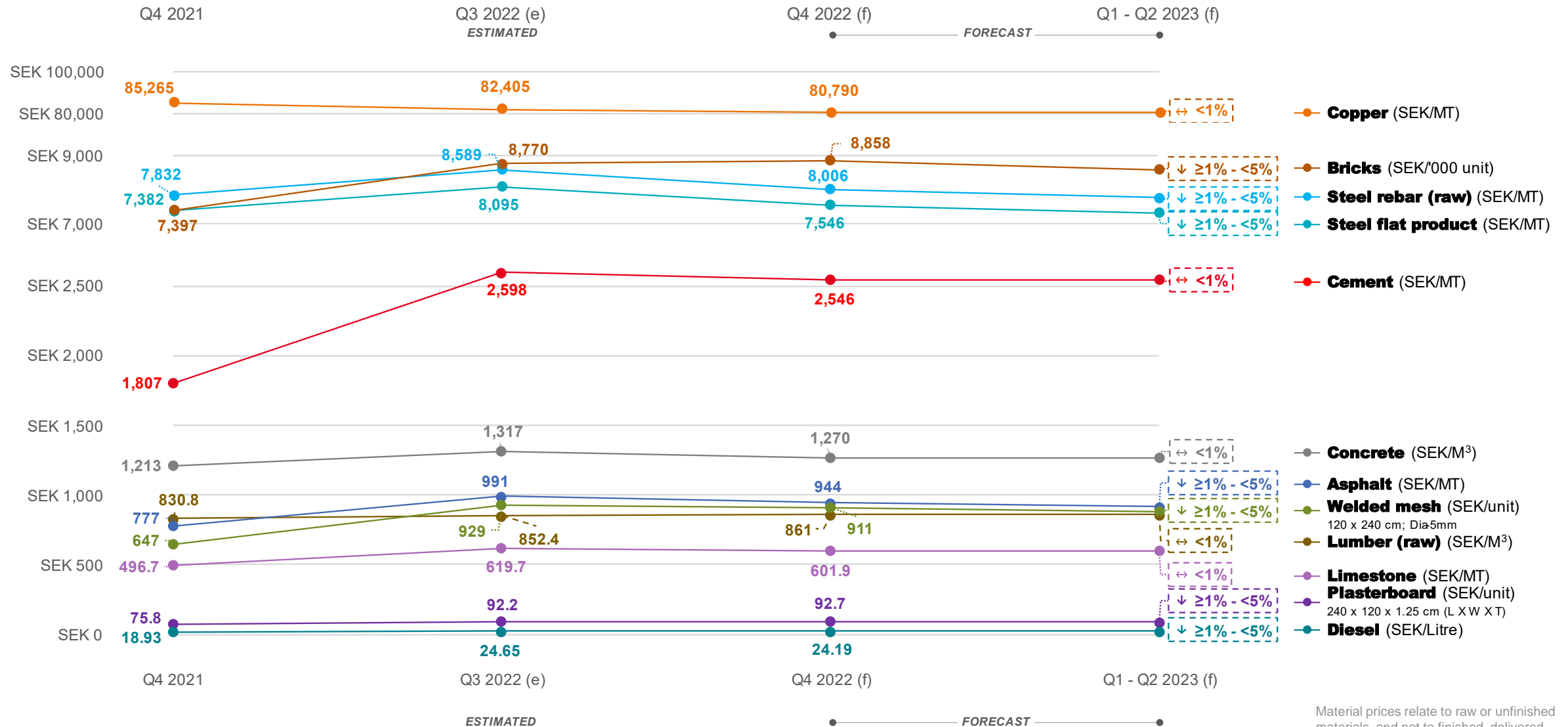
Construction cost index 2020-2022



Material	% change Q3 – Q4 2022 (f)	Level of impact of pricing on construction procurement and supply chain *	
 Cement Concrete	-2.0% ↓ -3.6% ↓	 Moderate	The risk of a cement shortage in Sweden remains high due to the aforementioned environmental dispute between Cementsa and the Swedish government over mining operations at the Slite limestone quarry. As Cementsa's mining permit is set to expire at the end of 2022, uncertainty remains over supplies in 2023. Although construction activity is expected to decline over the coming quarters, which will dampen demand for construction materials, demand for cement and concrete is expected to remain strong due to the likelihood of construction companies stockpiling in anticipation of a supply shock in early 2023.
 Welded mesh	-2.0% ↓	 Moderate	Following a sharp rise in the price of welded mesh in Q2 2022, prices have since eased due to falling steel prices and are expected to remain subdued due to the impact of weakening demand for steel in the manufacturing and construction industries.
 Bricks	+1.0% ↑	 Low	Brick prices are expected to continue to edge upward in the coming quarters due to high production costs, despite government support for domestic energy producers, which will ease some pressure on brick producers. Weakening demand will limit pressure on prices in H2 2022.
 Plasterboard	+0.5% ↑	 Low	Plasterboard prices rose rapidly in H1 2022 due to producers passing on higher energy and transportation costs. Owing to production costs remaining high in H2 2022, prices are likely to remain stable at elevated levels over the coming months, before declining in H1 2023 due to weak demand amid slowing growth in the construction industry.
 Diesel	-1.9% ↓	 Moderate	Since diesel prices peaked at SEK26.7/litre in June 2022 following a surge in the price of crude oil, prices have stabilised at around SEK24.5/litre. The decline in global crude oil prices is expected to put downward pressure on prices in the near future. However, the decision by OPEC+ to cut oil production is likely to cause volatility in the crude oil market, which will contain downward 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.

Sweden – Construction Materials Pricing (2021-2022)



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

Sweden – Macroeconomic overview

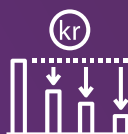


Economic indicators



2.02%

GDP growth in 2022 (f)
and **4.80%** in 2021



7.35%

inflation rate in 2022 (f)
2.16% for 2021



4.99M

people employed
in 2022 (f)
and **4.84M** in 2021



7.75%

unemployment rate
for 2022 (f) and
8.78% in 2021



121.84

Consumer Price Index in
2022 (f) and **113.5** in
2021



139.3

Producer Price Index in
Aug 2022 and **114.2** in
Aug 2021

National holidays



**16 public
holidays**

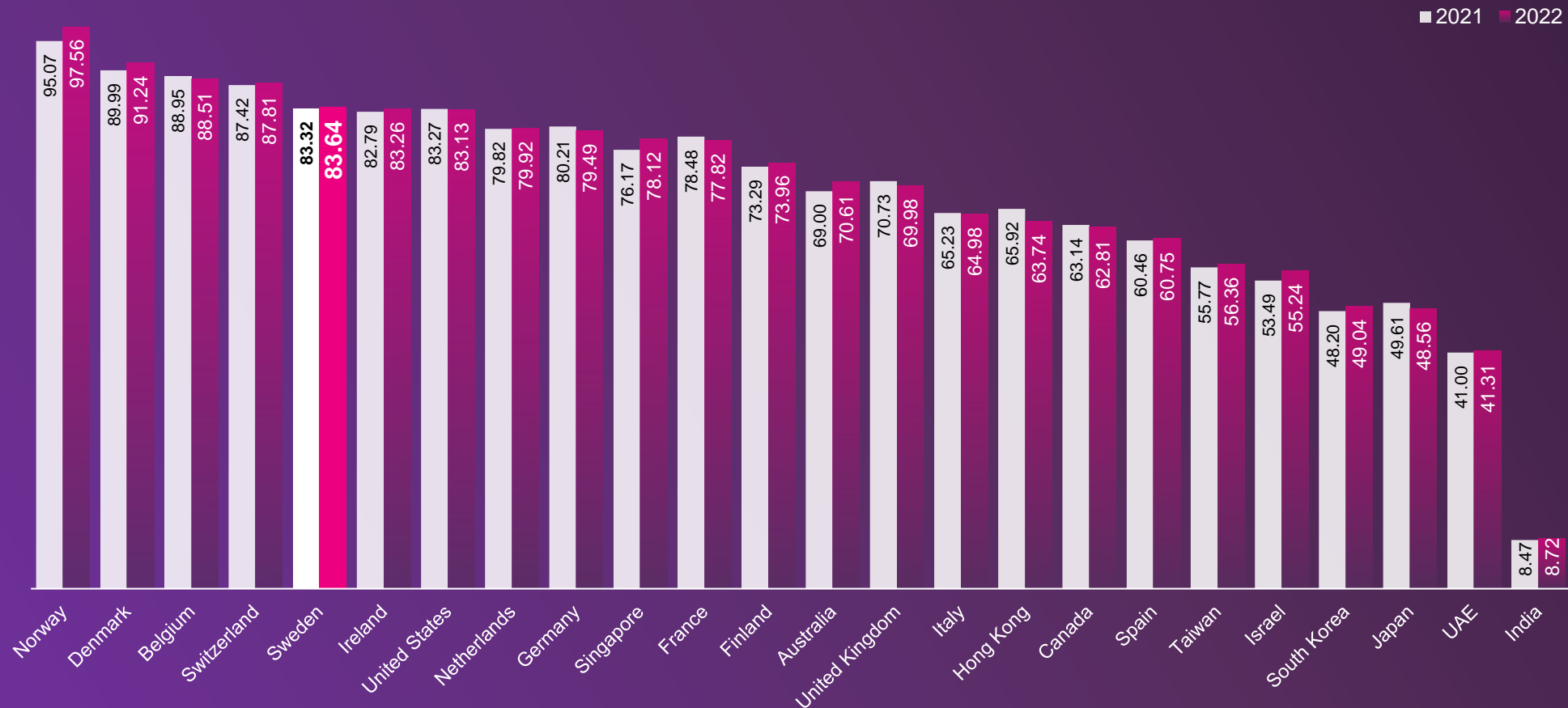
in Sweden each year.

- New Year's Day (1 January)
- Epiphany (6 January)
- Good Friday (15 April)
- Easter Sunday (17 April)
- Easter Monday (18 April)
- Labour day (1 May)
- Ascension Day (26 May)
- Pentecost (5 June)
- National Day (6 June)
- Midsummer Eve (24 June)
- Midsummer Day (25 June)
- All Saints Day (5 November)
- Christmas Eve (24 December)
- Christmas Day (25 December)
- Boxing Day (26 December)
- New Year's Eve (31 December)

Sweden – Macroeconomic overview



Labour productivity



Labour costs









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

Sweden – Construction overview



Output 2021 and 2022 (in millions)

Sector	Total 2021	Total 2022 (f)	% change
Commercial 	SEK 106,259	SEK 105,548	-0.7%
Energy and utilities 	SEK 47,068	SEK 47,849	1.7%
Industrial 	SEK 91,707	SEK 101,714	10.9%
Infrastructure 	SEK 138,942	SEK 140,955	1.4%
Institutional 	SEK 53,832	SEK 52,877	-1.8%
Residential 	SEK 412,455	SEK 419,392	1.7%

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.

Sweden – 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 – Sweden

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

- IMF
- Mynak
- Statistics Sweden
- GlobalData's Construction Intelligence Center (CIC)

