



Finland Country Commodity Report Q3 2022



Finland

Q3 2022

Following a similar trend to much of Europe, economic growth is expected to stagnate, and come in at 2.03% in real terms, before dropping back to 0.61% for 2023. Economic performance from Q2 was hampered by the various global macroeconomic and geopolitical factors at play, weighing on Finland's manufacturing and export industries. Inflation is anticipated to stand at 6.53% for the full 2022 year, before falling back to 2.51% for 2023.

Construction output growth has slowed from the level seen in 2021, and is forecast to be 1.8% for 2022, as downside risks from the abovementioned macroeconomic and geopolitical factors weigh on performance. The impacts include disruptions to both the supply chain and energy markets, elevated construction material costs, labour constraints, and heightened inflation and interest rates.



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Lumber

Despite being amongst the largest lumber export markets in Europe, Finland has been reliant on imports (specifically from Russia) to meet its domestic demand. With the value of wood products accounting for 8% of its total construction production value, Finland uses more lumber for construction than any other European country. The market has therefore been highly sensitive to short-term supply shocks owing to the embargoes placed on Russian supplies to Europe by the EU this year. 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, which will limit the impact of future global supply shocks and keep prices stable over the long term.



Cement and aggregates

The supply of cement in Finland has been impacted by the ban on Russian imports to the EU, while high energy costs have pushed up Finland's cement manufacturing costs. Both of these factors have put upward pressure on prices this year. However, further upward pressure on prices will be contained by falling demand amid weakening activity in the construction industry. Prices are likely to remain elevated due to the monopolistic structure of the cement and concrete markets. Finnsementti, a subsidiary of CRH, 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

Although prices have been trending sharply upwards this year due to rising energy costs and supply disruptions, stemming from the Russia-Ukraine conflict, demand for concrete blocks and bricks is expected to decline over the coming quarters. This is due to slowing activity in the construction industry amid high inflation and rising interest rates, which will ease further upward pressure. However, energy prices are expected to remain high in the short term, which is likely to keep block and brick prices elevated over the coming quarters.



Steel (rebar and structural)

As a net importer of steel, Finland has been heavily exposed to supply shortages and price fluctuations in the global market in the wake of EU sanctions on Russian steel imports. Demand is expected to weaken amid rising interest rates and recession fears over the coming quarters, which will put downward pressure on prices. However, the global steel market is likely to be volatile over the medium term due to persistently high production input costs. Over the long term, strong demand driven by improving economic conditions, as well as government plans to develop transport and energy infrastructure, could put upward pressure on steel prices in Finland.



Copper

Greater investment in renewable energy and electric vehicle production will spur demand for copper in Finland over the long term. However, copper prices have retracted from record highs in Q2 2022 and are expected to fall further in the short term, reflecting investors' fears of recession and a subsequent slowdown in manufacturing activity in advanced economies.



Finland – Commodity Report



Materials	Q4 2022 (f)	Q4 2021 - Q4 2022 (f)		Q2 2022 - Q3 2022 (e)
	€	€	2021-22* % change	% change
Copper (€/MT)	7,614	8,927	-14.71% ↓	-14.0% ↓ ●
Steel rebar (€/MT)	1,061	646	64.31% ↑	-12.3% ↓ ●
Steel flat (€/MT)	902	912	-1.04% ↓	-17.3% ↓ ●
Lumber (€/M3)	72	63	13.08% ↑	7.9% ↑ ●
Asphalt (€/MT)	75	66	14.97% ↑	-4.6% ↓ ●
Limestone (€/MT)	57	46	24.64% ↑	3.3% ↑ ●
Cement (€/MT)	291	213	36.53% ↑	2.0% ↑ ●
Concrete (€/M3)	140	120	16.69% ↑	1.8% ↑ ●
Welded mesh (€/unit (a))	95	73	30.37% ↑	-11.0% ↓ ●
Bricks (€/’000 unit)	792	715	10.77% ↑	-0.4% ↓ ■
Plasterboard (€/unit (b))	13	9	46.64% ↑	10.3% ↑ ●
Diesel (€/litre)	2.15	1.64	30.79% ↑	-4.6% ↓ ●

(a) 235x500cm, dia.-8mm
(b) 120x240x1.3cm (LxWxT)

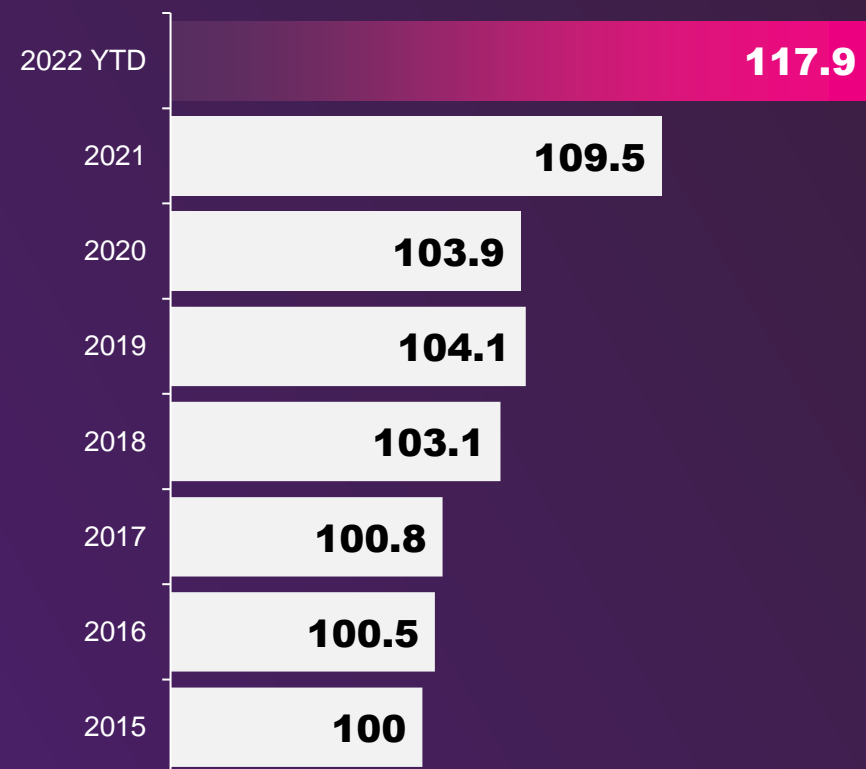
● Q2 to Q3 2022 % change greater than estimation in our Q2 report
■ Q2 to Q3 2022 % change less than estimation in our Q2 report

Material	% change Q3 – Q4 2022 (f)	Level of impact of pricing on construction procurement and supply chain *	
 Copper	-1.0% ↓	 Low	Following the surge in copper prices in early Q2 2022, prices have fallen by around 18% from their April highs as of the end of Q3, owing to the slowdown in demand from China and in the EU, amid mounting fears of recession. Weak demand for copper will continue to ease pressure on prices. However, high energy costs feeding into production will contain downward pressure on prices.
 Steel prices - Steel rebar - Flat steel	-1.0% ↓ -1.0% ↓	 Moderate	According to the World Steel Association, approximately 4.3 million tonnes of crude steel was produced in Finland in 2021, of which around 40% was via the electric arc furnace method. The spike in energy and electricity costs following the outbreak of the Russia-Ukraine conflict caused steel prices to jump significantly in Q2, with rebar prices rising by around 48% from Q1 to Q2. Declining raw material prices such as iron ore on global markets, coupled with falling demand, are likely to exert downward pressure on steel prices over the coming quarters.
 Lumber	-1.0% ↓	 Low	Following a period of high demand in 2021, lumber demand has begun to wane and this is expected to continue over the coming quarters due to slowing economic growth. However, lumber prices have been edging upward this year due to rising production and transportation costs. Therefore, prices are expected to remain elevated but stable, owing to further demand-side weakness.
 Asphalt	-1.0% ↓	 Low	Asphalt prices spiked in Q2 2022, as high crude oil prices impacted production costs. However, the subsequent decline in crude oil prices has put downward pressure on asphalt in recent months. Falling demand for asphalt as construction activity declines will exacerbate downward pressure on prices in the coming quarters. However, this is likely to be offset by renewed upward pressure on crude oil prices following OPEC+’s decision in early October to cut oil production.
 Limestone	-1.0% ↓	 Low	Limestone demand is primarily met through domestic production. High energy costs have pushed up production and transportation costs, which has caused prices to trend upwards. Although supply-side costs remain elevated, prices are expected to stabilise over coming months due to waning demand.

Finland – Commodity Report



Building cost index 2015-2022



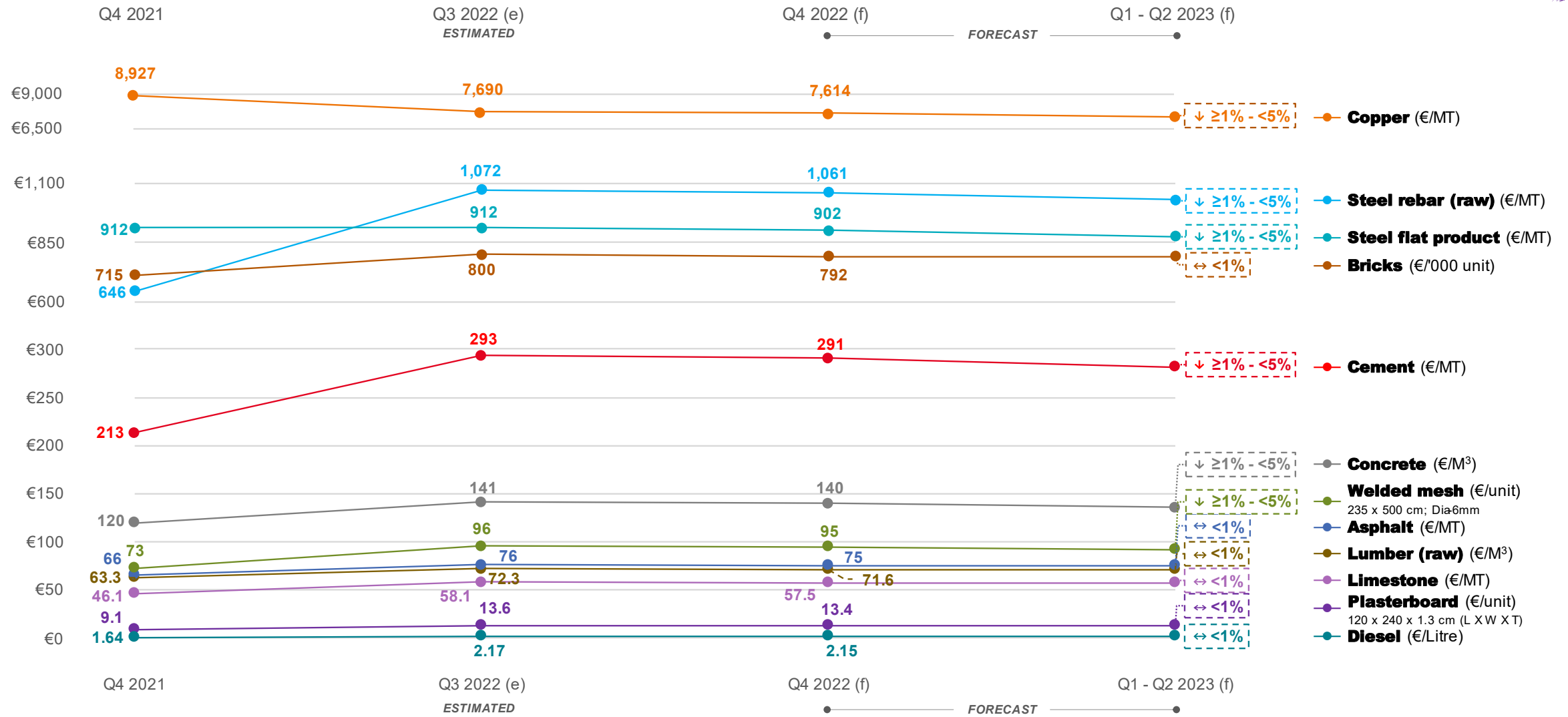
Note: 2015=100

Material	% change Q3 – Q4 2022 (f)	Level of impact of pricing on construction procurement and supply chain *	
 Cement Concrete	-1.0% ↓ -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 cement and concrete will ease upward pressure on prices, which are expected to stabilise in the coming quarters. Over the long term, upward pressure on prices will be eased by the industry's ongoing transition to carbon-free and recycled materials. According to Finnsementti, around 90% of concrete waste is currently recycled, while producers are increasingly making use of low-carbon materials, such as fly ash or blast furnace slag, which will help to lower production costs.
 Welded mesh	-1.0% ↓	 Moderate	The sharp rise in steel rebar prices has caused the price of welded mesh to rise by around 41% from Q1 to Q2. Prices are expected to decline marginally in the coming quarters owing to falling demand for steel. However, high steel production costs will keep mesh prices elevated.
 Bricks	-1.0% ↓	 Low	Brick prices have been impacted this year by supply chain disruptions, and high production and transportation costs. However, prices are set to stabilise in the coming quarters as construction demand moderates amid falling levels of activity.
 Plasterboard	-1.0% ↓	 Low	Following the onset of the Russia-Ukraine conflict and its impact on energy and raw materials markets, plasterboard prices rose by around 17% from Q1 to Q2. Prices are expected to continue to edge upwards in the coming quarters and stabilise at elevated levels in H1 2023.
 Diesel	-1.0% ↓	 Low	The price of diesel is expected to stabilise over the coming quarters as the price of crude oil continues to ease, amid weakening demand and slowing economic growth. However, downward pressure on prices is likely to be contained by the expected oil production cuts announced by OPEC+ in early October, which will cause further volatility in global crude oil markets in 2023.

* 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 (2021-2022)



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

Finland – Macroeconomic overview



Economic indicators



2.03%

GDP growth in 2022 (f)
and **3.47%** in 2021



6.53%

inflation rate in 2022 (f)
and **2.19%** for 2021



2.45M

people employed
in 2022 (f)
and **2.42M** in 2021



7%

unemployment rate
for 2022 (f) and
7.68% in 2021



122.67

Consumer Price Index in
2022 (f) and **115.16** in
2021



148.80

Producer Price Index in
Aug 2022 and **117.20** in
Aug 2021

National holidays



**15 public
holidays**

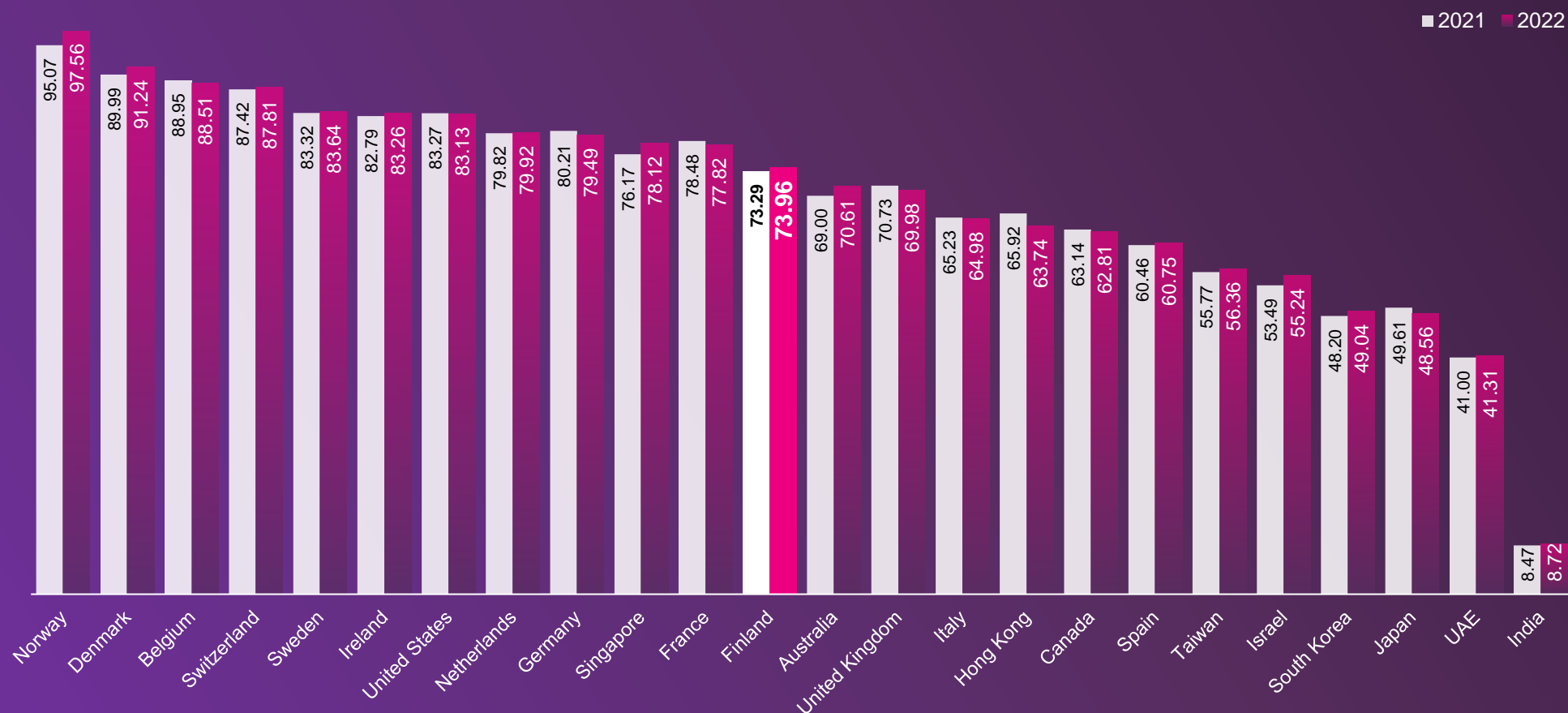
in Finland each year.

- New Year's Day (1 January)
- Epiphany (6 January)
- Good Friday (15 April)
- Easter Sunday (17 April)
- Easter Monday (18 April)
- May Day (1 May)
- Ascension Day (26 May)
- Whit Sunday (5 June)
- Midsummer's Eve (24 June)
- Midsummer Day (25 June)
- All Saints' Day (5 November)
- Independence Day (6 December)
- Christmas Eve (24 December)
- Christmas Day (25 December)
- 2nd Day of Christmas) (26 December)


Finland – Macroeconomic overview



Labour productivity









Labour costs

2.4% 
growth in labour cost index in
July 2022 compared to July
2021.

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

Finland – Construction overview



Output 2021 and 2022 (in millions)			
Sector	Total 2021	Total 2022 (f)	% change
Commercial 	€10,311	€10,260	-0.5%
Energy and utilities 	€5,281	€5,402	2.3%
Industrial 	€2,898	€3,036	4.8%
Infrastructure 	€7,391	€7,497	1.4%
Institutional 	€3,201	€3,023	-5.6%
Residential 	€15,842	€16,223	2.4%

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.

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
- Statistics Finland
- Finnish Institute of Occupational Health (FIOH)
- GlobalData's Construction Intelligence Center (CIC)
- Conference-board.org

