



Sweden

Country Commodity Report

Q2 2022



Sweden

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Sweden posted a larger decline than anticipated for Q1 at 0.8% - the first contraction since Q4 2020, according to Statistics Sweden. The decline was off the back of weak exports and upward revisions to past years' figures. The IMF is forecasting 3.4% growth this year, although this figure was released prior to the outbreak of the Russia-Ukraine conflict, which poses obvious threats to economic growth.

The construction industry grew by 1.8% in 2021, following the marginal growth seen in 2020. Growth is expected to accelerate slightly this year to approx. 2.1%, as the Swedish government invests in transport and energy infrastructure, supporting industry activity. The Russia-Ukraine conflict poses a downside risk, with volatility returning to material pricing and disruption to supply chains.

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.



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



Lumber

Sweden has substantial forest coverage and the government has taken initiatives to stimulate the sustainable development of the forestry industry. Amid soaring global demand in the first half of 2021, it was reported that Sweden's timber stocks were at their lowest levels in two decades.



Concrete and aggregates

Concerns remain high over the risks of a potential shortage of domestically produced cement. Averting an immediate crisis, in late 2021, the Swedish Government announced that it would allow Cementa to continue mining activities at the Slite limestone quarry until the end of 2022. Cementa, part of HeidelbergCement Group and the only domestic producer of cement in Sweden, has been operating at the quarry for many years and the cement it produces reportedly meets two-thirds of domestic cement demand.



Concrete blocks and bricks

Demand will strengthen as buildings construction picks up, with residential building permits rising sharply in 2021.



Steel (rebar and structural)

Sweden's crude steel production in 2021 reached 4.7 million tonnes – around two thirds of this is ore-based production and one third scrap-based. Demand will pick up in line with the execution of a high-value pipeline of infrastructure construction projects.



Copper

Prices for copper will remain high, with strong demand and continued disruption to the supply chain, as a result of the Russia-Ukraine conflict. In a move that will increase domestic production next year, Copperstone Resources recently announced revised and enlarged ambitions for the reopening of the Viscaria copper mine in Kiruna.



Sweden - Commodity Report



	Q3 2022 (f)	Q1 2022 - Q2 2022 (e)
Materials	SEK	% change
Copper (SEK/MT)	90,934	0.5% ↑ ■
Steel rebar (SEK/MT)	8,510	5.6% ↑ ■
Steel flat (SEK/MT)	8,021	5.6% ↑ ■
Lumber (SEK/M3)	934	13.4% ↑ ●
Asphalt (SEK/MT)	1,015	24.7% ↑ ●
Limestone (SEK/MT)	530	3.7% ↑ ●
Cement (SEK/MT)	2,307	19.7% ↑ ●
Concrete (SEK/M3)	1,258	2.4% ↑ ●
Welded mesh (SEK/unit)	943	38.6% ↑ ●
Bricks (SEK/'000 unit)	8,599	8.0% ↑ ●
Plasterboard (SEK/unit)	91.76	5.7% ↑ ●
Diesel (SEK/litre)	24.30	9.5% ↑ ■

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

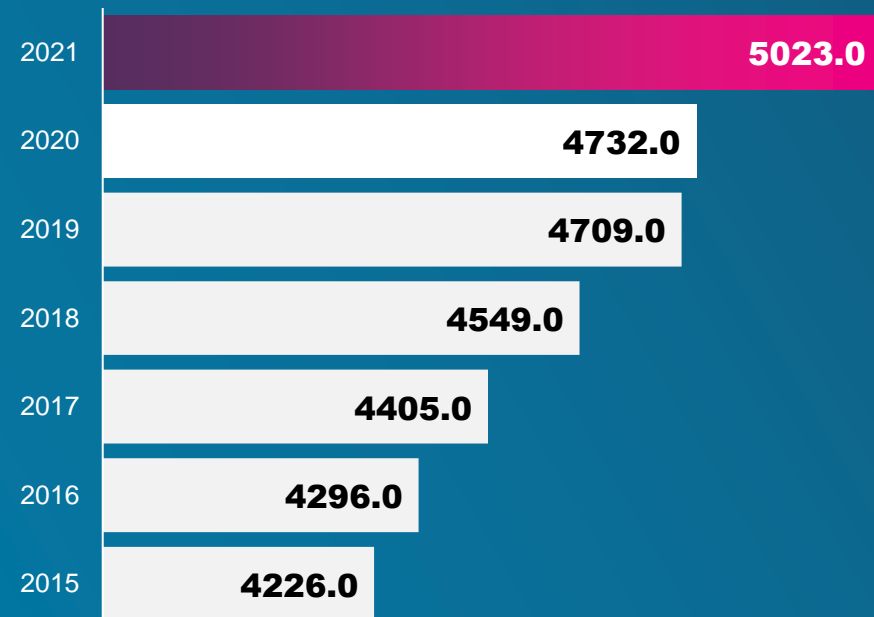
Material	% change Q2 – Q3 2022 (f)	Level of impact of pricing on construction procurement and supply chain *
 Copper -3.0% ↓	 Moderate	Global copper prices have fallen since peaking in April 2022, reflecting investors' fears of a global recession amid the tightening monetary policy by central banks, including the Riksbank, to combat inflation. As a result, global demand for copper is falling, which is expected to put downward pressure on prices in H2 2022 and early 2023, despite disruptions on the supply side remaining. The Chilean Copper Commission (Cochilco) estimates there will be a surplus supply of global copper in 2023.
 Steel prices - Steel rebar -2.0% ↓ - Flat steel -2.0% ↓	 High	Steel prices rose sharply earlier this year, owing to restrictions imposed by the EU on steel imports from Russia. High energy costs are continuing to put upward pressure on steel production costs. However, the impact on steel prices is likely to be offset by falling demand, due to recession fears coupled with an increasing supply from alternative sources, such as Turkey and India over the next 3-6 months.
 Cement Concrete -0.5% ↓ -1.0% ↓	 Moderate	The supply of cement remains uncertain over the medium to long term which may cause the price to be volatile over the next year.
 Asphalt +1.0% ↑	 High	Asphalt prices will remain elevated, owing to the high cost of crude oil feeding into bitumen production costs.
 Limestone -1.0% ↓	 Moderate	With the Swedish government overturning the decision to refuse Cementa a license to continue mining limestone at its Slite quarry late last year, domestic supply of the commodity is expected to remain sufficient to meet demand. Limestone prices are, however, expected to remain elevated this year, driven by increased demand from the construction and infrastructure sectors.

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 (base – 1939=100)



Knoema World Data Atlas

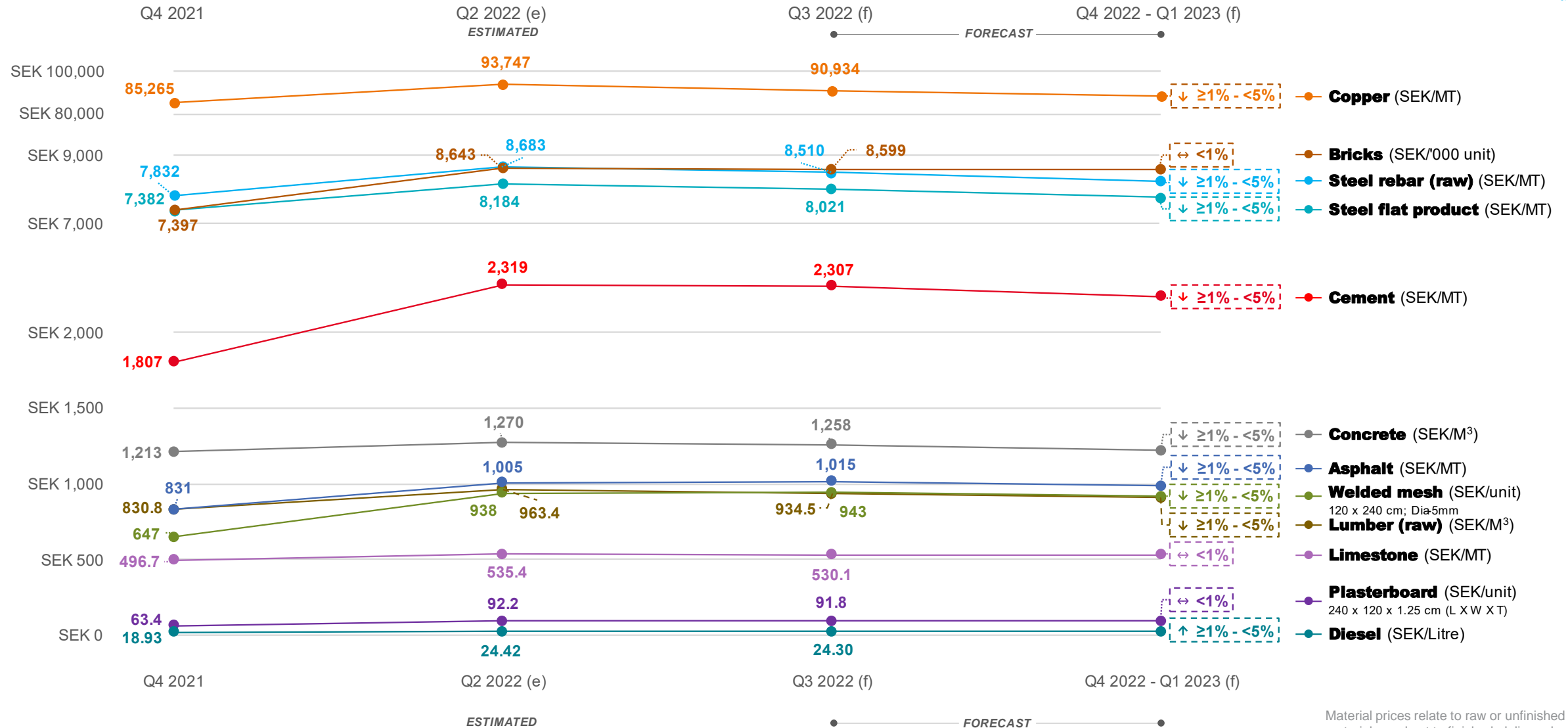
Index of economic freedom **74.7 out of 100**

Material	% change Q2 – Q3 2022 (f)	Level of impact of pricing on construction procurement and supply chain *	
 Lumber	-3.0% ↓	 Moderate	Interest rate hikes by the Riksbank will continue to weigh on Sweden's residential market and put downward pressure on materials, such as lumber. House prices have been falling since April, as higher mortgage rates and an uncertain economic outlook has dampened demand. This trend is expected to continue into 2023. Downward pressure on lumber prices will be compounded by an increase in the supply of forest timber, as stocks rebound from record low levels.
 Welded mesh	+0.5% ↑	 High	Due to the expected volatility in the price of steel over the next year, the price of welded mesh will also remain volatile.
 Bricks	-0.5% ↓	 Low	Rising fuel and energy costs have put upward pressure on the price of bricks. However, weakening demand owing to rising interest rates and low business confidence will counteract supply-side pressures.
 Plasterboard	-0.5% ↓	 Low	As above, an increase in fuel and energy costs is pushing plasterboard prices upwards. Rising interest rates and declining business confidence are offsetting supply-side pressures, as a result of weakened demand.
 Diesel	-0.5% ↓	 Moderate	Sweden's dependency on imported crude oil will continue to add upward pressure on diesel prices. However, the impact of the Russia-Ukraine conflict on prices is beginning to subside, as the country shifts away from dependency on Russian oil. Global agencies, such as IEA, expect the price of crude oil to trend downwards until the end of the year owing to weakening demand. However, supply-side disruptions will continue to pose a downside risk to prices over the medium and long term, and could compound a sharp rebound in prices if demand picks up next 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.

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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 - 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)

