



Norway

Country Commodity Report

Q2 2022



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Following the spread of the Omicron variant and associated containment measures, the Statistisk Sentralbyrå (SSB) reported a 1% economic contraction in Q1 on a seasonally adjusted quarter-on-quarter basis – the first quarterly decline since Q3 2020. This is down to sluggish private consumption, government spending, fixed investment and exports. Although measures eased in February, it was not sufficient to mitigate the impact of the restrictions. Inflation hit a 33-year high in June, up 6.3% year-on-year.

Construction growth is expected to hit 1.8% in real terms this year, with output supported by oil and gas infrastructure investment, spurred on by the Russia-Ukraine conflict. As is the case throughout Europe and much of the world, downside risks are posed by surging inflation, supply chain bottlenecks, rising energy prices and the current geopolitical uncertainty.

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

High domestic demand for wooden houses, as well as for general wood-based building materials internationally, will keep demand for lumber buoyant over the medium to long term. High transportation costs and rising interest rates will dent demand in the short term and put downward pressure on prices. However, supply-side disruptions, such as long lead times and elevated energy costs, are likely to outweigh the short-term downturn in demand, keeping prices elevated.



Concrete and aggregates

HeidelbergCement's Norcem is the sole producer of cement in Norway, with plants in Brevik and Kjølpsvik, and a wide distribution network of depots along the coast. Efforts to capture carbon emissions from Norcem cement factory are running behind schedule and proving more costly than expected. Moreover, demand for cement is expected to weaken as the construction industry slows down amid rising interest rates and weak investor confidence, due to growing fears of recession.



Concrete blocks and bricks

Rising interest rates and recession fears will dampen demand for new buildings over the short and medium term, easing upward pressure on prices. High energy and fuel costs, feeding into production and transportation costs, will keep prices elevated.



Steel (rebar and structural)

Global steel prices are falling due to fears of recession. However, the government's focus on developing transport infrastructure will bolster steel demand. Under the new National Transport Plan 2022–2033, the government increased its allocation for railway infrastructure by 23.2%.



Copper


Demand for copper in Norway will remain high over the long term, reflecting investments in renewable energy and electric vehicles. Norway is planning a controversial copper mine, and according to Nussir ASA, all mining equipment will run on renewable energy, with the underground mine having a low environmental impact, while the surface operation will make use of an existing operational industrial site. However, environmentalists and indigenous rights activists have sought to block the construction work. In the short term, the global price of copper is expected to fall, owing to growing fears of a recession.

Norway - Commodity Report



Materials	Q3 2022 (f) NOK	Q1 2022 - Q2 2022 (e) % change
Copper (NOK/MT)	87,711	2.0% ↑ ■
Steel rebar (NOK/MT)	10,557	37.0% ↑ ●
Steel flat (NOK/MT)	9,286	7.6% ↑ ●
Lumber (NOK/M3)	558	4.3% ↑ ●
Asphalt (NOK/MT)	1,074	12.5% ↑ ●
Limestone (NOK/MT)	571	17.3% ↑ ●
Cement (NOK/MT)	4,438	14.9% ↑ ●
Concrete (NOK/M3)	1,537	4.0% ↑ ●
Welded mesh (NOK/unit)	208	30.5% ↑ ●
Bricks (NOK/'000 unit)	9,950	5.9% ↑ ●
Plasterboard (NOK/unit)	180	36.4% ↑ ●
Diesel (NOK/litre)	21.05	12.5% ↑ ●

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

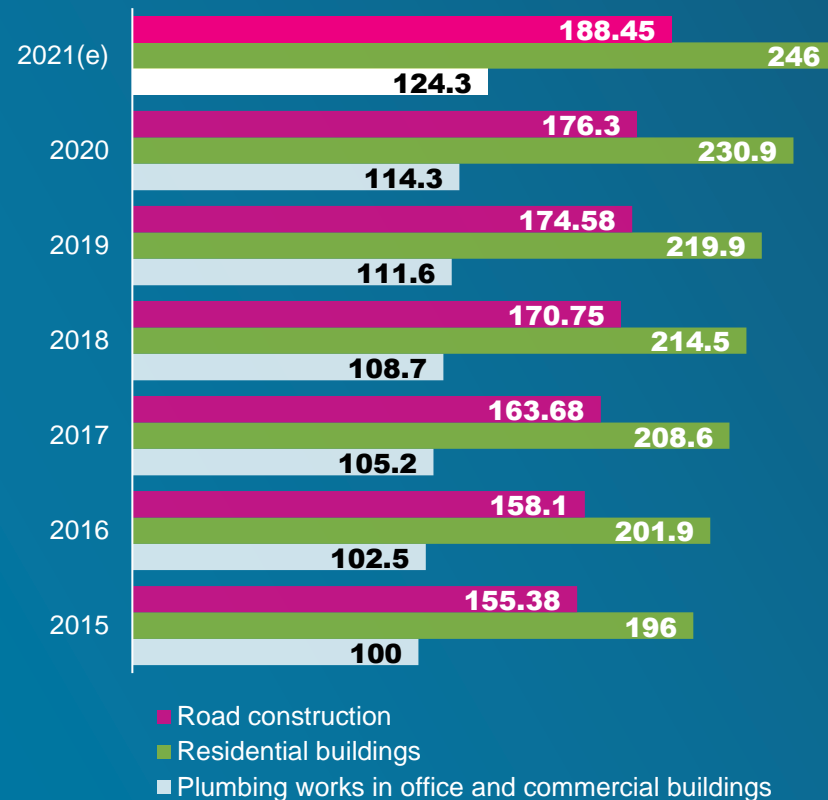
Material	% change Q2 – Q3 2022 (f)	Level of impact of pricing on construction procurement and supply chain *
 Copper -2.8% ↓	Moderate	The price of copper has been falling since April, owing to weakening demand from major copper consumers, such as China, and fears of a sharp economic slowdown in Europe due to the Russia-Ukraine conflict and rising interest rates. This is likely to continue to put downward pressure on copper prices over the coming quarters. Over the long term, copper prices will face upward pressure from strong demand to support the green transition in many industries.
 Steel prices - Steel rebar -8.2% ↓ - Flat steel -10.2% ↓	High	Steel prices have begun to ease in the last few months, largely due to weaker demand from the construction industry and fears of recession. However, high fuel and electricity costs, as well as disrupted supply owing to Russian import bans, continue to keep production costs elevated. Demand-side weaknesses are expected to outpace supply-side headwinds over the coming quarters.
 Cement Concrete -0.5% ↓ -0.5% ↓	Moderate	Elevated energy prices have pushed up the production and transportation costs of cement and concrete. With energy prices easing and demand for building construction weakening amid recession fears, cement and concrete prices are set to stabilise over the coming quarters.
 Asphalt -2.0% ↓	Moderate	The easing of international crude oil prices will put downward pressure on asphalt prices over the coming quarters. This is likely to be offset partially by strong demand for infrastructure construction.
 Limestone +1.5% ↑	Low	Limestone demand is primarily met through domestic production, and prices have been relatively stable. However, high production costs will be passed on to customers, keeping prices elevated compared to pre-pandemic levels.

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.

Norway - Commodity Report








Construction cost index



Knoema World Data Atlas

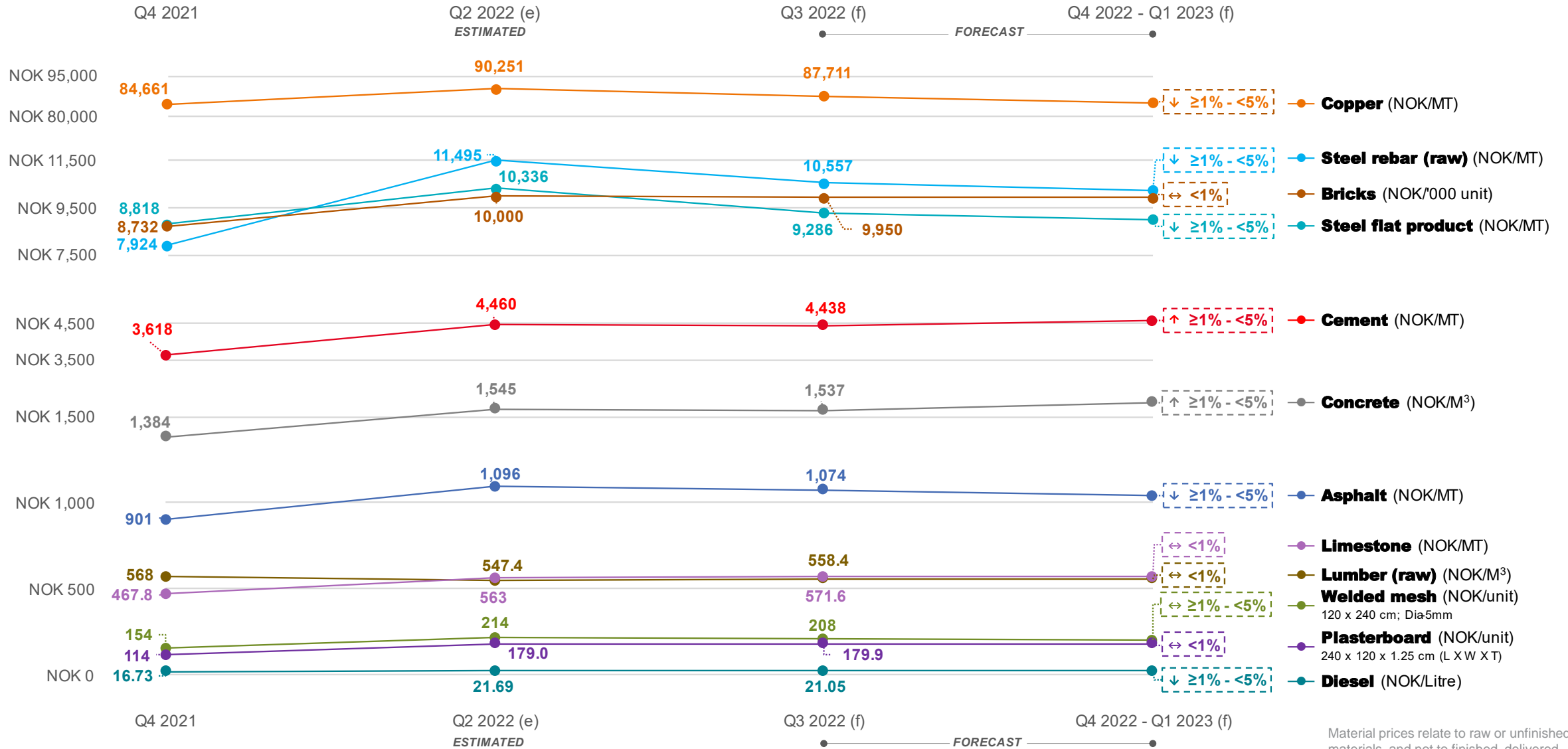
Index of economic freedom 73.4 out of 100

Material	% change Q2 – Q3 2022 (f)	Level of impact of pricing on construction procurement and supply chain *	
 Lumber	+2.0% ↑	Moderate	Increased transportation and logistics costs due to high fuel prices have put upward pressure on lumber prices. Demand for wooden housing in Norway is strong - however, this upside risk to lumber prices is likely to be limited by the impact of rising interest rates on overall housing demand. The price of lumber is expected to rise moderately over the coming quarters.
 Welded mesh	-3.0% ↓	High	Downward pressure on steel prices owing to weak construction demand and recession fears will infer a similar trend with regards to the price of welded mesh.
 Bricks	-0.5% ↓	Moderate	Elevated energy costs will keep brick prices relatively high. However, prices are expected to fall as energy costs are beginning to ease. Weakening demand for new buildings will add further downward pressure to prices.
 Plasterboard	+0.5% ↑	Low	Easing energy costs will limit upward pressure on plasterboard prices, while weakening demand for building construction will assert downward pressure.
 Diesel	-3.0% ↓	Moderate	With OPEC countries set to increase the production of crude oil, prices are likely to retract from the recent highs seen in previous quarters. As a result, diesel prices are expected to decline over the coming quarters.

* 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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Norway - 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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Norway - 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 – Norway

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

- IMF
- Statistics Norway
- GlobalData's Construction Intelligence Center (CIC)
- Statistisk Sentralbyrå (SSB)

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