



Sweden

Country Insights and Commodity Report

Q1 2022



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Sweden posted 4% growth last year, following a contraction in 2020 due to the impact of COVID-19. 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.



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Lumber

Sweden has substantial forest cover 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 end-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, and 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



Materials	Q4 2021	Q3 Q4 2022 (f)		Q4 - Q1 (e) 2022
	SEK	SEK	2021-22 (f) % change	% change
Copper (SEK/MT)	85,265	98,948	16% ↑	9% ↑
Steel rebar (SEK/MT)	7,832	9,330	19.1% ↑	7% ↑
Steel flat (SEK/MT)	7,382	8,794	19.1% ↑	7% ↑
Lumber (SEK/M3)	830.8	889.2	7% ↑	2% ↑
Asphalt (SEK/MT)	81	88	8.4% ↑	2% ↑
Limestone (SEK/MT)	496.7	537.3	8.2% ↑	4% ↑
Cement (SEK/MT)	1,807	2,036	12.7% ↑	7% ↑
Concrete (SEK/M3)	1,213	1,296	6.9% ↑	2% ↑
Welded mesh (SEK/unit)	647	718	11% ↑	5% ↑
Bricks (SEK/'000 unit)	7,397	8,405	13.6% ↑	8% ↑
Plasterboard (SEK/unit)	63.4	76	19.8% ↑	15% ↑
Diesel (SEK/litre)	18.93	23.33	23.3% ↑	18% ↑

Q3 Q4 2022 (f): Forecasted average
2021-22 % change: % change from Q4 2021 to Q3 Q4 2022 average

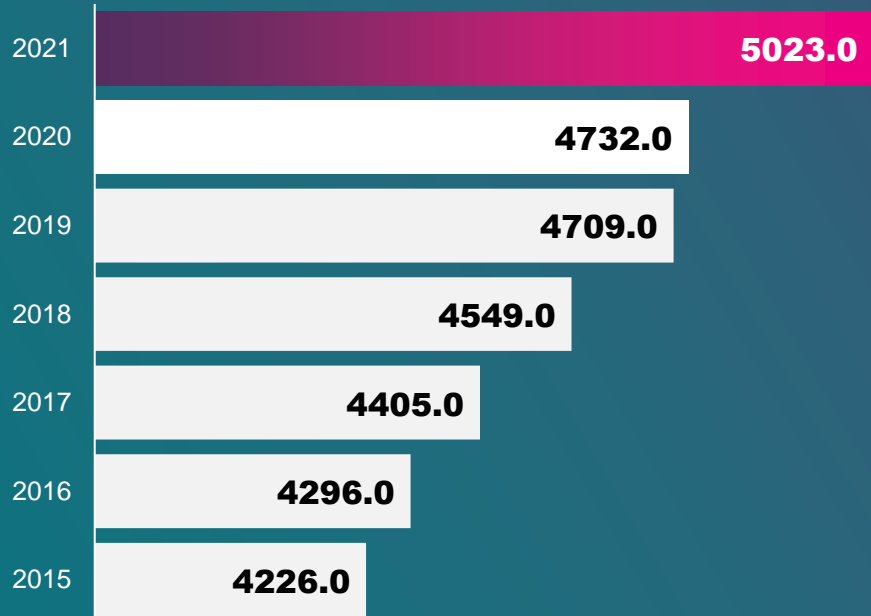
Material	% change Q1 – Q2 2022 (f)	Level of impact of pricing on construction procurement and supply chain *	
 Copper	+3% ↑	 High	Echoing trends in the global market, prices in Sweden jumped in March following disruptions caused by the Russia-Ukraine conflict. Prices are set to remain volatile, but on the high side in the coming quarters.
 Steel prices - Steel rebar - Flat steel	+7.6% ↑ +7.6% ↑	 High	New restrictions on imports of Russian steel products into the EU will disrupt the market, and dealers have raised prices in anticipation of lower supply. Although much of the feedstock input is domestically sourced, the coke and energy requirements are imported and subject to high inflationary pressures.
 Cement Concrete	+2% ↑ +1.5% ↑	 Moderate	Due to increases in fuel and energy prices, and a recovery in demand that will stem from the government's efforts to develop transport and energy infrastructure, cement and concrete prices are expected to remain at high levels. These rising fuel prices are leading to higher transportation costs, and this is also a factor in keeping prices elevated.
 Asphalt	+1.5% ↑	 High	The rise in international crude oil prices and the demand for construction materials due to the rise in infrastructure construction output will contribute to upward pressure on asphalt prices.
 Limestone	+1% ↑	 Moderate	Limestone prices have risen sharply, in part owing to higher production costs.
 Lumber	+1.6% ↑	 Moderate	Lumber prices have not recorded the sharp increases as seen in other European markets, but prices will continue to edge up amid strengthening demand and disruptions in supply across Europe following the ban on imports from Russia.

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

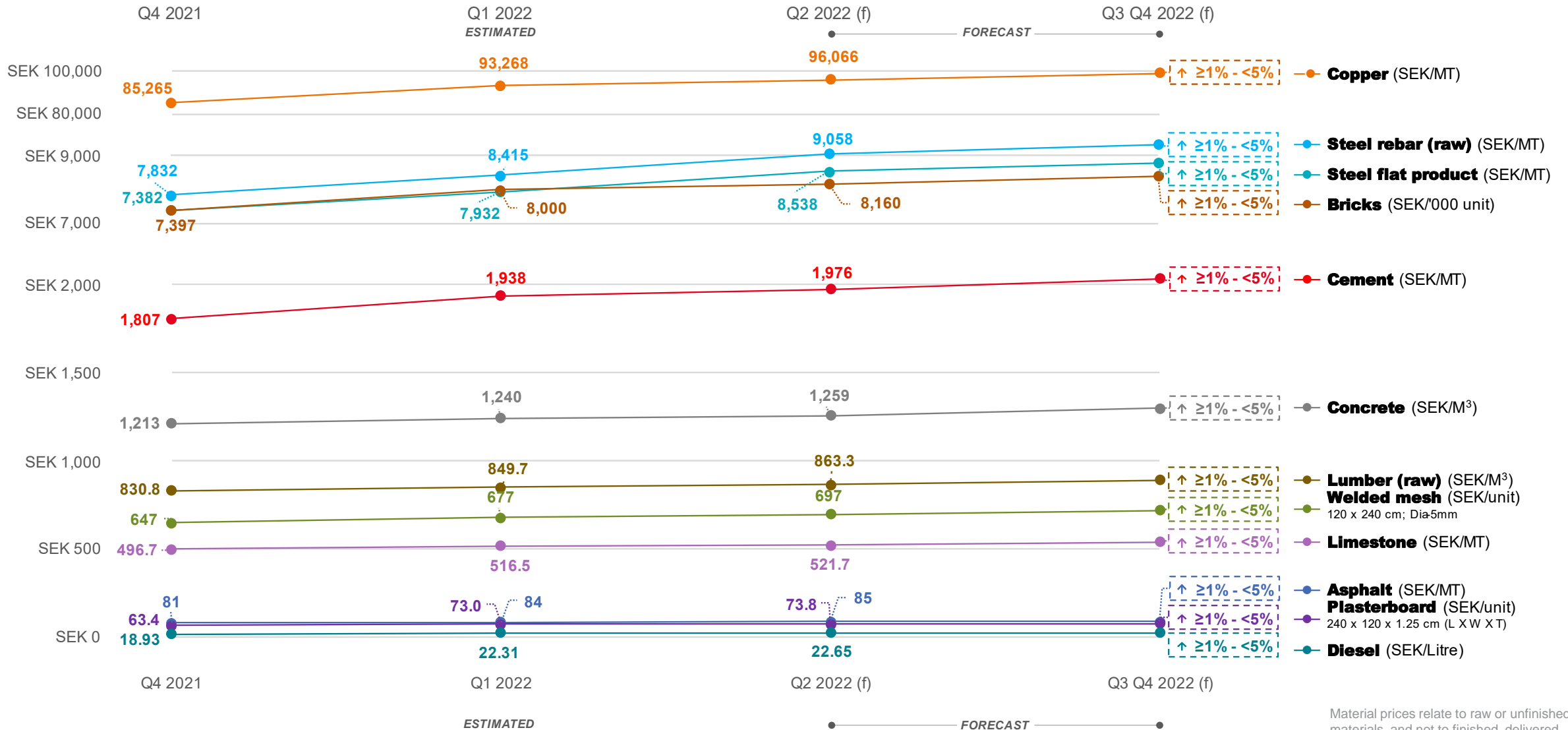
Index of economic freedom **73.4 out of 100**

Material	% change Q1 – Q2 2022 (f)	Level of impact of pricing on construction procurement and supply chain *
 Welded mesh	+3% ↑	 High Due to the expected increase the price of steel, price of welded mesh will also continue on an upwards trend in 2022.
 Bricks Plasterboard	+2% ↑ +1% ↑	 Low A recovery in buildings construction along with higher energy costs will keep brick prices at elevated levels in the coming quarters.
 Diesel	+1.5% ↑	 High Diesel prices soared in March in response to the jump in international crude oil prices that followed the onset of the Russia-Ukraine conflict. Sweden's fuel prices are among the highest in the world, owing to high taxes.

* 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 - Macroeconomic overview



Economic indicators



3.38%
GDP growth in 2022 (f) and 4.04% in 2021



1.6% inflation rate in 2022 (f) and **2.04%** for 2021



5.13M people employed in 2022 (f) and 5.03M in 2021



7.95% unemployment rate in 2022 (f) and 8.86% in 2021



353.56 Consumer Price Index in 2022 (f) and 352.47 in 2021

Weather conditions

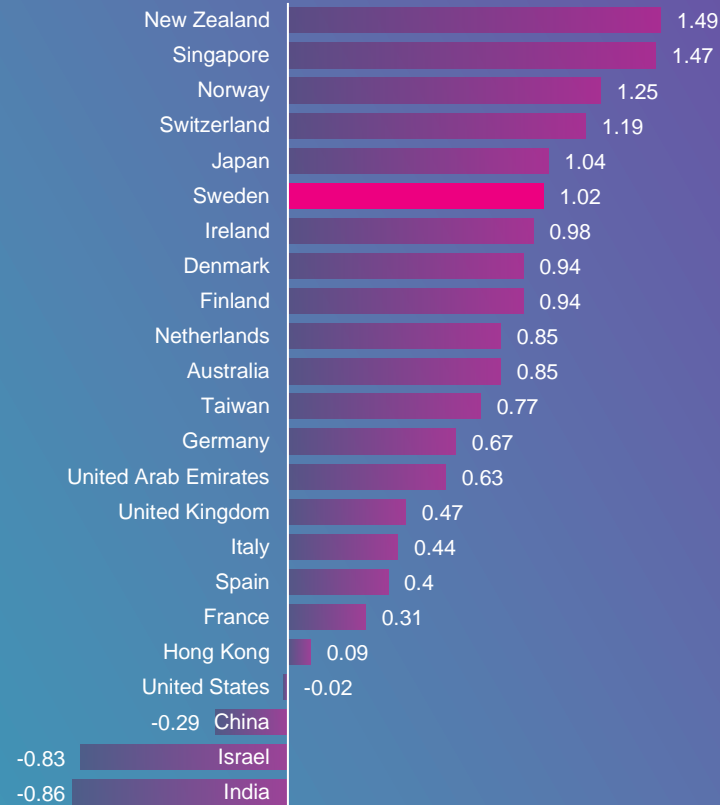


-5°C to 22°C
typical temperature range throughout the year



520mm – 650mm
range of average annual rainfall

Political stability



Political stability index (-2.5 weak; 2.5 strong)

The index of Political Stability and Absence of Violence/ Terrorism measures perceptions of the likelihood that the government will be destabilised or overthrown by unconstitutional or violent means, including politically-motivated violence and terrorism.

National holidays

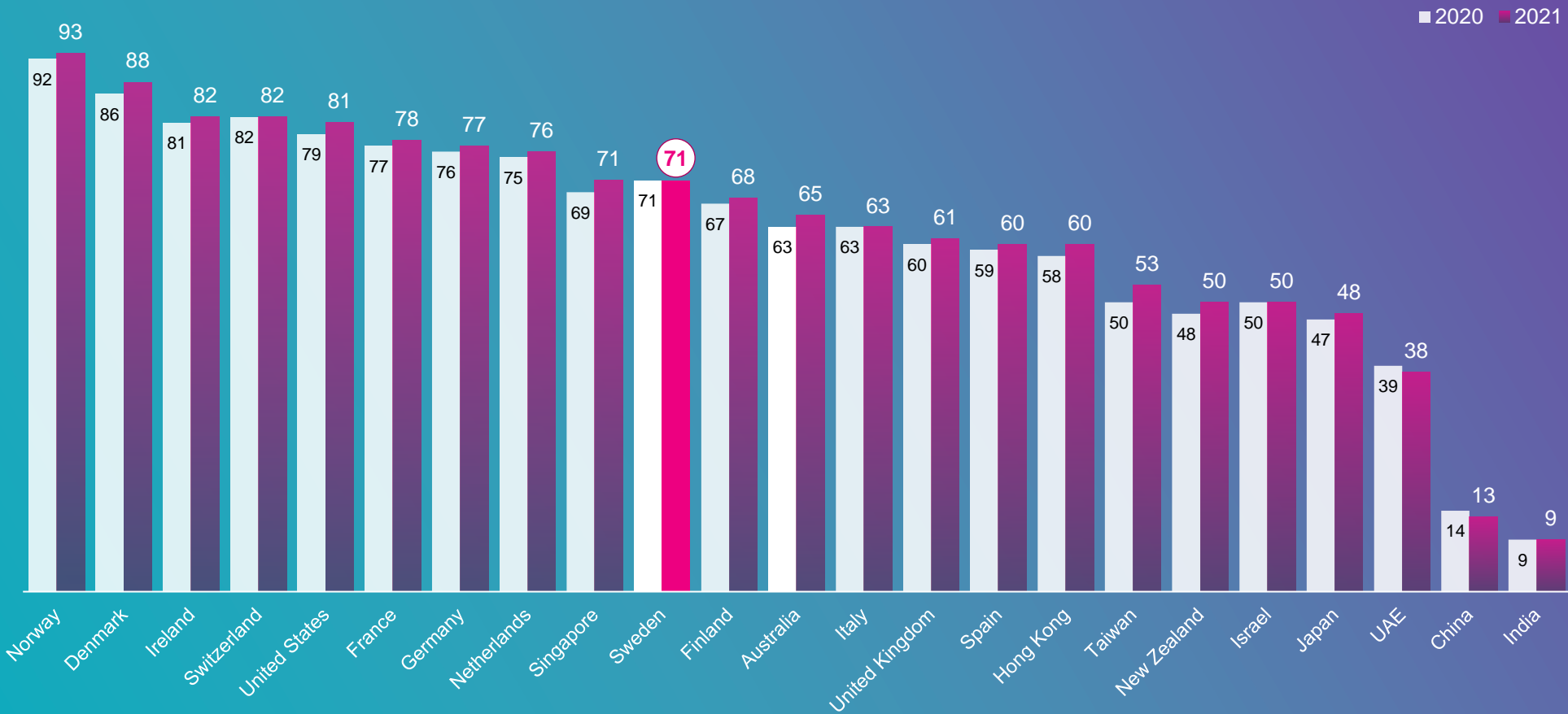


12 public holidays in Sweden. Most holidays are taken during December, typically around the festive period – ten days

Sweden - Macroeconomic overview



Labour productivity



Labour costs









SEK 425.007

average construction worker gross salary in Sweden or an equivalent hourly rate of SEK 204

Labour productivity per hour worked in 2020 international dollars, converted using Purchasing Power Parities

Sweden - Construction overview



Output 2021 and 2022 (f) (in millions)			
Sector	Total 2021	Total 2022 (f)	% change
 Commercial	SEK 90,776.25	SEK 88,050.74	-3%
 Energy and utilities	SEK 39,881.54	SEK 41,508.22	4.1%
 Industrial	SEK 78,151.72	SEK 81,674.29	4.5%
 Infrastructure	SEK 117,669.22	SEK 122,093.27	3.8%
 Institutional	SEK 45,462.85	SEK 46,650.77	2.6%
 Residential	SEK 351,116.58	SEK 357,478.66	1.8%
Total output	SEK 723,058.16	SEK 737,455.95	2%

Long-lead equipment (LLE) – time risks

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 increased exponentially with the IT boom. More data centre and crypto mining providers are joining the market, and this new demand far outweighs the capacity of the supply chain. Entry onto the production line has become a significant challenge, with suppliers reporting fully booked capacity until Q1 2023. Opportunities exist for the development of Tier 2 and Tier 3 suppliers to Tier 1 status. However, it will take time to develop an extended supply chain.
- Material shortage:** The end of Q1 2022 saw a significant drop in the availability of raw materials used for LLE production. Global factors such as the Russia-Ukraine conflict and the resurgence of COVID-19 has halted production, which is at its lowest levels in recent years. The ethical approach in the supply chain to manoeuvre away from the use of Russian gas and oil has reduced production levels and added longer lead times within the supply chain. The raw material shortages are expected to continue into Q2 2022, whilst there is uncertainty for the security of the supply chain.
- Freight durations and costs:** Heightened by the increase in fuel costs and compounded by the shortage of labour and low supply of shipping containers, freight durations have soared as suppliers look for ways to mitigate these challenges. The demand for freight services has grown across all markets in recent years and the competition amongst industries has had a negative effect on availability and durations. As clients consider alternative solutions, it almost becomes cost prohibitive to use quicker forms of transport, such as air freight, due to increasing fuel costs.

Construction health & safety practices and culture



Mynak, the Swedish Agency for Work Environment Expertise provides oversight for the European Agency for Safety and Health at Work, on behalf of the Swedish Government.

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
- Economy.com
- The Global Economy
- Weather Spark
- Mynak
- Statistics Sweden
- GlobalData's Construction Intelligence Center (CIC)
- Conference-board.org

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