



Autumn Market 2024 update

15 October 2024

Kristoffer Eide Hoen | Head of Business Development and Analysis
Anders Wettre | Senior analyst

Questions?

kristoffer.eide.hoen@veidekke.no
anders.wettre@veidekke.no

Agenda

- 01 Introduction
- 02 Economic environment
- 03 The contracting markets
- 04 Construction costs
- 05 Summary

01 Introduction

About Veidekke's market report

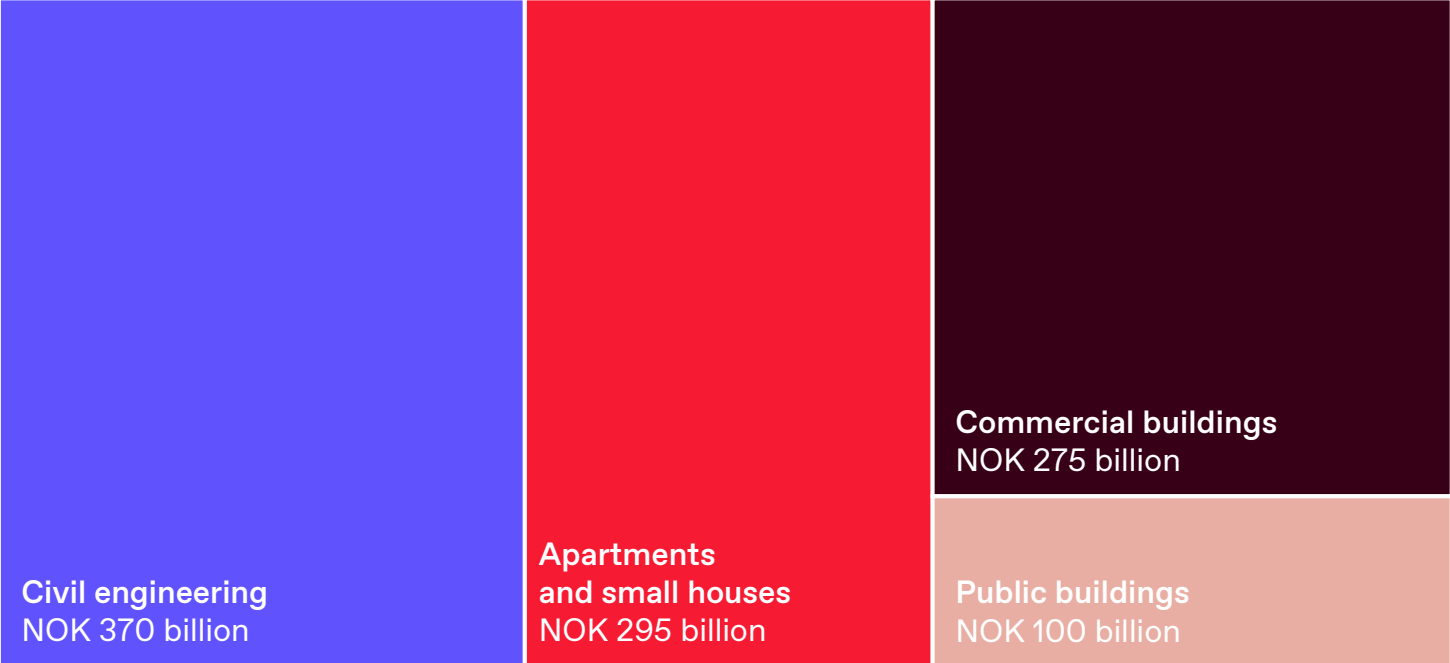
- Veidekke prepares market analysis of the Scandinavian markets based on statistics published by Statistics Norway, Statistics Sweden and Statistics Denmark. Other information sources include major construction clients like the Swedish Transport Administration and the Norwegian Public Roads Administration, as well as central and local government budgets.
- Macroeconomic forecasts stem from reputable forecasting institutions like the National Institute of Economic Research (Sweden), Statistics Norway, the Danish Economic Councils and central banks.
- Veidekke calculates best-estimate forecasts of production levels using a forecasting model that incorporates national interest rate levels and municipal-level data on registered building starts, population growth and unemployment. Sources used for infrastructure forecasting include national accounts and publicly available information on upcoming major public transport, water supply and sewerage projects.
- Veidekke's contractor activity assessments and construction cost indices are forecasts based on current knowledge. Forecasts may be revised in the event of unforeseen changes in geopolitical circumstances, financial markets or commodity prices.

Our focus: the Scandinavian contracting markets

- Not included:**
- Detached houses and holiday homes
 - "Off-the-books" work and household DIY

The contracting markets in 2023

Production of buildings* and infrastructure in NOK billion



Total Scandinavian market 2023:
~ NOK 1,035 billion



*** Residential units: All new-builds, rebuilds and additions, excluding detached houses and holiday homes.
Residential units and commercial buildings: Including an estimate of the transparent ROT market for project sizes >NOK 20 million.
The civil engineering market: Only includes activities classified as investments by national statistics agencies.

Contracting markets

Forecasts 2024–2026

Comments

- The drop in activity seen in 2023 is continuing in 2024, primarily on the back of weak building start numbers in the construction sector over several quarters. A 14% drop is forecast for 2024, although 8% total growth is expected over the next two years.
- In contrast to the construction sector, the civil engineering market is expected to maintain robust activity levels throughout the forecast period.
- Current reduced construction activity levels are attributable to rising interest rates and high inflation in 2022 and 2023. It normally takes one to two years for macroeconomic changes to affect activity.
- Correspondingly, interest-rate cuts and early signs of increased demand suggest that activity levels will recover in the next one to two years.
- We estimate that approximately half the present decline will be recovered by the end of 2026.

Production in the Scandinavian contracting markets

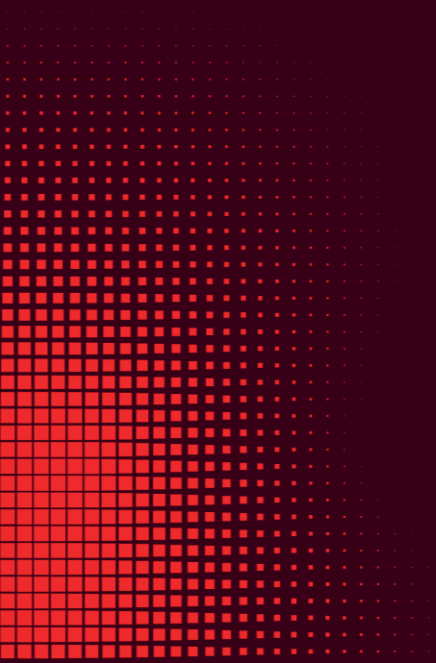
Percentage change since previous year, current prices

	2023	2024	2025	2026
Norway	3%	-7% (-7%)	-4% (-4%)	6%
Sweden	-5%	-15% (-11%)	4% (-1%)	7%
Denmark	-6%	-17% (-8%)	3% (-1%)	8%
Scandinavia	-3%	-14% (-9%)	1% (-2%)	7%
Scandinavia, NOK billion	1,035	895	905	970

Spring 2024 forecasts in brackets.

02

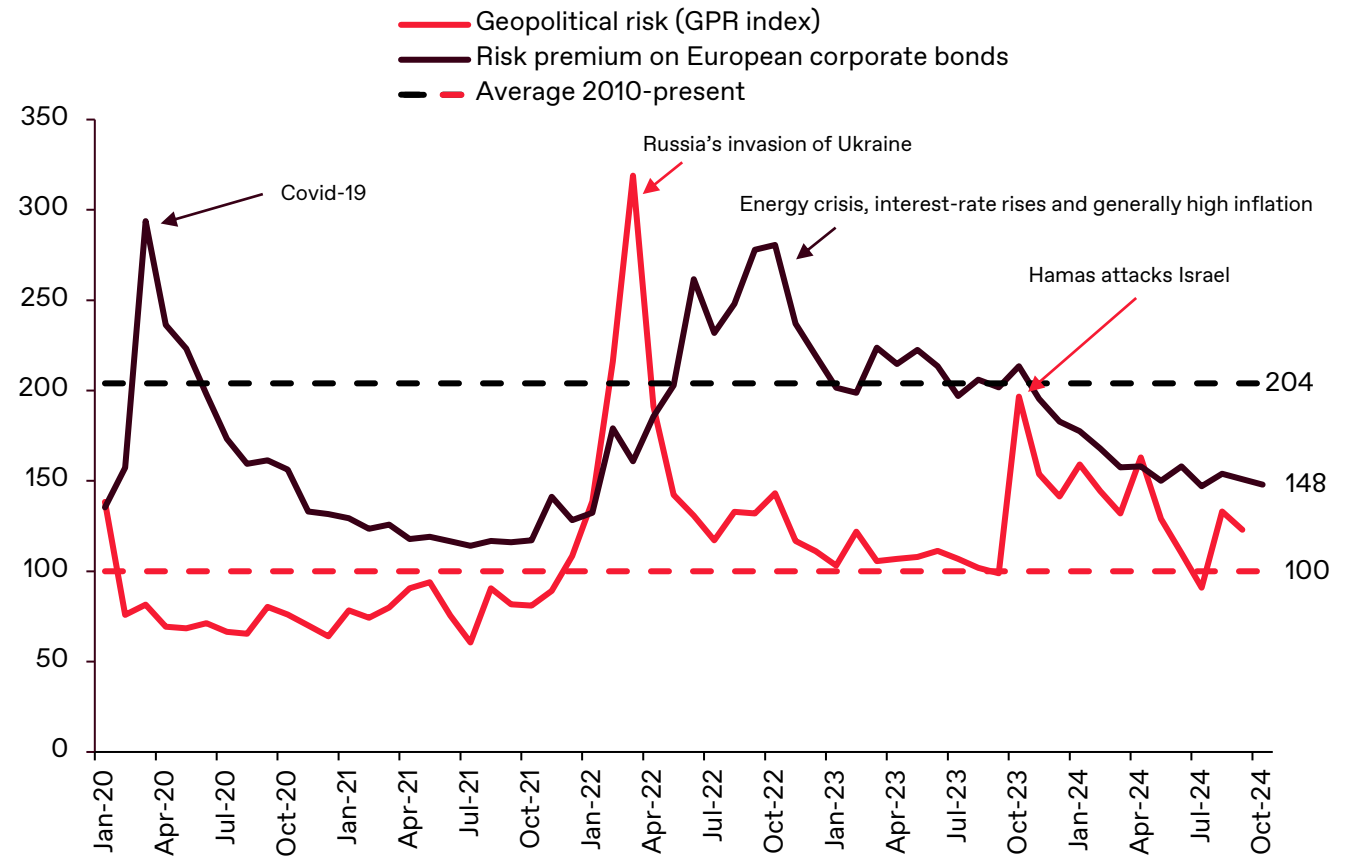
Economic environment



Calm financial markets despite geopolitical turbulence

Geopolitical turbulence and risk premiums on European corporate debt

- The geopolitical risk indicator (GPR) has risen recently, reflecting the elevated conflict level in the Middle East. The most recent measurement was taken in September.
- The premium on European corporate bonds has been relatively stable and is now significantly below the historical average for the period since 2010.
- We interpret the development in these indicators as a signal that the financial markets are not currently anticipating material impacts on the European economy, despite increasing geopolitical turbulence in the Middle East.
- It is important to note that indicators only provide a snapshot of the current situation and are not a forecast of the future. Unforeseen developments may quickly increase the risk of both geopolitical conflicts and disruption in financial markets.

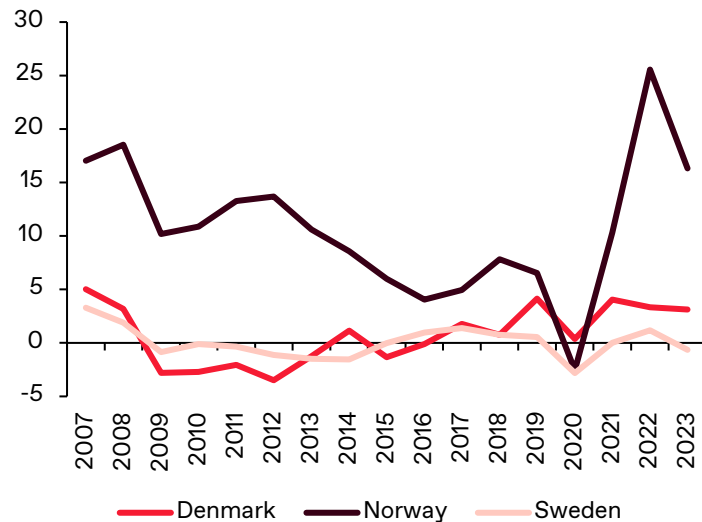


Very robust national macroeconomic positions

Public finances, balance of trade and competitiveness

Strong public finances

Balance sheet, public sector, % of GDP

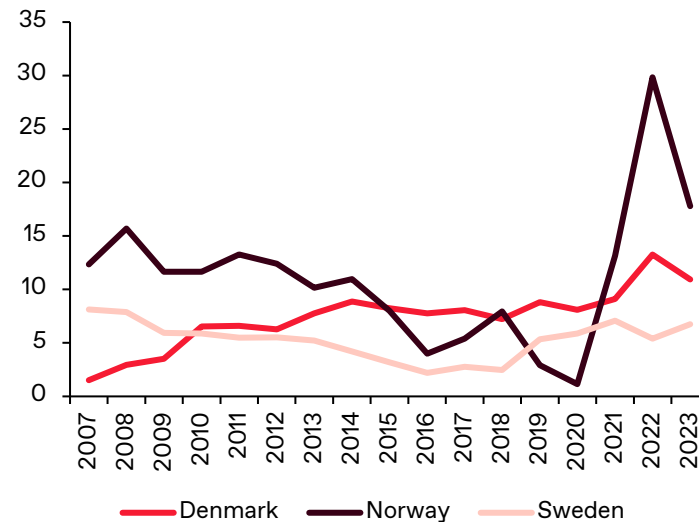


The figure shows a surplus as a percentage of GDP for the public sector. The figure shows that the countries have demonstrated stable, effective management of public finances over time.

Source: [OECD](#)

Stable, positive balance of trade

Balance of trade, % of GDP

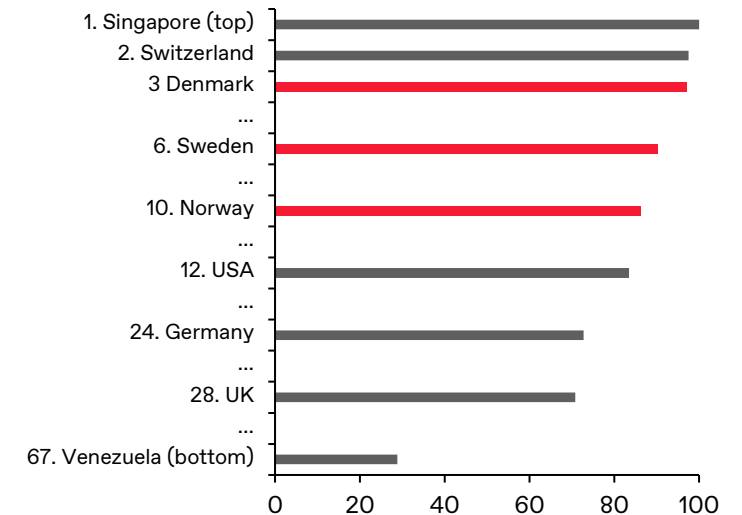


The figure shows the countries' trade surpluses on goods and services as a percentage of GDP. The data indicate a strong surplus, substantiating long-term macroeconomic sustainability.

Source: [World Bank](#)

Global Competitiveness Rank 2023

Rank 1 (highest) – 67 (lowest)



IMD's competitiveness ranking is based on a broad set of data indicating strengths/weaknesses linked to a country's well-functioning society, economy and business environment. The figure shows aggregated results for 2023. Scandinavian countries rank highly in an international comparison.

Source: [IMD](#)

Strong purchasing power and high job security

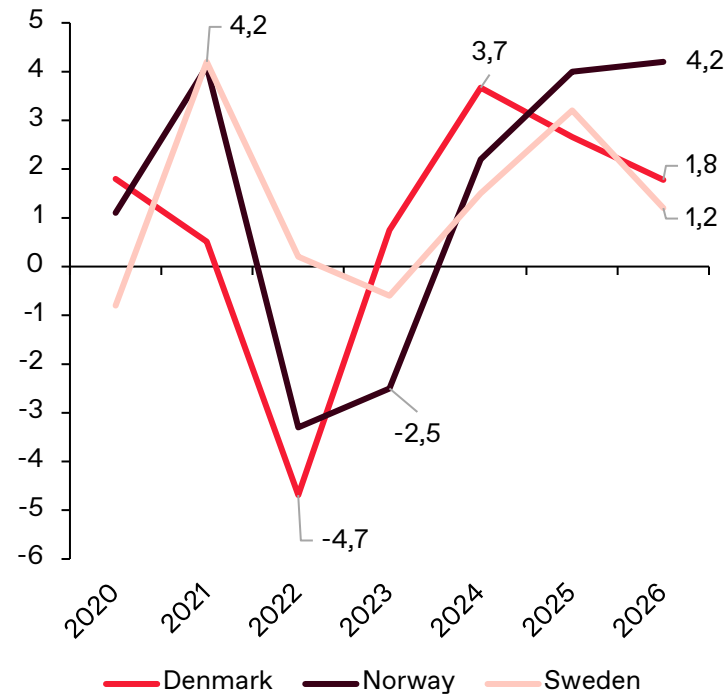
Growth in purchasing power and unemployment

Comments

- The outlook for future household finances is positive. Real wage growth is expected to rise, while the interest-rate burden is forecast to decline gradually.
- The labour market has remained robust despite indications of a weak increase in unemployment. Forecasts indicate that the labour market will remain strong for households going forward.
- Favourable economic prospects and reduced uncertainty will gradually stimulate demand in the construction sector.

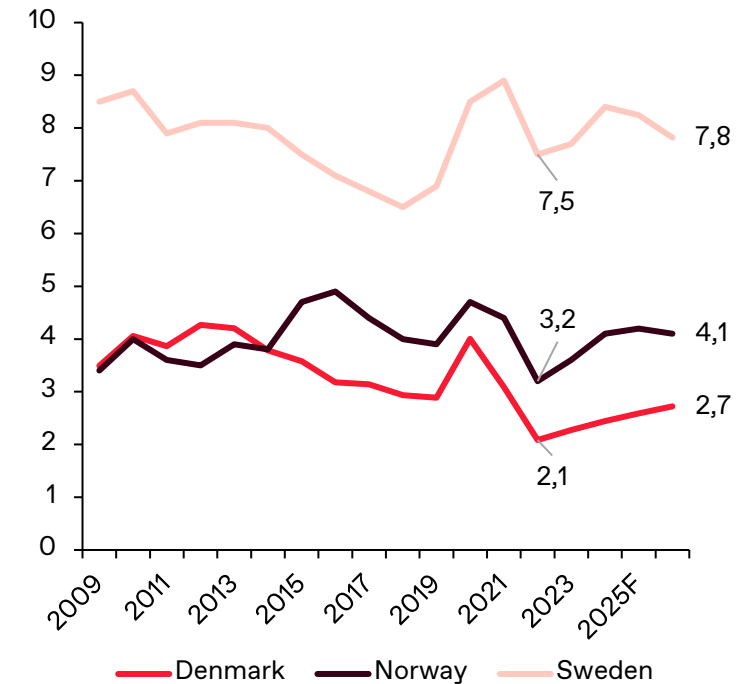
Household purchasing power increasing...

Annual growth in real disposable income, households, %



...while job security remains stable

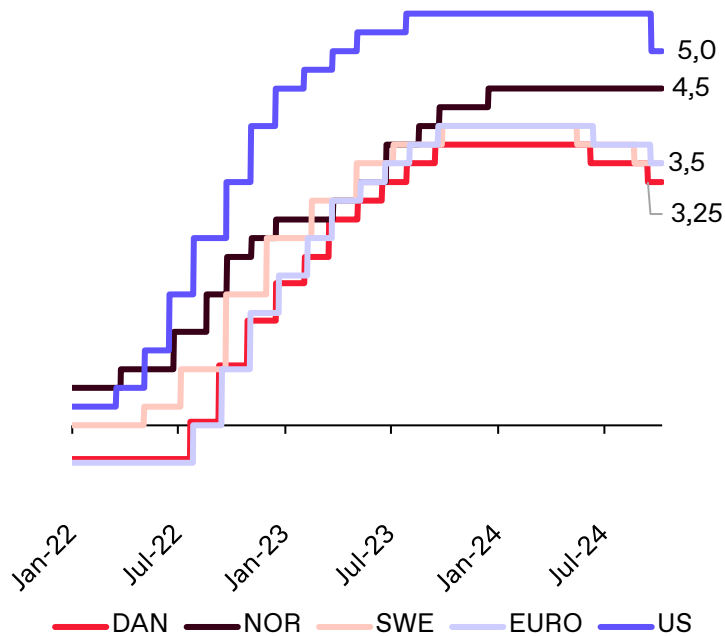
Unemployment, % of working persons aged 15–74



Falling interest rates

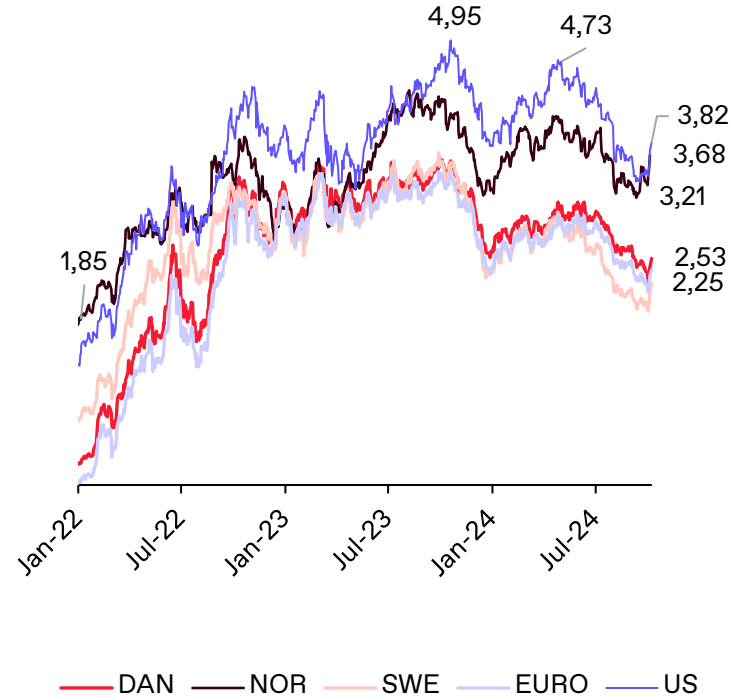
Key policy rates are being cut...

Key policy rates, latest observation 8 October



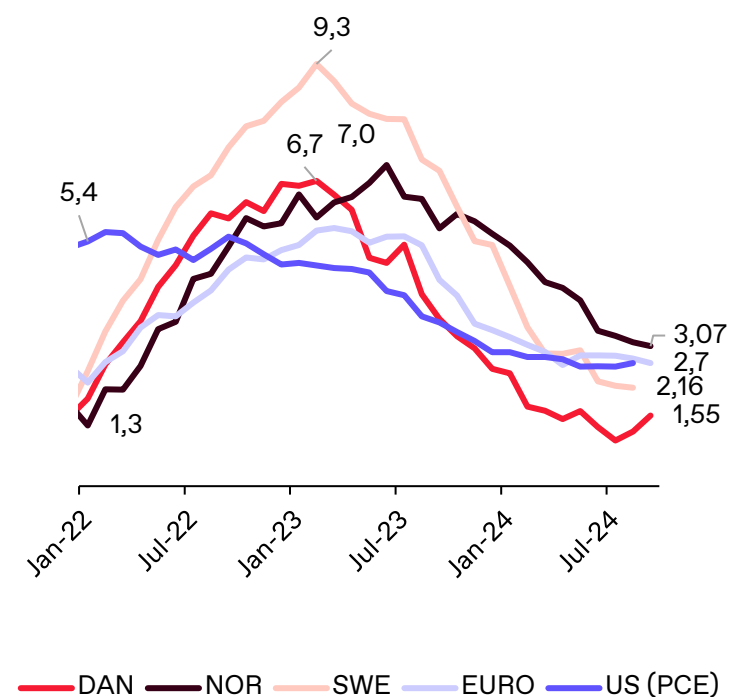
...and market rates are falling

Five-year swap rates, %, latest observation 8 October



Inflation is close to the 2% target

Core inflation, %



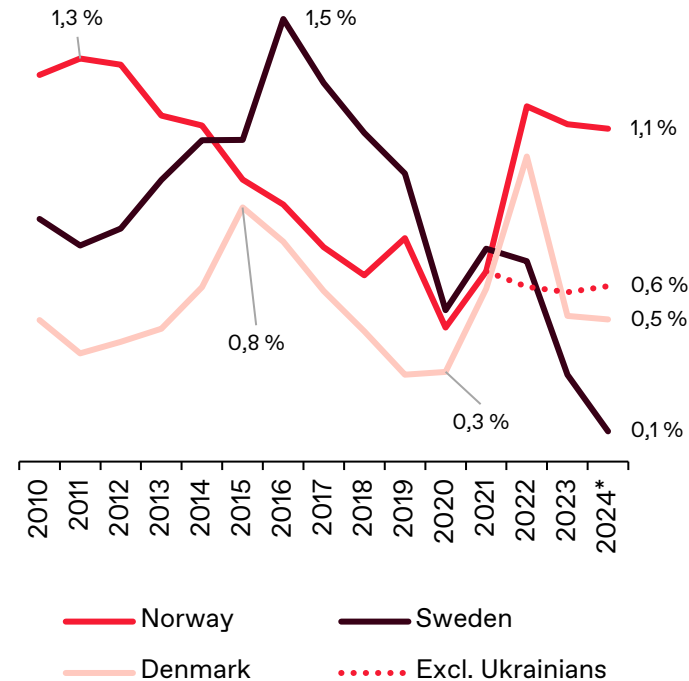
Less help from demographic trends?

Population growth and composition

Comments

- In Q2, population growth in Norway amounted to 1.1% year-on-year. Adjusted for immigration from Ukraine, growth totalled 0.6%.
- In Sweden, population growth continued to decline, and is approaching negative growth, while the growth rate in Denmark was 0.5%. The low rate in both countries is due to a combination of lower immigration and a lower birth surplus.
- The graph on the right illustrates changes in age composition which will impact the construction industry in several ways:
 - Reduced demand for school capacity.
 - Increased competition for recent graduates in Norway and Denmark.
 - Considerably higher demand for residential units and care facilities adapted to the needs of older persons.

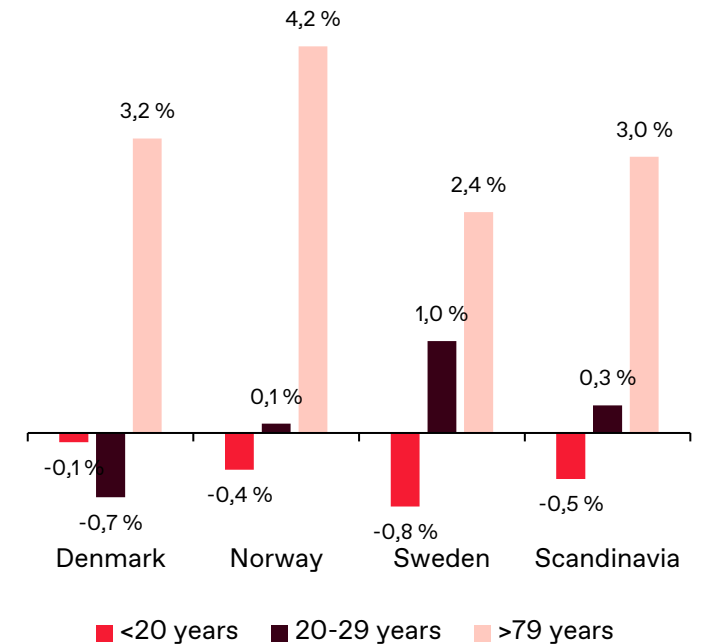
Population growth, not like before



* Q2 2024 vs. Q2 2023

Priority for schools or care services?

Annual growth (CAGR) 2025–2035 for selected age groups



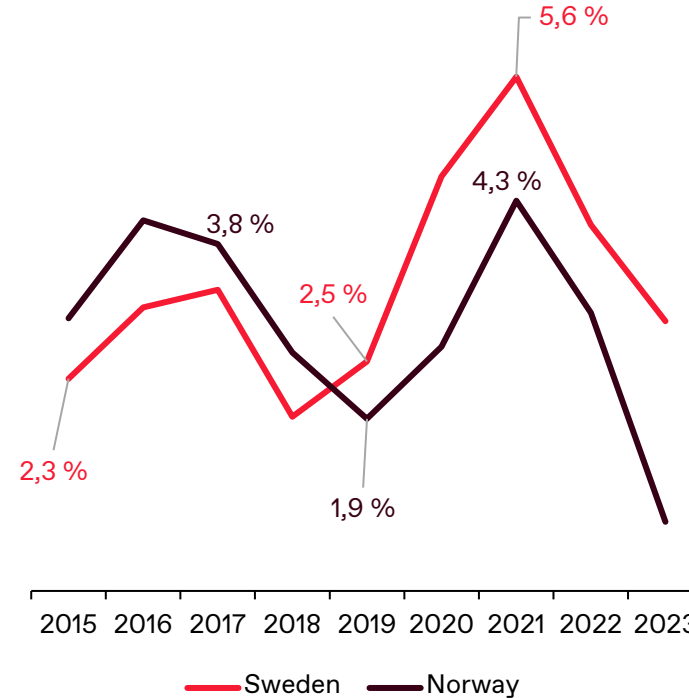
Municipal finances and demand

Comments

- Municipal investment capacity is under pressure due to cost increases without corresponding revenue growth. Last year's margin of 0.8% in Norway is significantly below the target for the sector.
- Debt inflation has been strong for some time, and the interest-rate increases seen in recent years have had a noticeable impact on municipalities with net debts.
- In the past 5–10 years, municipal investment priorities have increasingly shifted to water supply and sewerage, driven by a need for refurbishment and climate adaptation. The shift has triggered a substantial drop in demand for municipal buildings in both Norway and Sweden.

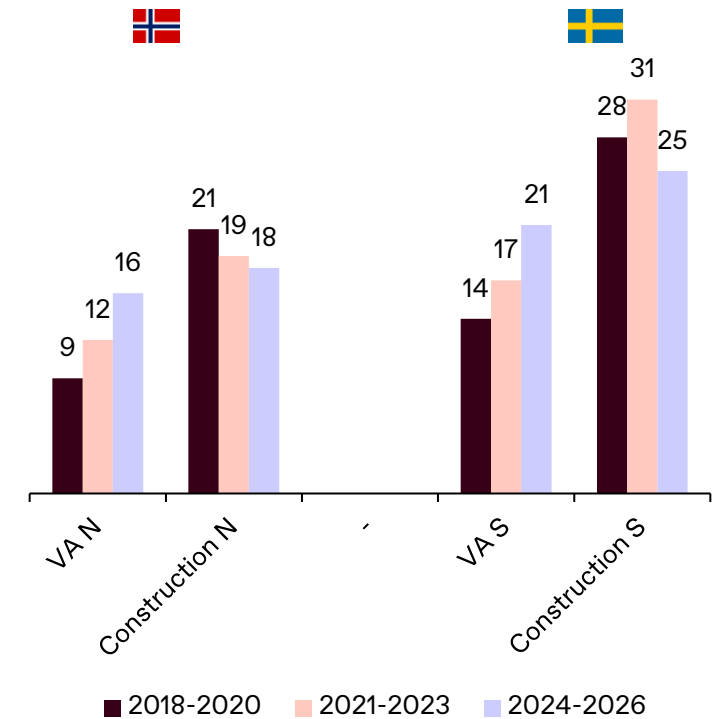
Profit margin, municipalities

Profit/gross income (income before financing costs)



Municipal construction and civil engineering investments*

NOK billion, annual average



* Construction = schools and care facilities
VA = water supply and sewerage (N = Norway and S = Sweden)

EUs new Building Directive EPBD

Comments

- EPBD came into force 28 May 2024, and EU member states have until May 2026 to implement the directive in national law. The goal of EPBD is to improve energy efficiency in the building sector in the short and medium term, with further tightening up to 2050.
- The directive, originally proposed by the European Commission in 2021, has undergone significant changes over the course of negotiations between the European Parliament, member states and the Council, with the most significant moderation taking place in the final phase. The European Parliament, the Council and the European Commission negotiated a compromise that accommodated member states' desire for more flexibility and transitional arrangements.
- Implementation in Norway may take longer than in Sweden and Denmark, because Norway, as an EEA country, must adapt the directive through its own legislative processes.
- EPBD sets expectations for increased rehabilitation of older buildings, especially non-residential buildings, up to 2030 to meet the requirements.
- Zero-emission requirements can provide incentives to start the building of new buildings before the requirements come into force, especially if technologies and costs are still immature.

Energy performance of buildings (EPBD)

Effective 28 May 2024

	New buildings	Existing buildings
Residential buildings	Zero emissions* standard from 2030	Energy consumption from homes with the poorest standard will be improved by 16% by 2030 and 20–22% by 2035
Commercial buildings	Zero emissions* from 2030	Upgrade of the 16% worst-performing buildings required by 2030 and the 26% worst-performing buildings by 2033
Public buildings	Zero emissions* from 2028	Upgrade of the 16% worst-performing buildings required by 2030 and the 26% worst-performing buildings by 2033

* Zero-emission buildings (ZEB) have no carbon emissions from fossil energy sources on-site and achieve very high energy efficiency, with all remaining energy needs covered by renewable sources, such as solar power, wind energy, or efficient district heating. These buildings also support flexibility in the energy grid by incorporating energy storage and smart energy management systems technology.

03

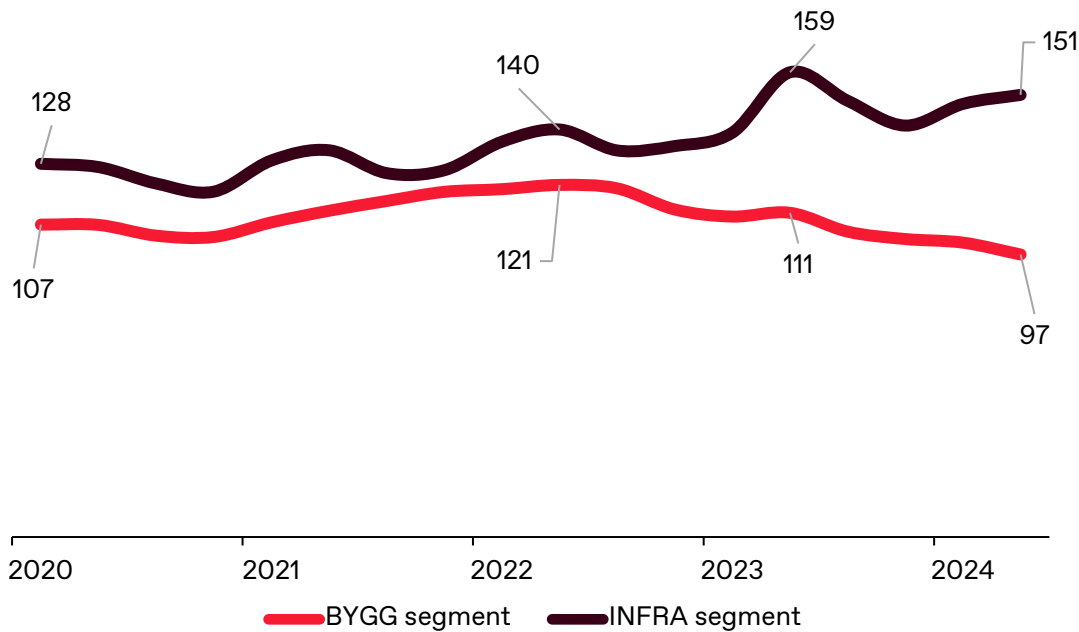
The contracting markets

Estimated order intake, construction operation

Stable order intake among major listed companies

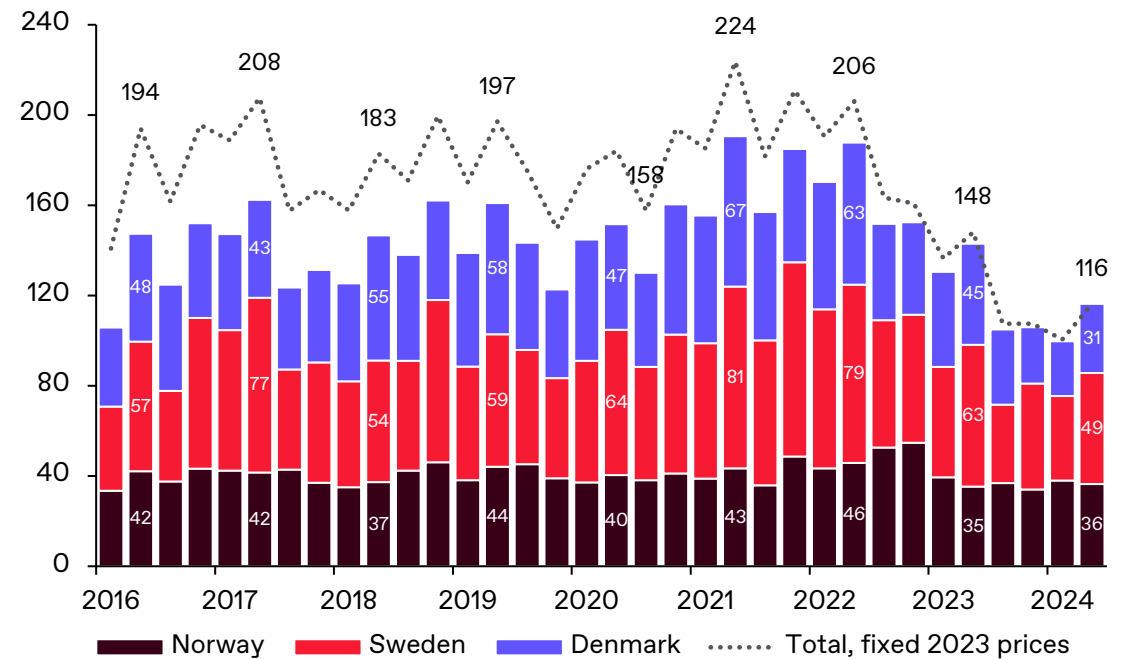
Order book, Nordic construction operations

Reporting companies, inflation-adjusted estimates in NOK/SEK billion according to reported currencies



Estimated order intake, Scandinavian construction projects

Inflation-adjusted and in NOK billion. Based on registered building permits



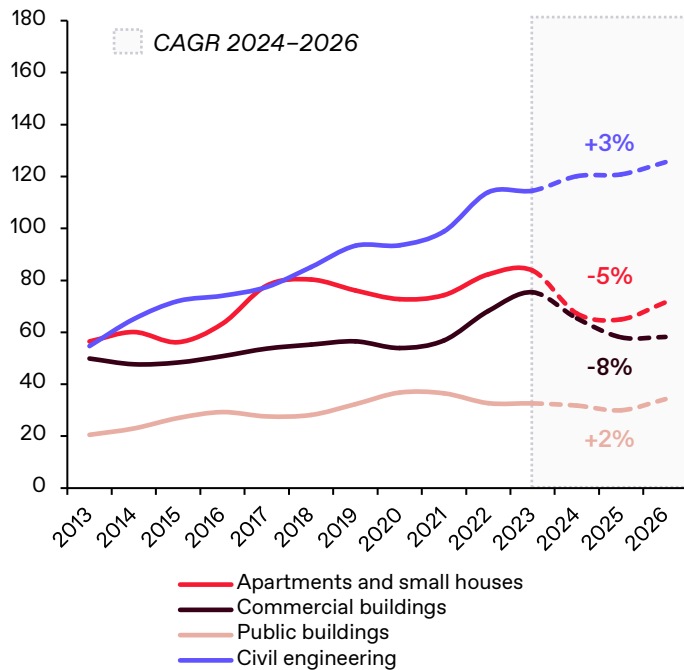
BYGG includes Veidekke Construction Norway and Construction Sweden, AF Bygg, Betonmast, Peab Construction, NCC Building Sweden and NCC Building Nordic.
 INFRA includes Veidekke Infrastructure Norway and Infrastructure Sweden, AF Anlegg, Peab Infrastructure, NCC Infrastructure and Skanska Nordic.

The Scandinavian contracting markets

Historical figures and forecasts, current prices

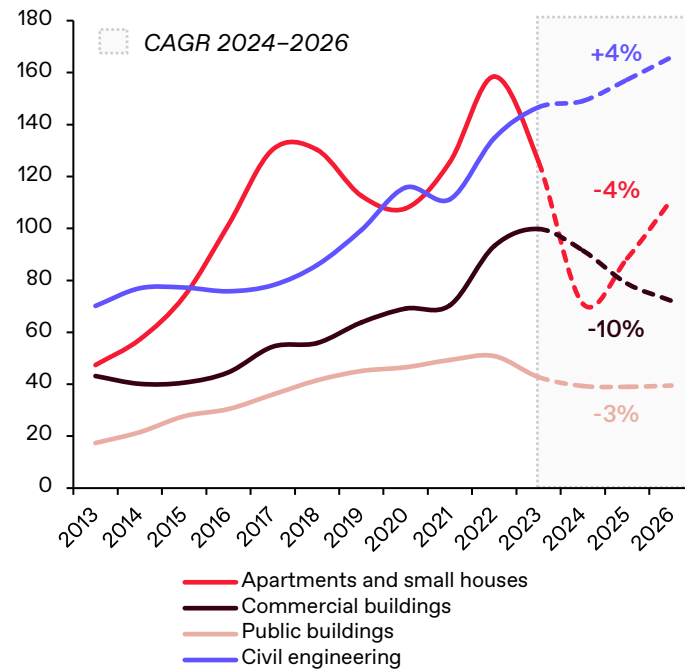
Norway, production by sector

NOK billion, current prices



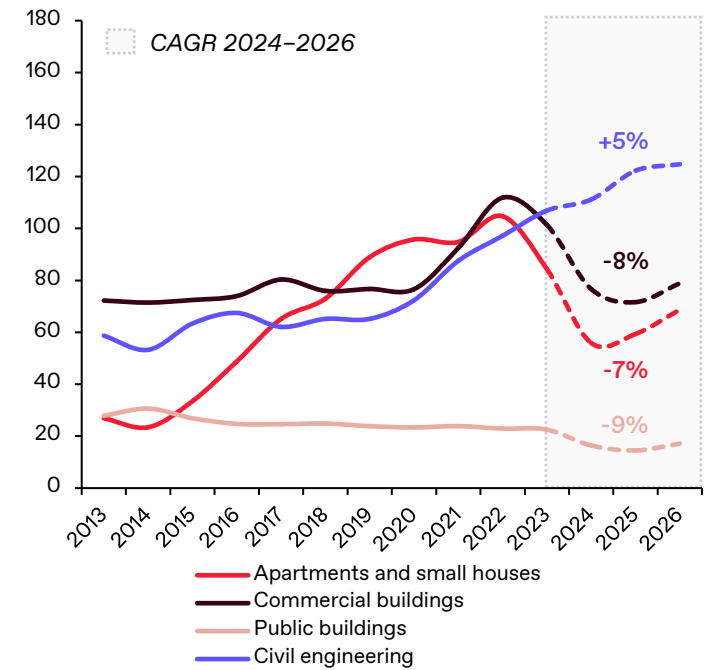
Sweden, production by sector

NOK billion, current prices



Denmark, production by sector

NOK billion, current prices

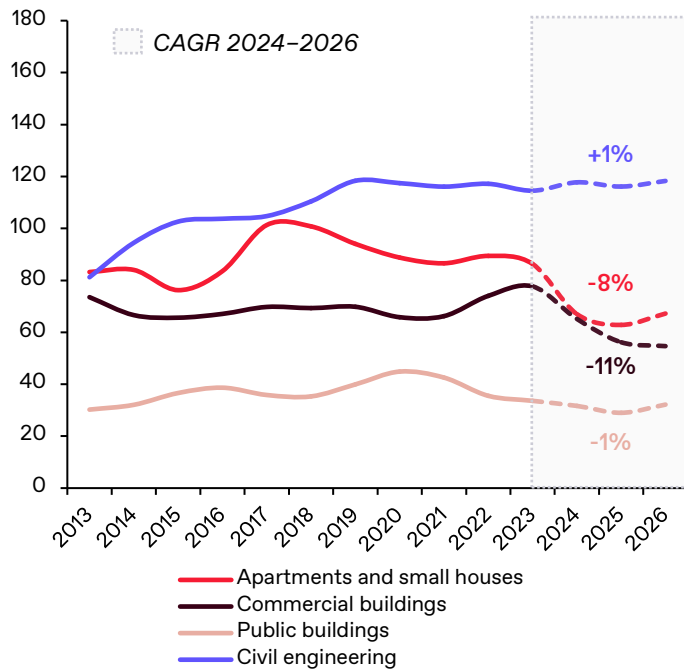


The Scandinavian contracting markets

Historical figures and forecasts, fixed prices

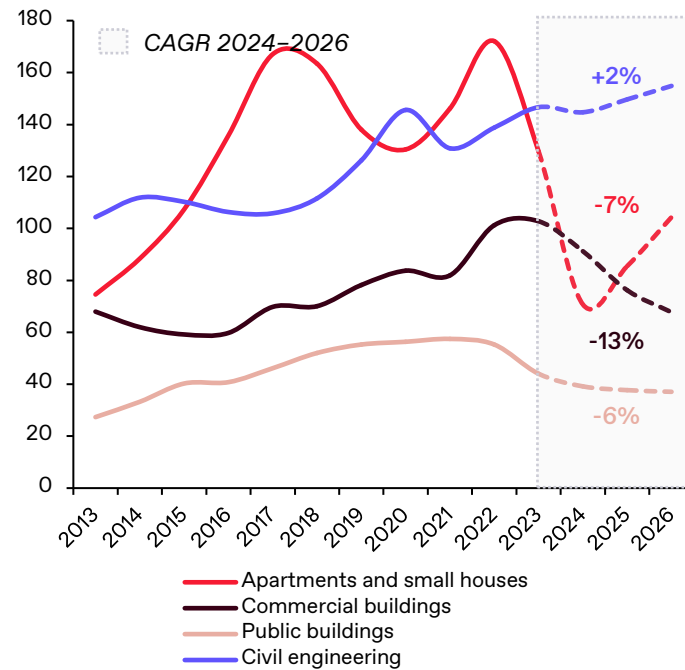
Norway, production by sector

NOK billion, fixed prices



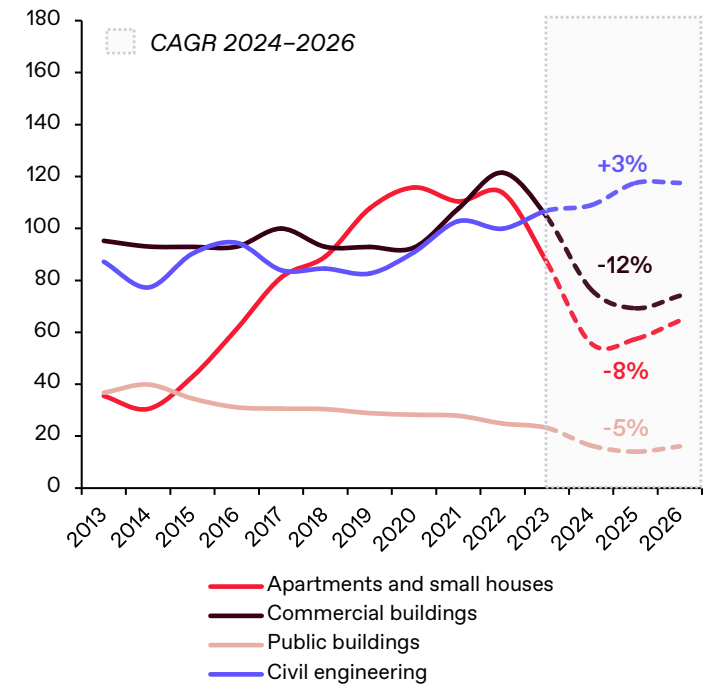
Sweden, production by sector

NOK billion, fixed prices



Denmark, production by sector

NOK billion, fixed prices

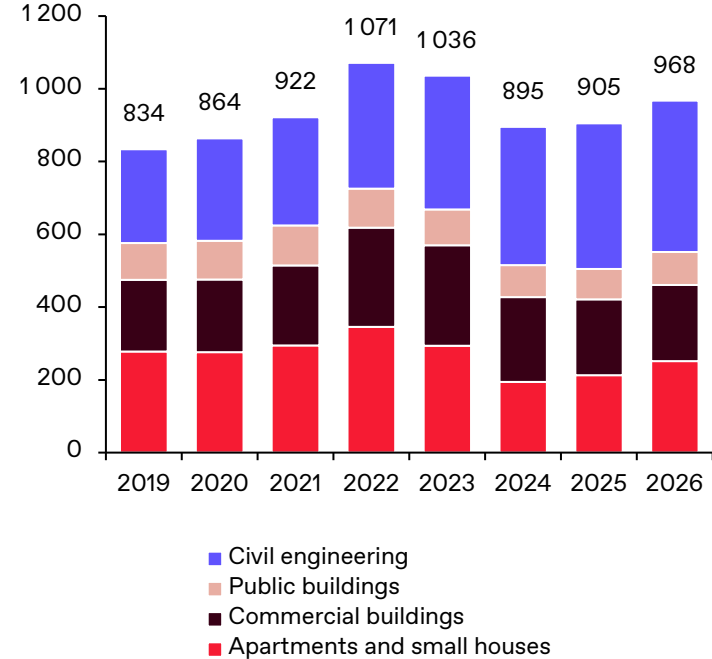


Forecast 2025–2026: approximately 50% recovery?

Sector and country distribution

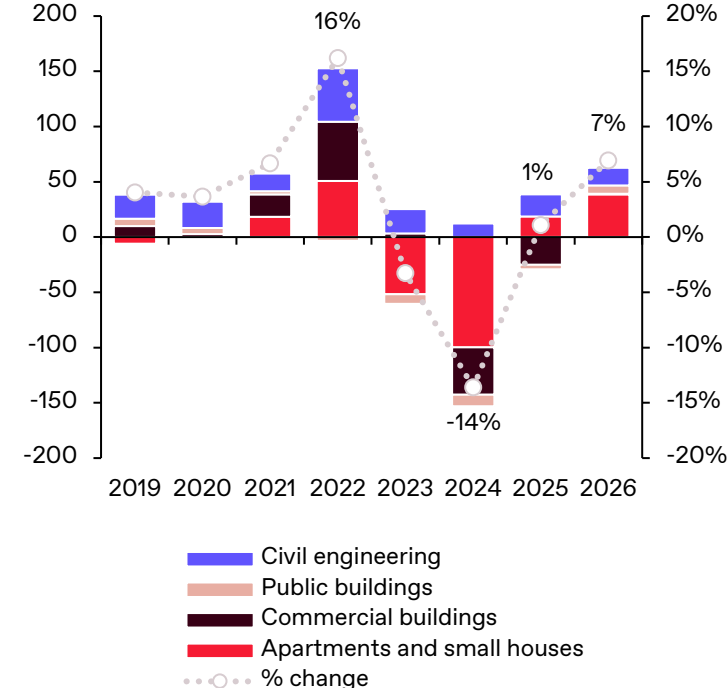
Sector distribution

NOK billion. 2024 estimate and 2025–2026 forecast



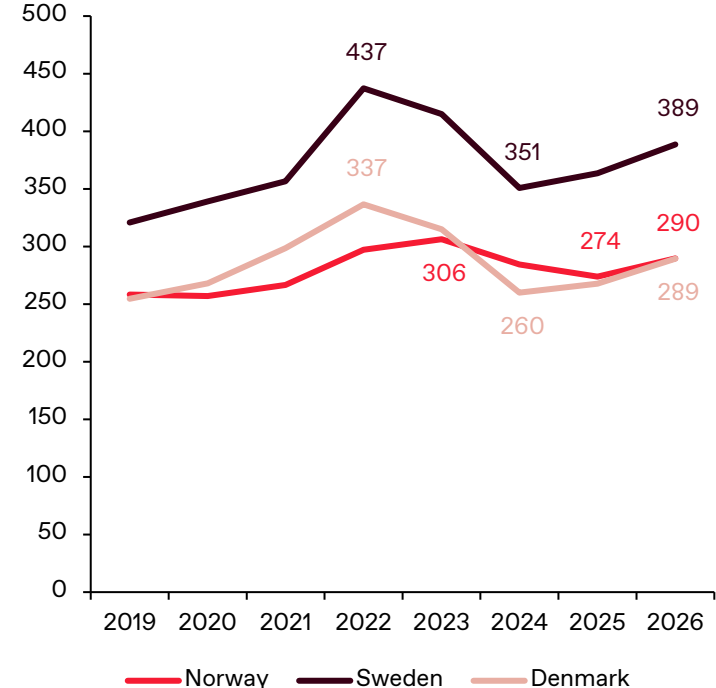
Year-on-year change by sector

NOK billion. 2024 estimate and 2025–2026 forecast



Country distribution

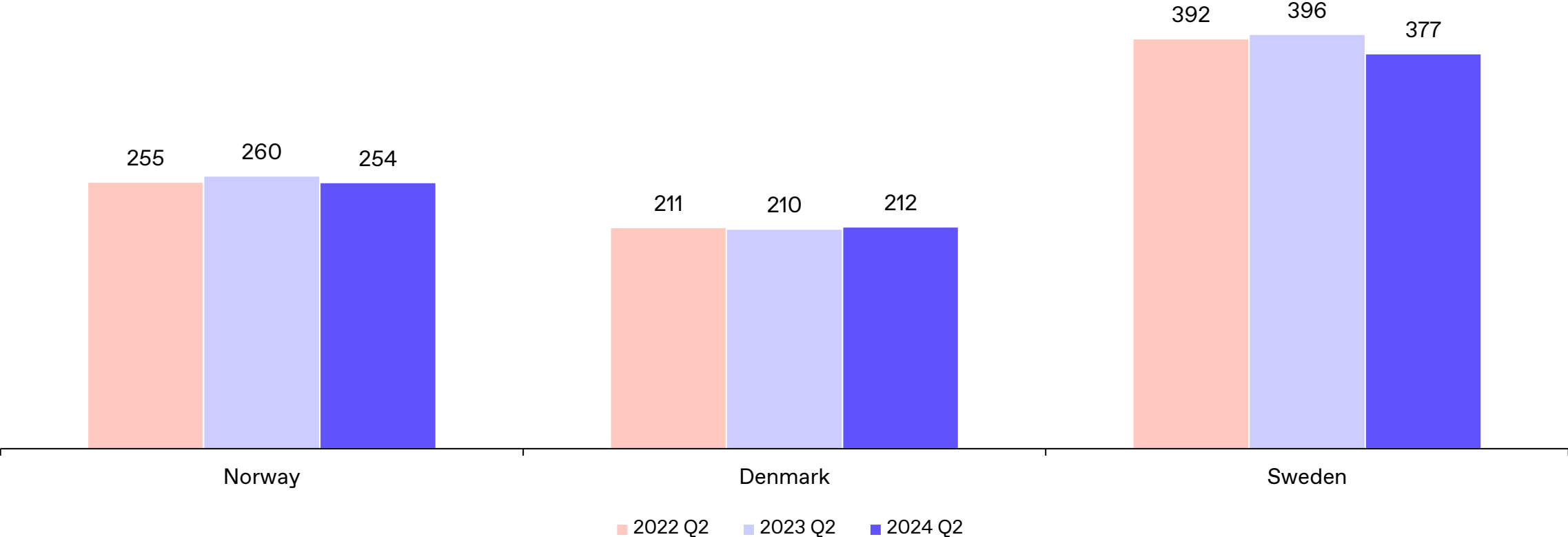
NOK billion. 2024 estimate and 2025–2026 forecast



Construction and civil engineering employment rate

No dramatic changes

1,000 persons, as per Q2 in relevant years



The contracting markets

Construction

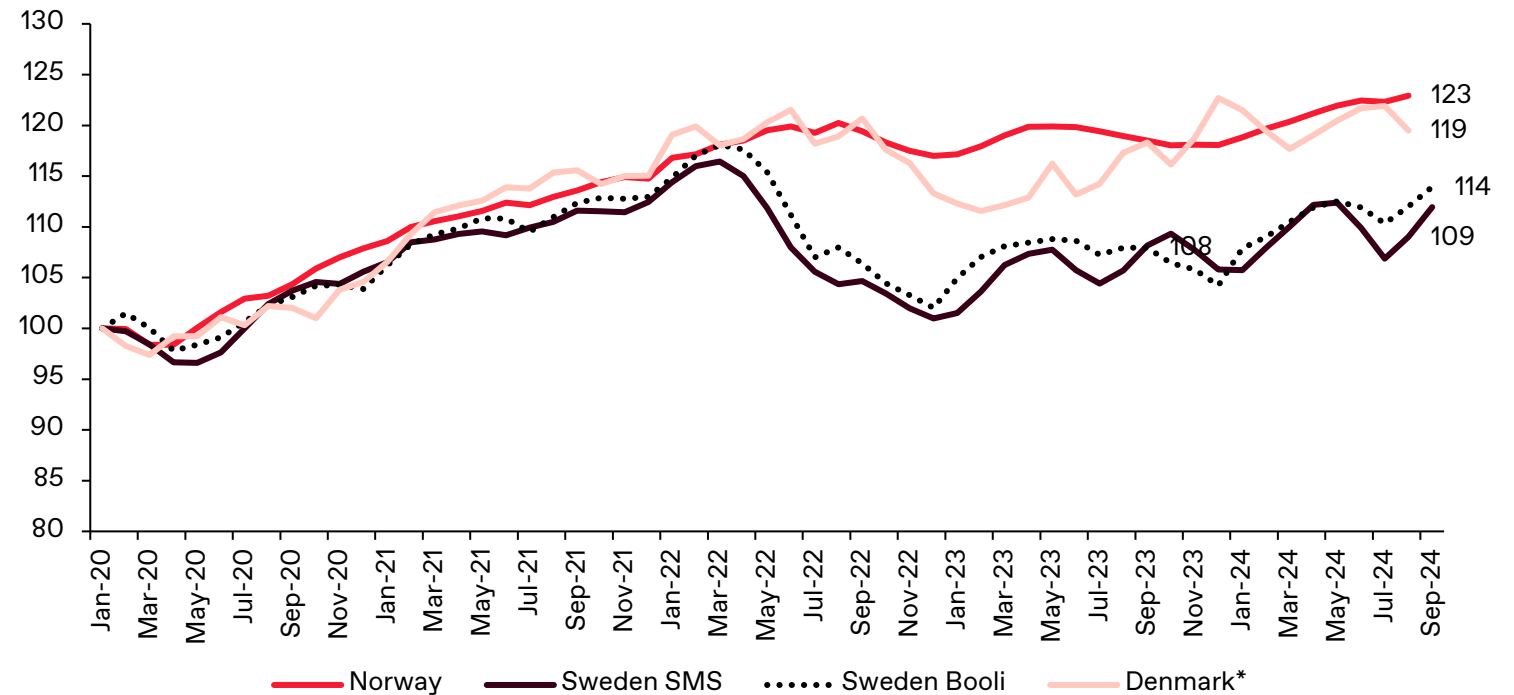
Positive signs in the secondhand residential market

Residential prices, index

- Prices of secondhand homes have developed positively in all three countries thus far this year.
- In addition, stable transaction volumes indicate a well-functioning market.
- Increasing household purchasing power and lower interest-rate levels equate to a promising outlook for the residential market.
- A well-functioning secondhand residential market is necessary, but not always sufficient, for an upturn in new residential unit sales.

Prices, secondhand residential units in Scandinavia, apartments

Index: January 2020 = 100



* The statistics show the most recent price of apartments taken off the market due to being sold or withdrawn from sale.

New residential unit sales in Norway

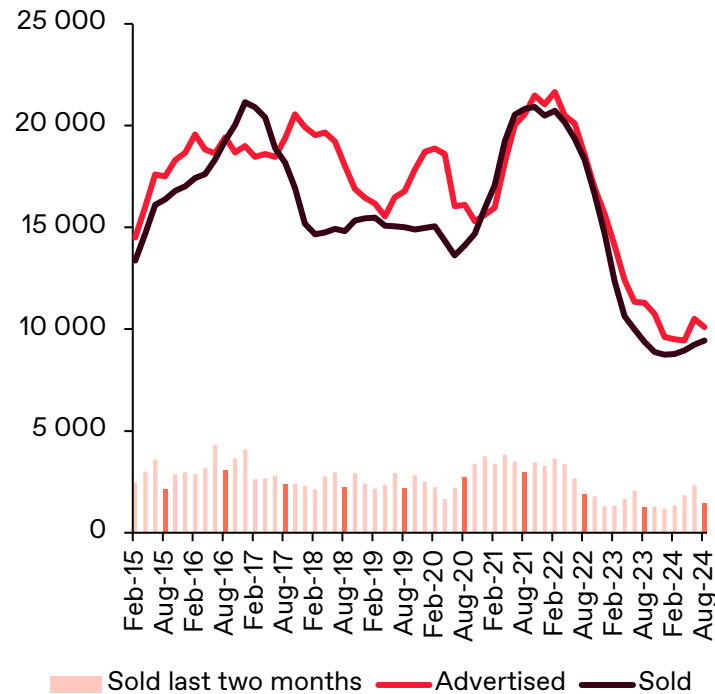
Sale starts and sales remain low, but there is an upward trend

Comments

- New residential unit sales in Norway appear to have bottomed out, although the recovery thus far remains modest.
- Approximately 9,500 apartments were sold in the past 12 months, i.e. somewhat fewer than were advertised for sale.
- Oslo and Akershus counties have seen a slight uptick in sales thus far in 2024, albeit from a historically low level. In eastern Norway, stocks of unsold new residential units remain higher than normal.
- Agder and Rogaland stand out from other regions, both before and after the interest-rate rises implemented in 2022, with new residential unit sales remaining largely stable.
- We expect to see a moderate improvement in the market for new residential units going forward, with more project starts than in 2023 and thus far in 2024.

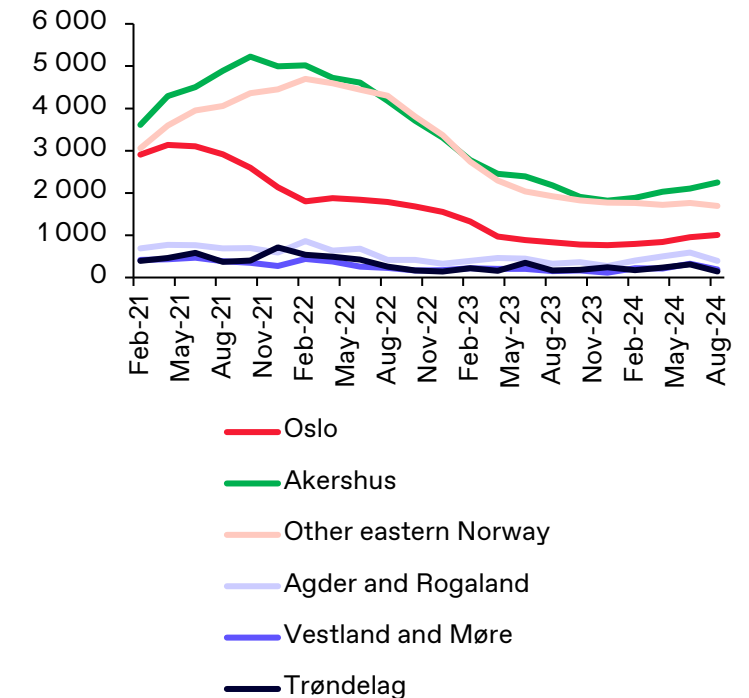
Ready-for-sale and sold apartments

Number of units, 12-month rolling total and last two months



Sales by region (apartments)

*Units, 12-month rolling total



Apartments and small houses, Norway and Sweden

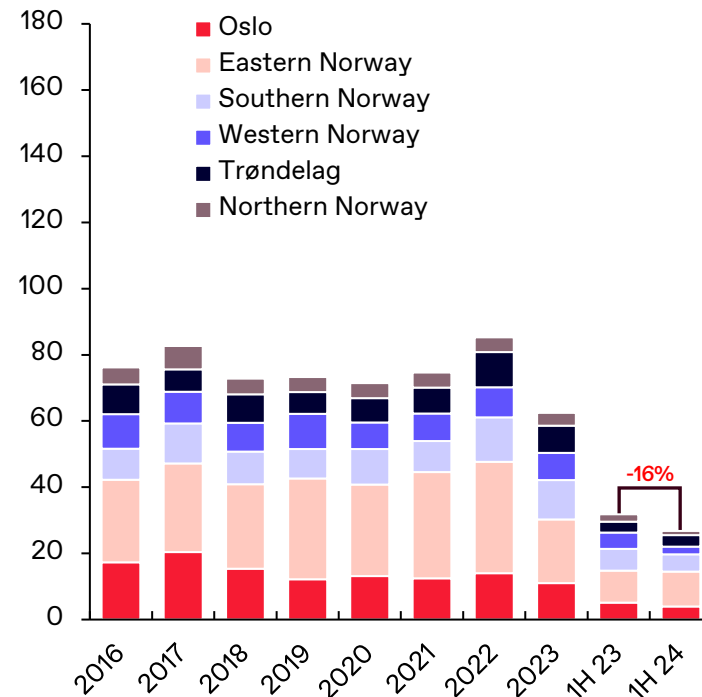
Estimated value of order intake

Comments

- The estimated order intake related to new apartments and small houses in Norway was 16% lower in the first half of 2024 than in the same period in 2023. Sweden saw a drop of 12%.
- Geographically, there are signs of recovery in eastern Norway, while western Norway has experienced a marked drop.
- In Sweden, activity levels remain very low in all regions. The decline compared to the first half of last year is partly attributable to residential construction activity in Greater Malmö coming to an almost-complete stop.
- We anticipate a moderate improvement going forward, with Sweden seeing the strongest growth. However, we do not expect interest rates to drop to levels which would trigger a return to previously-seen high residential construction levels.

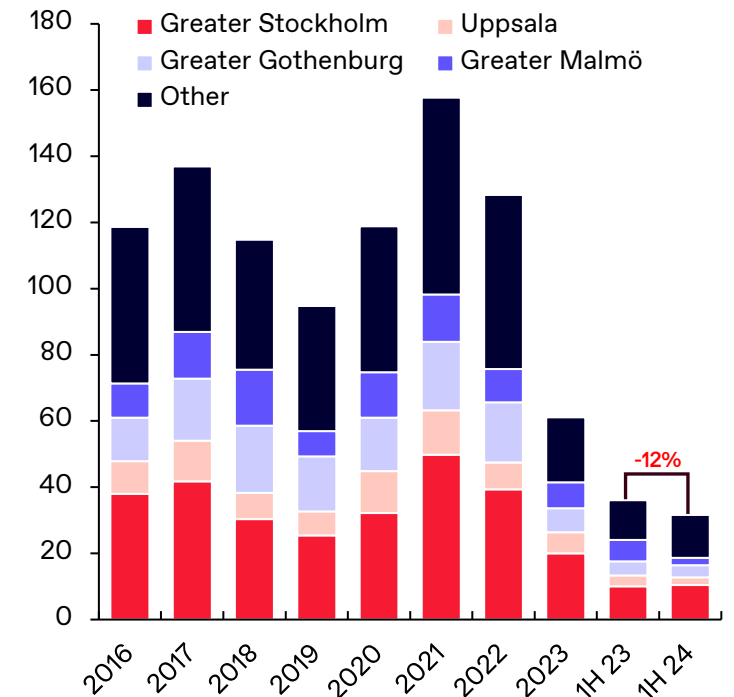
Norway, estimated order intake

NOK billion



Sweden, estimated order intake

NOK billion



Commercial buildings in Norway and Sweden

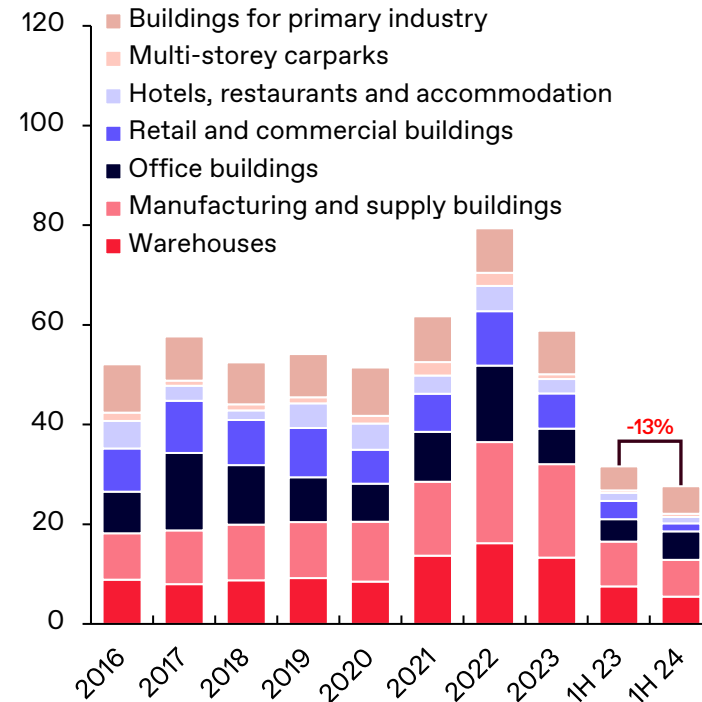
Surprisingly strong figures for 2023

Comments

- The order intake related to commercial buildings shrank by 13% in Norway and 33% in Sweden in the first half of 2024.
- The large drop in Sweden should be evaluated by reference to the fact that the level in the first half of 2023 was unusually high.
- In both countries, the decline is primarily attributable to reduced activity levels in the industrial and warehouse segments.
- Improved economic prospects and somewhat lower interest rates may continue to foster a stable market for commercial buildings, although activity levels are likely to remain somewhat below the peak years from 2021 to 2023.

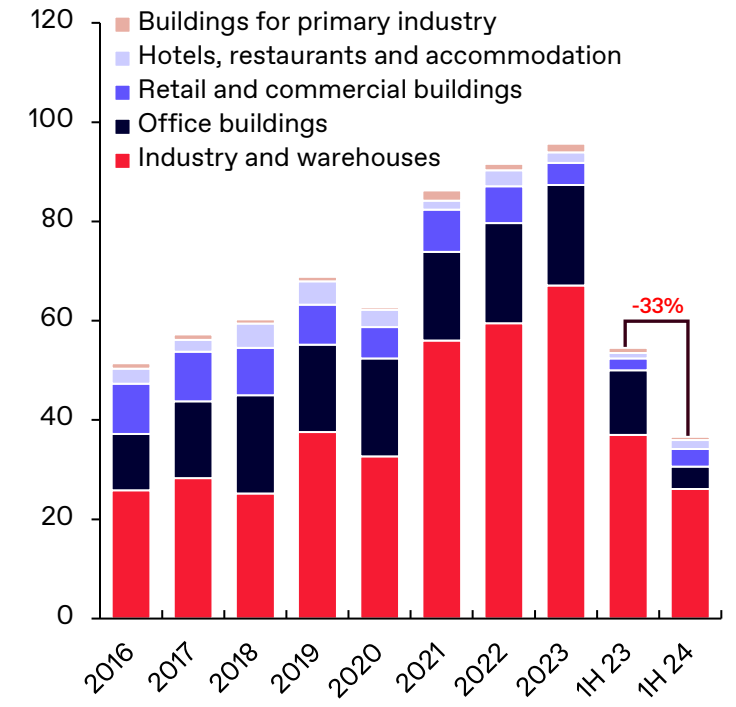
Norway, estimated order intake

NOK billion



Sweden, estimated order intake

NOK billion



Public buildings in Norway and Sweden

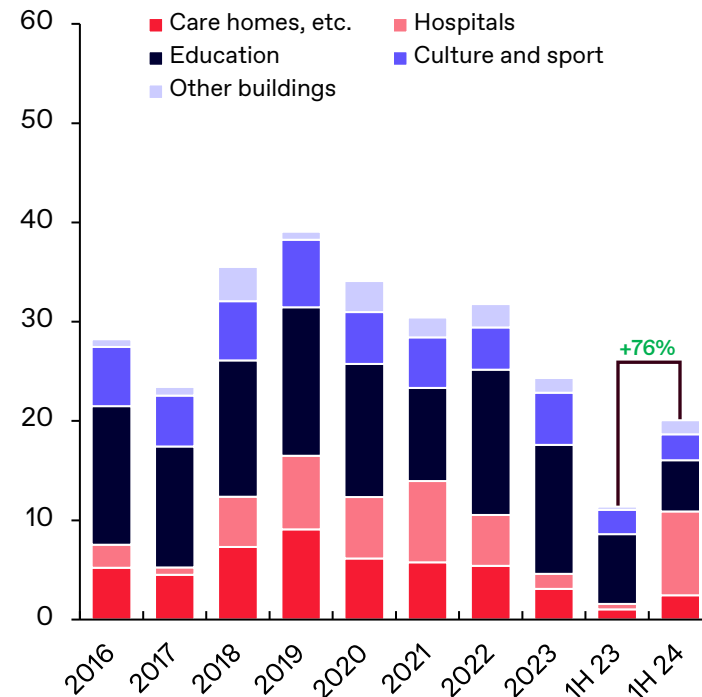
Reduced number of building starts in Norway and Sweden

Comments

- The number of new public building starts in Norway increased markedly in the first half of the year, primarily thanks to new hospital projects.
- Both countries saw some increase in care-related projects, while building starts in the educational sector fell.
- Expansion pressure in the education* segment is expected to remain low, particularly in Sweden, although there is still a strong need for refurbishment.
- The sector is marked by increasing pressure on municipal finances linked to strong expenditure increases, inflation and higher finance costs.
- To the extent that municipalities can prioritise newbuilds, growth is primarily expected in the care sector, which faces substantial expansion pressure, and in the market for refurbishment projects.

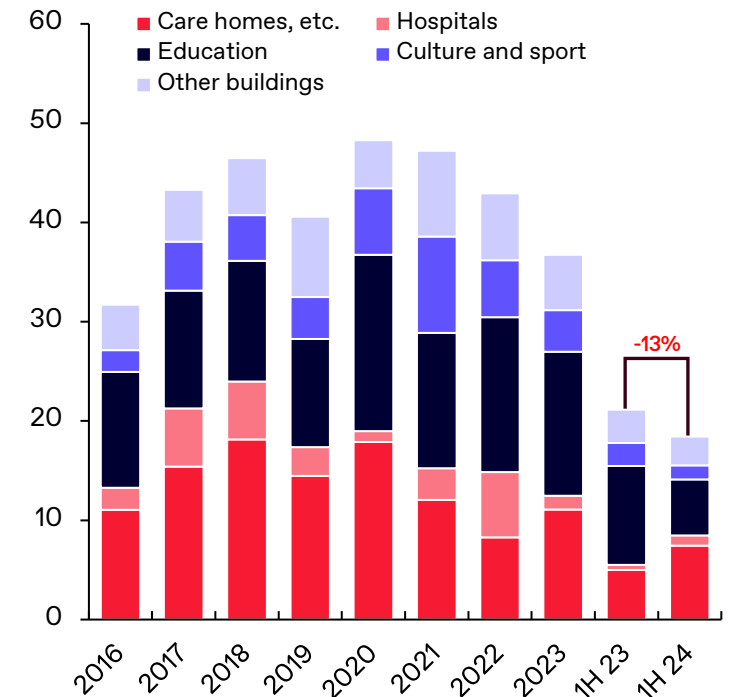
Norway, estimated order intake

NOK billion



Sweden, estimated order intake

NOK billion



* Schools account for the majority of the educational segment.

The contracting markets

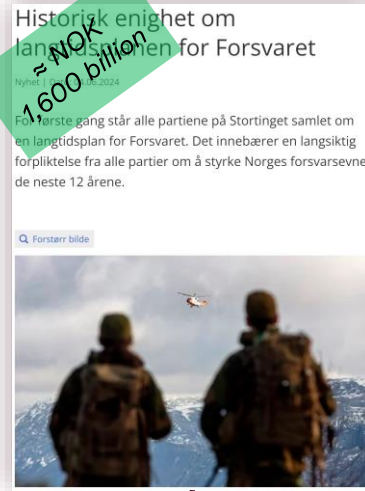
Infrastructure

Recent events

22 March 2024:
NO: National Transport
Plan 2025–2036



5 April 2024:
NO: Long-term plan for the
defence sector 2025–2036



19 September 2024:
Sweden:
Draft National Budget 2025



7 October 2024:
Norway:
Draft National Budget 2025



15 October 2024:
Autumn 2024
market update



21 March 2024:
Spring 2024
market update



4 June 2024:
“Unprecedented agreement on
long-term plan for the defence
sector 2025–2036”

20 June 2024:
New national transport
plan adopted

Ongoing: revised Urban Wastewater Treatment Directive

National Budgets in Norway and Sweden

High proportion of transport infrastructure, strong increase in defence spending

Comments

Norway

- Ongoing high levels of transport-infrastructure spending, although the proportion has dropped somewhat since 2021.
- Over the same period, the proportion of defence expenditure rose from 4.3% to 4.8% in 2024, equating to an approx. NOK 23 billion increase.

Sweden

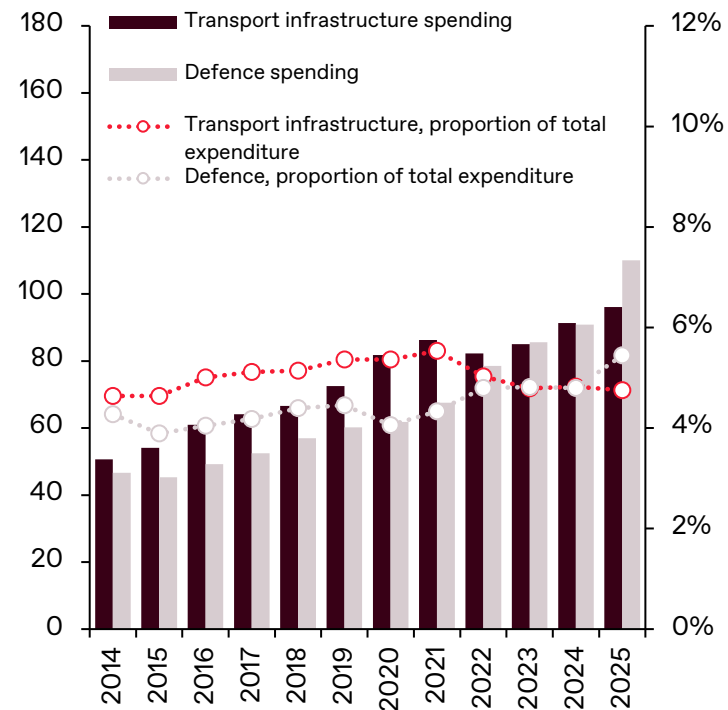
- Substantial growth in defence spending, with expenditure rising by over SEK 50 billion from 2021 to 2024. Correspondingly, the proportion of defence spending increased from 5.8% to 9.4%.

General

- Both objectives are having a significant impact in the industry and will contribute to high investment levels going forward.
- The draft National Budgets for 2025 envisage continued growth in both the transport infrastructure and defence sectors.

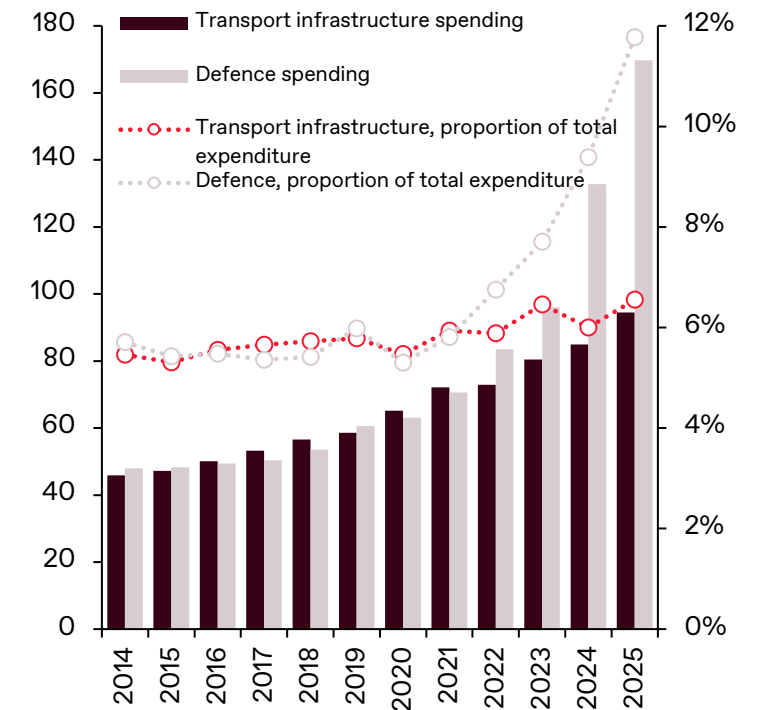
Norway: National Budget spending

NOK billion



Sweden: National Budget spending

SEK billion



2014–2023: National accounts
2024–2025: Revised/draft National Budgets

The civil engineering market in Norway and Sweden

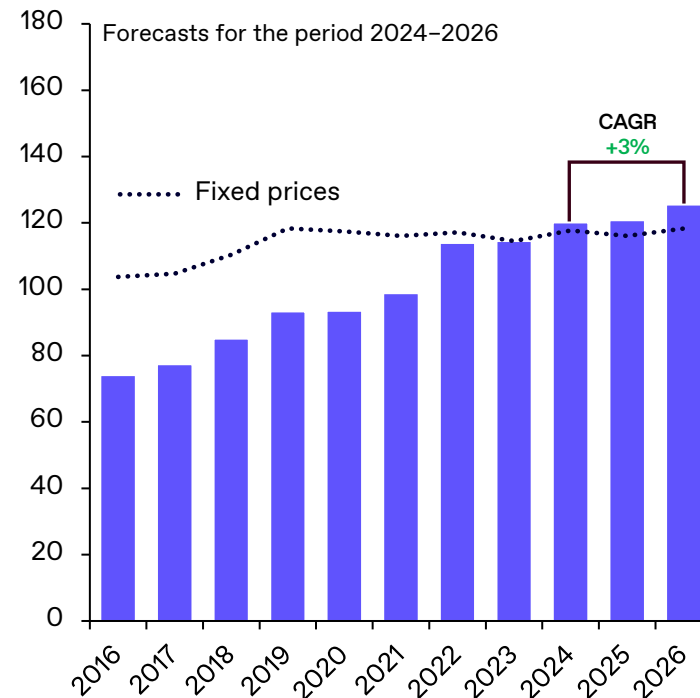
Robust activity levels through the forecast period

Comments

- The infrastructure market remains strong, although trends differ from segment to segment and customer to customer.
- High central government investment is having a positive impact, along with e.g. climate-related measures.
- Weakly positive growth is expected in both the Norwegian and Swedish markets until the end of 2026.
- There is strong potential beyond the forecast period, particularly in the form of defence investment.

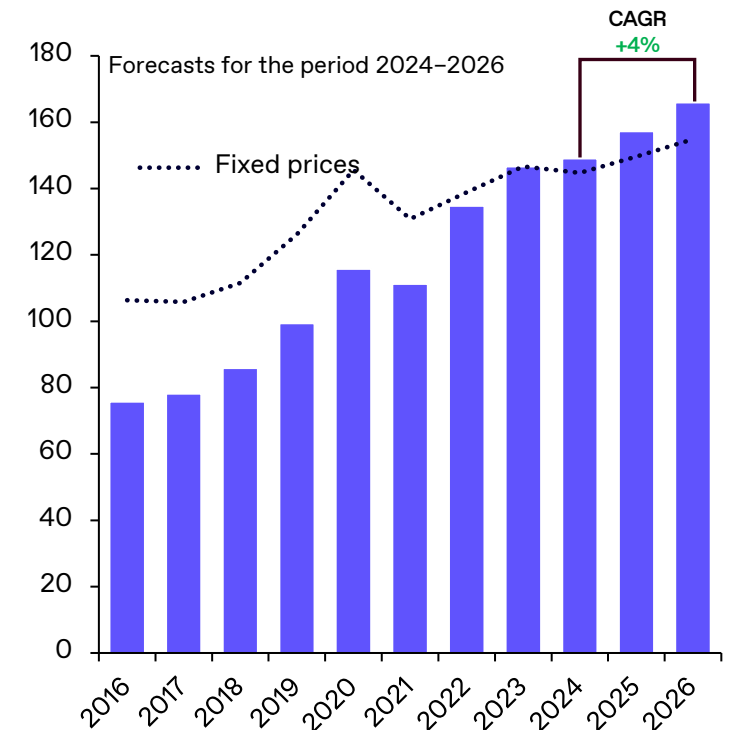
Norway, production

NOK billion, current prices



Sweden, production

NOK billion, current prices



Infrastructure

Transport

Transport infrastructure in Norway

High production related to the national road network, some decline in the railway sector

Comments

Roads

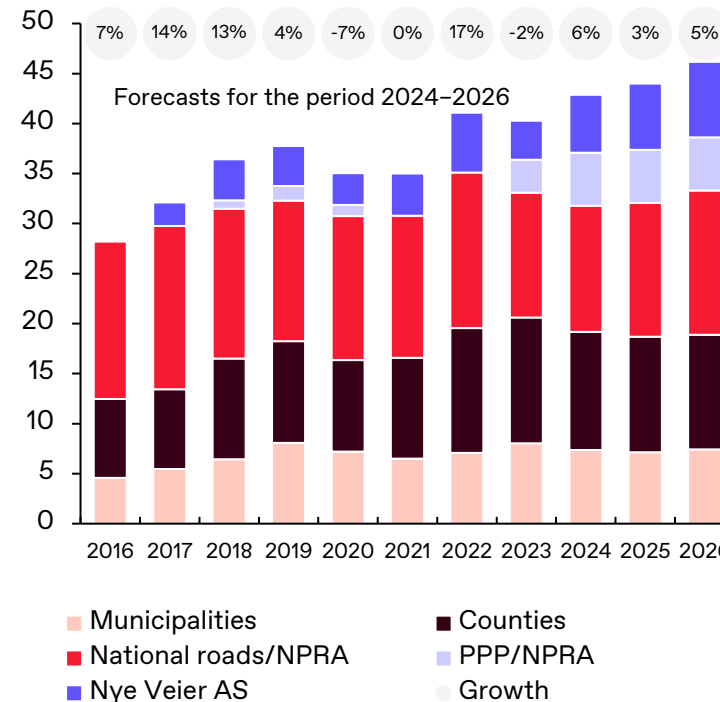
- Investment growth in the period to 2026, driven by high production linked to the national road network.
- In view of the downturn in the residential market, weak finances and tough prioritisations, we anticipate a drop in other road investment in the next few years.

Railways

- A weak National Budget means a reduction in forecasts for next year.
- Higher production on the Fornebu Line and Bergen Light Rail will help maintain production levels.
- The National Transport Plan 2025–2036 indicates that investment by Bane NOR will be lower in the years ahead.

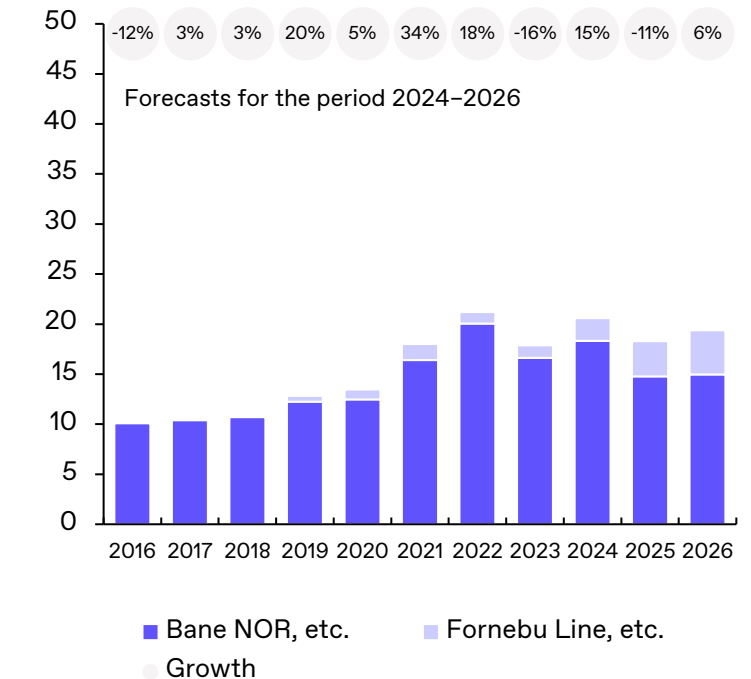
Roads market, production

NOK billion, current prices



Railways market, production

NOK billion, current prices



Transport infrastructure in Sweden

Positive outlook for 2025 and 2026, particularly in the rail sector

Comments

Roads

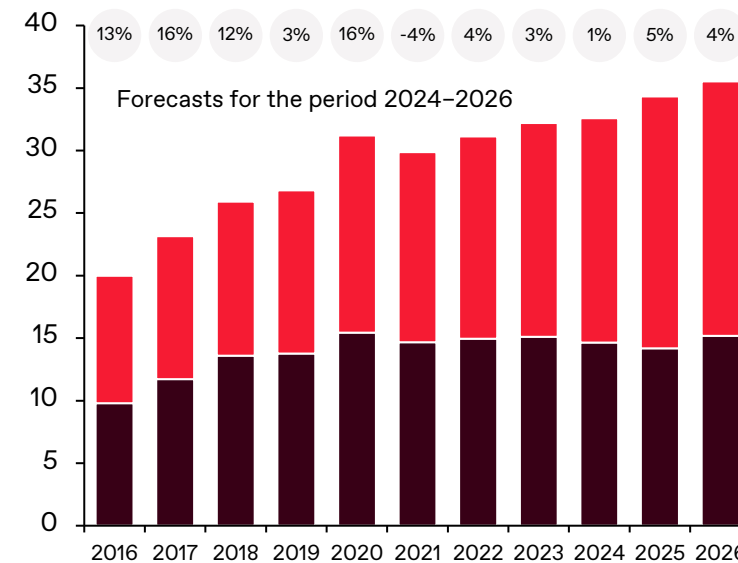
- Increased estimate of central government investment, primarily due to amended investment plans for the Swedish Transport Administration.
- Further market growth is expected in 2025 and 2026, including related to the start of the project Tvärförbindelse Södertörn.

Railways

- Drop in investment this year before anticipated renewed growth in 2025 and 2026.
- Project starts for Östlänken and parts of the Norrbotnia Line will contribute to increased volumes towards the end of the forecast period.

Veimarkedet, production

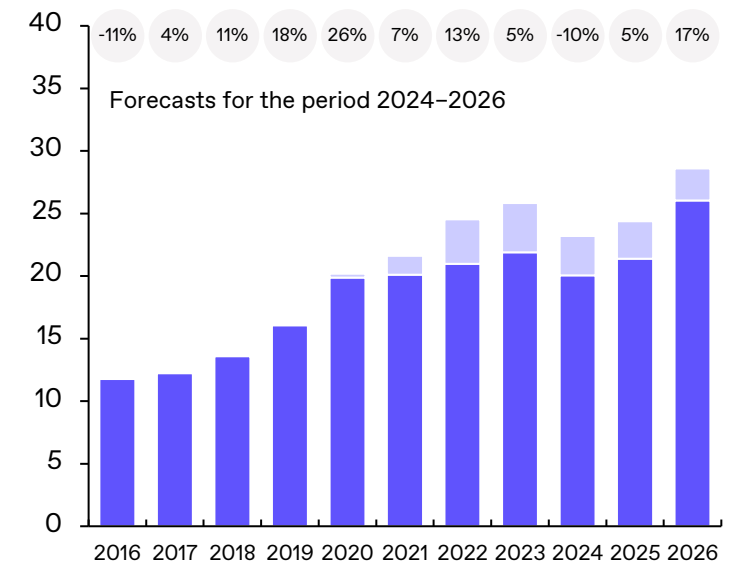
NOK billion, current prices



- Central government/Swedish Transport Administration
- Municipalities
- Growth

Banemarkedet, production

NOK billion, current prices

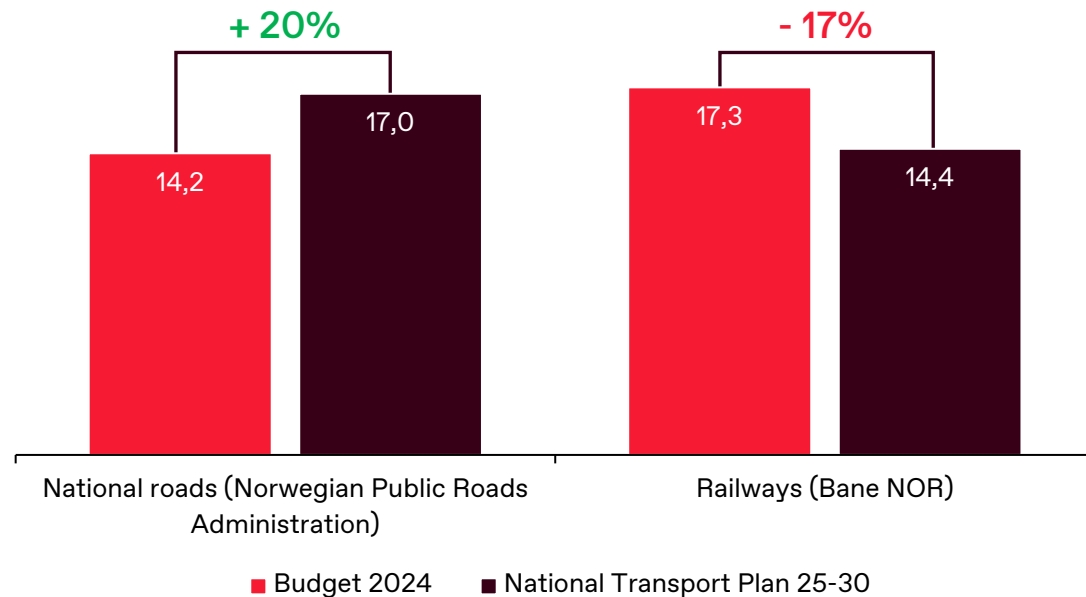


- Stockholm Metro, etc.
- Swedish Transport Administration

Transport infrastructure: planned investment

Norway: National Transport Plan 2025–2036

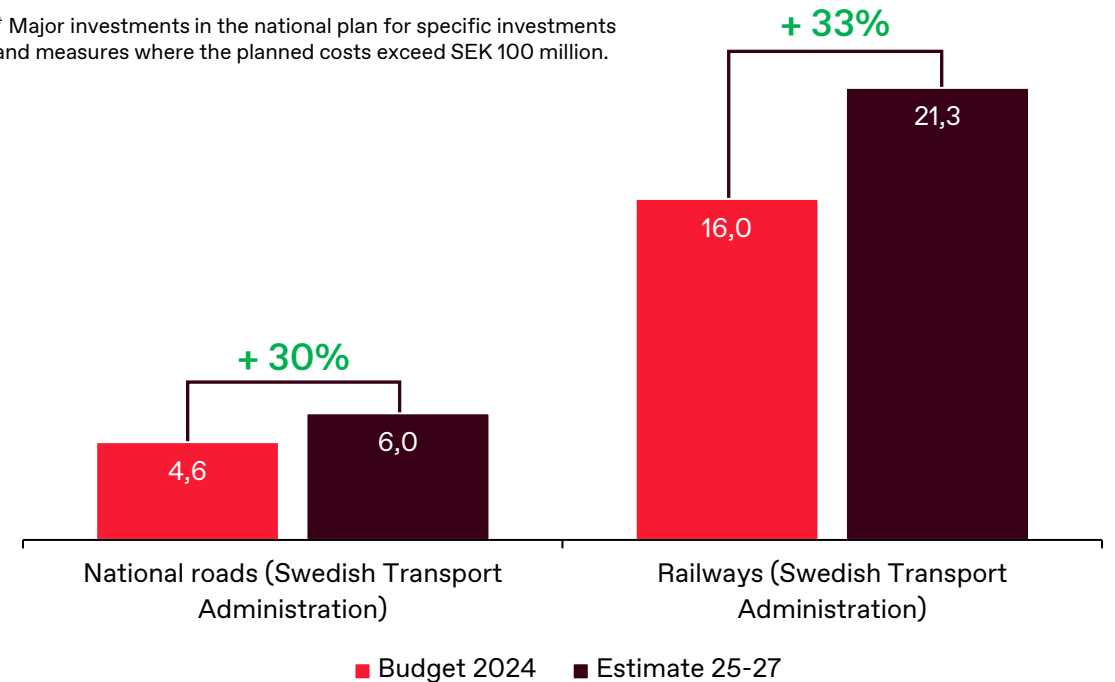
Annual average. 2024 NOK, NOK billion



Sweden*: Draft National Budget 2025

Annual average. 2024 SEK, SEK billion

* Major investments in the national plan for specific investments and measures where the planned costs exceed SEK 100 million.

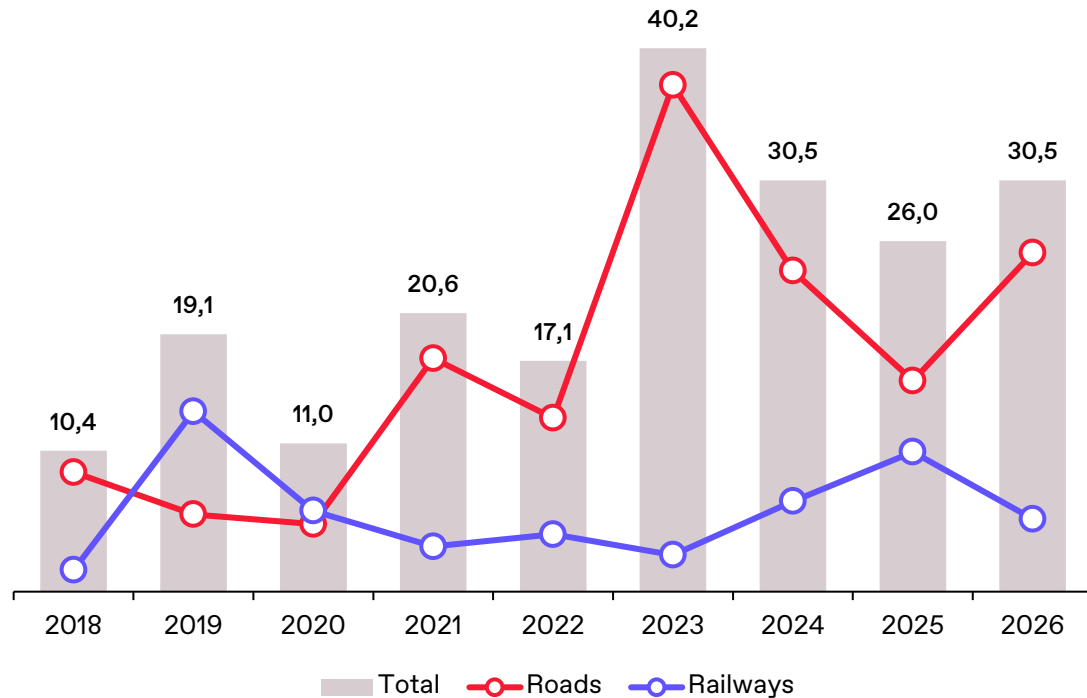


Transport infrastructure projects >500 million

Order intake

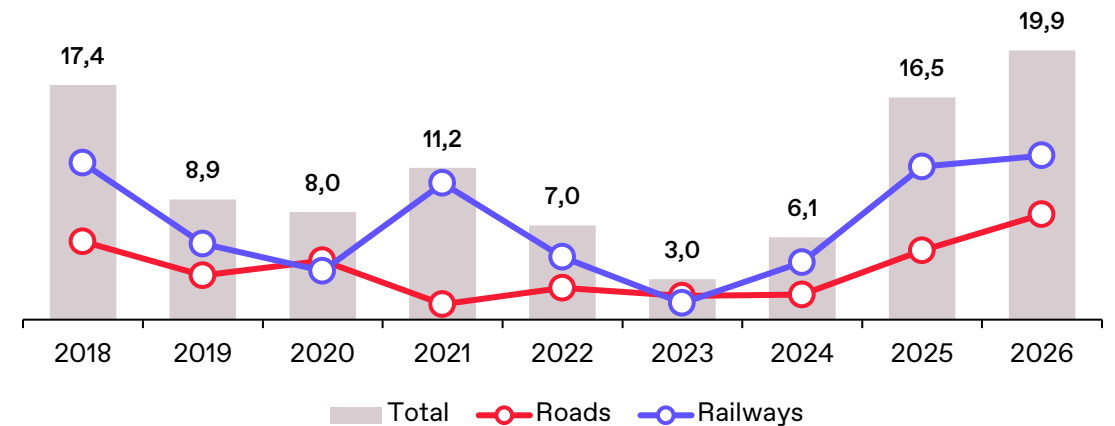
Norway

Project value in NOK billion



Sweden

Project value in SEK billion



Infrastructure

Road and rail maintenance

Road and rail maintenance, Norway

High priority going forward

Comments

Roads

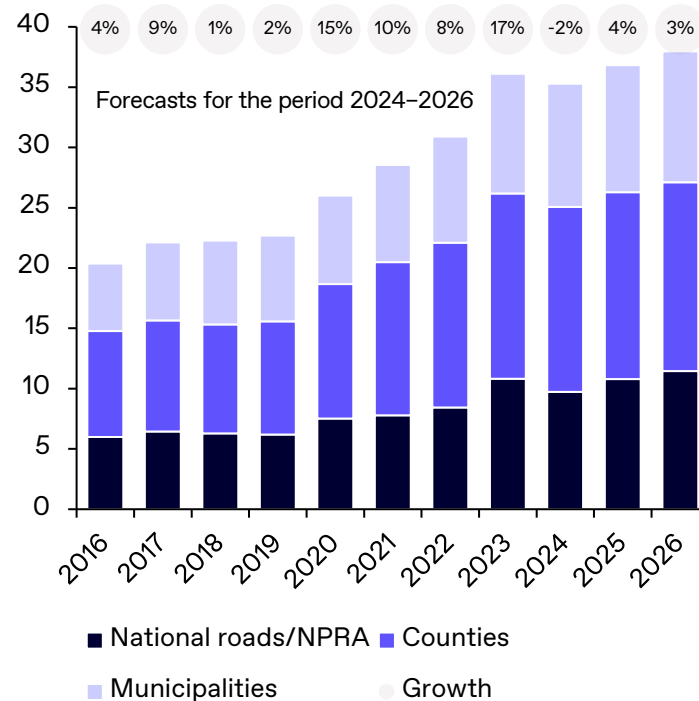
- 11% growth in the National Budget for 2025.
- Higher priority is primarily being given to maintenance spending, which has been increased by NOK 1.1 billion compared to 2024.
- In combination with high activity levels linked to other road investment, this will boost growth in the period to 2026.

Railways

- A slowdown in new investment growth gives room for increased maintenance activity.
- The Norwegian Government has proposed a 35% increase in the allocation to railway maintenance (including refurbishment) in 2025, in line with the financial framework indicated in the National Transport Plan 2025-2036.

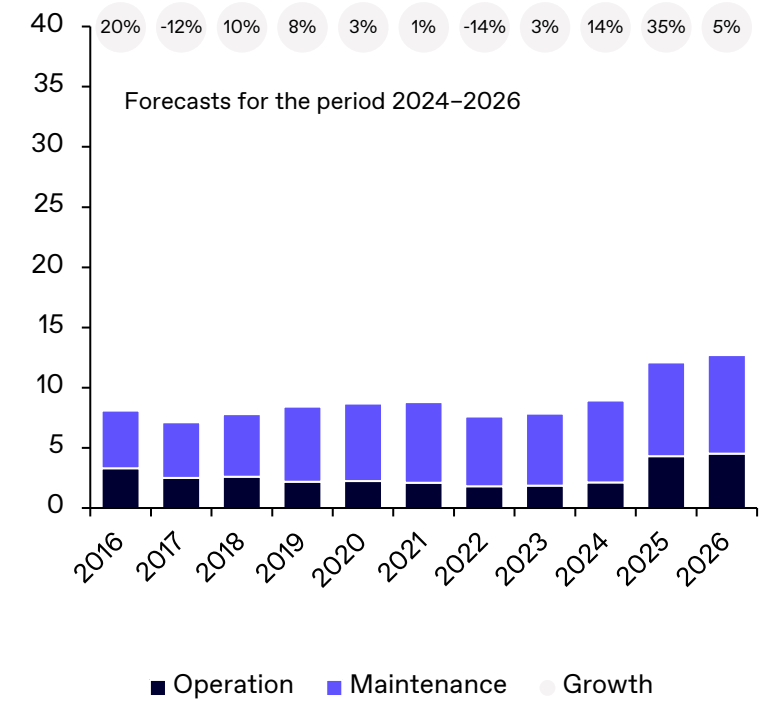
Road maintenance

NOK billion



Railway maintenance

NOK billion

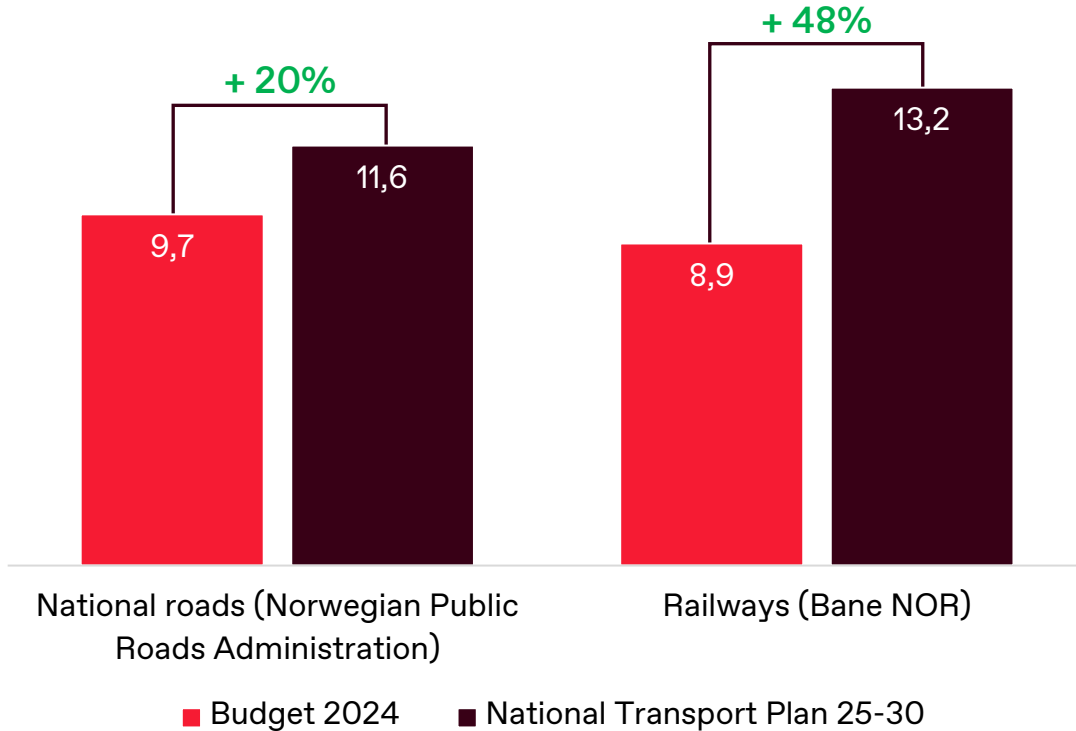


Road and rail maintenance, Norway

More money for maintenance, particularly in the rail sector

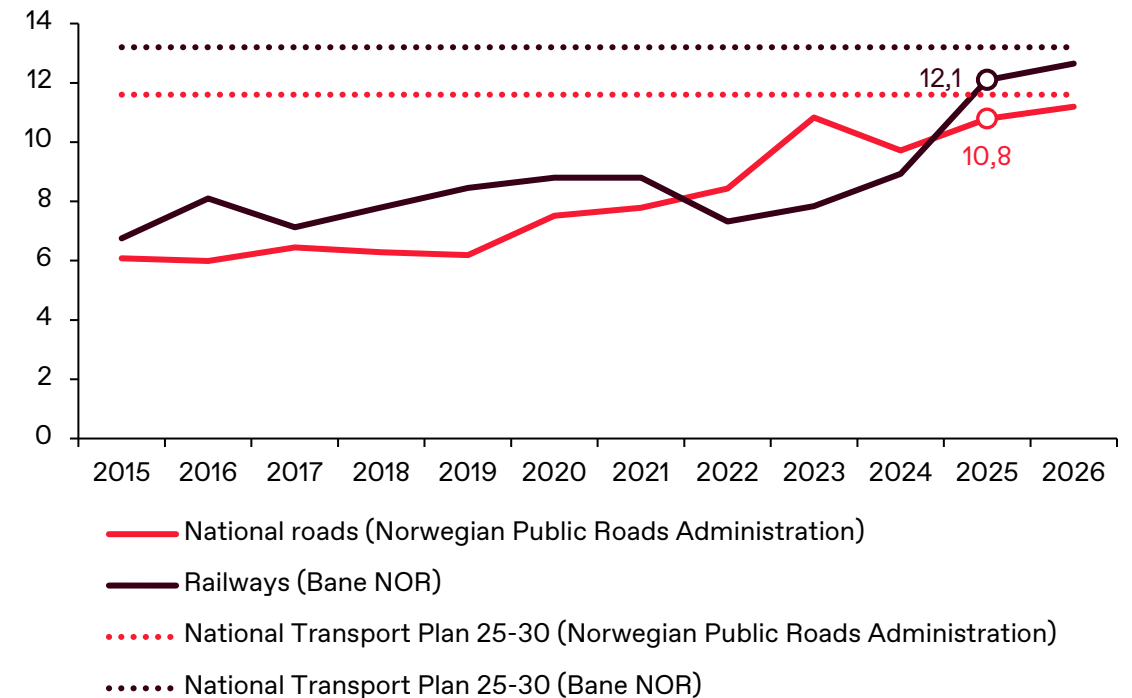
National Transport Plan 2025–2036

Annual average. 2024 NOK, NOK billion



Maintenance by segment

NOK billion



Infrastructure

**Energy, water supply
and sewerage**

Norway: energy, water supply and sewerage

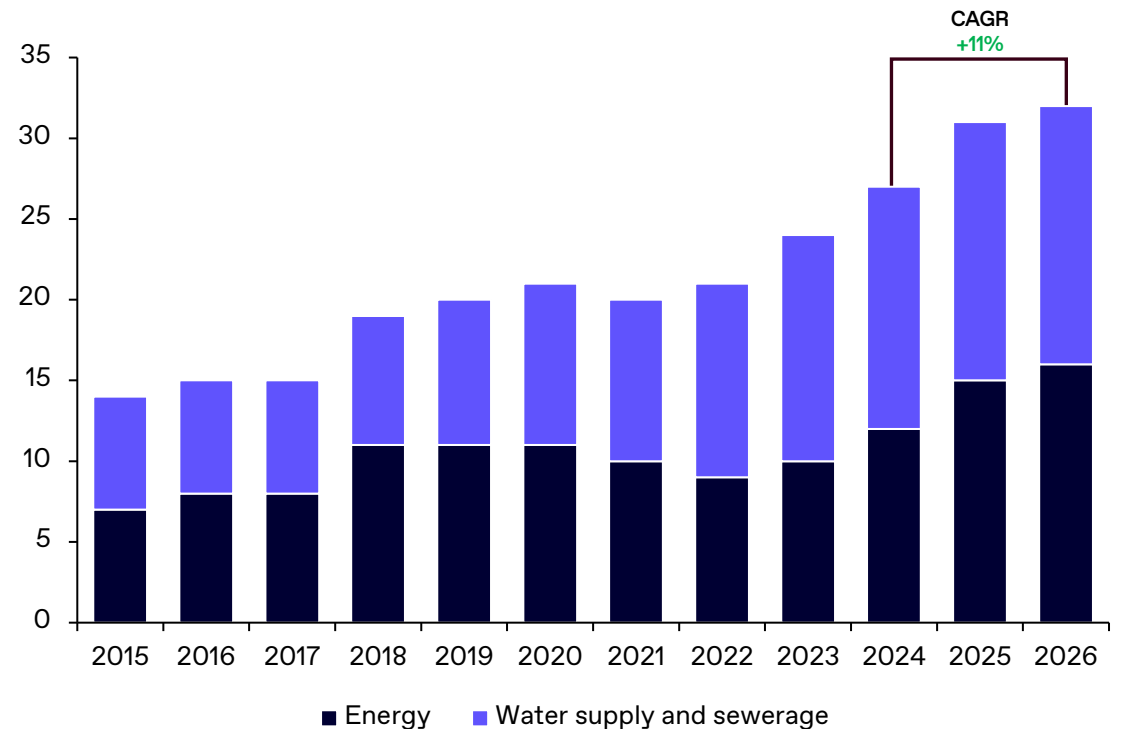
Strong drivers powering high growth rate

Comments

- The market is subject to strong drivers, including climate-related challenges.
- Norway has to reduce its greenhouse gas emissions sharply by 2030, and replacing fossil fuels with electricity from renewable sources will be absolutely crucial in that regard.
- In addition, extensive electrification of society will place strains on the distribution grid.
- As a result, expansive investment plans have been adopted for the energy sector, and we are already seeing these taking effect. Such growth is particularly clear in the distribution grid.
- We have identified several major ongoing and upcoming projects in the water supply and sewerage segment, primarily involving wastewater treatment plants.
- Formal adoption of the revised Urban Wastewater Treatment Directive by the EU is expected in October/November 2024.
- Overall, we anticipate annual growth of 11% in the energy, water supply and sewerage sector until the end of 2026, with energy-related investments making the strongest contribution.

Production

NOK billion, current prices



Sweden: energy, water supply and sewerage

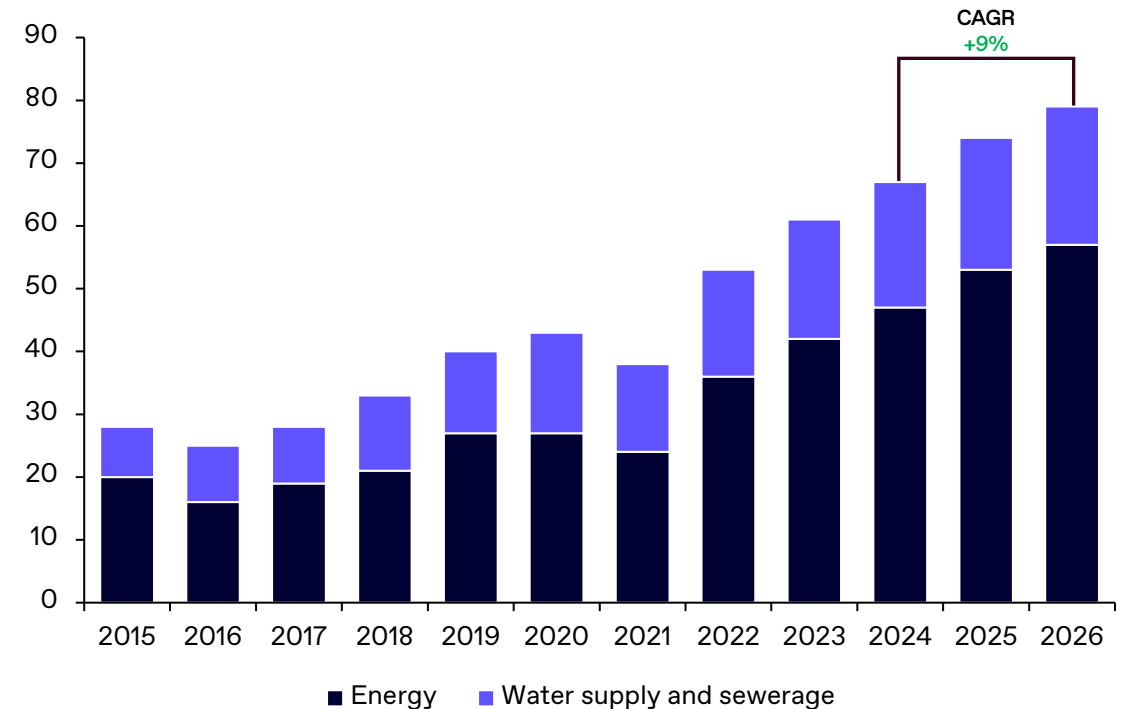
Strong drivers powering high growth rate

Comments

- Energy-related investments are driven by factors including Sweden's adopted objective of becoming climate-neutral by 2045.
- The climate neutrality target is fostering substantial investment in renewable energy sources.
- Capacity to handle a steadily increasing proportion of renewable energy is dependent on extensive investment in upgrading and expansion of the electricity grid.
- Updated figures from Statistics Sweden show that energy-related investment is up substantially since 2022, including in the first two quarters of the year. Based on sources such as Svenska kraftnät's investment plans, this trend looks set to continue in 2025 and 2026.
- As in Norway, we have identified several major ongoing and upcoming projects in the water supply and sewerage segment.
- The EU's formal adoption of the revised Urban Wastewater Treatment Directive is expected in October/November 2024. Following adoption, Sweden will have 30 months to incorporate the provisions into Swedish law.
- Overall, we expect annual growth of 9% in the energy, water supply and sewerage sector in the period to year-end 2026, with energy-related investments making the largest contribution.

Production

NOK billion, current prices



Norway and Sweden: water supply and sewerage

Several major projects in the market

Norway: water supply and sewerage projects > 300 million

* Estimated project cost

Construction start (year)	Project name	Project type	Project cost*	County
2023	New water supply Oslo: E1	Water supply	3,000	Oslo
2023	Hokksund treatment plant	Treatment plant	330	Buskerud
2023	FARA wastewater treatment plant	Treatment plant	1,081	Østfold
2024	Water supply and sewerage, På Langs Nittedal	Pipe grid	418	Akershus
2024	Kongshaugen treatment plant	Treatment plant	1,000	Møre og Romsdal
2024	Sellikdalen treatment plant	Treatment plant	1,150	Buskerud
2025	Strømmen treatment plant	Treatment plant	1,000	Akershus
2026	Nordbykollen treatment plant	Treatment plant	1,200	Buskerud

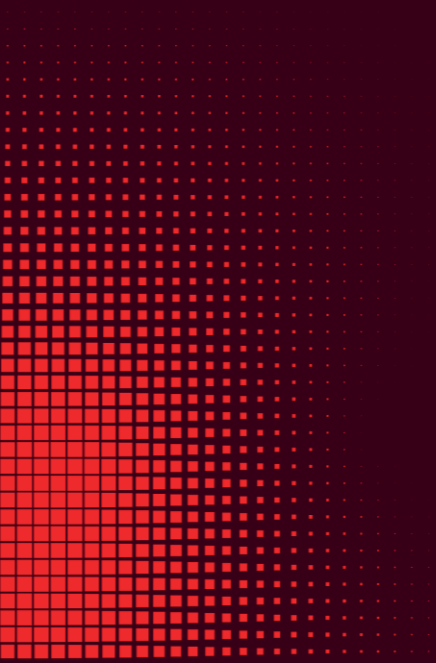
Sweden: water supply and sewerage projects > 300 million

* Estimated project cost

Construction start (year)	Project name	Project type	Project cost*	County
2023	Margretelunds wastewater treatment plant	Treatment plant	1,200	Stockholm
2023	Enköping wastewater treatment plant	Treatment plant	325	Uppsala
2023	Mäss tunnel	Sewerage tunnel	898	Stockholm
2024	Henriksdals treatment plant	Treatment plant	1,440	Stockholm
2024	Nolhaga wastewater treatment plant	Treatment plant	1,250	Västra Götaland
2025	Duvbackens treatment plant	Treatment plant	1,000	Gävleborg
2025	Hammargårds wastewater treatment plant	Treatment plant	450	Halland
2027	Sjölunda wastewater treatment plant	Treatment plant	8,750	Skåne

04

Construction costs



Cost inflation has slowed down

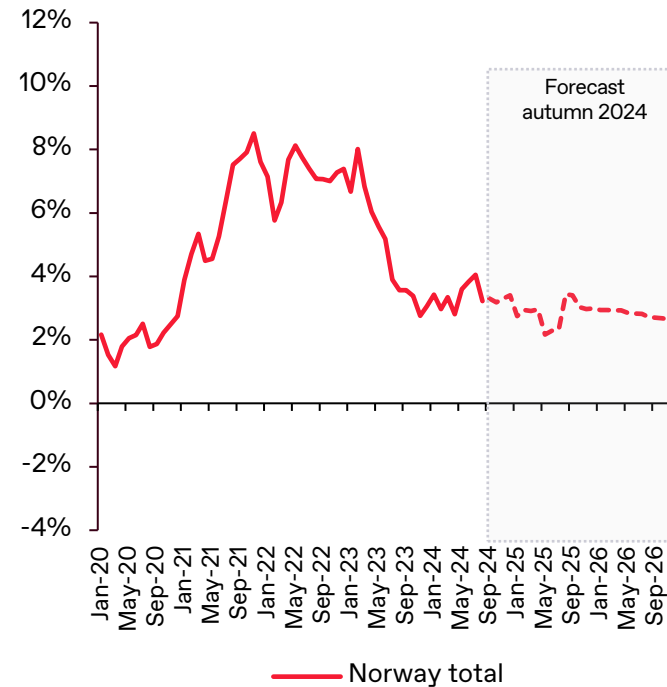
Flat trend in construction cost indices

Comments

- Construction cost inflation has been relatively stable over the past year, and in August totalled 2.2% in Sweden and 3.2% in Norway.
- Veidekke's forecast indicates that inflation in both countries will fall within the range 2–3.5% until 2026.
- The annual volatility over the next 12 months is primarily linked to factors from preceding periods.
- The prices of most input factors have been stable in recent quarters, supported by stabler energy prices and foreign exchange fluctuations. Two exceptions stand out:
 - **Concrete:** Prices have risen due to increased fly-ash costs.
 - **Timber:** Prices are rising due to increased exports and lower-than-normal lumber supply.

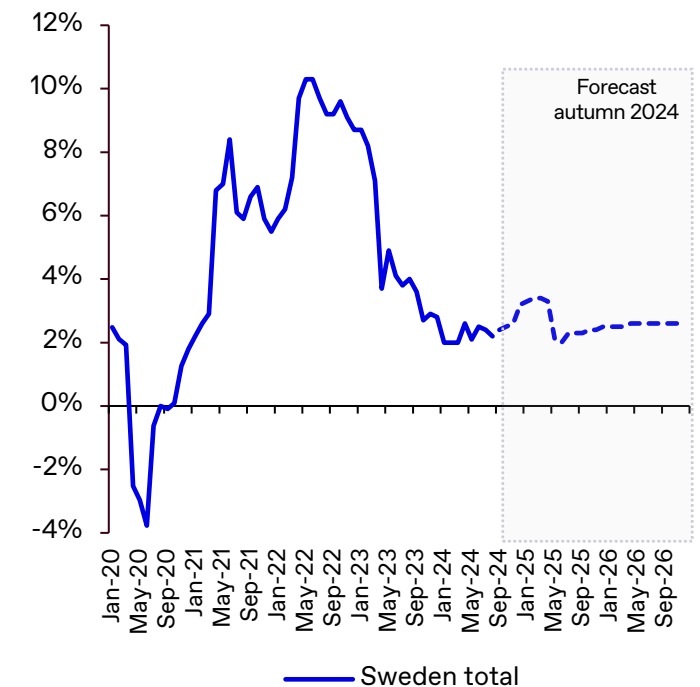
Construction cost index, residential blocks, Norway

Percentage change since same month last year



Construction cost index, residential blocks, Sweden

Percentage change since same month last year



Construction cost index, civil engineering (Norway)

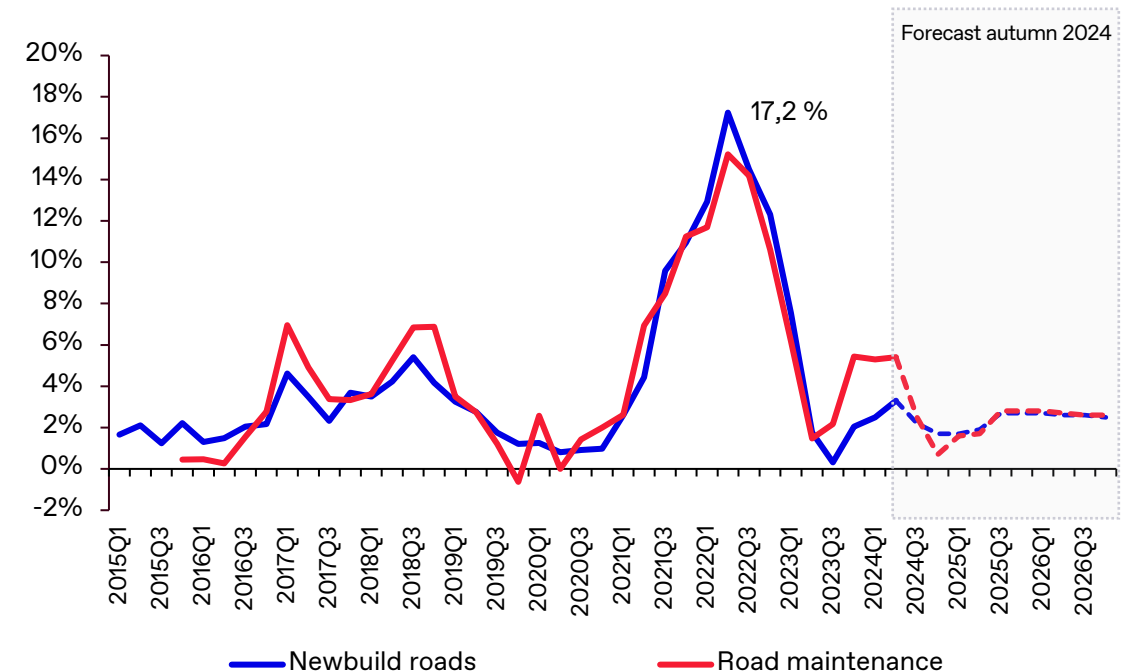
Prices are stabilising

Comments

- Construction costs in the civil engineering and road maintenance sectors fell sharply at the beginning of 2023 after peaking at 17.2% in 2022 as a result of reduced fuel costs. However, fuel prices rose again slightly in the second half of 2023, which had an impact on the maintenance index in particular, in which fuel is heavily weighted.
- The first half of 2024 was relatively stable, with increases of 5.4% in road maintenance and 3.3% in newbuilds.
- Going forward, indices are expected to fall to the 1–2% level before stabilising in the 2–3% range towards the end of 2026. This is due to the effects of previous energy-price changes gradually being phased out of the calculations, while other factors, such as wage growth, will have a greater impact.
- The forecasts are based on the assumption that energy prices will not experience new disruptions capable of causing major fluctuations.

Construction cost index, roads

Percentage change since same month last year

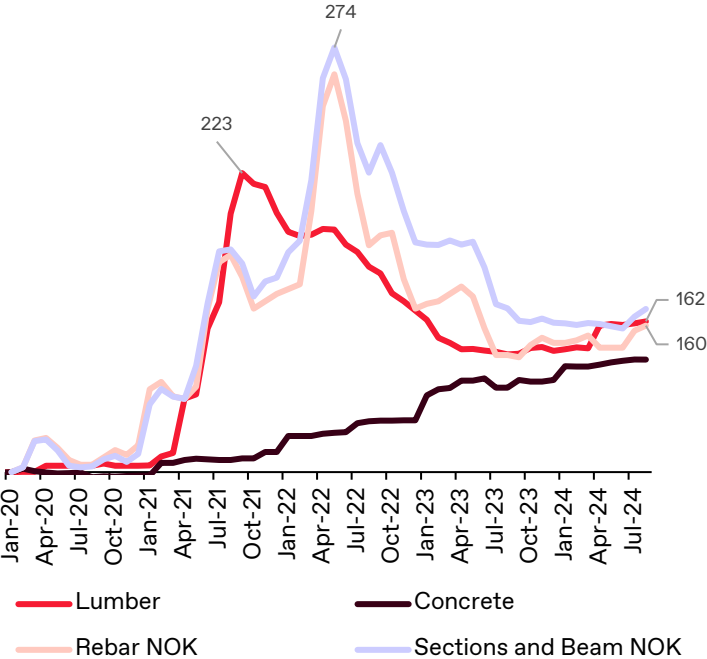


Construction cost indices by material

Planned timber, steel and concrete

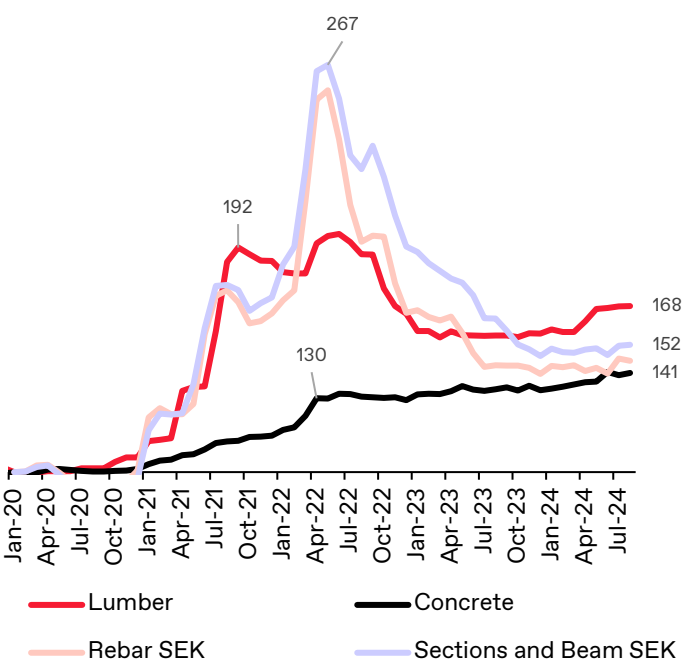
Norway

Index Jan. 2020 = 100, latest observation Aug. 2024



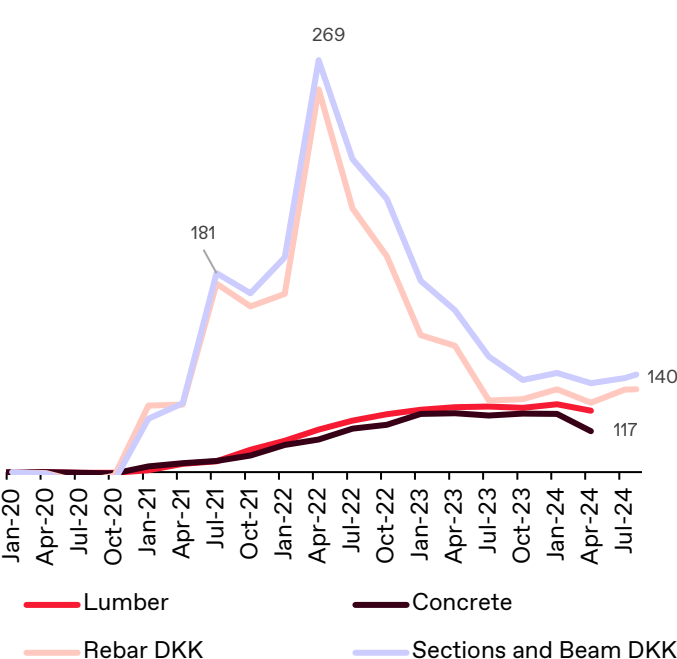
Sweden

Index Jan. 2020 = 100, latest observation Aug. 2024



Denmark

Index Q1 2020 = 100, latest observation Q2 2024

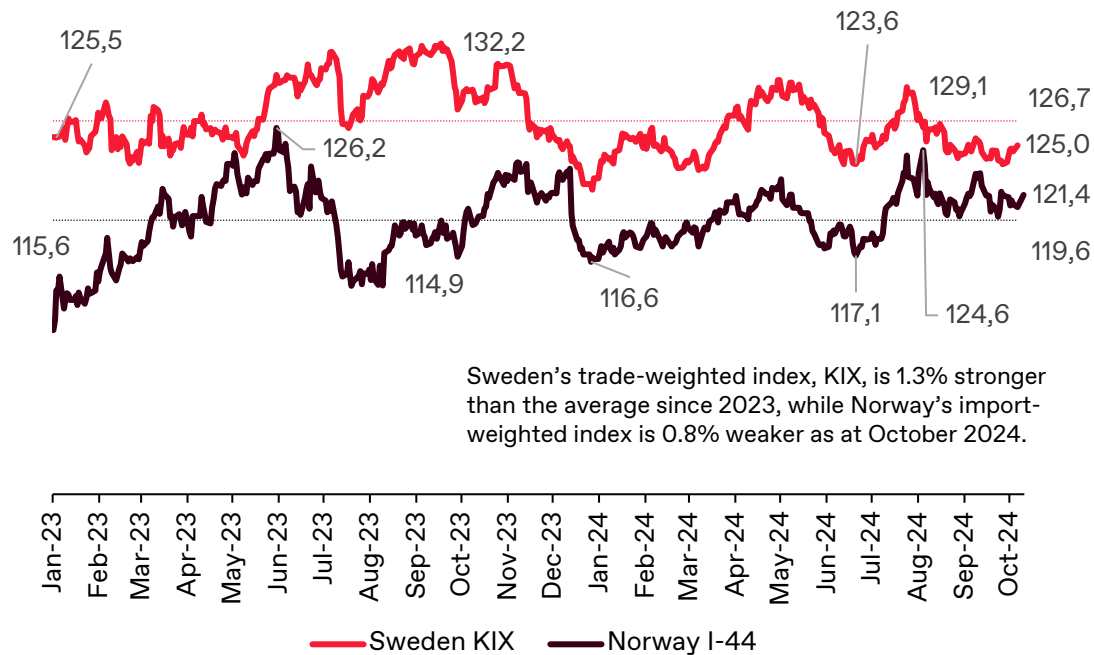


Key inflation drivers

Energy and foreign exchange...

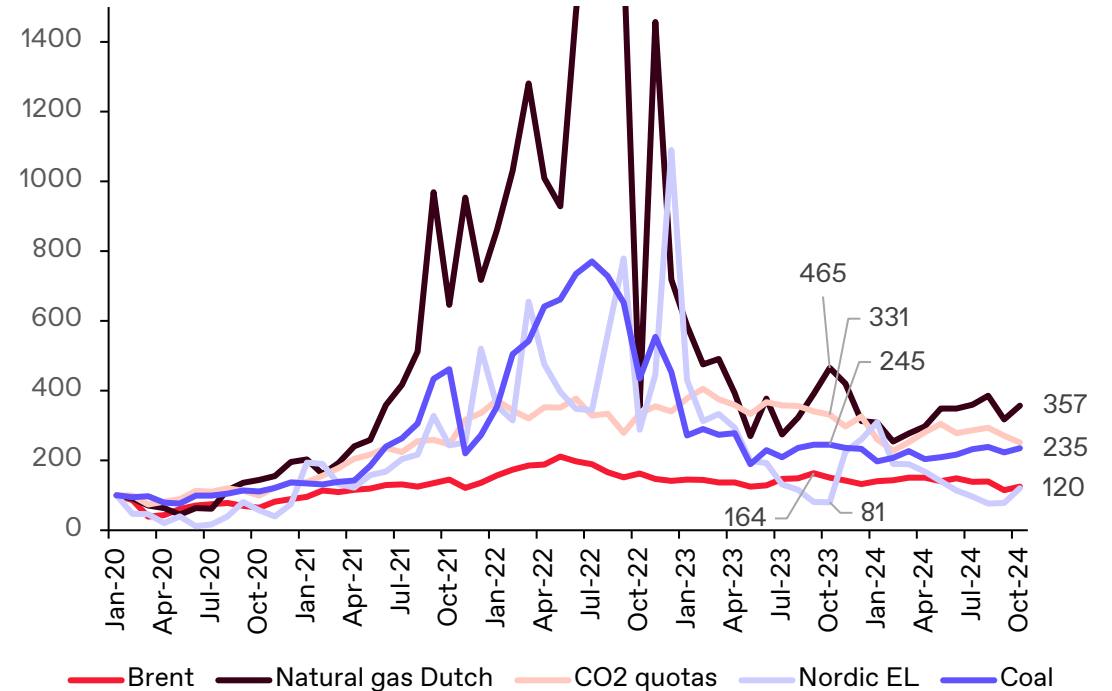
Foreign exchange (trade-weighted indices)

Latest observation 11 October



Energy prices

Jan. 2020 = 100. Latest observation 8 October



05 Summary

Contracting markets

Forecasts 2024–2026

Comments

- The decline in activity levels observed in 2023 intensified in 2024, primarily due to several quarters of weak building start numbers for the construction operation. A drop of 14% is forecast for 2024, although we expect total growth of 8% over the next two years.
- Unlike the construction sector, the civil engineering market is expected to maintain a robust activity level throughout the forecast period.
- The current downturn in construction activity is the result of interest-rate increases and high inflation in 2022 and 2023. It usually takes one to two years for macroeconomic changes to impact activity levels.
- Similarly, interest-rate cuts and early indications of increased demand suggest that activity levels will recover in the next one to two years.
- We estimate that approximately half of the current decline will be recovered by the end of 2026.

Production, Scandinavian contracting markets

Percentage change since previous year, current prices

	2023	2024	2025	2026
Norway	3%	-7% (-7%)	-4% (-4%)	6%
Sweden	-5%	-15% (-11%)	4% (-1%)	7%
Denmark	-6%	-17% (-8%)	3% (-1%)	8%
Scandinavia	-3%	-14% (-9%)	1% (-2%)	7%
Scandinavia, NOK billion	1,035	895	905	970

Spring 2024 forecasts in brackets.

