

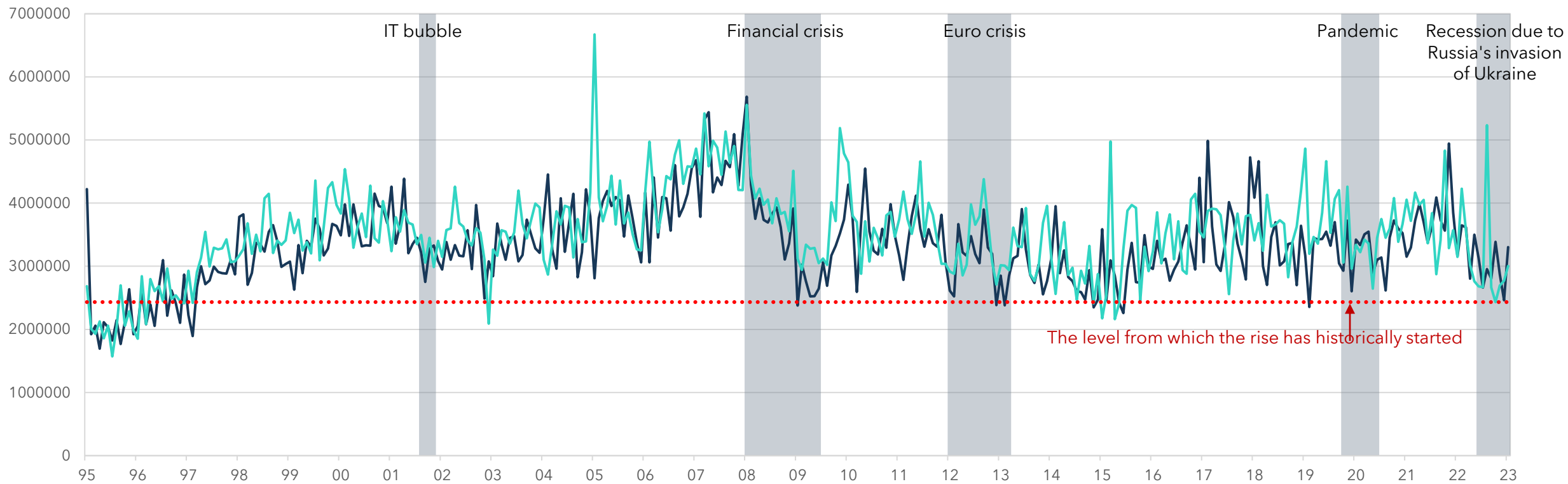
Confederation of Finnish Construction Industries RT economic survey 29 March 2023

Chief economist Jouni Vihmo

The biggest drop is already behind us

We are about hit rock bottom in construction

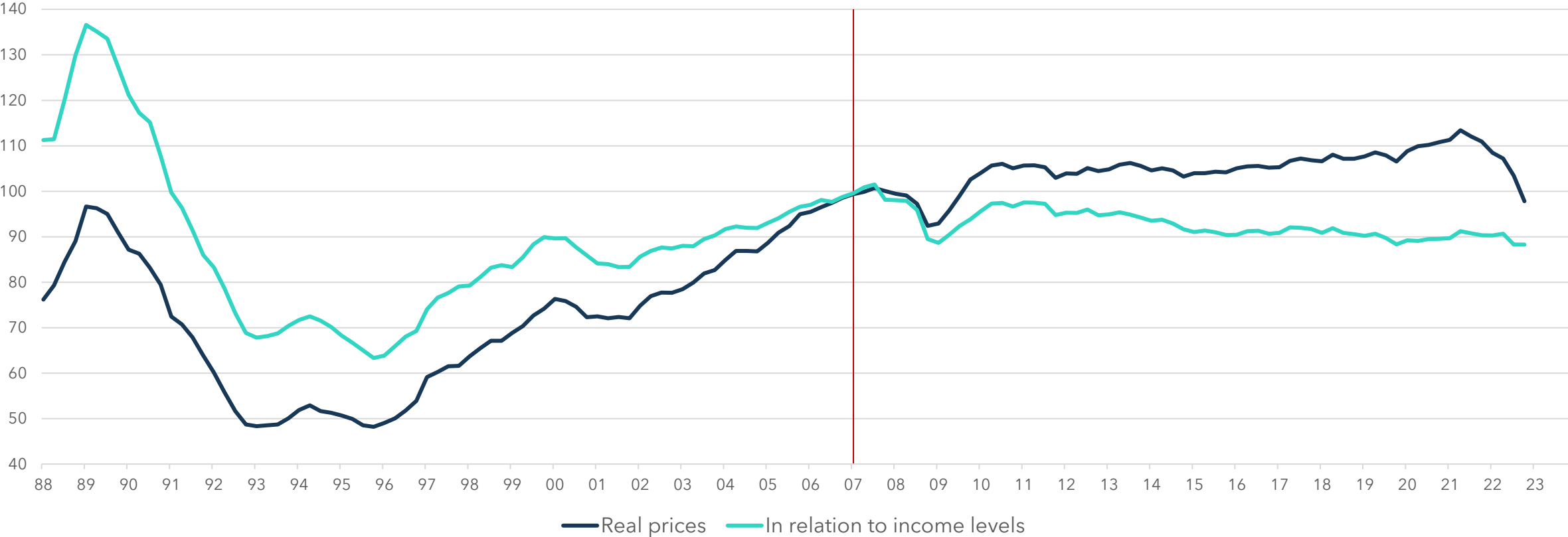
Starting and license cubic metres (seasonal adjustment, m³)



No indication of a bigger negative cycle in the housing market

The rise in prices caused by the pandemic has been wiped out

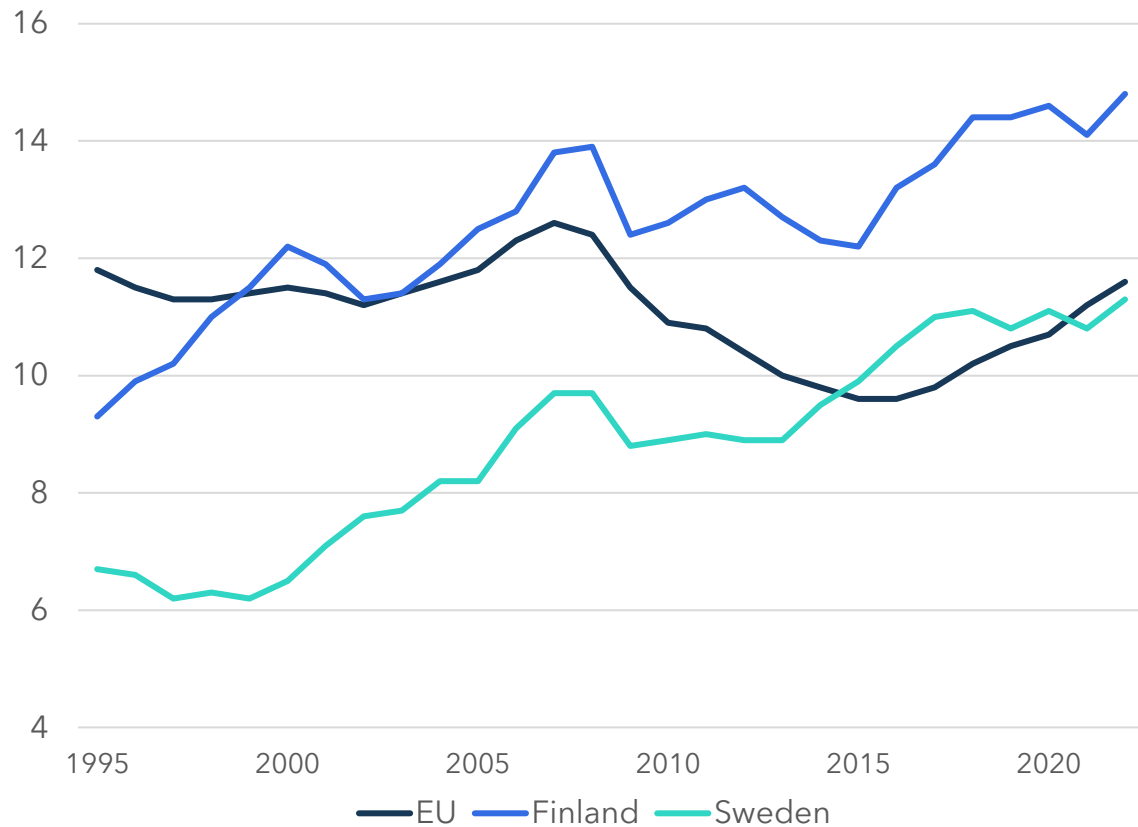
Price index of old leasehold flats 2007=100



An extraordinary amount of construction has been done in Finland in recent years

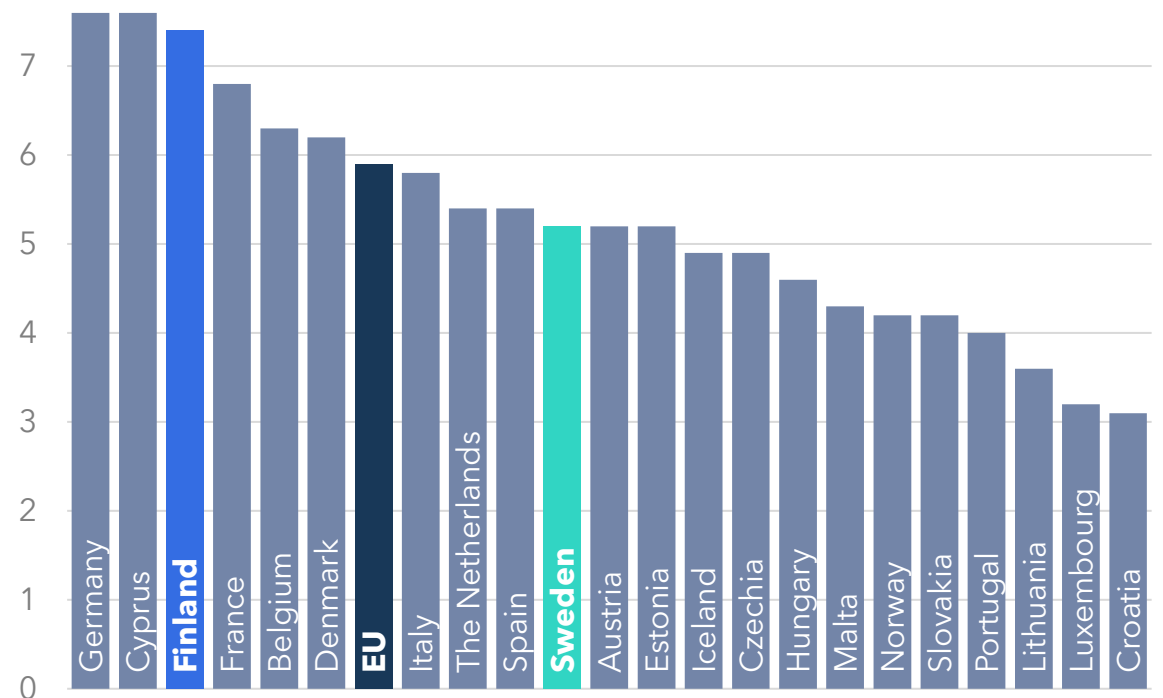
Construction investments are high in Finland

Construction investments / GDP (%) 2022



Housing construction activity has been intense in Finland

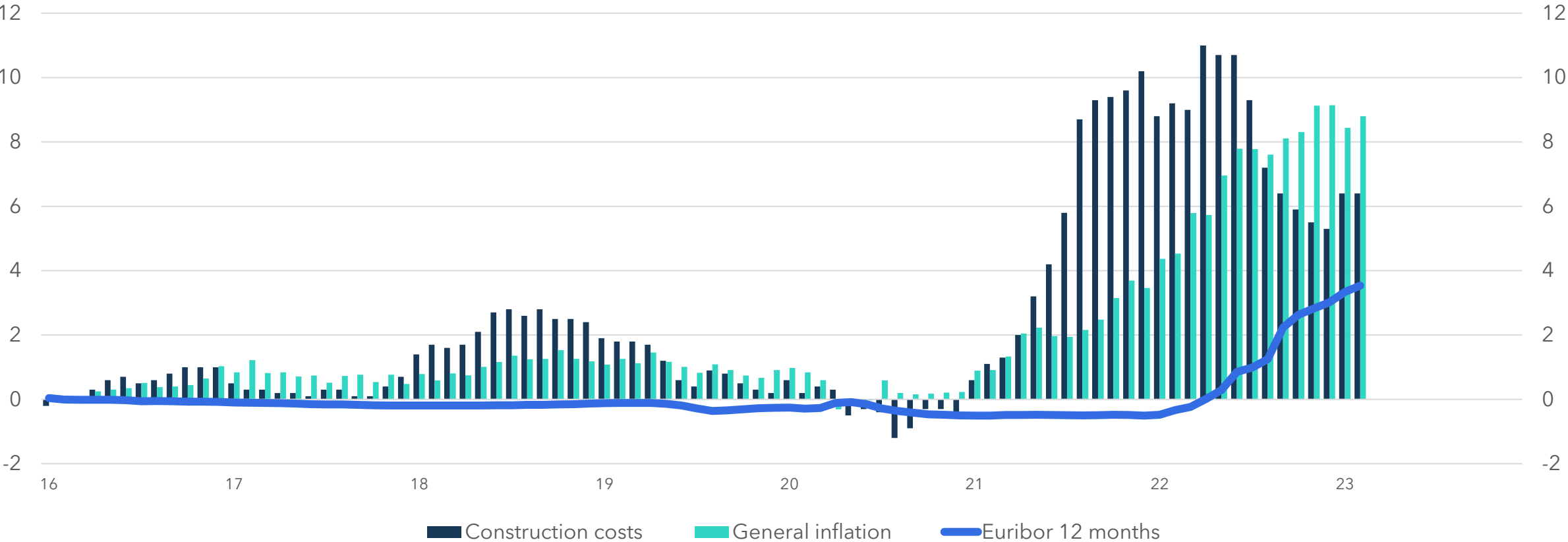
Investments in residential buildings / GDP (%) 2022



Finland has been built exceptionally cheaply in recent years

Construction costs and interest rates were low throughout the boom period

Annual change in costs (%) and Euribor 12 months (%)



Everything will be different in 2023

The time of stable growth is over – scarcity and disruptions in supply shake the market and corrode societies and decision-making

<p>Inflation is settling, but not to the levels before the coronavirus pandemic. The effects of war have always lingered for a long time. The rise in the cost of living is putting households in a tight spot.</p>	<p>The constraints of supply chains will not disappear when raw materials decrease and economic wars increase. Volatility will become a permanent issue. China's growth will become more difficult.</p>	<p>A shortage of labor and materials causes scarcity. Disruptions in supply shake business cycles instead of causing fluctuations in demand.</p>	<p>The high level of costs remains due to the war in Ukraine, the tail end of the pandemic, and the trade wars. The time of abundance is over.</p>	<p>High interest rates will not decrease until 2024 at the earliest. They will slow down investments globally. The time of debt is over.</p>	<p>The extreme effects of climate change are increasing. The risk of failure to curb climate change is increasing.</p>	<p>Social erosion accelerates as polarisation grows within and between countries. Social unrest and political uncertainty are growing.</p>	<p>The debt crisis will not go away and the ability to respond to climate change, security needs and humane future investments will decrease.</p>
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Deglobalisation will increase costs and volatility in the coming years. The cost of living crisis will be the dominant trend until 2025

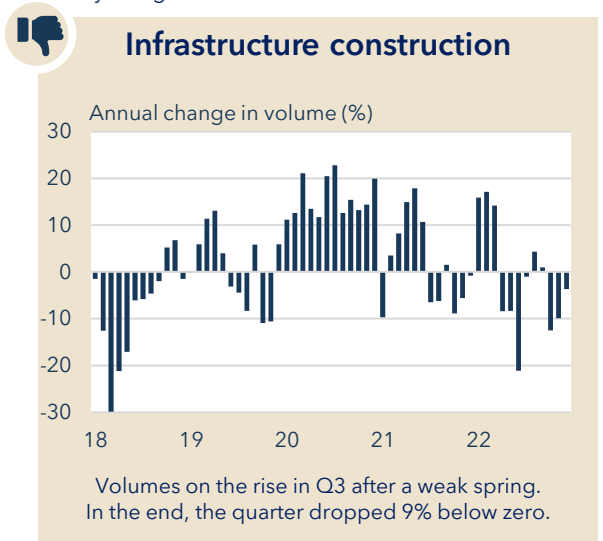
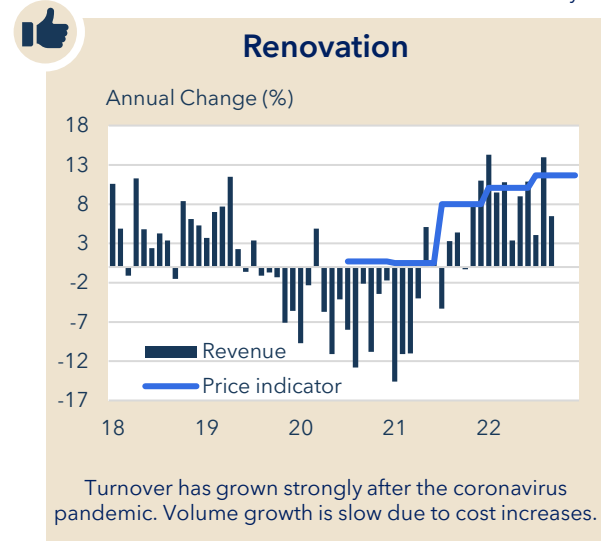
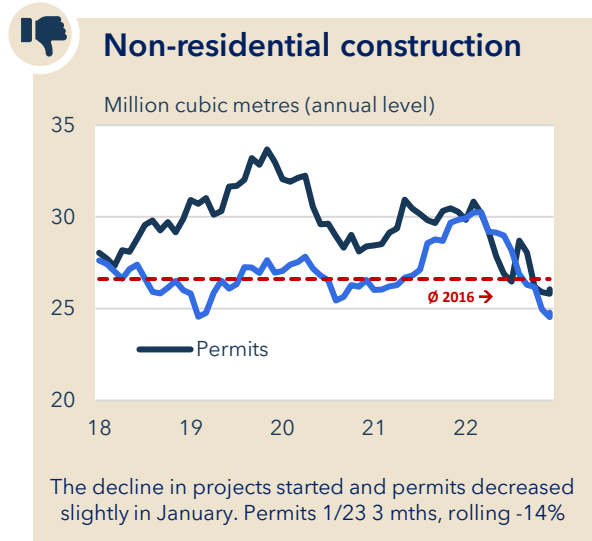
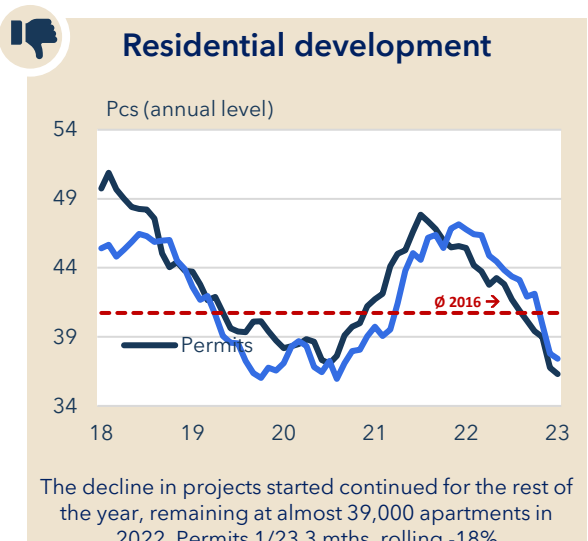
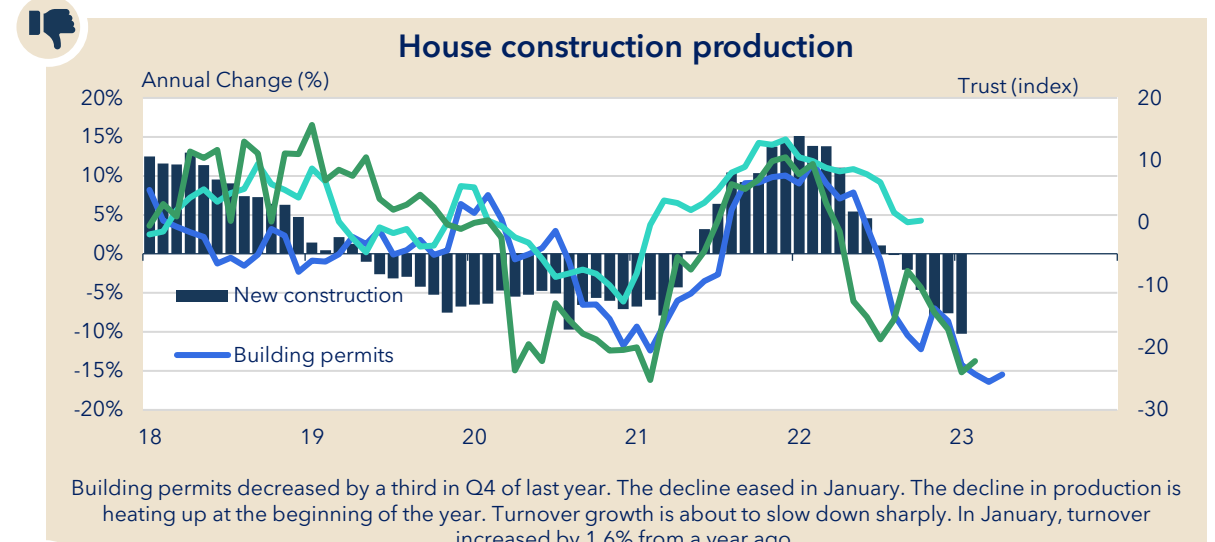
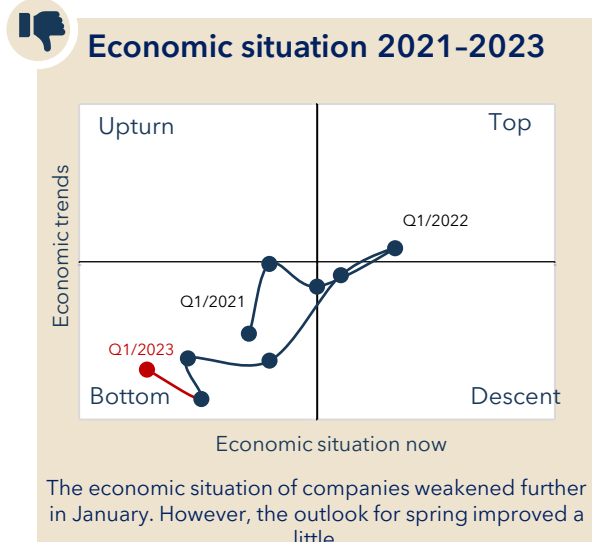
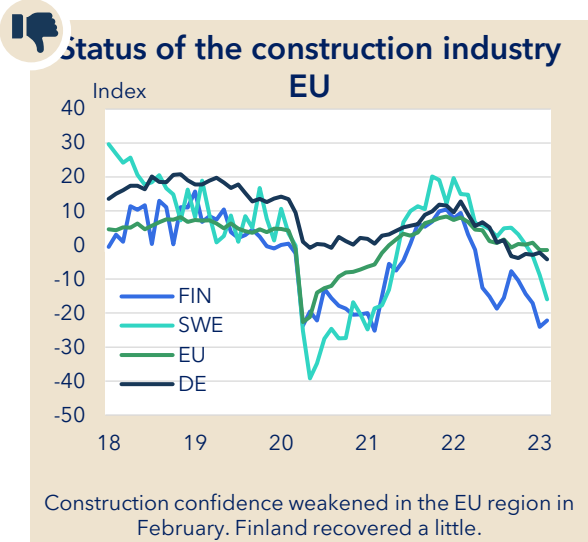
Climate change and social erosion on the agenda for the next decade

Risk of inflation control and prolonged recession

The risk of erosion of politics and human development



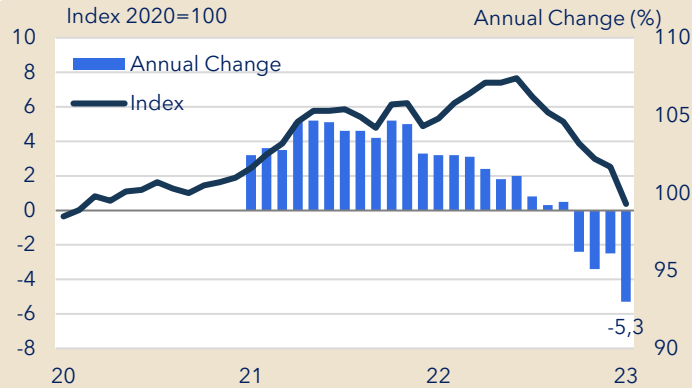
Construction: At the bottom of the economic cycle – the decline in production is still accelerating



Housing market: Market for new housing in deep freeze – supply continues to grow



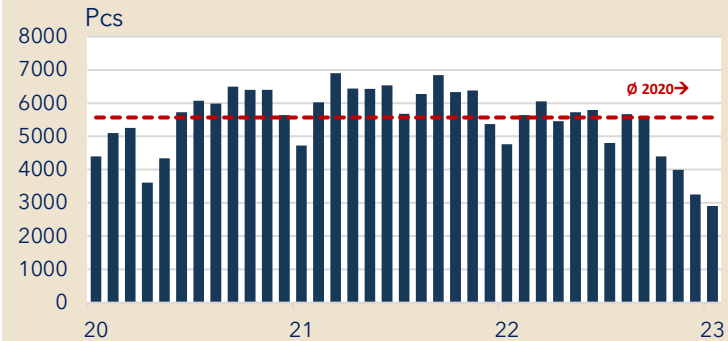
Prices of old apartments



The rise in prices caused by coronavirus disappeared in January. Prices fell by 5.3% compared to the previous year.



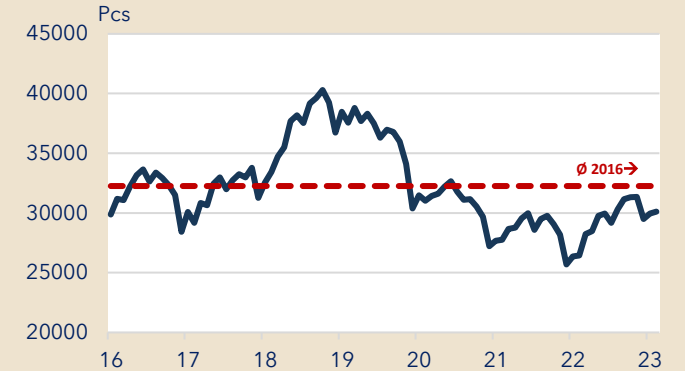
Sales volumes of old apartments



Trade volumes have clearly fallen short of the peak readings of recent years. In January, there was 40% decrease in apartments sold compared to the previous year.



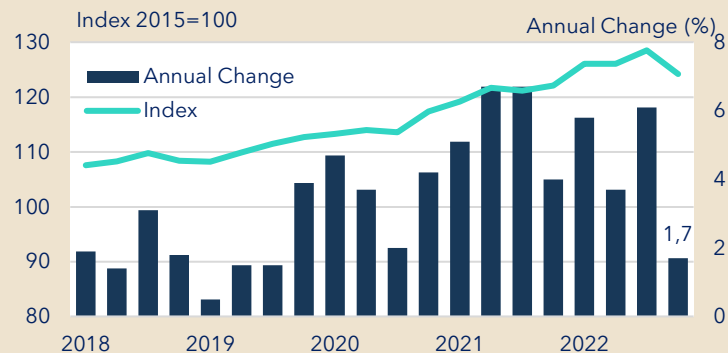
Apartments for sale in multi-storey dwellings



The number of apartment buildings put up for sale has increased strongly this year. The number increased slightly in February compared to January.



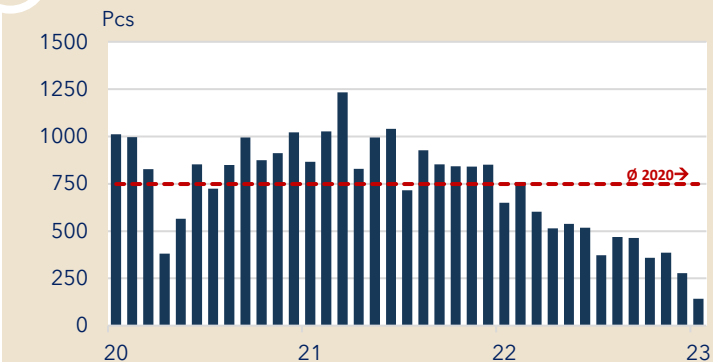
Prices of new apartments



Prices have continued to rise despite the slowdown in housing sales. The increase slowed down in the last quarter.



Sales volumes of new apartments



Sales volumes of new apartments crashed in January. There was a 80% decrease in new apartments sold compared to the previous year.



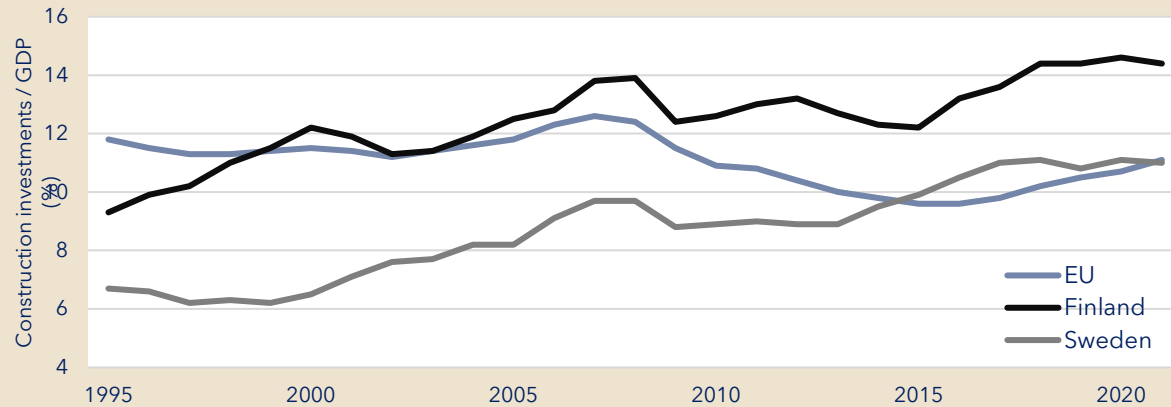
Supply of rental apartments



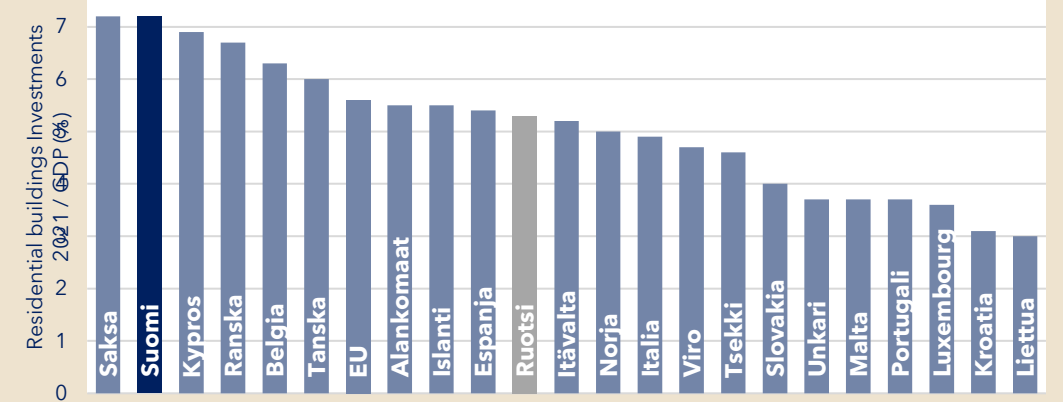
The supply has risen to a high level again after last summer. In February, growth slowed down compared to January.

Investment prospects: Finnish construction investments at a high level

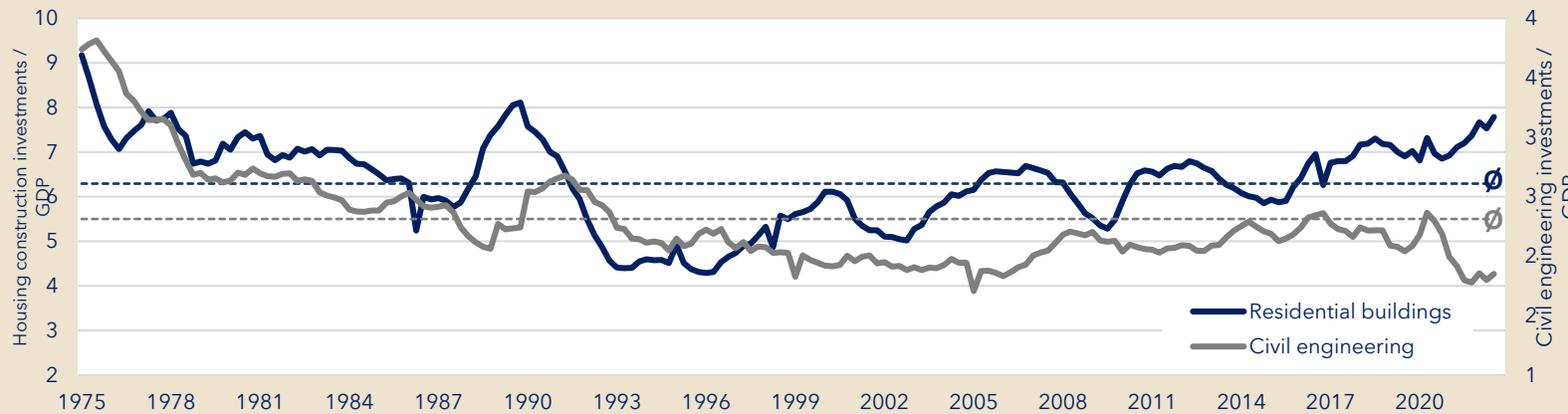
Construction investments in Europe: Finland has been above average



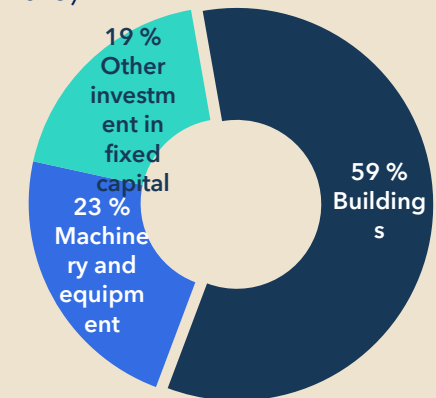
Housing construction investments: Finland invests in housing more than other



Construction investments in Finland: Housing investments fluctuate - infrastructure investments remain low

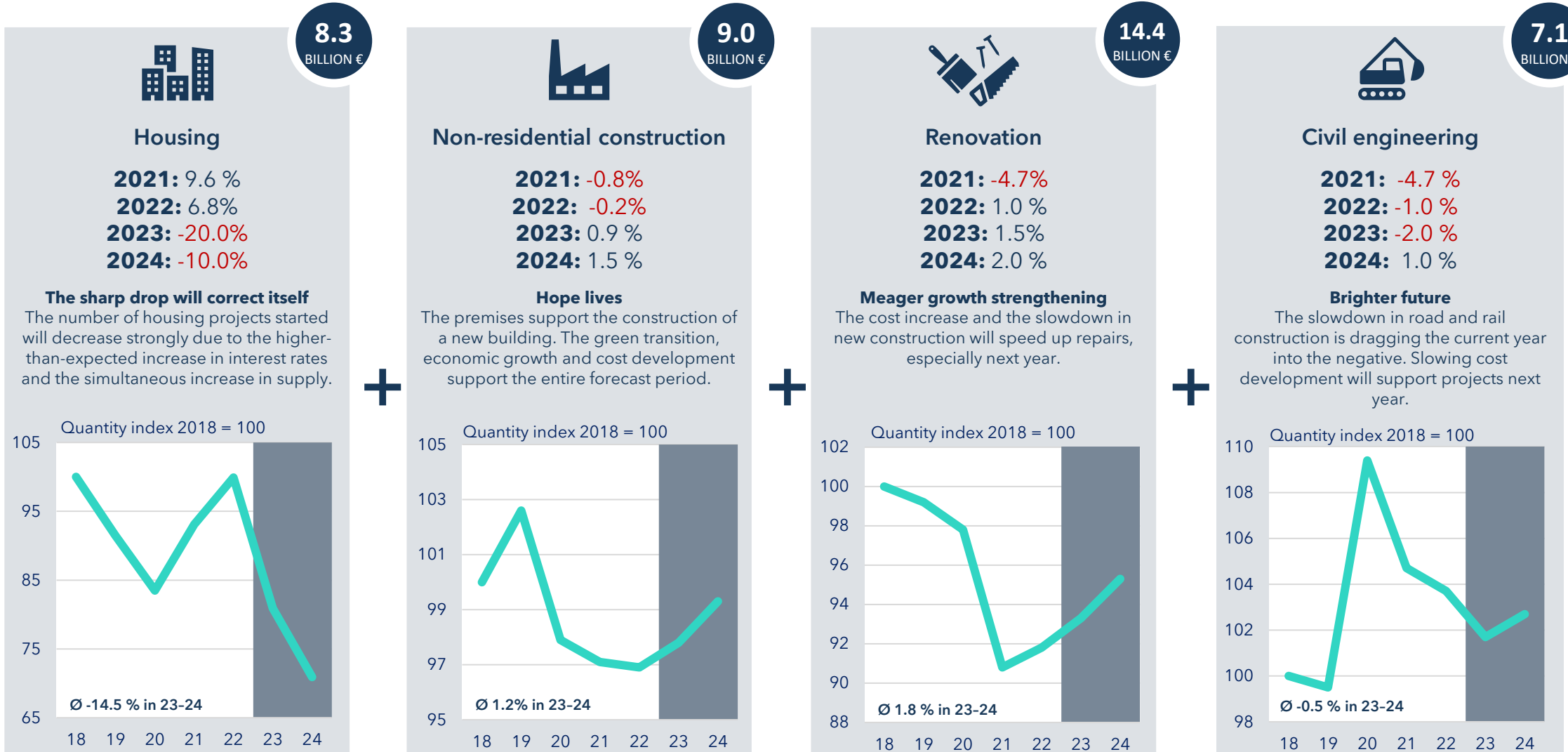


Investments in Finland 2021 (% share)



Construction in 2023-24: Stuck at the bottom - next year we might be back to the surface

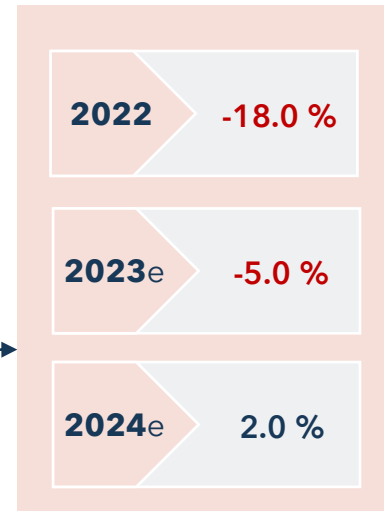
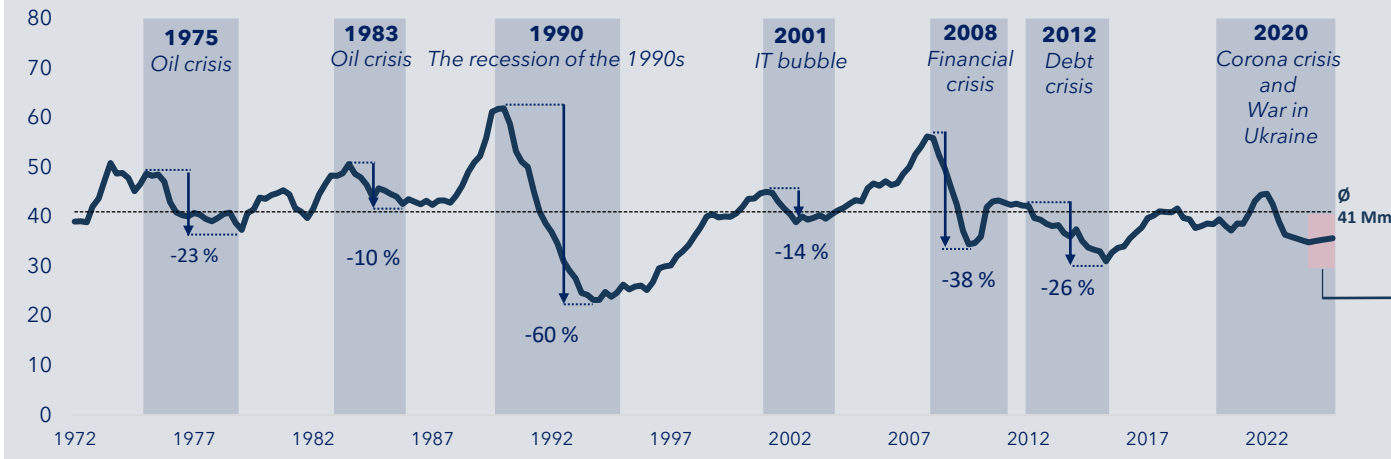
2021
in total
38.8
BILLION €



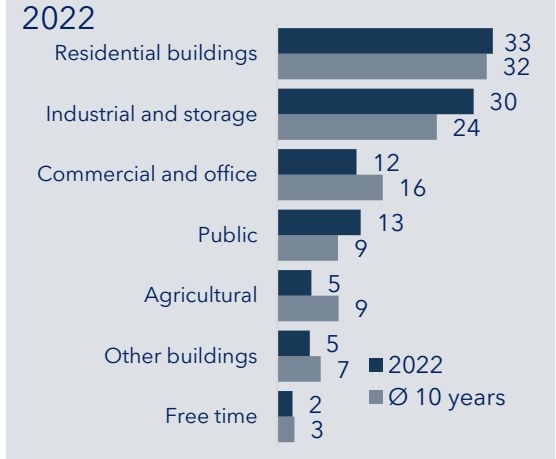
= CONSTRUCTION IN TOTAL*: 2022e: +1.3 % 2023e: -3.5 % 2024e: -0.5 %

Prospects for starts: At a low level – premises support new construction

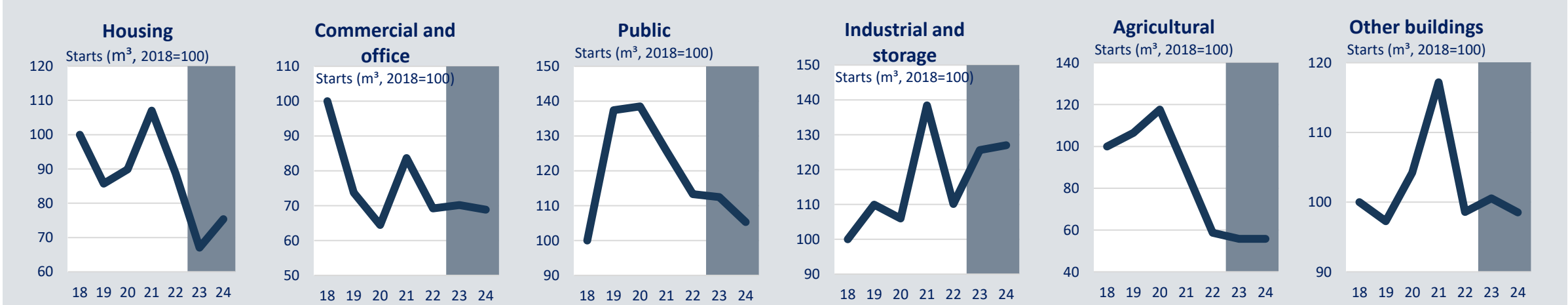
Long term starting cubic metres (million m³)



Market shares

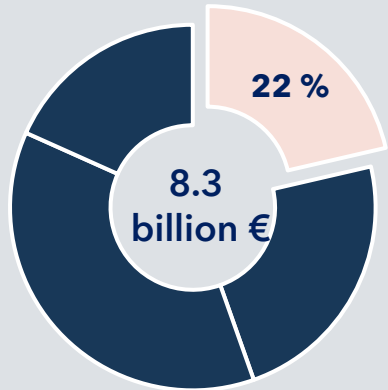


A look at different types of construction: At a low level from different starting points – the hardest breaks were encountered in 2022

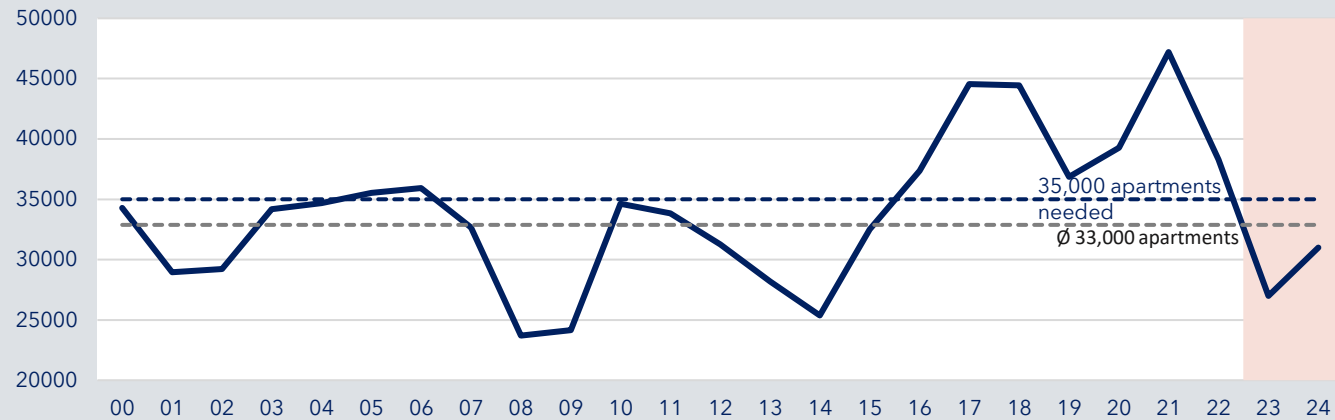


Prospects for residential construction: The sharp drop will correct itself next year

Market share
2021



Long-term new housing projects (pcs)



2022 -19 %

2023e -28 %

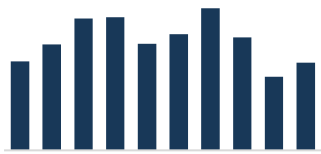
2024e 14%



Projects started

in total (pcs)

2021: 47200
2022: 38,300
2023: 27,000
2024: 31000



15 16 17 18 19 20 21 22 23 24



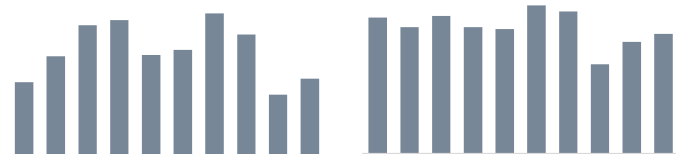
High rises

Privately financed

2021: 26500
2022: 22600
2023: 11700
2024: 14700

Supported

2021: 8900
2022: 5600
2023: 6,000
2024: 6,500

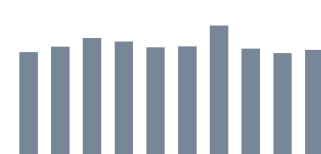


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Single-family houses

2021: 8,100
2022: 6,700
2023: 6,400
2024: 6,600

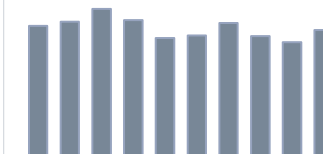


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Row houses

2021: 3400
2022: 3000
2023: 2,900
2024: 3100

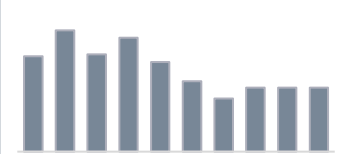


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Other buildings

2021: 400
2022: 400
2023: 400
2024: 400

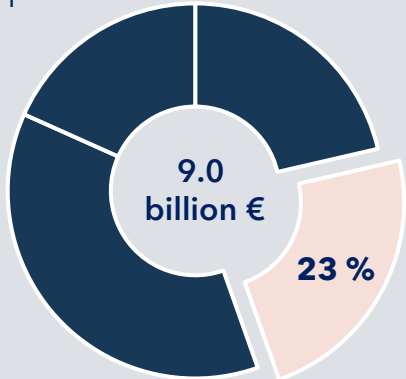


15 16 17 18 19 20 21 22 23 24

Prospects for non-residential construction: supported by green transition and cost development

Market share

2021



Long-term numbers of non-residential construction



2022e -0.2 %

2023e 0.9%

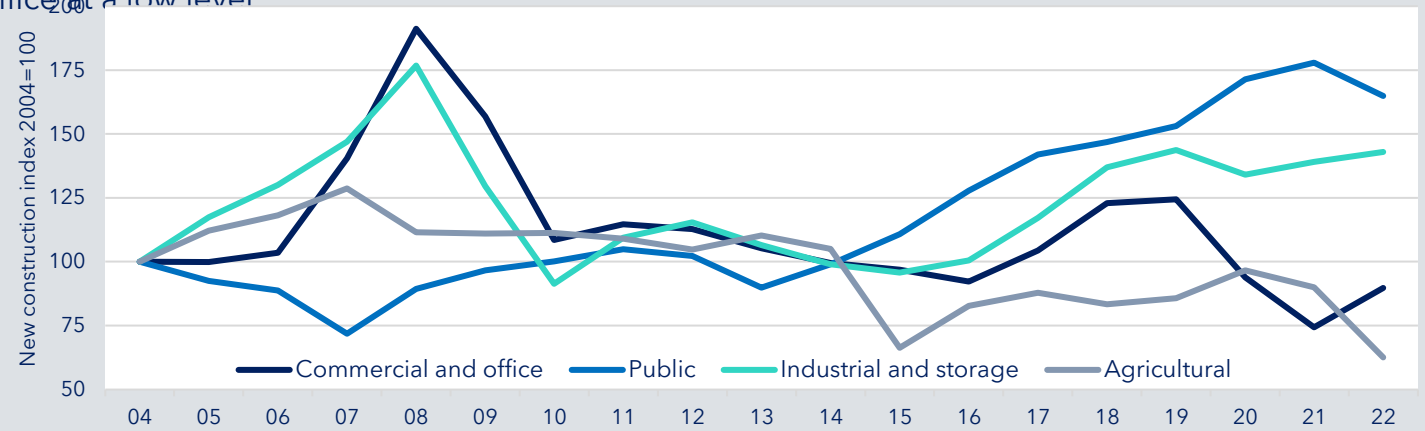
2024e 1.5%

EK investment survey (January 2022)	Million euros and annual change (%)				
	2021	2022	2023	20-21 %	22-23 %
Investment in fixed capital	4518	5690	6155	25.9	8.2
Research and development costs	2940	3283	3414	11.7	4
In total	7458	8973	9570	20.3	6.6

Investments in green transition 2020-2050:

There are different estimates of investment needs. The investments required to implement the climate goals in Finnish industry will exceed a total of 100 billion euros in the years 2020-2050, i.e. 3.3 billion euros per year.

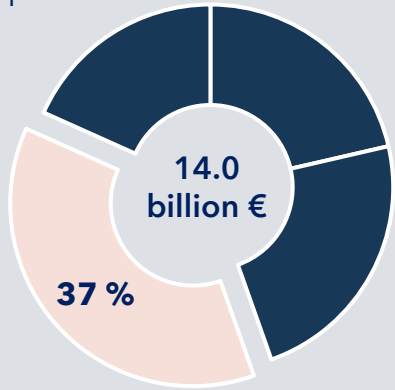
Volume of new construction: The economic boom raised volume from a low level - commercial and office at a low level



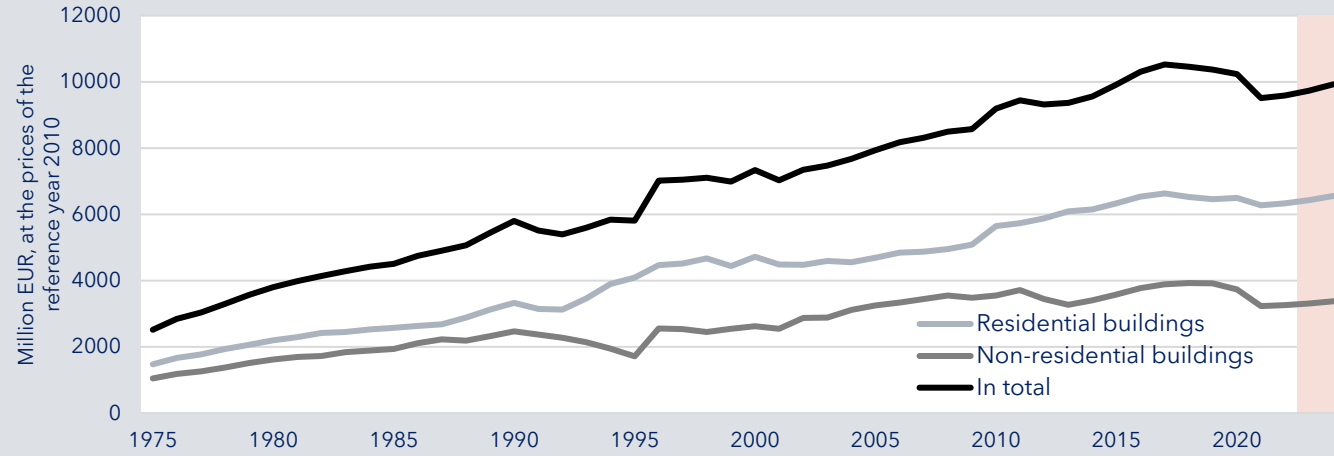
Prospects for renovation: Meager growth strengthening – supported by falling costs

Market share

2021



Long-term numbers of renovation construction

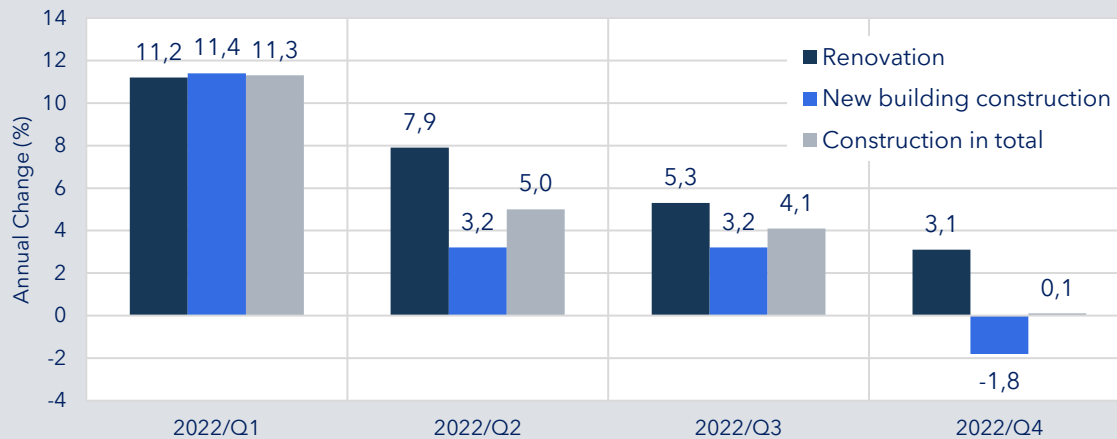


2022e 1.0%

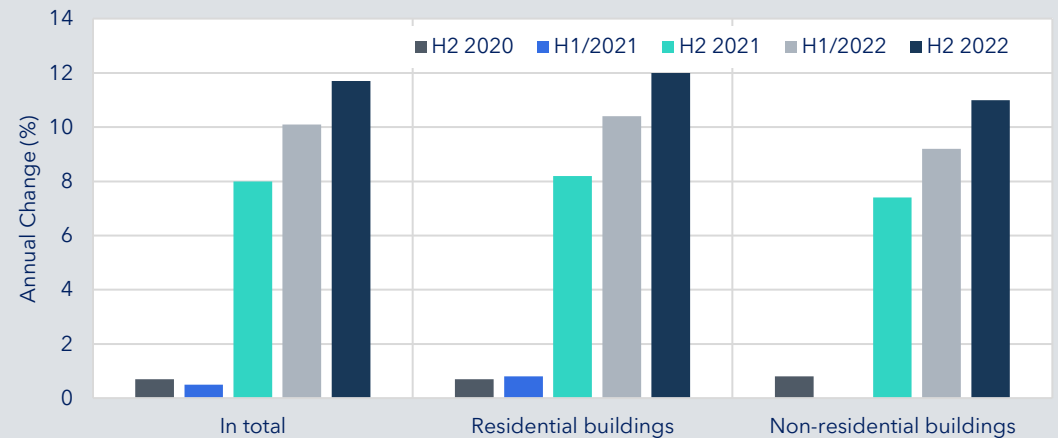
2023e 1.5 %

2024e 2.0 %

Economic view: Renovation construction leading house construction

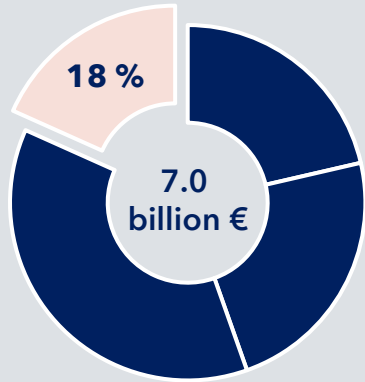


Cost development: renovation became more expensive by 10% in 2022

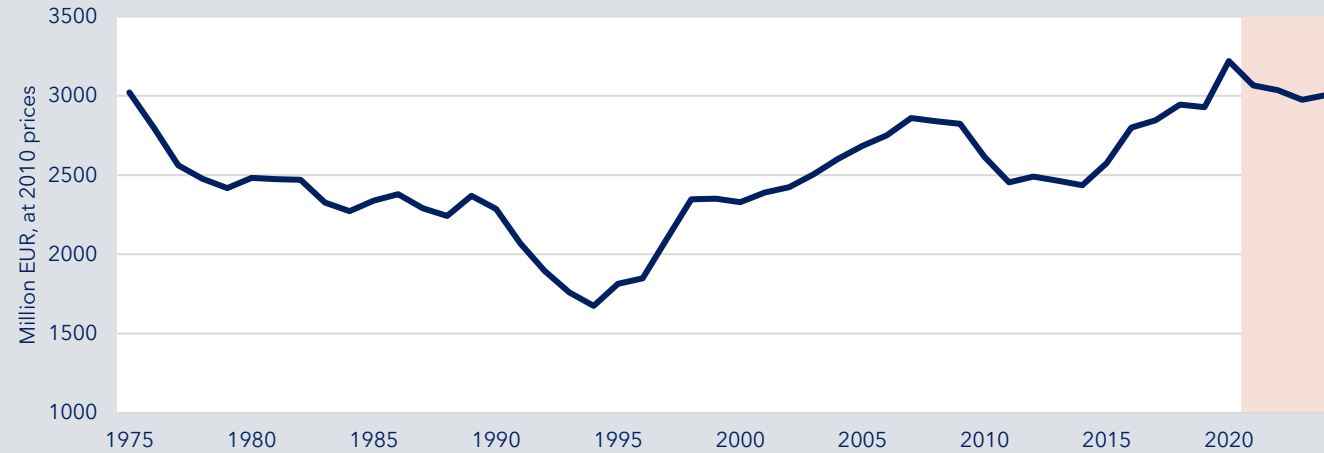


Prospects for civil engineering: Brighter future – the fast cost development will even out

Market share
2021



Long-term numbers of civil engineering projects

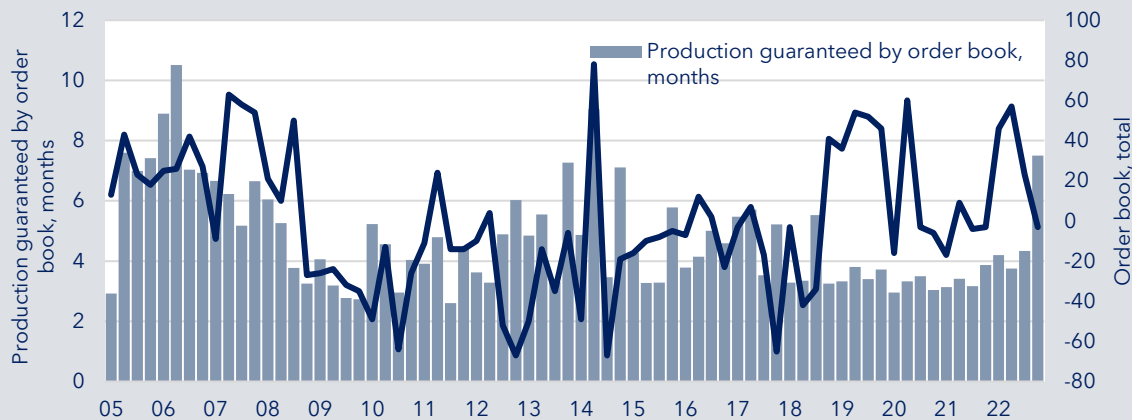


2022e -1.0 %

2023e -2.0 %

2024e 1.0%

Economic outlook: orders below average – project duration above average



Cost development: slowing down – will support projects next year

