

# Spring Market 2025 update

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# Agenda

- 01 Introduction
- 02 Economic environment
- 03 The contracting markets
- 04 Construction costs
- 05 Summary
- 06 Annex: Reconstruction in Ukraine

01

# Introduction

# About Veidekke's market report

- Veidekke prepares figures for 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.

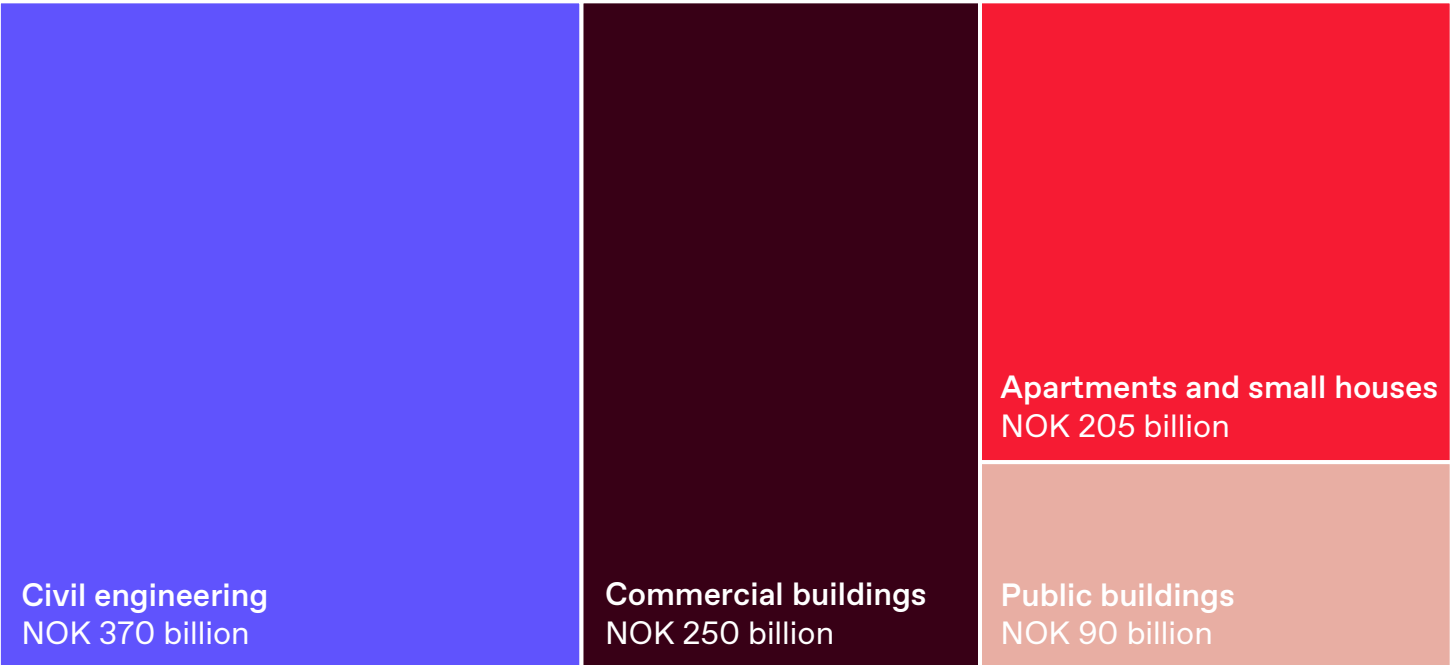
# Our focus: the Scandinavian contracting markets

**Not included:**

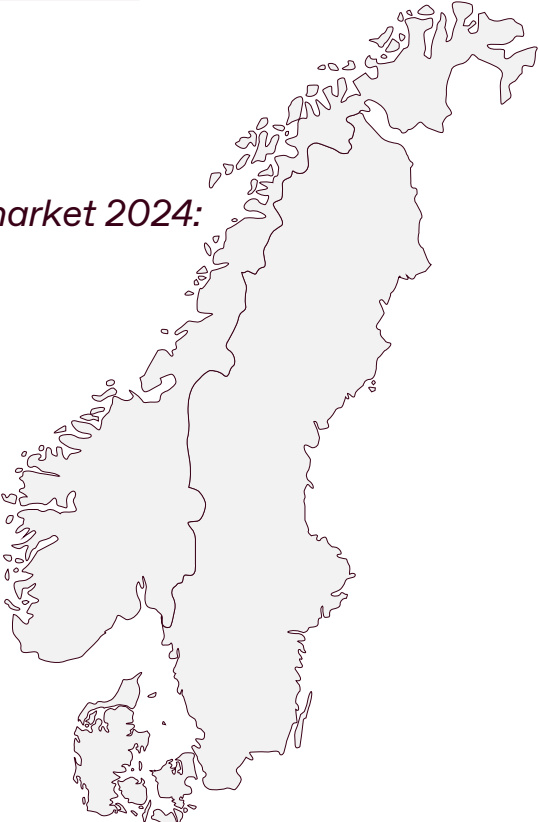
- Detached houses and holiday homes
- “Off-the-books work” and household DIY

## The contracting markets in 2024

Production of buildings\* and infrastructure in NOK billion



Total Scandinavian market 2024:  
~ NOK 920 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 in 2025 and 2026

## Signs of stabilisation, growth from 2026 onwards

### Comment

- Activity fell by 4% in 2025, following an 11% drop in 2024. The forecast is somewhat weaker than in the last update, primarily due to fewer building starts in the autumn of 2024.
- 2026 is expected to bring an upturn in all three countries, particularly in the apartments and small houses segment. The infrastructure market is at a stable, strong level.
- Low construction activity in 2024–2025 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
- Interest rate cuts in Sweden and higher residential prices and purchasing power in Norway are expected to lift construction activity in 2026. The Swedish market is leading the recovery, as confirmed by increased building starts throughout the autumn.
- Approximately half the decline in the Scandinavian contracting markets is expected to be recovered by the end of 2026.

### Production in the Scandinavian contracting markets

Percentage change compared to previous year, current prices

	2023	2024	2025	2026
Norway	3%	-8% (-7%)	-7% (-4%)	8% (6%)
Sweden	-5%	-15% (-15%)	2% (4%)	10% (7%)
Denmark	-6%	-9% (-17%)	-7% (3%)	9% (8%)
<b>Scandinavia</b>	<b>-3%</b>	<b>-11%</b> (-14%)	<b>-4%</b> (1%)	<b>9%</b> (7%)
Scandinavia, NOK billion	1,030	920	885	965

Autumn 2024 forecasts in brackets.

# Forecast accuracy for 2024

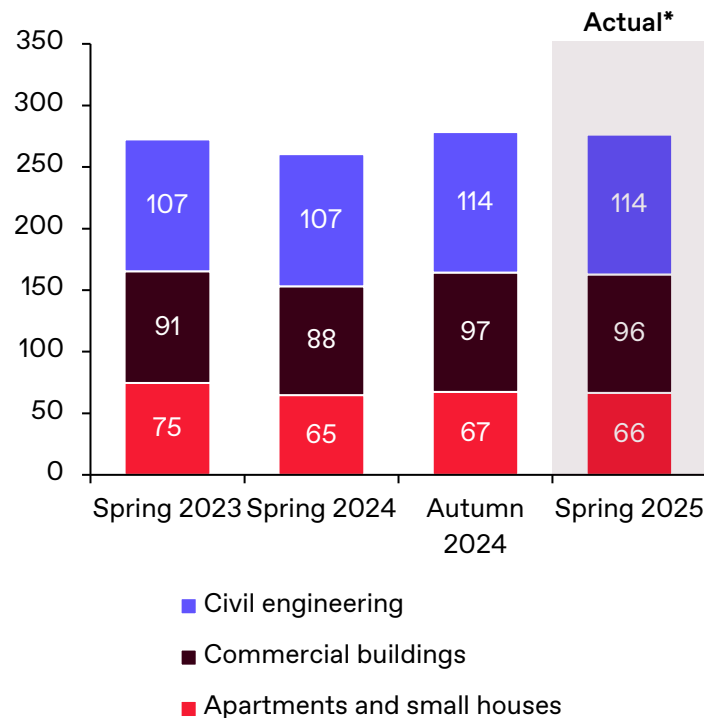
## Results for 2024\* and Veidekke's forecasts

### Comment:

With 2024 behind us, we have undertaken a simple evaluation of our forecasting accuracy for different periods. The overview shows that we over-estimated the residential market in 2024 but under-estimated commercial buildings and civil engineering. The figures suggest that our forecasts are most accurate for the current year, and somewhat lower for the year ahead. Denmark is an exception.

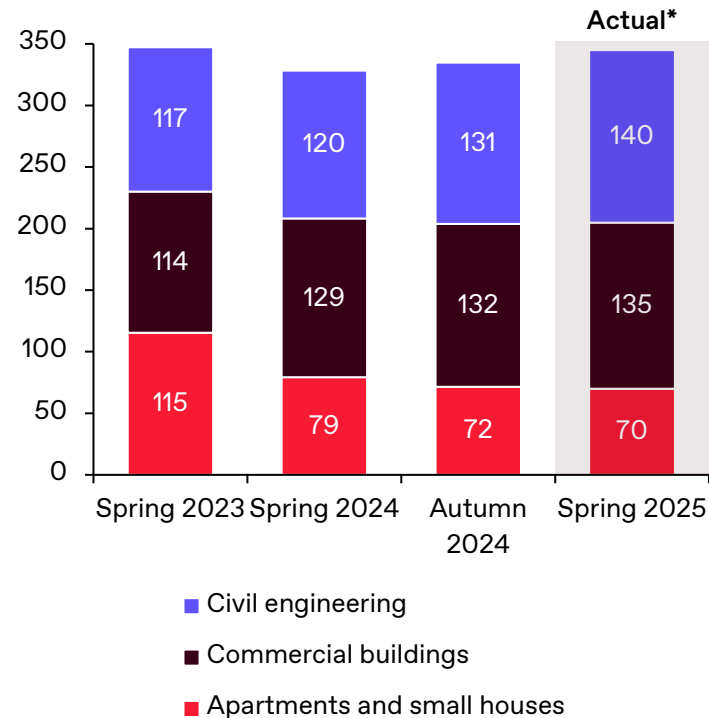
### Norway, production

Forecast and actual 2024, NOK billion



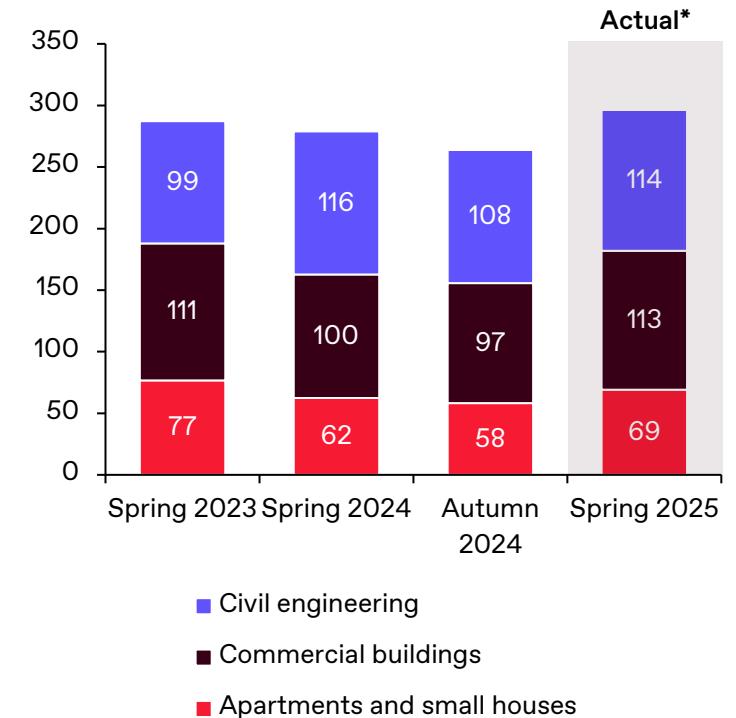
### Sweden, production

Forecast and actual 2024, NOK billion



### Denmark, production

Forecast and actual 2024, NOK billion



\* Several figures for 2024 are provisional and will be revised. Experience indicates that data from Infrastructure Norway, Infrastructure Sweden and the Danish construction operation are subject to the greatest revisions..

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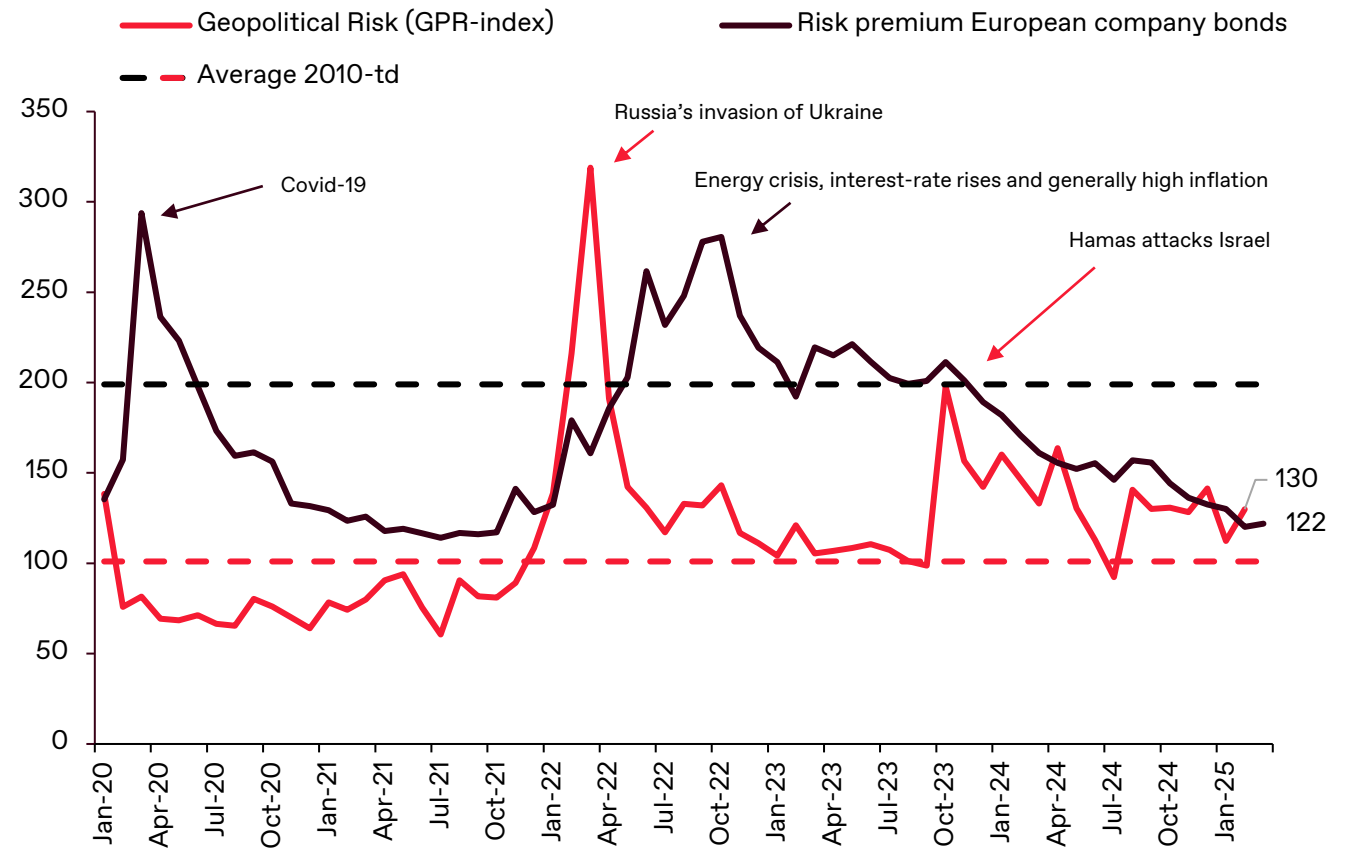
# Economic environment



# Geopolitical snapshot

## Geopolitical unrest and risk premium on European corporate debt

- The geopolitical risk indicator (GPR) has remained stable since the summer. The most recent measurement was taken in February.
- The premium on European corporate bonds has fallen further and is at a low level.
- We interpret the development in these indicators as a signal that the financial markets are not currently anticipating material negative impacts on the European economy and businesses, despite new geopolitical developments and uncertainties caused by the new US administration.
- It is important to note that indicators only provide a snapshot of the current situation, and are not a forecast of the future. Unforeseen events may quickly increase the risk of both further geopolitical conflict and disruption in financial markets



# Geopolitical unrest and impacts

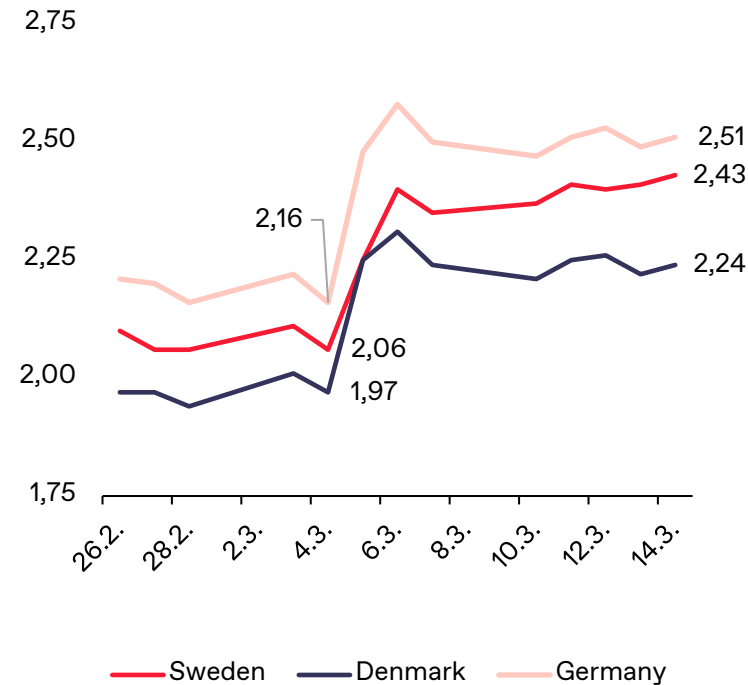
## Large-scale investment in defence sends interest rates up

### Comment

- The Scandinavian contracting markets have previously proven resilient to geopolitical unrest and fluctuations in the global economy.
- Due to its import-dependence, the industry may benefit from US tariffs in the short term, in the form of reduced prices, e.g. for steel. The longer-term impacts will be negative due to reduced growth.
- The clearest impacts are plans for strong increases in defence spending, which may result in:
  - a larger market for defence-related infrastructure
  - reallocation of government investment and altered financial budgets for the municipal sector
  - higher market interest rates due to increased debt
  - reduced labour supply

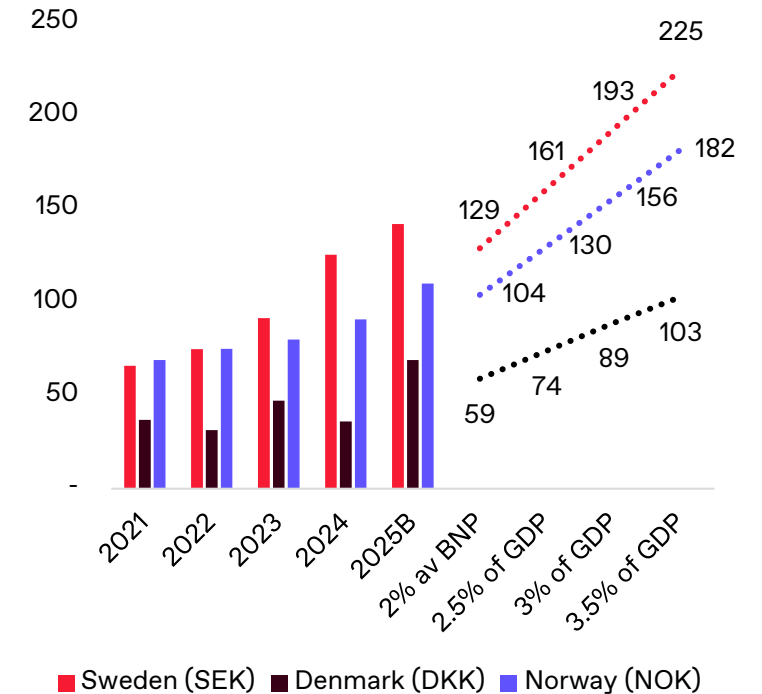
### Higher interest rates due to defence investment

Basis points, five-year government bonds



### How high will defence expenditure go?

Development and possible goals, local currency, billions



# Economic growth

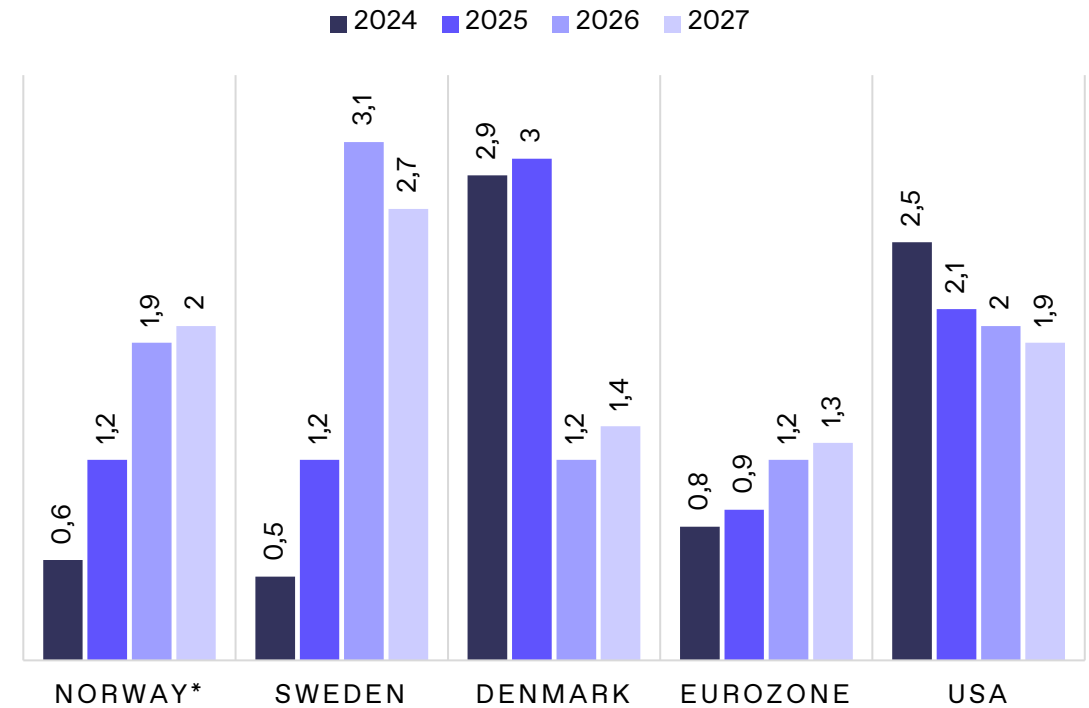
## Accelerating growth in Norway and Sweden

### Comment

- Growth in Norway and Sweden is expected to accelerate in 2025 and 2026. In Sweden, growth of some 3.1% is forecast for 2026, driven by factors including increased industrial activity and higher household consumption.
- In Denmark, growth is high at the start of 2025, but is expected to slow somewhat going forward. The reasons include reduced public-sector investment.
- FED forecasts prepared before July showed continued balanced growth in the US in the years ahead. PMI and employment figures from the start of 2025 indicate ongoing positive momentum in the US economy.
- Forecasts were prepared in December 2024, except in the case of the Danish and ECB forecasts, which are dated February and March 2025. New forecast updates in March may result in some adjustments, but despite increased geopolitical unrest and uncertainty, we do not anticipate any material changes in these growth forecasts.

### GDP growth

Percentage change compared to previous year



\* Mainland Norway

# Household purchasing power and job security

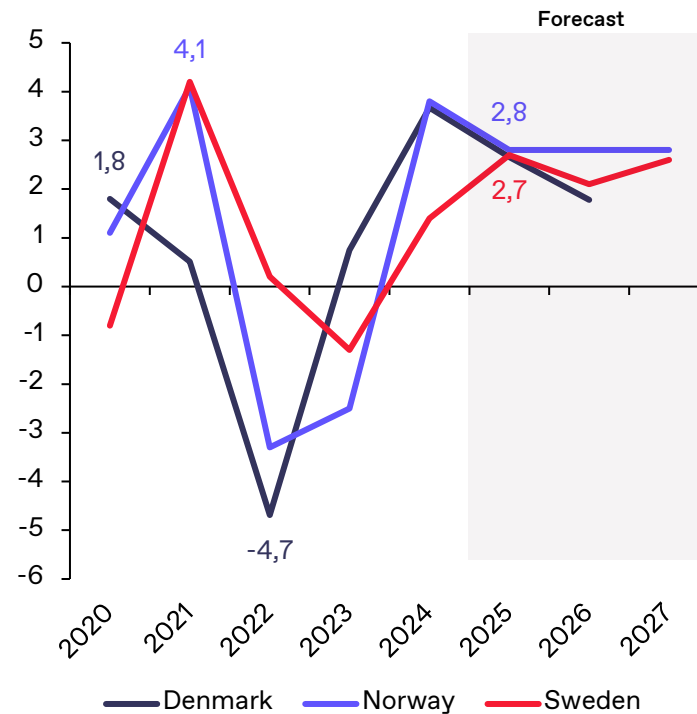
## Improved purchasing power, stable unemployment

### Comment

- The outlook for future household finances is positive. Real wage growth is expected to rise as a result of strong wage increases and lower inflation, while the interest-rate burden is falling, particularly in Sweden.
- 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.

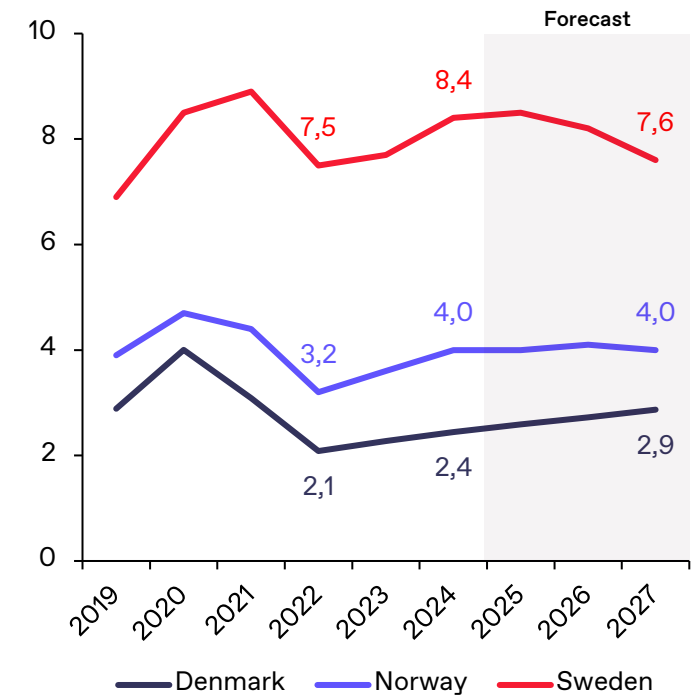
### Household purchasing power is increasing ...

Annual growth in real disposable income, households, %



### ... while job security remains stable

Unemployment, % of working persons aged 15–74

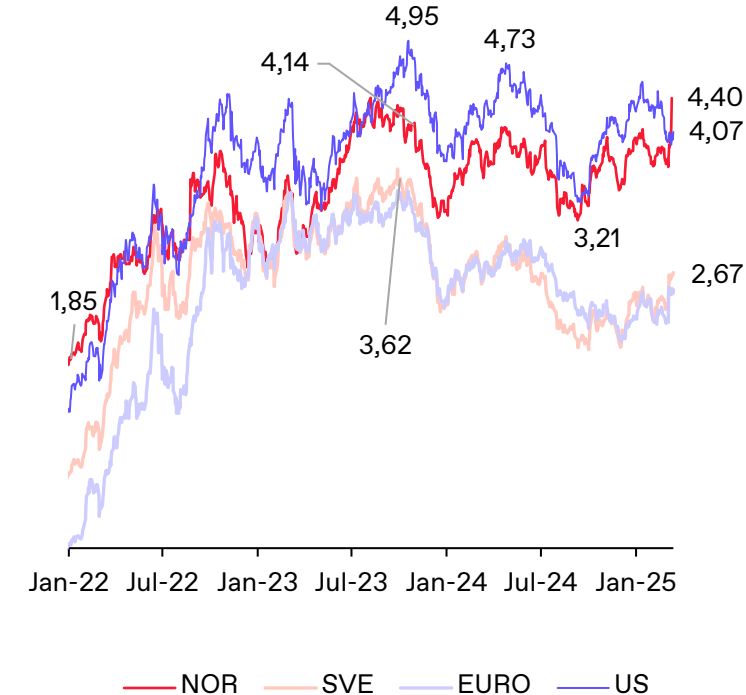


# Interest rates and inflation

## Key rates on the way down, market rates remain high

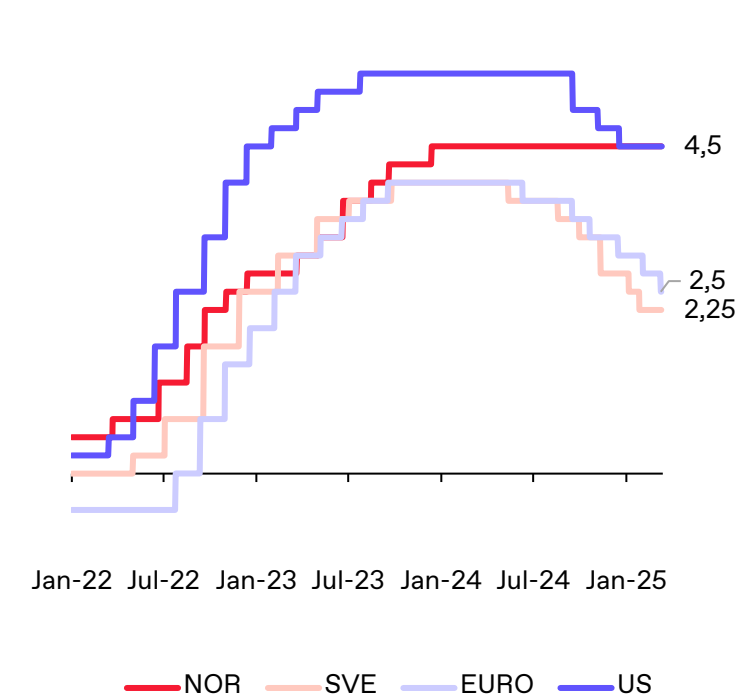
### Market rates remain high...

Five-year swap rates, %, most recent observation 14 March



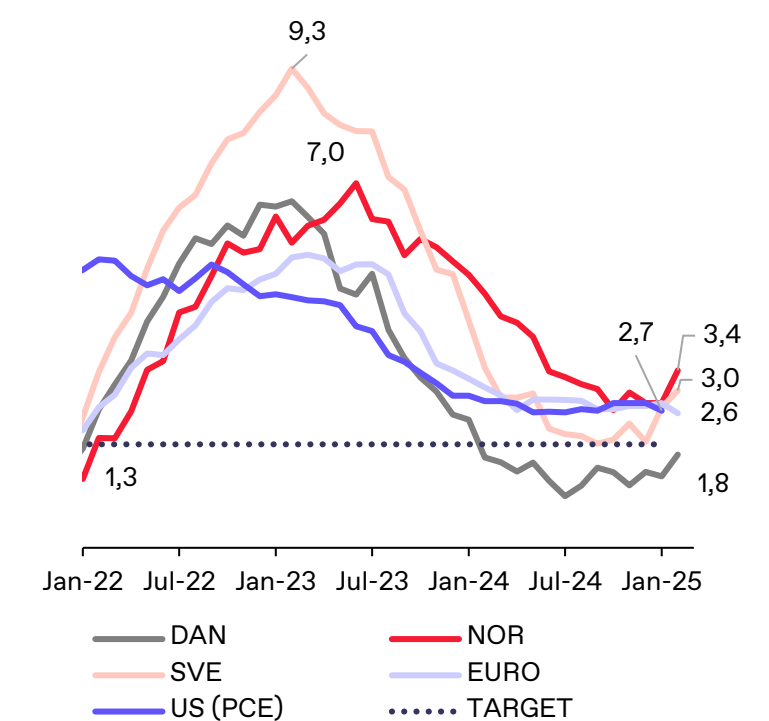
### ...while key policy rates have been cut

Policy rates, %, most recent observation 14 March



### Inflation is close to the 2% target

Core inflation rates, %, most recent observation 14 March



# Exchange rates

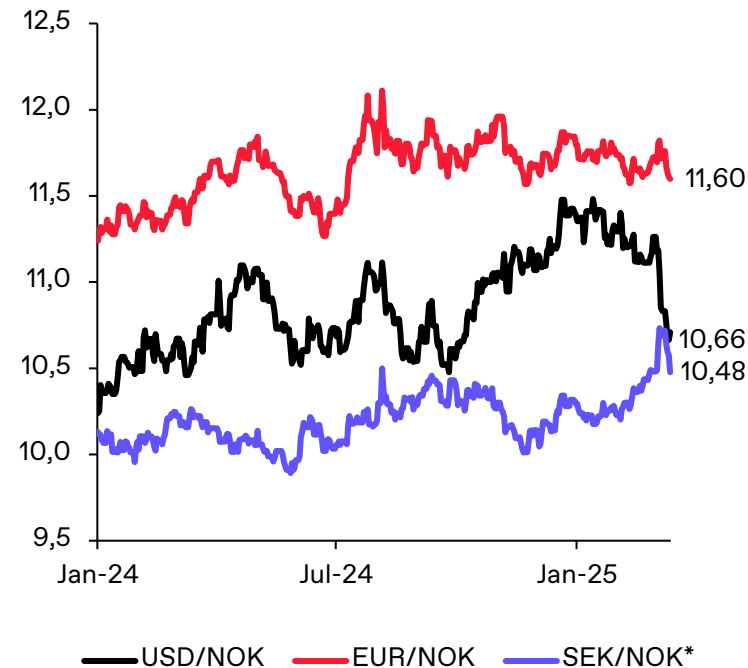
## Largely stable over the past year, with exception of USD

### Comment

- Both NOK and SEK have fluctuated against USD in recent months, not least due to geopolitical turbulence. In recent weeks, however, both currencies have followed a broader trend of significant appreciation against the dollar.
- Moreover, both currencies have remained fairly stable relative to other currencies, not least EUR. Overall, disruptions linked to imported input factors are modest.

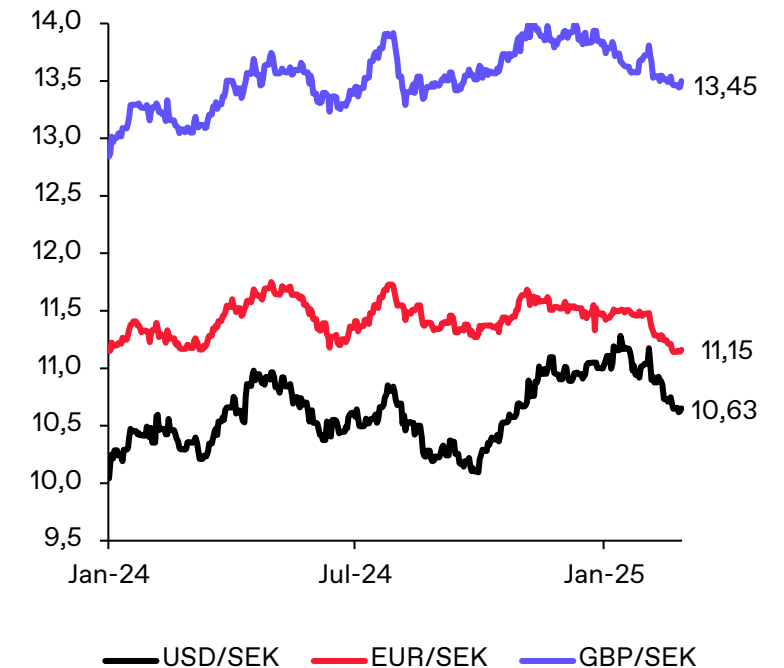
### NOK

NOK v. USD, EUR and SEK



### SEK

SEK v. USD, EUR and GBP



# Demographic developments

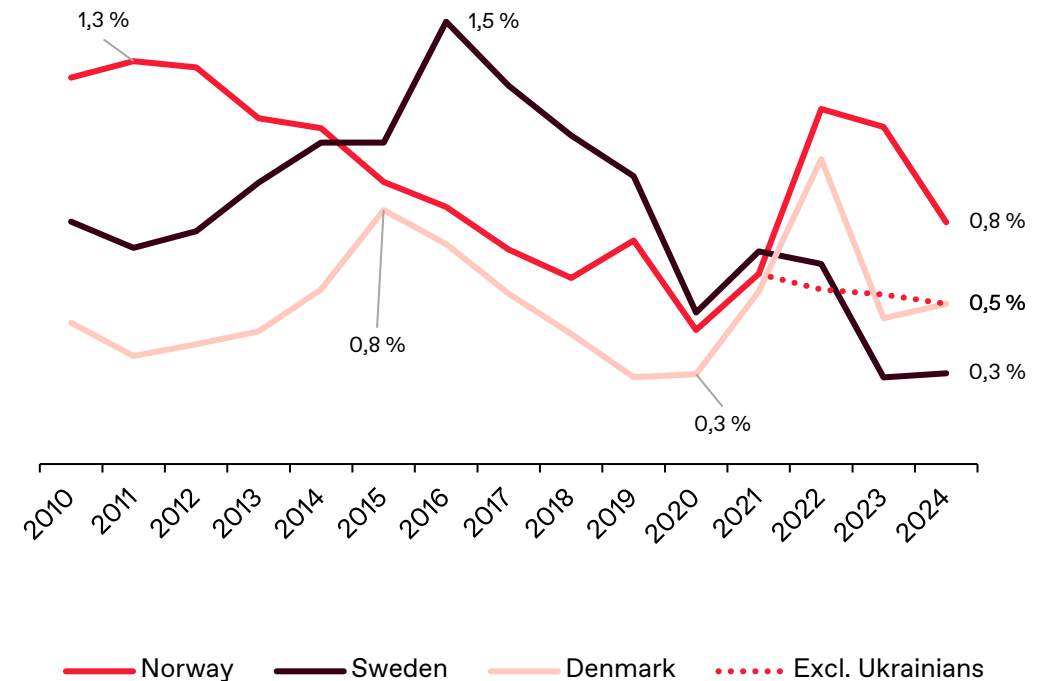
## Declining population growth in Norway and Sweden

### Comment

- Population growth is an important long-term driver of both the construction and the infrastructure market. There are indications of declining growth compared to earlier periods.
- Population growth in Norway fell to 0.8% in 2024. Adjusted for immigration from Ukraine, population growth totalled 0.5%.
- In Sweden, last year's population growth was on a par with the preceding year, at a modest 0.3%, while Denmark's population grew by 0.5%.
- Lower population growth compared to earlier decades is partially attributable to lower birth rates and reduced immigration.
- Lower population growth will reduce expansion needs in the educational sector and demand for residential units for young adults. However, demand for buildings catering to older persons, for example in the health and care sector, will grow strongly over the next 10–15 years due to a rapidly aging population.

### Population growth

Annual growth, %

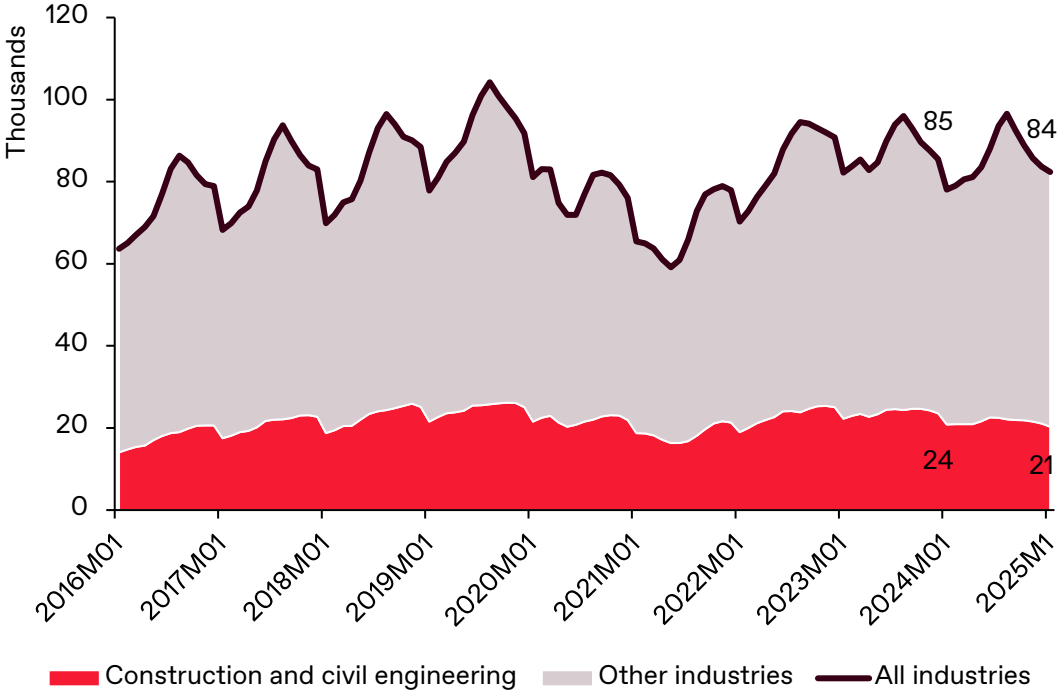


# Foreign labour in Norway

## No signs of a lack of foreign labour

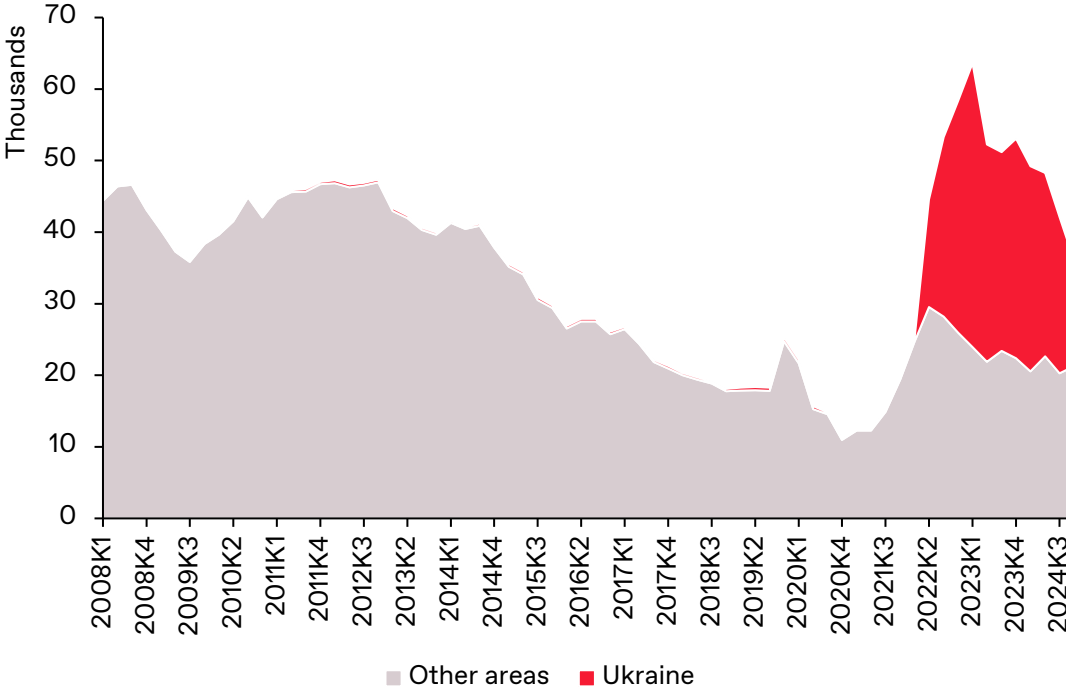
### Non-resident workers

Number of workers up to and including January 2025, seasonally adjusted



### Net immigration to Norway

Rolling 12-month net immigration





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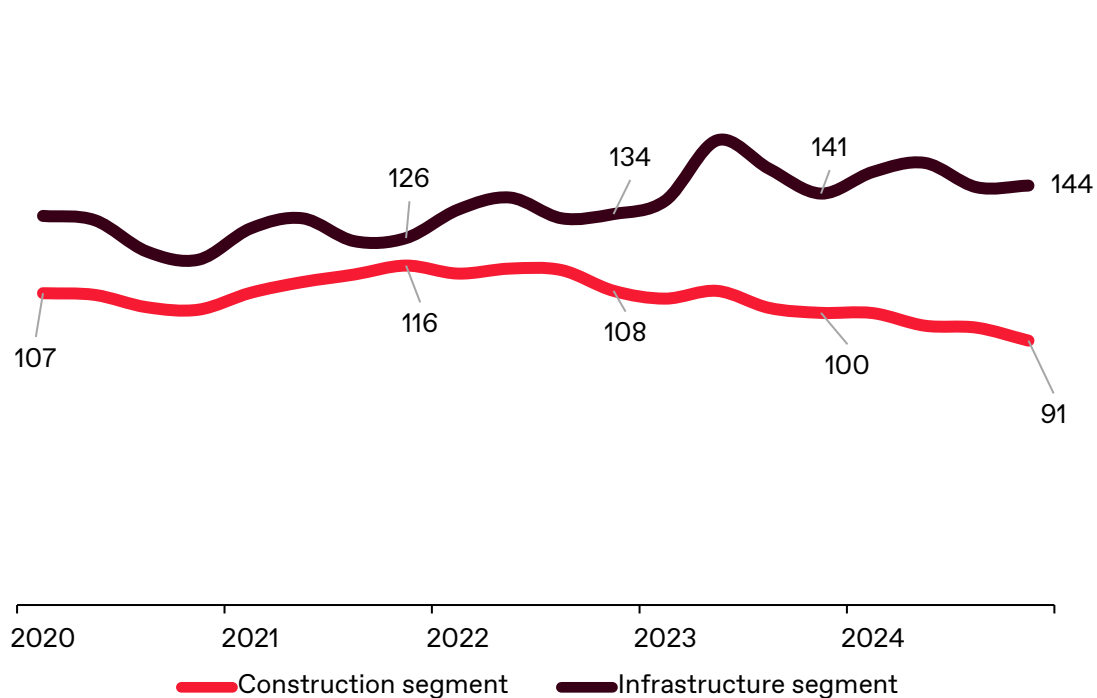
# The contracting markets

# Estimated order intake, construction operations

## Reduced construction order intake, stable for infrastructure

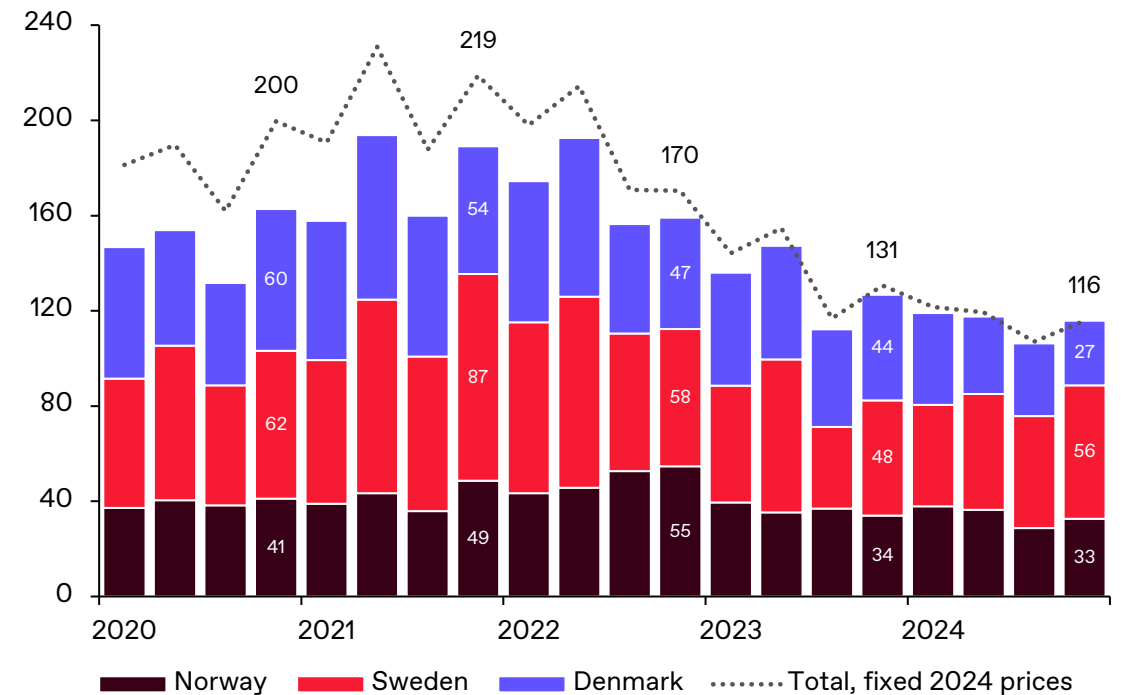
### Order book, Nordic construction operations

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



### Estimated order intake, Scandinavian construction projects

NOK billion. Based on registered building permits



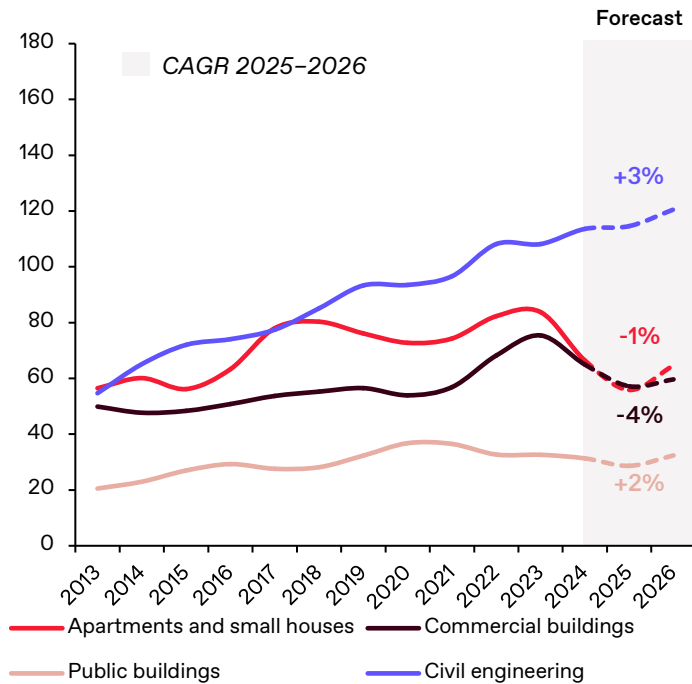
**Construction** includes Construction Norway and Construction Sweden, Hoffmann, AF Bygg, Betonmast, Peab Construction, NCC Building Sweden and NCC Building Nordic.  
**Infrastructure** includes Infrastructure Norway and Infrastructure Sweden, AF Anlegg, Peab Infrastructure, NCC Infrastructure and Skanska Nordic.

# The Scandinavian contracting markets

## Historical figures and forecasts, current prices

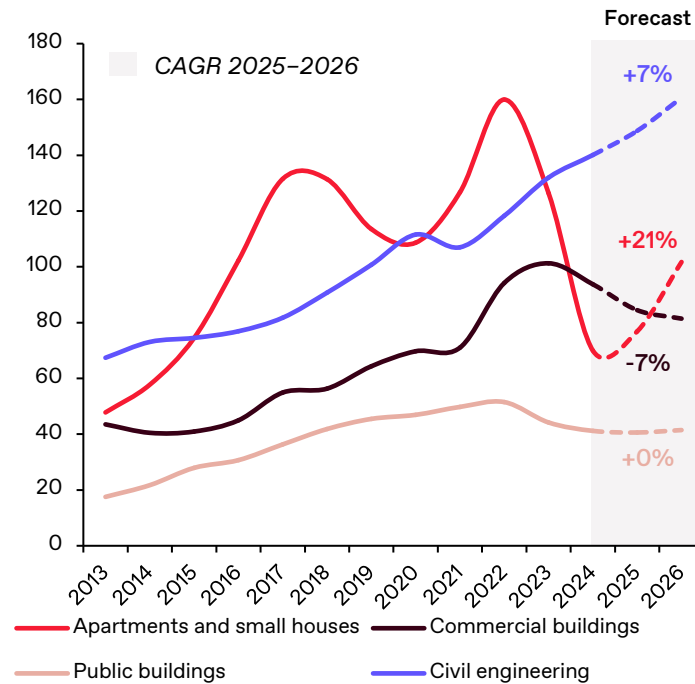
### Norway, production by sector

NOK billion, current prices



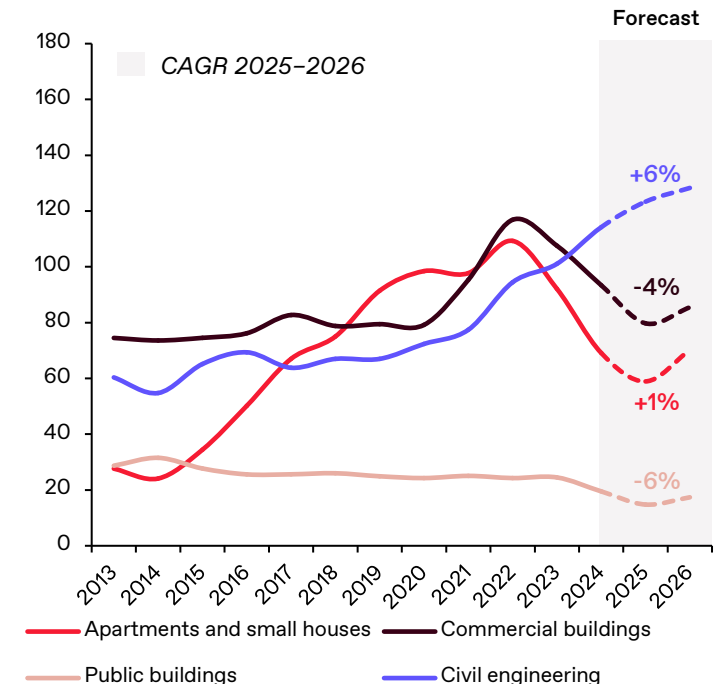
### Sweden, production by sector

NOK billion, current prices



### Denmark, production by sector

NOK billion, current prices

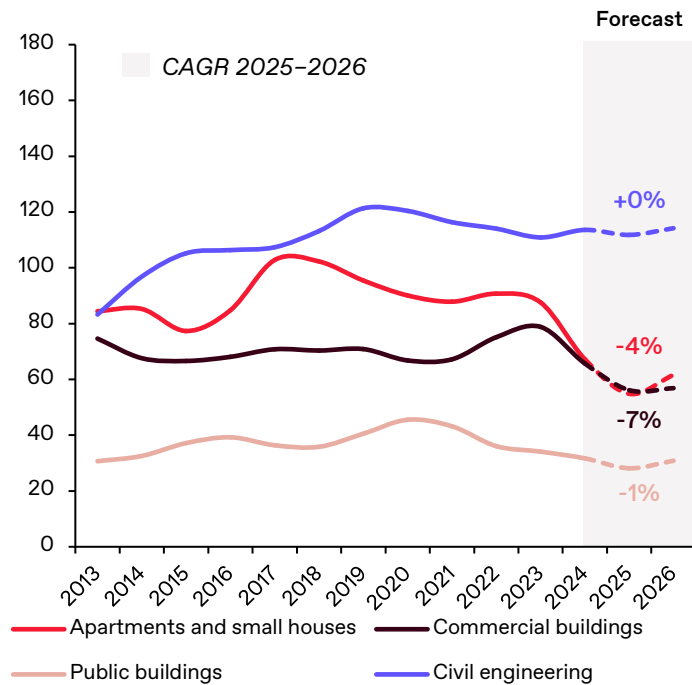


# The Scandinavian contracting markets

## Historical figures and forecasts, fixed prices

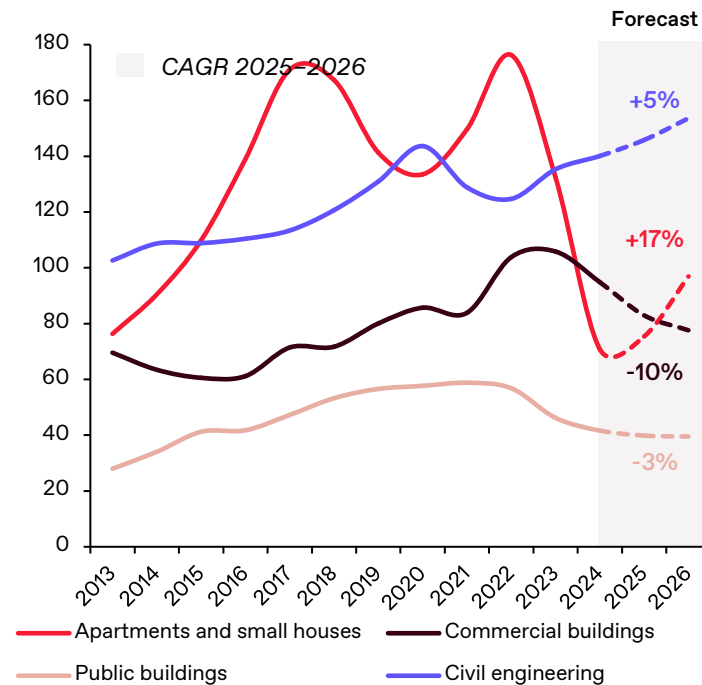
### Norway, production by sector

NOK billion, fixed prices



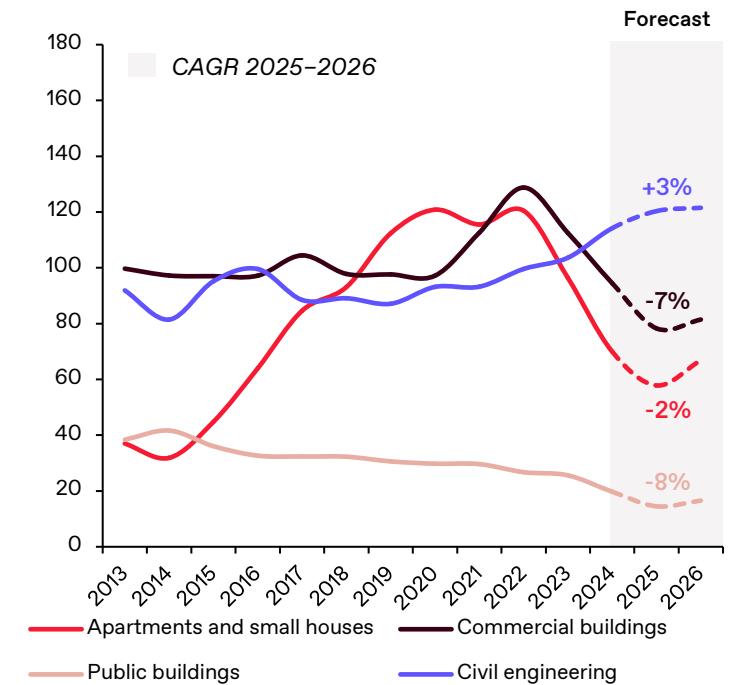
### Sweden, production by sector

NOK billion, fixed prices



### Denmark, production by sector

NOK billion, fixed prices

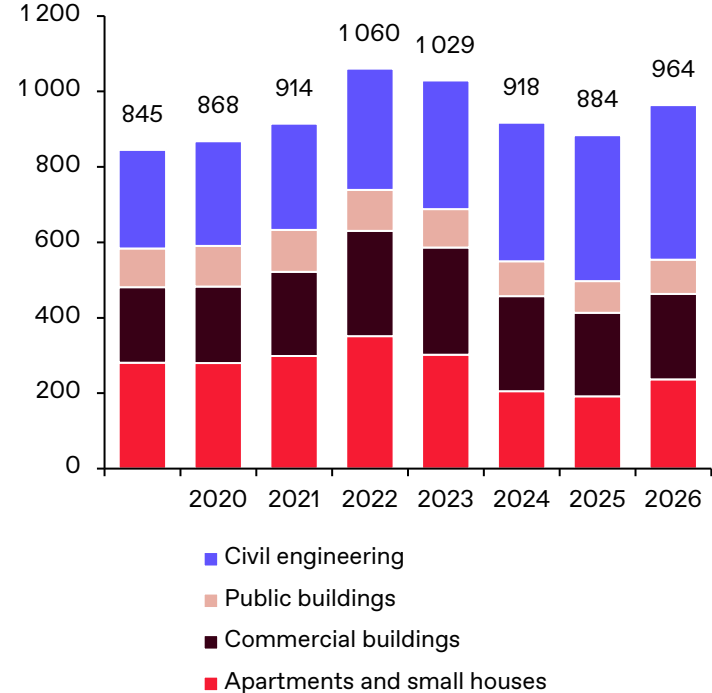


# Forecast 2025–2026: approximately 50% recovery?

## Sector and country distribution

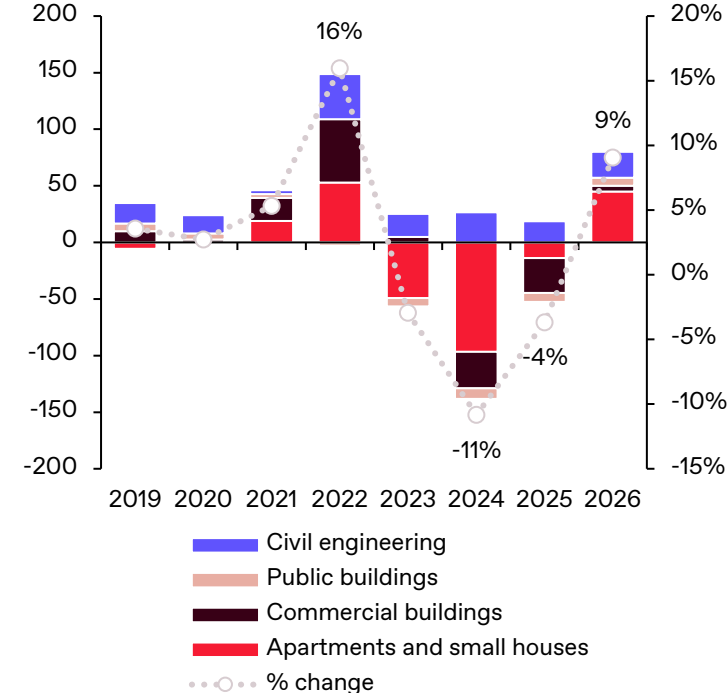
### Sector distribution

NOK billion. 2025–2026 forecast



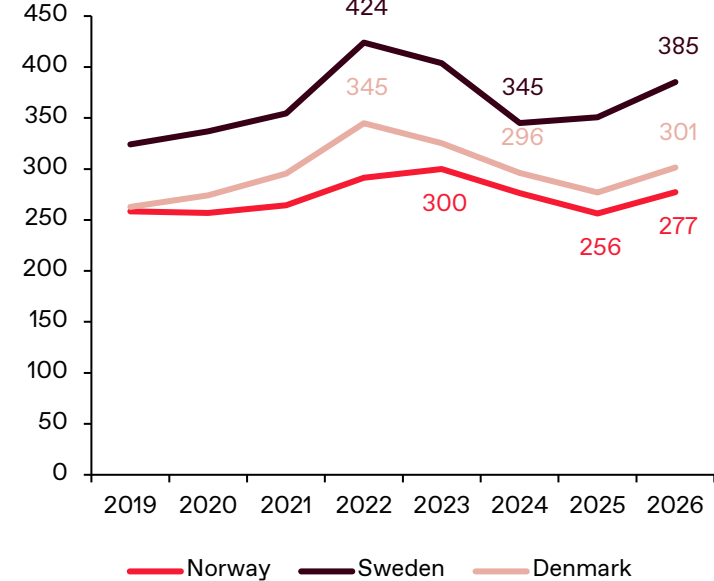
### Year-on-year change by sector

NOK billion. 2025–2026 forecast



### Country distribution

NOK billion. 2025–2026 forecast



# Construction and engineering industry employment

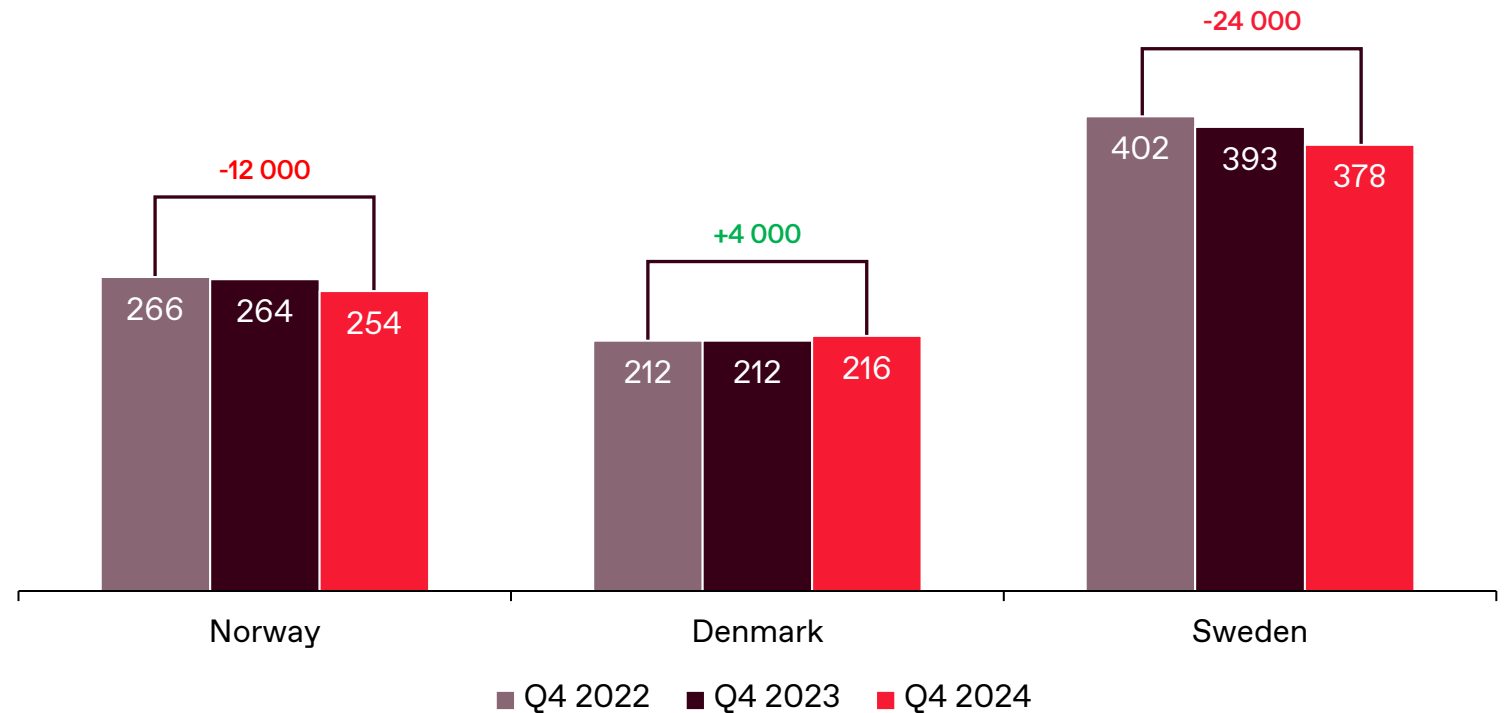
## Surprisingly stable development thus far

### Comment

- Norway: employment rates are falling gradually, from 266,000 in 2022 to 254,000 in 2024.
- Denmark: the number of employed persons is stable, with a small increase in 2024 (from 212,000 to 216,000).
- Sweden: a clear decline from 402,000 in 2022 to 378,000 in 2024.
- Overall: the trend is not dramatic, but Sweden shows the clearest drop, while Denmark shows a weak increase.
- The decline in employment rates is smaller than the drop in construction volumes seen in recent years. This indicates that the market previously had unmet labour needs. The fall in volume has improved the balance between labour demand and supply.

### Employed persons

1,000 persons, as at Q4 of each year



# The contracting markets

## Construction

# The secondhand residential market

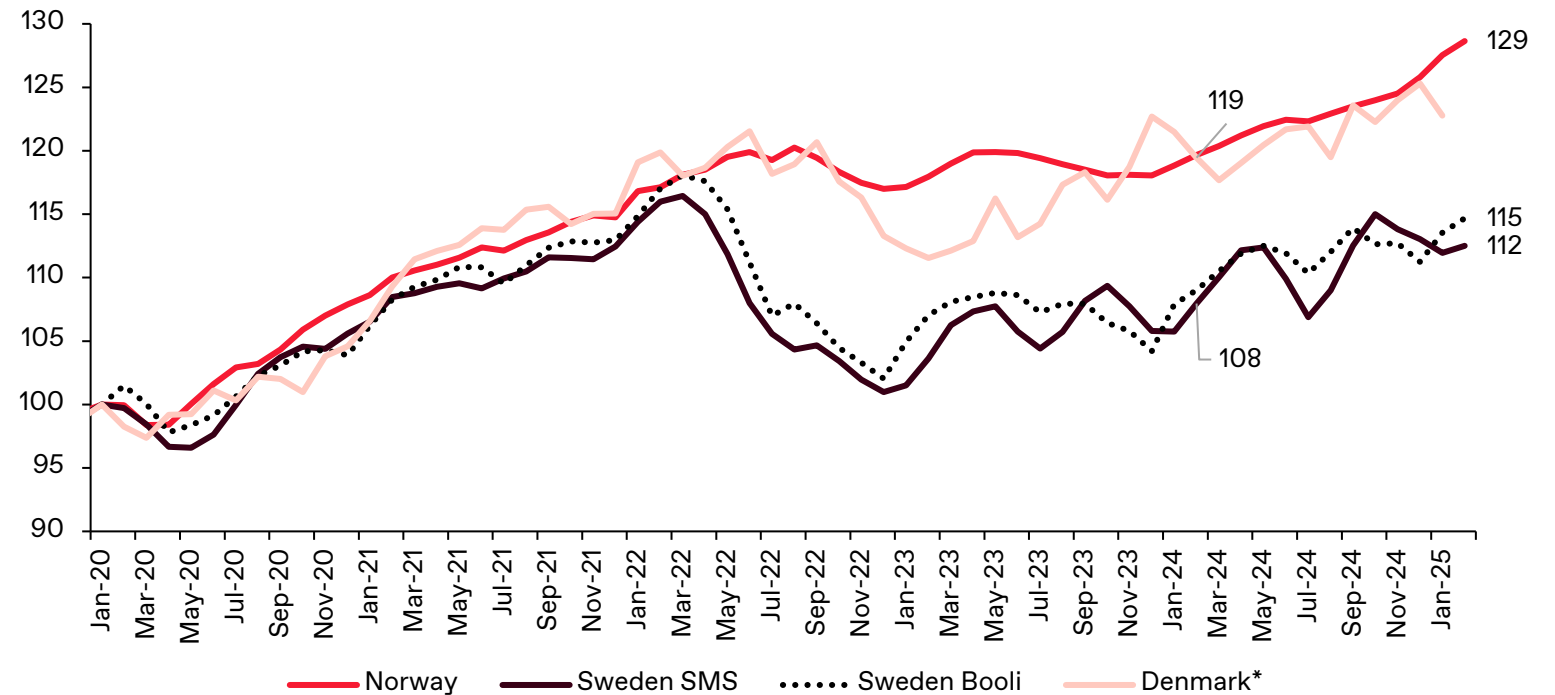
## Prices are rising

### Comment

- Residential prices in Norway and Sweden developed positively from February 2024 to February 2025. Price growth stayed flat in Denmark.
- Residential price growth was particularly strong in Norway, with an increase of 7% during the period.
- In addition, strong transaction volumes indicate a well-functioning market.
- A strong 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





# New residential unit sales in Norway

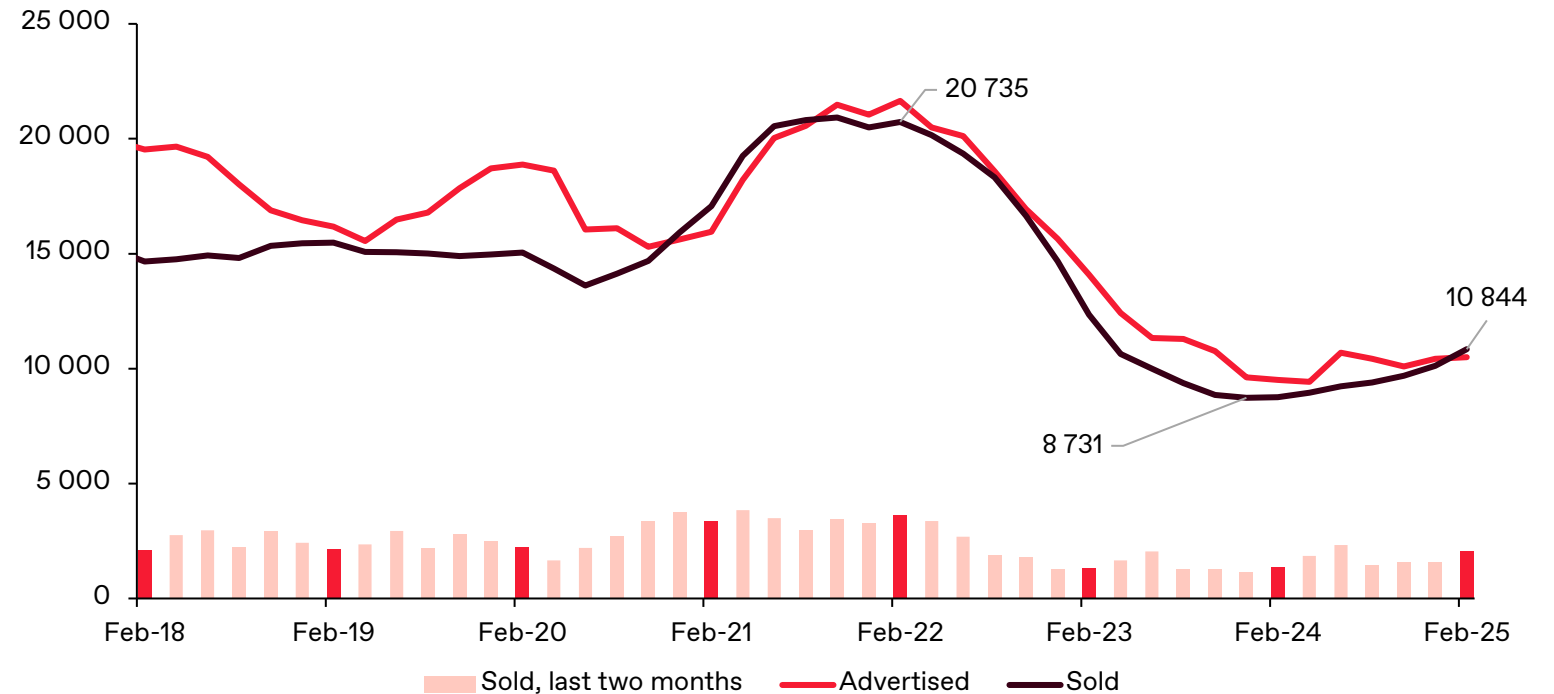
## Moderate upturn after bottoming out

### Comment

- There is an upturn in new residential unit sales in Norway after demand bottomed out in 2023.
- Approximately **10,800** apartments have been sold in the past 12 months, approximately the same number as advertised for sale.
- Following a sharp drop from the peak in 2021-2022, the current trend is cautious recovery supported by higher residential prices, stable household finances and the prospect of somewhat lower interest rates.
- Interest rate levels suggest that we will not see the high sale levels of 2021-2022 again, although a return to sale volumes close to the historical average of **15,000** sold units per year appears realistic in the next two years.

### Ready-for-sale and sold apartments

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



# Apartments and small houses, Norway and Sweden

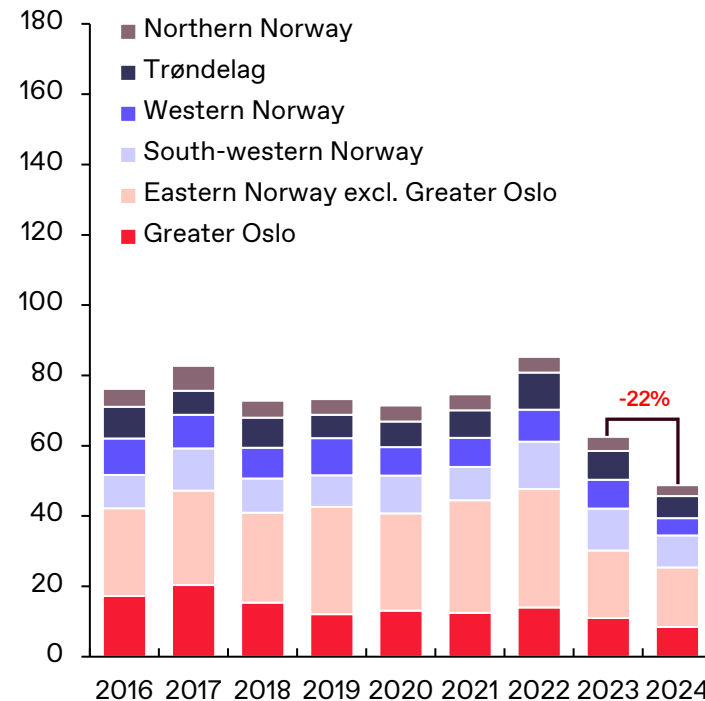
## Strong growth in Sweden, continued decline in Norway

### Comment

- The estimated order intake related to new apartments and small houses in Norway was 22% lower in 2024 than in 2023. Sweden saw a 19% increase in order intake, following a large drop in 2023.
- Norway is experiencing an ongoing decline in both eastern Norway and other regions.
- In Sweden, growth is being driven particularly by Greater Stockholm and Greater Gothenburg, with clear rises in the number of building starts.
- Going forward, we expect to see improvements in Sweden, while Norway faces a more challenging recovery. Although interest rates may fall somewhat, it is unlikely that the Norwegian market will return to 2022 levels during the forecast period (to 2026).

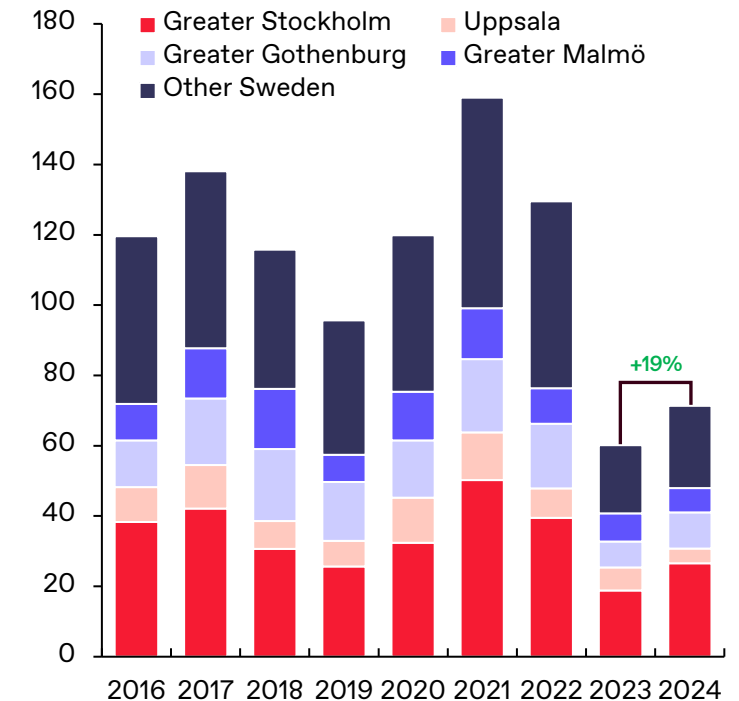
### Norway, estimated order intake

NOK billion



### Sweden, estimated order intake

NOK billion



# Commercial buildings in Norway and Sweden

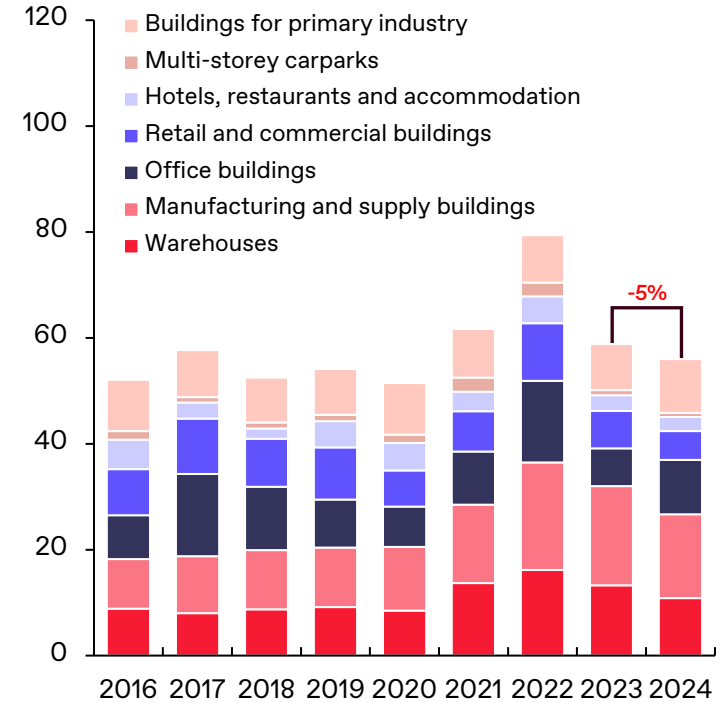
## Downturn from high levels, but the market remains robust

### Comment

- The order intake related to commercial buildings shrank by 5% in Norway and 15% in Sweden in 2024, following several years of high activity.
- The decline is particularly noticeable in the industrial and warehouse segments, which previously accounted for a large proportion of growth.
- Despite the decline, levels remain strong, particularly in Norway, where the drop has been limited.
- We anticipate stable market demand going forward, albeit below the peaks levels seen in recent years.

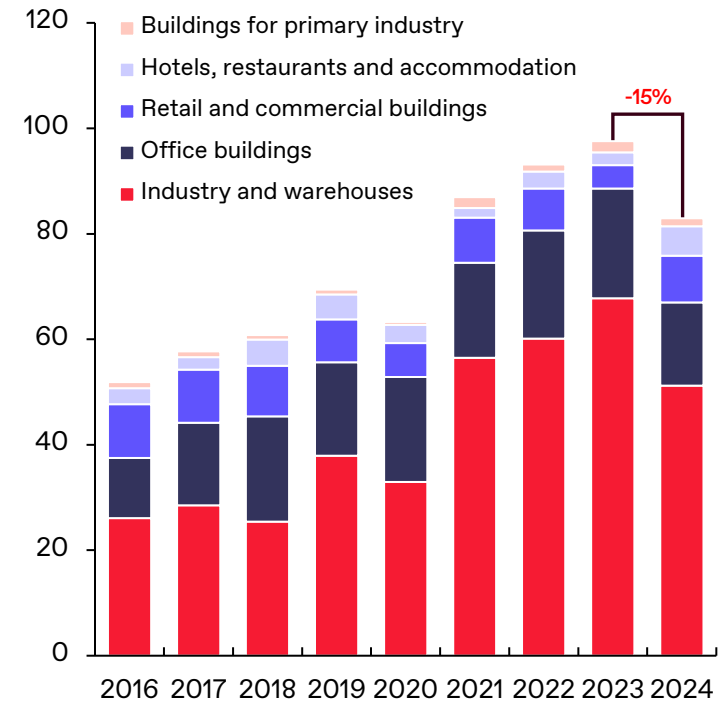
### Norway, estimated order intake

NOK billion



### Sweden, estimated order intake

NOK billion



# Public buildings in Norway and Sweden

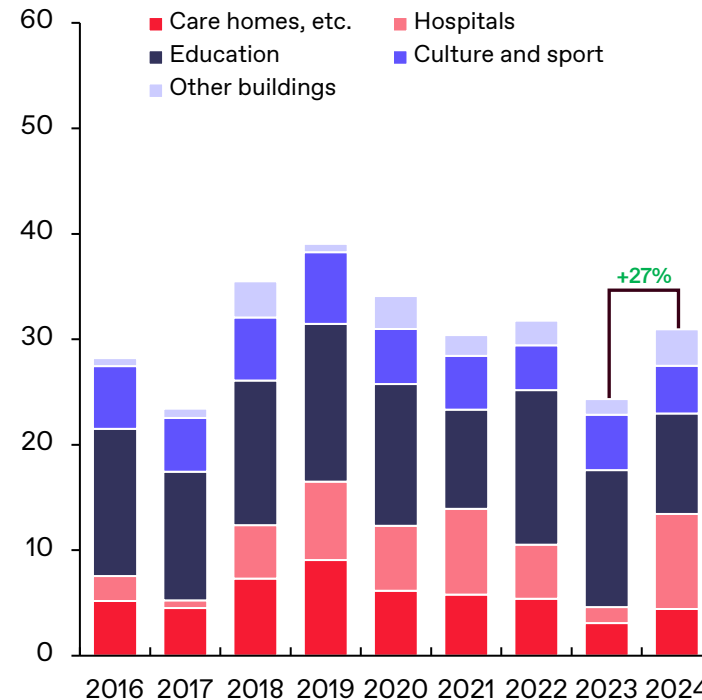
## Growth driven by healthcare projects

### Comment

- The number of new public building starts in Norway increased markedly in 2024 (+27%), primarily thanks to new hospital projects.
- In Sweden, growth was more moderate (+5%) and driven primarily by care-related building.
- The school sector\* is shrinking in both countries, reflecting lower expansion needs and pressure on municipal budgets.
- Higher expenditure, inflation and financing costs are restricting municipalities' capacity for new-build projects, and the healthcare sector and refurbishment projects are being given priority.

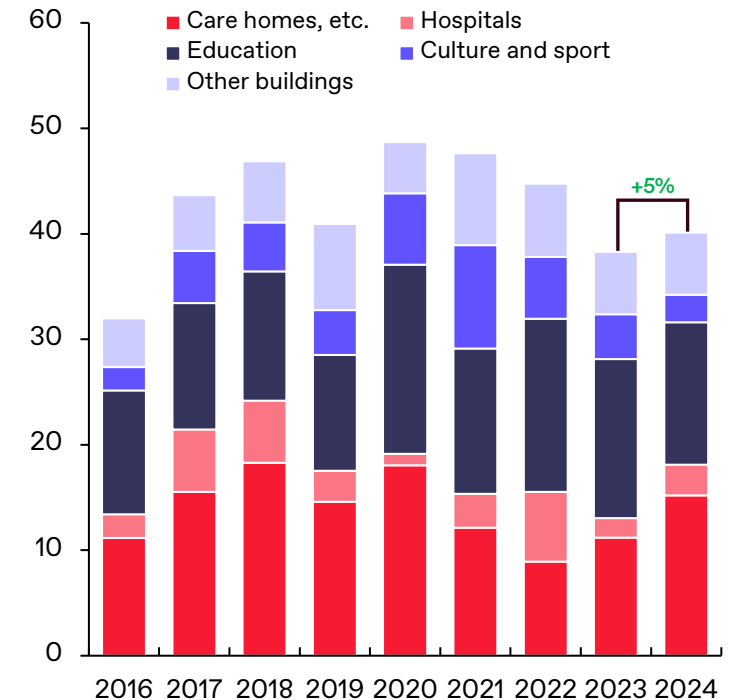
### Norway, estimated order intake

NOK billion



### Sweden, estimated order intake

NOK billion



\* Schools account for the majority of the educational segment.

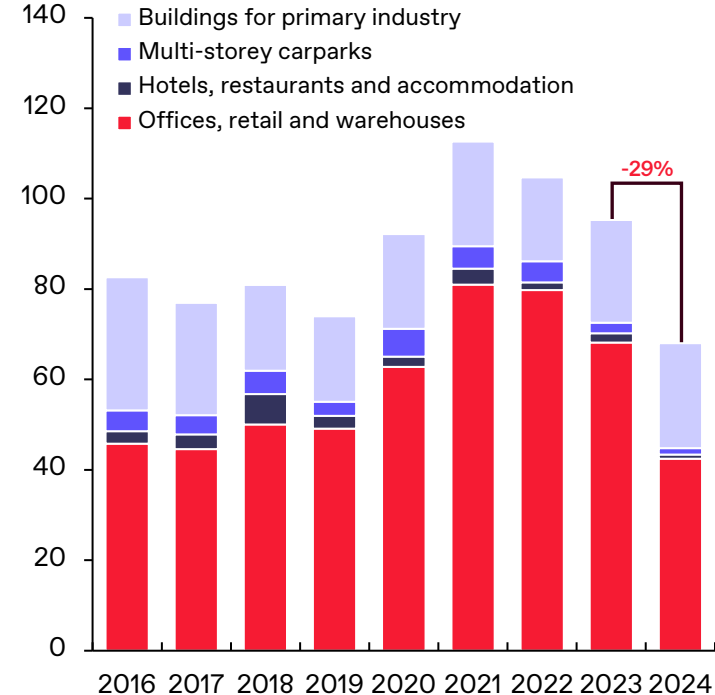
# Commercial buildings in Denmark

## Comment

- Provisional data on building starts in the Danish commercial buildings market indicate a strong drop in 2024.\*
- The 29% decline in the commercial buildings segment is particularly attributable to offices, retail buildings and warehouses. As regards public buildings, which suffered a 35% drop, activity fell in most sectors other than healthcare.
- We anticipate a continued moderate investment level in 2025 and 2026, particularly in view of recent renewed rises in market interest rates and moderate economic growth prospects.
- Regarding public buildings, it is reasonable to assume that strong prioritisation of the defence sector will entail somewhat lower priority for other administrative areas with construction needs, such as education and healthcare. Municipal investment is also sensitive to interest rate rises.

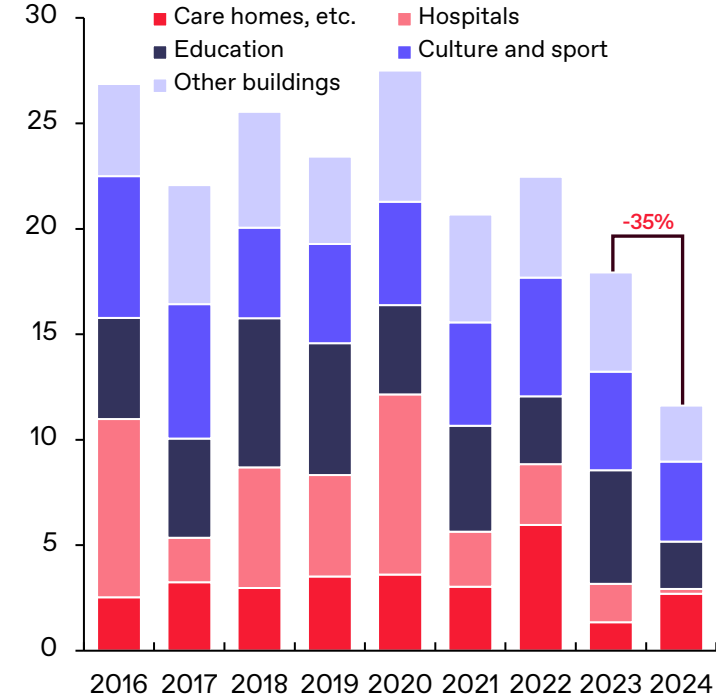
## Commercial buildings

Estimated order inflow, NOK billion



## Public buildings

Estimated order inflow, NOK billion



\* Statistics Denmark's construction area statistics for 2024 remain provisional and may be revised.

# The contracting markets

## Infrastructure

# Characteristics of the civil engineering market

## A fragmented and highly competitive sector

### Numerous clients and contractors

#### Clients

- Public sector: state-owned infrastructure stakeholders (e.g. Swedish Transport Administration, Norwegian Public Roads Administration, Bane NOR, Statnett, Svenska Kraftnät), municipalities and counties.
- Private companies: manufacturing, real estate developers, energy companies.
- International investors: particularly in the energy and logistics sectors.

#### Contractors

- Large design and build contractors: international and national companies.
- Medium-sized stakeholders: specialist contractors in segments such as roads, energy, water supply and sewerage, construction, etc.
- Small, local contractors: strong presence in smaller projects and road maintenance.



### Varying contract sizes

#### Small projects: (< NOK 25 million)

- Minor road maintenance, water supply and sewerage work, groundworks for small buildings.
- Often executed by local contractors or municipal entities.

#### Medium-sized projects: (NOK 25–500 million)

- Construction of schools, hospitals, commercial buildings, minor roadworks.
- Regional contractors and specialist niche companies dominate.

#### Large projects: (>NOK 500 million)

- Motorways, large bridges/tunnels, power plants, airports, railway development.
- Resource-intensive, long contract periods and often involving cooperation between multiple stakeholders.



### Broad segments

#### Transport infrastructure

- Roads, bridges, tunnels, railways, ports, airports.
- High degree of public financing and long-term investment plans.

#### Energy sector

- Power plants, electricity grid, wind and solar farms.
- Large private companies, but also public infrastructure.

#### Water supply and sewerage

- Water supply, water treatment plants, pipeline network, flood protection.
- Dominated by municipal entities and specialist contractors.



# The civil engineering market in Norway and Sweden

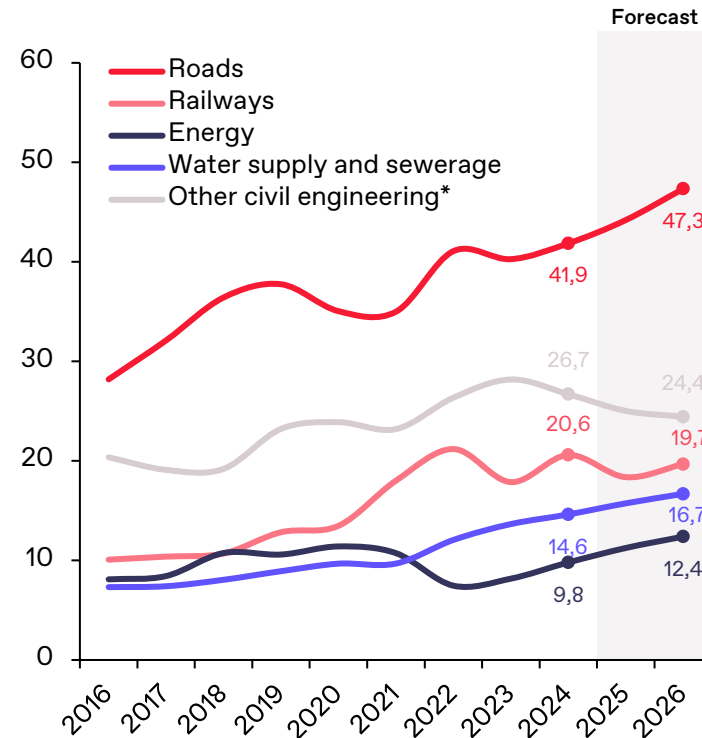
## Broad-based growth in multiple segments

### Comment

- Several segments will contribute to growth in 2025 and 2026.
- **In Norway**, growth is indicated by an upturn in the road segment and a positive outlook for energy, water supply and sewerage.
- **In Sweden**, strong growth is being driven by the energy and railways sectors, but positive trends are also apparent in the road and water supply and sewerage markets.
- **Overall**, these factors result in an annual growth rate of 3% for Norway and 7% for Sweden during the forecast period.

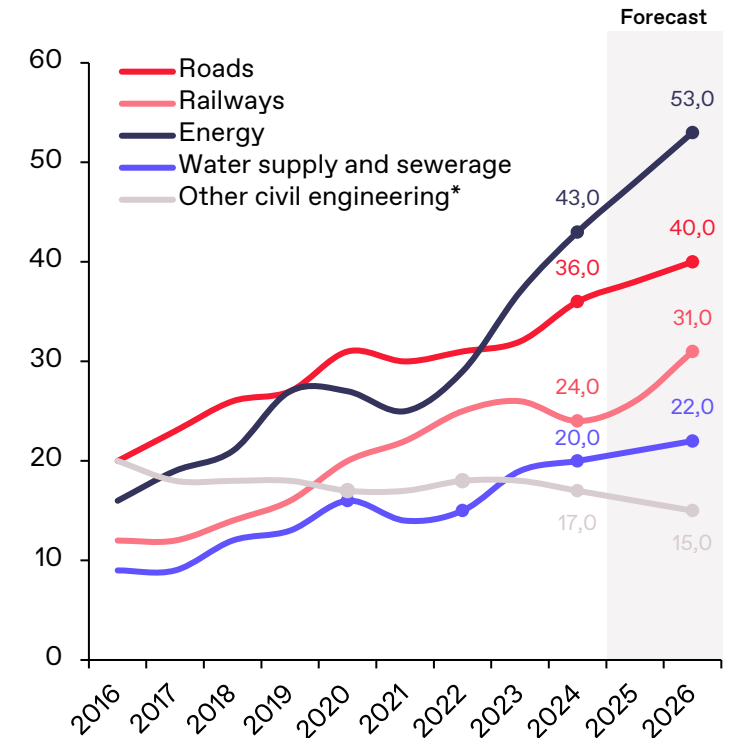
### Norway, production

NOK billion, current prices



### Sweden, production

NOK billion, current prices



\* Excl. defence



# The civil engineering market in Norway and Sweden

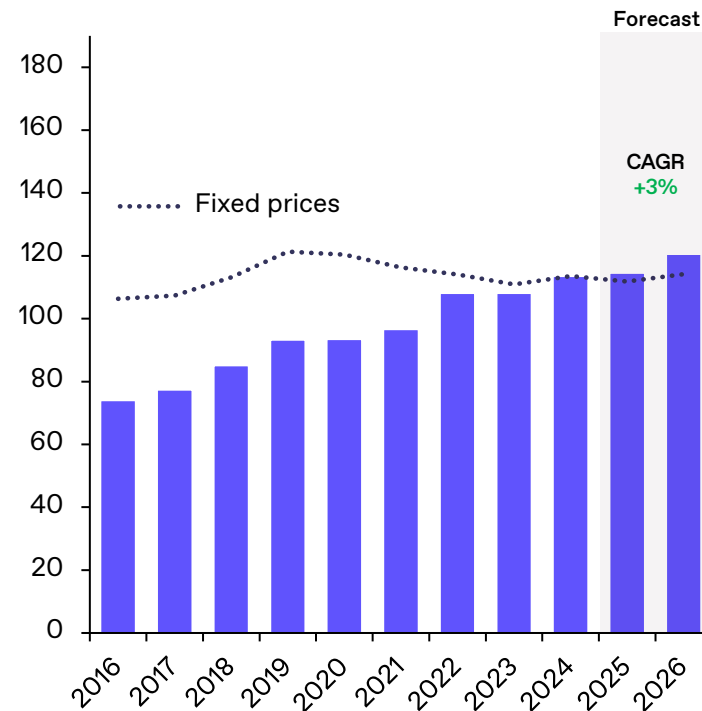
## Broad-based growth in multiple segments

### Comment

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- **In Norway**, growth is indicated by an upturn in the road segment and a positive outlook for energy, water supply and sewerage.
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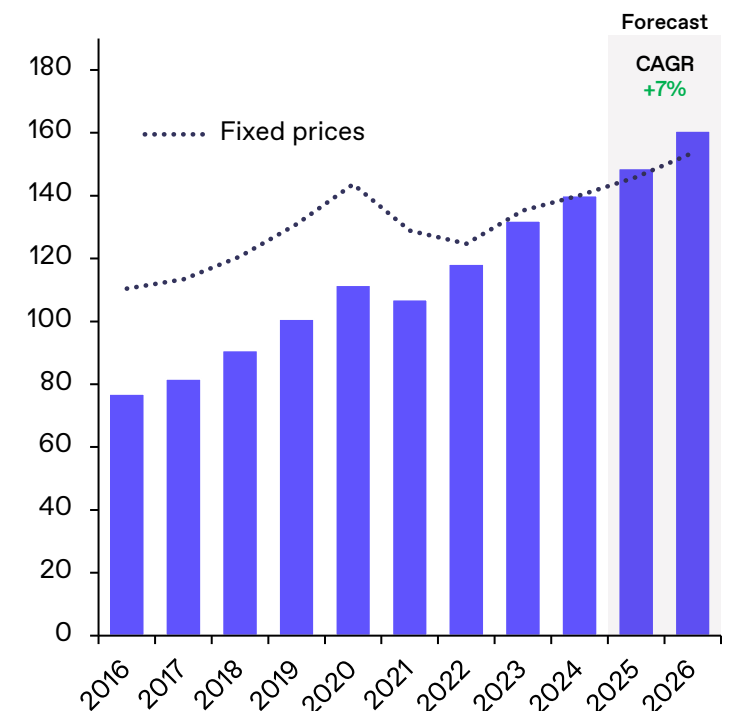
### Norway, production

NOK billion, current prices



### Sweden, production

NOK billion, current prices



Infrastructure

**Related**

**defence investments**

# Norway: infrastructure-related defence investment

## Broad impact expected on the civil engineering sector

### Examples of major projects in recent years



Hangars = cast concrete bunkers for protection of aircraft



### Expansive plans



**Important railway lines**  
Cross-border logistics



**Storage and maintenance facilities**  
Hangars, ammunition, fuel, etc.



**Newbuilds and maintenance of buildings and related infrastructure**  
Concrete floor slabs, groundworks, water supply and sewerage systems



Infrastructure

**Major transport  
infrastructure projects**

# Transport infrastructure projects >500 million

## Veidekke project monitoring for the transport infrastructure sector

- Project documentation is based on publicly available information and plans developed by the Norwegian Public Roads Administration, Nye Veier, Bane NOR, the Fornebu Line/City of Oslo, Bergen Light Rail, the Swedish Transport Administration, Stockholm Metro/Region Stockholm and Region Uppsala.
- **Order inflow** means that the entire contract/project value is allocated to the year in which construction starts. This is reflected in **project revenue** throughout the construction period.
- Project value is defined at the time of contract signature or project announcement. In the case of projects with delayed building starts, we have adopted the project-cost estimates of the transport agencies.
- Experience allows us to predict developments **this year and next year** with a reasonably high degree of certainty. Visibility falls sharply after that.

### Screenshot from Veidekke project monitoring tool

Byggestart (år)	Prosjektnavn	Entreprise-verdi	Byggherre	Entreprenør	Aktor	Arbeidsfelleskap
2024	Dovrebanen, Kleverud - Sørlil-Åkersvika, KSÅ-3 ...	1 400	Bane NOR	Hæhre	Skandinavisk	Enkeltstående
2024	Dovrebanen, Kleverud - Sørlil-Åkersvika, SÅ-3 St...	1 100	Bane NOR	Gjermundshaug Anlegg AS	Skandinavisk	Enkeltstående
2024	E136 Breivika-Lerstad (Del i Bypakke Ålesund)	1 478	SVV	NCC	Skandinavisk	Enkeltstående
2024	E20 Förbi Mariestad, E20 Hindsberg-Muggebo	550	Trafikverket	Veidekke	Skandinavisk	Enkeltstående
2024	E20 Götene - Mariestad	848	Trafikverket	Peab	Skandinavisk	Enkeltstående
2024	E39 Betna - Stormyra, Staurset - Stormyra (entr...	560	SVV	Bertelsen & Garpestad AS	Skandinavisk	Enkeltstående
2024	E39 Rogfast, E02 Hovedtunnel midt fra Kvitsøy	6 238	SVV	AF Implenia og Stangeland	Skandinavisk	Arbeidsfelleskap
2024	E6 Trøndelag, Berkåk - Vindåsliene	2 200	Nye Veier AS	AF Skanska Norge AS og Johs...	Skandinavisk	Arbeidsfelleskap
2024	E6 Trøndelag, Ranheim-Værnes, del 1 ny kontrak...	2 200	Nye Veier AS	Hæhre	Skandinavisk	Enkeltstående
2024	E8 Sørbotn - Laukslett (Ramfjord)	2 000	SVV	AF Bertelsen & Garpestad AS ...	Skandinavisk	Arbeidsfelleskap
2024	Västlanken, Deletapp Haga (ny kontrakt), Rosenl...	1 640	Trafikverket	Peab	Skandinavisk	Enkeltstående
2024	Västlanken, Haga deltapp Vasastan	1 000	Trafikverket	Implenia	Skandinavisk	Enkeltstående
2025	E10, Avvako-Lappeasuando	600	Trafikverket	NCC	Skandinavisk	Enkeltstående
2025	E20 Förbi Mariestad, E20 Muggebo-Tjos	843	Trafikverket	Veidekke	Skandinavisk	Enkeltstående
2025	E39 Sørvest, Mandal - Blørstad	2 200	Nye Veier AS	Hæhre	Skandinavisk	Enkeltstående
2025	E6 Innlandet, Roterud - Storhove	6 350	Nye Veier AS	AF Gruppen	Skandinavisk	Enkeltstående
2025	E6.21 Göteborgs hamn/Lundbyleden, Etapp 1 Lu...	997	Trafikverket	Veidekke	Skandinavisk	Enkeltstående



# Transport infrastructure projects >500 million

## Order intake based on current plans

### Comment

#### Norway

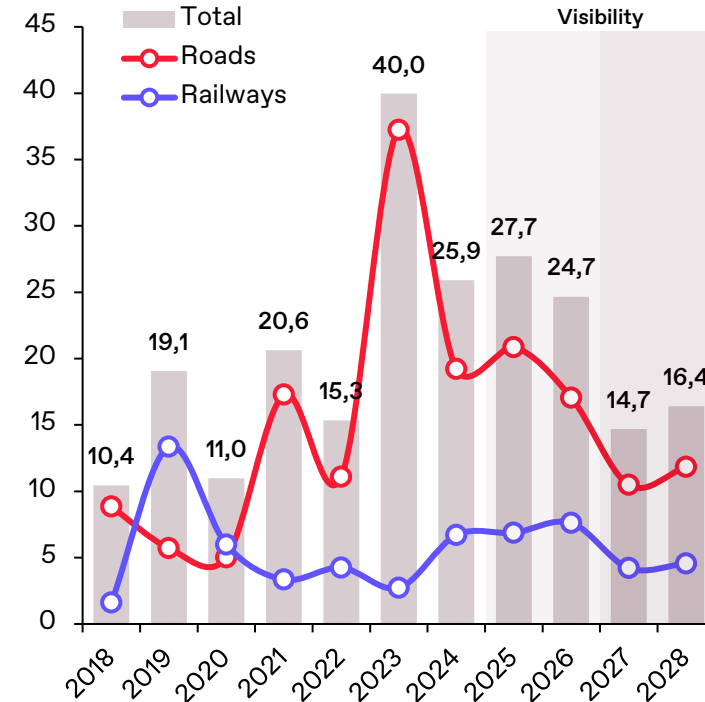
- We can look back on two years of very high order intake in the major projects market, not least due to a large number of projects exceeding NOK 3.5 billion in size.
- The order intake is expected to remain fairly high for the next two years, before gradually returning to historically 'more normal' levels.
- The National Transport Plan has already communicated that there is no room for further growth in this market in the next six years.

#### Sweden

- Following a very high order intake in 2018 (E4 Bypass Stockholm and Västlänken), the trend has been negative, particularly in the last two years.
- According to the Swedish Transport Administration's investment plan and other sources, a strong increase in order intake is expected in the years ahead, particularly in the railways segment.

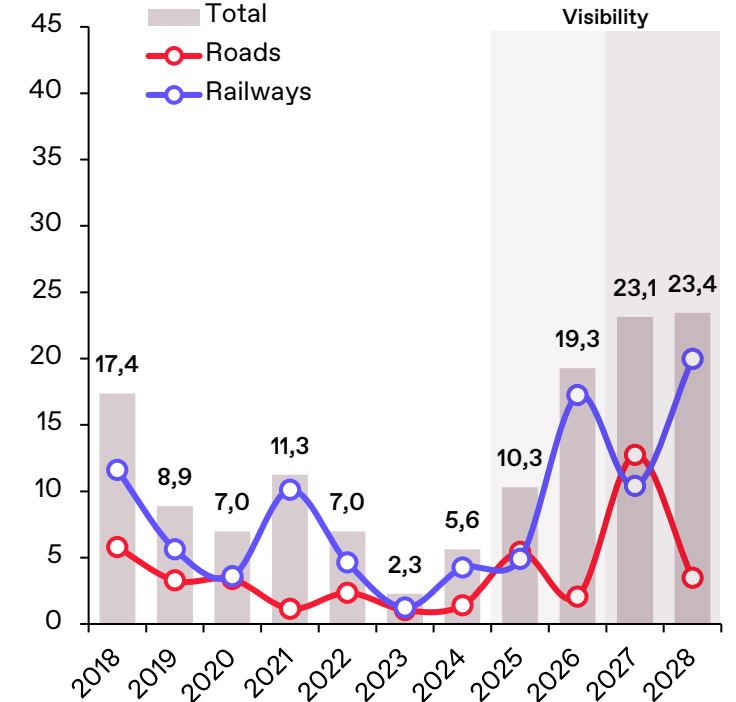
### Norway, order intake

Project value in NOK billion



### Sweden, order intake

Project value in SEK billion



# Transport infrastructure projects >500 million

## Order intake based on current plans

### Comment

#### Norway

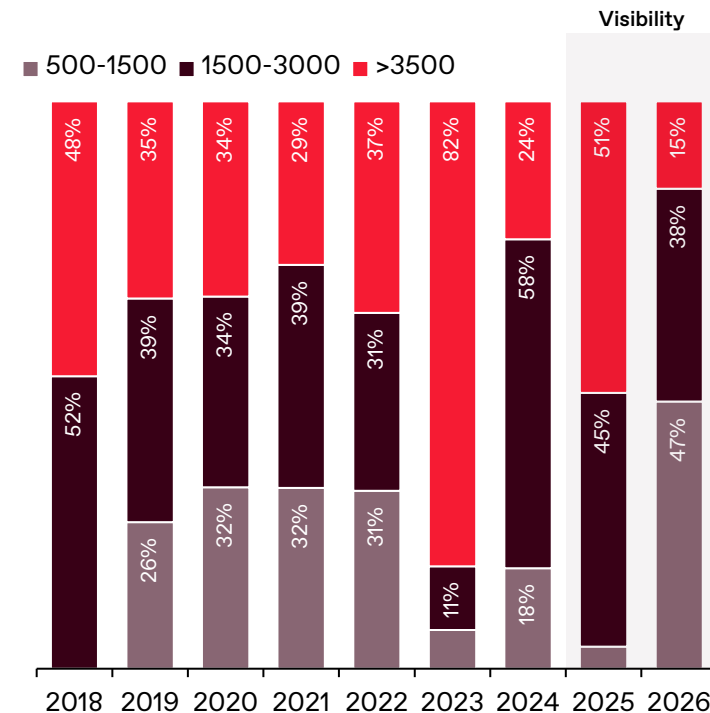
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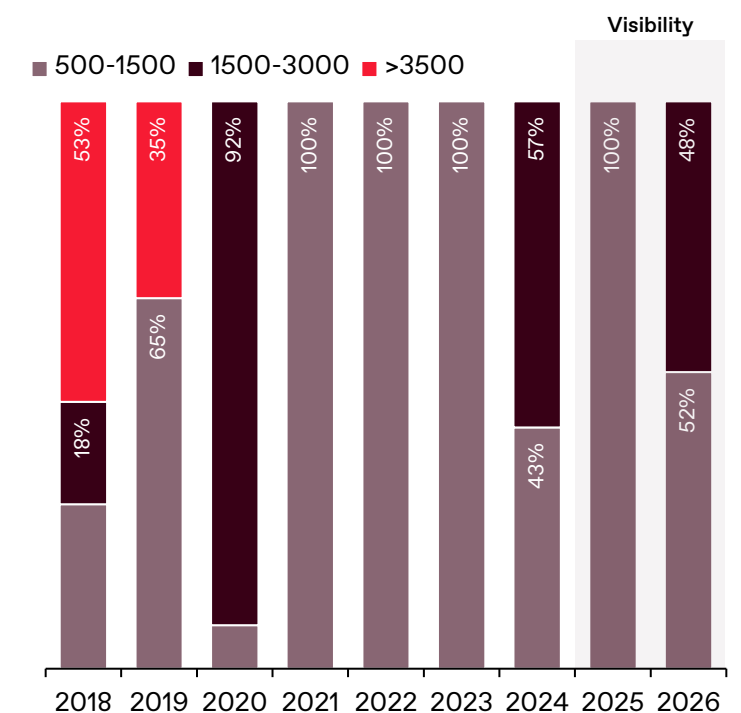
### Norway, order intake

Project value by project size



### Sweden, order intake

Project value by project size



Infrastructure

**Road maintenance**



# Road maintenance, Norway

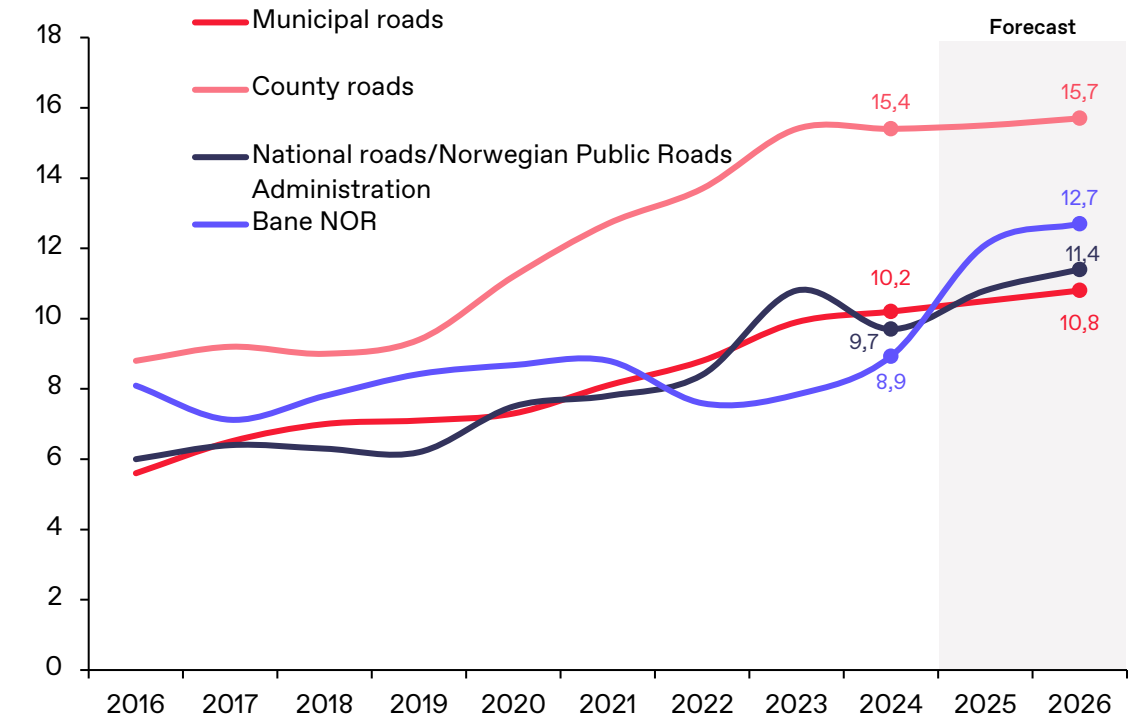
## High priority going forward

### Comment

- The market for municipal and county road maintenance is expected to grow steadily this year and next.
- As regards national roads, higher prioritisation in public-sector budgets and a growing market for new investment will have a positive impact going forward.
- The railway network is set to grow strongly throughout the forecast period, with an estimated annual growth rate of 19%. This is attributable to a very aggressive national budget for 2025, and is in line with the financial frameworks indicated in the National Transport Plan 2025–2036.

### Road maintenance by clients and segment

NOK billion



04

# Construction costs

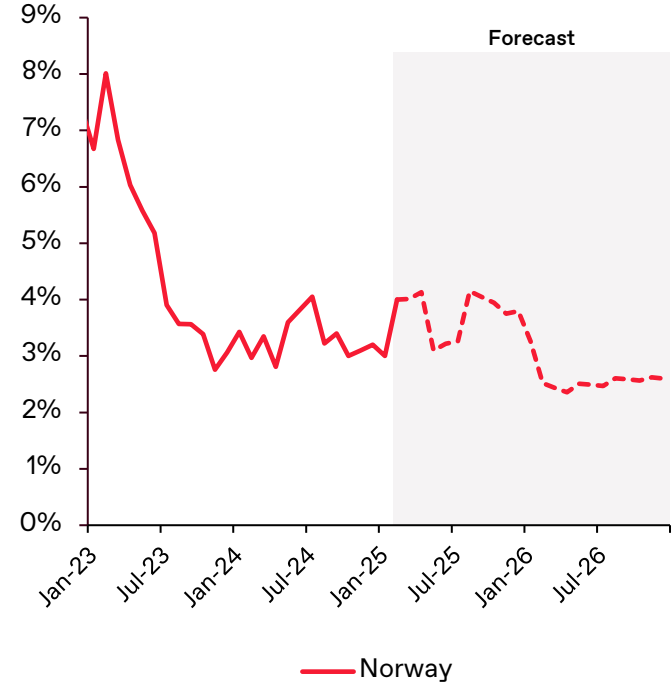
# Cost inflation has slowed

## Flat trend in construction cost indices

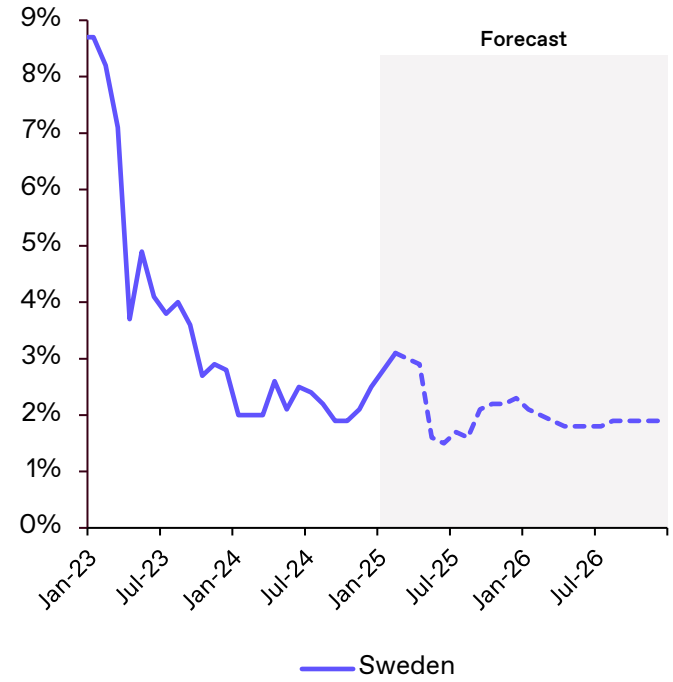
### Comment

- Inflation in construction costs has been relatively stable over the past year and rose to 4.0% in Norway in February. At the last measurement point in January, growth in Sweden was 3,1%.
- Veidekke's forecast indicates that inflation in both countries will remain within a range of 1.5–4.0 % through 2026.
- The annual volatility over the next 12 months is primarily linked to factors from preceding periods.
- The repeal of the uplift on Norwegian employer's national insurance contributions for high salaries will cushion labour cost inflation in 2025, and thus help keep overall inflation down.

Construction cost index, residential blocks, Norway  
 Percentage change compared to same month last year



Construction cost index, residential blocks, Sweden  
 Percentage change compared to same month last year



# Construction cost index, civil engineering (Norway)

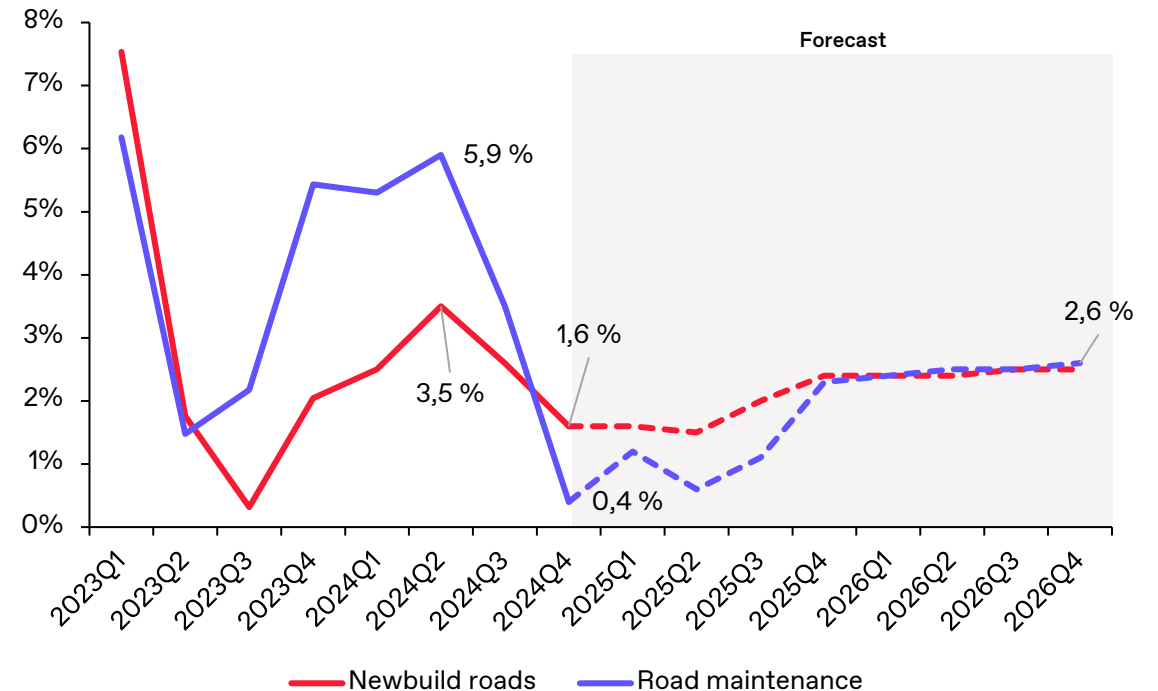
## Prices are stabilising

### Comment

- Towards year-end 2024, the construction cost indices for civil engineering and road maintenance were 1.6% and 0.4%, respectively.
- Going forward, inflation in the indices is expected to remain at a level between 0.4–2.4 %, before stabilizing in the 2.4–2.6 % range towards the end of 2026
- Both indices are sensitive to changes in fuel prices. The forecasts assume that energy prices will not experience new disruptions, e.g. due to geopolitical unrest.

### Construction cost index, roads

Percentage change compared to same month last year

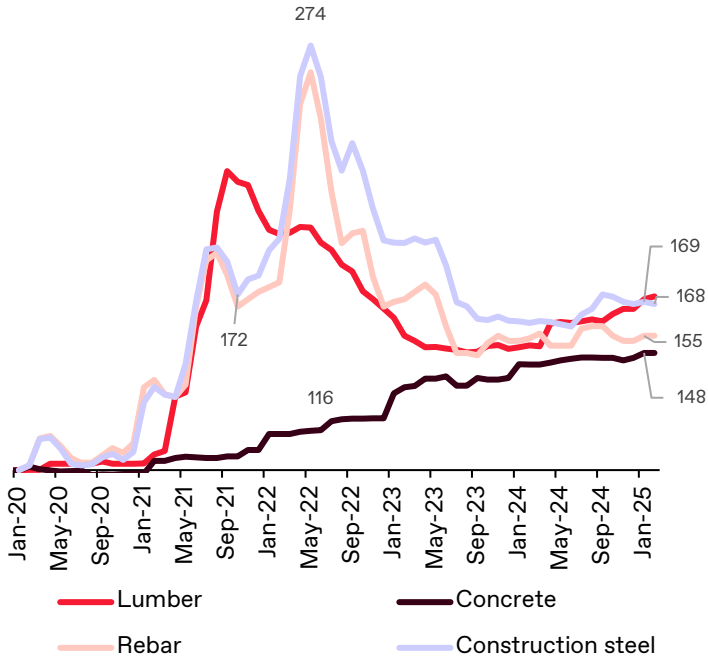


# Construction cost indices by material

## Planned timber, steel and concrete

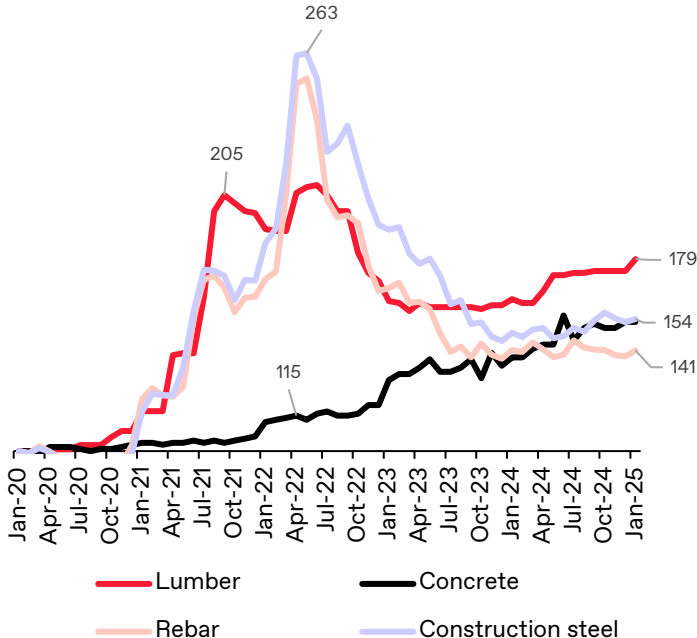
### Norway

Index Jan. 2020 = 100, latest observation Feb. 2025



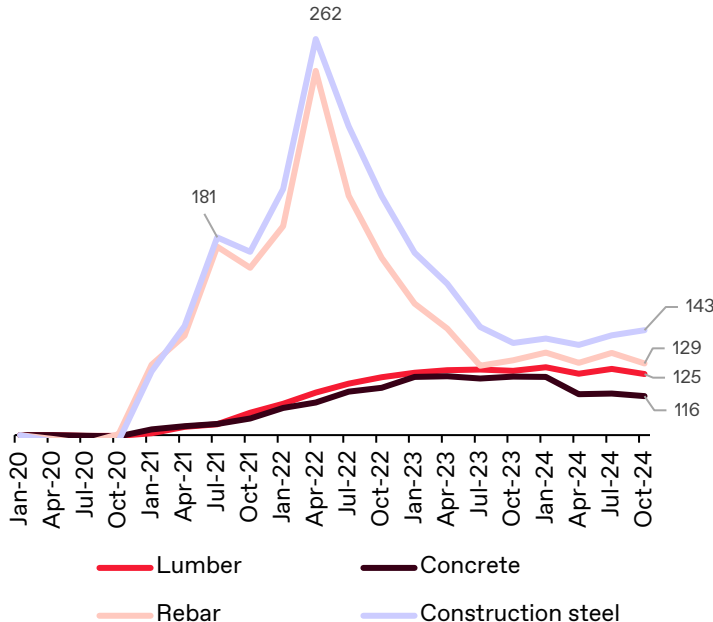
### Sweden

Index Jan. 2020 = 100, latest observation Jan. 2025



### Denmark

Index Q1 2020 = 100, latest observation Q4 2024



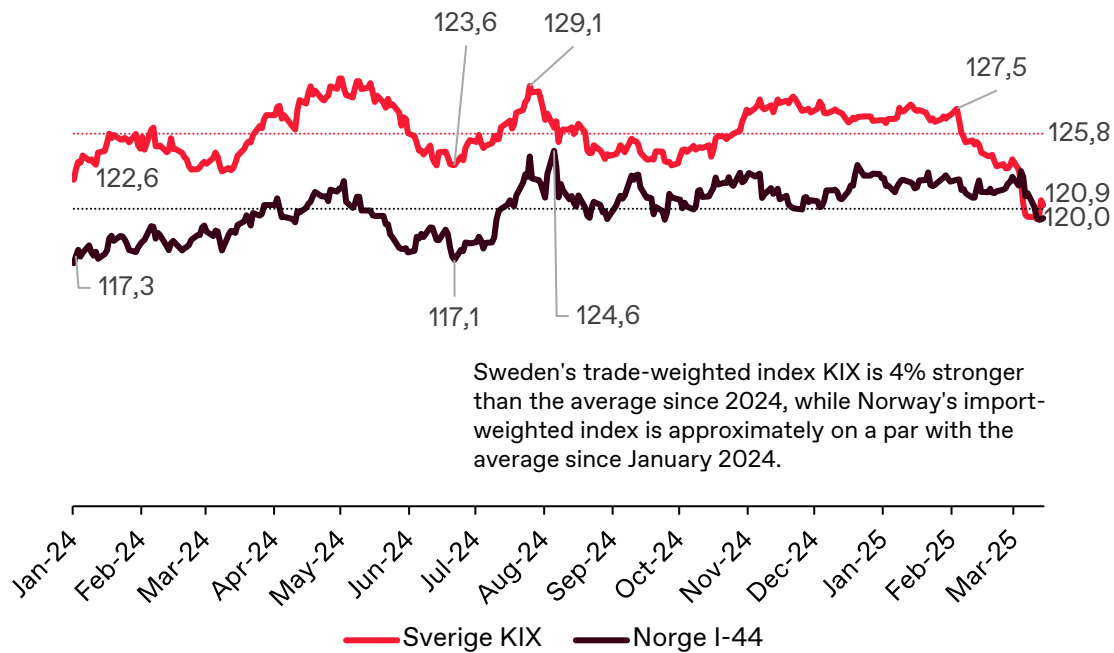
Sources: [Statistics Norway](#), [Statistics Sweden](#), [Statistics Denmark](#), Meps International Nordic steel prices (converted from EUR to NOK, SEK and DKK using Norwegian, Swedish and Danish central bank average monthly exchange rates)

# Key inflation drivers

## Energy and foreign exchange...

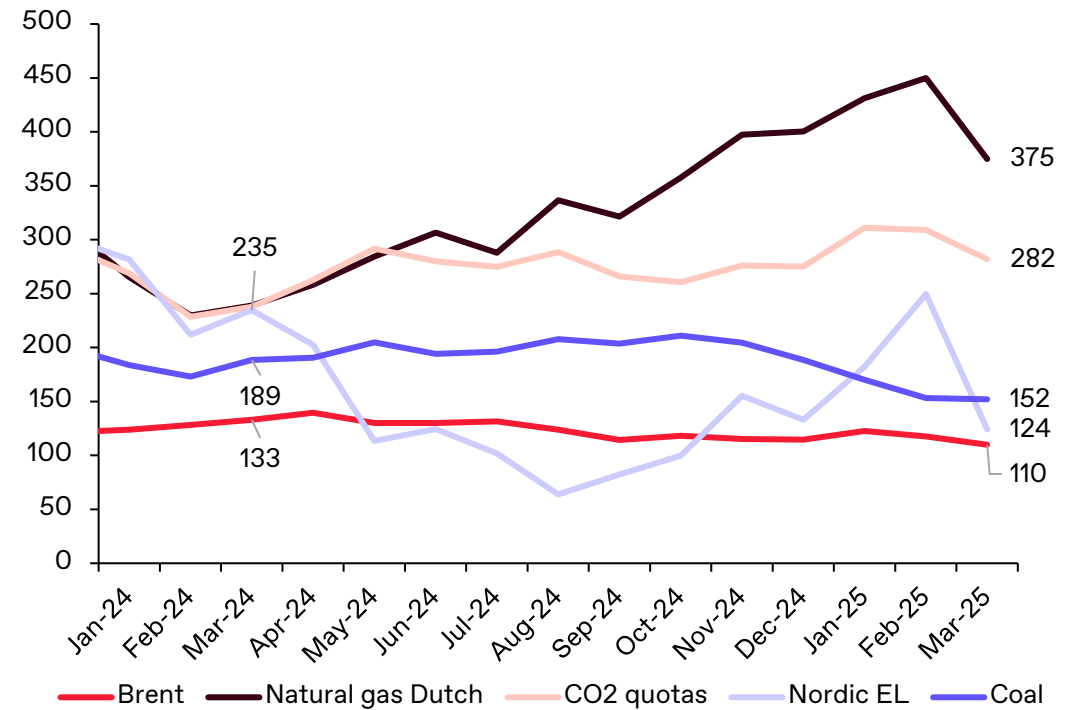
### Foreign exchange (trade-weighted indices)

Latest observation 14 March



### Energy prices

Jan. 2020 = 100. Latest observation 14 March



05

# Summary

# Contracting markets in 2025 and 2026

## Signs of stabilisation, growth from 2026 onwards

### Comment

- Activity fell by 4% in 2025, following an 11% drop in 2024. The forecast is somewhat weaker than in the last update, primarily due to fewer building starts in the autumn of 2024.
- 2026 is expected to bring an upturn in all three countries, particularly in the apartments and small houses segment. The infrastructure market is at a stable, strong level.
- Low construction activity in 2024–2025 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
- Interest rate cuts in Sweden and higher residential prices and purchasing power in Norway are expected to lift construction activity in 2026. The Swedish market is leading the recovery, as confirmed by increased building starts throughout the autumn.
- Approximately half the decline in the Scandinavian contracting markets is expected to be recovered by the end of 2026.

### Production in the Scandinavian contracting markets

Percentage change compared to previous year, current prices

	2023	2024	2025	2026
Norway	3%	-8% (-7%)	-7% (-4%)	8% (6%)
Sweden	-5%	-15% (-15%)	2% (4%)	10% (7%)
Denmark	-6%	-9% (-17%)	-7% (3%)	9% (8%)
<b>Scandinavia</b>	<b>-3%</b>	<b>-11%</b> (-14%)	<b>-4%</b> (1%)	<b>9%</b> (7%)
Scandinavia, NOK billion	1,030	920	885	965

Autumn 2024 forecasts in brackets.



06

# Annex: Reconstruction in Ukraine

# Sources

## Ukraine – Fourth Rapid Damage and Needs Assessment (RDNA4)

- Issued in February 2025 in cooperation with the World Bank, Ukrainian authorities, the UN and the European Commission.
- This is the fourth report in the series *Rapid Damage and Needs Assessment* (RDNA).
- The report assesses the scope of Ukraine’s financial and social needs, both during the war and during reconstruction.

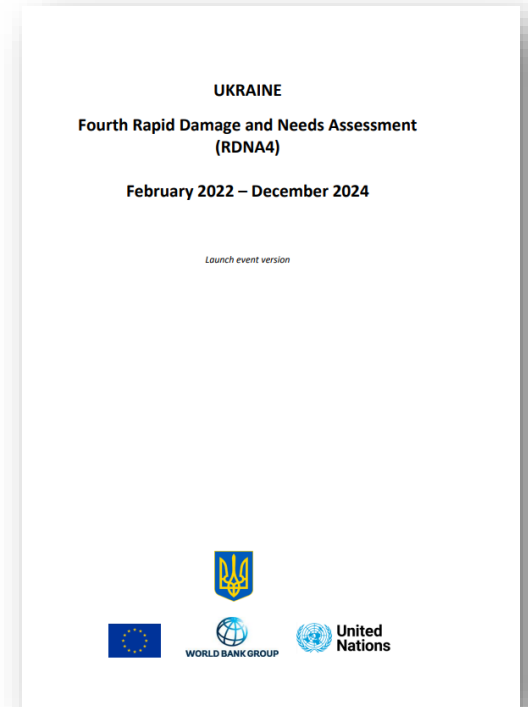
## Kyiv School of Economics - Report on damages to infrastructure from the destruction caused by Russia’s military aggression against Ukraine as of November 2024

- Issued in February 2025 in cooperation with the Ukrainian Ministry for Development of Communities and Territories, USAID, UK International Development, Eurasia Foundation and the KSE Institute.
- The report assesses the damage caused to the Ukrainian economy by the war.

## The Institute for the Study of War – “Interactive Map: Russia's Invasion of Ukraine”



Kyiv School of Economics



RDNA4

# Regions by war status

## Comment

- RDNA4 divides Ukraine into five regions depending on their war status as at December 2024. The division follows oblast/county borders.
- The Institute for the Study of War identifies areas which are wholly or partly under Russian military control. As at March 2025, this applies to the counties Krim, Luhansk, Donetsk, Zaporizhzhya and Kherson.
- RDNA4 excludes Krim from its report, while the other counties are classified as “Frontline regions”.
- This analysis combines the county borders used by the *Institute for the Study of War* and *RDNA4* to delineate Ukraine-controlled areas.

## Regions entirely or partly under Russian control

Updated March 2025



# Estimated reconstruction costs

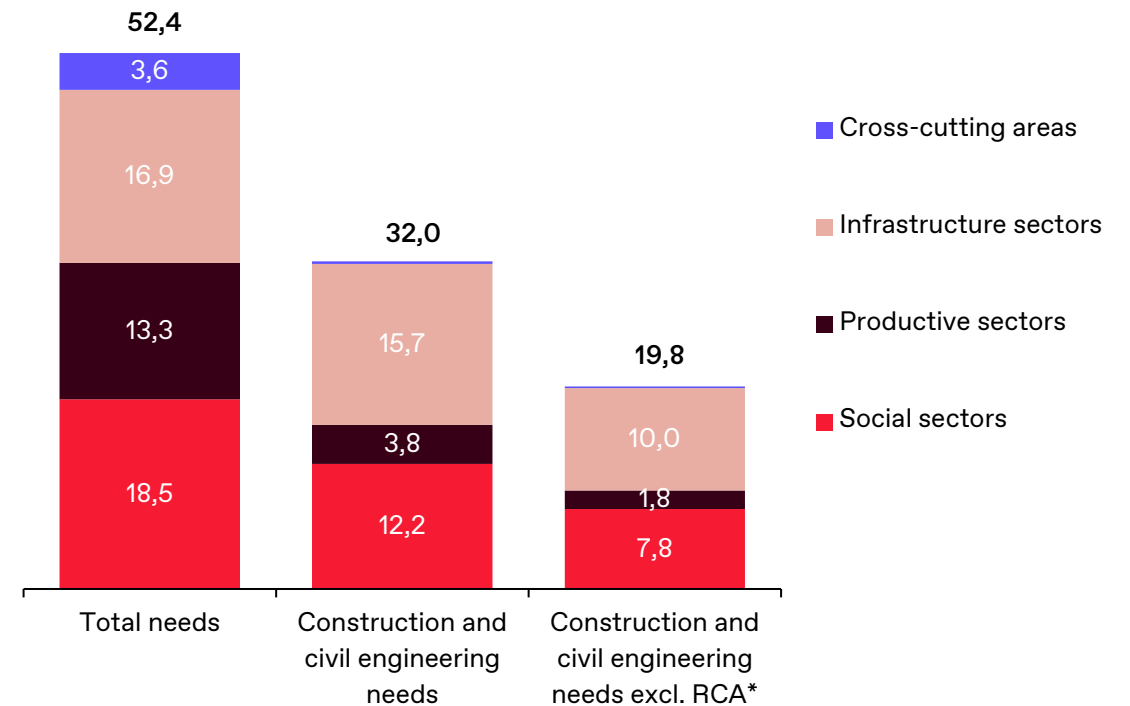
## Comment

- The total estimated need for reconstruction and restoration in Ukraine in the period 2025–2035 is estimated at USD 524 billion, with an annual average of USD 52.4 billion.
- The amount includes both “Service and delivery/restoration needs” and “Reconstruction needs”.
- Only “Reconstruction needs” fall into the category construction and civil engineering. This reduces the annual need by 40%, to USD 32 billion.
- Excluding areas currently under Russian military control,\* the annual construction and civil engineering reconstruction costs drop further to an estimated level of USD 19.8 billion annually.
- Infrastructure and residential repairs account for the majority of the remaining costs.

\* Luhansk, Donetsk, Zaporizhzhya and Kherson; see the slide “Regions by war status”.

## Estimated reconstruction needs 2025–2035

USD billion, annual average



\* Russian-controlled areas

# European construction sector vs. reconstruction needs

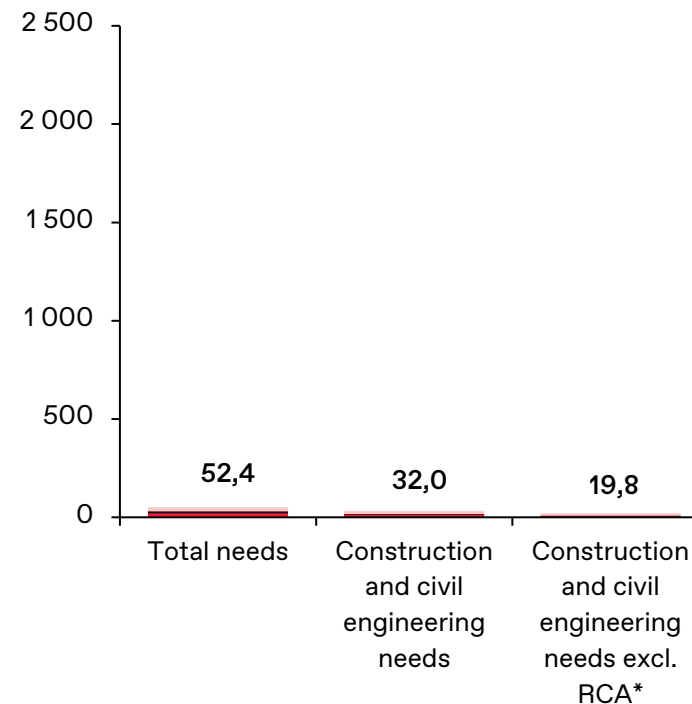
## Adjusted axis relative to European production

### Comment

- The European construction and civil engineering market was worth approximately USD 2,350 billion at the last measurement point in 2022.
- The annual reconstruction need in Ukraine only accounts for a small fraction of total production in the European construction and civil engineering sector.
- A growth impulse from Ukraine of USD 20-35 billion annually is well within normal cyclical fluctuations. For example, production increased by approximately USD 250 billion from 2021 to 2022.
- The growth stimulus corresponds to approximately 1%–2% of the EU construction and civil engineering market. The growth stimulus will be strongest in neighbouring regions such as Poland and Germany.
- The German market totalled approximately USD 430 billion in 2022, while the Polish market totalled approximately USD 130 billion.

### Estimated reconstruction needs

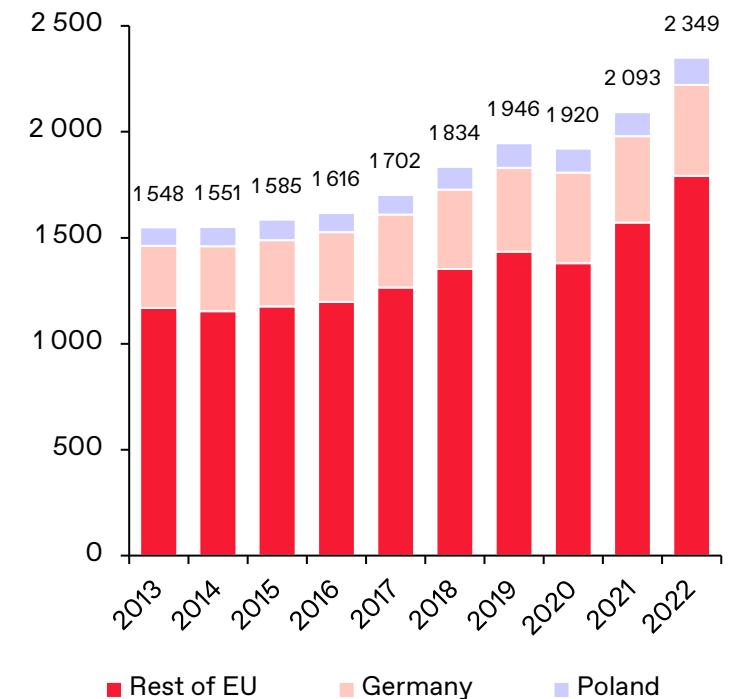
2025–2035, USD billion, annual average



\* Russian-controlled areas

### European construction and civil engineering sector, production

USD billion\*\*



\*\* When converting from EUR, USD/EUR = 1.1 is used as a fixed exchange rate for the entire period to eliminate currency effects.

Sources: Eurostat and Veidekke

# Summary

- The total estimated need for reconstruction and restoration in Ukraine in the period 2025–2035 is estimated at USD 524 billion, with an annual average of USD 52.4 billion.
- Considering only buildings and facilities in areas under Ukrainian control, the costs are lowered to USD 19.8 billion annually.
- This constitutes a small fraction of the European construction and civil engineering market. The growth stimulus will be approximately 1%–2%.
- The growth stimulus is well within normal cyclical fluctuations, but will probably have the greatest impact in neighbouring countries like Poland.
- The effect on Scandinavia will be limited, with the economic cycle of the European construction and civil engineering market and interest rate levels having a far greater impact.

