



# Denmark

## Country Commodity Report

### Q3 2022





# Denmark

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Economic growth of 2.87% is anticipated for 2022, with the Danish central bank, Nationalbanken, recently cutting its 2023 outlook, now foreseeing a contraction of 0.1%, as inflationary pressures and borrowing costs escalate. Inflation has hit a 40-year high of 10% in September, and is expected to stand at 7.27% for the full year. In the IMF's October update, it noted that energy price escalation has increased the cost of living by 10% in-country this year.

Growth is slowing in the construction industry in 2022, and is anticipated to stand at 2.1% in real terms for the full year. The government has a keen focus on the development of transport and green infrastructure, and a number of associated initiatives are expected to support growth. Similar to the rest of the world, there are a number of downside risks at play, with energy prices particularly influential, as well as spikes in inflation and interest rates, supply chain disruptions and elevated (albeit less volatile) material costs.



**Paul Butler**  
Senior Director - Europe  
paul.butler@linesight.com



### Lumber

Domestic lumber prices in Denmark have retracted in recent months from record highs in mid-2022 caused by the supply shock stemming from the Russia-Ukraine conflict. The cooling of the market comes amid heightened fears of a recession hitting Denmark and other European markets in early 2023 due to high inflation and rising interest rates which will dampen demand in the construction industry, especially in housing construction. However, residential construction in Denmark will be partially buoyed by the government's focus on developing affordable housing to combat the countrywide housing shortage. Moreover, Copenhagen has been an early adopter of the 'Build-in-Wood' initiative funded by the EU to promote greater usage of timber-based construction. This could keep some upward pressure on domestic prices over the short to medium term, but prices are likely to be predominately driven by global market volatility.



### Cement and aggregates

Cement prices rose sharply in the first half of 2022 due to high demand amid the expansion in construction output, coupled with rising production costs, owing to supply disruptions and the Russia-Ukraine conflict. However, demand is expected to decline over the coming quarters due to a fall in construction activity amid slowing economic growth, which will limit further upward pressure on prices. Prices are likely to remain relatively high due to elevated energy costs driving production costs, as well as low competition in the domestic cement market. Aalborg Portland, a subsidiary of Cementir, is the only grey and white cement producer in Denmark, with an annual capacity of approximately three million tons. Cementir has recently expressed concerns over the regulatory environment in response to the Danish government's environmental tax proposals.



### Concrete blocks and bricks

Strong domestic demand has kept prices at a relatively high level in Denmark, which has been a small net exporter of bricks in recent years. However, demand is expected to dampen over the coming quarters due to slowing economic growth, amid high inflation and rising interest rates. Downward pressure on prices will be limited by production costs remaining elevated.



### Steel (rebar and structural)

As a net importer of steel, Denmark has been heavily exposed to supply shortages and price volatility in the global market following the supply shock resulting from EU sanctions on Russian steel imports. Demand is expected to weaken in the short term amid rising interest rates and recession fears, which will put downward pressure on prices. In the medium term, the global steel market is likely to remain volatile due to sustained upward pressure on production costs.



### Copper

Although copper prices have fallen from record highs in mid-2022, the global market is expected to remain volatile in the medium term, amid the persistence of supply-side challenges coupled with weakening demand for manufactured goods in the short-term, owing to high inflation and rising interest rates.



# Denmark – Commodity Report



Materials	Q4 2022 (f)	Q4 2021 - Q4 2022 (f)		Q2 2022 - Q3 2022 (e)
	DKK	DKK	2021-22* % change	% change
<b>Copper</b> (DKK/MT)	56,561	63,074	-10.33% ↓	-14.1% ↓ ●
<b>Steel rebar</b> (DKK/MT)	7,136	6,376	11.91% ↑	-20.8% ↓ ●
<b>Steel flat</b> (DKK/MT)	5,882	6,967	-15.57% ↓	-27.6% ↓ ●
<b>Lumber</b> (DKK/M3)	797	422	89.01% ↑	0.7% ↑ ■
<b>Asphalt</b> (DKK/MT)	2,287	1,949	17.35% ↑	4.3% ↑ ●
<b>Limestone</b> (DKK/MT)	1,434	1,379	3.95% ↑	-12.1% ↓ ●
<b>Cement</b> (DKK/MT)	1,595	1,361	17.22% ↑	1.6% ↑ ●
<b>Concrete</b> (DKK/M3)	1,097	926	18.49% ↑	2.9% ↑ ●
<b>Welded mesh</b> (DKK/unit (a))	289	247	17.04% ↑	-12.7% ↓ ●
<b>Bricks</b> (DKK/'000 unit)	7,099	5,881	20.70% ↑	-2.2% ↓ ●
<b>Plasterboard</b> (DKK/unit (b))	95	63	49.24% ↑	11.8% ↑ ●
<b>Diesel</b> (DKK/litre)	15.19	11.66	30.28% ↑	-0.6% ↓ ■

(a) 250x215cm, dia.-6mm  
(b) 240x90x1.3cm (LxWxT)

● Q2 to Q3 2022 % change greater than estimation in our Q2 report  
■ Q2 to Q3 2022 % change less than estimation in our Q2 report

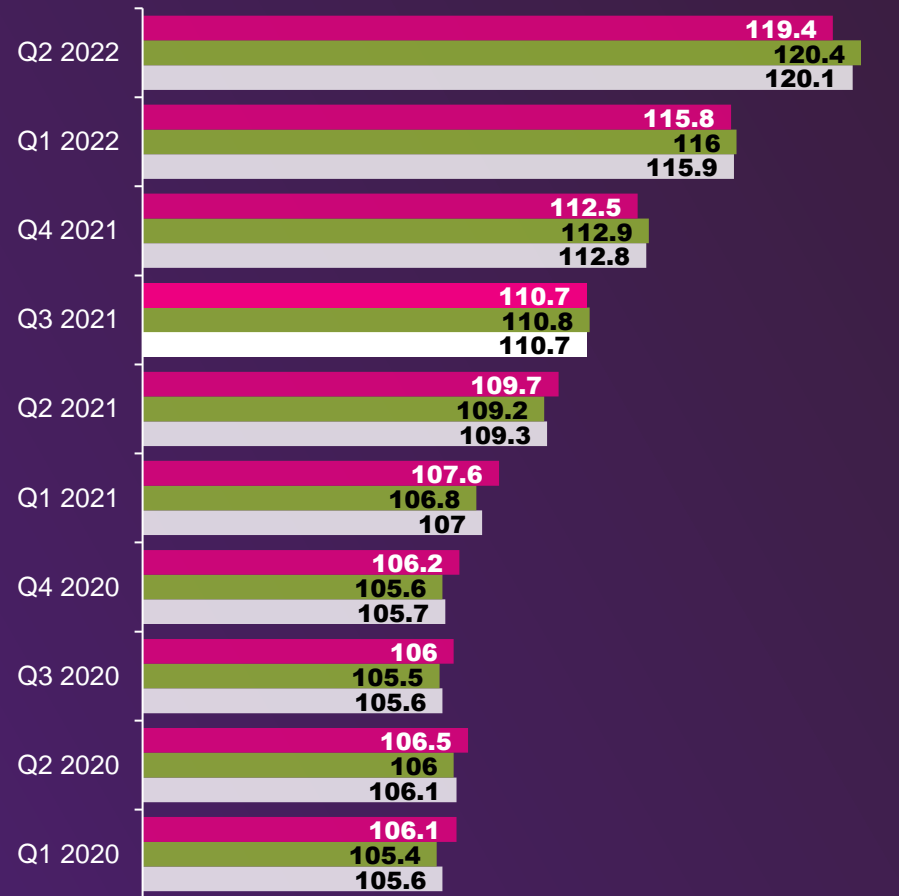
Material	% change Q3 – Q4 2022 (f)	Level of impact of pricing on construction procurement and supply chain *	
<b>Copper</b>	-1.0% ↓	Low	Copper prices have eased since reaching record highs in Q2 2022 as growing fears of slowing economic growth amid tightening monetary policy are weighing on copper demand. Prices are expected to slide further over the coming quarters but will remain elevated due to high production costs on the supply side.
<b>Steel prices</b> - Steel rebar - Flat steel	-1.0% ↓ -1.0% ↓	Moderate	Steel prices fell sharply in Q3 after peaking in early Q2 following the onset of the Russia-Ukraine conflict. Global demand for steel has fallen in recent months due to slowing manufacturing and construction activity in large markets such as China, which has caused prices to slide. A decline in raw materials costs, alongside greater availability of cheap steel imports from Asia, will exert further downward pressure on prices over the coming quarters.
<b>Lumber</b>	-1.0% ↓	Moderate	Falling demand within the construction sector has caused wood prices to stabilize in recent months after the market experienced a volatile first half of the year. Elevated production and transportation costs owing to high energy costs will contain further downward pressure on prices over the coming quarters.
<b>Asphalt</b>	-1.0% ↓	Low	High crude oil prices caused asphalt prices to rise in early Q2. However, falling demand for crude oil amid slowing economic growth has put downward pressure on asphalt prices. Further downward pressure on prices will be contained following the recent decision by OPEC+ to cut oil production, which will keep crude oil prices elevated in the short term.
<b>Limestone</b>	-1.0% ↓	Low	Limestone prices have fallen from highs reached in Q2. However, prices are likely to remain elevated over the coming quarters due to the high cost of energy feeding into production costs.

Please note that commodity prices are based on representative materials available in the respective countries, and as these materials may not be standard across all markets, cross-country comparisons on prices can be ineffective. For example, asphalt types can vary between hot, cold or a bitumen price, and standard unit sizes for materials can vary across countries.


# Denmark – Commodity Report



## Construction cost index 2020-2022 (2015=100)



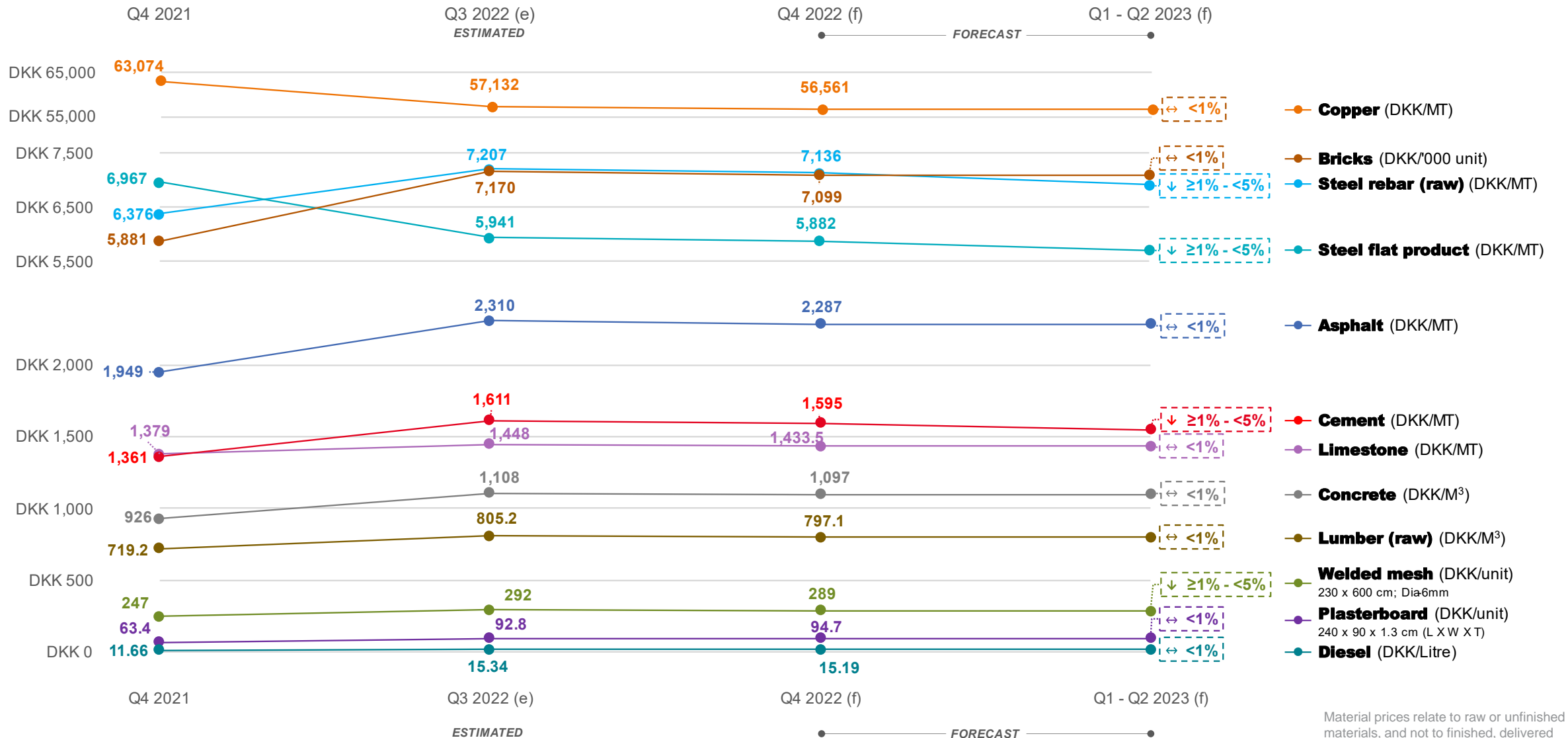
■ Multi-family houses ■ One-family houses ■ Residential

Material	% change Q3 – Q4 2022 (f)	Level of impact of pricing on construction procurement and supply chain *	
 <b>Cement Concrete</b>	-1.0% ↓ -1.0% ↓	Moderate	The cement and concrete markets have stabilized in recent months after prices rose significantly in the first half of the year. Upward pressure on prices has eased owing to weaker demand amid falling levels of construction activity. However, high production and transportation costs will keep prices elevated.
 <b>Welded mesh</b>	-1.0% ↓	Moderate	Mesh prices are expected to fall over the coming quarters in line with the expected fall in steel prices. However, prices are expected to remain elevated due to the high cost of steel production.
 <b>Bricks</b>	-1.0% ↓	Low	Following a sharp rise in Q2 2022, brick prices have stabilized and begun to fall marginally. High energy costs will sustain upward pressure on prices but weakening demand owing to declining levels of construction activity will cause prices to trend downwards over the coming quarters.
 <b>Plasterboard</b>	+2.0% ↑	Low	Plasterboard prices have been on an upward trend in 2022. This trend is expected to continue in the short term due to the high cost of energy and raw materials pushing up production costs. However, weakening demand will offset further upward pressure and help prices stabilize in H1 2023.
 <b>Diesel</b>	-1.0% ↓	Moderate	Diesel prices retracted marginally in August and September from highs reached in Q2 as a result of falling crude oil prices. Prices are expected to remain elevated over the coming quarters as the recent decision by OPEC+ to cut oil production will keep crude oil prices volatile.

\* Level of impact rating reflects a combination of factors: the price movement and also price level (compared to recent past beyond the last quarter), the importance of the material, and general state of the supply chain in terms of stability.

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# Denmark – Construction Materials Pricing (2021-2022)



Material prices relate to raw or unfinished materials, and not to finished, delivered and erected on-site prices.

# Denmark – Macroeconomic overview

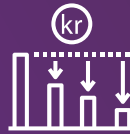


## Economic indicators



**2.87%**

GDP growth in 2022 (f)  
and **4.69%** in 2021



**7.27%**

inflation rate in 2022 (f)  
and **1.85%** for 2021



**2.79M**

people employed  
in 2022 (f)  
and **2.79M** in 2021



**5.11%**

unemployment rate  
for 2022 (f) and  
**5.1%** in 2021



**121.17**

Consumer Price Index in  
2022 (f) and **112.95** in  
2021



**160**

Producer Price Index in  
Aug 2022 and **116.3** in  
Aug 2021

## National holidays



**11 public  
holidays**

in Denmark each year.

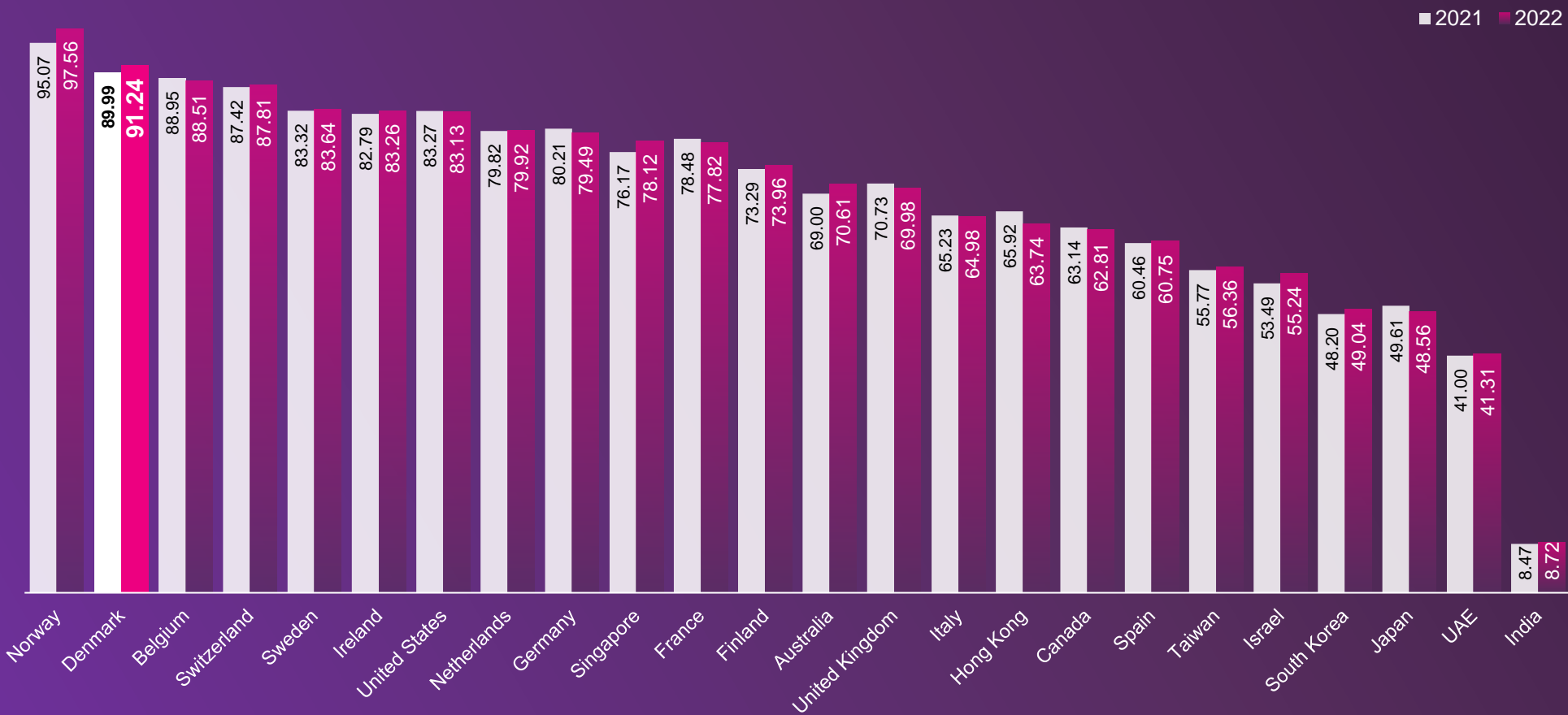
- New Year's Day (1 January)
- Maundy Thursday (14 April)
- Good Friday (15 April)
- Easter Sunday (17 April)
- Easter Monday (18 April)
- Prayer Day (13 May)
- Ascension Day (26 May)
- Whit Sunday (5 June)
- Whit Monday (6 June)
- Christmas Day (25 December)
- 2nd Day of Christmas (26 December)



# Denmark – Macroeconomic overview



## Labour productivity



## Labour costs









index of labour costs in July 2022 compared to **108.95** in July 2021.

Labour productivity per hour worked in 2021 international dollars, converted using Purchasing Power Parities

# Denmark – Construction overview



Output 2021 and 2022 (in millions)			
Sector	Total 2021	Total 2022 (f)	% change
Commercial 	DKK65,453	DKK65,552	0.15%
Energy and utilities 	DKK47,074	DKK50,700	7.7%
Industrial 	DKK18,998	DKK19,204	1.09%
Infrastructure 	DKK50,296	DKK54,438	8.24%
Institutional 	DKK12,561	DKK12,709	1.18%
Residential 	DKK160,772	DKK170,538	6.07%

## Long-lead equipment (LLE) and Supply Chain narrative

Long-lead equipment (LLE) lead times have changed drastically since the start of 2022. Suppliers have seen the implications of material shortages, delays and price hikes throughout the supply chain, which is leading to extended lead times and reduced commitment from suppliers for new projects. The key areas in focus are:

- Demand:** The demand for long-lead equipment in the data centre sector has continued to increase in Q3 2022. More data centre and crypto mining providers are joining the market, and this continued demand far outweighs the capacity of the supply chain. Entry onto the production line remains a significant challenge, with suppliers reporting fully booked capacity until Q2 2024. There has been some growth in the development of Tier 2 and Tier 3 suppliers to support this demand. However, it will take time to build an extended supply chain. There has also been no sign of a decline in demand yet in early Q4 2022.
- Material shortage:** Just as material availability started to improve, the further threat of escalation with the Russia-Ukraine conflict has cast further uncertainties of future material stocks and reserves. The supply chain has continued to seek alternative sources of raw materials, and although this has been with partial success, market lead times remain conservative.
- Freight durations and costs:** Heightened by the increase in fuel costs, and compounded by the instability of labour and container availability, freight durations have been particularly volatile in recent times. Early indications from Q4 2022 suggest some stabilization in shipping durations is returning to the market, but the associated costs remain volatile due to the global fuel crisis. As clients consider alternative solutions, it almost becomes cost prohibitive to use quicker forms of transport, such as air freight, due to these increasing fuel costs.



# Denmark – Report methodology



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Linesight has commissioned independent global research to track construction materials and commodity prices. The approach and methodology for the collection of construction material pricing and other indicators is based on primary and secondary research.

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## Primary and secondary research

Primary research is conducted on a quarterly basis with stakeholders in the value chain, including manufacturers and suppliers/distributors of the target materials, to ascertain market information on prices in recent quarters, and also on projections for changes in the coming quarter and remainder of the year. The market analysis also involves a thorough assessment of secondary sources of data on materials and labour prices, in addition to underlying demand and supply trends that will impact market prices.

Sources include GlobalData's Construction Intelligence Center (CIC), the World Bank, IMF, OECD, as well as country specific national statistics offices, such as the U.S. Bureau of Economic Analysis, Bureau of Labor Statistics, and also industry specific associations and publications. A more comprehensive list of sources is included below.

## Definitions

- Commodity prices are net of taxes for all the countries
- Prices are not customer delivered
- All commodities are raw materials
- Nominal and real data

Nominal data series do not exclude changes in prices and are also referred to as current prices series.

Annual changes in nominal data for construction output will include changes in construction activity, as well as changes in costs for materials and equipment.

Real data series are calculated by keeping prices constant (so, are also referred to as constant price series), and therefore, they reflect changes in activity only. Growth rates in nominal terms can overstate the pace of growth in construction activity if there is high inflation stemming from rising prices for key inputs.

## Sample sources – Denmark

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

- IMF
- Statistics Denmark
- Nationalbanken
- GlobalData's Construction Intelligence Center (CIC)

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