



Denmark

Country Insights and Commodity Report

Q1 2022



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Denmark experienced 3.8% economic growth in 2021, following the 2.1% contraction seen in 2020, with this growth supported by a rise in employment and increase in manufacturing activity, as well as increased exports and a resurgence of domestic demand.

Construction performed well in 2021 with 4.2% growth, buoyed by the governmental focus on developing infrastructure and increasing regional connectivity, as well as an emphasis on green projects. Industry growth will be more moderate in 2022, with the Russia-Ukraine conflict prompting the return of material price volatility and supply chain disruption, presenting downside risks.

As material costs will continue to represent a challenge for the construction industry for the foreseeable future, Linesight will publish quarterly updates to track commodities and provide insights about future projections on movements.



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Lumber

Domestic lumber prices have risen amid high demand and global shortages. Prices will remain at relatively high levels, with disruptions in regional trade flows stemming from a ban on Russian imports at a time of expanding domestic demand. Residential construction activity will remain high, largely supported by the government's focus on developing affordable housing.



Concrete and aggregates

Cement prices have been rising amid the expansion in construction output, which will be driven by the government's investment in transport infrastructure, particularly in rail and road projects, coupled with investments in renewable energy and residential construction projects. Cementir Group's Aalborg Portland is the only grey and white cement producer in Denmark with an annual capacity of approximately 3 million tons, of which 2.1 million grey cement and 0.9 million white cement. The company is concerned over possible tax changes in Denmark to reduce CO2 emissions and had previously threatened to move operations out of the country should the taxes be too punitive.



Concrete blocks and bricks

Solid domestic demand will keep prices at a relatively high level in Denmark, which has been a small net-exporter of bricks in recent years.



Steel (rebar and structural)

Steel demand will be boosted by investments in transport infrastructure and renewable energy projects. Steel prices have already been pushed up by disruptions in supply from Russia and Ukraine.



Copper

Global supply chain issues were expected to ease during 2022, but the Russia-Ukraine conflict has changed the market outlook, adding to market volatility.

Denmark - Commodity Report



Materials	Q4 2021	Q3 Q4 2022 (f)		Q4 - Q1 (e) 2022
	DKK	DKK	2021-22 (f) % change	% change
Copper (DKK/MT)	63,074.3	70,260	11.4% ↑	5% ↑
Steel rebar (DKK/MT)	6,376.1	6,902	8.3% ↑	3% ↑
Steel flat (DKK/MT)	6,966.8	7,885	13.2% ↑	8% ↑
Lumber (DKK/M3)	421.7	459	8.8% ↑	7% ↑
Asphalt (DKK/MT)	1,949.1	2,107	8.1% ↑	4% ↑
Limestone (DKK/MT)	1,379	1,462.5	6.1% ↑	5% ↑
Cement (DKK/MT)	1,360.5	1,487	9.3% ↑	7% ↑
Concrete (DKK/M3)	926.1	1,044	12.8% ↑	11% ↑
Welded mesh (DKK/unit)	246.6	276	12.1% ↑	5% ↑
Bricks (DKK/'000 unit)	5,881.3	6,650	13.1% ↑	8% ↑
Plasterboard (DKK/unit)	63.4	74.1	16.9% ↑	15% ↑
Diesel (DKK/litre)	11.7	13.74	17.9% ↑	13% ↑

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

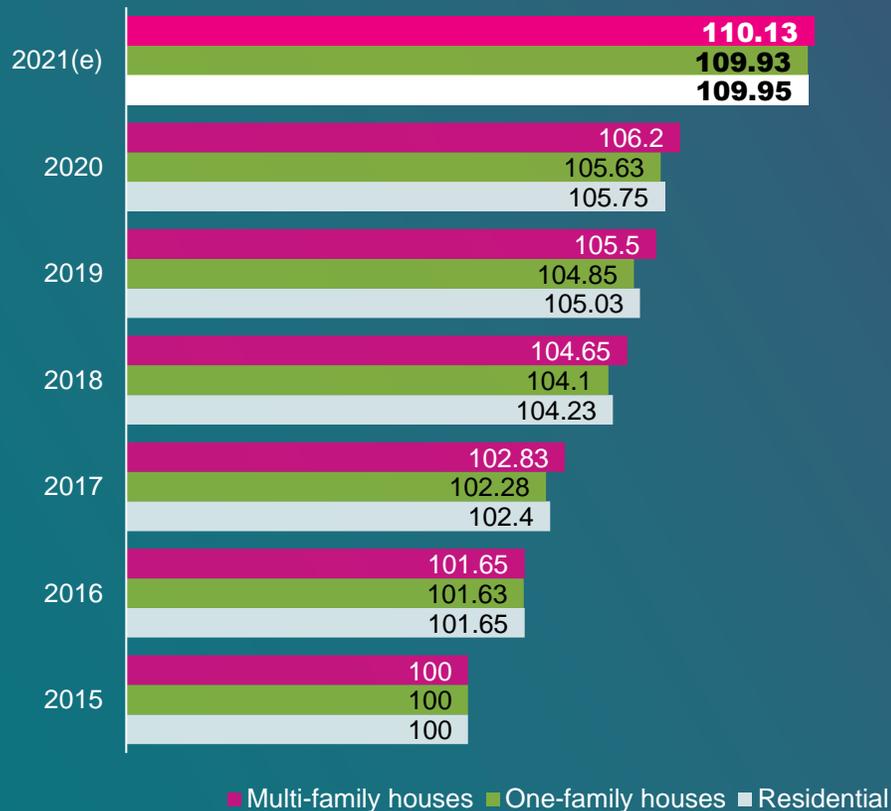
Material	% change Q1 – Q2 2022 (f)	Level of impact of pricing on construction procurement and supply chain *	
 Copper	+3% ↑	High	The price of copper had been on an easing trend, having reached a high in October 2021, and there was an expectation that an increase in supply would contribute to a continuation of this trend. However, prices spiked again in early March in a market response to the onset of the Russia-Ukraine conflict. There will be further disruption in supplies in the coming months, which will result in continued volatility around a high price point.
 Steel - Steel rebar - Flat steel	+2% ↑ +2% ↑	High	The rising energy costs and inflationary pressures on inputs had kept prices relatively high in early 2022, before prices jumped in March amid severe disruptions to imports from Russia and Ukraine. Steelmakers have also reduced output, as high energy prices can make production unviable.
 Cement Concrete	+1.9% ↑ +1.5% ↑	Low	Cement and concrete prices are expected to remain high due to the increase in fuel and energy prices.
 Asphalt	+1% ↑	High	Upward pressure on asphalt prices will continue, due to the rise in international crude oil prices and demand for construction materials, owing to an increase in construction output.
 Limestone	+1% ↑	Low	Similar to cement and concrete, limestone prices are expected to remain elevated, due to the increase in fuel and energy prices.
 Lumber	+2% ↑	Moderate	Wooden housing is popular in Denmark. The rise in residential construction along higher transportation costs will contribute to the continuation of high lumber prices.

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 (2015=100)



Knoema World Data Atlas

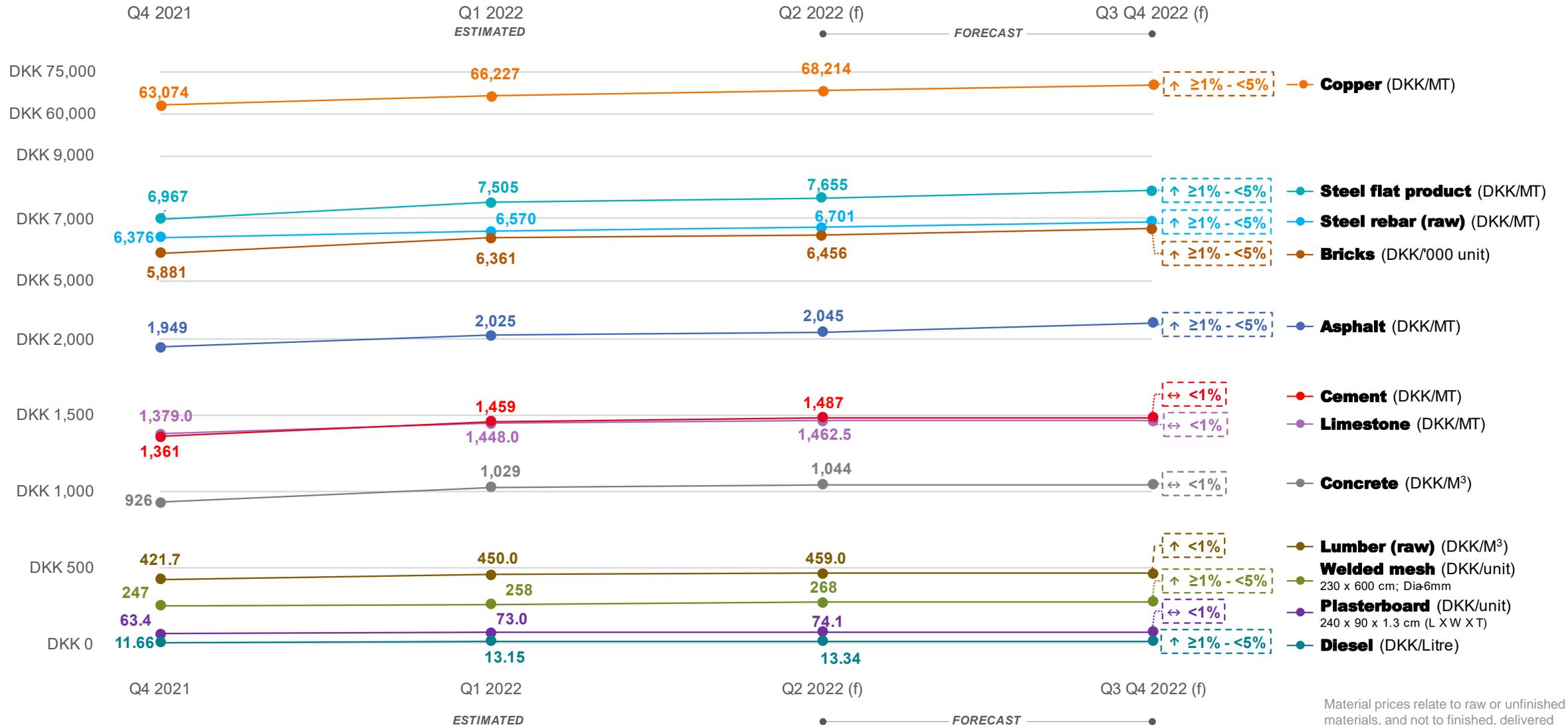
Index of economic freedom **77.8 out of 100**

Material	% change Q1 – Q2 2022 (f)	Level of impact of pricing on construction procurement and supply chain *
Welded mesh	+4% ↑	High In line with steel price trends, prices of wired mesh will also continue on an upwards trend in 2022.
Bricks	+1.5% ↑	Low Inflationary pressures will be contained to some extent owing to sufficient supply of raw materials such as clay, but demand from building construction has been high, and combined with rising fuel and energy costs, prices are expected to remain high.
Plasterboard	+1.5% ↑	Low As with other key building materials, the price of plasterboard is expected to remain at high levels given ongoing expansion in building construction.
Diesel	+1.5% ↑	High Diesel prices soared in March, as global oil prices spiked in the wake of the Russia-Ukraine conflict. Without any clear resolution to the ongoing conflict in the foreseeable future, with economic sanctions, and given Denmark's reliance on imports for its oil needs and a large share of its diesel, it is likely that prices will remain elevated in the coming quarters.

* 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



3%

GDP growth in 2022 (f) and 3.8% in 2021



1.56% inflation rate in 2022 (f) and **1.4%** for 2021



2.885M people employed in 2022 (f) and 2.87M in 2021



5.3% unemployment rate in 2022 (f) and 5.4% in 2021



109.2 Consumer Price Index in 2022 (f) and 106.6 in 2021

Weather conditions



-2°C to 22°C

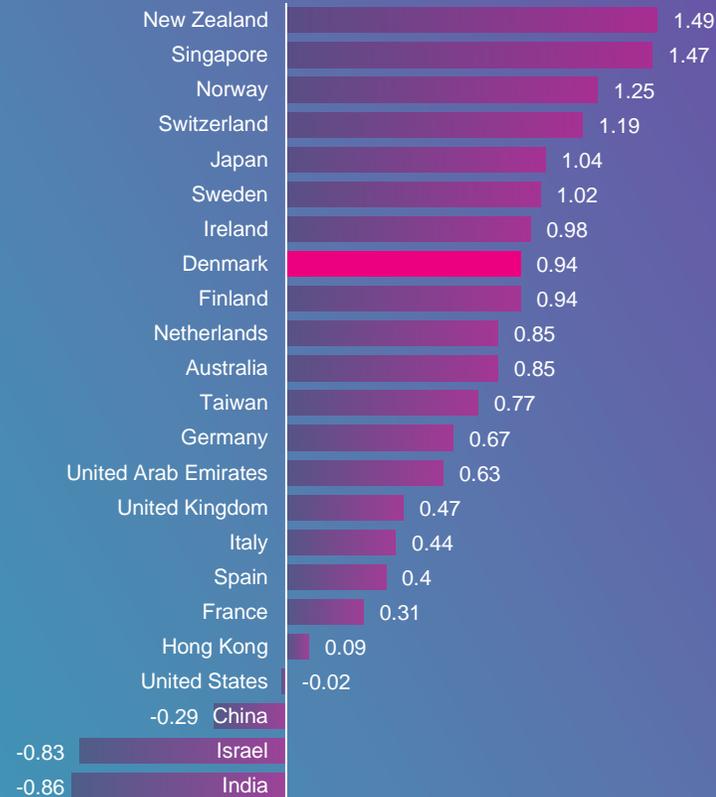
typical temperature range throughout the year



508mm – 812mm

range of average annual rainfall

Political stability



Political stability index (-2.5 weak; 2.5 strong)

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

National holidays

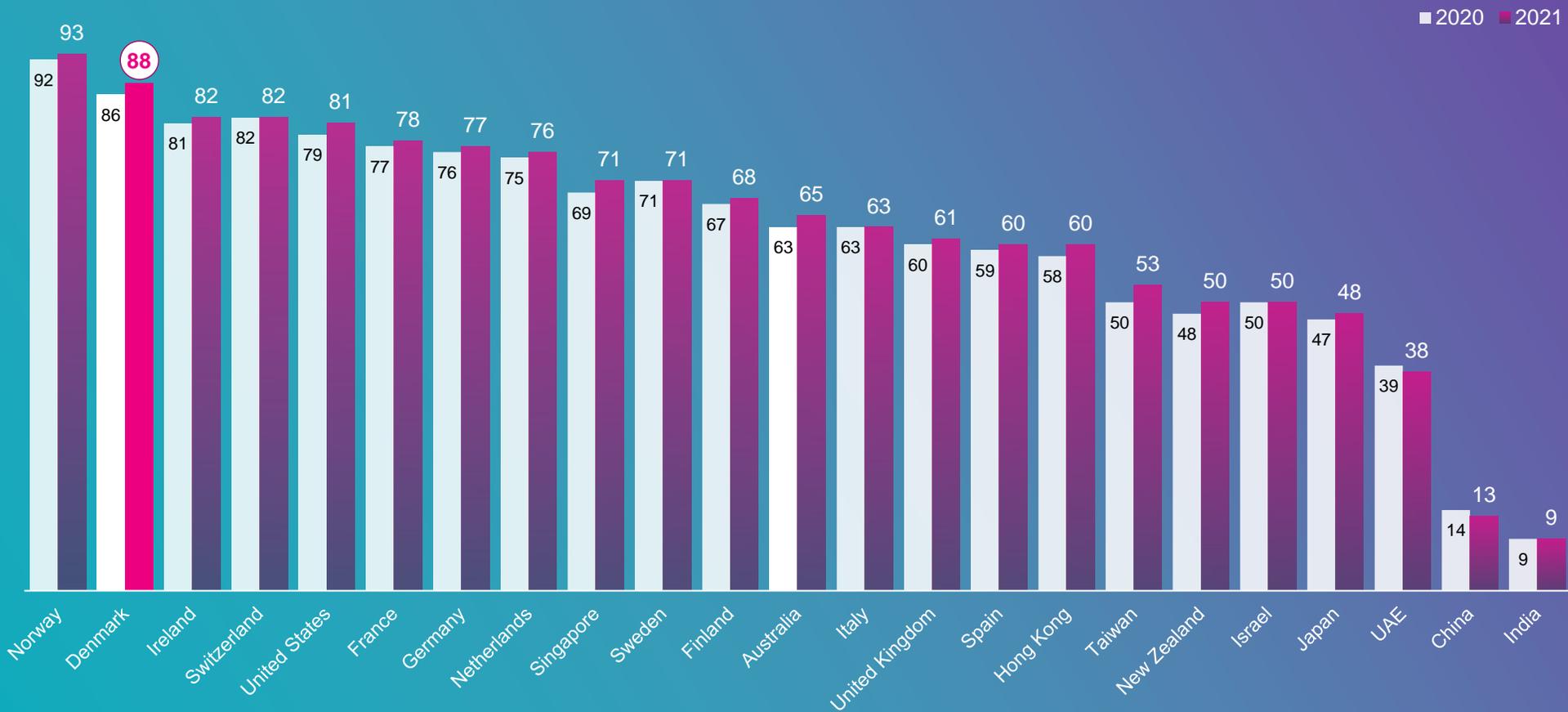


10 public holidays in Denmark. Most holidays are taken during December, typically around the festive period – ten days

Denmark - Macroeconomic overview



Labour productivity



Labour costs



DKK 442,057

average construction worker gross salary in Denmark or an equivalent hourly rate of DKK 213

- An entry level construction worker (1-3 years of experience) earns an average salary of DKK 328,902.
- A senior level construction worker (8+ years of experience) earns an average salary of DKK 535,590.

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

Denmark - Construction overview



Output 2021 and 2022 (f) (in millions)			
Sector	Total 2021	Total 2022 (f)	% change
 Commercial	61,360.96 kr.	62,979.42 kr.	2.6%
 Energy and utilities	44,412.94 kr.	46,335.25 kr.	4.3%
 Industrial	17,754.84 kr.	18,317.75 kr.	3.2%
 Infrastructure	47,377.71 kr.	49,107.10 kr.	3.7%
 Institutional	773.75 kr.	815.78 kr.	5.4%
 Residential	151,099.77 kr.	153,879.88 kr.	1.8%
Total output	333,875.62 kr.	342,780.95 kr.	2.7%

Long-lead equipment (LLE) – time risks

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

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

Construction health & safety practices and culture



In Denmark, the Health and Safety at Work Act, dated 19 September 2017, is the key legislation regulating health and safety on a construction site. There are also various statutory regulations relating to health and safety at the workplace, in addition to this Act.

Denmark - Report methodology



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

Primary and secondary research

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

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

Definitions

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

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

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

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

Sample sources – Denmark

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

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

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