



Denmark

Country Commodity Report

Q2 2022



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Denmark's economic growth is expected to moderate for 2022 and the coming years, but remain positive due to a rebound in private consumption, as well as healthy fixed investment and exports. However, the ongoing Russia-Ukraine conflict poses a continued downside risk, and the Central Bank of Denmark revised its forecast for the year downward to 2.1% as of March. Inflation hit its highest 12-month rate in almost 40 years in May at 7.4% year-on-year.

Construction is expected to continue on a growth trajectory this year, albeit at a more moderate rate of circa 2.1% in real terms, with the Russia-Ukraine conflict driving continued 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 are likely to remain at relatively high levels, with disruptions in regional trade flows stemming from a ban on Russian imports. Residential construction will be supported by the government's focus on developing affordable housing amid a countrywide housing shortage. Rising interest rates and a possible recession could dampen demand and ease pressure on lumber prices.



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 group is concerned over possible tax changes in Denmark to reduce CO2 emissions, with the group previously threatening to move operations out of Denmark should the taxes be too punitive.



Concrete blocks and bricks

Strong domestic demand will keep prices at a relatively high level in Denmark, which has been a small net exporter of bricks in recent years. However, recession fears could dampen global demand, which will put downward pressure on domestic prices.



Steel (rebar and structural)

Steel demand will be boosted by investments in transport infrastructure and renewable energy projects. Prices have been volatile this year with upward pressure coming from the Russia-Ukraine conflict, and more recently, downward pressure from fears of recession, as central banks around the world commit to tightening monetary policy.



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. Fears of a global recession in response to tightening monetary policy amid soaring inflation is compounding volatility.



Denmark - Commodity Report



	Q3 2022 (f)	Q1 2022 - Q2 2022 (e)
Materials	DKK	% change
Copper (DKK/MT)	63,360	0.5% ↑ ■
Steel rebar (DKK/MT)	8,175	38.5% ↑ ●
Steel flat (DKK/MT)	7,955	9.3% ↑ ●
Lumber (DKK/M3)	815	3.7% ↑ ●
Asphalt (DKK/MT)	2,171	9.4% ↑ ●
Limestone (DKK/MT)	1,664	13.8% ↑ ●
Cement (DKK/MT)	1,601	8.6% ↑ ●
Concrete (DKK/M3)	1,083	4.7% ↑ ●
Welded mesh (DKK/unit)	330	29.5% ↑ ●
Bricks (DKK/'000 unit)	7,408	15.3% ↑ ●
Plasterboard (DKK/unit)	83.82	13.6% ↑ ●
Diesel (DKK/litre)	15.28	17.4% ↑ ●

● Q1 to Q2 2022 % change greater than estimation in our Q1 report
 ■ Q1 to Q2 2022 % change less than estimation in our Q1 report

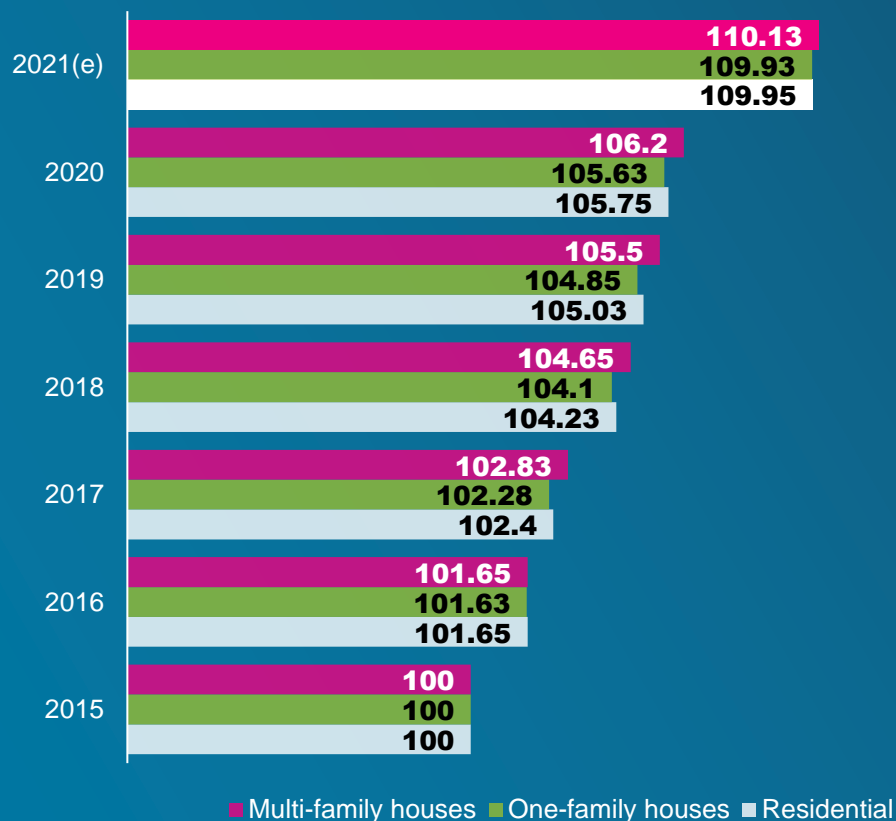
Material	% change Q2 – Q3 2022 (f)	Level of impact of pricing on construction procurement and supply chain *
 Copper -4.8% ↓	 Moderate	Upside pressure on the price of copper has eased after spiking in April, with prices falling to 18-month lows in June. Demand for copper has weakened in anticipation of a possible recession, amid the tightening of monetary policy globally. In addition, COVID restrictions in China - the world's largest copper consumer - are weighing on Chinese demand which is adding further downward pressure to global prices. However, investment in renewable energy and electric vehicles will boost the demand for copper in long run. The price of copper is likely to remain elevated compared to historic levels, but will show very little appreciation in the short term.
 Steel prices - Steel rebar -10.2% ↓ - Flat steel -3.0% ↓	 High	The price of steel rose more sharply than previously expected from Q1 to Q2 but has since fallen, owing to dampening demand over recession fears. Rising energy costs and fears of shortages since the beginning of the Russia-Ukraine conflict have put upward pressure on steel prices and will continue to keep the price elevated. Moreover, Russia cutting the supply of natural gas to Denmark, which has a long-term supply contract with Gazprom, will threaten Denmark's energy security. Steel prices are likely to decline over the short to medium term.
 Cement Concrete +1.0% ↑ +0.5% ↑	 Moderate	Due to increases in the cost of fuel and energy, cement and concrete prices are expected to remain at high levels.
 Asphalt -2.0% ↓	 Moderate	The rise in international crude oil prices and the demand for construction materials due to the increase in infrastructure construction output will contribute to upward pressure on bitumen and asphalt prices.
 Limestone +1.0% ↑	 Low	Limestone prices are expected to remain at elevated levels, due to high energy and fuel costs. However, Denmark has abundant limestone resources, which will help to reduce price volatility resulting from global supply disruptions and shortages.

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

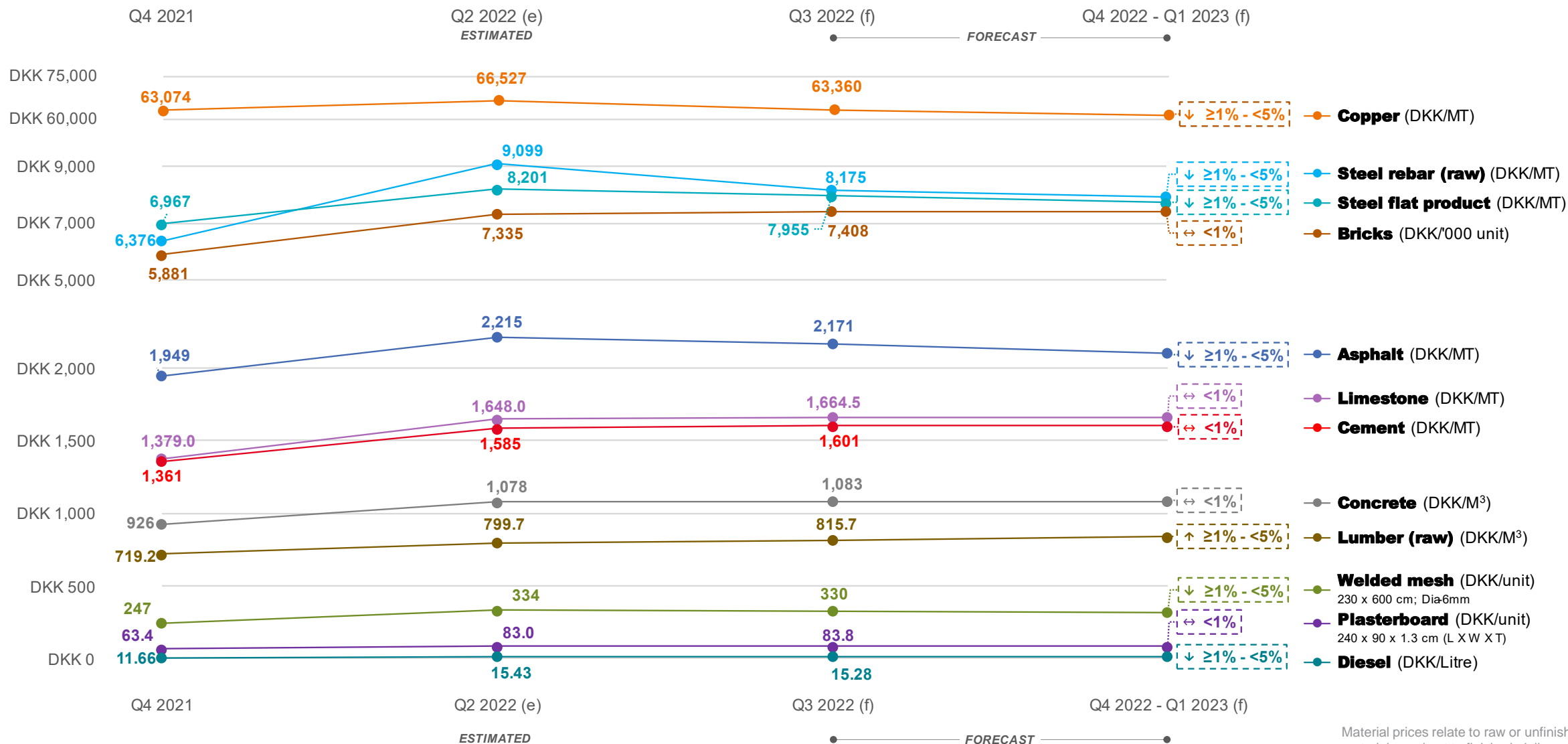
Index of economic freedom **77.8 out of 100**

Material	% change Q2 – Q3 2022 (f)	Level of impact of pricing on construction procurement and supply chain *	
 Lumber	+2.0% ↑	 High	Demand for wooden housing and high transportation costs have driven up lumber prices in the first half of 2022. In addition, domestic buyers are likely to face shortages in the short-term as Denmark sources a large share of its construction wood from Russia which is now subject to embargoes. Wood prices are expected to remain volatile under conflicting pressures from high input costs and slowing economic growth.
 Welded mesh	-1.2% ↓	 High	Due to the expected decline in the price of steel, the price of mesh will also decline in 2022.
 Bricks	+1.0% ↑	 Moderate	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, which combined with rising fuel and energy costs, has caused prices to rise more sharply than expected from the end of March to end-June. Demand is set to remain strong owing to an increase in government investment in public affordable housing and a rise in the total floor area of residential permits issued for 2022. Prices are expected to remain elevated over the short- and medium-term.
 Plasterboard	+1.0% ↑	 Low	As with other key building materials, the price of plasterboard is expected to remain at high levels given ongoing expansion in building construction. The average price for plasterboard at the end of June was over 13% higher than the average price at the end of March.
 Diesel	-1.0% ↓	 Moderate	Diesel prices soared in March, as global oil prices spiked in the wake of the Russia-Ukraine conflict. Without any clear resolution to the conflict in the short term, with ongoing 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. However, with OPEC countries set to increase the production of crude oil, prices are likely to retract from the highs in previous 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 - 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
- Statistics Denmark
- GlobalData's Construction Intelligence Center (CIC)

Linesight

