Denmark

September 2020

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction Const.Mtrls	Consumer Durables	Electronics/ ICT	Financial Services	Food	Machines/ Engineering	Metals	Paper	Services	Steel	Textiles

Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Agriculture

Remains Bleak

Increased commodity price volatility has had a negative impact on the sector. Danish farmers are among the most indebted in Europe and are heavily exposed to price deterioration. Large pork producers have been especially over-investing over the past couple of years. Many of them are insolvent and may not be able to survive in case of rising interest rates or another major crisis (e.g. further spread of the African swine fever). Fur farming is particularly challenging, as market conditions have deteriorated. It is expected that many fur farms will close down their production in late fall or early winter.

Automotive/Transport

Remains Poor

The automotive sector suffers from deteriorating sales of passenger cars and commercial vehicles, along with an adverse market sentiment, while transport is impacted by decreased demand for logistics (e.g. from the retail sector). Automotive value added is expected to decline by 3% in 2020, while transport is forecast to shrink by 4%.

Chemicals/Pharmaceuticals

Remains Good

Some chemical businesses suffer from a drop in demand linked to disruptions in their downstream chain and lower demand from key buyer industries. However, chemicals sector value added is expected to increase by more than 5% in 2020. Pharmaceutical businesses will benefit from increasing health expenses. Chemicals and pharmaceuticals businesses generally show robust business financials, good payment records and low insolvency rates compared to other industries.

Construction/ Construction materials

Remains Poor

Competition is fierce and operating margins are very tight in this industry, with increased credit risk mainly for smaller players. While order books are still at satisfying levels in terms of short-term activity, there are fewer new projects in the pipeline. Architects and engineering consulting firms have already voiced concerns over this lack of projects, which will slow, but likely still affect construction businesses. Sector value added is expected to shrink by more than 6% in 2020, after a 0.4% contraction in 2019.

Consumer Durables

Remains Bleak

Private consumption of non-food consumer goods has deteriorated due to the coronavirus impact, with many businesses temporarily closed due to the lockdown. Subdued consumer sentiment and rising unemployment could hamper a rebound in the short-term. Retail sales are expected to decrease by more than 4% in 2020, with growth recorded only in the online segment. Insolvencies of non-food brick and mortar retailers are expected to increase in the coming months after some essential government support measures (support for wages and fixed costs) expired at the end of August.

Electronics/ICT

Remains Poor

Spending from businesses and employees on digital goods and services has increased due to the sharp rise of remote working. However, after initial investments, many larger projects will be delayed or cancelled until there is more certainty over the economic outlook. Subdued consumer sentiment and rising unemployment could hamper a rebound in the short-term. ICT value added is expected to contract by about 0.5% in 2020.

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Financial services

Remains Fair

The sector remains relatively resilient for the time being. However, increased financial troubles for businesses and consumers alike due to the economic downturn could lead to more loan defaults for banks and tighter lending conditions.

Food

Remains Poor

The hospitality and food service segments have been severely hit by the lockdown and the ongoing pandemic. Hotel and catering value added is expected to shrink by more than 10% in 2020, and insolvencies are expected to increase in the coming months, after some essential government support measures (support for wages and fixed costs) expired at the end of August. However, there are also growth segments. As people create and enjoy more of their meals at home, retail food has been able to increase sales, especially online ordering services such as those offering "meal boxes".

Machines/Engineering

Remains Fair

The sector remains relatively resilient for the time being, with many businesses showing robust financials. However, deteriorating demand from key buyer sectors like agriculture and construction could lead to fewer orders and sales. The industry is also highly dependent on industry investment levels in its main export markets. Therefore, a slow economic rebound in Europe in the coming months would pose a serious challenge for new orders.

Metals

Remains Fair

The sector remains relatively resilient for the time being. However, deteriorating demand from key buyer sectors like construction could lead to lower orders and sales. Metals value added is expected to decrease 5% in 2020.

Services

Remains Bleak

Due to comprehensive lockdown measures and subsequent business closures, as well as due to the ongoing pandemic, many segments have suffered heavily. Amongst these are hotels and bars, entertainment and cultural events, travel agencies and tour operators. Service value added is forecast to decrease by more than 2% in 2020, with hotel and catering even by more than 10%. Payment delays and insolvencies are expected to increase in the coming months after some essential government support measures (support for wages and fixed costs) expired at the end of August.

Steel

Remains Poor

Steel producers and traders suffer due to deteriorating demand from key buyer sectors (automotive, construction and machines) and/or supply chain disruptions. After a 7.4% contraction in 2019, value added is expected to shrink again, by more than 7%. Businesses' financials were already strained in 2019, and payment delays and insolvencies are expected to increase in the coming months, after some essential government support measures (support for wages and fixed costs) expired at the end of August.

Textiles

Remains Bleak

Producers, wholesalers and retailers already suffered before the coronavirus outbreak from fierce competition and thin margins, and have additionally been affected by deteriorating sales due to the lockdown. The pandemic has accelerated the shift towards online sales at the expense of stationary retail. Textiles value added is forecast to decrease by more than 6% in 2020. Among brick-and-mortar textile retailers, insolvencies are expected to increase in the coming months, after some essential government support measures (support for wages and fixed costs) expired at the end of August.