

Source: Atradius

Industry performance

Changes since September 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 was completely abandoned in 2020, due to health safeguard reasons (risk of cross-contamination of coronavirus mutations from minks). Agriculture value added is forecast to contract by 2% in 2021.

Automotive/Transport



Remains Poor

Automotive performance is affected by the planned shift away from combustion engines and towards e-mobility. The government is looking for ways to support a shift from fossil fuels and towards renewable energy, while trying to avoid losses of tax revenues generated by fuel duties. The transport sector is impacted by decreased demand for logistics (e.g. from the retail sector). Transport value added is forecast to rebound by just 5% in 2021 after an estimated 11% contraction in 2020.

Chemicals/Pharmaceuticals



Remains Good

Some chemical businesses suffered from a drop in demand linked to disruptions in their downstream chain and as a result of lower demand from key buyer industries. Pharmaceutical businesses will benefit from increasing health expenses, with value added forecast to increase 6% in 2021. 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

As a consequence of government stimulus measures to support private consumption, as well as a result of restrictions on international and domestic travel, DIY and small renovation related demand has increased and is expected to remain elevated until the end of the pandemic. Low interest rates still support high house prices, which in turn support a high level of newly built single family homes.

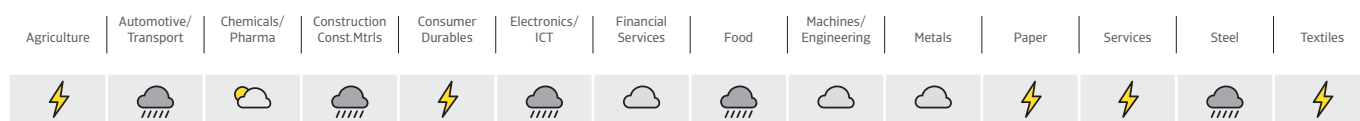
In the commercial construction market, order books are still at satisfying levels in terms of short-term activity. However, there are fewer new larger projects in the pipeline. Architects and engineering consulting firms have already voiced concerns over this lack of projects. As a part of coronavirus-related support, local municipalities have extended their construction budgets. Prices of construction materials are expected to remain elevated, driving construction costs up. Competition remains fierce and operating margins are very tight in this industry, with increased credit risk mainly for smaller players.

Consumer Durables



Remains Bleak

Private consumption of non-food consumer goods has deteriorated due to the coronavirus impact. While retail sales were solid in summer 2020, they could not compensate the losses incurred during the first and second lockdowns. Due to government support measures (support for wages and fixed costs), rising business failures have not yet materialized, but it is expected that insolvencies of brick-and-mortar retailers will increase over the course of 2021. Subdued consumer sentiment and rising unemployment could hamper a rebound in the short-term. Challenges due to changing consumer patterns and a shift in distribution channels towards online are expected to impact the sector after the end of the pandemic. Retail added value is forecast to contract again in 2021, by about 1%, after an estimated 9% decrease in 2020.



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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 and the future of workplaces. ICT value added is forecast to grow 1% in 2021 after an estimated 1.5% contraction in 2020.

Financial services



Remains Fair

The sector remains relatively resilient for the time being. As a consequence of the 2008 global credit crisis, the government and the central bank have taken comprehensive measures to support liquidity during the coronavirus pandemic. However, increased financial troubles for businesses and consumers alike due to the economic downturn could lead to more loan defaults for banks, as well as to tighter lending conditions, following the expiry of support measures.

Food



Remains Poor

The hospitality and food service segments have been severely hit by the lockdowns and the ongoing pandemic. Hotel and catering value added is estimated to have shrunk 9.5% in 2020, and insolvencies are expected to increase in 2021, subject to the expiry of essential government support measures (support for wages and fixed costs). However, there are also segments experiencing growth. Food retail has been able to increase sales, especially online ordering services (e.g. offering "meal boxes" for eating at home).

Machines/Engineering



Remains Fair

The sector remains relatively resilient for the time being, with many businesses showing robust financials. However, deteriorating demand or postponement of orders from key buyer sectors has led to a production and sales performance still below 2019 figures. 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. On the upside, large coronavirus relief funds across Europe could stimulate a solid increase in demand in H2 of 2021. Engineering value added is forecast to rebound 7% in 2021 after an estimated 8% contraction in 2020.

Metals



Remains Fair

The sector remains relatively resilient for the time being. Key buyer sectors like construction have shown some resilience so far, and demand has been steady.

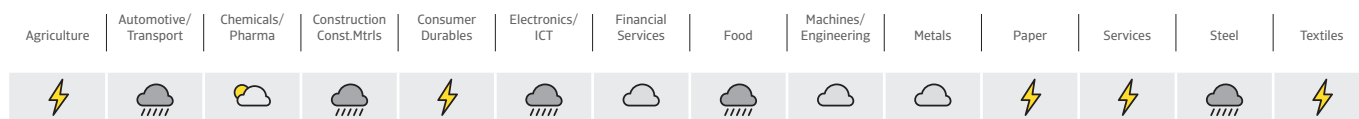
Services



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 those suffering are hotels and bars, entertainment and cultural events, travel agencies and tour operators. Service value added is forecast to grow only 0.5% in 2021 after an estimated contraction of more than 6% in 2020.

Payment delays and insolvencies are expected to increase in 2021, subject to the expiry of some essential government support measures (support for wages and fixed costs). In H1 2021 a return to normal VAT and tax schedules is expected, which, together with the impact of the second lockdown, will cash-starve many businesses. These businesses could subsequently opt to file for bankruptcy.



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Steel



Remains Poor

Steel producers and traders have suffered due to deteriorating demand from key buyer sectors (automotive, construction and machines) and/or supply chain disruptions. After an estimated 16% contraction in 2020, steel value added is forecast to grow only 7.5% in 2021. The rebound is projected to gain momentum at a later time in the year than earlier expected.

Textiles



Remains Bleak

Producers, wholesalers and retailers already suffered before the coronavirus outbreak from fierce competition and thin margins, and they have additionally been affected by deteriorating sales due to the lockdowns. The pandemic has accelerated the shift towards online sales at the expense of stationary retail. Textiles value added is forecast to rebound by just 1% in 2021 after an estimated 13% contraction last year. The accelerated shift towards online buying will continue to remain a huge challenge for many brick-and-mortar retailers. In this segment, insolvencies are expected to increase in 2021, subject to the expiry some essential government support measures (support for wages and fixed costs).