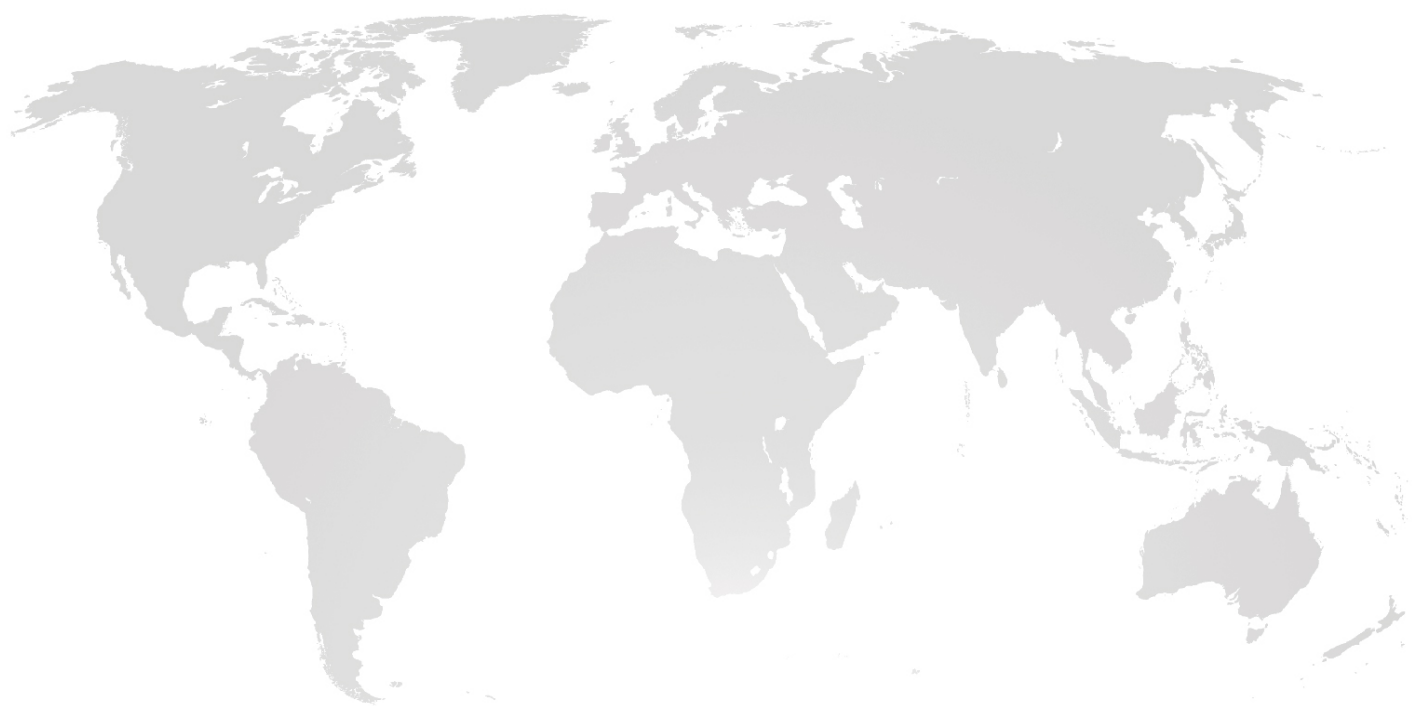




D&B Country Insight Snapshot: Denmark

May 2015



Written 8 May 2015

Overview

Overall Country Risk Rating: DB2b



Low risk: Low degree of uncertainty associated with expected returns. However, country-wide factors may result in higher volatility of returns in future.

Rating Outlook: Stable →

Core Outlook

+ Denmark is well situated geographically at the intersection of continental Europe and the Nordic region, and the infrastructure is in place to take full advantage.

+ Expect high added-value services and hi-tech manufacturing to provide the best long-term commercial opportunities.

- Be prepared for a slow decade due to high levels of indebtedness and the potential for stagnation in parts of the euro zone.

- The competition authorities may refuse large-scale mergers and acquisitions.

Key Development

Cautious optimism spreads amongst businesses due to increased consumer spending, and concerns over the stability of the krone-euro peg have faded.

Credit Environment Outlook



Key Development has had a positive impact on the outlook.

Supply Environment Outlook



Key Development has had a neutral impact on the outlook.

Market Environment Outlook



Key Development has had a neutral impact on the outlook.

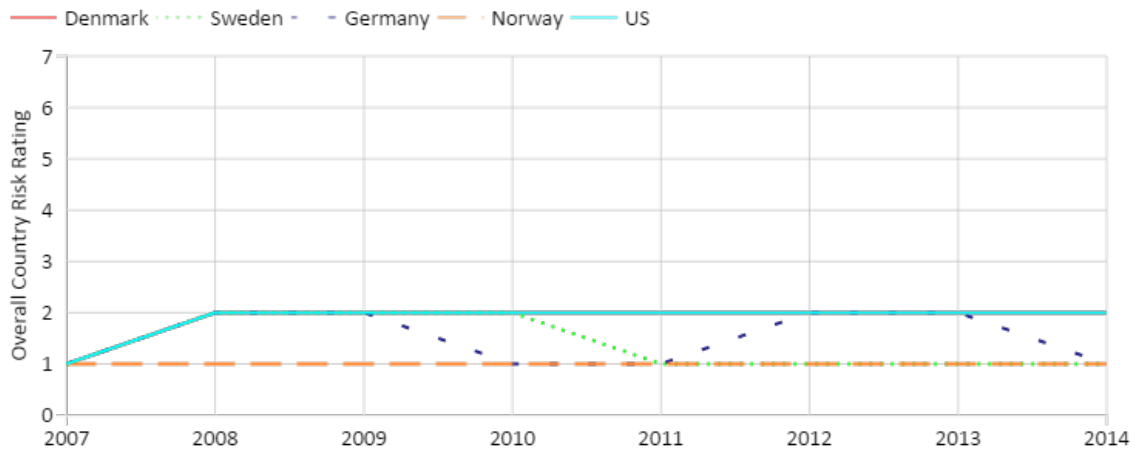
Political Environment Outlook



Key Development has had a neutral impact on the outlook.

Key Indicators

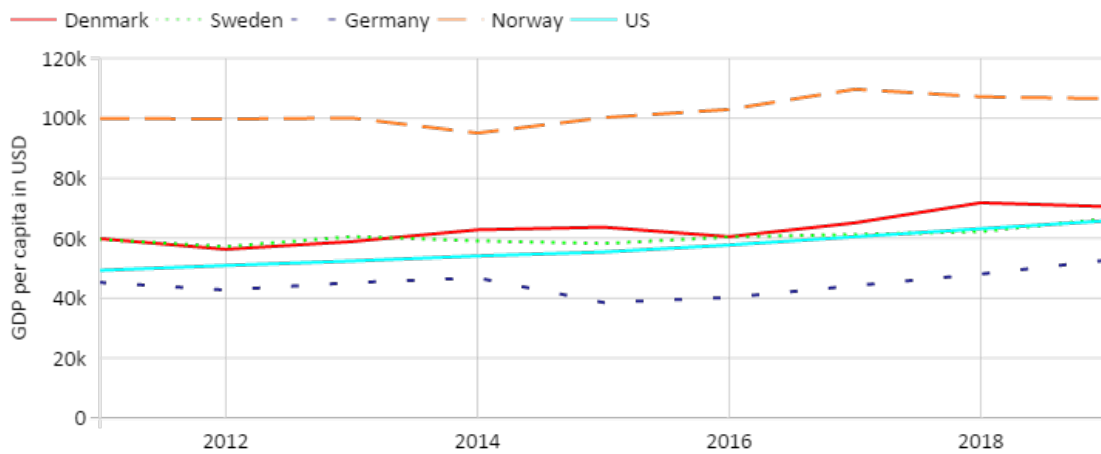
Rating History and Comparison



Source : D&B

Note: 1 = Low Risk, 7 = High Risk

Regional Comparisons



Source : D&B

Chart of the Month



Source : National Statistical Offices / Haver Analytics

Economic Indicators

Indicator	2012	2013	2014e	2015f	2016f	2017f	2018f	2019f
C/A balance % GDP	5.7	7.3	4.5	4.5	4.5	4.5	4.5	4.5
Govt balance, % GDP	-3.9	-0.4	-1.5	-2.5	-2	-1	0	-1
Inflation, annual avge %	2.4	0.5	0.7	1.5	2	2	2	2
Real GDP Growth, %	-0.7	0.4	1	1.5	2	2.5	3	2
Unemployment, %	7.5	7	6.6	6	5	4	4	5

Source : Haver Analytics/D&B

Trade and Commercial Environment

According to Statistics Denmark, the number of corporate bankruptcies increased by 22% in March relative to February (in seasonally adjusted figures), but Q1 data shows that the rate of bankruptcies has fallen relative to the preceding quarter (by 8%). The retail trade and transport sector had the highest failure rate in Q1, but it was decreasing sharply relative to the previous quarter. We expect the failure rate to continue to decline, as companies benefit from low energy prices, low borrowing costs and better economic conditions in Germany. Meanwhile, financial sector data show that in recent months Danish households have been paying off debt at the highest rate on record. Given that Danish households are the most indebted in the world, this is highly positive for the long-term financial stability of the country.

Trade Terms and Transfer Situation

Minimum Terms: OA

The minimum form of documentation or trading method that D&B advises its customers to consider when pursuing export trade with the stated country.

Recommended Terms: SD

D&B's recommended means of payment. The use of recommended terms, which are generally more stringent than minimum terms, is appropriate when a customer's payment performance cannot be easily assessed or when an exporter may wish to limit the risk associated with a transaction made on minimum terms.

Usual Terms: 30 days

Normal period of credit associated with transactions with companies in the stated country.

Local Delays: 0-1 month

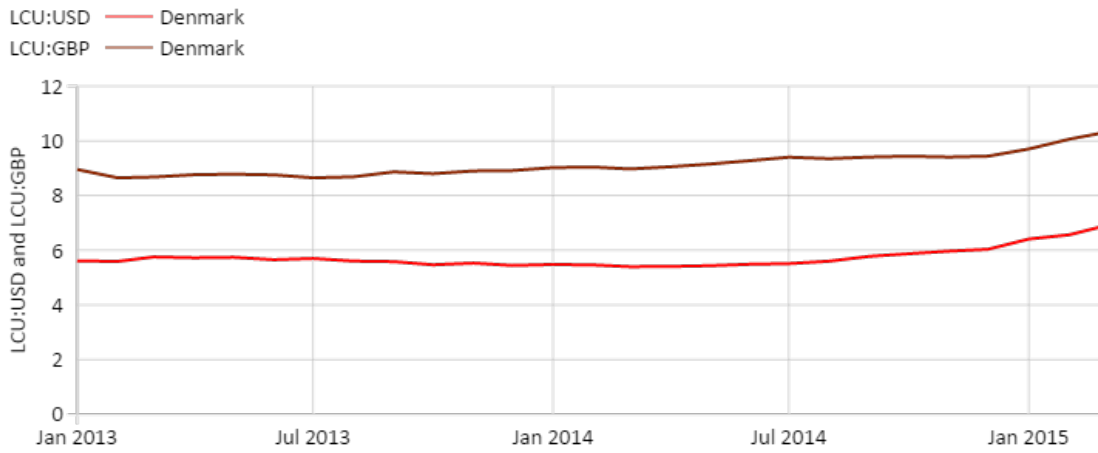
The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

FX/Bank Delays: 0-1 month

The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on FX controls, FX availability and the efficiency of the local banking system.



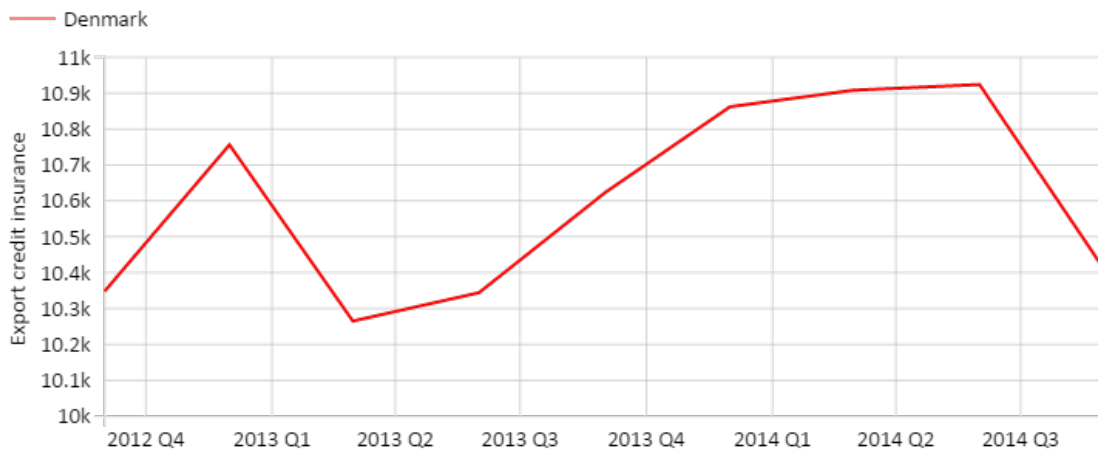
Exchange Rate



Source : IMF International Financial Statistics, National Statistical Offices

LCU = Local Currency Unit

Credit Conditions



Source : Haver

Insured export credit exposures, USDm

Risks and Opportunities

Short-Term Economic Outlook

Cautious near-term business optimism

After a weak start to the year, the Danish economy seems to have gained momentum. Retail sales increased by 1.8% y/y in Q1 (in real terms), and consumers are in a good position to increase spending: the unemployment rate stood at 6.3% in Q1 (down from 6.8% in Q1 2014), real incomes increased by around 1.0% in 2014 and private sector credit growth has accelerated in Q1, relative to the growth rates seen over the course of 2014. Exports were up by 2.3% q/q over the three months December-February, with a pick-up in machinery exports to Germany, and chemicals and pharmaceuticals to the US and China. Industrial production meanwhile has been weaker, contracting by 2.3% y/y in February.

A majority of the business sentiment indicators published by the national statistics office in April suggest increasing optimism. In the retail sector, business confidence rose to 18 points, up from 10 points in March, with all subsectors (car trade, food, electronics etc) expecting higher near-term sales. In the industrial sector, the business confidence indicator is in negative territory, but improving: it increased from -16 in March to -11. The consumption goods subsector has the most positive expectations, while investment goods have the largest negative contribution to the total. A separate survey showed companies in industry expect investment to increase by 9.0% in 2015. Confidence in the services sector is also positive, albeit largely unchanged from the previous month (down to 6 points, from 7 in March). Finally, managers in the construction sector display negative confidence. The sentiment indicator is at -17 (unchanged from the previous month). Confidence in the sector has been steadily declining since early 2014, the main reason being falling demand. We expect growth to be positive but moderate in coming months.

FX Risk

Risk to the krone-euro peg dwindles

Meanwhile, the Danish central bank won the battle against those who speculated against the country's krone-euro peg earlier in the year (the International Monetary Fund has recently held the bank up as an example of how to defend a peg). The bank is now cautiously unwinding some of the measures it took when the peg was under threat, and which have reduced liquidity in some financial instruments (such as government bonds). The Danish krone has had a very volatile H1 2015 by historical standards (but still within the +/- 2.25% peg tolerance bands), with movements in both directions (speculators were betting on the krone to appreciate, while the central bank was selling krone to weaken it). As of early May, the krone stood at around 7.46 against the euro, and the fact that the central bank's foreign currency reserves have fallen supports the view that pressure on the krone to appreciate has disappeared. While FX risk has lessened, we do not believe the central bank will reverse the earlier interest rate cuts in the next quarter at least.

Country Profile and Statistics

Overview

Denmark is the southernmost of Europe's five Nordic countries. The Arctic island of Greenland and the small Faroe Islands in the North Sea also belong to Denmark, but are largely self-governed and remain outside the EU, which the rest of Denmark joined in 1973. Denmark is not part of the euro zone but its central bank allows the krone to move plus or minus 2.25% from a euro/krone pegged central parity of 7.46038. The current government would like the country to join the euro zone but a referendum on the issue might not be held in the near-term future.

Domestic politics in this constitutional monarchy is characterised by a multi-party system centred on a unicameral parliament that usually produces coalition governments. The country's political institutions are well-established, and policymaking is effective, although the recent rise of the far-right has dented the traditional consensus orientation, and provoked tensions between Danes and immigrants. Key sectors in Denmark's highly advanced, trade-oriented economy include sea transport services and pharmaceuticals; the country is also a net exporter of food and energy.

Key Facts

Key Fact	Detail
head of government	Prime Minister Helle THORNING-SCHMIDT
Capital	Copenhagen
Timezone	GMT +01-00
Official language	Danish
Population (millions)	5.6
GDP (USD billions)	354.2
GDP per capita (USD)	62,801
Life expectancy (years)	79
Literacy (% of adult pop.)	99.9
Surface area (sq km)	43,094

Source : UN / Haver Analytics / D&B

Historical Data

Metric	2010	2011	2012	2013	2014
Real GDP growth (%)	1.63	1.15	-0.66	0.4	1
Nominal GDP in USDbn	312.95	333.74	315.16	330.81	354.2
Nominal GDP in local currency (bn)	1,760	1,792	1,826	1,858	1,926
GDP per Capita in USD	56,377	59,864	56,299	58,874	62,801
Population (year-end, m)	5.55	5.58	5.6	5.62	5.64
Exchange rate (yr avge, USD-LCU)	5.62	5.37	5.79	5.62	5.44
Current Account in USDbn	17.13	19.87	18.02	24.02	15.94
Current Account (% of GDP)	5.48	5.96	5.72	7.26	4.5
FX reserves (year-end, USDbn)	73.5	81.68	86.14	86.1	88.68
Import Cover (months)	6.34	6.16	6.7	6.26	4.47
Inflation (annual avge, %)	2.2	2.6	2.4	0.5	0.7
Govt Balance (% GDP)	-2.7	-2.1	-3.9	-0.4	-1.5

Source : D&B

Forecasts

Metric	2015	2016	2017	2018	2019
Real GDP growth (%)	1.5	2	2.5	3	2
Nominal GDP in USDbn	360.6	343.8	371.6	411.5	405.8
Nominal GDP in local currency (bn)	1,983.4	2,062.7	2,155.5	2,263.3	2,353.8
GDP per Capita in USD	63,690	60,483	65,132	71,829	70,555
Population (year-end, m)	5.7	5.7	5.7	5.7	5.8
Exchange rate (yr avge, USD-LCU)	5.5	6	5.8	5.5	5.8
Current Account in USDbn	16.2	15.5	16.7	18.5	18.3
Current Account (% of GDP)	4.5	4.5	4.5	4.5	4.5
FX reserves (year-end, USDbn)	91.3	94.1	96.9	99.8	102.8
Import Cover (months)	4.01	4.12	4.24	4.37	4.5
Inflation (annual avge, %)	1.5	2	2	2	2
Govt Balance (% GDP)	-2.5	-2	-1	0	-1

Source : D&B

Comparative Market Indicators

Indicator	Denmark	Sweden	Germany	Norway	US
Income per Capita (USD)	62,801	59,143	46,760	95,077	54,086
Country Population (m)	5.6	9.6	82.7	5.1	322.6
Internet users (% of population)	94.6	94.8	84	95.1	84.2
Real GDP Growth (% p.a., 2015 - 2024)	1.4 - 2.3	2 - 2.5	2 - 3	2.2 - 3	1.5 - 3

Source : D&B

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