

Country Insight Snapshot

Denmark

December 2016



Written 02 December 2016

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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.

G

Rating Outlook: Stable

CORE OUTLOOK

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

+ Denmark's business environment is the third-most amenable in the world and first in the EU, according to the World Bank.

- Growth will be slow this decade due to high levels of indebtedness and stagnation in parts of the euro zone.

- The risk of terrorist attack has risen sharply due to the rise of Islamic State, which is fuelling radical Islam in Denmark.

KEY DEVELOPMENT

Dun & Bradstreet upgrades its rating outlook for Denmark to 'stable' as two new parties join the government, ending the immediate risk of its collapse.

CREDIT ENVIRONMENT OUTLOOK

A

Trend: Improving

Key Development has had a neutral impact on the outlook.

SUPPLY ENVIRONMENT OUTLOOK

G

Trend: Stable

Key Development has had a neutral impact on the outlook.

MARKET ENVIRONMENT OUTLOOK

G

Trend: Deteriorating

Key Development has had a neutral impact on the outlook.

POLITICAL ENVIRONMENT OUTLOOK

G

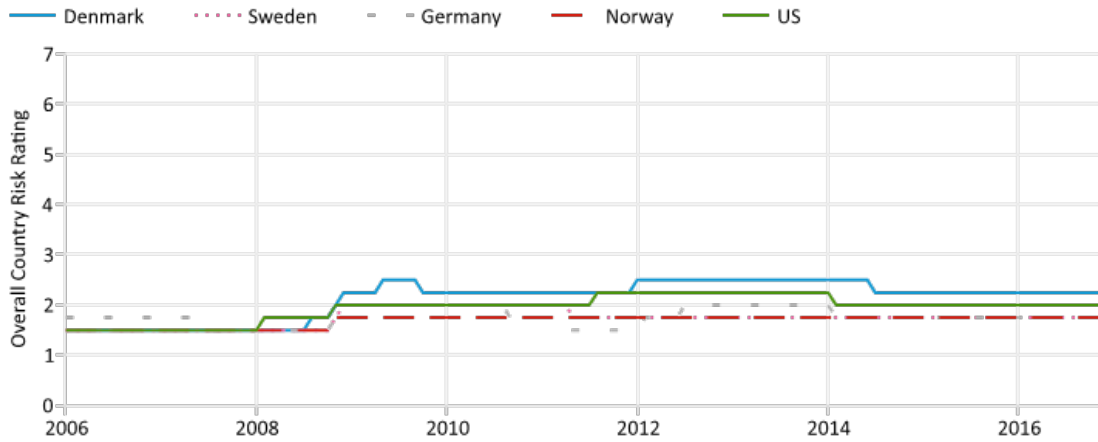
Trend: Improving

Key Development has had a positive impact on the outlook.



KEY INDICATORS

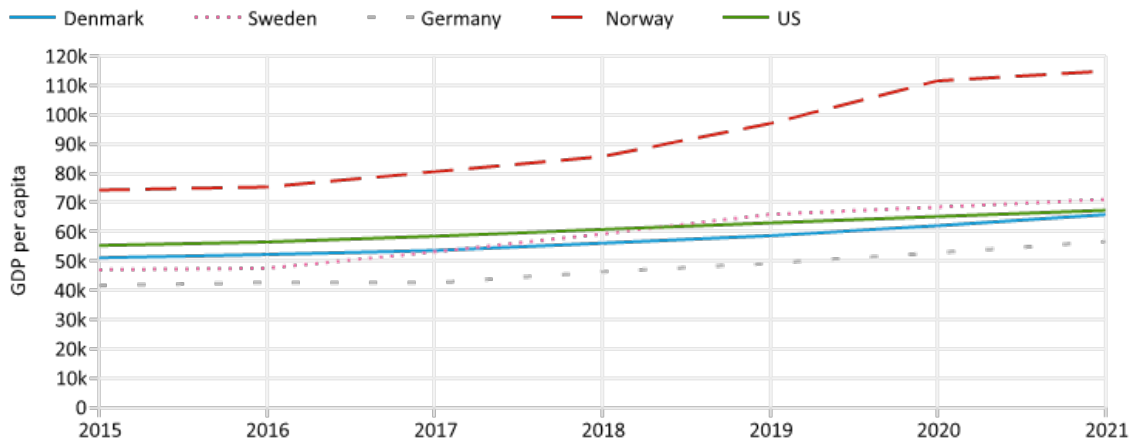
Rating History and Comparison



Source : Dun & Bradstreet

Note: 1 = Low Risk, 7 = High Risk

Regional Comparisons



Source : Haver Analytics/Dun & Bradstreet

Economic Sentiment Indicator



Source : National Statistical Offices / Haver Analytics



Economic Indicators

Indicator	2014	2015	2016f	2017f	2018f	2019f	2020f	2021f
C/A balance % GDP	6.2	7.2	6.4	6.0	5.7	5.5	5.1	4.8
Govt balance, % GDP	1.5	-1.7	-0.9	-1.6	-1.4	-1.3	-1.1	-0.9
Inflation, annual avge %	0.3	0.2	0.2	1.0	1.4	1.8	2.2	2.3
Real GDP Growth, %	1.3	1.0	0.8	1.2	1.5	1.7	1.9	2.0
Unemployment, %	6.5	6.2	6.0	5.7	5.5	5.5	5.3	5.1

Source : Haver Analytics/Dun & Bradstreet

TRADE AND COMMERCIAL ENVIRONMENT

The business environment in Denmark is the third best in the world and first in the EU, according to the World Bank's 2017 *Doing Business* report. The rule of law is strong, the institutions are efficient and corruption is virtually non-existent. As a result, firms face minimal difficulty in most of their interactions with the state, be it registering property, dealing with construction permits or transporting goods across the border. Looking ahead, the government is engaged in a programme of reform designed to streamline the business environment and reduce fiscal disincentives. However, the burden of tax will remain high and some specific regulations will impede business operations.

TRADE TERMS AND TRANSFER SITUATION

Minimum Terms: OA

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

Recommended Terms: SD

Dun & Bradstreet'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

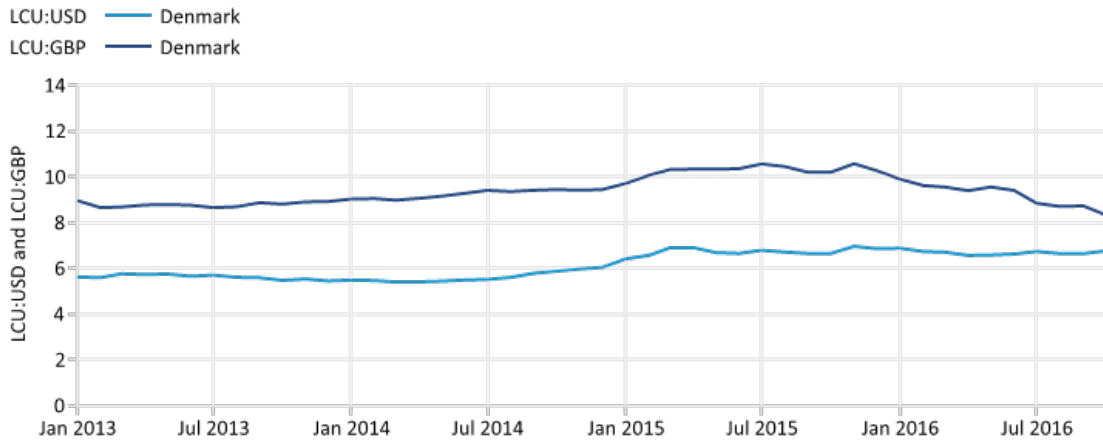
The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

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.



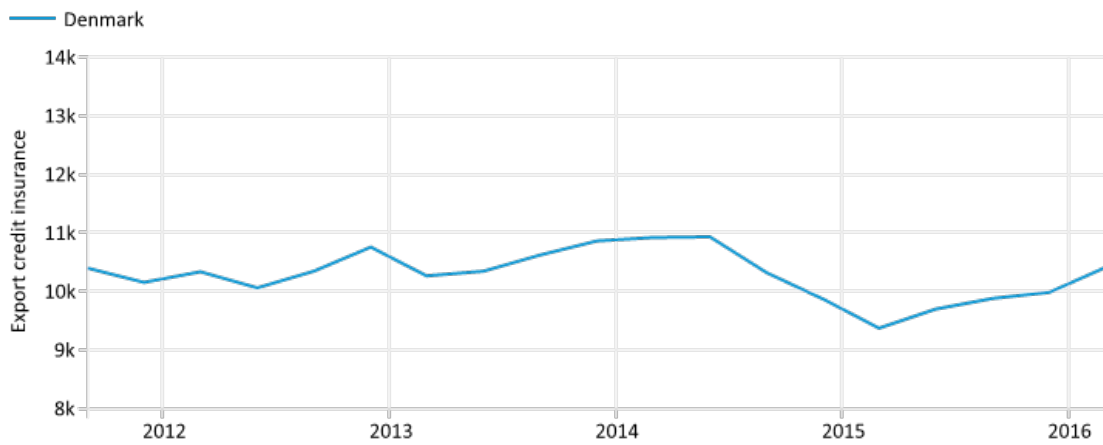
Exchange Rate



Source : International Monetary Fund/Dun & Bradstreet

LCU (local currency unit) = Danish krone

Credit Conditions



Source : Export Credit Agencies

Insured export credit exposures, USDm



RISKS AND OPPORTUNITIES

Political/Insecurity Risk

Rating outlook upgraded

We have upgraded Denmark's risk rating outlook to 'stable' this month, following a government reshuffle that reduces the risk of political instability. The country now has a new government, comprising the incumbent Venstre, plus two new coalition partners, the Liberal Alliance and the Conservatives. Denmark's government, which came to power last year, was hitherto a weak, one-party administration. With just 34 seats in Denmark's 179-seat parliament, it typically required the support of at least three other parties in parliament to pass legislation. This has weakened the government's effectiveness and created numerous inefficiencies in the process of governing, especially in the passage of the 2017 budget. To solve this problem, the government has invited the additional parties into government. The Liberal Alliance will gain six seats in a new 22-member cabinet and the Conservatives three. The immediate consequence of this is the prospect of greater political stability, as new measures are worked out within the coalition rather than between the government and the opposition.

However, there are caveats. Most importantly, with its 53 seats, the new coalition will still lack a working majority in parliament and remain dependent on the opposition Danish People's Party to pass legislation. The coalition is also split on the important question of relations with Europe. While Venstre and the Conservatives support a close relationship, the Liberal Alliance, which now controls the foreign ministry, wants a new relationship with Brussels and will unilaterally repudiate the Dublin Agreement on asylum. In this respect, the government will still face major pressures, and may not survive a full term in office.

Business Regulatory Environment

Green tax is abolished

Meanwhile, businesses are set to benefit from a decision by parliament to reduce and eventually abolish the PSO tax, a levy that households and companies must pay to support the development of green energy. This follows a ruling by the European Commission that the tax is inconsistent with EU law. According to government forecasts, the cost of electricity for businesses will fall by a quarter in the five years from 2017 to 2022, from its current rate of EUR9.5 per 100 kWh to around EUR7.2 per 100 kWh, on a par with Denmark's Nordic peers. The main impact of this will be lower operating costs for firms based in Denmark, especially for manufacturers, which consume a lot of energy, helping to boost Denmark's international competitiveness. However, the government will need to find an alternative source of revenue to recoup the money lost by the abolition of the PSO. This it intends to do by raising the bottom rate of income tax by 0.05 percent in 2018 and thereafter increasing it by 0.01 a year until 2022.



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 +/-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.

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 policy-making 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 Lars Rasmussen
Capital	Copenhagen
Timezone	GMT +01-00
Official language	Danish
Population (millions)	5.7
GDP (USD billions)	289.7
GDP per capita (USD)	51,095
Life expectancy (years)	80
Literacy (% of adult pop.)	99.9
Surface area (sq km)	43,094

Source : Various sources/Dun & Bradstreet

Historical Data

Metric	2012	2013	2014	2015	2016f
Real GDP growth (%)	-0.1	-0.2	1.3	1.0	0.8
Nominal GDP in USDbn	315	331	343	290	297
Nominal GDP in local currency (bn)	1,826	1,858	1,926	1,949	1,968
GDP per Capita in USD	56,269	58,822	60,756	51,095	52,263
Population (year-end, m)	5.6	5.6	5.6	5.7	5.7
Exchange rate (yr avge, USD-LCU)	5.79	5.62	5.61	6.73	6.62
Current Account in USDbn	18.0	24.0	21.4	20.8	19.0
Current Account (% of GDP)	5.7	7.3	6.2	7.2	6.4
FX reserves (year-end, USDbn)	86.1	86.1	72.8	62.9	60.0
Import Cover (months)	6.7	6.3	5.3	5.4	5.0
Inflation (annual avge, %)	2.3	0.5	0.3	0.2	0.2
Govt Balance (% GDP)	-3.5	-1.1	1.5	-1.7	-0.9

Source : Haver Analytics/Dun & Bradstreet



Forecasts

Metric	2017f	2018f	2019f	2020f	2021f
Real GDP growth (%)	1.2	1.5	1.7	1.9	2.0
Nominal GDP in USDbn	306	322	338	359	382
Nominal GDP in local currency (bn)	2,008	2,062	2,132	2,217	2,313
GDP per Capita in USD	53,612	56,134	58,683	62,080	65,893
Population (year-end, m)	5.7	5.7	5.8	5.8	5.8
Exchange rate (yr avge, USD-LCU)	6.56	6.41	6.31	6.18	6.05
Current Account in USDbn	18.5	18.3	18.6	18.4	18.3
Current Account (% of GDP)	6.0	5.7	5.5	5.1	4.8
FX reserves (year-end, USDbn)	69.0	72.0	75.0	80.0	83.0
Import Cover (months)	5.7	5.8	5.9	6.1	6.1
Inflation (annual avge, %)	1.0	1.4	1.8	2.2	2.3
Govt Balance (% GDP)	-1.6	-1.4	-1.3	-1.1	-0.9

Source : Haver Analytics/Dun & Bradstreet

Comparative Market Indicators

Indicator	Denmark	Sweden	Germany	Norway	US
Income per Capita (USD)	51,095	47,026	41,665	74,283	55,326
Country Population (m)	5.7	9.8	80.7	5.2	321.8
Internet users (% of population)	96.3	90.6	87.6	96.8	74.5
Real GDP Growth (% p.a., 2017 - 2026)	1.4 - 2.3	2 - 2.5	1.8 - 3	2.2 - 3	1.8 - 2.5

Source : Various sources/Dun & Bradstreet



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