



Decide with Confidence

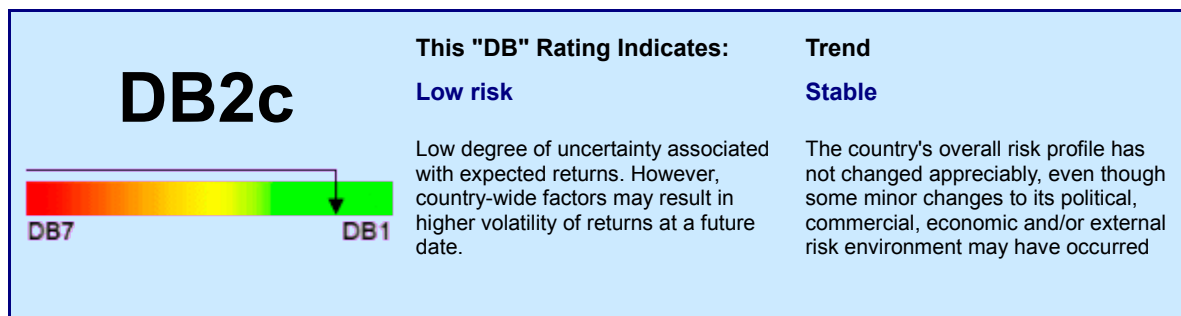
D&B Country RiskLine Report

DENMARK

Region : Western Europe

Edition : January 2014

D&B Country Risk Indicator



The 'DB' risk indicator provides a comparative, cross-border assessment of the risk of doing business in a country and encapsulates the risk that country-wide factors pose to the predictability of export payments and investment returns over a two year time horizon. The 'DB' risk indicator is a composite index of four over-arching country risk categories:

Political risk - internal and external security situation, policy competency and consistency, and other such factors that determine whether a country fosters an enabling business environment;

Commercial risk - the sanctity of contract, judicial competence, regulatory transparency, degree of systemic corruption, and other such factors that determine whether the business environment facilitates the conduct of commercial transactions;

External risk - the current account balance, capital flows, FX reserves, size of external debt and all such factors that determine whether a country can generate enough FX to meet its trade and foreign investment liabilities;

Macroeconomic risk - the inflation rate, government balance, money supply growth and all such macroeconomic factors that determine whether a country is able to deliver sustainable economic growth to provide further expansion in business opportunities.

The DB risk indicator is divided into seven bands, ranging from DB1 through DB7. Each band is subdivided into quartiles (a-d), with an 'a' designation representing slightly less risk than a 'b' designation and so on. Only the DB7 indicator is not divided into quartiles.

Key Facts

Population:	5.6m
Surface area (sq km):	43,094
Capital:	Copenhagen
Timezone:	GMT +01:00
Official language:	Danish
Head of government:	Prime Minister Helle THORNING-SCHMIDT
GDP (USD):	351.9bn
GDP per capita (USD):	62,919
Life expectancy (years):	78
Literacy (% of adult pop.):	99.9

Country Overview:

Denmark is the southern-most of Europe's five Nordic countries. The Arctic island of Greenland and the small Faeroe 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 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.

Trade & Commercial Environment

Trade Terms

Minimum Terms:	OA
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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
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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
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Normal period of credit associated with transactions with companies in the stated country.

Transfer Situation

Local Delays:	0-1 month
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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
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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.

Trade & Commercial Environment

The number of corporate bankruptcies increased by 11.0% in the three months through to November relative to the previous three-month interval. According to Statistics Denmark, the highest absolute number of bankruptcies in November was in trade and transport, but corporate failures in the sector declined by 5.0% compared with the same month of the previous year. The Copenhagen region had the highest proportion of corporate failures. Positively, in 2013 Denmark once again topped Transparency International's *Corruption Perception Index*, being the least corrupt country (according to perceptions) out of 177 countries. On a less positive note, Denmark also topped the OECD's recent ranking of countries with the highest tax burden, having collected 48% of GDP in taxes in 2012.

Export Credit Agencies

US Eximbank	Full cover available
Atradius	Full cover available
ECGD	Full cover available
Euler Hermes UK	Full ST cover available

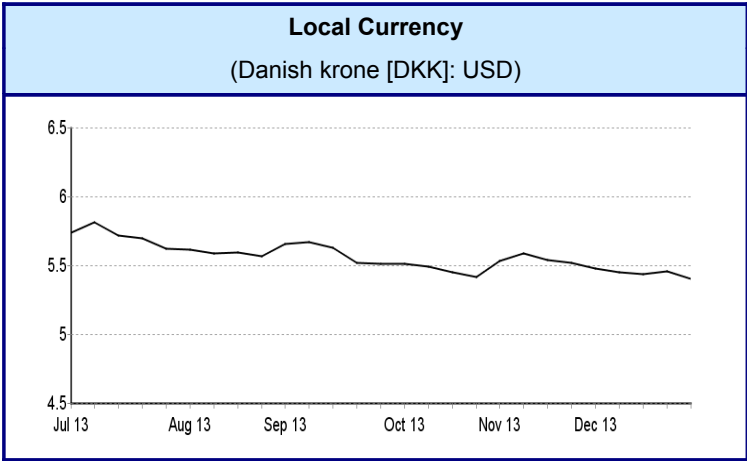
Economic Indicators

	2011	2012	2013	2014f	2015f
Real GDP growth, %	1.1	-0.4	0.4	1.3	2.0
Inflation, annual ave, %	2.7	2.4	1.2	2.0	2.4
Govt balance, % GDP	-1.8	-4.0	-2.5	-1.5	0.5
Unemployment, %	7.6	7.5	7.5	7.3	6.0
C/A balance, % GDP	5.7	5.7	5.0	4.5	4.5

Inflation and unemployment are based on EU-harmonised data.

Currency Information

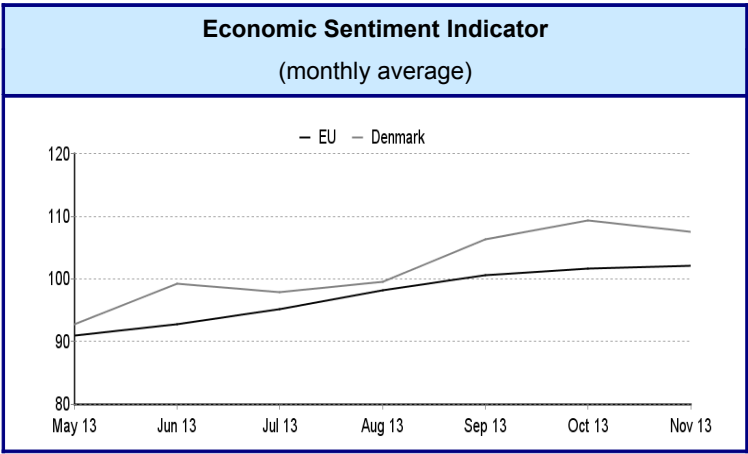
Exchange Rates	
(London, 23 Dec 13)	
EUR	7.461
GBP	8.9261
JPY*	5.243
USD	5.4577
*(x 100)	



Local Currency
(Danish krone [DKK]: USD)

	Jul 13	Aug 13	Sep 13	Oct 13	Nov 13	Dec 13
Week 1	5.738	5.612	5.657	5.507	5.530	5.478
Week 2	5.812	5.587	5.669	5.490	5.587	5.452
Week 3	5.713	5.593	5.624	5.446	5.536	5.434
Week 4	5.696	5.565	5.520	5.411	5.515	5.458
Week 5	5.621		5.507			5.400

Economic Sentiment Indicator



Data Table

May 13	Jun 13	Jul 13	Aug 13	Sep 13	Oct 13	Nov 13
90.9	92.7	95.1	98.2	100.6	101.7	102.1
92.8	99.3	97.9	99.6	106.3	109.4	107.6

Risk Factor

Denmark's central bank has announced that it will start scaling back the support measures implemented in the aftermath of the 2008-09 financial crisis, which saw 62 Danish lenders go bankrupt. With commercial banks recovering from their losses and building up their capital, the central bank will stop giving cheap medium-term loans, and will stop accepting equities and bank loans as collateral. The policy reversal does not risk disrupting the functioning of the financial system, as banks had already by and large stopped using the facilities. The banking system's regulatory capital to risk-weighted assets ratio has increased to almost 20 by Q2 2013 (from 16 at the end of 2010), and non-performing loans are also declining from the peaks reached in 2012. Due to the stressed banking system, credit growth to non-financial corporations in Denmark has been negative since 2008, but there have been signs in the latter part of 2013 that lending is picking up again.

An economic recovery is taking hold in Denmark, with growth in Q3 surpassing market expectations. According to preliminary data from Statistics Denmark, real GDP increased by 0.4% quarter on quarter (q/q) and by 0.5% year on year (y/y). Private consumption contracted by 0.1% q/q, but this was more than compensated for by investment growth of 3.9% q/q and public consumption growth of 0.6% q/q. Shipping is believed to have made a large positive contribution, as the sector has reported improving results and higher investment; Denmark is home to the world's largest container shipping company, Maersk. The Danish housing market is also strengthening: falling prices had sapped consumer confidence by reducing households' wealth, leading to an extended period of anaemic domestic demand. The recovery in house prices seen in the last few months, coupled with stable employment prospects (the unemployment rate was 5.7% in October, unchanged since June) and an improving euro-zone outlook have boosted the confidence of Danish consumers. Moreover, the public sector is expected to invest USD7.8bn in infrastructure and healthcare as part of the government's efforts to bolster domestic demand.

Meanwhile, higher frequency indicators and forward-looking indicators are broadly encouraging. Industrial production was up by 5.8% in October in y/y terms, and exports were up by 3.9 y/y in the three months through October. The manufacturing *Purchasing Managers' Index* (published by DILF) jumped in November to 58.1 points (up from 54.1 in October), widening the distance from the 50-point line that separates expansion from contraction. On balance, we believe that the domestic economy still faces some headwinds, but that credit and payment risks will stabilise in the near term.

Glossary & Definitions

DEFINITIONS

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Recommended Terms:

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:

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

Local Delays:

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

F/X Bank Delays:

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C/A (current account) balance, % GDP:

Part of the balance of payments that records a nation's exports and imports of goods and services, and income and transfer payments.

DSR (debt service ratio), %:

Annual interest and principal payments on a country's external debts as a percentage of exports of goods and services.

Govt balance, % GDP:

The balance of government expenditure and receipts.

Real GDP growth, %:

GDP adjusted for inflation.

Inflation, %:

The increase in prices over a given period.

GLOSSARY

CiA	Cash in Advance
CLC	Confirmed Letter of Credit
CWP	Claims Waiting Period
FX	Foreign Exchange
LC	Letter of Credit
LT	Long term
MT	Medium term
OA	Open Account
SD	Sight Draft
ST	Short term

Customer Service & Support

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