Decide with Confidence

D&B Country RiskLine Report

DENMARK

Region : Western Europe

Edition : May 2012

D&B Country Risk Indicator

DB2c

This "DB" Rating Indicates:

Low risk

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

Trend

Stable

The country's overall risk profile has not changed appreciably, even though some minor changes to its political, commercial, economic and/or external risk environment may have occurred

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):	294.4bn
GDP per capita (USD):	53,042
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 before late 2012.

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

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.

Transfer Situation

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.

Trade & Commercial Environment

The latest data from Statistics Denmark show that the number of business failures fell by 3.0% year on year (y/y) in Q1 2012. This is a more modest improvement compared to Q3 2011, when business failures fell by 19.9% y/y and Q4 2011 (when they declined by 9.8% y/y). The export-orientated manufacturing sector in particular benefited from firm external demand during 2011. Despite this positive development, the short-term commercial outlook remains uncertain. Manufacturing new orders contracted by 5.1% month on month (m/m) in February, following the 8.7% m/m fall in January. The latest insolvency data suggest that the decline in business failures is nearly over, as the Euroland debt crisis and economic stagnation is boosting domestic credit risk.

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

	2009	2010	2011	2012f	2013f
Real GDP growth, %	-5.8	1.3	1.0	0.8	1.4
Inflation, annual ave, %	1.1	2.2	2.7	2.0	2.1
Govt balance, % GDP	-2.7	-2.6	-4.1	-5.1	-3.2
Unemployment, %	6.1	7.5	7.6	7.5	7.3
C/A balance, % GDP	3.3	5.5	6.5	4.2	4.3

Inflation and unemployment are based on EU-harmonised data.

Currency Information

Exchange Rates (London, 16 Apr 12)	
EUR	7.4389
GBP	9.032
JPY*	7.0218
USD	5.6859
*(x 100)	

Local Currency

(Danish krone [DKK]: USD)

	Local Currency (Danish krone [DKK]: USD)					
	Nov 11	**Dec 11**	**Jan 12**	**Feb 12**	**Mar 12**	**Apr 12**
Week 1	5.409	5.356	5.689	5.665	5.630	5.587
Week 2	5.419	5.563	5.848	5.636	5.667	5.693
Week 3	5.526	5.698	5.870	5.647	5.646	5.686
Week 4	5.605	5.689	5.756	5.523	5.606	
Week 5			5.661			

Economic Sentiment Indicator

Economic Sentiment Indicator

(monthly average)

Data Table						
Sep 11	**Oct 11**	**Nov 11**	**Dec 11**	**Jan 12**	**Feb 12**	**Mar 12**
93.9	93.8	92.8	92.0	92.8	93.9	93.2
94.0	88.8	87.7	89.0	89.0	97.2	94.8

Risk Factor

The risk outlook and ratings trend for Denmark both remain stable. Given the Euroland economy's continued deterioration, with Q4 2011 GDP contracting by 0.3% quarter on quarter (q/q), Denmark has not been immune and has seen its economy slow too. However, recently revised Q4 2011 GDP figures show that Denmark contracted by 0.1% q/q compared with preliminary growth of 0.2% q/q. With Q3 2011 GDP having contracted by an unrevised 0.1% q/q this now places Denmark in recession. Despite overall 2011 GDP growth remaining unchanged at 1.0%, this news of recession is consistent with the slowdown in the H2 2011 economic and survey data we had previously highlighted.

Looking ahead, we continue to expect the Danish economy to keep slowing, with GDP growth of 0.8% in 2012, before a modest upturn to 1.4% in 2013. This forecast assumes a mild recession in Euroland with growth contracting by 0.3% in 2012 before a recovery to about 1.0% in 2013. However, should Euroland economic conditions significantly weaken more than expected, the risk is of a weaker Danish GDP out-turn given Denmark's strong economic linkages with Euroland. Meanwhile, Denmark is going through its own austerity programme, while its banks are tightening credit, exacerbating the economic slowdown. Indeed, figures from Statistics Denmark confirm that annual bank lending growth has continually contracted since the beginning of 2011, and that it contracted by 4.0% year on year (y/y) in February 2012. Other high frequency economic data point to the Danish economy slowing further over the course of 2012. Notably, retail sales growth (which has been contracting since May 2011) recorded back-to-back falls of 2.3% y/y in February and 2.9% y/y in January. Similarly, March service sector confidence tumbled to -8, the lowest since October 2011. In March, manufacturing sector confidence fell to +2, the lowest since November 2011, and February manufacturing output contracted by 1.0% month on month.

Elsewhere, Denmark's Central Bank (*Danmarks Nationalbank*) has launched its own Long-Term Refinancing Operation (LTRO). This had been announced back in December 2011, when the ECB commenced with its LTRO 1 programme, but only came into effect at the end of March. In a similar vein to the ECB version, Denmark's LTRO, with three-year loans at 0.7% interest, should help to support the domestic banking sector with its refinancing commitments during 2012-13. However, with the exception of Denmark's largest bank, Danske Bank, which announced it would borrow DKK15bn, take-up of the LTRO has been limited with only DKK18.9bn in total. However, Danmarks Nationalbank has committed to an LTRO 2 in September, which could see greater take-up, as Danish banks need to refinance as much as DKK150bn of debt maturing in 2013.

Glossary & Definitions

DEFINITIONS

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Usual Terms:

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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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