

# Country Insight Snapshot

## Denmark

January 2019





## 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 the best in the EU, according to the World Bank.
- Growth will be slow this decade due to structural obstacles and stagnation in parts of the euro zone.
- The risk of a terrorist attack is high because of the strong influence of radical Islam among Denmark's large immigrant population.

## KEY DEVELOPMENT

Economic growth will slow as a downturn in the European economy reduces demand for Danish exports, with negative consequences for other components of growth.

### CREDIT ENVIRONMENT OUTLOOK

**A**

**Trend:** Stable

Key Development has had a negative impact on the outlook.

### SUPPLY ENVIRONMENT OUTLOOK

**G**

**Trend:** Improving

Key Development has had a neutral impact on the outlook.

### MARKET ENVIRONMENT OUTLOOK

**G**

**Trend:** Deteriorating

Key Development has had a negative impact on the outlook.

### POLITICAL ENVIRONMENT OUTLOOK

**G**

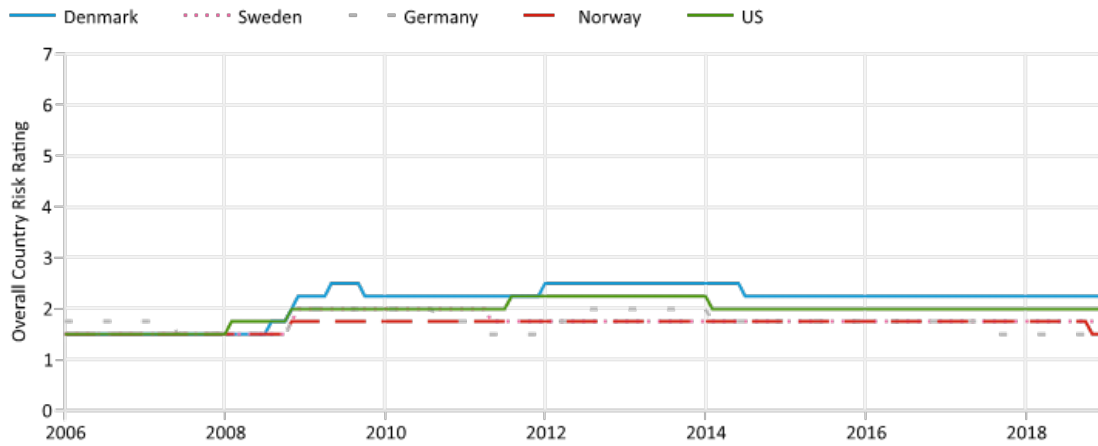
**Trend:** Stable

Key Development has had a neutral impact on the outlook.



## KEY INDICATORS

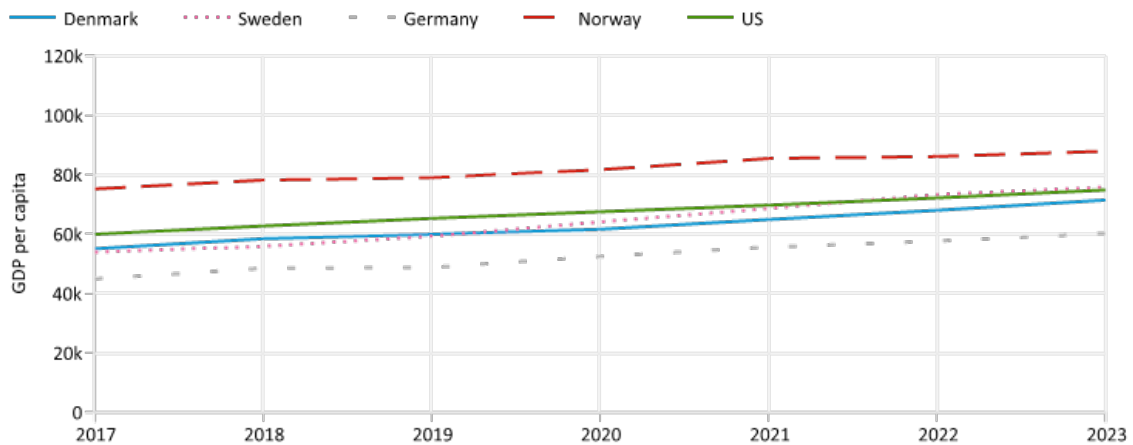
### Rating History and Comparison



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	2016	2017	2018e	2019f	2020f	2021f	2022f	2023f
C/A balance % GDP	8.2	8.3	5.5	4.5	3.7	3.3	3.5	3.9
Govt balance, % GDP	-0.4	1.1	-0.5	-0.4	-0.7	-0.9	-1.0	-1.2
Inflation, annual avge %	0.0	1.0	1.4	1.8	2.2	2.3	2.2	2.0
Real GDP Growth, %	2.4	2.3	1.3	1.1	1.0	0.8	1.3	1.6
Unemployment, %	6.2	5.7	5.8	5.6	5.3	5.0	4.9	4.7

Source : Haver Analytics/Dun & Bradstreet

## TRADE AND COMMERCIAL ENVIRONMENT

Despite the openness of the economy, there are limits to Denmark's tolerance of foreign investment. At the present time, the government is focused on preventing companies from hostile states from investing in strategic infrastructure such as airports, harbours, mobile networks and utilities systems, with a particular focus on China. Already, the government has demonstrated its resolve by extending a DKK700m loan to Greenland to upgrade its main airport rather than allowing a Chinese investor to win the contract. Subsequently, the government has proposed a new law which would allow it to block takeovers by foreign companies if there is a risk that the source country could use the investment to threaten Denmark's security. This is not the first time Danes have expressed its reservations about some foreign investments: earlier this decade, people marched in opposition to a proposal to sell an 18% stake in the energy company DONG to Goldman Sachs Private Equity.

## 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**

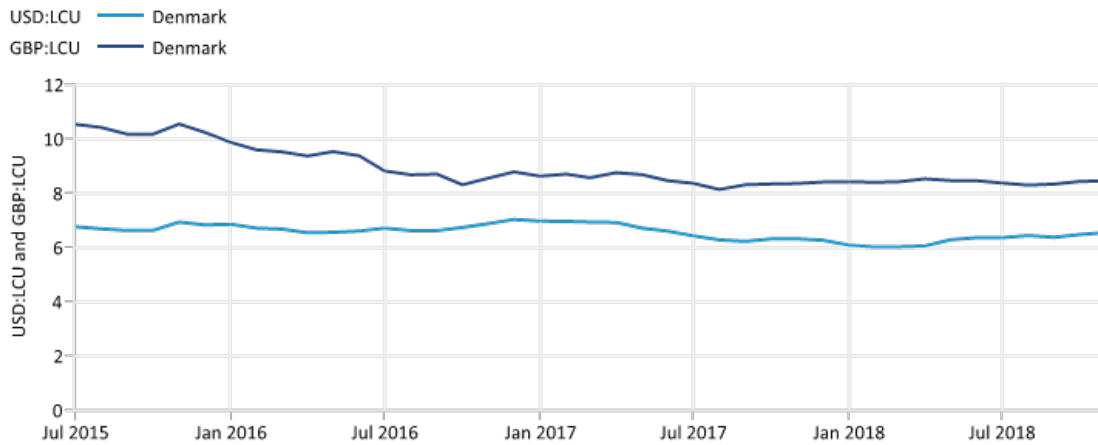
*The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.*

### **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.*



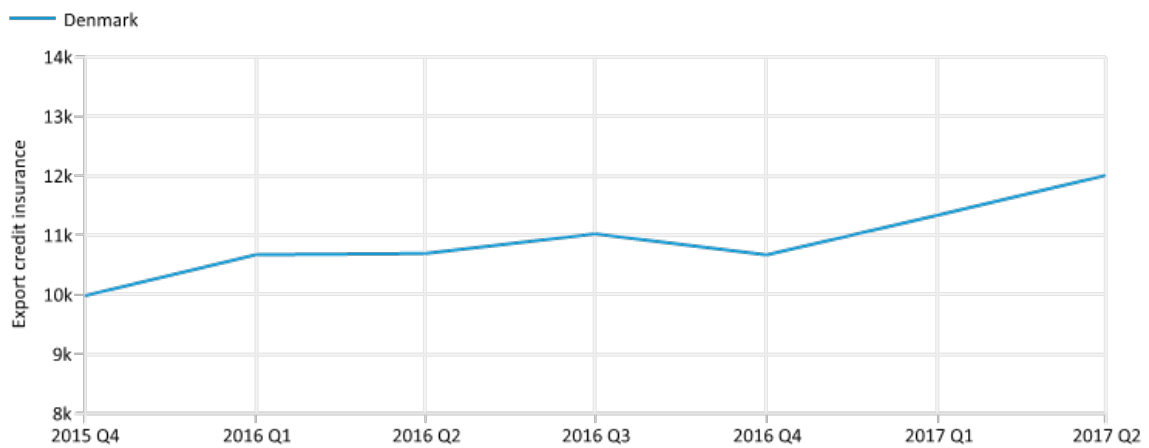
## Exchange Rate



Source : International Monetary Fund/Dun & Bradstreet

*LCU (local currency unit) = Danish krone*

## Credit Conditions



Source : Export Credit Agencies

*Insured export credit exposures, USDm; increase going into 2017 is partly due to methodology changes.*



## RISKS AND OPPORTUNITIES

### Short-Term Economic Outlook

#### *Economic growth to slow*

The economy is set for a slowdown over the forecast period, with growth coming in at 1.1% in 2019 and 1.0% in 2020. Data for Q3 indicates that the only significant driver of growth is net exports, due to a combination of respectable growth in exports of 1.9% y/y and relatively-sluggish growth in imports, of 0.2% y/y, once adjusted for shipping purchases. However, as the figure for imports suggests, other components of GDP are stagnating. Private consumption fell by 0.1% y/y due to weakening growth in employment and slow growth in credit supply. Public consumption also fell as the government continues to consolidate its finances.

Investment was broadly flat compared to the previous two quarters. Proxy data for Q4 indicates a continuation of these trends. Consumer confidence fell in December for a sixth consecutive month, and growth in retail sales came in at just 2.7% y/y in October and November, auguring another quarter of modest consumption.

Business sentiment fell to -5 in December, from +5 as recently as August. To some extent, these figures were belied by a slight rise in the Purchasing Managers' Index to 58.1, well inside positive territory - where 50 constitutes the threshold between positive and negative. However, the index is sharply down from figures recorded early in 2018, and orders are likely to suffer as the European economy enters into a cyclical downturn, aggravated by political instability in Italy, as well as the UK's departure from the EU.

Meanwhile, growth in credit is slow despite the central bank's loose monetary policy and historically-low interest rates on borrowing. According to data from the Danish National Bank, the stock of loans to the private sector rose by just 5.3% y/y in nominal terms in November (to DKK364.3bn), and only 4.5% in real terms. The main reason is the high level of domestic indebtedness and a raft of new regulations designed to shore up the banking sector. There is no immediate prospect of a turnaround in lending, despite the banking sector's efforts to attract new borrowers. With debt still high and the last financial crisis still fresh in people's minds, Danish households and companies are both already exercising a high degree of prudence, preferring to deleverage, save and draw on existing reserves rather than take out new loans. From next year, the monetary environment will probably start tightening as the central bank is forced to shadow the policy of the ECB.

### Long-Term Economic Potential

#### *The economy is competitive*

Denmark's long-term growth potential is greatly helped by the competitiveness of its economy which the World Economic Forum ranks 10th in the world in the *Global Competitiveness Report 2018*. Among the country's many strengths are a stable macroeconomic environment, characterised by respectable growth and low inflation; a first-class education system; and strong rule of law, reflected in low levels of bribery and a high level of ethical behavior by firms. Denmark also performs well in terms of innovation and business sophistication, the efficiency of the labour market; and a high degree of technological readiness, reflecting its wealth and openness to high-value-added foreign investment.



## 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)	5.8
GDP (USD billions)	337.0
GDP per capita (USD)	58,569
Life expectancy (years)	80.6
Literacy (% of adult pop.)	99.9
Surface area (sq km)	43,094

Source : Various sources/Dun & Bradstreet

### Historical Data

Metric	2014	2015	2016	2017	2018e
Real GDP growth (%)	1.6	2.3	2.4	2.3	1.3
Nominal GDP in USDbn	343	294	300	316	337
Nominal GDP in local currency (bn)	1,926	1,975	2,023	2,090	2,146
GDP per Capita in USD	60,575	51,596	52,607	55,196	58,569
Population (year-end, m)	5.7	5.7	5.7	5.7	5.8
Exchange rate (yr avge, USD-LCU)	5.6	6.7	6.7	6.6	6.4
Current Account in USDbn	31.4	25.0	24.7	26.3	18.6
Current Account (% of GDP)	9.1	8.5	8.2	8.3	5.5
FX reserves (year-end, USDbn)	72.8	62.9	61.8	72.5	75.0
Import Cover (months)	5.2	5.1	5.1	5.5	5.5
Inflation (annual avge, %)	0.4	0.2	0.0	1.0	1.4
Govt Balance (% GDP)	1.1	-1.5	-0.4	1.1	-0.5

Source : Haver Analytics/Dun & Bradstreet



## Forecasts

Metric	2019f	2020f	2021f	2022f	2023f
Real GDP growth (%)	1.1	1.0	0.8	1.3	1.6
Nominal GDP in USDbn	347	358	378	398	420
Nominal GDP in local currency (bn)	2,208	2,279	2,350	2,432	2,519
GDP per Capita in USD	60,050	61,741	65,035	68,134	71,580
Population (year-end, m)	5.8	5.8	5.8	5.8	5.9
Exchange rate (yr avge, USD-LCU)	6.4	6.4	6.2	6.1	6.0
Current Account in USDbn	15.5	13.4	12.5	14.0	16.3
Current Account (% of GDP)	4.5	3.7	3.3	3.5	3.9
FX reserves (year-end, USDbn)	72.0	75.0	80.0	85.0	90.0
Import Cover (months)	5.1	5.1	5.3	5.5	5.6
Inflation (annual avge, %)	1.8	2.2	2.3	2.2	2.0
Govt Balance (% GDP)	-0.4	-0.7	-0.9	-1.0	-1.2

Source : Haver Analytics/Dun & Bradstreet

## Comparative Market Indicators

Indicator	Denmark	Sweden	Germany	Norway	US
Income per Capita (USD)	60,050	59,395	48,939	79,150	65,408
Country Population (m)	5.8	10.1	82.4	5.4	329.1
Internet users (% of population)	97.0	91.5	89.6	97.3	76.2
Real GDP Growth (% p.a., 2019 - 2028)	1.4 - 2.3	2.0 - 2.5	1.8 - 3.0	2.2 - 3.0	1.8 - 2.5

Source : Various sources/Dun & Bradstreet





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