

KINGDOM OF DENMARK
NOVEMBER 2007

CREDIT GUARANTEE COUNTRY PROFILE:

IES/02: ATTACHMENT N

Country Rating	S/T Business Cycle Indicator	S/T Political Indicator	Debt Recovery
1A	→	→	Debt collection can be made either through a collection agent or via the legal channels.

Credit Guarantee Experience

We are open for cover in this market without any restriction. We have a large exposure with a favourable experience, however exporters should never assume that any particular market is risk free and as such should take the necessary precautions in managing their payment risk.

Political Highlights

- ❑ The kingdom of Denmark is a constitutional monarchy that is based on the constitution of 1953.
- ❑ Denmark has evolved into a modern, prosperous nation that is participating in the general political and economic integration of Europe. It joined NATO in 1949 and the EU in 1973. It has excluded itself from certain elements of the European Union's Maastricht Treaty including the European Economic and Monetary Union (EMU), European defense cooperation, and issues concerning certain justice and home affairs.
- ❑ The monarch is hereditary and following legislative elections, the leader of the majority party or the majority coalition is appointed prime minister by the monarch.
- ❑ Head of state, Queen Margrethe II acceded to the throne in 1972. Head of Government since November 2001 has been Prime Minister Anders Fogh Rasmussen.
- ❑ The cabinet shuffle in September followed a decision to cut taxes by DKK9.5bn. The new cabinet excludes two of Rasmussen's most unpopular ministers. Political analysts remain divided on whether the shake-up is an attempt by Government to secure its position in an upcoming election or whether it signals that the Government intends serving out the current election period. The prime minister has set the election date for November 13th -15 months ahead of the February 2009 deadline.
- ❑ According to a recent eurobarometer poll, 74% of Danish people feel that the country has benefited from its EU membership. Danish support for the EU is at the highest level in 25 years. The majority of Danish voters want a referendum on the new EU treaty. In 2000, they rejected the euro as a national currency. They believed the loss of political independence and national sovereignty outweighed any economic arguments about the benefits of joining the eurozone.
- ❑ Following the three terrorism cases in less than two years, including an alleged bombing plot foiled in September 2007, intelligence officials say Denmark is on the front line in the battle against Islamic terrorism in Europe.

Recent Economic Highlights

- ❑ Denmark has a population of 5.5m people that is expected to grow at a rate of 0.3% this year.
- ❑ Strong economic expansion experienced in recent years has been driven by private consumption, exports and investments. This country is characterised by a technologically advanced agricultural sector, extensive Government welfare systems, comfortable living standards, a stable currency and a significant dependence on foreign trade.
- ❑ One of Denmark's biggest hurdles has been its shortage of skilled workers. With unemployment at 3.3% - its lowest rate in 30 years, finding new workers to power the country's economic expansion has become extremely difficult. Denmark has taken steps to ensure that its borders are open to qualified workers and that a three-fold increase in the people receiving visas to work or study shows that the country is becoming more open.
- ❑ The integration ministry is prepared to ease the country's rigid visa requirements to allow hundreds of thousands of more tourists into the country. This comes after realising that Denmark was losing billions of kroner (1\$=DKK5.2) on would-be tourists who have been denied visas. Last year, at least 60.000 Chinese tourists visited the kingdom, but the figure could have been considerably larger had visa laws been relaxed. Estimations suggest that the tourism industry lost DKK120m last year from the Chinese alone.
- ❑ After two years of strong economic growth, the economy is expected to slow to 1.7% this year due to rising interest rates and a cooling housing market depressing private consumption. Capacity constraints and the shortage of qualified labour imply that there is still risk of overheating. The finance minister expects GDP growth of 2% this year. GDP growth is forecast to average between 1.5% in 2008 and 2% in 2012 after it expanded by 3.5% in 2006. Consumer inflation is expected to average 1.6% in 2007, peaking at 2.2% by 2009 before declining to 1.8% by 2012.
- ❑ In a new analysis from IBM and The Economist, Denmark's financial sector ranked 4th best in the world – surpassed only by Switzerland, Britain and the US. The Danish financial sector is extremely well equipped for globalisation in terms of IT and because its member companies are customer-focused and service-minded. According to an anti-corruption perception index by Transparency International, Denmark is among the top three least-corrupt countries in the world. The Economist Intelligence Unit think-tank ranks Denmark as the 3rd most peaceful country in the world after Norway ranked number one and the US 96th. The International Herald Tribune has ranked Copenhagen as the world's next best city to live in after Munich. The cities are ranked by the availability of long-distance connections, a well-functioning airport, low crime rate, quality of public education, health care system, infrastructure, climate, access to green spaces and tolerance. According to the World Investment Prospect 2007-2011 study, Denmark is the best place in the world to invest and conduct business in. It stands out due to the successful balance it has struck between the state and market.
- ❑ Copenhageners can look forward to having a 15km metro after Government recently passed a bill for a metro city ring. The metro's 4th stage is to be complete within 11 years and will boast 17 stations – 5 of which will connect to existing metro lines. Initially

approximately 240.000 passengers are expected on the city ring on a normal weekday, so that the entire metro will transport altogether 460.000 passengers daily. Once complete, 85% of the population will be no more than 600 metres from a station.

- ❑ A good spring but wet summer has brought the apple harvest season two weeks forward. The fruit's harvest was expected to give an exceptionally good yield leaving apple farmers to anticipate a 10% higher production than normal, but it will still not top the 30.000 tonne output reaped last year. Heavy rains caused the island's top five producers to report losses of 2.000 tonnes of apples costing DKK17m.
- ❑ Many farmers are forsaking traditional grains and growing rapeseed for the biodiesel industry. Golden fields of rapeseed are gaining prominence in Denmark after farmers became aware of their profitability. Areas used for planting the product have grown by 540.000 hectares this year, which is 44% more than 2006. The plant now covers 1.8m hectares and trails only spring barely and winter wheat in terms of growing area. With prices rising to meet demand, the additional hectares used for rapeseed this year have been worth DKK54m to the nation's agriculture. The grain extract has become more popular from a nutritional view as it is used as a replacement for fish oil which has become increasingly scarce due to the downsizing in the fishing industry.
- ❑ The OECD has rated Denmark as one of the least successful western countries at integrating its immigrants into the job market. The OECD's International Migration Outlook 2007 compared the unemployment rates of countries' immigrants with that of their citizens. The employment rate for immigrant women was 20% below Danish-born women, while the same rating for men was 11.4% below male citizens.
- ❑ After long periods of overproduction of organic milk, its demand is now soaring. Denmark's largest milk producer Arla Foods indicated that it wants to eventually increase its organic milk production by 75m kg beyond the 300m kg that it currently produces. The demand is growing at great speed as farmers met Arla Foods and demanded a price increase. Arla also indicated that it wants to boost milk production by 25m kilos by 2010.
- ❑ Denmark's foreign minister has called for a special meeting with four other Arctic nations that have a claim to oil rights around the North Pole. This has been a long-standing conflict that has recently heated up due to the increased demand for Arctic oil reserves. Greenland and Denmark have decided to plan a meeting for May 2008 that would include Russia, Canada and the US. Rising oil costs and melting ice in the Arctic has opened up the area for exploration and the five nations have been lustfully eyeing the region as a source of fuel at home and for earning huge profits.

Trade Developments

- ❑ Main trading commodities: machinery and instruments, meat and meat products, dairy products, fish, pharmaceuticals, furniture and windmills.
- ❑ Major trading partners: Germany, Sweden, UK, US, Norway, Netherlands, France and China.
- ❑ Main agricultural products: barley, wheat, potatoes, sugar beets, pork, dairy products and fish.
- ❑ Main industries: iron, steel, nonferrous metals, chemicals, food processing, machinery and transportation equipment, textiles and clothing, electronics, construction, furniture and other wood products and shipbuilding and refurbishment.
- ❑ SA exports to Denmark totaled R1.2bn in 2006 and R859m in 2005. Year-to-July 2007 exports totaled R682m. Imports from Denmark totaled R1.5bn in 2006 from R1.2bn in 2005. Year-to-July 2007 imports totaled R1.1bn.

Researched and Compiled by Lily Maharaj, Economic Services - Credit Guarantee Insurance