# Denmark

## Resilient growth

*In a less buoyant international environment, Denmark's small open economy managed to maintain a rather dynamic pace. Thanks to its sector specialisation (pharmaceuticals, digital, etc.), the economy has been fairly resilient despite the downturn in the global manufacturing cycle. A labour market verging on full employment and accelerating wage growth have bolstered consumption, which is still one of the main growth engines. With the Danish krone (DKK) pegged to the euro, the central bank's monetary policy will follow in line with ECB trends, and is bound to remain very accommodating. Fiscal policy will be geared towards the ecological targets of reducing greenhouse gas emissions.*

Estimated at 1.8% in 2019, Denmark's GDP growth remains relatively robust so far, both with regard to its long-term potential (estimated at 1.6% according to the OECD) and to the European average (1.5%). In 2020, growth is expected to slow somewhat, and our forecast of 1.5% places it among the leading EU countries.

### Buoyant consumption

Denmark's specialisation in the pharmaceutical and digital industries helped shelter it from the slowdown in international trade in 2019. Exports increased by 3.8%, compared to 2.4% in 2018. Yet export growth is likely to be less buoyant in 2020, given the feeble growth forecasts for key trading partners such as Germany (15% of exports). Although uncertainty over Brexit was partially lifted with the signing of the withdrawal agreement (see article on the UK), it is not about to disappear[1]. In 2019, this uncertainty helped erode the confidence of business leaders (the business climate component of the PMI declined), and investment contracted. By 2021, however, investment should benefit from the renovation of the biggest North Sea oil platform.

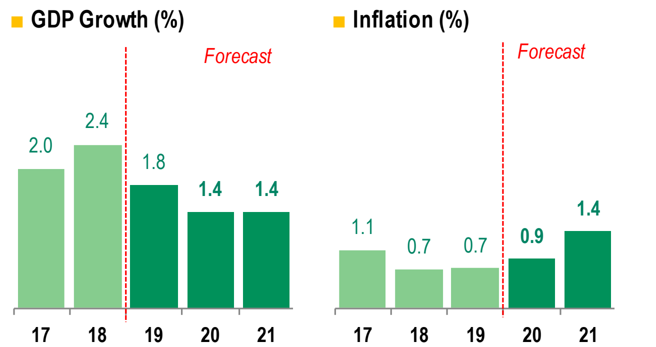
Although private consumption was hampered in 2019, it continues to drive demand and should be a support factor in 2020. In a country with a high labour market participation rate (79.4% for the 16-64 age group), the dynamic momentum of employment and wages (+2.5% on average in 2019) has a major gearing effect on household confidence and spending. Household spending is also bolstered by low inflation (barely equal to 1%) and interest rates, which have dropped into negative territory for certain home loans.

### Monetary and fiscal support

The Danish krone is pegged to the euro, so the Danish central bank has followed the ECB's lead and adopted a very accommodating monetary policy. In September 2019, it reduced the repo rate to -0.75% to defend the kroner's exchange rate against the euro.

In 2019, a sharp increase in the pension yield tax helped swell the fiscal surplus, which amounted to 2.2% of GDP. The public debt ratio, which is one of the lowest in the European Union, was trimmed to 33% of GDP. The government recently tightened its targets for reducing greenhouse gas emissions[2], on the grounds that it wanted to use its manoeuvring room on behalf of a more ambitious social and environmental policy. In 2020, the government plans to invest DKK 1 bn in research on more eco-friendly, carbon-neutral alternative technologies. The budget also calls for increasing spending on public services, including healthcare and education.

**1- Growth and inflation**




*Source: National accounts, BNP Paribas*

**Kenza Charef (apprentice)**
kenza.charef@bnpparibas.com

**Jean-Luc Proutat**
jean-luc.proutat@bnpparibas.com

[1] The UK is Denmark's fourth biggest trading partner.
[2] Down 70% by 2030 (from the 1990 level)