

Focus on: Denmark

International Business Report 2010 – Country focus series

The recovery

Denmark's economic downturn has been protracted and severe. The slowdown began as early as 2007, when serious capacity constraints, notably in the labour market, triggered action to cool an over-heating economy. This undermined healthy employment and fiscal positions. However, recently, with government stimulus measures and an improving external backdrop, an end to the prolonged recession is now in sight. The government's response to the economic crisis has been vigorous. While the fiscal position has swung into large deficit, this is not a cause for great concern and the economy is expected to grow by almost one per cent in 2010.

The key indicators are highlighted below¹:

- the contraction was most severe in Q2 when a collapse in fixed investment produced a fall in GDP of 2.6 per cent
- in conjunction with earlier weakness, led by falling exports and consumer spending, this decline brought the fall in GDP year-on-year to 7.2 per cent
- the credit crunch, higher savings and rising unemployment are among the factors undermining spending, which is estimated to have fallen by 4.8 per cent in 2009
- unemployment is rising steadily and the rate is expected to reach 6.5 per cent, although this remains low by EU standards.

Impact on businesses

The Grant Thornton International Business Report (IBR) 2010 surveyed the views of over 7,400 privately held businesses (PHBs) in 36 economies around the world. This report focuses on Denmark, the experiences and attitudes of its privately held businesses and how they have been affected by the economic crisis along with how they are dealing with recovery, as illustrated in figure 1.

The IBR survey tells us that businesses in Denmark are less pessimistic this year as regards the outlook for the economy over the next 12 months, with one-half expecting to see an upturn in the global economy by the end of 2010. Business expectations for revenue and profitability are more optimistic than last year, but a lack of demand for products and services remains the major constraint on potential expansion.



¹ Source: International Monetary Fund, The Economist and Experian.

Looking ahead

Prospects for 2010 are boosted by the fiscal package agreed in November. This is more expansionary than the initial draft announced in August, which envisaged spending of Dkr17bn. Extra stimulus measures totalling Dkr5bn over the next three years are now proposed which, coupled with the improving global background, should underpin a continuation into 2010 of the mild revival expected in the second half of 2009.

However, recovery is likely to be patchy and gradual. Fixed investment is likely to remain weak for much of 2010 given the considerable spare capacity that exists and the muted outlook for demand, while exports, though reviving, will not match the strength of the period 2004-2007, partly due to a marked loss in competitiveness in the past decade. The forecast is for real GDP growth in 2010 at 0.9 per cent.

The economy is expected to return to rather stronger growth in 2011 as investment picks up after its three year slump and consumer spending gains momentum from the improving economic background. However, with unemployment high by Danish standards, a return to household spending growth near the long-term trend is not likely until 2012. With net trade adding little to growth as imports rise in line with stronger domestic demand, the expected increase in GDP is a modest one per cent.

As the economy exits recession, all businesses will need to face new challenges and take advantage of new opportunities to achieve consolidated growth and lead the way to recovery.

Figure 1: Key indicators for PHBs

| Denmark compared to the EU average | 2008 Den | 2009 Den | 2010 Den | 2010 EU |
|--|-------------|-------------|-------------|------------|
| Outlook for the economy over the next 12 months | | | | |
| Balance of optimists over pessimists | +74% | -34% | +2% | +7% |
| Change in employment levels | | | | |
| Balance of PHBs expecting an increase over those expecting a reduction | +39% | -19% | +12% | -1% |
| Constraints on expansion | | | | |
| Shortage of orders/reduced demand | 29% | 48% | 42% | 41% |
| Cost of finance | 10% | 18% | 20% | 21% |

Source: Grant Thornton IBR 2010

Talk to us to find out how we can help you deal with the challenges of a new world economic order.

Jan Hetland Møller
T +45 35 27 13 83
E jhm@grantthornton.dk
W www.grantthornton.dk



International Business Report results

The Grant Thornton IBR 2010 reveals that privately held businesses in almost all countries are more optimistic about economic prospects for the year ahead. Businesses in Denmark are less pessimistic about prospects for 2010; their optimism/pessimism balance² has risen 36 percentage points from -34 per cent in 2009 to +2 per cent in 2010.

For the first time in six years, India has been overtaken as the most optimistic country by Chile. Chile now tops the league table with a net balance of +85 per cent (-24 per cent in 2009), India comes in a very close second with +84 per cent, whilst Japan remains at the bottom with a balance of -72 per cent.

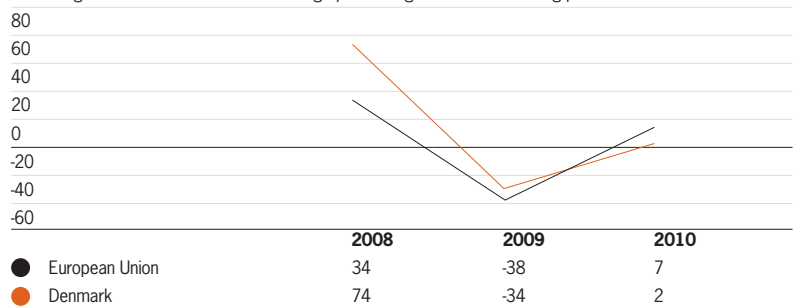
Overall optimism amongst businesses globally has risen from 2009; this year a balance of +24 per cent of businesses across all countries are positive about their country's economy – compared to a balance of -16 per cent in 2009.

Optimism/pessimism

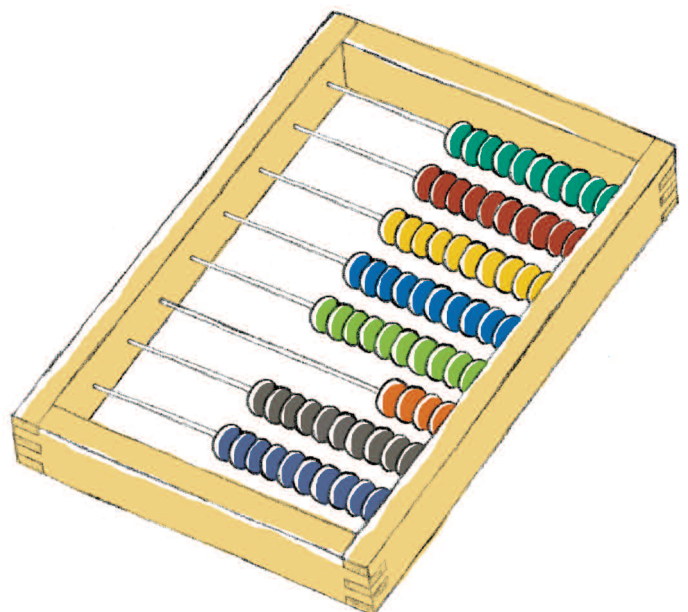
- businesses in Denmark are considerably more optimistic about their economy this year (+2 per cent) compared with 2009 (-34 per cent)
- although these optimism levels in Denmark fall below the EU³ average of +7 per cent
- optimism amongst businesses across the EU region as a whole has risen by 45 percentage points this year, from -38 per cent to +7 per cent.

Figure 2: Outlook for the economy over the next 12 months: 2008-2010

Percentage balance of businesses indicating optimism against those indicating pessimism



Source: Grant Thornton IBR 2010



² the balance is the proportion of companies reporting they are optimistic less those reporting they are pessimistic.

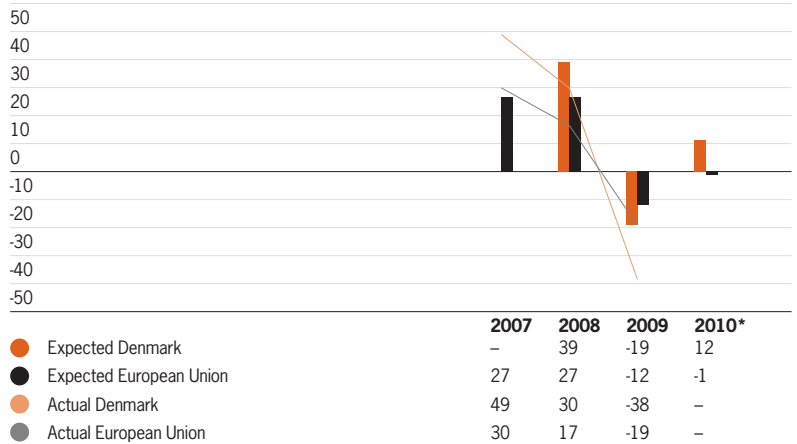
³ for the purposes of IBR, the term 'EU' refers to those EU countries covered by our survey – Belgium, Denmark, France, Finland, Germany, Greece, Ireland, Italy, the Netherlands, Poland, Spain, Sweden and the United Kingdom.

Employment

- a balance of +12 per cent of businesses in Denmark expect employment to grow in 2010, compared with -1 per cent of businesses across the EU as a whole
- expectations have risen by 11 percentage points across the EU as a whole, although businesses still expect employment to contract (-1 per cent)
- actual employment growth reported by businesses in Denmark for 2009 (-38 per cent) was considerably lower than expected 12 months previously (-19 per cent).

Figure 3: Employment history: 2007-2010

Percentage balance of businesses indicating an increase against those indicating a decrease



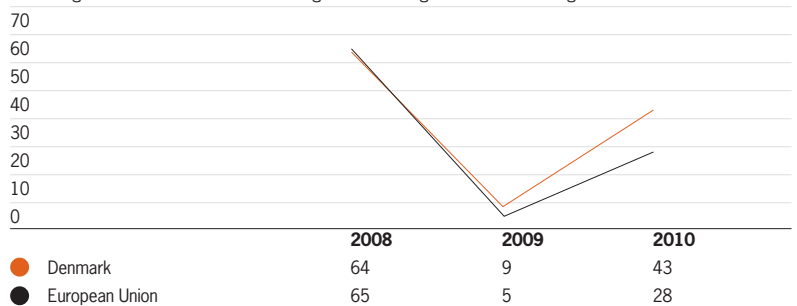
*actual 2010 data will be documented in IBR 2011
Source: Grant Thornton IBR 2010

Revenue expectations

- expectations for revenue prospects have risen considerably by 34 percentage points this year to +43 per cent, up from +9 per cent in 2009
- this is higher than the EU average of 28 per cent
- the EU average has risen by 23 per cent, from +5 per cent last year to +28 per cent this year.

Figure 4: Revenue expectations: 2008-2010

Percentage balance of businesses indicating an increase against those indicating a decrease



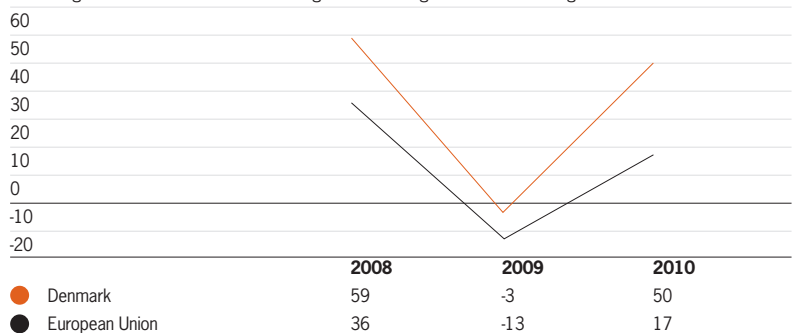
Source: Grant Thornton IBR 2010

Profitability expectations

- profitability expectations have also seen a sharp rise in 2010, a 53 per cent increase, up from -3 per cent in 2009 to +50 per cent this year
- this is also considerably higher than the EU average of +17 per cent
- in comparison, the EU average has risen a modest 30 percentage point and turned positive again following last year's dip (-13 per cent) to +17 per cent in 2010.

Figure 5: Profitability expectations: 2008-2010

Percentage balance of businesses indicating an increase against those indicating a decrease



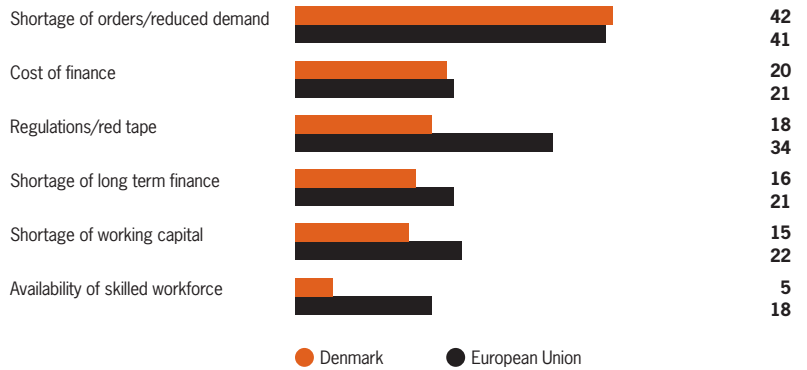
Source: Grant Thornton IBR 2010

Constraints

- a shortage of orders/reduced demand has been cited as the most pressing constraint on expansion by businesses in Denmark since 2008; this year it is cited as a major constraint by 42 per cent of businesses, similar to the EU average (41 per cent)
- cost of finance (20 per cent) is cited as the second greatest constraint by businesses in Denmark, compared with a similar proportion of businesses across the EU as a whole (21 per cent).

Figure 6: Constraints on expansion

Percentage of businesses rating constraint 4 or 5 on a scale of 1 to 5 where 1 is not a constraint and 5 is a major constraint



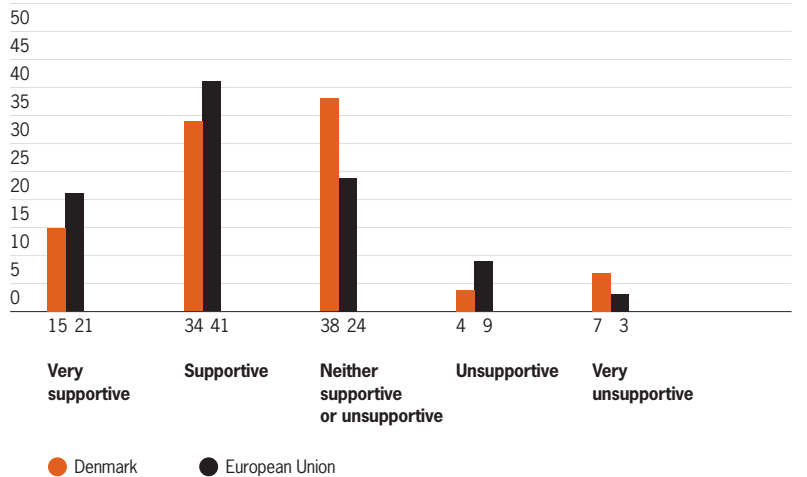
Source: Grant Thornton IBR 2010

Support of lender

- the majority of businesses in Denmark are happy with the level of support provided by lenders; 49 per cent class lenders as supportive or very supportive towards their business
- this is lower than the EU average of 62 per cent
- just 11 per cent of businesses in Denmark believe that lenders are unsupportive or very unsupportive of their business, similar to the EU average of 12 per cent.

Figure 7: Level of support provided by lenders

Percentage of businesses



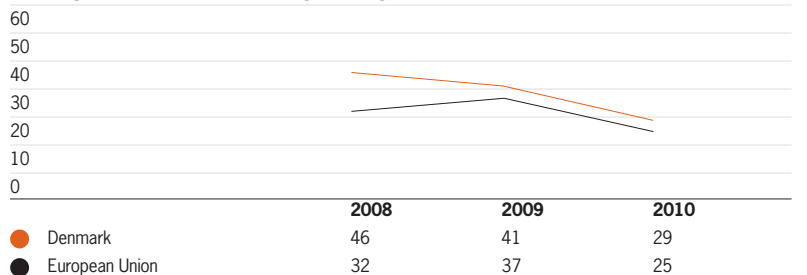
Source: Grant Thornton IBR 2010

Mergers & acquisitions

- the proportion of businesses in Denmark planning to grow through acquisition this year has fallen from 41 per cent in 2009 to 29 per cent
- the EU average also dropped this year, from 37 per cent in 2009 to 25 per cent.

Figure 8: Plans to grow through acquisition in the next three years

Percentage of businesses that do plan to grow through acquisition



Source: Grant Thornton IBR 2010

The Grant Thornton International Business Report (IBR) is an annual survey of the views of senior executives in privately held businesses (PHBs) all over the world. Launched in 1992 in nine European countries the report now surveys over 7,400 PHBs in 36 economies providing insights on the economic and commercial issues affecting a segment often described as the ‘engine’ of the world’s economy. In Denmark, 150 businesses were surveyed across all industry sectors. These businesses ranged from small to large in size with total employment of between 50 and 499.

To find out more about IBR and to obtain copies of reports and summaries visit: www.internationalbusinessreport.com. The site also allows users to complete the survey and benchmark their results against all other respondents by territory, industry type and size of business.

Participating economies

| | |
|----------------|----------------|
| Argentina | Japan |
| Armeria | Malaysia |
| Australia | Mexico |
| Belgium | Netherlands |
| Botswana | New Zealand |
| Brazil | Philippines |
| Canada | Poland |
| Chile | Russia |
| Mainland China | Singapore |
| Denmark | South Africa |
| Finland | Spain |
| France | Sweden |
| Germany | Taiwan |
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| Italy | Vietnam |



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