

Denmark

International Business Report 2008 – Country focus

The Grant Thornton IBR 2008 reveals that privately held businesses (PHBs) in most economies remain optimistic about economic prospects for the year ahead. For the fifth consecutive year, India tops the league table as the most optimistic economy with an optimism/pessimism balance¹ of +95 per cent with the Philippines joining them at the top for the first time (also +95 per cent). Japan is still at the bottom this year with a balance of -49 per cent.

Levels of optimism have fallen amongst European Union (EU)² businesses. This year a balance of +34 per cent of EU businesses are positive about their economy compared to a balance of +46 per cent in 2007. However, levels of optimism vary extensively throughout the EU economies with Denmark recording the highest balance with +74 per cent optimistic, while Spanish PHBs are most pessimistic about their economy over the next year (-5 per cent).

The Danish economy

Following robust growth in 2005-06, fuelled by booming consumer demand and investment, the economy has weakened significantly since the second half of 2006. The slowdown from 3.6 per cent growth in 2006 to 1.8 per cent last year was largely due to easing consumer demand in the face of a weaker housing market and higher interest rates as the government sought to cool the overheating economy.

The GDP slowdown also reflected a cooling of fixed investment after three years of vigorous growth averaging almost nine per cent. Investment grew at half that pace in 2007. At the same time, export growth eased last year, reflecting an erosion of competitiveness as wage increases above those in key trading partners were not offset by any exchange rate weakening, given the Danish krone's tracking of the euro.

Two years of robust GDP growth followed by steady expansion last year have resulted in labour and skill shortages. The unemployment rate fell in December 2007 to 2.7 per cent, one of the lowest rates in the world. In conjunction with growing capacity constraints elsewhere in the economy, this is hampering economic growth. Inflation has risen from a very low level to three per cent in January 2008, and wage pressures are increasing in line with the extremely tight labour market.



The Grant Thornton IBR contact for Denmark is:

Grant Thornton
Jan Hetland Møller
T +45 35 27 13 83



¹ the balance is the proportion of businesses reporting they are optimistic less those reporting they are pessimistic.

² for the purposes of IBR, the term 'EU' refers to those EU economies covered by our survey – Belgium, Denmark, France, Germany, Greece, Ireland, Italy, the Netherlands, Poland, Spain, Sweden and the United Kingdom.

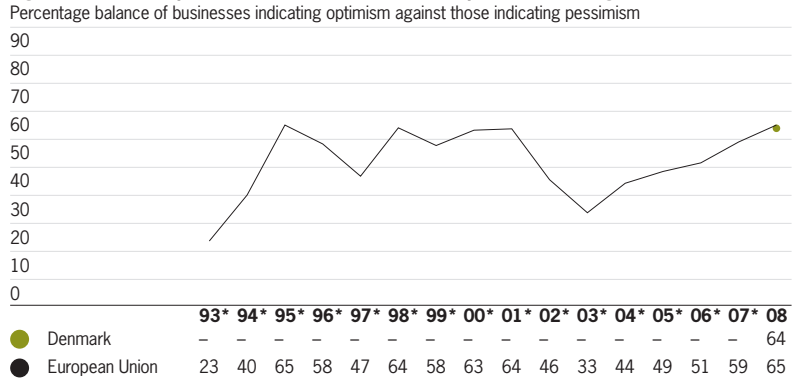
Business expectations/revenue

- A balance of +64 per cent of PHBs in Denmark are optimistic about their revenue prospects in 2008.
- Their levels of optimism regarding revenue performance are very similar to the EU (+65 per cent) and global (+63 per cent) averages.
- Levels of optimism regarding exports in 2008 are +30 per cent. This is above the EU (+28 per cent) and global (+18 per cent) averages.

Employment

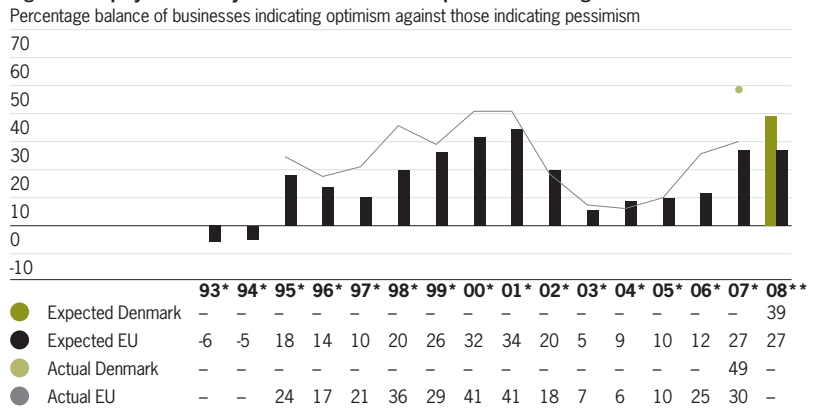
- A balance of +39 per cent of PHBs in Denmark expect employment to grow in 2008.
- Their levels of optimism regarding employment are above both the EU (+27 per cent) and global (+33 per cent) averages.
- Actual reported employment growth (+49 per cent) in Denmark was higher than the EU average (+30 per cent) in 2007.

Figure 1: Revenue expectations for Denmark and the European Union average 1993-2008

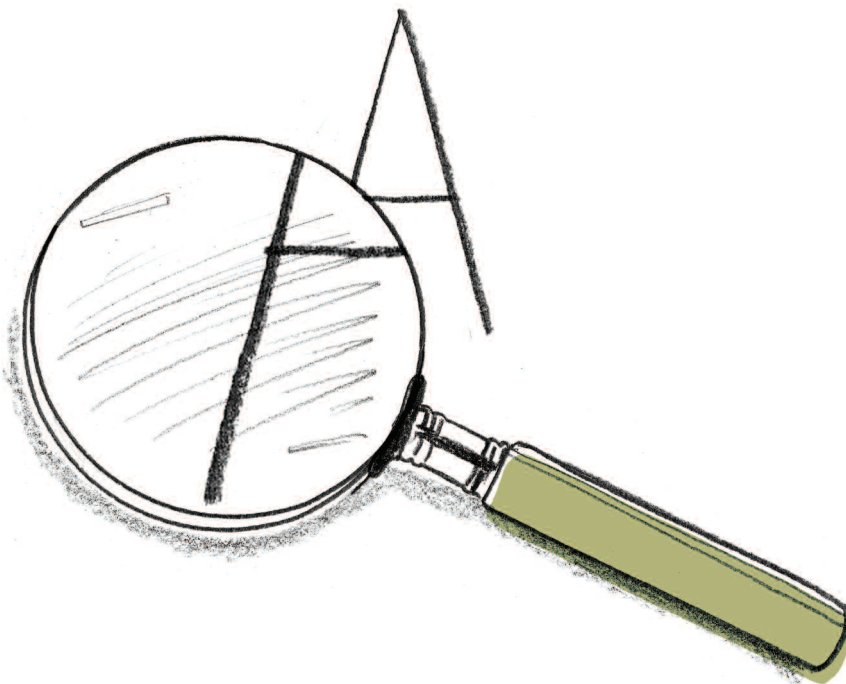


*no data available for Denmark
Source: Grant Thornton IBR 2008

Figure 2: Employment history of Denmark and the European Union average 1993-2008



*no data available
**2008 data will be documented in IBR 2009
Source: Grant Thornton IBR 2008



Constraints

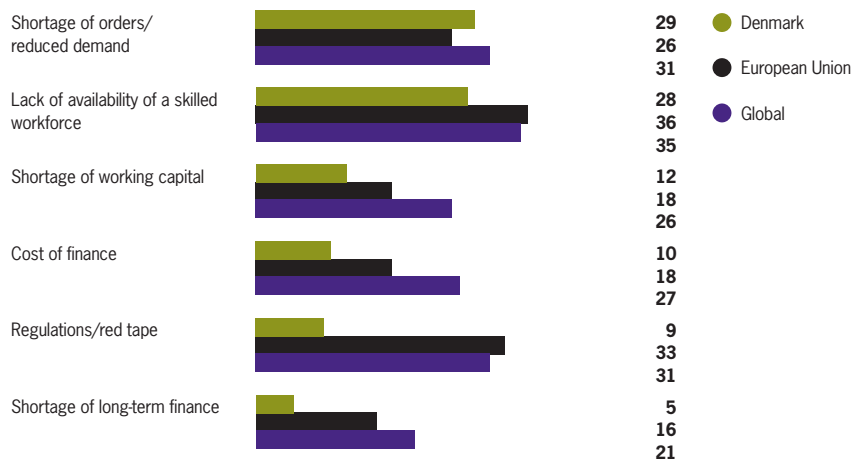
- Shortage of orders/reduced demand is the constraint restricting expansion cited most by businesses in Denmark (29 per cent).
- Over one-third of businesses globally and in the EU cite the availability of a skilled workforce, compared to 29 per cent of PHBs in Denmark.
- Lower proportions of Danish businesses cite the regulations/red tape, cost of finance, shortage of long-term finance and shortage of working capital than both the EU and global averages.

Emerging markets

- The most important factor for PHBs in Denmark, when determining whether to invest internationally, is market size and growth potential (56 per cent), as is the case for businesses globally.
- The number of Danish businesses which export (63 per cent) is higher than the European Union average (53 per cent) and the global average (39 per cent).
- 74 per cent of PHBs in Denmark import, which is almost double the global average (39 per cent).
- 42 per cent of Danish businesses see their main competition coming from international sources, compared to just 22 per cent of businesses globally.

Figure 3: Largest constraints on growth for Danish businesses compared to the European Union and the global average

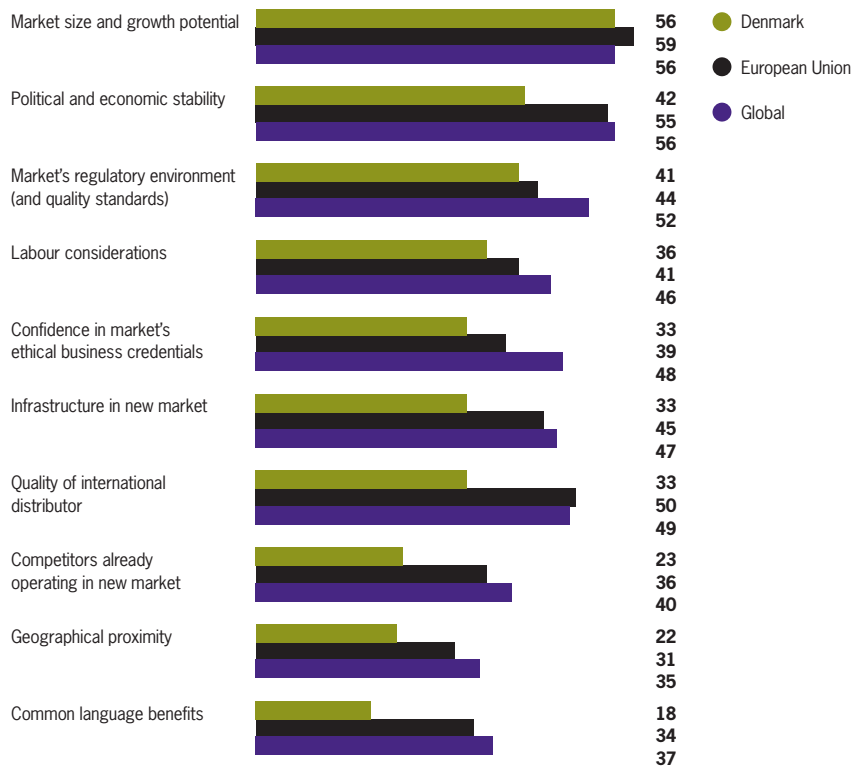
Percentage of businesses rating constraint 4 or 5 on a scale of 1 to 5 where 1 is not a constraint and 5 is a major constraint



Source: Grant Thornton IBR 2008

Figure 4: Importance of factors determining foreign investment

Percentage of businesses rating level 4 or 5 on a scale of 1 to 5 where 1 is a low priority and 5 is a high priority



Source: Grant Thornton IBR 2008

Competitiveness

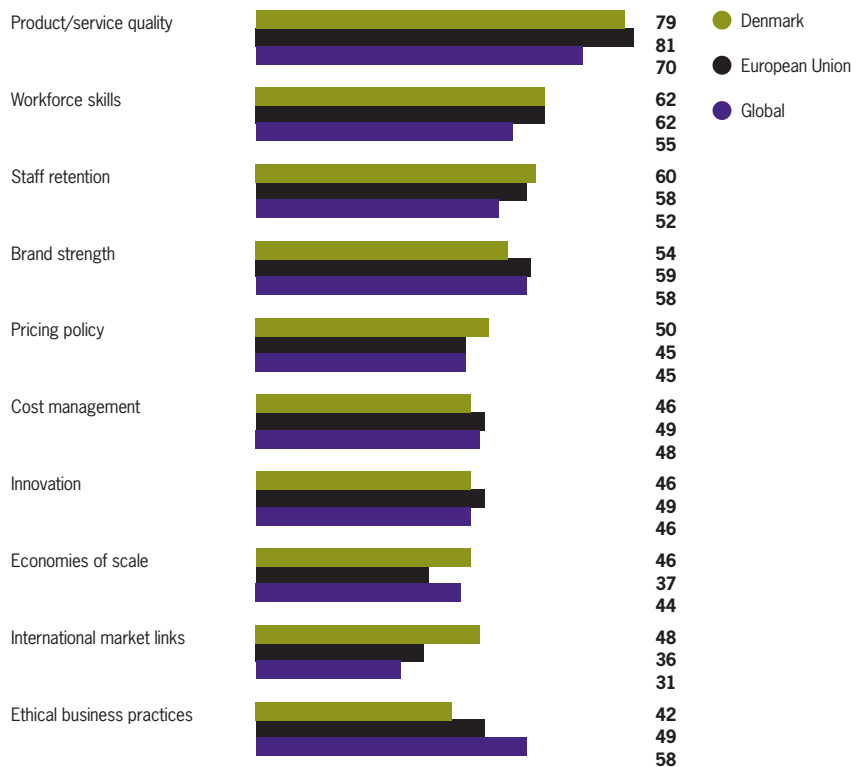
- PHBs in Denmark see their greatest source of competitive advantage as product/service quality (79 per cent), as is true of businesses globally.
- Similarly to EU businesses as a whole, 62 per cent of Danish businesses see workforce skills as a source of competitive advantage.
- Ethical business practices are cited by 58 per cent of businesses globally, but by just 42 per cent of PHBs in Denmark.

Corporate social responsibility (CSR)

- The recruitment/retention of staff is viewed as the biggest driver towards more ethical practices by PHBs in Denmark (89 per cent). This is much higher than the EU (63 per cent) and global (65 per cent) averages.
- 85 per cent of PHBs in Denmark actively promoted workforce health and well being in the past year, compared to 71 per cent of all businesses.
- 38 per cent of Danish businesses have incorporated their policies in to a written CSR document, which is below the EU average of 45 per cent.

Figure 5: Main sources of competitive advantage for Danish businesses compared to the European Union and global average

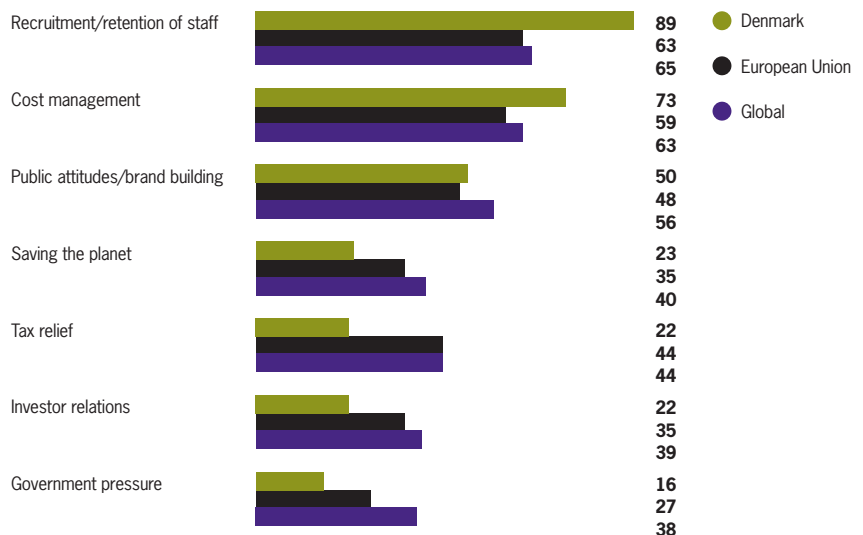
Percentage of businesses rating strength of the advantage 4 or 5 on a scale of 1 to 5 where 1 is not very strong and 5 is very strong



Source: Grant Thornton IBR 2008

Figure 6: Importance of drivers to more ethical practices for Danish businesses compared to the European Union and global average

Percentage of businesses rating the importance 4 or 5 on a scale of 1 to 5 where 1 is a not very important and 5 is very important



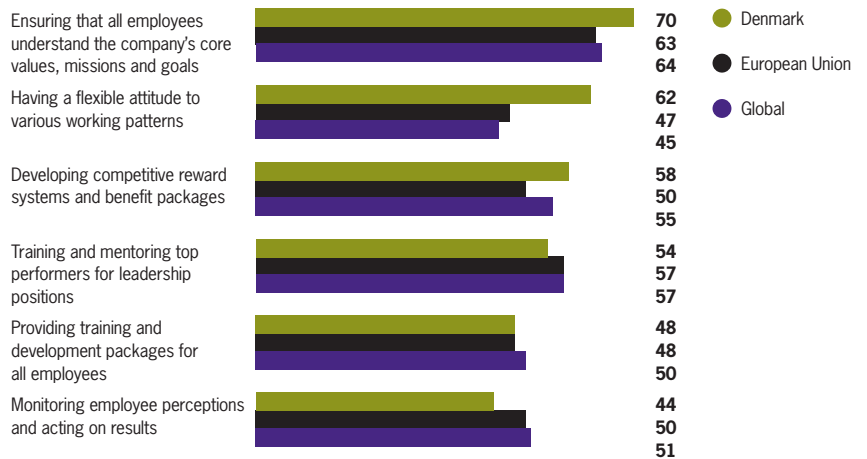
Source: Grant Thornton IBR 2008

Recruitment and retention

- The balance of PHBs in Denmark more focused on retention than one year ago is +72 per cent. This is above the EU (+52 per cent) and global (+59 per cent) averages.
- 70 per cent of Danish businesses ensure that all employees understand the company's core values, mission and goals to aid recruitment/retention.
- Cited by 70 per cent of PHBs in Denmark, an increased workload for remaining staff is viewed as the major problem staff retention issues have caused.
- It is costing 70 per cent of Danish businesses significantly more to pay their staff than it was 12 months ago. This is above both the EU (58 per cent) and global (63 per cent) averages.

Figure 7: Usage of recruitment and retention tools for Danish businesses compared to the European Union and global average

Percentage of businesses rating the level 4 or 5 on a scale of 1 to 5 where 1 is not at all and 5 is a great deal



Source: Grant Thornton IBR 2008

Outlook for the Danish economy

Growth prospects for 2008 are subdued by the weak global background and slack domestic demand. Capacity constraints have necessitated policy tightening, and consumer demand is expected to remain sluggish as the slowdown in the housing market continues to erode the wealth effect, and high interest rates curb disposable incomes. However, the impact will be mitigated by expansionary fiscal policies contained in the 2008 budget proposals.

Investment growth is likely to decelerate in line with weaker business sentiment, and exports will suffer from competitive pressures and weaker global demand. GDP growth of around 1.5 per cent is expected in 2008-09 as domestic demand remains subdued. But faster growth should resume in 2010 as labour market pressures and other capacity constraints ease.

The surge in food and energy price pressures in recent months and labour market tightness mean that inflation is likely to average nearly 2.5 per cent in 2008. The tight labour market and incipient wage pressure could prevent any policy loosening until 2009.

The Grant Thornton International Business Report (IBR) 2008 examines the attitudes, plans and trends of 7,800 privately held businesses in 34 economies across six continents. The Grant Thornton IBR builds on data collected in previous surveys and boasts 16-year trend data for European Union (EU) countries and six-year trend data for international economies.

To find out more about the Grant Thornton IBR and to obtain copies of reports, including focuses on emerging markets, corporate social responsibility and recruitment and retention, please visit www.internationalbusinessreport.com.

Focus reports are also available for each of the 34 participating economies, as well as regional and global summaries. You can also complete the questionnaire online and benchmark your answers against PHBs around the world by industry, size and geographical location.

Participating economies

Argentina	Hong Kong	Singapore
Armenia	India	South Africa
Australia	Ireland	Spain
Belgium	Italy	Sweden
Botswana	Japan	Taiwan
Brazil	Malaysia	Thailand
Canada	Mexico	Turkey
Mainland China	Netherlands	United Kingdom
Denmark	New Zealand	United States
France	Philippines	Vietnam
Germany	Poland	
Greece	Russia	



www.gti.org
www.internationalbusinessreport.com

© 2008 Grant Thornton International Ltd. All rights reserved.
Grant Thornton International Ltd (Grant Thornton International) and the member firms are not a worldwide partnership. Services are delivered independently by the member firms.