

FOCUS ON INTERNATIONAL TRADE

DENMARK

THE KINGDOM OF DENMARK TODAY

Location	The Kingdom of Denmark is situated in northern Europe. It consists of the peninsula of Jutland, the islands of Zealand, Funen, Lolland, Falster and Bornholm, and 401 smaller islands. The country lies between the North Sea, to the west, and the Baltic Sea, to the east. Denmark's only land frontier is with Germany, to the south. Norway lies to the north of Denmark, across the Skagerrak, while Sweden, the most southern region of which is separated from Zealand by a narrow strait, lies to the north-east. Outlying territories of Denmark are Greenland and the Faroe Islands in the North Atlantic Ocean.
Size	43,098 Sq. k.m. (16,640 Sq. miles)
Population	5,946,984 Estimated for 2023.
Population Density	124.6 per sq. km. (Approx.)
Population Growth Rate	0.44% (2023 Est.)
Birth Rate	11.25/1000 Population Estimated for 2023.
Death Rate	9.55/1000 Population Estimated for 2023.
Life Expectancy at birth	81.87 Years, Male: 79.95 Years, Female: 83.91Years (2023 Est.).
Net Migration Rate	2.71/1000 Migrant(s) Estimated for 2023.
Literacy	99%
Capital City	Copenhagen.
Other Large Cities	Arhus, Odense, Aalborg, Esbjerg, Randers, Kolding, Horsens, Vejle, Roskilde, Greve Strand, Naestved and Sikeborg.
Literacy	99% in 1998.
Religion	Almost all of the inhabitants profess Christianity: the Evangelical Lutheran Church, to which some 85% of the population belong, is the established Church.
Language	The official language is Danish.
Climate	Denmark is low-lying and the climate is temperate, with mild summers and cold, rainy winters.
International Relations	Denmark is a member of the UN, WTO, BIS, NATO, OECD, the EU, Council of Europe, OSCE, CERN, Nordic Council, Council of the Baltic Sea States, Inter-American Development Bank, Asian Development Bank, IOM and the Antarctic Treaty. On 19 December 1996 Denmark acceded to the Schengen Accord of June 1990, which abolishes border controls between Denmark, Austria, Belgium, Finland, France, Germany, Greece, Iceland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain and Sweden.
Currency	The monetary unit is the Danish krone (DKK) of 100 ore.

NATIONAL ECONOMY

The Danish economy recovered strongly from the pandemic. Following a relatively mild contraction in 2020, the economy grew by around 5 percent in 2021 and 3¾ percent in 2022. With the level of output now well above its pre-pandemic trajectory, tight labor markets, and much-elevated import prices, headline harmonized consumer price index inflation reached a 40-year high in October 2022 before decelerating. More recently, there are signs that economic activity is cooling, as inflation is lowering real incomes, financial conditions are tightening, and external demand is weakening, but labor markets remain relatively tight.

Economic activity is set to soften in the first half of 2023, followed by a gradual recovery. GDP growth for 2023 is projected at 1¼ percent due to weaker external demand, high inflation, and tightening financial conditions. Inflation will continue to decelerate but stay above 2 percent in the near term. Moderating energy prices will continue to reduce headline inflation, but core inflation will decelerate slowly as the positive output gap persists in the near term. Risks to growth are broadly balanced, but risks to inflation are tilted to the upside, reflecting renewed supply shocks and stronger-than-expected and persistent wage pressures.

Executive Board Assessment

In concluding the 2023 Article IV consultation with Denmark, Executive Directors endorsed staff's appraisal, as follows:

Denmark's recovery from the pandemic was impressive, but strong output and employment growth has contributed to inflationary pressures. GDP growth is expected to slow in 2023, while inflation will remain elevated in the near term. Risks to growth are broadly balanced, while upside risks dominate inflation. In the medium term, Denmark faces lower economic growth due to lower global growth and demographic challenges.

Near-term fiscal policy should support disinflation, given persistently elevated inflation. There is uncertainty regarding the contractionary effects assumed in the fiscal plan, while positive output gaps and high inflation are expected in the near term. Accordingly, the authorities should, as insurance, consider keeping tight spending control and saving any revenue above budget forecasts aiming to improve the structural balance by ½ percentage points of GDP. If downside risks to growth materialize and inflation eases, automatic stabilizers should be allowed to operate fully.

Medium-term fiscal policy should be recalibrated as needed to adhere to the fiscal rules. The structural balance will weaken to a deficit over the medium term mainly due to defense and demographic-related spending. The authorities' forward-looking efforts to contain the level of the structural deficit within 0.5 percent of GDP set for 2030 by deploying supply-side measures are commendable. However, if fiscal trends suggest the risk of breaching the structural deficit limit (one percent of GDP), the authorities should stand ready to recalibrate medium-term fiscal policy. In this context, any changes to the indexation of statutory retirement age to life expectancy should safeguard long-term fiscal sustainability.

The financial system remains sound, but rising risks warrant continued vigilance and close monitoring. The authorities should closely monitor banks' liquidity risk management and ensure that their impairment charges are continuously updated as economic prospects change. In addition, commercial real estate (CRE) risks should continue to be closely watched, and further efforts are needed to close data gaps. The authorities should also consider an increase in risk weights on CRE exposures or the introduction of a sectoral systemic risk buffer. Furthermore, the supervisor's initiative to develop a pilot stress test for pension and insurance companies is welcome. Finally, given the increased risk of cyber attacks on critical infrastructure and institutions, efforts to monitor cyber security risks and strengthen resilience against cyber attacks should continue.

The authorities should consider tightening macro prudential policies to target pockets of vulnerability. The increase of countercyclical capital buffer was appropriate. However, tightening of borrower-based macro prudential measures should be considered to contain riskier mortgages, especially variable-rate mortgages with deferred amortization. Once house prices and inflation stabilize, the authorities are encouraged to review the high tax deductibility of mortgage interest expense and complex rental market regulations from the financial stability perspective. In this light, the government's plan to link property taxes to market valuations starting in January 2024 is welcome. The authorities are also encouraged to consider reforming the institutional setting of financial sector policy making in line with the 2020 Financial Sector Assessment Program.

Denmark is exposed to money laundering and terrorist financing threats. Progress has been made in strengthening the anti-money laundering/combating the financing of terrorism (AML/CFT) framework. The authorities should continue efforts to increase the use of cross-border data and technological solutions in assessment of AML/CFT risks.

The authorities' strong focus on labor market reforms is welcome amidst the expected decline in the working-age population in the coming years. Canceling a public holiday will help increase annual hours worked, while the proposed personal income tax reform will help improve work incentives. The government is also planning to reform the early retirement schemes to increase employment. But additional measures should be explored consistent with Denmark's well-functioning flexicurity model. These include: (i) reviewing the structure of marginal effective tax rates, including benefits, to minimize disincentives to work and earn more, especially for lower-income households; (ii) continuing efforts to increase employment rates of immigrants; and (iii) enhancing education outcomes of students with immigrant backgrounds.

Further measures are needed to achieve Denmark's ambitious climate goals. In addition to strengthening of carbon pricing (Green Tax Reform), policy should consider complementary fiscal incentives at the sectoral level, including fee bates in agriculture.

Denmark: Selected Economic Indicators, 2022–24			
	2022	2023	2024
		proj.	
Output			
Real GDP growth (%)	3.8	1.3	1.4
Employment			
Unemployment rate (%)	4.5	5.0	5.0
Prices			
Inflation (% , Q4 on Q4)	10.2	3.3	2.6
General government finances			
Revenue (% GDP)	48.6	49.5	49.3
Expenditures (% GDP)	45.3	47.5	48.4
Fiscal balance (% GDP)	3.3	2.0	0.9
Public debt (% GDP)	30.1	30.5	30.3
Money and credit			
Domestic credit growth (%)	-4.0	...	...
3-month interbank interest rate (%)	0.3	...	...
10-year government bond yield (%)	1.2	...	...
Balance of payments			
Current account (% GDP)	13.1	9.1	7.8
International reserves (% change)	1.9	...	...
Exchange Rate			
ULC-based REER (% change)	-1.8	...	...
Sources: Statistics Denmark, OECD and Fund staff calculations.			

“NATIONAL ECONOMY” is based on IMF Executive Board Concludes 2023 Article IV Consultation with Denmark June 26, 2023.

FOREIGN TRADE

Denmark's total exports in 2018 were of the order of US\$ 108,521 Million. It increased to US\$ 129,059 Million in 2022. Exports during the period from 2018 to 2022, in terms of Percentage, grew highest (16.98%) in 2021 and fell maximum (-2.74) in 2020 in comparison with 2020 and 2019 respectively. The annual average compound growth rate worked out at 4.43%.

Imports, on the other hand, were of the order of US\$ 125,732 million in 2022 while in 2018 it was US\$ 101,700 million. Imports during the period from 2018 to 2022, in terms of percentage, grew highest (27.15%) in 2021 and fell maximum (-4.61%) in 2019, as compared to 2020 and 2018 respectively. The annual average compound growth rate worked out at 5.45%.

Volume of trade registered an annual average (compound) rate of growth of 4.92% from US\$ 210,221 million in 2018 to US\$ 254,791 million in 2022.

Denmark enjoyed a surplus balance of trade payment during the period from 2018 to 2022.

Denmark's export and import, volume and balance of trade between 2018 and 2022 along with their growth rates are given in **Table-I**.

The main trading items are Live animals, meat and meat preparations, Dairy products, eggs, Fish, crustaceans, etc. and preparations, Cereals and cereal preparations. Sugar, sugar preparations and honey etc., fodder for animals, wood and cork, textile fibres, yarns, fabrics etc., chemicals and plastics, medicine and pharmaceutical products, metals, manufacture of metals, machinery, electrical equipment etc., transport equipment, furniture etc. and clothing and clothing accessories.

The main trading patterns are Australia, Austria, Belgium & Luxembourg, Canada, China, Finland, France, Germany, Greece, Greenland, Hong Kong, Iceland, Ireland, Italy, Japan, Netherlands, Norway, Poland, Portugal, Russia, South Korea, Spain, Sweden, Switzerland, Taiwan, UK and USA.

The main international airport is at Copenhagen (Kastrup), and there are also international flights from Aalborg, Arhus, Billund and Esbjerg. The Scandinavian Airlines System (SAS) resulted from the 1950 merger of the three former Scandinavian airlines. Air Canada, Aeroflot, Air France, Air India, KLM, Crossair, Czech Airlines, Egyptair, and Delta Air Lines etc. also provide air services.

The main harbour is at Torshavn; the other ports are at Fuglafjorour, Tvoroyri, Vagur and Vestmanna. Between mid-May and mid-September, a summer roll-on, roll-off ferry service links the Faroe Islands with Iceland, Shetland (United Kingdom), Denmark and Norway.

BILATERAL TRADE WITH INDIA

Indo-Denmark bilateral trade in 2018-19 was of the order of Rs.8,979.01 crores. It increased to Rs.13,494.54 crores in 2022-23. The annual compound growth rate of volume of trade during the period from 2018-19 to 2022-23 was 10.72%. India enjoyed a favourable balance of trade during the period from 2018-19 to 2022-23 (**see table II**). The average annual compound growth rates of exports and imports worked out at 8.75% and 13.31 respectively.

India's exports to, and imports from Denmark of Merchandised Goods between 2018-19 and 2022-23 with their growth rates are presented in **Table II**.

India's top ten merchandise goods exported to and imported from Denmark, during 2018-19 to 2022-23, along with their growth rates are depicted in **Table III & IV** respectively.

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The Statesman Year Book, the Europa World Year Book, Monthly Bulletin on Statistics UN Publication, IMF, World Bank.org, BBC News, the World Fact Book, World Development Indicator, MEA, Visa HQ, wikipedia.org, expresstextile.com and D.G.C.I & S etc.

"NOTICE"

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TABLE - I**DENMARK'S TOTAL EXPORTS AND IMPORTS, VOLUME AND BALANCE OF TRADE****BETWEEN 2018 AND 2022.**

(Figures in US MILLION DOLLARS)

<i>Year</i>	<i>Exports</i>	<i>Percentage Growth in Exports</i>	<i>Import</i>	<i>Percentage Growth in Imports</i>	<i>Volume of Trade</i>	<i>Percentage Growth in Vol. of Trade</i>	<i>Balance of Trade</i>
2018	108521		101700		2,10,221		6821
2019	109879	1.25	97007	-4.61	2,06,886	-1.59	12872
2020	106871	-2.74	95778	-1.27	2,02,649	-2.05	11093
2021	125015	16.98	121784	27.15	2,46,799	21.79	3231
2022	129059	3.23	125732	3.24	2,54,791	3.24	3327
Growth Rate	4.43		5.45		4.92		

NOTE : Figures relate to calendar year, January to December.**SOURCE :** UN COMTRADE PUBLICATION

TABLE - II							
INDIA'S EXPORT TO AND IMPORT FROM DENMARK OF MERCHANDISE							
GOODS DURING 2018-2019 TO 2022-2023							
(Value in Rs. CRORES)							
Year	Exports	Percentage Growth in Exports	Import	Percentage Growth in Imports	Volume of Trade	Percentage Growth in Vol. of Trade	Balance of Trade
2018-19	5226.53		3752.48		8979.01		1474.05
2019-20	5202.41	-0.46	4484.35	19.50	9686.76	7.88	718.06
2020-21	5581.79	7.29	4365.71	-2.65	9947.50	2.69	1216.08
2021-22	7040.99	26.14	6644.39	52.19	13685.38	37.58	396.60
2022-23	7309.21	3.81	6185.33	-6.91	13494.54	-1.39	1123.88
Annual Compound Growth Rate	8.75		13.31		10.72		
NOTE :	Figures relate to Financial Year April to March.						
SOURCE :	Directorate General of Commercial Intelligence & Statistics, Ministry of Commerce & Industry, Kolkata 700 107.						

TABLE -III**INDIA'S MAJOR ITEMS OF MERCHANDISE EXPORT TO DENMARK
2018-2019 TO 2022-2023 AND THEIR GROWTH RATES****(Value in Rs. CRORES)**

Sl. No	Name of the Merchandise Commodities	Value of Exports					Annual Growth Rates			
		2018-19	2019-20	2020-21	2021-22	2022-23	19-20 over 2018-19	20-21 over 2019-20	21-22 over 2020-21	22-23 over 2021-22
1	RMG Cotton Including Accessories	496.65	581.23	616.38	827.10	886.18	17.03	6.05	34.19	7.14
	Share in total export	9.50	11.17	11.04	11.75	12.12				
2	RMG Manmade Fibres	736.51	784.41	618.24	598.52	837.79	6.50	-21.18	-3.19	39.98
	Share in total export	14.09	15.08	11.08	8.50	11.46				
3	Iron And Steel	123.09	140.56	219.74	469.03	524.41	14.19	56.33	113.45	11.81
	Share in total export	2.36	2.70	3.94	6.66	7.17				
4	RMG Of Other Textile Materials	191.66	196.07	232.06	304.20	358.17	2.30	18.36	31.09	17.74
	Share in total export	3.67	3.77	4.16	4.32	4.90				
5	Drugs Formulation, Biologicals	224.86	215.39	295.43	269.49	322.20	-4.21	37.16	-8.78	19.56
	Share in total export	4.30	4.14	5.29	3.83	4.41				
6	Products Of Iron & Steel	257.06	207.65	199.23	299.26	308.32	-19.22	-4.05	50.21	3.03
	Share in total export	4.92	3.99	3.57	4.25	4.22				
7	Cotton Fabrics Madeups	287.34	285.65	302.59	400.94	305.55	-0.59	5.93	32.50	-23.79
	Share in total export	5.50	5.49	5.42	5.69	4.18				
8	Electric Machinery And Equipments	128.69	162.22	268.50	426.68	276.50	26.05	65.52	58.91	-35.20
	Share in total export	2.46	3.12	4.81	6.06	3.78				
9	Footwear Of Leather	56.41	65.10	56.94	79.55	262.83	15.41	-12.53	39.71	230.40
	Share in total export	1.08	1.25	1.02	1.13	3.60				
10	Leather Goods	249.99	246.55	211.11	233.48	251.10	-1.38	-14.37	10.60	7.55
	Share in total export	4.78	4.74	3.78	3.32	3.44				
	Total export to DENMARK	5226.53	5202.41	5581.79	7040.99	7309.21	-0.46	7.29	26.14	3.81

NOTE : Figures relate to Financial Year, April to March.**SOURCE** : Directorate General of Commercial Intelligence & Statistics, Ministry of Commerce & Industry, Kolkata : 700 107.

TABLE -IV										
INDIA'S MAJOR ITEMS OF MERCHANDISE IMPORT FROM DENMARK										
2018-2019 TO 2022-2023 AND THEIR GROWTH RATES (Value in Rs. CRORES)										
Sl. No	Name of the Merchandise Commodities	Value of Imports					Annual Growth Rates			
		2018-19	2019-20	2020-21	2021-22	2022-23	19-20 over 2018-19	20-21 over 2019-20	21-22 over 2020-21	22-23 over 2021-22
1	Drugs Formulations, Biologicals	437.85	596.41	665.46	902.89	1340.04	36.21	11.58	35.68	48.42
	Share in total imports	11.67	13.30	15.24	13.59	21.66				
2	Iron & Steel	155.40	138.50	174.38	210.31	438.86	-10.88	25.91	20.60	108.67
	Share in total imports	4.14	3.09	3.99	3.17	7.10				
3	Electronic Instruments	377.54	306.63	251.71	281.61	408.57	-18.78	-17.91	11.88	45.08
	Share in total imports.	10.06	6.84	5.77	4.24	6.61				
4	Residul Chemical & Allied Products	328.86	301.58	299.90	306.32	388.33	-8.30	-0.56	2.14	26.77
	Share in total import	8.76	6.73	6.87	4.61	6.28				
5	Misc. Engineering Items	94.26	84.62	71.10	139.92	366.81	-10.23	-15.98	96.79	162.16
	Share in total import	2.51	1.89	1.63	2.11	5.93				
6	Indl. Machinery For Dairy Etc.	425.09	472.09	328.18	337.12	356.19	11.06	-30.48	2.72	5.66
	Share in total import	11.33	10.53	7.52	5.07	5.76				
7	Medical & Scientific Instruments	218.13	237.03	240.35	280.09	303.72	8.66	1.40	16.53	8.44
	Share in total import	5.81	5.29	5.51	4.22	4.91				
8	Plastic Sht. Film. Plates Etc.	45.00	41.43	45.80	132.56	249.93	-7.93	10.55	189.43	88.54
	Share in total import	1.20	0.92	1.05	2.00	4.04				
9	Electric Machinery & Equipments	128.46	411.18	207.68	247.00	249.61	220.08	-49.49	18.93	1.06
	Share in total import	3.42	9.17	4.76	3.72	4.04				
10	Copper And Products Made of Copr.	104.21	98.69	108.41	153.44	249.02	-5.30	9.85	41.54	62.29
	Share in total import	2.78	2.20	2.48	2.31	4.03				
	Total import from DENMARK	3752.48	4484.35	4365.71	6644.39	6185.33	19.50	-2.65	52.19	-6.91
NOTE : Figures relate to Financial Year, April to March.										
SOURCE : Directorate General of Commercial Intelligence & Statistics, Ministry of Commerce & Industry, Kolkata : 700 107.										