

BEST'S COUNTRY RISK REPORT

Denmark CRT-1

August 22, 2018

Region: Europe

[Country Risk Criteria Procedures](#)

[Guide to Best's Country Risk Tiers](#)

- The Country Risk Tier (CRT) reflects A.M. Best's assessment of three categories of risk: Economic, Political, and Financial System Risk.
- Denmark is a CRT-1 country, with a low level of economic risk and very low levels of political and financial system risk.
- Economic activity has been driven by strong domestic demand, fueled by rising wages and low unemployment, as well as strong investment spending owing to accommodative monetary policy. The export sector has also been strong due to external demand conditions.
- GDP growth in 2017 was 2.1% and is forecast at 2.0% for 2018.
- A.M. Best categorizes the majority of countries depicted in the map as CRT-1 and CRT-2, the notable exceptions being many Eastern European countries such as Belarus, Romania, and Ukraine.



Economic Risk



Political Risk



Financial System Risk

- Country Risk Tier 1 (CRT-1) Very Low Level of Country Risk
- Country Risk Tier 2 (CRT-2) Low Level of Country Risk
- Country Risk Tier 3 (CRT-3) Moderate Level of Country Risk
- Country Risk Tier 4 (CRT-4) High Level of Country Risk
- Country Risk Tier 5 (CRT-5) Very High Level of Country Risk

Regional Summary: Western Europe

- Western Europe is a highly developed and affluent region. The 28 countries of the EU accounted for approximately 21.9% of the world's domestic product in 2016 and 21.6% in 2017, a figure that is projected to grow to 22.5% in 2018.
- Growth has been driven largely by rising domestic demand due to growing consumer and business confidence, lower unemployment rates, and credit growth.
- The European Central Bank (ECB) has decided to end its three-year EUR2.4 trillion quantitative easing program by the end of 2018, although it did signal that any rise in interest rates before September 2019 was unlikely. The policy rate has been below 1.0% since July 2012 and has been at 0.0% since March 2016.
- Concerns include political instability in certain countries, ongoing uncertainty about Brexit and its potential implications, and below-trend growth and inflation.

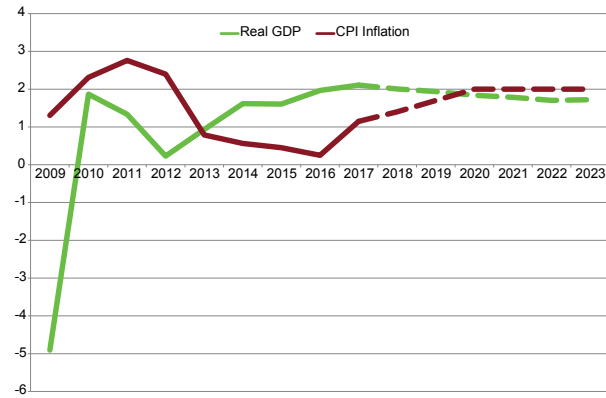
Vital Statistics 2017		
Nominal GDP	USD bn	324.48
Population	mil	5.7
GDP Per Capita	USD	56,444
Real GDP Growth	%	2.1
Inflation Rate	%	1.1
United Nations Estimates		
Literacy Rate	%	n.a.
Urbanization	%	88.0
Dependency Ratio	%	56.0
Life Expectancy	Years	79.5
Median Age	Years	42.2
Insurance Statistics		
Insurance Regulator	The Danish Financial Supervisory Authority	
Premiums Written (Life)	USD mil	24,200
Premiums Written (Non-Life)	USD mil	8,941
Premiums Growth (2016 - 2017)	%	2.6
Regional Comparison		
	Country Risk Tier	
Denmark	CRT-1	
Belgium	CRT-1	
Germany	CRT-1	
Netherlands	CRT-1	
Norway	CRT-1	
Switzerland	CRT-1	

Source: IMF, UN, Swiss Re, Axco and A.M. Best



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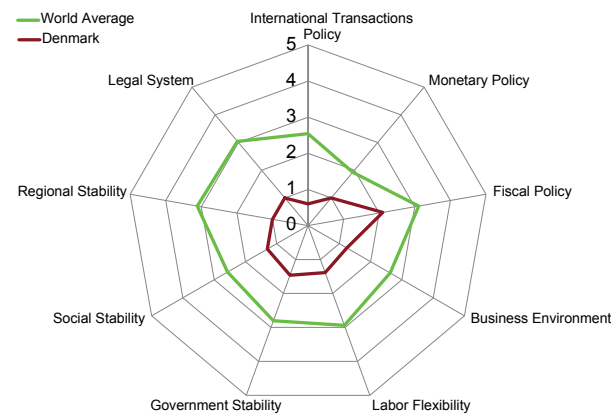
Economic Growth (%)



Source: IMF World Economic Outlook and A.M. Best

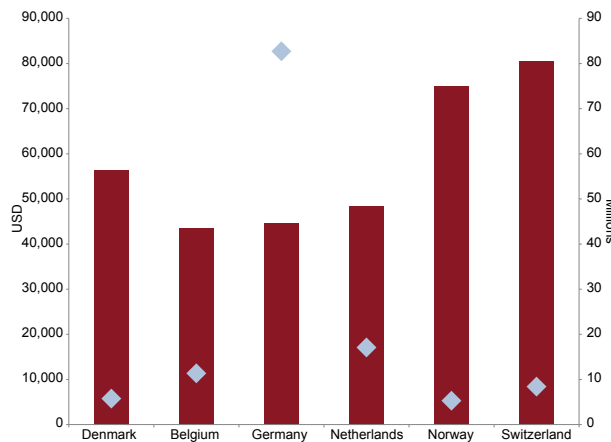
Political Risk Summary

Score 1 (best) to 5 (worst)



Source: A.M. Best

GDP Per Capita and Population



Source: IMF and A.M. Best

Economic Risk: Low

- Denmark's market economy is well established, diversified, and globally competitive. The Danish welfare system is generous and strives to make the country more equitable.
- However, the state pension system and other social programs in their current form will be unsustainable over the long term owing to an aging demographic. In response, the government is raising the retirement age, from 65 years in 2024 to 67 years by 2027.
- GDP per capita is among the highest in the world at approximately USD56,500 for 2017. Denmark has a highly skilled workforce with low levels of unemployment.
- Despite progress in recent years, household debt levels remain high particularly in comparison with the rest of Europe. Property price increases are also concerning.

Political Risk: Very Low

- Denmark is a member of the EU, but has not adopted the euro, although the Danish krone is pegged to the euro.
- Denmark's political system is stable and is characterized by consensus driven cooperation. The current prime minister is Lars Løkke Rasmussen from the Liberal Party (Venstre), who has been in office since June 2015. The next elections are scheduled for 2019.
- The current coalition government is composed of the Liberal Party, the Liberal Alliance, and the Conservative People's Party. However, the coalition is in the minority and relies on other political parties, particularly the Danish People's Party, to pass legislation through parliament.
- The domestic political agenda will highlight welfare reform and ongoing fiscal consolidation efforts.
- The country scores well in the World Bank's Ease of Doing Business survey, ranking third out of 190 countries. Denmark scores particularly well in trading across borders and dealing with construction permits.

Financial System Risk: Very Low

- The Danish Financial Supervisory Authority (DFSA), which answers to the Minister for Economic and Business Affairs, regulates the country's entire financial sector, including the insurance industry.
- DFSA's supervisory body provides benchmarks intended to discourage banks from excessive risk taking while enabling them to undertake profitable ventures. Thus far, it has been effective in mitigating lending risks.
- The IMF notes that the financial system is robust, but there are signs of increased risk taking in parts of the banking system. Credit standards have been relaxed by lenders, while property prices continue to increase.
- The krone is pegged to the euro, which limits Denmark's monetary policy flexibility.