



## Country report Denmark 2006

### ECONOMY

With one of the highest standards of living in the world, Danish economy is continuously growing. The average annual growth of 2-3 % is a relatively high figure considering the state of developed economy. Here, domestic demand made the largest contribution to this economic growth. Private consumption was driven by higher disposable incomes, low interest rates, new loan products and accelerating housing prices. As a result of the consumption growth, the private-sector savings ratio fell. Biggest upswing was seen in residential investments, which grew by 13.7 % in 2005.

The outlook for 2007 growth in private consumption will probably be high and if property prices continue to rise, consumption will be stimulated further. The level of residential and business investments will be high, and exports will be stimulated by sound expansion on export markets.

During the governments of Poul Nyrup Rasmussen, there was a drastic fall in official unemployment, which peaked at 12.4 % in 1993- and now is at only 4.2 % (September 2006). This is the lowest level in 30 years. Unemployment, being at its lowest level, is expected to decline further. In the construction industry and the financial sector there is already a considerable shortage of labour, and the labour market councils expect more bottlenecks in 2006. The strong economy gives scope to get more people into employment, but without labour market reforms it will be hard to achieve a sustained increase in employment. A solution would be to employ labour from e.g. Eastern Europe and Germany.

### MAIN INDUSTRY SECTORS

**Biotechnology** in Denmark is driven by 160 biotech companies. These companies are both state owned and private that mainly work within the segment of Pharmaceuticals/Therapeutics. This segment employs almost three quarters of the industry and includes large companies such as H. Lundbeck, Leo Pharma, Novo Nordisk and Novozymes, each with more than 1000 employees.

One of the strongest pharmaceutical and biotechnological regions in Europe - Medicon Valley is situated in the Greater Copenhagen area in Denmark and Skåne region of Southern Sweden. Medicon Valley comprises a dense cluster of universities, hospitals and more than 300 life science companies, of which more than 200 are R&D based.

**IT and software development** in Denmark holds a strong position in software design and functionality. Danish software designers are used to work in collaboration with their customers, thus enabling them to create highly user-friendly products. Moreover, the product life cycle for IT and electronics is shorter in Denmark than anywhere else in the world.

In average, it takes about 3 years from the launch of a new product to its take-off. This makes Denmark a perfect test market. Using Denmark as a test market gives international businesses the advantage of being able to adjust and improve a product before releasing it on the world market. Danish consumers are also ahead of US and Chinese consumers when it comes to employing new products.

**Danish design** industry in Denmark was one of the first design industry in Europe with a formulated targeted policy. Now, Danish design has become a standard of icons of 20th century design in the world and is country's national identity. Danish design activities are carried out by in-house designers employed in manufacturing and service companies as well as by specialized design firms (over 6000 companies). Most of design companies are very small and they collaborate with other development, production, outsourcing and export service providers.

The most important activity areas of Danish designers are: graphic design (32 %); industrial design (26 %); fashion and textile design (13 %); interior design (11 %); and furniture design (9 %).

**Renewable energy** has become the main focus in Denmark's energy sector. There is a wide range of competencies within the field of renewable energy in Denmark. One of the most developed sectors within this industry is wind energy where Danish technologies account for more than 50 % of all world-wide wind mills. Currently, wind energy stands for 20 % of total energy supply in Denmark.

Denmark has strong research activities in future technologies such as hydrogen and fuel cell, with leading edge research programmes at Risø and the Danish Technical University. With an objective to promote the use of renewable energy, Denmark is at the forefront of the development of alternative energy sources and fuel cells. The Danish wind mill producers are primarily targeting developed countries, however, a number of Eastern European countries have started to use wind energy too.

## INFRASTRUCTURE

The greater Copenhagen area is a hub in Northern Europe. A well developed and high quality network of roads, railways, airports and harbours has earned Denmark a top ranking in the IMD's World Competitiveness Yearbook and in the World Economic Forum's Global Competitiveness Report for several consecutive years.

The region is a gateway to Scandinavia. The transportation system supported by major infrastructure investments in recent years provides easy access to the other Scandinavian countries and the wider Baltic region. Inside the region, the transportation system connects Copenhagen with a large surrounding area with only minor traffic problems.

The Copenhagen area is a part of Øresund that is joined with Southern Sweden. Øresund has a well developed infrastructure, including the bridge between Denmark and Sweden, several ports and toll free roads.

*Source: Copenhagen Capacity*