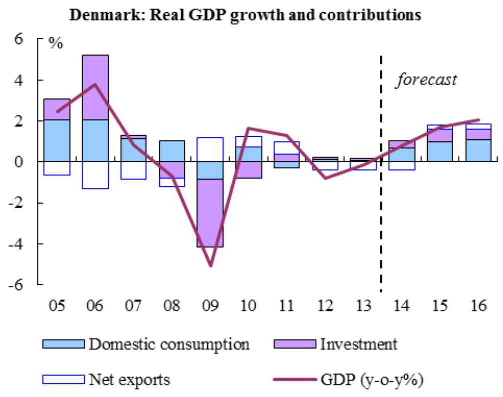
INVESTMENT IN DENMARK

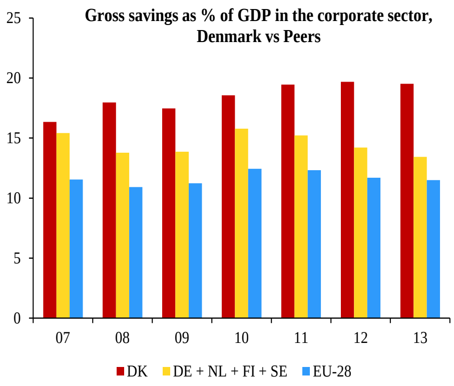
What is the situation in Denmark?



Source: European Commission 2014 Autumn Forecast

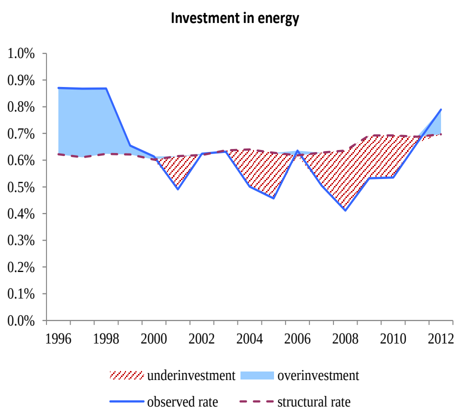
Following the housing bubble, fixed investment as a share of GDP fell strongly in Denmark during the crisis. Compared to similar countries, investment has been subdued, reflecting weak domestic demand. As a result, the corporate sector accumulated huge savings in recent years and arguably contributed to Denmark's high current account surpluses. Fixed investment, including in equipment, is forecast to accelerate from 1.9% in 2014 to 3.0% in 2015 and 3.8% in 2016, driven by low interest rates, favourable demand trends in 2015-2016, and increasing use of productive capacity. Construction is very slowly showing positive numbers, after two years of decline.

What is the main challenge?



Spurring business investment would help to reduce the high current account surplus, accelerating economic growth and boosting employment. However, business investment has remained stagnant despite government incentives (Growth Plan DK and, 'investment window' tax breaks) and it has been much lower than in countries with comparable economic structures. Stagnant investment could be addressed through increased competition, in particular in the domestic services sector, including retail and construction. This will also help to boost productivity and hence future economic growth more generally.

Opportunities for Investment



The biggest added value to the economic recovery and employment comes from industry, not including financial and insurance companies, mining and quarrying. In addition, long term growth prospects in Denmark could be raised by improving educational outcomes and taking further measures to improve employability at the margins of the labour market. Denmark has already reached the Europe 2020 target of 3% GDP being invested in R&D and is following an ambitious energy strategy, with a goal to cover the entire supply with renewable energy by 2050. Since 2012 the overall investment in energy in Denmark has increased, enabling improvements in connectivity and infrastructure, as well as capacity expansion.

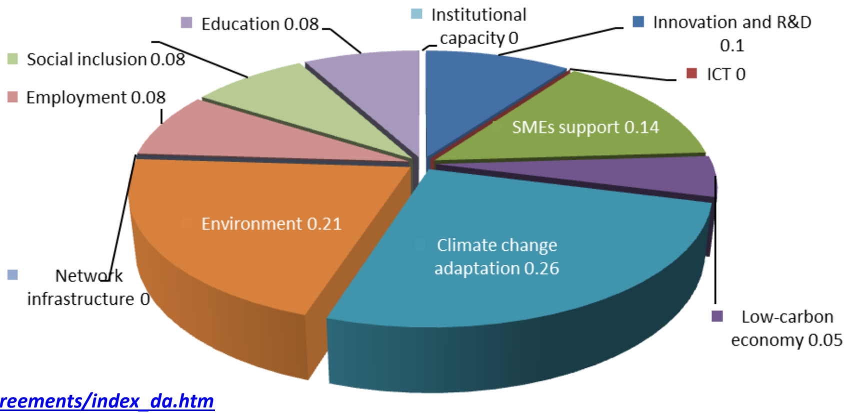
Reforms for investment

In the Country Specific Recommendations for Denmark, the European Union recommended:

Following the excessive deficit correction, continue to pursue a growth-friendly fiscal policy and preserve a sound fiscal position	Labour market relevance of education and training
Improve the employability of people at the margins of the labour market	Increase efforts to remove barriers to entry and reduce regulatory burden to increase competition in the domestic services sector, in particular in retail and construction

EU funding for investment

2014 - 2020
in billion EUR



Source: Partnership Agreement:
http://ec.europa.eu/contracts_grants/agreements/index_da.htm
**excluding European Maritime and Fisheries Fund (EMFF)*

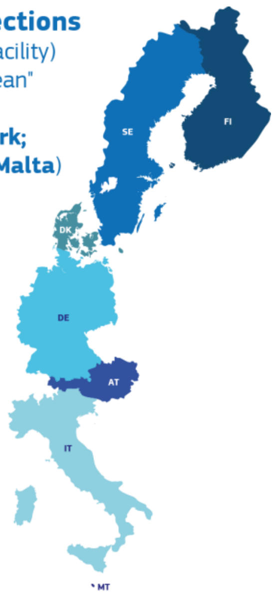
Past or ongoing projects for investment

Electricity interconnections

Electricity interconnection.
Commissioning date: DE: First part - 2015, complete -2017; DK: complete -2017
(**Germany, Denmark**)

Transport interconnections

- CEF (Connecting Europe Facility) "Scandinavian - Mediterranean" core network corridor
(**Finland, Sweden, Denmark; Germany, Austria, Italy, Malta**)



Gas interconnections

Capacity expansion on DK-DE border.
Commissioning date: Most probably 2016
(**Germany, Denmark**)