PRESS RELEASE
15 JUNE 2016

DANMARKS NATIONALBANK

Havnegade 5
DK-1093 Copenhagen K
www.nationalbanken.dk

Phone: +45 3363 6363

kommunikation@
nationalbanken.dk

THE DANISH ECONOMY IS IN A BETTER STATE THAN THE RUMOURS SAY

The large, labour-intensive industries in Denmark have seen considerable growth in recent years. However, the economy as a whole has been subdued by strong contraction in a few industries, i.e. oil extraction and sea transport with relatively few employed.

That is one of the key messages in Danmarks Nationalbank's report *Monetary Review, 2nd Quarter 2016*, which is published today.

The industries showing particularly strong performance are business services (e.g. lawyers, consultants and cleaning firms) and manufacturing. In the latter, value added in nominal terms has increased by 25 per cent since mid-2013, when the economy began to recover, while business services has grown 19 per cent. Conversely, there has been a sharp dive in sea transport and especially oil extraction, which has shrunk by no less than 63 per cent.

"This shows that the Danish economy is actually in a better state than we often hear. Obviously, container transport and oil production are part of the economy. But the downturn is attributable to factors – oil prices and freight rates – of a global nature. If we look at domestic activity, the economy is in fact moving forward at a good pace," says Governor Lars Rohde, Danmarks Nationalbank.

The industry breakdown also explains why there has been a strong rise in employment over the last year despite moderate GDP growth.

Looking ahead, productivity growth is expected to recover somewhat, and growth in real GDP is forecast at 1.0 per cent in 2016, rising to 1.6 per cent in 2017 and 1.8 per cent in 2018. From the 1st quarter of 2016 to the end of 2018, employment is expected to increase by 60,000 persons.

SOLID EARNINGS IN THE DANISH BANKING SECTOR

The Danish banking sector is generally performing well at the moment – the banks are earning money while also observing the current capital requirements. Even in stressed scenarios.

That is one of the conclusions in Danmarks Nationalbank's report *Financial stability, 1st Half 2016*, which is published today.

The low interest rates and weak demand for new loans are, however, squeezing bank earnings. In this light, it is surprising that the largest Danish banks have set targets for return on equity that are well above their shareholders' expectations.

"An excess return of this magnitude could make it necessary for the institutions to increase risk if they want to meet their own high targets. Higher leverage or more risky lending is not the way forward. Since the financial crisis, the banks have become safer. It is important to continue along this path. Those who have an appetite for risk should invest in other assets than bank shares," says Lars Rohde.

For more information, see News from Nationalbanken.

Enquiries can be directed to Julie Holm Simonsen on tel. +45 3363 6022.