

# Flash Comment Denmark

## Greenland has only limited impact on the Danish economy

- The conflict over Greenland is unlikely to have any significant effect on the Danish economy directly. However, Denmark is very reliant on the US.

Over the past week, the US administration has repeated its interest in making Greenland part of the US instead of it being a largely independent part of the Danish realm. Politically, that is of course a very important issue for Denmark, but not for economic reasons.

Greenland has its own national accounts and is not included in Danish GDP but if it was, it would constitute 0.8% of it, reflecting its small population and a slightly lower GDP per capita. It is also not an especially large trading partner for Denmark, as only about half a percent of goods that move in or out of Denmark are moving to or from Greenland. Much has been written about potential mineral resources in Greenland, but in 2023, the most recent data, production within mining and quarrying was just DKK 197m. Hence, Greenland is not a critical source of raw materials.

Close to half of government spending in Greenland is financed by a block grant from Denmark. From a Danish government perspective however, it is far less significant. The grant was DKK 4.8bn in 2024, equivalent to 0.3% of total Danish government spending. On top of that, though, there is significant Danish spending on security and defence, which is also planned to increase significantly over the coming years. Both government finances and the wider economy in Greenland are under pressure, as highlighted in a new [report](#) from the Danish central bank (which is also the central bank for Greenland as it uses DKK as its currency). The population is ageing and declining, there is a lack of qualified labour, and the economy relies heavily on fishing which is volatile and hard to grow. Hence, it looks likely that Greenland will continue to need economic support even if it moves towards more independence.

While Greenland is not very important for the Danish economy, the US certainly is. It is the destination for more than 20% of Danish goods exports. Most of those exports come from Danish production abroad, mostly within the US itself. For example, Novo Nordisk has large production within the US. If the US were to use economic sanctions against Denmark over the Greenland issue, it would be difficult to use tariffs, as they could only affect goods that physically cross borders. Also, the EU as a whole would likely retaliate against tariffs even if they are only targeting Denmark. However, the administration might create more or less explicit roadblocks against Danish companies with large activity in the US.

Not only Danish companies are invested in the US, pension money is too. Pension funds hold DKK 1.4tn of US portfolio investments, of which 84% is equities. There have been reports of Danish pension funds reducing their investments in the US, but it will likely prove difficult for them to do on a large scale, given the size of pensions savings in Denmark and the importance of US companies in the global equity market.

### Small in economic terms

Greenland share of combined Denmark-Greenland (%)	
Area	98.1
Population	0.9
GDP	0.8
Mining and quarrying	0.7
Export*	0.5
Import*	0.6
Government spending**	0.3

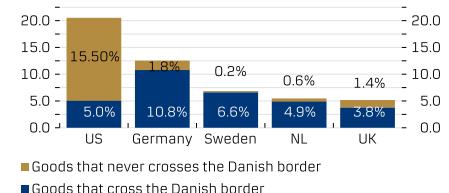
\*share of Danish goods trade going to/from Greenland

\*\*block grant to Greenland as % of Danish government spending

Latest available data. Source: Statistics Denmark, Statistics Greenland, Danske Bank

### Denmark's US exports are not often from Denmark

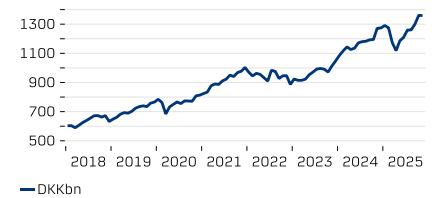
#### Share of Danish goods exports, 2024, %



Source: Statistics Denmark, Macrobond, Danske Bank

### Rapidly growing portfolio investments

#### Danish L&P portfolio investment in the US



Source: Danmarks Nationalbank

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