Ministry of Finance

Economic Survey
December 2021

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1. Summary

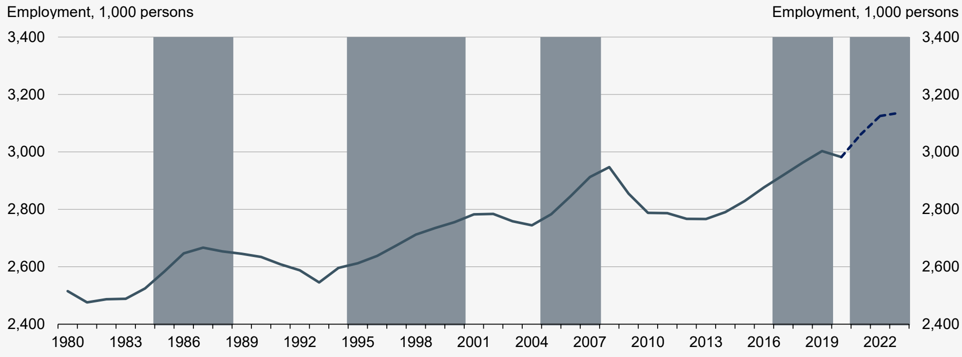
1.1 The current economic outlook

During the autumn and winter, the corona pandemic flared up again both domestically and abroad, and in Denmark, among other things, restrictions on nightlife have been reintroduced. The development emphasises that the pandemic is not over, and due to the development in infections there will also be economic consequences for parts of the economy. The further course of the pandemic and the spread of a new worrying variant entails great uncertainty about the outlook for the Danish and international economy, including through possible disruptions in the global supply chains.

However, Denmark and the Danish economy are in a completely different situation compared to just a year ago. More than 75 per cent of the population is vaccinated today and the Danish economy has quickly returned to a boom with high employment and low unemployment. More people have a job than ever before, and the unemployment rate is the lowest in 12 years. The prospects for a continuation of growth in activity and employment are good despite the labour market pressures, *cf. figure 1.1.*

During the corona pandemic, the households have increased their savings by an extraordinary amount due to reduced consumption options, business confidence is generally high and the increased activity level is broad based across industries. Thus, so far the Danish economy has recovered quickly and has been relatively unscathed by the corona crisis. At the same time, no clear imbalances, which would require a subsequent adjustment, have developed in the economy. Nevertheless, the pressure on the available resources in the economy has increased, and constraints on the production side of the economy are setting limits for growth.

Figure 1.1
The Danish economy is experiencing a boom with rising employment



Note: Shaded areas indicate periods with booms. Dotted line shows forecast.
Source: Statistics Denmark and own calculations.

In addition to a tight labour market, many businesses are experiencing a shortage of materials due to global supply chain bottlenecks and a high global demand for goods. Furthermore, weather conditions and high demand, among other things, have led to higher energy prices, and thereby increasing production costs and inflation. This contributes to moderating growth and increasing uncertainty.

At the same time, there is still great uncertainty about the future course of the corona pandemic. The spread of infections has flared up again during the autumn and winter, which has led to the reintroduction of restrictions across countries. The need for restrictions has been heightened by the emergence of the virus variant, omicron, which is more contagious, though its severity in relation to how sick people will be is still unknown. The necessity of restrictions must be seen in the context of the greater potential costs if the development in infections were to spin out of control and thereby could lead to even greater costs to the economy and overall health.

The forecast assumes that the spread of infection will contribute to a slightly more subdued development in the economic activity in the coming months as a result of behavioural changes, restrictions and possible new disruptions to global supply chains. During previous waves of infections and introductions of restrictions, the Danish economy was resilient, as activity was quickly restored subsequently. Therefore, the possible dampening effect from the development in infections is not considered to fundamentally change the growth prospects and the prospect of continued high pressure in the economy.

Based on these assumptions, the Danish economy is expected to grow by 2.8 per cent in 2022 and by 2.1 per cent in 2023 following GDP growth of 3.9 per cent in 2021. The growth in activity is expected to increase employment by more than 75,000 people from an already high level in 2021. A soft landing is still expected with a gradually slower rate of growth. However, there is also a risk that the capacity pressures in the economy will grow further in the coming years, which could lead to a subsequent hard slowdown if they become unsustainable. The Danish Finance Act for next year helps to alleviate the pressure in the Danish economy, *cf. section 1.2.*

Prospects for continued progress in the Danish economy, but at a slower pace

Denmark has so far weathered the corona crisis fairly well, both in terms of the impact on health and the economic impact. Denmark is among the countries that have had the lowest excess mortality during the pandemic, and was among the countries that first reached the pre-crisis level for economic activity and employment, *cf. figure 1.2.* Thus, activity already exceeded the pre-pandemic level by the second quarter of 2021, and further progress in the third quarter brought GDP more than 2 per cent above the pre-pandemic level in fourth quarter of 2019, *cf. figure 1.2.* The progress means that the Danish economy is back in a boom, with economic activity expected to be above the structural level, and where there will continue to be pressure on the available economic resources.

Since the reopening in the spring of 2021, there has especially been a large increase in private consumption, *cf. figure 1.3.* Households have increased consumption to a fairly normal extent seen relative to their income, and there are signs that prior consumption patterns are resuming, as particularly consumption of services has increased. The possibility of having frozen holiday funds disbursed in the fall of 2020 and spring of 2021 has supported and stimulated consumption.

The progress in the Danish economy should also be seen in connection with the growth in the export markets. Denmark was among the first countries to reach pre-crisis activity levels measured by GDP. However, other countries are also well on their way back, which benefits the opportunities for Danish exports. Since mid-2020 exports of goods have had a positive trend, and the latest figures also indicate improvement for the export of services. However, service exports remain significantly below pre-pandemic levels due to travel restrictions and behavioural changes, which have particularly affected tourism revenues.

Figure 1.2
GDP is back on the previous growth path

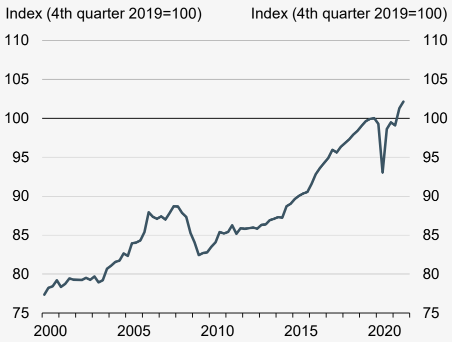
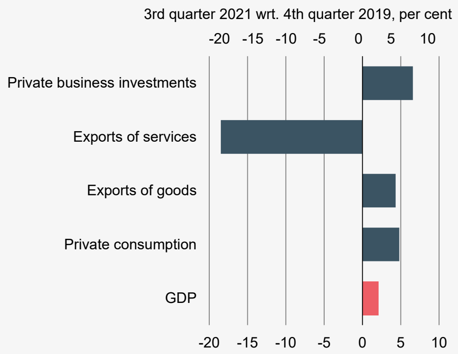


Figure 1.3
Large parts of demand are above the pre-pandemic levels



Source: Statistics Denmark and own calculations.

Business confidence has risen to a relatively high level, and many companies have increased their equity during the corona crisis. This provides a good basis for increasing the volume of investments as capacity utilisation increases during the coming years. In general, companies seem to be weathering the pandemic fairly well. In severely affected industries, the financial support packages have prevented bankruptcies in otherwise viable companies.

The progress in the Danish economy is reflected in significant employment growth. Wage earner employment reached a record level in May of 2021 and has subsequently continued to increase. In total, employment for wage earners has increased by almost 120,000 persons from January to September this year. This is substantially more than previously expected.

Employment has increased across industries, and in particular, there has been great progress in industries that were previously the most affected by the development in infections and restrictions. This applies to hotels and restaurants, culture and leisure as well as trade and transport. Employment in these industries is now above or close to the level before the pandemic. In other industries, the employment is at an even higher level. In particular, this is true for the construction sector, and at the same time, there were more than 25,000 more employed within health and social care as compared to before the pandemic.

As employment has increased, unemployment has fallen to less than 90,000 persons, *cf. figure 1.4.* A tighter labour market is also reflected in the number of job postings and vacancies, and many companies are experiencing recruitment challenges, *cf. figure 1.5.* Continued growth in employment will to a large extent be contingent on a larger labour force, as unemployment can't continue to decrease at the current pace. The workforce is set to expand by up to 35,000 persons in 2022, mostly structurally. The structural increase is primarily driven by the impact of later retirement and an inflow of foreign labour, which currently constitutes an important buffer for the labour market. The good employment opportunities also give people with looser connection to the labour market the opportunity to find employment in the coming years.

Figure 1.4
Unemployment has decreased to less than 90,000 persons

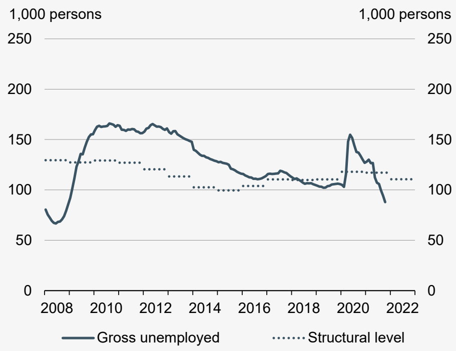
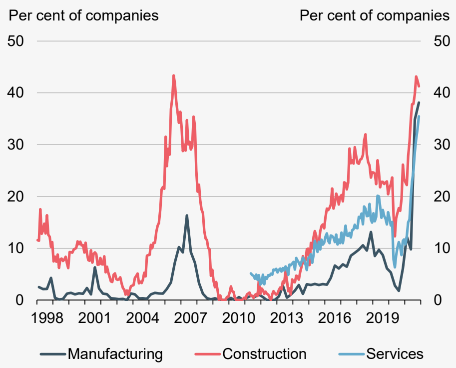


Figure 1.5
Many businesses experience difficulties recruiting



Note: In figure 1.4 the dotted annual levels indicate the estimated structural unemployment level. Own seasonal adjustment in figure 1.5.
Source: Statistics Denmark and own calculations.

At the same time, the rapid growth in global demand means that many companies – especially within the manufacturing sector – are experiencing a shortage of materials and equipment to such an extent that it is limiting production, *cf. figure 1.6*. These shortages should not only be seen in the context of an increased global economic activity, but also temporary production disruptions due to the corona pandemic and bottlenecks in global supply chains. The pressure is reflected in increasing prices on raw materials and other inputs for production. Additionally, in the autumn there has been a sharp increase in energy prices, especially for gas and electricity, to a significantly higher level than before the pandemic. Several factors have contributed to this development, including weather conditions and increased demand for gas within the manufacturing and transport sectors, *cf. chapter 7.*

The rising prices increase companies' production costs and this is reflected in the producer prices, which measure the producers' sales prices, *cf. figure 1.7.* Producer prices typically fluctuate more than consumer prices, partly because producer prices only make up a part of the total costs of businesses in the retail sector, and partly because the retail sector will not let temporary price changes directly pass through to their sales prices. If companies' costs increase further, or remain high for a longer period of time, the increased production costs will to an increasing extent be passed on to consumer prices. The higher energy prices also affect consumer prices directly through, for example, expenses on electricity and heating of homes as well as for expenses on fuel for vehicles. This will contribute to a decreased purchasing power and a slightly more subdued development in consumption than would otherwise have been the case.

Figure 1.6
Big shortages of materials and equipment

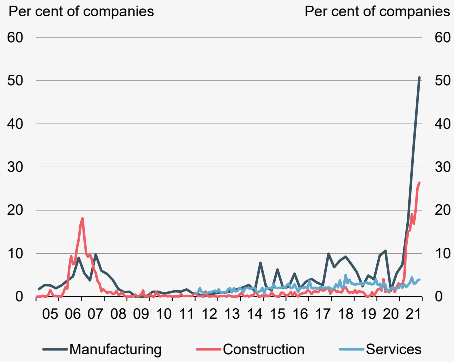
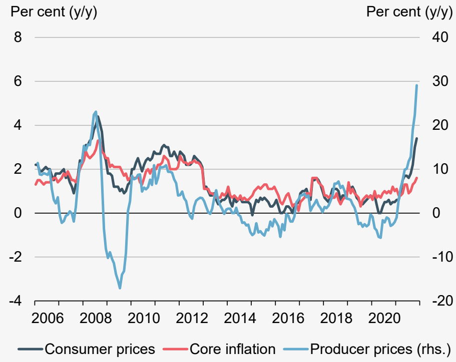


Figure 1.7
Core inflation is still moderate

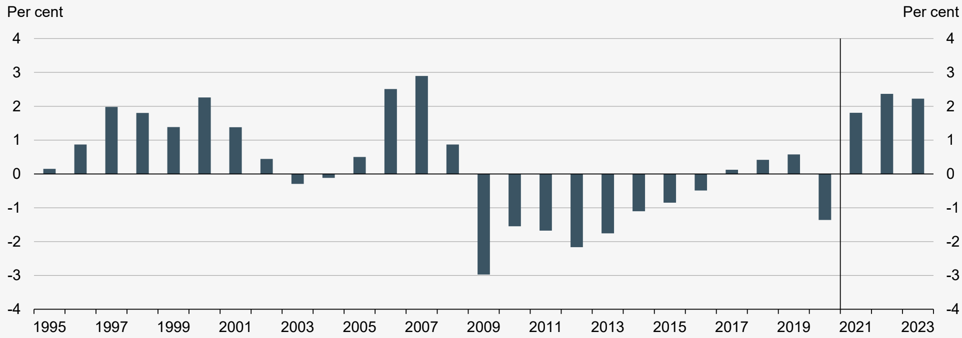


Note: Own seasonal adjustment in figure 1.6. Producer price index for goods in figure 1.7 depicts the total price developments in the first commercial transaction for goods produced in Denmark. Core inflation shows inflation excl. energi and unprocessed foods.
Source: Statistics Denmark and own calculations.

The assessment is that a part of the current pressures on capacity and prices is extraordinary and temporary in nature, and that these pressures therefore will subside gradually. However, the underlying capacity constraints will contribute to a continued pressure on the available resources in the economy in the coming years. Thus, the output gap is expected to increase, such that production will be around 2 per cent above the neutral level in 2022 and 2023, *cf. figure 1.8*. This is roughly in line with the size of the output gap during the boom from the end of the 1990s, which ended with a relatively soft landing. On the other hand, the output gap is expected to remain smaller than during the boom in 2005-2007, when the Danish economy overheated, and a house price bubble emerged.

Throughout the corona crisis, the housing market has developed somewhat unusually, with very strong demand. Among other things, this may be due to changed preferences and fewer consumption opportunities during the pandemic. Against this background, some housing demand has probably been moved forward, and therefore sales are now lower than in the beginning of 2021. Housing sales seem to have returned to a more normal level during the autumn, and house price increases have slowed, *cf. figure 1.9*. Based on this, house prices are expected to develop at a more subdued pace in the coming years, even though the Danish economy is experiencing a boom, where house prices usually grow relatively fast. This should also be seen in the context of the expectation of slightly higher interest rates.

Figure 1.8
The pressure on the economy is reflected in an increased output gap



Note: Output gap measures the difference between actual and structural GDP.
Source: Statistics Denmark and own calculations.

Therefore, there are no signs of a bubble-like development in line with the situation in the mid-2000s. The development also differs with respect to the household debt ratio, which continues the downward movement seen in recent years, *cf. figure 1.10*. Thus, there are no signs of unsustainable borrowing that can push up housing demand and consumption. This alone reduces the risk of a hard landing for the Danish economy.

Figure 1.9
More subdued house price development

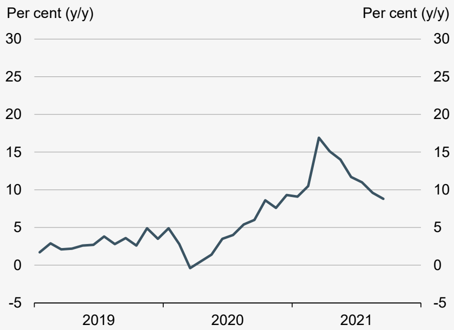
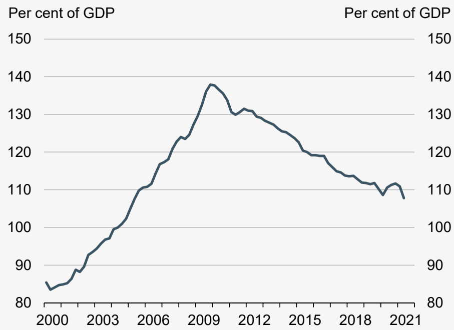


Figure 1.10
Households' debt ratio has fallen



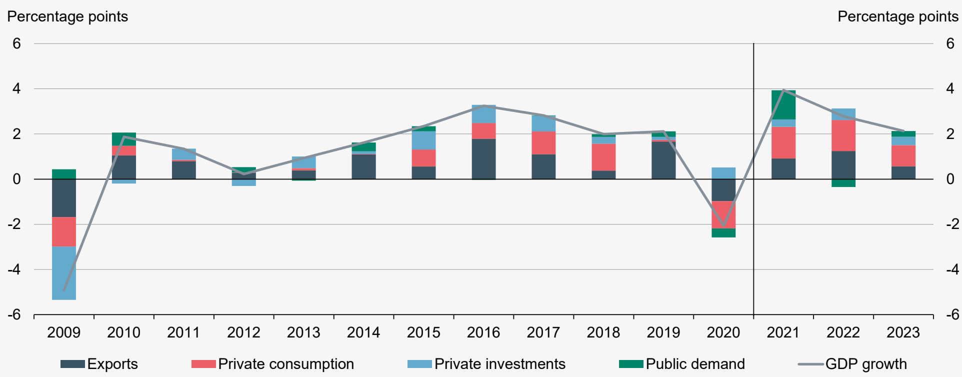
Note: Households' debt ratio is measured by the households' financial liabilities divided by GDP.
Source: Statistics Denmark, BIS and own calculations.

The absence of imbalances, which would otherwise require a subsequent adjustment, supports the foundation for further economic progress in the coming years, where growth is expected to be mainly driven by private consumption and exports, *cf. figure 1.11*. Households have extra savings as a result of fewer consumption opportunities and the disbursement of frozen holiday funds during the corona pandemic. Furthermore, consumption was relatively low with respect to incomes before the pandemic, thereby providing significant potential for growth. Additionally, the repayment of excess housing taxes will support consumption, especially in 2023.

The international organisations expect that the global recovery will continue, and project good economic progress on Danish export markets. Therefore, exports will also be an important driver for economic growth in the coming years. Public demand has supported activity during the corona pandemic until now, but a deceleration and a tighter Budget Bill implies that the public demand – seen in isolation – will dampen growth and the pressure on capacity in 2022.

The projected growth rate of 3.9 per cent in 2021 will be on par with the growth rate in 2006, when the Danish economy was also experiencing a boom. The high pressure on capacity in the economy is expected to increasingly restrain economic growth in the coming years. Thus, growth is expected to continue but at a slightly slower pace in 2022 and 2023 with growth rates of 2.8 per cent and 2.1 per cent respectively.

Figure 1.11
GDP growth is expected to be driven by private consumption and exports



Note: Figure shows contributions to GDP growth, which have been adjusted for import content.
Source: Statistics Denmark and own calculations.

Risks and uncertainty

A number of factors can have an impact on when the current boom will end and how a slowdown or economic downturn will occur. Eventually, the activity will have to adjust towards a normal rate of capacity utilisation. This can happen either gradually or more abruptly. In this forecast, it is assumed that the economy will continue to be above the normal level of capacity utilisation in 2023, and therefore will be in a situation where the pressure on the resources in the economy will continue to be significant.

However, it is expected that this pressure will not become unsustainable, and thus that an overheating will not occur. This expectation is mainly due to the fact that there are no clear imbalances in the economy, which could provoke and/or amplify a downturn in the economy. In addition, some of the current pressure is due to the current pace of growth, which has been extraordinarily high. If growth in the Danish economy, including within the labour market, does not slow, it could lead to a period of excess optimism among households and companies, unsustainable wage and price increases as well as increased borrowing. Historical experiences suggest that such developments can happen quickly.

A slow-down could also be caused by other factors. If energy prices remain at a high level or if companies to a larger extent pass on price increases on inputs to consumers, the decrease in purchasing power and possible effects on confidence in the state of the economy could affect consumption.

Additionally, there is still high uncertainty associated with the further spread of infections. The pandemic has flared up again during the autumn and winter, and the new worrying virus variant, omicron, seems to be spreading globally. Many countries have been affected and restrictions have been reintroduced across countries. This could affect the Danish economy through both reduced demand and new disruptions to global supply chains. As has previously been the case during the corona pandemic, increased spread of infections could also lead to changes in behaviour, which can have a dampening effect on activity, *cf. box 1.1*.

Box 1.1
A rekindled pandemic could lead to lower acitivity, especially within parts of the service sector

The corona pandemic has flared up again during the autumn and winter both domestically and abroad. As has been the case previously during the pandemic, higher infection rates can lead to behavioural changes but also warrant restrictions or actual lockdowns of parts of the economy, which could dampen activity through a combination of decreased demand, supply constraints and new disruptions to global supply chains.

Households and businesses can respond to an increasing infection rate by changing behaviour. This stems from a desire to avoid infection, either for one's own sake or for the sake of others. Examples of behavioural changes could be limiting social contact, staying more at home or going out less to e.g. restaurants, events or shops. Behavioural changes can happen either at the own initiative of people or at the request of the authorities.

During the first and second wave of infections in Denmark, initiatives have included the use of face masks, corona passports, home schooling and working from home, but also periods with lock-downs of contact-intensive service businesses such as department stores, restaurants, sports facilities and hairdressers. The current development in infections has led to new initiatives, which, among other things, involve the closure of nightlife as well as limits on larger concerts and events.

Regardless of the development and management of infections domestically, the Danish economy will be affected by the development of infections internationally. Higher infection rates abroad is expected to dampen activity and reduce the overall demand for Danish exports. For instance, higher infection rates abroad could limit the activity in tourism going in and out of Denmark.

Nevertheless, there are signs that households and businesses to a large extent have learned to adapt to the corona pandemic. This is for example reflected in the fact that while GDP fell by 6.3 per cent during the first wave of infections (second quarter of 2020), the decline during the second wave was significantly smaller at just 0.4 per cent (first quarter of 2021) – albeit from a lower level. During the second wave of infections, there was, among other things, growth within the construction and manufacturing sectors, while some of the affected service industries, such as the retail sector, also experienced a significantly smaller decline compared to the first wave. Greater use of online sales channels as well as more experience with working from home contributed to this difference. At the same time, financial support packages have been crucial in limiting the decline in activity and employment as well securing the incomes of households. Through these channels, the support packages have helped to reduce uncertainty, which on its own can make households and companies more cautious.

Box 1.1 (continued)
A rekindled pandemic could lead to lower acitivity, especially within parts of the service sector

The emergence of the new, worrying virus variant, omicron, constitutes a particular element of uncertainty with respect to the further course of the pandemic. In a risk scenario where further restrictions are introduced corresponding to during the wave of infections last winter, it is assumed that growth in the first quarter of 2022 will be -0.4 per cent instead of an expected increase. In isolation, this gives rise to a lower growth rate for GDP in 2022 of approximately 0.2 percentage points, while employment is reduced by 4,000 persons, *cf. table a*.

Table a
Stylised alternative scenario with a setback in the first quarter of 2022 in line with first quarter of 2021

2022	Forecast	Alternative scenario
GDP, real growth, per cent	2.8	2.6
Employment, 1,000 persons	3,125	3,121

Note: In the alternative scenario, a setback of 0.4 per cent in the first quarter of 2022 is assumed, which is mostly driven by households' consumption of services. Additionally, it is assumed that the GDP level already by the second quarter of 2022 will reach the same level as assumed in the main forecast.
Source: Statistics Denmark and own calculations.

Box 1.2

The basis for the forecast and changes since last forecast

The forecast is based on the preliminary national accounts covering the third quarter of 2021, as well as a number of economic indicators, which for the most frequent reach into December.

Since the assessment in *Economic Survey* of August, new figures for economic activity and employment, among other things, have become available. In line with the expectations in august, the development in activity as measured by GDP has continued at a slightly slower pace relative to the very high growth during the reopening in the second quarter. Thus, only marginal changes have been made for the growth forecasts for 2021 and 2022, *cf. figure a*. However, the approximately unchanged growth forecast hides a stronger increase in domestic demand, while forecasts for exports have been revised down due to the development in the exports of services. For 2023, which is a new forecast year, it is assumed that growth will slow down further.

On the labour market, progress has been significantly greater than previously expected. This is reflected in the upward revisions of growth in employment this year and next year. The increase in employment from 2020 to 2022 is now expected to be more than 140,000 persons, whereas the increase was estimated at 75,000 persons in august, *cf. figure b*. In 2023, the development in employment is expected to level off.

The larger increase in employment is also reflected in a higher output gap than previously assessed. The increasing pressure in the economy has also caused a high inflation, though the increase in inflation to a large extent is contingent on temporary factors.

Figure a
GDP growth

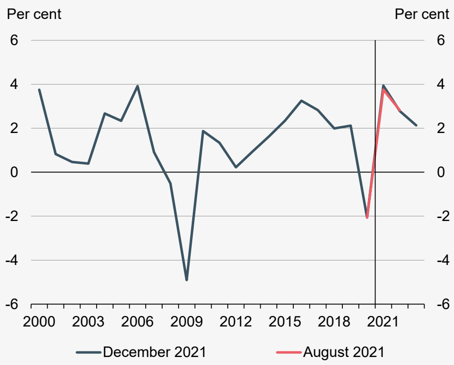


Figure b
Employment

Source: Statistics Denmark and own calculations.

1.2 Fiscal policy and public finances

Since outbreak of the corona crisis in 2020 the fiscal policy has been targeted and expansionary. With compensation schemes, payment of frozen holiday allowances and stimulus measures, the fiscal policy has reduced the setback of the economy. Together with the reopening of society in the spring, the fiscal policy contributed to a rapid progress for the Danish economy. In light of the recent development in infections, compensation schemes have been reintroduced to support firms and wage earners.

The economic progress has been quicker than previously expected. The output gap, which is a measure of the pressure on the economy, is now estimated to be approximately 1.8 per cent in 2021, while the estimate was 0.5 per cent in the August survey, *cf. figure 1.12.* The economic upturn is projected to continue in 2022 and 2023, where the output gap as well as the employment gap is estimated to be above 2 per cent. Thus, both production and employment are estimated to exceed their structural levels, *cf. table 1.1.*

Figure 1.12
Projection of economic upturn with positive output gaps from 2021

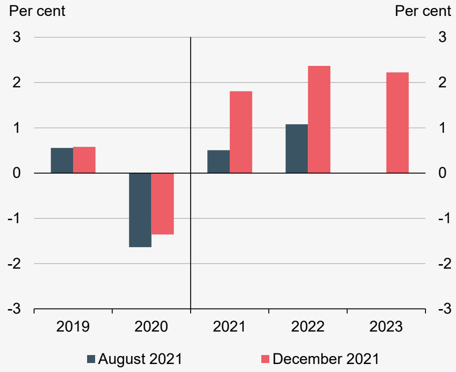
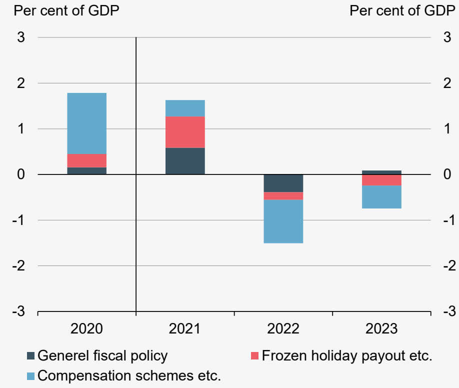


Figure 1.13
Fiscal policy is tightened in light of the improvement of the cyclical position



Source: Economic Survey, August 2021.

Given the strong improvement of the cyclical position of the Danish economy, the fiscal policy is tightened in 2022 relative to 2021. The one-year fiscal effect – which measures how much changes in the fiscal and structural policy in a given year affects GDP compared to the previous year – is estimated to be -1.5 per cent of GDP in 2022, *cf. figure 1.13.*

Along with the proposal of the Budget Bill for 2022 in August this year, the one-year fiscal effect in 2022 was estimated to be -1.9 per cent of GDP. The difference to the current estimate reflects among other things a lower estimate of the expenses to wage compensation schemes in 2021, which in itself does not reflect that the planned fiscal policy in 2022 has become less tight. Meanwhile, additional expenses related to covid-19 has been budgeted due to the current development of infections and the emergence of the omicron variant.

The isolated effect of the Agreement of the Budget Bill for 2022 on the one-year fiscal effect is estimated to be -0.1 per cent of GDP. This can primarily be attributed to two elements in the agreement, partly the elimination of the deduction for home improvement services in the so-called BoligJob-ordning from 1 April 2022, where the revenue is not used for other initiatives in 2022, and partly the postponement of renovations projects within the framework of the National Building Foundation, *cf. box 1.3*

Box 1.3
Agreement on the Budget Bill for 2022

- **Better conditions for children, young people and adults enrolled in education –** Funds are allocated to improve education for teachers, after school care, better opportunities for delaying start of school, lowering the maximum number of pupils to 26 in grade 0-2, extraordinary improvement of FGU as well as increasing the taximeter for general adult educations.

- **Free dental care for young people (18-21 years old) –** Funds are allocated to provide free dental care for young people through the child and youth dental care, as well as digital dentist selection.

- **Better help and support to disabled people –** Funds are allocated to boost the evaluation of the specialised social area, expansion of warning rules and "more active aid hours, fewer availability hours".

- **Strengthened comfort and presence before, during and after giving birth –** Funds are allocated to improve the circumstances for pregnant and birth giving women.

- **Worthy elder care** – 125 million DKK per year will be allocated to worthy elder care.

- **Climate and environmental efforts** – Additional funds are allocated to targeted climate and environmental efforts, such as expansion of sustainable energy, CO_2-capture, a drinking water fund, better marine environment and climate aid.

- **The Digital Future of Denmark** – 125 million DKK per year from the Fund for Digitalisation will be allocated to various digital initiatives in the public and private sector.

- **Additional initiatives –** Includes among other things the postponement of renovation projects in the general housing sector within the framework of the National Building Foundation, extension of the temporary child allowance in the first half of 2022 as well as a range of other smaller initiatives.

- **Winter packages** – 1 billion DKK is allocated to strengthen the robustness of the hospital service as well as funds for among other things the reduction of the backlog for healthcare personnel from third world countries.

- **Financing** – Compared to the proposed Budget Bill for 2022 in August, the agreement is financed by using the central reserves etc. as well as eliminating the deduction for home improvement services in the BoligJob-ordning from 1 April 2022. The parties behind the agreement has agreed that the revenue from eliminating the deduction for home improvement services in 2022 will not be used to finance other incentives.

The structural budget balance is estimated to be -0.3 per cent of GDP in 2021, -0.2 per cent of GDP in 2022 and -0.1 per cent of GDP in 2023. Thus, the structural deficit is gradually reduced towards the medium term objective of budget balance in 2025. In the August survey, the structural deficit in 2021 was estimated to be -0.5 per cent of GDP, corresponding to the lower limit for structural deficits in the Danish budget law. The improvement of the structural budget balance by 0.2 per cent of GDP in 2021 compared to the estimate in the August survey reflects among other things a lower estimate for those public consumption expenses that are not treated as one-off measures, *cf. chapter 8*. The estimates of the structural budget balance in 2022 and 2023 are unchanged compared to previously.

Table 1.1
Key figures relating to fiscal policy

	2021	2022	2023
Structural budget balance, per cent of structural GDP	-0.3	-0.2	-0.1
Actual budget balance, per cent of GDP	-0.2	1.0	0.8
Net public debt, per cent of GDP	-10.5	-11.0	-11.4
EMU debt, per cent of GDP	37.4	34.1	34.9
Public consumption growth, per cent[1)]	5.4	-1.4	-0.4
One-year fiscal effect, per cent of GDP[2)]	1.6	-1.5	-0.7
Multi-year fiscal effect, per cent of GDP[3)]	3.5	2.1	1.2
Output gap, per cent[4)]	1.8	2.4	2.2
Employment gap, per cent[4)]	1.7	2.7	2.5

1) Public consumption is calculated using the input method incl. depreciations. The estimated growth in the public consumption is technically assumed to be the same using the input and output method. The estimated growth rates in the forecast years are strongly affected by extraordinary expenditures related to covid-19.
2) The one-year fiscal effect is a measure of how changes in the fiscal and structural policy in a given year affects GDP compared to the previous year.
3) The multi-year fiscal effect is a measure of how changes in the fiscal and structural policy in a given year affects GDP (level effect compared to 2019). The effect is incl. contributions from temporary compensation schemes, payment of frozen holiday allowances and public initiated investments etc.
4) Calculated measure of how far production and employment are from their structural levels. When the gaps are positive, it indicates more scarce resources in the economy than under normal cyclical conditions.
Source: Statistics Denmark and own calculations.

The real growth in public consumption is estimated to be 5.4 per cent in 2021 and -1.4 per cent in 2022 based on the Agreement on the Budget Bill for 2022. In 2023, the public consumption growth is technically estimated to be -0.4 per cent. The public consumption growth is strongly affected by the extraordinary expenses related to covid-19 in all three years. When correcting for temporary measures related to covid-19, the public consumption growth is estimated to be 3.1 per cent in 2021, 0.9 per cent in 2022 and 0.7 per cent in 2023, *cf. figure 1.14*. In 2020-23, the average public consumption growth is estimated to be 0.9 per cent, when correcting for temporary measures related to covid-19. This is higher than the growth in the demographic pressure, which is estimated to be 0.5 per cent per year in the same period, *cf. figure 1.15*.

The public employment is estimated to increase by approximately 24.000 people in 2020 and 2021. This development reflects both a general increase in the public employment and a temporarily higher employment in relation to testing, contact tracing and vaccination. On this basis, the public employment is expected to decrease by approximately 4.000 people in 2022 and 2023 combined. At the same time, the structural employment is estimated to increase with approximately 78.000 people from 2019 to 2023, among other things, due to the retirement reform and the influx of foreign labour. This implies that the public employment as share of structural employment is estimated to decline in 2022 and 2023, *cf. chapter 5*.

Figure 1.14
The real public consumption growth is influenced by temporary covid-19 measures

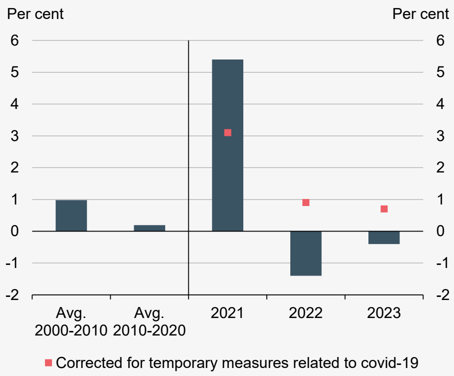
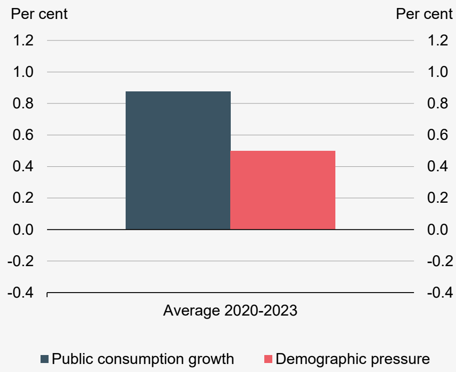


Figure 1.15
The real public consumption growth is higher than the demographic pressure



Note: The real public consumption growth is measured by the input method. The public consumption is calculated ind depreciations. In figure 1.15 the real public consumption growth is corrected for temporary measure relating to covid-19.

Source: Statistics Denmark and own calculations.

Rising public surplus and lower public debt

The actual budget balance is projected to show a deficit of 0.2 per cent of GDP in 2021 and a surplus of 1.0 per cent of GDP in 2022, *cf. figure 1.16*. This is a significant improvement compared to the August survey. This reflects among other things the rapid improvement of the cyclical position of the Danish economy, which contributes to rising revenues from corporate taxes, personal income taxes, VAT and lower expenses to income transfers. Furthermore, the estimate of the revenues from the pension yield tax is revised upwards especially due to a higher return on stocks. The actual budget balance is also improved due to lower expenses to compensation schemes relating to covid-19. The improvement of the cyclical position of the economy contributes to a surplus on the actual budget balance in 2023 as well. In 2023, the surplus declines slightly compared to 2022, which among other things reflects the one-off expenses related to the repayment to housing owners.

Due to the corona crisis, the gross general government debt (measured by the EMU debt) rose to approximately 42 per cent of GDP by the end of 2020 compared to approximately 34 per cent of GDP by the end of 2019, i.e. prior to the corona crisis, *cf. figure 1.16*. The improvement of the Danish economy and the projected surpluses on the actual budget balance are estimated to reduce the EMU debt to approximately 35 per cent of GDP by the end of 2023. Thus, the EMU debt is expected to approach the level from before the corona crisis during the forecast years. Denmark's EMU debt is low in an international perspective and remains well below the limit of 60 per cent of GDP in the Stability and Growth Pact.

The public net debt includes a number of public financial assets, such as the central governments account in Danmarks Nationalbank and shares in a number of companies, e.g. Ørsted. The public net debt is the key concept of debt when assessing the long-term sustainability of fiscal policy. In 2019 – before the corona crisis – Denmark had a negative public net debt corresponding to a public net worth of approximately 6 per cent of GDP. Due to the economic upturn, the public net worth is projected to rise to approximately 11 per cent by the end for 2023, *cf. figure 1.17*. Thus, the public net worth is expected to exceed the previous peak in 2008, where the global financial crisis broke out.

Figure 1.16
Modest public deficits in 2020-21 turn into surpluses in 2022-23

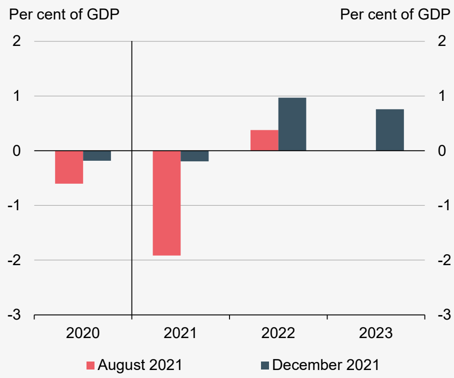
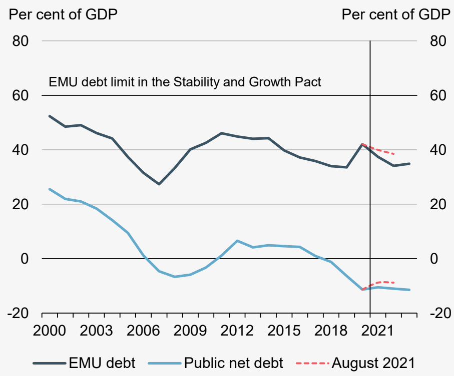


Figure 1.17
Low and declining EMU debt and rising public net worth



Source: Economic Survey, August 2021, Statistics Denmark and own calculations.

1.3 Annex table

Table 1.2
Key figures from the December survey and comparison with estimates in the August survey

	2021		2022		2023
	August	December	August	December	December
Real change, per cent					
Private consumption	3.2	4.3	4.1	3.8	1.9
Total government demand	4.6	5.4	-1.8	-1.5	1.3
- of which government consumption	4.7	5.4	-1.8	-1.4	-0.4
- of which government investments	3.8	5.3	-1.6	-2.5	13.6
Housing investment	13.2	9.1	1.5	3.9	2.1
Business fixed investment	2.4	5.0	5.3	4.7	3.0
Inventories (cont. to GDP-growth)	0.0	-0.3	0.0	0.0	0.0
Total final domestic demand	4.1	4.7	2.3	2.3	1.9
Exports	7.1	3.7	5.8	5.4	3.7
- of which manufacturing exports	9.8	10.3	4.4	3.7	1.8
Total demand	5.2	4.4	3.7	3.5	2.6
Imports	8.2	5.2	5.2	4.9	3.5
- of which imports of goods	10.7	10.9	2.1	3.4	2.1
GDP	3.8	3.9	2.8	2.8	2.1
Gross value added	3.6	3.8	3.1	2.9	2.0
- of which non-farm private sector	4.3	4.8	3.8	3.7	2.5
Change in 1,000 persons					
Labour force, total	23	53	23	35	10
Employment, total	42	79	32	64	11
- of which private sector	26	59	35	67	12
- of which public sector	16	20	-3	-3	-1
Gross unemployment	-19	-25	-10	-29	-1
Cyclical developments, per cent					
Output gap	0.5	1.8	1.1	2.4	2.2
Employment gap	0.6	1.7	1.0	2.7	2.5
Unemployment gap	-0.1	-0.3	-0.3	-1.1	-1.0

Source: Statistics Denmark and own calculations.

Table 1.2 (continued)
Key figures from the December survey and comparison with estimates in the August survey

	2021		2022		2023
	August	**December**	**August**	**December**	**December**
Change, per cent					
House prices (single family homes)	13.1	10.4	3.8	3.3	2.8
Consumer prices	1.3	1.8	1.5	2.2	1.8
Hourly earnings in the private sector	2.6	2.9	2.8	3.4	3.4
Real disposable income, households	2.0	3.1	2.2	2.7	2.3
Productivity in the private non-farm sector	2.7	-0.4	1.1	1.1	2.2
Per cent p.a.					
1-year rate loan	-0.5	-0.5	-0.3	-0.4	-0.2
10-year government bond	-0.1	-0.1	-0.1	-0.1	0.0
30-year mortgage credit bond	1.2	1.3	1.5	1.7	1.9
Public finances					
Actual public balance (DKK bn.)	-46.6	-4.8	9.5	25.0	20.2
Actual public balance (per cent of GDP)	-1.9	-0.2	0.4	1.0	0.8
Structural public balance (per cent of GDP)	-0.5	-0.3	-0.2	-0.2	-0.1
Gross debt (per cent of GDP)	40.0	37.4	38.5	34.1	34.9
Labour market					
Labour force, total (1,000 persons)	3.136	3.166	3.159	3.201	3.212
Employment, total (1,000 persons)	3.024	3.061	3.057	3.125	3.136
Gross unemployment (yearly average, 1,000 persons)	114	107	104	78	77
Gross unemployment (per cent of labour force)	3.6	3.4	3.3	2.4	2.4
External assumptions					
Trade-weighted international GDP-growth	4.5	5.0	4.1	4.0	2.5
Export market growth (manufactured goods)	7.1	8.4	6.2	6.1	4.0
Exchange rate (DKK per USD)	6.2	6.3	6.3	6.6	6.6
Oil price, dollars per barrel	68.8	70.5	70.4	74.4	73.7
Balance of payments					
Current account balance (DKK bn.)	165	181	175	186	174
Current account balance (per cent of GDP)	6.8	7.3	6.9	7.2	6.5

Source: Statistics Denmark, OECD, Macrobond, Danish Confederation of Employers and own calculations.

2. The consequences of the pandemic for economic activity

The corona pandemic has had major health and socio-economic consequences across countries. The world economy declined by 3.4 per cent in 2020, which is the largest decline in a single year since the Great Depression of the 1930s. In the EU, GDP fell by 5.9 per cent. The Danish economy was also hit with large fluctuations in economic activity, and GDP was reduced by 2.1 per cent in 2020.

The pandemic continues to plague the countries of the world. During the autumn and winter, infections have increased again and many countries have reintroduced restrictions. Therefore, there will continue to be economic consequences derived from the development of infections.

However, the Danish economy appears to be out of the economic crisis, as activity and employment already in the second quarter of this year exceeded the level before the corona crisis. Other countries are also well on their way to having recovered activity.

In an international comparison, Denmark has come through the crisis well, both economically and health-wise. There are several reasons for this. Among other things, Denmark was quick to implement comprehensive aid packages, and the various compensation schemes and other stimulating measures have protected the economy and supported the rapid growth. The wage compensation scheme has kept employees close to the businesses, so important job matches have been preserved. Danish industrial production has also been affected less than in many other countries, which should be seen in connection with the fact that the manufacturing industry has not been shut down.

Developments in the pandemic have also had a major impact on individual countries' performance. A rapid and targeted effort to limit the development of infection generally seems to have reduced the economic consequences, partly because an uncontrolled epidemic creates great caution and uncertainty and can lead to tighter restrictions later on.

Although the corona pandemic no longer appears to be putting a severe damper on economic activity, economies are not back at the starting point. There are industries where activity remains lower than before the corona crisis, and where recent infection developments and restrictions may put a damper on the growth that followed the reopening. This is especially true for contact-intensive service industries, which have been particularly vulnerable during the pandemic, both due to restrictions and cautionary behaviour.

Various after-effects of the pandemic also affect economic development. Since the spring, the global economy has been impacted by disruptions in the global supply chains, longer delivery times and rising prices for, among other things, raw materials, energy and freight. In a number of countries, activity is also still affected by the development of infections. This has also been the case recently in European countries.

This thematic chapter takes stock of the extent to which households and businesses have resumed previous consumption and production patterns, where the pandemic has left the economies, and what the possible repercussions are. The conclusions include:

- The countries of the world have been affected very differently by the pandemic, and there is also a big difference in how far the individual countries are in the recovery. Most countries are well on their way, and in Denmark, the United States and a number of European countries, for example, activity is higher than before the crisis.

- The global labour markets are also recovering from the pandemic, although normalisation here is taking a little longer in most countries – but not in Denmark.

- The expansive economic policy and support schemes have – together with a rapid effort to reduce the infections – been crucial for the fact that the economies in general have fared through the crisis so quickly, and that, for example, there have been no major bankruptcy waves or signs of sustained higher unemployment. The crisis and crisis efforts have worsened public finances across countries, but here too Denmark is a special case.

- Private savings have increased significantly during the crisis, and the propensity to save has not yet normalised. Consumption of goods is high, but there are signs that previous consumption patterns are resuming. This can be seen, for example, in the fact that the demand for services is normalising when the spread of infection is low and the economies function freely without restrictions.

- The extraordinarily high demand in the world economy – among other things driven by shifts in the composition of consumption from services to goods during the pandemic – together with production and logistics disruptions has led to pressure on global supply chains and rising prices for raw materials and freight. These after-effects of the pandemic can dampen economic activity for a period of time.

- There are no signs that the crisis will cause major, lasting structural damage in the advanced economies. Investments, for example, have recovered quickly, and unemployment is declining in many countries. However, more long-term consequences may emerge, including supply chains breaking up and challenges in countries with high debt ratios under tighter financial conditions.

2.1 The pandemic has reduced economic activity, but in many countries activity has recovered

The outbreak of coronavirus was declared a pandemic by the WHO on 11 March 2020, and by April 2020, about half of the world's population was to some extent subject to shutdowns, e.g. by being sent home from work or school. As a result, the economic consequences of Covid-19 also quickly became apparent, and the subsequent course of the pandemic was reflected in the economic development across countries.

The pandemic has hit with clear waves in the outbreak in the spring of 2020 and the winter of 2020/2021. Infections have again been on the rise in the autumn and winter of 2021, especially among the non-vaccinated. The epidemic is still dominated by the delta variant, but most recently the new, highly contagious omicron variant has also spread in many countries, including Denmark. However, the spread of vaccinations has curbed the spread of infections. This is also clearly seen in the number of Covid-19 deaths, which have been significantly lower in the autumn than during the previous waves of infections, *cf. figure 2.1*. Denmark is among the countries where the largest part of the population is fully vaccinated, which helps to keep down the number of deaths.

Figure 2.1
Covid-19 has hit in clear waves of infections – vaccines have slowed the development in the autumn

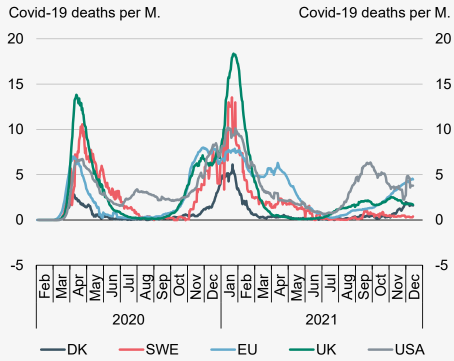
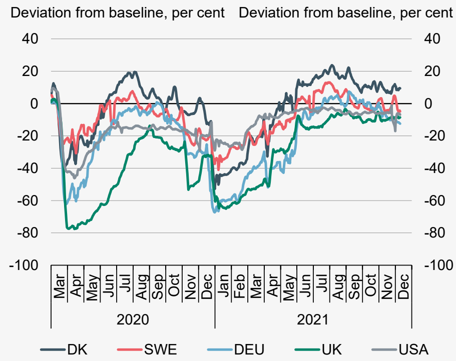


Figure 2.2
The mobility in shops etc. was most affected during the first and second wave of infections



Note: New Covid-19 deaths per day per million inhabitants in figure 2.1. Google's mobility index in figure 2.2 shows how visits and the duration of stay change relative to a baseline made up of the median value for the corresponding day of the week before corona for the shops and leisure category.

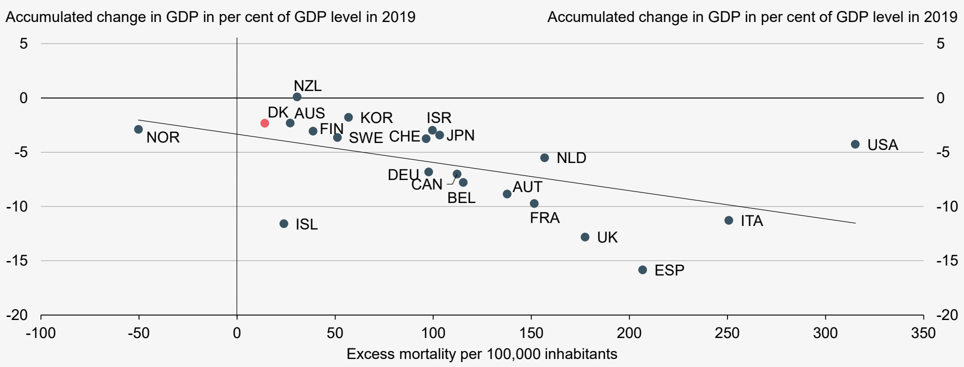
Source: Macrobond, Our World in Data and own calculations.

The pandemic affects economic activity through changes in the behaviour of the population and through the restrictions that have been introduced to curb the spread of infections. Across countries, there have been differences in the severity of restrictions, which reflects both how serious the infection development has been in the individual countries, as well as the specific strategy for infection management.

Both behavioural changes and restrictions show up in mobility. The population has stayed less in places where there will normally be a greater degree of personal contact. The changed mobility has been either voluntary or a consequence of restrictions. Mobility was significantly affected during the first and second wave of infections, while the development of infections in the autumn of 2021 so far only to a limited extent have been shown in mobility, *cf. figure 2.2*. This must be seen in the context of the high vaccine coverage, which reduces the risk of infection, and therefore that the need for strict restrictions is reduced.

Thus, there is a connection between the development of the pandemic, behavioural changes, restrictions and economic activity. Across a number of prosperous countries, there is a tendency for countries with greater excess mortality during the pandemic to also have had a greater decline in GDP, *cf. figure 2.3*.

Figure 2.3
The decline in GDP during the pandemic has been largest in countries with greater excess mortality



Note: The figure is shown for a number of the most prosperous OECD countries measured on average GDP per capita in 2015-2019. Excess mortality is measured as the total mortality from January 2020 to and including June 2021 minus a weighting of the average annual mortality in 2015-2019 and the average mortality in 2015-2019 between January and June. The accumulated change in GDP is measured from the 1st quarter of 2020 to the 2nd quarter of 2021. A similar result is obtained when comparing excess mortality and change in GDP in 2020.
Source: Macrobond and own calculations.

The link between health and the economy may partly reflect behaviour as an uncontrolled epidemic leads to major behavioural reactions, which significantly inhibit economic activity, but also that an uncontrolled spread of infections can lead to a harder lock-down afterwards. Although restrictions alone dampen economic activity, they also help limit the development of infections and thereby the risk of a serious increase in infections, which can mean even tougher restrictions later on, *cf. Ekspertgruppen om en langsigtet strategi for et genåbnet Danmark*.[1] In addition, excess mortality is affected by a number of other factors, such as population density and age composition, just as the decline in GDP is affected by many factors other than the development of infections and pandemic management. This applies, for example, to the composition of industries, the extent of imbalances before the corona, the strength of the social safety nets and the economic-political options for action, etc.

Differences in the countries' industry structure have, for example, meant that some countries were more exposed to this type of crisis. The southern European countries with large tourism industries were hit particularly hard, while Denmark has benefited from having large exports of pharmaceutical products and food, which were not hit by the decline to the same extent. Danish industrial production has also been affected less than in many other countries, for instance due to fewer restrictions. The manufacturing industry was for example not shut down in Denmark, in contrast to a number of other countries.

[1] For a detailed review of this, see for example "Videnspapir. Betydning af Covid-19 for samfundsøkonomien", Ekspertgruppen om en langsigtet strategi for et genåbnet Danmark, 1 September 2021.

In addition, good digital conditions and digital infrastructure have made it possible to use, for example, homework and online sales, which has supported production and consumption in Denmark and in a number of other countries.

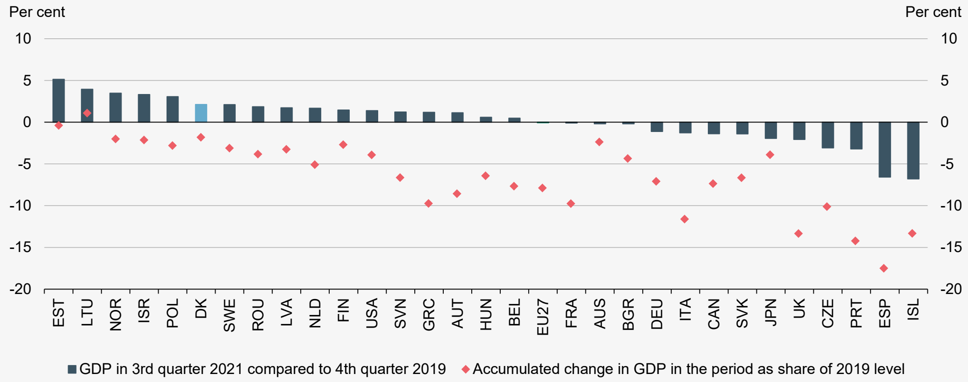
The countries' income levels and the economic situation before the corona crisis have also been important factors for the impact of the pandemic. Some countries have had greater economic leeway to support the economy through economic policies, including through aid packages and other stimulus measures. This is especially true of a number of advanced economies, including the United States and European countries, while several developing economies have had more limited opportunities. In addition, low-income countries, for example, also generally have less well-functioning health and social security systems in the event of illness and less well-functioning digital infrastructure.

Thus, in addition to the extent of the spread of infection, there are a large number of factors that contribute to explaining the impact of the pandemic on the economy in different countries.

Denmark is among the OECD countries that have had the smallest aggregate setback. The accumulated GDP loss from 2020 to the third quarter of 2021 was 1.8 per cent, which is significantly lower than, for example, the loss in the EU as a whole of approx. 7.9 pct. and in Spain of as much as 17.5 per cent.

The relatively good development in Denmark is due both to the fact that the initial decline in GDP was comparatively small and that the growth in activity has been very fast. In Denmark, GDP already reached the level before the start of the pandemic in the second quarter of this year, and in the third quarter GDP was 2.1 per cent higher than before the crisis. In the United States and the EU as a whole, the recovery has also been relatively rapid. In the United States, activity also reached its pre-crisis level in the second quarter of 2021, while GDP in the EU in the third quarter was just 0.1 per cent below the level from the fourth quarter of 2019. In many other countries, activity is still well below pre-crisis levels. It is to a large extent the countries that had the largest total setback that are also currently most below the 2019 level, *cf. figure 2.4*.

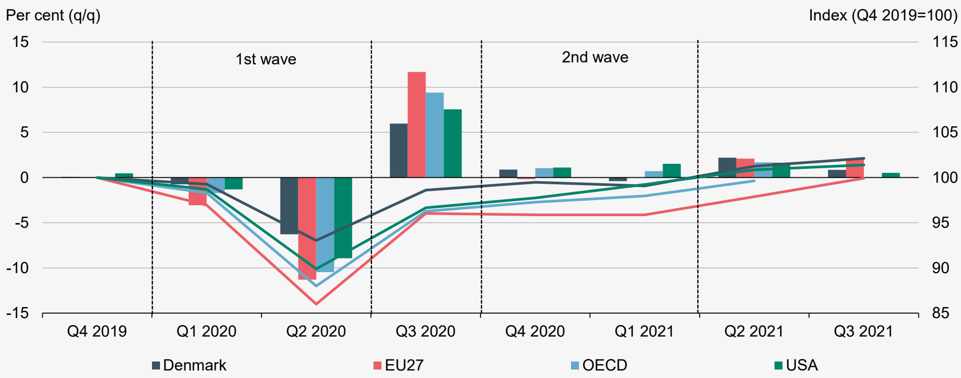
Figure 2.4
In most countries, GDP is now higher than before the crisis



Note: Accumulated change in quarterly GDP (seasonally and calendar-adjusted) from the 4th quarter of 2019 until the 3rd quarter of 2021 as a share of GDP throughout 2019. A negative value thus indicates an accumulated loss.
Source: Macrobond and own calculations.

Although there is a big difference in the economic consequences of the pandemic across countries, it is generally the case that the second wave of infections hit the economies to a much lesser extent than the first wave. There was a large decline in economic activity in the first quarter and especially the second quarter of 2020, while the decline was generally much more limited in the fourth quarter of 2020 and the first quarter of 2021, *cf. figure 2.5*. The United States and the OECD as a whole even experienced growth in both quarters during the second wave despite both increased infection pressure and an increased level of restrictions. Since spring of 2021, activity has really picked up pace in many countries.

Figure 2.5
Big difference in the economic impact of the first and second wave



Note: Bars show quarterly growth rates (left axis), while lines are the indexed GDP development (right axis). The dotted lines surround the quarters that were primarily affected by the first and second wave of infections, respectively. However, the grouping has been simplified as waves and restrictions have had different timings across countries.
Source: Macrobond and own calculations.

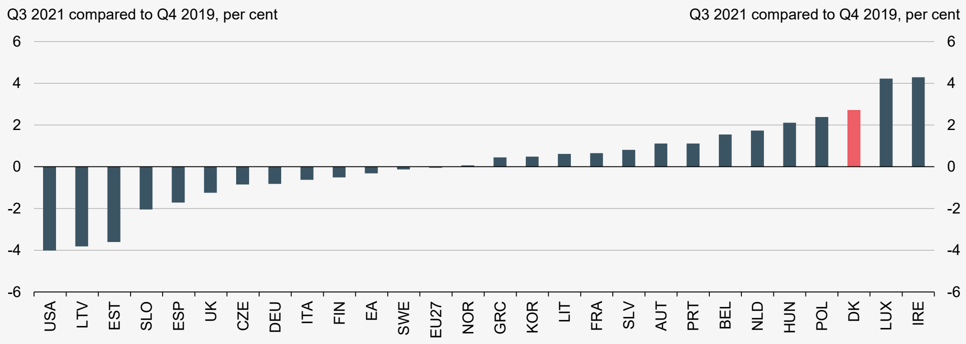
The smaller impact on the activity during the second wave of infections compared to the first wave must be seen in connection with increased experience with the use of working from home, online shopping and shifts in consumption towards goods that require less contact. A significant explanation was also that the uncertainty was significantly reduced in connection with the second wave of infections. This should be seen in connection with a belief that monetary and fiscal policy would continue to support activity and the positive experiences with aid packages, as well as vaccines, which had been developed and were about to be rolled out. The very limited effect on the activity of infection development in the autumn of 2021 should be seen in the context of the high vaccine coverage, which reduces the risk of infections and the need for very strict restrictions.

2.2 Labour markets are well on their way to pre-crisis levels

The growth in economic activity is also reflected in labour markets across countries. After sharp declines in employment in the second quarter of 2020, there has generally been increasing employment, except for a minor dip during the second wave of infections in the first quarter of 2021.

Denmark is among the countries where the downturn in the labour market has been the mildest and where the growth has been the highest. Employment already exceeded the level before the corona crisis in the second quarter of this year and was approx. 2.7 per cent higher in the third quarter. In many other countries, employment remains below pre-corona levels. This applies, among others, to the United States, where employment in the third quarter of 2021 was still approx. 4 per cent below the level in the fourth quarter of 2019. In the EU as a whole, employment in the third quarter was broadly at the same level as before the crisis, but this covers large differences across countries. It is especially the Eastern and Southern European countries that have been adversely affected, but the level also remains lower in for example Germany, *cf. figure 2.6*.

Figure 2.6
In Denmark and a number of other countries, employment is higher than before the crisis



Note: Total seasonally adjusted employment according to national accounts. Only shown for countries where Q3 figures have been published.
Source: OECD and own calculations.

If employment is measured as a share of the working age population, the normalisation is also the most advanced in the EU, where the employment rate is now roughly on par with before the pandemic. In the United States, the employment rate declined markedly during the crisis and has subsequently risen only moderately.

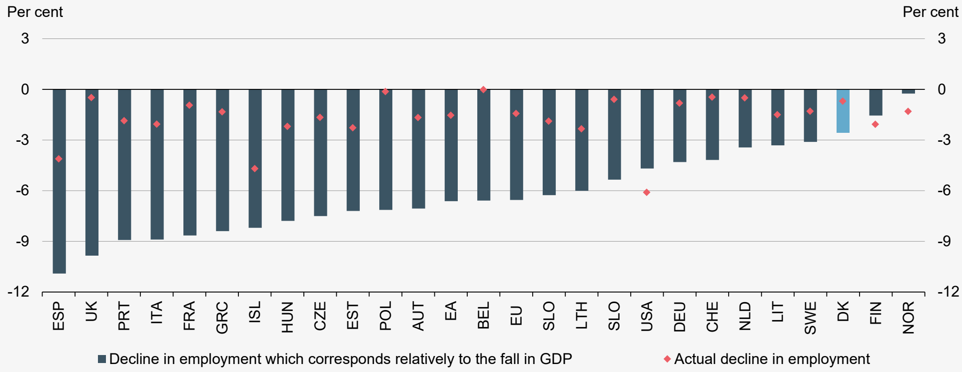
The development of employment is closely linked to the development of economic activity, and therefore there is also a great deal of coincidence between the countries that are lagging behind in the recovery of GDP and in the labour market.

Developments in labour markets must also be seen in connection with the various support and compensation schemes that have been introduced in the individual countries in order to support employment, including, for example, the Danish wage compensation scheme.

Most countries have implemented historically large aid packages during the pandemic. The schemes have helped maintaining jobs, so employment has not declined to the same extent as the fall in activity would immediately suggest. To illustrate a possible magnitude of how much the decline in employment has been limited, it can be assumed that employment in 2020 would have fallen in line with the historical correlation between GDP and employment on the basis of actual developments in GDP. Calculated this way, the decline in employment was approximately 60,000 less in Denmark in 2020 than the decline in activity would suggest. For other countries where the decline in activity has been significantly greater, more jobs have been retained, *cf. figure 2.7*. Using another approach, the OECD has assessed that the schemes for retaining people in jobs have in total ensured the preservation of up to 21 million jobs when the crisis was at its worst.[2]

[2] See OECD Employment Outlook 2021.

Figure 2.7
Employment has declined less in 2020 than the fall in activity suggests

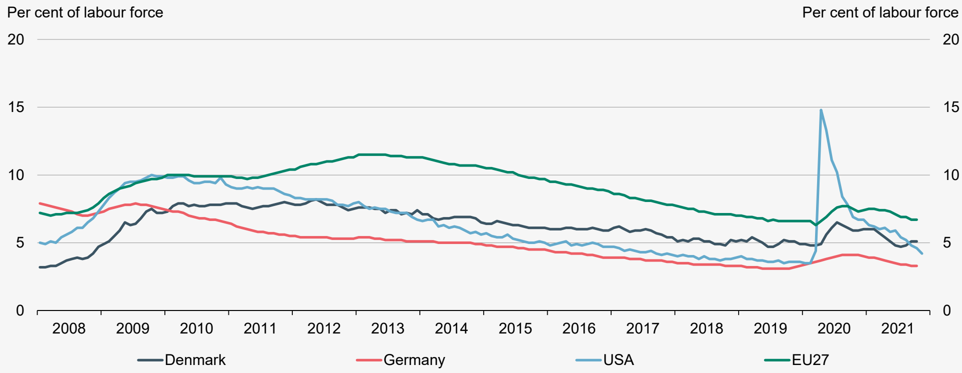


Note: The figure shows the actual decline in employment and the decline in employment, which corresponds to the fall in GDP across countries. The latter is based on a counterfactual calculation (based on the trend ratio between GDP and employment, the actual development of GDP and a counterfactual course of employment).
Source: OECD and own calculations.

The application of different support schemes is also reflected in the development of unemployment across countries. The decline in activity has, for example, been much more clearly reflected in unemployment in the United States, where the number of unemployed has risen sharply, and only to a lesser extent in a number of European countries. Among other things, this must be seen in the context of the fact that the United States' aid packages have not supported employment in the same way as in Europe, but instead been large stimulus packages and income support for the unemployed. In Denmark, there has also been a significant increase in unemployment, but it has fallen relatively quickly again and is now lower than before the pandemic, *cf. figure 2.8*.

Figure 2.8

Aid packages have kept unemployment down in Europe, while the United States has seen a sharp increase

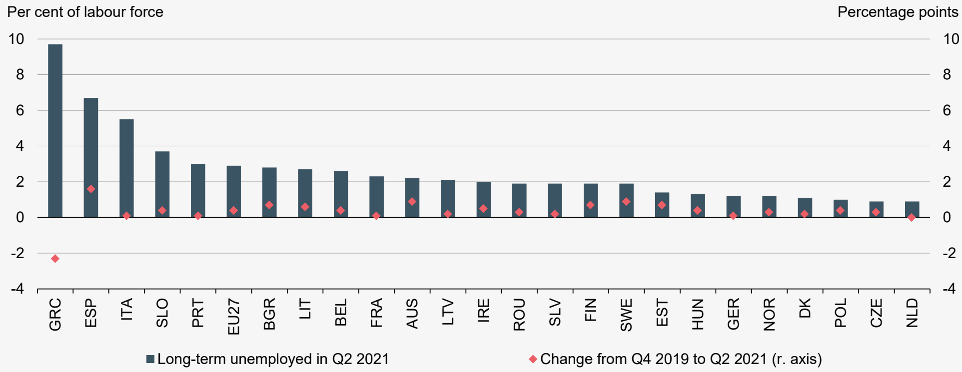


Note: Unemployment among 15-74 year olds according to labour force surveys.
Source: OECD.

Rising unemployment has pushed up long-term unemployment across countries, *cf. figure 2.9*. However, the increase has been relatively moderate, and in several countries the number of long-term unemployed is slowly declining again. This applies to Denmark, among other places. In a number of countries, long-term unemployment also accounts for a smaller share of total unemployment now than before the crisis, including in the EU as a whole. There is thus no current evidence that unemployment has generally taken hold in the form of persistently high long-term unemployment.

The aid packages have supported the development by, among other things, limiting the number of redundancies and thereby maintaining job matches. Dismissal of employees entails loss of business-specific knowledge, just as there are costs for businesses associated with having to find new employees with the right qualifications.

Figure 2.9
Moderate increase in the amount of long-term unemployed



Note: Seasonally adjusted long-term unemployment for 15-74 year olds according to the labour force survey, LFS
Source: Eurostat and own calculations.

In a number of countries, the development in activity has been so fast and the demand so high that it has increased pressure on the labour market. This is reflected, among other things, in the fact that businesses across countries are increasingly reporting shortage of labour as a production constraint. This applies not least in the EU, including Denmark, and the United States. In several countries, there is also a tendency for increasing wage growth rates. This can be seen, for example, in the United States, where the pressure on the labour market in combination with increased inflation expectations and a lower participation rate has begun to affect wages, *cf. chapter 7*.

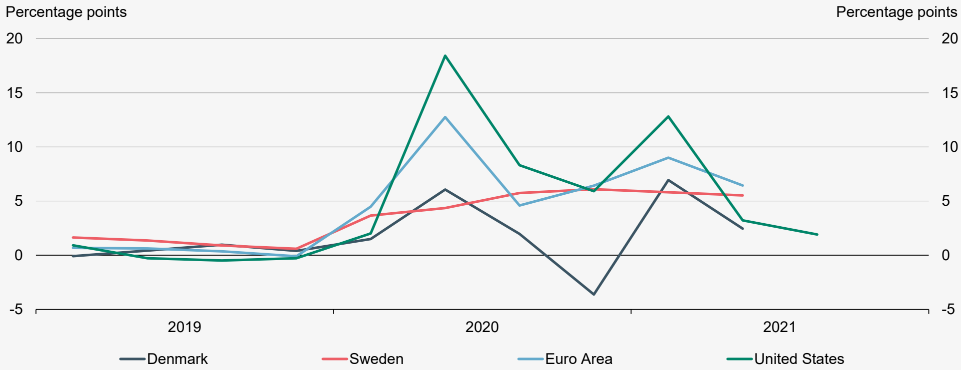
2.3 Households have a large savings surplus, but some normalisation in savings and consumption is in sight

The corona pandemic has had a major impact on household consumption. The development in infections and the associated shutdowns of the economies as well as increased uncertainty have led to significant declines in private consumption – particularly in the second quarter of 2020. The decline has mainly been caused by limitations of the consumption options of households, as a lot of service activity was shut down, including travel, restaurants and hairdressers etc. Increased precaution due to higher risk of unemployment has also played a role, but this has been a less significant factor.[3]

The decline in private consumption is also reflected in an increase in the household savings rate. This should be seen in context of the support by various schemes to household incomes. The savings rate has fluctuated a lot during the pandemic in line with the development of infections and restrictions, *cf. figure 2.10*.

[3] See Svend Greniman Andersen, Nicolai Risager Christensen and Rasmus Mose Jensen: "High savings during corona were driven by restrictions rather than precautionary consumers", Danmarks Nationalbank Economic Memo, no. 2, February 2021 and Dossche, Maarten and Stylianos Zlatanos (2020): "COVID-19 and the increase in household savings: precautionary or forced?", ECB Economic Bulletin, Issue 6/2020.

Figure 2.10
Household savings rates have fluctuated in line with infection rates and restrictions



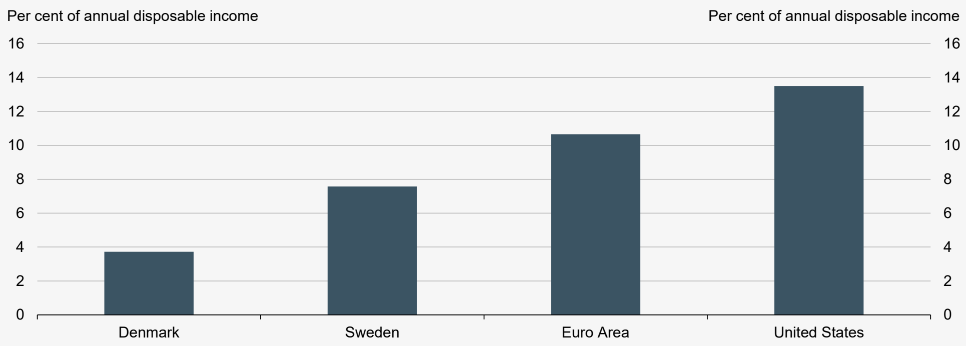
Note: Household saving rates less the average over the period 2017-2019.
Source: Eurostat and Macrobond.

During periods where economies were reopened, including the summer and autumn of 2020, there was a significant normalisation of households' consumption as a share of their income, and thus also large declines in the propensity to save. However, in almost all countries, savings levels remained higher in the second quarter of 2021 than before the corona crisis.

At the same time, there are large differences across countries in the degree of normalisation. These differences should be seen in connection with the development of the pandemic and infection-limiting restrictions, as well as the extent to which support measures have supported household incomes. In the US, the substantial direct payments to households for a number of quarters have entailed that the households' disposable incomes were significantly larger in 2020 than before the pandemic, despite the fact that employment was significantly lower than before the corona crisis.

The higher propensity to save during the pandemic has led to high additional savings in the household sector, *cf. figure 2.11*. The savings can be used for consumption or investment, where the latter primarily consist of housing investments in the case of households. If the households choose to convert parts of the accumulated savings into consumption, the savings rate will be lower than before the corona crisis for some time. As the savings rate is still above the level before the pandemic in most countries, there is potential for continued growth in private consumption.

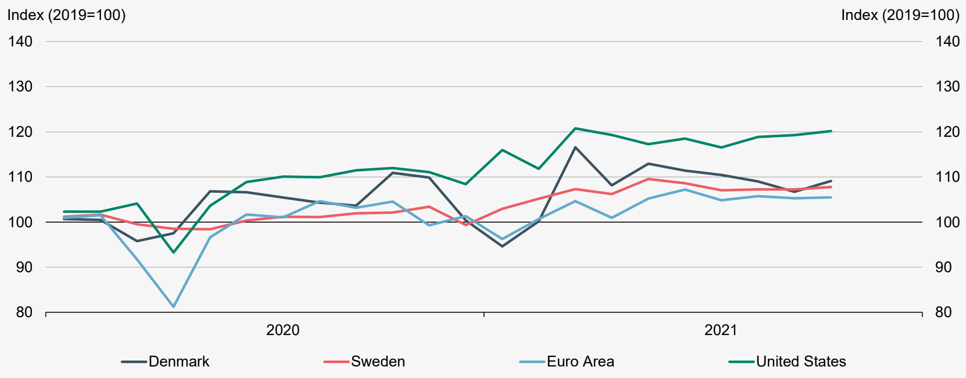
Figure 2.11
Large accumulated additional savings across countries during the corona crisis



Note: Accumulated additional savings from the first quarter of 2020 to the second quarter of 2021 divided by the households' disposable income in the second quarter of 2021 annualised. For each quarter the additional savings are measured in current prices based on the difference in the savings ratio relative to the level from 2017-2019 as specified in figure 2.10. This method is also used in chapter 3.
Source: Macrobond and own calculations.

In addition to increasing savings, households have also adapted to the closure of many service activities by buying more goods. Among other things, the increase in goods consumption is seen in an increase in retail sales. This is especially the case in the United States, but retail sales have also increased in Denmark and the Euro Area, *cf. figure 2.12.* However, during the summer there have been signs of some normalisation in goods consumption as a number of service activities were reopened. Nevertheless, this has happened without goods consumption falling significantly, and the consumption of goods is thus still much higher than before the crisis.

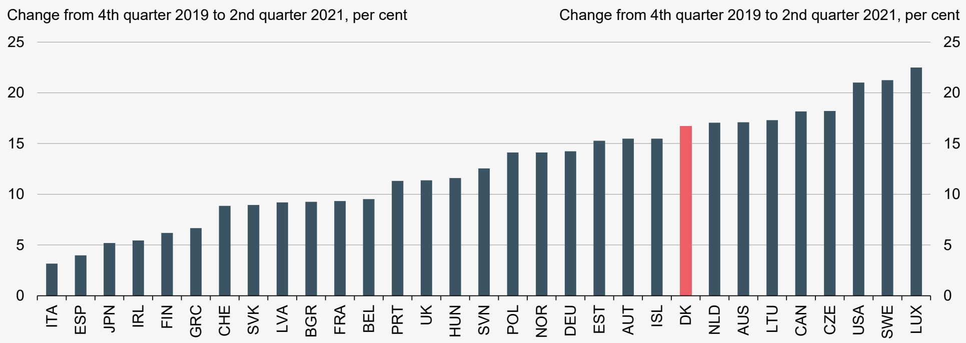
Figure 2.12
The development in retail sales shows that consumption of goods remains high



Note: Development in retail sales excl. vehicles, which is mostly goods consumption. Chained values.
Source: Eurostat, Macrobond and own calculations.

Households have also increased the demand for housing during the crisis. This has led to significant increases in house prices in many countries, *cf. figure 2.13*. Among other things, the development should be seen in connection with the fact that the pandemic and lockdowns have increased the value of living well with space for working from home. Additionally, restrictions on consumption, increased savings and low interest rates have helped to support the households' housing demand.

Figure 2.13
House prices have increased considerably across countries during the pandemic



Note: Quarterly house prices. Current prices and seasonally adjusted.
Source: OECD and own calculations.

In the wake of the reopening of the economies, there are clear signs that the increases in house prices in several countries – including Denmark, Norway and Sweden – have slowed to a more moderate pace. At the same time, the long-term interest rates have risen significantly, which also contributes to dampen the pace on the housing markets.

The increases in household wealth as a result of the large accumulated savings during the lockdowns as well as the increases in house and share prices, together with continued improvement on the labour markets support private consumption in the coming years. All in all, this points in the direction of continued growth in household demand in the coming years.

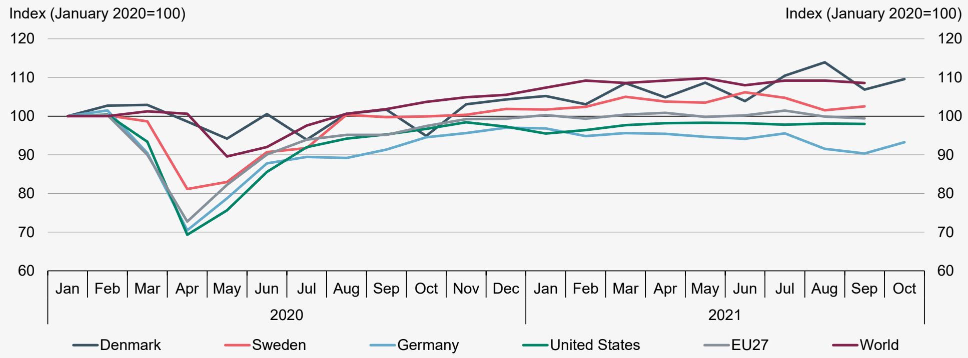
2.4 Industrial production and investments have generally recovered quickly

The shift in demand from services towards goods is reflected in companies' production patterns. In general, the service sector has been affected significantly more by the crisis than the manufacturing sector.

Activity has been subdued in the service sector during the entire pandemic and has only picked up pace since the reopenings in spring. The latest development in infections have led to a reintroduction of restrictions in a number of countries, which – along with cautionary behaviour – may affect the activity in the service sector. It is especially the contact-intensive occupations that have been afflicted during the pandemic.

In contrast to the service sector, global industrial production has recovered relatively quickly on top of the pandemic and is now well above pre-crisis levels. However, there are significant differences across countries. In Denmark, industrial production was already at pre-crisis levels by the fourth quarter of 2020, while production in both the EU and United States is still slightly subdued, *cf. figure 2.14.* This is especially true in Germany where there has even been a decline through 2021, and where production in October was approximately 8 per cent below the 2019-level.

Figure 2.14
Industrial production has generally recovered quickly, but Germany is lagging behind



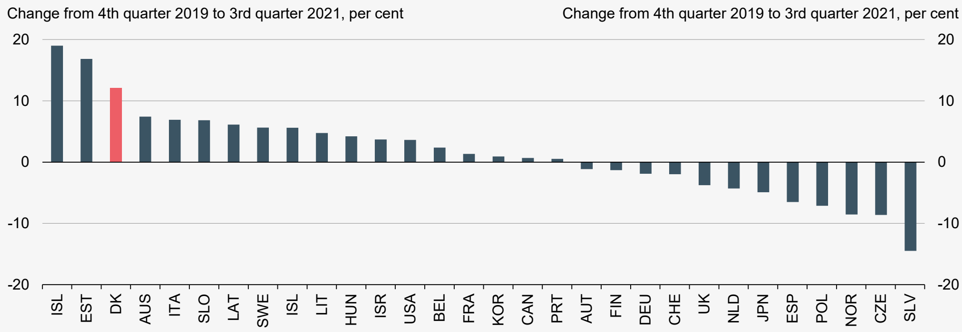
Source: Macrobond and own calculations.

The development has been affected by country differences with respect to the composition of the manufacturing sector. The Danish production is e.g. not very sensitive to fluctuations of the business cycle, partly because medicinal products and foods account for a relatively large proportion of total production. The manufacturing sector in Denmark has also not been closed down as it has been the case in a number of other countries.

Furthermore, global industrial production has been affected by disruptions in global supply chains since the spring, which has led to longer delivery times and higher shipping prices. This has for example affected German car manufacturers who among other things lack semiconductors. Rising prices for raw materials and energy are also exerting pressure on industrial production.

As with industrial production, business investments have also largely recovered. For instance, this is the case in Denmark, where investments have in fact increased during the crisis. In a number of other countries, gross fixed investments were also above the level from the fourth quarter of 2019 in the third quarter of 2021. However, there are large differences across countries, and in e.g. Norway and the United Kingdom, investments were still lower than before the corona crisis, *cf. figure 2.15*.

Figure 2.15
Investments have recovered in a number of countries



Note: Development in total gross fixed investments, i.e. including public and housing investments.
Source: OECD and own calculations.

Investments are usually very procyclical such that large declines in activity usually are accompanied by large declines in investments. The relatively fast normalisation of investments during the corona crisis is partly due to the fact that the crisis was relatively short-lived, and that the manufacturing sector, which generally accounts for a large share of total investments, was not affected as much as the service sector. Additionally, housing investments were increased in many countries.

The moderate decline in investments indicates that the corona crisis will not have a significant negative impact on productivity due to a smaller capital stock. This supports growth in the coming years.

The corona crisis has also not generally led to a wave of bankruptcies among companies, as has been the case during previous economic downturns.[4] The comprehensive support packages have played an important role and helped ensure that otherwise viable companies did not go bankrupt. This also supports investments going forward.

2.5 World trade with goods has recovered quickly, but there are challenges with the global supply chains

The strong growth in activity across the world and the shift in consumption from services to goods have been evident in global trade. Global trade in goods was already back to pre-pandemic levels by the end of 2020, while trade in services remains subdued.

Global trade in both goods and services plunged in the first half of 2020, but trade in goods increased quickly again, *cf. figure 2.16*. Conversely, international trade in services has experienced a substantially deeper and more lasting decline. This applies across countries, *cf. figure 2.17*. It is particularly services such as tourism and other travel-related services, which continue to be affected by uncertainty regarding the development in infections and travel restrictions.

Figure 2.16
Global trade in goods has recovered quickly

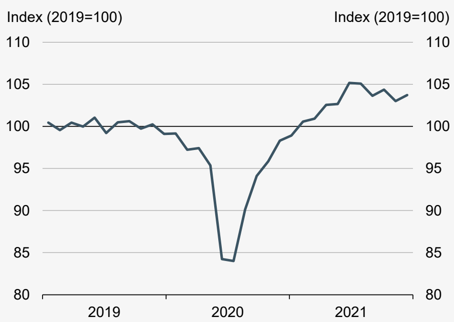
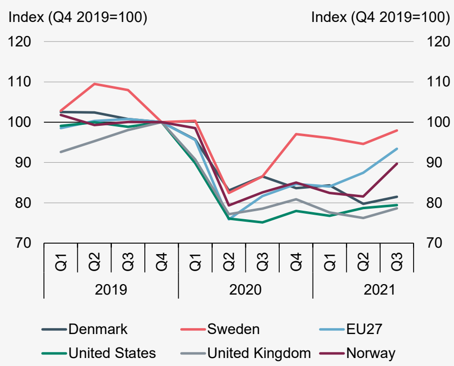


Figure 2.17
Service trade is still subdued across countries



Note: Both graphs show chained values. Service trade shows export figures.
Source: CBP Trade Monitor, Macrobond and own calculations.

However, international trade in goods have plateaued over the past six months. This may be due to several factors, including some degree of normalisation in consumption patterns, though the slowdown should also be seen in the context of the significant pressure on global supply chains and rising energy prices, which are hampering production.

The pressure on the global supply chains during 2021 has been reflected in the large increases on freight rates and raw material prices, among other things. The pressure is particularly focused in the

[4] See for instance IMF, World Economic Outlook, October 2020.

area around China, and therefore the prices on shipping have especially increased on the routes leading *from* China, *cf. figure 2.18.* In recent months however, developments have abated and commodity prices and freight rates have declined slightly.

Electricity prices have also increased a lot since the summer, especially in Europe through natural gas prices, *cf. figure 2.19.* The rising energy prices are driven by a combination of extraordinarily high demand following the reopenings as well as a low energy production, including a low stock of gas due to a cold winter and a warm summer with limited input from wind and hydropower, *cf. chapter 7.*

Figure 2.18
Freight rates have increased a lot – particularly from China

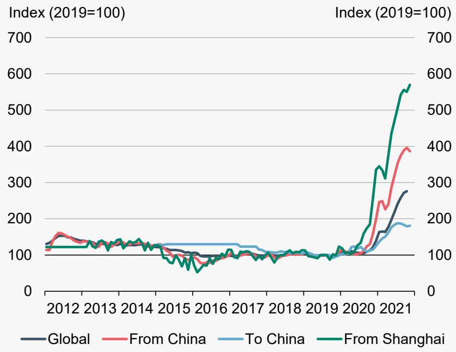
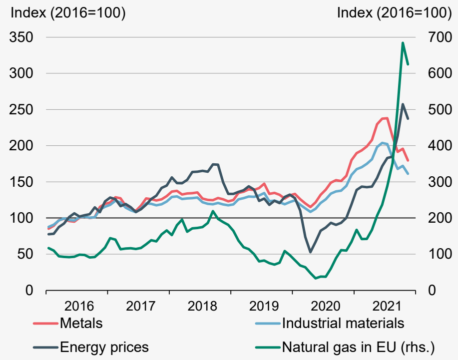


Figure 2.19
Very high prices on raw materials and electricity in 2021, but prices on industrial materials and metals have fallen



Note: In figure 2.18, global prices show the developments in Container Trades Statistics Ltd.'s price index. Prices in figure 2.19 are from IMF's raw material price indices.
Source: Macrobond and own calculations.

The pressure on the global production capacity is also reflected in the fact that a record number of companies in Europe report that equipment and raw materials constitute a limiting factor for their production

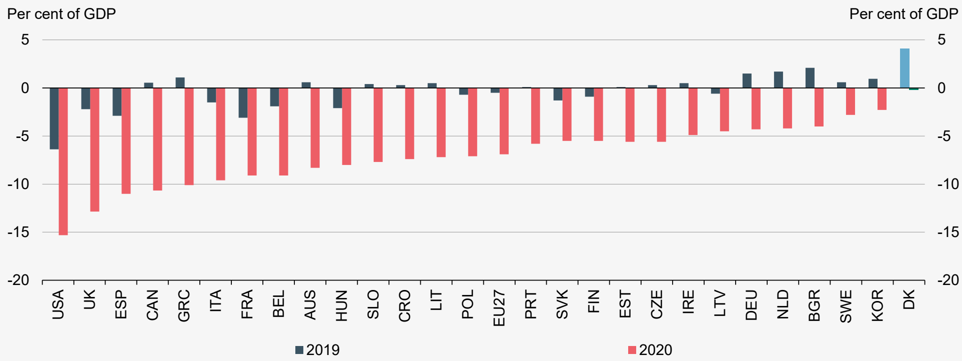
The pressure on capacity is to a large extent connected with the extraordinarily high global demand for goods caused by the pandemic. A part of the pressure is therefore expected to ease as a larger share of global consumption is shifted back from goods to services. However, there have also been temporary disruptions on the supply side as a results of, for example, temporarily reduced production due to infection outbreaks, restrictions as well as port closures in China, *cf. chapter 7.*

2.6 Expansive fiscal policy has supported the economies, but also worsened public finances

In general, a strongly supportive fiscal policy has been pursued across countries since the start of the pandemic. This has reduced the loss of income and production during the crisis, but at the same time, it has worsened public finances. Thus, all countries had a larger public deficit and a larger public debt in 2020 than the year before.

In Denmark, the public budget balance deteriorated by 4¼ percentage points from 2019 to 2020. However, this is among the smallest reductions in the EU, and with a public budget balance of -0.2 per cent of GDP in 2020, Denmark also had the lowest deficit among the EU countries by far, *cf. figure 2.20.*

Figure 2.20
Large public deficits in 2020

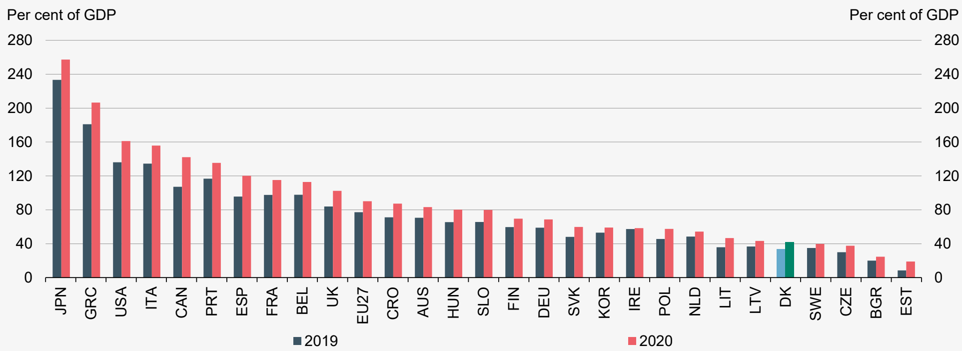


Note: Actual public budget balance.
Source: Eurostat and OECD.

The large government deficits have also led to increased debt. Across countries, public gross debt as a share of GDP has increased from 2019 to 2020. The southern European countries, Japan and the United States continue to have the highest debt ratios, while Denmark is in the lower end with a public gross debt of approximately 42 per cent of GDP by the end of 2020 – which is significantly below the limit of 60 per cent of GDP in the EU Stability and Growth Pact, *cf. figure 2.21*.

Although government debt increased in 2020, countries generally had fewer interest expenditures than in 2019 measured in terms of GDP. In Denmark, the public interest expenditures fell from 0.7 per cent of GDP in 2019 to 0.5 per cent in 2020, and in most other European countries a similar trend is seen. The increased public debt in many countries is therefore not a significant problem here and now, but if the financial conditions are tightened, it can create problems for countries with high debt ratios – not least some of the developing or emerging economies.

Figure 2.21
Increased public gross debt in 2020



Note: EMU debt is shown for EU countries, while public gross debt is shown for other countries.
Source: Eurostat and OECD.

2.7 Prospects for limited economic scarring from the crisis

Most western countries are well on their way out of the economic crisis. The relatively fast recovery is primarily due to the fact that effective vaccines have been developed and produced very quickly, but the historically large monetary and fiscal support measures too have contributed to the return of activity as the economies were reopened. The concurrent effort with large support packages and unconventional monetary policy measures across countries have mutually reinforced the effects from the individual countries' measures.

However, the pandemic is not over. Despite the global vaccine rollout, developments in infections during the winter will affect behaviour, and the increased uncertainty along with new restrictions may dampen global activity. Additionally, various repercussions of the pandemic may appear, which could also affect economic development.

The quick normalisation of global activity and the shift in the composition of consumption have led to pressure on the global supply chains and rising prices for raw materials among other things. This creates problems for companies around the world with goods delivery, which is both delayed and more expensive. Nevertheless, as the high demand for goods gradually decreases, the supply problems are also expected to decrease, but this may take time. Increased global spread of infections over the winter, especially in the northern hemisphere, can push consumption back towards goods and away from services, and thus also maintain the pressure on the global supply chains for a longer period of time.

Additionally, in a number of countries, the fast rebound in activity has put pressure on the labour market. When companies are unable to recruit the necessary labour, it can hamper production growth, just as labour shortages can drive up wages. Higher wages can lead to higher inflation, which can lead to earlier interest rate hikes.

If the financial conditions are tightened, it may create challenges for countries with high debt ratios, not least developing countries, where economies and public finances are generally less robust.

Even though there are repercussions of the pandemic and potentially also more long-term consequences, there are no signs that the crisis has caused lasting structural damage to the economies of rich countries.

Business investments have largely recovered and have also only been affected to a moderate extent in a number of countries. This indicates that the corona crisis will not have significant negative consequences for productivity through a smaller capital stock. The crisis has also not led to a wave of bankruptcies, which is another factor supporting investment and production.

The fast improvement on the labour markets have ensured that long-term unemployment has only risen to a limited extent and, for instance in Denmark, is declining again. This suggests that unemployment has not generally taken hold. This reduces the risk of the unemployed losing skills that are necessary to participate in the labour market and which can take time to rebuild. Additionally, it reduces the risk of a more long-lasting high unemployment (a so-called hysteresis effect). Support measures have contributed to reducing the number of layoffs and maintaining job matches. Maintaining knowledge is important for productivity and therefore also for the economy as a whole.

The pandemic could also potentially lead to lasting changes to the economy, which could have a positive effect on growth in the longer run. For example, this could apply to the use of virtual meeting forms, more online shopping and more automation as well as production closer to the costumers.

The corona crisis has led many businesses to reconsider their business models, for instance with respect to production, e.g. pertaining to working from home, layout of production chains, composition of value chains and products, sales channels etc. Such changes could be of a more lasting nature and potentially improve productivity in the businesses.

For instance, the implementation of digital solutions has been crucial for many businesses in maintaining activity by working from home, online meetings and online sales. The increased use of online sales is for instance reflected in the fact that among smaller businesses in Denmark, more had their own online store in 2021 than in 2019.[5] Thus, the pandemic has strengthened businesses' incentives to implement new technologies and thereby pushed forward the development in digitisation. It is conceivable that this has improved productivity or contributed to the development of new products.

[5] See NYT from Statistics Denmark: "To ud af fem mikrovirksomheder sælger online", 2021. 34 per cent of "micro businesses", which are businesses with 5-9 employees, had their own webshop in 2021, which is 7 percentage points more (26 per cent) than in 2019.

Annex tables

Table B.1
Demand, import and production

	2021	2022	2023	2021	2022	2023	2021	2022	2023
	DKK bn.			Volume, per cent			Prices, per cent		
Private consumption	1,137	1,206	1,251	4.3	3.8	1.9	1.8	2.2	1.8
Public consumption[1)]	612	612	624	5.4	-1.4	-0.4	1.1	1.4	2.4
Public investments[2)]	89	88	103	5.3	-2.5	13.6	1.8	1.8	2.2
Residential investment	143	152	158	9.1	3.9	2.1	1.5	1.9	2.2
Fixed business investment	328	348	365	5.0	4.7	3.0	1.2	1.5	1.7
Domestic demand excl. inventory investment	2,313	2,409	2,503	5.0	2.3	1.9	1.5	1.8	2.0
Inventory investment[3)]	7.1	7.6	8.1	-0.3	0.0	0.0			
Total domestic demand	2,320	2,417	2,511	4.7	2.3	1.9	1.6	1.8	1.9
Exports of goods and services	1,425	1,488	1,529	3.7	5.4	3.7	7.4	-1.0	-0.9
Total demand	3,745	3,905	4,040	4.4	3.5	2.6	3.8	0.7	0.8
Imports of goods and services	1,273	1,328	1,375	5.2	4.9	3.5	7.2	-0.6	0.0
Gross domestic product	2,472	2,577	2,665	3.9	2.8	2.1	2.1	1.4	1.3
Taxes on products, net	318	326	337						
Gross value added	2,153	2,251	2,328	3.8	2.9	2.0	2.4	1.6	1.4
- Non-farm private sector[4)]	1,449	1,545	1,630	4.8	3.7	2.5	0.5	2.8	2.9
Gross national income	2,538	2,641	2,726						

Note: The division into volume and price components is made based on a fixed price calculation in the previous year's prices.
1) The change in volume for public consumption is calculated using the input method. For 2021-2023, growth in public consumption using the input method is assumed to equal growth using the output method.
2) Public investments exclude general government net purchases of buildings, and therefore the figures will deviate from public investments in table B.7.
3) The volume figures reflect changes in inventories compared to GDP.
4) Non-farm private sector consists of manufacturing, construction and private service excl. shipping
Source: Statistics Denmark and own calculations.

Table B.2
Interest rates, oil price and exchange rates and external assumptions

Interest rates, per cent		2019	2020	2021	2022	2023
USA	Federal Funds Target Rate	2.3	0.5	0.3	0.5	1.2
	3-month LIBOR	2.3	0.7	0.2	0.8	1.6
	10-year government bond	2.1	0.9	1.4	1.7	2.1
Euro area	Main Refinancing Operations Rate	0.0	0.0	0.0	0.0	0.0
	3-month EURIBOR	-0.4	-0.4	-0.5	-0.5	-0.2
	10-year government bond (Germany)	-0.2	-0.5	-0.3	-0.3	-0.2
Denmark	Certificates of deposit rate	-0.7	-0.6	-0.5	-0.6	-0.5
	3-month CIBOR	-0.4	-0.2	-0.2	-0.2	-0.1
	1-year adjustable mortgage rate	-0.6	-0.5	-0.5	-0.4	-0.2
	10-year government bond	-0.2	-0.4	-0.1	-0.1	0.0
	30-year mortgage interest rate	1.6	1.2	1.3	1.7	1.9
	Average rate	0.5	0.3	0.4	0.6	0.7
Oil price						
Dollar per barrel		64.4	42.6	70.5	74.4	73.7
DKK per barrel		429.2	278.6	442.6	490.4	485.8
Exchange rate						
DKK per 100 dollar		666.9	654.2	627.8	659.2	659.2
DKK per 100 euro		746.6	745.4	743.7	743.7	743.7
Effective Krone Rate Index (1980=100)		102.9	102.9	104.0	102.5	102.5
				Real growth, per cent		
External assumptions						
Export market growth[1)], per cent		1.4	-8.5	8.4	6.1	4.0
Trade weighted GDP-growth[2)], per cent		1.7	-4.0	5.0	4.0	2.5

Note.: The projections are based on data through December 2, 2021. Annual averages are own calculations. For monetary policy interest rates, the estimate is based on an assessment of the latest announcements by central banks and market expectations. For money market rates and the yield on 10-year government bonds, estimates are based on market expectations, which are based on the prices of swap interest rates. For the 1-year and 30-year mortgage rate, historical data is fom Finans Danmark and the forecast is based on spreads to the 3-month money market rate and the 10-year government bond rate respectively. Projections for exchange rates are made by assuming that the exchange rate corresponds to the average during the last ten days prior to the estimation for the remainder of the forecast period. Estimates for the oil price are based on scenario from the International Energy Agency, World Energy Outlook, October 2021, and futures prices.

1) Calculated as the weighted average of import growth in Denmark's 36 most important trade partners. The weights reflect the countries' share of Danish manufacturing exports in 2020.

2) Calculated as the weighted average of the GDP-growth in Denmark's 36 most important trade partners. The weights reflect the countries share of Danish export of goods and services in 2020.

Source: Macrobond, Nordea Markets, The International Energy Agency, OECD Economic Outlook, December 2021 and own calculations.

Table B.3
Population and labour market

	2019	2020	2021	2022	2023
1,000 persons					
Total population	5,814	5,831	5,849	5,870	5,893
- Labour force	3,105	3,113	3,166	3,201	3,212
- Total employment	3,003	2,982	3,061	3,125	3,136
- Ordinary employment[1)]	2,914	2,892	2,964	3,023	3,030
- Subsidised employment[2)]	89	90	97	102	106
- Gross unemployment (incl. activation)[3)]	104	132	107	78	77
- Net unemployment	86	120	95	67	67
- Outside the labour force	2,710	2,719	2,683	2,668	2,681
- Recipients of unemployment benefits and cash benefits in activation outside the labour force	128	114	112	112	112
- Disability pensioners outside the labour force	183	189	193	200	200
- Senior Pension recipients outside of the labour force	0	3	11	15	15
- Voluntary early retirement	46	48	52	35	27
- Persons under 15 years	955	951	946	942	938
- Pensioners outside the labour force	989	971	959	947	955
- Others outside the labour force	440	467	441	454	471

Note: Recipients of education assistance benefit, the special education benefit and other temporary benefits (kontantydelse) are included as cash benefit recipients.

1) Calculated as the difference between employment as determined in the national accounts and subsidised employment, which is based on data from AMFORA. Due to differences in the definition of employment in the two sources, the data is subject to a degree of uncertainty.

2) Includes persons in employment with wage subsidies (including flexi-jobs and sheltered jobs).

3) The number of unemployment benefit recipients in activation and labour-market-ready cash benefit recipients includes persons in subsidised employment.

Source: Statistics Denmark and own calculations.

Table B.4
Employment by industry incl. leave

	2019	2020	2021	2022	2023
1,000 persons					
Employment, total	3,003	2,982	3,061	3,125	3,136
- Service industries	1,583	1,562	1,609	1,663	1,671
- Construction	192	195	204	208	210
- Manufacturing	311	304	305	314	317
- Agriculture	68	70	70	70	70
- Public sector	830	833	853	850	849

Note: The industry division is based on the definition in the ADAM model, which are not identical to that of the national accounts.
Kilde: Statistics Denmark and own calculations.

Table B.5
Unemployment

	2019	2020	2021	2022	2023
1,000 persons					
Gross unemployment	104	132	107	78	77
- per cent of workforce	3.4	4.3	3.4	2.4	2.4
Net unemployment	86	120	95	67	67
LFS unemployment (per cent)	5.3	5.1	5.8	3.9	3.9

Note: Differences in the definition of the labour force between the Ministry of Finance and Statistics Denmark mean that the gross unemployment rate in per cent of the workforce is estimated at a lower level.
Source: Statistics Denmark and own calculations.

Table B.6
Benefit recipients etc.

	2019	2020	2021	2022	2023
1,000 persons					
Unemployment benefits (excl. activation)	71	102	84	59	58
Cash benefits (excl. activation)	80	85	78	74	74
Recipients of unemployment benefits and cash benefits in activation 1)	34	24	23	24	24
Holiday benefit	4	3	2	1	1
Disability pensioners 2)	203	210	215	223	222
Senior Pension	0	3	12	16	16
Resource assessment benefit	38	36	33	38	36
Early Retirement Pay	46	48	52	35	27
Early retirement	0	0	0	24	29
Flexi-job scheme benefit	3	3	3	3	3
Revalidation benefit 3)	3	3	2	2	2
Sickness benefit 4)	59	76	71	66	63
Maternity leave	50	51	48	48	49
Benefit for unemployed	16	18	16	16	17
Self-support, home-travelling and transitional benefits 5)	13	12	11	9	8
Total	621	674	651	639	631
Student grant (SU)	322	318	317	317	318
Total, incl. SU	943	992	968	956	949
Pensioners	1,145	1,124	1,109	1,095	1,106
Total, incl. SU and pensioners	2,088	2,116	2,077	2,052	2,056
Subsidized employment 6)	89	90	97	102	106
Total, incl. SU, pensioners and subsidised employment	2,176	2,206	2,174	2,153	2,162

Note: Recipients of education assistance benefit, the special education benefit and other temporary benefits (kontantydelse) are included as cash benefit recipients.

1) The data does not cover persons in subsidised employment and thereby differs from other register-based data and table B.3. Furthermore, both labour market ready and non-labour market ready cash benefit recipients are included in the group of recipients of unemployment benefits and cash benefits in activation schemes.

2) Disability and old age pension include pensioners living abroad as well as pensioners, who are employed.

3) Excl. persons on revalidation with wage support.

4) The number of sickness benefit recipients does not reflect the total absence due to illness. It includes the part of the sickness absence, which is not covered by the employer. Specifically, this covers sickness absences longer than 30 days as well as sickness among the unemployed.

5) The number of self-support and home-travelling as well as transitional benefits are calculated excl. recipients of wage subsidies.

6) Includes persons in employment with wage subsidies (including flexi-jobs and sheltered jobs).

Source: Statistics Denmark, DREAM and own calculations.

Table B.7
Gross investments

	2020	2019	2020	2021	2022	2023
	DKK bn.	Real growth rate, per cent				
Gross fixed capital formation	521	0.1	5.1	6.2	3.3	4.3
divided into groups:						
- Residential investments	129	4.7	10.1	9.1	3.9	2.1
- Public investments[1)]	83	-3.7	10.1	6.2	-2.9	12.9
- Total business investments	309	-0.6	2.0	5.0	4.7	3.0
- Construction investments	91	1.7	11.9	2.6	2.8	1.3
- Tangible and intangible investments	218	-1.3	-1.5	6.0	5.5	3.7

1) Public investments are incl. public acquisitions of buildings, which is why numbers differ from what is stated in Table B.1.

Source: Statistics Denmark and own calculations.

Table B.8
Balance of payments

	2019	2020	2021	2022	2023
DKK bn.					
Goods exports	810	780	870	912	940
Goods imports	705	675	810	831	848
Goods balance, total	105	105	60	81	92
Service exports	558	498	555	575	589
Service imports	492	453	463	497	527
Service balance, total	66	45	91	79	62
Balance of goods and services	171	150	152	160	154
- Per cent of GDP	7.4	6.5	6.1	6.2	5.8
Investment income from abroad, net	76	87	75	73	70
Wage income from abroad, net	-13	-12	-13	-13	-13
EU payments, net	-13	-16	-13	-12	-15
Other current transfers from abroad, net	-18	-19	-21	-22	-22
Net transfers from abroad, total	33	39	29	26	20
Current account, total	204	190	181	186	174
- Per cent of GDP	8.8	8.1	7.3	7.2	6.5
Net assets against other countries	1,797	1,603	2,340	2,909	3,534
- Per cent of GDP	77.5	68.8	94.6	112.8	132.5

Source: Statistics Denmark and own calculations.

Table B.9
Export and imports

	2020	2019	2020	2021	2022	2023
	DKK bn.	Real growth rate, per cent				
Export						
Goods, total	780	7.7	-2.2	9.3	2.7	1.9
- Agricultural goods etc.	125	2.2	0.9	5.9	0.6	2.0
- Industrial goods (excl. ships etc.)	605	10.4	-1.9	10.3	3.7	1.8
- Other goods[1)]	50	-3.6	-9.8	5.3	-4.1	2.8
Services, total	498	1.2	-14.0	-4.9	9.8	6.6
- Sea transport	237	2.6	-6.5	-0.7	5.0	1.5
- Other services	234	0.4	-11.8	-9.2	12.9	8.1
Total	1,278	5.0	-7.0	3.7	5.4	3.7
Imports						
Goods, total	675	2.4	-1.5	10.9	3.4	2.1
- Agricultural goods etc.	85	3.5	-7.3	9.9	3.9	3.0
- Industrial goods (excl. ships etc.)	459	5.5	-0.1	11.7	3.8	2.2
- Other goods[2)]	130	-5.5	-2.2	8.6	2.1	1.3
Services, total	453	3.7	-7.8	-3.1	7.6	5.9
Total	1,128	3.0	-4.1	5.2	4.9	3.5
Memo		Nominal growth rate, per cent				
Export of basic goods[3)]	758	8.9	-1.5	10.3	5.5	2.9
Export prices		Change, per cent				
Goods, total	-	-0.2	-1.5	2.1	2.1	1.1
Services, total	-	5.8	3.9	17.0	-5.5	-4.0
Total	-	2.2	0.5	7.4	-1.0	-0.9
Import prices						
Goods, total	-	-0.3	-2.8	8.2	-0.8	-0.1
Services, total	-	6.1	0.0	5.5	-0.3	0.2
Total	-	2.3	-1.7	7.2	-0.6	0.0

1) Raw materials, energy and ships etc.
2) Raw materials, energy, cars and ships etc.
3) Export of basic goods consists of export of goods excl. energy, ships and airplanes.

Source: Statistics Denmark and own calculations.

Table B.10
Private consumption

	2020	2019	2020	2021	2022	2023
	DKK bn.	Real growth rate, per cent				
Total consumption	1,071	1.2	-1.3	4.3	3.8	1.9
Retail trade goods	372	1.5	6.1	4.9	-1.3	1.5
- Food, drinks and tobacco	166	0.8	4.0	4.3	1.8	-0.4
- Other goods	205	2.0	7.9	5.4	-3.7	3.0
Purchase of vehicles	46	4.2	0.8	-6.4	15.3	6.7
Electricity, fuels and gas	45	-3.9	-7.4	11.8	-6.4	-0.6
Gasoline and similar	21	-0.8	-11.8	3.9	-6.7	-1.5
Housing	247	1.4	1.2	2.0	2.1	2.1
Other services	344	1.4	-11.4	5.0	12.1	3.7
Tourist expenditures	24	-0.4	-45.8	5.0	30.0	20.0

Source: Statistics Denmark and own calculations.

Table B.11
Net lending by sectors

	2019	2020	2021	2022	2023
DKK bn.					
Private sector, total	111	193	185	161	154
- Households	0	23	35	39	58
- Corporations	111	171	150	121	96
- Non-financial corporations	63	120	138	120	108
- Financial corporations	48	51	12	1	-13
General government	94	-4	-5	25	20
Total	205	189	180	186	174

Note: Net lending of general government corresponds to the general government budget balance. The total (except for typically small net capital transfers from abroad) corresponds to the current account balance, cf. table B.8.
Source: Statistics Denmark and own calculations.

Table B.12
Gross value added (GVA)

	2020	2019	2020	2021	2022	2023
	Share, per cent	Real growth rate, per cent				
Total GVA	100	2.2	-2.4	3.8	2.9	2.0
Public sector	21	2.2	-4.5	2.8	0.4	0.2
Private sector	79	2.2	-1.8	4.0	3.5	2.5
Private sector excl. mining and quarrying	79	2.6	-1.6	4.1	3.6	2.3
Non-farm private sector[1)]	68	1.9	-1.9	4.8	3.7	2.5

1) Non-farm private sector consists of manufacturing, construction and private services excl. shipping.
Source: Statistics Denmark and own calculations.

Table B.13
Hourly productivity in selected industries

	Avg. 1997-2020	2019	2020	2021	2022	2023
Real growth rate, pct.						
Total	1.1	1.5	0.5	-0.7	0.9	1.8
Public sector	0.4	1.8	-2.6	-0.5	-0.3	0.2
Private sector	1.3	1.4	1.3	-0.9	1.1	2.1
Private sector excl. mining and quarrying	1.5	1.8	1.6	-0.9	1.2	2.0
Non-farm private sector[1)]	1.4	1.0	1.5	-0.4	1.1	2.2

Note: Hourly productivity is defined as gross value added in constant prices relative to the total number of hours.
1) Non-farm private sector consists of manufacturing, construction and private services excl. shipping.
Source: Statistics Denmark and own calculations.

Table B.14
Contributions to growth in households' real disposable income[1)]

	2019	2020	2021	2022	2023
Real growth rate, per cent					
Disposable income[2)]	2.5	-0.2	3.1	2.7	2.3
Contribution, percentage points					
Compensation of employees[3)]	2.8	1.3	4.6	1.4	2.6
Social benefits	0.6	1.6	-0.4	-0.9	0.2
Income taxes	-1.4	-2.3	-1.9	1.3	-1.0
Net interest income	0.1	0.2	0.0	0.0	0.0
Dividend etc.[4)]	0.3	-0.8	1.0	-0.1	0.2
Pension contribution	-1.4	-0.5	-0.8	0.3	-0.4
Payment from pension schemes[5)]	0.3	0.1	0.9	0.3	0.4
Others[6)]	1.3	0.3	-0.3	0.2	0.3

1) The households in the Economic Survey include the NPISH-sector.
2) Disposable income is calculated incl. taxation on payments of frozen holiday funds.
3) Covering only employees residing in Denmark.
4) Incl. dividends from investment funds.
5) Occupational pensions etc. (but not individual pension schemes in banks, etc.)
6) Including self-employed.
Source: Statistics Denmark and own calculations.

Table B.15
Households' net lending[1)]

	2019	2020	2021	2022	2023
DKK bn.					
Disposable gross income[2)]	1,135	1,139	1,195	1,254	1,306
Private consumption	1,080	1,071	1,137	1,206	1,251
Gross investment[3)]	113	122	131	139	143
Net capital transfers[4)]	-1	4	4	9	21
Direct net lending	**-59**	**-50**	**-68**	**-81**	**-67**
Adjustment for the change in pension entitlements[5)]	58	73	103	120	125
Net lending[6)]	**-0**	**23**	**35**	**39**	**58**
Per cent of disposable gross income					
Direct net lending	-5.2	-4.4	-5.7	-6.5	-5.1
Net lending	-0.0	2.0	2.9	3.1	4.5

1) The households in the Economic Survey include the NPISH-sector.
2) Disposable income is calculated incl. taxation on payments of frozen holiday funds.
3) Households' gross investments include investments in owner-occupied housing and investments in buildings and materials by sole proprietors.
4) Net capital transfers in 2022 include the repayment of housing taxes for house owners, the reserve for handling special challenges in light of COVID-19 and additional support measures as well as the repayment of early retirement contributions.
5) Net payment to and return (excl. tax on pension yield) of household capital in life insurance companies and pension funds.
6) Household acquisition (net) of financial assets (incl. shares) in other sectors.

Source: Statistics Denmark and own calculations.

Table B.16
Real estate market and construction

	2019	2020	2021	2022	2023
Per cent					
Increase in the price of traded single-family houses[1)]	3.0	4.8	10.4	3.3	2.8
Housing gross investment (real growth)	4.7	10.1	9.1	3.9	2.1

1) The increase is adjusted for developments in the volume of housing sales.
Source: Statistics Denmark and own calculations.

Table B.17
Labour wage ratio, wage increases and computational preconditions

	2019	2020	2021	2022	2023
Labour wage ratio, per cent					
Private sector	57.2	57.8	57.8	57.3	57.9
The entire economy	63.0	63.8	63.7	63.1	63.6
Wage increase, per cent					
Private sector					
- Hourly earnings (excl. nuisance bonus)	2.5	1.9	2.9	3.4	3.4
Public sector					
- Hourly earnings (excl. nuisance bonus)	2.2	2.5	-	-	-
- Budgetary impact	1.8	2.5	1.3	2.0	2.7
Wage adjustment rate, per cent[1)]	2.0	2.0	2.0	1.2	2.6

Note: The labour income ratio is calculated as aggregated labour income relative to the GVA (gross value added) and adjusted for the number of self-employed. The hourly wage increases in the private sector in 2019-2020 are published by The Confederation of Danish Employers. The hourly wage increases in the public sector are a weighted average of wage indices for the state, the municipalities and the counties, all reported by Statistics Denmark. No estimates are made on the development in public sector hourly earnings. The budgetary impact is based on the contractually agreed wage increases including contributions from the adjustment scheme (reguleringsordningen) but excluding any residual increases. The hourly wage increases for the private and public sectors are not comparable.
1) The wage adjustment rate stated for 2019-2022 is the announced wage adjustment rate, while 2023 is an estimate.
Source: The Confederation of Danish Employers, Statistics Denmark, and own calculations.

Table B.18
Price developments and explanatory factors

	2019	2020	2021	2022	2023
Change, per cent					
Net price index	0.9	0.4	2.4	2.4	2.0
Tariffs and housing benefits, contribution	-0.1	0.0	-0.6	-0.2	-0.2
Consumer price index	0.8	0.4	1.8	2.2	1.8
HICP	0.7	0.3	1.8	2.2	1.8

Anm.: The contribution from tariffs and housing benefits is computed as the difference between the consumer price inflation and the net price inflation. Changes in the prices of taxed goods such as energy can therefore influence the contribution from taxes, even though the tax level remains unchanged.
Source: Statistics Denmark and own calculations.

Table B.19
Public finances

	2019	2020	2021	2022	2023
DKK bn.					
Public consumption	557.7	574.5	612.2	611.8	624.1
Income transfers[1)]	365.2	385.9	387.3	384.7	394.2
Investments	75.0	83.0	88.9	88.3	102.5
Interest expenditures	17.0	12.7	20.2	15.0	13.4
Subsidies	38.0	73.7	61.2	42.5	42.4
Other expenditures[2)]	71.8	89.9	102.0	85.8	99.0
Total expenditure[3)]	1,124.5	1,219.7	1,271.9	1,228.2	1,275.7
Personal income taxes, etc.[4)]	487.4	509.0	518.2	522.7	543.3
Labour market contributions	100.8	105.9	111.5	113.0	117.8
Pension yield taxation	63.4	48.2	35.8	19.6	23.1
Corporate taxes	72.7	61.1	81.9	76.0	74.2
VAT	222.7	230.5	245.5	253.8	264.7
Other duties	145.0	144.6	146.9	146.4	148.8
Other taxes[5)]	4.5	4.0	2.2	1.0	1.0
Interest revenues	24.1	18.9	27.0	22.7	23.1
Other revenues[6)]	101.1	96.3	101.5	101.6	103.7
Tariffs etc. to the EU	-3.1	-3.1	-3.4	-3.6	-3.7
Total revenue[7)]	1,218.7	1,215.5	1,267.1	1,253.1	1,295.9
General government budget balance	94.2	-4.3	-4.8	25.0	20.2
Net interest expenditure	-7.1	-6.1	-6.7	-7.7	-9.6
General government primary balance[8)]	87.1	-10.4	-11.5	17.2	10.6

1) Income transfers exclude other regular transfers to households such as mileage allowance and index supplement.
2) Other expenditures include capital transfers, transfers to the Faroe Islands and Greenland and the Danish EU-contributions.
3) Total expenditure differs from Statistics Denmark's equivalent. Total expenditure is calculated from a definition of the total expenditure, where all sub-elements of public consumption – e.g. imputed expenditure from depreciation and revenue from sales of goods and services – are defined as expenditures.
4) Personal income taxes include withholding taxes, tax on imputed income from owner-occupied dwellings, specific taxes from households, tax on estates of deceased persons and other personal taxes.
5) Other taxes include media license and mandatory pension payments for civil servants.
6) Other revenues include profits from public enterprises, current and capital transfers from other domestic sectors and the EU, and imputed (calculated) revenues such as contributions to civil servants' earned pension. Moreover, revenues from oil and gas explorations in the North Sea, duty on pipelines, and the hydrocarbon tax are included in other revenues..
7) Total revenue differs from Statistics Denmark's equivalent, where the sales of public goods and services are counted as revenue and not – like here – counted as a part of the total expenditures. Furthermore, total revenue here includes a revenue-counterpart to the imputed depreciation expenditures included in public consumption
8) The general government primary balance states the balance of the general government finances before net interest expenditures.

Note: Statistics Denmark and own calculations.

Table B.20
Taxes and tax burden

DKK bn.	2019	2020	2021	2022	2023
Indirect taxes	**364.6**	**372**	**389**	**396.6**	**409.8**
- VAT	222.7	230.5	245.5	253.8	264.7
- Registration tax	20.3	18.7	15.8	16.6	18
- Excise duties	69	68.8	71.6	67.2	66.9
- Energy (incl. PSO)	38.3	37.3	37.2	35.2	34.2
- Environmental	3.3	3.5	3.8	3.8	3.8
- Tobacco and spirits etc.	11.6	12.6	13.6	10.5	10.7
- Others	15.9	15.4	17.1	17.6	18.2
- Property taxes	30.6	31.6	32.6	32.9	33.7
- Motor vehicle tax paid by businesses	3.8	3.8	3.9	3.9	4
- Other indirect taxes	18.2	18.7	19.5	22.1	22.5
Direct taxes	**719.3**	**720.3**	**742.6**	**725.6**	**752.9**
- Withholding taxes [1)]	463.2	486.8	496.4	501.7	522.8
- State tax	163.3	172.2	178.7	179.7	187.4
- Bottom-bracket tax	143.4	151.5	156.1	157.9	164.5
- Top-bracket tax	17.6	18.4	20.2	19.4	20.5
- Health contributions	0	0	0	0	0
- Limited tax liability	2.3	2.3	2.3	2.4	2.5
- Total municipal tax	247.6	262.6	269.6	272	284.3
- Property value tax	14.8	15	13.8	13.9	14.1
- Other withholding taxes [2)]	37.6	37	34.3	36	36.9
- Pension yield tax	63.4	48.2	35.8	19.6	23.1
- Corporate tax	72.7	61.1	81.9	76	74.2
- Other personal taxes	8.2	8.3	8.3	7.8	7.3
- Media license	3.5	2.7	1.2	0	0
- Motor vehicle tax paid by households	7.4	7.3	7.5	7.5	7.8
- Labour market contributions	100.8	105.9	111.5	113	117.8
Social security contributions [3)]	1	1.4	1	1	1
Capital taxes	8.6	6.7	6	5.7	5.5
Customs and import duties (collected by the EU)	3.1	3.1	3.4	3.6	3.7
Total taxes	**1,096.60**	**1,103.40**	**1,142.00**	**1,132.40**	**1,172.80**
GDP	2,318.00	2,329.60	2,471.70	2,577.00	2,665.30
Total taxes, share of GDP	**47.3**	**47.4**	**46.2**	**43.9**	**44**

1) For 2019-2020, the distribution of withholding taxes to the state and municipalities is from Statistics Denmark. For 2021-2023, an estimate is used based on the Ministry of Finance's tax base forecast.
2) Includes equity income tax, tax on estates of deceased persons and revenue from the Danish business scheme etc.
3) Includes mandatory pension payments for civil servants in public enterprise etc.

Source: Statistics Denmark and own calculations.

Table B.21
Development in the tax base for municipalities

	2019	2020	2021	2022	2023	2019	2020	2021	2022	2023
	DKK bn.					Per cent				
December 2017	1010.5	-	-	-	-	2.0	-	-	-	-
May 2018	1005.3	-	-	-	-	2.5	-	-	-	-
August 2018	1008.0	-	-	-	-	2.9	-	-	-	-
December 2018	1013.2	1045.9	-	-	-	3.5	3.2	-	-	-
August 2019	1005.7	1033.8	-	-	-	4.0	2.8	-	-	-
December 2019	1006.3	1035.9	1073.4	-	-	4.2	2.9	3.6	-	-
May 2020	1008.8	997.6	1042.7	-	-	4.5	-1.1	4.5	-	-
August 2020	1010.7	1054.6	1044.9	-	-	4.7	4.3	-0.9	-	-
December 2020	1007.3	1063.6	1070.7	1087.2	-	4.3	5.6	0.7	1.5	-
May 2021	1006.8	1060.5	1070.3	1085.6	-	4.3	5.3	0.9	1.4	-
August 2021	1006.8	1058.3	1075.5	1081.7	-	4.3	5.1	1.6	0.6	-
December 2021	1006.8	1064.4	1094.1	1104.2	1153.8	4.3	5.7	2.8	0.9	4.5

Note.: Rows show the time of the budgeting of the municipal tax base. The columns show the tax base in the year concerned.

Source: Statistics Denmark and own calculations.

Table B.22
Income transfers

	2019	2020	2021	2022	2023
DKK bn.					
Unemployment benefits (excl. activation)	14.6	21.2	17.6	12.5	12.5
Cash benefits[1)] (excl. activation)	24.4	26.3	27.9	28.3	29.9
Vacation allowance	0.7	0.7	0.5	0.3	0.3
Anticipatory pensions[2)]	41.9	44.1	45.8	47.2	47.6
Resource rehabilitation allowance	6.7	6.3	5.6	6.4	6.3
Early retirement benefit	8.2	8.5	9.1	5.9	4.7
Rehabilitation benefit	0.8	0.6	0.5	0.4	0.4
Sickness benefit	11.9	14.1	14.7	13.1	12.5
Maternity pay	11.1	12.0	11.8	11.9	12.3
Rent benefit	15.1	15.4	15.7	15.8	16.2
Child and youth benefit	14.7	14.8	14.9	14.9	15.1
Other transfers[3)]	21.6	24.5	22.0	22.4	23.0
Student grants (SU)	20.7	20.9	21.0	21.5	22.1
Public pension scheme[4)]	142.5	144.9	146.4	146.2	151.8
Other pension schemes[5)]	30.2	31.5	33.7	37.9	39.6
Total[6)]	365.2	385.9	387.3	384.7	394.2
Total, excl. public and other pensions	192.5	209.6	207.2	200.6	202.8
Total, excl. education grants, public pensions and other pensions	171.8	188.7	186.2	179.1	180.7

1) Taxable and non-taxable benefits incl. the integration benefit.
2) Incl. early retirement benefits to retired citizens in foreign countries.
3) Activation benefits, dependent child allowance, subsidy for childcare, unemployment benefits, special education benefit, green check and pay scheme for holders of flexi-jobs etc.
4) Incl. differentiated allowances and heating allowance for pensioners. Incl. pension schemes for citizens in foreign countries.
5) Civil servants in public enterprises and part-time early retirement scheme etc.
6) Income transfers exclude other regular transfers to households such as mileage allowance and index supplement.

Note: The expenditures to income transfers is not directly eqvivalent to the number of benefits recipients in table B.6.

Source: Statistics Denmark and own calculations.

Table B.23
Key figures estimated at different times

	May 2020	Aug. 2020	Dec. 2020	May 2021	Aug. 2021	Dec. 2021
2020						
GDP (real growth rate, per cent)	-5.3	-4.5	-3.8	-2.7	-2.1	-2.1
Gross unemployment (1,000 persons)	146	147	133	133	133	132
Consumer prices (change, per cent)	0.2	0.3	0.5	0.4	0.4	0.4
Balance of payments (DKK bn.)[1)]	130	125	162	181	192	190
Actual budget balance (DKK bn.)	-160	-88	-81	-27	-14	-4
2021						
GDP (real growth rate, per cent)	4.0	4.2	2.8	2.4	3.8	3.9
Gross unemployment (1,000 persons)	138	138	126	122	114	107
Consumer prices (change, per cent)	1.2	1.2	1.2	1.1	1.3	1.8
Balance of payments (DKK bn.)[1)]	162	133	160	160	165	181
Actual budget balance (DKK bn.)	-43	-56	-31	-74	-47	-5
2022						
GDP (real growth rate, per cent)	-	-	3.1	3.6	2.8	2,8
Gross unemployment (1,000 persons)	-	-	119	115	104	78
Consumer prices (change, per cent)	-	-	1.6	1.5	1.5	2.2
Balance of payments (DKK bn.)[1)]	-	-	187	182	175	186
Actual budget balance (DKK bn.)	-	-	-39	-16	10	25
2023						
GDP (real growth rate, per cent)	-	-	-	-	-	2.1
Gross unemployment (1,000 persons)	-	-	-	-	-	77
Consumer prices (change, per cent)	-	-	-	-	-	1.8
Balance of payments (DKK bn.)[1)]	-	-	-	-	-	174
Actual budget balance (DKK bn.)	-	-	-	-	-	20

1) The current account balance.
Source: Statistics Denmark and own calculations.

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