

## 6. English Summary

The Danish economy is still affected by the international economic recession in the wake of the financial crisis last fall. However, some indicators of a gradual recovery in international economic activity have surfaced lately. Unemployment is still expected to increase – especially due to the marked downturn in production, which has occurred – although at a declining pace, cf. *Economic Survey*, December 2009. At the same time, substantial fiscal policy measures have been initiated to support growth and employment. Both fiscal policy and the declining interest rate are expected to take effect by an increasing strength in 2010.

Due to weak cyclical conditions and expansionary fiscal policy a significant deterioration of general government finances are expected. On the general government budget balance the large public surpluses in recent years are expected to be followed by large deficits amounting to DKK 50¼bn in 2009 (3.0 per cent of GDP) and DKK 94½bn in 2010 (5.5 per cent of GDP). The general government budget balance is estimated to decrease by DKK 154bn from 2008 to 2010. This corresponds to a deterioration of 8.9 per cent of GDP where approximately one third reflects the loosening of fiscal policy. The reduction illustrates that the public finances in Denmark are very sensitive to cyclical changes and trends in financial markets.

The agreements on the central government budget for 2010 reflect new investment projects etc. for almost DKK 5bn in the period 2010-2013 to support growth and employment. Additional lending facilities for municipalities of DKK 3bn are established in 2010 to support the agreed investment level of DKK 20bn in 2010. Moreover, private businesses have been allowed further deferment of payments regarding income tax and the so called labour market contribution. Furthermore, withdrawals of funds in certain individual pension-saving accounts in 2010 are allowed.

The central government budget for 2010 includes major initiatives amounting to approx. DKK 9½bn in 2010. These initiatives reflect e.g. investments of DKK 3½bn in education and research including means from the *Globalization Fund*. Furthermore, several initiatives focus on improving young people's possibilities to complete a education and find a job afterwards. At the same time 5,000 extra vocational training jobs are established.

### 6.1 General government finances

The estimates for the general government finances in 2009 and 2010 are based on the short term projections for the Danish economy, cf. *Economic Survey*, December 2009.

The estimates for 2009 are derived from the central government budget for 2009, an updated status for the central government spending in 2009 and the local government budgets for 2009. Regarding 2010 the estimates are based on the central government budget for 2010 as well as the agreements with the local governments on the economy in 2010. Furthermore, the estimates reflect the political agreements settled in the spring of 2009 e.g. the *Spring Package 2.0* including a tax reform which will be phased in starting in 2010.

With respect to 2011 the estimates are primarily based on technical assumptions in line with the 2015-plan.

According to revised data for the general government finances from Statistics Denmark the general government surplus amounted to DKK 59<sup>3</sup>/<sub>4</sub>bn in 2008 corresponding to 3.4 per cent of GDP, cf. table 6.1.

	2004	2005	2006	2007	2008	2009	2010	2011
<b>DKK bn, current prices</b>								
August 2009	27.3	77.1	81.5	75.1	59.5	-33.5	-86.3	-
<b>December 2009</b>	<b>27.7</b>	<b>77.6</b>	<b>82.3</b>	<b>80.6</b>	<b>59.8</b>	<b>-50.3</b>	<b>-94.4</b>	<b>-79.0</b>
- Central government	27.8	82.7	89.7	85.1	67.2	-	-	-
- Local governments	-0.3	-5.5	-7.8	-4.5	-7.0	-	-	-
- Social funds	0.2	0.4	0.3	0.0	-0.3	-	-	-
<b>December 2009</b> <b>(per cent of GDP)</b>	<b>1.9</b>	<b>5.0</b>	<b>5.0</b>	<b>4.8</b>	<b>3.4</b>	<b>-3.0</b>	<b>-5.5</b>	<b>-4.4</b>
Note: The specification of the central and local government budget balances does not fully reflect that the central government through transfers to local governments bears the risk of fluctuations in expenditures and revenues due to the business cycles.								

The general government deficits for 2009 and 2010 are estimated at DKK 50<sup>1</sup>/<sub>4</sub>bn (3.0 per cent of GDP) and 94<sup>1</sup>/<sub>2</sub>bn (5.5 per cent of GDP) respectively. Thus the general budget balance is reduced by DKK 154bn from 2008 to 2010 corresponding to a reduction of 8.9 percentage points of GDP. In 2011 a deficit of DKK 79bn is estimated amounting to 4.4 per cent of GDP.

The considerable shift in the budget balance reflects that public finances in Denmark are very sensitive to cyclical conditions and trends in financial markets. However, approximately one third of the reduction is due to discretionary fiscal policy including growth in public consumption and investment expenditures together with lower personal taxes in both 2009 and 2010 due to the 2007 tax agreement and the tax reform contained in the *Spring Package 2.0*. Moreover, weak cyclical conditions reduce the budget balance through increasing expenditures (e.g. unemployment benefits) and decreasing tax revenues (e.g. VAT and income taxes).

The budget balance deficits in 2010 and 2011 are expected to exceed the reference value of 3 per cent of GDP in the *Stability and Growth Pact* of the European Union. EU Member States with general government deficits exceeding the 3 per cent of GDP reference value of the *Stability and Growth Pact* receive a recommendation adopted by the EU Council of Finance Ministers. A recommendation implies that the Council requests the Member State to implement structural balance improvements of at least ½ per cent on average annually in order to bring the actual deficit below 3 per cent of GDP within a given deadline. Most EU countries are expected to have deficits exceeding 3 per cent of GDP during the economic recession, and a majority of countries have received a recommendation already in 2009. In light of the government budget balance forecasts Denmark is expected to receive a recommendation in 2010.

Since the August projection Statistics Denmark has revised the data on general government finances in 2008 and in addition incorporated revised methods for the period 1989-2008. The revised surplus amounts to DKK 59¾bn in 2008 which is marginally higher than the August figures, cf. table 6.2 and annex 1. The upward revision is mainly due to reduced subsidies, additional revenues from the pension yield taxation and lower net interest expenditures, while reduced revenues from personal income taxes and higher public investment and consumption expenditures lower the surplus.

	2008	2009	2010
<b>DKK bn, current prices</b>			
North Sea oil and gas exploration activities	0.0	0.0	2.0
Corporate taxes excluding North Sea oil and gas exploration activities	0.0	-0.8	-0.7
Pension yield taxation	3.0	-0.1	2.8
Labour market contribution	-0.3	-1.1	-0.4
Personal taxes etc.	-3.2	-6.2	0.9
Value Added Tax	0.2	-3.9	-6.1
Vehicle registration tax	0.0	-1.0	-1.4
Other taxes and duties	0.0	-0.5	-0.1
Public consumption expenditures	-0.8	-1.7	-2.0
Public investment expenditures	-0.8	-0.3	-1.4
Income transfers	-0.1	0.3	-1.0
Subsidies	1.1	-2.2	-1.1
Net interest expenditures and dividends	2.6	3.3	1.8
Other expenditures and revenues	-1.3	-2.7	-1.5
<b>Total revision of general government budget balance</b>	<b>0.3</b>	<b>-16.9</b>	<b>-8.2</b>

Note: Negative numbers imply reductions of the surplus due to reduced revenues or increased expenditures, and positive numbers imply increases in the surplus due to increased revenues or decreased expenditures.

Compared to the August estimates the general government budget deficit is adjusted upwards by approx. DKK 17bn in 2009 and DKK 8¼bn in 2010. The larger budget

deficits are caused by both weaker cyclical conditions which lower the estimated revenues from e.g. VAT and a further loosening of fiscal policy including increased public expenditures on consumption, investments and subsidies.

Compared to the August projection *the revenues from the North Sea activities* are more or less unchanged in 2009 and adjusted upwards by DKK 2bn in 2010. The adjustment is mainly due to an upward adjustment of the oil prices (measured in DKK) of 7.6 per cent in 2010.

*The corporate tax* revenues excluding the North Sea activities are adjusted downwards by DKK  $\frac{3}{4}$ bn in both 2009 and 2010 primarily due to weaker cyclical conditions.

The revenues from *the pension yield taxation* are more or less unchanged in 2009, but have been upward adjusted by DKK  $2\frac{3}{4}$ bn in 2010 mainly due to a downward adjustment of long term interest rates on bonds in 2010.

The revenues from *personal taxes etc. and labour market contribution* are lowered by DKK  $7\frac{1}{4}$ bn in 2009. This is partly due to decreasing interest rates are assumed to affect the households' interest expenses at a slower pace than previously estimated. The estimate for 2010 is more or less unchanged relative to the projection in August.

*Revenues from the VAT* are adjusted downwards by DKK 4bn in 2009 and DKK 6bn in 2010 in light of lower private consumption, including car purchases. Consequently estimated revenues from *the vehicle registration tax* are lowered by DKK 1bn in 2009 and DKK  $1\frac{1}{2}$ bn in 2010.

The nominal *public consumption* expenditures are increased by DKK  $1\frac{3}{4}$ bn in 2009 and DKK 2bn in 2010 since the August estimates. This reflects e.g. additional expenditures on education and active labour market schemes in 2009 and more generally the central government budget for 2010.

Since August the estimates for *public investment* expenditures are increased by DKK  $\frac{1}{4}$ bn in 2009 and DKK  $1\frac{1}{2}$ bn in 2010. With respect to 2010 this is due to the growth initiatives incorporated in the central government budget for 2010.

The expenditures on *income transfers* are downward adjusted by DKK  $\frac{1}{4}$ bn in 2009 compared to the August projection and upward adjusted by DKK 1bn in 2010. The higher expenditures in 2010 reflect unemployment benefits due to higher estimated unemployment in 2010.

The *subsidies* have been upward adjusted by DKK  $2\frac{1}{4}$ bn in 2009 and DKK 1bn in 2010. Among other things the additional expenditures stems from the *Business Package* in 2009 and initiatives in the central government budget for 2010.

The estimated *net interest expenditures and dividends* are lowered by DKK 3¼bn in 2009 and DKK 1¾bn in 2010 since August. The downward adjustments primarily reflect the inclusion of the surplus of Danmarks Nationalbank due to the revised methods of Statistics Denmark mentioned above. Furthermore, interest rate expenditures on foreign central government debt are reduced due to lower interest rates and a lower borrowing requirement relative to the August projection.

*Other expenditures and revenues* contribute to a reduction of the budget balance of DKK 2¾bn in 2009 and DKK 1½bn in 2010. This mainly reflects the revised methods of Statistics Denmark.

The expenditure burden, i.e. the ratio of government expenditure to GDP, is estimated at 56.8 per cent of GDP in 2011, which reflects an increase of 3.1 percentage points since 2004, cf. table 6.3. The increase is primarily due to growth in public consumption and investment, but also income transfers' share of GDP is increasing. In 2010 the expenditure burden excl. interest expenditures is expected to reach the highest level ever, primarily due to a high level of public consumption. However, the expenditure burden should also be seen in light of the expected reduced level of GDP.

**Table 6.3**  
**Expenditure, tax and revenue burden, 2004-2011**

	2004	2005	2006	2007	2008	2009	2010	2011	Diff. 2004- 2011
<b>Per cent of GDP</b>									
Expenditure burden <sup>1)</sup>	53.7	51.9	50.6	50.0	50.9	56.4	57.9	56.8	3.1
Tax burden	49.2	51.0	49.8	49.1	48.3	47.5	46.7	46.9	-2.3
Revenue burden <sup>1)</sup>	55.6	56.9	55.7	54.8	54.3	53.4	52.4	52.4	-3.2

1) The specification of total public expenditures and revenues deviates from the specification from Statistics Denmark. Total public expenditures reflect public consumption, which includes revenues from sales and calculated depreciation expenditure, and total revenues include calculated depreciation. The specification of public expenditure from Statistics Denmark does not include public sales, which are included in total revenues, and calculated depreciation is not included in public expenditures and revenues in the specification from Statistics Denmark. Thus, the expenditure and revenue burdens differ from the ascertained burdens based on the specifications according to Statistics Denmark.

The tax burden, i.e. the ratio of aggregate tax revenues to GDP, is estimated to decrease from 49.2 per cent of GDP in 2004 to 46.9 per cent of GDP in 2011, i.e. a reduction of 2.3 percentage points. Relative to 2008, the tax burden is reduced by 1.6 percentage points in 2010. The decreasing tax burden notably reflects an ease of taxation as a result of the tax freeze, the *Spring Package* tax reform in 2004, reduced personal income taxes according to the tax agreement in 2007 and the *Spring Package 2.0* tax reform which was agreed upon in March 2009.

The revenue burden, i.e. the ratio of general government revenues to GDP, is expected to decrease from 55.6 per cent of GDP in 2004 to 52.4 per cent of GDP in 2011. This is primarily caused by the reduced tax burden and lower non-tax revenues as share of GDP.

Detailed information about the expenditure, tax and revenue burden can be found in *annex 2*.

## 6.2 Fiscal stance

The *fiscal effect* is an indicator of fiscal policy stance. The fiscal effect measures the impact of fiscal policy changes on economic activity – measured by the estimated impact on GDP.

Based on the central government budget for 2010 and an estimate of the local government budgets for 2010 the fiscal effect is estimated at 1.0 per cent of GDP in 2009 and 0.8 per cent of GDP in 2010, *cf. table 6.4*. After a period of more or less neutral fiscal policy from 2005-2008, the fiscal effect is thus expansionary in 2009 and 2010.

	2005	2006	2007	2008	2009	2010	2011
<b>Per cent of GDP</b>							
Expenditures	0.2	0.4	0.0	-0.3	0.7	0.5	-0.3
Revenues	0.1	0.1	0.0	0.0	0.2	0.3	-0.1
<b>Fiscal effect</b>	<b>0.3</b>	<b>0.5</b>	<b>0.0</b>	<b>-0.3</b>	<b>1.0</b>	<b>0.8</b>	<b>-0.4</b>
Special Pension scheme (SP)	-	-	-	-	0.3	0.0	-0.3
Funds in certain individual saving accounts						0.1	-0.1

Compared to the August projection the fiscal effect has been upward adjusted by 0.1 percentage point in 2009 and 2010 respectively. In 2009 the upward adjustment reflects higher growth in public consumption, while the adjustment in 2010 primarily is due to growth initiatives in the central government budget for 2010.

The fiscal effect does not include the release of the Special Pension (SP) funds in 2009 seeing that it is a private savings scheme. The release of the SP funds is estimated to increase economic activity by additional 0.3 per cent of GDP in 2009, based on the assumption that half of the released SP funds are spent on private consumption. Furthermore, it is assumed that approximately half of the consumption will take place in 2009, while the rest is consumed in 2010.

The central government budget for 2010 also opens for the possibility to withdraw funds in certain individual pension-saving accounts, which cover DKK 4½bn in to-

tal. This initiative is expected to stimulate activity by another 0.1 per cent of GDP in 2010.

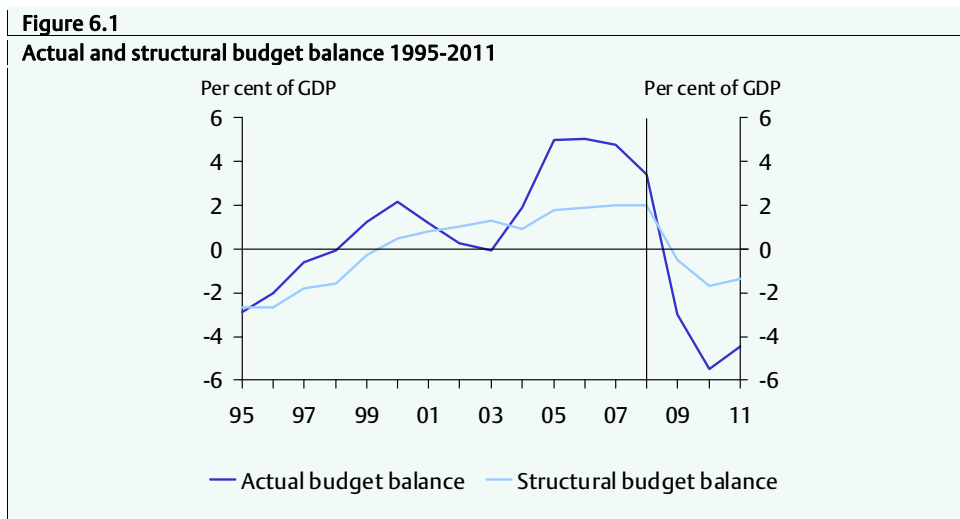
In total discretionary fiscal policy in 2009 and 2010 is estimated to increase the level of GDP by approx. 2¾ per cent in 2010.

Primarily based on technical assumptions the fiscal effect in 2011 is estimated at -0.4 per cent of GDP. This mainly reflects an assumed real growth in public investments of -15 per cent in 2011 in light of the historically high investment level in 2009 and 2010. Moreover, the phasing in of the *Spring Package 2.0* tax reform contributes to a fiscal contraction of 0.1 per cent of GDP.

### 6.3 Structural budget balance

The structural budget balance is the actual general government balance adjusted for the estimated impact on the budget from the cyclical position of the economy and other special factors. Thus, the structural balance is determined mainly by fiscal policy and structural changes in the economy, including changes in the structural rate of unemployment and the underlying growth of the labour force. In light of the sudden change in growth of GDP, employment, private business earnings together with asset and oil prices, the calculation of the structural budget balance is more uncertain than usual.

In 2009 a structural budget balance deficit of ½ per cent of GDP is estimated, *cf. figure 6.1*. The structural budget deficit is estimated to increase to 1½ per cent of GDP in 2010, which primarily reflects further fiscal stimulation. Based on primarily technical assumptions a structural budget deficit is estimated of approx. 1¼ per cent of GDP in 2011.



For the period 2004 to 2008 cyclical conditions and the trends in financial markets contributed to significantly higher actual budget surpluses compared to the calculated structural surpluses. Extraordinarily large surpluses from the pension yield taxation in 2004 and 2005 as well as favourable cyclical conditions in 2006-2008 contributed to higher actual surpluses. In addition, high revenues from the North Sea activities due to the trend in oil prices have contributed to the budget balance surpluses.

For the period 2009 to 2011 the structural budget deficits are estimated to be lower than the expected actual deficits. This reflects among other things weakened cyclical conditions and lower expected revenues from the pension yield taxation relative to the calculated normal level. The expansionary fiscal policy reduces both the actual and the structural budget balance.

From 2002 to 2010 the structural budget balance is estimated to be reduced by 2½ percentage points of GDP, cf. table 6.5. Based on primarily technical assumptions, the structural budget balance is estimated to increase by ½ percentage point from 2010 to 2011.

Structural Balance (corrected for SP)		Change due to						
Level	Yearly change	Fiscal policy <sup>1)</sup>	Pension yield taxation	Net interest	North Sea oil and gas	Special items <sup>2)</sup>	Other	
2002	0.9							
2003	1.4	0.5	0.1	0.0	0.3	0.2	0.1	-0.2
2004	1.0	-0.4	-1.3	0.0	0.3	0.2	0.0	0.6
2005	1.8	0.8	-0.3	0.1	0.3	0.1	0.0	0.6
2006	1.7	-0.1	-0.6	0.1	0.2	0.1	-0.1	0.1
2007	1.9	0.2	0.3	0.0	0.2	0.1	-0.1	-0.2
2008	1.9	0.0	0.2	0.0	0.1	0.1	-0.1	-0.3
2009	-0.6	-2.5	-2.1	0.1	0.0	-0.1	-0.1	-0.2
2010	-1.6	-1.0	-1.2	0.0	0.0	-0.2	0.0	0.3
2011	-1.2	0.4	1.0	0.0	0.0	-0.1	0.0	-0.4
<b>Total</b>	<b>-2.1</b>	<b>-3.9</b>	<b>0.3</b>	<b>1.4</b>	<b>0.4</b>	<b>-0.3</b>	<b>0.3</b>	

1) Due to different methods of calculation the fiscal policy effects differ from the effects used in the calculation of the fiscal effect.

2) Special items include among other things various net current and capital transfers.

Fiscal policy reduces the structural budget balance by nearly 5 percentage points from 2002 to 2010 of which 3¼ percentage points is contained in the period 2008 to 2010. This mainly reflects increased public consumption and investment expenditures as well as the tax reductions in the *Spring Package 2.0*.



Decreasing net interest rate expenditures are expected to improve the structural budget balance from 2002 to 2010 by nearly 1½ percentage point.

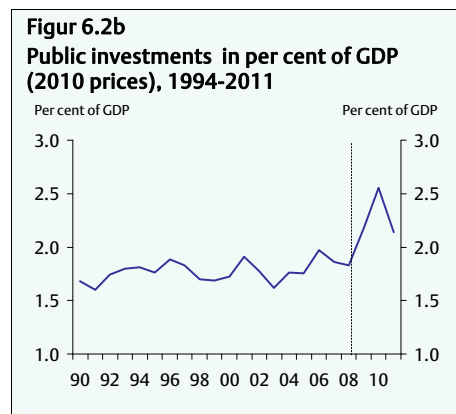
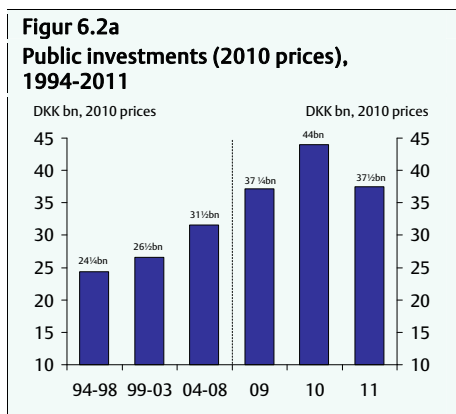
#### 6.4 Public investments

To support growth and employment, several investment projects have been launched in the course of 2009. Hence a historically high growth in public investments has been planned in 2009 and 2010.

With the growth initiatives due to the agreement of the central government budget for 2010 additional investments of DKK 5bn will be undertaken in 2010-2013. Among the new projects are maintenance of roads owned by the central government, maintenance of hospitals and energy improvements of central government buildings.

From the so called *Quality Fund* approximately DKK 6bn are to be invested in 2010 in new hospitals, more efficient work forms, the primary schools, day care institutions and institutions for elderly. Furthermore, investments in infrastructure are increased in light of the *Agreement on Green Transportation Policy*.

Public investments in total are expected to increase from a level of DKK 31½bn in 2004-2008 to DKK 44bn in 2010, cf. figure 6.2a. This corresponds to an increase of DKK 12½bn or nearly 40 per cent.



Source: Statistics Denmark and own calculations.

Real growth in public investments is thus estimated at 12.6 per cent in 2009 and 18.4 per cent in 2010. For the first time since the 1960's public investments are expected to grow by two-digit numbers two years in a row. In addition, public investments are estimated to constitute 2.6 per cent of GDP in 2010, cf. figure 6.2b.

## 6.5 Central government finances

The central government budget for 2010 implies a deficit on the current, investment and lending account, i.e. the CIL-account<sup>1</sup>, of DKK 77¼bn in 2010 (4.5 per cent of GDP), cf. table 6.6. In 2009 the deficit on the CIL-account is estimated at DKK 52½bn (3.1 per cent of GDP).

<b>CIL-account, 2009-2010</b>						
	<b>2009</b>			<b>2010</b>		
	<b>August</b>	<b>December</b>	<b>Diff.</b>	<b>August (Budget proposal)</b>	<b>December (Budget)</b>	<b>Diff.</b>
<b>DKK bn, current prices</b>						
Total revenues	605.1	581.3	-23.8	576.5	591.8	15.3
Total expenditures	631.6	633.8	2.2	667.6	669.2	1.6
<b>CIL-account</b>	<b>-26.5</b>	<b>-52.5</b>	<b>-26.0</b>	<b>-91.1</b>	<b>-77.3</b>	<b>13.8</b>
<b>CIL-account (per cent of GDP)</b>	<b>-1.6</b>	<b>-3.1</b>	<b>-1.6</b>	<b>-5.2</b>	<b>-4.5</b>	<b>0.8</b>

The expected deficits in 2009 and 2010 reflect the weakened cyclical conditions which causes reduced revenues from taxes and duties and increased expenditures on unemployment benefits. In addition, fiscal policy in both years contributes to the deficit.

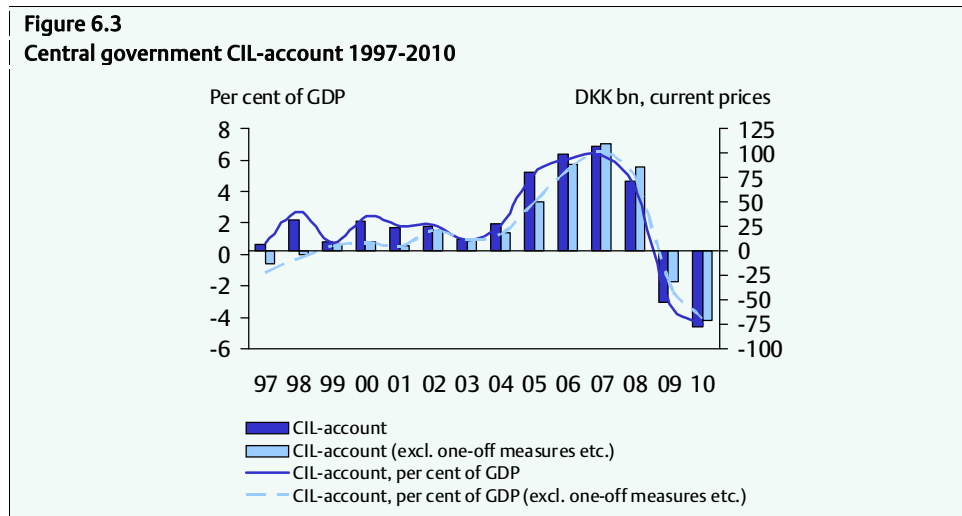
Compared to the August estimates the CIL-account is adjusted downwards by DKK 26bn in 2009 and upward by DKK 13¼bn in 2010. This is primarily due to further deferment of payments of income taxes and labour market contribution, which deteriorates the CIL-account in 2009 and improves the CIL-account in 2010.

The CIL-account is to a varying degree affected by one-off measures from year to year, cf. figure 6.3. Corrected for one-off measures etc., the deficit on the CIL-account is estimated at DKK 29½bn in 2009 (1.8 per cent of GDP) and DKK 74¾bn in 2010 (4.3 per cent of GDP). Thus, in both 2009 and 2010 the corrected CIL-deficit is lower than the expected actual CIL-deficit.

In 2009 the correction for one-off measures is partly due to the mentioned deferred payments of income taxes etc., lower than normal revenues from the pension yield taxation and increased payments of tax deductible pension contributions caused by the *Spring Package 2.0*. Higher revenues from the duty on withdrawals from the Special Pension scheme (SP) pull in the opposite direction.

<sup>1</sup> The CIL-account differs from the national account based on the central government balance with respect to the accruals concept (e.g. taxes), the treatment of financial transactions etc. In addition, some institutions that are part of the central government accounts are not considered part of the central government sector in the national accounts, and some institutions that are not part of the central government accounts are considered part of the central government sector.

In 2010 the lower corrected CIL-deficit is mainly due to lower revenues from the pension yield taxation compared to revenues in years with normal yields. The deferred payments of income taxes etc. pull in the opposite direction.



### 6.6 Central government financing requirement and debt

Central government debt measured as a percentage of GDP is estimated to increase from 11.3 per cent of GDP in 2008 to 23.7 per cent of GDP in 2010 corresponding to an increase by nearly 12½ percentage points, *cf. table 6.7*.

**Table 6.7**  
**Central government debt, 2008-2010**

	2008	2009	2010	Diff. 08-10
<b>End of year, nominal value (current prices)</b>				
Domestic debt	429.5	474.9	542.7	113.2
Foreign debt	133.1	140.1	144.7	11.3
The central government's account in Danmarks Nationalbank				
Assets of the Social Pension Fund	-124.7	-118.3	-114.1	10.6
Assets of other funds	-11.0	-12.7	-14.5	-3.5
<b>Central government debt, DKK bn</b>	<b>196.2</b>	<b>334.4</b>	<b>409.2</b>	<b>213.0</b>
<b>Central government debt, per cent of GDP</b>	<b>11.3</b>	<b>20.0</b>	<b>23.7</b>	<b>12.4</b>

Measured in nominal terms the central government debt is estimated to increase from DKK 196¼bn in 2008 to DKK 409¼bn in 2010 corresponding to an increase of DKK 213¼bn. The increase in debt reflects a higher CIL-account deficit and in-

creased relending through *the Credit Package, Finansiell Stabilitet A/S*, relending to Iceland, Latvia and export loans through *Eksport Kredit Fonden*.

In 2009 the net financing requirement is estimated at DKK 141½bn, cf. table 6.8. This is an upward adjustment of approx. DKK 9¼bn in 2009 compared to the short term projection in August, which is primarily due to a larger expected deficit on the CIL-account reflecting deferred payments of labour tax remittances. Contrary to this, lower relending contributes to a lower net financing requirement in 2009.

**Table 6.8**  
**CIL-account and net financing requirement, 2008-2010**

	2008	2009		2010	
	Final	Aug.	Dec.	Aug. (Budget proposal)	Dec. (Budget)
<b>DKK bn</b>					
<b>CIL-account</b>	<b>72.3</b>	<b>-26.5</b>	<b>-52.5</b>	<b>-91.1</b>	<b>-77.3</b>
Total relending <sup>1)</sup>	-13.5	-104.9	-88.7	-18.2	2.9
Differences between posted revenues and expenditures and cash flow	-10.4	-0.9	-0.4	-0.1	0.0
<b>Net financing requirement (-net balance)</b>	<b>-48.3</b>	<b>132.3</b>	<b>141.6</b>	<b>109.5</b>	<b>74.5</b>

1) Including relending to infrastructure entities.

In 2010 the net financing requirement is estimated at DKK 74½bn which is a reduction of DKK 35bn relative to August projection. This reflects among other things the deferred payments of labour tax remittances, which moves liquid assets from 2009 to 2010. Further, the total amount of relending is expected to increase in 2010 of which DKK 18bn is due to *Finansiell Stabilitet A/S*. It is assumed that *Finansiell Stabilitet A/S* repays previous loans, carries out a part of the warranty provision from the private preparedness in relation to *Bank Package I* and reduces the liquid stock. Thus, the relending to *Finansiell Stabilitet A/S* is highly uncertain and depends on trends in financial markets.

Since the projection in August the central government gross financing requirement is reduced by DKK 12bn to a level of DKK 127¾bn in 2009, cf. table 6.9. The reduction is primarily due to a lower foreign financing requirement. In 2010 the gross financing requirement is estimated at DKK 150½bn. The increase in financing requirement from 2009 to 2010 primarily reflects a significant weakening of the public finances including large deficits on the CIL-account.

	2008	2009		2010	
	Final	Aug.	Dec.	Aug. Budget proposal	Dec. Budget
<b>DKK bn</b>					
<b>Net financing requirement<sup>1)</sup> (-net balance)</b>	<b>-48.3</b>	<b>132.3</b>	<b>141.6</b>	<b>109.5</b>	<b>74.5</b>
-Redemption of central government debt	62.7	93.5	105.8	76.7	77.2
<b>Gross financing requirement</b>	<b>14.4</b>	<b>225.9</b>	<b>247.3</b>	<b>186.2</b>	<b>151.7</b>
-Payments to the central government in currency swaps	5.6	11.1	11.0	1.2	1.1
-Drawing on the central government's account in Danmarks Nationalbank	-171.8	75.0	108.6	20.0	0.0
<b>Borrowing requirement</b>	<b>180.6</b>	<b>139.9</b>	<b>127.8</b>	<b>165.0</b>	<b>150.6</b>
1)	Incl. payments from the central government in currency swaps and net bond purchase of state owned funds.				

## Annex 1

<b>Table 1</b>									
<b>General government finances, 2008-2010</b>									
	<b>2008</b>			<b>2009</b>			<b>2010</b>		
	<b>Aug.</b>	<b>Dec.</b>	<b>Diff.</b>	<b>Aug.</b>	<b>Dec.</b>	<b>Diff.</b>	<b>Aug.</b>	<b>Dec.</b>	<b>Diff.</b>
<b>DKK bn, current prices</b>									
Public consumption	463.0	463.8	0.8	487.6	489.3	1.7	505.7	507.7	2.0
Income transfers	263.1	263.2	0.1	282.6	282.4	-0.3	304.9	305.9	1.0
Investment	30.9	31.8	0.8	36.2	36.5	0.3	42.6	44.0	1.4
Interest expenditure	31.2	31.9	0.7	36.8	36.5	-0.3	39.3	37.1	-2.2
Subsidies	38.2	37.1	-1.1	42.5	44.7	2.2	43.4	44.5	1.1
Other expenditures <sup>1)</sup>	55.9	56.0	0.1	52.8	52.2	-0.6	59.1	59.5	0.4
<b>Total expenditure</b>	<b>882.5</b>	<b>883.8</b>	<b>1.3</b>	<b>938.5</b>	<b>941.6</b>	<b>3.1</b>	<b>994.9</b>	<b>998.7</b>	<b>3.8</b>
Personal income taxes <sup>2)</sup>	375.2	372.3	-2.8	373.9	367.7	-6.2	352.4	353.3	0.9
Labour market Contributions	80.5	80.2	-0.3	81.3	80.2	-1.1	81.8	81.4	-0.4
Corporate taxes	59.4	59.4	0.0	40.9	40.0	-0.8	46.0	46.7	0.7
Pension yield taxation	6.2	9.2	3.0	6.5	6.3	-0.1	9.2	12.0	2.8
VAT	175.3	175.5	0.2	169.8	165.9	-3.9	177.2	171.1	-6.1
Vehicle registration tax	19.7	19.7	0.0	13.5	12.5	-1.0	15.1	13.8	-1.4
Other duties	102.4	102.5	0.0	99.8	100.2	0.4	106.1	107.1	1.0
Other taxes <sup>3)</sup>	16.8	16.8	0.0	17.9	17.0	-0.9	17.9	17.0	-1.0
Interest revenues	27.1	30.4	3.3	25.3	28.4	3.0	27.4	27.0	-0.4
Gross operating surplus	31.9	32.1	0.2	32.5	32.5	0.0	33.5	33.6	0.1
Other revenues <sup>4)</sup>	47.3	45.6	-1.7	43.7	40.5	-3.2	42.2	41.4	-0.7
<b>Total revenue</b>	<b>942.0</b>	<b>943.6</b>	<b>1.7</b>	<b>905.1</b>	<b>891.3</b>	<b>-13.8</b>	<b>908.7</b>	<b>904.3</b>	<b>-4.4</b>
<b>General government budget balance</b>	<b>59.5</b>	<b>59.8</b>	<b>0.3</b>	<b>-33.5</b>	<b>-50.3</b>	<b>-16.9</b>	<b>-86.3</b>	<b>-94.4</b>	<b>-8.2</b>
Net interest Expenditure	4.1	1.5	-2.6	11.5	8.2	-3.3	11.9	10.1	-1.8
<b>General government primary balance<sup>5)</sup></b>	<b>63.6</b>	<b>61.3</b>	<b>-2.2</b>	<b>-22.0</b>	<b>-42.2</b>	<b>-20.1</b>	<b>-74.4</b>	<b>-84.3</b>	<b>-10.0</b>
<p>Note: The specification of total public expenditures and revenues deviates from the specification from Statistics Denmark. Total public expenditures reflect public consumption, which includes revenues from sales and calculated depreciation expenditure, and total revenues include calculated depreciation. The specification of public expenditure from Statistics Denmark does not include public sales, which are included in total revenues, and calculated depreciation is not included in public expenditures and revenues in the specification from Statistics Denmark.</p> <p>1) Other expenditures include capital transfers, transfers to the Faroe Islands and Greenland and Danish EU-contributions.</p> <p>2) 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.</p> <p>3) Other taxes include social security contributions (labour market supplementary pension scheme contributions, unemployment insurance contributions and early retirement contributions).</p> <p>4) Other revenues include profits from public enterprises, current and capital transfers from other domestic sectors and EU, and imputed (calculated) revenues such as contributions to civil servants' earned pension.</p> <p>5) The general government primary balance states the balance of the general government finances before net interest expenditures.</p>									

## Annex 2

	2003	2004	2005	2006	2007	2008	2009	2010	Diff. 2003- 2010
<b>Per cent of GDP</b>									
Public consumption	26.5	26.5	26.0	25.9	26.0	26.7	28.6	28.7	2.2
Income transfers	17.4	17.1	16.5	15.6	15.3	15.2	16.6	17.3	-0.1
Investment	1.6	1.8	1.8	2.0	1.7	1.8	2.1	2.4	0.8
Interest expenditure	3.4	3.1	2.6	2.2	2.0	1.8	2.2	2.2	-1.2
Other expenditure	5.2	5.2	5.0	5.0	5.0	5.4	5.6	5.8	0.6
<b>Expenditure burden<sup>1)</sup></b>	<b>54.2</b>	<b>53.7</b>	<b>51.9</b>	<b>50.7</b>	<b>50.0</b>	<b>50.9</b>	<b>55.1</b>	<b>56.5</b>	<b>2.3</b>
Personal income taxes	21.8	21.2	21.2	21.1	21.4	21.6	22.0	20.0	-1.8
Labour market									
Contributions	4.4	4.4	4.4	4.4	4.5	4.6	4.8	4.6	0.2
Pension yield taxation	0.4	1.6	2.4	0.8	0.3	0.4	0.4	0.5	0.1
Corporate taxes	2.9	3.2	3.9	4.4	3.6	3.4	2.4	2.6	-0.3
Value added tax	9.6	9.8	10.1	10.3	10.4	10.1	10.0	10.1	0.4
Other duties	7.8	7.8	7.9	7.8	7.6	7.3	6.9	7.1	-0.7
Other taxes	1.2	1.2	1.1	1.0	1.0	1.0	1.1	1.0	-0.2
<b>Tax burden</b>	<b>48.1</b>	<b>49.2</b>	<b>51.0</b>	<b>49.8</b>	<b>48.8</b>	<b>48.4</b>	<b>47.4</b>	<b>45.9</b>	<b>-2.2</b>
Interest revenue	1.5	1.5	1.3	1.3	1.4	1.6	1.5	1.6	0.1
Other non-tax revenue	4.6	5.1	4.8	4.8	4.5	4.6	4.5	4.3	-0.3
Tariffs etc. to the EU	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	0.0
<b>Revenue burden<sup>1)</sup></b>	<b>54.1</b>	<b>55.6</b>	<b>56.9</b>	<b>55.7</b>	<b>54.5</b>	<b>54.3</b>	<b>53.2</b>	<b>51.6</b>	<b>-2.5</b>
1) The specification of total public expenditures and revenues deviates from the specification from Statistics Denmark. Total public expenditures reflect public consumption which includes revenues from sales and calculated depreciation expenditure and total revenues include calculated depreciation. The specification of public expenditure from Statistics Denmark does not include public sales which are included in total revenues and calculated depreciation is not included in public expenditures and revenues in the specification from Statistics Denmark. Thus the expenditure and revenue burden differ from the ascertained burdens based on the specifications according to Statistics Denmark.									