

## 4. English Summary

The Danish economy is affected by the international financial crisis and the following weak cyclical conditions, *cf. Economic Survey*, May 2009. The unemployment is rising and the general government finances are weakened.

The previous years' surpluses on the general government budget balance are now expected to turn into deficits at DKK 22½bn in 2009 (-1.3 per cent of GDP) and DKK 60 bn in 2010 (-3.3 per cent of GDP). Also the central government finances are estimated to decline. The projections of the balance on the current, investment and lending account (the CIL-account) and the central government net balance show deficits in 2009.

Compared to the December projections the government finances are weakened in 2009 and 2010 which primarily reflects lower revenues from taxes and duties as well as higher unemployment expenses.

From 2007 to 2010, the general government finances is estimated to decline by DKK 135bn corresponding to 7¾ per cent of GDP. The considerable shift reflects that the Danish government finances are highly sensitive towards cyclical conditions, the financial markets and the oil prices. At the same time the general government finances are weakened by discretionary fiscal policy measures including lower tax revenues in 2010 following the personal income tax cuts etc. in the *Spring package 2.0*.

### 4.1 General government finances

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

Furthermore, the estimates are based on the central government budget for 2009, an updated status for the central government spending in 2009 and the local government budgets for 2009. For both 2009 and 2010 the estimates are also based on the political agreements on infrastructure investments, municipal investments in 2009, and the *Spring package 2.0*. Furthermore, the estimate for 2010 relies on technical assumptions and the 2015-plan, as the fiscal policy priorities for 2010 will be determined later.

According to preliminary data from Statistics Denmark the general government surplus amounted to DKK 63¼bn in 2008, *cf. table 4.1*, which is DKK 11bn. higher than the estimate in the December projection. This primarily reflects increased revenues from pension yield taxation and personal taxes, *cf. Annex 1*.

	2003	2004	2005	2006	2007	2008	2009	2010
<b>DKK bn, current prices</b>								
December 2008	-1.4	27.3	77.1	81.5	75.1	52.2	-0.3	-22.9
<b>May 2009</b>	<b>-1.4</b>	<b>27.3</b>	<b>77.1</b>	<b>81.5</b>	<b>75.1</b>	<b>63.2</b>	<b>-22.5</b>	<b>-60.1</b>
- Central government	-1.7	27.6	81.8	88.6	78.6	70.3	-	-
- Local governments	0.1	-0.4	-5.1	-7.4	-3.4	-7.1	-	-
- Social funds	0.2	0.2	0.4	0.3	0.0	0.0	-	-
<b>May 2009</b> <b>(per cent of GDP)</b>	<b>-0.1</b>	<b>1.9</b>	<b>5.0</b>	<b>5.0</b>	<b>4.5</b>	<b>3.6</b>	<b>-1.3</b>	<b>-3.3</b>
Note: The specification of the central and local government budget balances do 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.								

For the first time since 2003 deficits on the general government budget balance are estimated for 2009 and 2010. The deficits of DKK 22½bn in 2009 and DKK 60bn in 2010 are projected, which corresponds to -1.3 per cent of GDP in 2009 and -3.3 per cent of GDP in 2010. The estimated deficits reflect the weak cyclical conditions as well as the discretionary fiscal policy, including tax cuts and increased public investments.

Compared to the December projection the general government surplus has been revised up by DKK 11bn in 2008, but adjusted downwards by DKK 22¼bn in 2009 and DKK 37¼bn in 2010, *cf. table 4.2*.

The upward revision in 2008 is due to higher income from pension yield taxation and personal income taxes. The downward revisions in 2009 and 2010 are mainly due to increased expenses on income transfers, lower revenues from vehicle registration tax and VAT. In 2010 considerably lower revenues from personal taxes are estimated in light of the agreed tax cuts in the *Spring package 2.0*.

	<b>2008</b>	<b>2009</b>	<b>2010</b>
<b>DKK bn, current prices</b>			
North Sea oil and gas exploration activities	1.1	-1.5	1.3
Corporate taxes excluding North Sea oil and gas exploration activities	0.0	-2.1	-1.7
Pension yield taxation	6.1	5.0	3.1
Personal taxes etc. and labour market contributions	6.1	3.0	-22.0
Value Added Tax	-0.9	-5.7	-3.4
Vehicle registration tax	-2.6	-5.3	-2.1
Other taxes and duties	0.4	-1.3	2.6
Public consumption expenditures	-1.0	0.0	1.1
Public investment expenditures	0.7	-3.3	-2.8
Income transfers	-0.7	-6.7	-12.7
Subsidies	-0.3	1.1	2.2
Net interest expenditures and dividends	0.9	-3.5	-4.1
Other expenditures and revenues	1.1	-1.8	1.3
<b>Total revision of general government budget balance</b>	<b>11.0</b>	<b>-22.2</b>	<b>-37.2</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.

The revenues from the North Sea activities have been downward adjusted by DKK 1½bn in 2009, but upward adjusted by approx. DKK 1¼bn in 2010 compared to the projection in December. The adjustments are mainly due to adjustments of the oil price of -6 per cent in 2009 and 12 per cent in 2010.

The corporate tax revenues excluding the North Sea activities are adjusted downwards by approx. DKK 2bn in 2009 and DKK 1¾bn in 2010. The downward adjustments are to be seen in connection with lower earnings in the financial sector.

The revenues from the pension yield taxation have been upward adjusted by DKK 5bn in 2009 and approx. DKK 3bn in 2010 primarily due to an estimated reduction of losses in 2008 that are deductible the following years.

Higher revenues from personal taxes etc. and labour market contributions are expected in 2009 which among other things is due to increased tax revenues from withdrawal from the special pension scheme (SP). In 2010, the estimated downward adjustment by DKK 22bn primarily reflects the agreed tax cuts in the Spring package 2.0.

The downward adjustments of the revenues from the VAT by DKK 5¾bn in 2009 and DKK 3½bn in 2010 are due to downward adjustments of expected private consumption, including car purchases. In addition, revenues from the vehicle registration tax are downward adjusted by DKK 5¼bn in 2009 and DKK 2bn in 2010.

Compared with the December projection lower revenues on *other taxes and duties* of about DKK 1¼bn are expected in 2009, where higher revenues of about DKK 2½bn are expected in 2010. In 2009 the adjustment primarily reflects lower revenues from excise duties as the production and the private consumption decreases, while the estimate in 2010 follows the discretionary increases of duties agreed in the *Spring package 2.0*.

*Public consumption* expenditures are unchanged in 2009 compared to the December projection, but have been downward adjusted by approx. DKK 1bn in 2010 mainly due to an expected lower public sector wage increase. The public sector wage increase depends on the private sector wage increase, which has been downward adjusted.

Higher *public investment* expenditure of DKK 3¼bn in 2009 and DKK 2¾bn in 2010 is expected due to the agreements on infrastructure investments and municipal investments in 2009.

The expenditures for *income transfers* have been upward adjusted by DKK 6¾bn in 2009 and DKK 12¾bn in 2010. The upward adjustments are primarily due to the expected increase in unemployment compared to the December projection.

The *subsidies* have been downward adjusted by approx. DKK 1bn in 2009 and DKK 2¼bn in 2010 primarily due to a technical correction of the investments in railways. Higher subsidies of DKK 1.5bn are expected in 2009 from the agreed repair and maintenance scheme for private households.

The estimated *net interest expenditures and dividends* are upward adjusted by DKK 3½bn in 2009 and approx. DKK 4bn in 2010, which among other things is due to lower interest revenues in light of lower monetary-policy interest rates.

The expenditure burden, i.e. the ratio of government expenditure to GDP, is estimated to 54.8 per cent of GDP in 2010, which reflects an increase of 4 percentage points from 2008, *cf. table 4.3*. The increase is primarily due to an increase in public consumption in per cent of GDP and a higher public investment to GDP ratio, *cf. Annex 2*.

**Table 4.3**  
**Expenditure, tax and revenue burden, 2003-2010**

	2003	2004	2005	2006	2007	2008	2009	2010	Diff. 2003- 2010
<b>Per cent of GDP</b>									
Expenditure burden <sup>1)</sup>	54.2	53.7	51.9	50.7	50.0	50.8	53.4	54.8	0.6
Tax burden	48.1	49.2	51.0	49.8	48.8	48.5	46.6	45.9	-2.2
Revenue burden <sup>1)</sup>	54.1	55.6	56.9	55.7	54.5	54.4	52.1	51.4	-2.6

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.

The tax burden, i.e. the ratio of aggregate tax revenues to GDP, is estimated to decrease by 2.6 percentage points from 2008 to 2010. The decreasing tax burden reflects among other things the reduction of personal income taxes to GDP due to the tax freeze and the tax cuts in 2008-2009 and in 2010 due to the *Spring package 2.0*.

The revenue burden, i.e. the ratio of general government revenues to GDP, is expected to decrease by 3 percentage points from 2008 to 2010 primarily due to the reduced tax burden and lower revenues to GDP.

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

## 4.2 Fiscal stance

The *fiscal effect* is an indicator of the 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 revised estimates for the general government finances including the agreements on infrastructure investments and the *Spring Package 2.0* the fiscal effect is estimated to 0.8 per cent of GDP in 2009, cf. *table 4.4*.

	2004	2005	2006	2007	2008	2009	2010
<b>Per cent of GDP</b>							
Expenditures	0.4	0.2	0.3	-0.1	-0.1	0.6	0.2
Revenues	0.4	0.1	0.1	0.0	0.0	0.2	0.3
<b>Fiscal effect</b>	<b>0.8</b>	<b>0.3</b>	<b>0.4</b>	<b>-0.2</b>	<b>-0.2</b>	<b>0.8</b>	<b>0.5</b>
Special Pension scheme (SP)	0.1	-	-	-	-	0.3	-0.0

Compared with the December projection the fiscal effect has been upward adjusted by 0.4 per cent of GDP in 2009. This is mainly due to increased investment in infrastructure in the municipalities and higher subsidies in light of the repair and maintenance scheme.

Furthermore, the withdrawal of special pension (SP) funds is estimated to stimulate activity corresponding to 0.3 per cent of GDP in 2009. Based on a survey spending on private consumption and investments from withdrawals of SP funds are estimated to DKK 7½bn in 2009 and 1½bn in 2010.

The economic activity is estimated to be further stimulated by 0.5 per cent of GDP in 2010 primarily due to the agreed tax cuts in the *Spring package 2.0*.

Detailed information about the political agreements entered in the spring 2009 can be found in *box 4.1*.

**Box 4.1****Overview of larger political agreements entered in the spring 2009**

With the political agreement of a *Credit package* the central government offers injections to the banks and mortgage credit institutions to secure the lending policy and avoid credit shortage. The injections is offered as loans – the so-called tier 1 hybrid capital – which are imposed to interest rate payments and has to be paid back. The Credit package makes available up to DKK 100bn to banks and mortgage credit institutions. The interest rates will be laid down individually for each bank and mortgage credit institution, but is estimated to 0 per cent per anno on average. Furthermore, the agreement establishes a scheme for export loans through *Eksport Kredit Fonden* to secure the Danish export businesses. The scheme runs for three years and make available up to DKK 20bn. By the agreement it is also possible for *Eksport Kredit Fonden* to make reinsurance agreement with private insurance companies that amounts up to DKK 10bn per year.

The agreement on *infrastructure investments* implies investment of additional DKK 5bn in 2009 and 2010 compared to the central government budget for 2009. The agreement includes several road projects as well as different kinds of improvement and modernization of public transportation and ferry services to small islands. Furthermore, the agreement includes investments to encourage bicycle traffic and transportation of goods by railways and investments in noise abatement.

*Extending the credit for companies' payment of withheld income taxes, social contributions and VAT.* From February 2009 and half a year forward the credit on companies' payments has been extended by one month. Here after the credit extension is gradually reduced until new year.

The agreement of the *Spring package 2.0* includes lower income taxes, lower marginal tax rates and higher taxes and duties on consumption and production that potentially harm the environment and health. For income taxes is included abolishment of the middle-bracket income tax, lower bottom-bracket taxes in 2009 and 2010, and the limit for top-bracket income tax is increased. In view of the weak cyclical conditions the tax reform is constructed so as the tax cuts are implemented quickly while the financing of the reform will be implemented gradually over several years.

The *Spring package 2.0* makes also allows withdrawal of the special pension scheme (SP) in the period between 1<sup>st</sup> of June and 31<sup>st</sup> of December 2009. Ultimo 2008 the total SP consisted of estimated DKK 48-49bn. When the individual SP-amount is paid out a duty of 35 per cent of the first DKK 15,000 is imposed and of the rest of the amount is a duty of 50 per cent imposed.

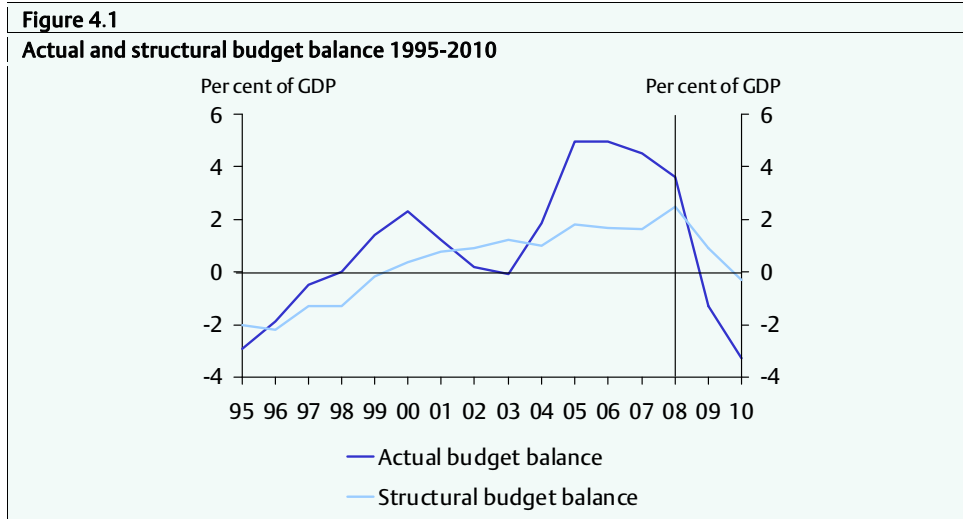
Furthermore, the *Spring package 2.0* includes a repair and maintenance scheme of DKK 1.5bn to support individual households investment and renovation of homes, including energy saving investments. The scheme offers subsidies of 40 per cent of labour expenses with a maximum amount of DKK 15,000. For energy saving investments the fund also offer subsidies of 20 per cent of the material expenses with a maximum amount of DKK 10,000.

The agreement on *increased investment in construction by municipalities* allows a further increase of municipalities' investments by DKK 2bn in 2009. The agreement consists of frontloading of investments to 2009 and new loan facilities. Investments are to be focused on public services such as day care, primary schools and care for the elderly.

**4.3 Structural budget balance**

The structural balance is the general government budget balance adjusted for the estimated impact on the budget from the cyclical position of the economy and some 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.

The structural budget balance is estimated at 2½ per cent of GDP in 2008 and approx. 1 per cent of GDP in 2009. For 2010 a deficit of ¼ per cent of GDP is estimated on the structural budget balance, *cf. figure 4.1*. The reduction in the structural budget balance from 2008 to 2010 is primarily due to the discretionary financial policy including agreed tax cuts in the *Spring package 2.0*. The uncertainty connected with the estimate of the structural budget balance is bigger than usual due to the major reductions in GDP, rising unemployment, changes in oil prices, etc.



In the years 2004-2008 actual general budget surpluses have been larger than the estimated structural budget balance surpluses. This primarily reflects extraordinarily large revenues from the pension yield taxation in 2004 and 2005, the strong cyclical position of the economy in 2004 and 2005, the strong cyclical position of the economy in 2006-2008 and high revenues from North Sea oil and gas activities in 2005-2008.

In 2009 and 2010 the structural budget balance is estimated to exceed the general budget balance, which in part owes to declining cyclical conditions and estimated pension yield taxation revenues below the estimated normal level.

The structural budget balance is estimated to decline by 2¾ percentage points from 2008 to 2010, *cf. table 4.5*.



**Table 4.5**  
**Structural budget balance (per cent of GDP), 2002-2010**

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>	De-mand <sup>3)</sup>	Other	
2002	0.9								
2003	1.2	0.3	0.1	0.0	0.3	0.2	0.0	0.1	-0.5
2004	1.0	-0.2	-1.3	0.0	0.3	0.2	0.0	0.4	0.3
2005	1.8	0.8	-0.3	0.1	0.3	0.1	0.0	0.2	0.6
2006	1.7	-0.1	-0.5	0.1	0.2	0.1	-0.1	0.2	-0.2
2007	1.6	-0.1	0.4	0.0	0.2	0.1	-0.1	0.2	-0.8
2008	2.5	0.9	-0.1	0.0	0.1	0.0	-0.1	0.2	0.8
2009	0.9	-1.6	-1.5	-0.1	0.1	-0.1	-0.1	0.3	0.0
2010	-0.3	-1.2	-0.9	0.0	0.1	-0.2	0.0	0.3	-0.6
<b>Total</b>		<b>-1.2</b>	<b>-4.1</b>	<b>0.1</b>	<b>1.6</b>	<b>0.4</b>	<b>-0.4</b>	<b>1.9</b>	<b>-0.4</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.
- 3) Changes in the demand influence the structural budget balance due to changes in revenue from the indirect taxes among other things.

#### 4.4 Central government finances

The final account for the central government for 2008 reflects a surplus on the current, investment and lending account, i.e. the CIL-account<sup>1</sup>, of DKK 72¼bn or 4.2 per cent of GDP, *cf. table 4.6*. The surplus is approx. DKK 13bn higher than estimated in December due to higher revenues than expected from personal taxes and pension yield taxation.

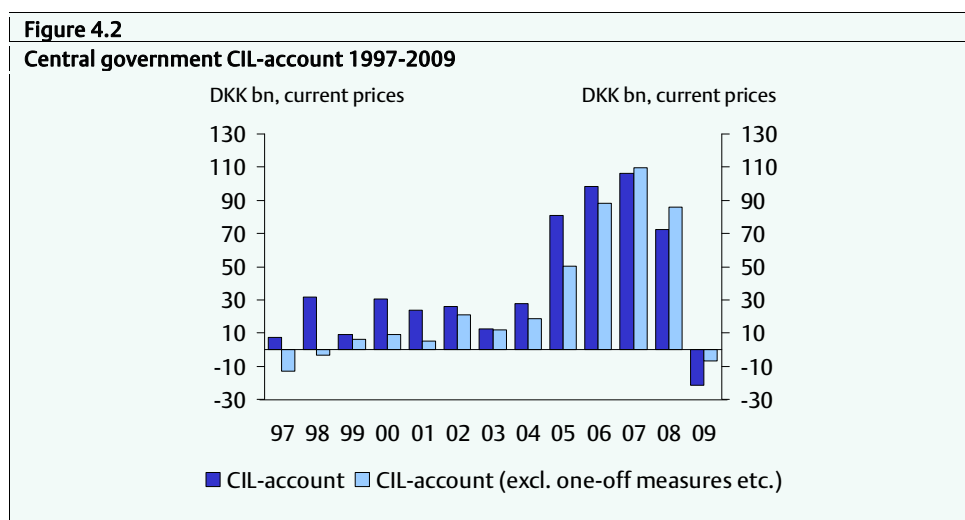
<sup>1</sup> The CIL-account differs from the central government balance in the national accounts with respect to the accruals concept (e.g. taxes), the treatment of financial transactions etc. In addition, some institutions that are part of the central government accounts are not considered part of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

	2008			2009		
	December	Final	Diff.	December (budget)	May	Diff.
<b>DKK bn, current prices</b>						
Total revenues	630.3	639.4	9.1	621.6	606.4	-15.2
Total expenditures	571.2	567.2	-4.0	617.1	627.9	10.8
<b>CIL-account</b>	<b>59.1</b>	<b>72.3</b>	<b>13.1</b>	<b>4.6</b>	<b>-21.5</b>	<b>-26.1</b>
CIL-account (per cent of GDP)	3.4	4.2	0.8	0.3	-1.2	-1.5

The CIL-account is sensitive to the cyclical conditions including changes in private consumption, unemployment and fluctuations in financial markets. After a period of high CIL-account surpluses a significant deficit is estimated in 2009.

The CIL-account for 2009 is estimated at DKK -21½bn, which corresponds to 1.2 per cent of GDP. The estimate in 2009 is revised downwards by approx. DKK 26bn since the December projection mainly due to higher unemployment expenditures and lower tax revenues following the weak cyclical conditions.

The CIL-account is to a varying degree affected by one-off measures from year to year, cf. figure 4.2.



Excluding one-off measures the CIL-account surplus is estimated at approx. DKK 85¾bn in 2008 while a deficit is estimated at DKK 6½bn in 2009. In both years the corrected CIL-account is higher than the actual CIL-account. This is mainly due to lower revenues from pension yield taxation than in years with normal yields.

#### 4.5 Central government financing requirement and debt

Central government debt measured as a percentage of GDP is estimated to increase by 4.8 percentage points from 2008 to 2009, *cf. table 4.7*. Hence central government debt is estimated to increase for the first time since 2002.

Between 2001 and 2009 the total decrease in central government debt is estimated at 22.3 percentage points of GDP. Corrected for relending in relation to the financial crises the decrease from 2001 to 2009 is estimated at 26 percentage points.

Measured in nominal terms the central government debt is estimated to increase from DKK 196<sup>1</sup>/<sub>4</sub>bn in 2008 to DKK 282<sup>3</sup>/<sub>4</sub>bn in 2009 corresponding to DKK 86<sup>1</sup>/<sub>2</sub>bn. The estimated increase in debt is mainly due to estimated increases in lending in relation to the financial crisis as well as the projected deficit on the CIL-account.

	2001	2007	2008	2009	Diff. 2001- 09
<b>End of year, nominal value</b>					
Central government debt, DKK bn	514.1	246.4	196.2	282.7	-231.4
Relending to infrastructure entities etc. <sup>1)</sup>	5.8	26.4	28.4	30.1	24.3
Relending related to the financial crisis <sup>2)</sup>	-	-	4.4	63.6	63.6
Central government debt, per cent of GDP	38.5	14.6	11.3	16.1	-22.3
Central government debt, adjusted for relending to infrastructure entities etc., per cent of GDP	38.1	13.0	9.6	14.4	-23.6
Central government debt, adjusted for relending related to the financial crisis, per cent of GDP	38.5	14.6	11.0	12.5	-26.0

1) Relending to Udviklingselskabet By og Havn I/S, A/S Storebælt and A/S Øresund.  
2) Relending to Iceland, *the Credit Package*, Eksport Kredit Fonden and Finansiell Stabilitet A/S.

In 2008 the increase in liquidity, measured as the net balance, is estimated at DKK 48<sup>1</sup>/<sub>4</sub>bn, *cf. table 4.8*.

The net balance is estimated to DKK -85<sup>3</sup>/<sub>4</sub>bn in 2009 and is thereby adjusted downwards by approx. DKK 86bn compared to the December projection. The downward adjustment follows from deficit on the CIL-account and expected higher lending in relation to the financial crisis including injections through *the Credit package* and relending to *Finansiell Stabilitet A/S*, Iceland, and export loans through *Eksport Kredit Fonden*. Since the budget in December the relending in 2009 is adjusted up by approx. DKK 62bn.

**Table 4.8**  
**CIL-account and net financing requirement, 2008-2009**

	2008		2009	
	December	Final	December (budget)	May
<b>DKK bn</b>				
<b>CIL-account</b>	<b>59.1</b>	<b>72.3</b>	<b>4.6</b>	<b>-21.5</b>
Total relending <sup>1)</sup>	-15.5	-13.5	-4.7	-66.8
Differences between posted revenues and expenditures and cash flow	-4.7	-10.4	0.3	2.5
<b>Net financing requirement (-net balance)</b>	<b>-39.0</b>	<b>-48.3</b>	<b>-0.2</b>	<b>85.8</b>

1) Including relending to infrastructure entities, Iceland, *the Credit Package*, Eksport Kredit Fonden and Finansiell Stabilitet A/S.

The central government gross financing requirement was DKK 14½bn in 2008, cf. table 4.9. The borrowing requirement was DKK 180½bn in 2008.

For 2009 the central government gross financial requirement is estimated to DKK 179¾bn while the borrowing requirement is estimated at approx. DKK 119bn. Compared to the projection in December the requirement has doubled. The increase in the requirement is primarily due to higher net financing requirement and lower reductions of the central government's account in Danmarks Nationalbank. The two effects more than outweigh the lower redemption of central government debt.

**Table 4.9**  
**Gross financing requirement and state borrowing, 2008-2009**

	2008		2009	
	December	Final	December (budget)	May
<b>DKK bn</b>				
<b>Net financing requirement (-net balance)</b>	<b>-39.0</b>	<b>-48.3</b>	<b>-0.2</b>	<b>85.8</b>
- Redemption of central government debt <sup>1)</sup>	74.5	62.7	131.9	93.9
<b>Gross financing requirement</b>	<b>35.5</b>	<b>14.4</b>	<b>131.7</b>	<b>179.7</b>
- Payments from/to the central government in currency swaps	6.4	5.6	7.7	11.1
- Reductions of the central government's account in Danmarks Nationalbank	-122.5	-171.8	63.7	49.7
<b>Borrowing requirement<sup>2)</sup></b>	<b>151.6</b>	<b>180.6</b>	<b>60.4</b>	<b>118.9</b>

1) Long term debt, i.e. debt with initial maturities that are longer than 1 year incl. payments from the central government in currency-swaps.

2) Domestic and foreign borrowing requirements.

## Annex 1

<b>Table 1</b>									
<b>General government finances, 2008-2010</b>									
	<b>2008</b>			<b>2009</b>			<b>2010</b>		
	<b>Dec.</b>	<b>May</b>	<b>Diff.</b>	<b>Dec.</b>	<b>May</b>	<b>Diff.</b>	<b>Dec.</b>	<b>May</b>	<b>Diff.</b>
<b>DKK bn, current prices</b>									
Public consumption	460.2	461.2	1.0	485.9	485.9	0.0	505.0	503.9	-1.1
Income transfers	262.6	263.3	0.7	275.1	281.8	6.7	292.6	305.2	12.7
Investment	31.8	31.1	-0.7	32.9	36.2	3.3	34.9	37.7	2.8
Interest expenditure	29.8	31.5	1.8	35.4	36.6	1.2	34.7	39.6	5.0
Subsidies	38.8	39.1	0.3	42.0	40.9	-1.1	43.5	41.3	-2.2
Other expenditures <sup>1)</sup>	58.5	57.7	-0.8	51.7	54.0	2.3	67.5	63.7	-3.8
<b>Total expenditure</b>	<b>881.7</b>	<b>883.9</b>	<b>2.2</b>	<b>923.0</b>	<b>935.5</b>	<b>12.5</b>	<b>978.2</b>	<b>991.5</b>	<b>13.3</b>
Personal income taxes <sup>2)</sup>	369.8	375.2	5.4	364.9	368.7	3.8	374.6	354.7	-19.9
Labour market Contributions	79.9	80.7	0.8	82.5	81.6	-0.8	84.3	82.3	-2.1
Corporate taxes	58.4	58.3	0.0	43.8	40.7	-3.1	48.1	47.3	-0.8
Pension yield taxation	0.1	6.2	6.1	1.6	6.6	5.0	10.6	13.7	3.1
VAT	181.3	180.4	-0.9	185.3	179.5	-5.7	189.7	186.2	-3.4
Vehicle registration tax	22.2	19.6	-2.6	21.3	16.0	-5.3	20.2	18.1	-2.1
Other duties	102.1	102.7	0.6	102.7	101.3	-1.4	104.8	107.6	2.9
Other taxes <sup>3)</sup>	17.3	17.3	0.0	17.9	17.9	0.0	18.2	18.0	-0.2
Interest revenues	24.7	27.3	2.6	27.4	25.1	-2.3	27.6	28.4	0.8
Gross operating surplus	30.4	31.9	1.5	31.0	32.2	1.1	31.8	32.9	1.2
Other revenues <sup>4)</sup>	47.7	47.4	-0.3	44.4	43.4	-1.0	45.5	42.1	-3.4
<b>Total revenue</b>	<b>933.9</b>	<b>947.1</b>	<b>13.2</b>	<b>922.7</b>	<b>913.0</b>	<b>-9.7</b>	<b>955.2</b>	<b>931.3</b>	<b>-23.9</b>
<b>General government budget balance</b>	<b>52.2</b>	<b>63.2</b>	<b>11.0</b>	<b>-0.3</b>	<b>-22.5</b>	<b>-22.2</b>	<b>-22.9</b>	<b>-60.1</b>	<b>-37.2</b>
Net interest Expenditure	5.1	4.2	-0.9	8.0	11.5	3.5	7.1	11.2	4.1
<b>General government primary balance<sup>5)</sup></b>	<b>57.2</b>	<b>67.4</b>	<b>10.1</b>	<b>7.7</b>	<b>-11.0</b>	<b>-18.7</b>	<b>-15.9</b>	<b>-48.9</b>	<b>-33.1</b>

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.

- 1) Other expenditures include capital transfers, transfers to the Faroe Islands and Greenland and Danish EU-contributions.
- 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.
- 3) Other taxes include social security contributions (labour market supplementary pension scheme contributions, unemployment insurance contributions and early retirement contributions).
- 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.
- 5) The general government primary balance states the balance of the general government finances before net interest expenditures.

## 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	26.5	27.8	27.8	1.3
Income transfers	17.4	17.1	16.5	15.6	15.3	15.1	16.1	16.9	-0.5
Investment	1.6	1.8	1.8	2.0	1.7	1.8	2.1	2.1	0.5
Interest expenditure	3.4	3.1	2.6	2.2	2.0	1.8	2.1	2.2	-1.2
Other expenditure	5.2	5.2	5.0	5.0	5.0	5.6	5.4	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>50.8</b>	<b>53.4</b>	<b>54.8</b>	<b>0.6</b>
Personal income taxes	21.8	21.2	21.2	21.1	21.4	21.6	21.1	19.6	-2.2
Labour market									
Contributions	4.4	4.4	4.4	4.4	4.5	4.6	4.7	4.5	0.1
Pension yield taxation	0.4	1.6	2.4	0.8	0.3	0.4	0.4	0.8	0.3
Corporate taxes	2.9	3.2	3.9	4.4	3.6	3.4	2.3	2.6	-0.3
Value added tax	9.6	9.8	10.1	10.3	10.4	10.4	10.3	10.3	0.6
Other duties	7.8	7.8	7.9	7.8	7.6	7.3	6.9	7.2	-0.6
Other taxes	1.2	1.2	1.1	1.0	1.0	1.0	1.0	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>48.5</b>	<b>46.6</b>	<b>45.9</b>	<b>-2.2</b>
Interest revenue	1.5	1.5	1.3	1.3	1.4	1.6	1.4	1.6	0.1
Other non-tax revenue	4.6	5.1	4.8	4.8	4.5	4.6	4.3	4.1	-0.5
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>54.4</b>	<b>52.1</b>	<b>51.4</b>	<b>-2.6</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.									