

## 4. English Summary

Danish economy is still affected by the international economic recession in 2010, but an economic recovery seems to be on its way, cf. *Economic Survey*, May 2010.

To support growth and employment during the economic downturn expansionary fiscal policy measures have been initiated in 2009 and 2010. The fiscal stimulation policy includes a historically high growth in public investments and significant income tax reductions in 2010 in the tax reform in the *Spring Package 2.0*.

Due to the economic downturn in 2009 and 2010 and the expansionary fiscal policy the deficit on the budget balance has increased to DKK 88,2bn (5.1 per cent of GDP) in 2010. From 2008 to 2010 the budget balance has decreased by DKK 150bn. Thus, the budget balance deficit in 2010 is expected to exceed the reference value of 3 per cent of GDP in the *Stability and Growth Pact* of the European Union.

As a result of the assumed fiscal consolidation strategy in *Denmark's Convergence Programme 2009*, the budget balance improves from 2010 to 2011. Public investments are presupposed to decline from a historically high level in 2010, and public consumption is assumed to be unchanged in real terms from 2010 to 2011. Moreover, the financing elements in the tax reform contained in the *Spring Package 2.0* strengthen public finances in 2011.

A surplus on the structural budget balance in 2008 is estimated at 2.1 per cent of GDP. In 2010 a deficit on the structural budget balance is estimated at 1.7 per cent of GDP. The change from 2008 to 2010 primarily reflects discretionary fiscal policy. As a result of the fiscal consolidation strategy the deficit on the structural budget balance is assumed to be reduced from -1.7 per cent of GDP in 2010 to -1.0 per cent of GDP 2011.

### 4.1 General government finances

The estimates for the general government finances in 2010 and 2011 are based on the short term projections for the Danish economy, cf. *Economic Survey*, May 2010.

The estimates for 2010 are derived from the central government budget for 2010, an updated status for the central government spending in 2010 and the local government budgets for 2010. Furthermore, the estimates reflect the political agreements settled in the spring 2010, e.g. adjustments in relation to the *Spring Package 2.0*.

With respect to 2011 the estimates are primarily based on technical assumptions in line with *Denmark's Convergence Programme 2009*, February 2010.

According to preliminary data for the general government finances from Statistics Denmark the general government balance deficit amounted to DKK 46<sup>3</sup>/<sub>4</sub>bn corresponding to 2.8 per cent of GDP, cf. table 4.1.

	2004	2005	2006	2007	2008	2009	2010	2011
<b>DKK bn, current prices</b>								
December 2009	27.7	77.6	82.3	80.6	59.8	-50.3	-94.4	-79.0
<b>May 2010</b>	<b>27.7</b>	<b>77.6</b>	<b>82.3</b>	<b>80.6</b>	<b>59.8</b>	<b>-46.7</b>	<b>-88.2</b>	<b>-78.6</b>
- Central government	27.8	82.7	89.7	85.1	67.2	-31.3	-	-
- Local governments	-0.3	-5.5	-7.8	-4.5	-7.1	-14.3	-	-
- Social funds	0.2	0.4	0.3	0.0	-0.3	-1.1	-	-
<b>May 2010 (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>-2.8</b>	<b>-5.1</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.

In 2010 and 2011 the general government deficit is estimated at approx. DKK 88bn (5.1 per cent of GDP) and 79bn (4.4 per cent of GDP) respectively. Thus, 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. In light of the estimated government budget balance deficits Denmark is expected to receive a recommendation adopted by the EU Council of Finance Ministers (ECOFIN) in 2010.

Since 2008 of the general government budget balance is expected to weaken from a surplus of 3.4 per cent of GDP to a deficit of 5.1 per cent of GDP in 2010. Around 40 per cent of weakening in the budget balance reflects discretionary fiscal policy, e.g. lower personal taxes due to the tax reform contained in the *Spring Package 2.0* as well as considerable growth in public consumption and investment expenditures. Moreover, weak cyclical conditions reduce the budget balance through increased expenditures (e.g. unemployment benefits) and decreased tax revenues (e.g. VAT and income taxes).

From 2010 to 2011, the budget balance is improved, primarily due to the fiscal consolidation strategy in *Denmark's Convergence Programme 2009*. Public investments are presupposed to decline from a historically high level in 2010, and public consumption is assumed to be unchanged in real terms.

Compared to the short term projection in December 2009 the deficit on the general government budget balance is reduced by DKK 3<sup>1</sup>/<sub>2</sub>bn, cf. table 4.2. This is primarily due to higher tax revenues from personal income taxes and the pension yield taxation.

In 2010 and 2011 the budget deficit is reduced by DKK 6.2bn and DKK 0.4bn, respectively, compared to the December projection. In 2010 the lower deficit primarily reflects temporary additional revenues from the pension yield taxation and the North Sea activities. In 2011 lower public consumption, net interest rate expenditures and dividends improve the budget balance which is offset by lower revenues, e.g. from the pension yield taxation.

	2009	2010	2011
<b>DKK bn, current prices</b>			
North Sea oil and gas exploration activities	0.2	2.1	2.7
Corporate taxes excluding North Sea oil and gas exploration activities	0.1	-0.3	-0.6
Pension yield taxation	3.5	6.8	-6.7
Labour market contribution	0.2	-1.2	-1.9
Personal taxes etc.	4.5	-1.3	1.1
Value Added Tax	2.0	2.5	1.2
Vehicle registration tax	0.0	-0.4	0.8
Other taxes and duties	-2.7	-0.7	-1.3
Public consumption expenditures	-2.8	-1.8	4.9
Public investment expenditures	0.8	0.9	0.0
Income transfers	-2.8	0.1	-2.0
Subsidies	2.0	0.7	4.1
Net interest expenditures and dividends	1.7	-0.6	-1.0
Other expenditures and revenues	-3.0	-0.4	-0.9
<b>Total revision of general government budget balance</b>	<b>3.6</b>	<b>6.2</b>	<b>0.4</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 December projection revenues *from the North Sea activities* are adjusted upwards by DKK 2.1bn in 2010 and DKK 2,7bn in 2011. This is mainly due to an upward adjustment of the oil price of DKK 59 a barrel in 2010 and DKK 71 a barrel in 2011, while expected lower production pulls in the opposite direction.

The revenues from *the corporate tax* are downward adjusted by DKK 0.3bn in 2010 and DKK 0.6bn in 2011 in light of expected lower earnings in the financial sector.

The revenues from *the pension yield taxation* are upward adjusted by DKK 6.8bn in 2010 reflecting higher expected returns on stocks. In 2011 the revenues are downward adjusted by DKK 6.7bn due to decreasing prices on bonds.

The revenues from *personal taxes etc. and labour market contribution* are downward adjusted by DKK 2.5bn in 2010 and DKK 0.8bn in 2011 primarily reflecting a lower expected level of employment.

Revenues from the *VAT* are upward adjusted by DKK 2.5bn in 2010 and DKK 1.2bn in 2011 primarily due to higher expected nominal private consumption in both years.

Revenues from the *vehicle registration tax* are lowered by DKK 0.4bn in 2010 and increased by DKK 0.8bn in 2011. The private consumption of cars are upward adjusted in both years, but due to an increase in car leasing there is a downward pressure on the vehicle registration tax in the short term.

*Other taxes and duties* have been downward adjusted by DKK 0.7bn in 2010 and DKK 1.3 in 2011 e.g. in light of lower revenues from energy taxes due to lower private consumption of energy and fuel.

Nominal *public consumption* expenditures are increased by DKK 1.8bn in 2010 compared to the December estimates reflecting among other things increased expenditures on active labour market schemes and defence spending. In 2011 the expenditures are reduced by nearly DKK 5bn due to an expected unchanged level of public consumption in real terms in line with *Denmark's Convergence Programme 2009*.

The nominal level of *public investment* expenditures are lowered by DKK 1bn in 2010 partly due to a lower expected level of investments in construction of roads.

Expenditures on *income transfers* are expected unchanged in 2010, while upwards adjusted in 2011 by DKK 2bn in light of e.g. higher estimated expenditures on student grants and holiday allowances for unemployment benefit recipients.

The *subsidies* have been upward adjusted by DKK 0.6bn in 2010 and DKK 1bn in 2011 reflecting additional expenditures on active labour market schemes.

*Net interest rate expenditures and dividends* are adjusted downwards by DKK 0.7bn in 2010 and DKK 4.1bn in 2011 partly due to lower interest rate expenditures in light of refinancing at a lower interest rate level.

The expenditure burden, i.e. the ratio of government expenditure to GDP, is estimated at 56.7 per cent of GDP in 2011, which reflects an increase of 3.0 percentage points since 2004, cf. *table 4.3*. The increase is primarily due to growth in public consumption, but also income transfers' are increasing. In 2010 the expenditure burden excl. interest expenditures is expected to reach the highest level ever at 58.1 per cent of GDP primarily due to a high level of public consumption and investments. Subsequently the fiscal consolidation strategy reduces the expenditure burden from 2010 to 2011.

**Table 4.3**  
**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	57.3	58.1	56.7	3.0
Tax burden	49.2	51.0	49.8	49.1	48.3	48.2	47.3	46.7	-2.4
Revenue burden <sup>1)</sup>	55.6	56.9	55.7	54.8	54.3	54.5	52.9	52.3	-3.3

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 by 2.4 percentage point from 49.2 per cent of GDP in 2004 to 46.7 per cent of GDP in 2011.

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 52.3 per cent of GDP in 2011 primarily caused by the reduced tax burden.

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 fiscal policy stance. The fiscal effect measures the impact of fiscal policy changes on economic activity.

Based on the central government budget for 2010, an updated status for central government spending in 2010 and local government budgets for 2010 the fiscal effect is estimated at 0.8 per cent of GDP in 2010, *cf. table 4.4*. This reflects among other things the tax reform included in the *Spring Package 2.0* and a significant growth in public investments.

	2005	2006	2007	2008	2009	2010
<b>Per cent of GDP</b>						
Expenditures	0.2	0.4	-0.1	-0.3	0.8	0.5
Revenues	0.1	0.1	0.0	0.0	0.2	0.3
<b>Fiscal effect</b>	<b>0.3</b>	<b>0.5</b>	<b>-0.1</b>	<b>-0.3</b>	<b>1.1</b>	<b>0.8</b>
Special Pension scheme (SP)	-	-	-	-	0.4	0.0
Funds in certain individual saving accounts	-	-	-	-	-	0.1

In 2009 the fiscal effect is estimated at 1.1 per cent of GDP corresponding to an increase of 0.1 per cent compared to the December estimate primarily due to higher growth in public consumption.

The fiscal effect does not include the release of the Special Pension (SP) funds or funds in certain individual saving schemes as these are private savings schemes. The release of the SP funds is estimated to increase economic activity by additional 0.4 per cent of GDP in 2009.

Discretionary fiscal policy and changes in the interest rate in 2009 and 2010 is estimated to contribute to growth by approx. 2¾ per cent in 2010, *cf. table 4.5*. Fiscal policy in 2009 and 2010 will stimulate activity in 2011. In total fiscal policy and lower interest rates in 2009 to 2011 are expected to stimulate activity by 0.4 per cent of GDP in 2011. However, in light of the temporary initiatives in 2009 and 2010 and fiscal consolidation in 2011, the first year effect of fiscal policy in 2011 is estimated to be quite tight.

	2009	2010	2011
<b>Per cent of GDP</b>			
Fiscal effect (first year effects)	1.1	0.8	-0.6
Special Pension scheme (SP) and funds in certain individual saving accounts (first year effects)	0.4	0.1	-0.4
<b>Fiscal policy</b>	<b>1.4</b>	<b>0.9</b>	<b>-1.0</b>
Fiscal effect (multi year effects)	-	0.5	0.7
Interest rate changes since 2008	0.5	1.5	0.8
<b>Economic policy effect</b>	<b>1.9</b>	<b>2.8</b>	<b>0.4</b>

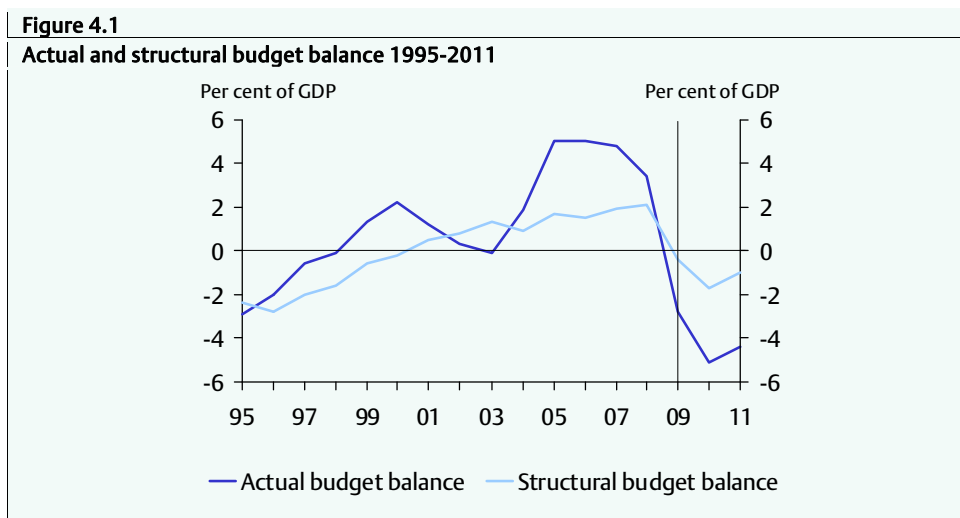
Note: Multi year effects are measured by the impact on economic activity of fiscal policy etc. from 2009. Deviations between the total sum and the sum of each activity contribution might be caused by rounding off.

### 4.3 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 temporary factors. In light of the major change in demand, production, employment etc. the calculation of the structural budget balance is more uncertain than usual.

The structural budget balance deficit is estimated at approx.  $\frac{1}{4}$  per cent of GDP in 2009 and  $\frac{1}{4}$  per cent of GDP in 2010, cf. figure 4.1. The deficits in 2009 and 2010 are primarily due to fiscal policy stimulation. Based on technical assumptions about fiscal policy in 2011, a structural budget deficit is estimated at approx. 1 per cent of GDP in 2011 corresponding to a fiscal consolidation of  $\frac{3}{4}$  per cent of GDP compared to 2010. This reflects, among other things, an assumed reduction in public investments, the financing elements in the tax reform in the *Spring Package 2.0*, and assumed unchanged public consumption from 2011.

The structural budget balance estimates are in line with *Denmark's Convergence programme 2009*. The requirements related to the expected recommendation adopted by ECOFIN and the ambition of obtaining structural balance in 2015 are thus unchanged, meaning that new initiatives of approx. DKK 24bn and DKK 31bn are needed up until 2013 and 2015, respectively.



In light of the weakened cyclical conditions the estimated structural budget balance deficit is lower than the actual balance in the period 2009 to 2011. Fiscal policy affects both the structural and the actual account.

For the period 2004 to 2008 both cyclical conditions and the development 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.

From 2002 to 2011 the estimated structural budget balance is reduced by 1.8 percentage points of GDP, cf. table 4.6.

**Table 4.6**  
**Structural budget balance (per cent of GDP), 2002-2011**

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	0.8							
2003	1.3	0.5	0.1	0.0	0.3	0.2	0.1	-0.3
2004	0.9	-0.4	-1.3	0.0	0.3	0.2	0.0	0.6
2005	1.7	0.8	-0.3	0.1	0.3	0.1	0.0	0.6
2006	1.5	-0.2	-0.5	0.1	0.2	0.1	-0.1	0.0
2007	1.9	0.4	0.3	0.0	0.2	0.1	-0.1	0.0
2008	2.1	0.2	0.1	0.0	0.1	0.1	-0.1	0.0
2009	-0.3	-2.4	-2.0	0.1	0.0	-0.1	-0.1	-0.3
2010	-1.7	-1.4	-1.5	0.1	0.0	-0.2	0.0	0.2
2011	-1.0	0.7	1.1	0.0	-0.1	-0.1	0.0	-0.2
<b>Total</b>	<b>-1.8</b>	<b>-4.0</b>	<b>0.4</b>	<b>1.3</b>	<b>0.4</b>	<b>-0.3</b>	<b>0.6</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 5 percentage of GDP from 2002 to 2010 of which 3½ percentage of GDP is contained in the period 2008 to 2010. This mainly reflects increases in public consumption and investments. From 2010 to 2011 the structural budget balance improves by ¾ percentage of GDP due to fiscal consolidation. Public investments are presupposed to decline from a historical high level in 2010, and public consumption is assumed to be unchanged in real terms.

#### 4.4 Central government finances

The final account for the central government in 2009 reflects a deficit on the current, investment and lending account, i.e. the CIL-account<sup>1</sup>, of DKK 29¾bn in 2009 cor-

<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,



responding to 1¾ per cent of GDP, cf. table 4.7. In 2010 a deficit of DKK 99½bn is expected corresponding to 5¾ per cent of GDP.

	2009			December (Budget)	2010	
	December	Final	Diff.		May	Diff.
<b>DKK bn, current prices</b>						
Total revenues	581.3	602.0	20.7	591.8	572.9	-19.0
Total expenditures	633.8	631.8	-2.0	669.2	672.3	3.2
<b>CIL-account</b>	<b>-52.5</b>	<b>-29.8</b>	<b>22.7</b>	<b>-77.3</b>	<b>-99.5</b>	<b>-22.1</b>
<b>CIL-account (per cent of GDP)</b>	<b>-3.1</b>	<b>-1.8</b>	<b>1.4</b>	<b>-4.5</b>	<b>-5.8</b>	<b>-1.3</b>

The CIL-account deficit in 2009 is DKK 22¾bn lower than estimated in the December projection primarily due to the technical treatment of deferred payments of personal taxes and labour market contribution in the accounts for 2009. The different technical treatment of deferred payment does not have real effects on central government finances.

Furthermore, higher revenues from the pension yield taxation and lower EU-contributions etc. reduce the deficit in 2009, while lower revenues from VAT and other duties increase the deficit compared to the December estimates.

Compared to the central government budget for 2010 reflected in the December projection the CIL-account deficit is upwards adjusted by DKK 22bn in 2010, primarily due to the technical treatment of deferred payments of personal taxes and labour market contribution, cf. above. Moreover, additional governmental expenditures are expected regarding defense spending, active labour market policy, education, purchases of shares in DONG and capital expansion in SAS.

The CIL-account is to a varying degree affected by one-off measures from year to year, cf. figure 4.2. Corrected for one-off measures etc., the deficit on the CIL-account is estimated at DKK 27¾bn in 2009 (1¾ per cent of GDP) and DKK 76¼bn in 2010 (4½ per cent of GDP). Thus, in 2009 and 2010 the corrected CIL-deficit is lower than the expected actual CIL-deficit.

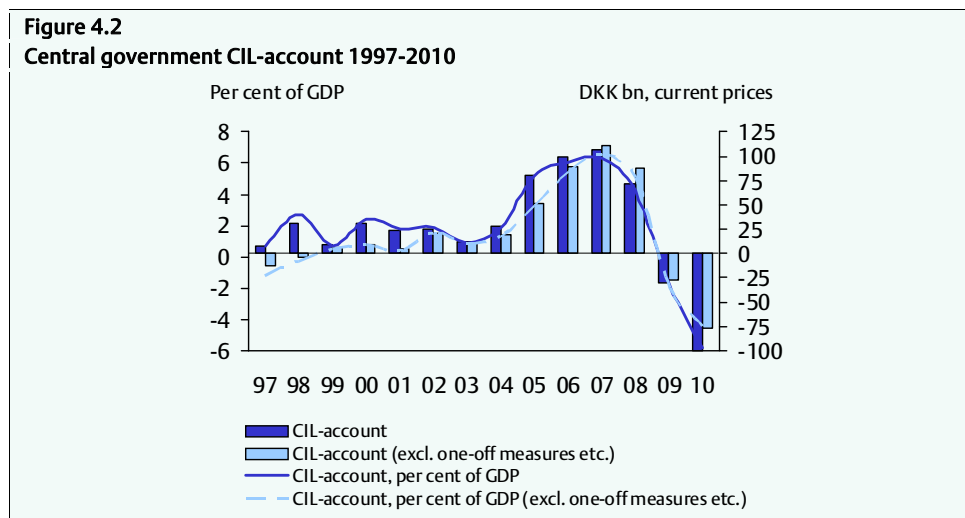
The correction for one-off measures in 2009 is partly due to lower than normal revenues from the pension yield taxation and increased payments of tax deductible pension contributions caused by the *Spring Package 2.0*. The revenues from duty on

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and some institutions that are not part of the central government accounts are considered part of the central government sector.

withdrawals from the Special Pension scheme (SP) decrease the corrected CIL-account.

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.



#### 4.5 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 23.3 per cent of GDP in 2010 corresponding to an increase by 12 percentage points, *cf. table 4.8*. Measured in nominal terms central government debt is estimated to increase from DKK 196<sup>1</sup>/<sub>4</sub>bn in 2008 to DKK 401<sup>1</sup>/<sub>2</sub>bn in 2010 corresponding to an increase of DKK 205<sup>1</sup>/<sub>4</sub>bn.

The increase in debt reflects a higher CIL-account deficit and increased relending through *the Credit Package, Finansielt Stabilitet A/S*, relending to Iceland, Latvia and export loans through *Eksport Kredit Fonden*.

	2008	2009	2010	Diff. 08-10
<b>End of year, nominal value (current prices)</b>				
Domestic debt	429.5	487.9	549.8	120.3
Foreign debt	133.1	139.6	114.3	-18.8
The central government's account in Danmarks Nationalbank	-230.8	-193.2	-134.1	96.6
Fund holding of bonds	-135.7	-132.7	-128.6	7.1
Fund credit balance in Danmarks Nationalbank	-27.5	-17.7	0.0	27.5
<b>Central government debt, DKK bn</b>	<b>196.2</b>	<b>301.5</b>	<b>401.4</b>	<b>205.2</b>
<b>Central government debt, per cent of GDP</b>	<b>11.3</b>	<b>18.1</b>	<b>23.3</b>	<b>12.0</b>

The net financing requirement in 2009 was DKK 110bn, cf. table 4.9. Compared to the estimate in December this is a downward adjustment in the financing requirement of approx. DKK 32<sup>3</sup>/<sub>4</sub>bn primarily reflecting a lower deficit on the CIL-account, cf. above.

In 2010 the net financing requirement is estimated at DKK 102<sup>3</sup>/<sub>4</sub>bn which is an increase of DKK 25bn compared to the December estimate due to a higher CIL-deficits, cf. above.

	2009		2010	
	December	Final	December (budget)	May
<b>DKK bn</b>				
<b>CIL-account</b>				
Total relending <sup>1)</sup>	-88.7	-82.0	2.9	-2.7
Differences between posted revenues and expenditures and cash flow	-0.4	-1.8	0.0	-0.5
<b>Net financing requirement (-net balance)</b>	<b>141.6</b>	<b>110.0</b>	<b>74.5</b>	<b>102.7</b>

1) Including relending to infrastructure entities.

To obtain a more uniform description of the issuing need of state bonds across countries, the domestic and foreign borrowing requirement of the central government is to be changed in *Budget Outlook* and *Economic Survey*, May 2010. The new principles, which are also to be implemented in other countries, result from discussions among EU and OECD member states to get a more accurate review of the refinancing requirement throughout the year.

Until now, the borrowing requirement has been measured by the sum of net financing requirement, repayment on long term debt and further deposit on the central government account in *Danmarks Nationalbank*. Following the new principles, repayment on short term debt (with a maturity less than one year) is included in the borrowing requirement. Repayment of short term debt is calculated as the stock of short term debt at the beginning of the year.

By including a measure of repayment of short term debt it is ensured that refinancing of short term borrowing will be listed in the borrowing requirements in each country. Thereby a more accurate picture of the borrowing requirement in the countries will be obtained.

In 2010 the domestic borrowing requirement of the central government is reduced by approx. DKK 14bn compared to the December projection to a level of DKK 107bn, *cf. table 4.10*. The reduction covers larger withdrawals on the central government account at approx. DKK 48bn which offset a larger domestic net financing requirement and larger repayments on long term debt. The increase in domestic net financing requirement is primarily due to a different technical treatment of deferred payments of personal taxes and labour market contribution.

	2010	
	December (budget)	May
DKK bn		
Domestic net financing requirement	70	99
Repayment of long term debt <sup>1)</sup>	51	56
Repayment of treasury bills <sup>2)</sup>	0	0
Deposits on the central government's account in Danmarks Nationalbank	0	-48
<b>Domestic borrowing requirement</b>	<b>121</b>	<b>107</b>

1) Repayment of long term debt includes the net purchase of bonds by funds, net payments from currency swaps, and acquisitions beyond the year.  
2) Repayment of treasury bills corresponds to outstanding in the program at the beginning of the year.

The foreign borrowing requirement in 2010 is expected to decrease by DKK 19bn compared to the December projection to a level of DKK 16bn, *cf. table 4.11*. This is also due to larger withdrawals on the central government account in *Danmarks Nationalbank*.

<b>Table 4.11</b>		
<b>Foreign borrowing requirement 2010</b>		
	<b>2010</b>	
	<b>December (budget)</b>	<b>May</b>
<b>DKK bn</b>		
Net Foreign financings requirement	5	4
Repayment of long term debt <sup>1)</sup>	25	36
Repayment of commercial papers (CP) <sup>2)</sup>	5	5
Deposits on the central government's account in Danmarks Nationalbank	0	-29
<b>Foreign borrowing requirement</b>	<b>35</b>	<b>16</b>
1)	Repayment of long term debt includes net payments from currency swaps and acquisitions beyond the year.	
2)	Repayment of commercial papers corresponds to outstanding in the program at the beginning of the year.	

## Annex 1

<b>Table 1</b>									
<b>General government finances, 2009-2011</b>									
	<b>2009</b>			<b>2010</b>			<b>2011</b>		
	<b>Dec.</b>	<b>Final</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	489.3	492.1	2.8	507.7	509.5	1.8	520.5	515.6	-4.9
Income transfers	282.4	285.2	2.8	305.9	305.8	-0.1	315.1	317.2	2.0
Investment	36.5	35.7	-0.8	44.0	43.1	-0.9	38.2	38.2	0.0
Interest expenditure	36.5	41.2	4.6	37.1	35.2	-1.9	40.3	35.6	-4.7
Subsidies	44.7	43.0	-1.7	44.5	45.1	0.6	44.9	45.9	1.0
Other expenditures <sup>1)</sup>	52.2	54.6	2.4	59.5	58.9	-0.7	55.7	56.6	0.9
<b>Total expenditure</b>	<b>941.6</b>	<b>951.7</b>	<b>10.1</b>	<b>998.7</b>	<b>997.6</b>	<b>-1.1</b>	<b>1.014.7</b>	<b>1.009.1</b>	<b>-5.6</b>
Personal income taxes <sup>2)</sup>	367.7	372.2	4.5	353.3	352.0	-1.3	363.9	364.9	1.1
Labour market Contributions	80.2	80.4	0.2	81.4	80.2	-1.2	83.4	81.5	-1.9
Corporate taxes	40.0	40.1	0.1	46.7	47.8	1.1	50.2	51.3	1.1
Pension yield taxation	6.3	9.9	3.5	12.0	18.7	6.8	14.9	8.1	-6.7
VAT	165.9	168.0	2.0	171.1	173.6	2.4	177.7	179.0	1.2
Vehicle registration tax	12.5	12.5	0.0	13.8	13.4	-0.4	14.5	15.2	0.8
Other duties	100.2	98.0	-2.1	107.1	106.4	-0.6	111.8	110.7	-1.0
Other taxes <sup>3)</sup>	17.0	16.4	-0.6	17.0	16.9	0.0	17.4	17.3	-0.1
Interest revenues	28.4	35.0	6.6	27.0	25.9	-1.1	26.1	25.5	-0.5
Gross operating surplus	32.5	33.2	0.7	33.6	34.5	0.9	34.5	35.4	0.8
Other revenues <sup>4)</sup>	40.5	39.4	-1.1	41.4	40.0	-1.4	41.6	41.5	-0.1
<b>Total revenue</b>	<b>891.3</b>	<b>905.0</b>	<b>13.7</b>	<b>904.3</b>	<b>909.3</b>	<b>5.1</b>	<b>935.8</b>	<b>930.5</b>	<b>-5.3</b>
<b>General government budget balance</b>	<b>-50.3</b>	<b>-46.7</b>	<b>3.6</b>	<b>-94.4</b>	<b>-88.2</b>	<b>6.2</b>	<b>-79.0</b>	<b>-78.6</b>	<b>0.4</b>
Net interest Expenditure	8.2	6.2	-2.0	10.1	9.4	-0.7	14.2	10.1	-4.1
<b>General government primary balance<sup>5)</sup></b>	<b>-42.2</b>	<b>-40.5</b>	<b>1.6</b>	<b>-84.3</b>	<b>-78.9</b>	<b>5.5</b>	<b>-64.7</b>	<b>-68.5</b>	<b>-3.8</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

	2004	2005	2006	2007	2008	2009	2010	2011	Diff. 2004- 2011
<b>Per cent of GDP</b>									
Public consumption	26.5	26.0	25.9	26.0	26.7	29.7	29.7	29.0	2.5
Income transfers	17.1	16.5	15.6	15.2	15.1	17.2	17.8	17.8	0.7
Investment	1.8	1.8	2.0	1.86	1.8	2.2	2.51	2.15	0.4
Interest expenditure	3.1	2.6	2.2	2.0	1.8	2.5	2.1	2.0	-1.1
Other expenditure	5.2	5.0	4.9	5.0	5.4	5.9	6.1	5.8	0.6
<b>Expenditure burden<sup>1)</sup></b>	<b>53.7</b>	<b>51.9</b>	<b>50.6</b>	<b>50.0</b>	<b>50.9</b>	<b>57.3</b>	<b>58.1</b>	<b>56.7</b>	<b>3.0</b>
<b>Tax burden</b>									
Personal income taxes	21.2	21.2	21.2	21.6	21.4	22.4	20.5	20.5	-0.7
Labour market Contributions	4.4	4.4	4.4	4.5	4.6	4.8	4.7	4.6	0.2
Pension yield taxation	1.6	2.4	0.8	0.3	0.5	0.6	1.1	0.5	-1.1
Corporate taxes	3.2	3.9	4.4	3.8	3.4	2.4	2.8	2.9	-0.3
Value added tax	9.8	10.1	10.3	10.4	10.1	10.1	10.1	10.1	0.3
Other duties	7.8	7.9	7.8	7.6	7.3	6.8	7.2	7.3	-0.6
Other taxes	1.2	1.1	1.0	1.0	1.0	1.0	1.0	1.0	-0.2
<b>Tax burden</b>	<b>49.2</b>	<b>51.0</b>	<b>49.8</b>	<b>49.1</b>	<b>48.3</b>	<b>48.2</b>	<b>47.3</b>	<b>46.7</b>	<b>-2.4</b>
<b>Revenue burden</b>									
Interest revenue	1.7	1.5	1.5	1.6	1.7	2.1	1.5	1.4	-0.3
Other non-tax revenue	4.9	4.6	4.6	4.3	4.5	4.4	4.3	4.3	-0.6
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>55.6</b>	<b>56.9</b>	<b>55.7</b>	<b>54.8</b>	<b>54.3</b>	<b>54.5</b>	<b>52.9</b>	<b>52.3</b>	<b>-3.3</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.									