

## 5. English summary

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Over the last few months, economies around the world as well as in Denmark have lost momentum. And financial markets have been in turmoil. The Danish government is of the view that the risk of a more pronounced setback has increased.

The outlook for growth is thus weaker than assumed in May. This is mainly due to lower expected growth in private consumption and weaker international growth prospects. Expected growth in GDP for 2011 has been reduced to 1.3 per cent, down from 1.9 per cent in the May projection, while GDP is expected to increase by 1¾ per cent in 2012. This is a very moderate increase in the current phase of the business cycle.

Therefore, together with the budget proposal for 2012 the Government proposes a fully-funded fiscal package, Sustained Growth. The package aims to support the Danish economy in the near term by stimulating turnover in the housing market and underpinning private consumption as well as private investment and housing investment. Further, public investment projects are brought forward, and additional efforts are made to increase the number of young people and unskilled workers who take education or find work. The effects of the fiscal package are not included in the central government budget proposal for 2012.

Sustainable growth is not included in the central government budget proposal for 2012. The central government budget proposal reflects the agreements in the *Reform Agenda 2020*, May 2011 ensuring fiscal balance in 2020 and the Fiscal Consolidation agreement from May 2010.

The budget proposal reflects increased expenditures of DKK 1½bn to qualifying education compared to the budget for 2011. As a result of a record high number of new students there is also an expected increase of expenditures for student grants by DKK 1½bn.

In addition the central government budget proposal reflects higher health care expenditures of DKK 1½bn in 2012 in line with the agreement with the regions, DKK 1bn for initiatives for marginalized groups, and a digitalization-strategy to renew the public sector and make it more efficient.

### 5.1 General government finances

The estimates for the general government finances in 2011 and 2012 are based on the short term projections for the Danish economy, cf. *Economic Survey*, August 2011.

The estimates for 2011 reflect the central government budget for 2011, a status for the central government spending in 2011 and local government budgets for 2011. With respect to

2012 the estimates are primarily based on the central government budget proposal for 2012, the agreements with local governments for 2012 and the reform Agenda 2020.

According to revised data for general government finances from Statistics Denmark, the general government balance deficit amounted to DKK 48½bn in 2010 or 2.8 per cent of GDP, *cf. table 5.1.*

**Table 5.1**  
General government budget balance, 2005-2012

	2005	2006	2007	2008	2009	2010	2011	2012
<b>DKK bn, current prices</b>								
May	77.6	82.3	81.4	56.9	-46.5	-50.8	-74.3	-80.0
<b>August 2011</b>	<b>77.6</b>	<b>82.3</b>	<b>81.4</b>	<b>56.9</b>	<b>-46.5</b>	<b>-48.3</b>	<b>-68.2</b>	<b>-84.5</b>
- Central government	82.7	89.7	85.8	64.6	-32.5	-44.0	-	-
- Local governments	-5.5	-7.8	-4.5	-7.4	-12.6	-4.1	-	-
- Social funds	0.4	0.3	0.0	-0.3	-1.5	-0.2	-	-
<b>August 2011 (per cent of GDP)</b>	<b>5.0</b>	<b>5.0</b>	<b>4.8</b>	<b>3.3</b>	<b>-2.8</b>	<b>-2.8</b>	<b>-3.8</b>	<b>-4.6</b>

Note: The specification of the central and local government budget balances does not fully reflect that the central government, through transfers to the local governments, bears the risk of fluctuations in expenditure and revenues due to the business cycle.

In 2011 the general government budget deficit is estimated at approx. DKK 68½bn corresponding to 3.8 per cent of GDP, while the deficit in 2012 is estimated at DKK 84½bn or 4.6 per cent of GDP.

Compared to the short term projection in May 2011 the deficit on the general government budget balance in 2010 is reduced by DKK 2½bn among other things due to lower expenditures on public consumption, *cf. table 5.2.* Revisions from Statistics Denmark are expected to reflect lower revenues from personal taxes and the pension yield taxation and thereby higher deficit on the general government budget balance in 2010.

In 2011 the expected budget deficit is reduced by DKK 6bn compared to the May estimates. This primarily reflects lower expected central government losses on capital infusions and guarantees related to Amagerbanken A/S.

Lower expected revenue on the pension yield taxation by DKK 9bn leads to an increased projected general government account deficit in 2012 of DKK 4½bn. It is counteracted by higher revenues from the North Sea and lower expenditures on income transfers.

**Table 5.2**  
Revision of the general government budget balance from May to August

	2010	2011	2012
<b>DKK bn, current prices</b>			
North Sea oil and gas exploration activities	0.0	1.5	1.3
Corporate taxes excluding North Sea oil and gas exploration activities	-0.1	-0.5	-0.4
Pension yield taxation	0.0	-0.2	-9.0
Labour market contribution	-0.1	0.0	-0.1
Personal taxes etc.	0.0	0.3	0.3
Value Added Tax	0.8	-0.5	0.3
Vehicle registration tax	0.0	-0.2	0.0
Other taxes and duties	-0.6	-0.8	0.8
Public consumption expenditures	1.8	0.0	1.0
Public investment expenditures	0.1	0.0	-1.0
Income transfers	-1.0	-0.3	0.7
Net interest expenditures and dividends	0.4	-1.2	1.9
Subsidies	-1.3	0.1	0.5
Bank and credit packages	0.0	5.3	-2.9
Other expenditures and revenues	2.4	2.5	2.2
<b>Total revision of general government budget balance</b>	<b>2.5</b>	<b>6.1</b>	<b>-4.5</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.

Revenues from *the North Sea activities* are adjusted upwards by DKK 1½bn in 2011 and by DKK 1¼bn in 2012 compared to the May projection reflecting an upward adjustment of the oil price in both years.

The revenues from *the pension yield taxation* are adjusted downwards by DKK ¼bn in 2011 and by DKK 9bn in 2012. The large adjustment in 2012 reflects larger tax deductions due to the decline in stock prices in 2011.

Revenues from *personal taxes etc.* are adjusted upwards by DKK ¼bn in 2011 and 2012 compared to the May projection. This reflects among other things a downward adjustment in pension contributions deductible in the income tax. In isolation the *Home Renovation Job Plan* is expected to reduce the revenues by DKK 1½bn in 2011 and DKK 2¾bn in 2012.

The revenues from the *Value Added Tax (VAT)* are adjusted downwards by DKK ½bn in 2011 and upwards by DKK ¼bn in 2012. In both years the VAT revenues from private consumption are reduced, while the projected increase in revenues in 2012 is due to an increased use of materials in companies and for investments.

*Other taxes and duties* are adjusted downwards by DKK ¾bn in 2011 and upwards by DKK ¾bn in 2012. In both years the revenue from duties are adjusted downwards due to the downward adjustment of private consumption, while in 2012 the revenues from early retirement contributions are adjusted upwards.

Nominal *public consumption* expenditures are unchanged in 2011, but adjusted downwards by DKK 1bn in 2012. The adjustment in 2012 is due to a slightly lower public wages estimate as well as the financing elements in the spring agreements including the *Home Renovation Job Plan*.

*Public investment* expenditures are unchanged in 2011, but adjusted upwards by DKK 1bn in 2012. The 2012 adjustment reflects higher investments in public roads than estimated in the May projection.

Expenditures on *income transfers* are adjusted upwards by DKK ¼bn in 2011 and adjusted downwards by DKK ¾bn in 2012. The downwards adjustment in 2012 includes a downward adjustment in the indexation of income transfers.

*Net interest expenditures and dividend* are adjusted upwards by DKK 1¼bn in 2011 and downwards by DKK 2bn in 2012. The adjustment in 2011 is due to lower interest revenues. The downward adjustment of net interest expenditures in 2012 reflects a reduced interest rate, which lowers the interest expenditures.

*Bank and credit packages* reduce the deficit by DKK 5¼bn in 2011 and increase the deficit by 2¼bn in 2012. This primarily reflects lower expected central government losses on capital infusions and guarantees related to Amagerbanken A/S in 2011 and a loss of DKK 1bn related to Fjordbank Mors in 2012.

Adjustments of *other expenditures and revenues* are expected to affect the general government budget balance positively by DKK 2½bn in 2011 and DKK 2¼bn in 2012. Statistics Denmark has made a technical revision of the calculation of profits from public companies in 2010, and the revised calculation is expected to result in a reduction of DKK 1½bn in 2011 and DKK ¾bn in 2012.

The expenditure burden, i.e. the ratio of government expenditure to GDP, is estimated at 56.8 per cent of GDP in 2012, which reflects an increase of 4.9 percentage points since 2005, *cf. table 5.3*. The increase primarily reflects expected growth in public consumption relative to GDP of 2½ percentage points from 2005 to 2012, *cf. annex 2*. In the same period the revenue burden is expected to decrease by 4.7 percentage points, primarily due to a lower tax burden.

**Table 5.3**  
Expenditure, tax and revenue burden, 2005-2012

	2005	2006	2007	2008	2009	2010	2011	2012	Diff. 2005- 2012
<b>Per cent of GDP</b>									
Expenditure burden <sup>1)</sup>	51.9	50.6	50.0	51.0	57.2	57.1	57.0	56.8	4.9
Tax burden	51.0	49.8	49.1	48.2	48.2	48.3	46.9	46.7	-4.3
Revenue burden <sup>1)</sup>	56.9	55.7	54.8	54.2	54.3	54.3	53.2	52.3	-4.7

- 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 expenditure burden is expected to increase from 51.0 per cent of GDP in 2008 to 57.1 per cent in 2010. The increase partly reflects higher cyclical related expenditures such as unemployment and cash benefits as well as considerable growth in public consumption.

From 2010 to 2012 the expenditure burden is expected to decrease by 0.2 percentage point to 56.8 per cent of GDP in 2012 primarily due to the Fiscal Consolidation Agreement including a reduction in public consumption as share of GDP, cf. *annex 2*. This is partly counteracted by an increase in income transfers and other expenditures.

The tax burden is largely unchanged from 2008 to 2010, but is expected to decrease by 1.6 percentage points from 2010 to 2012. Primarily due to the *Spring Package 2.0* personal taxes are reduced by  $\frac{3}{4}$  per cent of GDP from 2005 to 2010, but are again increased by  $\frac{1}{2}$  per cent from 2010 to 2012 due to tax increases in the *Fiscal Consolidation Agreement*. This is counteracted by a modest growth in wages.

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

## 5.2 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.

The fiscal effect is estimated at -0.3 per cent of GDP in 2011, cf. *table 5.4*. The fiscal tightening reflects higher taxes according to the *Fiscal Consolidation Agreement* and *Spring Package 2.0* combined with almost zero growth in public consumption.

Fiscal policy is expected to have an almost neutral effect on economic activity in 2012. This reflects that the dampening effects from fiscal consolidation of the public finances is approximately offset by the release of early retirement contributions that are estimated to increase activity by ¼ per cent of GDP in 2012.

**Table 5.4**  
**Fiscal effect, 2006-2012**

	2006	2007	2008	2009	2010	2011	2012
<b>Per cent of GDP</b>							
Expenditures	0.4	0.1	-0.2	0.9	0.3	-0.2	-0.3
Revenues	0.1	0.0	0.0	0.2	0.3	-0.1	0.2
<b>Fiscal effect, incl. early retirement contributions</b>	<b>0.5</b>	<b>0.1</b>	<b>-0.2</b>	<b>1.2</b>	<b>0.6</b>	<b>-0.3</b>	<b>0.0</b>
Special Pension scheme (SP)				0.4	0.0	-0.3	0.0

The fiscal effect is estimated at 1.2 per cent of GDP for 2009 which primarily reflects a substantial growth in public consumption. For 2010 the fiscal effect is estimated at 0.6 per cent of GDP, which among other things reflects growth in public investments and the tax cuts included in the *Spring Package 2.0*.

Compared to the short term projection in May 2011 the fiscal effect in 2011 is adjusted upwards from -0.4 to -0.3 per cent of GDP. The adjustment is due to an increase in real growth in public expenditures in 2011 and tax credits in the *Home Renovation Job plan*.

Fiscal policy etc. and declining interest rates in 2009-2011 are expected to stimulate activity by 1½ per cent of GDP in 2011 including the first year fiscal effect in 2011 of -0.3 per cent, cf. table 5.5. Especially interest rate changes contribute to the positive effect on activity.

In 2012 the economic policy and the low interest rates from 2009 and onwards are expected to have an almost neutral effect on activity. It reflects the contribution from fiscal policy including the release of early retirement contributions as well as the release of the savings in the Special Pension scheme of -0.2 per cent of GDP, while the interest rates from 2009 and onwards are estimated to increase the growth in activity by 0.2 per cent of GDP.

**Table 5.5**  
Effects of economic policy, 2009-2012

	2009	2010	2011	2012
<b>Per cent of GDP</b>				
<b>First year effects</b>				
Fiscal effect, incl. early retirement contributions (etc)	1.2	0.6	-0.3	0.0
Special Pension scheme (SP)	0.4	0.0	-0.3	0.0
<b>Fiscal policy (incl. etc and SP)</b>	<b>1.5</b>	<b>0.6</b>	<b>-0.6</b>	<b>0.0</b>
<b>Multi-year effects</b>				
Fiscal effect, incl. early retirement contributions	-	0.3	0.5	0.0
Special Pension scheme (SP)	-	0.2	0.1	-0.2
<b>Total effect of fiscal policy incl. etc</b>	<b>1.2</b>	<b>0.8</b>	<b>0.2</b>	<b>-0.1</b>
<b>Total effect of fiscal policy incl. etc and SP</b>	<b>1.5</b>	<b>1.0</b>	<b>-0.1</b>	<b>-0.2</b>
Interest rate changes since 2009	0.5	1.5	1.5	0.2
<b>Total effect of economic policy</b>	<b>2.0</b>	<b>2.6</b>	<b>1.4</b>	<b>-0.1</b>

Note: Multi-year effects are measured by the impact on economic activity of fiscal policy etc. since 2009. The multi-year effects of interest rate changes are measured by the impact of interest changes since 2009. Deviations between the total sum and the sum of each activity contribution might be caused by rounding off.

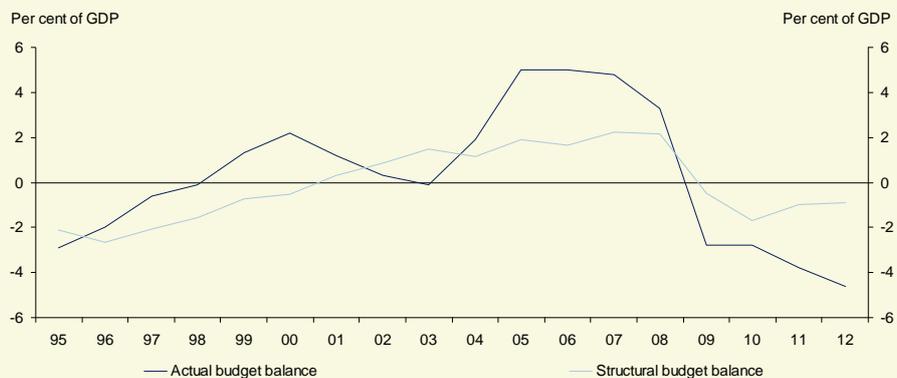
### 5.3 Structural budget balance

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.

Primarily due to expansionary fiscal policy in both 2009 and 2010 the structural budget deficit is estimated at ½ per cent of GDP in 2009 and at 1¾ per cent of GDP in 2010.

The structural budget deficit is estimated to 1 per cent of GDP in 2011 and 0.9 per cent of GDP in 2012. Primarily in light of the *Fiscal Consolidation Agreement* the structural budget balance is thus strengthened by approx. ¾ percentage point from 2010 to 2012.

**Figure 5.1**  
Actual and structural balance 1995-2012



In 2004-2008 both cyclical conditions and the development in the financial markets contributed to higher actual budget surpluses compared to the calculated structural surpluses, *cf. figure 5.1*. 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 light of both employment and production being estimated lower than their structural levels in 2009-2012, the estimated actual deficit is higher than the structural budget deficit in 2009-2012.

From 2002 to 2012 the estimated structural budget balance is reduced by 1¼ per cent of GDP, *cf. table 5.6*. From 2002 to 2008 the structural budget balance is strengthened by 1¼ per cent of GDP primarily reflecting lower net interest rate expenses due to reductions in central government debt and a decline in structural unemployment. Expansionary fiscal policy in 2009 and 2010 on the other hand has reduced the structural budget balance considerably.

**Table 5.6**  
Structural budget balance (per cent of GDP), 2002-2012

	Structural Balance		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	1.0							
2003	1.4	0.4	0.1	0.0	0.3	0.2	0.1	-0.4
2004	1.0	-0.4	-1.3	0.0	0.3	0.1	0.1	0.4
2005	1.9	0.9	-0.3	0.0	0.3	0.2	0.0	0.7
2006	1.7	-0.2	-0.5	0.0	0.2	0.1	-0.1	0.1
2007	2.3	0.6	0.1	0.0	0.2	0.1	0.0	0.2
2008	2.2	0.1	-0.1	0.0	0.1	0.1	-0.1	-0.1
2009	-0.5	-2.6	-2.1	0.1	0.1	-0.1	-0.1	-0.6
2010	-1.7	-1.2	-1.2	0.0	0.0	-0.1	-0.1	0.2
2011	-1.0	0.7	1.1	0.0	0.0	-0.1	0.0	-0.2
2012	-0.9	0.1	0.7	0.0	-0.1	-0.1	0.0	-0.3
<b>Total</b>		<b>-1.9</b>	<b>-3.5</b>	<b>0.3</b>	<b>1.4</b>	<b>0.4</b>	<b>-0.3</b>	<b>-0.1</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.

## 5.4 Central government finances

The deficit on the central government budget is estimated at DKK 79½bn in 2012 on the current, investment and lending account – the so-called CIL-account<sup>1</sup> – corresponding to 4.3 per cent of GDP, *cf. table 5.7*. The CIL-account deficit in 2011 is estimated at DKK 43½bn corresponding to 2.4 per cent of GDP.

<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.

**Table 5.7**  
**CIL-account, 2011-2012**

	2011			2012
	May	August	Diff.	(Budget proposal)
<b>DKK bn, current prices</b>				
Total revenues	645.2	643.0	-2.3	614.9
Total expenditures	691.6	686.5	-5.0	694.7
<b>CIL-account</b>	<b>-46.3</b>	<b>-43.5</b>	<b>2.8</b>	<b>-79.8</b>
CIL-account (per cent of GDP)	-2.6	-2.4	0.2	-4.3

The lower CIL-account deficit in 2011 compared to the May estimate reflects lower revenues of DKK 2¼bn and lower expenses of DKK 5bn. The former is primarily due to lower estimated revenues from corporate and pension yield taxation, while the lower net expenditures in 2011 include lower transfer to the municipalities as well as changes in estimated central government losses due to the stabilization initiatives in the financial sector compared to the May estimate.

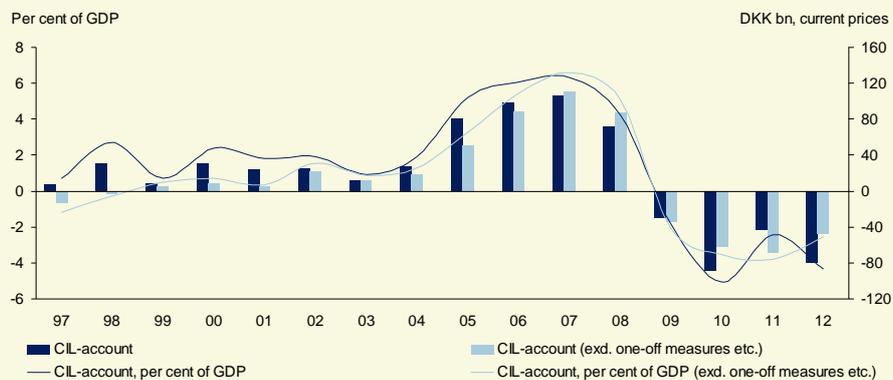
In 2012 an estimated CIL-account deficit of DKK 79¼bn is expected. The increase in the CIL-account deficit in 2012 compared to 2011 is primarily due to reduced central government revenues from pension yield taxation and personal taxes in light of repayment of early retirement contribution in line with the *Agreement on Later Retirement*.

The CIL-account is to a varying degree affected by one-off measures from year to year. *cf. figure 5.2*. Corrected for one-off measures etc., the CIL-account deficit is estimated at DKK 68bn in 2011 and DKK 47½bn in 2012 corresponding to -3.8 per cent of GDP in 2011 and -2.6 per cent of GDP in 2012.

The correction of the CIL-account in 2011 is primarily due to the change in the timing of tax payments from the pension yield taxation, for which revenues in 2010 are not paid until 2011. Additionally, the initiatives in the wake of the financial turmoil as well as an extraordinary loan to a municipality in economic difficulties are corrected for as one-off measures.

The correction for one-off measures in the CIL-account in 2012 is primarily due to expected repayment of early retirement contributions and lower revenues from pension yield taxation.

**Figure 5.2**  
Central government CIL-account 1997-2012



## 5.5 Central government financing requirement and debt

Central government debt measured as a percentage of GDP is estimated to increase from 22¼ per cent of GDP in 2010 to 27¼ per cent of GDP in 2012 corresponding to an increase of 5¼ percentage points, *cf. table 5.8*. Measured in nominal terms central government debt is estimated to increase from DKK 386¼bn in 2010 to DKK 507¼bn in 2012 corresponding to an increase of DKK 121bn over the two years.

The increase in debt from 2010 to 2012 primarily reflects the deficit on the CIL-account.

**Table 5.8**  
**Central government debt, 2010-2012**

	2010	2011	2012	Diff. 2010-12
<b>End of year nominal value, DKK bn (current prices)</b>				
Domestic debt	576.4	589.8	630.3	53.9
Foreign debt	114.7	113.6	112.5	-2.2
The central government's account in Danmarks Nationalbank <sup>1)</sup>	-177.1	-154.4	-120.4	56.7
Fund holding of bonds <sup>2)</sup>	-128.0	-121.5	-115.1	12.9
<b>Central government debt DKK bn</b>	<b>386.3</b>	<b>427.5</b>	<b>507.3</b>	<b>121.0</b>
<b>Central government debt per cent of GDP</b>	<b>22.2</b>	<b>23.9</b>	<b>27.3</b>	<b>5.2</b>

- 1) The central government's account in Danmarks Nationalbank is measured according to the central government accounts for 2010, while the account for 2011 and 2012 is measured according to the monthly balance of Danmarks Nationalbank.
- 2) The holding of bonds by the funds, as well as their deposits in Danmarks Nationalbank, are included.

The annual change in central government debt (net of capital gains and borrowing) corresponds to the net balance. The difference between the net balance and the CIL-account reflects among other things cash flows and central government relending.

The net financing requirement in 2011 amounts to DKK 38bn, *cf. table 5.9*. Compared to the estimate in May this is a downward adjustment in the financing requirement of approx. DKK 7bn primarily reflecting a lower deficit on the CIL-account.

In 2012 the net financing requirement is estimated at DKK 76¼bn reflecting an expected deficit on the CIL-account of DKK 79¼bn.

**Tabel 5.9**  
**CIL-account and net financing requirement. 2010-2012**

	2010	2011		2012
	Final	May	August	FFL12
<b>DKK bn (Current prices)</b>				
<b>CIL-account</b>	<b>-88.7</b>	<b>-46.3</b>	<b>-43.5</b>	<b>-79.8</b>
Total relending	1.1	3.0	6.2	-0.9
Differences between posted revenues and expenditures and cash flow	-6.1	-1.7	-0.7	4.5
<b>Net financing requirement (-net balance)</b>	<b>93.7</b>	<b>45.0</b>	<b>38.0</b>	<b>76.2</b>

The financing requirement is equivalent to net financing requirement, which depends in particular on central government deficit, plus repayment of short and long term debt. The financing requirement can be met through borrowing or by drawing on the central government account.

The financing strategy is announced in the biannual notification of government debt policies, which is published by Danmarks Nationalbank in June and December. Hence, a clearer separation between the financing requirement and financing strategy is obtained.

The domestic financing requirement in 2011 is estimated at DKK 122bn. The upward adjustment of DKK 10bn compared to the May estimate reflects larger repayments of long term domestic debt as well as less net financing requirement, which count in the opposite direction, cf. table 5.10.

**Table 5.10**  
**Domestic financing requirement 2011 and 2012**

DKK bn	2011		2012
	May	August	FFL12
Net domestic financing requirement	46	39	77
Repayment of long term debt <sup>1)</sup>	40	57	60
Repayment of treasury bills <sup>2)</sup>	25	25	40
<b>Domestic financing requirement</b>	<b>112</b>	<b>122</b>	<b>177</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 domestic financing requirement in 2012 is estimated at DKK 177bn, *cf. table 5.10*. This is primarily due to a large net financing requirement and larger repayments of long term debt.

The foreign financing requirement for 2011 is unchanged compared to the estimate in May of DKK 37bn, *cf. table 5.11*. The foreign financing requirement for 2012 is estimated at DKK 36bn and is caused by lower repayment of long term debt.

**Tabel 5.11**  
**Foreign financing requirement 2011 and 2012**

DKK bn	2011		2012
	May	August	FFL12
Net foreign net financing requirement	-1	-1	-1
Repayment of long term debt <sup>1)</sup>	33	33	33
Repayment of treasury bills <sup>2)</sup>	5	5	5
<b>Foreign financing requirement</b>	<b>37</b>	<b>37</b>	<b>36</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.

## Annex 1

**Table 1****General government finances, 2010-2012**

	2010			2011			2012		
	May	Aug.	Diff.	May	Aug.	Diff.	May	Aug.	Diff.
<b>DKK bn.</b>									
<b>Current prices</b>									
Public consumption	513.5	511.7	-1.8	517.5	517.5	0.0	530.2	529.2	-1.0
Income transfers	302.1	303.1	1.0	313.8	314.1	0.3	325.2	324.5	-0.7
Investment	38.0	37.9	-0.1	41.3	41.3	0.0	39.0	40.0	1.0
Interest expenditure	38.6	37.0	-1.6	40.0	39.6	-0.4	38.8	36.3	-2.6
Subsidies	45.7	47.0	1.3	44.9	44.8	-0.1	46.0	45.6	-0.5
Other expenditures <sup>1)</sup>	117.5	120.3	2.8	122.6	121.6	-1.1	136.5	140.2	3.7
<b>Total expenditure</b>	<b>994.7</b>	<b>994.9</b>	<b>0.2</b>	<b>1019.8</b>	<b>1018.5</b>	<b>-1.3</b>	<b>1053.8</b>	<b>1054.1</b>	<b>0.3</b>
Personal income taxes <sup>2)</sup>	357.1	357.2	0.1	370.2	370.5	0.3	380.7	377.2	-3.5
Labour market Contributions	81.3	81.2	-0.1	81.3	81.3	0.0	83.4	83.3	-0.1
Corporate taxes	47.8	47.7	-0.1	54.4	54.9	0.5	58.1	59.3	1.3
Pension yield taxation	42.2	42.2	0.0	5.1	4.9	-0.2	13.6	4.6	-9.0
VAT	172.5	173.2	0.8	179.7	179.1	-0.5	185.7	185.9	0.3
Vehicle registration tax	14.2	14.2	0.0	16.0	15.8	-0.2	17.6	17.6	0.0
Other duties	106.1	105.4	-0.6	111.0	110.2	-0.7	112.9	112.0	-0.8
Other taxes <sup>3)</sup>	17.4	17.7	0.2	18.1	18.2	0.0	16.3	18.1	1.7
Interest revenues	29.4	28.2	-1.2	30.8	29.2	-1.7	30.3	29.6	-0.7
Gross operating surplus	33.8	33.8	0.0	34.5	34.5	-0.1	35.3	35.5	0.2
Other revenues <sup>4)</sup>	42.1	45.8	3.6	44.5	51.9	7.4	39.9	46.2	6.3
<b>Total revenue</b>	<b>943.9</b>	<b>946.6</b>	<b>2.8</b>	<b>945.5</b>	<b>950.4</b>	<b>4.8</b>	<b>973.8</b>	<b>969.6</b>	<b>-4.3</b>

**Table 1 (continued)**  
**General government finances, 2010-2012**

	2010			2011			2012		
	May	Aug.	Diff.	May	Aug.	Diff.	May	Aug.	Diff.
<b>DKK bn.</b>									
<b>Current prices</b>									
<b>General government budget balance</b>	<b>-50.8</b>	<b>-48.3</b>	<b>2.5</b>	<b>-74.3</b>	<b>-68.2</b>	<b>6.1</b>	<b>-80.0</b>	<b>-84.5</b>	<b>-4.5</b>
Net interest Expenditure	9.2	8.8	-0.4	9.2	10.4	1.2	8.5	6.6	-1.9
General government primary balance <sup>5)</sup>	-41.6	-39.5	2.2	-65.0	-57.7	7.3	-71.5	-77.9	-6.4

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

**Table 2****Expenditure tax and revenue burden, 2005-2012**

	2005	2006	2007	2008	2009	2010	2011	2012	Diff. 2005- 2012
<b>Per cent of GDP</b>									
Public consumption	26.0	25.9	26.0	26.7	30.0	29.4	29.0	28.5	2.5
Income transfers	16.5	15.6	15.2	15.1	17.1	17.4	17.6	17.5	1.0
Investment	1.8	2.0	1.9	1.9	2.1	2.2	2.3	2.2	0.4
Interest expenditure	2.6	2.2	2.0	1.8	2.3	2.1	2.2	2.0	-0.6
Other expenditure	5.0	4.9	4.9	5.4	5.7	6.0	5.9	6.7	1.7
<b>Expenditure burden<sup>1)</sup></b>	<b>51.9</b>	<b>50.6</b>	<b>50.0</b>	<b>51.0</b>	<b>57.2</b>	<b>57.1</b>	<b>57.0</b>	<b>56.8</b>	<b>4.9</b>
<b>Tax burden</b>									
Personal income taxes	21.2	21.2	21.5	21.4	22.4	20.5	20.7	20.5	-0.7
Labour market Contributions	4.4	4.4	4.5	4.6	4.8	4.7	4.6	4.5	0.1
Pension yield taxation	2.4	0.8	0.3	0.5	0.5	2.4	0.3	0.2	-2.1
Corporate taxes	3.9	4.4	3.8	3.3	2.5	2.7	3.1	3.2	-0.7
Value added tax	10.1	10.3	10.4	10.1	10.2	9.9	10.0	10.0	0.0
Other duties	7.9	7.8	7.6	7.2	6.9	7.1	7.2	7.2	-0.7
Other taxes	1.1	1.0	1.0	1.0	1.0	1.0	1.0	1.0	-0.1
<b>Tax burden</b>	<b>51.0</b>	<b>49.8</b>	<b>49.1</b>	<b>48.2</b>	<b>48.2</b>	<b>48.3</b>	<b>46.9</b>	<b>46.7</b>	<b>-4.3</b>
<b>Revenue burden<sup>1)</sup></b>									
Interest revenue	1.5	1.5	1.6	1.7	1.9	1.6	1.6	1.6	0.1
Other non-tax revenue	4.6	4.6	4.4	4.5	4.4	4.6	4.9	4.2	-0.4
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>56.9</b>	<b>55.7</b>	<b>54.8</b>	<b>54.2</b>	<b>54.3</b>	<b>54.3</b>	<b>53.2</b>	<b>52.3</b>	<b>-4.7</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.