

Chapter 1

Summary

1.1 The current economic outlook

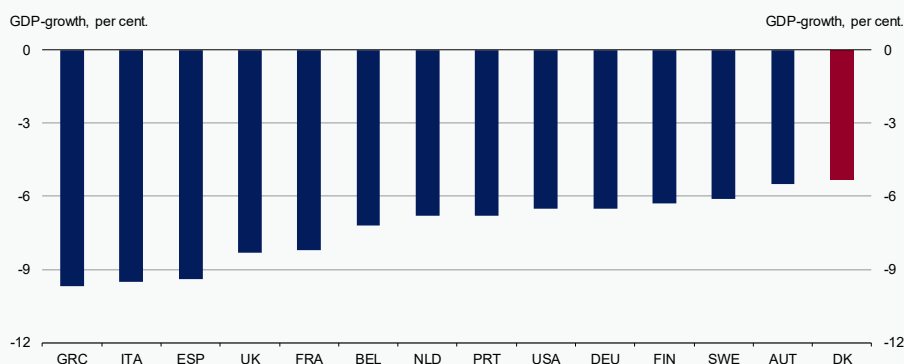
The corona epidemic has within a very short time span led to a sizeable economic setback. In Denmark, GDP is expected to fall by around 5¼ per cent this year, with an especially large decline in the second quarter of 2020. The fall in GDP is thus expected to be larger than during the financial crisis, although milder than in many other countries. A number of southern European countries, among others, are deeply affected by the pandemic, *cf. figure 1.1*.

In Denmark, a gradual reopening of the economy is underway. The possibility for a recovery is further supported by the many aid packages that underpin employment, and also enable many businesses to quickly pick up production as conditions gradually normalise.

The speed of the recovery will depend, among other things, on the future course of the pandemic, and to what degree loss of income, larger corporate debt and more cautious consumers and businesses will hold back demand. Economic developments abroad are a source of particular uncertainty for a small open economy like the Danish. Weaker prospects for export markets will inevitably have an impact on Denmark. With significant uncertainty, growth in Denmark is expected to reach 4 per cent next year.

Figure 1.1

Sizeable setback in Danish and international economy in 2020



Note: The figure shows GDP growth estimates for 2020 by the European Commission. Own estimate for Denmark. The European Commission projects GDP-growth of -5.9 per cent for Denmark in 2020.
Source: The European Commission, European Economic Forecast, Spring 2020, May 2020, and own calculations.

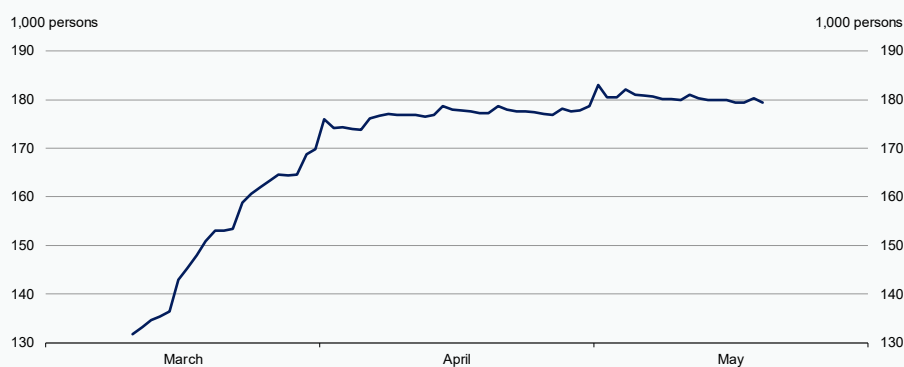
Sizeable drop in economic activity

The setback in the Danish economy is now clearly visible in key economic indicators. Among other things, there has been a very considerable dive in both consumer and business confidence to levels that are similar to the financial crisis (for consumer confidence the level is a little higher crisis and for business confidence lower).

The magnitude of the setback is also visible in the labour market. Since the beginning of the corona crisis, the number of persons registered as unemployed has risen by around 48,000 persons (equivalent to an increase of about 36 per cent), *cf. figure 1.2*. Additionally, even more are sent home under the temporary wage compensation scheme.

Figure 1.2

Unemployment rose rapidly in the beginning of the corona crisis

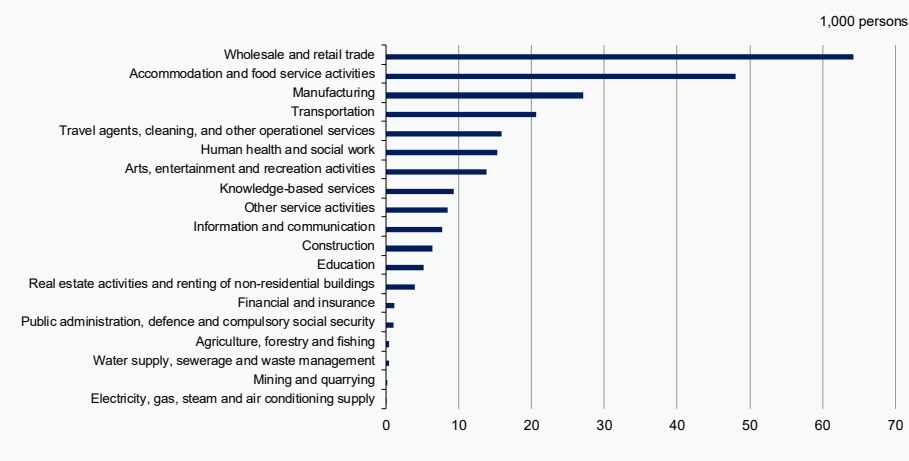


Note: Shows the number of unemployed, incl. those sent home without pay who have registered at Jobnet.
Source: Danish Agency for Labour Market and Recruitment (STAR).

The rise in unemployment would thus have been even higher in absence of the temporary aid measures. Up until May 18, around 205,000 persons have been compensated under the temporary wage compensation scheme.¹ Moreover, around 54,000 self-employed and freelancers have been received support through a similar scheme. Both schemes expire on July 8. In total, the compensations schemes are estimated to support jobs for around 259,000 persons for a period.

The jobs that are affected by unemployment and the wage compensation scheme are primarily located within *wholesale and retail trade* as well as *accommodation and food service activities*, *cf. figure 1.3*.

¹ The number of persons for whom wage compensation has been granted. The figure will be adjusted to reflect whether some people have returned to work within the application period, which could also be due to the gradual reopening of Denmark.

Figure 1.3**Especially wholesale and retail trade and accommodation and food service activities are afflicted by the setback**

Note: Shows the increase in number of unemployed and wage-compensated persons up until May 18 2020. Information about wage earners that have left the wage compensation scheme is not available. Only persons with industry information have been included.

Source: Danish Agency for Labour Market and Recruitment (STAR), Ministry of Industry, Business, and Financial affairs, and own calculations.

The setback has to be seen in connection with measures to limit contagion, altered behaviour, and lower demand from abroad. The downturn in economic activity and the increase in unemployment and wage-compensation is thus a snapshot of the current situation that will change as the ongoing reopening makes it possible to return to work.

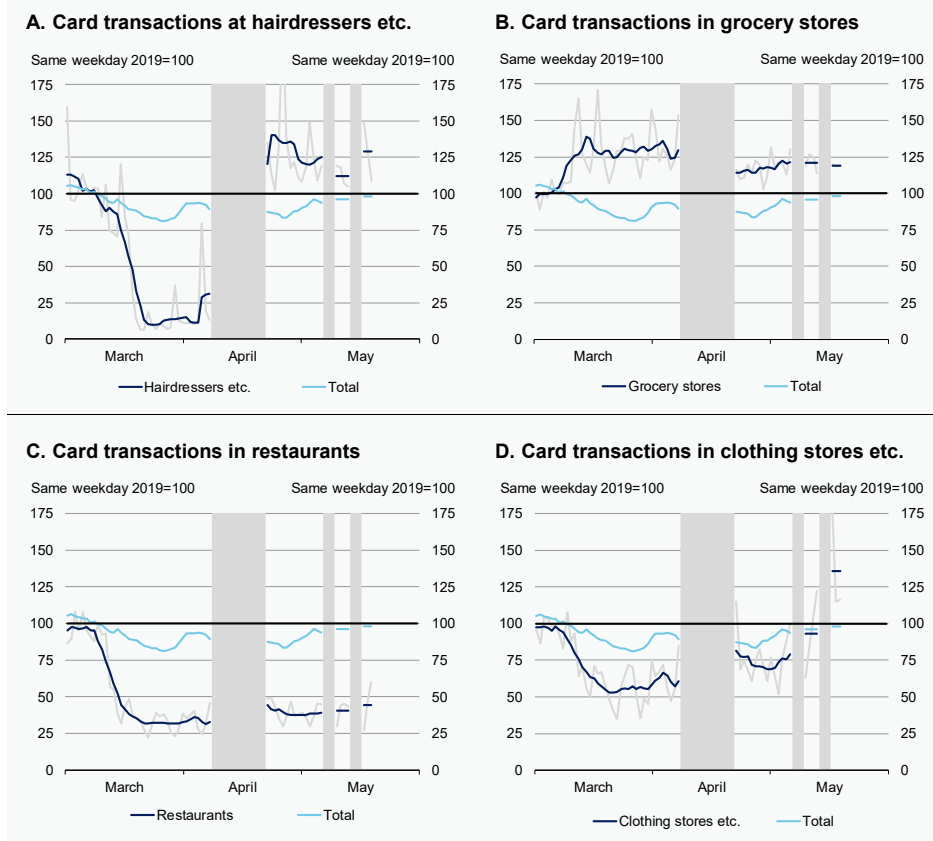
Consumption in Denmark suffered a remarkable drop in March as the extent of the corona crisis became increasingly clearer. Among other, this is reflected in a sharp decrease in the use of card payments in shops and with MobilePay, which at the end of March was around 15-20 per cent lower compared to the level from last year.

At the same time, the composition of consumption changed. The extent of card payments in grocery- and do-it-yourself stores increased while especially consumption on travel, restaurants, and clothing was reduced.

Since Easter there has been an increasing trend in the total number of card transactions, which is currently at around the same level as last year.

The effect of the reopening is beginning to show for businesses that were allowed to reopen from April 20. This includes for example hairdressers, which in the weeks following the reopening saw revenues exceed the normal level, *cf. figure 1.4*. Following the reopening of, for example, restaurants and shopping malls, the revenue here is also expected to increase.

Figure 1.4



Note: The figures show a seven day moving average of actual transactions based on transactions made in both domestic and foreign stores with payment cards and MobilePay for around 1 mill. Danish Danske Bank customers with active accounts. The information is not necessarily fully representative for the Danish population. Transactions are excluding cash payments and wire transfers, which means that many fixed costs to, for example, housing are typically not included. The figures show card transactions as an index value compared to the same weekday in the same month last year to correct for usual fluctuations in consumption over the course of the week. There has not been made adjustments for price developments. Note that holidays cause significant fluctuations in the index, and periods with holidays in either 2019 or 2020 are thus not included in the figures (the grey areas).

Source: Danske Bank and own calculations.

The impression of an improvement in economic activity is also supported by other indicators. Traffic data, for example, seems to suggest an increase in activity, although a complete normalisation is still a long way off.

The recovery will last beyond 2021

The Danish economy was on a sound footing before the crisis. Despite a long period of economic upturn, there were no signs of significant imbalances that could amplify an economic downturn or slow the ensuing recovery, *cf. chapter 2*. Employment had reached a record high in February, but nonetheless labour market pressures remained moderate. Similarly, there were no signs that the housing market as a whole had become overheated.

The current decline in the global and Danish economy is caused by the corona pandemic. Thus, it is not a cyclical setback in the normal sense, where the slowdown is derived from vulnerabilities in the economic system itself. The steep decline in activity reflects temporary, external constraints on demand and production (both as a result of containment measures and changed behaviour), which leave significant imprints in the economy.

As the pandemic subsides, it will be possible to return to more normal production conditions. The comprehensive policy measures taken to mitigate the economic impact of the epidemic support the opportunities for a recovery and counteract the risk of a long-term setback. However, the relief packages can also help to lock in the economy and hamper its natural dynamics and flexibility.

Gradually, more typical signs of an economic slowdown will however begin to emerge. These are, for example, income and wealth losses, as well as greater debt in some companies, which may require adjustments and contribute to increased restraint in consumption and investment, both at home and abroad.

There will also be lost production and demand that cannot be recovered immediately, and thus – despite the relief packages – there will also be loss of income. This is especially true for service industries, including the restaurant, entertainment and tourism industries. Lost restaurant visits in the first half of the year, for example, will not necessarily imply an excess demand for eating out later in the year, because consumers usually prefer to smooth that type of consumption evenly over the year.

At the same time, there will be increased uncertainty that may, for a period of time, make households more reluctant to spend as well as reducing corporate investments. Typically, a drop in both the consumption ratio and the investment ratio is seen during an economic downturn. Households set aside a larger share of their income as savings, so that there is room in the household budget to address the risk of unemployment, and companies postpone or cancel investment projects.

This is also expected to be the case during this economic downturn, which will slow the economic recovery.

The same mechanisms are also expected to be at play in Danish export markets, where many countries furthermore do not have the same fiscal room for manoeuvre as in Denmark to support the economy during the downturn.

Many countries have also been hit harder by the pandemic and have employed stricter lock-down measures than Denmark. This is especially the case for a number of southern European countries that are furthermore highly dependent on tourism.

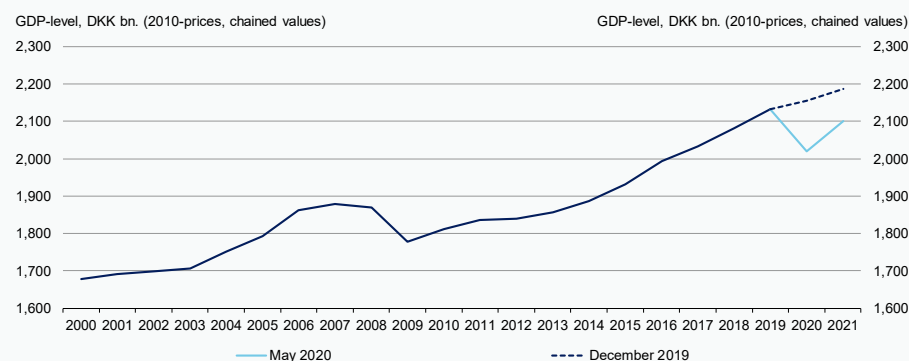
According to forecasts by international organizations, Sweden and Germany are facing a fall in GDP that is equally as sharp as in Denmark. Among other things, this is due to the fact that both countries are more exposed to a downturn in demand for investment goods and durable consumer goods, including passenger cars, whereas Danish exports are less exposed to business cycle fluctuations due e.g. to the relatively high importance of pharmaceutical and agricultural products.

An economic downturn that is unprecedented in recent history is expected on the Danish export markets. However, the downturn is expected to be short-lived so that a partial recovery is expected next year. Against this background, Danish exports are projected to grow next year, but to a degree which does not fully offset the expected drop this year.

Overall by 2021, GDP is expected to be below the 2019-level and significantly lower than what was projected for 2021 in the December *Economic Survey*, cf. *figure 1.5*. The same goes for private consumption, investments and exports. Thus, the economic recovery of the Danish economy is expected to last beyond 2021.

Figure 1.5

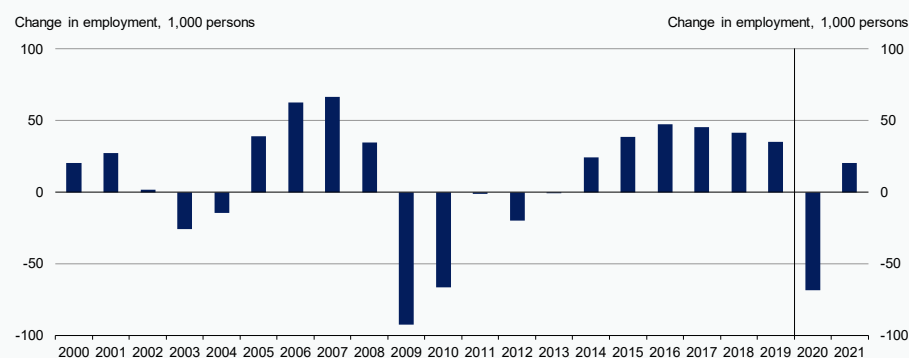
The recovery of GDP will take longer than 2021



Source: Statistics Denmark and own calculations.

In addition, the crisis can also result in a more lasting loss of production capacity, including through lower investments, less innovation and possibly reduced labour supply for a period of time. The latter may, inter alia, stem from lower inflow of foreign labour or temporary increased mismatches in the labour market.

The downturn in the Danish economy is also reflected on the labour market with a significant fall in employment this year, cf. *figure 1.6*. This should also be seen in light of the fact that some of the industries which have been hit the hardest by the corona crisis, for example in the hotel or restaurant industry, are very labour intensive.

Figure 1.6**The downturn is reflected in a fall in employment this year**

Source: Statistics Denmark and own calculations.

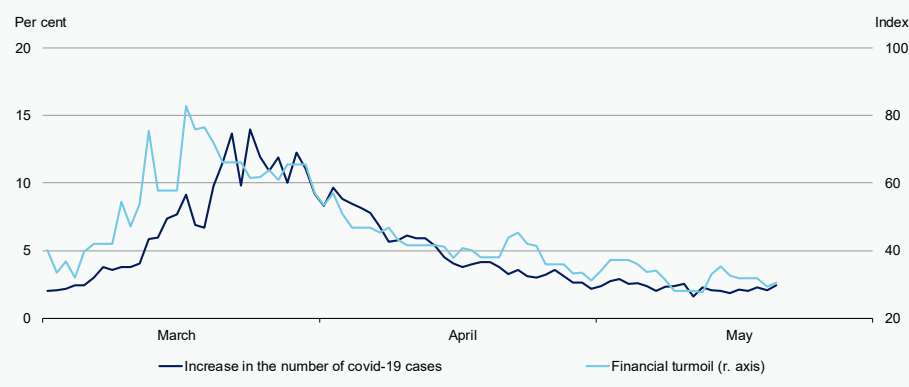
However, employment does not fall to the same extent as GDP, as companies typically retain key employees and adjust employment with some delay. In the current situation, the decline in employment and the rise in unemployment are also dampened by the wage compensation scheme and the other support packages. The annual level of unemployment is expected to increase by more than 40,000 persons in 2020 with a significant rise in the short term and a gradual decline from the second half of the year.

It is assumed that developments in the labour market will be able to reverse relatively quickly. Typically, however, there is a certain inertia in the upturn phase, reflecting that companies delay employing new workers a little when the economy begins to recover. This is reflected in the expectation that employment will rise next year, albeit at a relatively moderate pace. Overall, unemployment is estimated at 4.8 per cent of the labour force in 2020 and 4.5 per cent in 2021.

Risks

There is extraordinary uncertainty surrounding the assessment of economic developments at present. The uncertainty is particularly linked to the course of the pandemic going forward, which will determine how quickly production and demand can be normalized. It is also linked to the containment measures that may still be needed in the future, the extent of restraint shown by consumers and businesses and the impact of implemented monetary and fiscal policy measures at home and abroad.

The importance of the new coronavirus for the economic outlook is reflected in the fact that uncertainty in the Western economies increased considerably when it became clear that the virus would develop into a pandemic. This led, among other things, to substantial stock price declines and turmoil in the financial markets, *cf. figure 1.7*.

Figure 1.7**Uncertainty related to the course of the pandemic is reflected in financial markets**

Note: The figure shows the trend in covid-19 cases worldwide and financial turmoil measured by the Volatility Index (VIX) for US equities.

Source: WHO, Macrobond and own calculations.

Some of the uncertainty has since subsided. This reflects, among other things, that large relief packages have been launched across countries that support the opportunities for economic recovery and that a reopening of society is underway in a number of countries.

However, the pandemic is far from over and this leaves considerable uncertainty about the development. Thus, risks are predominantly negative. If the pandemic flares up again and requires more stringent or longer-term measures than assumed, recovery in the global economy will occur at a slower pace. The economic downturn could also lead to a higher number of bankruptcies, higher long-term unemployment and a weakened financial sector in many countries. To the extent that economic developments abroad deteriorate further, it will have a negative impact on the Danish economy.

The uncertainty about the pandemic's further course also applies to a potentially more positive outcome. If the ongoing reopening allows economies to recover more quickly, there will be the possibility of stronger economic development.

In any case, the pandemic could leave more permanent economic changes, for example in the form of new consumption patterns and changes in global production and trade.

Risks related to the coronavirus overshadow any other uncertainties. However, previously identified risks are still present such as trade disputes and the nature of the UK's future trade relationship with the EU, and these risks have not necessarily diminished following the outbreak of the pandemic.

Box 1.1**Assumptions underlying the forecast and changes since the last Economic Survey**

The forecast is subject to extraordinary uncertainty and is based on a number of indicators of economic development, including confidence indicators and preliminary figures for the development of unemployment and foreign trade.

The figures for the forecast was finalized on May 7 2020. Following the completion of the forecast, Statistics Denmark has published the GDP indicator for Q1 2020 on May 15. The indicator shows seasonally adjusted quarterly real growth of -1.9 per cent. The decline is mainly driven by a number of service industries, including hotels and restaurants, public services and culture and leisure. The employment indicator shows a decrease of 0.1 per cent. The Q1 developments according to the GDP indicator are broadly in line with the forecast.

Compared to the assessment in the December 2019, *Economic Survey*, expectations of all demand components except public consumption, as well as employment estimates, have been revised down considerably in 2020, while unemployment is now expected to rise more quickly. Price and wage trends are also expected to be more subdued than previously assumed.

The downward adjustment to the estimates are due to the corona pandemic, which among other things leads to weakened conditions on Danish export markets. The estimate of trade-weighted GDP growth has been downgraded by 7.7 percentage points in 2020 and export market growth by 13.8 percentage points. Against this background, export and business investment estimates have been revised downwards. Added to this is the effect of the containment measures in Denmark, which has reduced production in many industries, as well as the effect of increased uncertainty, which results in restrained spending by companies and households.

For 2021, it is assumed that there will be a gradual recovery of the Danish economy, where the spending by consumers and businesses will continue to be restrained, and that demand from abroad will show subdued growth.

The projected fall in GDP this year is slightly larger than in the previously presented scenario of a gradual recovery (the U scenario), which was published on April 9 and also included in the Danish Convergence Programme 2020. At the same time, the subsequent recovery is assumed to be slower.

1.2 Fiscal policy and public finances

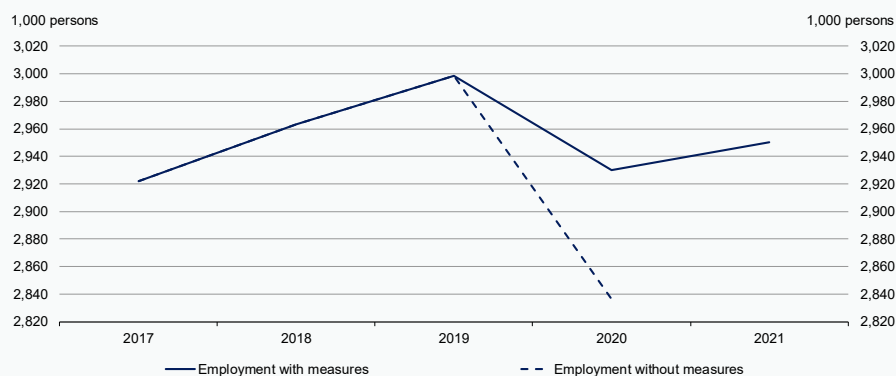
Since the outbreak of the coronavirus pandemic, significant and temporary financial aid packages have been implemented in Denmark in order to support businesses and jobs, while health-related restrictions have been necessary to control the spread of the virus. In total, the implemented measures support employment with an estimated 100,000 persons this year, *cf. box 1.2*.

Box 1.2**Business and job oriented measures implemented in the wake of the coronavirus pandemic**

The government, the parties of the parliament, and the labour market organizations have launched a number of business and job oriented initiatives in order to counteract the negative economic consequences of the coronavirus outbreak. The direct spending implications of the initiatives – including the agreed prolongations and extensions – amounts to just over DKK 100 billion in 2020, corresponding to approx. 5 percent of GDP.¹⁾ The measures concern both subsidies in the form of various compensations schemes, guaranties, and other liquidity and financing options. In addition, the countercyclical capital buffer has been released.

The first group of measures – the subsidies – consists primarily of extraordinary and temporary compensation schemes to help businesses and employees through the first part of the crisis with containment measures for parts of society. This is the most significant part of the fiscal initiatives. In addition, the ceiling for public investments (construction-expenditures) for municipalities and regions has been suspended in 2020, which is estimated to increase public investments in 2020 by just above 0.1 per cent of GDP. Furthermore, a number of governmental guarantee schemes and deferral of payment deadlines, etc. have been agreed upon amounting to a total of approximately DKK 300 billion. These initiatives are intended to support liquidity and financing options for businesses.

Based on the expenditure estimates for the measures agreed upon, the significant aid packages are assessed with uncertainty to support employment with an estimated 100,000 persons in 2020, calculated as a yearly average. The impact is greater in the months, where the aid packages have effect. The assessment may change as new information becomes available on the actual use of the aid packages including the wage compensation scheme. Thus, the initiatives contribute to mitigating the fall in employment in 2020, *cf. figure a*. The estimated employment effect does not include the extraordinary measures to support the liquidity of businesses, which also have significant importance for businesses and the economy.

Figure a**The development of employment with and without measures (excl. liquidity measure)**

1) Including loss limits in connection with government guarantee schemes, the direct spending implications can be estimated to approximately DKK 110 billion.

Source: Statistics Denmark and own calculations.

The Danish economy had a healthy starting point before the crisis with low public debt, sound structures, and high credibility regarding fiscal policy. This foundation has been an important prerequisite for enabling the comprehensive, temporary aid packages, which support the economy, while the health-related restrictions are in place to deal with the pandemic.

Collectively, the economic setback and the implemented aid packages lead to a substantial deficit on the actual budget balance in 2020² and a noticeable increase in the public EMU-debt compared to 2019, *cf. table 1.1*. In the current situation with a major change in the economic situation, the estimates are subject to greater uncertainty than usual.

Table 1.1**Key figures relating to fiscal policy**

	2019	2020	2021 ³⁾
Structural budget balance, per cent of structural GDP	0.4	-0.1	0.4
Actual budget balance, per cent of GDP	3.7	-7.2	-1.8
EMU-debt, per cent of GDP	33.2	43.2	41.5
One-year fiscal effect, per cent of GDP ¹⁾	0.0	3.5	-2.6
Output gap, per cent ²⁾	0.2	-3.8	-1.7
Employment gap, per cent ²⁾	0.8	-1.9	-1.5

- 1) Calculated measure of how fiscal and structural policy from one year to another affects the capacity pressure in the Danish economy (measured by the output gap).
 2) Calculated measure of how far production and employment are from their structural levels. When the gaps are approximately zero, the economy has no more available resources than under normal cyclical conditions. The shown output gap is calculated excl. the oil and gas extractions and is used in cyclical correction when calculating the structural balance.
 3) The estimates for 2021 are based technical assumptions for the fiscal policy in 2021.
 Source: Statistics Denmark and own calculations.

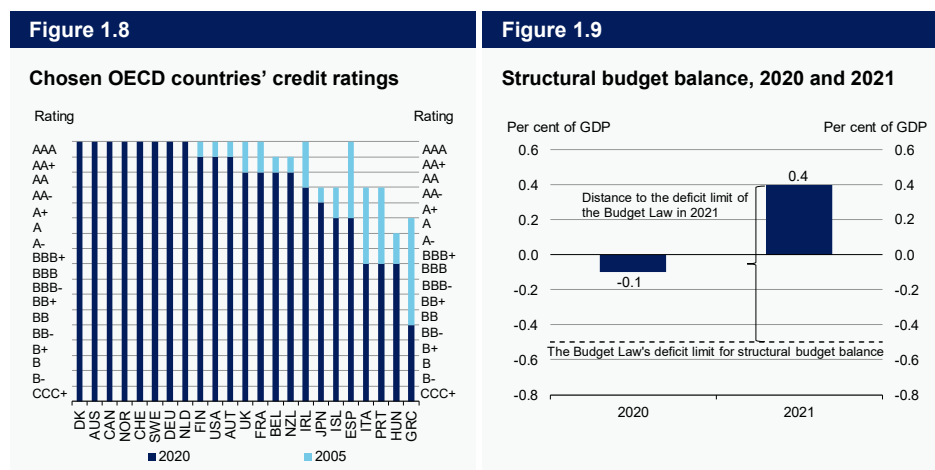
The underlying structures of the Danish economy remains sound. The aid packages are temporary and thus do not significantly affect the fiscal sustainability. Denmark has the highest credit rating (AAA-rating) from the leading credit rating agencies, *cf. figure 1.8*. Moreover, the structural budget balance is estimated at -0.1 percent of GDP in 2020, and there is a prospect of a surplus of 0.4 per cent of GDP in 2021.³ This contributes to significant room for maneuver in 2021 within the deficit limit of the structural budget balance of -1/2 percent of GDP given by the Danish Budget Law, *cf. figure 1.9*.

In the current assessment, fiscal policy for 2021 is based on technical assumptions, which, among others things, are based on the expenditure ceilings adopted by the Danish parliament. Next year's fiscal policy will be set by the government's budget bill, budget agreements with municipalities and regions, etc. Fiscal policy will be set within

² The EU countries have declared, that the flexibility in EU's common budget rules will be fully used to take into account the current situation. EU will apply the flexibility in relation to special events out of the government's control. Thus, the general exception clause in the rules is activated, which will allow discretionary easing (besides the automatic stabilizers) provided that fiscal sustainability is secured.

³ New external information, which affects a number of structural revenues, will in isolation pull the structural budget balance in a more positive direction in 2020 and 2021 compared to the assessment in December. In particular, this applies to Statistics Denmark's changed use of share losses and gains in the calculation of the public net interest expenditures as well as a considerable up-adjustment of the assets in pension funds in the national account figures for 2019, *cf. chapter 8*. In the opposite direction, parts of the completed business and employment oriented measures, which are not considered one-off measures, weakens the structural budget balance in especially 2020. Notice, that after the completion of the numerical basis for this economic survey, an agreement on new property taxes has been reached. Thus, consequences from this agreement is not included in the assessment.

the framework of an updated 2025-projection this summer, which among others things will focus on ensuring sufficient room to invest in public welfare in all the years while maintaining sound public finances.



Note: Figure 1.8 is based on Standard & Poor's credit ratings from April 2020.
Source: Standard & Poor's, Statistics Denmark, and own calculations.

Recovery of the Danish economy in multiple phases

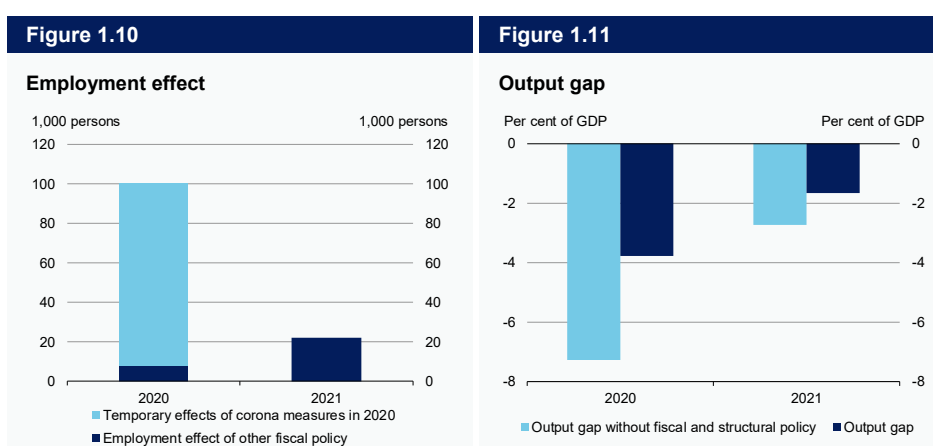
Overall, the considerable setback of the Danish economy entails, that fiscal policy should support economic activity – i.e. have expansive effects on employment and GDP. That is in line with the general notion that stabilization policy should work symmetrically over the business cycle, so it contributes to dampening economic fluctuations.

At the same time, the current situation differs from former setbacks. The corona epidemic entails, that the economy is temporarily hit by both a negative supply shock and a negative demand shock.

The negative supply shock reflects, among other things, that parts of the economy for a period cannot produce under normal conditions, and that some sectors are – or have been – completely shut down. As a starting point, the negative demand shock reflects, that consumers, on their own initiative, may be reluctant in order to avoid contagion of the virus. In addition, the global demand for Danish goods and services is declining, and for both Danish businesses and consumers increased uncertainty about future earnings, job prospects, and investment opportunities lead to a more restrained demand.

The balances between the impact of supply and demand as well as the uncertainty about the future, calls for a flexible approach to economic policy in the near future, so that policy can be adjusted along the way as there is more clarity on the economic development. Therefore, the government is planning the recovery of the Danish economy to take place in multiple phases.

In the first phase, which Denmark is on its way out of, there were considerable health-related restrictions, and the focus of fiscal policy was to support jobs and businesses with the implemented aid packages and other measures, including the suspension of the ceiling for public investments for municipalities and regions. With the currently agreed measures, the fiscal and structural policy is estimated to support employment with a total of approximately 100,000 persons in 2020 and 22,000 persons in 2021, *cf. figure 1.10*. In isolation, without the implemented measures, there would have been a prospect of a considerably greater setback – where GDP and employment would have fallen further below their structural levels than currently expected, *cf. figure 1.11*.



Note: The activity effects include estimates of the fiscal and structural policy's contribution to changes in the output and employment gap in a single year. The employment effect of temporary measures consists, among other things, of the impact of the temporary compensation scheme, which only has effect in 2020.

Source: Statistics Denmark and own calculations.

As the health development has enabled a gradual opening of the society, economic policy has equivalently and gradually entered a new phase.

The government is already taking the first steps with a green social housing agreement, a climate proposal for energy, industry, and waste as well as the invitation of the labour market organizations to negotiate how the savings in the Employers' Reimbursement System (Arbejdsgivernes Uddannelsesbidrag, AUB) can be allocated to new initiatives generally supporting Danish businesses as well as trainees in the current situation. In total, the new initiatives and proposals are estimated to increase employment by approximately 4,000 persons in 2020 and 8,000 persons in 2021, *cf. box 1.3*. Likewise, the phasing out of the temporary aid packages will also have to be considered.

Box 1.3**With investments in the future the government's new proposals contribute to recovery**

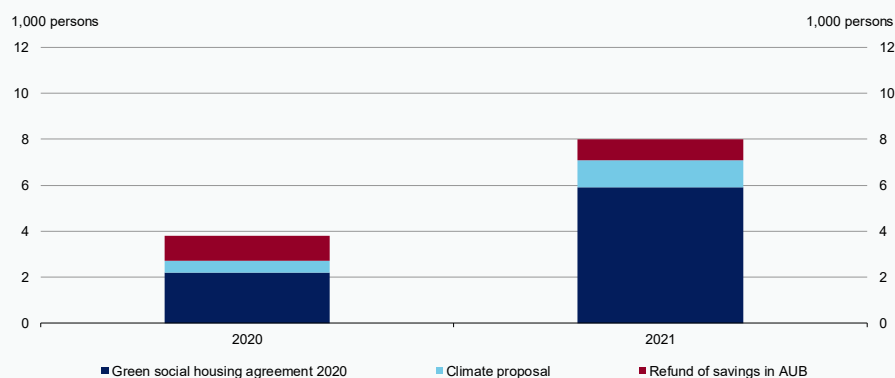
The government's new proposals comes in addition to already implemented aid packages etc., including the suspension of the ceiling for public investments for municipalities and regions, which has increased the room for public investments already in 2020. The new measures and proposals, which have been implemented or proposed since the completion of the numerical basis for this economic survey, are:

- **Green housing agreement:** On May 19, the government signed *Grøn boligaftale 2020: Landsbyggefondens rammer 2021-2026 og fremrykket indsats i 2020* with Venstre, Dansk Folkeparti, Radikale Venstre, Socialistisk Folkeparti, Enhedslisten, Det Konservative Folkeparti, Alternativet, and Sikander Sidsdique (UFG). The parties agree to allocate DKK 30 billion from Landsbyggefonden (the Danish social housing sector) to renovations in the social housing sector in 2021-2026. Of this, DKK 12 billion are moved forward to 2020, and in 2021 DKK 6.4 billion is set aside for the executing of the entire waiting list in Landsbyggefonden. The agreement create additional incentives to complete energy renovations, due to the introduction of a new green guarantee and a structural shift towards a greener social housing sector.
- **Climate proposal for energy, industry, and waste:** The government proposes more investments in the expansion of renewable energy, an intensified transformation of businesses, the implementation of measures aimed at greening the heating sector, ensuring better recycling of waste and increasing energy efficiency, etc. The proposal implies a CO₂e reduction of 2 million tons in 2030.
- **Refund of savings in the Employers' Reimbursement System (AUB):** The government wants to support Danish businesses as well as trainees and apprentices. Thus, the government has called for negotiations with the labour market organizations on how the system's savings of about DKK 6 billion can be allocated to new measures generally supporting Danish businesses and trainees in the current situation.

In total, the measures are assessed to stimulate the economic activity and thus support actual employment with approximately 4,000 persons in 2020 and 8,000 persons in 2021, cf. figure a. The impact includes the effect of investments outside the public sector under the auspices of Landsbyggefonden and private investments derived from the government's climate proposal.

In isolation, the new measures are estimated to weaken the structural budget balance with approximately 0.1 per cent of GDP in 2020 and 2021 in the absence of other funding. Note, that investments under the auspices of Landsbyggefonden do not affect the public budget balance, and that the refund of savings in AUB is considered to be a one-off measure, in the case of the refund of savings regarding the previous years.

Figure a
Effect on employment of new measures and proposals



Note: The effect on employment is calculated by the so-called fiscal effects and includes the effect of publicly initiated investments outside the public sector under the auspices of Landsbyggefonden. Furthermore, the execution of investment projects under the auspices of Landsbyggefonden expand over a number of years.

Source: Own calculations.

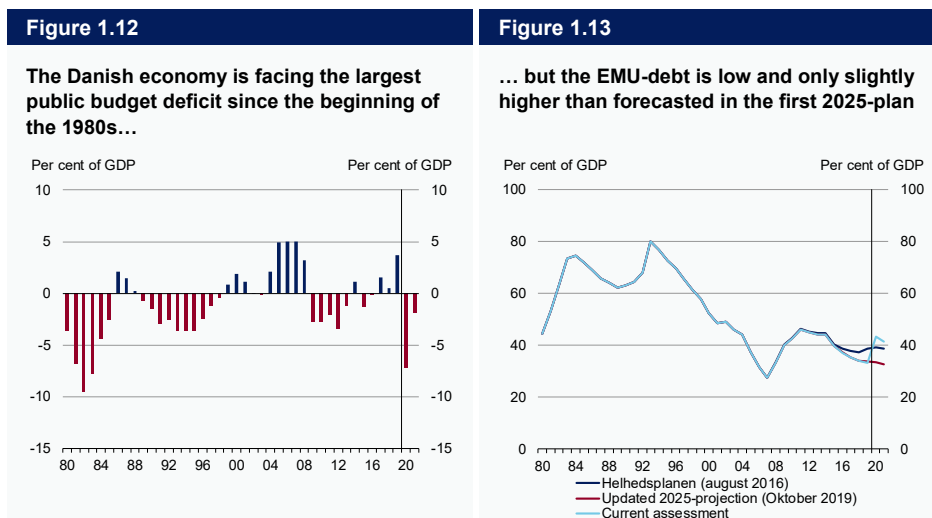
In the coming phases, there is expected to be a need to further stimulate the economy, begin necessary transformations, and restore the economy. Measures aimed at stimulating the economy will need to be timed, dosed and coordinated with the specific steps of the reopening and their implications.

In the context of the recovery, the government wants to support activity, jobs, and investments in the future, while maintaining a focus on the climate agenda.

Perspectives on public balance and debt – historically and internationally

The economic setback, the temporary aid packages, and other initiatives temporarily affect the public budget balance negatively, consequentially the public budget balance will shift from a surplus of just under 4 per cent of GDP in 2019 to an estimated deficit of just over 7 percent of GDP in 2020 – or approximately DKK 160 billion. Thus, the Danish economy is facing the largest actual public budget deficit since the beginning of the 1980s, *cf. figure 1.12*.

The implemented measures also increase public debt and thus it will exceed the expectations in the government's latest 2025-projection (October 2019). However, it continues to be the case that public EMU-debt in Denmark holds a wide margin to the EU's limit of 60 percent of GDP. Correspondingly, public debt remains low in a historical and international perspective. The EMU-debt in 2020 and 2021 is estimated – despite the increased deficits – only to be slightly higher than forecasted in the first 2025-plan (August 2016), *cf. figure 1.13*. Among other things, this reflects that the business cycle and actual public balance in the intervening years have developed better than expected.

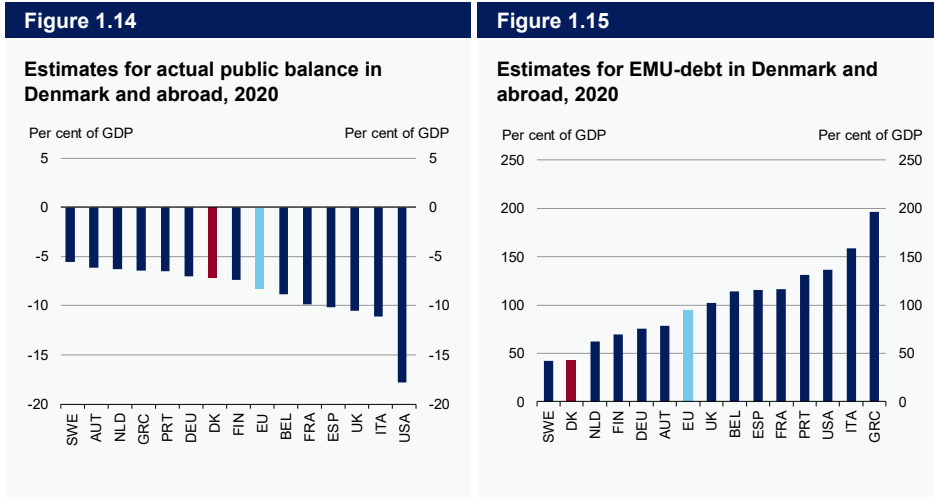


Note: Figure 1.13 shows the development of the EMU-debt in the current assessment, the government's 2025-projection from October 2019 and the estimated development in the first 2025-plan from August 2016.

Source: Statistics Denmark, Updated 2025-projection (October 2019), Helhedsplan – For et stærkere Danmark (August 2016), and own calculations.

From an international perspective, Denmark is facing an actual public budget deficits of a size, which is slightly below the EU average in 2020, *cf. figure 1.14*. However, the expected deficit in Denmark is higher than the EU-Commission's projections for e.g. Greece, Portugal, and Germany. This reflects, among other things, the relatively powerful automatic stabilizers in Denmark and the implemented aid packages. In return, Denmark's EMU-debt will remain considerably lower than the EU average and also lower than e.g. Germany's, *cf. figure 1.15*.

Denmark's large actual deficit in 2020 largely reflects the impact of the implemented aid packages, which, among other things, cover the fixed costs for businesses hit by the crisis, partially uphold the salaries for repatriated employees, etc. Thus, the strain on the public budget balance illustrates both the fact that measures of this nature can only be sustained for a limited and temporary period, but also that an initially low debt has enabled Denmark to implement considerable measures without jeopardizing the high credibility and low financing costs of the public debt.



Note: For Denmark is shown the estimates from the current assessment.
 Source: EU-Commission (Spring 2020) and own calculations.

1.3 Annex table

Table 1.1

Key figures from the May survey and comparison with estimates from December

	2019	2020		2021	
		Dec.	May	Dec.	May
Real change, per cent					
Private consumption	2.2	1.9	-3.0	1.7	3.7
Total government demand	0.6	1.2	1.6	0.9	0.2
- of which government consumption	0.2	1.3	1.8	0.4	0.1
- of which government investment	4.0	0.6	0.5	4.2	0.9
Housing investment	8.0	0.7	-7.9	1.0	-0.8
Business fixed investment	2.8	3.8	-12.2	2.8	-0.5
Domestic demand excl. inventories	2.0	2.0	-3.1	1.5	1.8
Inventory investment (per cent contribution to GDP)	-0.4	0.0	-1.1	0.0	1.2
Total final domestic demand	1.6	2.0	-4.3	1.5	3.1
Exports	1.6	1.5	-8.9	2.2	6.1
- of which manufacturing exports	7.4	2.1	-8.0	3.0	7.3
Total demand	1.6	1.8	-6.0	1.7	4.2
Imports	0.1	2.5	-7.5	2.4	4.5
- of which imports of goods	0.5	3.3	-8.0	2.5	4.5
GDP	2.4	1.5	-5.3	1.4	4.0
Gross value added	2.4	1.3	-5.5	1.3	4.2
- of which private non-farm sector	3.0	1.6	-7.1	1.8	5.9
Change, 1,000 persons					
Labour force, total	31	20	-27	10	12
Employment, total	35	19	-68	7	20
- of which private sector	30	14	-74	7	21
- of which public sector	5	5	6	0	-1
Gross unemployment	-4	1	42	3	-9
Cyclical developments, per cent					
Output gap	0.2	0.7	-3.8	0.5	-1.7
Employment gap	0.8	0.6	-1.9	0.3	-1.5
Unemployment gap	-0.4	-0.2	0.9	-0.1	0.6

Source: Statistics Denmark and own calculations.

Table 1.2 (continued)**Key figures from the May survey and comparison with estimates from December**

	2019	2020		2021	
		Dec.	May	Dec.	May
Change, per cent					
House prices (single family homes)	2.9	3.2	-4.2	3.0	0.5
Consumer prices	0.8	1.2	0.2	1.6	1.2
Hourly earnings in the private sector ¹⁾	2.6	2.6	2.1	2.7	2.4
Real disposable income, households	2.1	3.5	1.1	1.4	2.2
Productivity in the private non-farm sector	1.8	1.1	-0.8	1.4	2.5
Interest rate, per cent per year					
1-year rate loan	-0.6	-0.6	-0.5	-0.5	-0.4
10-year government bond	-0.2	-0.3	-0.3	-0.2	-0.4
30-year mortgage credit bond	1.6	1.3	1.3	1.4	1.3
Public finances					
Actual public balance (DKK bn.)	84.9	-5.6	-159.8	-5.1	-43.0
Actual public balance (per cent of GDP)	3.7	-0.2	-7.2	-0.2	-1.8
Structural public balance (per cent of GDP)	0.4	-0.1	-0.1	0.3	0.4
Gross debt (per cent of GDP)	33.2	33.8	43.2	33.4	41.5
Labour market					
Labour force, total (1,000 persons)	3,100	3,118	3,073	3,128	3,085
Employment, total (1,000 persons)	2,998	3,015	2,930	3,023	2,950
Gross unemployment (yr. avg., 1,000 persons)	104	105	146	108	138
Gross unemployment (per cent of labour force)	3.4	3.4	4.8	3.4	4.5
External assumptions					
Trade-weighted international GDP-growth	2.5	1.7	-6.0	1.7	4.7
Export market growth (manufactured goods)	1.8	1.6	-12.2	2.3	8.0
Exchange rate (DKK per USD)	6.7	6.8	6.8	6.8	6.9
Oil price, dollars per barrel	64.4	61.9	34.1	64.0	36.3
Balance of payments					
Current account balance (DKK bn.)	182	171	130	168	162
Current account balance (per cent of GDP)	7.9	7.2	5.8	6.9	6.9

Note: Hourly earnings are based on the Confederation of Danish Employers' Structural Statistics (but in 2019 on the Confederation of Danish Employers' Business Cycle Statistics excl. inconvenience allowances).

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

Chapter 2

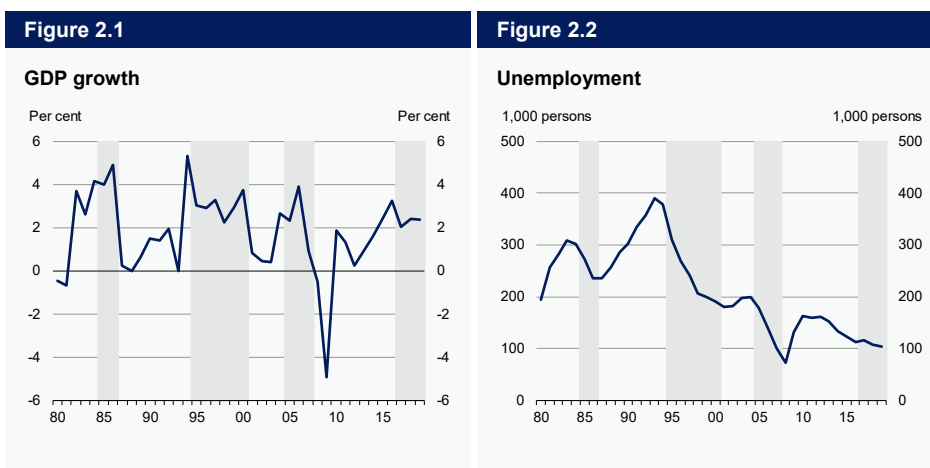
The corona crisis in comparison with the financial crisis

No one knows yet how the corona crisis will proceed. However, it is clear that the Danish economy, in line with other countries, is severely affected. The current estimate is that the setback this year will be at least as severe as in 2009 during the financial crisis, when GDP fell by 4.9 per cent. But there are only few pointers that can say something tangible about how and how quickly the subsequent recovery will materialize.

Experiences from previous downturns can help inform expectations about the economic development. But every crisis has its own characteristics, not least the corona crisis, which is without precedent. The purpose of this chapter is to compare the current development of the Danish economy with the financial crisis, in order to, among other things, shed light on differences and similarities between then and now, which can help assess how quickly the economy can be expected to recover.

2.1 The prelude

Prior to both the financial crisis and the corona crisis, the Danish economy was operating above potential. GDP growth peaked at 3.9 per cent in 2006, approx. twice the average annual growth rate since 1980, while unemployment continued to decline to an annual level of 73,000 in 2008. Similarly, growth reached 3.3 per cent in 2016 when it peaked, while unemployment was still declining in 2019, *cf. figure 2.1 and 2.2.*

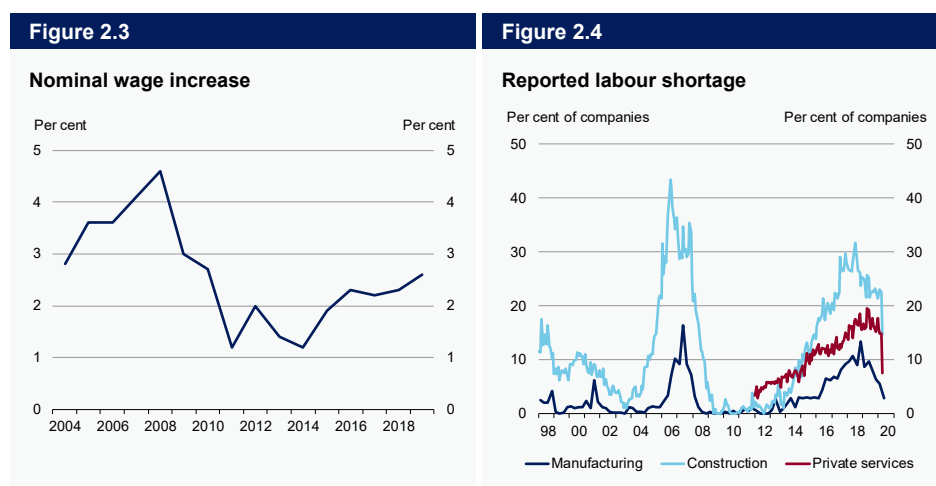


Note: Grey areas indicate periods of boom, i.e. periods of positive and increasing output gap.
Source: Statistics Denmark and own calculations.

The past two booms in the Danish economy have largely coincided with periods of upswing abroad, and the Danish economy has experienced almost synchronous development relative to the euro area. The uniform development reflects that the economies are influenced by the same factors and are strongly interdependent and thus greatly affect each other.

During booms, capacity pressure will usually arise as productive resources, especially labour, become scarcer. Sooner or later, growth will become more subdued. Prior to both the financial crisis and the corona crisis, there were beginning signs that growth would slow down.

However, prior to the financial crisis, the economy overheated, which manifested itself, among other things, in relatively large wage increases and pronounced labour shortages, cf. figure 2.3 and 2.4.



Note: Figure 2.3 shows the development in nominal wages (excluding inconvenience allowance) calculated in the Confederation of Danish Employers' Structural Statistics until 2018 and in 2019 based on the Confederation of Danish Employers' Business Statistics. Figure 2.4 shows the proportion of companies reporting labour shortages as a production constraint in Statistics Denmark's business surveys (own seasonal correction).

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

The upswing in the Danish economy since 2013 also naturally led to some pressure on the labour market, but not to the same extent as in the last decade. In fact, despite record high levels of employment, the proportion of companies reporting labour shortages as a production constraint was declining slightly through 2019.

A major reason why the upswing in the Danish economy was unsustainable before the financial crisis was the development in the real estate market, where sharply rising property prices drove significant growth in lending and loan-financed consumption. The housing market was already in decline before the financial crisis really hit. Conversely,

in recent years there have been no signs of significant imbalances in the housing market as a whole.

Thus, the Danish economy was in a different starting point when the financial crisis hit, compared to before the corona crisis. The different starting point has a bearing on both how the economy is affected and the course of the subsequent recovery.

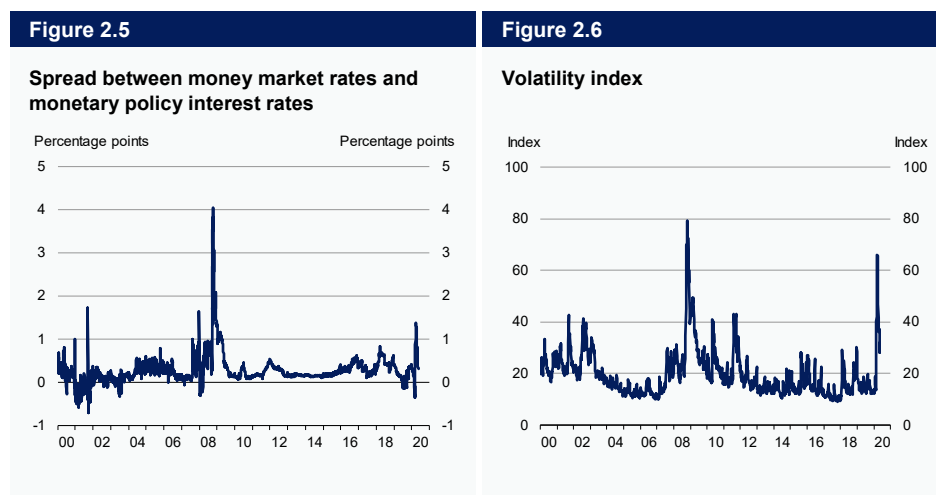
2.2 Triggering event

The financial crisis was caused by unsustainable borrowing and a bubble in the US housing market as well as in a number of other countries, including Denmark. The development was, among other things, a consequence of pronounced optimism during the previous boom, which had contributed to both easy lending conditions and high borrowing. Higher indebtedness increased the credit exposure of credit institutions and thus increased vulnerability.¹

Since the summer of 2007, there had been initial stress in the financial markets and concerns about several of the major US banks. In Denmark, there were also problems in the financial sector, and Roskilde Bank, for example, was taken over by Danmarks Nationalbank and the Private Contingency Agency on August 24, 2008.

The crisis in 2008-2009 was triggered by the collapse of the US investment bank Lehman Brothers on September 15, 2008, which through a chain reaction led to a sudden lack of access to liquidity in the international markets. The lack of liquidity was reflected in a significant yield premium on short-term financing (measured as the difference between the money market rate and the monetary policy rate), *cf. figure 2.5*.

¹ See Committee on the causes of the financial crisis (2012): The financial crisis in Denmark – Causes, consequences and learning.



Note: The volatility index in figure 2.6 is a measure of short-term uncertainty in the market, which is based on the prices of insuring against fluctuations on the S&P500 index (the largest US equities) via futures contracts.
Source: Macrobond.

At the same time, there was a large increase in uncertainty in the financial markets, which was accompanied by significant declines in stock prices as investors searched for safer assets, *cf. figure 2.6*.

Falling house prices and stock prices, as well as distressed banks, exacerbated the economic downturn that was already underway before the escalation of the financial crisis. Something similar happened in the mid-1980s in Denmark, but not all downturns are also financial crises. When that is the case, the setback is typically harder and longer.

The corona crisis is fundamentally a health crisis and has no background in economic or financial imbalances. The effect on the economy arises as a result of the necessary containment measures and increased restraint among companies and consumers in the light of the risk of contagion, which imposes restrictions on economic activity. In addition, the crisis may have an impact on the supply of labour, for example if sickness absence increases.

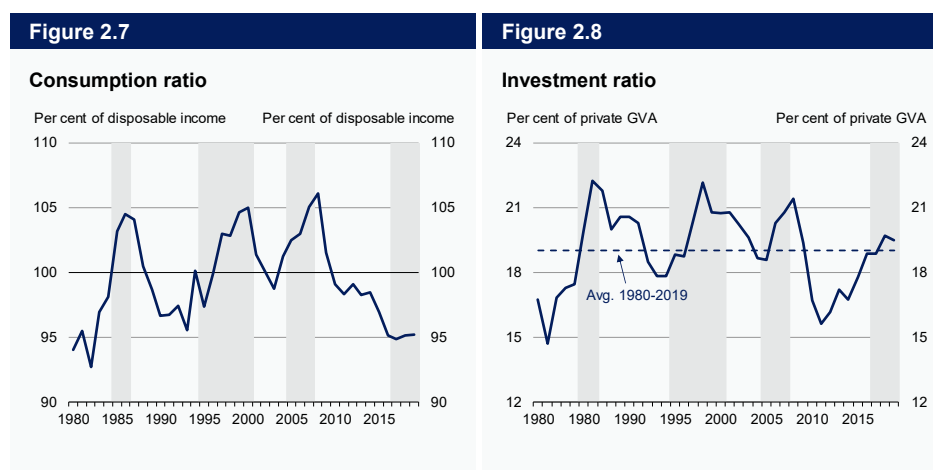
It is therefore not a crisis caused by underlying economic conditions, and as the pandemic subsides, it will eventually be possible to return to more normal production conditions. But there can be derived economic effects, among other things, through income loss, increased corporate debt and continued uncertainty.

Uncertainty can manifest itself in greater restraint. Thus, there are typically large declines in the consumption ratio and the investment ratio during cyclical setbacks, *cf. figure 2.7 and 2.8*. The decline in the consumption ratio in the financial crisis was considerable and should be seen in light of considerable and partly loan-financed consumption growth during the previous boom.

Similarly, investment was high during the boom in the mid-2000s. Thus, there was a significant expansion of production capacity, leaving the economy with spare production capacity and some years of low investment activity.

The corona crisis will also affect consumption and investment, but contrary to the financial crisis, the decline will not be compounded by the previous development, where the consumption ratio and the investment ratio had risen to a very high level.

On the contrary, an unusually low consumption ratio provides the potential for consumption to be affected to a lesser extent than income. The investment ratio is also, despite solid growth in recent years, only moderately above its historical average.



Note: Grey areas indicate periods of boom, i.e. periods of positive and increasing output gaps. Figure 2.8 shows the gross fixed capital formation for the private sector excl. housing investment in per cent of GVA in the private sector.

Source: Statistics Denmark and own calculations.

2.3 How is the economy affected?

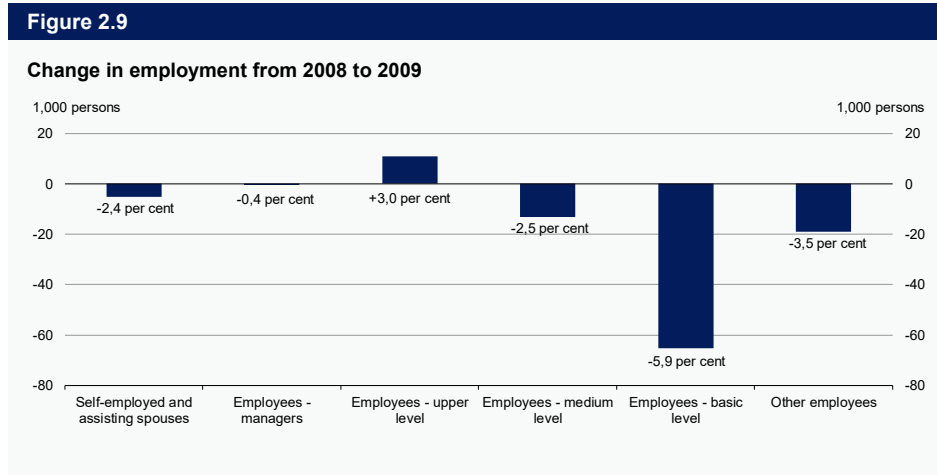
The labour market

An economic setback inevitably hits the labour market as fewer resources are needed. The depth of the setback determines the decrease in employment and the increase in unemployment.

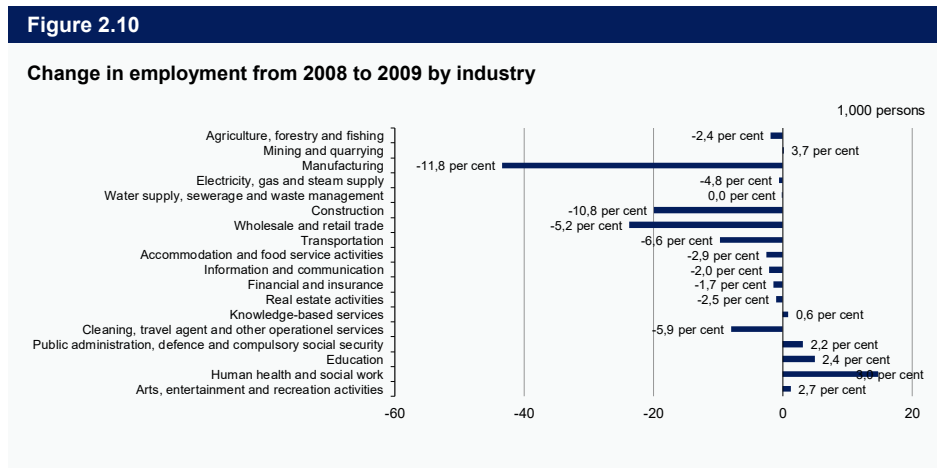
From 2008 to 2009 employment fell by 92,000 persons or 3.2 per cent. In 2010 employment fell by an additional 66,000 persons such that the total decrease in employment over the two years was 5.4 per cent.

The decrease in employment particularly hit wage earners employed in basic functions, and this group experienced the largest setback both in number of persons and relatively, cf. figure 2.9. This group also saw a large increase in employment during the preceding economic boom, where the labour market participation rate increased.

On the contrary, wage earners employed in advanced functions experienced an increase in employment in 2009 as a result of a large increase in public employment.



The decrease in employment happened in the *manufacturing industry* in particular where more than 40,000 work places disappeared in 2009, cf. figure 2.10. In relative terms the setback was similar in the *construction industry*, which is strongly affected by the business cycle. The *trade and transport industry* and the industry *travel agents, cleaning and other operational services* also experienced a relatively large decline while the remaining industries saw a limited decline or even an increase.



The decrease in employment also manifested itself in unemployment, though it did not

increase to the same extent, as a substantial number of persons left the labour force in part to enrol in education.²

In the period from June 2008 to March 2010 unemployment increased by almost 100,000 persons or close to 5,000 persons per month. The largest monthly increase was in April 2009, where unemployment rose by 12,000 persons. Measured relative to the labour force, the unemployment increased from 2.4 per cent to 6.1 per cent within one and a half year.

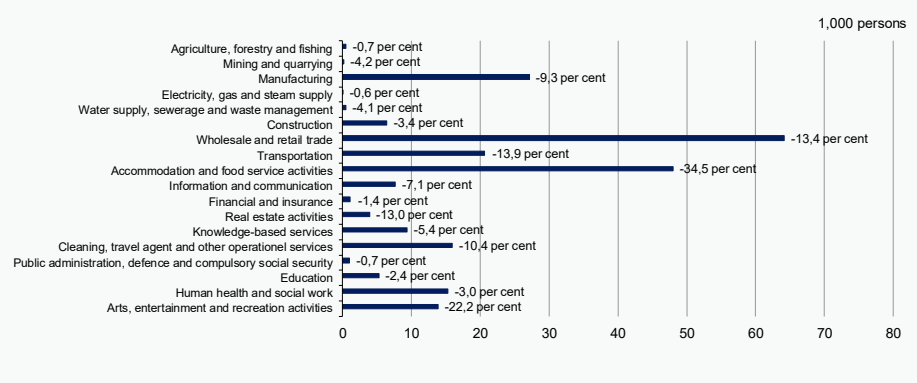
The development on labour market started to improve again in 2013 and until February 2020 there was a stable increase in employment and decrease in unemployment.

The corona crisis has turned the development on the labour market drastically. Preliminary statistics suggest that close to 307,000 jobs are affected. These include an increase in unemployment of around 48,000 persons, 205,000 persons in the wage compensation scheme, and around 54,000 self-employed and freelancers receiving financial aid.

The affected jobs are in particular within the *trade* and *hotels and restaurants* industries. In relative terms *arts, entertainment and recreation activities* as well as *cleaning, travel agents and other operational services industries* are also strongly afflicted, cf. *figure 2.11*. The industries listed employ a large share of unskilled workers, young workers and foreigners, and these groups are therefore assessed to be the most affected.³

Figure 2.11

Currently affected jobs



Note: The figure shows the increase in unemployed persons and persons in the wage compensation scheme by May 18 2020 (1.000 persons and in per cent of the total employment in the industry). Information on the number of wage earners who have left the wage compensations scheme is not available. Only persons with industry information are included.

Source: Danish Agency for Labour Market and Recruitment, Danish Business Authority, BCG and own calculations.

² See e.g. The Danish Evaluation Institute: Udviklingen i optaget på de videregående uddannelser.

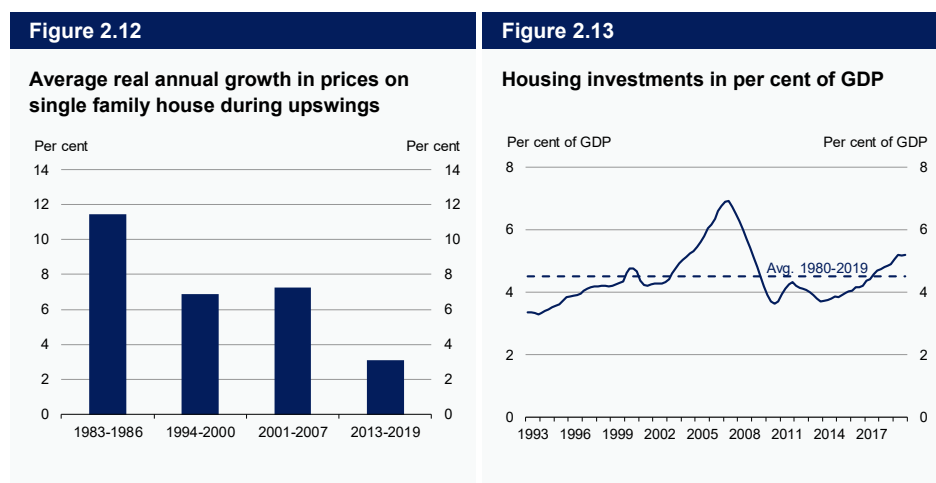
³ See also *Rapport fra den økonomiske ekspertgruppe vedrørende genåbning af Danmark (May 6 2020)*, which shows that young persons in their twenties, unskilled workers employed in sales and services or with other manual labour are sent home on the wage compensation scheme to a larger extent than other groups.

Overall there are marked differences in the industry composition between the two crises as private services have been affected to a much larger extent during the corona crisis. The manufacturing and construction industries are however expected to be affected by the second round effects caused by general economic setback.

In addition, there may be differences in the duration of the setback on the labour market. During the financial crisis, employment decreased for a sustained period of time also because the financial crisis was followed by the European debt crisis. During the corona crisis the impact on some industries has been faster and more direct as a result of containment measures. As the ongoing reopening normalizes production conditions, a large part of the employment is expected to be able to return.

The housing market

The years preceding the financial crisis were characterized by an overheating housing market. Increasing house prices were accompanied by high lending growth of which a significant share went towards consumption and house improvements. In comparison, the development on the housing market during the most recent upswing has been much more moderate, reflected among other things in subdued house price increases, *cf. figure 2.12*.



Source: Statistics Denmark and own calculations.

The increasing house prices and the progress in the Danish economy in the 2000s also led to a strong growth in housing investments, and in 2006 and 2007 investments amounted to about 7 per cent of GDP, which is significantly above the historical average, *cf. figure 2.13*. As a result of the sizable building activity, in the wake of the financial crisis there was a need to adjust housing investments to a more normal level.

Before the corona crisis, several years with good progress in housing investments preceded, as is usual during economic upswings, but there were no signs of unusually high levels of investments in the same way as prior to the financial crisis.

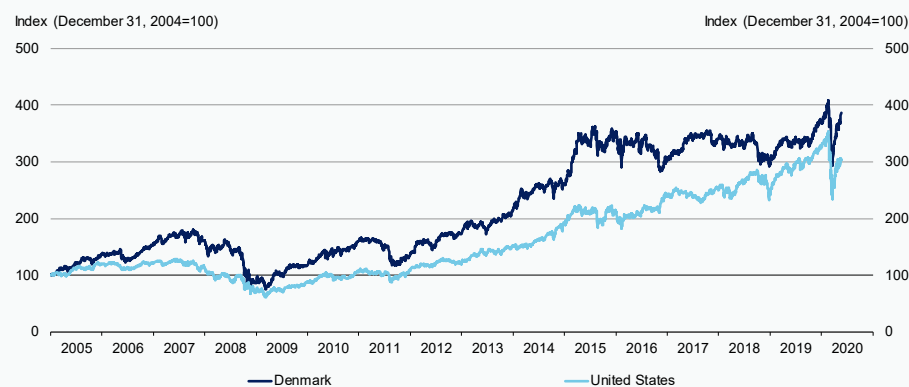
The financial markets

The financial crisis made it clear that the interconnectedness between financial markets and the real economy can be of large significance. Firstly, there was an impact on household and business wealth through falling asset prices, including house prices. Secondly, insecurity on the financial markets had an impact on consumption and investment decisions, and thirdly, tighter credit conditions had an impact on loan-financed consumption and the purchase of housing.

In the beginning of March, the corona crisis caused a fall stock prices similar in size to the drop seen during the financial crisis, *cf. figure 2.14*. Since then, stock prices have increased so that the decline is now relatively moderate in a historical perspective. To this story should be added that stock prices have increased quite a lot over the past years. In 2019 alone, Danish stock prices rose by 26 per cent. On the contrary, during the financial crisis a more prolonged decline in stock prices was observed.

Figure 2.14

Stock market prices in the Denmark and the US



Note: The figure shows stock indices in Danish kroner. The Danish stock market index is the C25 index, while for the United States it is the S&P500 index.

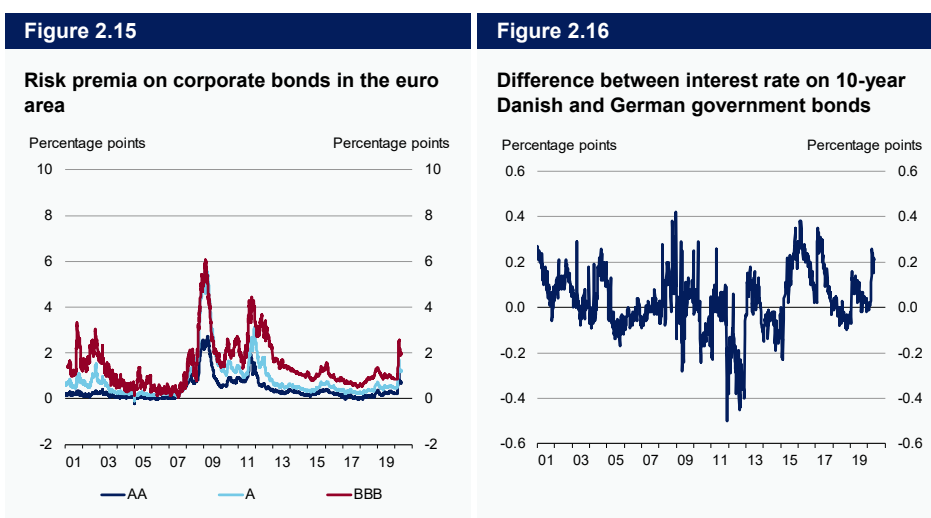
Source: Macrobond.

Credit conditions for companies on the financial markets are also affected in the form of larger risk premia, although they have not risen to the same extent as during the financial crisis, *cf. figure 2.15*.

The different developments can be attributed to two factors in particular. Firstly, the corona crisis is not triggered by underlying economic circumstances, which historically can have a longer lasting impact on growth prospects. That gives hope that the corona crisis may be of a more temporary nature, although it will take time before the previous production level is fully restored. During the financial crisis, on the contrary, the development in the financial markets reflected problems in the financial system and economic imbalances, which required a longer period of adjustment.

Secondly, during the current crisis governments and central banks have reacted even faster and put forth large aid measures to dampen the economic consequences and avoid a large, persistent negative impact.

Central banks have to a considerable extent been able to draw on experiences from the financial crisis and the following debt crisis in the euro area. At the same time, banks are better equipped to withstand an economic crisis than was the case before the financial crisis. This is not least due to strengthened regulation and higher capital requirements. Moreover, the release of the countercyclical capital buffer in a number of countries can help uphold banks' ability to lend out money.



Note: Figure 2.15 shows the difference between the interest rate on corporate bonds with different ratings and the swap rate with the same duration. It thereby provides a measure of the risk premium associated with differences in credit rating. The rating is a credit assessment grade from the international rating agencies (Moody's, Fitch, and Standard and Poors etc.). AAA is the highest rating, AA lower, A the level below etc. BB is just above the threshold for the so-called investment grade. Below this threshold, debt is classified as speculative, and risk management rules imply that many investors no longer have the possibility to invest in it, while it also loses value as security in order to attain liquidity (including in central banks). The difference in figure 2.16 is not adjusted for differences in the remaining duration on the respective bonds that may arise as, in order to secure liquid issuances, the reference bond is changed more rarely in Denmark compared to Germany.

Source: Macrobond.

Economic crises cause less willingness to accept risk for investors. This implies that investors to a larger extent seek safety in the form of safe havens with the most liquid and secure assets. Historically, that has especially been American government bonds while in Europe it has mainly been German government bonds.

This flight toward safety in times of crisis leads to a small widening of the interest rate gap between smaller countries such as Denmark and Germany for a period. This also happened briefly in the beginning of the financial crisis, *cf. figure 2.16*.

Due to the corona crisis the gap has widened again, which reflects investors seeking away from small countries toward the liquidity of the German bond market. For example, the corresponding gap between both Swedish and Dutch government bonds is also larger compared to the level in 2019.

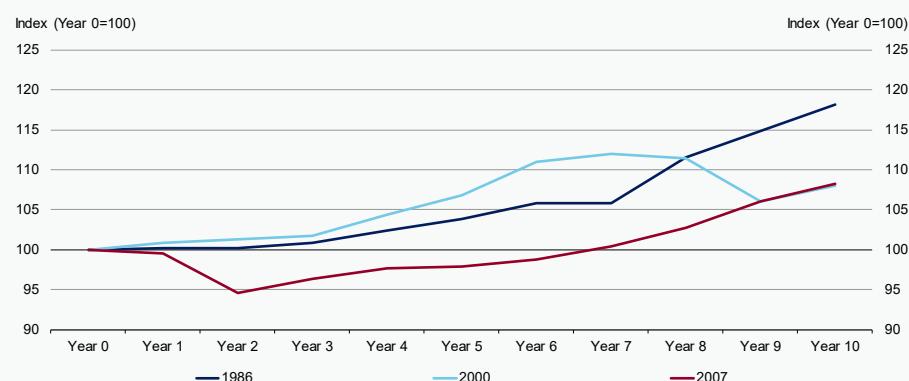
In summary, the reaction in the financial markets has been moderate in consideration of the expected size of the economic setback after a relatively intense reaction in the beginning of the pandemic. That basically reflects that the corona crisis is not a financial crisis triggered by imbalances, and that financial regulation that has been implemented in the wake of the financial crisis has made the financial system more robust. That, however, does not exclude the possibility of renewed reactions in the financial markets in case of a more negative development.

2.4 Recovery

The recovery after the financial crisis was relatively slow, partly because the setback was followed by the European sovereign debt crisis. Thus, it took seven years in Denmark before GDP (at constant prices) returned to the level of the previous cyclical peak (which, however, was also characterized by considerable overheating), cf. figure 2.17. The slow recovery is not only due to the depth of the setback, but also relatively subdued growth in the following years. The slow pace of growth must also be seen in light of the imbalances that had been built up during the previous boom.

Figure 2.17

Development in GDP after cyclical peaks



Source: Statistics Denmark and own calculations.

The corona crisis is not a financial crisis, nor is it fundamentally an economic crisis. But a period with a lower level of activity entails, in itself, the risk of business closures, unemployment and loss of knowledge etc. which, together with increased uncertainty, can lead to an economic crisis of more than a short duration. If the crisis persists, there will

also be structural consequences, such as less capital formation and thereby derived effects on productivity growth, *cf. box 2.1*.

Box 2.1

Impact on production potential: the financial crisis and current assumptions for 2020-2021

Deep crises can affect the underlying production potential, e.g. because business investments are reduced. In addition, there is reduced utilization of some capital (machinery, buildings, etc.) in connection with e.g. business closures and possible longer-term effects on, among other things, structural unemployment.

In the wake of the financial crisis, Danish production potential shifted downwards. A clear assessment *ex post* is not possible, as other factors have also affected the economy since, including subsequent reforms. However, subsequent developments indicate that the crisis involved a downward adjustment of 2-2½ per cent, *cf. figure a*. This is because both capital and total factor productivity shifted to a lower trend line. Labour supply was also influenced by, among other things, increased education activity. However, there is no indication that structural unemployment shifted upwards as a result of the financial crisis.

The corona crisis is not triggered by imbalances, and as containment measures are lifted, most companies can return to more normal production. However, the increased uncertainty associated with the corona pandemic may have derivative effects through, among other things, lower investments. Also, there are increased costs related to physical distance etc. Finally, the crisis may cause more prolonged sectoral shifts as a result of new consumption patterns and changes in international trade. Although the Danish labour market is flexible, the need for restructuring between sectors can result in higher structural unemployment.

The current estimates calculated using the usual output gap method indicate, with great uncertainty, a downward adjustment of potential production by 1-1½ per cent in 2020 and 2021 compared to the December assessment, *cf. figure b*. It does not include the transient direct restrictions from closing down restaurants and shopping malls, etc. Long term, structural unemployment is expected to be unaffected by the corona crisis.

Figure a

Potential GVA before and after the financial crisis

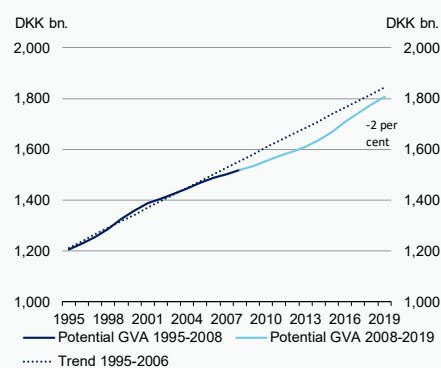
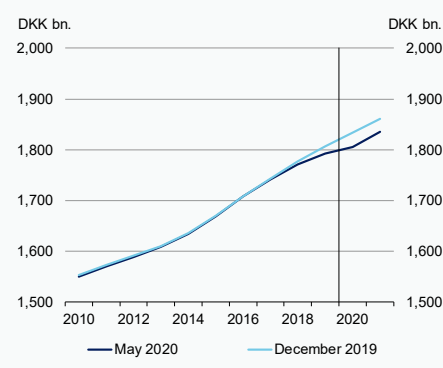


Figure b

Potential GVA 2020-2021 – before and after corona



Note: The output gap and potential GVA are for the economy excluding the raw material sector. In figure a, potential GVA and the estimated trend are calculated on data from *Economic Survey, December 2019*.

Source: Statistics Denmark and own calculations.

In the longer term, the corona crisis may also have a more lasting impact on behaviour and consumption patterns that have a bearing on the composition of demand. In the longer term, however, the level of employment will mainly be determined by the structures in the labour market that fundamentally are not permanently affected by the crisis.

Annex tables

Table B.1

Demand, income and production

	2019	2020	2021	2019	2020	2021	2019	2020	2021
	DKK bn.			Volume, per cent			Prices, per cent		
Private consumption	1,080	1,050	1,102	2.2	-3.0	3.7	0.8	0.2	1.2
Public consumption ¹⁾	558	578	587	0.2	1.8	0.1	1.5	1.7	1.5
Public investments ²⁾	79	82	84	4.0	0.5	0.9	1.2	2.8	1.4
Residential investment	121	110	111	8.0	-7.9	-0.8	1.5	-1.1	2.0
Fixed business investment	317	278	282	2.8	-12.2	-0.5	0.4	-0.2	2.2
Domestic demand excl. inventories	2,156	2,100	2,169	2.0	-3.1	1.8	1.0	0.6	1.4
Inventory investment ³⁾	9	-17	10	-0.4	-1.1	1.2			
Total final domestic demand	2,165	2,083	2,178	1.6	-4.3	3.1	1.0	0.5	1.4
Exports of goods and services	1,297	1,186	1,277	1.6	-8.9	6.1	2.2	0.4	1.5
Total demand	3,462	3,270	3,455	1.6	-6.0	4.2	1.4	0.5	1.5
Imports of goods and services	1,141	1,052	1,119	0.1	-7.5	4.5	2.3	-0.3	1.8
GDP	2,321	2,218	2,337	2.4	-5.3	4.0	1.0	0.8	1.3
Taxes on products, net	298	284	296						
Gross value added	2,024	1,934	2,041	2.4	-5.5	4.2	1.5	1.2	1.2
- Non-farm private sector ⁴⁾	1,398	1,303	1,395	3.0	-7.1	5.9	1.0	0.3	1.2
Gross national income	2,383	2,251	2,379						

Note: The division into volume and price components is made on the basis of a fixed price calculation in the previous year's prices. The figures state the annual percentage change.

- 1) The volume statement for public consumption is calculated by using the input method. In 2020-2021 growth in public consumption using the input method is assumed to equal growth using the output method.
- 2) Public investments are excluding general government net purchases of buildings, and therefore the figures will deviate from public investments in table B.8.
- 3) The volume figures reflect changes in inventories compared to GDP.
- 4) Non-farm private sector consists of manufacturing, construction and private services excl. sea transport.

Source: Statistics Denmark and own calculations.

Table B.2**Growth by country and Danish export market growth**

	2017	2018	2019	2020	2021
Real growth rate, per cent					
Export market growth ¹⁾	5.3	3.7	1.8	-12.2	8.0
Trade-weighted GDP ²⁾	2.8	2.4	2.5	-6.0	4.7
EU28	2.9	2.3	1.7	-7.1	4.8
Euro Area	2.5	1.9	1.2	-7.5	4.7
Germany	2.5	1.5	0.6	-7.0	5.2
France	2.3	1.7	1.3	-7.2	4.5
Italy	1.7	0.8	0.3	-9.1	4.8
Spain	2.9	2.4	2.0	-8.0	4.3
Netherlands	2.9	2.6	1.8	-7.5	3.0
UK	1.9	1.3	1.4	-6.5	4.0
Poland	4.9	5.1	4.1	-4.6	4.2
Sweden	2.4	2.2	1.2	-6.8	5.2
Norway	2.3	1.3	1.2	-6.3	2.9
USA	2.4	2.9	2.3	-5.9	4.7
Japan	2.2	0.3	0.7	-5.2	3.0
India	7.0	6.1	4.2	1.9	7.4
China	6.9	6.8	6.1	1.2	9.2
Russia	1.8	2.5	1.3	-5.5	3.5
Brazil	1.3	1.3	1.1	-5.3	2.9

1) Calculated as the weighted average of import growth of Denmark's 36 most important trade partners. The weights reflect the countries' share of Danish industry exports in 2019.

2) Calculated as the weighted average of the GDP-growth of Denmark's 36 most important trade partners. The weights reflect the countries share of Danish export of goods and services in 2019.

Source: Statistics Denmark, IMF, *World Economic Outlook*, April 2020 and own calculations.

Table B.3

Interest rates, oil price and exchange rates

Interest rate, per cent		2017	2018	2019	2020	2021
USA	Federal Funds Target Rate	1.1	1.9	2.3	0.5	0,3
	3-month LIBOR	1.3	2.3	2.3	0.7	0,3
	10-year government bond	2.3	2.9	2.1	0.8	0,8
Euro area	Main Refinancing Operations Rate	0.0	0.0	0.0	0.0	0,0
	3-month EURIBOR	-0.3	-0.3	-0.5	-0.4	-0,5
	10-year government bond (Germany)	0.4	0.5	-0.3	-0.5	-0,5
Denmark	Certificates of deposit rate	-0.7	-0.7	-0.7	-0.6	-0,6
	3-month CIBOR	-0.3	-0.3	-0.4	-0.3	-0,4
	1-year adjustable mortgage rate	-0.6	-0.5	-0.6	-0.5	-0,4
	10-year government bond	0.5	0.5	-0.2	-0.3	-0,4
	30-year mortgage interest rate	2.3	2.1	1.6	1.3	1,3
	Average interest rate	0.7	0.7	0.4	0.3	0,2
Oil price						
	Dollar per barrel	54.3	71.1	64.4	34.1	36.3
	DKK per barrel	358.1	448.7	429.2	233.8	249.3
Exchange rate						
	DKK per 100 dollar	660.1	631.5	666.9	684.7	687.2
	DKK per 100 euro	743.9	745.3	746.6	746.2	745.8
	Effective Krone Rate Index (1980=100)	102.1	103.6	102.9	103.1	103.3

Note: The projections are based on data through May 5 2020. Annual averages are own calculations. For monetary policy interest rates, the interest rate estimate is based on an assessment of the latest announcements by central banks and market expectations. For money market rates and the yield on 10-year government bonds, estimates are based on market expectations which are based on the prices of swap interest rates. For the 1-year and 30-year mortgage rate bonds, data is Finance Denmark's bond rates and estimates are based on spreads to the 3-month money market rate and the 10-year government bond rate respectively. It should be noted that by the beginning of May 2020, the long-term bond yield from Finance Denmark was approx. 0.2 percentage points above the effective interest rate on the leading 30-year mortgage bonds with a nominal interest rate of 1 per cent. Estimates for exchange rates are calculated technically by assuming that the exchange rate for the remaining forecast period corresponds to the average during the last ten days prior to the estimation. Estimates for the oil price are based on the International Energy Agency, *World Energy Outlook*, November 2019, as well as futures prices.

Source: Macrobond, Nordea Markets, The International Energy Agency and own calculations.

Table B.4**Population and labour market**

	2017	2018	2019	2020	2021
1,000 persons					
Total population	5,765	5,794	5,814	5,834	5,856
- Labour force	3,032	3,066	3,098	3,071	3,083
- Total employment	2,922	2,963	2,998	2,930	2,950
- Ordinary employment ¹⁾	2,842	2,880	2,910	2,836	2,851
- Subsidised employment ²⁾	80	84	89	94	99
- Gross unemployment (incl. activation) ³⁾	116	108	104	146	138
- Net unemployment	92	87	86	126	119
- Outside the labour force	2,733	2,728	2,717	2,763	2,772
- Recipients of unemployment benefits and cash benefits in activation outside the labour force	110	103	97	92	94
- Disability pensioners outside the labour force	181	178	182	194	206
- Voluntary early retirement	61	49	46	47	48
- Persons under 15 years	961	959	955	951	946
- Pensioners outside the labour force	975	990	988	977	965
- Others outside the labour force	445	448	449	502	514

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

- 1) Calculated as the difference between employment as determined in the national accounts and subsidised employment, which is based on data from AMFORA. As a consequence of differences in the definition of employment in the two sources, the data is subject to a degree of uncertainty.
- 2) Includes persons in employment with wage subsidies (including flexi-jobs and sheltered jobs).
- 3) The number of unemployment benefit recipients in activation and labour-market-ready cash benefit recipients includes persons in subsidised employment.

Source: Statistics Denmark and own calculations.

Table B.5**Employment by industry**

	2017	2018	2019	2020	2021
1,000 persons					
Employment, total	2,922	2,963	2,998	2,930	2,950
- Service industries	1,533	1,554	1,574	1,524	1,537
- Construction	182	189	193	187	187
- Manufacturing	302	305	307	288	296
- Agriculture	70	70	68	68	69
- Public sector	818	824	829	835	834

Note: The industry division is based on ADAM's industries, which are not completely identical to the division in the national accounts.

Source: Statistics Denmark and own calculations.

Table B.6**Unemployment**

	2017	2018	2019	2020	2021
1,000 persons					
Gross unemployment	116	108	104	146	138
- per cent of workforce	3.8	3.5	3.4	4.8	4.5
Net unemployment	92	87	86	126	119
LFS unemployment (per cent)	6.0	5.3	5.1	6.7	6.3

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

Source: Statistics Denmark and own calculations.

Table B.7

Benefit recipients etc.					
	2017	2018	2019	2020	2021
1,000 persons					
Unemployment benefits (excl. activation) ¹⁾	70	69	71	99	95
Cash benefits (excl. activation)	95	87	81	85	84
Recipients of unemployment benefits and cash benefits in activation ²⁾	35	34	32	36	35
Holiday benefit	5	5	4	4	2
Disability pensioners ³⁾	203	199	203	217	229
Resource assessment benefit	33	37	38	37	36
Early retirement	61	49	46	47	48
Flexi-job scheme benefit	4	3	3	3	3
Revalidation benefit ⁴⁾	5	4	3	3	3
Sickness benefit ⁵⁾	57	57	59	68	59
Maternity leave	48	50	49	51	50
Benefit for unemployed	15	15	16	17	18
Integration benefit ⁶⁾	22	17	13	14	13
Total	653	627	619	681	677
Student grant (SU)	329	328	322	311	314
Total, incl. SU	982	954	942	992	991
Pensioners	1,128	1,147	1,145	1,132	1,119
Total, incl. SU and pensioners	2,111	2,102	2,087	2,124	2,110
Subsidised employment ⁷⁾	80	84	89	94	99
Total, incl. SU, pensioners and subsidised employment	2,190	2,186	2,176	2,218	2,209

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

- 1) From 2018 and onwards, a new method of projections for recipients of unemployment benefits is applied. The new method causes a minor upward revision to the forecasts.
- 2) The data does not cover persons in subsidized employment and thereby differs from other register-based data and table B.4. Furthermore, both labour market ready and non-labour market ready cash benefit recipients are included in the group of recipients of unemployment benefits and cash benefits in activation schemes.
- 3) Disability pension and old age pension include pensioners living abroad as well as pensioners, who are employed.
- 4) Excl. persons on revalidation with wage support.
- 5) The number of sickness benefit recipients does not reflect the total absence due to illness. It includes the part of the sickness absence, which is not covered by the employer. Specifically, this covers sickness absences longer than 30 days as well as sickness among the unemployed.
- 6) Excl. recipients of integration benefits with wage subsidies.
- 7) Includes persons in employment with wage subsidies (including flexi-jobs and sheltered jobs).

Source: Statistics Denmark, DREAM and own calculations.

Table B.8

Gross investments						
	2019	2017	2018	2019	2020	2021
	DKK bn.	Real growth rate, per cent				
Gross fixed capital formation	515	3.0	5.4	3.4	-8.8	-0.4
<i>divided into type:</i>						
- Construction investment	253	5.0	4.6	7.8	-6.3	-0.3
- Tangible and intangible investments	262	1.2	6.2	-0.7	-11.2	-0.5
<i>divided into group:</i>						
- Residential investments	121	12.1	5.3	8.0	-7.9	-0.8
- Public investments	77	-8.0	1.8	-1.1	3.9	0.3
- Total business investments	317	3.2	6.5	2.8	-12.2	-0.5
- Construction investment	94	6.3	4.7	15.3	-14.0	-0.5
- Tangible and intangible investments	223	2.0	7.1	-1.9	-11.5	-0.5

Source: Statistics Denmark and own calculations.

Table B.9

Balance of payments					
	2017	2018	2019	2020	2021
DKK bn.					
Goods exports	739	755	799	741	795
Goods imports	648	682	684	617	654
Goods balance, total	90	73	115	124	141
Service exports	461	495	498	446	482
Service imports	399	432	457	435	465
Service balance, total	62	63	41	10	17
Balance of goods and services	152	136	156	134	158
- Per cent of GDP	7.0	6.0	6.7	6.1	6.8
Investment income from abroad, net	55	67	71	40	50
Wage income from abroad, net	-12	-13	-13	-12	-12
EU payments, net	-10	-14	-14	-14	-16
Other current transfers from abroad, net	-16	-18	-18	-19	-18
Net transfers from abroad, total	16	22	26	-5	3
Current account, total	169	158	182	130	162
- Per cent of GDP	7.8	7.0	7.9	5.8	6.9
Net assets against other countries	1,206	1,446	1,848	1,798	1,960
- Per cent of GDP	55.4	64.4	79.6	81.1	83.9

Source: Statistics Denmark and own calculations.

Table B.10

Exports and imports						
	2019	2017	2018	2019	2020	2021
	DKK bn.	Real growth rate, per cent				
Exports						
Goods, total	799	5.5	1.8	6.0	-7.3	5.8
- Agricultural goods etc.	125	3.1	-1.4	3.8	-3.0	2.0
- Industrial goods (excl. ships etc.)	603	6.3	2.6	7.4	-8.0	7.3
- Other goods ¹⁾	71	2.5	1.2	-0.4	-9.1	-1.0
Services, total	498	3.3	3.3	-5.2	-11.3	6.5
- Sea transport	207	-1.1	-1.1	-4.8	-6.5	2.5
- Other services	230	5.6	7.6	-7.3	-9.0	6.0
Total	1,297	4.6	2.4	1.6	-8.9	6.1
Imports						
Goods, total	684	6.3	2.6	0.5	-8.0	4.5
- Agricultural goods etc.	87	3.1	3.1	1.7	-2.5	1.5
- Industrial goods (excl. ships etc.)	439	7.1	1.2	2.1	-9.0	5.0
- Other goods ²⁾	157	5.7	6.6	-4.3	-8.3	4.9
Services, total	457	1.1	5.1	-0.5	-6.8	4.4
Total	1,141	4.3	3.6	0.1	-7.5	4.5
Memo						
		Nominal growth rate, per cent				
Export of basic goods ³⁾	758	5.3	1.3	7.0	-6.2	7.8
Change, per cent						
Export prices						
Goods, total		0.2	0.4	-0.2	0.0	1.5
Services, total		4.4	4.0	6.2	1.0	1.5
Total		1.8	1.8	2.2	0.4	1.5
Import prices						
Goods, total		1.6	2.6	-0.3	-2.0	1.5
Services, total		2.5	2.9	6.4	2.2	2.3
Total		1.9	2.7	2.3	-0.3	1.8

1) Raw materials, energy and ships etc.

2) Raw materials, energy, cars and ships etc.

3) Export of basic goods consists of export of goods excl. energy, ships and airplanes.

Source: Statistics Denmark and own calculations.

Table B.11**Private consumption**

	2019	2017	2018	2019	2020	2021
	DKK bn.	Real growth rate, per cent				
Total consumption	1,080	1.6	2.6	2.2	-3.0	3.7
Retail trade goods	343	2.2	3.9	1.4	-0.6	2.2
- Food, drinks and tobacco	156	1.3	2.2	0.2	1.3	1.6
- Other goods	187	3.0	5.3	2.4	-2.1	2.7
Purchase of vehicles	43	3.8	8.8	2.4	-15.0	8.0
Electricity, fuels and gas	50	-2.2	1.0	-2.4	5.3	-5.0
Gasoline and similar	27	-0.2	1.0	2.2	-2.1	3.0
Housing	237	0.9	0.8	1.1	1.3	1.2
Other services	395	2.8	2.4	4.1	-8.8	8.2
Tourist expenditures	47	4.4	1.4	3.1	-36.1	30.0
Tourist revenues	61	9.3	1.8	2.0	-36.6	30.0

Source: Statistics Denmark and own calculations.

Table B.12**Net lending by sectors**

	2017	2018	2019	2020	2021
DKK bn.					
Private sector, total	137	147	99	289	204
- Households	42	46	-12	47	71
- Corporations	95	102	111	242	133
- Non-financial corporations	60	62	86	202	116
- Financial corporations	35	40	25	40	18
General government	33	11	85	-160	-43
Total	170	158	184	129	161

Note: Net lending of general government corresponds to the general government budget balance. The total (except for typically small net capital transfers from abroad) corresponds to the current account balance, cf. table B.9.

Source: Statistics Denmark and own calculations.

Table B.13**Gross value added (GVA)**

	2019	2017	2018	2019	2020	2021
	Share, per cent	Real growth rate, per cent				
Total GVA	100	2.0	2.4	2.4	-5.5	4.2
Public sector	20	0.6	0.4	0.7	1.1	-0.2
Private sector	80	2.4	2.9	2.8	-7.2	5.5
Private sector excl. mining and quarrying	79	2.5	3.1	3.0	-7.1	5.5
Non-farm private sector ¹⁾	69	2.4	4.0	3.0	-7.1	5.9

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

Table B.14**Hourly productivity in selected industries**

	Avg. 1995-2019	2017	2018	2019	2020	2021
	Real growth rate, per cent					
Total	1.2	0.9	2.6	1.3	-1.4	1.9
Public sector	0.7	0.4	0.2	0.2	0.3	-0.1
Private sector	1.3	0.9	3.4	1.5	-1.3	2.2
Private sector excl. mining and quarrying	1.4	1.0	3.6	1.7	-1.2	2.3
Non-farm private sector ¹⁾	1.3	0.7	4.6	1.8	-0.8	2.5

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

Table B.15**Contributions to growth in households' real disposable income¹⁾**

	2017	2018	2019	2020	2021
Real growth rate, per cent					
Disposable income	1.9	2.3	2.1	1.1	2.2
Contribution, percentage points					
Compensation of employees ²⁾	2.0	2.4	2.0	-2.1	3.7
Social benefits	0.0	0.0	0.6	1.8	0.1
Income taxes	-1.1	-0.7	-1.4	2.1	-2.3
Net interest income	0.3	0.0	0.3	0.0	0.1
Dividend etc. ³⁾	-0.2	0.4	0.0	-3.4	2.5
Pension contribution ⁴⁾	-0.1	0.4	-0.4	0.9	-0.5
Payment from pension schemes ⁴⁾	0.0	0.2	0.1	0.1	0.2
Others ⁵⁾	1.0	-0.1	1.0	1.7	-1.5

1) The households in the Economic Survey include the NPISH-sector.

2) Covering only employees residing in Denmark.

3) Incl. dividends from investment funds.

4) Occupational pensions etc. (but not individual pension schemes in banks, etc.)

5) Including self-employed.

Source: Statistics Denmark and own calculations.

Table B.16**Households' net lending¹⁾**

	2017	2018	2019	2020	2021
DKK bn.					
Disposable gross income	1,067	1,101	1,134	1,149	1,189
Private consumption	1,012	1,048	1,080	1,050	1,102
Gross investment ²⁾	104	112	120	108	110
Net capital transfers ³⁾	4	10	2	4	11
Direct net lending	-45	-48	-63	-4	-11
Adjustment for the change in pension entitlements ⁴⁾	87	94	51	51	82
Net lending⁵⁾	42	46	-12	47	71
Per cent of disposable gross income					
Direct net lending	-4.2	-4.3	-5.6	-0.4	-1.0
Net lending	3.9	4.1	-1.1	4.1	6.0

- 1) The households in the Economic Survey include the NPISH-sector.
 2) Households' gross investments include investments in owner-occupied housing and investments in buildings and materials by sole proprietors.
 3) Net capital transfers in 2020 and 2021 include refunded property taxes to owner-occupied property owners.
 4) Net payment to and return (excl. tax on pension yield) of household capital in life insurance companies and pension funds.
 5) Household acquisition (net) of financial assets (incl. shares) in other sectors.

Source: Statistics Denmark and own calculations.

Table B.17**Real estate market and construction**

Per cent	2017	2018	2019	2020	2021
Increase in the price of traded single-family houses ¹⁾	3.9	3.8	2.9	-4.2	0.5
Housing gross investment (real growth)	12.1	5.3	8.0	-7.9	-0.8

- 1) The increase is adjusted for developments in the volume of housing sales.

Source: Statistics Denmark and own calculations.

Table B.18**Labour wage ratio, wage increases and computational preconditions**

	2017	2018	2019	2020	2021
Labour wage ratio, per cent					
Private sector	57.3	57.2	56.4	57.5	57.3
The entire economy	63.2	63.2	62.4	64.1	63.6
Wage increase, per cent					
Private sector					
- Hourly earnings (excl. nuisance bonus)	2.2	2.3	2.6	2.1	2.4
Public sector					
- Hourly earnings (excl. nuisance bonus) ¹⁾	2.1	1.5	2.2	-	-
- Budgetary impact	1.7	1.6	1.8	2.5	1.6
Wage adjustment rate, per cent ²⁾	2.0	2.0	2.0	2.0	2.3

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

1) The estimated rate of increase in hourly earnings in the public sector in 2018 is affected by a technically relatively low wage increase in Q2 2018 compared to the agreed wage increases. This is because the wage increase agreed by April 1 2018 has been implemented retroactively in the wages for June 2018, while Statistics Denmark calculates Q2 wages on the basis of information about May.

2) The wage adjustment rate stated for 2017-2020 is the announced wage adjustment rate.

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

Table B.19**Price developments and explanatory factors**

	2017	2018	2019	2020	2021
Change, per cent					
Net price index	1.2	0.9	0.9	0.1	1.3
Tariffs and housing benefits, contribution	-0.1	-0.1	-0.1	0.1	0.0
Consumer price index	1.1	0.8	0.8	0.2	1.2
HICP	1.1	0.7	0.7	0.2	1.2

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

Source: Statistics Denmark and own calculations.

Table B.20

Public finances					
	2017	2018	2019	2020	2021
DKK bn.					
Public consumption	535.6	546.8	558.0	577.5	586.6
Income transfers ¹⁾	353.2	355.9	365.6	386.3	392.0
Investments	72.3	75.4	79.4	82.1	84.0
Interest expenditures	23.4	23.8	16.5	16.5	15.8
Subsidies	38.7	38.1	37.8	131.2	41.7
Other expenditures ²⁾	69.4	81.0	70.4	87.1	81.7
Total expenditure³⁾	1,092.6	1,121.0	1,127.8	1,280.6	1,201.9
Personal income taxes, etc. ⁴⁾	455.3	463.7	483.4	474.7	497.0
Labour market contributions	94.2	98.1	100.9	99.7	104.4
Pension yield taxation	32.2	13.8	63.2	22.5	18.1
Corporate taxes	71.9	65.2	71.3	51.0	55.0
VAT	208.0	217.0	221.5	213.5	223.5
Other duties	143.4	146.7	145.1	142.2	141.8
Other taxes ⁵⁾	5.5	5.6	4.2	3.4	2.3
Interest revenues	19.3	26.3	20.1	22.2	21.8
Other revenues ⁶⁾	98.9	98.5	106.0	94.5	98.1
Tariffs etc. to the EU	-3.2	-3.2	-3.1	-2.9	-3.0
Total revenue⁷⁾	1,125.7	1,131.7	1,212.7	1,120.8	1,158.9
General government budget balance	33.1	10.7	84.9	-159.8	-43.0
Net interest expenditure	4.1	-2.5	-3.6	-5.7	-6.0
General government primary balance⁸⁾	37.2	8.2	81.3	-165.5	-49.0

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

Source: Statistics Denmark and own calculations.

Table B.21

Taxes and tax burden					
	2017	2018	2019	2020	2021
DKK bn.					
Indirect taxes	348.3	360.6	363.5	352.9	362.3
- VAT	208.0	217.0	221.5	213.5	223.5
- Registration tax	20.0	20.6	20.3	16.5	18.8
- Excise duties	72.6	72.2	69.2	69.6	68.8
- Energy (incl. PSO)	45.3	43.2	42.6	38.4	39.0
- Environmental	4.0	3.7	3.8	3.6	3.6
- Tobacco and spirits etc.	11.1	11.5	11.0	11.6	11.5
- Others	12.2	13.8	11.8	16.0	14.7
- Property taxes	28.5	29.6	30.6	31.6	29.5
- Motor vehicle tax paid by businesses	3.5	3.6	3.7	3.7	3.6
- Other indirect taxes	15.7	17.6	18.2	18.0	18.1
Direct taxes	653.7	640.5	715.9	646.0	670.2
- Withholding taxes ¹⁾	435.1	442.9	461.5	454.2	474.6
- State tax	150.6	156.4	165.7	162.8	169.9
- Bottom-bracket tax	111.3	126.9	144.6	143.2	149.5
- Top-bracket tax	17.5	17.4	18.3	17.2	17.9
- Health contributions	19.2	9.7	0.0	0.0	0.0
- Limited tax liability	2.6	2.4	2.7	2.5	2.5
- Total municipal tax	236.9	239.2	248.2	246.5	257.7
- Property value tax	14.2	14.5	14.6	14.9	15.1
- Other withholding taxes ²⁾	33.4	32.8	33.0	30.0	31.9
- Pension yield tax	32.2	13.8	63.2	22.5	18.1
- Corporate tax	71.9	65.2	71.3	51.0	55.0
- Other personal taxes	8.2	8.2	8.2	9.0	9.4
- Media license	4.4	4.5	3.3	2.3	1.2
- Motor vehicle tax paid by households	7.7	7.8	7.5	7.4	7.4
- Labour market contributions	94.2	98.1	100.9	99.7	104.4
Social security contributions ³⁾	1.1	1.1	0.9	1.1	1.1
Capital taxes	4.4	4.8	6.2	4.2	5.6
Customs and import duties (collected by the EU)	3.2	3.2	3.1	2.9	3.0
Total taxes	1,010.6	1,010.1	1,089.7	1,007.1	1,042.1
GDP	2,175.1	2,246.0	2,321.5	2,217.6	2,336.6
Total taxes, share of GDP	46.5	45.0	46.9	45.4	44.6

1) For 2017-2018, the distribution of withholding taxes to the state and municipalities is from Statistics Denmark. For 2019-2021, an estimate is used based on the Ministry of Finance's tax base forecast.

2) Includes equity income tax, tax on estates of deceased persons and revenue from the Danish business scheme etc.

3) Includes mandatory pension payments for civil servants in public enterprises etc.

Source: Statistics Denmark and own calculations.

Table B.22**Development in the tax base for municipalities**

	2017	2018	2019	2020	2021	2017	2018	2019	2020	2021
	DKK bn.					Per cent				
December 2015	953.3	-	-	-	-	2.7	-	-	-	-
May 2016	951.2	-	-	-	-	2.5	-	-	-	-
August 2016	958.4	-	-	-	-	2.6	-	-	-	-
December 2016	957.1	989.3	-	-	-	2.9	3.4	-	-	-
May 2017	954.3	988.0	-	-	-	2.8	3.5	-	-	-
August 2017	955.4	982.8	-	-	-	3.0	2.9	-	-	-
December 2017	961.4	990.9	1,010.5	-	-	3.7	3.1	2.0	-	-
May 2018	955.3	981.2	1,005.3	-	-	3.1	2.7	2.5	-	-
August 2018	959.2	979.9	1,008.0	-	-	3.5	2.2	2.9	-	-
December 2018	960.5	979.2	1,013.2	1,045.9	-	3.6	1.9	3.5	3.2	-
August 2019	960.6	966.7	1,005.7	1,033.8	-	3.6	0.6	4.0	2.8	-
December 2019	960.6	966.1	1,006.3	1,035.9	1,073.4	3.6	0.6	4.2	2.9	3.6
May 2020	960.6	965.7	1,008.8	997.6	1,042.7	3.6	0.5	4.5	-1.1	4.5

Note: Rows show the time of the budgeting of the municipal tax base in billion kroner and growth rates. The columns show the tax base in the year concerned.

Source: Statistics Denmark and own calculations.

Table B.23

Income transfers					
	2017	2018	2019	2020	2021
DKK bn.					
Unemployment benefits (excl. activation)	14.6	14.0	14.6	21.0	20.1
Cash benefits ¹⁾ (excl. activation)	23.5	24.0	24.4	28.8	30.0
Vacation allowance	0.8	0.8	0.7	0.7	0.4
Anticipatory pensions ²⁾	40.2	40.2	41.9	44.9	48.1
Resource rehabilitation allowance	5.9	6.5	6.8	6.5	6.4
Early retirement benefit	11.6	9.0	8.2	8.3	8.4
Rehabilitation benefit	1.1	0.9	0.8	0.7	0.6
Sickness benefit	11.3	11.4	11.9	14.1	12.2
Maternity pay	10.7	10.9	11.1	11.5	11.7
Rent benefit	14.6	14.8	15.1	15.5	15.6
Child and youth benefit	14.7	14.6	14.7	14.8	14.9
Other transfers ³⁾	23.3	21.9	22.0	24.1	25.1
Student grants (SU)	20.6	20.7	20.7	20.4	20.9
Public pension scheme ⁴⁾	132.0	136.6	142.5	144.2	146.0
Other pension schemes ⁵⁾	28.5	29.6	30.2	30.8	31.6
Total⁶⁾	353.2	355.9	365.6	386.3	392.0
Total, excl. public and other pensions	192.7	189.7	192.9	211.3	214.5
Total, excl. education grants, public pensions and other pensions	172.1	168.9	172.2	190.9	193.5

1) Taxable and non-taxable benefits incl. the integration benefit.

2) Incl. early retirement benefits to retired citizens in foreign countries.

3) Activation benefits, dependent child allowance, subsidy for childcare, unemployment benefits, special education benefit, green check and pay scheme for holders of flexi-jobs etc.

4) Incl. differentiated allowances and heating allowance for pensioners. Incl. pension schemes for citizens in foreign countries.

5) Civil servants in public enterprises and part-time early retirement scheme etc.

6) Income transfers exclude other regular transfers to households such as mileage allowance and index supplement.

Source: Statistics Denmark and own calculations.

Table B.24**Key figures estimated at different times**

	May 2018	Aug. 2018	Dec. 2018	Aug. 2019	Dec. 2019	May 2020
2018						
GDP (Real growth rate, per cent)	1.9	1.8	1.7	1.5	2.4	2.4
Gross unemployment (1.000 persons)	109	108	108	108	108	108
Consumer prices (Change, per cent)	1.0	1.1	0.9	0.8	0.8	0.8
Balance of payments (DKK bn.) ¹⁾	162	137	129	127	158	158
Actual budget balance (DKK bn.)	-12	0	4	12	11	11
GDP in EU (Real growth rate, per cent)	2.3	2.3	2.1	2.0	2.0	2.3
2019						
GDP (Real growth rate, per cent)	1.7	1.8	1.7	1.7	2.0	2.4
Gross unemployment (1.000 persons)	106	103	103	103	104	104
Consumer prices (Change, per cent)	1.6	1.6	1.5	1.0	0.8	0.8
Balance of payments (DKK bn.) ¹⁾	160	139	128	141	178	182
Actual budget balance (DKK bn.)	-14	-8	-2	44	59	85
GDP in EU (Real growth rate, per cent)	2.0	2.0	1.9	1.4	1.4	1.7
2020						
GDP (Real growth rate, per cent)	-	-	1.6	1.6	1.5	-5.3
Gross unemployment (1.000 persons)	-	-	99	101	105	146
Consumer prices (Change, per cent)	-	-	1.8	1.4	1.2	0.2
Balance of payments (DKK bn.) ¹⁾	-	-	122	136	171	130
Actual budget balance (DKK bn.)	-	-	-3.0	10	-6	-160
GDP in EU (Real growth rate, per cent)	-	-	1.8	1.6	1.4	-7.1
2021						
GDP (Real growth rate, per cent)	-	-	-	-	1.4	4.0
Gross unemployment (1.000 persons)	-	-	-	-	108	138
Consumer prices (Change, per cent)	-	-	-	-	1.6	1.2
Balance of payments (DKK bn.) ¹⁾	-	-	-	-	168	162
Actual budget balance (DKK bn.)	-	-	-	-	-5	-43
GDP in EU (Real growth rate, per cent)	-	-	-	-	1.4	4.8

1) The current account balance.

Source: Statistics Denmark, The European Commission, OECD and own calculations.