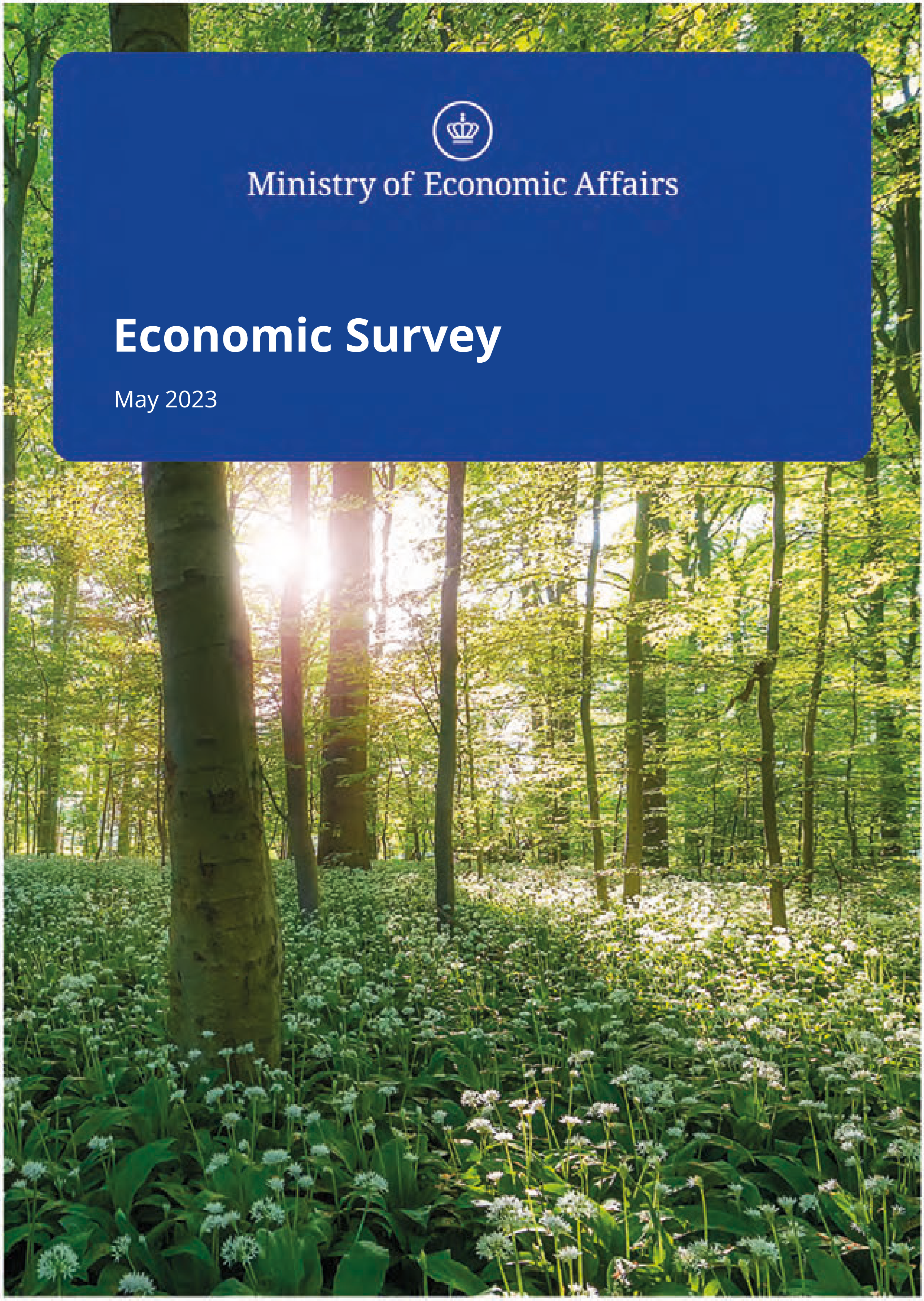
Ministry of Economic Affairs

Economic Survey

May 2023



Economic Survey, May 2023

Ministry of Economic Affairs
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1. Summary

1.1 Current economic conditions

Russia's invasion of Ukraine last year quickly had major repercussions for the global economy. In the fall of 2022, inflation reached its highest level in 40 years in many Western countries. Reduced household purchasing power and higher market interest rates due to monetary policy tightening led to a stagnation or decline in activity in many countries at the end of 2022.

In Denmark, large parts of the economy also slowed down last year. Households responded to the price increases and held back on consumption, and in the housing market the number of sales and prices fell, among other things, due to higher interest rates. The slowdown has continued into 2023. In the first months of the year, household consumption has remained at a low level and house prices have fallen. The labour market appears robust, but the slowdown in demand is expected to eventually lead to a fall in employment.

However, there are also positive signs suggesting a mild slowdown. Inflation is declining and confidence indicators have rebounded from the low point reached last autumn. At the same time, unemployment has only grown slightly. Special circumstances are also at play in the Danish economy. While the slowdown in demand was evident in most industries, there was remarkably high growth in the pharmaceutical industry. This was crucial for the Danish economy as a whole to grow at the end of 2022, and the pharmaceutical industry has also buoyed industrial production in the first months of the year. The main scenario is for a soft landing, with economic activity gradually approaching the structural level, which is compatible with stable price and wage developments, *cf. figure 1.1.*

Figure 1.1
A soft landing for the Danish economy…

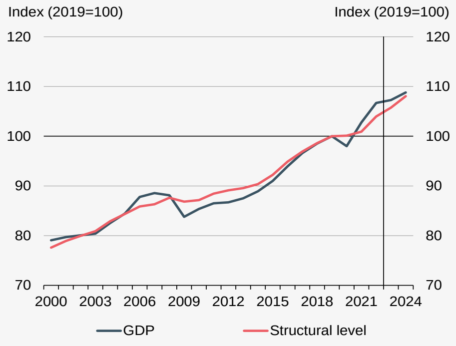
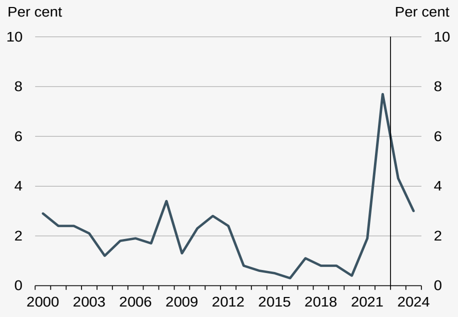


Figure 1.2
… and gradually declining inflation



Note: In figure 1.1 the structural level is the level of activity, which is compatible with stable price and wage developments.
Source: Statistics Denmark and own calculations.

GDP is estimated to grow by 0.6 per cent this year and 1.4 per cent next year, while inflation is expected to decrease from 7.7 per cent in 2022 to 4.3 per cent this year and fall further to 3.0 per cent in 2024, *cf. figure 1.2*. Overall, a fall in employment of 22,000 people is estimated from 2022 to 2024. The fall is from a high level, so employment will continue to be above the structural level throughout the forecast period. Correspondingly, unemployment will be below the structural level. The labour market is thus expected to remain tight, and there will be a shortage of labour in parts of the labour market, which may present challenges for some companies that need to recruit labour.

There is still great uncertainty linked to economic development at home and abroad. Among other things, more pronounced sluggishness in the development of inflation in the direction of the monetary policy objectives could dampen purchasing power and increase the interest rate level further - and this could also lead to a slide in inflation expectations. The forecast is based on an expectation that a price-wage spiral does not arise, where price and wage increases mutually reinforce each other, as inflation expectations continue to appear anchored.

Another source of uncertainty is tension in the financial markets. The turmoil in connection with banking problems in some countries shows that rapidly rising interest rates can increase vulnerabilities in specific banks. At the same time, it can lead to tighter loan terms and thereby potentially have real economic consequences across countries. In relation to the global economy, geopolitical tensions also pose a risk of more trade restrictions and a lower scope for world trade.

Deceleration in global economic activity

Growth in global economic activity has been weak at the beginning of 2024. This follows a slowdown across countries at the end of 2022. Among other things, there has been stagnation in the euro area, and in Sweden there was an actual decline in GDP in the 4th quarter of 2022. In the US, the pace of growth is also on the way down, with significantly weaker economic growth during the first quarter compared to the two preceding quarters.

The slowdown has occurred after a period of rapid recovery after the corona pandemic, and it has come in the wake of high inflation and rising short and long market interest rates derived from implemented and expected significant monetary policy tightening across countries, *cf. figure 1.3*.

The interest rate increases dampen consumption and investment through higher interest costs for borrowers and falling assets, including as a result of falling house prices. This effect typically takes some time to make its full impact on activity, so the high interest rates will continue to have a dampening effect on growth further into 2023. The synchronous monetary policy tightening has contributed to dampening inflationary pressure, and inflation appears to have peaked across countries last autumn and this winter, *cf. figure 1.4*.

The peak for monetary policy interest rates is expected to be reached soon. In the US, the markets therefore do not anticipate further monetary policy interest rate increases, while in the euro area further monetary policy rate increases of approximately 0.5 percentage points are expected during the summer – followed by a longer period into 2024 with no changes.

Figure 1.3
Higher monetary policy interest rates …

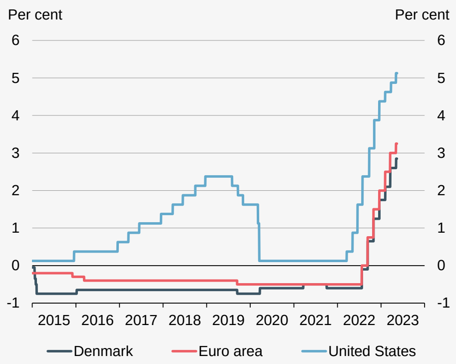
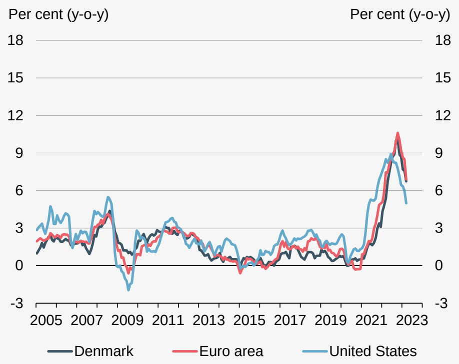


Figure 1.4
… have contributed to lowering inflation



Note: The monetary policy interest rates shown in figure 1.3 are, respectively, the interest rate on certificates of deposit from Danmarks Nationalbank, the ECB deposit rate and the mid-point of the interval of the Federal Funds target rate from the United States Federal Reserve. In figure 1.4 inflation is measured by the HICP for the euro area and the CPI for the United States.

Source: Macrobond.

The decline in inflation in the euro area is also a result of the fact that energy prices – and especially the prices of gas – have come down again, to a levels that are lower than they were just prior to Russia's invasion of Ukraine, *cf. figure 1.5*. The falling energy prices should, among other things, be seen in the context of EU initiatives aimed at strengthened security of energy supply. At the same time, a significant strengthening of the US dollar until last autumn contributed to making imports from the US more expensive. The opposite effect is now contributing to lowering inflation in the euro area. In the USA, inflation has been largely driven by significant wage increases and strong growth in private consumption following the corona pandemic.

Disruptions to global supply chains have also become less prevalent following the reopening in China. This is reflected, among other things, in a significant drop in freight rates, *cf. figure 1.6*. Global market prices for unprocessed food have also been falling for a longer period. Across countries, however, this has not yet been reflected more widely in consumer prices for food, which remain high. This must be seen in the light of the fact that consumer prices for food also depend on costs for shipping, pro-cessing, marketing, etc.

There also remains considerable underlying price pressure in large parts of the global economy. In many countries, there is strong wage growth as a result of tight labor markets and high wage demands that must compensate for the price increases that have occurred. This contributes to a certain sluggishness in the adjustment of inflation, which is manifested, among other things, in continued high core inflation. It also means that inflation in many countries is increasingly driven by domestic conditions.

Figure 1.5
Energy prices are back below the levels prior to Russias invasion of Ukraine

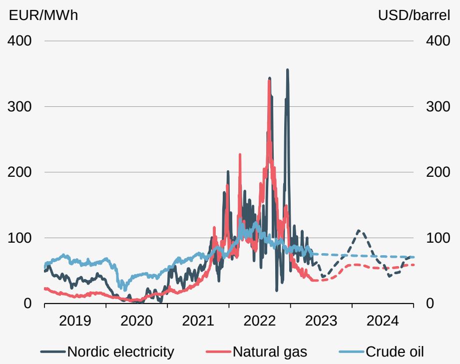
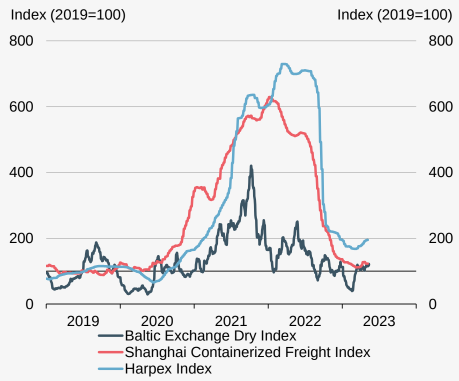


Figure 1.6
The rates on freight have normalised



Note: In figure 1.5 the price of electricity shown is Nordic Power Base from Nordpool. The price of natural gas in Europe is the futures price for the first position in the Dutch Title Transfer Facility. The price of oil is the spot price for Brent Curde. The dashed lines and the futures prices from the Intercontinental Exchange. The horisontal line in figure 1.6 shows the index level (100).

Source: Macrobond and own calculations.

Global growth is expected to remain low in 2023. A recession is not expected, but rather a soft landing in many countries. This assessment is supported by an improvement in the confidence indicators across countries, which point to the fact that expectations have become less pessimistic. This is especially true within the service industry, where business confidence is at a level that indicates progress. The progress in the service industries reflects, among other things, a normalization of the shifts that existed between the demand for goods and services respectively during the corona pandemic.

The expectation of a soft landing must also be seen in the light of the fact that inflation expectations are still well anchored, *cf. figure 1.7*. Inflationary pressure is thus expected to ease further over the next few years, so that price increases across countries once again reach a level that is in line with the monetary policy objectives. Growth in the global economy is still expected to be low in 2023 and 2024 compared to recent decades, if the setbacks during the corona pandemic and the financial crisis are disregarded. In particular, subdued expectations for the EU countries contribute to the weak growth estimate for the global economy in 2023, *cf. figure 1.8*. Contrary to expectations, high growth is expected in China after the cancellation of the zero-covid-policy. In 2024, growth in the global economy is expected to increase, and EU countries in particular are expected to increase activity. In the US, the expectation of a soft landing implies a moderate growth contribution to the activity development in the global economy in both years.

Figure 1.7
Market-based inflation expectations remain anchored

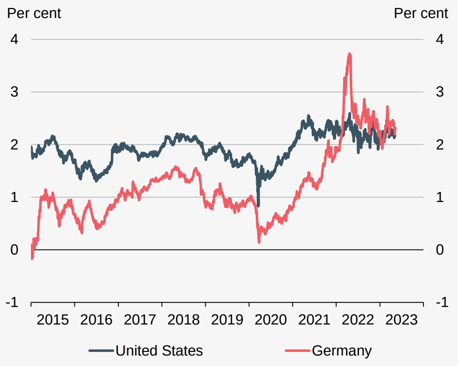
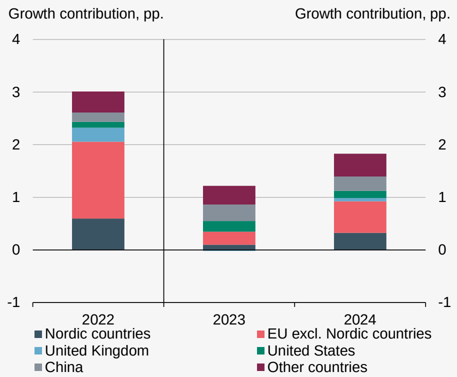


Figure 1.8
The coutries in the EU are expected to contribute to global growth in 2024



Note: Market-based inflation expectations for the United States is the socalled five-year-five-forward break-even inflation rate, which is the level of inflation in five to ten years ahead that will give the same return on non-inflation indexed forward contracts as on inflationsindexed forward contracts. For Germany the break-even infllation rate which is shown is the rate which gives the same return on inflation indexed government bonds as non-indexed governement bonds across all maturities. Global growth is calculated by weighing GDP-growth for the 36 most important trading partner countries using their share in Danish exports.

Source: Macrobond, IMF and own calculations.

The expectation of a soft landing in the US is conditional on the spring's banking problems not having major real economic consequences. In mid-March, significant financial turmoil arose over regional banks in the United States. The turmoil was particularly centered on Silicon Valley Bank in California, which after a very strong and sudden flight of depositors was taken over by the deposit guarantee fund in the United States (FDIC). In response to the unrest, the US authorities have covered all depositors in the banks in question, while the US central bank has introduced a new lending facility that offers loans on favorable terms to US banks. Subsequently, the uncertainty also affected Credit Suisse, which was taken over by UBS following the intervention of the Swiss authorities after depositor flight.

In the wake of the banking crisis, long government bond yields fell. This was both a consequence of investors seeking shelter in safer securities, and an expectation that tighter financial conditions as a result of the turmoil in the banks would lead to a stronger economic slowdown and reduce the need for further monetary policy interest rate increases. By the end of April, however, most of the unrest had subsided, and seen from a historical perspective, the current uncertainty measured by the VIX index is close to an average level, *cf. figure 1.9*.

Share prices on bank shares, however, continue to point to increased uncertainty about the effect of higher interest rates on the banks. At the end of April, there was renewed uncertainty about the American regional banks in particular in connection with the fact that yet another major regional bank in the USA was taken over by the FDIC. The unrest is an example of the fact that turbulence can suddenly arise in the financial markets, and that higher interest rates can turn out to affect the economy to a greater extent than expected. Furthermore, the banking crisis is expected to lead to further tightening of the banks' loan conditions to customers, especially in the USA, which corresponds to a further tightening of the financial conditions, which comes on top of the effect of higher interest rates.[1] In the USA, in recent months there has been a very high proportion of banks reporting tighter loan terms, *cf. figure 1.10*. In the euro area, there has also been an increasing tendency to tighten the banks' loan conditions. However, tightening of the regulation of the banks since the financial crisis means that the banks in the EU are generally robust and able to maintain lending to households and companies during an economic setback.

Figure 1.9
Financial volatility is moderate in a historical context

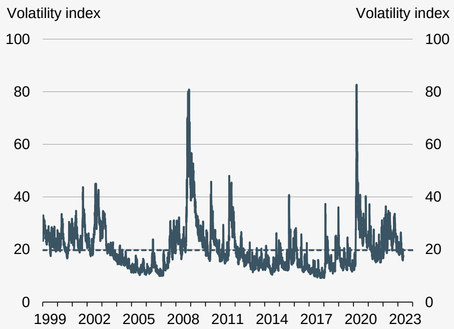
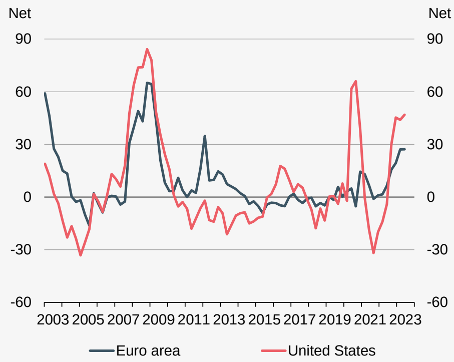


Figure 1.10
Banks are tightening credit conditions



Note: Figure 1.9 shows the VIX-index for the S&P 500 (United States). VIX is a measure of financial market uncertainty and is calculated as the implicit volatility in options on the S&P500 index one months ahead.
Source: Macrobond.

Large parts of the Danish economy slowed down last year

High inflation and higher interest rates give headwinds to the Danish economy, partly because it erodes households' purchasing power and makes it more expensive for both households and businesses to borrow money and service debt. In addition to this there was subdued growth on the export markets in, among others, the euro area and Sweden.

These factors contributed to parts of the Danish economy slowing down already last year. Household consumption fell throughout the year, the housing market turned from noticeable progress to decline, and in the last quarter of 2022 there was also a decline in exports, *cf. figure 1.11*. The development reflects an economy in multiple speeds, where households quickly adjusted their demand to the higher prices, while the exporting businesses could continue to increase sales abroad for a long time.

[1] Se fx *IMF World Economic Outlook*, april 2023.

The strong export development through most of last year mainly reflects increased sales from businesses in the manufacturing sector, which thus contributed to the Danish economy growing throughout 2022. However, looking at the activity in the overall economy excl. manufacturing, from the 4th quarter of 2021 to the 4th quarter of 2022 there was largely a standstill, *cf. figure 1.12*.

The high annual growth in GDP in 2022 of 3.8 per cent thus covers both growth throughout 2021 and a significant increase in the level of activity in manufacturing during 2022. The manufacturing sector's progress alone contributed approx. 2.6 percentage points to the growth in GVA (gross value added) of 4.7 per cent in 2022.[2]

Figure 1.11
Diverse development in private consumption and exports through 2022

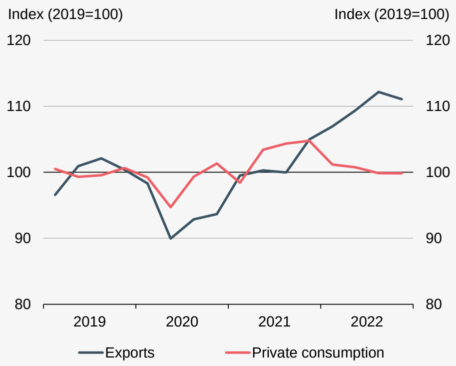
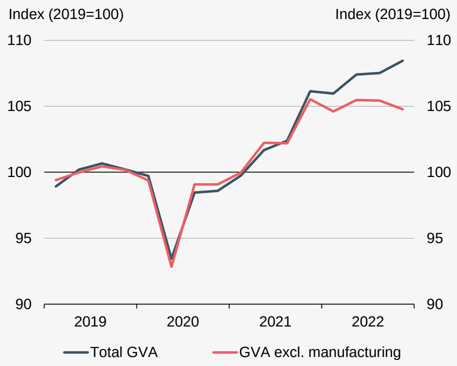


Figure 1.12
Without manufacturing, there was a standstill in activity during 2022



Note: Seasonally and price-adjusted figures.
Source: Statistics Denmark and own calculations.

The manufacturing sector's significant production increase in 2022 is mainly due to strong growth within the pharmaceutical industry, *cf. box 1.1*.

[2] Normally, developments in GDP and GVA follow each other closely. In 2022, however, there was a significant decrease in indirect taxes (net), which make up the difference between GDP and GVA.

Box 1.1

Significant growth in manufacturing in 2022 can mainly be attributed to the pharmaceutical industry

Manufacturing production increased noticeably throughout 2022, and for the year as a whole, growth was significant in a historical perspective. The development primarily covers strong growth in the large pharmaceutical industry, while activity in the remaining manufacturing sectors as a whole was decreasing for large parts of 2022.

According to the industrial production index statistic, which calculate the real production on a monthly basis based on reported information on turnover, price developments and inventories, total manufacturing production in 2022 increased by 16.2 per cent compared with 2021. For comparison, average annual growth in the production statistic in the period 2001-2021 was 1.1 per cent. The development in 2022 was strongly influenced by the pharmaceutical industry, where production increased by 49.7 per cent. If the pharmaceutical industry is disregarded, production in the remaining industries increased by a modest 5.4 per cent, *cf. figure a*.

In the national accounts, GVA is currently only calculated for manufacturing as a whole - and not for the individual industries. However, the pharmaceutical industry's production increase gives a relatively greater GVA increase than corresponding production increases in the remaining industries as a whole, because the value added per production unit is usually significantly higher in the pharmaceutical industry. This points to the majority of the total growth contribution from manufacturing to GVA – and GDP – in 2022 being attributed to the pharmaceutical industry.

Figures for manufacturing production in January, February and March point to a continued high level, *cf. figure b*. This may affect economic activity in 2023 in the same way as 2022. If the pharmaceutical industry's production level continues at the level from the 1st quarter for the rest of 2023, growth in the pharmaceutical industry's production for the year 2023 will be almost 40 per cent. However, the increase to a very high level, especially in December last year, does not necessarily reflect a corresponding permanent higher production, and it is assumed in the forecast that the pharmaceutical industry's production will grow somewhat less than the aforementioned 40 per cent in 2023. In addition, the pharmaceutical industry's turnover has not increased to the same extent as production, which is due, among other things, to stagnant producer prices and larger inventories. The further development of the pharmaceutical industry plays a significant role in the development of exports, GVA and GDP, but to a lesser extent for e.g. employment in Denmark, as parts of the pharmaceutical industry's activity takes place in factories abroad.

Figure a

Pharmaceutical industry significantly increased manufacturing production in 2022…

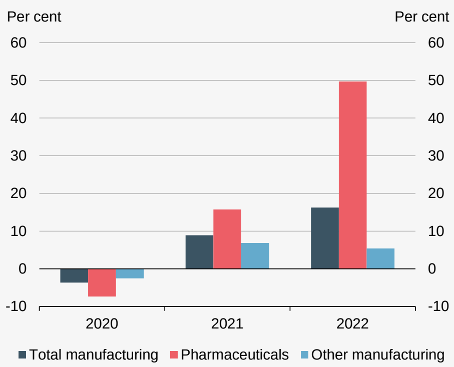
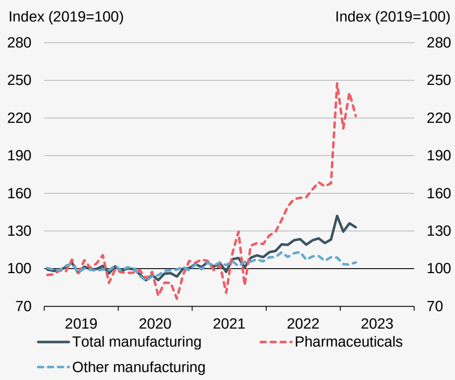


Figure b

… and a high production level for the pharmaceutical industry has continued in 2023



Note: Figures in both figures are from the industrial production index statistic.
Source: Statistics Denmark and own calculations.

The increase in the pharmaceutical industry's production has thus helped to mask a weaker development in activity in the rest of the Danish economy – especially in the 4th quarter of 2022, *cf. box 4.1 in Economic Survey, March 2023*.

The weaker development in the rest of the economy is seen in, among other things, the fact that since the 1st quarter of 2022 there has been a significant decline in the housing market as a result of higher interest rates and rising living costs. House sales have fallen to a relatively low level, and house prices have fallen sharply. For example, the prices of villas and terraced houses seen for the whole country as a whole have fallen by 8.5 per cent from April 2022 to April 2023, *cf. figure 1.13*.

Figure 1.13
House prices have fallen…

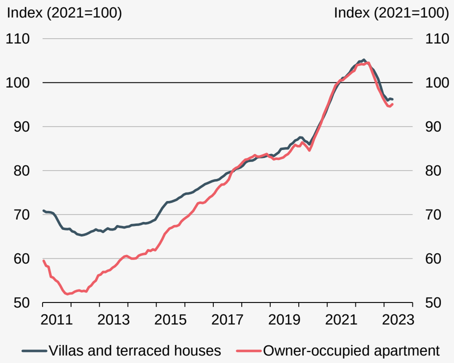
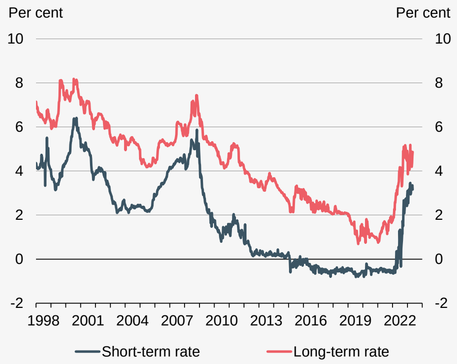


Figure 1.14
… while mortgage rates have risen sharply



Note: In figure 1.13, own seasonal correction has been used. Figure 1.14 shows the effective interest rate for investors who have bought newly issued mortgage bonds. The bonds used are, respectively, 30-year, fixed-rate, convertible bonds (the long-term rate) and non-convertible standing bonds with a remaining maturity of less than two years, which lie behind the provision of adjustable-rate loans (the short-term rate).
Source: Boligsiden, Finans Danmark and own calculations.

In particular, the falling house prices must be seen against the background of significant increases in the interest rates on home loans. The interest on fixed-rate loans has increased by approximately 3 percentage points since the start of 2022, while for variable-rate loans there is an increase of just over 3¾ percentage points, *cf. figure 1.14*.

The sharp increase in interest rates has caused a jump in the proportion of income that a home buyer must spend on interest (including contributions), repayment of debt and housing taxes – the so-called housing burden. For an ordinary single-family house, the housing burden has increased by just over 3¼ percentage points since the end of the 4th quarter of 2021, despite lower house prices, *cf. figure 1.15*.

Figure 1.15
The housing burden has increased the most in Copenhagen

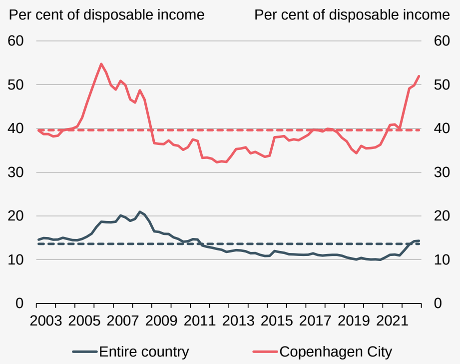


Figure 1.16
Housing prices have fallen the most in Copenhagen

Note: For the whole country in figure 1.15, an average couple with children is considered when buying a single-family house of 140 m² with 15 per cent bank loan and 80 per cent mortgage loan, fixed interest with installments. For Copenhagen City, a couple without children also considered, when buying an owner-occupied flat of 80 m² with 15 per cent bank loan and 80 per cent mortgage financing with fixed interest and installments. The dashed lines indicate the average in the period from the 1st quarter of 2003 to the 1st quarter of 2022. The last observation is the 4th quarter of 2022. Figure 1.16 shows the change in the price of villas and terraced houses from April 2022 to April 2023 as calculated by Boligsiden.

Sourcee: Statistics Denmark, Danmarks Nationalbank, Finans Danmark, Boligsiden and own calculations.

For buyers of an apartment in Copenhagen City, there is an even greater increase, and the housing burden here is close to roughly the same level as before the great financial crisis. The high level of the housing burden, together with a generally greater interest rate sensitivity of house prices, has also led to house prices in Copenhagen City falling by just over 13 per cent from April 2022 to April 2023, while prices in Copenhagen surroundings and North Zealand have fallen by approximately 12 per cent, *cf. figure 1.16*. However, the sharper house price declines in the capital area must also be seen in the light of the fact that prices here rose relatively sharply during the corona pandemic, and that the interest rate sensitivity of owner-occupied homes in this area is normally assessed to be higher than in the rest of the country.[3]

Weak productivity growth points to a reversal on the labour market

The labour market still appears to be robust despite the slow-down in large parts of the economy. As a whole, the wage earner employment continued to increase in February to record-high levels, *cf. figure 1.17.*

The continued growth in the beginning of the year comes on top of 2022, where the labour market participation is estimated to have been the highest on record with historically high levels for both labour force participation and the employment rate, *cf. figure 1.18.*

[3] See Bech, Hviid and Mikkelsen, Measuring household interest-rate sensitivity in Denmark, *Working Paper no. 183*, Danmarks Nationalbank, November 2021.

Figure 1.17
The number of wage earners has continued to increase in the beginning of the year…

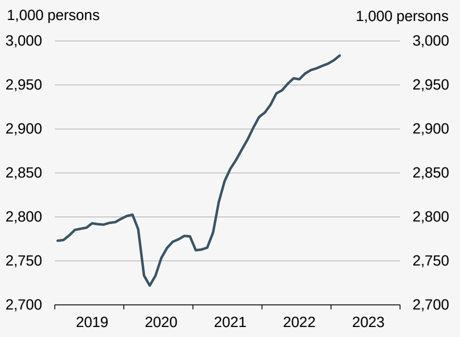


Figure 1.18
… even though the labour force particpation and employment rate was already high in 2022

Note: Seasonally adjusted numbers in figure 1.17. In figure 1.18 is shown employment and labour force as a share of the population aged between 15 and the public retirement age.
Source: Statistics Denmark and own calculations.

However, parts of the labour market have slowed and some industries are experiencing declines. As an example, wage earner employment has been approximately unchanged from August 2022 to February 2023 in the large industry *trade and transport etc.*, while the number of wage earners in *construction* in the same period has decreased by approximately 0.3 percent, *cf. figure 1.19.*

Figure 1.19
Slow down on parts of the labour market within the past half year

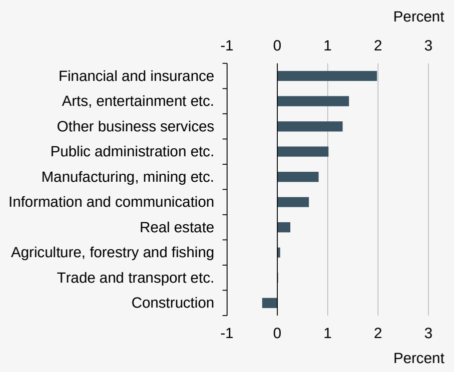
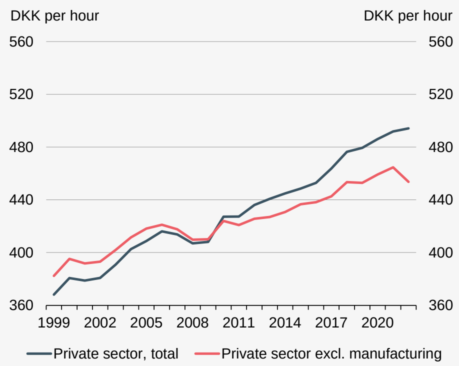


Figure 1.20
Distinct differences on hourly productivity growth in the private sector in 2022 with and without manufacturing



Note: In figure 1.19 is shown the relative development in the number of wage earnes from August 2022 to February 2023. In figure 1.20 the hourly productivity growth is calculated as the real GVA (gross value added) per hour worked.
Source: Statistics Denmark and own calculations.

The development in productivity through 2022 also points towards a reversal in employment. Hourly productivity growth in the private sector was 0.7 percent last year, but excluding manufacturing, where pharmaceuticals contributed significantly, there was a decline in hourly productivity in the remaining part of the private sector of 2.3 percent, *cf. figure 1.20.* However, some of the slowing growth in productivity can be attributed to the fact that people employed later in the business cycle are generally expected to have a slightly lower productivity.

The differences in productivity development between the private sector with and without manufacturing, covers that hourly productivity increased extraordinarily by almost 15 percent in the manufacturing sector as a whole in 2022. This is significantly higher than the historical average for the period 2000-2021, where hourly productivity for the manufacturing sector has increased by 3.3 percent per year. An explanation for the strong productivity growth within manufacturing last year, is that a significant share of the increased value added has happened abroad, *cf. box 1.2.*

Box 1.2

Growing production abroad increases manufacturing productivity

Danish manufacturing companies, especially within pharmaceuticals, are to an increasing degree producing their goods in factories outside of Denmark. Nevertheless, parts of the value added from foreign are included in the GVA of Denmark, as the factors of production of the Danish companies are contributing to the value creation in the foreign factories. Among other things, this includes intangible capital, which is acquired through research and development. It is worth noting, that increased processing abroad does not necessarily reflect the relocation of production but to a greater extent is related to the expansion abroad of large, global companies. The sale of goods processed abroad made up almost DKK 119 bn. in 2022, *cf. figure a.* That is 50 percent higher than the year before. It is not possible to calculate the total costs of production of internationally produced goods as companies usually have a mixture of foreign and domestic production, such that the overall costs for e.g. development and marketing can't be divided into domestic and foreign production. The best estimate is using the loosely related costs of processing abroad, which is made up of raw materials sent for processing, raw materials purchased abroad and processing services bought abroad. These totaled just over DKK 54 bn. in 2022, which yields a GVA estimate for goods processed abroad of almost DKK 65 bn. and an annual growth rate of 45 percent in 2022.1)

The share of the value added growth in the Danish manufacturing sector, which goes towards remuneration of employees has had a downward trend for many years. The labour share started to decrease in 2008, *cf. figure b.* This happened while goods produced abroad started to make up an increasing share of the value added. Foreign processing increases the value added of Danish companies without directly increasing the domestic wage payments, which thereby decreases the measured labour share. At the same time, the already relatively low labour share of the pharmaceutical industry has already almost halved, which could reflect that their goods are increasingly produced by processing abroad.2) Similarly, foreign processing has probably increased the hourly productivity of the Danish manufacturing sector as GVA is increased without the number of hours worked increases to the same degree. However, it is difficult to estimate the exact size of this effect, as neither the domestic costs nor the hours worked for e.g. development and marketing can be divided between domestic and international production.

Figure a

Danish companies are to an increasing degree having goods processed abroad

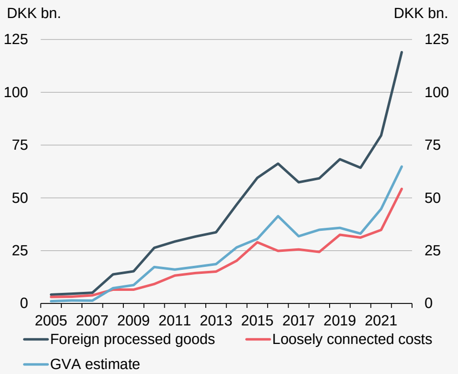
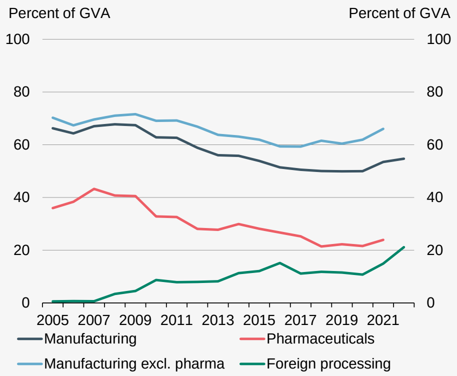


Figure b

The decreasing labour share could reflect increased processing abroad



Note: Values in figure a are measured in current prices. Figure b shows the labour share as the sum of wages as a share of GVA, adjusted for the fact that self-employed contributed to GVA. Foreign processing is measured as the GVA estimate as a share of manufacturing GVA.

1) See Statistics Denmark (2021): "Hvordan indgår dansk produktion af varer i udlandet i nationalregnskabet?"

2) See Statistics Denmark (2019): "The global organisation of industrial groups has an impact on the measurement of Danish production and income".

Source: Statistics Denmark and own calculations.

It is not unusual that especially capital intensive industries such as manufacturing contributes more to productivity growth than employment growth. But the difference in the contribution of the manufacturing sector to the two measures was remarkably large in 2022, and the contribution of the manufacturing sector to the historically large increases in employment in 2022 was therefore relatively limited. This could also be because of the production abroad of Danish companies.

All in all, growth in activity and value added through 2022 points towards a Danish economy headed for a slowdown and a period with lower growth – despite of the fact that employment has continued to increase as a whole.

The beginning of the slowdown has showed itself in the unemployment figures, which has had a slightly increasing trend since the spring of 2022, *cf. figure 1.21.* The increase of 5,000 unemployed people since the autumn of 2022 can't be attributed to displaced people from Ukraine, but to a large extent new unemployed people (people receiving unemployment benefits). At the same time, the number of job vacancies has fallen from the very high levels of 2022. This is a sign that some companies have started to adjust their capacity.

The rise in unemployment has started from very low levels, and there is a continued pressure on the labour market. In 2022, there were no significantly larger wage increases as compared to 2021, but the direction has nevertheless been trending upwards, albeit with slightly different developments across industries, *cf. figure 1.22.* Thus, the largest wage increases in 2022 took place within the cyclically sensitive construction sector.

Figure 1.21
Unemployment and vacancies are moving back towards pre-pandemic levels

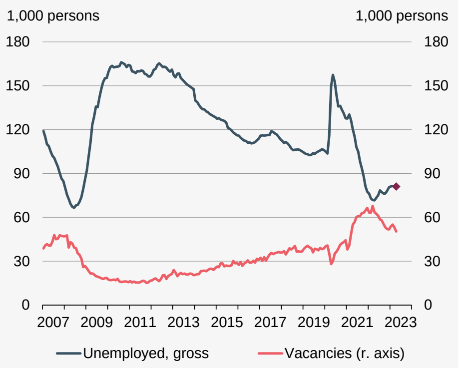
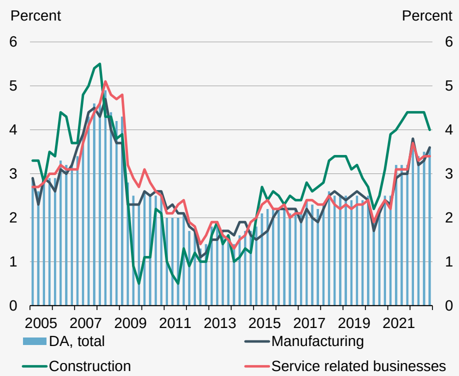


Figure 1.22
Wages increases slightly more in 2022 as comapred to 2021



Note: Seasonally adjusted time series in figure 1.21. The dot shows the unemployment indicator for April. Wage increases are excl. nuisance bonuses in figure 1.22.
Source: Statistics Denmark, Jobindsats, Confederation of Danish Employers and own calculations.

In the spring, the main collective agreements for the private sector were concluded, which entail higher wage increases for 2023 and 2024 – and which also gives an opportunity for a large part of the recent loss in household purchasing power to be recovered, *cf. box 1.3.* This will probably also be reflected in the local wage developments of the individual collective agreements.

Box 1.3

The results of collective agreements and reference wage growth rate

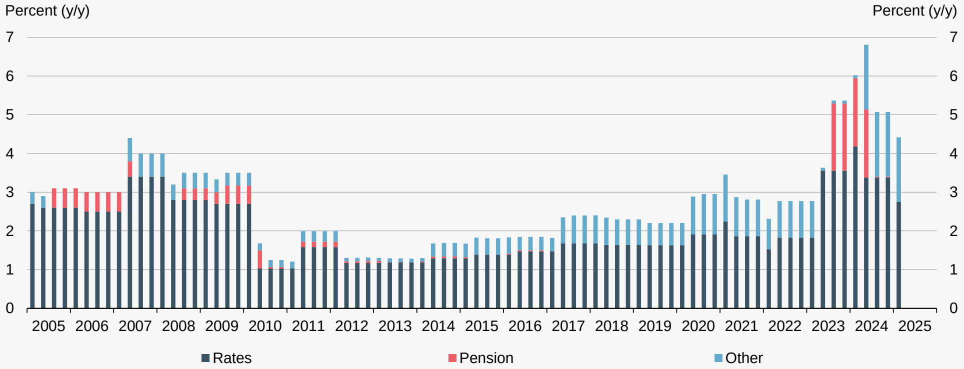
In the spring of 2023 new collective agreements were negotiated between the Confederation for Danish Employers (DA) and the Danish Trade Union Confederation (FH) (OK23). The renewed collective agreements directly covers around 600.000 wage earners, but will also have a big impact on the wage developments for the rest of the labour market. The agreements cover a two-year period, which runs from 1 March 2023 to 28 February 2025.

Among the significant elements of the collective agreement renewals in the minimum wage area is, among other things, the minimum payment rate of DKK 4.5 per 1 March 2023 and an additional DKK 4.5 from 1 March 2024. It has been agreed that the employer pension contribution will increase from 8 percent to 10 percent per 1 June 2023, while employee pension contribution simultaneously is reduced from 4 to 2 percent. In addition, there is in increase in the 'free-choice contribution' of 2 percentage points from 1 March 2024, so that it amounts to 9 percent of the holiday-entitled salary. The employee can choose to either use the 'free choice scheme' for payments in connection with some types of absence or for additional pension payments. The collective agreement for the construction sector contains the same increase in minimum payments and employer pension contribution, whereas the contribution to the special salary savings is increased by 1.8 percentage points in 2024. In addition, there is an agreement on a so-called housing allowance of DKK 25 per hour for up to 12 months for employees who are not resident in Denmark when starting employment or secondment. The scheme starts on 1 January 2024. With respect to the standard wage area it has been agreed that standard wages are increased by DKK 6 in 2023 and DKK 5.75 in 2024. Additionally, there are almost the same elements as in the agreements in the minimum wage area, including the increases in the employer pension contribution and the free-choice contribution.

Based on the centrally agreed wage increases, an overall reference rate for the entire DA/FH area is calculated, thus giving an indication of the wage development in the private sector in the coming years, *cf. figure a.* The majority of wage earners are on minimum wage agreements, where central collective agreements only dictate the minimum wage rates, while the actual wage settlements are negotiated locally and depends, among other things, on the economic situation and developments on the labour market. However, historically speaking, there is a relatively close connection between the collective reference course and the actual wage development.

Figure a

Reference rate for the collective agreements in the DA/FH area



Note: The reference wage growth rate is comprised by wages (incl. nuisance costs etc.), pension and others and is calculated under the assumption of a full relative passthrough, whereby it is assumed e.g. that all wage earners on a minimum wage agreement receive rate increases corresponding to the relative increase in the minimum wage rate. *Others* include, among other things, housing allowances, free-choice scheme and maternity leave. The reference rate is calculated based on Industriens Overenskomst, Bygge- og anlægsoverenskomsten, Butiksoverenskomsten, Fællesoverenskomsten and Transport- og logistikoverenskomsten.

Source: Confederation of Danish Employers (DA), Danish Trade Union Confederation (FH) and own calculations.

Inflation is on the way down

Inflation appears to have peaked across countries. However, the underlying price pressure is still high, and further monetary policy tightening and interest rate increases in the euro area must still be expected.

At home, inflation has been falling from just over 10 per cent in October 2022 and had decreased to 5.3 per cent in April, *cf. figure 1.23*. The fall must be seen in particular in the context of the development in energy prices, and in April the consumer price for both electricity, gas and fuel was at a lower level than in the same month the previous year. Inflation is, however, kept up by continued price increases on, among other things, food and services. At the same time, there is still a large, albeit decreasing, contribution from other goods to inflation.

The large price increases on other goods must be seen in the context of the businesses passing on rising production and freight costs into their selling prices. Normally, there will be a delay in the impact on consumer prices, as the retail sector will initially often wait and see if the price increases are of a longer-lasting nature. Thus, the fluctuations in producer and import prices are greater than in consumer prices, and there is also a time shift in the turning points for the various price concepts, *cf. figure 1.24*.

Figure 1.23
Inflation is on the way down in line with the decline in contribution from energy

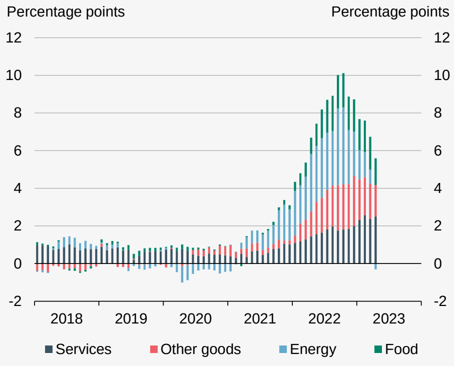
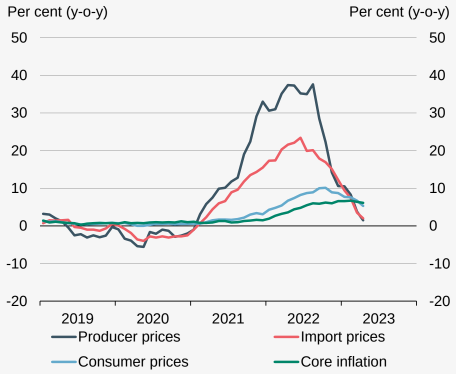


Figure 1.24
The rate of increase in producer and import prices has already fallen significantly



Note: Figure 1.23 shows the growth contribution to the annual increase in the overall consumer price index. The core inflation in figure 1.24 indicates the price development excl. energy and unprocessed food.
Source: Statistics Denmark and own calculations.

The rate of increase in producer and import prices has fallen significantly since last summer. Gradually, the lower rate of increase must be expected to affect consumer prices. Core inflation, which measures price developments without energy and unprocessed food, fell in both March and April and, in line with other price changes, is assessed to be on the way down. There may, however, be some inertia in price reductions, whereby core inflation will not necessarily fall quickly, *cf. box 1.4*. The sluggishness is also shown by the fact that core inflation in April exceeded the overall consumer price development.

Box 1.4
Inertia in inflation-adjustments

Usually, businesses will wait to change their selling prices to see if changes in production costs are of a longer-term nature. This applies both in relation to price increases and decreases. Price rigidities can simply be due to price contracts for future delivery. But it can also be a number of other reasons, which include, among other things, costs of changing prices and actual market failures, including, for example, in the case of incomplete competition. In addition, price reductions can be slower than price increases. One reason for this is that wages are rarely reduced. Another reason may be strategic behavior from businesses that would rather raise the price in one go instead of in several rounds, but on the contrary would like to lower the price in several rounds. This is reflected in the fact that price changes in the consumer price index are asymmetric. Price changes are in most cases positive, and price increases are on average also larger than price reductions, when it is taken into account that prices generally rise over time. Furthermore, there are more price reductions than price increases, *cf. figure a*. The skewed distribution of price changes is also found in a more detailed analysis of 135 million monthly price observations in the period 2010-2019 across 11 countries.[1)]

In relation to the current development in inflation, various conditions are contributing and have contributed to the price development. During the corona pandemic, price developments were affected by major shifts in consumption patterns and supply shortages. Later, the increasing inflation was mainly a result of higher energy prices. This was followed by derivative effects of higher production costs and expenses for freight. In the coming time, second-round effects via the influence of wage formation may be reflected in the price development. Thus, in isolation, high agreed wage increases could contribute to the fact that inflation will only fall slowly. This applies, for example, in relation to the price of services, which to some extent follow wage trends, *cf. figure b*.

Figure a
Price increases are typically greater than price decreases

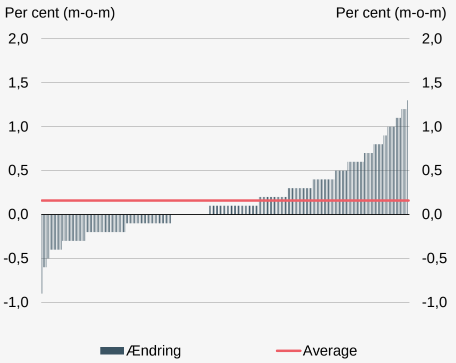
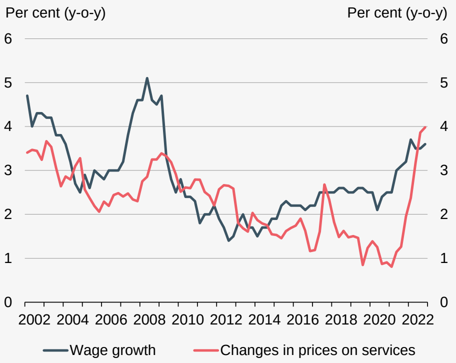


Figure b
High wage increases will keep up prices of services



Note: Figure a shows the monthly changes in the consumer price index since February 2001 sorted from price decreases to price increases. Of the 267 observations, 157 price changes are below the average, and 110 price changes are above the average for the period. This asymmetry is also reflected in the fact that price increases have on average been greater than price reductions.

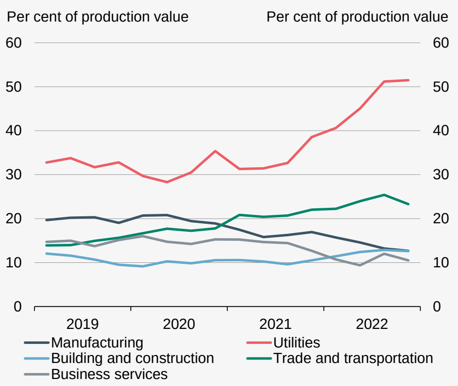
1) See Gautier, E. et al. (2022): New Facts on Consumer Price Rigidity in the Euro Area. ECB Working Paper Series No. 2669.

Source: Statistik Denmark and own calculations.

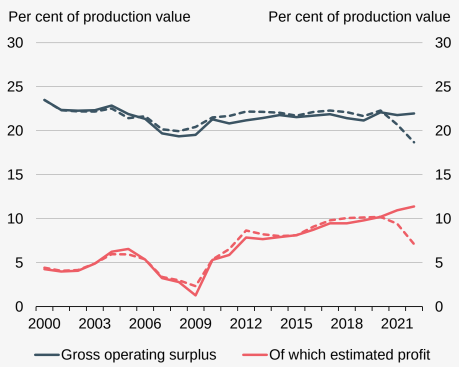
Adjustment of sales prices does not necessarily reflect that businesses have been able to achieve above-normal profits and that there are problems in relation to the competitive situation. Measured by businesses' gross profit as a share of gross output according to the national accounts, however, utility firms and businesses within trade and transport stand out somewhat by having increased their profits quite significantly, *cf. figure 1.25*. Developments in trade and transport must be seen in the light of the fact that the industry includes water transport and that freight rates in large parts of 2022 were very high. Construction businesses have also had some increase in profits, which must be seen in the context of great capacity pressure. In other industries, e.g. within manufacturing and business services, the gross profit has fallen as a share of the production value, which may indicate that the businesses in these industries have not fully absorbed rising costs for inputs into production, including energy, into their own selling prices.

For the private sector as a whole, gross profit as a share of gross output was roughly unchanged in 2022 compared to 2021. Excluding utility firms and sea transport, in 2022, however, there was the lowest gross profit among the remaining parts of the private sector in the current millennium. The companies' gross profit can be roughly divided into contributions to return on capital equipment and profit. An estimated calculation of these shows that the profit rate as a share of the production value has generally been increasing over a number of years in the private sector, but also that it fell significantly last year, when supply and sea transport are disregarded, *cf. figure 1.26*. The development in the estimated profit rate must be seen in the light of the fact that for a long period after the financial crisis, interest rates were extraordinarily low, but rose sharply in 2022.

Figure 1.25
Increasing gross operating surplus as a share of production value in specific industries



Figur 1.26
Without utilities and sea transport the surplus share in the private sector fell in 2022



Note: In figure 1.26 the solid lines depict the private sector, while the dashed lines show the private sector excluding the industries utitities and sea transport as defined in the ADAM-model. Gross operating surplus is measured as the production value less consumption in production, wage costs and production taxes etc.. Estimated profit is the remaining share of income when estimated return to capital are subtracted. The return to capital is estimated using the measure of the capital stock and user cost in the ADAM macroeconometric model.

Source: Statistics Denmark and own calculations.

A soft landing is expected

Overall, indicators point to a general slowdown in the Danish economy further into 2023. Both consumer confidence and business confidence are low and at a level that normally indicates a decline in activity, *cf. figure 1.27*. The underlying weighted business cycle barometers also point to declines across occupations, even within manufacturing. At the same time, the companies' reported lack of demand has increased rapidly and relatively much, *cf. figure 1.28*.

However, the situation has improved somewhat since last autumn, and indicators now point in a less negative direction. Both consumer confidence and business confidence have increased, and companies' lack of demand has flattened out. The improvement must, among other things, be seen in the context of conditions in the global economy. Energy supplies have been secured and energy prices have fallen significantly. The re-opening of China after the zero-covid-policy is supporting global growth and supply constraints have been easing.

Figure 1.27
Expectations are less pessimistic

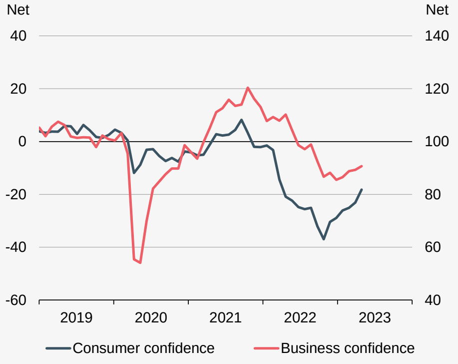
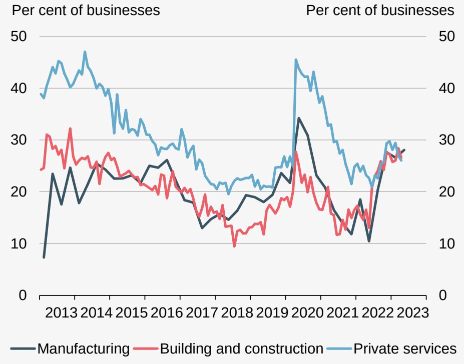


Figure 1.28
The lack of demand as a constraint has not grown further



Note: Own seasonal correction in figure 1.28, which shows the share of companies which reply that a lack of demand is a limiting factor on production.
Source: Statistics Denmark and own calculations.

The slowdown in the Danish economy is expected to be more widespread during 2023. For the year as a whole, limited growth in GDP is expected, and employment is expected to be at approximately the same level in 2023 as in 2022. The development must be seen in particular in connection with the impact of the high inflation and the higher interest rates on private consumption and investments. Thus, only weak growth in private consumption and a noticeable decline in housing investment and business investment are expected in 2023. The slowdown takes place from a high level of activity, and the possibility of a soft landing must be seen, among other things, in the context of the absence of clear imbalances that would otherwise require recovery and consolidation of household and business finances.

As inflation slows and real incomes rise, a gradual recovery is expected. Energy prices have already fallen significantly, and the rate of increase in producer prices and consumer prices is slowing. The retail turnover shows that private consumption is improving again, as the last year's decline in turnover measured in volume has stopped and turned to an increasing trend in the 1st quarter. On the basis of the agreed central collective agreements on the labor market, real wage growth is expected again as early as 2023, while most of the real wage loss in 2022 may be made up during 2024, *cf. figure 1.29*.

At the same time, it is expected that households will convert a larger share of their income into consumption after the fall in the consumption quota in 2022, which to a certain extent must be seen in connection with precautionary savings, *cf. figure 1.30*.

Figure 1.29
Real wages growing again in 2023 and especially in 2024

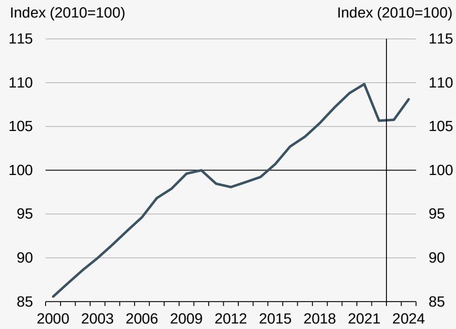
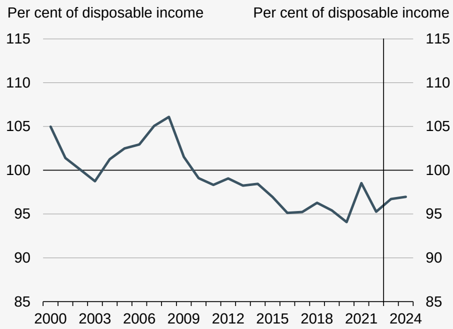


Figure 1.30
Household consumption is expected to grow after increased savings in the preceding years



Note: In figure 1.29 the hourly wage (DA-area) has been deflated by the consumer price index.
Source: Statistics Denmark and own calculations.

The expected increase in private consumption, especially in 2024, must also be seen in the light of the fact that households are generally still well-padded. Furthermore, the repayment to the home owners who have paid tax on excessive property valuations in the years 2011-2020 will help to lift private consumption, preferably in 2024. However, the households' propensity and opportunities to spend will, in addition to inflation and wage development, also depend of, for example, the further development of the housing market.

A further price drop of 5-6 per cent is expected for single-family houses during 2023, which must be seen in connection with a sluggishness in the adjustment of housing prices to higher interest rates. The latest key figures from the housing side point to continued price declines in the 1st quarter of 2023, but the declines have slowed down a bit. Overall, the price of single-family houses is estimated to fall by just over 9 per cent in 2023.

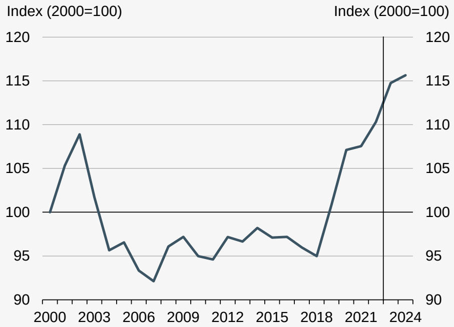
In 2024, house prices are expected to start rising again as the impact of higher interest rates feeds through and real incomes start to rise again. In addition, there is a small lift in prices derived from lower property taxes on single-family houses seen for the entire country as a whole. As a result of the decline through 2023, the average price of a single-family house in Denmark in 2024 is expected to be 0.5 per cent below the level in 2023.

The higher interest rate sensitivity and housing burden in and around Copenhagen may mean that house prices here may fall more than is expected to be the case for an average single-family house seen for the country as a whole. The housing market in Copenhagen is also characterized by several owner-occupied flats and relatively few houses. For owner-occupied apartments, the housing taxes for buyers in 2024 and the years thereafter will be higher than under the existing system, which must be seen in the light of generally higher property values for owner-occupied apartments.

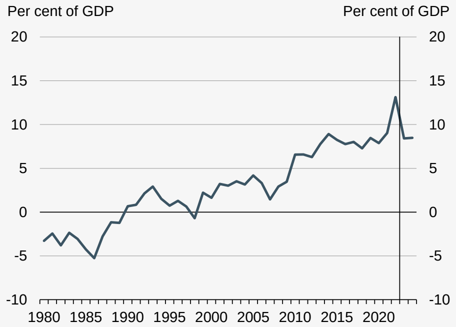
The headwind from abroad will also continue in the forecast period, when the slowdown in the global economy will affect activity in Denmark through foreign trade. However, it is expected that, as a result of the business structure, exports in Denmark will be hit less hard than many other countries. A large part of Danish exports thus consists of medicinal and food products, which are less sensitive to cyclical fluctuations, *cf. box 6.2* in the Economic Statement, December 2020.

The possibility of progress in exports is supported by good competitiveness, and it is estimated that there is room for the wage increases that are built into the spring collective agreement in the private sector. Danish manufactured goods exports are thus estimated, despite the slowdown in the export markets, to continue to grow at a relatively solid rate, and Denmark is expected to continue to gain market shares in the forecast years, *cf. figure 1.31*.

Figure 1.31
Danish companies are expected to continue to gain market shares



Figur 1.32
The current account surplus is set to remain at a high level



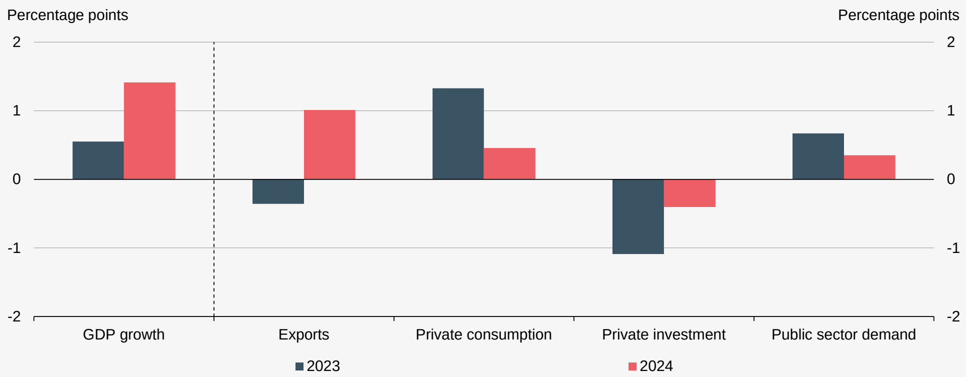
Note: The market share in figure 1.31 has been calculated for industrial goods.
Source: Statistics Denmark and own calculations.

Despite the prospects for increased sales on the export markets, the surplus on the balance of payments is expected to be lower in the forecast years compared to the extraordinary record year 2022, *cf. figure 1.32*. It must be seen in the light of a normalization of freight rates. However, high surpluses on the balance of payments are expected in 2023 and 2024 in the order of 8-9 per cent of GDP – roughly on par with the years 2014-2021.

Progress in exports is often instrumental in giving companies the need to increase production capacity through investments. The significant capacity pressure and the need to make investments in green conversion are also pulling in an upward direction. In the opposite direction, however, the fact that growth from abroad is quite limited, that interest costs have risen considerably, and that companies have less incentive to invest in new capital equipment as the capacity pressure subsides, pulls in the opposite direction. In this light, business investment is expected to fall in both 2023 and 2024.

The expected development in the individual demand components and the companies' production implies that GDP is expected to grow by 0.6 per cent this year and 1.4 per cent in 2024. It is mainly private consumption that contributes to the increase in activity this year, while growth in 2024 is mainly expected to be driven by exports, *cf. figure 1.33*.

Figure 1.33
GDP-growth is sustained by private consumption and for 2024 especially by exports



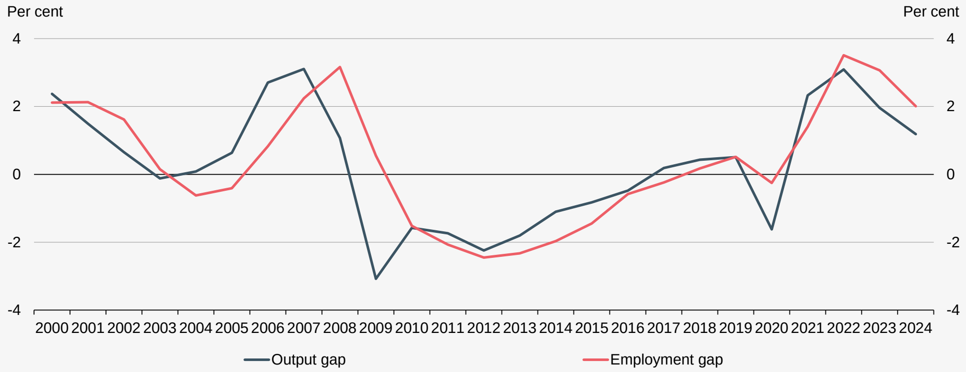
Note: Growth contributions from the individual components of demand has been adjusted for their import content.
Source: Statistics Denmark and own calculations.

The significant negative contribution from private investments in 2023 comes mainly from an expectation that companies' inventory investments will be significantly smaller compared to the historically high level in 2022, cf. box 4.2 in the Financial Statement, March 2023.

Public demand – in the form of public consumption and investments – is only expected to drive growth to a limited extent. In this way, public demand does not push inflation unnecessarily either, *cf. chapter 1.2*.

The forecast for the development of activity in the Danish economy implies that the cyclical gaps are expected to narrow during the forecast period, such that production and employment will be closer to their structural levels in 2024, *cf. figure 1.34*. The unemployment gap is also closing gradually. However, there will continue to be some pressure on the available resources.

Figure 1.34
Output- and employment gaps expected to be reduced



Note: The output gap is measured as per cent of GVA excl. mining and quarrying. The employment gap is excluding persons on leave.
Source: Statistics Denmark and own calculations.

Risks are more balanced

In the past three years, the global economy and the Danish economy have been exposed to major disruptions as a consequence of the corona pandemic and shutdowns, Russia's invasion of Ukraine and uncertainty about energy supply, inflation, interest rate increases and, most recently, financial turmoil derived from banking problems abroad. The various disturbances have pushed the economies into unknown territory, and although normalisation has taken place in some areas, there are still after-effects and shifts in demand and supply, which give uncertainty about the development and which entail risks of a more negative course than assumed in this forecast.

Inflation is on the way down, but the adjustment is relatively slow. This entails a risk that higher inflation gets entrenched in expectations and can potentially lead to a price-wage spiral, where wage increases and inflation mutually reinforce each other. If necessary, this will require further monetary policy tightening to bring inflation down to a more normal level. The upward price pressure is further reinforced by rising service prices, which is mainly due to a combination of a shift in demand towards services and generally larger wage increases. Together, a sluggish adjustment in inflation and new conditions that push inflation upwards could potentially lead to a new and longer period of high inflation. Correspondingly, inflation peaked several times in the 1970s.

The large fluctuations in energy prices the last year underline that changes in energy prices can significantly and unpredictably affect inflation in both a positive and negative direction. Several conditions could potentially lead to new energy price increases in the coming years. Among other things, the progress in the Chinese economy after the reopening in the wake of the zero-covid-policy will affect the demand for energy and can also be expected to make supplies of liquid gas more expensive next winter. In addition, OPEC+ announced at the beginning of April unexpected production restrictions that will apply from May until the end of this year, whereby the oil price rose slightly already in connection with the announcement. These voluntary production restrictions will be able to keep the oil price up.

China's reopening has led to less uncertainty about global supply chains and the pressure on supply chains has roughly normalized. However, there are geopolitical tensions related to trade relations, which could potentially create new disruptions. This applies, for example, to critical infrastructure and especially the relations between the US and China. China is a supplier of many products that are crucial for the green transition, including rare earths. Conversely, the US has introduced legislation that makes it more difficult for China to access and produce advanced semiconductors (micro-chips). The US's Inflation Reduction Act, which provides subsidies for green investments and the manufacturing sector in the US, can also have a major impact on international trade and investment, as subsidies can have a distorting effect in relation to the location of businesses' investments. In response, the EU has, among other things, launched a new green industrial policy and measures to strengthen the production of semiconductors in the EU (EU Chips Act). The disruptions in supply chains during the corona pandemic and Russia's invasion of Ukraine have reinforced a trend towards greater protectionism and a growing desire to reduce vulnerabilities in supply chains. It is happening after several decades, where globalization led to stronger trade relations. Furthermore, the concern about cyber-attacks has increased.

Problems in the banking sector abroad have so far been limited to specific banks, but have given rise to tensions in the financial markets. It is not considered to immediately threaten the financial stability at home. The unrest has been less than during previous financial crises, but is an example of turbulence suddenly arising and that higher interest rates can turn out to affect the economy to a greater extent than expected. Furthermore, the banking crisis is expected to lead to further tightening of the banks' loan terms to customers, especially in the US. This corresponds to a further tightening of the financial conditions, which comes on top of the effect of higher interest rates. Against this background, the IMF has pointed to the risk of a harder landing for the global economy and thus the Danish economy.

Particular risks at home are linked both to a tight Danish labour market, which can lead to larger wage increases, and the noticeable falls in house prices, which can be reinforced by self-fulfilling expectations. Risks for a more negative course of economic development are, however, primarily assessed to be linked to the mentioned external conditions in the global economy.

The most important assumptions behind the forecast and changes since the latest assessment in *Economic Survey, March 2023* appear in box 1.5.

Box 1.5
Forecast basis and changes since Economic Survey, March 2023

The forecast is based on the latest national accounts data, which are available up to and including the 4th quarter of 2022, as well as a number of other indicators, the most frequent of which reach into April. The forecast also reflects the Budget Bill for 2023, *cf. chapter 1.2*.

Real growth in GDP is forecasted at 0.6 per cent this year, which is slightly higher than in the March forecast. Conversely, the growth-forecast in 2024 has been slightly adjusted down to 1.4 per cent, *cf. figure a*. The changed estimates are mainly due to new figures for manufacturing production, which for the 1st quarter show that the pharmaceutical industry continues a very high level of activity, which is above what was assumed in the March forecast. The GDP indicator for the 1st quarter of 2023, which showed growth of 0.3 per cent, has been published after the forecast was finished.

Inflation is estimated to be slightly higher in both years than expected in the previous forecast, *cf. figure b*. New data for inflation continue to show a falling trend, but at the same time the prices of food and services continue to rise.

Figure a
Real GDP growth

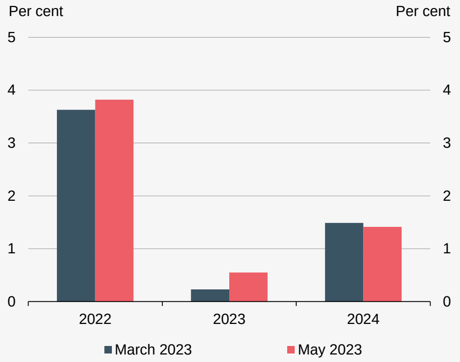
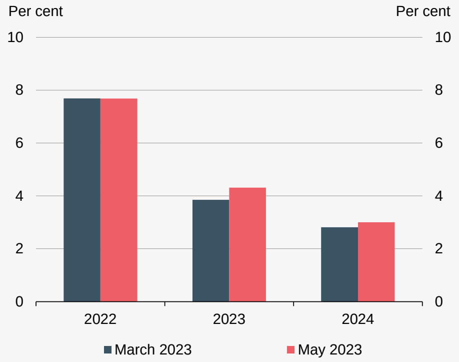


Figure b
Inflation



Source: Statistics Denmark and own calculations.

1.2 Fiscal policy and public finances

As described, the Danish Economy has in the recent times proved to be quite resilient when faced with a series of shocks and heightened uncertainty related to the pandemic, Russia's invasion of Ukraine and high inflation. The strong position is also reflected in the development of the public balance, *cf. figure 1.35*. The budget surplus was approximately DKK 93 bn. in 2022 corresponding to almost 3.3 per cent of GDP. As such, Denmark had the highest public surplus among the EU countries in 2022, where only six of 27 EU-countries had a surplus on the actual budget balance, *cf. figure 1.36.*

The strong upturn and the budget surplus in 2022 reduced the public debt. Thus, Denmark's EMU-debt fell from approximately 37 per cent of GDP by the end of 2021 to approximately 30 per cent of GDP by the end of 2022, *cf. table 1.1*. The EMU-debt ratio is estimated to remain roughly unchanged throughout the forecast period, and Denmark will thus remain among the few EU countries with a very comfortable distance to the limit for EMU-debt in EU's Stability and Growth Pact.

The strong Danish economy provides a good foundation for meeting the challenges ahead – also in the longer run. Towards 2030, this includes strengthening Denmark's defense and security, the green transition of society, more children and elderly and the provision of high-quality public services. In the longer term, there remains the prospect of increasing demographic pressure on public finances towards 2040-2050 – the so-called hammock challenge – where, under technical assumptions of unchanged policies, the deficit on the structural budget balance would exceed the Danish Budget Law's deficit limit of 1 per cent of GDP, *cf. 2030-planforløb: Grundlag for udgiftslofter 2026,* August 2022.

Figure 1.35
Strong economic development is reflected in large public surplus in 2022

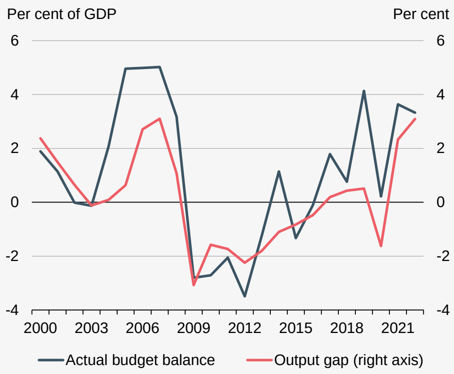
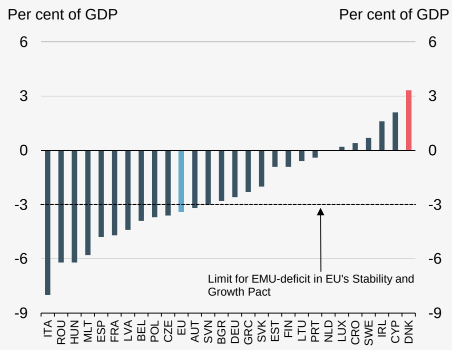


Figure 1.36
Denmark had the highest public surplus among the EU countries in 2022



Note.: Figure 1.35 shows the actual budget balance and output gap, which is a measure of how much output deviates from a cyclically neutral level. Figure 1.36 shows the actual budget balance (EMU-balance).
Source: Statistics Denmark and own calculations.

The surplus on the actual budget balance of approximately DKK 93 bn. in 2022 according to Statistics Denmark is roughly DKK 11 bn. higher than estimated in the March survey. The improvement should particularly be seen in the light of lower public consumption and investment expenditures compared to the estimate based on preliminary national accounts for Q1-Q4 2022 in the March survey. In the current forecast, public surpluses are also expected this year and next year, but the surpluses are expected to be reduced as the economy slows down. In addition, the surplus is reduced due to, among other things, the prioritization of a Ukraine fund in 2023 as well as tax rebates and extra-ordinary refund of property tax related to the transition to the new property tax system in 2024, *cf. Economic Survey,* March 2023. In 2023, the estimate for the actual budget balance has been adjusted upwards by almost DKK 7 bn. since the March survey due to, among other things, higher expected revenues from VAT, corporate tax and the equity tax. In 2024, the estimate of the actual budget balance has been adjusted downwards due to, among other things, lower net interest income and lower income taxes. In both 2023 and 2024, the estimated public consumption expenditures have been adjusted upwards, which mainly reflects the expected price and wage increases of the budgets.

Table 1.1
Key figures regarding fiscal policy

	2022	2023	2024
Structural budget balance, per cent of structural GDP	1.8	0.8	0.6
Structural balance incl. net expenditure on covid-19 one-offs, per cent of structural GDP	1.2	0.7	0.5
Actual budget balance, per cent of GDP	3.3	1.9	0.6
Public consumption growth, per cent [1)]	-3.5	0.6	1.8
Multi-year fiscal effect, level, percentage points [2)]	0.7	-0.3	-0.3
One-year fiscal effect, percentage points [3)]	-1.5	-0.9	0.1
Output gap, percent [4)]	3.1	2.0	1.2
Employment gap, per cent [4)]	3.5	3.1	2.0
EMU-debt, per cent of GDP [5)]	29.8	30.9	29.7
Public financial net wealth, per cent of GDP	16.6	18.7	18.5

1) The estimated growth in public consumption is technically assumed to be the same using the input and output method. The shown growth in 2022 is reported using the input method.
2) The multi-year fiscal effect is a measure of how changes in the fiscal and structural policy affect the output gap (level effect compared to 2019). The effect is including contributions from temporary compensation schemes and payment of frozen holiday allowances etc.
3) The one-year fiscal effect is a measure of how changes in the fiscal and structural policy in a given year affects the output gap in a given year.
4) Calculated measure of how far production and employment are from their structural levels. When the gaps are positive, it indicates that resources in the economy are scarce compared to a normal cyclical position.
5) The EMU-debt as a share of GDP is estimated to increase from 2022 to 2023 despite am estimated surplus on the actual budget balance in 2023. This reflects – in addition to an estimated decline in nominal GDP in 2023 – the size of government bond issuance in 2023, which is affected by, among other things, a political agreement to postpone corporate tax payments from 2023 to 2024.

Source: Statistics Denmark and own calculations.

The *Agreement on the Budget Bill 2023* between the government and SF, LA, RV and DF contains a number of priorities, *cf. box 1.6*. The agreement does not change the assessment of fiscal policy and the impact on the economic activity in 2023.

Box 1.6
Main priorities in the *Agreement of the Budget Bill 2023*

Climate and environment
- Continued strengthening of the Danish Council on Climate Change
- Combating soil contamination – Demonstration project on purification of PFAS
- Knowledge task force on PFAS
- Marine nature

Wellbeing, psychiatry and education
- Bringing forward the here-and-now package for regional psychiatry
- Advancement of caregiver engagement from the psychiatry plan and funding for Project UNIK
- Well-being-promoting initiatives in higher education, including student counseling
- Lifting of headspace
- Expanded counseling scheme in Børns Vilkår
- Knowledge about highly gifted children

Elderly and social services etc.
- Knowledge center for keeping seniors in the labor market
- Expansion of the Housing First approach
- Lifting of Checkpoint – the AIDS foundation
- Increased support for the youth crisis center Joannahuset
- Equalization of services for men exposed to violence
- Venner Viser Vej

Economy and labor market
- Extra leave for parents with twins
- Increased limit for share savings account
- Increased personal deduction for people under 18

Others
- Democratic companies
- Danish Seamen's and Overseas Churches
- Animal Control Center
- Increased efforts against burglary – kosterregister
- Investigation of alcohol treatment
- Team Denmark

Source: *Agreement on the Budget Bill 2023*.

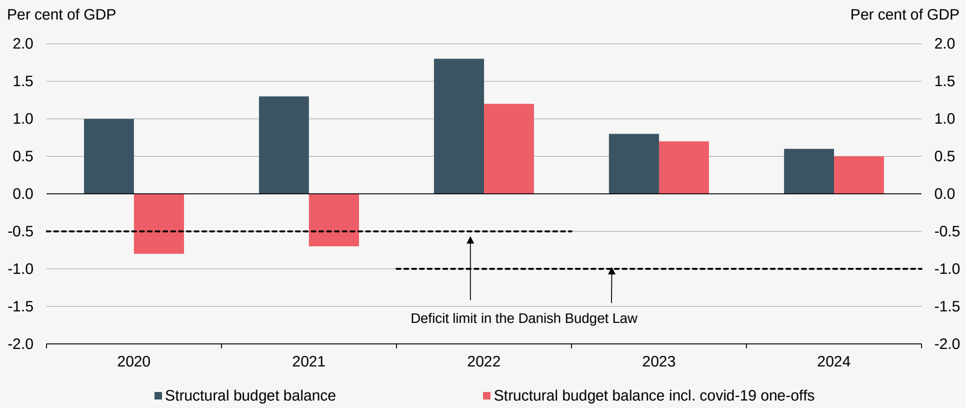
Large surpluses on the structural budget balance in 2022-2024

The strong development in the public finances in 2022 reflected partly the economic boom in the Danish economy and partly a surplus on the structural budget balance, which is estimated to be 1.8 per cent of GDP. The surplus on the structural budget balance reflects, among other things, the fact that many foreigners have come to Denmark to work. This strengthens tax revenues, while public spending does not increase accordingly. The many foreigners who have found employment in Denmark should be seen in light of the high demand for labor and generally good wages and working conditions in Denmark. In addition, the structural budget balance surplus in 2022 reflects that public spending was lower than expected.

The estimate for the structural budget balance in 2022 has been revised upwards by 0.6 per cent of GDP compared to the March-survey. This improvement can, among other things, be attributed to the fact that the public finance accounts from Statistics Denmark (March version) show a larger surplus than estimated in the March survey, particularly as a result of lower public consumption and investment expenditure. In addition, there is an upward adjustment of the structural balance as a result of higher estimated structural revenue from equity tax and a number of other special revenue items.

In the calculation of the structural budget balance, adjustments are made for a number of extraordinary expenditures and revenues that are assessed to be of a one-off nature. This applies to, among other things, expenditures directly related to covid-19 including the temporary compensation schemes. If the structural balance is not, for illustrative purposes, adjusted for covid-19 one-offs, it is estimated at -0.8 per cent of GDP in 2020, -0.7 per cent of GDP in 2021 and 1.2 per cent of GDP in 2022, *cf. figure 1.37.*

Figure 1.37
Structural budget balance with and without covid-19 one-off measures



Note: The red bars are calculated including covid-19 one-offs and related backflow from corporate tax and equity tax. The dotted lines indicate the former deficit limit in the Danish Budget Law of 0.5 per cent of GDP and the new and current deficit limit of 1.0 per cent of GDP.
Source: Statistics Denmark and own calculations.

In 2023 and 2024, the structural budget balance is estimated to be 0.8 per cent and 0.6 per cent of GDP, respectively. Compared to the March-survey, the structural budget balance is improved by 0.1 per cent of GDP in 2023, while the estimate is unchanged in 2024. The updated estimates for the structural budget balance since the March-survey reflect several opposing developments.

In both 2023 and 2024, higher estimated structural revenues from equity tax etc. contribute to an improvement of the structural budget balance. In addition – primarily in 2023 – the structural balance is improved as a result of slightly higher estimated structural employment. On the other hand, updated estimates of total wage income in 2023 and 2024 contribute to slightly lower tax revenues (adjusted for the cyclical impact). In 2024, updated estimates for net pension payments, which are taxed at the time of payment, also contribute to an offsetting effect on the structural budget balance.

The uncertainty of the estimates of the structural budget balance is particularly high in these years due to the extraordinary circumstances of the last few years caused by covid-19 and the subsequent high inflation.

Fiscal policy is considered to be aligned with the business cycle situation

In light of the high inflation and continued high capacity pressures in the Danish economy, a tightening of fiscal policy is planned in 2023. With the agreement on the budget bill for 2023, the one-year fiscal effect is estimated at -0.9 percentage points in 2023, corresponding to a significant tightening of the overall fiscal- and structural policy stance. This is in addition to the tightening of fiscal policy in 2022 corresponding to a one-year fiscal effect of -1.5 percentage points, *cf. figure 1.38*. Thus, the fiscal easing in 2020 and 2021 during the covid-19 pandemic has been withdrawn.

Fiscal policy for 2024 will be decided during 2023 with the economic agreements with municipalities and regions and the budget bill. Based on the current technical assumptions, the fiscal- and structural policy in 2024 is estimated to have an approximately neutral effect on the capacity pressure as the one-year fiscal effect corresponds to 0.1 percentage points compared to the tight stance in 2023.

The multi-year fiscal effect – which measures the impact of fiscal policy in a given year and preceding years relative to the basis year in 2019 i.e. the year before the covid-19 pandemic – is estimated to -0.3 percentage points in 2023 and 2024. Thus, the fiscal policy since 2019 contributes to dampen the capacity pressure in the economy this year and next. Excluding the effects of fiscal policies since 2019, the output gap would, all else being equal, be a bit larger in these two years, *cf. figure 1.39*.

Figure 1.38
Fiscal policy impact on output gap measured by one-year and multi-year fiscal effects

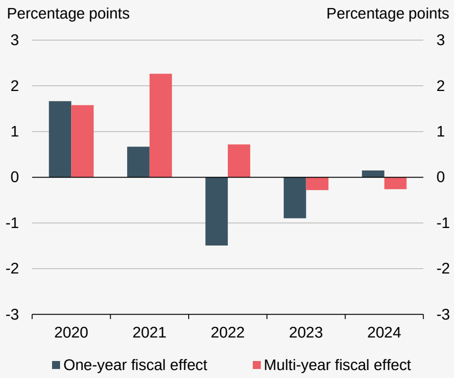
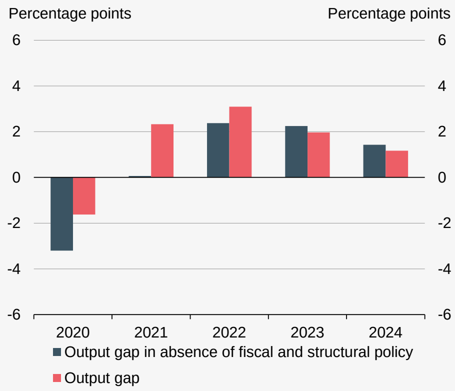


Figure 1.39
Fiscal policy dampens the capcity pressure in 2023 and 2024



Source: Own calculations.

Overall, the fiscal policy stance is considered to be aligned with the cyclical position of the economy. As for 2024, it should be noted that the declining capacity pressure in the economy – measured by a narrowing of the positive output gap – in itself suggests that fiscal policy should be approximately neutral in 2024 relative to 2023 as measured by the one-year fiscal effect. At the same time, the continued high capacity pressure – as measured by the positive output gap – suggests that fiscal policy should contribute to dampen the capacity pressure as measured by the multi-year fiscal effect, *cf. box 1.7*. Thus, fiscal and monetary policy will have a dampening effect on the inflationary pressure in the economy.

Box 1.7

Fiscal policy compared to a mechanical rule

Within the overall fiscal framework, it is an important task for fiscal policy to dampen cyclical fluctuations in the economy. Fiscal policy can generally stabilize the business cycle through two channels – discretionary (active) fiscal policy and the so-called automatic stabilizers. Automatic stabilizers refer to the automatic changes in tax payments and cyclical public spending, such as unemployment benefits, which support private sector income during economic downturns and conversely help to dampen the growth of domestic demand in good times.

In *Dansk Økonomi, forår 2007,* the Danish Economic Councils described a mechanical fiscal policy rule for fiscal stabilization. The rule generally states that discretionary fiscal policy can aim to close approximately ¼ of the output gap that would exist in the absence of discretionary measures, *cf. figure a*. The assumption of ¼ reflects the traditional uncertainties in relation to fiscal stabilization, which, among other things, result from the recognition, decision and implementation lags, uncertainty about the estimates of capacity pressure in the economy and costs of frequent adjustments of the fiscal policy instruments, *cf. for example Erfaringer med budgetloven 2014-2020, April 2022, Ministry of Finance*.

In other words, the rule states that fiscal policy must be tight – measured in "level", not annual tightening – when the business cycle is good, and expansionary when the business cycle is bad. Among other things, the rule states that if fiscal policy is tight enough during an economic boom, it should not be tightened further from year to year when the economy slows down. On the contrary, according to the rule, it may be appropriate to reduce the degree of tightness if the economy is heading for a soft landing, *cf. the red and blue arrows in figure a*.

Figure a

Illustration of fiscal stablization according to a mechanical rule

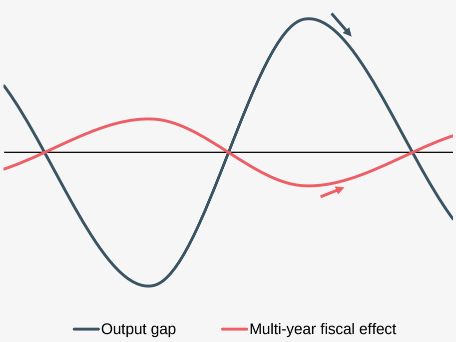
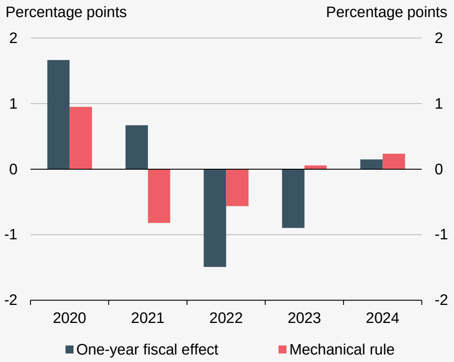


Figure b

One-year fiscal effect compared with benchmark from mechanical rule



Note: The mechanical rule is assumed to close 25 per cent of the underlying output gap in the current year

Box 1.7 (continued)
Fiscal policy compared to a mechanical rule

In practice, fiscal policy is not managed according to a mechanical rule, but the rule can be used as a benchmark to which the fiscal policy stance can be compared, *cf. also Erfaringer med budgetloven 2014-2020, April 2022 and Finansredegørelse 2014, Ministry of Finance*. The impact of active fiscal policy on the output and employment gap (and thus the contribution to cyclical stabilization) is measured by the fiscal effects. The multi-year fiscal effect – which measures the impact of fiscal policy in the given year and the preceding years relative to the base year in 2019 – is estimated at -0.3 percentage points in both 2023 and 2024. Without the fiscal policy, the positive output gap would have been larger in these years. In comparison, a mechanical level rule suggests a multi-year fiscal effect of around -0.4 percentage points in 2024, i.e. roughly the same size, when 2019 is taken as a starting point, *cf. below*. This reflects that the underlying output gap (excluding fiscal policy) is estimated to be larger than zero and larger than in 2019.

In relation to the corona crisis, the fiscal policy response in 2020 and 2021 was significantly larger than the illustrative mechanical rule would suggest, *cf. figure b*. This is related to the special nature of the crisis, including the extraordinary need to support businesses and employees and at the same time send a clear signal of a strong effort that could contribute to dampen uncertainty. Alternatively, the crisis could have led to waves of bankruptcies, financial instability and escalating uncertainty and thus very large economic losses.

The fiscal easing in 2020 and 2021 was thus larger than the rule would imply, but this was offset by larger fiscal tightening in 2022 and 2023 than the rule would imply. Overall, this means that the level of fiscal policy, i.e. the multi-year fiscal effect in 2024, is in line with the mechanical level rule, given the current technical assumptions for 2024. This is under the assumption that 2019 is a reasonable year to compare with. Based on the current estimate of a structural budget balance surplus in 2019 of just over 1 per cent of GDP, that year was already characterized by a tight fiscal policy in relation to the medium-term objectives, i.e. in relation to the balance between structural revenue and expenditure.

Overall, the technically assumed fiscal policy in 2024 – with a one-year fiscal effect of +0.1 percentage points and a multi-year fiscal effect of approximately -0.3 percentage points – is thus broadly in line with the implications of the illustrative mechanical rule, now that the economy is returning to more common cyclical movements after the abrupt disruptions during the corona pandemic. In light of the declining capacity pressure in the economy (measured by a narrowing of the output gap), it is therefore assessed that a one-year fiscal effect around 0 and a multi-year fiscal effect in the order of -¼ to -½ percentage points is generally in line with the cyclical situation. The situation is in many ways parallel to monetary policy, where interest rates in the euro area and the US have been raised to dampen inflation, but where it cannot be taken for granted that monetary policy interest rates will be raised further in 2024, even though the output gaps in the economies may still be positive next year.

It must however once again be emphasized that fiscal policy is not conducted according to a mechanical rule. In addition, there are other important considerations in fiscal policy than cyclical stabilization, including climate and environmental considerations, defense and security, public welfare and tax policy, etc. In addition, fiscal policy must be planned in accordance with the medium-term objectives for the structural budget balance, debt development and fiscal sustainability, i.e. an appropriate balance between tax revenue and expenditure.

Source: *Dansk Økonomi, forår 2007, Danish Economic Councils*; *Finansredegørelse 2014, Ministry of Finance* and *Erfaringer med budgetloven 2014-2020, 2022, Ministry of Finance.*

Real growth in public consumption has fluctuated in view of covid-19 and high inflation

According to Statistics Denmark's preliminary national accounts figures, real growth in public consumption was -3.5 per cent in 2022. Consumption growth in 2022 should be seen in the light of, among other things, lower consumption in the central government than budgeted and price increases on public purchases of goods. In addition, the development in public consumption in recent years has been greatly affected by extraordinary temporary expenses related to covid-19.

Adjusted for extraordinary covid-19-related expenditures, real growth in public consumption is estimated at 2.6 per cent in 2023. When not corrected for the extraordinary covid-19-related expenditure, real growth in public consumption is estimated at 0.6 per cent, while based on technical assumptions about expenditure and fiscal policy in 2024, real growth in public consumption is estimated at 1.8 per cent in 2024. Nominal public consumption expenditure is currently estimated to amount to approximately DKK 639 bn. in 2023 and approximately DKK 674 bn. in 2024.

In the period 2019-2024 – which as a whole is not significantly affected by temporary covid-19 expenditure – the average real growth in public consumption is estimated to be around 0.8 per cent per year, *cf. figure* 1.40.

Real growth in public consumption in 2023 has been adjusted upwards by 0.9 percentage points compared to the March-survey. This should be seen in the context of lower public consumption in 2022 than previously assumed and changed estimates for price developments. The real growth in public consumption in 2024 has been adjusted upwards by 0.2 percentage points compared to the March-survey, which is primarily due to higher estimated nominal public consumption expenditure in 2024 as a result of the price and wage upward adjustment of the budgets.

Despite the negative real growth in public consumption in 2022, public employment in 2022 has increased by approximately 12,000 people. The development in public employment in recent years is estimated to be affected by both temporary covid-19-related activities and an underlying increase in public employment, also in light of initiatives to strengthen the quality of public services and address demographic developments. Furthermore, the high price increases in the public sector's purchase of goods in recent years may have led to a degree of substitution from the purchase of goods to public employment (payroll) in individual public institutions.

The size of public employment must also be seen in the context of the size of total employment and population. Currently, the number of public sector employees per 100 citizens is slightly above the historical average for the last 40 years, while public employment's share of total employment is below the historical average for the same period, *cf. figure 1.41.*

Figure 1.40
Real growth in public consumption has fluctuated due to covid-19

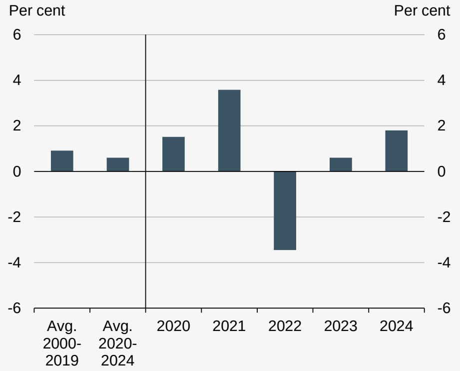
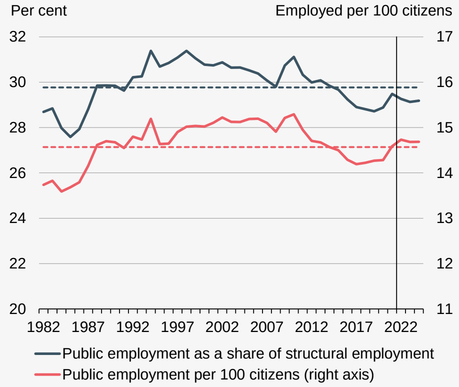


Figure 1.41
Public employment compared to population and total employment



Note: The dashed lines in figure 1.41 indicate average levels for the period 1982-2021. Public employment includes leave.
Source: Statistics Denmark and own calculations.

1.3 Annex table

Table 1.2
Key figures from the May survey and comparison with the March survey

	2022	2023		2024	
		March	May	March	May
Real change, per cent					
Private consumption	-2.3	0.2	0.5	1.4	1.3
Total government demand	-3.4	-0.2	1.1	1.7	1.9
- of which government consumption	-3.5	-0.3	0.6	1.6	1.8
- of which government investments	-2.7	0.7	4.3	2.5	2.7
Housing investment	7.8	-9.8	-9.3	-8.4	-8.4
Business fixed investment	12.3	-6.6	-7.4	-1.6	-1.6
Inventories (cont. to GDP-growth)	0.8	-1.2	-0.8	0.6	0.3
Total final domestic demand	1.0	-3.0	-2.1	1.0	0.6
Exports	8.6	3.2	3.1	3.3	3.7
- of which manufacturing exports	9.6	5.6	6.0	3.0	3.3
Total demand	4.0	-0.3	0.2	2.0	1.9
Imports	4.2	-1.2	-0.5	2.8	2.8
- of which imports of goods	-2.2	-0.5	-0.1	2.0	2.0
GDP	3.8	0.2	0.6	1.5	1.4
Gross value added	4.7	0.5	0.6	1.6	1.5
- of which non-farm private sector	6.8	0.3	0.8	0.7	0.9
Change in 1,000 persons					
Labour force, total	88	6	16	-14	-18
Employment, total	118	-11	1	-17	-23
- of which private sector	105	-9	1	-20	-26
- of which public sector	12	-2	0	3	3
Gross unemployment	-30	18	16	4	6
Cyclical developments, per cent					
Output gap	3.1	1.8	2.0	1.2	1.2
Employment gap	3.5	2.7	3.1	1.8	2.0
Unemployment gap	-1.3	-0.8	-0.8	-0.6	-0.6

Note: Public consumption is calculated using the input-method.
Source: Statistics Denmark and own calculations

Table 1.2 (continued)
Key figures from the May survey and comparison with the March survey

	2022	2023		2024	
		Marts	Maj	Marts	Maj
Change, per cent					
House prices (single family homes)	0.7	-8.4	-9.2	-0.5	-0.5
Consumer prices	7.7	3.9	4.3	2.8	3.0
Hourly earnings in the private sector	3.6	4.5	4.4	5.3	5.3
Real disposable income, households	1.1	-1.3	-1.0	1.4	1.0
Productivity in the private non-farm sector	1.2	1.5	1.7	1.6	2.3
Per cent p.a.					
1-year rate loan	0.9	3.8	3.5	4.0	3.4
10-year government bond	1.5	2.7	2.5	2.7	2.5
30-year mortgage credit bond	3.7	4.7	4.6	4.6	4.5
Public finances					
Actual public balance (DKK bn.)	93	45	51	24	16
Actual public balance (per cent of GDP)	3.3	1.6	1.9	0.8	0.6
Structural public balance (per cent of GDP)	1.8	0.7	0.8	0.6	0.6
Gross debt (per cent of GDP)	29.8	31.1	30.9	29.9	29.7
Labour market					
Labour force, total (1,000 persons)	3,238	3,245	3,254	3231	3,237
Employment, total (1,000 persons)	3,164	3,153	3,165	3136	3,142
Gross unemployment (yearly average, 1,000 persons)	76	93	91	97	97
Gross unemployment (per cent of labour force)	2.3	2.9	2.8	3.0	3.0
External assumptions					
Trade-weighted international GDP-growth	3.0	1.1	1.2	1.8	1.8
Export market growth (manufactured goods)	7.2	2.3	1.9	3.0	2.5
Exchange rate (DKK per USD)	7.1	7.0	6.9	7.0	6.9
Oil price, dollars per barrel	100.8	83.2	81.7	82.2	80.4
Balance of payments					
Current account balance (DKK bn.)	367	269	232	264	243
Current account balance (per cent of GDP)	13.1	9.7	8.4	9.2	8.5

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

Appendix 1.1 Calculation of the structural budget balance in 2022-2024

Appendix table 1.1
Actual and structural specific budget items in the calculation of the structural budget balance

	2022	2023	2024
Per cent of GDP			
1. Actual budget balance	**3.3**	**1.9**	**0.6**
Cyclical adjustment			
i) Output gap	3.1	2.0	1.2
ii) Employment gap	3.5	3.1	2.0
a) Weighted cyclical gap = i)*0.4+ii)*0.6	3.3	2.6	1.7
b) Budget factor	0.74	0.73	0.73
c) 1-(output gap/100)	0.97	0.98	0.99
2. Cyclical contribution = a)*b)*c)	**2.4**	**1.9**	**1.2**
Corporate tax			
Actual revenue	3.1	3.1	3.0
Structural revenue	2.4	2.6	2.7
3. Correction for corporate tax	**0.7**	**0.5**	**0.3**
Vehicle registration duty			
Actual revenue	0.4	0.4	0.4
Structural revenue	0.7	0.7	0.7
4. Correction for vehicle registration duty	**-0.3**	**-0.3**	**-0.3**
Equity income tax			
Actual revenue	1.6	1.2	1.2
Structural revenue	1.2	1.2	1.2
5. Correction for equity income tax	**0.4**	**0.0**	**0.0**

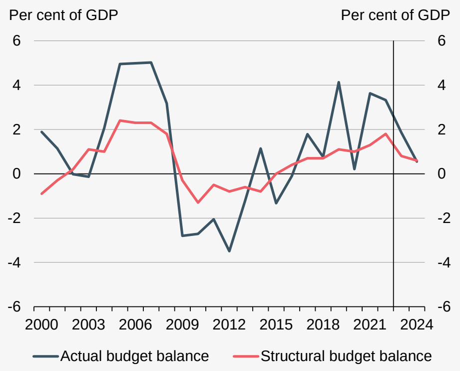
Appendix table 1.1 (continued)

Actual and structural specific budget items in the calculation of the structural budget balance

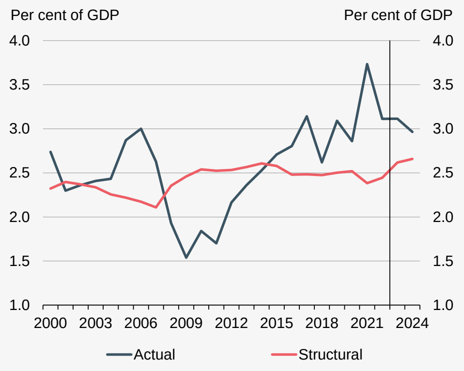
	2022	2023	2024
Per cent of GDP			
Pension yield tax			
Actual revenue	0.4	0.3	0.3
Structural revenue	1.1	1.2	1.2
6. Correction for pension yield tax	**-0.7**	**-0.9**	**-0.9**
North Sea revenue			
Actual revenue	0.1	0.0	0.1
Structural revenue	0.1	0.2	0.1
7. Correction for North Sea revenue	**0.0**	**-0.1**	**0.0**
Net interest payments			
Actual revenue	0.3	0.7	0.7
Structural revenue	0.5	0.5	0.5
8. Correction for net interest payments	**-0.1**	**0.2**	**0.2**
Special budget items			
Actual revenue before corrections for one-offs etc.	-0.5	-0.8	-1.0
Actual revenue corrected for one-offs etc. for calculation of the structural revenue, cf. appendix table 1.3	-0.4	-0.4	-0.6
Structural revenue	-0.5	-0.5	-0.5
9. Correction for special budget items	**0.0**	**-0.3**	**-0.5**
10. Other corrections (cf. appendix table 1.3)	**-0.8**	**0.0**	**-0.1**
- Hereof covid-19 one-off measures	*-0.6*	*0.0*	*0.0*
11. 1-2-3-4-5-6-7-8-9-10 Structural budget balance	**1.8**	**0.8**	**0.6**

Appendix 1.2 Specific revenue and expenditure categories

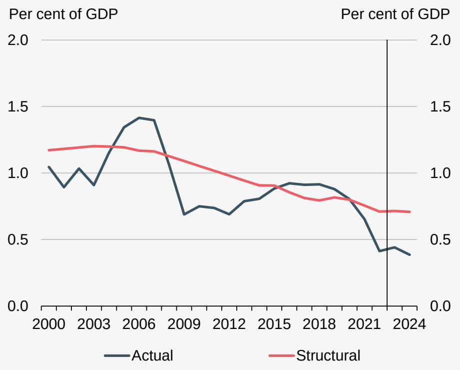
Appendix figure 1.1
Actual and structural budget balance



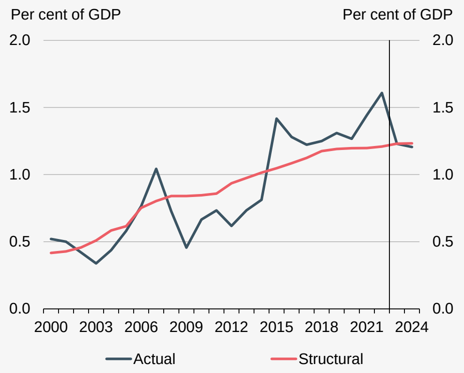
Appendix figure 1.2
Corporate tax



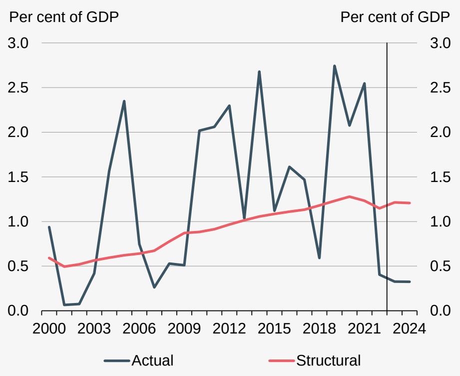
Appendix figure 1.3
Vehicle registration duty



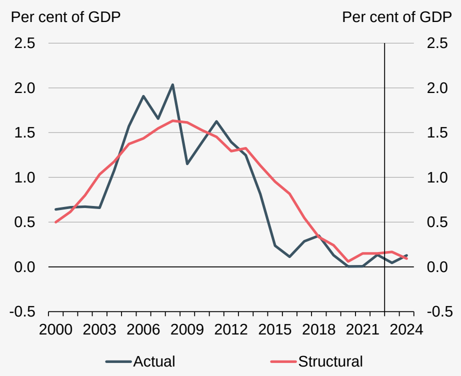
Appendix figure 1.4
Equity income tax



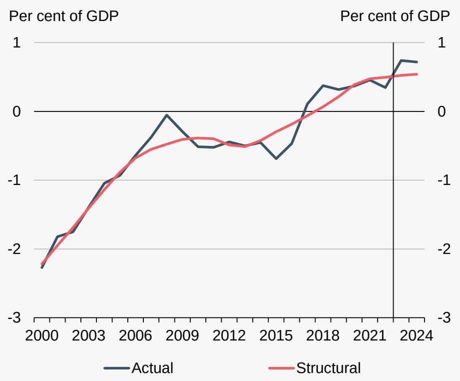
Appendix figure 1.5
Pension yield tax



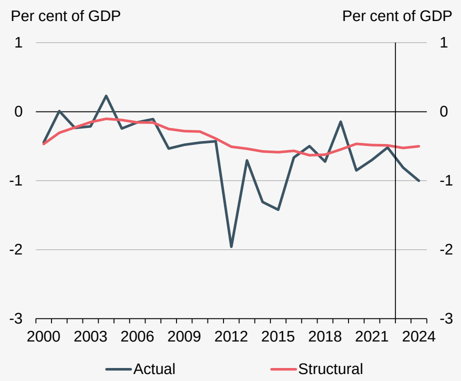
Appendix figure 1.6
North Sea revenue



Appendix figure 1.7
Net interest payments



Appendix figure 1.8
Special budget items



Source: Statistics Denmark and own calculations.

Appendix 1.3 One-offs etc. in 2022-2024

Appendix table 1.3
One-offs etc. that is corrected for in the calculation of the structural budget balance

Per cent of GDP	2022	2023	2024
One-offs corrected for in the special budget items in total	**-0.1**	**-0.4**	**-0.4**
One-offs related to covid-19 (in the special budget items)	-0.1	-0.2	-0.1
Extraordinary refund of property tax	0.0	-0.2	-0.3
Payment of early retirement contributions	-0.2	0.0	0.0
Correction for expected budget correction due to revised price estimates[1]	0.0	0.0	0.0
Extraordinary revenue from fines	0.2	0.0	0.0
Other corrections (excluding the special budget items) in total	**-0.8**	**0.0**	**-0.1**
One-offs related to covid-19	-0.6	0.0	0.0
- Hereof as transfers to households	*0.0*	*0.0*	*0.0*
- Hereof as subsidies	*-0.1*	*0.0*	*0.0*
- Hereof as public consumption	*-0.5*	*0.0*	*0.0*
- Hereof as VAT	*0.0*	*0.0*	*0.0*
- Hereof as backflow via tax revenue[2]	*0.0*	*0.0*	*0.0*
- Hereof as contribution to EU	*0.0*	*0.0*	*0.0*
Foreign aid – difference between political commitment level and payments in actual budget balance	-0.1	0.1	0.0
Correction for information on the revenue side	-0.1	0.0	0.0
Correction regarding Employers Reimbursement System	0.0	0.0	0.0
Correction for investments in fighter jets[3]	0.0	-0.1	-0.1
Correction for expected budget correction due to revised price estimates[1]	0.0	0.0	0.0
Conversion to per cent of structural GDP	-0.1	0.0	0.0

1) Reflects the estimate of the budget correction that currently is expected in 2024 in the budget planning due to revised price and wage estimates for 2023.
2) Does not include backflow via corporate taxes and equity income taxes related to one-offs.
3) Investments in fighter jets are treated in the same way as net pruchases of buildings and other existing investment goods in the calculation of the structural budget balance and is included via a 7-year moving average.

Annex tables

Table B.1
Demand, import and production

	2022	2023	2024	2022	2023	2024	2022	2023	2024
	DKK bn.			Volume, per cent			Prices, per cent		
Private consumption	1,198	1,256	1,310	-2.3	0.5	1.3	7.4	4.3	3.0
Public consumption[1)]	615	639	674	-3.5	0.6	1.8	4.8	3.2	3.6
Public investments[2)]	87	93	99	-2.7	4.3	2.7	4.4	3.4	3.2
Residential investment	174	165	156	7.8	-9.3	-8.4	7.1	4.7	3.1
Fixed business investment	392	379	380	12.3	-7.4	-1.6	5.8	4.5	1.8
Domestic demand excl. inventory investment	2,469	2,537	2,623	0.1	-1.2	0.4	6.3	4.0	3.0
Inventory investment[3)]	32	9	16	0.8	-0.8	0.3			
Total domestic demand	2,501	2,546	2,639	1.0	-2.1	0.6	6.5	4.0	3.0
Exports of goods and services	1,939	1,864	1,971	8.6	3.1	3.7	19.5	-6.8	2.0
Total demand	4,440	4,410	4,610	4.0	0.2	1.9	11.8	-0.8	2.6
Imports of goods and services	1,642	1,651	1,743	4.2	-0.5	2.8	19.8	1.1	2.7
Gross domestic product	2,798	2,759	2,867	3.8	0.6	1.4	7.6	-1.9	2.5
Taxes on products, net	337	337	349	-2.2	0.1	1.1	4.9	0.0	2.5
Gross value added	2,461	2,422	2,518	4.7	0.6	1.5	8.0	-2.2	2.5
- Non-farm private sector[4)]	1,599	1,716	1,757	6.8	0.8	0.9	3.0	6.5	1.4
Gross national income	2,904	2,822	2,929						

Note: The division into volume and price components is made based on a fixed price calculation in the previous year's prices.
1) The change in volume for public consumption is calculated using the output method. For 2023-2024, growth in public consumption using the input method is assumed to equal growth using the output method.
2) Public investments exclude general government net purchases of buildings, and therefore the figures will deviate from public investments in table B.7.
3) The volume figures reflect changes in inventories compared to GDP.
4) Non-farm private sector consists of manufacturing, construction and private service excluding shipping.
Source: Statistics Denmark and own calculations.

Table B.2
Interest rates, oil price and exchange rates and external assumptions

Interest rates, per cent		2020	2021	2022	2023	2024
USA	Federal Funds Target Rate	0.5	0.3	1.9	5.1	4.8
	3-month LIBOR	0.7	0.2	2.4	5.4	5.2
	10-year government bond	0.9	1.4	3.0	3.7	3.6
Euro area	Main Refinancing Operations Rate	0.0	0.0	0.6	3.8	4.0
	3-month EURIBOR	-0.4	-0.5	0.3	3.2	3.2
	10-year government bond (Germany)	-0.5	-0.3	1.2	2.3	2.3
Denmark	Certificates of deposit rate	-0.6	-0.5	0.0	2.9	3.1
	3-month CIBOR	-0.2	-0.2	0.6	3.4	3.3
	1-year adjustable mortgage rate	-0.5	-0.5	0.9	3.5	3.4
	10-year government bond	-0.4	0.0	1.5	2.5	2.5
	30-year mortgage interest rate	1.1	1.4	3.7	4.6	4.5
	Average interest rate	0.3	0.4	2.0	3.5	3.4
Oil price						
Dollar per barrel		41.8	70.7	100.8	81.7	80.4
DKK per barrel		273.2	444.4	713.1	565.6	552.0
Exchange rate						
DKK per 100 dollar		654.2	628.7	707.6	692.4	686.3
DKK per 100 euro		745.4	743.7	744.0	744.4	745.0
Effective Krone Rate Index (1980=100)		104.0	103.9	101.9	103.7	104.1
		Real growth rate, per cent				
External assumptions						
Export market growth[1)], per cent		-4.7	10.2	7.2	1.9	2.5
Trade weighted GDP-growth[2)], per cent		-3.7	5.2	3.0	1.2	1.8

Note: The projections are based on data through February 28th, 2023. 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. 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, October 2022, as well as futures prices.

1) Calculated as the weighted average of import growth in Denmark's 36 most important trade partners. The weights reflect the countries' share of Danish manufacturing exports in 2020.

2) Calculated as the weighted average of the GDP-growth in Denmark's 36 most important trade partners. The weights reflect the countries share of Danish export of goods and services in 2020.

Source: Macrobond, Nordea Markets, The International Energy Agency, *IMF World Economic Outlook april 2023* and own calculations.

Table B.3
Population and labour market

	2020	2021	2022	2023	2024
1.000 persons					
Total population	5,831	5,857	5,884	5,904	5,923
- Labour force	3,105	3,150	3,238	3,254	3,237
- Total employment	2,973	3,046	3,164	3,165	3,142
- Ordinary employment[1)]	2,883	2,949	3,060	3,052	3,026
- Subsidised employment[2)]	90	96	104	112	116
- Gross unemployment (incl. activation)[3)]	133	106	76	91	97
- Net unemployment	120	94	65	75	80
- Outside the labour force	2,727	2,707	2,646	2,649	2,687
- Recipients of unemployment benefits and cash benefits in activation outside the labour force	92	85	80	83	84
- Early retirement pensioners outside the labour force	191	199	206	205	204
- Senior pensioners outside the labour force	3	11	18	23	29
- Voluntary early retirement	48	52	47	35	27
- Persons under 15 years	951	947	944	941	940
- Pensioners outside the labour force	977	974	955	968	983
- Others outside the labour force	464	439	396	394	419

Note: Recipients of education assistance benefit, the special education benefit and other temporary benefits (kontantydelse) 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. Due to 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 flex jobs and light duty 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.4
Employment by industry including leave

	2020	2021	2022	2023	2024
1.000 persons					
Employment, total	2,973	3,046	3,164	3,165	3,142
- Service industries	1,556	1,595	1,680	1,690	1,676
- Construction	194	203	211	202	191
- Manufacturing	303	307	315	316	312
- Agriculture	68	67	67	67	67
- Public sector	833	854	867	867	870

Note: The industry division is based on the division in the ADAM model, which are not identical to the division in the national accounts.
Source: Statistics Denmark and own calculations.

Table B.5
Unemployment

	2020	2021	2022	2023	2024
1.000 persons					
Gross unemployment	133	106	76	91	97
- per cent of workforce	4.3	3.4	2.3	2.8	3.0
Net unemployment	120	94	65	75	80
LFS unemployment (per cent)	5.6	5.1	4.5	5.6	6.0

Note: Differences in the definition of the labour force between the Ministry of Economic Affairs and the Ministry of Finance on one side and Statistics Denmark on the other means 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.6
Benefit recipients etc

	2020	2021	2022	2023	2024
1.000 persons					
Unemployment benefits (excl. activation)	102	82	55	61	67
Cash benefits (excl. activation)	85	75	64	68	71
Recipients of unemployment benefits and cash benefits in activation[1)]	24	22	21	27	30
Holiday benefit	3	2	2	2	2
Early retirement pensioners[2)]	210	218	226	225	224
Senior pension	3	12	19	25	32
Resource assessment benefit	36	33	38	38	38
Voluntary early retirement	48	52	47	35	27
Early retirement	0	0	7	14	18
Flex job scheme benefit	3	3	3	3	2
Disablement rehabilitation benefit[3)]	3	2	2	1	1
Sickness benefit[4)]	76	84	86	74	74
Maternity leave	51	52	53	52	53
Benefit for unemployed	18	16	13	14	15
Self-support, home-travelling and transitional benefits[5)]	12	10	14	15	10
Total	675	663	650	656	666
Student grant (SU)	318	315	301	302	300
Total, including SU	993	978	951	958	965
Pensioners	1,124	1,116	1,094	1,110	1,128
Total, including SU and pensioners	2,117	2,094	2,045	2,067	2,093
Subsidised employment[6)]	90	96	104	112	116
Total, including SU, pensioners and subsidised employment	2,207	2,191	2,148	2,180	2,209

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

1) The data does not cover persons in subsidised employment and thereby differs from other register-based data and table B.3. 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.

2) Early retirement and retirement pension include pensioners living abroad as well as pensioners, who are employed.

3) Excl. persons on disablement rehabilitation with wage support.

4) 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.

5) The number of self-support and home-travelling as well as transitional benefits are calculated excl. recipients of wage subsidies
6) Includes persons in employment with wage subsidies (including flexi-jobs and sheltered jobs).
Source: Statistics Denmark, DREAM and own calculations.

Table B.7
Gross investments

	2022	2020	2021	2022	2023	2024
	DKK bn.	Real growth rate, per cent				
Gross fixed capital formation	652	5.1	6.2	8.6	-6.1	-2.9
Divided into groups:						
- Construction investments	325	4.7	8.9	8.2	-5.7	-4.8
- Tangible and intangible investments	327	5.6	3.6	8.9	-6.5	-0.9
Divided into groups:						
- Residential investments	174	9.1	9.9	7.8	-9.3	-8.4
- Public investments[1)]	86	14.1	0.3	-4.0	6.6	1.6
- Total business investments	392	1.2	6.3	12.3	-7.4	-1.6
- Construction investments	99	-5.1	7.9	9.4	-1.3	-2.5
- Tangible and intangible investments	293	3.7	5.6	13.2	-9.5	-1.2

1) Public investments are incl. public acquisitions of buildings, which is why numbers differ from what is stated in table B.1.
Source: Statistics Denmark and own calculations.

Table B.8
Balance of payments

	2020	2021	2022	2023	2024
DKK bn.					
Goods exports	780	893	1,045	1,115	1,186
Goods imports	675	814	981	965	1,020
Goods balance, total	105	79	64	150	167
Service exports	496	601	894	748	785
Service imports	454	501	661	685	723
Service balance, total	42	100	234	63	61
Balance of goods and services	147	179	297	213	228
- Per cent of GDP	6.3	7.1	10.6	7.7	7.9
Investment income from abroad, net	85	98	122	80	80
Wage income from abroad, net	-14	-14	-18	-19	-20
EU payments, net	-16	-16	-11	-17	-19
Other current transfers from abroad, net	-20	-20	-23	-25	-26
Net transfers from abroad, total	36	47	70	19	15
Current account, total	183	226	367	232	243
- Per cent of GDP	7.9	9.0	13.1	8.4	8.5
Net assets against other countries	1,626	1,928	2,123	2,388	2,945
- Per cent of GDP	70.0	77.0	75.9	86.5	102.7

Source: Statistics Denmark and own calculations.

Table B.9
Exports and imports

	2022	2020	2021	2022	2023	2024
	DKK bn.	Real growth rate, per cent				
Exports						
Goods, total	1,045	-0.8	11.4	5.7	3.7	4.3
- Agricultural goods etc.	147	0.8	5.7	-4.1	0.0	1.7
- Industrial goods (excl. ships etc.)	773	0.6	10.9	9.6	6.0	3.3
- Other goods[1]	125	-14.8	31.4	-9.3	-6.1	16.6
Services, total	894	-14.2	2.6	12.9	2.4	2.8
- Sea transport	531	-5.4	5.8	1.8	1.0	1.0
- Other services	299	-13.2	-1.1	17.6	5.5	4.2
Total	1,939	-6.3	8.0	8.6	3.1	3.7
Imports						
Goods, total	981	-0.7	10.5	-2.2	-0.1	2.0
- Agricultural goods etc.	112	-5.6	6.1	0.5	-0.5	3.0
- Industrial goods (excl. ships etc.)	609	2.1	12.4	-2.0	-1.5	3.7
- Other goods[2]	260	-5.8	6.8	-4.1	3.4	-3.3
Services, total	661	-7.6	4.2	14.7	-1.1	3.9
Total	1,642	-3.6	8.0	4.2	-0.5	2.8
Memo		Nominal growth rate, per cent				
Export of basic goods[3]	957	0.5	10.6	14.1	10.0	5.6
Export prices		Change, per cent				
Goods, total	-	-1.5	2.8	10.6	2.9	2.0
Services, total	-	3.9	18.0	31.9	-18.3	2.0
Total	-	0.5	8.4	19.5	-6.8	2.0
Import prices						
Goods, total	-					
Services, total	-	-2.9	9.2	23.2	-1.5	3.5
Total	-	0.0	5.9	15.0	4.9	1.6

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 excluding energy, ships and airplanes.
Source: Statistics Denmark and own calculations.

Table B.10
Private consumption

	2022	2020	2021	2022	2023	2024
	DKK bn.	Real growth rate, per cent				
Total consumption	1,198	-1.4	4.2	-2.3	0.5	1.3
Retail trade	392	6.2	5.0	-4.9	-2.9	1.0
- Food, drinks and to-bacco	178	4.1	3.3	-8.0	0.3	1.0
- Other goods	214	7.9	6.3	-2.4	-5.5	1.0
Purchase of vehicles	44	0.9	0.3	-18.1	13.0	4.3
Electricity, fuels and gas	73	-0.7	5.1	-8.8	1.9	3.9
Gasoline and similar	33	-9.3	3.3	-0.4	2.6	-0.2
Housing	268	1.4	1.1	1.7	1.9	1.5
Other services	414	-12.5	4.6	7.7	-0.4	1.0
Tourist expenditures	38	-47.2	26.8	13.9	15.0	5.0

Source: Statistics Denmark and own calculations.

Table B.11
Net lending by sectors

	2020	2021	2022	2023	2024
DKK bn.					
Private sector, total	177	138	280	187	234
- Households	35	-8	60	73	107
- Corporations	143	146	220	114	127
- Non-financial corporations	106	89	167	67	81
- Financial corporations	37	57	53	47	45
General government	5	91	93	51	16
Total	182	229	373	238	250

Note: Net lending of general government corresponds to the general government budget balance. The total (except for the typically small net capital transfers from abroad) corresponds to the current account balance, *cf. table B.8*.
Source: Statistics Denmark and own calculations.

Table B.12
Gross value added (GVA)

	2022	2020	2021	2022	2023	2024
	Share, per cent	Real growth rate, per cent				
Total GVA	100	-2.4	5.1	4.7	0.6	1.5
Public sector	18	-4.2	3.3	-0.8	0.2	1.1
Private sector	82	-2.0	5.5	6.1	0.7	1.5
Private sector excl. mining and quarrying	80	-1.7	5.5	6.1	0.9	1.0
Non-farm private sector[1)]	63	-2.2	6.1	6.8	0.8	0.9

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

Table B.13
Hourly productivity in selected industries

	Avg. 1998-2022	2020	2021	2022	2023	2024
Real growth rate, per cent						
Total	1.0	0.6	1.2	0.2	1.3	2.2
Public sector	0.4	-2.2	0.7	-2.3	0.2	0.4
Private sector	1.2	1.4	1.2	0.5	1.6	2.8
Private sector excl. mining and quarrying	1.4	1.6	1.2	0.5	1.8	2.3
Non-farm private sector[1)]	1.3	1.3	1.4	1.2	1.7	2.3

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 excluding shipping.
Source: Statistics Denmark and own calculations.

Table B.14
Contributions to growth in households' real disposable income[1)]

	2020	2021	2022	2023	2024
Real growth rate, per cent					
Disposable income[2)]	0.0	-0.5	1.1	-1.0	1.0
Contribution, percentage points					
Compensation of employees[3)]	1.1	3.6	-0.4	-1.2	1.3
Social benefits	1.7	-0.5	-2.3	0.2	0.3
Income taxes	-2.4	-2.0	2.0	1.5	-0.1
Net interest income	-0.7	0.2	-0.1	-0.6	-1.5
Dividend etc,4[)]	-0.8	0.2	0.3	-0.4	0.8
Pension contribution	0.6	-0.7	2.0	-1.6	-0.5
Payment from pension schemes[5)]	0.0	-0.6	0.3	0.1	0.0
Others[6)]	0.5	-0.8	-0.8	0.9	0.8

1) The household sector in the Economic Survey includes Non-Profit Institutions Serving Households (NPISH).
2) Taxation on payments of frozen holiday funds is subtracted in the calculation of disposable income.
3) Covering only employees residing in Denmark.
4) Incl. dividends from investment funds.
5) Occupational pensions etc. (but not individual pension schemes in banks, etc.)
6) Including the self-employed.
Source: Statistics Denmark and own calculations.

Table B.15
Households' net lending[1)]

	2020	2021	2022	2023	2024
DKK bn.					
Disposable gross income[2)]	1,142	1,159	1,257	1,298	1,351
Private consumption	1,074	1,142	1,198	1,256	1,310
Gross investment[3)]	111	123	142	136	131
Net capital transfers[4)]	4	-2	8	11	14
Direct net lending	**-40**	**-108**	**-75**	**-82**	**-76**
Adjustment for the change in pension entitlements[5)]	75	100	135	155	183
Net lending[6)]	**35**	**-8**	**60**	**73**	**107**
Per cent of disposable gross income					
Direct net lending	-3.5	-9.3	-5.9	-6.3	-5.6
Net lending	3.0	-0.7	4.8	5.6	7.9

1) The household sector in the Economic Survey includes Non-Profit Institutions Serving Households (NPISH).
2) Taxation on payments of frozen holiday funds is subtracted in the calculation of disposable income.
3) Households' gross investments include investments in owner-occupied housing and investments in buildings and materials by sole proprietors.
4) Net capital transfers in 2022 include property taxes refunded to owner-occupied property owners, funds for specific challenges as a result of covid-19 and further stimulants as well as reimbursement of contributions to the voluntary early retirement scheme.
5) Net payments to and returns (excl. tax on pension yield) on household capital in life insurance companies and pension funds.
6) Households' (net) acquisition of financial assets (incl. shares) in other sectors.
Source: Statistics Denmark and own calculations.

Table B.16
Real estate market and housing construction

	2020	2021	2022	2023	2024
Pct.					
Change in the price of traded single-family houses[1)]	4.8	10.5	0.7	-9.2	-0.5
Housing gross investment (real growth)	9.1	9.9	7.8	-9.3	-8.4

1) The change is adjusted for developments in the volume of housing sales.
Source: Statistics Denmark and own calculations.

Table B.17
Labour wage ratio, wage increases and computational preconditions

	2020	2021	2022	2023	2024
Labour wage ratio, per cent					
Private sector	59.0	57.4	53.7	57.1	57.2
The entire economy	64.0	62.6	59.2	62.0	62.1
Wage increase, per cent					
Private sector					
- Hourly earnings (excl. nuisance bonus)	1.9	2.9	3.6	4.4	5.3
Public sector					
- Hourly earnings (excl. nuisance bonus)	2.5	1.2	2.4	-	-
- Budgetary impact	2.5	1.3	1.9	2.4	4.1
Wage adjustment rate, per cent[1)]	2.0	2.0	1.2	2.7	3.3

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 in 2020-2021 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 wage adjustment rate stated for 2020-2024 is the announced wage adjustment rate.
Source: The Confederation of Danish Employers, Statistics Denmark, and own calculations.

Table B.18
Price developments and explanatory factors

	2020	2021	2022	2023	2024
Change, per cent					
Net price index	0.4	1.5	7.7	6.1	2.7
Tariffs and housing benefits, contribution	0.0	0.5	0.0	-1.8	0.3
Consumer price index	0.4	1.9	7.7	4.3	3.0

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.19
Public finances

	2020	2021	2022	2023	2024
DKK bn.					
Public consumption	575.4	608.4	615.4	639.0	673.9
Income transfers[1)]	385.8	388.0	387.1	406.9	423.3
Investments	83.9	85.3	86.7	93.5	99.0
Interest expenditures	12.8	14.1	20.6	14.2	14.7
Subsidies	75.6	63.3	39.5	37.4	38.9
Other expenditures[2)]	86.9	86.6	89.6	94.5	98.6
Total expenditure[3)]	1,220.4	1,245.7	1,238.9	1,285.4	1,348.4
Personal income taxes, etc,4[)]	510.3	542.6	564.8	567.5	584.3
Labour market contributions	106.3	112.2	117.2	121.6	126.0
Pension yield taxation	48.2	63.8	11.3	9.0	9.3
Corporate taxes	66.6	93.6	89.2	86.4	87.4
VAT	231.6	250.0	265.1	271.1	278.3
Other duties	142.4	147.4	143.5	143.8	141.6
Other taxes[5)]	4.0	2.8	1.2	1.0	1.0
Interest revenues	20.3	24.5	29.6	32.6	34.7
Other revenues[6)]	98.8	103.5	114.3	108.4	106.1
Tariffs etc. to the EU	-3.1	-3.7	-4.6	-4.5	-4.7
Total revenue[7)]	1,225.4	1,336.7	1,331.9	1,336.8	1,364.1
General government budget balance	5.0	91.0	93.0	51.4	15.8
Net interest expenditure	-7.5	-10.4	-9.0	-18.5	-20.0
General government primary balance[8)]	-2.5	80.6	84.0	32.9	-4.3

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.20
Taxes and tax burden

DKK bn.	2020	2021	2022	2023	2024
Indirect taxes	**371.0**	**393.7**	**404.1**	**410.3**	**415.3**
- VAT	231.6	250.0	265.1	271.1	278.3
- Registration tax	18.7	16.4	11.5	12.2	11.1
- Excise duties	68.8	71.7	69.6	62.3	68.8
- Energy (incl. PSO)	37.3	37.6	37.7	30.1	36.4
- Environmental	3.5	3.7	3.7	3.8	3.8
- Tobacco and spirits etc.	12.6	13.2	11.3	11.4	11.4
- Others	15.4	17.1	16.8	17.0	17.1
- Property taxes	31.6	32.4	33.1	36.3	27.3
- Motor vehicle tax paid by businesses	3.9	4.0	4.1	4.1	4.3
- Other indirect taxes	16.3	19.3	20.7	24.4	25.5
Direct taxes	**727.3**	**806.8**	**775.2**	**779.0**	**801.5**
- Withholding taxes[1)]	488.1	520.5	541.5	546.8	563.9
- State tax	172.7	182.3	189.8	194.6	201.2
- Bottom-bracket tax	151.5	159.8	165.2	169.0	174.3
- Top-bracket tax	18.4	20.2	21.7	22.9	24.1
- Health contributions	0.0	0.0	0.0	0.0	0.0
- Limited tax liability	2.3	2.4	2.9	2.6	2.8
- Total municipal tax	263.0	277.9	284.1	294.4	302.9
- Property value tax	15.0	14.2	14.1	14.4	15.0
- Other withholding taxes[2)]	37.5	46.2	53.5	43.4	44.8
- Pension yield tax	48.2	63.8	11.3	9.0	9.3
- Corporate tax	66.6	93.6	89.2	86.4	87.4
- Other personal taxes	8.3	8.1	8.7	7.9	7.3
- Media license	2.7	1.2	0.0	0.0	0.0
- Motor vehicle tax paid by households	7.2	7.3	7.2	7.3	7.6
- Labour market contributions	106.3	112.2	117.2	121.6	126.0
Social security contributions[3)]	1.4	1.5	1.2	1.0	1.0
Capital taxes	6.7	6.6	7.4	5.5	5.5
Customs and import duties (collected by the EU)	3.1	3.7	4.6	4.5	4.7
Total taxes	**1109.4**	**1212.4**	**1192.5**	**1200.4**	**1228.0**
GDP	2323.9	2504.2	2797.9	2758.7	2867.1
Total taxes, share of GDP	**47.7**	**48.4**	**42.6**	**43.5**	**42.8**

1) For 2020-2022, the distribution of withholding taxes to the state and municipalities is from Statistics Denmark. For 2023-2024, 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 enterprise etc.
Source: Statistics Denmark and own calculations.

Table B.21
Development in the tax base for municipalities

	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024
	DKK bn.					Per cent				
December 2019	1,035.9	1,073.4	-	-	-	2.9	3.6	-	-	
May 2020	997.6	1,042.7	-	-	-	-1.1	4.5	-	-	
August 2020	1,054.6	1,044.9	-	-	-	4.3	-0.9	-	-	
December 2020	1,063.6	1,070.7	1,087.2	-	-	5.6	0.7	1.5	-	
May 2021	1,060.5	1,070.3	1,085.6	-	-	5.3	0.9	1.4	-	
August 2021	1,058.3	1,075.5	1,081.7	-	-	5.1	1.6	0.6	-	
December 2021	1,064.4	1,094.1	1,104.2	1,153.8	-	5.7	2.8	0.9	4.5	
May 2022	1,064.4	1,102.1	1,105.9	1,148.2	-	5.7	3.5	0.3	3.8	
August 2022	1,064.4	1,136.4	1,122.8	1,148.8	-	5.7	6.8	-1.2	2.3	
March 2023	1,064.4	1,132.9	1,154.2	1,185.7	1,233.2	5.7	6.4	1.9	2.7	4.0
May 2023	1,064.4	1,132.9	1,162.7	1,193.6	1,230.1	5.7	6.4	2.6	2.7	3.1

Note: Rows show the time of the budgeting of the municipal tax base. The columns show the tax base in the year concerned.
Source: Statistics Denmark and own calculations.

Table B.22
Income transfers

	2020	2021	2022	2023	2024
DKK bn.					
Unemployment benefits (excl. activation)	21.2	17.7	11.7	13.9	16.0
Cash benefits[1] (excl. activation)	26.4	26.9	27.8	31.7	33.4
Vacation allowance	0.7	0.6	0.5	0.3	0.4
Anticipatory pensions[2]	44.1	46.3	46.6	49.0	50.4
Resource rehabilitation allowance	6.3	5.8	6.6	6.7	7.0
Early retirement benefit	8.5	8.9	7.8	5.7	4.6
Rehabilitation benefit	0.6	0.5	0.4	0.3	0.3
Sickness benefit	14.1	16.2	16.5	14.6	15.1
Maternity pay	12.0	12.1	12.0	12.6	13.3
Rent benefit	15.4	15.5	15.6	16.2	16.9
Child and youth benefit	14.8	14.9	14.9	15.9	16.3
Other transfers[3]	24.6	22.0	24.0	25.7	23.2
Student grants (SU)	20.9	21.0	20.0	20.8	21.4
Public pension scheme[4]	144.6	146.2	145.2	154.2	162.5
Other pension schemes[5]	31.5	33.5	37.5	39.3	42.7
Total[6]	385.8	388.0	387.1	406.9	423.3
Total, excl. public and other pensions	209.7	208.3	204.4	213.4	218.1
Total, excl. education grants, public pensions and other pensions	188.8	187.4	184.4	192.6	196.7

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.

Note: The expenditures to income transfers is not directly eqvivalent to the number of benefits recipients in table B.6.

Source: Statistics Denmark and own calculations.

Table B.23
Key figures estimated at different times

	Aug. 2021	Dec. 2021	May 2022	Aug. 2022	Mar. 2023	May 2023
2021						
GDP (real growth rate, per cent)	3.8	3.9	4.7	4.9	4.9	4.9
Gross unemployment (1.000 persons)	114	107	106	106	106	106
Consumer prices (change, per cent)	1.3	1.8	1.9	1.9	1.9	1.9
Balance of payments (DKK bn.)[1)]	165	181	206	219	226	226
Actual budget balance (DKK bn.)	-47	-5	59	65	91	91
2022						
GDP (real growth rate, per cent)	2.8	2.8	3.4	2.8	3.6	3.8
Gross unemployment (1.000 persons)	104	78	86	78	76	76
Consumer prices (change, per cent)	1.5	2.2	5.2	7.3	7.7	7.7
Balance of payments (DKK bn.)[1)]	175	186	170	231	371	367
Actual budget balance (DKK bn.)	10	25	17	32	82	93
2023						
GDP (real growth rate, per cent)	-	2.1	1.9	0.8	0.2	0.6
Gross unemployment (1.000 persons)	-	77	87	93	93	91
Consumer prices (change, per cent)	-	1.8	1.8	3.3	3.9	4.3
Balance of payments (DKK bn.)[1)]	-	174	160	208	269	232
Actual budget balance (DKK bn.)	-	20	5	22	45	51
2024						
GDP (real growth rate, per cent)	-	-	-	-	1.5	1.4
Gross unemployment (1.000 persons)	-	-	-	-	97	97
Consumer prices (change, per cent)	-	-	-	-	2.8	3.0
Balance of payments (DKK bn.)[1)]	-	-	-	-	264	243
Actual budget balance (DKK bn.)	-	-	-	-	24	16

1) Taxable and non-taxable benefits incl. the integration benefit.
Source: Statistics Denmark and own calculations.

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