

Today the Ministry of Economic Affairs and the Interior publishes the *Economic Survey*, December 2011, which contains the government's assessment of the economic outlook up to 2013.

- The outlook for the global economy has deteriorated significantly during the second half of 2011 due to the aggravated debt crisis in a number of European countries. In both the U.S. and in Europe the crisis of confidence has broadened and affects the financial sector as well as consumers and businesses.
- The weak developments in the global economy are also affecting Denmark. In 2012, GDP is expected to grow by 1 per cent with a modest contribution to growth from exports, due to the weak export market growth.
- In Denmark, growth in 2012 is supported by the moving forward of investments in the so-called “kick start”-package as well as the reimbursement of the Voluntary Early Retirement Pension (VERP) contributions, which will support private consumption. A significant share of growth next year is thus due to initiatives to support activity and employment in Denmark.
- Assuming that the debt crisis is contained, growth is expected to become more self-sustained in 2013, and the largest contributions to growth are expected to come from private consumption, business investments and exports. GDP-growth is, however, estimated to be relatively low at 1.4 per cent.
- Employment is expected to fall throughout 2012. Gross unemployment (including persons in activation schemes) is expected to peak in the second half of 2012 at close to 175,000 persons (6 per cent of the labour force) before decreasing in 2013, due to a rise in employment over the year. By the end of 2013, gross unemployment is expected to be back at the end-2011-level.
- The public deficit is expected at just over DKK 100 bn in 2012 (5½ per cent of GDP). In 2013 the deficit is expected to be reduced considerably to close to DKK 48 bn (2.6 per cent of GDP). The public finance deficit in Denmark will thus be below the 3 per cent reference value in the EU Stability and Growth Pact (SGP). The structural fiscal deficit (adjusted for cyclical developments) is estimated to decrease from approx. 1½ per cent of GDP in 2010 to balance in 2013, in line with the EU recommendation.

Minister for Economics and the Interior, Margrethe Vestager, states:

"The international crisis of debt and of confidence affects Denmark. Lower international growth means less demand from key export markets. And when confidence is down, consumers and businesses are more reluctant to spend and invest. The “kick-start”-package and the reimbursement of VERP-contributions in 2012 will support employment at the right time and will reduce the worst effects of the debt crisis. But overall, the development points to very modest growth in the coming years.

The government will safeguard confidence in the Danish economy by pursuing a credible and responsible economic policy. The current situation highlights the importance of implementing reforms and consolidating public finances. International confidence is in fact the very best protector of a stable Danish economy. Confidence is decisive for a continued low interest rate. During the last few months of turbulence, Denmark has been perceived as a “safe haven” for investors. The yield on Danish government bonds have been at the same level or below the German level. Foreign capital has flowed into the country. And Denmark has the highest credit rating (AAA).

Confidence is established when citizens and markets see that economic objectives are reasonable and credible, and that the political will and ability to turn those objectives into reality is present. In European countries efforts are made to find national solutions to restore confidence in fiscal policy. The focus is on implementing reforms and pursuing a responsible fiscal policy within the framework of recommendations, which the majority of EU countries have received. This also applies to Denmark.

The plan for a strengthened fiscal cooperation in the euro area will set new standards for the perception of "a responsible fiscal policy", whether the individual countries participate in the agreement or not. In 2012, we will present a new 2020-plan which will be the government's way of bringing Denmark strengthened through the crisis - by reforms and a responsible economic policy."

Annex:

Table 1: Key figures for the Danish economy

Table 2: Key figures compared to the August Survey.

Table 1

Key figures for the Danish economy

	2008	2009	2010	2011	2012	2013
Percentage change from previous year						
Real GDP	-0.8	-5.8	1.3	1.0	1.0	1.4
Trade-weighted GDP abroad	0.6	-3.8	2.9	2.3	1.3	1.8
Markets for Danish manufactures	1.4	-10.0	8.0	6.3	3.3	4.9
International competitiveness	-4.0	-4.1	2.9	0.4	0.7	0.0
Export of manufactures, volume	1.4	-12.7	5.6	8.9	3.0	3.9
Hourly wages	4.6	3.0	2.7	2.3	2.1	2.3
Consumer price index	3.4	1.3	2.3	2.8	1.9	1.6
Price index for single-family houses	-3.7	-12.8	2.7	-2.3	-2.3	1.9
Merchandise export prices	5.3	-6.2	5.4	5.9	1.5	0.8
Merchandise import prices	5.0	-10.1	4.8	5.6	1.7	1.0
Merchandise terms of trade	0.3	4.3	0.6	0.2	-0.2	-0.2
Productivity in private non-agricultural sector	-2.8	-2.7	5.1	2.6	1.9	2.1
Real disposable income of households ¹⁾	0.6	2.1 ²⁾	2.2	-1.0	1.3	1.0
Labour market						
Labour force (thousands)	2,956	2,913	2,865	2,847	2,855	2,864
Employment (thousands)	2,904	2,815	2,751	2,737	2,734	2,738
Of which in private sector	2,092	1,985	1,911	1,906	1,899	1,900
in public sector	813	830	840	831	835	838
Percentage change in total employment	1.5	-3.1	-2.3	-0.5	-0.1	0.1
Gross unemployment (thousands)	74	129	164	163	172	163
Gross unemployment (per cent)	2.5	4.4	5.7	5.7	6.0	5.7
Unemployment (thousands)	52	98	114	109	122	126
Unemployment rate (per cent)	1.7	3.4	4.0	3.8	4.3	4.4
Unemployment rate, EU-def. (per cent)	3.3	6.0	7.4	7.5	7.7	7.6
Long term bond yields, exchange rate						
10-year government bonds	4.3	3.6	2.9	2.8	2.9	3.5
30-year mortgage credit bond	6.1	5.5	4.7	4.8	4.4	5.0
The effective krone rate (1980=100)	105.8	107.8	104.0	103.7	103.2	103.2
Balance of payments						
Goods and services (bn DKK)	55.6	62.6	92.4	99.1	93.9	92.8
Current account (bn DKK)	50.5	54.6	96.9	104.8	97.2	96.0
Current account (per cent of GDP)	2.9	3.3	5.5	5.9	5.3	5.1
Net foreign assets, ultimo (bn DKK)	-91.5	73.0	181.0	262.8	360.7	457.4
Net foreign assets (per cent of GDP)	-5.2	4.4	10.3	14.7	19.7	24.2
Public finances						
Government net lending (bn DKK)	57.6	-45.9	-47.4	-71.2	-100.7	-48.2
Government net lending (per cent of GDP)	3.3	-2.7	-2.7	-4.0	-5.5	-2.6
General gov. gross debt (bn DKK)	600.1	691.9	761.6	830.4	788.5	840.4
General gov. gross debt (per cent of GDP)	34.2	41.5	43.4	46.4	43.0	44.6
Tax burden (per cent of GDP)	47.9	47.8	47.7	46.5	46.6	47.6

1) Adjusted. Including the reimbursement of VERP-contributions, real disposable income is expected to grow by 2.8 per cent in 2012.

2) Including the disbursement of SP-savings, real disposable income grew by 4.0 per cent in 2009.

Table 2**Key figures compared to the August Survey**

	2011		2012		2013
	August	December	August	December	December
Percentage change from previous year					
Private consumption	0.3	-0.8	2.4	0.8	2.0
Total public demand	0.6	0.4	0.0	1.6	-1.7
- public consumption	0.1	-0.1	0.4	0.6	0.3
- public investment	7.3	6.6	-4.7	13.9	-23.6
Residential construction	7.0	9.9	3.0	1.0	3.0
Fixed business investments	-0.1	-5.1	6.6	2.6	6.6
Final domestic demand	0.7	-0.4	2.2	1.3	1.4
Stock building (cont. to GDP growth)	0.1	0.0	0.1	0.0	0.0
Total domestic demand	0.7	0.0	2.3	1.3	1.4
Exports of goods and services	5.7	7.1	3.6	1.9	3.2
- of which manufactures	8.7	8.9	4.7	3.0	3.9
Total demand	2.5	2.5	2.8	1.5	2.1
Imports of goods and services	5.0	5.7	4.8	2.5	3.5
- of which goods	5.5	6.5	4.6	2.4	2.9
GDP	1.3	1.0	1.8	1.0	1.4
Gross value added	1.3	0.9	1.7	0.9	1.4
- of which private sector	2.2	2.4	2.7	1.5	2.3
Change in 1,000 persons					
Labour force	-8	-19	6	8	9
Employment	-2	-14	7	-4	4
Of which in private sector	1	-5	4	-8	1
in public sector	-3	-9	3	4	3
Gross unemployment	-2	-1	-1	9	-9
Net unemployment	-6	-5	-1	12	5

Table 2 - continued**Key figures compared to the August Survey**

	2011		2012		2013
	August	December	August	December	December
Percentage change from previous year					
Merchandise export prices	3.6	5.9	1.8	1.5	0.8
Merchandise import prices	5.1	5.6	1.8	1.7	1.0
Merchandise terms of trade	-1.4	0.2	0.0	-0.2	-0.2
House prices, single-family house	-1.0	-2.3	0.3	-2.3	1.9
Consumer prices	2.8	2.8	1.8	1.9	1.6
Hourly compensation, private sector	2.5	2.3	2.8	2.1	2.3
Real disposable income, private sector	1.3	1.0	2.2	1.1	-0.3
Real disposable income of households ¹⁾	2.2	-1.0	1.2	1.3	1.0
Productivity in private non-agricultural sector	2.0	2.6	2.4	1.9	2.1
Per cent per year					
Interest rate 1-year adjustable rate loan	1.7	1.4	2.6	1.4	2.4
10-year government bonds	3.2	2.8	3.6	2.7	3.0
30-year mortgage credit bond	5.1	4.8	5.2	4.2	4.5
Balances					
Current account (bn DKK)	83.8	104.8	76.8	97.2	96.0
Government net lending (bn DKK)	-68.2	-71.2	-84.5	-100.7	-48.2
Gross unemployment (thousands)	162	163	161	172	163
Net unemployment (thousands)	108	109	107	122	126
External assumptions					
Trade-weighted GDP abroad, per cent	2.3	2.3	2.1	1.3	1.8
Markets for Danish manufactures, per cent ²⁾	6.3	6.3	5.8	3.3	4.9
Exchange rate, DKK per \$	5.3	5.3	5.2	5.5	5.5
Oil price, \$ per barrel	112.9	111.3	113.2	108.8	111.3
Oil price, DKK per barrel	594.2	595.3	589.4	602.3	616.2

1) Adjusted. In 2012, the reimbursement of VERP-contributions is included.