

1. Summary

1.1 The current economic outlook

The lengthy period of slack in the Danish economy following the global financial crisis and, subsequently, the sovereign debt crisis in Europe is nearing an end. Production has been growing each year since 2009 and further expansion is expected. Private consumption has grown healthily for some time now, making economic growth more broad-based. Private consumption is supported by strong labour market developments as employment continues to rise at a rapid clip, *cf. figure 1.1*.

Against this background, the economy is approaching a situation in which capacity constraints may begin to emerge. Unemployment, which is already low by historical standards, is expected to reach its structural level in the forecast period, *cf. figure 1.2*. Hence, the unemployment gap will essentially be closed next year.

Already, signs of capacity constraints are emerging though there have not yet been signs of increasing wage growth, which typically appear with a time lag. Capacity constraints may hamper growth further along in the business cycle. The upturn and the ongoing improvement in employment can be prolonged if new policy measures are implemented to expand labour supply and strengthen growth potential.

Figure 1.1
GDP and employment show an economy in progress

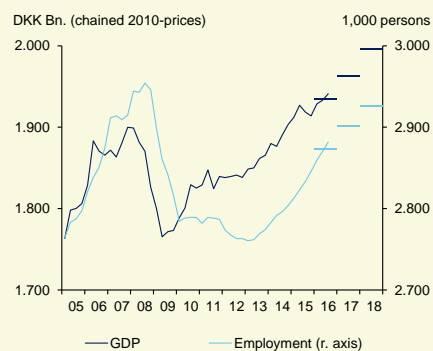
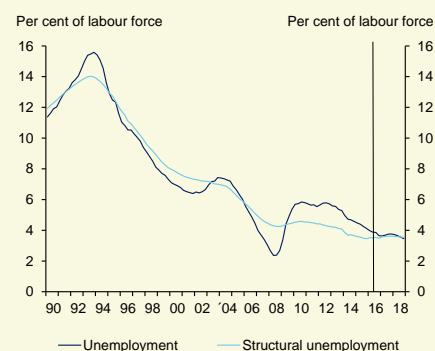


Figure 1.2
Unemployment is low and approaching its structural level



Note: In figure 1.1 the horizontal lines represent forecasts for GDP and employment in the forecast.

Employment is measured including persons on temporary leave of absence, e.g. parental leave.

Source: Statistics Denmark and own calculations.

The normalisation of resource utilisation has been going on for some time although GDP growth has been and continues to be moderate relative to previous upturns. The moderate growth rates should be seen in connection with slow productivity growth. GDP growth is expected to increase from a subdued rate of just below 1 per cent in 2016 to 1.5 per cent in 2017 and further to 1.7 per cent in 2018.

Continued expansion and a tighter labour market have a bearing on economic policy requirements. To ensure that the upswing remains sustainable and does not lead to a build-up of imbalances, economic policies should not add further to capacity pressures. Fiscal and structural policy requirements should be seen in light of the still very accommodative monetary stance, where interest rates are expected to remain low in the coming years.

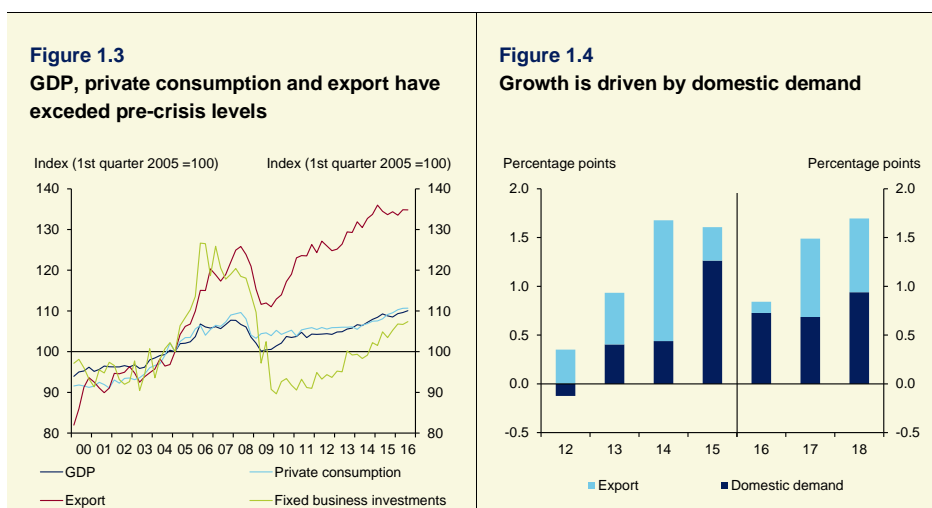
Growth prospects abroad are generally characterized by continued employment growth and GDP growth similar to 2015-2016 although risks seem primarily tilted to the downside. 2016 has been a year of heightened political uncertainty and related volatility in financial markets. The uncertainty primarily stems from Brexit, increasing risks of more protectionist and inward-looking policies and broader uncertainty surrounding the strength of global growth and trade. The uncertainty is not necessarily transitory and more subdued growth in e.g. world trade or the euro area would also impact the Danish economy.

The crisis is behind us, but growth remains moderate

In many ways, the Danish economy has come through the crisis. With the exception of a few quarters, GDP has been rising since the beginning of 2009. Prior to the global economic crisis in 2008-2009, the Danish economy was severely overheated with, among other things, high private consumption and a high level of investment. From 2014 onwards, GDP and private consumption have exceeded their overheated pre-crisis levels again, *cf. figure 1.3*.¹ Exports reached the pre-crisis level earlier while investments remain subdued.

The recovery of the Danish economy has over the past couple of years gone from being largely export-driven to being supported by domestic demand and private consumption in particular. Thus, the foundation for growth has also become more broad-based, *cf. figure 1.4*.

¹ On 15 November 2016, Statistics Denmark published an extraordinary revision of the annual national accounts. The revisions implied both a higher GDP level and higher GDP growth – particularly for the past two years. The new data implies that the recovery of the Danish economy has started earlier and has been faster than indicated by previous estimates. The new data, however, does only to a limited extent change the starting point for this forecast. With the usual methodologies used by the Danish Ministry of Finance, the structural levels for GDP and employment are now assessed to be higher, while the growth composition as well as the growth profile are about unchanged. Section 1.4 contains an overview of the major changes in the revised national accounts.



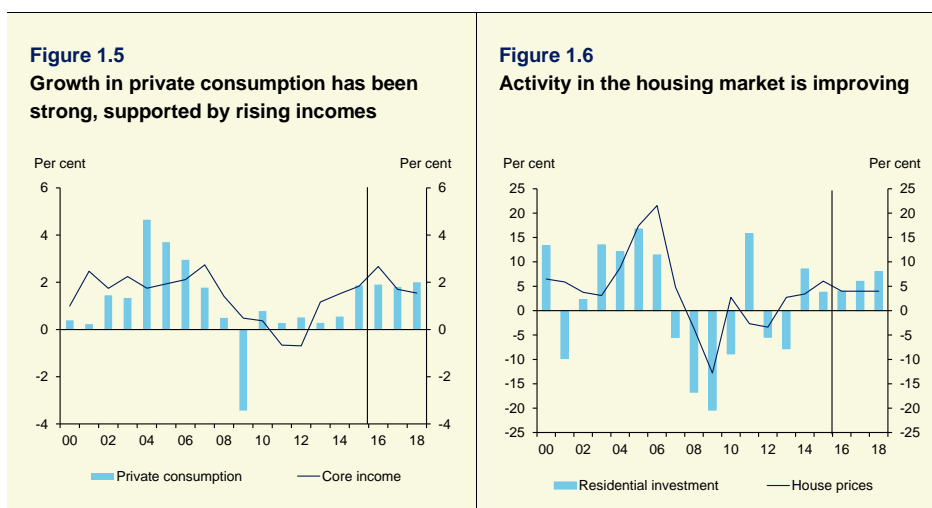
Note: In figure 1.3 fixed business investments do not include new public investments. Figure 1.4 shows contributions to GDP growth adjusted for the import content in domestic demand and exports respectively.

Source: Statistics Denmark and own calculations.

The strength of further progress relies to a considerable extent on domestic demand continuing to drive growth. Private consumption has been strong since the beginning of 2014. The current solid growth in consumption is supported by the highest increase in core income (wages and public transfers) since 2007, *cf. figure 1.5*. For 2017 and 2018 consumer price inflation is expected to tick up, which reduces real income growth. However, there is potential for continued solid growth in private consumption as spending remains moderate relative to incomes. For an extended period, household consumption has been held back by the general uncertainty surrounding the economic outlook and some households have held back spending due to consolidation needs following considerable loan-financed consumption spending in the middle of the last decade.

Housing market activity also supports the impression of an economy on the mend, *cf. figure 1.6*. Residential investments are growing steadily after long having been affected by the aftermath of the construction boom accompanying the preceding housing bubble, which lessened the need for new housing. In certain parts of the housing market, particularly in the Copenhagen area, where prices have risen strongly, construction activity is increasing strongly. However, it will take time for increased supply to dampen the price increases. Housing prices are now increasing across all parts of the country, but currently there are no signs of acceleration in the price increase. Credit growth remains moderate and households collectively are reducing their debt relative to both their incomes and assets.

A political agreement has been reached on a new system for real estate valuation, which includes a more accurate assessment of the land values for privately owned property. A relatively swift agreement on the new real estate taxation will lessen the uncertainty, which currently may dampen turnover and price developments in the housing market.



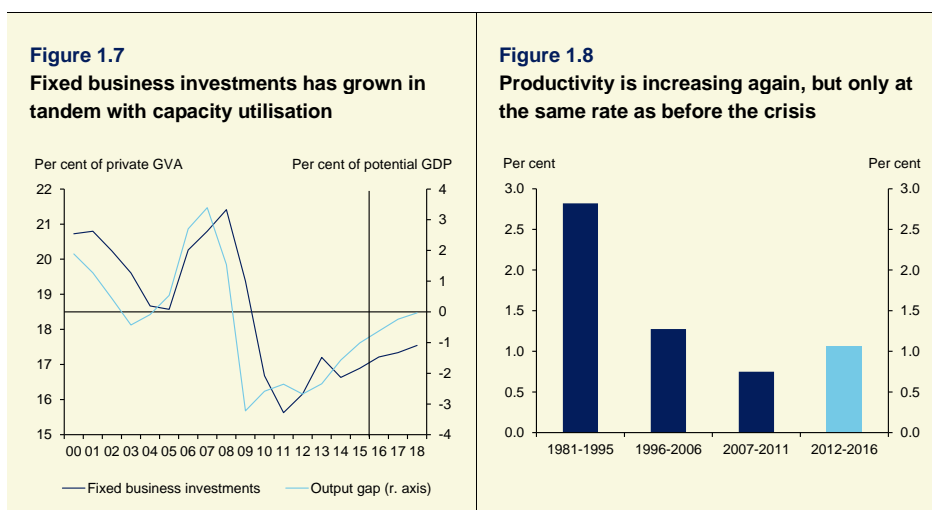
Note: In figure 1.5 core income is measured as the sum of wages and public transfers.

Source: Statistics Denmark and own calculations.

Meanwhile, export growth has been sluggish over the past year, partly as a result of slow growth in world trade relative to growth in the world economy. On Danish export markets, progress in employment is robust in many countries though growth is modest as a result of low investments and weak productivity growth. The euro area recovery is underway and growth in USA is expected to regain strength following more moderate progress over the last couple of years. For the moment, Brexit is assessed to primarily impact the economic prospects for the United Kingdom, while contagion effects of Brexit on the euro area and other countries are expected to be limited for now.

Exports also affect the level of investment. Fixed business investments have risen in recent years as capacity utilisation has gone up and the negative output gap has diminished, *cf. figure 1.7*. The rate of increase has been lower than for other demand components. The amount of spare capacity in the economy is not the only reason for this. The uncertainty surrounding the underlying growth prospects and demand strength, including the strength of external demand, has also dampened investments.

To improve investment conditions and raise potential growth, proposals for new initiatives were put forward in *Growth 2016*. An increase in investment would contribute positively to production capacity, and new investments – for example in new technologies – generally lead to higher productivity. A weak development in productivity has long been a considerable challenge for the Danish economy. Prior to 1995, productivity in the nonfarm private sector grew by around 2¾ per cent per year on average, *cf. figure 1.8*. In the period from 1995 until the onset of the crisis, productivity growth fell to approximately 1¼ per cent per year and the growth rate declined further in its aftermath. Productivity is now rising again but only at the same rate as immediately prior to the crisis.



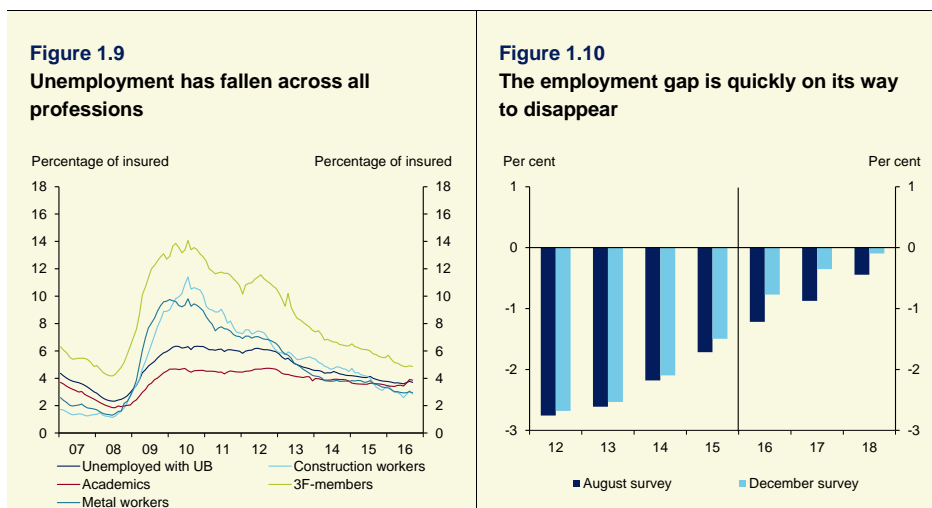
Note: Figure 1.8 shows the average annual growth in hourly productivity in the nonfarm private sector.
Source: Statistics Denmark and own calculations.

Approaching a situation with capacity constraints

With production expanding and a steady climb in employment, the output gap will gradually close. Increasing employment and already low unemployment can lead to a situation with increasing capacity constraints.

The picture of fewer available resources across the entire labour market is reflected in a drop in the registered unemployment rate across all professions. At the same time, the gap in unemployment levels between professions has also narrowed, cf. figure 1.9. Furthermore, the fall in unemployment is taking place across the country, cf. section 1.3.

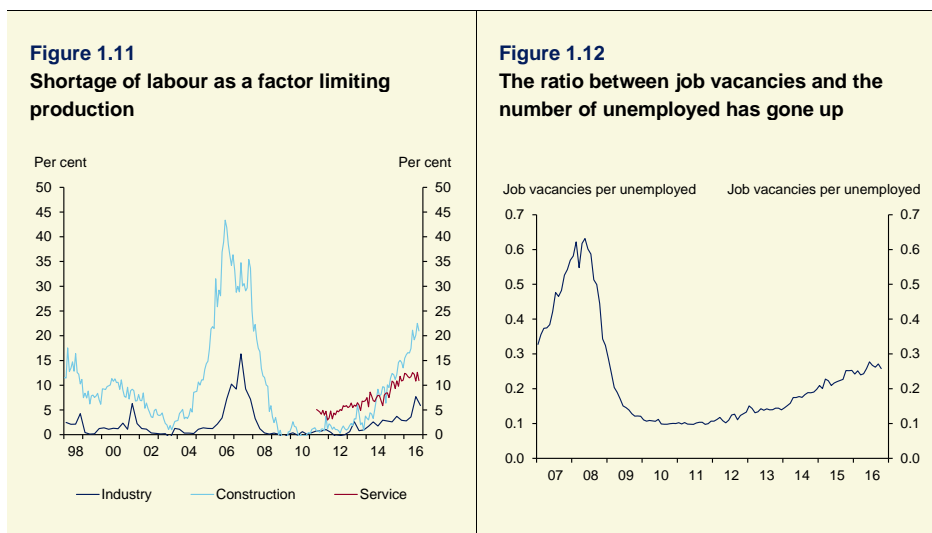
As the economic recovery continues, employment is expected to increase by a further 50,000 persons in 2017 and 2018 following a strong increase of around 45,000 persons this year. Almost all of the increase in employment is forecast to take place in the private sector while public sector employment is roughly unchanged. Previously implemented reforms, including the Retirement Reform of 2011, increases the structural employment level, but with the projected progress in employment, the employment gap will be reduced to approximately 0.1 per cent of employment, corresponding to around 3,000 persons in 2018, cf. figure 1.10. The employment gap is thus quickly on its way to close and this will happen earlier than was expected in *Economic Survey, August 2016*, where the employment gap projected for 2018 was 0.4 per cent of employment, corresponding to around 12,000 persons.



Note: The decomposition in figure 1.9 cannot be extended backwards further than 2007.

Source: Statistics Denmark and own calculations.

Already, an increasing number of firms are reporting shortage of labour as a production constraint, *cf. figure 1.11*. The pressure on capacity is currently strongest in the construction sector, which in addition to the sector's own job growth also reflects the broader improvement in the labour market generally. A tighter labour market is also reflected in an increasing number of job vacancies per unemployed, *cf. figure 1.12*.



Note: The series for labour shortage in the service industry cannot be extended backwards further than the spring of 2011.

Source: Statistics Denmark, Jobindsats and own calculations.

Should significant labour market shortages reemerge with accompanying upward pressures on wages over a prolonged period of time, Denmark's competitiveness may be hampered. Currently, however, the pressure on the labour market is not so high that there are signs of accelerating wage growth. Wage growth has been fairly stable at just above 2 per cent year-on-year for the past six quarters and it is quite similar across main sectors. The moderate wage growth should be seen in connection with the very subdued price increases.

Increasing structural employment in the coming years should help to contain labour market pressures. Initiatives to increase labour supply and continued restraint in fiscal policy can help sustain a longer-lasting and sustainable increase in employment. This could include initiatives to promote labour market participation and reduce the number of people of working age receiving social benefits as well as that businesses have access to the qualified labour they need, including labour from abroad.

Global political uncertainty points to negative risks

While growth is currently driven mainly by domestic demand the Danish economy is not decoupled from external developments. In particular, growth in Denmark has been synchronized with the euro area, *cf. figure 1.13*. This is, among other things, due to close trade relations, spillover effects from financial markets and the impact of external developments on domestic confidence and expectation formation.

Figure 1.13
The Danish business cycle is synchronized with the euro area business cycle

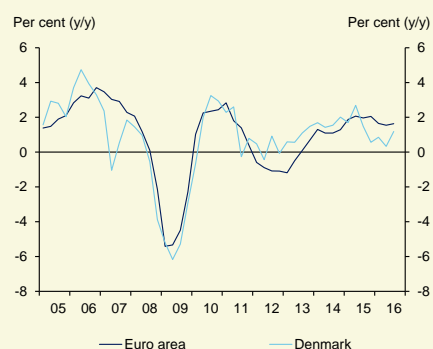
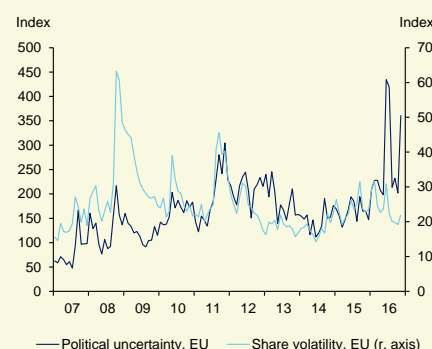


Figure 1.14
Significant global political uncertainty and financial turbulence during in 2016



Note: In figure 1.14, the measure of political uncertainty is based on news reporting of economic and political events. The measure of financial turbulence is the volatility in stock returns in the euro area based on the VSTOXX-index.

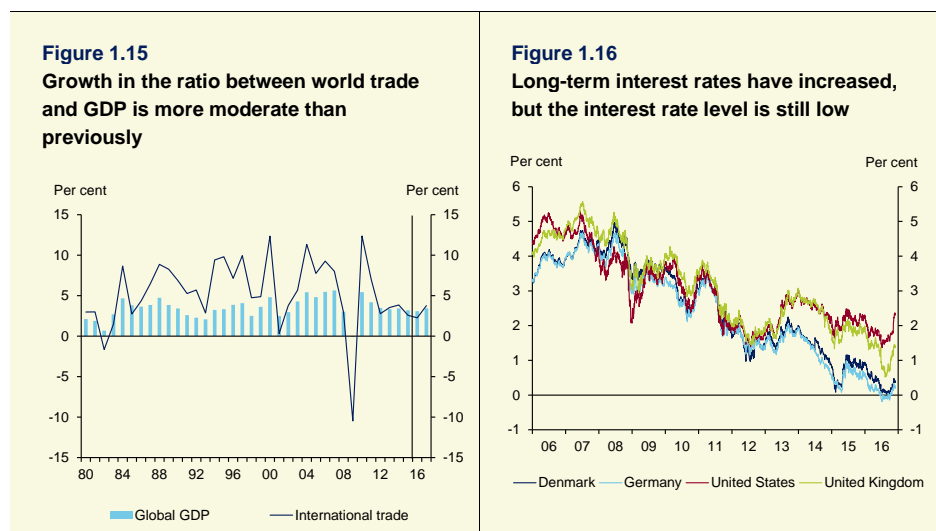
Source: Eurostat, Statistics Denmark, Economic Uncertainty Index, Thomson Reuters Eikon and own calculations.

Over the coming years, external economic developments will continue to influence Denmark. Currently, several uncertainties characterise the global outlook with possible spillover effects on the Danish economy.

2016 has been characterised by high political uncertainty, which has increased volatility in financial markets, *cf. figure 1.14*. The uncertainty is not necessarily short-lived. The long-term consequences of Brexit will take time to materialize and will, not least, depend on the form of the coming agreement between the United Kingdom and the European Union. The presidential election in the USA has also led to reactions in financial markets and at present future economic policy plans are uncertain. Among other things, tax relief for businesses and infrastructure investments are expected to be implemented, which may lead to increased activity and upward price pressure in the short term but may also push up interest rates. Short-term fiscal easing will also increase the subsequent consolidation requirement to ensure sustainability of public finances in the USA.

Both Brexit and the outcome of the American presidential election can point to an international tendency towards protectionism, which – if it continues – could have negative implications for world trade over the longer term. During the past several decades, world trade has been increasing twice as fast as GDP growth rates, but currently world trade seems to be slowing down, *cf. figure 1.15*. Both cyclical and structural factors lie behind this development. For small, open economies like Denmark, foreign trade is of the utmost importance and more lasting weakness in world trade poses a risk to Danish exports, including sea freight. In general, a decline in the intensity of trade could hamper growth in living standards since trade

leads to welfare gains as a result of the exchange of knowledge and technology as well as the increased opportunity for specialisation that accompany a high degree of trade openness.



Note: The yields in figure 1.16 are 10-year government bond yields.

Source: IMF, World Economic Outlook Database, October 2016 and Thomson Reuters Eikon.

The consequences of, among other things, Brexit and the adoption of more inward-looking policies would materialise over time by dampening GDP growth compared to the baseline scenario. In short run only a limited negative effect is expected. However, uncertainty is a risk factor and it may induce households and companies to postpone consumption and investment decisions.

Monetary policy has been expansionary for a long time and has reached a point where the scope for additional stimulus is small. At the same time, the low-interest environment also entails challenges for the financial system. The low interest rates impact credit institutions' earnings and reduce the yield on savings, including savings in the pension system. Moreover, the low-interest rate environment may entail risks for financial stability by encouraging excessive risk-taking and increasing the risk of abrupt price movements in financial markets once the interest rate environment normalises. The higher interest rates in the USA are already affecting the European interest rate level but share prices have not been much affected, *cf. figure 1.16.*

Box 1.1**Changes since the last forecast and assumptions underlying the projection**

The GDP growth forecasts are about unchanged relative to the assessment in *Economic Survey, August 2016*, and *DK2025 – A Stronger Denmark*. The marginal downward adjustment in the growth forecast for 2016 should in particular be seen in connection with a weaker export development than expected, which also has had an effect on investments. On the other hand, the progress in the labour market has been stronger than expected. The stronger-than-expected progress in employment also offers a significant part of the explanation as to why the output gap now is expected to close in 2018 – a year earlier than was expected in August.

The cut-off date for the forecast is 25 November 2016. The data set comprises national accounts statistics up to and including the 2nd quarter of 2016, the GDP indicators for the 3rd quarter of 2016 from Statistics Denmark as well as a number of other indicators, which reaches into the 4th quarter of 2016.

After the cut-off date, Statistics Denmark released preliminary national accounts statistics for the 3rd quarter of 2016 on 30 November 2016. According to this, GDP grew by 0.4 per cent in the 3rd quarter of 2016, i.e. by 0.2 percentage points more than what the GDP indicator suggested. Statistics Denmark reports that the statistical uncertainty attached to the GDP growth estimate is +/- 0.5 percentage points. Relative to the previous release of the national accounts statistics, Statistics Denmark has revised GDP growth for the 1st quarter of 2016 upwards by 0.1 percentage points and revised GDP growth for the 2nd quarter of 2016 down by 0.2 percentage points.

The new national accounts numbers up until the 3rd quarter of 2016 are broadly in line with the underlying assumptions for this year and the projected annual levels for 2016 and do not alter the starting point for the present projection. The fluctuations from quarter to quarter are considerable for some sub-components, e.g. private investment demand and especially the level of activity in the building and construction sector where data is often impaired by late submissions. The quarterly data for these areas should be interpreted with caution as revisions of considerable size are not uncommon. At the same time, the large inventory component in the preliminary numbers often reflects that the distribution on other demand sub-components has not yet taken place fully.

1.2 Fiscal policy and public finances

As the economy strengthens and employment continues to grow, production and employment are expected to approach their structural levels, *cf. table 1.1*. Aggregate demand continues to be supported by extraordinarily easy monetary policy.

The goal of an overall stable macroeconomic development hence implies that fiscal policy should continue to exert a dampening influence on aggregate demand growth relative to production capacity, including through initiatives to increase labour supply. Fiscal policy continues to follow a path of gradually bringing public finances back toward structural balance.

With the fiscal budget agreement and the budget agreements, which have been reached with the municipalities and regions, fiscal policy for 2017 has been designed so that the structural deficit will amount to 0.4 per cent of GDP. New information – among other things regarding contributions to pension schemes and pension benefits as well as revisions of tax arrears –

has led to a slight weakening of the structural balance relative to the estimate in August. The deficit in 2017 is now projected to constitute 0.5 per cent of GDP, *cf. also table 1.1*.

Table 1.1
Main components of the projection relating to fiscal policy

	2016	2017	2018
Structural balance, per cent of structural GDP	-0.3	-0.5	-0.2
Actual fiscal balance, per cent of GDP	-1.4	-1.6	-0.9
EMU debt, per cent of GDP	38.1	37.6	36.7
Growth in public consumption, per cent	0.4	0.7	0.8 ¹⁾
One-year fiscal effect, per cent of GDP ²⁾	-0.1	0.0	-0.1
Output gap, per cent. ³⁾	-0.6	-0.2	0.0
Employment gap, 1,000 persons ³⁾	-22	-10	-3

1) The fiscal policy projection for 2018 relies on technical assumptions, *cf. also box 1.2*.

2) The fiscal effect on GDP measures the impact of fiscal policy on GDP from one year to the other.

3) Estimates of how far production and employment are from their structural levels.

Source: Statistics Denmark and own calculations.

Fiscal policy for 2018 will be determined during 2017 via, among other things, the budget proposal for 2018 as well as the budget agreements with municipalities and regions for 2018, *cf. box 1.2*. In connection with these agreements, the development in pressures on capacity, labour supply and the growth outlook will also factor in.

Box 1.2**Technical assumptions about fiscal policy in 2018**

The fiscal policy projection for 2018 is based on technical assumptions. Until the government puts forth a new medium-term projection, this constitutes adopted economic policies and the latest medium-term economic plan, i.e. the *DK2025 – A stronger Denmark* baseline scenario.

In the absence of concrete political priorities, it is standard practice in economic surveys, medium-term plans and budget proposals to place fiscal scope as public consumption as a technical assumption. Correspondingly, the fiscal scope in 2018 – consistent with standard practice – is comprised in real growth in public consumption. This does not reflect the government's prioritisations, but is a set of technical assumptions. The concrete prioritisations for fiscal policy in 2018 will be determined throughout 2017.

The expenditures within the central government sub-ceiling for operating expenditures has been assumed to be DKK 2 bn. below the ceiling in order to maintain a structural deficit unchanged relative to the baseline scenario in *DK2025 – A stronger Denmark, August 2016*, and the fiscal scope within the policy framework with a structural deficit of 0.2 per cent of GDP has been calculated as real growth in public consumption of 0.8 per cent.

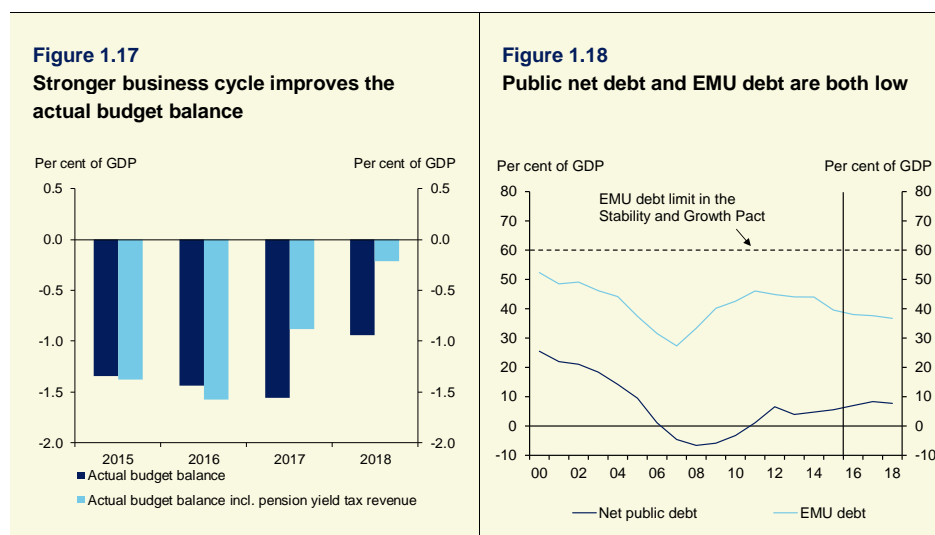
In the Government Platform "to a freer, richer and safer Denmark", a target is put forth of an annual basis real growth in public consumption of 0.3 per cent per year. In addition to this, the government has specified that public consumption may be affected by a reform of student grants and by increased investment in national security. The government wants to obtain an annual real basis growth of 0.3 per cent and that the remaining 0.5 per cent in 2018 is earmarked to other priorities, including lowering taxes.

The concrete priorities will be determined throughout 2017 as the government puts forth new proposals for economic policy towards 2025, the budget proposal for 2018 as well as the budget agreements with municipalities and regions.

Stronger business cycle strengthens the actual fiscal balance

In itself the stronger business cycle position improves public finances in the years leading towards 2018. Progress in the labour market increases the revenues from personal taxes while lowering expenditures to public transfers. Moreover, the VAT revenues will be higher as a result of increased private consumption.

During the entire forecast period the public balance is expected to remain within the 3 per cent-limit imposed by the Stability and Growth Pact. The deficit on the actual fiscal balance is projected to constitute 1½ per cent of GDP in both 2016 and 2017 while it is projected to constitute a little less than 1 per cent of GDP in 2018, *cf. figure 1.17*. Adjusted for fluctuations in the volatile revenue from the pension yield tax, *cf. below*, the fiscal balance is strengthened so that in 2016 it amounts to approximately 1½ per cent of GDP, in 2017 it amounts to a little less than 1 per cent of GDP and in 2018 it amounts to approximately 0.2 per cent of GDP.



Note: In figure 1.17, an adjustment has been made for how much the volatile revenues from the pension yield tax are expected to deviate from their structural level which is an input in the calculation of the structural balance.

Source: Statistics Denmark and own calculations.

The fiscal balance in Denmark is very sensitive to business cycle fluctuations and also to financial market movements, oil price movements, etc. This particularly applies to the revenues generated by the volatile pension yield tax. The revenues from this source has on average amounted to DKK 35 bn. over the past five years (more than 1.5 per cent of GDP), but a projected gradual normalisation of interest rates implies that the revenues will assume a lower level in the years to come. Thus, the revenues from the pension yield tax are projected to amount to only DKK 10 bn. (approximately ½ per cent of GDP) in 2017 and 2018. Lower revenues from the pension yield tax is one of the main reasons why the actual fiscal balance still is projected to assume a deficit of around 1 per cent of GDP in 2018 where the business cycle is assessed to be normalised, cf. also figure 1.17.

In both 2016 and 2017, the actual fiscal balance is further impacted negatively by expected write-downs and write-offs of tax and VAT arrears. It is assumed that the write-offs and write-downs will amount to DKK 6½ bn. for 2016. The write-offs and write-downs should be seen in light of the current increase in the mass of arrear payments following the halt in the Common Collection System in mid-2015, and it reflects that tax and VAT arrears are booked at market value in the national accounts statistics. Also the extraordinary write-offs and write-downs of the value of tax arrears corresponding to DKK 2 bn. in 2016 has been moved to 2017, cf. box 1.2. The considerable uncertainty surrounding the tax collection area means that the assumed write-down and write-offs of tax arrears are highly uncertain.

With the projected public deficits over the forecast period, public net debt is estimated to maintain a low level of approximately 8 per cent of GDP in 2018, cf. figure 1.18. The public EMU debt is expected to constitute 40 per cent of GDP throughout the forecast. Thus, a wide

safety margin is maintained against the EMU debt limit of 60 per cent of GDP in the Stability and Growth Pact.

Box 1.3

Assumptions regarding write-offs and write-downs of tax and VAT arrears in Economic Survey, December 2016

In this Economic Survey, December 2016, the following assumptions have been made regarding write-offs and write-downs of tax arrears (cf. table A):

- A total write-down of tax and VAT arrears of DKK 6½ bn. is assumed for 2016. The write-down should be seen in light of an increase in the mass of arrear payments in the period following the halt in the Common Collection System in mid-2015. In Autumn 2015, Statistics Denmark changed the accounting classification of tax arrears in the national accounts so that tax and VAT arrears are now booked at market value. This entails that new tax and VAT arrears are instantly adjusted down to market value in the national account systems.
- For 2017, an extraordinary write-down of DKK 2 bn. is assumed. The extraordinary write-down should be seen in light of the fact that following the challenges with the Common Collection System, it is now legally a possibility to write off or write down debt owed to the government if there is uncertainty surrounding the ability of the Danish tax authorities to recover debts. The assumed extraordinary write-down of tax arrears has in this *Economic Survey* been moved from 2016 to 2017. It should be noted that considerable uncertainty surrounds the size of a possible extraordinary write-down in 2017.

In line with what has been practice up until now, it is assumed that the write-downs and write-offs in the national accounts are being periodised over a three-year period. The assumed write-downs in 2016 are thus equally split between the years 2014-2016. Likewise, the write-downs in 2017 are equally split between the years 2015-2017. Once again, it should be stressed that the considerable uncertainty surrounding the development in the debt collection area translates into considerable uncertainty being attached to the assumptions regarding the write-offs and write-downs of tax arrears.

Table a

Assumptions regarding regarding write-offs and write-downs of the value of tax arrears

	2016	2017
Bn. DKK		
Economic Survey, December 2016		
Extraordinary write-down	-	2
Write-down resulting from the increase in the mass of arrear payments in the period following the halt in the Common Collection System in mid-2015	6½	-
Economic Survey, August 2016		
Extraordinary write-down	2	-

Note: Both the write-down of tax arrears in 2016 (split evenly between the years 2014-2016) and the extraordinary write-down of DKK 2 bn. in 2017 (split evenly between the years 2015-2017) have an effect on the structural balance through a seven-year moving average smoothing.

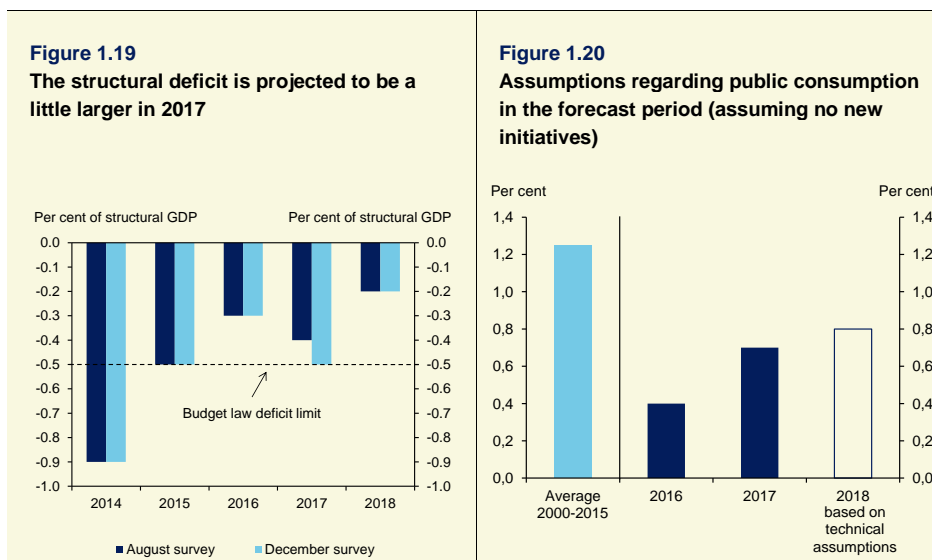
...but the structural balance is revised downwards a little next year

The impact of the stronger economic prospects for Denmark on the public finances is adjusted for – along with a number of temporary factors – in the calculation of the structural balance to give a picture of the underlying fiscal stance.

The fiscal balance is expected to show a deficit of 0.3 per cent of GDP in 2016 while the deficit is expected to constitute 0.5 per cent of GDP in 2017, *cf. figure 1.19*. Relative to what was forecasted in August, the structural balance is unchanged in 2016 while in 2017 it has been revised downwards by 0.1 per cent of GDP.

With the fiscal budget agreement for 2017 and the budget agreements with the municipalities and regions, fiscal policy for 2017 has been designed so that the structural deficit will amount to 0.4 per cent of GDP and that it will maintain some distance to the deficit limit in Budget Law. However, new information since August weakens the structural balance to a deficit of 0.5 per cent of GDP in 2017. The new information only reflects changes in the estimates underlying the forecast and not changes in the fiscal policy. Among other things it includes new information on contributions to pension schemes and pension benefits, which suggest that net pension payments will assume a slightly lower level than what was previously assumed. This weakens the structural balance since the upward adjustment in public revenues from taxes and charges is smaller than the stronger business cycle stance would imply. Also larger-than-expected write-downs and write-offs of tax arrears contribute to a weak structural balance.

In spite of these negative effects, the forecast for the structural balance in 2016 is unchanged, which should be seen in connection with the fact that preliminary figures from the government and the municipalities indicate that consumption expenditure will be lower than budgeted. Real growth in public consumption is projected to be 0.4 per cent in 2016, *cf. figure 1.20*.



Note: Figure 1.20 displays real growth in public consumption.
Source: Statistics Denmark and own calculations.

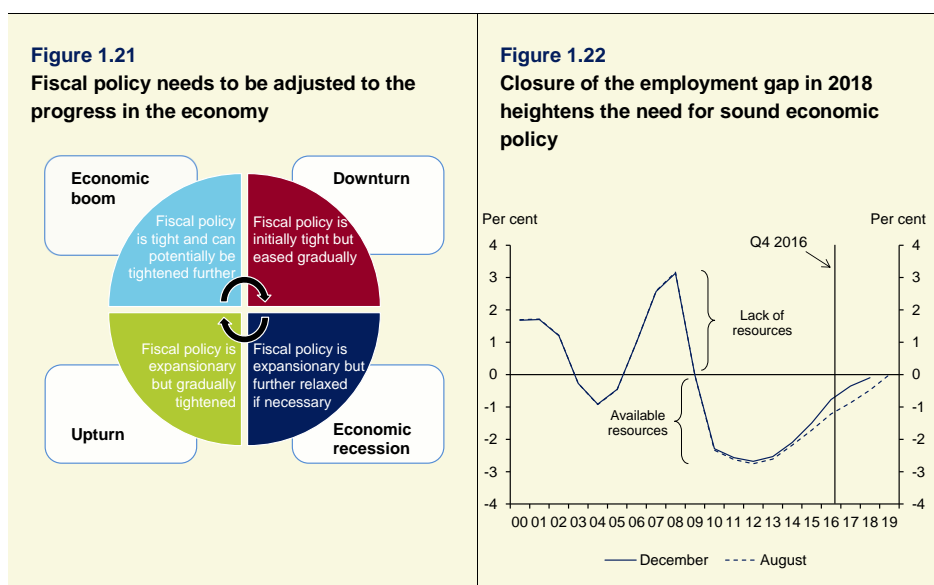
In this *Economic Survey*, projections for 2018 have been carried out for the first time – in previous versions, the numbers for 2018 were part of the medium-term projections for the Danish economy. In the medium-term projection for *DK2025 – A Stronger Denmark* (the baseline scenario) the structural deficit was forecasted to amount to 0.2 per cent of GDP.

New information, including new information about net pension payments and the write-down of the value of tax arrears, imply for 2018 – in line with for 2017 – a weakening of the structural deficit corresponding to 0.1 per cent of GDP. To counteract the weakening, technically the expenditures within the central government sub-ceiling for operating expenditures has been assumed to be DKK 2 bn. below the ceiling in order to maintain a structural deficit of 0.2 per cent of GDP. With this technical adjustment, public consumption is forecasted to grow by 0.8 per cent in 2018, cf. also figure 1.20. The reduction described is purely of technical nature and reflects that in accordance with standard practice, fiscal scope is placed as public consumption, cf. also box 1.2.

The concrete priorities will be determined throughout 2017 as the government puts forth new proposals for economic policy towards 2025, the budget proposal for 2018 as well as the budget agreements with municipalities and regions. The government has a target of annual basis real growth in public consumption of 0.3 per cent per year. In addition to this, the government has specified that public consumption may be effected by reforms, e.g. a reform of student grants, and by increased investment in national security. The government wants to obtain an annual real basis growth of 0.3 per cent and that the remaining 0.5 per cent in 2018 is earmarked to other priorities, including the lowering of taxes. The make-up of real growth in 2018 could change as the result of new information coming through up to the budget proposal for 2018.

Increased capacity constraints heightens the need for sound policies

Though fine-tuning the economy is not possible, it is an important task for fiscal and structural policy – particularly for a country like Denmark, which follows a fixed-exchange-rate policy vis-à-vis the euro so that the monetary policy stance mirrors that of the euro area – to contribute to a stable macroeconomic development. Following a recession where fiscal policy has been expansionary and with structural deficits since 2009, the ongoing upswing calls for a gradual halt in the stimulating effects on demand and capacity pressure, cf. figure 1.21. This has for some time been part of the medium-term fiscal policy plans.



Note: Figure 1.22 displays the employment gap.
Source: Statistics Denmark and own calculations.

At the same time, it is a goal to maintain distance to the deficit limit in Budget Law under normal business cycle conditions so that there is room for maneuvering with respect to fiscal policy in case of a new downturn. This lends support to the idea that during normal business cycle conditions the structural balance should approach zero. Moreover, a sound course for public finances with balanced budgets lays the ground for taking care of long-term demographic challenges and contributes towards securing a high level of confidence in the Danish economy.

With a stronger-than-expected increase in employment relative to what was forecasted in the *Economic Survey, August 2016*, the need for increased labour supply and a more restrained fiscal policy has been heightened, cf. figure 1.22. The Danish economy is approaching capacity constraints and risks more pronounced labour shortages.

The so-called fiscal effect shows that fiscal policy has a dampening effect on demand growth relative to 2014, which was characterised by an expansionary stance, cf. figure 1.23 and chapter 4. Under technical assumptions, fiscal policy from 2014 onwards dampens the GDP-

level by approximately 0.4 per cent and thus helps ensure that the output gap is approximately equal to zero in 2018.

The need for fiscal and structural policies to increase labour supply and reduce the capacity pressure should also be seen in light of the extraordinarily expansionary monetary policy and the expectation that interest rates will remain low in the coming years.

Figure 1.23
Fiscal policy is dampening the increase in pressure on capacity

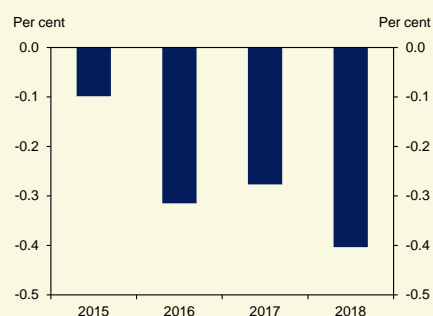
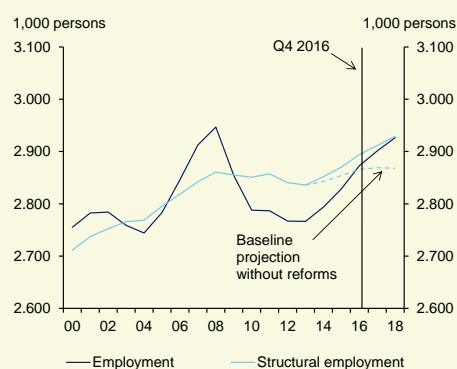


Figure 1.24
Earlier reforms and initiatives support a sustainable progress in employment



Note: In figure 1.123, the fiscal effect on GDP measures the cumulative impacts over a multi-year range since 2014.

Source: Statistics Denmark and own calculations.

The strong progress in employment has been made possible by a series of reforms undertaken in recent years – especially the Retirement Reform in 2011 – which increase labour supply, *cf. figure 1.24*. Without these reforms, employment would already now have exceeded its structural level, thus increasing the risk of labour market shortages, acceleration in wages and a subsequent abrupt slowdown in the labour market. The reforms will also in the coming years continue to support the progress in employment.

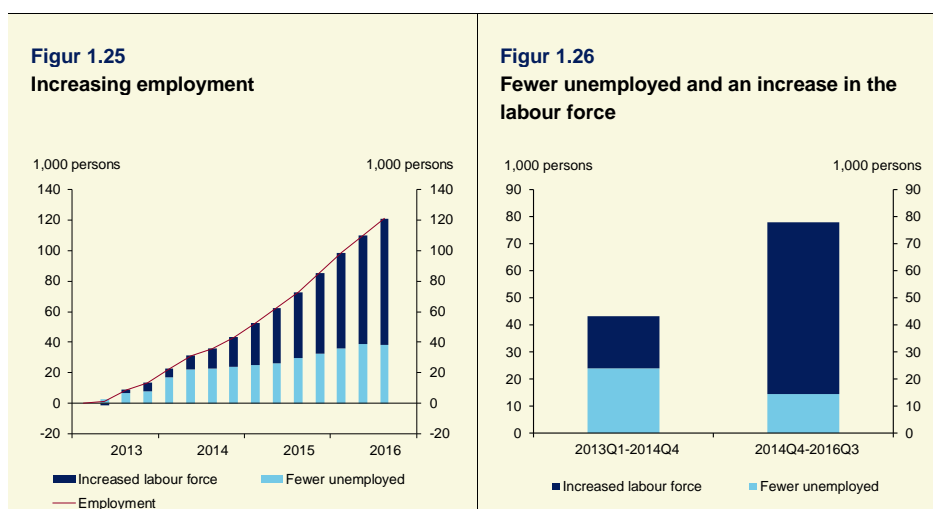
In the Government Platform “to a freer, richer and safer Denmark” the target is that new initiatives should increase structural employment by 55,000-60,000 persons. New initiatives and reforms that increase labour supply in the years to come will reduce the risk of labour market shortages and help prolong the upturn in the Danish economy. At the same time, initiatives that increase labour supply would increase the room for manoeuvre and the scope of fiscal policy towards 2020.

1.3 Broad-based labour market progress

Since 2013 the labour market has been improving, and at an increasing pace in recent years. The improvement reflects both a drop in unemployment and an increase in the labour force, *cf. figure 1.25*.

From the first quarter of 2013 to the third quarter of 2016 employment has increased by 121,000 persons (approximately 4½ per cent). In the first part of the upturn the increase in employment for the most part corresponded to lower unemployment. During the course of 2013 and 2014 employment increased by 43,000 persons, of which half was due to a reduction in unemployment. For 2015 and through to the third quarter of 2016 the most significant part of the increase in employment stems from an increase in the labour force, i.e. persons entering the labour market. During this period unemployment only decreased by 14,000 persons, corresponding to less than a fifth of the increase in employment, *cf. figure 1.26*.

The contribution from an increasing labour force is larger than in previous upswings, but similar to a normal business cycle recovery. In the first part of a recovery it is typically the unemployed which find employment again. Later in the recovery jobs are created for persons with looser attachment to the labour market, e.g. recipients of other types of public transfers or foreign labour. The developments also reflect a gradual decline in the number of unemployed available for the labour market, as the unemployment level gradually approaches its structural level.



Note: Figure 1.26 shows the change in employment for different periods of time. In figure 1.25 og 1.26 the series "fewer unemployed" has been calculated as the change in gross unemployment excl. persons in subsidised employment, as these are also registered as employed.

Source: Statistics Denmark and own calculations.

Below the developments are analysed further for the three-year period from the first quarter of 2013 to the first quarter of 2016 based on register data from Statistics Denmark for wage earners.² It is shown that the increase in employment is broadly based across the country and has benefitted both the highly and lesser skilled and that both high wage and low wage jobs have been created. Furthermore, the employment ratio has increased for persons of both Danish and foreign origin. For the group of persons of Danish origin this is especially due to reforms which contribute to a lower number of persons on early retirement benefits. At the same time, the number of persons of Danish origin in the 18-64 year age group has declined significantly. Consequently the large employment gains had not been possible without increasing employment among immigrants and descendants as well as an inflow of labour of foreign origin.

An increasing labour force and fewer recipients of public transfers

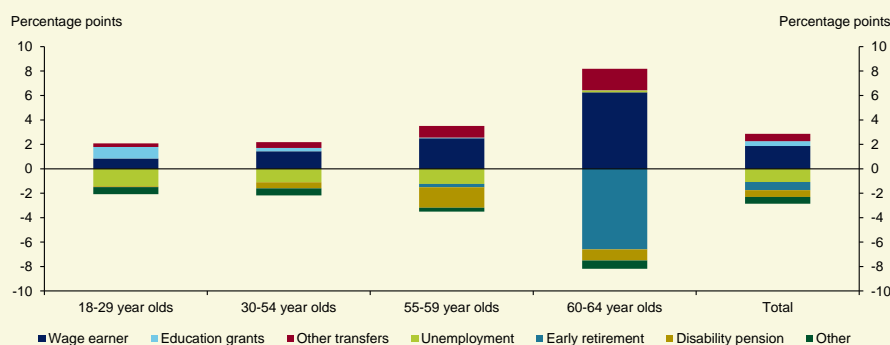
Wage earner employment has risen by a total of 95,000 persons from the first quarter of 2013 to the first quarter of 2016. All age groups have seen an increase in employment, both in total and as share of the population within each age group. The largest increase in the *share* of wage earners has taken place for the 60-64 year age group, while the employment share has risen the least for the 18-29 year age group.

To a large extent, the counterpart to the increase in employment is found in a lower number of recipients of public transfers, including fewer unemployed persons. However, there are some differences across age groups. Among the younger cohorts, where employment has risen the least, an increasing share is under education and are receiving the state education grant (SU). The most noticeable development is the large employment gains for the 60-64 year age group, which is due to fewer persons withdrawing from the labour market to receive voluntary early retirement pensions. This development is largely due the gradual increase in the age of eligibility for the voluntary early retirement pensions in ½ year increments which is taking place from January 1st 2014 to January 1st 2019. In addition, since 2013 there has been a decline in the share of recipients of anticipatory pensions (or persons in a process of clarifying their working capacity with the municipality). This also applies to the 30-59 year age group, *cf. figure 1.27*.

Increasing employment not only reflects fewer unemployed persons as well as fewer persons receiving early retirement and anticipatory pensions. There is also a certain share without previously-registered income, i.e. persons who neither have been in employment or received public transfers in Denmark (the category "others" in figure 1.27). This includes, among others, newly immigrated workers primarily originating from western countries.

² Wage earner employment is recorded following the same general principles which are used to measure total employment in the national accounts. However, there are some differences, most notably wage earner employment does not include persons which are only self-employed.

Figure 1.27
Increase in employment and fewer recipients of public transfers



Note: Figure 1.27 shows the change in the participation ratio across different age groups, 2013-2016 (1st quarter). In the calculation of the contributions to changes in participation ratios from different labour market categories, an adjustment has been made for the impact from changes in the composition of the population (gender, 1-year age intervals and origin).

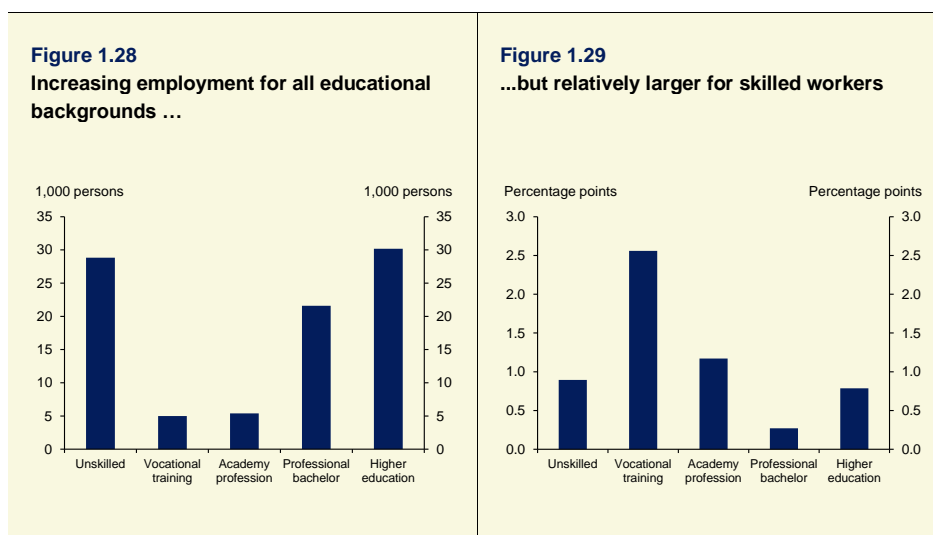
Source: Statistics Denmark and own calculations.

Employment has risen across income and education

The increase in employment has not only benefited all age cohorts, but has also been widespread across different educational backgrounds and high- and low-wage jobs. Moreover, it has also taken place across different regions of Denmark.

In absolute terms, the progress has been highest for low-skilled workers and for persons with higher educations, especially master-level university degrees, *cf. figure 1.28*. This shows that jobs have not only been created for persons with high-level qualification but also for persons with a relatively lower skill-level. Furthermore, the development should be viewed in the light of a generally increasing level of educational attainment within the population.

Measured in terms of the of the employment ratio, skilled workers have seen the largest increase, *cf. figure 1.29*. In addition to the effects of reforms it also reflects the fact that many skilled workers (as with low-skilled workers) are employed in industries and professions which are affected by business cycle developments, including not least the construction sector. Skilled workers experienced the highest increase in unemployment during the economic downturn. Thus it is natural that there is a significant improvement in their employment during the business cycle recovery. In addition, the number of skilled workers has decreased during the period in question, adding to the increase in the employment ratio for a given increase in employment.

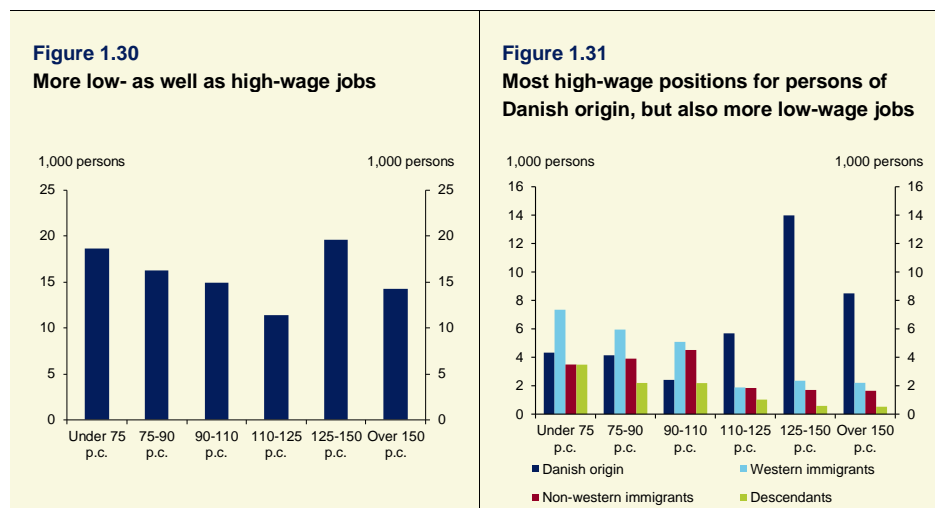


Note: Figure 1.28 shows the change in the number of employed persons across educational attainment, 2013-2016 (1st quarter). Figure 1.29 shows the corresponding change in the employment ratio for 18-64-year olds. Persons where information regarding education is missing are included as low-skilled workers. The increase in employment among low-skilled workers reflects *inter alia* an increasing number of workers where information regarding education is missing, including immigrants who are not necessarily low-skilled. A correction has not been made for underlying changes in the composition of the population (gender, age and origin).

Source: Statistics Denmark and own calculations.

When persons across all educational levels are gaining employment it also reflects the fact that the improvement in employment is widespread across different wage levels. The positive development in the labour market has both benefited highly-qualified persons, which are typically employed in high wage positions, as well as persons without strong qualifications who are typically employed in positions with a relatively low wage, *cf. figure 1.30*. Especially younger persons have found jobs at a relatively low salary.

Looking at origin adds an extra nuance to the picture. For persons of Danish origin there has especially been an increase in the number of jobs with a relatively high wage level. This also applies to descendants of immigrants. Conversely, it is especially immigrants of western and non-western origin who have gained employment in relatively low wage or average wage positions, *cf. figure 1.31*. However, for persons of Danish origin there has also been an increase in the number of jobs with a relatively low wage.



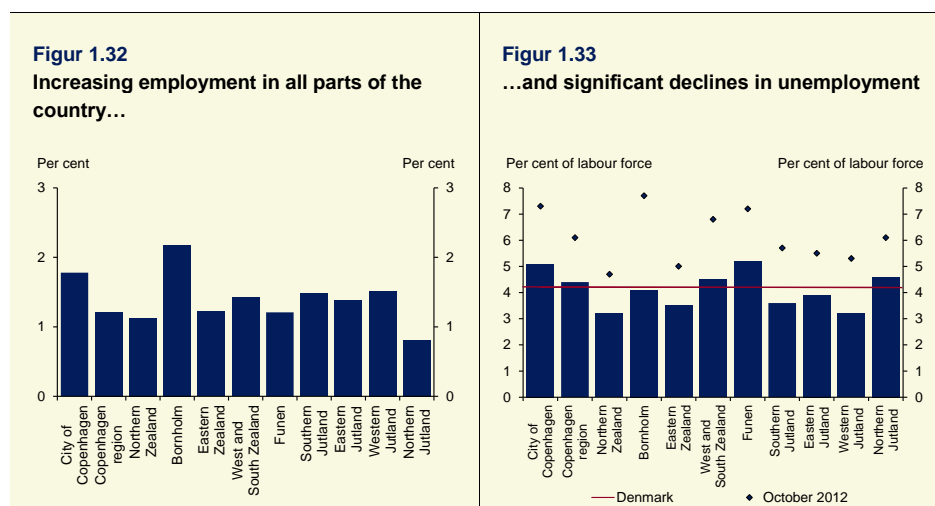
Note: Figure 1.30 and figure 1.31 depicts the change in employment across wage levels, 2013-2016 (1st quarter). The average hourly wage for each quarter is calculated for every wage earner based on the total wage income and the total number of registered hours worked in the income-registry (eIndkomstregisteret). For persons with several employment situations in a given quarter all the positions are included in the calculation of the hourly wage. The hourly wage is measured against the median hourly wage, in order to measure the relative income position for each individual. A certain amount of uncertainty is inherent in the calculation of the individual hourly wage.

Source: Statistics Denmark and own calculations.

Employment opportunities have improved across the country, and the employment ratio has increased relatively uniformly across all parts of the country during the period 2013-2016, *cf. figure 1.32*.

An increasing employment ratio can mask a roughly constant number of wage earners, if the number of persons in the prime labour market years has fallen. An example of this is the Island of Bornholm, which is the region with the highest increase in the employment ratio. On the other hand the increase in the employment ratio in e.g. Copenhagen City is due to an increasing population in the labour market active years as well as increasing employment.

Unemployment is also low across the regions, and has declined significantly in all parts of the country during the past four years, *cf. figure 1.33*.



Note: Figure 1.32 depicts the change in the employment ratio (18-64- year olds), 2013-2016 (1st quarter). No adjustments have been made for the possible impact of changes in the composition by gender, age and origin. Figure 1.33 shows unemployment in October 2016.

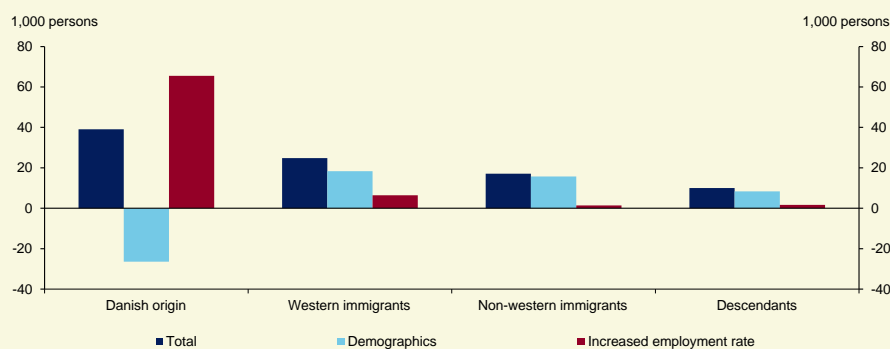
Source: Statistics Denmark and own calculations.

Immigration has supported employment growth

From 2013 to 2016 the number of persons in the labour market active years of Danish origin has fallen. If the employment ratio had been unchanged during the same period, the change in the population would all else equal have led to a decrease in the number of employed persons of Danish origin of 26,000 persons. This demographical development has been counteracted by an increase in the employment ratio of roughly 2 percentage points during the three year period, i.e. a higher share of persons with Danish origin are employed. In total, the two counteracting effects have led to an increase in the number of employed persons of 39,000 persons from the first quarter of 2013 to the first quarter of 2016, *cf. figure 1.34*.

The increase in employment among persons of Danish origin corresponds to less than half of the increase in total employment of around 95,000 persons seen over the past three years. Thus, a significant share of the total increase in employment is due to the fact that more persons with foreign origin and their descendants have gained employments. This applies both to immigrants from western and non-western countries as well as descendants of immigrants. This has created room for a larger increase in employment, without causing labour-market bottlenecks and labour-market pressures in general.

Figure 1.34
Fewer with Danish origin, but increasing employment across all types of origin



Note: Figure 1.34 shows the contribution to changes in employment for different types of origin, 2013-2016 (1st quarter). In the calculation of contributions to employment ratios from different labour market categories adjustments have been made for changes in the composition of the population (gender, 1-year age intervals and origin).

Source: Own calculation on the basis of individual level data from Statistics Denmark.

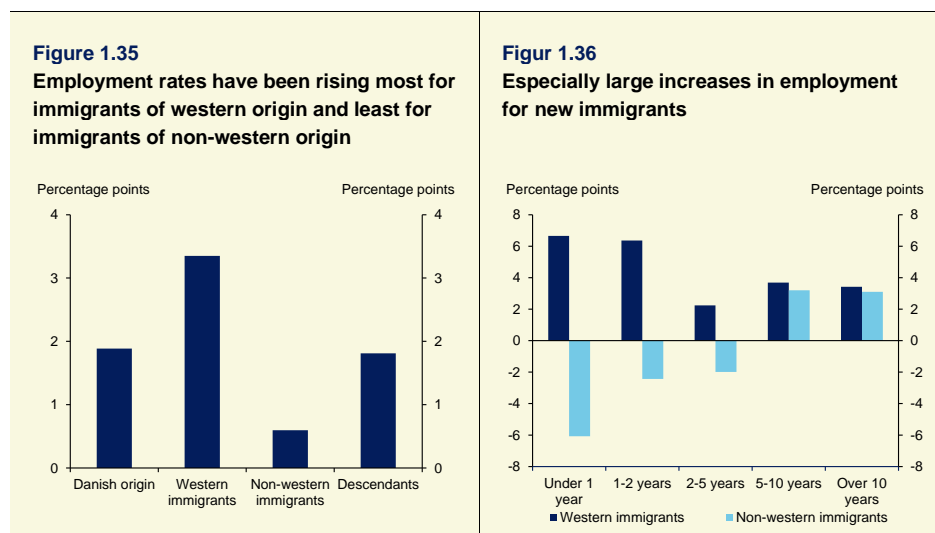
The employment ratio has not only risen for persons of Danish origin. It has also risen for both immigrants from western and non-western countries and for descendants. The increase has been larger for immigrants from western countries and lower for immigrants from non-western countries, *cf. figure 1.35*.

The modest increase in employment ratios for non-western immigrants relative to e.g. western immigrants must be seen in connection with the recent relatively large inflow of immigrants which has lowered the employment ratio for the entire category. This is due to a larger share of refugees among recent immigrants from non-western countries. During the course of 2016 the number of new refugees has declined markedly.

Immigrants from non-western countries, who have been in Denmark for at least five years, have seen an increase in the employment ratio roughly corresponding to the change seen for immigrants from western countries – and larger than for persons of Danish origin. Thus, it is a fall in the employment ratio among newly arrived non-western immigrants which explains the modest increase in the employment ratio with this origin. To a large extent this should be seen in connection with the inflow of refugees in recent years.

For western immigrants the situation appears to be the opposite. The increase in employment is larger for the newly arrived – who increasingly come to Denmark in order to work – and the least for persons who have been a resident in Denmark for a longer period of time, *cf. figure 1.36*. This could e.g. be due to a significant number of accompanying spouses who do not seek employment, or accompanying children above the age of 18, which are studying in Denmark. However, also for this group there has been a significant increase in the employ-

ment ratio.



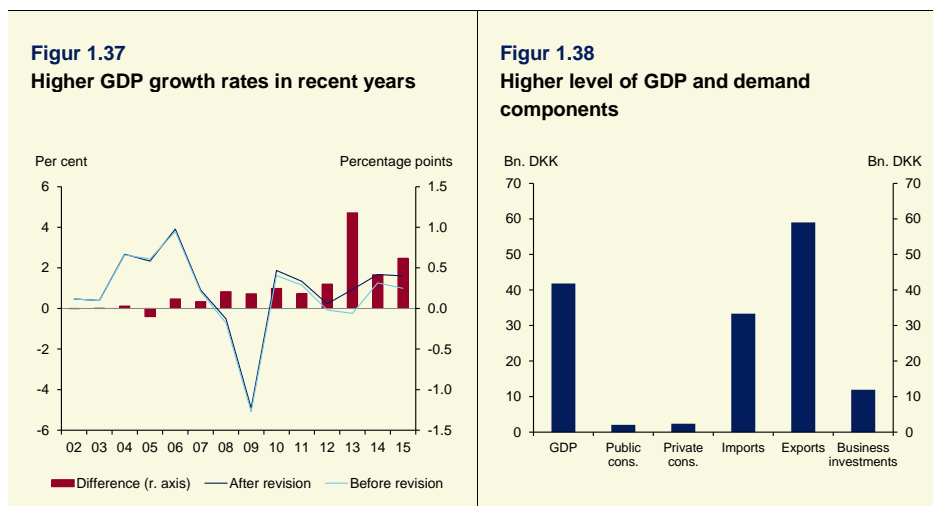
Note: Figure 1.35 depicts the change in the employment rate (18-64- year olds), 2013-2016 (1st quarter). See also note to figure 1.27. Figure 1.36 shows the change in employment rates for immigrants (18-64- year age group) across time of residency, 2013-2016 (1st quarter). The employment ratio has not been adjusted for the any impact of changes in the composition of gender or age.
Source: Statistics Denmark and own calculations.

1.4 Revisions to the National Accounts

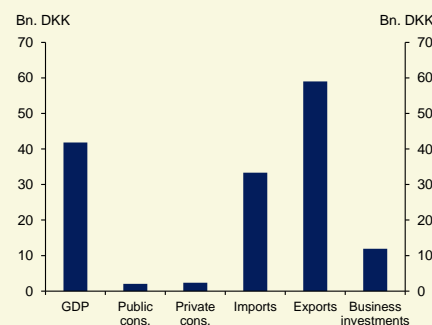
On November 15, 2016, Statistics Denmark published an extraordinary revision to the annual national accounts for the period 1966-2015. The revision incorporates new sources and methodologies regarding foreign trade in particular as well as real growth in public consumption, employment and hours worked.

In addition, in keeping with normal procedures for national accounts revisions new source material for the years 2013-2015 has been incorporated. This has, among other things, contributed to an upward adjustment of fixed business investment of DKK 12 bn. in 2015 (of 5¼ per cent)

The revisions result in both a higher *level* of GDP as well as higher GDP *growth*, especially for the most recent years. For the period 2010-2015 GDP-growth is approximately ½ percentage point higher on average with the largest revisions to the most recent years, while the differences are smaller for the preceding years, *cf. figur 1.37*. The revisions result in a higher level of GDP and exports, imports and business fixed investment, in constant as well as current prices, *cf. figur 1.38*. For 2015 GDP has been revised up by DKK 42 bn. measured in current prices and by DKK 63 bn. measured in constant prices.



Figur 1.38
Higher level of GDP and demand components



Note: The data shown in figure 1.38 are differences compared to the previous estimates measured in current prices.

Source: Statistics Denmark and own calculations.

Revisions to foreign trade and the labour market

Normally, Statistics Denmark only revises national accounts data for the three latest years, the so-called provisional national account years. However, with this major revision, the data for all years since 1966 are changed (1966 is the first years in the Danish national accounts). In particular, this is due to new information on the current account and the labour market.

The new data regarding the current account increases growth in both exports and imports, *cf. figure 1.39*. The revisions to the current account aims to better reflect the international activities of larger Danish companies, specifically in relation to goods processing and merchandising and trade in intellectual property rights, which previously had not been incorporated to a sufficient extent, *cf. box 1.2*.

Regarding the labour market the new information results in a higher *level* of the number of employed persons, but fewer hours worked, *cf. figure 1.40*. Consequently the average working hours have been revised down. The revision is due to the transition to using the labour market accounts as a source for the national accounts data for employment, compensation of employees and hours worked. Much of the revision regarding employment is due to persons which temporarily have been away from work, but have returned to the same job within 45 days, and are now considered as employed. The jobs are without remuneration and hours worked, which lowers the average number of hours worked.

Figure 1.39
Higher level of exports and imports in recent years

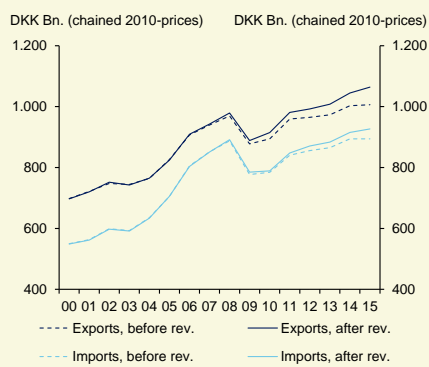


Figure 1.40
Higher employment but fewer hours worked



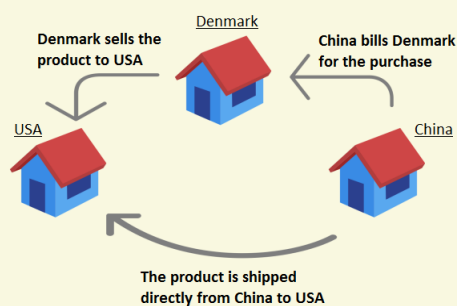
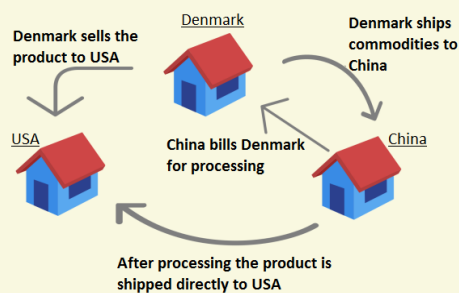
Note: Exports and imports are shown in constant prices.
Source: Statistics Denmark.

Box 1.3**What are exports?**

In the balance of payment statistics and consequently also the national accounts there are basically four types of exports:

1. Traditional goods exports (as in the foreign trade statistics), where goods moves over the Danish border.
2. Merchanting or trade goods sales, i.e. a Danish company purchases a good abroad (with a foreign resident) and sells it to a customer abroad.
Example: A Danish company has a factory (subsidiary) in China. The company purchases a good from the factory and sells it to a customer in the USA for a profit. The good is shipped directly from China to the USA, and the profit is included in Danish exports as merchanting. The profit is used for compensation of employees and entrepreneurial income (profit) in the Danish company thus reflecting the services provided by the Danish company, *cf. figure a.*
3. A Danish company sells goods, which have been processed by a foreign subsidiary.
Example: A Danish company sends raw materials to its subsidiary in China, while retaining the ownership of the raw materials. The subsidiary processes the raw materials into a good (and bills the services to the parent company), which is sent to the customer in the USA. The final sale is recorded as exports from Denmark, while the processing in China is recorded as services imports to Denmark, *cf. figure b.*
4. A Danish company sells a good to a foreign customer in Denmark.

It is especially better information regarding 2 and 3, which has led to the upward revision of exports and imports in the balance of payments statistics. In the examples the subsidiary is not a resident in Denmark, and therefore the activities in the subsidiary are not recorded as Danish activities.

Figure a**Exports=Sales price-Purchase price****Figure b****Exports=Sales prices-Processing of raw materials**

Source: Statistics Denmark.

Stronger growth in output-based public consumption

In connection with the revisions, Statistics Denmark has also improved the methodology to compute public consumption based on the output-method, which has been part of the national accounts since 2008. The output methodology is aimed at measuring the development in the volume of services produced by the public sector, e.g. the number of operations in hospitals. The revision centers on the volume indicator, on which real growth in hospital services measured by the output-method is based.

The revision increases real growth in public consumption measured by the output methodology in the period 2010-2015, *tabel 1.2*. Thus, the annual real growth in public consumption is revised up by 0.6 percentage points on average in the period 2008-2015. However, public consumption measured in current prices and the fiscal balance is, by and large, unaffected by the revision, *cf. chapter 4*.

Tabel 1.2

Real growth in public consumption measured by the output-based method before and after the revision

	2008	2009	2010	2011	2012	2013	2014	2015
Increase in per cent								
Before the revision	3.2	3.0	1.3	-1.4	0.0	-0.7	0.2	-0.7
After the revision	3.3	3.0	1.6	-0.6	0.8	-0.1	1.2	0.6
<i>Difference (percentage points)</i>	0.1	0.0	0.3	0.8	0.8	0.6	1.0	1.3

Source: Statistics Denmark.

Before 2008 real growth in public consumption is computed with the input-based method, which measures developments over time in the resources allocated to the public sector. Generally, growth in public consumption is higher measured with the output-based method, corresponding to productivity improvements from year to year. For some years, however, growth is higher when measured by the input-based method, *cf. table 1.3*.

In the period 2008-2015, the contribution to GDP-growth is an average of 0.1 percentage points higher with the output-based method than with the input-based method. Statistics Denmark will continue to publish real growth in public consumption measured by both methodologies.

Table 1.3
Real growth in public consumption measured by the input- and output-based methodologies

	2008	2009	2010	2011	2012	2013	2014	2015
Increase in per cent								
Input	2.5	2.3	0.5	-1.9	0.9	-0.4	1.4	0.9
Output	3.2	3.0	1.6	-0.6	0.8	-0.1	1.2	0.6
<i>Difference (percentage points)</i>	0.7	0.7	1.1	1.3	-0.1	0.3	-0.2	-0.3

Source: Statistics Denmark.

Higher productivity

Contrary to GDP and production (GVA) the recorded number of hours worked has been revised down. This includes both the level and the changes since 2012. Thus productivity growth is higher, and the picture of stagnating productivity in recent years is no longer accurate, *cf. figure 1.41*. With the higher productivity growth measures Denmark is no longer at the bottom of the productivity growth figures among comparable countries *cf. figure 1.42*. However, in an international comparison productivity growth since 1995 is still moderate.

Figure 1.41
Stronger growth in productivity per hour in the private sector (excl. mining and quarrying)

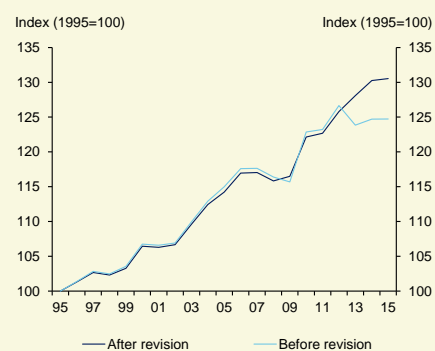
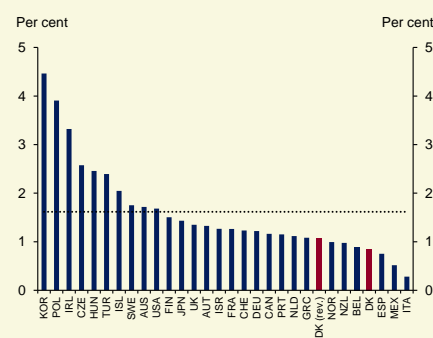


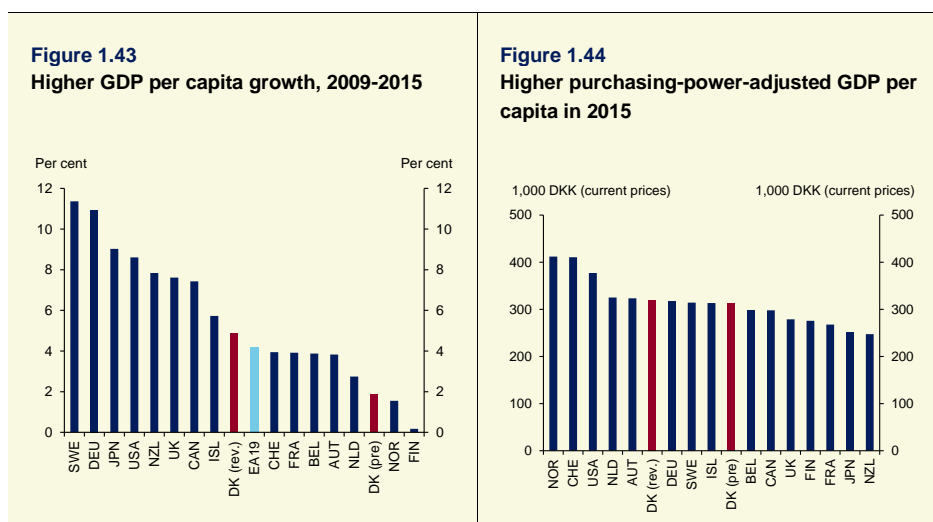
Figure 1.42
Higher growth in GDP per hour worked, 1995-2015



Note: In figure 1.41, the private sector is excluding mining and quarrying. In figure 1.42, the dotted line shows the OECD average.

Source: Statistics Denmark and OECD.

A similar picture is found when taking differences in population developments across countries into account. Growth in per capita GDP since 2009, which, however, does not correct for terms of trade developments, continues to be modest in an international comparison, although it is now above that of the euro area, *cf. figure 1.43*. From a relative prosperity perspective, viewed as purchasing power adjusted GDP per capita, Denmark moves ahead of Germany and Sweden following the revision, *cf. figure 1.44*.



Note: In figure 1.43, GDP is measured in constant prices per capita terms. EA19 is the euro area. In figure 1.44, GDP is measured in purchasing-power-adjusted (PPP) GDP in DKK 1,000 per person. Luxembourg has not been included, but for special reasons it has the highest GDP per capita among the OECD countries. The figures shown for Denmark have been computed based on the OECD data by scaling the OECD's PPP adjusted GDP with the difference between GDP before and after the revision for Denmark.

Source: Statistics Denmark, OECD and own calculations.

1.5 Annex table

Table 1.4**Key figures compared to the Economic Survey, August 2016, for 2016 and 2017**

	2016		2017		2018
	Aug.	Dec.	Aug.	Dec.	Dec.
Real change, per cent					
Private consumption	1.9	1.9	1.6	1.8	2.0
Total government demand	0.6	0.4	0.4	0.7	0.4
- of which government consumption	1.2	0.4	0.5	0.7	0.8 ¹⁾
- of which government investment	-3.3	0.7	-0.2	0.6	-2.5
Housing investment	4.0	4.0	6.0	6.0	8.0
Business fixed investment	3.6	1.5	4.7	3.8	3.9
Total final domestic demand	1.8	1.5	1.7	1.8	2.0
Inventory investment (per cent of GDP)	-0.1	-0.2	0.1	0.0	0.0
Total domestic demand	1.7	1.3	1.8	1.7	2.0
Exports	1.0	0.6	3.3	2.4	2.7
- of which manufacturing exports	3.6	2.1	3.4	2.8	2.9
Total demand	1.5	1.0	2.3	2.0	2.3
Imports	2.7	1.3	4.1	3.0	3.4
- of which imports of goods	3.8	0.9	4.0	2.9	3.3
GDP	0.9	0.8	1.5	1.5	1.7
BNP efter outputmetoden (beregningsteknisk) ²⁾	-	0.9	-	1.6	1.8
Gross value added	0.8	0.8	1.5	1.5	1.8
- of which private non-farm sector	1.6	1.5	2.1	2.1	2.4
Change, 1,000 persons					
Labour force, total	29	32	21	26	23
Employment, total	38	44	24	29	25
- of which private sector	41	48	23	28	23
- of which public sector	-3	-4	1	1	2
Gross unemployment	-10	-12	-4	-3	-2
Cyclical developments, per cent					
Output gap	-0.9	-0.6	-0.4	-0.2	0.0
Employment gap	-1.2	-0.8	-0.9	-0.4	-0.1
Unemployment gap	0.6	0.3	0.4	0.1	0.0

Table 1.4 (continued)
Key figures compared to the Economic Survey, August 2016, for 2016 and 2017

	2016		2017		2018
	Aug.	Dec.	Aug.	Dec.	Dec.
Change, per cent					
House prices (single family homes)	4.0	4.0	4.0	4.0	4.0
Consumer prices	0.5	0.2	1.4	1.2	1.5
Hourly earnings in the private sector	2.1	2.2	2.5	2.5	2.7
Real disposable income, households ³⁾	2.3	3.9	0.6	1.2	1.3
Productivity in the private non-farm sector	-0.4	-1.0	0.9	0.6	1.1
Per cent per year					
Interest rate, 1-year rate loan	-0.3	-0.3	-0.3	-0.2	0.0
Interest rate, 10-year government bond	0.4	0.4	0.5	0.7	1.0
Interest rate, 30-year mortgage credit bond	2.6	2.6	2.6	2.9	3.1
Public finances					
Actual public balance (Bn. DKK)	-19.1	-29.3	-39.1	-32.6	-20.3
Actual public balance (per cent of GDP)	-0.9	-1.4	-1.9	-1.6	-0.9
Actual public balance (per cent of GDP)	-0.3	-0.3	-0.4	-0.5	-0.2
Gross debt (per cent of GDP)	38.7	38.1	37.9	37.6	36.7
Labour market					
Labour force, total	2,940	2,976	2,961	3,002	3,025
Employment, total	2,833	2,873	2,857	2,901	2,926
Gross unemployment (average, 1,000 persons)	113	111	109	108	106
Gross unemployment (per cent of labour force)	3,9	3,7	3,7	3,6	3,5
External assumptions					
Trade-weighted international GDP-growth, per cent	2.1	2.1	1.9	2.0	2.1
Export market growth (manufactured goods), per cent	5.0	3.2	4.7	3.4	3.9
Exchange rate (DKK per USD)	6.7	6.7	6.7	6.9	6.9
Oil price, dollars per barrel	43.1	43.0	52.8	50.8	58.7
Balance of payments					
Current account balance (per cent of GDP)	6.8	7.7	6.6	7.5	7.5

- 1) The fiscal policy projection for 2018 relies on technical assumptions, *cf. also box 1.2.*
- 2) Adjusted for historical extra contributions to GDP-growth resulting from public consumption now being measured using the output method while previously it was measured using the input method.
- 3) The adjusted income, *cf. section 3.1.*

