Chapter 1
Summary

1.1 The current economic outlook

The Danish economy is currently in an economic boom phase, which is benefiting all regions of the country. Employment is rising rapidly and has reached its highest level ever this year. Furthermore, unemployment is at the lowest level for more than nine years.

There is a solid foundation for the upswing to continue, with growth in private consumption and investments as its main driving forces. Meanwhile there are no signs of a build-up of imbalances. Households are gradually increasing consumption without creating unsustainable debt, credit growth is muted and wage growth is moderate, although increasing.

The solid state of the Danish economy is a reminder that economic reforms work. These include the shortening of the eligibility period for unemployment benefits, the increase in the age of eligibility for retirement and early retirement pensions as well as lower taxes on labour income, including the reduction in marginal taxes, which have increased incentives to participate in the labour market and to make an extra effort. In the coming years, reform effects will continue to add to the labour supply.

The upswing is expected to increase employment by an additional 75,000 persons without resulting in an overheated labour market. This is due to the marked increase in the structural level of labour supply, which is expected to continue to increase, *cf. figure 1.1*.

Figure 1.1

Employment is at a record high

Source: Statistics Denmark and own calculations.

The Danish economy is currently on a robust footing, and global economic growth is high, but the balance of risk has become more negative. Internationally the risk of a moderation in growth has become more likely, possibly initiated by an escalation of global trade conflicts.

Furthermore spare capacity in the Danish economy is getting scarcer, and competition for foreign labour has increased in Europe. The economic momentum calls for economic policy restraint in order to counter the risk of overheating the economy, which could lead to a sharp economic downturn.

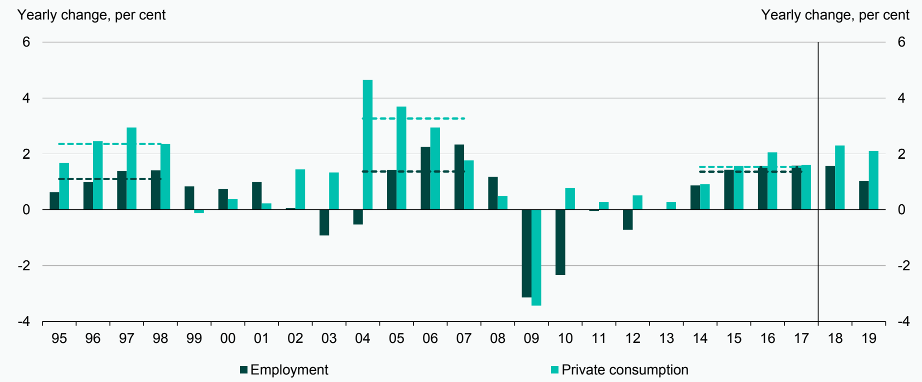
Strong domestic demand growth

Economic growth in 2018 and 2019 is to a large extent expected to be driven by growing domestic demand, i.e. increasing private consumption and private investments.

Households are generally optimistic but have not unduly raised their consumption. Increasing household consumption has been tightly aligned with rising incomes, which follow from increasing employment. Since the turnaround in the labour market in 2013, private consumption has increased gradually and to a large extent at the same pace as employment, *cf. figure 1.2*.

Figure 1.2

Sustainable consumption growth fuelled by increasing employment



Note: Dashed lines depict average growth rates for certain periods of time.
Source: Statistics Denmark and own calculations.

This indicates that consumer behaviour is largely commonsensical, as is also reflected by the fact that households are building up savings to a significant extent. In 2017 the net wealth of households amounted to three and half times GDP, so that the financial position of households as a group was quite sound.

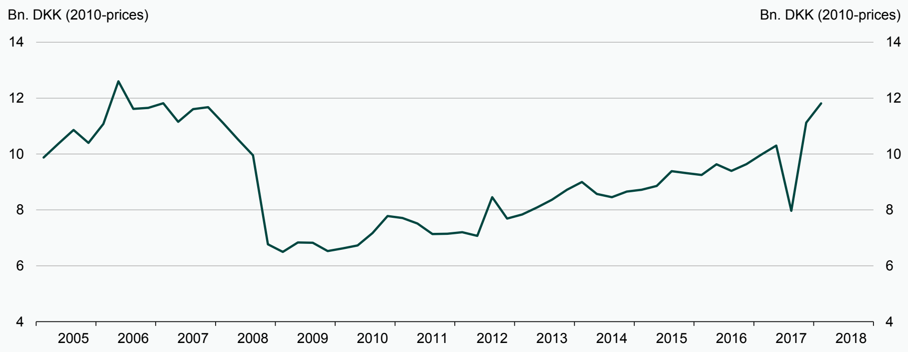
For 2018 and 2019 private consumption is also given a boost from several political agreements, which add to households' financial room. These include the phasing out of the PSO excise tax and the repayment of anticipatory pension contributions in 2018, which follows from the June 2017 agreement to extend the number of years in the labour market, the repayment in 2019 of excess real estate tax payments due to imprecise real estate valuations, which follows the May 2017 agreement on a new real estate tax system, and lower excise taxes due to the agreement on entrepreneurship and business initiatives, lower taxes on labour market income due to the 2018 tax agreement and lower electricity taxes, which was part of the June 2018 energy agreement.

It is therefore possible for consumption to grow sustainably at a slightly faster pace than employment.

Higher consumer demand is clearly evident in car purchases, *cf. figure 1.3*. Contributing to the higher level of car purchases is the lowering of the registration fee in each of the previous three years. The September 2017 agreement e.g. implies a greater emphasis on the safety and energy efficiency of cars in the determination of the registration tax. Therefore, it has become cheaper to purchase a safer car which is also reflected in a shift in the composition of the car purchases in the direction of larger vehicles.

Figure 1.3

Increasing consumer demand is evident in car purchases



Source: Statistics Denmark.

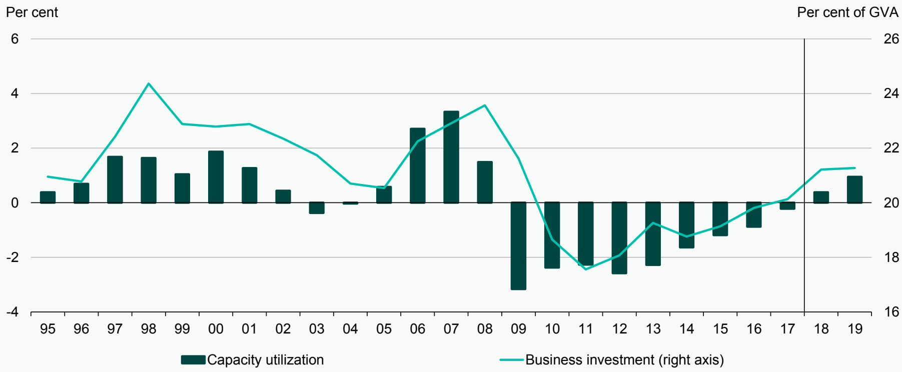
Stronger domestic demand growth is also evident in a higher level of investment activity. The housing investments of households and business investments have grown in recent years.

Increasing housing investments should be seen in light of rising housing prices, which makes it more attractive to construct new homes. At the same time the low level of interest rates is lowering the cost of investments. New construction has increased in and around the capital, where the population is rising steadily.

The increasing level of capacity utilization is leading to an increased need for companies to invest in new production capacity, *cf. figure 1.4*.

Figure 1.4

Increasing capacity utilization leads to increasing investments



Note: Business investments are shown as a share of private sector GVA excl. housing.
Source: Statistics Denmark and own calculations.

The need for increased investment is also related to the fact that the stock of capital decreased year by year during the crisis from 2009 to 2012. During those years the level of investments was very depressed and lower than the level of depreciation of the capital stock.

Exports are set to grow

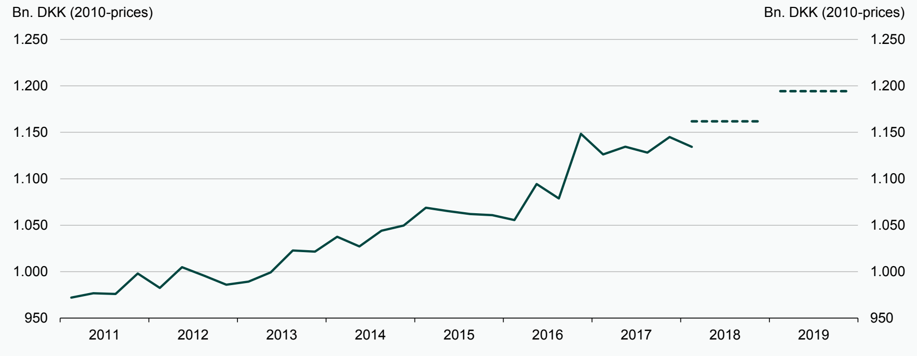
The global economy is currently in a business cycle upturn. Growth in global GDP and global trade increased last year, and continued growth is expected for this year and next year. Furthermore, the competitiveness of Danish export firms is relatively strong. This is *inter alia* reflected by the fact that Danish industrial exports have gained market shares in recent years, including through a marked rise in the export of goods, which never cross the Danish borders.

Compared to last year the prospects for exports in 2018 are somewhat less favourable. Lower import demand growth in important destinations for Danish exports, including Germany, USA and the United Kingdom has reduced the demand growth for Danish exports. Furthermore, a strong effective exchange rate is also a headwind.

Since the beginning of 2017 total exports have also been fairly sluggish, *cf. figure 1.5*.

Figure 1.5

Exports have been subdued, but should continue to grow



Note: Dashed lines depict the projected annual averages.
Source: Statistics Denmark and own calculations.

Nonetheless, exports are expected to grow in the coming years. Exports are of a considerable importance to a small open economy such as the Danish, where companies have generally been able to take advantage of the opportunities, which arise from participation in global value chains.

A sustainable, healthy upturn, but risks are tilted to the downside

The Danish economy is generally sound and the conditions are in place for a long-lasting business cycle upturn. So far, the economic upswing has occurred at a pace which has allowed supply to keep up with demand. There has not been a significant build-up of imbalances or unsustainable pressures within the economy, including the labour market.

Economic reforms and other political initiatives have enabled sustainable economic progress, and will continue to do so, and also provide some robustness against more unfavourable developments. Also a number of initiatives have contributed to increase labour supply. These include *inter alia* the introduction of a ceiling for cash benefits and the 2018 tax agreement, which among other things gives a tax incentive for all full-time employees through the new employment income tax deduction.

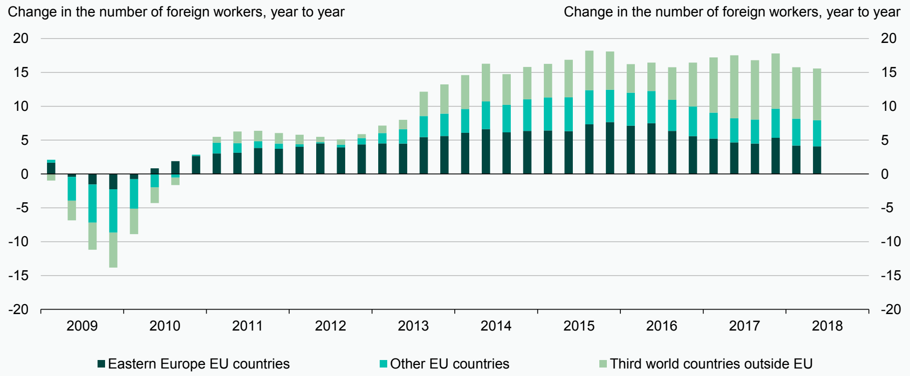
Domestically risks are to a large extent associated with the labour market and the ability for firms to continue to be able to recruit labour with the right skills. Unemployment is at a very low level, and further growth in the Danish economy is to a large extent dependent on further labour force expansion that would enable employment to grow without an overheating labour market.

The growth in the labour force in recent years has benefitted from a combination of economic reforms and inflow of foreign workers. Reforms have e.g. contributed by keeping older workers in the labour force for longer, and through an effective integration of refugees and migrants. These reforms will continue to add to the labour force in the coming years and thereby creates the basis for continued sustainable growth.

Foreign labour has contributed by more than 40 per cent of the increase in employment since the beginning of the upturn. A comparatively large share of the employment contribution has stemmed from eastern European EU countries and especially from Poland and Romania. However, with continued economic growth in Europe, the competition for foreign workers has intensified. Foreign workers continue to find employment in Denmark, but there has been a moderation in the pace of inflow from eastern European EU countries, *cf. figure 1.6*.

Figure 1.6

Risk of labour shortages if the inflow of foreign workers decreases



Note: The chart shows the year-on-year change in foreign labour at the quarterly frequency. The category *Eastern European EU countries* in the chart comprises Bulgaria, Croatia, Poland, Romania, Slovakia, Slovenia, the Czech Republic and Hungary.
Source: Jobindsats and own calculations.

Continued strong employment growth and the ensuing increase in the labour demand entails a risk of more widespread labour shortages developing. The share of firms which report labour shortages is already high, and it may to an increasing extent lead to companies declining new orders. In the longer term it may also harm the competitiveness of Danish export companies and their ability to hold on to market shares.

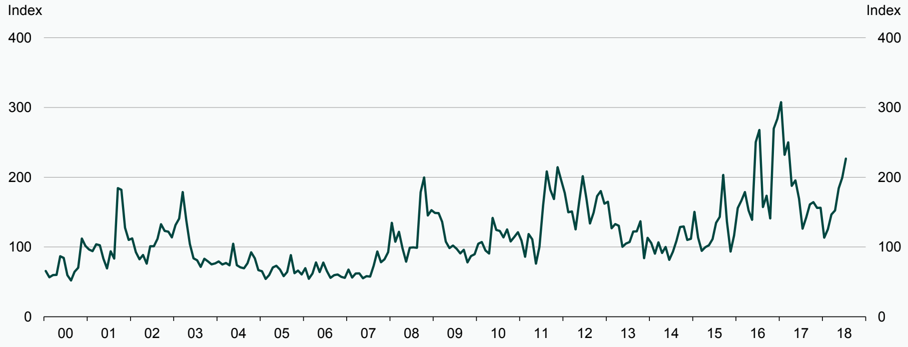
External downside risks have also increased. Among other things there has been some moderation in growth in the EU during the first half of 2018. Whether this is due to temporary or longer lasting factors, remains uncertain. In the forecast it is assumed that growth in the EU will pick up again, but if the moderate growth takes hold it will imply slower-than-projected demand growth facing Danish companies in the coming years.

Furthermore, the risk of increasing barriers to trade at the global level has increased. Despite continuing negotiations, a Brexit-deal between the United Kingdom and the EU-countries remains some way away. The risk of an escalating trade conflict, which at a minimum involves the two largest economies in the world, USA and China, has also increased.

These developments have led to a marked rise this year in the global economic policy uncertainty, which is currently at the highest level since the end of 2016, *cf. figure 1.7*. Uncertainty alone can be enough to make households and companies more cautious and reluctant to increase consumption and investments. This can damage economic prospects, even before new protectionist measures take effect.

Figure 1.7

Marked rise in global economic-policy uncertainty



Source: Global Economic Policy Uncertainty Index.

Initially, it appears that the new barriers to trade will largely not affect Denmark directly. However, global economic interconnectedness, including through participation in global value chains, means that Danish companies and the Danish economy is also at risk of being impacted by an escalating trade conflict, *cf. box 1.1*.

Box 1.1

How will increased protectionism and an escalating trade conflict affect the Danish economy?

International trade is of great importance to the Danish economy. A report from 2018 (prepared by Copenhagen Economics in collaboration with the University of Copenhagen) estimates that more than a third of Danish growth since 1992 is attributable to increased international trade, and 800,000 Danish jobs depend on international trade.[1]

In addition to the direct effect on growth and employment, trade has other effects too. The possibility of international trade offers a more varied consumption choice. Moreover, The Productivity Commission has shown that international trade contributes to increased competition and productivity improvements.[2]

Over several decades, world trade has grown faster than the economy in general, so that trade volumes relative to GDP have risen, *cf. figure a*. This reflects, among other things, lower transportation costs, trade liberalization and the fact that technological advances have enabled a split in the production process into global value chains.

However, since the financial crisis the trend has been different, as trade volumes have been almost unchanged relative to GDP. This may be due to a lower pace of trade liberalization and a tendency to increased protectionism, *cf. figure b*. An escalating trade conflict could reinforce this development and pose a risk to both the world economy and the Danish economy.

Figure a
The trend in international trade is broken

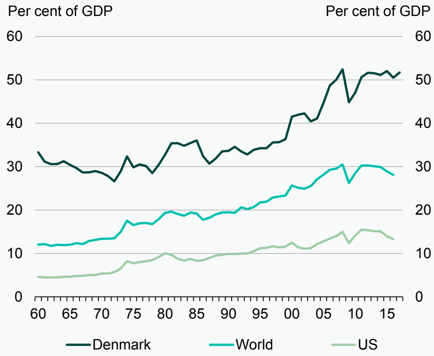
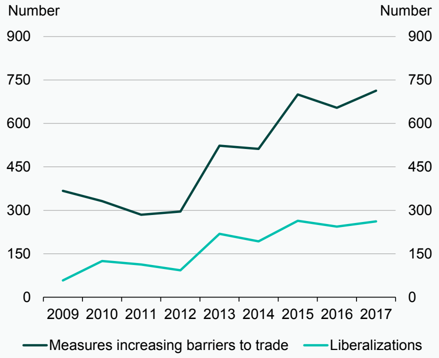


Figure b
Tendency to increased protectionism



How will an escalating trade conflict affect the Danish economy?
The mechanism of a trade war is that one country tries to gain in the trade with other countries. For example, it could be by introducing an import tariff that not only restrict imports from other countries but also pushes the price of imports up, so foreign manufacturers have to lower their prices to maintain their market share. This results in a terms of trade improvement in the country that introduces the tariff.

However, if the import tariff is reciprocated in other countries, this improvement in the terms of trade will be eliminated, and at the same time the usual gains on trade will be lost, including the possibilities of utilizing comparative advantages, i.e. that production is distributed across countries according to their prerequisites for producing certain goods cheaper than others. Households will therefore face higher import prices. The loss corresponds to the shaded area in figure c (½ times the tariff times the decrease in imports).

Box 1.1 (continued)

How will increased protectionism and an escalating trade conflict affect the Danish economy?

The decline in imports depends on the size of the tariff and how sensitive imports are to the price changes. The economist Paul Krugman (2018) has analysed a scenario for a relatively comprehensive trade war which introduces general tariffs of 40 per cent, which he estimates to reduce trade by 70 per cent.[3] The USA has an import volume of 15 per cent of GDP. In this scenario, import tariffs will entail a loss of just over 2 per cent of US GDP.

The Danish economy is significantly more open than the US economy with an import volume of 50 per cent of GDP and could therefore be affected relatively hard if import prices were fully affected by a comprehensive trade war. However, the EU Customs Union and EEA Agreement with key trading partners such as Norway limit the amount of goods directly affected. Thus, about 80 per cent of Denmark's trade is with countries within the EU/EEA cooperation, *cf. figure d*. Assuming that only trade with countries outside the EU/EEA is affected in Krugman's example, the loss for Danish consumers and companies will be 0.1 per cent of GDP.

In addition, extra costs in the form of a decline in global trade may require adjustments in the export business. This applies, for example, to maritime transport, which is largely linked to world trade. An extensive trade war will also mean a disruption to global value chains. For example, increased tariffs on cars could affect Danish subcontractors to the automotive industry (e.g. aluminium pipes and audio equipment). There is also an increasing proportion of Danish exports related to trade that takes place outside Denmark's borders, both in the form of *merchanting*, which covers Danish companies' purchases and resale of goods abroad (without processing) and sales of goods after processing abroad.

In the longer term another type of loss may occur in the form of less transfer of knowledge and technology and less investment between countries (proliferation of productivity gains).

Figure c
Import tariff loss

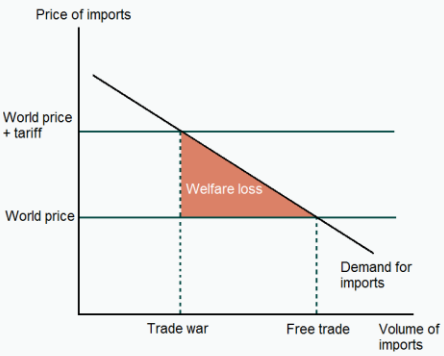
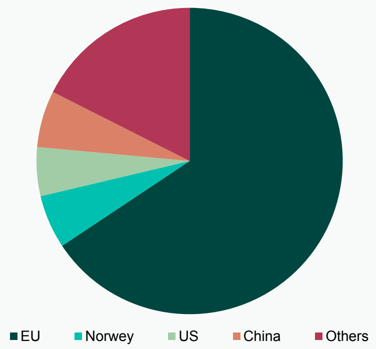


Figure d
Danish trade composition



Note: In figure a, the volume of trade is measured as the average of exports and imports as a percentage of GDP. Figure b is based on figures from Global Trade Alert. Figure c is an illustration from Krugman (2018). In figure d the trade composition is calculated on the basis of the average of exports and imports as a percentage of GDP.

1) See Copenhagen Economics (2018): *Betydning af international handel for økonomi og beskæftigelse i Danmark*.
2) See Produktivitetskommissionen (2013): *Konkurrence, internationalisering og regulering*, Analyserapport 2.
3) See Paul Krugman (2018): *Thinking About a Trade War*. New York Times, June 17 2018.

Source: Statistics Denmark, World Bank, Global Trade Alert and own calculations.

Box 1.2

Data underlying the forecast and changes since the May forecast

The forecast is based on national accounts available for the first quarter of 2018 along with a wide range of indicators for the economic development reaching into second quarter.

GDP grew by 0.4 per cent in the first quarter, which is in line with the average growth rate since the beginning of the recovery in 2013, but a bit slower than the pace over the past two years and also slightly weaker than assumed in the May forecast. The slightly weaker development should in particular be seen in conjunction with a decline in exports in the first quarter of 2018. In addition, the long-lasting drought over the summer is expected to result in a production loss for agriculture. Overall, the GDP growth rate is adjusted downwards by 0.1 percentage points in 2018, but adjusted upwards by 0.1 percentage point in 2019.

Developments in the labour market have been better than expected. The increase in employment is now estimated to be 46,000 persons in 2018, which is 5,000 more than in the forecast in May. Similarly, the estimated unemployment is adjusted downwards by 1,600 people to 108,000 unemployed in 2018.

The data work for the forecast has been completed on August 10th 2018. Statistics Denmark has afterwards published the GDP indicator for second quarter. According to the indicator GDP grew by 0.3 per cent in second quarter. The economic progress seen in the first quarter thus appears to continue, which is in line with the underlying assumptions in the forecast. The uncertainty of the GDP indicator is greater than +/- 0.5 percentage points on growth, which is the standard level of uncertainty that surrounds the quarterly GDP growth figures.

1.2 Fiscal policy and public finances

The Danish economy is increasingly strong. Employment is high, unemployment is low, and in line with the assessment in the May survey, the improvement is expected to continue through 2019. The public finances are generally assessed to be in good health, and markets' confidence in the Danish economy is high. But the economic upswing also invites to a careful planning of fiscal policy such that it counteracts risks of overheating or potential imbalances.

Table 1.1

Main components of the projection relating to fiscal policy

	2017	2018	2019
Structural balance, per cent of structural GDP	0.1	-0.2	-0.1
Actual fiscal balance, per cent of GDP	1.1	0.0	-0.4
EMU debt, per cent of GDP	36.3	35.1	34.0
Growth in public consumption, per cent [1)]	0.8	0.4	0.4
One-year fiscal effect, per cent of GDP[2)]	-0.4	-0.1	-0.2
Output gap, per cent.[3)]	-0.2	0.4	0.9
Employment gap, 1,000 persons[3)]	-3	14	20

1) The public consumption in table 1.1 is calculated by the input method incl. deductions. The public consumption growth rate is 0.6 per cent in 2017 calculated by the output method. In 2018 and 2019, the public consumption growth measured by respectively the input method and the output method assumed to be identical. The final consumption growth in 2019 will among other things depend on the concrete reserve allocation with the approved budget bill for 2019 etc. Out of the estimated public consumption growth of 0.4 per cent in 2019, 0.1 percentage points can reflect priorities, which strengthen Danes' safety and security.
2) Calculated measure of how fiscal and structural policy from one year to another affects the capacity pressure.
3) Calculated measure of how far production and employment are from structural levels. When gaps are approx. zero it corresponds to a situation where there are no more available resources in the economy than in a normal situation. The cyclical correction in the calculation of the structural budget balance is based on the output gap excl. oil and gas extraction.

Source: Statistics Denmark and own calculations.

The fiscal policy for 2019 is planned on the basis of a structural deficit of 0.1 per cent of GDP. Relative to 2018, this implies that the fiscal policy is planned with increasing distance to the deficit limit of the budget law, which is in line with the economic outlook. In the current assessment, the fiscal and structural policy in total is estimated to have a dampening effect on capacity pressures (corresponding to 0.2 per cent of GDP) in 2019.

The government's proposed budget bill for 2019 includes, among other things, funds allocated to prioritised welfare areas such as health care, elderly care and children, as well as a package containing reductions in indirect taxes and a strengthening of businesses, which follows up on earlier government initiatives in these areas*, cf. box 1.3*.

In the current assessment, which is based i.a. on the budget agreements with the municipalities and regions and the proposed budget bill for 2019, the public consumption real growth is assumed to 0.4 per cent in 2019.

The priorities in the proposed budget bill for 2019 also include additional resources to the police and a strengthened effort concerning cyber security and against youth crime. Further, the budget proposal includes reserves that can be allocated – subject to parliamentary negotiations – to initiatives, which can contribute in strengthening the safety and security of citizens. Of the estimated real public consumption growth of 0.4 per cent in 2019, 0.1 percentage point can thus reflect priorities in these areas (safety and security).

Box 1.3

The proposed budget bill for 2019

- **Increased welfare** – With the budget agreements with the municipalities and regions and the proposed budget bill for 2019, the government allocates a total of DKK 4.2 bn. in 2019 to increased welfare. There is among other things allocated DKK 750 M annually in 2019-2022, targeted health care, elderly care and children.

- **Better educations and a robust labour market** – the government allocates a reserve of DKK 600 M in 2019-2022 to a strengthening of university educations and a new proposal on vocational education. The government will also follow up on the workings of the Disruption council.

- **Strengthened safety**– the government allocated resources to a strengthening of cyber and IT security and PET (Danish security and intelligence service). In addition hereto, the government prioritises a reform of the effort against youth crime and a reduction in the use of community service.

- **Excise duty reductions and better conditions for businesses** – the government allocates DKK 520 M (fully phased) to duty and business initiatives. The government will among other things lower the electric heating tax for vacation homes, improve mobility by extending the increased deduction from commuting expenses and expand the opportunities for deductions for islanders etc. and reduce burdens of businesses.

- **Better environment, climate and foods** – the government allocates DKK 260 M in 2019-2022 to environment, climate and nature initiatives, including Gastro 2025. The government further allocates funds to among other things an upcoming agreement on foodstuffs.

The government and the Danish People's party agreed on a new media policy for 2019-2023 (June 2018), which builds on the agreement on focusing of Danmarks Radio and abolition of the media tax (March 2018). The new media agreement includes an abolition of the media tax, such that the financing takes place through the income tax in the future. The agreement further includes a focusing of DR (Danish Broadcasting Corporation).

In addition, a unanimous parliament agreed on a new energy agreement for 2020-2024 (June 2018). The agreement includes among other things new investments in renewable energy. The agreement also includes an electricity tax relief, as well as resources allocated to efficiency improvements in businesses' energy consumption.

The estimated development in public expenditures and revenues imply that the expenditure ratio and tax ratio continue the decreasing tendency of recent years.

Concommitant with the fiscal bill, the government presents an updated medium term projection towards 2025, which forms the foundation for the proposed bill on expenditure ceilings for the new fourth year 2022. The updated medium term projections and the expenditure ceilings for 2022 are described in detail in *Opdateret 2025-forløb, august 2018* and *Dokumentation for fastsættelse af udgiftslofter for 2022* at www.fm.dk (available in Danish only).

The fiscal policy is dampening capacity pressures

The fiscal policy is planned with a view to a gradual consolidation of the public finances towards structural balance. In line with the May assessment, the structural deficits are estimated to 0.2 per cent of GDP in 2018 and 0.1 per cent of GDP in 2019, *cf. figure 1.8.*

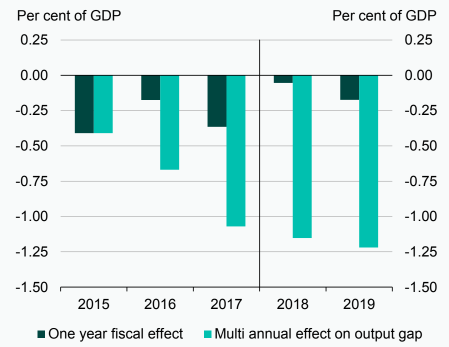
In comparison, the structural deficits amounted to approx. 1 per cent of GDP during the recession following the international financial crisis, where the structural deficits among other things reflected a supportive fiscal policy to underpin economic activity. During the boom of the 2000s, the structural budget balance showed substantial surpluses, which brought down public debt and increased the fiscal room for manoeuvre, when the global crisis set in.

Figure 1.8

Structural budget balance

Figure 1.9

Fiscal effect



Note: Figure 1.9 shows the multi annual fiscal effect on capacity pressure (measured by the output gap) from changes in fiscal policy relative to 2014.
Source: Statistics Denmark and own calculations.

Relative to the supportive policy stance of 2014, the impact of subsequently implemented fiscal and structural policies is estimated to dampen capacity pressures, measured by the output gap, by approx. 1¼ per cent of GDP in 2018 and 2019, *cf. figure 1.9.* This is primarily due to implemented reforms that have increased labour supply, including reforms of the retirement age. A number of initiatives in recent years have further contributed to higher labour supply, including a ceiling on social assistance income and the agreement on lower income taxation and a higher deduction for pension contributions (February 2018). This implies that risks of imbalances and a following overheating would be higher without the pursued fiscal and structural policy.

Actual budget balance and debt

The economic upturn contributes in itself to a bettering of the public finances, when more people gets a job, incomes and consumption increase, and less people receive public income transfers. In spite of these factors, the recorded surplus on the actual budget balance of 1.1 per cent of GDP in 2017 changes to approx. balanced budgets in 2018 and a deficit of approx. 0.4 per cent of GDP in 2019.

A large part of the budget worsening is due to temporary conditions such as fluctuations in the pension yield taxation revenues (PAL) and one-off payments such as reimbursements of early retirement contributions in 2018 and real estate taxes in 2019. Without these factors, it is estimated that the budget balance would show surpluses of 1.0 per cent of GDP in 2018 and 0.9 per cent of GDP in 2019, *cf. figure 1.10*.

Figure 1.10

Actual budget balance

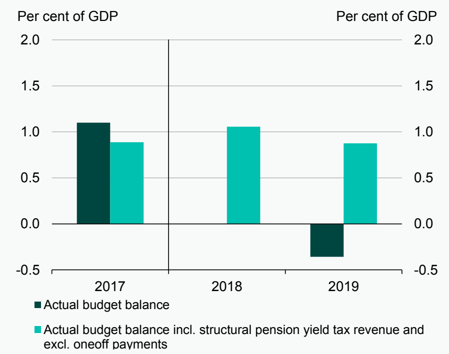
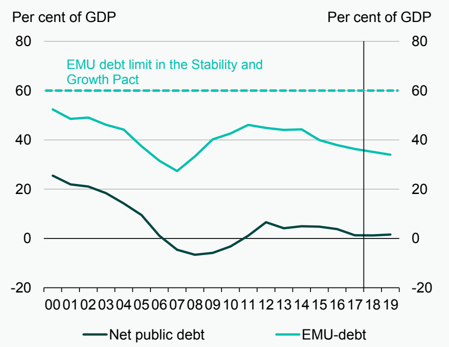


Figure 1.11

Public debt



Source: Statistics Denmark and own calculations.

In 2018 and 2019 the net public debt is estimated to a continued low level of approx. 1-2 per cent of GDP, while the EMU-debt is estimated to approx. 35 per cent of GDP, *cf. figure 1.11*. The public EMU debt in Denmark is thus substantially below the debt limit in the EU Stability and Growth Pact of 60 per cent of GDP.

1.3 Annex table

Table 1.2

Key figures compared to *Economic Survey, May 2018*

	2017	2018		2019	
		May	Aug.	May	Aug.
Real change, per cent					
Private consumption	1.6	2.3	2.3	2.2	2.1
Total government demand	-0.1	0.5	0.5	0.3	0.6
- of which government consumption[1)]	0.6	0.5	0.4	0.3	0.4
- of which government investment	-5.5	0.5	1.2	0.3	2.0
Housing investment	8.7	6.0	7.0	5.4	5.4
Business fixed investment	6.8	4.9	8.5	5.0	2.2
Total final domestic demand	2.0	2.2	2.8	2.2	1.8
Inventory investment (per cent contribu-tion to GDP)	0.1	0.0	0.0	0.0	0.0
Total domestic demand	2.1	2.2	2.8	2.2	1.8
Exports	4.4	3.0[2)]	2.5[2)]	2.8	2.8
- of which manufacturing exports	6.4	4.4	4.2	4.1	4.0
Total demand	2.9	2.5[2)]	2.7[2)]	2.4	2.2
Imports	4.3	3.8	4.4	4.0	3.0
- of which imports of goods	5.4	3.7	5.2	3.8	2.2
GDP	2.3	1.9[2)]	1.8[2)]	1.7	1.8
Gross value added	2.3	2.1[2)]	1.8[2)]	1.9	1.8
- of which private non-farm sector	3.2	2.8[2)]	2.6[2)]	2.7	2.3
Change, 1,000 persons					
Labour force, total	50	34	37	23	25
Employment, total	46	41	46	27	30
- of which private sector	46	40	45	28	29
- of which public sector	0	1	1	-1	1
Gross unemployment	3	-7	-8	-3	-5
Cyclical developments, per cent					
Output gap	-0.2	0.4	0.4	0.9	0.9
Employment gap	-0.1	0.4	0.5	0.6	0.7
Unemployment gap	0.1	-0.1	-0.1	-0.3	-0.2

1) Measured by the output method incl. depreciations. Out of the estimated public consumption growth of 0.4 per cent in 2019, 0.1 percentage points can reflect priorities, which strengthen Danes' safety and security.
2) Adjusted on a discretionary basis for a large one-off payment in the 1st quarter of 2017 for use of Danish-owned intellectual property rights, cf. *box 4.1 in Economic Survey, May 2018*.

Table 1.2 (continued)

Key figures compared to *Economic Survey, May 2018*

	2017	2018		2019	
		May	Aug.	May	Aug.
Change, per cent					
House prices (single family homes)	4.0	3.7	4.2	3.3	3.3
Consumer prices	1.1	1.0	1.1	1.6	1.6
Hourly earnings in the private sector	2.2	2.8	2.5	2.9	2.8
Real disposable income, households	2.7	3.3	1.6	1.7	1.9
Productivity in the private non-farm sector	1.3	0.8[2)]	0.3[2)]	1.3	0.9
Per cent per year					
Interest rate, 1-year rate loan	-0.6	-0.5	-0.5	-0.2	-0.2
Interest rate, 10-year government bond	0.5	0.7	0.5	1.1	1.0
Interest rate, 30-year mortgage credit bond	2.3	2.3	2.2	2.7	2.7
Public finances					
Actual public balance (Bn. DKK)	23.7	-11.7	0.0	-11.6	-8.2
Actual public balance (per cent of GDP)	1.1	-0.5	0.0	-0.5	-0.4
Actual public balance (per cent of GDP)	-0.1	-0.2	-0.2	-0.1	-0.1
Gross debt (per cent of GDP)	36.3	35.4	35.1	34.9	34.0
Labour market					
Labour force, total	3.030	3.065	3.068	3.088	3.093
Employment, total	2.921	2.962	2.967	2.989	2.997
Gross unemployment (yr. avg., 1,000 persons)	116	109	108	106	103
Gross unemployment (per cent of labour force)	3.8	3.6	3.5	3.4	3.3
External assumptions					
Trade-weighted international GDP-growth	2.8	2.7	2.7	2.4	2.5
Export market growth (manufactured goods)	5.2	4.9	4.4	4.2	4.4
Exchange rate (DKK per USD)	6.6	6.1	6.3	6.1	6.4
Oil price, dollars per barrel	54.3	71.2	72.3	71.8	74.7
Balance of payments					
Current account balance (DKK bn.)	168	162	137	160	139
Current account balance (per cent of GDP)	7.8	7.3	6.2	7.0	6.1