

## DENMARK

Following a marked slowdown, the economy has expanded at a rate close to potential and the pronounced labour and capacity shortages are easing only gradually. Going forward, construction activity is projected to contract and to drag down growth. Export demand is set to weaken, and households are likely to become more cautious when spending.

With wage and price inflation pressures, fiscal stimulus should be avoided. Rather, policies should continue to focus on expanding labour supply, *via* clearer incentives for benefit recipients to seek employment and financed reductions in marginal income tax rates.

## Denmark: Demand, output and prices

	2004	2005	2006	2007	2008	2009
	Current prices DKK billion	Percentage changes, volume (2000 prices)				
Private consumption	707.2	5.2	3.8	2.5	2.9	1.0
Government consumption	389.0	0.9	2.0	1.7	1.9	1.3
Gross fixed capital formation	282.9	6.2	14.0	6.1	2.2	-1.9
Final domestic demand	1 379.2	4.2	5.4	3.1	2.5	0.4
Stockbuilding <sup>1</sup>	15.6	-0.7	0.6	-0.3	-0.4	0.0
Total domestic demand	1 394.8	3.4	6.0	2.7	2.2	0.4
Exports of goods and services	665.6	8.2	9.0	3.7	3.6	3.6
Imports of goods and services	594.1	11.2	14.1	5.6	5.6	3.2
Net exports <sup>1</sup>	71.4	-0.8	-1.8	-0.8	-1.0	0.2
GDP at market prices	1 466.2	2.5	3.9	1.8	1.2	0.6
GDP deflator	–	3.1	2.0	1.5	3.3	2.4
<i>Memorandum items</i>						
Consumer price index	–	1.8	1.9	1.7	3.3	2.6
Private consumption deflator	–	2.1	2.1	1.9	2.9	2.6
Unemployment rate <sup>2</sup>	–	4.8	3.9	3.7	3.3	3.7
Household saving ratio <sup>3</sup>	–	-4.0	-3.1	-2.7	-3.2	-2.6
General government financial balance <sup>4</sup>	–	5.0	4.9	4.5	3.9	3.0
Current account balance <sup>4</sup>	–	4.3	2.7	1.1	0.6	0.7

Note: National accounts are based on official chain-linked data. This introduces a discrepancy in the identity between real demand components and GDP. For further details see *OECD Economic Outlook Sources and Methods* (<http://www.oecd.org/eco/sources-and-methods>).

1. Contributions to changes in real GDP (percentage of real GDP in previous year), actual amount in the first column.

2. Based on the Labour Force Survey, being ½-1 percentage point above the registered unemployment rate.

3. As a percentage of disposable income, net of household consumption of fixed capital.

4. As a percentage of GDP.

Source: OECD Economic Outlook 83 database.