

DENMARK

After years of strong expansion, the construction boom is now over and falling house prices have put an end to debt-financed consumption growth. As the impact of global financial turmoil materialises, exports are likely to remain weak during 2009, leading businesses to cut back investment.

Denmark enters the slowdown with severe capacity pressures and wages rising much faster than warranted by productivity growth. There is thus little need presently for fiscal demand stimulus, especially since monetary conditions are set to ease along with those of the euro area.

Denmark: Demand, output and prices

	2005	2006	2007	2008	2009	2010
	Current prices DKK billion	Percentage changes, volume (2000 prices)				
Private consumption	759.8	3.8	2.3	1.5	0.3	0.8
Government consumption	401.3	2.0	1.6	0.9	1.5	1.0
Gross fixed capital formation	304.8	14.0	5.9	0.6	-4.3	-2.1
Final domestic demand	1 465.8	5.4	2.9	1.1	-0.5	0.2
Stockbuilding ¹	5.9	0.6	-0.3	-0.3	-0.2	0.0
Total domestic demand	1 471.8	6.0	2.6	0.8	-0.5	0.2
Exports of goods and services	761.6	9.0	1.9	2.6	0.5	3.4
Imports of goods and services	685.2	14.1	3.8	4.0	0.4	2.2
Net exports ¹	76.4	-1.8	-0.9	-0.7	0.1	0.7
GDP at market prices	1 548.2	3.9	1.7	0.2	-0.5	0.9
GDP deflator	–	2.0	1.7	3.4	2.3	2.2
<i>Memorandum items</i>						
Consumer price index	–	1.9	1.7	3.5	1.6	1.6
Private consumption deflator	–	2.1	1.9	2.5	1.5	1.6
Unemployment rate ²	–	3.9	3.7	3.1	4.0	4.5
Household saving ratio ³	–	-3.1	-2.8	-1.9	-0.7	1.7
General government financial balance ⁴	–	5.0	4.4	2.4	0.1	-0.6
Current account balance ⁴	–	2.7	1.1	0.8	0.9	2.0

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 84 database.