5. English summary

The financial turmoil caused by the international debt crisis has continued during recent months, and the IMF, OECD and the European Commission have reduced their growth forecasts considerably.

On this background expected GDP growth for 2011 has been reduced to 1 per cent in 2011 and 2012 compared to 1.3 per cent in 2011 and 1.8 per cent in 2012 in the August projection. In 2013 growth in GDP is expected to 1.4 per cent. The weaker growth prospects in connection with lower expected private consumption and employment contributes to larger general government budget deficits.

In 2011 the general government budget deficit is estimated to approx. DKK 71¼bn corresponding to 4.0 per cent of GDP, and the deficit in 2012 is estimated to DKK 100¾bn or 5.5 per cent of GDP. In 2013 the budget deficit is estimated to DKK 48¼bn corresponding to 2.6 per cent of GDP.

The structural budget balance is estimated to be strengthened by 1½ per cent of GDP from 2010 to 2013. Thereby Denmark will meet the recommendation by the ECOFIN to reduce the deficit below 3 per cent of GDP.

The budget for 2012 includes new initiatives of DKK 9½bn, which is fully financed by tax increases, use of general reserves and other measures. New initiatives include improved conditions for unemployed, measures to reduce youth unemployment and increases in certain social assistance allowances. Further, additional means are allocated to the health sector as well as to research and education.

In order to support growth and employment, investments of nearly DKK 11bn in 2012 and DKK 8bn in 2013 is brought forward as a part of a *Kick-start* of the Danish economy, *cf. table 5.1*. The fiscal stimulus package includes advanced public investment in e.g. roads, schools and hospitals as well as renovation of social housing and new investments in energy etc.

Table 5.1
New investments and investments brought forward in 2012 and 2013

DKK bn	2012	2013	2012-13
Roads, railways and coastal protection	1.6	-0.8	0.8 1)
Municipal investments in schools, day care centres etc.	3.9	1.0	4.9 1)
Regional investments in hospitals, new equipment etc.	1.8	-	1.8 1)
Renovation in social housing	2.1	1.6	3.7
Energy investments	1.3	5.4	6.7
Investments in the Copenhagen toll ring	-	0.8	0.8
Total investments	**10.7**	**8.0**	**18.7**

1) Public investments that have been brought forward are offset by a reduction in the public investment level from 2014-2020.

Public investments are expected to increase to DKK 46¾bn in 2012, but will be reduced to DKK 36¼bn as part of the fiscal consolidation of the public finances public investments.

5.1 General government finances

The estimates for the general government finances in 2011 and 2012 are based on the short term projections for the Danish economy, cf. *Economic Survey,* December 2011.

In addition the estimates for 2011 are derived from the central government budget for 2011, an updated status for the central government spending in 2011, the local government budgets for 2011 and the quarterly national accounts for the 3rd quarter 2011. With respect to 2012 the estimates are based on the central and local government budgets for 2012. For 2013 the estimates are primarily based on the short term projections, the *Reform Agenda 2020* and the central government budget for 2012.

According to revised data on general government finances from Statistics Denmark, the general government deficit amounted to DKK 47½bn in 2010 or 2.7 per cent of GDP, *cf. table 5.2*.

Table 5.2
General government budget balance, 2006-2013

	2006	2007	2008	2009	2010	2011	2012	2013
DKK bn, current prices								
August 2011	82.3	81.4	56.9	-46.5	-48.3	-68.2	-84.5	-33.9
December 2011	**82.3**	**81.4**	**57.6**	**-45.9**	**-47.4**	**-71.2**	**-100.7**	**-48.2**
- Central government	89.7	85.8	65.2	-33.4	-44.1	-	-	-
- Local governments	-7.8	-4.5	-7.3	-11.0	-3.2	-	-	-
- Social funds	0.3	0.0	-0.3	-1.5	-0.2	-	-	-
December 2011 (per cent of GDP)	**5.0**	**4.8**	**3.3**	**-2.8**	**-2.7**	**-4.0**	**-5.5**	**-2.6**

Note: The specification of the central and local government budget balances does not fully reflect that the central government, through transfers to the local governments, bears the risk of fluctuations in expenditure and revenues due to the business cycle.

In 2011 the general government budget deficit is estimated at DKK 71¼bn corresponding to 4.0 per cent of GDP, and the deficit in 2012 is estimated at DKK 100¾bn or 5.5 per cent of GDP. In 2013 the budget deficit is estimated at DKK 48¼bn corresponding to 2.6 per cent of GDP.

The weakening of the general government budget balance since 2008 is primarily due to the international economic crisis and expansionary fiscal policy in 2009 and 2010. Fiscal policy is also eased in 2012 due to the *Kick-start* and the possibility to leave the early retirement scheme and cash the payments without taxes.

Compared to the short term projection in August 2011 the deficit on the general government budget balance in 2010 is adjusted downwards by DKK 1bn according to revised data from Statistics Denmark, *cf. table 5.2*. The revision covers among other things lower public consumption, investments and subsidies, which is counteracted by lower revenues from the pension yield taxation.

In 2011 and 2012 the expected budget deficit is upward adjusted by DKK 3bn and DKK 16¼bn compared to the August estimates primarily reflecting weak cyclical conditions. Revenues from corporate taxes, personal taxes and labour market contribution as well as VAT and other duties has been adjusted downwards by DKK 14bn in 2011 and DKK 12.6bn in 2012, *cf. table 5.3*. Furthermore, public investment expenditures are increased by DKK 6¾bn in 2012 since August due to the fiscal stimulus package *Kick-start*.

Table 5.3
Revision of the general government budget balance from August to December

	2010	2011	2012
DKK bn, current prices			
North Sea oil and gas exploration activities	0.3	2.3	1.4
Corporate taxes excluding North Sea oil and gas exploration activities	0.2	-6.3	-5.7
Pension yield taxation	-5.5	7.1	0.7
Labour market contribution	-0.4	-0.6	-1.3
Personal taxes etc.	0.6	-4.0	-2.1
Value Added Tax	-0.1	-1.4	-2.4
Vehicle registration tax	0.0	-1.0	-1.6
Other taxes and duties	-0.1	-1.7	0.7
Public consumption expenditures	1.5	2.5	1.6
Public investment expenditures	0.5	0.9	-6.8
Income transfers	-0.5	1.7	-3.8
Net interest expenditures and dividends	-0.2	0.5	1.7
Subsidies	2.2	0.1	-1.4
Bank and credit packages		-3.9	3.2
Other expenditures and revenues	2.4	0.6	-0.4
Total revision of general government budget balance	**0.9**	**-3.1**	**-16.2**

Note: Negative numbers imply reductions of the surplus due to reduced revenues or increased expenditures, and positive numbers imply increases in the surplus due to increased revenues or decreased expenditures.

Revenues *from the North Sea activities* are upward adjusted by DKK 2¼bn in 2011 and by DKK 1½bn in 2012 compared to the August projection reflecting an upward adjustment of the expected oil and gas production level in 2011 and of the oil price in 2012.

Corporate taxes excluding North Sea oil and gas exploration activities are downward adjusted by DKK 6¼bn in 2011 and DKK 5¾bn in 2012 compared to the August projection. This reflects new data on payments of corporate taxes in 2011 showing significantly lower corporate tax revenues than previously expected. Due to weaker cyclical condition corporate tax revenues are downward adjusted in 2012 as well.

The revenues from *the pension yield taxation* are upward adjusted by DKK 7bn in 2011 reflecting lower expected interest rates in 2011 and increasing returns on bonds and derivates. The upward adjustment by ¾bn in 2012 is primarily due to a downward adjustment in the stock of negative tax from 2011, which can be deducted in the pension yield taxation in 2012.

The revenues from *labour market contribution* are downward adjusted by DKK ½bn in 2011 and by DKK 1¼bn in 2012 due to a lower expected employment level and lower expected wage increases in both the private and public sector.

Revenues from *personal taxes etc.* are downward adjusted by DKK 4bn in 2011 and DKK 2bn in 2012 reflecting lower expected wage increases and a downward adjustment in the employment level by approx 25,000 persons in 2011 and approx 36,000 persons in 2012. In 2012 the revenue from personal taxes increases by DKK 2bn because of the ceiling on pensions with annuity payments, which implies an advance of future tax payments.

The revenues from the *Value Added Tax (VAT)* are downward adjusted by DKK 1½bn in 2011 and by DKK 2½bn in 2012 following a downward adjustment in the expected private consumption.

Revenues from the *vehicle registration tax* are downward adjusted by DKK 1bn in 2011 and by DKK 1½bn in 2011 primarily reflecting a lower expected private car sale.

Other taxes and duties are downward adjusted by DKK 1¾bn in 2011, but upward adjusted by DKK ¾bn in 2012. The private consumption is downward adjusted both in 2011 and 2012, while higher duties on unhealthy food, alcohol, cigarettes and air pollution increases the revenues by DKK 2bn in 2012.

Nominal *public consumption* expenditures are downward adjusted by DKK 2½bn in 2011 and DKK 1½bn in 2012. In 2011 the adjustment primarily reflects reduced expenditures on active labour market policy and on military equipment. In 2012 the downward adjustment reflects lower budgeted consumption expenditures in local governments than agreed upon in June, whereas the central government budget for 2012 includes additional public consumption of DKK 2½bn in 2012 primarily reflecting initiatives in the health sector and increased funds for research and education.

The nominal level of *public investment* expenditures are downward adjusted by DKK 1bn in 2011 based on lower expected road investments and lower regional investments. The upward adjustment of DKK 6¾bn in 2012 is due to the fiscal stimulus package *Kick-start*, which includes public investments in roads, schools, hospitals etc.

Expenditures on *income transfers* is downward adjusted by DKK 1¾bn in 2011 primarily due to a downward adjustment of expenditures on pensions and early retirement of DKK 1¼bn. In 2012 expenditures on income transfers are upward adjusted by DKK 3¾bn reflecting higher expenditures for unemployment benefits and social assistance of DKK 3½bn due to higher unemployment in 2012 and additional expenditures in the political agreement on the central government budget for 2012.

Expenditures on *subsidies* are largely unchanged in 2011 and upward adjusted by DKK 1½bn in 2012 primarily reflecting an agreement to maintain the high 2011-level of vocational training places in 2012 and 2013.

Net interest expenditures and dividends are adjusted downwards by DKK ½bn in 2011 and by DKK 1¾bn in 2012, which among other things reflects a lower expected interest rate level.

Revised estimates of *Bank and credit packages* increase the public deficit by DKK 4bn in 2011 and reduce the deficit by 3¼bn in 2012. This reflects that losses on individual government guarantees are dated to 2011, while the losses in August were dated to 2012.

Adjustments of *other expenditures and revenues* are expected to affect the general government budget balance positively by DKK ½bn in 2011 and negatively by DKK ½bn in 2012. Contributions to EU are lowered by DKK ¾bn annually in 2011 and 2012, while capital transfers have been adjusted upwards by DKK ½bn in both years due to repayment of property taxes. In addition there has been an upward adjustment of repayment of early retirement contributions by DKK ½bn and expenditures on railway investments in Banedanmark by DKK ¾bn in 2012.

The expenditure burden, i.e. the ratio of government expenditure to GDP, is estimated at 55¾ per cent of GDP in 2013, which reflects an increase of 5 percentage points since 2006, *cf. table 5.4*. The increase primarily reflects a higher level of public consumption relative to GDP of 2½ percentage points from 2006 to 2013, *cf. annex 2*. In the same period the revenue burden is expected to decrease by 2½ percentage points primarily due to a lower tax burden.

Table 5.4

Expenditure, tax and revenue burden, 2006-2013

	2006	2007	2008	2009	2010	2011	2012	2013	Diff. 2006-2013
Per cent of GDP									
Expenditure burden[1)]	50.6	50.0	50.6	56.7	56.4	56.9	57.8	55.7	5.1
Tax burden	49.8	49.1	47.9	47.8	47.7	46.5	46.6	47.6	-2.2
Revenue burden[1)]	55.7	54.8	53.9	54.0	53.7	52.9	52.3	53.2	-2.5

1) The specification of total public expenditures and revenues deviates from the specification from Statistics Denmark. Total public expenditures reflect public consumption, which includes revenues from sales and calculated depreciation expenditure, and total revenues include calculated depreciation. The specification of public expenditure from Statistics Denmark does not include public sales, which are included in total revenues, and calculated depreciation is not included in public expenditures and revenues in the specification from Statistics Denmark. Thus, the expenditure and revenue burdens differ from the ascertained burdens based on the specifications according to Statistics Denmark.

From 2008 to 2010 the expenditure burden is expected to increase from 50.6 per cent of GDP in 2008 to 56.4 per cent of GDP in 2010. The significant increase is reflecting a higher level of public consumption relative to GDP, higher income transfers and a reduction of GDP as a result of the weak cyclical condition.

From 2010 to 2012 the expenditure burden is expected to increase further by 1½ percentage point to 57¾ per cent of GDP in 2012 primarily reflecting the repayments in 2012 of early retirement contributions that increases the public deficit by about 1 per cent of GDP.

The tax burden is largely unchanged from 2009 to 2011, but is expected to increase by 1.1 percentage points from 2011 to 2013. Primarily due to the *Spring Package 2.0* personal taxes are reduced by ¾ per cent of GDP from 2006 to 2011, but are again increased by ¾ per cent from 2011 to 2013 due to tax increases in the *Fiscal Consolidation Agreement.*

Detailed information about the expenditure, tax and revenue burden can be found in annex 2.

5.2 Fiscal stance

The *fiscal effect* is an indicator of fiscal policy stance. The fiscal effect measures the impact of fiscal policy changes on economic activity.

The fiscal effect is estimated to -0.2 per cent of GDP in 2011, 0.4 per cent of GDP in 2012 and -0.9 per cent in 2013, *cf. table 5.5*.

Table 5.5
Fiscal effect, 2007-2013

	2007	2008	2009	2010	2011	2012	2013
Per cent of GDP							
Expenditures	0.1	0.0	0.9	0.2	-0.1	0.3	-0.6
Revenues	0.0	0.0	0.2	0.3	-0.1	0.1[1)]	-0.3[1)]
Fiscal effect, incl. early retirement contributions	**0.1**	**0.1**	**1.1**	**0.5**	**-0.2**	**0.4**	**-0.9**
Special pension scheme (SP)			0.3	0.0	-0.2	-	-

1) Incl. early retirement contributions.

The fiscal tightening in 2011 primarily follows from the *Fiscal Consolidation Agreement* including moderate growth in public consumption and tax increases.

The ease of fiscal policy in 2012 reflects the fiscal stimulus package *Kick-start* and to the repayments of the early retirement contributions. Tax increases in the agreement on the central government budget for 2012 has a tightening effect.

Compared to the short term projection in August 2011 the fiscal effect in 2011 is upward adjusted from -0.3 per cent of GDP to -0.2 per cent of GDP. The adjustment is due to a revision of the calculation methods, *cf. Economic survey,* December 2011, while less public spending in isolation reduces the fiscal effect. The upward adjustment in 2012 from 0.0 per cent to 0.4 per cent is primary due to the *Kick-start*.

Fiscal policy is expected to have a negative effect on the economic activity in 2013 at -0.9 per cent. The tightened fiscal policy reflects an assumed normalization of the public investment level and tax increases in the *Spring Package 2.0, The Fiscal Consolidation Agreement* and the central government budget for 2012. The contractive fiscal policy in 2013 is eased by the impact on activity from investments in social housing and energy in the *Kick-start*, which is not included in the fiscal effect.

5.3 Structural budget balance

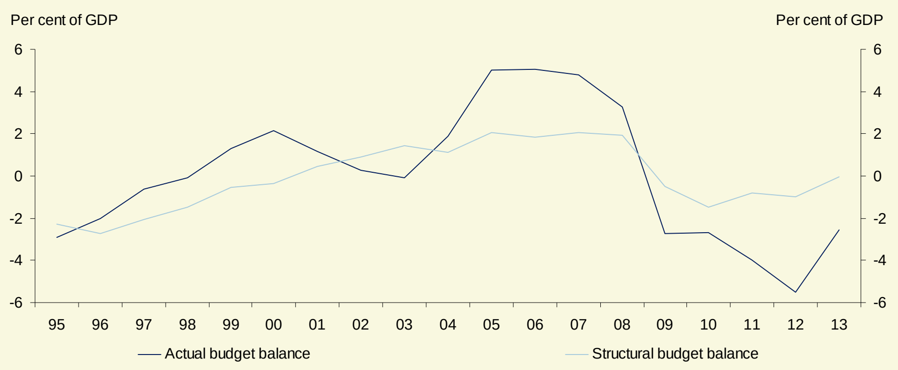
The structural budget balance is the actual general government balance adjusted for the estimated impact on the budget from the cyclical position of the economy and other temporary factors.

The structural budget balance is estimated at 1.9 per cent of GDP in 2008, -½ per cent of GDP in 2009 and -1½ per cent of GDP in 2010. The weakening of the structural balance in 2009 and 2010 is due to the expansionary fiscal policy.

The structural budget deficit is estimated to 0.8 per cent of GDP in 2011 and 0.9 per cent of GDP in 2012.

In 2013 structural balance between expenditures and revenues is estimated. The structural budget balance is estimated to be strengthened by 1½ per cent of GDP in 2011-2013. Thereby Denmark will meet the recommendation by the ECOFIN to reduce the deficit below 3 per cent of GDP.

Figure 5.1
Actual and structural balance 1995-2013



In 2004-2008 both cyclical conditions and the development in the financial markets contributed to higher actual budget surpluses compared to the calculated structural surpluses, *cf. figure 5.1*. Extraordinarily large surpluses from the pension yield taxation in 2004 and 2005 as well as favourable cyclical conditions in 2006-2008 contributed to higher actual surpluses. In light of both employment and production being estimated lower than their structural levels in 2009-2013, the estimated actual deficit is higher than the structural budget deficit in 2009-2013.

From 2002 to 2013 the estimated structural budget balance was reduced by 1 per cent of GDP, *cf. table 5.6*. From 2002 to 2008 the structural budget balance is strengthened by 1 per cent of GDP primarily reflecting lower net interest rate expenses due to reductions in central government debt and a decline in structural unemployment. Expansionary fiscal policy in 2009 and 2010 on the other hand has reduced the structural budget balance considerably.

Table 5.6
Structural budget balance (per cent of GDP), 2002-2013

	Structural Balance		Change due to					
	Level	Yearly change	Fiscal policy[1)]	Pension yield taxation	Net Interest	North Sea oil and gas	Special items[2)]	Other
2002	0.9							
2003	1.4	0.5	0.0	0.0	0.3	0.2	0.1	-0.1
2004	1.1	-0.3	-1.5	0.0	0.3	0.1	0.1	0.7
2005	2.0	0.9	-0.4	0.0	0.3	0.2	0.0	0.4
2006	1.9	-0.1	-0.7	0.0	0.2	0.1	-0.1	-0.3
2007	2.1	0.2	0.0	0.0	0.2	0.1	0.0	-0.7
2008	1.9	-0.2	-0.4	0.0	0.1	0.1	-0.1	-0.3
2009	-0.5	-2.4	-2.2	0.1	0.1	-0.1	-0.1	0.2
2010	-1.5	-1.0	-1.0	0.0	0.1	-0.1	-0.1	-0.1
2011	-0.8	0.7	0.9	0.0	0.0	-0.1	0.0	-0.2
2012	-1.0	-0.2	0.0	0.0	0.0	0.0	0.0	-0.2
2013	0.0	1.0	1.7	0.0	-0.1	-0.1	0.0	-0.5
Total		**-0.9**	**-3.6**	**0.1**	**1.5**	**0.4**	**-0.2**	**-1.1**

1) Due to different methods of calculation the fiscal policy effects differ from the effects used in the calculation of the fiscal effect.
2) Special items include among other things various net current and capital transfers.

5.4 Central government finances

The deficit on the central government budget is estimated at DKK 87¾bn in 2012 on the current, investment and lending account – the so-called CIL-account[1] – corresponding to 4.8 per cent of GDP, *cf. table 5.7*. The CIL-account deficit in 2011 is estimated at DKK 49¼bn corresponding to 2.8 per cent of GDP.

Table 5.7
CIL-account, 2011-2012

	2011			2012		
	August	**December**	**Diff.**	**Budget proposal**	**Budget**	**Diff.**
DKK bn, current prices						
Total revenues	643.0	634.3	-8.7	614.9	616.7	1.8
Total expenditures	686.5	683.6	-2.9	694.7	704.4	9.7
CIL-account	**-43.5**	**-49.3**	**-5.8**	**-79.8**	**-87.7**	**7.9**
CIL-account (per cent of GDP)	-2.4	-2.8	-0.3	-4.3	-4.8	-0.4

The higher CIL-account deficit in 2011 compared to the August estimate reflects lower revenues of DKK 8¾bn and lower expenditures of DKK 3bn. The former is primarily due to lower estimated revenues from corporate and pension yield taxation, personal taxes and VAT. The lower net expenditures in 2011 include reduced expenditure on national defence and lower pensions.

The increase in the CIL-account deficit in 2012 compared to 2011 reflects reduced central government revenues and higher expenses. Revenues are reduced primarily due to lower estimated revenues from pension yield taxation and repayment of early retirement contributions. The higher expenditures include costs of shutting down activities in the North Sea which are accounted for in 2012, but the actual payments will be made at a later stage.

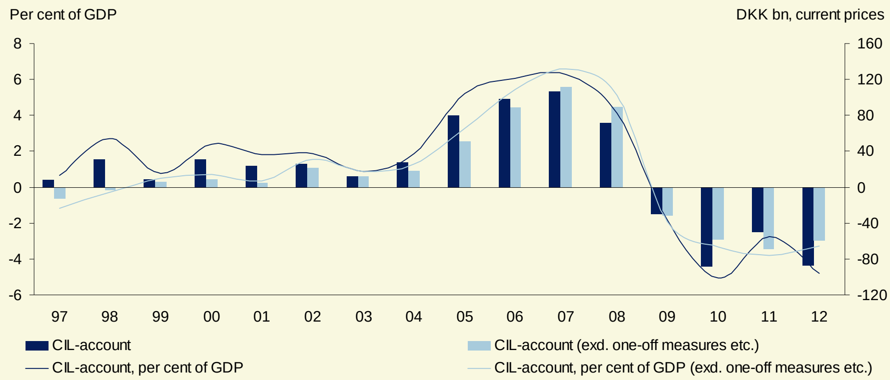
The CIL-account is affected by one-off measures from year to year. *cf. figure 5.2*. Corrected for one-off measures etc., the CIL-account deficit is estimated at DKK 68½bn in 2011 and DKK 59½bn in 2012 corresponding to -3.8 per cent of GDP in 2011 and -3.2 per cent of GDP in 2012.

[1] The CIL-account differs from the national account based on the central government balance with respect to the accruals concept (e.g. taxes), the treatment of financial transactions etc. In addition, some institutions that are part of the central government accounts are not considered part of the central government sector in the national accounts, and some institutions that are not part of the central government accounts are considered part of the central government sector.

The correction of the CIL-account in 2011 is primarily due to the change in the timing of tax payments from the pension yield taxation, for which revenues in 2010 are not paid until 2011.

The correction for one-off measures in the CIL-account in 2012 primarily reflects to expected repayment of early retirement contributions and lower revenues from pension yield taxation.

Figure 5.2
Central government CIL-account 1997-2012



5.5 Central government financing requirement and debt

Central government debt measured as a percentage of GDP is estimated to increase from 22 per cent of GDP in 2010 to 27 per cent of GDP in 2012 corresponding to an increase of 5 percentage points, *cf. table 5.8*. Measured in nominal terms central government debt is estimated to increase from DKK 386¼bn in 2010 to DKK 494¼bn in 2012 corresponding to an increase of DKK 108bn over the two years.

The increase in debt from 2010 to 2012 primarily reflects the central government deficit.

Table 5.8
Central government debt, 2010-2012

	2010	2011	2012	Diff. 2010-12
End of year nominal value, DKK bn (current prices)				
Domestic debt	576.4	643.8	618.4	42.0
Foreign debt	114.7	113.6	91.2	-23.5
The central government's account in Danmarks Nationalbank[1)]	-177.1	-217.8	-99.3	77.8
Fund holding of bonds [2)]	-127.8	-124.2	-116.0	11.8
Central government debt DKK bn	**386.3**	**415.5**	**494.3**	**108.0**
Central government debt per cent of GDP	**22.0**	**23.2**	**26.9**	**4.9**

1) The central government's account in Danmarks Nationalbank is measured according to the central government accounts for 2010, while the account for 2011 and 2012 is measured according to the monthly balance of Danmarks Nationalbank.
2) The holding of bonds by the funds as well as their deposits in Danmarks Nationalbank are included.

The annual change in central government debt (net of capital gains and borrowing) corresponds to the net balance. The difference between the net balance and the CIL-account reflects among other things cash flows and central government relending.

The net financing requirement in 2011 amounts to DKK 33bn, *cf. table 5.9*. Compared to the estimate in August there is a downward adjustment of the financing requirement of DKK 5bn primarily reflecting a lower deficit on the CIL-account.

In 2012 the net financing requirement is estimated at DKK 79bn reflecting an expected deficit on the CIL-account of DKK 87¾bn.

Table 5.9
CIL-account and net financing requirement. 2010-2012

	2010	2011		2012	
	Final	August	December	Budget proposal	Budget
DKK bn (Current prices)					
CIL-account	**-88.7**	**-43.5**	**-49.3**	**-79.8**	**-87.7**
Total relending	1.1	6.2	5.3	-0.9	-2.8
Differences between posted revenues and expenditures and cash flow	-6.1	-0.7	11.0	4.5	11.7
Net financing requirement (-net balance)	**93.7**	**38.0**	**33.0**	**76.2**	**78.9**

The financing requirement is equivalent to the net financing requirement, which depends in particular on central government deficit plus repayment of short and long term debt. The financing requirement can be met through borrowing or by drawing on the central government account.

The domestic financing requirement is estimated at DKK 123bn in 2011 and DKK 179bn in 2012. The upward adjustment of DKK 1bn compared to the August estimate reflects larger repayments of long term domestic debt while less net financing requirement count in the opposite direction, *cf. table 5.10*. In 2012 the upward adjustment of DKK 2bn reflects the opposite situation of 2011 with a larger domestic requirement and less repayments of debt.

Table 5.10
Domestic financing requirement 2011 and 2012

	2011		2012	
DKK bn	**August**	**December**	**Budget proposal**	**Budget**
Net domestic financing requirement	39	33	77	80
Repayment of long term debt[1)]	57	65	60	55
Repayment of treasury bills[2)]	25	25	40	44
Domestic financing requirement	**122**	**123**	**177**	**179**

1) Repayment of long term debt includes the net purchase of bonds by funds, net payments from currency swaps and acquisitions beyond the year.
2) Repayment of treasury bills corresponds to outstanding in the program at the beginning of the year.

The domestic financing requirement in 2012 is estimated at DKK 179bn, *cf. table 5.10*. The upward adjustment of DKK 2bn is primarily due to a large net financing requirement and lower repayments of long term debt.

The foreign financing requirement for 2011 is unchanged compared to the estimate in August of DKK 37bn, *cf. table 5.11*. The foreign financing requirement for 2012 is estimated at DKK 36bn and is caused by lower repayment of long term debt.

Table 5.11
Foreign financing requirement 2011 and 2012

	2011		2012	
DKK bn	**August**	**December**	**Budget proposal**	**Budget**
Net foreign net financing requirement	-1	-1	-1	-1
Repayment of long term debt[1)]	33	33	33	32
Repayment of treasury bills[2)]	5	5	5	5
Foreign financing requirement	**37**	**37**	**36**	**36**

1) Repayment of long term debt includes the net purchase of bonds by funds, net payments from currency swaps and acquisitions beyond the year.
2) Repayment of treasury bills corresponds to outstanding in the program at the beginning of the year.

5.6 Bank and credit packages

Through bank and credit packages the government has provided guarantees and loans to the financial sector. The latest report shows that revenues from bank and credit packages are likely to exceed the expected losses related to the bankruptcies.

In the general government budget balance, gains and losses are registered in the year they are dated to. Bank and credit packages are estimated to reduce the general government budget balance by DKK 1½bn in 2011 and strengthen the balance with DKK 4bn in 2012 in the December projection, *cf. table 5.12.*

Table 5.12
Effect of bank and credit packages on the general government budget balance in 2011 and 2012

DKK bn	2011	2012
The Credit Package	**0.5**	**2.6**
- Net interest revenues	2.9	2.6
- Losses on capital injections	-2.4	-
Individual guarantees	**-2.0**	**1.3**
- Commission	1.6	1.3
- Losses on guarantees	-3.6	
Bank Package 1 and Roskilde Bank	**0.0**	-
- Dividends from Finansiel Stabilitet A/S regarding Bank Package 1	4.6	-
- Reduction of guarantees regarding losses on Roskilde Bank	-4.6	-
I alt	**-1.5**	**3.9**

With the credit package from January 2009 the government has provided hybrid core capital injections of DKK 46bn to 43 institutions. The net interest revenues of the credit package are estimated to approx. DKK 3bn in 2011 and approx. DKK 2½bn in 2012. Capital injections in EIK Bank P/F, EIK Bank Denmark A/S and Amagerbanken A/S, Fjordbank Mors A/S and Max Bank A/S of DKK 2½bn are considered lost in 2011.

At the end of 2010 the general government issued individual guarantees amounting to DKK 194bn. The government receives a commission of 0.8-1.35 per cent a year, and the payments are estimated at DKK 1½bn in 2011 and 1¼bn in 2012. Regarding the individual government guarantees a loss of 3½bn in 2011 is estimated in relation to Amagerbanken A/S, Fjordbank Mors A/S and Max Bank A/S.

With the bank package from October 2008 the government guaranteed all deposits and unsecured claims in Danish banks, which are members of the Private Contingency Association. The bank package expired in September 2010, and preliminary estimates indicate a surplus from the package, which is expected to be gradually transferred to the government from Finansiel Stabilitet A/S. Based on the annual accounts for 2010 Finansiel Stabilitet A/S has estimated a possibility to distribute dividends to the government at the size of DKK 4½bn. These dividends are used to reduce losses related to Roskilde Bank.

The effect on the CIL-account corresponds to the effects on the general government finances, *cf. table 5.13*, while the effect on the net cash balance of bank and credit packages differs from the effect on the general government finances. The net cash balance reflects the net payments and relendings from the government to Finansiel Stabilitet A/S and the capital injections to credit institutions. The capital injections reduced the net cash balance in 2009, while repayments of loans improve the net cash balance in 2011 and 2012. Bank and credit packages are expected to improve the net cash balance by DKK 17¼bn in 2011 and DKK 13bn in 2012.

Table 5.13
Effect of bank and credit packages on the CIL-account and the net cash balance in 2011 and 2012

	2011	2012
The Credit Package	**0.5**	**2.6**
- Net interest revenues	2.9	2.6
- Losses on capital injections	-2.4	-
Individual government guarantees	**-2.0**	**1.3**
- Provision	1.6	1.3
- Losses on guarantees	-3.6	
Bank Package 1 and Roskilde Bank	**0.0**	-
- Revenue from Finansiel Stabilitet wit respect to Bank Package 1	4.6	-
- Reduction of the guarantee against losses regarding Roskilde Bank	-4.6	-
Effects on the CIL-account	**-1.5**	**3.9**
Relending etc.		
- Capital injections derived from The Credit Package	2.5	9.2
- Finansiel Stabilitet A/S	10.2	0.0
Stock movements and accruals		
- Losses on capital injections	2.4	
- Losses on guarantees	3.6	
The Effect on the net cash balance	**17.2**	**13.1**

Annex 1

Table 1
General government finances, 2010-2012

	2010			2011			2012		
	Aug.	**Dec.**	**Diff.**	**Aug.**	**Dec.**	**Diff.**	**Aug.**	**Dec.**	**Diff.**
DKK bn. Current prices									
Public consumption	511.7	510.2	-1.5	517.5	515.0	-2.5	529.2	527.6	-1.6
Income transfers	303.1	303.7	0.5	314.1	312.4	-1.7	324.5	328.3	3.8
Investment	37.9	37.3	-0.5	41.3	40.4	-0.9	40.0	46.8	6.8
Interest expenditure	37.0	37.0	0.0	39.6	39.3	-0.3	36.3	34.7	-1.5
Subsidies	47.0	44.8	-2.2	44.8	44.7	-0.1	45.6	47.0	1.4
Other expenditures[1)]	58.2	57.0	-1.2	61.2	64.8	3.5	78.5	76.5	-2.0
Total expenditure	994.9	990.0	-4.9	1018.5	1016.6	-1.9	1054.1	1060.9	6.8
Personal income taxes[2)]	357.2	358.2	1.0	370.5	366.5	-4.0	381.0	378.9	-2.1
Labour market Contributions	81.2	80.8	-0.4	81.3	80.7	-0.6	83.3	82.0	-1.3
Corporate taxes	47.7	48.2	0.4	54.9	50.2	-4.7	59.3	54.9	-4.4
Pension yield taxation	42.2	36.7	-5.5	4.9	12.0	7.1	4.6	5.3	0.7
VAT	173.2	173.1	-0.1	179.1	177.8	-1.4	185.9	183.5	-2.4
Vehicle registration tax	14.2	14.2	0.0	15.8	14.8	-1.0	17.6	16.1	-1.6
Other duties	105.4	105.4	0.0	110.2	108.7	-1.6	112.0	112.5	0.5
Other taxes[3)]	17.7	17.7	0.0	18.2	18.2	0.0	18.1	18.3	0.2
Interest revenues	28.2	28.0	-0.2	29.2	29.4	0.2	29.6	29.8	0.2
Gross operating surplus	33.8	33.9	0.2	34.5	34.5	0.1	35.5	35.5	0.0
Other revenues[4)]	45.8	46.4	0.6	51.9	52.7	0.8	42.4	43.3	0.9
Total revenue	946.6	942.6	-4.0	950.4	945.4	-5.0	969.6	960.2	-9.4

Table 1 (continued)
General government finances, 2010-2012

	2010			2011			2012		
	Aug.	Dec.	Diff.	Aug.	Dec.	Diff.	Aug.	Dec.	Diff.
DKK bn. Current prices									
General government budget balance	-48.3	-47.4	0.9	-68.2	-71.2	-3.1	-84.5	-100.7	-16.2
Net interest Expenditure	8.8	9.0	0.2	10.4	9.9	-0.5	6.6	4.9	-1.7
General government primary balance[5)]	-39.5	-38.4	1.0	-57.7	-61.3	-3.6	-77.9	-95.8	-17.9

Note: The specification of total public expenditures and revenues deviates from the specification from Statistics Denmark. Total public expenditures reflect public consumption, which includes revenues from sales and calculated depreciation expenditure, and total revenues include calculated depreciation. The specification of public expenditure from Statistics Denmark does not include public sales, which are included in total revenues, and calculated depreciation is not included in public expenditures and revenues in the specification from Statistics Denmark.

1) Other expenditures include capital transfers, transfers to the Faroe Islands and Greenland and Danish EU-contributions.

2) Personal income taxes include withholding taxes, tax on imputed income from owner occupied dwellings, specific taxes from households, tax on estates of deceased persons and other personal taxes.

3) Other taxes include social security contributions (labour market supplementary pension scheme contributions. unemployment insurance contributions and early retirement contributions).

4) Other revenues include profits from public enterprises, current and capital transfers from other domestic sectors and EU, and imputed (calculated) revenues such as contributions to civil servants' earned pension.

5) The general government primary balance states the balance of the general government finances before net interest expenditures.

Annex 2

Table 2
Expenditure tax and revenue burden, 2006-2013

	2006	2007	2008	2009	2010	2011	2012	2013	Diff. 2006-2013
Per cent of GDP									
Public consumption	25.9	26.0	26.5	29.8	29.1	28.8	28.8	28.5	2.6
Income transfers	15.6	15.2	15.0	17.0	17.3	17.5	17.9	17.8	2.2
Investment	2.0	1.9	1.9	2.0	2.1	2.3	2.6	1.9	0.0
Interest expenditure	2.2	2.0	1.8	2.2	2.1	2.2	1.9	1.8	-0.4
Other expenditure	4.9	4.9	5.4	5.7	5.8	6.1	6.7	5.6	0.7
Expenditure burden[1)]	**50.6**	**50.0**	**50.6**	**56.7**	**56.4**	**56.9**	**57.8**	**55.7**	**5.1**
Personal income taxes[2)]	21.2	21.5	21.3	22.3	20.4	20.5	20.7	21.2	0.0
Labour market Contributions	4.4	4.5	4.6	4.8	4.6	4.5	4.5	4.4	0.1
Pension yield taxation	0.8	0.3	0.5	0.5	2.1	0.7	0.3	0.6	-0.2
Corporate taxes	4.4	3.8	3.3	2.3	2.7	2.8	3.0	3.2	-1.1
Value added tax	10.3	10.4	10.1	10.1	9.9	9.9	10.0	9.9	-0.4
Other duties	7.8	7.6	7.2	6.8	7.0	7.1	7.2	7.4	-0.3
Other taxes[3)]	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.9	-0.2
Tax burden	**49.8**	**49.1**	**47.9**	**47.8**	**47.7**	**46.5**	**46.6**	**47.6**	**-2.2**
Interest revenue	1.5	1.6	1.7	1.9	1.6	1.6	1.6	1.6	0.1
Other non-tax revenue	4.6	4.4	4.5	4.5	4.6	4.9	4.3	4.1	-0.5
Tariffs etc. to the EU[4)]	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	0.0
Revenue burden[1)]	**55.7**	**54.8**	**53.9**	**54.0**	**53.7**	**52.9**	**52.3**	**53.2**	**-2.5**

1) The specification of total public expenditures and revenues deviates from the specification from Statistics Denmark. Total public expenditures reflect public consumption which includes revenues from sales and calculated depreciation expenditure and total revenues include calculated depreciation. The specification of public expenditure from Statistics Denmark does not include public sales which are included in total revenues and calculated depreciation is not included in public expenditures and revenues in the specification from Statistics Denmark. Thus the expenditure and revenue burden differ from the ascertained burdens based on the specifications according to Statistics Denmark.