

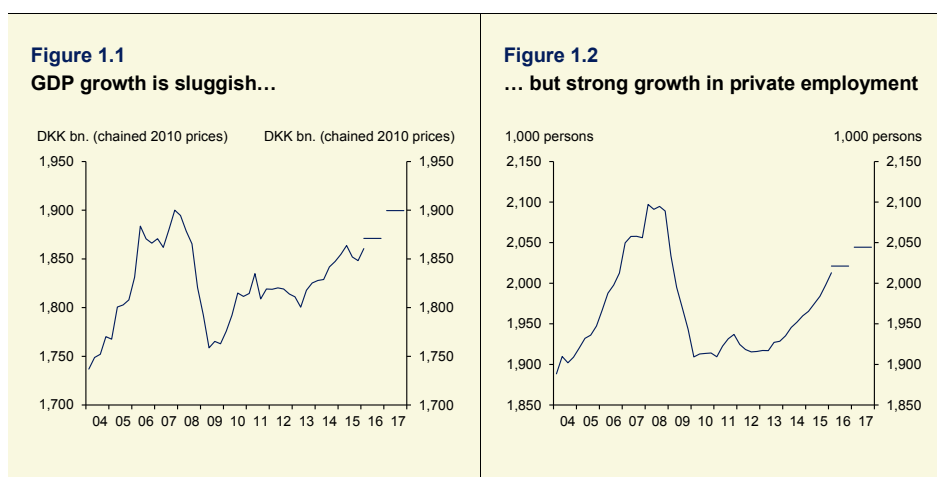
# 1. Summary

## 1.1 The current economic outlook

### The upturn continues despite heightened international uncertainty

The moderate upturn in the Danish economy is expected to continue. Employment has risen briskly, even though the pace of GDP growth has been sluggish. Sound growth of 0.7 per cent in the 1<sup>st</sup> quarter of this year followed two consecutive quarters of negative growth in the 3<sup>rd</sup> and 4<sup>th</sup> quarters of last year. Meanwhile, uncertainty concerning the outlook for global growth has increased after June 23<sup>rd</sup>, when the people of the United Kingdom voted in favour of leaving the European Union (Brexit). The sparse and preliminary information available since the referendum indicates that even though Brexit will have negative consequences, the short-term impact appears relatively modest outside the United Kingdom – partly due to lower interest rates mitigating the negative effects.

In sum, these factors contribute toward a small downward revision of the growth forecast for the Danish economy to 0.9 per cent this year and 1.5 per cent next year, *cf. figure 1.1*. This is almost ¼ percentage point lower in both years. Meanwhile, the labour market continues to perform stronger than expected with significant increases in private sector employment at the start of 2016, *cf. figure 1.2*. The continuing improvement in employment has strengthened the image of a strong labour market coupled with moderate GDP growth. Employment is expected to increase by another 62,000 persons between 2015 and 2017.



Note: In figure 1.1 the level of GDP is annualised. Employment in figure 1.2 denotes private-sector employment, including people on leave. The dark blue bars indicate the projected annual averages.  
Source: Statistics Denmark and own calculations.

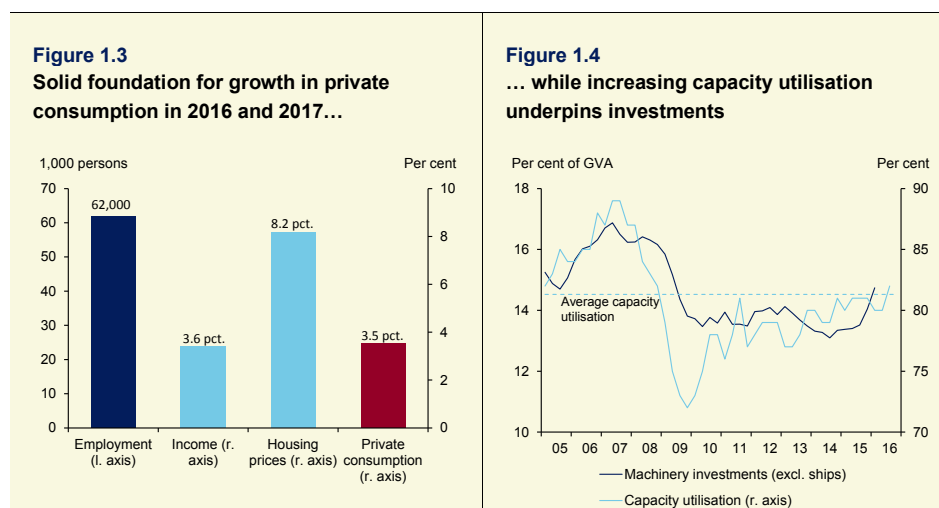
The sustained progress on the labour market contributes to diminishing spare capacity in the economy. The output gap, which is a measure of the degree of capacity utilisation in the economy, is estimated to narrow from approximately  $-1\frac{1}{4}$  per cent of GDP in 2015 to  $-\frac{1}{2}$  per cent of GDP in 2017, and unemployment is expected to approach the estimated structural level. Consequently, the risk of renewed labour-market bottlenecks increases.

The economic projection and the public-finance assumptions are based on adopted policies as well as the budget proposal for 2017 and the annual agreements between the central government and municipalities and regions on their economy for the coming year. The proposed measures in the Government's 2025-plan with effect from 2017 are not incorporated in the projection.

### Significant impetus for increased private consumption and investments

Although the pace of growth is low, the moderate recovery is kept on track by strong tailwinds. Notably, rising employment as well as increasing income and housing prices, which are also boosted by low interest rates, serve as a firm foundation for increasing private consumption, *cf. figure 1.3*. In total, private consumption is expected to grow by  $3\frac{1}{2}$  per cent in 2016-2017, following an increase of 2.3 per cent in 2015. Hence, by 2017 the private consumption forecast is 4 per cent above the latest peak in 2008.

The positive outlook for private consumption should be seen in the context of strong developments in the labour market. As more people find a job, total income and confidence in the prospects for future job opportunities are strengthened. The financial space of households is also supported by continued low inflation. Meanwhile, interest rates declined over the summer, which not only supports disposable incomes, but also boosts housing prices. Thus, lower interest rates counteract the dampening price impact of a number of initiatives aimed at greater financial stability, including the requirement of a minimum down payment of at least 5 per cent when buying a home, which has likely contributed to the gradually tighter credit conditions of banks seen over the past year. Housing prices are expected to rise by 4 per cent for each of the years 2016-2017, while real wages are growing at about  $1\frac{1}{4}$  per cent on average per year. This is a relatively rapid increase in real wages in a historical perspective and creates financial scope for increased private consumption and more investment in housing.



Note: Figure 1.3 shows expected growth from 2015 to 2017. Income is household core income, which defined as total wage income and social transfers. In figure 1.4, the investment rate is shown as a three-quarter moving average.

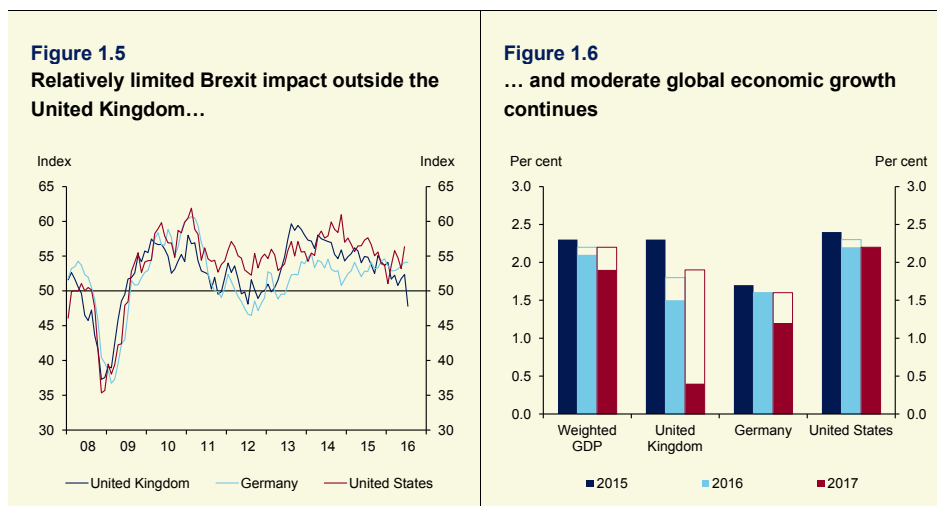
Source: Statistics Denmark and own calculations.

Following an extended period with low investment appetite and stagnating capital stock, investment activity is expected to pick up. Capacity utilisation in industry has been on the rise since 2012 and rose above its historical average in the 3<sup>rd</sup> quarter of 2016 for the first time since 2008. Meanwhile, machinery investments have increased, *cf. figure 1.4*. Greater uncertainty, not least as a consequence of Brexit, might make companies postpone some investments, until the outlook offers more clarity. Large investments are non-reversible to some extent, and consequently require a level of certainty concerning the future path of demand both domestically and internationally. In total, investment growth is expected to increase but remain moderate over the forecast horizon.

### Heightened uncertainty concerning exports in light of Brexit

While the basis for private consumption and investment looks gradually stronger, the prospects for exports appear less certain. This is mainly due to greater uncertainty concerning the strength of global growth, especially in light of Brexit. However, the scarce information available since the referendum suggests that while the UK economy will be hit hard, the effects on other countries are more limited severe and milder than estimates prior to the poll indicated.

A case in point is business confidence, which was largely unchanged in countries such as Germany and USA, while it dropped sharply in the United Kingdom in July, *cf. figure 1.5*. At the same time, the financial shocks following the referendum subsided, and the benchmark stock indices are by and large back to the same level as before the vote. Conversely, interest rates have fallen in the wake of Brexit in response to monetary policy easing by the Bank of England (and an expectation of similar easing measures from the ECB), as well as expectations that interest rate hikes in the United States will be postponed in light of subdued growth in the first six months of 2016. Lower interest rates support private demand and contribute to mitigating the negative effects of Brexit.



Note: Figure 1.5 shows the average of business confidence (measured by PMI and ISM) for manufacturing and services. Values lower than 50 indicate contraction, while values greater than 50 indicate expansion. The empty bars in figure 1.6 show forecasts from *Economic Survey*, May 2016.

Source: Statistics Denmark and own calculations.

Given these considerations, economic growth for Denmark's trading partners is expected to be approximately  $\frac{1}{4}$  percentage point weaker next year relative to the forecast in May, but largely unchanged this year, *cf. figure 1.6*. This assessment is based on additional new information, such as a strong start to the year in most European economies as well as an improved outlook for oil-producing countries due to moderately higher oil prices in the spring of 2016. However, the economic consequences of Brexit for the United Kingdom and the rest of the world are difficult to quantify, and the global growth outlook is thus associated with greater uncertainty than usual.

In sum, growth in the export markets is expected to continue. In turn, export growth is projected to pick up in 2016 and 2017, after export growth was subdued by a drop in shipping exports in 2015.

### Employment is increasing – and so is capacity utilisation

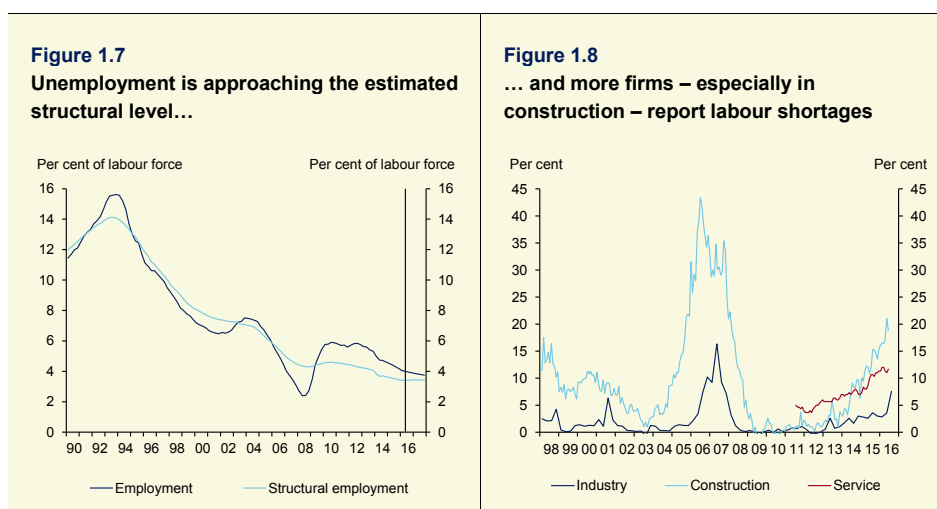
The improvement on the labour market has maintained a sound pace despite subdued growth in GDP. This trend – which occurs in most advanced economies – is expected to last throughout the forecast period, such that total employment increases by 62,000 persons between 2015 and 2017.

As more people find work, the employment gap is expected to shrink gradually from -47,000 persons in 2015 to -24,000 persons in 2017. The narrowing of the employment gap coincides, however, with a still higher level of employment, as a series of implemented reforms steadily increases the level of structural employment for some years to come. Thus, the reforms are assessed to have created room for the marked increase in employment without triggering widespread bottlenecks and capacity problems in general.

Accordingly, some idle resources are estimated to remain in 2017, yet the scope is decreasing. This is reflected in the number of unemployed, which has fallen steadily over several years to the current level that is the lowest in 40 years with the exception of 2007-2008, when the economy was overheated. Unemployment is expected to decline further in 2016-2017, as employment increases towards the estimated structural level, such that the unemployment gap represents only ½ per cent of the labour force next year, *cf. figure 1.7*.

Rising capacity utilisation is reflected in a growing number of firms – especially in construction – reporting increasing production constraints due to labour shortages, *cf. figure 1.8*. The current situation is still some way from the extensive recruitment difficulties and bottlenecks, which characterised the labour market in the years prior to the financial crisis, but the upward trend calls for vigilance. Attention is required not least since bottlenecks may appear quickly, and because recruitment difficulties and rising wages in one sector can have spillover effects on the rest of the economy.

The growing evidence of capacity pressures is a natural consequence of a normalisation in capacity utilisation as Denmark gradually moves away from a situation of deep recession and ample idle resources. With employment following a sustained upward trend and unemployment conversely falling, the risk of more widespread capacity problems and wage pressures increases. The planned gradual tightening of fiscal policy and reforms increasing the labour supply will contribute to curbing the tendency to an excessively rapid increase in employment relative to the labour force and thus to unsustainable wage inflation. Currently, wage increases are expected to remain subdued over the forecast period.



Note: There is no information available on labour shortages in services prior to autumn 2011.

Source: Statistics Denmark and own calculations.

### Widespread uncertainty clouds the outlook

The present economic survey is subject to greater uncertainty than usual, predominantly as a consequence of the outcome of the Brexit referendum. A plan for the withdrawal from the EU has not yet been presented, but the forecast is based on the assumption that the United

Kingdom remains part of the EU throughout the forecast period and also that progress will be made towards an agreement on maintaining close ties between the EU and the United Kingdom, when the withdrawal is implemented.

The uncertainty associated with the consequences of Brexit is assessed to already have an effect on the Danish and international economy, partly since some firms might choose to postpone investments, until the outcome is clearer. If additional uncertainty concerning the terms of Britain's exit arises, the negative consequences may be even greater with spillover effects on Danish exports and investments.

A number of other downside risks are associated with developments in the global economy. This applies, for instance, to the banking sector in the euro area, and the handling of non-performing loans in Italian and Portuguese banks or a renewed slowdown of growth in emerging economies. In addition, geopolitical risks persist such as developments in security policy in Eastern Europe or large changes in the number of refugees and migrants entering Europe.

However, upside risks could also lead to a more positive development. For instance, investments may grow faster than anticipated. In the outlook, it is assumed that heightened global uncertainty will make firms postpone some investments a little longer. Capacity pressures have intensified, however, and given low interest rates, firms have good opportunities to expand their investments at an even faster pace. Similarly, it is possible that the momentum will have an even greater impact on private consumption, both domestically and abroad. In that case, there will be positive spillover effects on both GDP and employment.

## 1.2 Fiscal policy and public finances

Although the rate of growth in the Danish economy is relatively modest, and the uncertainty about the international economic outlook has increased over the summer, steady progress in the labour market is expected to continue. Unemployment has fallen to a low level, and more companies are reporting labour shortages. Hence, it is important to maintain a prudent fiscal policy stance to reduce the risk of widespread labour shortages.

With the budget proposal for 2017 fiscal policy will have a slightly dampening effect on demand growth, and the structural public balance will also maintain some distance in 2017 to the deficit limit in Budget Law.

In combination with the budget proposal for 2017 the Government is putting forward its 2025-plan for the Danish economy, *DK2025 – A Stronger Denmark*. The 2025 plan lays out a new set of fiscal policy goals for the years towards 2025, which will provide the framework for fiscal policy in the coming years. The 2025 plan will strengthen potential economic growth and labour supply, and expand the fiscal-policy space. Moreover, the plan will strengthen public finances in the long term.

**Table 1.1**  
**Key fiscal policy figures**

|   | 2015 | 2016 | 2017 |
|---|------|------|------|
| Structural budget balance, per cent of structural GDP | -0.5 | -0.3 | -0.4 |
| Actual budget balance, per cent of GDP                | -1.7 | -0.9 | -1.9 |
| EMU-debt, per cent of GDP                             | 40.4 | 38.7 | 37.9 |
| Public consumption, real change per cent              | -0.7 | 1.2  | 0.5  |
| One-year fiscal effect, per cent of GDP <sup>1)</sup> | -0.2 | -0.0 | -0.1 |
| Output gap, per cent <sup>2)</sup>                    | -1.2 | -0.9 | -0.4 |
| Employment gap, 1,000 persons <sup>2)</sup>           | -47  | -34  | -24  |

- 1) The one-year fiscal effect is an estimate of the effect on the overall economics activity due to the changes in fiscal policy from one year to the next. Thus, a negative number indicates a fiscal tightening compared to the previous year.
- 2) The different gaps measure how far production and employment are from being in equilibrium.
- Source: Statistics Denmark and own calculations.

### Public deficits and public debt level are expected to stay below EU limits

The budget deficit amounted to 1.7 per cent of GDP in 2015, *cf. table 1.1*. For 2016 and 2017 budget deficits of 0.9 and 1.9 per cent of GDP are projected. Developments in the budget deficit during the forecast period should be seen in light of the expected changes in the pension yield tax revenues, which are normally subject to large fluctuations. The expected revenues from the pension yield tax are estimated to amount to DKK 42 bn. in 2016 (2.1 percent of GDP), which is considerably higher than in 2015 and in 2017. Thus, the budget deficit is projected to remain below the 3 per cent of GDP limit of the Stability and Growth Pact during the forecast period.

The projected budget deficits imply that net public debt remains at a moderate level of around 8 per cent of GDP by the end of 2017. Public EMU debt is projected to be around 40 per cent of GDP in 2016 and 2017, *cf. also table 1.1*. Thus, a wide safety margin is maintained against the EMU debt limit of 60 per cent of GDP in the Stability and Growth Pact.

### The budget proposal for 2017 maintains sound fiscal policy

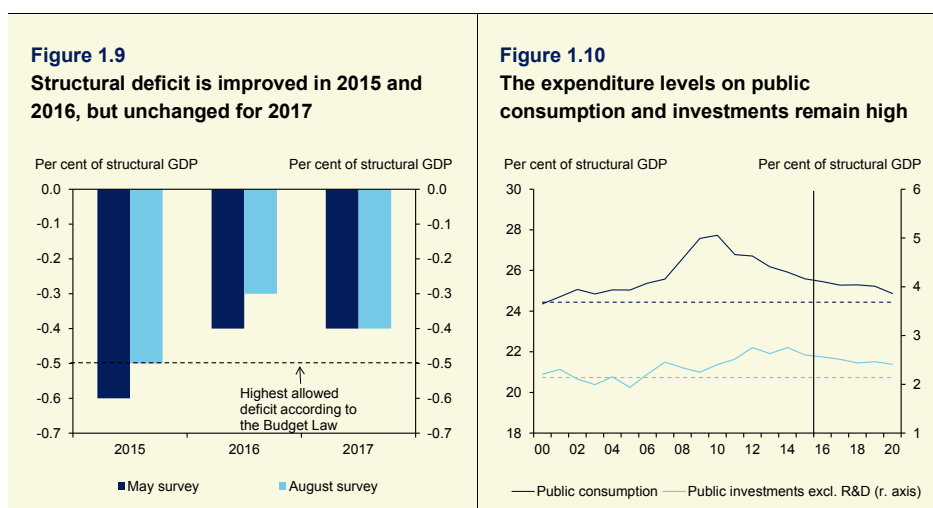
For 2015 and 2016 the structural deficit is estimated to be respectively 0.5 and 0.3 per cent of GDP. Thus, the structural deficit has improved by 0.1 per cent of GDP in both years compared with the estimates in *Economic Survey, May 2016, cf. figure 1.9*. The improvement is in particular due to new information on public revenues, where projected revenues from personal income taxes have been revised up – especially for taxes on income from equities – leading to an improvement of the structural public deficit in both years.

For 2017 a structural deficit of 0.4 per cent of GDP is projected, thus maintaining a margin to the deficit limit in the Budget Law. The budget proposal for 2017 and the annual agreements between the central government and municipalities and regions on their economy for the

coming year are in line with the overall fiscal-policy framework and maintain the sound course for public finances.

In the budget proposal for 2017, the expenditures within the central government sub-ceiling for operating expenditures are projected to be DKK 0.7 bn. below the ceiling, while the May *Economic Survey* projections was based on a technical assumption of expenditures DKK 2 bn. below the ceiling in order to maintain a structural deficit of 0.4 per cent of GDP.

The expenditures within the central government sub-ceiling for operating expenditures should be seen in light of the updated assessment of public finances – *inter alia* the improvement due to the lowering of the projected expenditures on asylum seekers – which has made it possible to use a larger share of the ceiling in 2017 than has hitherto been technically assumed.



Note: The dotted lines in figure 1.10 show the average expenditure levels during the years 1990 to 2007, i.e. before the global economic recession. The data are from the baseline projections without new measures for *DK2025 – A stronger Denmark*.

Source: Statistics Denmark and own calculations.

Fiscal policy in 2017 is assessed to be aligned with economic developments. The one-year fiscal effect – which is a calculated measure of the effects on economic activity of fiscal policy relative to the previous year – is estimated to be -0.1 per cent of GDP in 2017, i.e. a modest tightening of fiscal policy. The prospect for monetary policy to remain accommodative helps to emphasize the need for prudent fiscal policies so that economic policy as a whole supports a sound economic recovery.

In connection with the budget proposal the projections for the number of asylum seekers in the years 2016-2020 have been updated, and the estimated number of asylum seekers and family reunificated has been adjusted down, *cf. box 1.1*. This implies lower expenditures on asylum and integration in the coming years, which has contributed towards the increased commitment of resources to strengthen core welfare services and security, while at the same



time allowing for a transfer of funds back into the budget for development cooperation and humanitarian assistance, with the aim of strengthening Denmark's support to refugees, internally displaced and host communities in regions affected by conflict and displacement, including the Middle East.

### Box 1.1

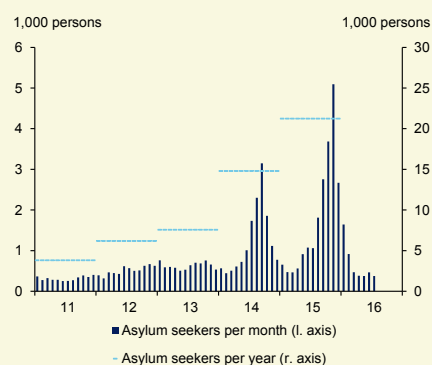
#### Downward adjustment of the projected number of asylum seekers

The number of new asylum seekers has declined during the course of 2016, *cf. figure a*, reflecting the tightening of policies which have been implemented in Denmark and other EU countries, as well as agreements that have been made at the EU level. Consequently, the projected number of asylum seekers and granted residency permits for refugees and family reunifications has been lowered in the budget proposal for 2017. The number of new asylum seekers is now estimated to be 10,000 persons in 2016. Similarly 10,000 asylum seekers are projected for the years 2017-2020, *cf. figure b*. For 2014 and 2015 the number of asylum seekers was respectively 15,000 and 21,000 persons, while it was 8,000 persons in 2013.

The implications of the new projections for expenditures are reflected in the proposed budget bill for 2017, while the expected expenditure shortfalls due to the expected lower than projected number of asylum seekers in 2016 has not been incorporated into the current assessment of public finances. Following the normal procedures, these will be incorporated in the regular follow-up of the expenditures of the central government in 2016.

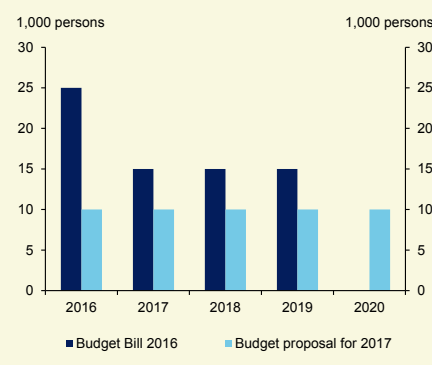
**Figur a**

#### Number of asylum seekers



**Figur b**

#### Downward adjustment of the number of asylum seekers



Source: The Ministry of Immigration, Integration and Housing (UIBM), Nyidanmark.dk, budget bill for 2016 and the budget proposal for 2017.

In the current assessment – which is based on the proposed budget bill for 2017 and the annual economic agreements with municipalities and regions – the level of public consumption expenditures is projected to increase by 0.5 per cent in 2017. In a historical context this is a relatively moderate *growth rate* for public consumption. However the *level* of public consumption expenditures as a share of the total economy remains high, *cf. figure 1.10*.

The gradual adjustment of public investment expenditures from the extraordinarily high levels in the preceding years will continue in 2017, *cf. also figure 1.10*. This adjustment contributes to the negative fiscal effect in 2017. With the budget proposal for 2017 the Government has adjusted public construction investment expenditures such that the level in 2017 is in line with the investment level planned and financed in the medium-term projections for *DK2025 – A stronger Denmark*.

The budget proposal for 2017 contains a number of initiatives aimed towards improving healthcare, tax administration and legal rights, *cf. box 1.2*. Furthermore, the proposal includes a number of reprioritization decisions and efficiency measures, which contributes towards financing key initiatives.

### Box 1.2

#### The budget proposal for 2017

The budget proposal for 2017 includes inter alia the following measures:

- *A significant boost to health-care*: DKK 1.5 bn. are put towards *Cancer Plan IV*, which will secure proper cancer treatment in the future. Furthermore, the economic agreement with the regions maintains a historically high level of investments in healthcare at the regional level.
- *A stronger tax administration*: For the years 2017-2020 an extra DKK 6.7 bn. are targeted towards tax value appraisals of real estate, tax and customs collection as well as ensuring the basic operations in SKAT.
- *A safer Denmark*: Towards 2020 DKK 2.2 bn. are set aside for a security package in the budget proposal for 2017 and the 2025-plan. In addition, further priorities include an improved effort against youth crime, a pool of funds towards tougher criminal sentencing and the creation of the new national action plan targeting antiradicalisation in mosques, vulnerable housing areas etc.
- *A significant boost for assistance to regions affected by conflict*: The Government sets aside DKK 1 bn. extra for aid to refugees, internally displaced and host communities in regions affected by conflict and displacement, including the Middle East. Thereby a total of DKK 4.7 bn. is allocated in the period 2016-2017. This is the highest amount, which has ever been set aside for assistance to refugees, internally displaced and host communities in regions affected by conflict. Denmark will continue to be one of the few countries in the world, which meets the UN goal of development aid amounting to 0.7 per cent of GNI.
- *Higher quality of life in retirement homes for the elderly*: A further DKK 180 mn. is set aside annually for improving the autonomy and the quality of life for the 46,000 residents of the retirement homes in Denmark.
- *A stronger effort to aid the socially vulnerable*: With DKK 1 bn. set aside from the social reserve, the effort to help the socially vulnerable is strengthened. This also comprises preventative efforts against violence that occurs in special housing for the socially or mentally challenged, a special effort to help socially vulnerable people from Greenland and an action plan to tackle bullying.
- *A better road network*: The Government will expand the E45 freeway between Aarhus S and Skanderborg S.

### New fiscal goals in the 2025 plan – *A stronger Denmark*

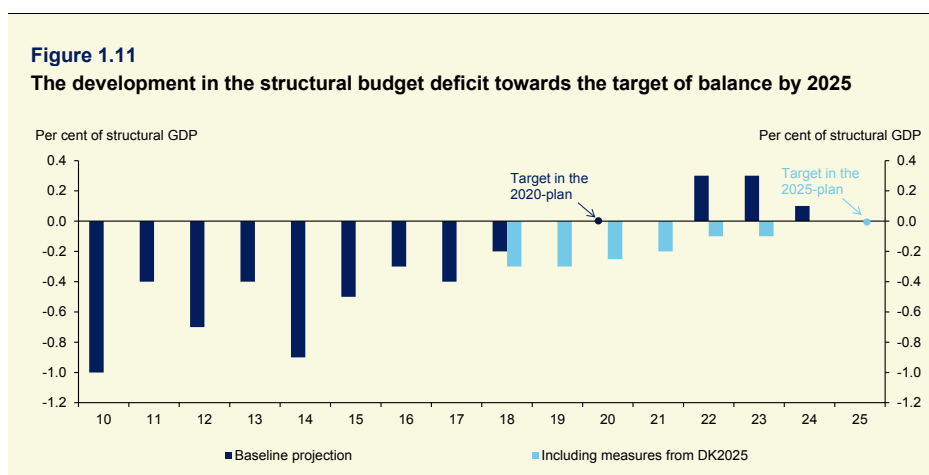
In combination with the budget proposal for 2017, the Government is putting forward its 2025-plan, *DK2025 – A stronger Denmark*. With the 2025-plan, the Government sets the main fiscal policy targets which will provide the framework for the implementation of fiscal policy in

the coming years. At the same time, the Government is putting forward a number of new proposals, which will increase growth and employment in the Danish economy and expand the fiscal space.

The medium-term economic plans have historically been essential in laying the ground for sound economic policies which takes care of future economic challenges in due time. Furthermore, these plans have contributed towards securing a high level of confidence in public finances and confidence in the Danish economy in general. Thus, Denmark is among a small number of countries which have maintained the highest possible credit rating with the international credit rating agencies during the years following the global economic crisis.

With *DK2025 – A stronger Denmark* the Government sets a target of achieving balance on the structural budget balance by 2025. The target of a structurally balanced budget by 2025 will be the main target for fiscal policy setting in the coming years. Furthermore, the 2025 plan comprises measures, which will improve public finances towards 2040-2045, where the so-called ‘hammock’ in the projections for the structural deficit is deepest, *cf. DK2025 – A stronger Denmark*.

The strengthening of public finances in the longer term expands the room for manoeuvre in the years towards 2020. Thus, the target for the structural budget deficit in 2020 is lowered to  $-\frac{1}{4}$  per cent of GDP, *cf. figure 1.11*. The reduced deficit target in 2020 reduces the pressures on public finances which arise from the downward adjustment to North Sea revenues and the increased inflow of refugees in recent years.



Source: Statistics Denmark and own calculations.

With the budget bill for 2016 an important step was taken towards achieving some margin to the limit for the structural deficit of 0.5 per cent of GDP in the Budget Law, and to recover some of the lost ground towards consolidating public finances due to the weaker revenues from among other things North Sea oil and gas production. The Government will continue on the path of consolidating public finances in years ahead, but the measures in the 2025 plan will at the same time allow for a less steep path of consolidation.

The measures in the 2025-plan, including the second phase of the JobReform, will increase structural employment by around 11.000 full-time employees by 2020. The Government's 2025-plan will thereby contribute to counteract the increasing labour-market pressures and will thus allow for a more gradual pace of fiscal policy consolidation towards 2020.

However, fiscal policy will remain prudent with a gradual reduction of structural budget deficits. It is paramount that fiscal policy is continuously planned and implemented such that economic policy overall is aligned with economic developments and the risk of increasing shortages of qualified labour, which may impair the competitiveness of Danish firms.

## 1.3 Annex table

**Table 1.2****Key figures from August projection, compared with the May projection**

|  | 2015 | 2016 |        | 2017 |        |
|--|------|------|--------|------|--------|
|  |      | May  | August | May  | August |
| <b>Real change, per cent</b>           |      |      |        |      |        |
| Private consumption                    | 2.3  | 1.5  | 1.9    | 1.7  | 1.6    |
| Total government demand                | -0.8 | 0.4  | 0.6    | 0.0  | 0.4    |
| - of which government consumption      | -0.7 | 1.0  | 1.2    | 0.0  | 0.5    |
| - of which government investment       | -1.1 | -3.7 | -3.3   | 0.2  | -0.2   |
| Housing investment                     | -1.6 | 2.0  | 4.0    | 6.0  | 6.0    |
| Business fixed investment              | 2.8  | 4.0  | 3.6    | 5.6  | 4.7    |
| <b>Total final domestic demand</b>     | 1.2  | 1.5  | 1.8    | 1.7  | 1.7    |
| Inventory investment (per cent of GDP) | -0.3 | 0.1  | -0.1   | 0.0  | 0.1    |
| <b>Total domestic demand</b>           | 0.9  | 1.6  | 1.7    | 1.7  | 1.8    |
| Exports                                | 0.3  | 1.5  | 1.0    | 4.4  | 3.3    |
| - of which manufacturing exports       | 2.2  | 4.0  | 3.6    | 4.2  | 3.4    |
| <b>Total demand</b>                    | 0.7  | 1.6  | 1.5    | 2.7  | 2.3    |
| Imports                                | 0.0  | 2.5  | 2.7    | 4.6  | 4.1    |
| - of which manufacturing imports       | 0.8  | 3.6  | 3.8    | 4.7  | 4.0    |
| <b>GDP</b>                             | 1.0  | 1.1  | 0.9    | 1.7  | 1.5    |
| Gross value added                      | 0.7  | 1.1  | 0.8    | 1.8  | 1.5    |
| - of which private non-farm sector     | 1.7  | 1.6  | 1.6    | 2.4  | 2.1    |
| <b>Change, 1,000 persons</b>           |      |      |        |      |        |
| Labour force, total                    | 24   | 16   | 29     | 21   | 21     |
| Employment, total                      | 30   | 27   | 38     | 25   | 24     |
| - of which private sector              | 32   | 26   | 41     | 26   | 23     |
| - of which public sector               | -2   | 1    | -3     | -1   | 1      |
| <b>GDP</b>                             | -11  | -12  | -10    | -5   | -4     |
| <b>Gap, per cent</b>                   |      |      |        |      |        |
| Output gap                             | -1.2 | -1.2 | -0.9   | -0.7 | -0.4   |
| Employment gap                         | -1.7 | -1.4 | -1.2   | -1.1 | -0.9   |
| Unemployment gap                       | 0.9  | 0.6  | 0.6    | 0.4  | 0.4    |

**Table 1.2 (continued)**  
**Key figures from August projection, compared with the May projection**

|   | 2015  | 2016  |        | 2017  |        |
|---|-------|-------|--------|-------|--------|
|   |       | May   | August | May   | August |
| <b>Change, per cent</b>                             |       |       |        |       |        |
| Housing prices (single family homes)                | 6.0   | 4.0   | 4.0    | 4.0   | 4.0    |
| Consumer prices                                     | 0.5   | 0.6   | 0.5    | 1.5   | 1.4    |
| Hourly earnings in the private sector               | 1.9   | 2.1   | 2.1    | 2.5   | 2.5    |
| Real disposable income, households <sup>1)</sup>    | 3.4   | 2.0   | 2.3    | 0.6   | 0.6    |
| Productivity in the private non-farm sector         | 0.3   | 0.2   | -0.4   | 0.9   | 0.9    |
| <b>Per cent per year</b>                            |       |       |        |       |        |
| Interest rate, 1-year rate loan                     | -0.2  | -0.2  | -0.3   | -0.1  | -0.3   |
| Interest rate, 10-year government bond              | 0.7   | 0.6   | 0.4    | 0.8   | 0.5    |
| Interest rate, 30-year mortgage credit bond         | 2.8   | 2.8   | 2.6    | 2.9   | 2.6    |
| <b>Balances</b>                                     |       |       |        |       |        |
| Actual balance (DKK bn.)                            | -34.3 | -40.8 | -19.1  | -38.2 | -39.1  |
| Actual balance (per cent of GDP)                    | -1.7  | -2.0  | -0.9   | -1.8  | -1.9   |
| Structural balance (per cent of GDP)                | -0.5  | -0.4  | -0.3   | -0.4  | -0.4   |
| Public gross debt, EMU (per cent of GDP)            | 40.4  | 39.1  | 38.7   | 38.8  | 37.9   |
| <b>Labour market</b>                                |       |       |        |       |        |
| Labour force, total                                 | 2,911 | 2,928 | 2,940  | 2,949 | 2,961  |
| Employment (incl. leave), total                     | 2,796 | 2,823 | 2,833  | 2,848 | 2,857  |
| Gross unemployment (annual average, 1,000 persons)  | 123   | 112   | 113    | 107   | 109    |
| Gross unemployment (per cent of the labour force)   | 4.2   | 3.8   | 3.9    | 3.6   | 3.7    |
| <b>External assumptions</b>                         |       |       |        |       |        |
| Trade-weighted international GDP-growth, per cent   | 2.3   | 2.2   | 2.1    | 2.2   | 1.9    |
| Export market growth (manufactured goods), per cent | 3.7   | 5.5   | 5.0    | 5.7   | 4.7    |
| Exchange rate (DKK per USD)                         | 6.7   | 6.6   | 6.7    | 6.5   | 6.7    |
| Oil price, dollars per barrel                       | 52.3  | 43.1  | 43.1   | 52.7  | 52.8   |
| <b>Balance of payments</b>                          |       |       |        |       |        |
| Current account balance (DKK bn.)                   | 139   | 151   | 137    | 159   | 137    |
| Current account balance (per cent of GDP)           | 7.0   | 7.5   | 6.8    | 7.6   | 6.6    |

1) Adjusted income.

Source: Statistics Denmark and own calculations.