

© OECD, 2002.

© Software: 1987-1996, Acrobat is a trademark of ADOBE.

All rights reserved. OECD grants you the right to use one copy of this Program for your personal use only. Unauthorised reproduction, lending, hiring, transmission or distribution of any data or software is prohibited. You must treat the Program and associated materials and any elements thereof like any other copyrighted material.

All requests should be made to:

Head of Publications Service,
OECD Publications Service,
2, rue André-Pascal,
75775 Paris Cedex 16, France.

© OCDE, 2002.

© Logiciel, 1987-1996, Acrobat, marque déposée d'ADOBE.

Tous droits du producteur et du propriétaire de ce produit sont réservés. L'OCDE autorise la reproduction d'un seul exemplaire de ce programme pour usage personnel et non commercial uniquement. Sauf autorisation, la duplication, la location, le prêt, l'utilisation de ce produit pour exécution publique sont interdits. Ce programme, les données y afférentes et d'autres éléments doivent donc être traités comme toute autre documentation sur laquelle s'exerce la protection par le droit d'auteur.

Les demandes sont à adresser au :

Chef du Service des Publications,
Service des Publications de l'OCDE,
2, rue André-Pascal,
75775 Paris Cedex 16, France.

Denmark

The pace of activity has slowed in the face of weak exports, although domestic demand remains firm. Growth prospects are expected to brighten as the international situation improves and firms regain sufficient confidence to increase investment and hiring. Unemployment has drifted upwards but is still lower than its structural rate. Labour shortages could re-emerge as the expansion quickens, accompanied by accelerating wages.

With accommodating monetary conditions, the tax cuts planned for 2004 need to be accompanied by concrete measures to trim expenditure growth to avoid adding unhelpful stimulus to an economy already operating close to capacity. Further initiatives to get more people into work and reduce reliance on public benefits would help to ease these pressures.

The Danish economy was trading water in the second half of last year as the weakness in foreign markets finally impacted and exports fell marginally. Private consumption continued to rise at an annualised rate of around 2¼ per cent in the second half of last year, but a fall in consumer confidence and car sales around the beginning of the year portends some hesitation about spending in the first half of 2003. Business indicators suggest that production may remain sluggish in the first half of this year, as new orders have softened again and confidence remains weak: this may lead to a postponement of some business investment plans until prospects brighten. Nevertheless, additions to capacity along with shrinking private sector employment over the course of 2002 have boosted labour productivity. Job creation has continued in the public sector, albeit at a reduced annual pace of around ½ per cent. This has attenuated the impact of cyclical weakness on unemployment, with the standardised rate standing at 4¾ per cent in the first quarter of this year. This is lower than the OECD estimate of its structural level. Compensation per employee has decelerated a little, but overall the labour market remains relatively tight, while output remains only slightly below estimated potential.

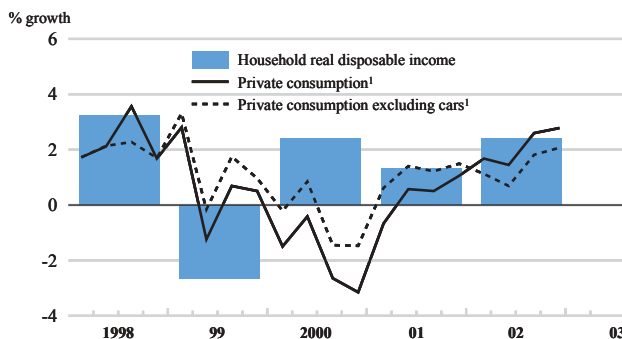
Domestic activity remains solid, but exports have faltered

Monetary policy continues to mirror developments in the euro area, as the National Bank keeps the krone within narrow bands around its central parity *vis-à-vis* the euro. Monetary conditions may remain relatively easy over the projection period, given that Denmark's cyclical position is stronger than that of the euro area.

Monetary conditions will support growth

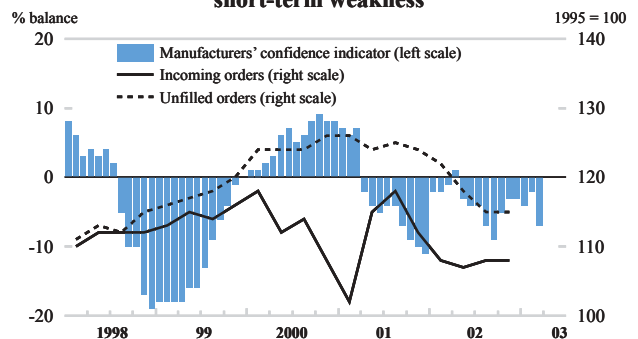
Denmark

Consumption growth remains solid



1. 4-quarter moving average.
Source: Statistics Denmark; OECD.

Indicators of business climate suggest short-term weakness



Denmark: Demand, output and prices

	1999	2000	2001	2002	2003	2004
	Current prices billion DKK	Percentage changes, volume (1995 prices)				
Private consumption	599.5	-1.9	0.4	2.1	1.9	2.2
Government consumption	312.1	1.1	2.1	0.9	1.0	0.9
Gross fixed capital formation	240.9	9.1	1.3	1.3	1.1	3.2
Final domestic demand	1 152.6	1.3	1.0	1.6	1.5	2.1
Stockbuilding ^a	- 2.6	0.6	-0.3	-0.4	0.2	0.0
Total domestic demand	1 149.9	2.0	0.8	1.2	1.7	2.1
Exports of goods and services	459.6	13.1	3.2	3.4	3.1	7.5
Imports of goods and services	401.8	11.9	1.8	2.5	3.5	7.1
Net exports ^a	57.8	0.9	0.7	0.5	0.0	0.6
GDP at market prices	1 207.7	2.8	1.4	1.6	1.6	2.6
GDP deflator	—	3.1	2.0	1.1	2.4	2.6
<i>Memorandum items</i>						
Consumer price index	—	2.9	2.4	2.4	2.4	2.3
Private consumption deflator	—	3.5	2.6	2.3	2.3	2.3
Unemployment rate	—	4.4	4.3	4.5	4.7	4.4
Household saving ratio ^b	—	4.8	6.0	6.2	6.0	6.1
General government financial balance ^c	—	2.5	2.8	1.8	1.6	1.9
Current account balance ^c	—	1.5	3.1	2.9	2.9	3.6

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

b) As a percentage of disposable income.

c) As a percentage of GDP.

Source: OECD.

Tax cuts could add further stimulus

Fiscal policy is expected to add some stimulus to activity next year, as it remains unclear whether the government will succeed in constraining public expenditure growth sufficiently to offset the announced tax cuts. The general government surplus looks set to strengthen to almost 2 per cent of GDP in 2004, but further spending restraint will be needed to finance the planned tax cuts to 2007.

The pick up in activity could lead to supply pressures

The rate of expansion is expected to be modest in the first half of this year, as consumers and businesses postpone some spending, but then to quicken from the second half to reach around 2½ per cent in 2004. Export growth is projected to rebound as global demand accelerates, while the stimulus from easy monetary conditions and tax cuts should underpin private domestic demand. Employment is likely to expand again next year by around ½ per cent, with a corresponding fall in the unemployment rate. With real GDP increasing faster than its potential rate next year, the output gap is likely to close, and labour shortages could start to re-emerge. This is likely to lead to some acceleration in wages and prices. The main source of risk is the evolution of foreign demand.

Special chapters in recent issues of *OECD Economic Outlook*

No. 72, December 2002

Fiscal sustainability: the contribution of fiscal rules
Increasing employment: the role of later retirement
Product market competition and economic performance
Inflation persistence in the euro area

No. 71, June 2002

Economic consequences of terrorism
Ongoing changes in the business cycle
Intra-industry and intra-firm trade and the internationalisation of production
Productivity and innovation: the impact of product and labour market policies

No. 70, December 2001

Saving and investment: determinants and policy implications
Investment in human capital through post-compulsory education and training
The cross-market effects of product and labour market policies
Agricultural policy reform: the need for further progress

No. 69, June 2001

Fiscal implications of ageing: projections of age-related spending
Challenges for tax policy in OECD countries
Encouraging environmentally sustainable growth: experience in OECD countries
Productivity and firms dynamics: evidence from microdata

No. 68, December 2000

Links between policy and growth: cross-country evidence
Revised OECD measures of structural unemployment
House prices and economic activity
Trends in immigration and economic consequences

No. 67, June 2000

Regulatory reform in network industries: past experience and current issues
Recent growth trends in OECD countries
E-commerce: impacts and policy challenges
Recent labour-market performance and structural reforms
Monetary policy in a changing financial environment

No. 66, December 1999

The size and role of automatic fiscal stabilisers
Making work pay
Public debt management at the cross-roads
Cross-country patterns of product market regulation

No. 65, June 1999

Labour market performance and the OECD jobs strategy
Policy challenges arising from climate change
The recent experience with capital flows to emerging market economies
Causes of the recent widening of OECD current account imbalances
Trends in market openness

OECD ECONOMICS DEPARTMENT

A wide range of news and information about recent Economics Department studies and publications on a variety of topics is now regularly available *via* INTERNET on the OECD website at the following address: www.oecd.org/eco. This includes links to the *Economics Department Working Papers* series, which can be downloaded free of charge, as well as summaries of recent editions in the *OECD Economic Surveys* series and the *OECD Economic Outlook*.

OECD ECONOMIC OUTLOOK

OECD Economic Outlook Flashfile

A datafile containing a summary of the *Economic Outlook* forecasts is now available on INTERNET at the time of its preliminary publication (a month to six weeks before the final publication date) at the following address: www.oecd.org/eco/statistics. This includes key macroeconomic variables for all OECD countries and regions in text file form, which can be input directly into most statistical and analytical software. The *Economic Outlook* Flashfile is available free of charge.

Statistics and projections on CD-ROM

The full set of historical time series data and projections underlying the *OECD Economic Outlook* is now available on CD-ROM at the same time as its publication. The *OECD Economic Outlook* CD-ROM contains approximately 4 000 macroeconomic time series for OECD countries and non-OECD zones, beginning in 1960 and extending to the end of the published forecast horizon.

The general subject and country coverage for both versions are as follows:

Subject coverage

- Gross domestic product and its components
- Government and households appropriation accounts
- Fiscal and monetary indicators
- Labour market and supply indicators
- Wages, prices and profitability
- International trade and payments
- Potential output and output gaps

Country coverage

- 30 OECD countries
- OECD area aggregations
- Non-OECD zones
- The euro area

Subscriptions, which also include the printed version of the *OECD Economic Outlook*, may be made at any time of the year. For special conditions (Academics, Government Agencies, etc.) and information on commercial redistribution rights, contact OECD Publications. For more information, register to the OECD newsletters at www.oecd.org/OECDdirect or visit the OECD bookshop at www.oecd.org/bookshop or send your order to:

OECD Publications
2, rue André-Pascal
75775 Paris Cedex 16
FRANCE

OECD ECONOMIC SURVEYS

For more in-depth, country-by-country analysis, read the *OECD Economic Surveys*. By providing rich information on economic and policy developments, this series constitutes a must for financial institutions, multinational enterprises, consulting firms, universities and libraries. Each issue contains OECD assessments of:

- Recent macroeconomic performance
- The short-term outlook
- Monetary policy
- The fiscal stance
- Structural reforms in various areas such as the labour market, the financial system, taxation, healthcare, environment, etc.
- Specific themes, among which: tax reform, ageing populations, sustainable development and public expenditure.

Surveys are available for the following countries:

Australia	Mexico
Austria	Netherlands
Belgium	New Zealand
Bulgaria	Norway
Canada	Poland
Czech Republic	Portugal
Denmark	Romania
Finland	Russian Federation
France	Slovak Republic
Germany	Slovenia
Greece	Spain
Hungary	Sweden
Iceland	Switzerland
Ireland	Turkey
Italy	United Kingdom
Japan	United States
Korea	

Available on subscription. You also create your own personalised collection by ordering just the books you need, for example, major seven OECD countries, European Union, Asia-Pacific, or central and eastern European countries, just a single country. For more information, register to the OECD newsletters at www.oecd.org/OECDdirect or visit the OECD bookshop at www.oecd.org/bookshop or send your order to:

OECD Publications
2, rue André-Pascal
75775 Paris Cedex 16
FRANCE

For customers in Germany and Austria

OECD Sales Office

August-Bebel-Allee 6, D-53175 Bonn

Tel.: (49-228) 959 1215

Fax: (49-228) 959 1218

E-mail: bonn.contact@oecd.org

Internet: www.oecd.org/deutschland

For customers in North America

OECD Washington Center

2001 L Street N.W., Suite 650

Washington DC, 20036-4922 USA

Tel.: 1 202 785 6323

Fax: 1 202 785 0350

E-mail: washington.contact@oecd.org

Internet: www.oecdwash.org

For customers in Japan and Asia

OECD Tokyo Centre

3rd Floor, Nippon Press Center Building

2-2-1, Uchisaiwaicho

Chiyoda-ku, Tokyo 100-0011

Tel.: 81 3 5532 0021

Fax: 81 3 5532 0035

E-mail: center@oecdtokyo.org

Internet: www.oecdtokyo.org

For customers in Central and South America

OECD Mexico Centre

Av. Presidente Mazaryk 526

Colonia: Polanco

C.P. 11560, Mexico D.F.

Tel.: 52 555 281 3810

Fax: 52 555 280 0480

E-mail: mexico.contact@oecd.org

Internet: rtn.net.mx/ocde

For customers in the rest of the world

OECD Paris Centre

2, rue André-Pascal

75775 Paris Cedex 16, France

Tel.: 33 1 45 24 94 16

Fax: 33 1 45 24 94 53

E-mail: sourceoecd@oecd.org

Internet: www.sourceoecd.org

Online ordering: www.oecd.org/publications

(secure payment with credit card)

TABLE OF CONTENTS

Editorial: a progressive but unspectacular recovery	vii
I. General assessment of the macroeconomic situation	1
Overview: a slow recovery	1
Nature of the cycle and geopolitical risks	2
Strength and general dynamics of the upturn	9
Risks remain mainly on the downside	17
Macroeconomic policy challenges	19
Stepping up structural reform to boost growth and resilience to shocks	29
Appendix: The medium-term reference scenario	32
II. Developments in individual OECD countries	37
United States	37
Japan	41
Germany	45
France	49
Italy	53
United Kingdom	57
Canada	61
Australia	65
Austria	67
Belgium	69
Czech Republic	71
Denmark	73
Finland	75
Greece	77
Hungary	79
Iceland	81
Ireland	83
Korea	85
Luxembourg	87
Mexico	89
Netherlands	91
New Zealand	93
Norway	95
Poland	97
Portugal	99
Slovak Republic	101
Spain	103
Sweden	105
Switzerland	107
Turkey	109
III. Developments in selected non-member economies	113
China	114
The Russian Federation	116
Brazil	117
IV. After the telecommunications bubble	119
Introduction	119
A reversal of fortunes	120
Policy implications	127
V. Structural policies and growth	135
Introduction	135
Diverging growth trends	135
Explaining the differences in labour resource utilisation	138
Explaining the differences in the intensity of physical and human capital formation	145
Explaining the differences in technological progress	151
VI. Trends in foreign direct investment in OECD countries	157
Introduction	157
Patterns of FDI	158
Foreign direct investment and trade	163
VII. Foreign direct investment restrictions in OECD countries	167
Introduction	167
The different types of FDI barriers	168

The openness of OECD countries to inward FDI <i>circa</i> 1998-2000	169
The liberalisation of FDI since 1980	171
VIII. Policy influences on foreign direct investment	175
Introduction	175
Policy and other determinants of foreign direct investment	176
Foreign direct investment effects of policy reform	180
Special chapters in recent issues of OECD Economic Outlook	187
Statistical Annex	189
Country classification	190
Weighting scheme for aggregate measures	190
Irrevocable euro conversion rates	190
National accounts reporting systems and base-years	191
Annex Tables	193
Boxes	
I.1. What is left of the capital overhang?	8
I.2. Policy and other assumptions underlying the central projections	10
I.3. Economic consequences of the spread of severe acute respiratory syndrome	19
I.4. Re-assessing cyclically-adjusted balances	24
I.5. Assumptions underlying the medium-term reference scenario	35
IV.1. The OECD-wide regulatory reform in telecommunications markets	121
IV.2. New telecommunications technologies	122
VI.1. Foreign direct investment: definition and data sources	157
VI.2. Trade and different types of FDI	163
VII.1. International investment agreements	167
VII.2. Indicators of FDI restrictions	170
VIII.1. Policies and FDI: the OECD empirical analysis	176
Tables	
I.1. Output growth	1
I.2. Oil and non-oil commodity prices	9
I.3. Very short-term output growth projections	12
I.4. Contributions to changes in real GDP	12
I.5. Euro area: summary of projections	13
I.6. Productivity, unemployment, output gaps and inflation	15
I.7. World trade and current account summary	16
I.8. General government financial balances	22
I.9. Growth momentum and resilience in the larger OECD countries	30
I.10. Medium-term reference scenario summary	32
I.11. Fiscal trends in the medium-term reference scenario	33
I.12. Growth in potential GDP and its components	34
III.1. Projections for China	115
III.2. Projections for the Russian Federation	116
III.3. Projections for Brazil	118
IV.1. Allocation of G3 licences in OECD countries	131
V.1. Average trend growth in GDP per capita over selected periods	136
V.2. Spending at various levels of education	150
VIII.1. FDI positions and flows: the hypothetical effect of removing FDI restrictions	182
Figures	
I.1. Tensions and uncertainties in the global economy, spring 2003	3
I.2. Variability of output and investment growth	5
I.3. Private investment spending in the United States and the euro area	6
I.4. Profit margins and capacity utilisation rates	7
I.5. Real effective exchange rates	11
I.6. Saving and investment in the United States	18
I.7. Resource utilisation, inflation and interest rates	20

I.8. US Federal budget prospects two years apart	26
I.9. Projected US deficit and yield gap.....	27
IV.1. Market structure of fixed networks in the OECD area	121
IV.2. Share price indices of selected telecommunications operators	123
IV.3. 12-month rolling average default rates in the telecommunications sector <i>versus</i> all industries	124
IV.4. United States: Capacity utilisation rate of the communications equipment suppliers	126
IV.5. Telephone and Internet subscribers in the OECD	127
IV.6. Telecom services contribution to core inflation in the euro area	128
IV.7. Broadband penetration rates in OECD countries, June 2002.....	129
V.1. Sources of growth in trend GDP per capita	137
V.2. Sources of growth in trend labour resource utilisation	139
V.3. Estimates of gross and net replacement rates.....	141
V.4. Changes in long-term unemployment and structural unemployment rates.....	144
V.5. ICT investment in selected OECD countries	146
V.6. Venture capital ¹ investment by stages	147
V.7. Percentage of the population that has attained a certain level of education, 2001	149
V.8. Multi-factor productivity growth over selected periods	152
V.9. Expenditure on R&D in OECD countries.....	153
VI.1. FDI flows within the OECD area.....	158
VI.2. Distribution of OECD stocks of FDI positions in 1998.....	159
VI.3. FDI positions in OECD countries, 1980s and 1990s	160
VI.4. Activity of foreign affiliates in selected OECD countries, 1990s.....	161
VI.5. Percentage share of employment in foreign affiliates in selected industries OECD average, 1990s	162
VII.1. FDI restrictions in OECD countries, 1998/2000: breakdown by type of restriction	170
VII.2. Cross-sectoral patterns of FDI restrictions, 1998/2000	171
VII.3. FDI restrictions in OECD countries, 1980-2000	172
VII.4. Evolution of FDI restrictions in selected sectors, 1981-1998.....	172
VIII.1. Contributions of policies and other factors to explaining cross-country differences in bilateral outward FDI positions, 1980-2000	177
VIII.2. Foreign affiliates' activities and FDI restrictions in selected industries	179
VIII.3. Product market regulation and FDI positions, 1990-1998.....	180
VIII.4. Policies and inward FDI positions	181
VIII.5. Policies and inward FDI positions: the scope for further integration	183

Conventional signs

\$	US dollar	.	Decimal point
¥	Japanese yen	I, II	Calendar half-years
£	Pound sterling	Q1, Q4	Calendar quarters
€	Euro	Billion	Thousand million
mbd	Million barrels per day	Trillion	Thousand billion
..	Data not available	s.a.a.r.	Seasonally adjusted at annual rates
0	Nil or negligible	n.s.a.	Not seasonally adjusted
–	Irrelevant		

Summary of projections^a

	2002	2003	2004	2002		2003		2004	
				I	II	I	II	I	II
Percentage changes from previous period									
Real GDP									
United States	2.4	2.5	4.0	3.5	2.7	1.7	3.8	4.1	3.8
Japan	0.3	1.0	1.1	1.0	3.5	0.0	0.6	1.2	1.4
Euro area	0.9	1.0	2.4	1.1	1.1	0.9	1.4	2.6	2.9
European Union	1.0	1.2	2.4	1.2	1.4	1.0	1.5	2.6	2.8
Total OECD	1.8	1.9	3.0	2.5	2.4	1.4	2.4	3.2	3.2
Real total domestic demand									
United States	3.0	2.8	4.0	4.2	3.3	2.1	3.8	4.2	3.8
Japan	-0.3	0.5	0.4	-0.4	3.2	-0.6	-0.2	0.5	0.7
Euro area	0.3	1.1	2.4	0.4	1.0	1.0	1.5	2.6	2.9
European Union	0.7	1.3	2.5	0.7	1.5	1.1	1.6	2.8	3.0
Total OECD	1.9	2.0	2.9	2.4	2.8	1.4	2.4	3.1	3.1
Per cent									
Inflation^b									
United States	1.1	1.6	1.3	0.9	1.3	2.0	1.2	1.5	1.3
Japan	-1.7	-2.2	-1.8	-1.7	-2.6	-2.1	-1.8	-1.8	-1.8
Euro area	2.4	1.9	1.7	2.5	2.1	1.9	1.8	1.6	1.6
European Union	2.5	1.9	1.8	2.8	2.1	1.9	1.9	1.8	1.8
OECD less Turkey	1.4	1.3	1.2	1.5	1.2	1.5	1.2	1.2	1.2
Total OECD	2.1	1.7	1.4	2.0	1.7	1.9	1.5	1.4	1.3
Per cent of labour force									
Unemployment									
United States	5.8	6.0	5.8	5.7	5.8	6.0	6.1	5.9	5.7
Japan	5.4	5.7	5.7	5.3	5.4	5.6	5.8	5.7	5.7
Euro area	8.2	8.8	8.7	8.1	8.3	8.7	8.8	8.8	8.6
European Union	7.6	8.0	7.9	7.5	7.7	8.0	8.1	8.0	7.9
Total OECD	6.9	7.2	7.0	6.8	7.0	7.1	7.2	7.1	6.9
Per cent of GDP									
Current account balance									
United States	-4.8	-5.4	-5.5	-4.6	-5.0	-5.4	-5.4	-5.5	-5.5
Japan	2.8	3.1	3.9	3.0	2.6	2.9	3.4	3.8	4.1
Euro area	1.1	1.4	1.4	0.9	1.3	1.3	1.4	1.4	1.4
European Union	0.9	1.0	1.0	0.7	1.0	1.0	1.0	1.0	0.9
Total OECD	-1.1	-1.2	-1.2	-1.0	-1.1	-1.2	-1.1	-1.1	-1.1
Per cent									
Short-term interest rate^c									
United States	1.8	1.4	3.0	1.9	1.6	1.3	1.4	2.6	3.5
Japan	0.1	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Euro area	3.3	2.3	2.3	3.4	3.3	2.5	2.1	2.1	2.5
Percentage changes from previous period									
World trade^d	3.6	5.9	8.8	5.9	7.9	4.1	7.5	9.3	9.4

Note: Apart from unemployment rates and interest rates, half-yearly data are seasonally adjusted, annual rates.

a) Assumptions underlying the projections include:

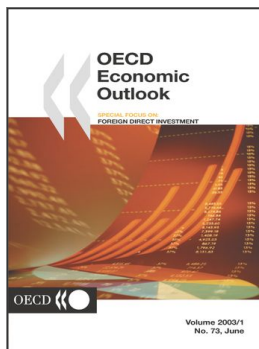
- no change in actual and announced fiscal policies;
- unchanged exchange rates as from 26 March 2003; in particular 1\$ = 120.10 yen and 0.936 euros;
- the cut-off date for other information used in the compilation of the projections is 4 April 2003.

b) GDP deflator.

c) United States: 3-month eurodollars; Japan: 3-month CDs; euro area: 3-month interbank rates. See box on policy and other assumptions underlying the projections.

d) Growth rate of the arithmetic average of world merchandise import and export volumes.

Source: OECD.



From:
OECD Economic Outlook, Volume 2003 Issue 1

Access the complete publication at:
https://doi.org/10.1787/eco_outlook-v2003-1-en

Please cite this chapter as:

OECD (2003), "Denmark", in *OECD Economic Outlook, Volume 2003 Issue 1*, OECD Publishing, Paris.

DOI: https://doi.org/10.1787/eco_outlook-v2003-1-15-en

This document, as well as any data and map included herein, are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area. Extracts from publications may be subject to additional disclaimers, which are set out in the complete version of the publication, available at the link provided.

The use of this work, whether digital or print, is governed by the Terms and Conditions to be found at <http://www.oecd.org/termsandconditions>.