

## DENMARK

Economic growth remains weak, but domestic demand is projected to recover in 2015, underpinned by supportive monetary policy and broader improvements in financial conditions. External demand growth is expected to be modest, but to recover in the course of 2016.

The underlying stance of fiscal policy has been expansionary in 2014 and is expected to turn broadly neutral in 2015 and 2016. Additional structural reforms that encourage competition in domestically-oriented service sectors are needed. In an environment of high household debt and very low interest rates, continued efforts to enhance financial stability and reduce policy distortions in housing markets are warranted.

### *The underlying pace of activity remains weak*

The underlying pace of economic activity has been subdued in 2014, with sluggish domestic and external demand. Corporate saving is at historically high levels, but significant spare capacity continues to weigh on investment growth. Private consumption has grown little over the year despite improvements in labour market conditions and consumer confidence. Consistent with weak underlying demand, inflation is very low.

### *Financial conditions are supportive*

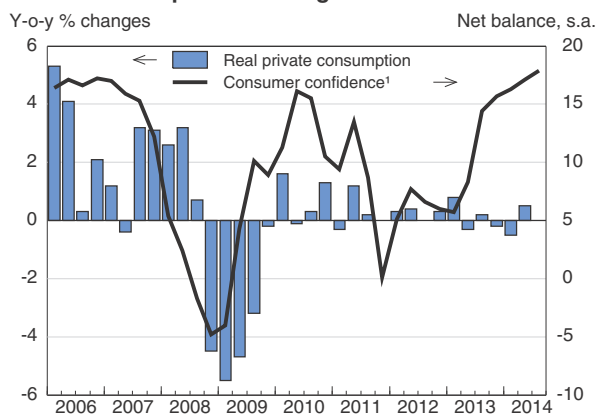
House prices have been rising steadily, although this has translated into only modest growth in residential investment so far. Equity prices have increased notably since the end of 2013 and interest rates on outstanding household and business loans are expected to remain at their current very low levels throughout the projection period.

### *The fiscal stance is set to be neutral*

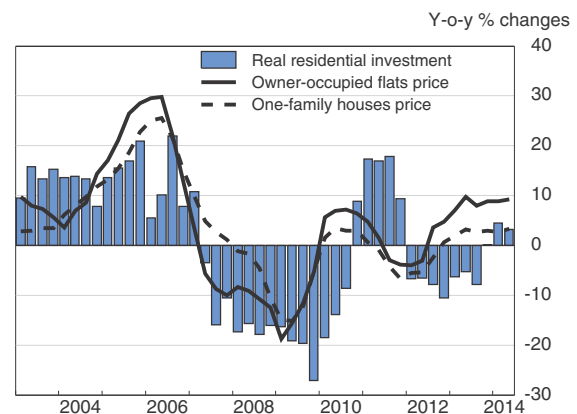
The fiscal stance has been expansionary in 2014, but is assumed, based on government plans, to be broadly neutral in 2015 and 2016. The headline government deficit is set to widen in 2016 due to the end of one-off government revenues related to the tax treatment of pensions.

## Denmark

### Real consumption remains anaemic, despite increasing confidence




### House prices have been rising



1. Three-month moving average.

Source: OECD Economic Outlook 96 database; OECD Monthly Economic Indicators database; and Statistics Denmark.

StatLink  <http://dx.doi.org/10.1787/888933169571>

Denmark: **Demand, output and prices**

	2011	2012	2013	2014	2015	2016
	Current prices DKK billion	Percentage changes, volume (2010 prices)				
<b>GDP at market prices</b>	1 832.8	-0.8	-0.1	0.8	1.4	1.8
Private consumption	887.6	0.2	0.1	0.6	2.0	2.5
Government consumption	490.6	0.0	0.1	0.9	0.8	0.7
Gross fixed capital formation	337.3	0.5	0.6	1.8	1.6	2.7
Final domestic demand	1 715.4	0.2	0.2	0.9	1.6	2.0
Stockbuilding <sup>1</sup>	15.6	-0.6	0.1	0.3	-0.2	0.0
Total domestic demand	1 731.0	-0.4	0.3	1.2	1.3	2.0
Exports of goods and services	970.7	-0.1	1.2	1.2	2.6	3.0
Imports of goods and services	868.9	0.7	2.2	2.2	2.7	3.6
Net exports <sup>1</sup>	101.7	-0.4	-0.4	-0.4	0.1	-0.1
<i>Memorandum items</i>						
GDP deflator	—	2.5	1.6	0.8	1.6	1.7
Consumer price index	—	2.4	0.8	0.5	0.7	1.2
Private consumption deflator	—	2.5	1.1	0.5	1.1	1.3
Unemployment rate <sup>2</sup>	—	7.5	7.0	6.6	6.3	6.1
Household saving ratio, net <sup>3</sup>	—	-1.2	-1.5	2.3	1.3	2.0
General government financial balance <sup>4</sup>	—	-3.9	-0.7	-1.7	-2.2	-2.3
General government gross debt <sup>5</sup>	—	60.3	57.3	58.9	60.9	63.0
General government debt, Maastricht definition <sup>4</sup>	—	45.6	45.0	46.6	48.7	50.7
Current account balance <sup>4</sup>	—	5.5	7.1	6.2	6.9	7.0

1. Contributions to changes in real GDP, actual amount in the first column.


2. The unemployment rate is based on the Labour Force Survey and differs from the registered unemployment rate.

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

4. As a percentage of GDP.

5. As a percentage of GDP at market value.

Source: OECD Economic Outlook 96 database.

StatLink  <http://dx.doi.org/10.1787/888933170364>

**Stronger domestic demand  
will boost the economic  
recovery**

Household consumption and business investment growth are projected to gradually increase over the projection period, aided by increases in household incomes resulting from recent productivity-enhancing reforms and supportive domestic financial conditions. Activity may be further bolstered by stronger export markets. The negative growth impact of declining North Sea oil and gas reserves is expected to be minor compared with recent years. The unemployment rate will decline further as growth picks up, but inflationary pressures are expected to remain contained, given the degree of economic slack that will remain.

**Risks derive from both  
domestic and external  
sources**

The possibility of significant further weakness in major export markets, notably in the euro area, poses a downside risk to the growth projections. On the upside, the high level of consumer confidence and supportive financial conditions could have an unexpectedly large impact on domestic demand growth.



**From:**  
**OECD Economic Outlook, Volume 2014 Issue 2**

**Access the complete publication at:**  
[https://doi.org/10.1787/eco\\_outlook-v2014-2-en](https://doi.org/10.1787/eco_outlook-v2014-2-en)

**Please cite this chapter as:**

OECD (2014), "Denmark", in *OECD Economic Outlook, Volume 2014 Issue 2*, OECD Publishing, Paris.

DOI: [https://doi.org/10.1787/eco\\_outlook-v2014-2-12-en](https://doi.org/10.1787/eco_outlook-v2014-2-12-en)

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