

National accounts and balance of payments

1

Danish economy 2000 to 2010

Economic growth in 2010

GDP increased by 2.1 per cent in 2010. High growth rates in 2004-2006 and more subdued growth in 2007 was followed by negative growth in 2008 and a historic economic downturn in 2009, before Danish Economy partially recovered in 2010.

In comparison the real growth in GDP averaged 2.4 per cent from 2003 to 2007 which is the latest period with an economic upturn, while the growth rate from 2007 to 2009 was -3.2 per cent annually on average.

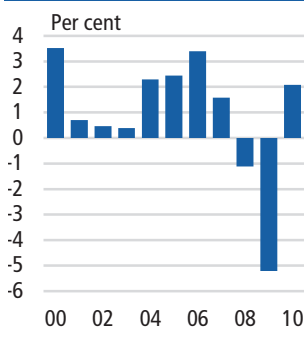
Continuing decrease in employment

The decrease in employment continued in 2010 with a drop of 59,000 persons (2.1 per cent). Thereby employment has declined with a total of 151,000 persons since its last peak in 2008. In 2010, the average number of persons employed was approximately 2,807,000. Of these, 57,000 persons were on leave.

Changes in employment are often seen with some delay in relation to the economic growth. This was seen clearly with the slowdown of economic growth in 2001 and again in 2004, when the economic conditions changed.

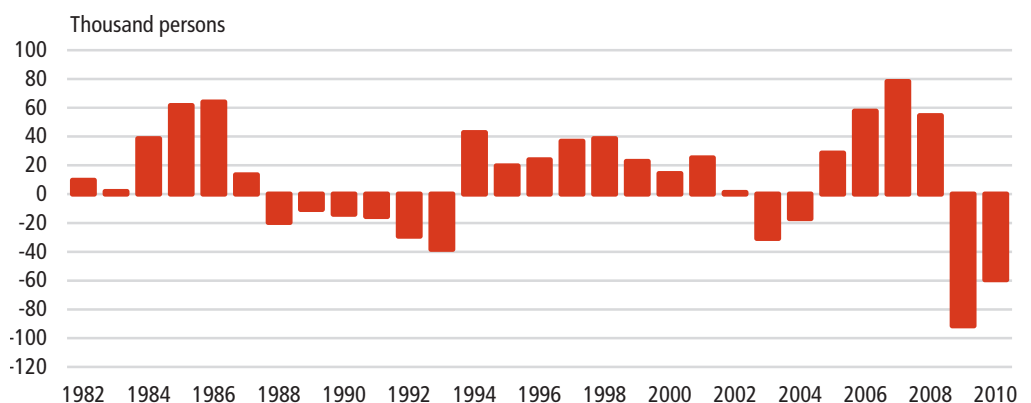
In the period 1997-2002, employment rose by 102,000 persons. During 2003 and 2004, the total fall in employment was 47,700 persons. From 2004 to 2008 the employment increased with approximately 210,000 persons.

Figure 1
Real growth in GDP



www.statbank.dk/nat02

Figure 2
Annual growth in employment



Note: Including persons on leave.

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The share of the workforce employed in goods-producing industries (agriculture, etc., manufacturing, energy, and construction) has been continuously declining for several years. In 2000, 26.4 per cent were employed in the goods-producing industries, while in 2010 the proportion was 21.3 per cent. During the same period, employment increased, in particular in the private service industries (from 38.4

per cent in 2000 to 42.0 per cent in 2010). The percentage of persons employed in public and personal services was 35.1 per cent in 2000 and 36.8 per cent in 2010.

2 Domestic demand and foreign trade

Increase in demand from the export and domestic market

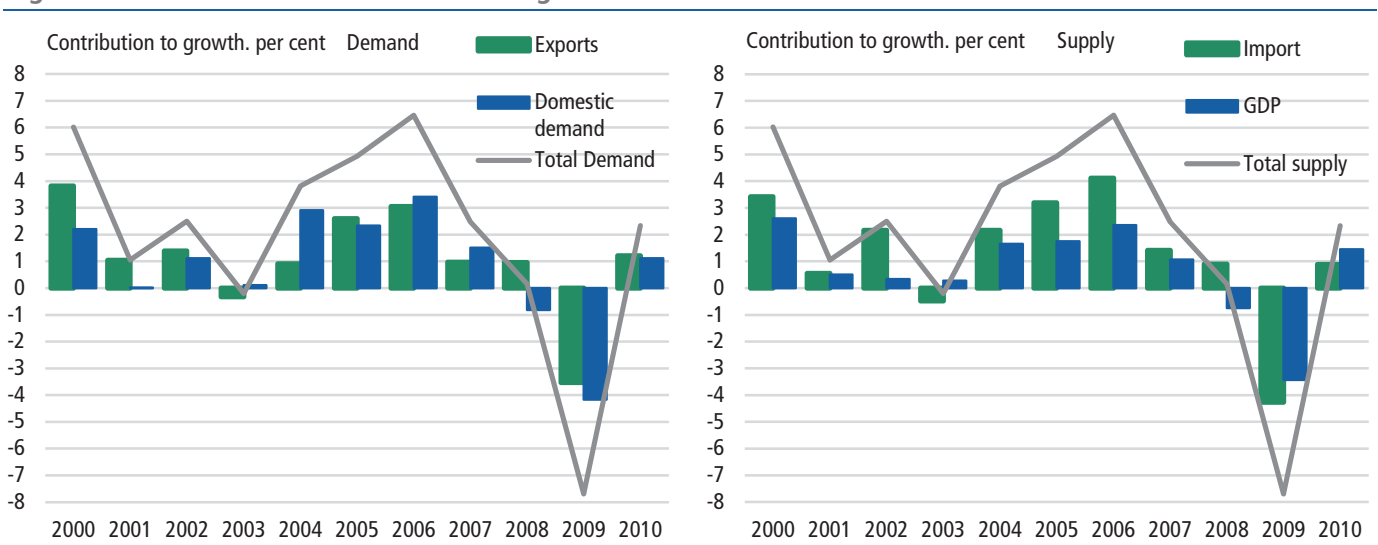
The total demand increased by 2.3 per cent in 2010. The exports and the domestic demand contributed equally to the growth in the total demand. The increased demand was met with increases in both the GDP and the imports. The GDP contributed the most to the growth in the total supply.

The total demand and the total supply will by definition be equal, and they will therefore increase by the same rate. An increase in the total demand can be caused by an increase in the exports or the domestic demand. An increase in the total supply can originate from an increase in the imports or the domestic value added measured by the GDP.

Periods with strong growth in the demand often cause a similar growth in the imports, because the GDP cannot grow enough in the short run to meet the demand. This tendency can for example be seen in the period 2004-2006, where the contributions from the imports to the growth in the supply was large and increasing.

In 2008, where the decline in the GDP began, there was a marginal increase in the total demand, which consisted of an increase in the exports and a decline in the domestic demand. For the supply the picture was the same – the imports increased, and the GDP decreased. Large decreases in the demand from both the export and domestic market in 2009 contributed to a strong decline in the total demand. This led to substantial decreases in the supply from both the imports and the GDP.

Figure 3 Contribution to real annual growth in GDP



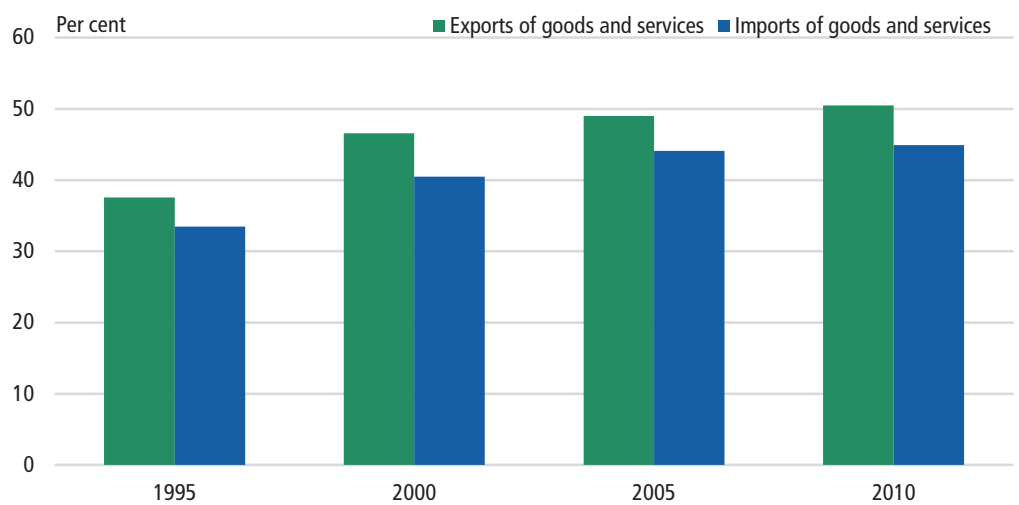
Growing foreign trade in 2010

After a considerably decline in 2009, the foreign trade partially recovered in 2010 with considerably growth in export as well as import.

Measured in current prices, Denmark's foreign trade has, except from the decline in 2009 seen a relatively large increase the last ten years. Particularly, trade in services has increased steeply. The import of services almost doubled from 2000 to 2008, and the export of services increased almost at the same rate.

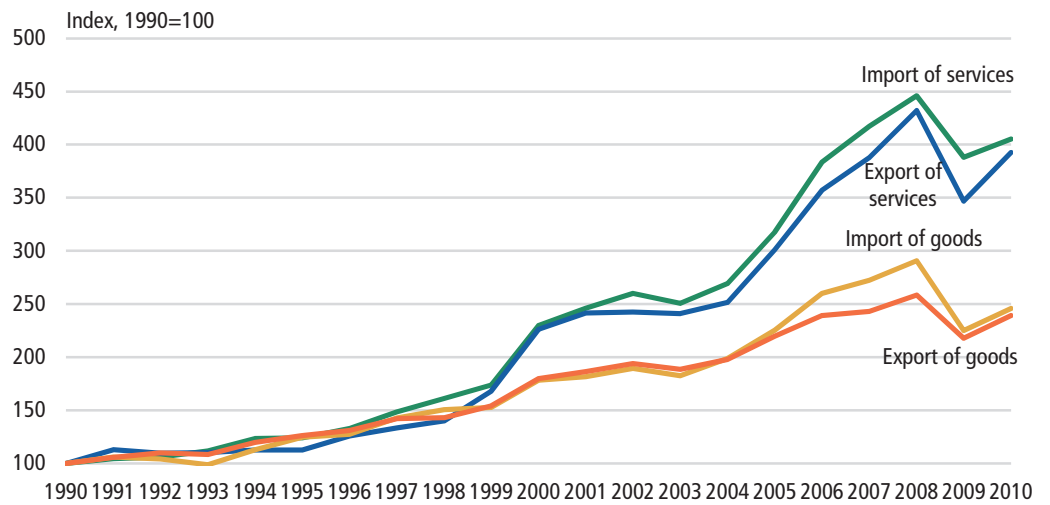
In the same period, the import of goods increased approximately 60 per cent, and the export of goods increased approximately 40 per cent.

Figure 4 Imports and exports as percentage of GDP, current prices



www.statbank.dk/nat01

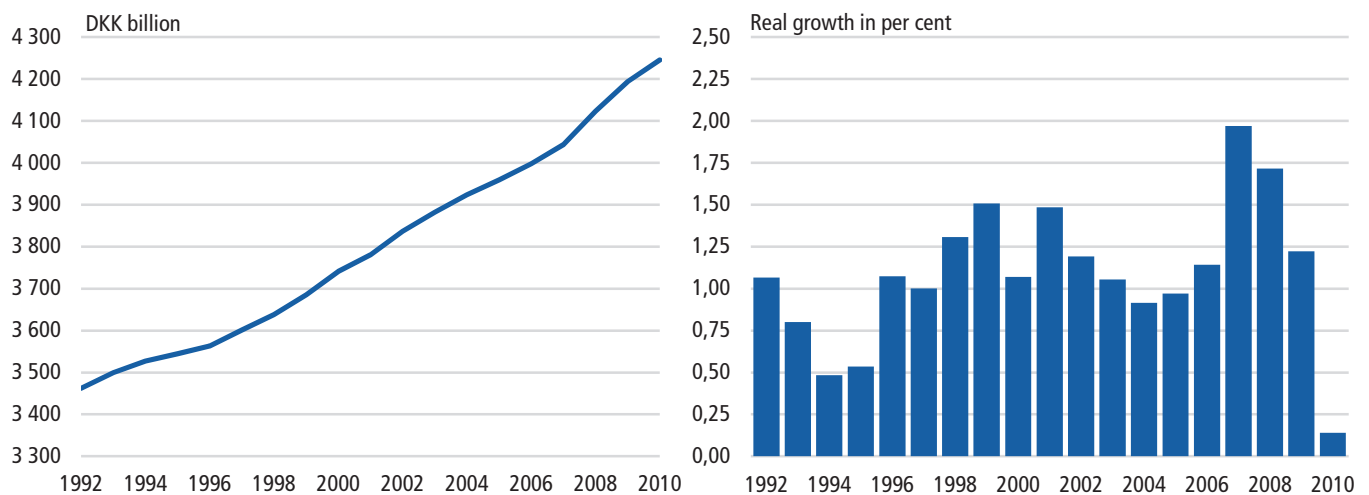
Among other things, the increase in trade in services is due to a higher growth of prices, compared to trade in goods. Mergers and acquisitions in the sea transport industries are other factors that have had an impact on trade in services.

Figure 5 Foreign trade, current prices

www.statbank.dk/nat01

Capital stocks slightly increased in 2010

The share of the national wealth that is held in the form of fixed assets (net capital stock) was on the whole unchanged in 2010. In earlier years, the net capital stock has been continuously increasing and grew by 12.5 per cent from 2000 to 2010. The change in the capital stock (net capital stock) at current prices between two dates of compilation reflects net investment (the gross fixed capital formation less consumption of fixed capital), and the nominal valuations during the period.

Figure 6 Net capital stock

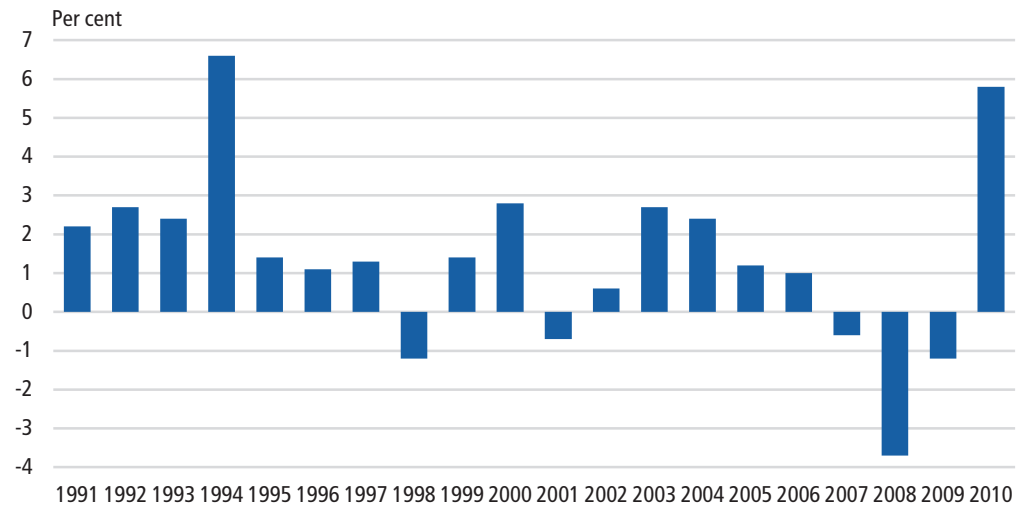
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Large increase in productivity - correction

Based on the figures from the Danish working time account, it is possible to calculate the productivity per hour as the market gross value added per working hour.

The productivity increased 5.8 per cent in 2010 following an 1.2 per cent increase in 2009 after two years with decreasing productivity in 2007 and 2008. The productivity increased by an annual average of 0.9 per cent from 2000 to 2010.

Figure 7 Gross value added at 2000 prices (chained) per hour. Annual growth rate - correction



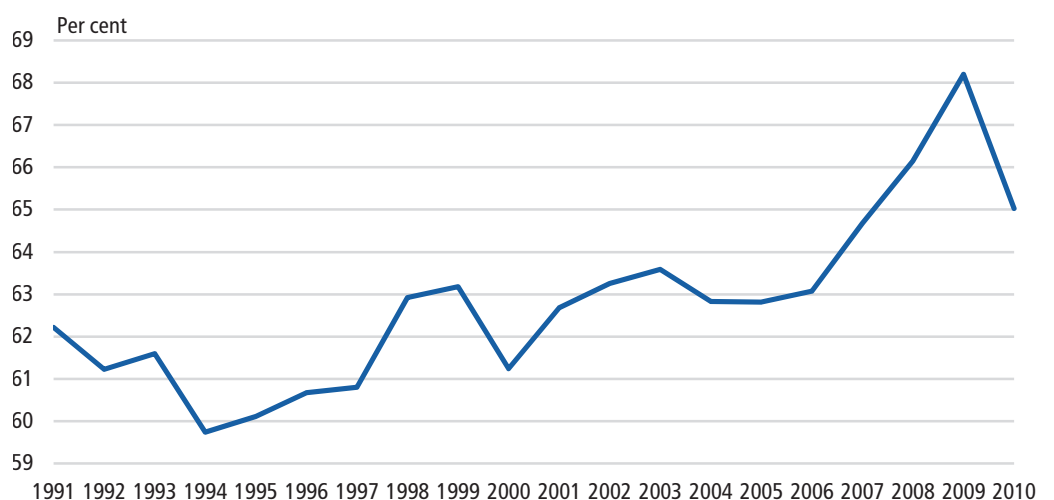
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Decreasing wage share in 2010

Total income from production comprises compensation of employees and enterprises' profits (gross operating surplus and mixed income). In 2010 the share of wages and salaries of total incomes decreased significantly and almost dropped to the level in 2007. During the period up to 2000, but in 2000, there was a strong decline. From 1994 to 2006 the wage share increased slightly, except for large decreases in 2000 and 2004. From 2001 to 2003, the wage share rose again followed by a moderate decline in the period from 2004-2006. From 2006 the wage share increased significantly and reached a peak level of 68.6 per cent in 2009 before decreasing to 65.0 per cent in 2010.

The figure below shows changes in compensation of employees as a proportion of GDP at factor prices.

Figure 8 The wage share



www.statbank.dk/nat01

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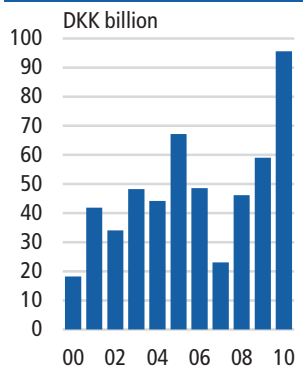
Balance of payments**Figure 9**
Balance of current accounts

Table 372

Savings, the balance of payments and debt

The share of savings of the whole economy (i.e. savings as a percentage of gross national disposable income) increased from 20.9 per cent in 1998 to 23.8 per cent in 2001.

After 2001 the share of savings has been stable reaching its highest level in 2005 and 2006 where it was more than 25 per cent. In 2010 the share of savings decreased to the level from 1998 at 21.2 per cent.

Since 1999, net lending has been positive. Net lending decreased in 2006 and 2007 but has been growing since. In 2010 the net lending was DKK 96.3 billion.

Denmark has positive net assets again

Danish net lending is contributing to a reduction of Denmark's foreign debt. In 2005, Denmark had positive net assets for the first time since the 1950s.

However, the net position turned negative as the net assets decreased between 2005 and 2008, despite a large surplus on the balance of payments. This is because the debt balance is also influenced by exchange rate fluctuations and revaluations. In 2010, the net assets was positive at 167 billion compared with 76 billion DKK in 2009.

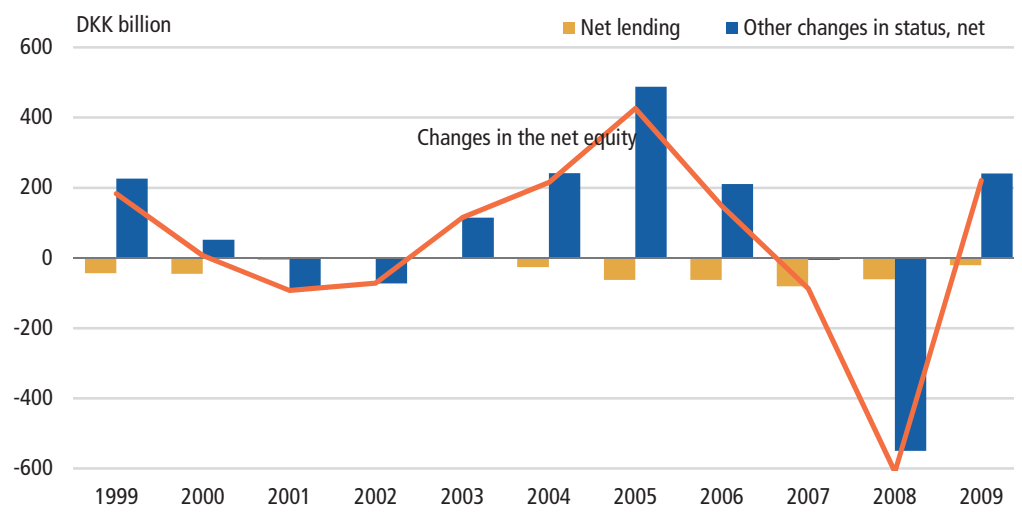
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Financial claims**Rise in financial net equity of households**

In 2009 the financial net equity of households rose after it had been falling in both 2007 and 2008. In all years during this period households had a negative net lending.

Consequently, the explanation must be found in the development of *other changes in status, net*, where developments in the financial markets in 2009 gave positive revaluations. In 2007 and 2008 the net equity was affected by large negative revaluations. Especially adjustments of share prices have affected the households' net equity both directly and indirectly through their pension scheme savings in life insurance companies and pensions funds.

In addition to the household sector, the national accounts include financial accounts for another three main sectors: corporate sector (non-financial and financial corporations), general government sector and the rest of the world. The financial claims consist of a number of financial assets and liabilities comprising, e.g., shares, bonds and loans. The difference between the total financial assets and the total financial liabilities constitute the financial net worth.

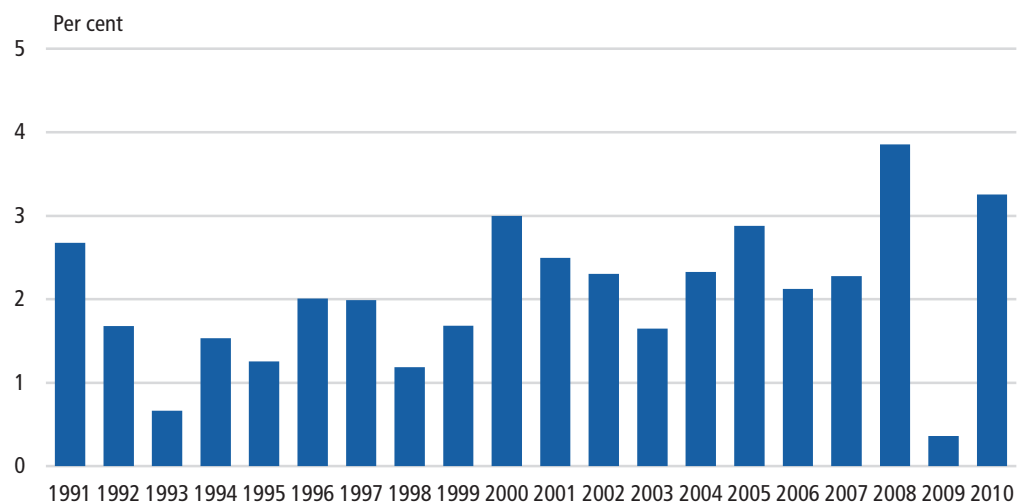
Figure 10 Development in the net equity of households

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Inflation**Large inflation in 2010**

In 2010 the inflation (measured as the annual increase in the GDP deflator) in Denmark reached 3.3 per cent, following an inflation of just 0.4 per cent in 2009; the lowest level registered in the National Accounts, which dates from 1966. In 2008 inflation reached 3.6 per cent; the highest level since 1989.

Between 1989 and 2007 the inflation was both low and stable. The average increase in annual prices in the period was 2.0 per cent, and only in 2000 and 2005 did the inflation reach 3 per cent.

Figure 11 Inflation measured as the annual increase in the GDP deflator

www.statbank.dk/nat01 and nat02

6 International comparison

Economic recovery in 2010

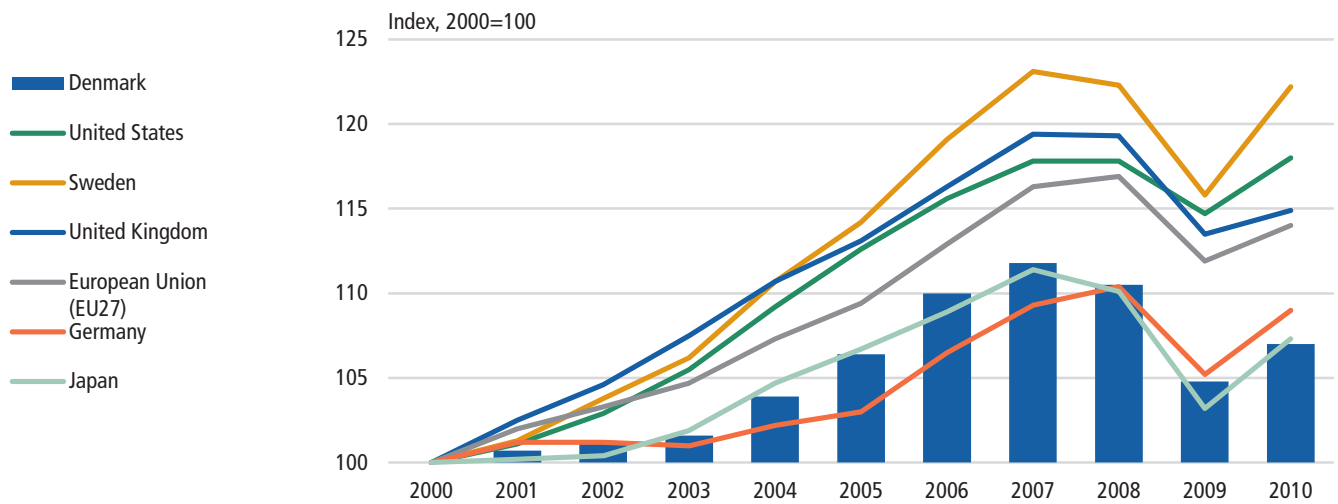
In 2009 the economic decline became global with a massive economic decline in every country that has significant importance for the economic development in Denmark.

In 2010 the countries with the greatest significance for Danish economic development experienced partially economic recovery with increases in GDP. Economic growth was particularly significant in Sweden, Germany and Japan. The economic growth in Denmark was equivalent with the growth in the EU.

Only in USA did the GDP in 2010 reach a higher level than in 2007, prior to the global economic downturn. Sweden and Germany reached a level equivalent to the level in 2007.

Figure 12

GDP in selected countries, constant prices



Source: Eurostat, New Cronos.