

Flash Comment Denmark

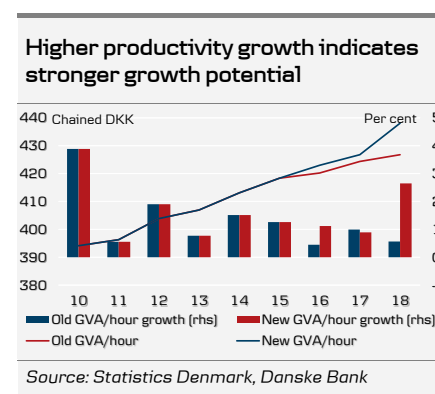
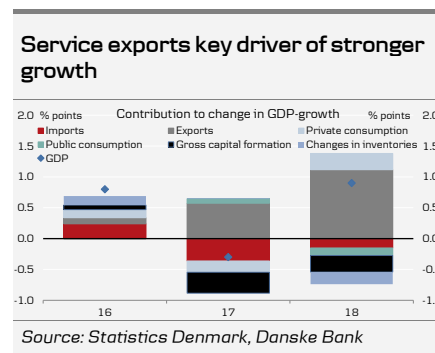
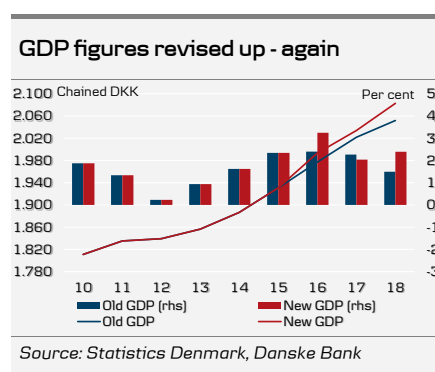
Economic recovery stronger than expected

- **New figures reveal Danish GDP was 1.5% higher in 2018 than previously estimated.**
- **A significant revision of the trade surplus is the main reason.**
- **Productivity growth has been significantly stronger than estimated so far and is based on a broadly stronger development across industries.**
- **The stronger productivity implies a higher growth potential for the economy.**

Revisions just keep painting a rosier picture of the Danish economic recovery. This time GDP has been revised up significantly for the years 2016-18, particularly 2018 where GDP is now 1.5% larger measured in volumes. That is the conclusion from Statistics Denmark's annual revision of the national accounts. Production by Danish entities in foreign countries remains a source of much uncertainty and is likely going to cause further large revisions in the future.

The number one reason for the higher growth rates is a bigger trade surplus, which we also flagged last month when the current account figures were revised (see *Flash Comment Denmark*, 9 October). Particularly service exports were revised significantly by DKK52.6bn, amounting to a 12% revision, which is primarily based on new information about the construction sector. The goods surplus, on the other hand, was revised down on the back of higher expenses for ships' bunkering in foreign harbours. Back in October, we also speculated that investments might be revised somewhat lower as some of the new exports might have been categorized as investments to begin with. Investments are indeed down by 2.3% in 2018 compared to the old figures. Also with the new figures for private consumption, we now estimate the propensity to consume is no longer falling but has been more or less flat since 2015.

The revision also paints a stronger productivity picture. In Denmark, as in most other developed countries, the low productivity growth has been a concern for long. The current economic recovery has to a large extent been driven by a strong labour market. To create GDP-growth, productivity growth is needed and the continuous transformation towards a more service-driven economy, where productivity is lower only darkens the outlook. That is also why today's revision is uplifting news for the Danish economy. It gives an indication that the growth potential is bigger than estimated this far. Several sectors contribute to the higher productivity growth. The pharmaceutical industry, which has been the strong driver of industrial production also in 2019, is particularly strong, but also service industries such as trade, advisory and finance and insurance contribute significantly.



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Expected updates

None

Date of first publication

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Report completed: 7 November 2019, 11:23 CET

Report first disseminated: 7 November 2019, 12:20 CET