

**EXECUTIVE  
BOARD  
MEETING**

SM/22/115  
Supplement 2

June 6, 2022

To: Members of the Executive Board

From: The Acting Secretary

Subject: **Denmark—Staff Report for the 2022 Article IV Consultation—Draft Press Release**

Board Action: Executive Directors' **consideration** (Formal)

Tentative Board Date: **Monday, June 13, 2022**

Publication: Yes\*

Questions: Mr. Segoviano, EUR (ext. 38558)  
Ms. Bricco, EUR (ext. 34206)  
Mr. Huidrom, EUR (ext. 37221)  
Mr. Tudyka, EUR (ext. 34767)

**\*Unless an objection from the authorities is received prior to the conclusion of the Board's consideration, the press release will be published.**





## IMF Executive Board Concludes 2022 Article IV Consultation with Denmark

FOR IMMEDIATE RELEASE

**Washington, DC – [June 13, 2022]:** The Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation<sup>1</sup> with Denmark.

Denmark's strong economic recovery has raised economic activity above pre-pandemic levels. The rebound in activity was led by strong domestic demand. Private consumption normalized amid easing of containment measures. Investment remained solid as economic prospects brightened. Public consumption also had a positive impact as the pandemic support continued. At the same time, inflation was propelled to a historic high by soaring energy prices and labor market pressures increased. The current account continues to be in surplus. House price growth remains strong and household debt elevated.

The outlook is for the rebound in activity to continue but risks remain high amid the war in Ukraine and pandemic-related uncertainty. Given Denmark's small direct exposures to Russia and Ukraine, the impact of the war is expected to be limited. Amid the lifting of all pandemic-related restrictions, near-term growth—led by private consumption and investment—is projected to be strong, around 3.2 and 1.5 percent in 2022 and 2023, respectively. Lower demand from main trading partners—notably Germany—will weigh on Danish exports. Public consumption will retreat as the unwinding of COVID-support measures more than offsets war-related spending. Headline inflation is projected to rise appreciably this year—close to 5 percent—mainly due to surging energy prices. The planned fiscal tightening will help ease labor market pressures. But the balance of risks around the outlook is tilted to the downside. A further escalation of the war remains a key downside risk. Pandemic-related risks continue to be high as well given the possibility of new variants. And, high and increasing household debt remains a key source of risk as housing valuations remain elevated. However, further labor market pressures related to a faster-than-expected rebound are a key upside risk.

### Executive Board Assessment<sup>2</sup>

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<sup>1</sup> Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

<sup>2</sup> At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: <http://www.IMF.org/external/np/sec/misc/qualifiers.htm>.

## Denmark: Selected Economic Indicators, 2019–27

	2019	2020	2021	2022	2023	2024	2025	2026	2027
	proj.								
<b>Supply and Demand (change in percent)</b>									
Real GDP	2.1	-2.1	4.7	3.2	1.5	1.8	1.8	1.8	1.8
Final domestic demand	1.0	0.0	4.3	2.8	1.9	2.1	2.1	2.1	2.1
Private consumption	1.2	-1.3	4.2	3.6	2.3	2.2	2.2	2.2	2.2
Public consumption	1.5	-1.7	3.7	0.3	0.3	0.9	0.9	0.9	0.9
Gross fixed investment	0.1	5.1	5.6	3.8	2.7	3.0	3.0	3.0	3.0
Net exports 1/	1.4	-2.0	0.4	-0.7	-0.1	0.0	0.0	0.1	0.1
Gross national saving (percent of GDP)	30.8	31.1	31.6	31.4	31.2	31.2	31.2	31.2	31.2
Gross domestic investment (percent of GDP)	22.0	22.9	23.3	24.2	24.3	24.4	24.6	24.6	24.7
Potential output	1.9	1.7	1.9	2.1	2.2	2.2	2.2	1.9	1.8
Output gap (percent of potential output)	1.6	-2.1	0.6	1.6	0.9	0.5	0.1	0.0	0.0
<b>Labor Market (change in percent) 2/</b>									
Labor force	1.6	-0.4	0.6	1.0	0.5	0.1	0.1	0.1	0.1
Employment	1.7	-1.1	1.2	1.0	0.5	0.2	0.1	0.1	0.1
Harmonized unemployment rate (percent)	5.0	5.7	5.1	5.1	5.1	5.0	5.0	5.0	5.0
<b>Prices and Costs (change in percent)</b>									
GDP deflator	0.7	2.6	2.4	4.4	2.1	2.0	2.1	2.2	2.2
CPI (year average)	0.7	0.3	1.9	4.8	1.7	1.8	1.9	1.9	1.9
<b>Public Finance (percent of GDP) 3/</b>									
Total revenues	53.6	53.3	53.3	51.5	51.1	50.6	50.0	49.9	49.8
Total expenditures	49.5	53.4	51.0	50.5	50.5	50.4	50.0	50.0	49.9
Overall balance	4.1	-0.2	2.3	1.1	0.6	0.2	0.0	-0.1	-0.1
Primary balance 4/	3.8	-0.5	1.9	0.8	0.3	0.0	-0.2	-0.3	-0.3
Cyclically-adjusted balance (percent of potential)	2.9	1.4	1.9	-0.1	-0.1	-0.2	-0.1	-0.1	-0.1
Structural balance (percent of potential GDP) 5/	0.6	-0.4	-1.4	-0.4	-0.2	-0.1	0.0	-0.1	-0.1
Gross debt	33.6	42.1	36.7	32.3	33.1	32.9	32.8	32.7	32.8
<b>Money and Interest Rates (percent)</b>									
Domestic credit growth (end of year)	4.3	1.3	3.1	...	...	...	...	...	...
M3 growth (end of year)	2.6	12.3	-0.9	...	...	...	...	...	...
Short-term interbank interest rate (3 month)	-0.4	-0.4	-0.5	...	...	...	...	...	...
Government bond yield (10 year)	-0.2	-0.5	-0.3	...	...	...	...	...	...
<b>Balance of Payments (percent of GDP)</b>									
Exports of goods & services	59.0	54.9	59.6	61.8	62.0	61.9	61.7	61.6	61.3
Imports of goods & services	51.6	48.4	52.9	55.5	55.9	56.0	56.0	55.9	55.7
Trade balance, goods and services	7.4	6.5	6.7	6.3	6.1	5.9	5.7	5.7	5.7
Oil trade balance	-0.5	-0.5	-1.0	-1.8	-1.8	-1.8	-1.9	-2.0	-2.1
Current account	8.8	8.1	8.3	7.1	6.9	6.7	6.6	6.5	6.5
International reserves, changes	-0.9	-0.1	3.7	...	...	...	...	...	...
<b>Exchange Rate</b>									
Average DKK per US\$ rate	6.7	6.5	6.3	...	...	...	...	...	...
Nominal effective rate (2010=100, ULC based)	99.4	100.3	100.1	...	...	...	...	...	...
Real effective rate (2010=100, ULC based)	93.3	94.1	97.5	...	...	...	...	...	...
<b>Memorandum Items</b>									
Nominal GDP (Bln DKK)	2318	2330	2497	2690	2787	2894	3008	3128	3254
GDP (Bln USD)	348	356	397	...	...	...	...	...	...
GDP per capita (USD)	59862	6115	67997	...	...	...	...	...	...

Sources: Danmarks Nationalbank, Eurostat, IMF World Economic Outlook, Statistics Denmark, and Fund staff calculations.

1/ Contribution to GDP growth.

2/ Based on Eurostat definition.

3/ General government.

4/ Overall balance net of interest.

5/ Cyclically-adjusted balance net of temporary fluctuations in some revenues (e.g., North Sea revenue, pension yield tax revenue) and one-offs.

Covid-related one-offs are not excluded.