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DENMARK: MACRO FISCAL ASSESSMENT

AN ANALYSIS OF THE FEBRUARY 2010 UPDATE OF THE CONVERGENCE PROGRAMME

The Stability and Growth Pact requires each EU Member State to present an annual update of its medium-term fiscal programme, called ‘stability programme’ for countries that have adopted the euro as their currency and ‘convergence programme’ for those that have not. The most recent update of Denmark's convergence programme was submitted on 24 February 2010.

The attached technical analysis of the programme prepared by the staff and under the responsibility of the Directorate-General for Economic and Financial Affairs (DG ECFIN) of the European Commission was finalised on 24 March 2010. Comments should be sent to Per Nielsen(per.nielsen@ec.europa.eu). The main aim of the analysis is to assess the realism of the budgetary strategy presented in the programme as well as its compliance with the requirements of the Stability and Growth Pact. However, the analysis also looks at the overall macro-economic performance of the country and highlights relevant policy challenges.

The analysis takes into account (i) the Commission services’ autumn 2009 forecast, (ii) the code of conduct (“Specifications on the implementation of the Stability and Growth Pact and guidelines on the format and content of stability and convergence programmes”, endorsed by the ECOFIN Council of 10 November 2009) and (iii) the commonly agreed methodology for the estimation of potential output and cyclically-adjusted balances.

Based on this analysis, the European Commission adopted a recommendation for a Council opinion on the programme on 24 March. The ECOFIN Council is expected to discuss the opinion on the programme on 16 April 2010.

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All these documents, as well as the provisions of the Stability and Growth Pact, can be found on the following website:

http://ec.europa.eu/economy_finance/sgp/index_en.htm

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1. INTRODUCTION

This document assesses the February 2010 update of Denmark's convergence programme, which was submitted to the Commission and presented to the Danish parliament for information on 24 February 2010 and covers the period 2009-2015. An update of the tables in the annex was sent on 26 February 2010 and a minor update again on 10 March. The update of the convergence programme also serves to update and track fiscal policy developments within the macroeconomic and fiscal policy framework of the so-called "2015-plan", presented by the Danish government in August 2007.

This assessment is structured as follows. Section 2 discusses the key challenges for public finances in Denmark. Section 3 assesses the plausibility of the macroeconomic scenario underpinning the public finance projections of the convergence programme against the background of the Commission services' economic forecasts[1]. Section 4 analyses budgetary implementation in the year 2009, the budgetary plans for 2010 and the medium-term budgetary strategy. It also assesses risks attached to the budgetary targets. Section 5 reviews recent debt developments and medium-term prospects, as well as the long-term sustainability of public finances. Section 6 discusses institutional features of public finances. Finally, Section 7 concludes with an overall assessment of the programme. The annex provides a detailed assessment of compliance with the code of conduct, including an overview of the summary tables from the programme.

[1] This assessment uses the Commission services' 2009 autumn forecast, as published on 3 November 2009, as a benchmark. However, more recent information that has become available has also been taken into account to assess the risks to the programme scenarios.

Table 1. Comparison of key macroeconomic and budgetary projections

		2008	2009	2010	2011	2012	2013	2014	2015
Real GDP (% change)	**CP Feb 2010**	**-0,9**	**-4,3**	**1,3**	**1,6**	**2,0**	**2,3**	**2,6**	**2,6**
	COM Nov 2009	-1,2	-4,5	1,5	1,8	n.a.	n.a.	n.a.	n.a.
	CP Oct 2008	*0,2*	*-0,2*	*0,7*	*1,9*	*1,7*	*1,6*	*1,6*	*1,6*
HICP inflation (%)	**CP Feb 2010**	**3,6**	**0,8**	**2,1**	**1,5**	**2,3**	**2,1**	**1,9**	**1,9**
	COM Nov 2009	3,6	1,1	1,5	1,8	n.a.	n.a.	n.a.	n.a.
	CP Oct 2008	*3,6*	*1,3*	*2,1*	*1,4*	*1,8*	*1,9*	*1,9*	*1,8*
Output gap[1] (% of potential GDP)	**CP Feb 2010**	**0,3**	**-4,5**	**-3,9**	**-3,1**	**-2,0**	**-0,9**	**0,1**	**0,7**
	COM Nov 2009[2]	-0,1	-5,1	-4,1	-3,2	n.a.	n.a.	n.a.	n.a.
	CP Oct 2008	*0,0*	*-1,4*	*-1,8*	*-1,2*	*n.a.*	*n.a.*	*n.a.*	*n.a.*
Net lending/borrowing vis-à-vis the rest of the world (% of GDP)	**CP Feb 2010**	**2,2**	**2,9**	**2,4**	**2,4**	**2,6**	**2,9**	**3,2**	**3,5**
	COM Nov 2009	2,2	2,0	0,5	1,0	n.a.	n.a.	n.a.	n.a.
	CP Oct 2008	*1,7*	*1,8*	*2,3*	*2,6*	*2,6*	*2,4*	*2,1*	*1,8*
General government revenue (% of GDP)	**CP Feb 2010**	**54,3**	**53,3**	**52,4**	**52,4**	**51,8**	**51,8**	**51,9**	**52,0**
	COM Nov 2009	55,3	53,9	52,8	53,0	n.a.	n.a.	n.a.	n.a.
	CP Oct 2008	*53,2*	*51,2*	*51,5*	*52,1*	*51,8*	*51,7*	*51,6*	*51,5*
General government expenditure (% of GDP)	**CP Feb 2010**	**50,9**	**56,3**	**57,7**	**56,5**	**54,9**	**53,6**	**52,8**	**52,0**
	COM Nov 2009	51,9	55,9	57,6	56,4	n.a.	n.a.	n.a.	n.a.
	CP Oct 2008	*50,2*	*51,2*	*52,8*	*51,8*	*51,7*	*51,6*	*51,6*	*51,6*
General government balance (% of GDP)	**CP Feb 2010**	**3,4**	**-2,9**	**-5,3**	**-4,1**	**-3,1**	**-1,8**	**-0,8**	**0,0**
	COM Nov 2009	3,4	-2,0	-4,8	-3,4	n.a.	n.a.	n.a.	n.a.
	CP Oct 2008	*3,0*	*0,0*	*-1,2*	*0,3*	*0,1*	*0,1*	*0,0*	*-0,1*
Primary balance (% of GDP)	**CP Feb 2010**	**4,8**	**-1,3**	**-3,7**	**-2,3**	**-1,2**	**0,3**	**1,3**	**2,1**
	COM Nov 2009	4,8	-0,5	-3,3	-1,9	n.a.	n.a.	n.a.	n.a.
	CP Oct 2008	*-4,2*	*-1,5*	*-0,2*	*-1,6*	*-1,3*	*-1,2*	*-0,9*	*-0,7*
Cyclically-adjusted balance[1] (% of GDP)	**CP Feb 2010**	**3,2**	**0,0**	**-2,8**	**-2,1**	**-1,7**	**-1,1**	**-0,8**	**-0,4**
	COM Nov 2009	3,4	1,3	-2,1	-1,3	n.a.	n.a.	n.a.	n.a.
	CP Oct 2008	*3,0*	*0,9*	*0,0*	*1,1*	*n.a.*	*n.a.*	*n.a.*	*n.a.*
Structural balance[3] (% of GDP)	**CP Feb 2010**	**3,2**	**1,4**	**-1,1**	**-1,0**	**-0,8**	**-0,3**	**-0,5**	**-0,4**
	COM Nov 2009	3,4	1,4	-1,5	-1,3	n.a.	n.a.	n.a.	n.a.
	CP Oct 2008	*4,0*	*2,6*	*1,7*	*1,3*	*n.a.*	*n.a.*	*n.a.*	*n.a.*
Government gross debt (% of GDP)	**CP Feb 2010**	**33,4**	**38,5**	**41,8**	**46,2**	**48,3**	**48,1**	**46,1**	**45,0**
	COM Nov 2009	33,5	33,7	35,3	35,2	n.a.	n.a.	n.a.	n.a.
	CP Oct 2008	*30,3*	*27,9*	*26,3*	*25,4*	*24,6*	*23,8*	*23,2*	*22,6*

Notes:

[1]Output gaps and cyclically-adjusted balances from the programmes as recalculated by Commission services on the basis of the information in the programmes.

[2]Based on estimated potential growth of 1.4%, 0.6%, 0.5% and 0.9% respectively in the period 2008-2011.

[3]Cyclically-adjusted balance excluding one-off and other temporary measures. One-off and other temporary measures are 1.4% of GDP in 2009, 1.7% in 2010, 1.1% in 2011, 0.9% in 2012, 0.8% in 2013 and 0.0% in 2015; all deficit-reducing according to the most recent programme and 0.1% of GDP in 2009 and 0.6% in 2010; all deficit-reducing according to the Commission services' autumn 2009 forecast. Due to differencees in methodology, the one-offs reported in the programme does not qualify as one-offs according to the Commission Services' definition. Using this definition, the one-offs would be 0.3%-of-GDP deficit reducing in 2010 and zero in the remaining years.

Source :
Convergence programme (CP); Commission services' autumn 2009 forecasts (COM); Commission services' calculations.

2. KEY CHALLENGES IN THE ECONOMIC DOWNTURN AND THE POLICY RESPONSE

This section describes recent economic and budgetary developments for Denmark, which form the background against which the current programme assessment should be viewed, and outlines the key challenges to be addressed by future economic policies.

The economic crisis hit the Danish economy hard in 2009, pushing Denmark into its deepest recession since the end of the Second World War. The first half of the year was characterized by a rapidly deteriorating economic situation, deepening the recession that began in the second half of 2008. Unemployment jumped as external demand collapsed and real-estate prices continued their downward trend negatively affecting consumer confidence. Although disposable income increased due to tax cuts, release of pension funds and real wage increases, the bleak global economic outlook caused consumers to continue to cut back on consumption. Investments also declined rapidly and companies brought down their inventories in order to free up liquidity.

Where the first half of 2009 was characterized by continued deteriorating economic conditions, the second half saw the beginning of an economic recovery. Global trade began to pick up again in the middle of the year and Danish exports and imports stopped falling and private consumption started growing in the third quarter after having fallen since the beginning of 2008. Unemployment continued to rise through 2009 but the growth in unemployment came down significantly at the end of 2009 compared to the beginning of the year. The slowdown in economic activity has been severe leading to a historical 5.1% decline in GDP in 2009.

The Danish authorities reacted to the crisis with a significant fiscal expansion, notably large tax reductions, which came into play in early 2009. The budget for 2010 includes additional stimulus measures in addition to another tax reform which lowers income taxes from 2010. These measures and the economic crisis are expected to turn a comfortable budget surplus in 2008 into a deficit in 2009 and a deficit in excess of the Stability and Growth pact's 3% limit from 2010 to 2012. Denmark's gross debt is still relatively low and sustainability indicators point to a low risk compared to other EU countries while the external balance appears resilient with a sizable current account surplus. Although the large Danish automatic stabilizers and the fiscal stimulus packages are set to increase debt in the short- to medium term, the debt level is still expected to be below the 60% limit set down in the Stability and Growth Pact. On top of the fiscal expansion, two financial rescue packages were passed providing depositor guarantees and capital injections, and the mandate and resources of the Danish financial supervisory authority was strengthened. Risks still exist in the financial system, but the overall stability of the system appears robust. The interest rate spread between Denmark and the ECB has come down substantially through 2009 and the exchange rate has been stabile throughout the year while the foreign currency reserves are at a historically high level.

In order to ensure a sustainable development of public finances, a key challenge will be to ensure that the scaling back of stimulus measures takes place in a timely manner once the recovery is self-sustaining. Another challenge will be to accelerate the pace of structural reforms with the aim of supporting potential growth. It is in particular important to undertake reforms in the areas of the labour market and early retirement benefit in order to increase labour supply.

3. MACROECONOMIC OUTLOOK

Against the background of the current macroeconomic situation and the main policy challenges set out in the previous section, this section makes an assessment of the plausibility of the macroeconomic scenario underpinning the public finance projections of the programme.

The macroeconomic scenario underlying the February 2010 convergence programme is presented in Table 2. The programme envisages real GDP growth to pick up from -4.3% in 2009[2] to 1.3% in 2010 and 1.6% in 2011 and between 2% and 2.6% thereafter, which is broadly in line with the Commission services' 2009 autumn forecast until 2011. However, there are differences between the programme and the Commission services' forecast in terms of the composition of growth. The programme assumes that the recovery will be driven primarily by private consumption in 2010 and private

[2] National Account figures released by Statistics Denmark on 26 February 2010 showed GDP to fall by 5.1% in 2009.

consumption and gross fixed capital formation from 2011 onwards. The programme assumes net exports to act as a drag on growth from 2010 onwards and assumes government consumption to be 0% after 2010. The Commission services' forecast assumes the recovery to be lead by a combination of domestic demand and net exports, and assumes government consumption to grow at 1.3% and 1.4% in 2010 and 2011 compared to 1.0% and 0% in the programme. In the programme, private consumption is assumed to fall by -4.6% in 2009 before growing by 2.4% in 2010 and 2011 and 2.8% thereafter which is in line with the Commission services' forecast until 2011, where the commissions services' forecast predicts 1.7% growth in private consumption compared to 2.4% in the programme. The programme assumes that employees' compensation grows by 0.8% and 0.7% in 2009 and 2010, by 2.5% in 2011 and 2012 and by 2.9%, 3.3% and 3.5% in 2013-2015, which is in line with the Commissions services' forecast. Assessed against currently available information[3] the programme's GDP growth outlook appears to be based on plausible macroeconomic assumptions until 2011 and favourable growth assumption thereafter while the composition of growth appears to be based on cautious growth assumptions in regards to net exports and favourable growth assumption for private consumption in 2011.

The programme assumes employment (persons) to fall by -2.5% in 2009 and 2010 and by -0.1% in 2011 before growing by 0.4% between 2012 and 2015, which is very close to the Commission services' estimates until 2011 and appears plausible when taken together with the projected GDP growth for the period. The programme appears to incorporate the budgetary effect of the situation on the labour market. In the programme, total social transfers as a share of GDP is set to increase from 2008 to 2010 as unemployment is projected to increase before slowly beginning to decrease in line with falling unemployment and economic growth from 2011 onwards.

The output gab, as recalculated by the commission services' using the commonly agreed methodology, is expected to decline from 2009 and turn positive in 2014 and 2015. The programme expects employment to decline into 2011 before increasing by 0.3% to 0.4% between 2012 and 2015 which is consistent with the cyclical conditions as measures by the (recalculated) output gap.

The programme's outlook for inflation, wages and productivity appears realistic and is broadly in line with the Commission services' forecast. Both the programme and the Commissions services' forecast foresee a marked increase in productivity in 2010 due to rising unemployment and low wage increases, but then a slowdown in 2011 onwards on the back of gradually falling unemployment and rising wages.

[3] The assessment takes into account the Commission services' autumn 2009 forecast, but also other information that has become available since then, especially Danish national account figures released in February 2010.

Table 2: Comparison of macroeconomic developments and forecasts

	2009		2010		2011		2012	2013	2014	2015
	COM	CP	COM	CP	COM	CP	CP	CP	CP	CP
Real GDP (% change)	-4,5	-4,3	1,5	1,3	1,8	1,6	2,0	2,3	2,6	2,6
Private consumption (% change)	-4,6	-4,7	2,3	2,4	1,7	2,4	2,7	2,7	2,9	2,8
Gross fixed capital formation (% change)	-12,4	-10,9	-4,1	-2,4	2,1	0,7	4,5	5,1	5,5	5,5
Exports of goods and services (% change)	-10,3	-8,8	2,1	2,8	4,4	3,7	4,7	4,6	4,8	5,2
Imports of goods and services (% change)	-13,2	-11,5	2,0	3,7	4,1	4,1	5,8	5,3	5,5	5,9
Contributions to real GDP growth:										
- Final domestic demand	-4,3	-4,2	0,7	1,0	1,6	1,3	2,2	2,3	2,7	2,7
- Change in inventories	-1,4	-1,4	0,7	0,6	-0,1	0,3	0,2	0,2	0,1	0,1
- Net exports	1,3	1,2	0,1	-0,3	0,3	-0,1	-0,3	-0,2	-0,2	-0,2
Output gap[1]	-5,1	-4,5	-4,1	-3,9	-3,2	-3,1	-2,0	-0,9	0,1	0,7
Employment (% change)	-2,6	-2,5	-2,1	-2,5	-0,1	-0,1	0,3	0,4	0,4	0,4
Unemployment rate (%)	4,5	6,0	5,8	6,9	5,6	6,9	6,2	5,5	4,8	4,1
Labour productivity (% change)	-1,9	-1,9	3,7	3,9	1,9	1,7	1,7	1,9	2,1	2,1
HICP inflation (%)	1,1	0,8	1,5	2,1	1,8	1,5	2,3	2,1	1,9	1,9
GDP deflator (% change)	0,9	0,5	1,1	2,0	2,2	1,7	2,3	2,4	2,5	2,5
Comp. of employees (per head, % change)	3,4	3,2	3,0	3,1	2,9	2,5	2,5	2,9	3,3	3,5
Net lending/borrowing vis-à-vis the rest of the world (% of GDP)	2,0	2,9	0,5	2,4	1,0	2,4	2,6	2,9	3,2	3,5

Note:

[1]In percent of potential GDP, with potential GDP growth according to the programme as recalculated by Commission services.

Source :

Commission services' autumn 2009 forecasts (COM); Convergence programme (CP).

4. GENERAL GOVERNMENT BALANCE

This section consists of four parts. The first three parts discuss the budgetary implementation in the year 2009, the budgetary plans for 2010 and the medium-term budgetary strategy in the programme. The final part analyses the risks attached to the budgetary targets.

4.1. Budgetary implementation in 2009

The 2009 general government budget deficit in the programme is expected to be 2.9% of GDP, significantly below the balanced budget projected in the 2008 update of the convergence programme. The deterioration of the budget balance was caused by the economic downturn, where automatic stabilisers operated freely and the Danish authorities introduced stimulus measures in line with the European Economic Recovery Plan (EERP) aimed at alleviating the impact of the crisis. After having run budget surpluses for several years, the Danish authorities were able to adopt very large stimulus measures which amounted to around 2.2% of GDP in 2009.

Table 3 compares the projected outcome for the general government balance, revenue and expenditure (as a percentage of GDP) in 2009 as presented in the new convergence programme with the targets from the previous update of the programme. Differences between outcome and targets (excluding the impact of an unanticipated GDP developments which may have affected the ratio, referred to as the 'denominator effect') are decomposed in the impact of a different starting position (i.e. the outcome of 2008 may also have been different from what was anticipated in the previous programme update) and the impact of differences in the revenue / expenditure growth rate from the planned growth rates[4].

The outcome in 2009 for the government balance was -3.2 p.p. (excluding denominator effect) lower than planned in the 2008 convergence programme and was affected by a slightly better than expected starting position but a much worse than expected growth dynamic of revenue and expenditure. The better than expected revenue starting position was countered by a worse than expected outcome for 2009, while the worse than expected expenditure starting position was reinforced by a worse than expected outcome. The fall in revenue stems mainly from a fall in taxes on production and import which has decreased as a consequence of the fall in private consumption while the worse than expected outcome for expenditures can be ascribed to increasing primary expenditures and the government's stimulus measures.

On the expenditure side, interest expenditure went according to plan while primary expenditure came out worse than expected. While more favourable financing conditions in 2009 caused interest expenditure to come out slightly better than anticipated, primary expenditures were clearly affected by the crisis, leading expenditures to come out 1.7 p.p. lower than anticipated[5].

The worse than expected outcome for 2009 compared to what was planned in the 2008 convergence programme was affected by the economic downturn. The scale of the downturn and the consequences for public finances was not clearly visible when the 2008 convergence programme was finished, which explains the large deviations between the planned and realised outcomes for 2009.

[4] Mathematically, the difference in the revenue ratio in Table 3 can be expressed as:

$$\rho^o - \rho^p = \underbrace{\frac{1+r^p}{1+g^p}\Delta\rho_{-1}}_{\text{Base effect}} + \underbrace{\frac{\rho^o_{-1}}{(1+g^o)(1+g^p)}\Delta r}_{\text{Revenue growth effect}} - \underbrace{\frac{\rho^o_{-1}}{(1+g^o)(1+g^p)}\Delta g}_{\text{Denominator effect}} + \underbrace{\frac{\rho^o_{-1}\left(r^o g^p - r^p g^o\right)}{(1+g^o)(1+g^p)}}_{\text{Residual}}$$

where r is the growth rate of revenue and g is the growth rate of GDP. The subscript -1 refers to the previous year’s value. Superscripts o and p refer to the outcome and the planned value respectively. Similar for the expenditure ratio.

[5] Excluding denominator effect.

Table 3: Budgetary implementation in 2009

	2008		2009	
	Planned CP Oct 2008	Outcome CP Feb 2010	Planned CP Oct 2008	Outcome CP Feb 2010
Government balance (% of GDP)	3,0	3,4	0,0	-2,9
Difference compared to target [1]	0,4		-2,9	
Difference excluding denominator effect [1,2]			**-3,2**	
Of which : due to a different starting position end 2008			0,3	
due to different revenue / expenditure growth in 2009			-3,3	
p.m. Residual [3]			-0,3	
p.m. Nominal GDP growth (planned and outcome)			*2,6*	*-3,9*
Revenue (% of GDP)	53,2	54,3	51,2	53,3
Revenue surprise compared to target [1]	1,1		2,1	
Revenue surprise excluding denominator effect [1,2]			**-1,5**	
Of which : due to a different starting position end 2008			1,1	
due to different revenue growth in 2009			-2,4	
p.m. Residual [3]			-0,1	
p.m. Revenue growth rate (planned and outcome)			*-1,3*	*-5,7*
Expenditure (% of GDP)	50,2	50,9	51,2	56,3
Expenditure surprise compared to target [1]	-0,7		-5,1	
Expenditure surprise excluding denominator effect [1,2]			**-1,7**	
Of which : due to different starting position end 2008			-0,7	
due to different expenditure growth rate in 2009			-0,9	
p.m. Residual [3]			-0,2	
p.m. Expenditure growth rate (planned and outcome)			4,6	6,3

Notes:

[1] A positive number implies that the outcome was better (in terms of government balance) than planned.

[2] The denominator effect captures the mechanical effect that, if GDP turns out higher than planned, the ratio of revenue or expenditure to GDP will fall because of a higher denominator. Although the denominator effect can be very significant for revenue and expenditure separately, on the balance they usually largely cancel against each other.

[3] The decomposition leaves a small residual that cannot be assigned to the previous components. The residual is generally small, except in some cases where planned and actual growth rates of revenue, expenditure and GDP differ significantly.

Source : Commission services

4.2. The programme's budgetary strategy for 2010

The programme plans for the general government deficit to breach the 3% of GDP threshold set in the Pact as the deficit is projected to widen to 5.3% of GDP in 2010. The projected increase in the deficit is caused mainly by increases in expenditures, while revenues only fall slightly. The projected decline in the revenue ratio is due a fall in primarily tax revenues as the 2010 tax reform comes into force reducing income taxes and a decline in social contributions. The expected increase in the expenditure ratio is caused by a combination of increasing social payments as unemployment increase and public investments brought about by the economic crisis and the government's stimulus measures.

The projection for the budget, including expenditure and revenue projections, presented in the programme correspond to the projection presented in the 2010 budget (the 2010 draft budget bill was adopted in November 2009). The programme doesn't present new measures which were not already known when the draft budget was passed.

The projected deterioration is partly due to automatic stabilisers being allowed to operate freely and partly due to discretionary measures. In particular, the 2010 tax reform lowers income taxes from 2010 (while financing elements of the tax reform is only phased in from 2011) and is set to decrease revenue while the government's 2010 budget and the government's agreement with regions and municipalities are both set to increase expenditures in 2010.

The programme projects volatile sources of revenue to amount to -1.7% of GDP in 2010. The measures include items such as revenue from North Sea oil extraction, subsidise to Greenland and the Faroe Islands and pension yield taxation. One-offs, as indentified using the Commission Services' definition using the information in the programme, amount to -0.3% of GDP in 2010 due to a capital transfer stemming from a reform of the pension yield taxation.

The structural balance, i.e. cyclically adjusted balance net of one-off measures as recalculated by the Commission services on the basis of the information in the programme, is set to decline by 2½% in 2010 from the previous year (see Table 5), indicating an expansionary fiscal stance. Revenue shortfalls are expected due to the impact of lower company taxes, vehicle registration duty and pension yield taxes. Differences in the definition of one-offs and temporary measures (outlined in Box 5 of the assessment of the December 2007 update) imply that the estimates for the structural balance, i.e. the recalculated cyclically-adjusted balance net of one-off and other temporary measures, are not readily comparable with the Commission services' projections. The difference between the size of the stimulus measures and tax cuts and the change in the structural balance stems mainly from revenue shortfalls.

Due to its institutional setup the evolution of the nominal balance is driven almost entirely by the central government. Full financing of the agreed upon budgets for regions and municipalities are secured by adjusting the yearly grants (da. bloktilskud) from the state to regions and municipalities.

Table 4. Main budgetary measures for 2010

Revenue measures[1]	Expenditure measures[2]
Tax reform (-0.8% of GDP)	Green Transport Policy (-0.2% of GDP) Construction by regions and municipalities (-0.2% of GDP) 2010 General budget, investments (-0.1% of GDP)

Notes:

[1] Estimated impact on general government revenue
[2] Estimated impact on general government expenditure

Source: Commission services, Danish Convergence Program 2009 and Commission services' database on recovery measures

4.3. The programme's medium-term budgetary strategy

This section describes the medium-term budgetary strategy outlined in the programme - and how it compares with the one in the previous update - as well as the composition of the budgetary adjustment, including the broad measures envisaged.

Denmark's main medium-term budgetary goals are structural balance by 2015 (also Denmark's MTO see box 2), long term sustainability[6] and an improvement of the structural budget balance by a total of 1½% of GDP from 2010 to 2013. Besides assuming zero real growth in public consumption expenditures from 2011 to 2013, normalization of public investment and implementation of the financing elements in the tax reform the programme doesn't provide any specific measures as to how the goals should be achieved, but it is assumed that the adjustment is achieved on the expenditure side while ruling out tax increases.

Box 1: The medium-term objective (MTO) for Denmark

As noted in the Code of Conduct[7], the MTO aims to (a) provide a safety margin with respect to the 3% of GDP deficit limit; (b) ensure rapid progress towards fiscal sustainability; and (c) allow room for budgetary manoeuvre, in particular taking into account the needs for public investment. The MTO is defined in cyclically adjusted terms, net of one-off and other temporary measures. On 7 July 2009, the ECOFIN Council took note of a new methodology for setting MTOs, ensuring that implicit liabilities (costs related to ageing populations, in particular projected healthcare and pension expenditure) are also accounted for.

Specifically, the country-specific MTOs should take into account three components: (i) the debt-stabilising balance for a debt ratio equal to the (60% of GDP) reference value (dependent on long-term potential growth), implying room for budgetary manoeuvre for Member States with relatively low debt; (ii) a supplementary debt-reduction effort for Member States with a debt ratio in excess of the (60% of GDP) reference value, implying rapid progress towards it; and (iii) a fraction of the adjustment needed to cover the present value of the future increase in age-related government expenditure. This implies a partial frontloading of the budgetary cost of ageing irrespective of the current level of debt. In addition to these criteria, MTOs should provide a safety margin with respect to the 3% of GDP deficit reference value and, for euro area and ERM II Member States, in any case not exceed a deficit of 1% of GDP.

As communicated by the authorities, the MTO of Denmark is to achieve structural budget balance by 2015. In view of the new methodology and given the most recent projections and debt level, the MTO more than adequately reflects the objectives of the Pact.

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[6] A long term sustainability indicator of minimum 0. The Danish long term sustainability indicator is comparable to the S2 indicator used by the Commission services

[7] "Specifications on the implementation of the Stability and Growth Pact and guidelines on the format and content of stability and convergence programmes", endorsed by the ECOFIN Council on 10 November 2009, available at: http://ec.europa.eu/economy_finance/sgp/legal_texts/index_en.htm

Table 5: Composition of the budgetary adjustment

(% of GDP)	2008	2009		2010		2011		2012	2013	2014	2015	Change: 2009-2015
	COM	COM	CP	COM	CP	COM[1]	CP	CP	CP	CP	CP	CP
Revenue	**55,3**	**53,9**	**53,3**	**52,8**	**52,4**	**53,0**	**52,4**	**51,8**	**51,8**	**51,9**	**52,0**	**-1,3**
of which:												
- Taxes on production and imports	17,2	17,3	16,9	17,5	17,1	17,6	17,2	17,2	17,4	17,5	17,6	0,7
- Current taxes on income, wealth, etc.	29,8	28,2	29,4	26,9	28,4	27,1	28,5	28,1	27,9	28,0	28,0	-1,4
- Social contributions	1,8	1,9	1,0	1,9	1,0	1,9	1,0	0,9	0,9	0,9	0,9	-0,1
- Other (residual)	6,5	6,6	6,0	6,5	5,9	6,4	5,7	5,6	5,6	5,5	5,5	-0,5
Expenditure	**51,9**	**55,9**	**56,3**	**57,6**	**57,7**	**56,4**	**56,5**	**54,9**	**53,6**	**52,8**	**52,0**	**-4,3**
of which:												
- Primary expenditure	50,5	54,4	54,7	56,1	56,1	54,9	54,8	53,0	51,5	50,7	49,9	-4,8
of which:												
Compensation of employees	17,2	18,5	19,1	18,5	19,2	18,2	18,8	18,4	18,1	17,9	17,6	-1,5
Intermediate consumption	9,2	10,2	10,0	10,2	10,0	10,1	9,8	9,5	9,2	9,1	8,9	-1,1
Social payments	16,4	18,0	18,5	18,5	19,4	18,2	19,3	19,1	18,7	18,4	18,1	-0,4
Subsidies	2,2	2,2	2,7	2,2	2,6	2,2	2,5	2,5	2,5	2,4	2,4	-0,3
Gross fixed capital formation	1,8	2,2	2,2	2,5	2,5	2,3	2,1	2,0	1,9	1,9	1,8	-0,4
Other (residual)	3,7	3,3	2,2	4,1	2,5	4,0	2,2	1,5	1,1	1,1	1,0	-1,2
- Interest expenditure	1,4	1,5	1,6	1,5	1,6	1,5	1,7	1,9	2,1	2,1	2,1	0,5
General government balance (GGB)	**3,4**	**-2,0**	**-2,9**	**-4,8**	**-5,3**	**-3,4**	**-4,1**	**-3,1**	**-1,8**	**-0,8**	**0,0**	**2,9**
Primary balance	**4,8**	**-0,5**	**-1,3**	**-3,3**	**-3,7**	**-1,9**	**-2,3**	**-1,2**	**0,3**	**1,3**	**2,1**	**3,4**
One-off and other temporary measures	0,0	-0,1	-1,4	-0,6	-1,7	0,0	-1,1	-0,9	-0,8	-0,3	0,0	1,4
GGB excl. one-offs	**3,4**	**-1,9**	**-1,5**	**-4,2**	**-3,6**	**-3,4**	**-3,0**	**-2,2**	**-1,0**	**-0,5**	**0,0**	**1,5**
Output gap[2]	-0,1	-5,1	-4,5	-4,1	-3,9	-3,2	-3,1	-2,0	-0,9	0,1	0,7	5,2
Cyclically-adjusted balance[2]	3,4	1,3	0,0	-2,1	-2,8	-1,3	-2,1	-1,7	-1,1	-0,8	-0,4	-0,4
Structural balance[3]	**3,4**	**1,4**	**1,4**	**-1,5**	**-1,1**	**-1,3**	**-1,0**	**-0,8**	**-0,3**	**-0,5**	**-0,4**	**-1,8**
Change in structural balance		*-2,0*	*-2,0*	*-2,9*	*-2,5*	*0,2*	*0,1*	*0,2*	*0,5*	*-0,1*	*0,1*	
Structural primary balance[3]	4,9	2,9	3,0	0,0	0,4	0,2	0,7	1,0	1,6	1,4	1,4	-1,6
Change in structural primary balance		*-1,9*	*-1,8*	*-2,9*	*-2,6*	*0,2*	*0,3*	*0,3*	*0,6*	*-0,1*	*0,0*	

Notes:

[1]On a no-policy-change basis.

[2]Output gap (in % of potential GDP) and cyclically-adjusted balance according to the programme as recalculated by Commission services on the basis of the information in the programme.

[3]Structural (primary) balance = cyclically-adjusted (primary) balance excluding one-off and other temporary measures. Using the Commission Services' definition of one-offs, the structural balance would be 1.4% of GDP in 2009, -1.1 % in 2010, -1.0% in 2011 and -0.8 in 2012.

Source:

Convergence programme (CP); Commission services' autumn 2009 forecasts (COM); Commission services' calculations

As seen in table 5, the programme aim at achieving a balanced budget by the end of the programme period in 2015, which requires an improvement in the headline budget balance of 5.3% between 2010 and 2015. The programme assumes consolidation to begin from 2011 with the consolidation efforts split about evenly throughout the programme period. With the assumed consolidation path, the headline budget balance will turn positive in 2015 while the primary balance will turn positive from 2013. The structural balance, as calculated by the Commission services' using the commonly agreed method, is expected to deteriorate to -1.1% of GDP in 2010[8] before improving to -0.4% of GDP in 2015, slightly below the target set out in the program. Besides assuming zero real growth in public consumption expenditures from 2011 to 2013, normalization of public investment and implementation of the financing elements in the tax reform the envisaged consolidation is based on yet unspecified measures, but the program states that consolidation will take place on the expenditure side while ruling out tax increases.

The gradual reduction of the deficit ratio over 2011-2015 is largely driven by a fall in the expenditure to GDP ratio. While the expenditure ratio is still set to increase in 2010, on account of a relatively rapid nominal expenditure growth (mainly reflecting the stimulus measures), the expenditure to GDP ratio is subsequently projected to turn to a steady

[8] Using the Commission Services' definition of one-offs, the structural balance deteriorates to -2.5% of GDP in 2010 from balance in 2009.

decline from 57.7% in 2010 to 52.0% in 2012 reflecting both the assumed positive GDP growth and a decline in expenditures. The fall in expenditure comes from the end of the government stimulus measures, the zero real growth assumption regarding public consumption expenditures between 2011 and 2013 and a fall in unemployment benefit as unemployment is assumed to fall from 2011 onwards.

The 1.3% fall in the revenue share from 2009 to 2015 envisaged in the programme is mainly driven by fall in income and wealth taxes as the 2010 tax reform reduces labour taxes from 2010. Taxes on production and imports are set to increase from 2011 to 2015 as the financing elements of the tax reform are gradually introduced.

Expenditures are set to decrease by 4.4% from 2009 to 2015, with consolidation taking hold from 2011 onwards. The decrease in expenditure is expected to affect all expenditure categories (except interest payments, which are set to increase due to rising debt) and especially compensation of employees and intermediate consumption are expected to experience the largest declines.

4.4. Risk assessment

This section discusses the plausibility of the programme's budgetary projections by analysing various risk factors. For the period until 2011, Table 5 compares the detailed revenue and expenditure projections in the Commission services' autumn 2009 forecast, which are derived under a no-policy change scenario, with those in the updated programme. However, although the assessment uses the Commission services' forecast as a benchmark, it also takes explicitly into account all available information about more recent developments.

The programme contains two alternative risk outlooks, one more positive and one more negative than the scenario presented in the programme and several sensitivity analysis examining the effects of different external assumption, higher than expected interest rates, higher and lower potential GDP than expected and an analysis of the effect of higher than expected oil prices.

The main risks to the budgetary projections stem from the macroeconomic and budgetary outlooks. The reference scenario in the updated programme builds on the December 2009 Economic Survey. Since then, national account figures released in February 2010 shows a worse than anticipated economic situation for 2009, with GDP growth declining by 5.1%[9] compared to the 4.3% decline assumed in the programme. Based on the reference scenario, the risks to the general government balance stemming from the macroeconomic outlook therefore seem tilted to the downside for 2009 and 2010, especially if private consumption growth comes out lower than expected, which could lead to lower than expected indirect taxes.

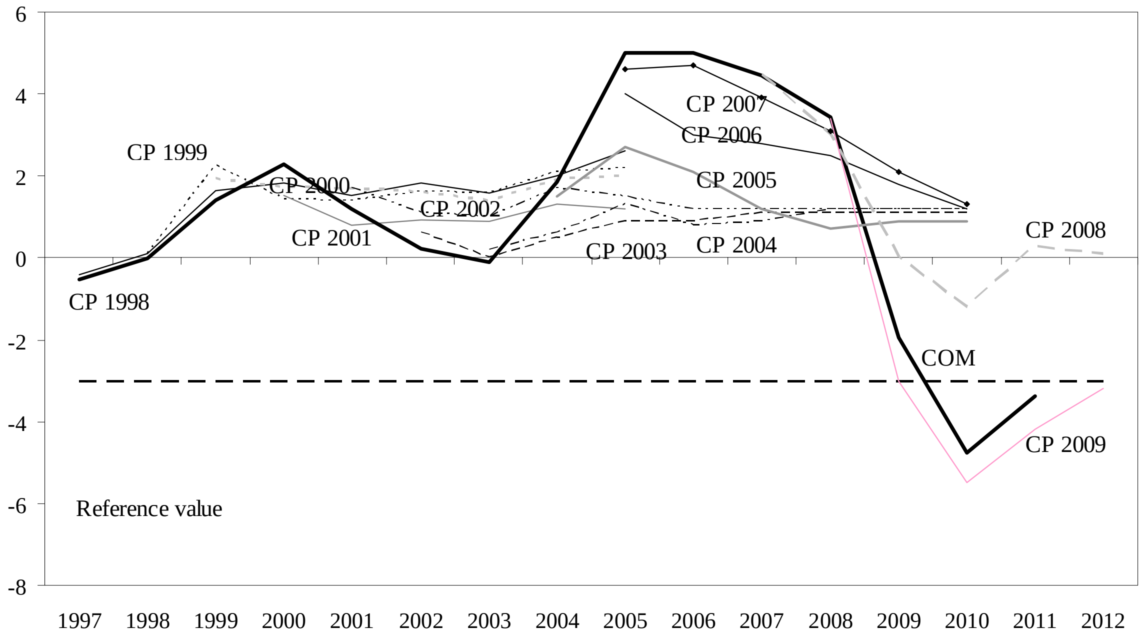
While the situation in the financial sector has stabilised, partly thanks to the governments willingness to provide liquidity and capital injections through the two bank rescue packages, credit losses in many banks are still running high, and the possibility that some minor banks will be liquidated or forced to merge still exist. The overall stability of the financial system is not considered to be in danger, but disruptions could still have negative ramifications for the real economy and for consumer confidence in particular.

[9] The National Account figures however, are often adjusted later as more information is available.

As mentioned above in chapter 4.3, the consolidation measures needed to reach the programme's medium term goals after 2010 are not yet specified[10], but are assumed to take place on the expenditure side, reflected in the zero growth assumption for public expenditures between 2011 and 2013. Given the track record of exceeding expenditure targets, keeping real public expenditure growth at zero percent appears optimistic.

Overall, as a result of the macroeconomic forecasts in the reference scenario being considered plausible in the near-term and somewhat favourable in the outer years of the programme period, there is a risk that the budgetary outcomes will be worse than foreseen in the outer years of the programme.

Figure 1: Government balance projections in successive programmes (% of GDP)



<u>Source</u>: Commission services' autumn 2009 forecast (COM) and successive convergence programmes

5. GOVERNMENT DEBT AND LONG-TERM SUSTAINABILITY

This section is in two parts. A first part describes recent debt developments and medium-term prospects, including risks to the outlook presented in the programme. A second part takes a longer-term perspective with the aim of assessing the long-term sustainability of public finances.

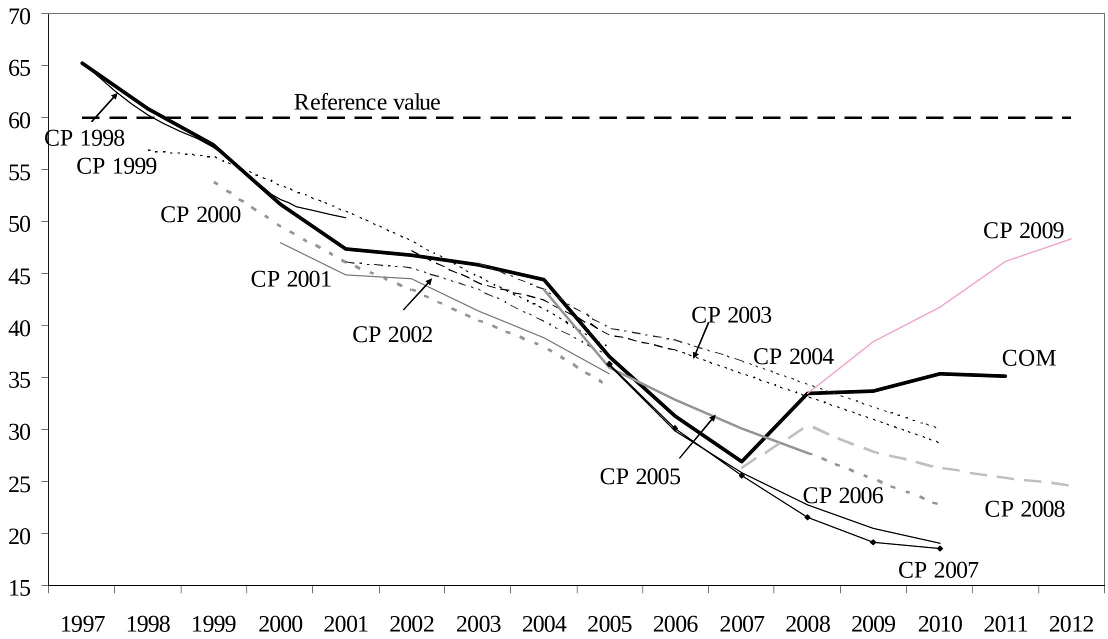
[10] Besides the financing elements of the tax reform and the normalisation of public investments.

5.1. Recent debt developments and medium-term prospects

5.1.1. Debt projections in the programme

After years of steady decline, the debt to GDP ratio rose to 33.5% of GDP in 2008 due to the issuance of 30 year bonds and is expected to increase further to 38.5% of GDP in 2009. The 2009 debt-to-GDP ratio turned out worse than the Commission services' estimate and around 10 percentage points higher than projected in the previous programme. After controlling for the denominator effect, this can be attributed to the recapitalisation and other measures undertaken to stabilise the financial markets as well as the sizeable stimulus measures initiated by the Danish government. The upward trend is projected to continue until 2012, reaching the level of 48% of GDP, but at a decelerating pace as GDP is expected to return to a growth path and the primary deficit is set to narrow in the outer years of the programme period. The gross debt ratio is projected in the programme to decline from 2012 onwards and reach 45.0% of GDP by 2015.

Figure 2: Debt projections in successive programmes (% of GDP)



<u>Source</u>: *Commission services' autumn 2009 forecast (COM) and successive convergence programmes*

Table 6: Debt dynamics

(% of GDP)	average 2005-07	2008	2009		2010		2011		2012	2013	2014	2015
			COM	CP	COM	CP	COM	CP	CP	CP	CP	CP
Gross debt ratio[1]	**37,1**	**33,5**	**33,7**	**38,5**	**35,3**	**41,8**	**35,2**	**46,2**	**48,3**	**48,1**	**46,1**	**45,0**
Change in the ratio	-4,0	6,6	0,2	5,0	1,6	3,3	-0,2	4,4	2,1	-0,2	-2,0	-1,1
Contributions[2]*:*												
1. Primary balance	**-5,4**	**-4,8**	**0,5**	**1,3**	**3,3**	**3,7**	**1,9**	**2,3**	**1,2**	**-0,3**	**-1,3**	**-2,1**
2. "Snow-ball" effect	**0,4**	**0,7**	**2,7**	**3,0**	**0,6**	**0,4**	**0,1**	**0,5**	**0,0**	**0,0**	**-0,2**	**-0,1**
Of which:												
Interest expenditure	2,0	1,4	1,5	1,6	1,5	1,6	1,5	1,8	1,9	2,1	2,1	2,1
Growth effect	-0,8	0,3	1,6	1,5	-0,5	-0,5	-0,6	-0,6	-0,9	-1,1	-1,2	-1,1
Inflation effect	-0,9	-1,0	-0,3	-0,1	-0,4	-0,7	-0,8	-0,7	-1,0	-1,1	-1,2	-1,1
3. Stock-flow adjustment	**1,1**	**10,7**	**-3,0**	**0,8**	**-2,3**	**-0,8**	**-2,2**	**1,6**	**0,9**	**0,2**	**-0,4**	**1,1**
Of which:												
Cash/accruals diff.	-0,3	1,0		n.a.		n.a.		n.a.	n.a.	n.a.	n.a.	n.a.
Acc. financial assets	1,1	9,6		n.a.		n.a.		n.a.	n.a.	n.a.	n.a.	n.a.
Privatisation	-0,2	0,0		n.a.		n.a.		n.a.	n.a.	n.a.	n.a.	n.a.
Val. effect & residual	0,1	0,1		n.a.		n.a.		n.a.	n.a.	n.a.	n.a.	n.a.

Notes:

[1]End of period.

[2]The snow-ball effect captures the impact of interest expenditure on accumulated debt, as well as the impact of real GDP growth and inflation on the debt ratio (through the denominator). The stock-flow adjustment includes differences in cash and accrual accounting, accumulation of financial assets and valuation and other residual effects.

Source :

Convergence programme (CP); Commission services' autumn 2009 forecasts (COM); Commission services' calculations.

The net financial position deteriorated in 2009 to 3.8% of GDP from 6.5% of GDP in 2008 and is expected to deteriorate further throughout the programme period to a net public debt of 8.5% of GDP in 2015.

5.1.2. Assessment

While the increase in the debt ratio in 2009 was primarily due to "Snow-ball" effects the further increase in the debt ratio in 2010 would be mainly the result of the higher deficit. The pace of the debt-to-GDP growth from 2010 onwards will to some degree be mitigated by expected positive growth effects. Differences between the Commission services' and the programme's debt projections from 2010 onwards stem mainly from the difference in the primary balance due to the additional stimulus measures implemented after the Commission forecast's cut-off date.

5.2. Long-term debt projections and the sustainability of public finances

5.2.1. Sustainability indicators and long-term debt projections

This section presents sustainability indicators based on the long-term age-related government spending as projected by the Member States and the EPC in 2009 according to an agreed methodology[11].

[11] Economic Policy Committee and the European Commission (2009), '2009 Ageing Report: Economic and budgetary projections for the EU-27 Member States (2008-60)', *European Economy* No. 2/2009. European Commission (2009), 'Sustainability Report 2009, European Economy No. 9/2009. European Commission (2008), 'Public finances in EMU – 2008', *European Economy* No. 4/2008..

Table 7 shows that age-related spending is projected to rise by 2.2 percentage points of GDP between 2010 and 2060, clearly lower than the EU average (4.6 pps.). Sustainability indicators for two scenarios are presented in Table 8. 'The 2009 scenario' is based on a no-policy-change assumption and the 2009 structural primary balance as a starting year, while 'the programme scenario' takes into account the consolidation planned in the programme up to 2015 and is based on the projected 2015 structural primary balance as a starting position. Denmark has no sustainability gap in the baseline scenario (S2[12] is negative, at -1.4% of GDP).[13] The starting budgetary position would be more than sufficient to stabilize the debt ratio over the long-term.

The "programme scenario" projects the budgetary situation to deteriorate. Consequently, risks to long-term sustainability of public finances would increase slightly, as shown by the sustainability gap (S2) reaching 0.4% of GDP.

Table 7: Long-term age-related expenditure: main projections

(% of GDP)	**2007**	**2010**	**2020**	**2030**	**2040**	**2060**	**Change 2010- 60**
Total age-related spending	**24,8**	**25,2**	**27,4**	**28,1**	**28,6**	**27,4**	**2,2**
- Pensions	9,1	9,4	10,6	10,6	10,4	9,2	-0,2
- Healthcare	5,9	6,0	6,4	6,7	6,8	6,9	0,9
- Long-term care	1,7	1,8	2,1	2,6	3,0	3,2	1,5
- Education and unemployment benefits	8,1	8,0	8,3	8,2	8,3	8,1	0,1
Property income received	1,7	1,6	1,3	1,0	0,8	0,5	-1,1

Source: Economic Policy Committee and Commission services.

Based on the assumptions used in the projection of age-related expenditure and the calculation of the sustainability indicators, Figure 3 displays the projected debt-to-GDP ratio over the long-term.

12 The S2 indicator is defined as the change in the current level of the structural primary balance required to make sure that the discounted value of future structural primary balances (including the path of property income) covers the current level of debt.

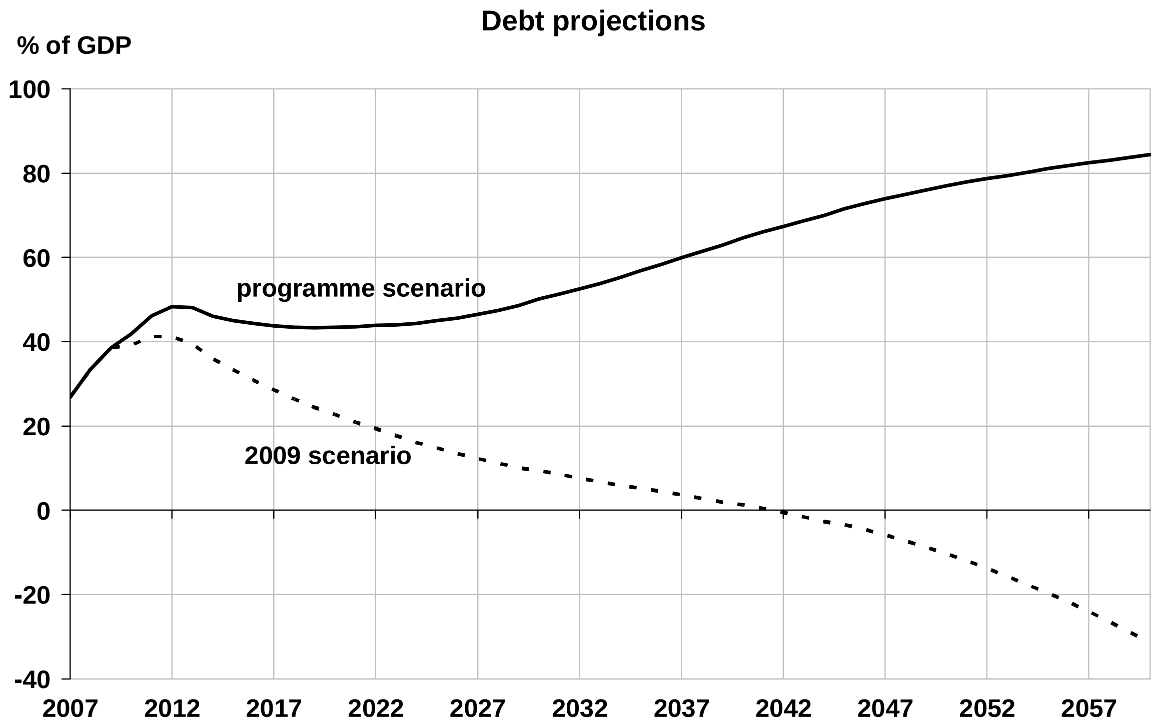
13 Note that although the sustainability indicator S2 is negative, the budgetary position in the starting year as well as the present value of long-term cost of ageing have worsened compared with last year's assessment.

Table 8: Sustainability indicators and the required primary balance

	2009 scenario			Programme scenario		
	S1	**S2**	**RPB**	**S1**	**S2**	**RPB**
Value	-1,5	-1,4	1,2	0,4	0,4	1,3
of which:						
Initial budgetary position (IBP)	-2,0	-1,8	-	-0,3	0,0	-
Debt requirement in 2060 (DR)	-0,4	-	-	-0,3	-	-
Long-term change in the primary balance (LTC)	0,9	0,4	-	0,9	0,4	-

Source: Commission services.

Figure 3: Long-term projections for the government debt ratio



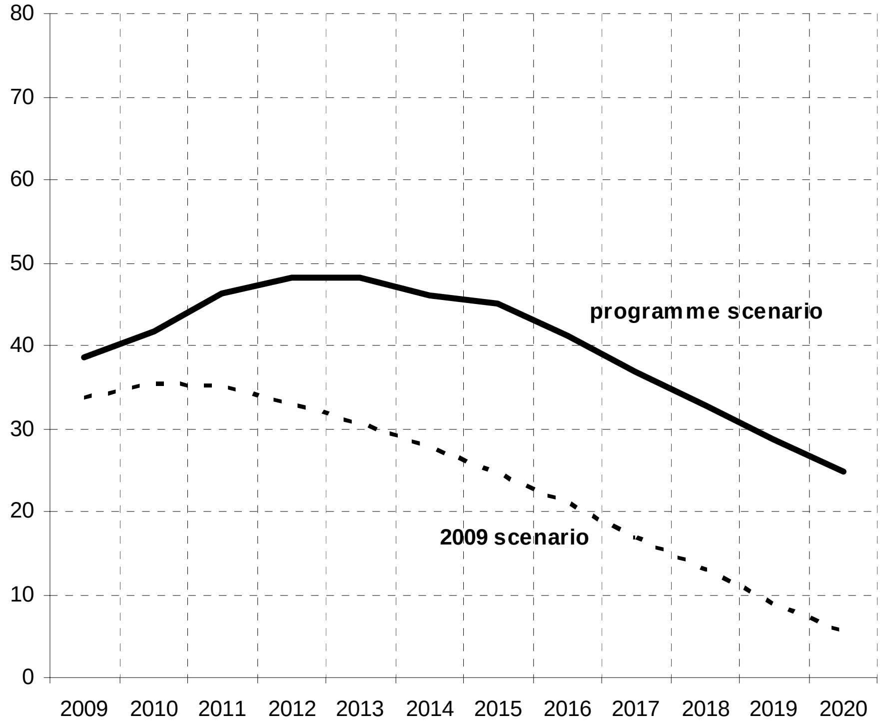
Note: Being a mechanical, partial-equilibrium analysis, the long-term debt projections are bound to show highly accentuated profiles. As a consequence, the projected evolution of debt levels should not be seen as a forecast similar to the Commission services' short-term forecasts, but as an indication of the risks faced by Member States.
Source: Commission services calculations

Based on the alternative assumptions of economic developments presented in the Commission services' autumn 2009 forecast publication[14], Figure 4 shows projected medium-term trajectory of the debt/GDP ratio. Under the baseline projection

[14] Section 3.5 in European Commission (2009), 'European Economic Forecast – autumn 2009', European Economy No. 10/2009. This economic scenario assumes that the output gap caused by the crisis will be closed by 2017.

assumptions (above) the debt ratio in the programme scenario will stabilise to around 45% of GDP by 2020 while under the alternative assumptions of more recent economic developments the debt ratio will decline to around 25% of GDP in the same period.

Figure 4: Medium-term projections for the government debt ratio



Source: Commission services' calculations

5.2.2. Additional factors

For an overall assessment of the sustainability of public finances, other relevant factors are taken into account, as shown in Table 9. The decline in the structural primary balance and the high tax ratio weigh as risk increasing factors, but do not change the overall sustainability assessment. Notably, the programme presents national projections, taking into account also non-age-related budgetary developments.

Table 9: Additional factors for the assessment of long-term sustainability risks

	Impact on risk
Debt and pension assets	na
Decline in structural balance until 2011 in COM Autumn 2009 forecast	- -
Alternative projection of cost of ageing	
Strong decline in benefit ratio	na
High tax burden	-
Difference between S1 and S2	na

Note: '-': factor tends to increase the risk to sustainability, '+': factor tends to decrease the risk to sustainability.

'na': not applicable.

Alternative projections are often presented in the programmes, whose assumptions often diverge from the common method. Projections currently discussed in the Economic Policy Committee but not yet published, are for the time being also considered "unofficial".

An explanation on these factors can be found in chapter V of: European Commission (2009), Sustainability Report 2009, European Economy No. 9/2009.

Source: Commission services.

5.2.3. Assessment

The long-term budgetary impact of ageing is clearly lower than the EU average. The budgetary position in 2009, as estimated in the programme, contributes to the reduction of gross debt. Ensuring high primary surpluses over the medium term would help maintaining the risks to the sustainability of public finances low.

Medium-term debt projections that assume GDP growth rates to only gradually recover to the values projected before the crisis and tax ratios to return to pre-crisis levels show that the budgetary development envisaged in the programme would be more than enough to stabilise the debt-to-GDP ratio by 2020.

6. FISCAL FRAMEWORK AND QUALITY OF PUBLIC FINANCES

This section is subdivided into two elements: the fiscal framework and the quality of public finances in a broader sense.

6.1. Fiscal framework

Denmark has benefited from a relatively strong budgetary framework and comprehensive macro-economic and fiscal strategies pursuing the twin objectives of stability in the short- and medium-term and sustainability in the long-term. Nonetheless, some weaknesses exist, specifically concerning the failure to respect the limits for real government consumption expenditures growth. The framework for the annual agreements on local government finances was recently amended to enhance incentives for local governments to adhere and stay in line with the (central) government policy of a tax freeze, applied since 2002. The most recent national account data shows that public consumption expenditure ratio exceeded the government's benchmark of 26½% of GDP, providing a further indication that adherence to expenditure targets should be strengthened.

6.2. Quality of public finances

On 28 May the Danish parliament passed a major tax reform (Forårspakke 2.0) set to be effective from 2010. The aim of the reform is increase the labour supply in the medium to long term by significantly lowering the tax on labour while in the short term soften the effect of the global economic crisis. The different elements of the tax reform will gradually be implemented in the period from 2010 to 2019 and the tax reform is entirely financed once fully implemented, but entails a reduction in income taxes in the short term of around 20 bn. dkk and a net fiscal expansion of about 0.6% of GDP. It is important to note, that the tax reform is fully financed in the long run before taking account of any positive effects on the labour supply. It is estimated that the reform will increase labour supply by about 19.000 full time equivalent employees.

7. OVERALL ASSESSMENT

Taking into account risks attached to the budgetary targets discussed above, this section assesses the appropriateness of the fiscal strategy in relation to the budgetary objectives of the Stability and Growth Pact, against the background of the current economic situation, the debt and long-term sustainability position of the country, and the institutional features of its public finances.

Overall, taking into account the risks to the budgetary targets mentioned above, the strategy to maintain supportive fiscal policies also in 2010 can be considered in line with the EERP. Following the negative effects of the economic crisis, the general government deficit limit of 3% of GDP is projected to be breached in 2010, gradually abating below the reference value in 2013. However, in view of the risks to the budgetary projections in the outer years of the programme, the planned reduction in the deficit may not be achieved. The projected fiscal stance, as measured by the change in structural balances, indicate that fiscal consolidation takes hold from 2011. Besides assuming zero real growth in public consumption expenditures from 2011 to 2013, normalization of public investment and implementation of the financing elements in the tax reform, the programme does not mention specific consolidation measures. As reported in the programme update, the medium-term objective (MTO) of Denmark is a structural balance by 2015. In view of the new methodology and given the most recent projections and debt level, the MTO more than adequately reflects the objectives of the Pact. However, the recalculated structural balance is projected to show a 0.4% deficit in 2015, slightly short of the target set by the MTO.

* * *

ANNEX. COMPLIANCE WITH THE FORMAT AND CONTENT REQUIREMENTS FOR STABILITY AND CONVERGENCE PROGRAMMES

This annex provides an assessment of whether the programme respects the requirements of Section II of the code of conduct (guidelines on the format and content), notably as far as (i) the model structure (Annex 1 of the code of conduct); (ii) the formal data provisions (Annex 2 of the code of conduct); and (iii) other information requirements is concerned.

(i) Model structure

The programme broadly follows the model structure for stability and convergence programmes specified in Annex 1 of the code of conduct.

(ii) Data requirements

The update adheres broadly to the code of conduct as far as data requirements are concerned. The programme provides all compulsory data, but has a few gaps in the optional data. There are discrepancies between the convergence programme and the Commission services in the definition of one-off and temporary measures (Tables 2 and 5, see Box 5 in the 2007 Macro Fiscal Assessment of the 2007 Convergence Programme).

In terms of the optional data, the following series are also missing:

- Table 4 (General government debt developments): detailed categories of stock-flow adjustment (sub-items 5).
- Table 5 (Cyclical developments): Cyclically-adjusted balance/primary balance (sub-items 8 and 9)
- Table 8 (Basic assumptions): (for countries not in euro area or ERM II) exchange rate vis-à-vis the € (annual average).

The tables on the following pages show the data presented in the February 2010 update of convergence programme, following the structure of the tables in Annex 2 of the code of conduct. Compulsory data are in bold, missing data are indicated with grey-shading.

(iii) Other information requirements

The table below provides a summary assessment of the adherence to the other information requirements in the code of conduct.

* * *

.

The SCP…	Yes	No	Comments
a. Involvement of parliament			
… mentions status vis-à-vis national parliament.	x		
… indicates whether Council opinion on previous programme has been presented to national parliament.	x		
b. Economic outlook			
… (for euro area and ERM II Member States) uses "common external assumptions" on main extra-EU variables.		x	
… explains significant divergences with Commission services' forecasts[1].		x	
… bears out possible upside/downside risks to economic outlook.	x		
… analyses outlook for sectoral balances and, especially for countries with high external deficit, external balance.	x		
c. Monetary/exchange rate policy			
… (CP only) presents medium-term monetary policy objectives and their relationship to price and exchange rate stability.	x		

The SCP…	Yes	No	Comments
d. Budgetary strategy			
… presents budgetary targets for general government balance in relation to MTO and projected path for debt ratio.	x		
… (in case new government has taken office) shows continuity with respect to budgetary targets endorsed by Council.	x		
… (when applicable) explains reasons for deviations from previous targets and, in case of substantial deviations, whether measures are taken to rectify situation (+ provides information on them).			Not applicable
… backs budgetary targets by indication of broad measures necessary to achieve them and analyses their quantitative effects on balance.	x		Specific measures not presented, but quantitative effects specified.
… specifies state of implementation of measures.	x		
e. "Major structural reforms"			
… (if MTO not yet reached or temporary deviation is planned from MTO) includes comprehensive information on economic and budgetary effects of possible 'major structural reforms' over time.		X	
… includes quantitative cost-benefit analysis of short-term costs and long-term benefits of reforms.	X		
f. Sensitivity analysis			
… includes comprehensive sensitivity analyses and/or develops alternative scenarios showing impact on balance and debt of: a) changes in main economic assumptions b) different interest rate assumptions c) (for CP only) different exchange rate assumptions d) if common external assumptions are not used, changes in assumptions for main extra-EU variables.	x		Except for different exchange rate assumptions.
… (in case of "major structural reforms") analyses how changes in assumptions would affect budget and potential growth.			Not applicable
g. Broad economic policy guidelines			
… provides information on consistency with broad economic policy guidelines of budgetary objectives and measures to achieve them.		X	
h. Quality of public finances			
… describes measures to improve quality of public finances, both revenue and expenditure sides.		x	
i. Long-term sustainability			
… outlines strategies to ensure sustainability.	X		
… includes common budgetary projections by the AWG and all necessary additional information (esp. new relevant information).		x	
j. Other information (optional)			
… includes information on implementation of existing national budgetary rules and on other institutional features of public finances.	x		

Notes: SCP = stability/convergence programme; CP = convergence programme
[1]To the extent possible, bearing in mind the typically short time period between the publication of the Commission services' autumn forecast and the submission of the programme.

Source:
Commission services

Tables from Annex 2 of the code of conduct

Table 1a. Macroeconomic prospects

	ESA Code	2008	2008	2009	2010	2011	2012	2013	2014	2015
		Level	rate of change	rate of change	rate of change	rate of change	rate of change	rate of change	rate of change	rate of change
1. Real GDP	B1*g	*1435,51*	-0,9	-4,3	1,3	1,6	2,0	2,3	2,6	2,6
2. Nominal GDP	B1*g	*1737,5*	2,7	-3,9	3,3	3,3	4,4	4,7	5,2	5,1
Components of real GDP										
3. Private consumption expenditure	P.3	*727,8*	-0,2	-4,7	2,4	2,4	2,7	2,7	2,9	2,8
4. Government consumption expenditure	P.3	*372,5*	1,6	1,6	1,0	0,0	0,0	0,0	0,8	0,7
5. Gross fixed capital formation	P.51	*315,7*	-4,7	-10,9	-2,4	0,7	4,5	5,1	5,5	5,5
6. Changes in inventories and net acquisition of valuables (% of GDP)	P.52 + P.53	*11,0*	0,3	-1,4	0,6	0,3	0,2	0,2	0,1	0,1
7. Exports of goods and services	P.6	*811,1*	2,4	-8,8	2,8	3,7	4,7	4,6	4,8	5,2
8. Imports of goods and services	P.7	*812,4*	3,3	-11,5	3,7	4,1	5,8	5,3	5,5	5,9
Contributions to real GDP growth										
9. Final domestic demand		-	-0,8	-4,2	1,0	1,3	2,2	2,3	2,7	2,7
10. Changes in inventories and net acquisition of valuables	P.52 + P.53	-	0,3	-1,4	0,6	0,3	0,2	0,2	0,1	0,1
11. External balance of goods and services	B.11	-	-0,4	1,2	-0,3	-0,1	-0,3	-0,2	-0,2	-0,2

Table 1b. Price developments

	ESA Code	2008	2008	2009	2010	2011	2012	2013	2014	2015
		Level	rate of change	rate of change	rate of change	rate of change	rate of change	rate of change	rate of change	rate of change
1. GDP deflator		*121*	3,6	0,5	2,0	1,7	2,3	2,4	2,5	2,5
2. Private consumption deflator		*116,2*	3,2	1,4	2,0	1,6	2,0	1,9	1,8	1,9
3. HICP[1]		*107,3*	3,6	0,8	2,1	1,5	2,3	2,1	1,9	1,9
4. Public consumption deflator		*124,5*	4,0	3,8	2,7	1,5	2,3	2,5	2,6	2,7
5. Investment deflator		*116,8*	1,3	-1,7	-0,3	1,6	1,9	2,3	2,9	2,5
6. Export price deflator (goods and services)		*117,8*	5,3	-6,5	2,2	1,9	1,9	2,3	2,3	2,3
7. Import price deflator (goods and services)		*111,9*	4,1	-5,1	1,8	1,6	1,5	1,8	1,8	1,8

[1] Optional for stability programmes.

Table 1c. Labour market developments

	ESA Code	2008 Level	2008 rate of change	2009 rate of change	2010 rate of change	2011 rate of change	2012 rate of change	2013 rate of change	2014 rate of change	2015 rate of change
1. Employment, persons[1]		*2901,7*	1,2	-2,5	-2,5	-0,1	0,3	0,4	0,4	0,4
2. Employment, hours worked[2]		*4554,3*	1,1	-3,4	-2,3	0,2	0,2	0,4	0,6	0,7
3. Unemployment rate (%)[3]		*3,4*	3,4	6,0	6,9	6,9	6,2	5,5	4,8	4,1
4. Labour productivity, persons[4]		*494,7*	-2,1	-1,9	3,9	1,7	1,7	1,9	2,1	2,1
5. Labour productivity, hours worked[5]		*315,2*	-2,0	-0,9	3,8	1,4	1,8	1,9	1,9	1,9
6. Compensation of employees	D.1	*984,5*	5,6	0,8	0,7	2,4	3,0	3,3	3,7	3,9
7. Compensation per employee		*361*	4,3	3,2	3,1	2,5	2,5	2,9	3,3	3,5

[1]Occupied population, domestic concept national accounts definition.

[2]National accounts definition.

[3]Harmonised definition, Eurostat; levels.

[4]Real GDP per person employed.

[5]Real GDP per hour worked.

Table 1d. Sectoral balances

% of GDP	ESA Code	2008	2009	2010	2011	2012	2013	2014	2015
1. Net lending/borrowing vis-à-vis the rest of the world	B.9	2,2	2,9	2,4	2,4	2,6	2,9	3,2	3,5
of which : - Balance on goods and services		2,7	3,1	2,9	3,0	2,8	2,8	2,7	2,6
- Balance of primary incomes and transfers		-0,5	-0,2	-0,5	-0,6	-0,2	0,1	0,4	0,8
- Capital account		0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
2. Net lending/borrowing of the private sector	B.9	2,2	2,9	2,4	2,4	2,6	2,9	3,2	3,5
3. Net lending/borrowing of general government	EDP B.9	3,4	-3,0	-5,5	-4,2	-3,2	-1,9	-0,8	0,0
4. Statistical discrepancy		0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0

Table 2. General government budgetary prospects

	ESA Code	2008	2008	2009	2010	2011	2012	2013	2014	2015
		Level	% of GDP	% of GDP	% of GDP	% of GDP	% of GDP	% of GDP	% of GDP	% of GDP
Net lending (EDP B.9) by sub-sector										
1. General government	S.13	*59,1*	3,4	-2,9	-5,3	-4,1	-3,1	-1,8	-0,8	0,0
2. Central government	S.1311	*66,5*	3,8	-2,9	-5,3	-4,0	-3,1	-1,8	-0,8	0,0
3. State government	S.1312	*n.a.*	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
4. Local government	S.1313	*-7,1*	-0,4	0,0	0,0	0,0	0,0	0,0	0,0	0,0
5. Social security funds	S.1314	*-0,3*	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
General government (S13)										
6. Total revenue	TR	*943,4*	54,3	53,3	52,4	52,4	51,8	51,8	51,9	52,0
7. Total expenditure	TE[1]	*884,3*	50,9	56,3	57,7	56,5	54,9	53,6	52,8	52,0
8. Net lending/borrowing	EDP B.9	*59,1*	3,4	-2,9	-5,3	-4,1	-3,1	-1,8	-0,8	0,0
9. Interest expenditure	EDP D.41	*25,2*	1,5	1,6	1,6	1,7	1,9	2,1	2,1	2,1
10. Primary balance[2]		*84,3*	4,8	-1,3	-3,7	-2,3	-1,2	0,3	1,3	2,1
11. One-off and other temporary measures[3]		*n.a.*	0,0	-1,4	-1,7	-1,1	-0,9	-0,8	-0,3	0,0
Selected components of revenue										
12. Total taxes (12=12a+12b+12c)		*822,8*	47,4	46,5	45,7	45,9	45,5	45,5	45,7	45,7
12a. Taxes on production and imports	D.2	*301,7*	17,4	16,9	17,1	17,2	17,2	17,4	17,5	17,6
12b. Current taxes on income, wealth, etc	D.5	*516,3*	29,7	29,4	28,4	28,5	28,1	27,9	28,0	28,0
12c. Capital taxes	D.91	*4,8*	0,3	0,2	0,2	0,2	0,2	0,2	0,2	0,2
13. Social contributions	D.61	*16,8*	1,0	1,0	1,0	1,0	0,9	0,9	0,9	0,9
14. Property income	D.4	*41,7*	2,4	2,1	2,0	1,8	1,7	1,6	1,7	1,7
15. Other [4]		*62*	3,6	3,8	3,7	3,7	3,7	3,7	3,7	3,6
16=6. Total revenue	TR	*943,4*	54,3	53,3	52,4	52,4	51,8	51,8	51,9	52,0
p.m.: Tax burden (D.2+D.5+D.61+D.91-D.995)[5]		839,6	48,3	47,5	46,7	46,9	46,4	46,4	46,6	46,6
Selected components of expenditure										
17. Compensation of employees + intermediate consumption	D.1+P.2	*458,8*	**26,4**	**29,1**	**29,2**	**28,6**	**27,9**	**27,3**	**26,9**	**26,6**
17a. Compensation of employees	D.1	*299,2*	17,2	19,1	19,2	18,8	18,4	18,1	17,9	17,6
17b. Intermediate consumption	P.2	*159,6*	9,2	10,0	10,0	9,8	9,5	9,2	9,1	8,9
18. Social payments (18=18a+18b)		*289*	16,6	18,5	19,4	19,3	19,1	18,7	18,4	18,1
18a. Social transfers in kind supplied via market producers	D.6311, D.63121, D.63131	*25,8*	1,5	1,6	1,6	1,6	1,8	1,8	1,8	1,8
18b. Social transfers other than in kind	D.62	*263,2*	15,1	16,9	17,7	17,7	17,3	16,9	16,6	16,3
19=9. Interest expenditure	EDP D.41	*25,2*	1,5	1,6	1,6	1,7	1,9	2,1	2,1	2,1
20. Subsidies	D.3	*36,9*	2,1	2,7	2,6	2,5	2,5	2,5	2,4	2,4
21. Gross fixed capital formation	P.51	*33,3*	1,8	2,2	2,5	2,1	2,0	1,9	1,9	1,8
22. Other[6]		*41,1*	2,5	2,2	2,5	2,2	1,5	1,1	1,1	1,0
23=7. Total expenditure	TE[1]	*884,3*	50,9	56,3	57,7	56,5	54,9	53,6	52,8	52,0
p.m.: Government consumption (nominal)	P.3	*463,8*	26,7	29,3	29,4	28,9	28,3	27,7	27,3	26,8

[1] Adjusted for the net flow of swap-related flows, so that TR-TE=EDP B.9.

[2] The primary balance is calculated as (EDP B.9, item 8) plus (EDP D.41, item 9).

[3] A plus sign means deficit-reducing one-off measures.

[4] P.11+P.12+P.131+D.39+D.7+D.9 (other than D.91).

[5] Including those collected by the EU and including an adjustment for uncollected taxes and social contributions (D.995), if appropriate.

[6] D.29+D4 (other than D.41)+ D.5+D.7+D.9+P.52+P.53+K.2+D.8.

Table 3. General government expenditure by function

% of GDP	COFOG Code	2007	2008
1. General public services	1	6,8	6,9
2. Defence	2	1,7	1,6
3. Public order and safety	3	1,0	1,0
4. Economic affairs	4	2,7	2,7
5. Environmental protection	5	0,5	0,5
6. Housing and community amenities	6	0,5	0,5
7. Health	7	7,3	7,6
8. Recreation, culture and religion	8	1,5	1,6
9. Education	9	6,5	6,8
10. Social protection	10	21,4	21,7
11. Total expenditure (=item 7=23 in Table 2)	TE[1]	49,9	50,9

[1] Adjusted for the net flow of swap-related flows, so that TR-TE=EDP B.9.

Table 4. General government debt developments

% of GDP	ESA Code	2008	2009	2010	2011	2012	2013	2014	2015
1. Gross debt[1]		33,4	38,5	41,8	46,2	48,3	48,1	46,1	45,0
2. Change in gross debt ratio		6,6	5,1	3,3	4,4	2,0	-0,2	-2,0	-1,0
Contributions to changes in gross debt									
3. Primary balance[2]		4,8	-1,3	-3,7	-2,3	-1,2	0,3	1,3	2,1
4. Interest expenditure[3]	EDP D.41	1,5	1,6	1,6	1,7	1,9	2,1	2,1	2,1
5. Stock-flow adjustment		1,0	3,4	6,7	6,3	3,3	-0,3	-3,1	-3,0
of which:									
- Differences between cash and accruals[4]		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
- Net accumulation of financial assets[5]		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
of which:		-	-	-	-	-	-	-	-
- privatisation proceeds		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
- Valuation effects and other[6]		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
p.m.: Implicit interest rate on debt[7]		5,4	4,9	4,1	4,2	4,1	4,3	4,4	4,6
Other relevant variables									
6. Liquid financial assets[8]		13,3	9,0	8,7	8,4	n.a.	n.a.	n.a.	n.a.
7. Net financial debt (7=1-6)		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

[1] As defined in Regulation 3605/93 (not an ESA concept).

[2] Cf. item 10 in Table 2.

[3] Cf. item 9 in Table 2.

[4] The differences concerning interest expenditure, other expenditure and revenue could be distinguished when relevant.

[5] Liquid assets, assets on third countries, government controlled enterprises and the difference between quoted and non-quoted assets could be distinguished when relevant.

[6] Changes due to exchange rate movements, and operation in secondary market could be distinguished when relevant.

[7] Proxied by interest expenditure divided by the debt level of the previous year.

[8] AF1, AF2, AF3 (consolidated at market value), AF5 (if quoted in stock exchange; including mutual fund shares).

Table 5. Cyclical developments

% of GDP	ESA Code	2008	2009	2010	2011	2012	2013	2014	2015
1. Real GDP growth (%)		-0,9	-4,3	1,3	1,6	2,0	2,3	2,6	2,6
2. Net lending of general government	EDP B.9	3,4	-3,0	-5,5	-4,2	-3,2	-1,9	-0,8	0,0
3. Interest expenditure	EDP D.41	1,5	1,6	1,6	1,7	1,9	2,1	2,1	2,1
4. One-off and other temporary measures[1]		0,0	-1,4	-1,7	-1,1	-0,9	-0,8	-0,3	0,0
5. Potential GDP growth (%)		1,3	0,5	0,5	1,4	1,3	1,6	1,8	1,8
contributions:									
- labour		0,7	-0,1	-0,1	-0,2	-0,3	-0,3	0,0	0,0
- capital		0,9	0,7	0,7	0,4	0,7	0,7	0,7	0,8
- total factor productivity		-0,3	-0,1	-0,1	1,2	0,9	1,1	1,1	1,0
6. Output gap		1,1	-2,4	-3,0	-2,8	-2,1	-1,4	-0,7	0,0
7. Cyclical budgetary component		1,5	-1,0	-2,1	-2,0	-1,5	-0,9	-0,5	0,0
8. Cyclically-adjusted balance (2 - 7)		1,9	-0,6	-1,7	-1,0	-0,7	-0,2	-0,1	0,0
9. Cyclically-adjusted primary balance (8 + 3)		3,4	1,0	-0,1	0,7	1,2	1,9	2,0	2,1
10. Structural balance (8 - 4)		1,9	0,8	0,0	0,1	0,2	0,6	0,2	0,0

[1]A plus sign means deficit-reducing one-off measures.

Table 6. Divergence from previous update

	ESA Code	2008	2009	2010	2011	2012	2013	2014	2015
Real GDP growth (%)									
Previous update		0,2	-0,2	0,7	1,9	1,7	1,6	1,6	1,6
Current update		-0,9	-4,3	1,3	1,6	2,0	2,3	2,6	2,6
Difference		-1,0	-4,1	0,6	-0,3	0,3	0,7	0,9	0,9
General government net lending (% of GDP)	EDP B.9								
Previous update		3,0	0,0	-1,2	0,3	0,1	0,1	0,0	-0,1
Current update		3,4	-3,0	-5,5	-4,2	-3,2	-1,9	-0,8	0,0
Difference		0,5	-3,0	-4,2	-4,5	-3,3	-2,0	-0,9	0,1
General government gross debt (% of GDP)									
Previous update		30,3	27,9	26,3	25,4	24,6	23,8	23,2	22,6
Current update		33,4	38,5	41,8	46,2	48,3	48,1	46,1	45,0
Difference		3,1	10,6	15,5	20,8	23,6	24,3	22,9	22,4

Table 7. Long-term sustainability of public finances

% of GDP	2000	2005	2010	2020	2030	2050
Total expenditure	53,1	51,9	57,9	52,3	53,5	53,4
Of which: age-related expenditures	27,2	28,3	31,7	30,1	30,5	29,1
Pension expenditure	9,4	9,4	10,4	10,1	9,9	8,4
Social security pension	9,4	9,4	10,4	10,1	9,9	8,4
Old-age and early pensions	7,0	7,3	8,1	8,2	7,8	6,3
Other pensions (disability, survivors)	2,4	2,2	2,2	1,9	2,1	2,1
Occupational pensions (if in general government)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Health care	6,1	6,4	7,2	7,0	7,4	7,6
Long-term care *(this was earlier included in the*	1,2	1,2	1,3	1,3	1,6	1,9
Education expenditure	6,2	6,6	7,5	6,8	6,6	6,5
Other age-related expenditures	4,3	4,7	5,4	4,9	4,9	4,7
Interest expenditure	4,3	2,6	2,1	2,6	3,0	4,6
Total revenue	55,3	56,9	52,4	51,3	50,8	50,6
Of which: property income	1,9	1,5	1,6	1,8	1,7	1,7
Of which : from pensions contributions (or social contributions if appropriate)	-0,5	-0,8	-0,5	-0,3	-0,5	0,2
Pension reserve fund assets	115,9	138,9	148,7	156,5	178,2	207,3
Of which : consolidated public pension fund assets (assets other than government liabilities)	1,1	0,0	0,0	0,0	0,0	0,0
Assumptions						
Labour productivity growth	3,7	0,4	4,0	1,3	1,4	1,7
Real GDP growth	3,5	2,4	1,3	1,4	2,4	2,6
Participation rate males (aged 20-64)	84,1	84,8	84,9	85,9	88,6	89,4
Participation rates females (aged 20-64)	75,3	76,1	75,6	77,3	80,3	82,0
Total participation rates (aged 20-64)	79,8	80,5	80,3	81,6	84,5	85,7
Unemployment rate	4,8	4,9	5,3	3,6	3,6	3,6
Population aged 65+ over total population	791,1	817,8	917,8	1142,2	1322,9	1407,5

Table 8. Basic assumptions

	2008	2009	2010	2011	2012	2013	2014	2015
Short-term interest rate[1] (annual average)	4,8	2,5	1,8	2,6	2,8	3,0	3,3	3,5
Long-term interest rate (annual average)	4,3	3,6	3,9	4,0	4,3	4,5	4,8	5,0
USD/€ exchange rate (annual average) (euro area and ERM II countries)	146,20	139,10	148,20	148,20	148,20	141,80	136,00	130,60
Nominal effective exchange rate	105,9	107,8	108,5	108,5	108,5	108,5	108,5	108,5
(for countries not in euro area or ERM II) exchange rate vis-à-vis the € (annual average)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
World excluding EU, GDP growth	2,6	-1,1	4,0	4,2	4,8	5,0	5,0	5,0
EU GDP growth	0,8	-4,1	0,9	1,8	2,2	2,4	2,5	2,5
Growth of relevant foreign markets	2,0	-10,9	3,6	6,1	-4,9	4,8	0,9	1,8
World import volumes, excluding EU	4,3	-12,6	5,0	6,0	7,5	7,5	7,5	7,5
Oil prices (Brent, USD/barrel)	97,2	61,9	80,3	84,5	88,7	93,0	97,2	101,4

[1]If necessary, purely technical assumptions.

** For table 8 please note, that the table update sent on 10 March states that the "Growth of relevant foreign markets" should be 6.6 for the years from 2012 to 2015.*