

2.22. DENMARK

Recent indicators suggest that Denmark's economy continued to expand in the final quarter of 2019, driven mainly by external trade. Real GDP is estimated to have grown by 2.1% in 2019. Despite weaker domestic demand, goods exports, particularly pharmaceuticals, provided a strong boost to economic growth in 2019.

While the economy is forecast to sustain its momentum, the composition of growth is set to change. Private and public consumption are expected to strengthen and compensate for a slowdown in investment. Private consumption should benefit from an employment situation that remains favourable and from rising real wages. Towards the end of 2020, some households stand to benefit from repayments of earlier unduly collected property taxes. The expansionary 2020 budget implies that government consumption is set to increase. Gross fixed capital formation is expected to be negatively affected by weaker construction activity and receding capacity constraints. Export growth is projected to remain strong, but imports are set to return to their trend growth rate. Thus, the contribution to growth from net trade is projected to become broadly neutral. All in all, real GDP is forecast to grow by 1.5% both in 2020 and 2021.

