

The Danish Government

Denmark's Convergence Programme 2020

Ministry of Finance

MAY 2020

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1. Political initiatives in response to the corona epidemic

Given the extraordinarily large uncertainty about the economic development that the corona epidemic brings, the EU countries have agreed to greatly reduce this year's edition of the usual convergence program etc. only focusing on the short-term development. The countries will describe the general scenario for 2020 and 2021, and preferably multiple scenarios. Thus, this year's Danish Convergence Program does not contain a medium-term projection.

Denmark has – as many other European countries – been affected by the corona epidemic in the spring of 2020. With the outbreak of the corona epidemic and the following risk of lack of capacity in the health care sector, the decision was made to shut down parts of Denmark in order to limit the spread of the virus. The shutdown and additional preventive initiatives have contributed to getting the virus in Denmark under control. The government and the Danish Parliament (Folketinget) have initiated a gradual and controlled reopening of Denmark based on assessments by health professionals. Phase 1 of the reopening has started and political negotiations concerning the second phase of the reopening are underway.

The following sections describe the multiple completed initiatives to contain and limit the spread of COVID-19, the economic situation in continuation of the corona epidemic and the initiatives that have been implemented in order to support the Danish economy. Furthermore, it is described how the extraordinary situation – caused by the corona epidemic – is being handled with regard to the expenditure and fiscal framework in the Stability and Growth Pact as well as the Danish Budget Law.

1.1 Initiatives to contain and limit the spread of COVID-19

In order to limit the spread of COVID-19 multiple far-reaching preventive initiatives have been implemented, which have shut down large parts of the Danish society *cf. box 1.1*. The first initiatives that entailed shutdown were announced on March 11, 2020, and the initiatives were later expanded and extended. While a few preventive initiatives have already been lifted as part of phase 1 of the reopening, most of the initiatives are extended to at least May 10, 2020.

The initiatives included among other things a closure of schools, day-care facilities and educational institutions, sending home all public employees (with non-critical job functions), a call

to private employers to send home the greatest possible number of employees, as well as a ban of crowds of more than 10 people.

Box 1.1

Initiatives to contain and limit the spread of COVID-19 (before the first phase of the reopening)

The government has implemented a range of initiatives with broad support in the Danish Parliament in order to prevent the spread of COVID-19:

Travel restrictions:

- Temporary border control with a ban on entry on all Danish borders. The border control does prohibit the entry of goods suppliers.
- The Ministry of Foreign Affairs has tightened their travel guidelines. Danish citizens that return to Denmark from a travel abroad are urged to stay at home for 14 days, and it is advised not to undertake any non-essential trips to anywhere in the world.

Day-care, schools and educational institutions:

- All public schools and day-care centres are closed, and private institutions are urged to do the same.
- Pupils and students in all public educational institutions are send home. Private institutions are urged to do the same.
- The public language centres are closed in regards to physical attendance, and private language centres are urged to do the same.
- All indoor recreation centres are closed.

Culture, sport etc.:

- All indoor culture institutions, libraries, sports activities etc. are closed.
- Activities regarding radio and television are shut down. Providers of public service are exempted in regards to news and emergency coverage
- Temporary ban on indoor sports and leisure facilities etc. including water parks, playgrounds, cinemas, theatres, gyms and tanning salons.
- Outdoor theme parks, zoos etc. are encouraged to close.
- Temporary ban on holding and attending events, activities and such where more than 10 people are gathered. The same ban, however on gathering more than 500 people, applies until 31st of August 2020.
- Outdoor sports and leisure activities etc. are encouraged to shut down.
- All churches and activities of the National Church etc. as well as rooms belonging to religious communities are closed. Religious ceremonies can still take place, as long as no more than 10 people participate. At funerals, the 10 people limit does not apply, however participants must comply with requirements on keeping a distance.

Nightclubs, pubs, restaurants and cafes etc.:

- Temporary ban on nightclubs, bars, pubs, hookah lounges etc., as well as on receiving guests in restaurants, cafes etc.

Stores etc.:

- Temporary ban on malls, department stores, covered arcades etc.
- Temporary ban on liberal professions where proper distance between provider and customer cannot be ensured. This includes hairdressers, tattoo artists, masseurs, cosmetologists etc.
- Special requirements for stores, supermarkets etc., including requirements on keeping distance.

Labour market:

- All public employees, who do not handle critical functions, are sent home.
- All private employers are encouraged to send home as many employees as possible.
- A number of initiatives are being launched in order to reduce the risk of spread of the virus by commuters when they travel to and from Denmark.

Other:

- Instigation to limit the use of public transport
- Instigation to take precautions and keep a distance when using public transport, as well as instigations for providers of public transport to implement precautions.
- Temporary ban on visits to hospitals and nursing homes, with few exceptions.
- Instigation to postpone scheduled constitutional ceremonies.

In the early phase, the rapid shutdown of Denmark and initiatives aimed at ensuring physical distance have contributed to a stabilization of the corona epidemic in Denmark, which at present is considered to be under control. The number of COVID-19 related hospitalizations, including the number of ICU patients, has decreased to a stable level and stays within the capacity of the health care system. In addition, test capacity has been increased so that all people with symptoms of coronavirus can be tested. Testing will also be available for employees in the health and elderly sectors as the test capacity is expanded. Testing can thus be used far more aggressively than previously in order to keep the coronavirus under control.

Based on the stabilization of the health situation, phase 1 of the reopening of Denmark has now been launched, approximately one month after the comprehensive initiatives to contain and limit the spread of COVID-19 were implemented.

Phase 1 of the reopening includes, among other things, the reopening of day care and the youngest classes of schools (grades 0-5), reopening of parts of the health care system and the lifting of the ban on some liberal professions, *cf. box 1.2*.

Negotiations with the parties of the Parliament on the next phase of the reopening have also begun. Negotiations on phase 2 of the reopening and further phases are underway in order to reach broad political agreement on a plan for a way out of the health crisis.

Box 1.2**Phase 1 of the reopening**

Phase 1 of the reopening was announced at a press conference on 6th of April 2020 and was expanded on 14th of April 2020 and 17th of April 2020. Phase 1 involves the following initiatives:

- Day care and 0-5th grade in schools reopen.
- Parts of the health care system reopen.
- The ban on liberal professions (hairdressers, tattoo artists, masseurs etc.) is lifted.
- Courts of justice reopen.

1.2 The economic situation and initiatives to support the economy

The outbreak of coronavirus has high health and financial costs across the world. The Danish economy is also affected and is facing a historically large setback in the 2nd quarter of the year. For 2020 as a whole, the scenarios for the economic development in the convergence

programme indicate that GDP may decrease by 3 to 6 per cent this year and that unemployment at an annual level may increase from 105,000 persons last year to between 130,000 and 150,000 persons this year.¹ The general government budget balance may show a deficiency of 7 to 9 per cent of GDP this year. The scenarios for economic development in 2020 and 2021 are described in chapters 2 and 3. At this time there is extraordinary uncertainty about the prospects for the Danish economy.

The corona epidemic implies that the economy is hit by both a temporary negative supply shock and a temporary negative demand shock. Danish economy is affected in different ways and to different degrees by developments in the global economy, containment initiatives, and aid packages along with uncertainty among companies and citizens, which influence their behavior. The negative supply shock reflects, among other things, that parts of the economy cannot produce under normal conditions and that some areas are closed completely. Initially, the negative demand shock reflects that consumers are reluctant to behave normally in order to avoid contagion, declining global demand for Danish goods and services, and more generally, that both companies and consumers are more uncertain about future earnings, jobs and investment opportunities.

Despite the setback, the opportunity for improvement later in the year is considered to be good, provided the epidemic remains under control.

The production potential will be reduced as long as there are partial restrictions, requirements for physical distance at work and disrupted supply chains, which reduce productivity. The crisis can also have repercussions through, among other things, lower capital.

This balance, between reduced production potential and demand, speaks for a flexible approach in the economic policy in the near future in order to adapt the policy on an ongoing basis as the economic development (both the supply and demand side) becomes clearer. In this regard, it is important to support a high adaptability both on the labour and goods markets, which has long been one of the strengths of the Danish economy.

Denmark and other countries have implemented significant fiscal and monetary policy initiatives in order to support the economy in the current situation. The Danish initiatives contribute, in the short term, to support severely afflicted companies, to help companies maintain their employees during the epidemic, and to help companies be able to resume production as the society opens up. The initiatives include – in addition to economic resources to combat the epidemic – fiscal aid packages to severely afflicted companies and employees as well as far-reaching initiatives to support the business sector's cash flow through postponed payment for VAT and income taxes as well as guarantee-schemes. The flexible labor market and strong social security also contribute to getting the Danish economy through the crisis.

The implemented job- and business-oriented initiatives that are contributing to cushioning the negative economic consequences of the corona epidemic are listed in *box 1.3* and further described in chapter 3.

¹ The scenarios for the development of the real economy correspond to the scenarios stated in *Scenarier for dansk økonomi i lyset af coronavirus*, which is published on the web site of the Ministry of Finance.

Box 1.3**Business- and job-oriented initiatives**

The government has initiated a list of business- and job-oriented initiatives that are going to contribute to counter the negative economic consequences of the corona epidemic. Amongst others, these include:

Subsidies etc.:

- Temporary compensation scheme for the self-employed etc.
- Temporary compensation for businesses' fixed costs
- Temporary compensation scheme for wages
- Temporary compensation scheme for freelancers etc. with both primary and secondary income
- Extension of the maximum period for unemployment benefits and sickness benefits
- Reimbursement of sickness benefits to employers
- Special warning scheme before major layoffs and debureaucratisation of rules regarding division of labor.
- Compensation scheme for organizers of cancelled events
- Municipalities and regions are exempted from the agreed upon construction ceiling in 2020
- Suspension of the 225-hour-rule in the cash benefit system for four months
- Export and investment package
- National platform for crowdfunding
- Boost of the Innovation Fund's Innobooster-scheme in 2020
- Reserve for sick benefits to people in the group especially at risk from the virus
- Free qualifying period for the senior premium
- Strengthened control in the Danish Business Authority

Guarantees etc.:

- Guarantee schemes for small, medium and large companies
- Government guarantee for the Travel Guarantee Fund to help the travel companies
- EKF cash flow guarantee and guarantee scheme for larger companies and their sub-suppliers
- Match-finance initiatives in Vaekstfonden (guarantee scheme and equity injection)
- Government guarantee coverage for companies' trade and exports

Other cash flow and financing options:

- Increased governmental borrowing opportunities for pupils and students
- Extension of payment deadlines for personal taxes and VAT etc.
- Public purchases: Earlier payments and increased flexibility
- Possibility for municipalities to postpone companies' payment of service charge on business property from 2020 to 2021
- Payment of already paid VAT and payroll tax (March instalment for small and medium companies) as an interest-free loan
- Extension of payment deadline for payroll tax for second and third quarter of 2020
- Temporary suspension of the ceiling of the tax account
- Sooner payment of tax credits

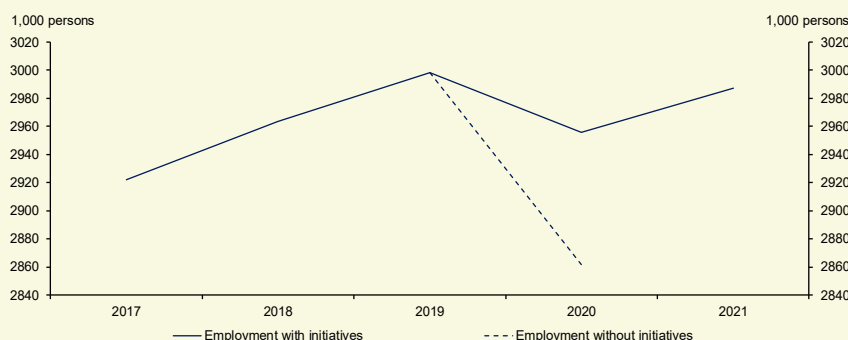
In addition, the counter-cyclical capital buffer has been released, which gives banks access to more than DKK 200 bn. in further capital, which supports banks' lending capacity.

The initiatives and the aid-packages have – including the agreed extensions and expansions hereof – direct expenditure-related consequences for approximately DKK 100 bn. in 2020, which corresponds to close to 5 percent of GDP. The first group of initiatives – subsidies etc.

in box 1.3 – contain, among other things, extraordinary and temporary compensation schemes with the purpose of helping companies and employees through the substantial shut-down of society in the first part of the crisis. This is the essential part of the fiscal measures. Additionally, the investment ceiling for municipalities and regions have been removed which is estimated to increase public investments in 2020 with 0.1 per cent of GDP. Furthermore, a list of governmental guarantee schemes and postponed payment deadlines etc. have been decided for a total of approximately DKK 300 bn. with the purpose of supporting cash flow in the business sector.

Based on the expenditure estimates of the initiatives, it is estimated – with some uncertainty – that the extensive aid packages will support employment by 90,000 – 100,000 people in 2020 assessed as the average for the year. The effect is bigger during months with the aid packages in action. The estimate can change concurrently with new information on the actual use of the aid packages, among these the wage compensation scheme. The initiatives contribute to reduce the decrease in employment in 2020, *cf. figure 1.1*. The estimated employment effect does not include the extraordinary initiatives to support companies' cash flow, which is also of great significance for the companies and the economy.

Figure 1.1
Development in employment in the Danish middle scenario with and without initiatives
(Excl. cash flow initiatives)



Note.: The estimated effect on the activity is calculated based on an estimation of the consequences of the initiated subsidies and grants etc., as well as the agreement with the municipalities regarding suspension of the investment ceiling in 2020. The effect is shown in relation to the scenario with gradual reopening.

Source: Statistics Denmark and own calculations.

When it becomes safe health-wise to reopen society, the economic policy will enter a new phase. In this phase, it is necessary to stimulate, take action on necessary transformations and re-establish the economy. Denmark has great opportunities to support economic activity and jobs in a way that both strengthens the welfare society and contributes to the fulfilment of Denmark's high ambitions regarding climate. Initiatives directed at stimulating the economy will have to be timed, proportioned and coordinated with the specific reopening steps.

1.3 The expenditure and fiscal policy framework for dealing with COVID-19

The expenditure and fiscal policy framework in Denmark is composed of, among other things, the EU rules and the Budget Law's deficit limit for the structural budget balance of 0.5 per cent of GDP and the 4-year statutory and binding expenditure ceilings for state, municipalities and regions. As a consequence of the extraordinary situation with the outbreak of COVID-19, there will be exceptional circumstances in force for the expenditure and fiscal policy framework for 2020.

The EU's ministers of finance and head of state or government have declared that the flexibility in the EU's common budget rules will be used to the full in order to tackle the current situation. Hence, the EU will use the flexibility concerning exceptional events beyond the control of the governments. Therefore, the general exception clause is activated in part to allow discretionary measures (in addition to the automatic stabilizers) under condition of a sustainable fiscal policy.

Both the effects of the temporary and targeted initiatives – i.e. expenses to contain the pandemic, secure cash flow and protect jobs and income for affected employees – and the effect of the automatic stabilizers will be excluded, when the countries' compliance of the fiscal policy rules are assessed.

Within healthy fiscal policy frameworks, it is an important task for the fiscal policy to contribute to dampening cyclical fluctuations in the economy. The fiscal policy can fundamentally affect the cyclical fluctuations in two ways – respectively the active (discretionary) fiscal policy measures and the automatic stabilizers.

In a recession, and especially in an exceptional crisis as the current one, it is important to let the automatic stabilizers in the economy work. Denmark has – by virtue of a well-developed welfare state that includes relatively high degrees of compensation in the transfer system – large automatic stabilizers, which in the current situation contribute with important automatic stabilization during the setback.

Additionally, Denmark benefits from its good economic starting point, which was a planned fiscal policy of approximate balance on the structural budget balance in 2020 before the outbreak of the corona epidemic.

Concerning the deficit limit of the structural balance of the Budget Law, it will – in line with EU rules and the Stability and Growth Pact – be possible to temporarily deviate from the deficit limit if it is caused by exceptional events beyond the control of the government. In accordance with the agreement among the EU's ministers of finance and the head of state or government, it is the Danish government's assessment that the corona epidemic constitutes such an exceptional situation that the deficit limit of the Budget Law is suspended.

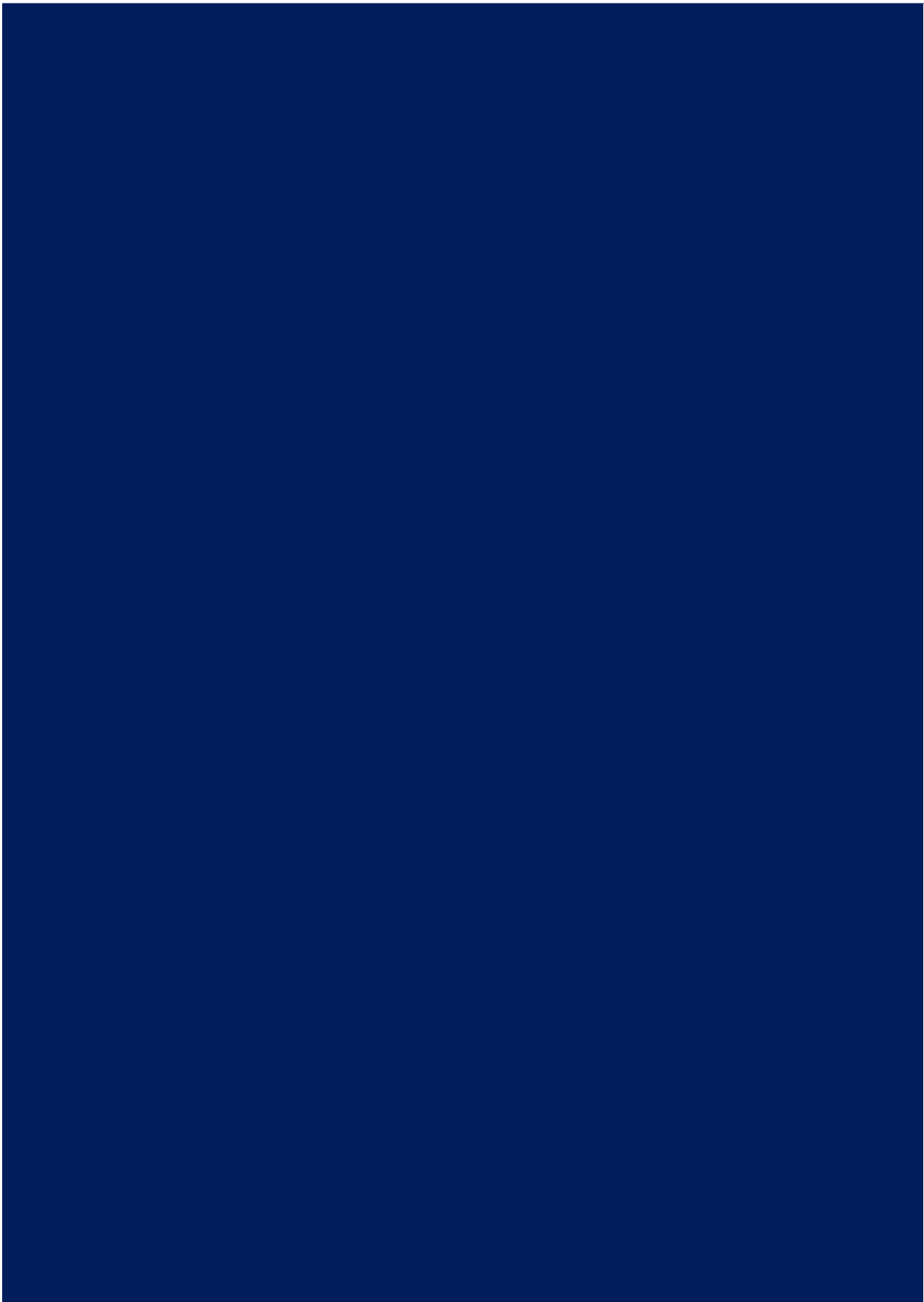
The extraordinary expenditures, that are directly linked to special and temporary emergency measures for containing the corona epidemic and supporting the economy – i.e. the compensation schemes for severely affected companies and the wage compensation scheme – are considered as a special measures concerning a brief and isolated period – that is to say a

one-off expenditure that does not affect the structural budget balance. These additional expenditures will solely affect the actual budget balance, but not the Ministry of Finance's calculation of the structural budget balance.

The one-time measures consist of the initiatives that are directly linked to the containment and immediate cushioning in consequence of the necessary health restrictions etc. The initiatives with the status of general fiscal policy initiatives – equivalent to initiatives that can also be made in general recessions, i.e. increased public investments – can affect the structural balance directly, *cf. details in appendix 3.2.*

Regardless of whether the temporary additional expenditures can be characterized as one-offs in relation to the structural budget balance or not, the initiatives will increase the public debt. Therefore, it is important that the economic policy in the entire period is planned responsibly, in order to prevent upwards pressure on the interest rate as well as preventing building up a large debt that will limit the policy options after the crisis.

The Minister of Finance will extraordinarily use his administrative authorization in the Budget Law's § 12 to exempt COVID-19 related expenditures from the expenditure ceilings in 2020. In this way, it is possible that COVID-19 related expenditures in state, municipalities and regions in 2020 does not crowd out other expenditures.



2. The Economic Outlook

Today, nobody has certain knowledge of how the corona epidemic will develop and what the economic consequences will be. The Convergence Programme is not based on an actual forecast for the Danish economy but instead on a number of scenarios that illustrate possible developments. The scenarios, which do not constitute boundaries for possible developments, indicate that GDP may fall by 3 to 6 per cent in 2020 and that unemployment may rise from 105,000 persons last year to between 130,000 and 150,000 persons this year. The annual levels disguise significant fluctuations throughout the year.

The outbreak of the coronavirus causes extensive economic losses throughout the world – including in Denmark. To a large extent, the consequences are caused by the epidemic itself, which among other things causes consumers to limit their activity to avoid infection. To this can be added the measures that have been put in place in order to dampen the spread of the virus. At the same time, the overall uncertainty due to the outbreak of the virus causes both businesses and consumers to delay investments and consumption.

The Danish economy was in a strong position prior to the corona epidemic. The economy had been growing since 2013. Employment had reached a record high level and unemployment was low. Although the economy was operating above potential, there were no signs of significant imbalances, neither on the labour market nor on the housing market.

It is clear that the Danish economy – along with other countries – will experience a severe downturn in 2020. However, there is a good possibility of improvement later in the year if the epidemic remains under control and restrictions may be further relaxed. The absence of imbalances and a variety of business and job-oriented initiatives support the possibility of a recovery, as society reopens. Furthermore, a flexible labour market and a strong social safety net both contribute to steering Denmark relatively well through the crisis and a relatively quick recovery.

The Danish Convergence Programme is not based on an actual forecast for the Danish economy but instead on a number of scenarios that illustrate possible developments, *cf. box 2.1.*

Box 2.1**The basis for evaluating the development of the Danish economy**

There are still relatively few economic indicators to base an assessment of the cyclical developments on. In the current situation, there is not sufficient data to make an actual economic forecast of the Danish economy. Instead, scenarios for the economic developments can be established based on an overall assessment of the force of the setback due to the decline in demand and production and assumptions about the speed of the subsequent recovery.

The development of the real economy corresponds to the three scenarios presented on April 9th in the report *Scenarier for dansk økonomi i lyset af coronavirus* which is accessible on the Danish Ministry of Finance's homepage.

The scenarios describe possible paths for the economic developments and distinguish themselves by different assumptions about the further course of the epidemic and how quickly demand and production will normalise. This is not only dependant on when different restrictions may be relaxed but also on the development of the world economy and to what extent remaining uncertainty will result in more cautious businesses and consumers and possible shifts in consumer behaviour and patterns.

The scenarios include the effects on employment of the various business and job-oriented initiatives that temporarily support the Danish economy. However, no additional policy which may stimulate demand and support the recovery, are included in the scenarios.

Indications of a Danish setback began to appear in late February with increasing signs in March. For instance, there has been a significant increase in the number of newly registered unemployed persons and figures for transactions with payment cards show a large decline in consumption after March 11th when significant restrictions were imposed in Denmark. Other indicators include a decline in passenger transport, which support the impression of less commuting and participation in events. Finally, there has been a considerable dive in both consumer and business confidence.

There are large differences concerning which sectors of the economy are hit by the corona epidemic. Some industries are directly affected by altered consumer behaviour to avoid contagion and the measures taken to dampen the spread of the virus. These include restaurants, the entertainment industry, tourism, and a number of other service industries. Other industries, such as construction and transport industries, are affected more indirectly, for example due to declining demand from the directly affected industries.

The manufacturing industry and hotels are greatly affected by weakened demand from abroad, problems with disrupted value chains, lack of supplies for production, and restrictive measures related to health at the workplaces. For most industries, there is exceptionally high uncertainty and general precaution on the part of consumers. This applies for instance to shopping in the stores that are still open.

Furthermore, loss of production and rising unemployment cause declining incomes, reduced equity in many companies and losses on assets. This implies that the economic consequences can spread to other parts of the economy.

For businesses, these conditions can weaken the willingness to invest and make financing more difficult, while the conditions might reduce the propensity to consume for households. In addition, derived consequences from business restrictions and bankruptcies can mean loss of company-specific capital and knowledge. Finally, banks are also affected as a result of larger losses and depreciations on loans. The longer the epidemic lasts, the greater the consequences will be afterward.

There will be a large production loss in Denmark this year. In particular, the Danish economy is estimated to be hit hard in the second quarter with a historically large decline in GDP. Also, unemployment is expected to rise temporarily to a high level.

A part of the production loss in the first half of the year may be offset afterward, but other parts of the loss will not be recovered and will partially manifest itself in a prolonged weakness in demand. This applies, for instance, to the demand for services from hotels and travel agencies.

There is uncertainty as to whether the coronavirus epidemic will give rise to more permanent behavioural changes of households, businesses, and the financial sector in general. These behavioral changes could take the form of shifts of spending habits or changed production processes with less participation in global value chains caused by a desire for a greater degree of self-sufficiency. In the event of larger behavioral changes, this could lead to less global division of labor and prosperity. Furthermore, for some countries, the epidemic could lead to financial crises.

Conversely, the possibility of a relatively swift return to normal conditions is supported by the fact that the setback – unlike during the financial crisis – is not caused by imbalances in the economy, but is due to a one-off and temporary shock. At the same time, the financial sector is better able to withstand a cyclical downturn. The possibility of a subsequent recovery is also supported by the many support packages implemented at home and abroad, including the significant measures being implemented at EU-level.

To illustrate the uncertainties, three scenarios for the further development are presented below. The scenarios can both give an indication of the magnitude of the shock that has hit the economy and illustrate some of the uncertainty surrounding the future development.

In the three scenarios, the Danish economy is generally assumed to be close to fully operational in the second half of the year, as seen from the production side, but with varying degrees of precautionary behaviour and uncertainty among consumers, companies, and abroad.

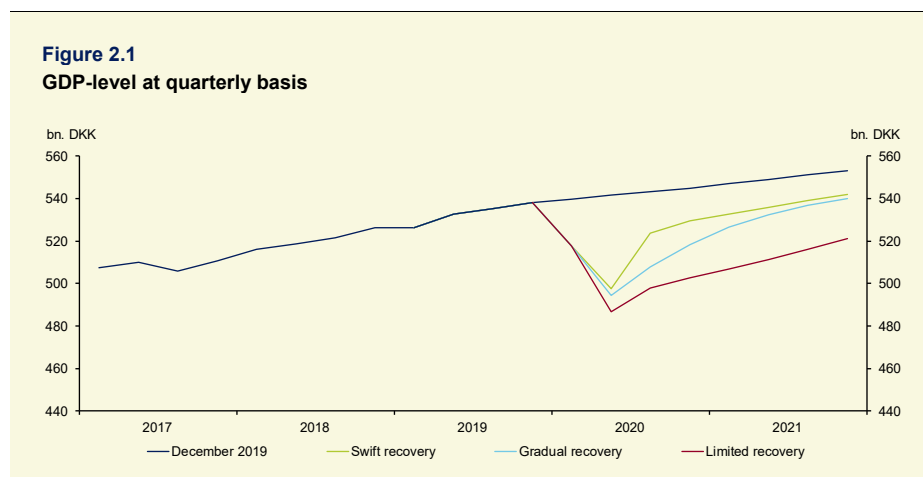
The three scenarios described below primarily differ in how the epidemic develops, how quickly, and how much the economy is expected to recover thereafter:

- Scenario 1 assumes a **swift recovery** of production and employment as the epidemic is under control and restrictions are lifted. The implemented support packages and monetary policy measures support corporate solvency, employment, and consumer confidence. There will already be a significant recovery in the second half of 2020, which will

continue into 2021. With the new indicators of the development of the Danish and international economy since April 9th, this scenario represents a less realistic expectation of the economic outlook.

- Scenario 2 assumes a more **gradual recovery** as a result of more cautious consumers and companies, as well as less demand from abroad, which is considered to be less well equipped than Denmark to counter the economic effects of the epidemic. However, the possibility of a relatively quick recovery is still present, but it will happen at a slower pace compared to the first scenario.
- In scenario 3, the impact of the epidemic on the western economies is assumed to be longer-lasting. A more prolonged course of the coronavirus epidemic increases the risk of bankruptcies and even more layoffs in many countries. It further reduces household income and makes consumers and companies more hesitant to spend and invest. In the scenario, there will only be a **limited recovery** of economic activity in Denmark in 2021, mainly due to weakened exports, and production will be significantly below the normal level of production. Unemployment will be high and capacity utilization in the economy will be at about the same low level in 2021 as in the wake of the financial crisis.

It is assumed that the economic setback will be particularly large in the second quarter of 2020, *cf. figure 2.1*. For employment, an estimated effect of the job-oriented measures is taken into account, whereby companies have the possibility to retain employees despite production losses. These measures mean that companies will lay off workers to a smaller extent than the decline in production would otherwise implicate.



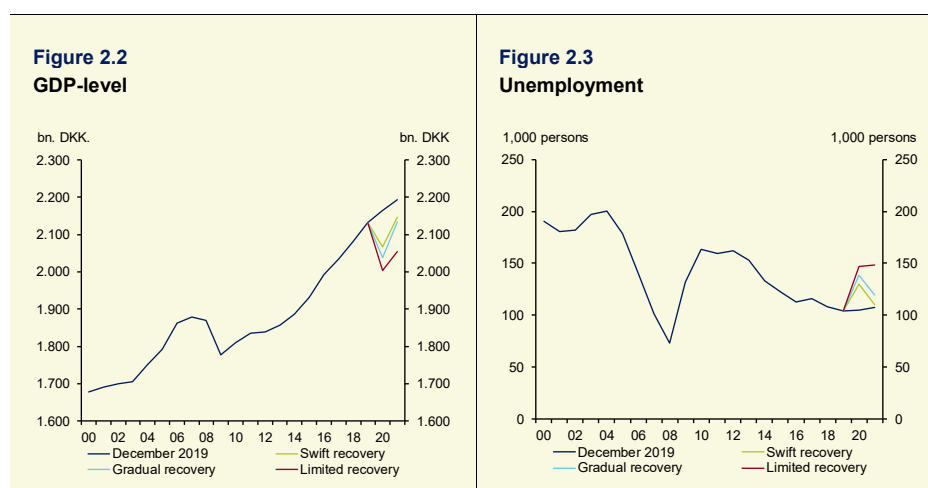
Note: The December 2019-path is based on *Economic Survey, December 2019* updated with new figures from the Danish National Accounts for 2019.

Source: Statistics Denmark and own calculations.

The scenarios indicate that GDP may fall by between 3 and 6 per cent in 2020 as a whole, *cf. figure 2.2*, and that unemployment at the annual level can rise from 105,000 persons last year to between 130,000 and 150,000 people this year. The annual levels cover significant

fluctuations throughout the year. In all three scenarios, it is assumed that recovery will continue into 2021. Only in the most positive scenario will unemployment return to close to the previous level, while unemployment in the most negative scenario remains at an unchanged high level in 2021, cf. figure 2.3.

There are also other possible scenarios than those illustrated, and the scenarios do not necessarily constitute boundaries for possible developments. The scenarios show possible outcomes under a number of general assumptions about the effects of the coronavirus epidemic and the impact on the Danish and international economy. The possibility exists that despite an expected dramatic fall in growth for a period and inevitable rise in unemployment, it will not manifest itself into a deep and more long-lasting crisis. However, a more negative scenario may be the consequence, especially if developments abroad remain weak.



Note: The December 2019-path is based on *Economic Survey, December 2019* updated with figures from the Danish National Accounts for 2019.

Source: Statistics Denmark and own calculations.

Key figures for the scenarios are shown in table 2.1 and in the appendix tables there are a number of supplementary figures for the middle scenario with a gradual recovery. It should be noted that more detailed assessments regarding the development of the individual demand components, including private consumption and exports, are attached with additional uncertainty in addition to the considerable uncertainty already associated with the overall development. Furthermore, it should be emphasised that the middle scenario with gradual recovery is not necessarily the most likely scenario, but expresses a course for the economy that is neither distinctly optimistic nor pessimistic.

Table 2.1
Key figures for different scenarios

| | Swift recovery | | | Gradual recovery | | Limited recovery | |
|--|----------------|-------|-------|------------------|-------|------------------|-------|
| | 2019 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 |
| GDP, per cent. | 2.4 | -3.0 | 3.9 | -4.4 | 4.8 | -6.0 | 2.5 |
| Employment, 1,000 persons | 2,998 | 2,969 | 3,001 | 2,956 | 2,987 | 2,943 | 2,942 |
| Change in employment, 1,000 persons | 35 | -30 | 32 | -43 | 31 | -56 | -1 |
| Unemployment, 1,000 full-time unemployed persons | 104 | 130 | 110 | 138 | 119 | 147 | 148 |

Note: The key figures solely show scenarios for the economic development. These scenarios do not constitute an actual forecast for the Danish economy.

Source: Statistics Denmark and own calculations.

Denmark's central bank (Danmarks Nationalbank) and the Danish Economic Councils' chairmanship have also prepared scenarios for the development of the Danish economy, both of which also point to a severe setback in 2020, *cf.* box 2.2.

Box 2.2

Scenarios from Danmarks Nationalbank and the Danish Economic Councils' chairmanship

Danmarks Nationalbank and the Danish Economic Councils' chairmanship have also published scenarios for the economic development in Denmark on April 1st and April 6th, respectively. Both institutions publish scenarios rather than actual forecasts because of the current exceptionally high uncertainty and due to the fact that it is still difficult to assess the extent and severity of the crisis.

All scenarios show a large setback this year, but they also illustrate that there is a good chance of a recovery next year. Both Danmarks Nationalbank and the Danish Economic Council acknowledge that the implemented support packages and initiatives will support the economic recovery.

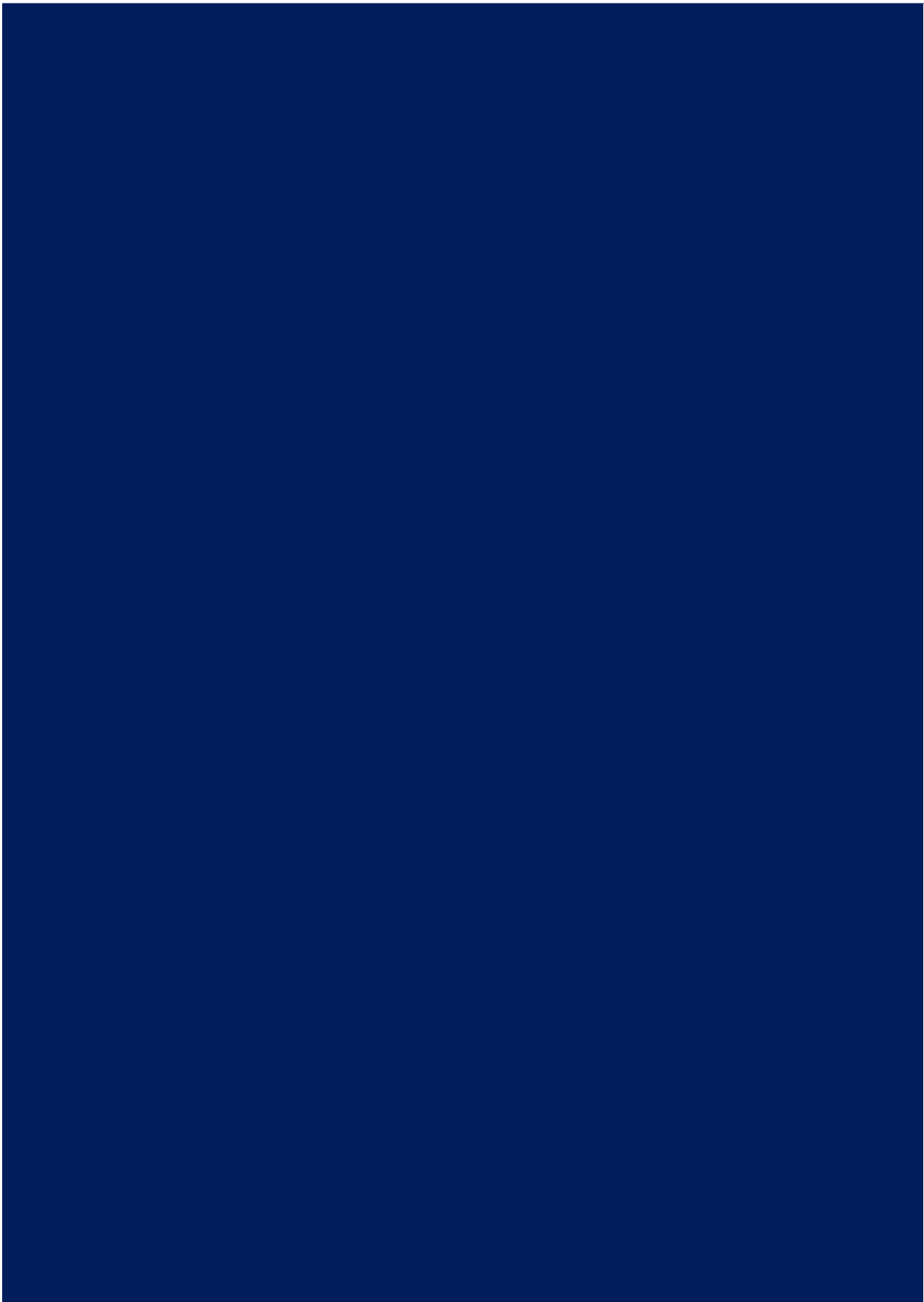
Danmarks Nationalbank assesses that GDP will fall by between 3 and 10 per cent in 2020. This assessment is based on the following scenarios:

- In a **central scenario**, a gradual recovery occurs first in Denmark and with a delay abroad as the virus outbreak is contained and concerns regarding spread of the virus decrease. At the end of 2021, the output gap is estimated to remain negative, primarily due to weak demand from abroad.
- In a **mild scenario**, a quick recovery in both Denmark and abroad occurs, for example due to a rapid development of a vaccine or an effective treatment, and the output gap closes during 2021.
- In a **severe scenario**, the economic recovery is prolonged, for instance due to another outbreak of the coronavirus toward the end of 2020, if behavioural changes prove to be more long-lasting or perhaps most importantly, if the economic downturn abroad becomes more long-lasting and severe. In this case, the output gap will remain significantly negative by the end of 2021.

The Danish Economic Councils' chairmanship estimate that GDP will fall by between 3½ per cent and 5½ per cent in 2020, while the public finances will show a deficit between 6½ and 9 per cent of GDP. The assessment is based on two scenarios:

- In an **optimistic scenario**, four weeks of complete shutdown is assumed followed by a gradual reopening of the economy such that all formal restrictions are assumed to be lifted immediately after the summer holidays. It is assumed that there are long-term effects as a result of increased uncertainty, and economic activity will remain below the level of economic activity that would have occurred in the absence of the coronavirus in the entire second half of 2020.
- In a **pessimistic scenario** it is assumed, that there is a second wave of coronavirus in the autumn of 2020, but that it only requires a shutdown half the size of the first shutdown in the spring. In this scenario, production by the end of 2020 will be noticeably below the level that could be expected in the absence of the corona epidemic, and the activity level will also be significantly lower in 2021.

Source: Danmarks Nationalbank: *Dansk og international økonomi ramt af pandemi*, Analysis no. 4 (published April 1st 2020), The Danish Economic Councils chairmanship: *Corona-scenarier for dansk økonomi og de offentlige finanser* (published April 6th 2020).



3. Budget balance, public debt and economic initiatives in the light of the corona epidemic

The projection of the development in the budget balance and public debt is based on the three scenarios for the Danish economy in chapter 2. The projection is not based on concrete expenditure and fiscal policy in 2021, as these prioritisations are first decided on with the Fiscal Bill for 2021 and the economic agreements with the municipalities and regions for 2021. The scenario for 2021 is a “no-policy-change” scenario.

The projection of the budget balance and public debt is subject to substantial uncertainty, as the general economic situation in both Denmark and the world is uncertain.

The development of the public finances is to a large degree dependent on the economic development as part of public expenditures and revenue is directly dependent on GDP, employment, unemployment etc. Hence, a lower level of GDP and higher unemployment in the three scenarios will be reflected in a weakening of public finances. The economic downturn will lead to lower public revenues from taxes and higher expenditures related to unemployment benefits and social security etc.

The deficit on the actual budget balance is significant in both 2020 and 2021 in all three scenarios. In the scenarios, the deficit is in the range of 7-9 per cent of GDP in 2020 and between nearly 2 and nearly 4 per cent of GDP in 2021 *cf. table 3.1.*

Table 3.1
Actual public balance, 2017-21

| | | | | Swift recovery | | Gradual recovery | | Limited recovery | |
|--|------|------|------|----------------|------|------------------|------|------------------|------|
| | 2017 | 2018 | 2019 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 |
| Actual public balance, per cent of GDP | 1,5 | 0,5 | 3,7 | -7¼ | -1¼ | -8 | -2½ | -9 | -3¼ |
| Actual public balance, DKK bn | 33,1 | 10,7 | 84,9 | -165 | -43 | -180 | -58 | -197 | -86 |

Source: Statistics Denmark and own calculations.

In a Danish context (since the beginning of the 1980's), the budget deficit in all three scenarios is pronounced. In addition, the budget deficits are larger than during the global financial crisis.

Compared to *Economic Survey*, December 2019, the estimated actual budget balance is weakened by 160-190 billion DKK in 2020 and 40-80 billion DKK in 2021 in the three scenarios.

The downward adjustment in 2020 can be partially attributed to temporary additional expenditures in connection to fiscal aid packages and initiatives towards supporting the business sector, employees, etc., *cf. below*. The decided initiatives and aid packages etc. entail direct additional expenditures in 2020 of around 100 billion DKK, but at the same time they contribute to a reduction in other expenditures such as expenditure on unemployment benefits or lost tax revenue, as they support the general economy. In addition, the initiatives are an investment in a quick resumption of production when the economy is reopened.

The worsening of the budget balance in comparison to the December-projections also reflects the effect of a cyclical slowdown on the public finances. On the expenditure side it particularly entails higher expenditures for unemployment benefits and social security etc. derived from higher expected unemployment. On the revenue side, the reduced employment and consumption etc. will dampen the revenue from taxes.

Altogether, the three scenarios implies a temporary high level of total government expenditure as a share of GDP on 56¼-58¼ per cent in 2020, while the total government revenue in the three scenarios is around 49¼-49½ per cent of GDP in 2020, *cf. table 3.2*.

Table 3.2
Expenditures and revenue

| | | | | Swift recovery | | Gradual recovery | | Limited recovery | |
|--------------------------------------|------|------|------|----------------|------|------------------|------|------------------|------|
| | 2017 | 2018 | 2019 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 |
| Public expenditures, per cent of GDP | 50,2 | 49,9 | 48,6 | 56½ | 50 | 57½ | 50½ | 58½ | 52¼ |
| Public revenue, per cent of GDP | 51,8 | 50,4 | 52,2 | 49¼ | 48¼ | 49½ | 48 | 49½ | 49 |

Source: Statistics Denmark and own calculations.

Given that the undertaken aid packages etc. are of temporary nature and therefore predominantly affect expenditures in 2020, the public share of expenditures in the scenarios are reduced to approximately 50-53 per cent of GDP in 2021, while the public revenues make up approximately 48-49 per cent of GDP.

The development in the budget balance toward 2025 will among other things, depend on the speed of the economic recovery.

The public EMU-debt was 33 per cent of GDP by the end of 2019, which is a low level in an international and historic context. In the three scenarios, the EMU-debt can potentially rise to between 40 and 44 per cent of GDP by the end of 2021 (where the liquidity initiatives in general are phased out), *cf. table 3.3*. The starting point of the Danish economy with low public debt and the low interest rates on debt means that there has been room for an increase in the public debt as a result of the corona epidemic without raising doubt about the sustainability of the public finances in Denmark.

Table 3.2
EMU-debt 2017-21

| | | | | Swift recovery | | Gradual recovery | | Limited recovery | |
|---------------------------|------|------|------|----------------|------|------------------|------|------------------|------|
| | 2017 | 2018 | 2019 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 |
| EMU-debt, per cent of GDP | 35,5 | 33,9 | 33,2 | 40 | 40¼ | 40¼ | 41¼ | 41½ | 44 |

Source: Statistics Denmark and own calculations.

Even though the EMU-debt are going to increase, it is still – even with the most severe scenario – expected to keep well below the limit of 60 per cent of GDP. This applies both to this year and next year.

Decided initiatives and aid packages

As mentioned earlier, there has been decided on a range of initiatives and aid packages etc. The intention with these is to cushion the negative economic consequences of the corona epidemic on Danish economy, *cf. box 3.1*.

The initiatives include direct subsidies for approximately 100 billion DKK, which, among other things, consist of three large compensation schemes aimed at companies and employees:

- **Wage compensation scheme:** Companies are compensated for 75 per cent of the wage to white-collar workers and 90 per cent of the wage to non-white-collar workers (however, at a maximum of DKK 30,000 per month) for employees that are sent home with full pay instead of being laid off. For the time being, applications regarding 150,000 employees has been sent in.
- **Compensation scheme for self-employed and freelancers:** Small self-employers can be compensated if they experience a decline in turnover of more than 30 per cent. The compensation amounts to 90 per cent of the loss in turnover, however, at a maximum of DKK 23,000 per month (or at a maximum of 46,000 if the self-employed has a spouse as employee).
- **Compensation scheme for companies' overheads:** Companies can be compensated for documented overheads if they experience significant decline in turnover. The degree of the compensation varies with the companies' decline in turnover, *cf. box 3.1*.

In addition, it is decided that organizers of cancelled, postponed or substantially changed events (above 350 participants) can be compensated as well as aid packages has been adopted for the cultural area, socially vulnerable citizens, boarding schools and folk high schools etc.

In addition, there are initiatives regarding state guarantee schemes and postponements of payment deadlines etc. for a total of DKK 300 bn with the purpose of supporting liquidity in businesses.

In addition, the counter-cyclical capital buffer has been released, which increases the banks' lending capacity with approximately DKK 200 bn.

The extraordinary and temporary initiatives that consist of compensation schemes, guarantee schemes, lending schemes, postponement of payment deadlines etc. all contribute to supporting companies in this extraordinary situation, and it assists in preventing long-term negative consequences for the Danish economy as a result of the corona epidemic.

In addition, there will be additional expenditure held by public authorities, e.g. expenditure in the health-care sector, police etc. as well as expenditures for administering the introduced compensation schemes.

Box 3.3

Subsidies, guarantees, liquidity for businesses etc. that support companies and jobs during the corona epidemic

Subsidies etc.:

Temporary compensation scheme for self-employed (DKK 14.1 bn.)

The scheme enables the self-employed to be compensated if their turnover have declined with more than 30 per cent as a result of the COVID-19 virus. The compensation amounts to 90 per cent of the loss in turnover, however, at a maximum of DKK 23,000 per month. The compensation can amount to DKK 46,000 per month, if the self-employed has a spouse as employee.

It is also possible for self-employed without a CBR-number to be compensated if they have experienced a decline of 30 per cent in income not taxable at source. The self-employed can in this instance get up to 90 per cent of the loss in compensation, however, at a maximum of DKK 23,000 per month.

The degree of compensation amounts to 100 per cent of the turnover loss or loss of income not taxable at source if the self-employed or freelancer is forced by ministerial order to shut down resulting in no revenue or income not taxable at source.

Temporary compensation for businesses' fixed costs (DKK 65.3 bn.)

The scheme enables companies to be compensated for their documented fixed costs, i.e. rent, interest rate expenditures and irredeemable contracts with expenditures in a period (e.g. leasing) if they experience large declines in revenues. The scheme is in effect from March 9, 2020 to July 8, 2020.

The share of the overheads that are to be compensated follows the decline in turnover: 80 per cent if the decline in turnover are 80-100 per cent, 50 per cent if the decline in turnover are 60-80 per cent, and 25 per cent if the decline in turnover are 35-60 per cent. Companies that are shut down by government decree and as a result has no revenue in the period can be compensated with 100 per cent of the overheads as long as the forced shutdown is in place.

Companies can at maximum receive DKK 110 million, and companies are as a minimum required to have overheads amounting to DKK 12,500 for a compensation period of three months in order to qualify for compensation. Companies that receive more than DKK 60 million from the scheme are required not to have capital outflow in the financial year with balance sheet day in 2020 or 2021, e.g. payment of dividend, stock buy-backs unless the stock buy-backs happens in consequence of an individual agreement with employees in the company or the company's subsidiary company or the companies' board members agreed prior to March 9, 2020. Companies that are compensated with more than DKK 60 million can choose to return the compensation received above DKK 60 million and in doing so avoid this requirement.

Temporary wage compensation scheme (DKK 10.2 bn.)

Companies that face having to fire at least 30 per cent of their employees or more than 50 employees can use the scheme for wage compensation.

The government pays 75 per cent of the wage compensation of the wage to white-collar workers, however, a maximum of DKK 30,000, if the company chooses to send home the employee instead of firing him or her. The wage compensation of the wage to non-white-collar workers is up to 90 per cent, however, a maximum of DKK 30,000 per month per employee.

The total expenditure estimate for the scheme is adjusted due to previous assumptions based on figures for preliminary applications from the Danish Business Authority

Temporary compensation scheme for freelancers etc. with both primary (basis for A-tax calculation) and secondary income (DKK 0.2 bn.)

Freelancers etc., who experience a loss of primary and secondary income of at least 30 per cent, can receive compensation. The compensation is 90 per cent of the expected primary and secondary income loss in the period compared to the previous year, however, a maximum of DKK 20,000 per month.

The target group for the scheme is people who have had a total primary and secondary income as well as taxable profits from self-employment of at least DKK 10,000 in average per month the past year. Of this, at least DKK 5,000 per month must be secondary income, and a maximum of DKK 20,000 must be primary income

Unemployment benefits and sickness benefits (DKK 0.4 bn. in 2020)

The seniority counting for recipients of unemployment benefits are paused. This means that the period from March 1 to June 30 will not count towards the seniority of the unemployment benefit period. The unemployment beneficiaries can thus receive unemployment benefits for up to four months longer.

In addition, the employers' payments of unemployment benefit for the 1st and 2nd unemployment days (G-days) are temporarily suspended for members of an unemployment fund who are subject to a distribution of work or repatriation from and including the entry of the law until and including June 30, 2020.

Sickness beneficiaries will be allowed to extend their benefit periods by up to four months if they reach the reappraisal date in the period from March 9 to June 30, and if they are unable to extend the payment of sickness benefit under the extension rules.

Suspension of the 225-hour rule (DKK <0.1 bn.)

The 225-hour rule in the social assistance system is temporarily suspended from March 9 to July 8, 2020. Social assistance recipients affected by the 225-hour rule will not get a reduction in their benefits during the suspension period.

The hourly requirement for a tax free senior premium is reduced temporarily (DKK <0.1 bn.)

The hourly requirement for earning a senior premium of 1,560 hours of employment over 12 months is reduced to 1,040 hours for persons born in the first half of 1954. This corresponds to a four-month free period for earning a senior premium in the period from March 1 to June 30 2020.

Reserve for persons in special risk group (DKK 0.2 bn.)

A reserve of DKK 200 million has been set aside for a solution for people who have difficulty meeting physically at work, because they are in a special risk group for COVID-19 contagion.

Sickness benefits for employers (DKK 1.7 bn.)

Extended entitlement to sickness benefit for self-employed and sickness benefit reimbursement to employers is granted because of COVID-19.

Employers are reimbursed for paid salaries and sickness benefit for the first 30 days (the employer period). In addition, self-employed workers can receive sickness benefits from the first day of absence instead of after the regular period of 2 weeks.

Warning scheme and de-bureaucratization of rules regarding division of labor (DKK <0.1 bn.)

The division of work scheme allows temporary contractual working time to be reduced for a period without firing the employees, for example during periods with lack of incoming orders. During a division of work, it will be possible to receive supplementary unemployment benefits during periods of home leave due to reduced working hours. The scheme has been made more flexible, enabling companies to adapt to the current situation more quickly. It is supporting companies to use the scheme to avoid redundancies as a result of COVID-19.

As for *the warning scheme*, the government ensures that it is ready to handle a situation in which several major redundancies can occur. It is therefore ensured that the existing warning scheme can be rapidly expanded by DKK 10 million in 2020 if necessary. In this way, the warning scheme can continue to ensure targeted efforts for those who may be a part of major redundancies.

Compensation scheme for organizers (DKK 2.4 bil)

The compensation scheme is intended for organizers of major events that are either cancelled, substantially changed or postponed due to COVID-19. The scheme incorporates single events with more than 350 participants.

The scheme applies to both private organizers and organizers, who are primarily financed by public operating grants. The scheme covers the period from March 6 to August 31.

A number of compensation schemes in the cultural field, etc. (DKK 1.3 bn.)

A number of compensation schemes regarding cultural life and civil society etc. have been set up. These include compensation schemes aimed at media companies, national fund-raising, folk high schools, boarding schools, sports associations, voluntary social civil society organizations, etc.

In addition, an aid scheme has been established for artists with combined incomes as well as a pool for distressed cultural institutions and revues.

Inno booster scheme (DKK 0.4 bn.)

Funds have been earmarked for an extraordinary boost of the Innovation Fund's Inno booster scheme in 2020. The goal of the fund is to support innovation projects in small and medium companies and to startups.

Export and investment package (DKK 0.1 bn. in 2020)

The Ministry of Foreign Affairs' payment scheme for export and market counseling will be significantly reduced in 2020 and 2021, and the Ministry of Foreign Affairs' grant for promoting export will be increased in 2021. In addition, a task force will be set up in the Ministry of Foreign Affairs and the Ministry of Industry, Business and Financial Affairs to help Danish businesses in the best possible way through the COVID-19 crisis.

National platform for crowdfunding (DKK <0.1 bn.)

A national platform is set up in collaboration with private crowdfunding platforms to facilitate donations and reward based contributions through crowdfunding.

Guarantees etc.:**Guarantees for lending to SMEs and larger companies (supports DKK 69 bn. in lending)**

A number of government guarantee schemes have been introduced for, among other things, banks' new lending to SMEs and larger companies. Generally, the schemes guarantee 70 per cent of the banks' new lending to otherwise healthy companies that are experiencing significant decreasing turnover because of COVID-19. It is a prerequisite for using the schemes that the company has experienced a turnover loss of more than 30 per cent.

Vækstfonden (the Danish state's investment fund) and EKF Denmark's Export credit manage the schemes. The schemes for larger companies operate on market terms, while a provision for financing SME guarantees has been established due to their higher risk profile. The schemes are limited to 2020.

Travel Guarantee Fund (1.5 billion DKK)

With the strengthening of the Travel Guarantee Fund, the Fund's purpose has been temporarily extended so the Fund can compensate travel companies' reimbursement costs in regards to cancelled travels due to COVID-19 during the period from March 13, when the Ministry of Foreign Affairs tightened its travel guidance, and up to 13 April 2020, as well.

At the same time, the travel Guarantee Fund has been granted a government guarantee of DKK 1.5 bn. to ensure that the Fund has adequate liquidity to meet the compensation requirements. The travel companies will repay the loan over a number of years.

Government guarantee for companies' trade and exports

In order to ensure the Danish companies' access to insurance of their trade and exports, a government guarantee scheme is set up. The government assumes part of the credit insurance companies' risk of losses on the portfolio of trading insurances purchased in 2020 in return for the private credit insurance companies committing to maintain some insurance capacity in the Danish market.

The scheme is administered by EKF Denmark's Export credit. A government guarantee limit of DKK 30 bn. for 2020 has been set up, of which an expected loss of DKK 5 bn. has been allocated. The scheme is limited to 2020

Match funding initiatives in Vaekstfonden (the Danish state's investment fund)

Two match funding schemes have been established in Vaekstfonden. The schemes are aimed at entrepreneurs in the earlier phases and venture companies. At portfolio level, Vaekstfonden will finance between 75 per cent and 100 per cent of the financing with loans. It means that Vaekstfonden will at least offer 1:3-matching and for some types of companies, they will offer full government funding.

The schemes will be limited in time and expire at the end of 2020. Vaekstfonden will receive a special guarantee limit of DKK 2,200 million, of which an expected loss of DKK 800 million is allocated.

Vaekstfonden is also receiving new capacity of DKK 1.2 bn. for investments both directly in companies and via mutual funds. It will help fill out the gaps in the market that arises from private investors pushing upwards or completely out of the venture capital market.

Guarantees for SAS from the Danish government (approx. DKK 1 bn.)

The Danish and Swedish government have in corporation decided to provide guarantees for Scandinavian Airlines (SAS). The guarantees are intended to support SAS's handling of the most urgent financial consequences of COVID-19.

Other liquidity and financing options:**Increased borrowing opportunities for students (DKK 0.6 bn.)**

The opportunity to apply for SU (the Danish students' Grant and Loans Scheme) loans is extended from March through June, giving students in youth education and in higher educations rights to get SU loans for up to DKK 6,388 per month in addition to their scholarship and existing possibility of SU loans. The extension applies to both scholarship recipients and students who graduate later than expected and therefore receive final loans, as well as students who are in paid internships during the period. Students, who have used all SU tickets and all final loan rates for the program, or who have used all SU tickets and have not yet obtained the right to get a final loan for the program, can receive additional final loan rates (equivalent to DKK 8,241 per month) from May to June.

Extension of payment deadlines for VAT and A-tax etc. (DKK 165 bn.)

The payment deadline for VAT settlement is temporarily postponed. This creates a liquidity buffer for companies. The payment deadline for large companies' VAT payment is extended for 3 monthly rates (payments for March, April and May) by 30 days. For medium-sized companies, the payment deadline for the first quarter of 2020 is extended by 3 months, and for small businesses, the payment deadline for the first half of 2020 is extended by 6 months.

Companies' payment deadline for A-tax (tax deducted from primary income) and labor market contribution has been temporarily extended. This creates a liquidity buffer for companies. Payment deadlines are extended for 3 monthly rates (April, May and June) by 4 months. The payment deadline for B-taxes (tax deducted from secondary income) is extended by moving the payment from April 20, 2020 to June 20, 2020 and by moving the payment deadline from May 20, 2020 to December 20, 2020.

Disbursement of paid VAT as interest-free loans (DKK 35.4 bn.)

Small and medium-sized companies that have paid VAT for the second half and fourth quarter of 2019 at the beginning of March 2020, respectively, can apply to have the payment paid back as an interest-free loan. In addition, companies that settle payroll tax according to the so-called method 4, can apply to have the payment of the payroll tax that is paid on April 15, 2020 paid back as an interest-free loan. The loans must be repaid on April 1, 2021.

Postponement of payment deadline for payroll tax (DKK 0.3 bn.)

Companies that settle payroll tax in accordance with the so-called method 4, will get the payment deadline for tax on labor costs postponed in the 2nd and 3rd quarter of 2020 by 1½ month and 1 month, respectively, to strengthen their liquidity.

Temporary abolition of the tax account limit

Companies pay taxes and VAT on the tax account. In order for the limit of the tax account not to be a burden on how much large companies can pay, the limit is temporarily suspended. This will ensure that companies that are not liquidity constrained can continue to pay according to the normal payment deadline and further strengthen the government's liquidity.

Advance of the disbursement of tax credits (DKK 1 bn.)

The disbursement of the tax value of the part of companies' deficits arising from research and development (tax credits) is normally made with reference to the calculation of the final tax on November of the year after the income year to which the costs of research and development activities relate. Disbursements from the tax credit scheme for the 2019 income year are brought forward from November 2020 to June 2020 in order to improve the liquidity of the companies.

Public Procurement: advance payments and flexibility

Until 31 October, 2020, a number of allocation and disposition rules that have implications for public sector procurements are exempted. The exemptions allow government institutions to: 1) make prepayments for suppliers and 2) fail to apply violations rules, if the violation can be attributed to COVID-19. In addition, payment of bills are brought forward from the latest payment deadline, and all public institutions are strongly encouraged to process invoices as soon as possible.

Agreements between the government, KL (Local Government Denmark) and Danish Regions

Municipalities and regions are released from the agreed construction ceiling in 2020 (DKK 2.5 bn.)

In 2020, the government will exempt municipalities from the agreed upon construction limit between the government and KL, which for 2020 is DKK 19.1 bn. In addition, in 2020, the government will release the regions from the construction ceiling agreed upon by the government and the Danish Regions, which for 2020 is DKK 2.5 bn.

This means that municipalities and regions will have free opportunities to advance investments, which should have been made anyway over the coming years. The advancement is targeted for projects that can be started quickly and, as a benchmark, can be completed in 2020. This helps support employment here and now. Overall, it is estimated that this could give rise to increased construction expenditure of DKK 2½ bn. more than previously assumed.

Postponement of payment of service charge on business property (DKK 1.1 bn.)

The government and KL agree that the municipalities have the opportunity to postpone companies' payments of the second rate of service charge on business property in 2020 to 2021. The municipalities' estimated revenue from the second rate of the duty is DKK 1.1 bn. The government encourages the municipalities to use the opportunity to postpone the payment to help solve liquidity problems in private companies.

Ongoing dialogue on operating expenditures

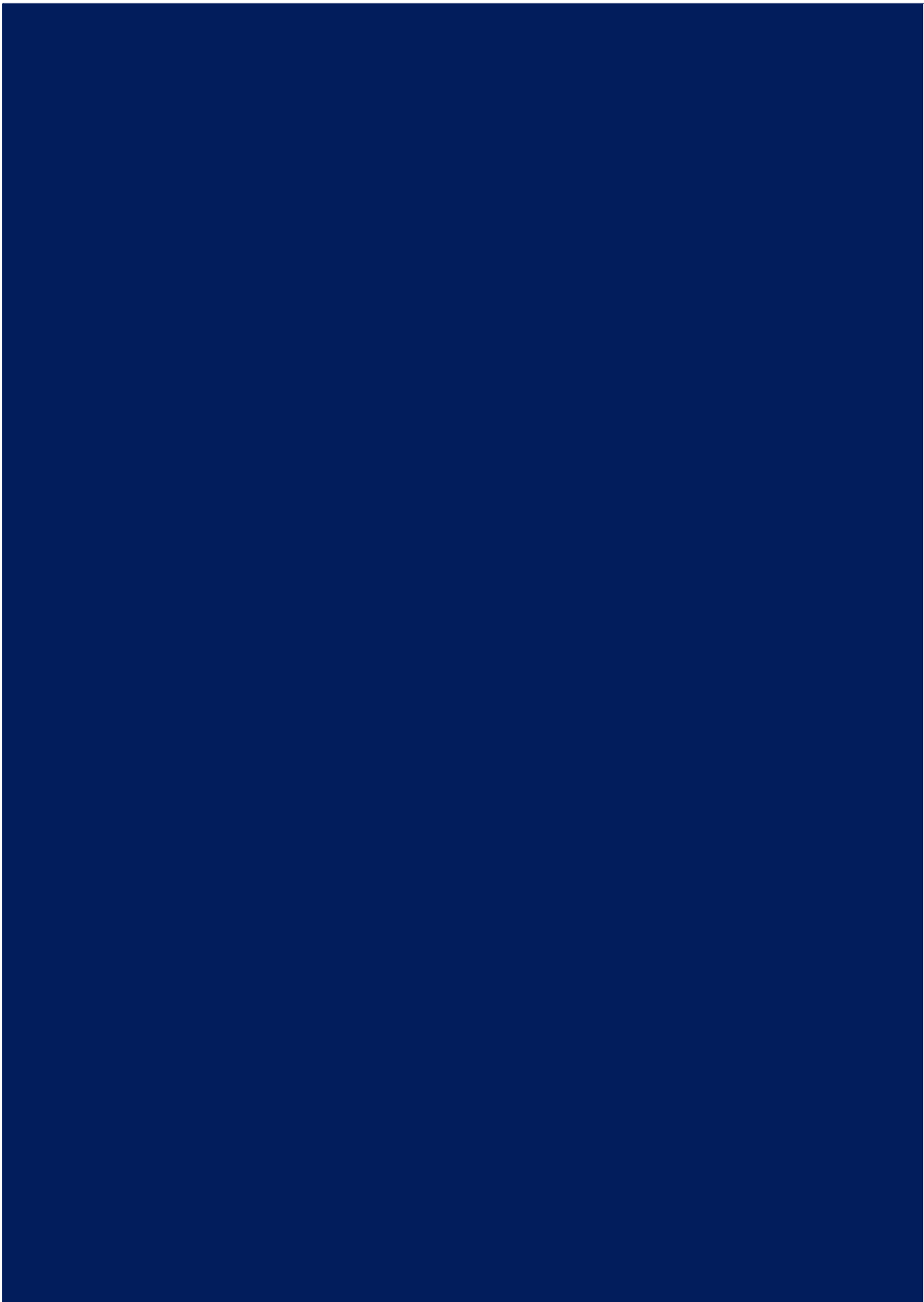
The government will ensure that extraordinary costs for COVID-19 related initiatives do not crowd out other expenditure on citizen welfare.

The Government, KL and the Danish Regions have agreed on an ongoing dialogue on the situation of the municipalities and regions in relation to COVID-19 and the implementation of the initiatives initiated by the Government and the Parliament. They discuss the overall limits of the municipalities and regions' economy in 2020 and 2021 in connection to the upcoming economic negotiations.

Financing the initiation of construction activities

To support the fact that liquidity is not an impediment to initiation of construction activities, the government will allow the municipalities to receive an exemption so the increased construction activity can be financed by borrowing. In addition, the government and KL have agreed to allocate a general loan pool of DKK 500 million for strengthening liquidity in disadvantaged municipalities.

The expenditure consequences of the initiatives are summarized in appendix 3.1. This shows that the total expenditure effect of the initiatives is estimated to make up approximately 4.9 per cent of GDP in 2020 and close to 0 per cent in 2021. The maximal government obligations in relation to guarantee schemes implemented in 2020 corresponds to approximately 3.7 per cent of GDP.



Appendix 3.1 Expenditure effects from completed initiatives and guarantee obligations

An overview of the expenditure effects of the completed initiatives and aid packages as a percentage of GDP can be found in table 3.3.

Table 3.3
Expenditure effects of discretionary initiatives

| Initiative | Description | Expenditure/revenue category (EDP-category) | Status | Expenditure effect as per cent of GDP | |
|---|--|---|--|---------------------------------------|------|
| | | | | 2020 | 2021 |
| Wage compensation | Partly compensation to companies for employees' salaries. | Subsidies (D.3) | The scheme applies from March 9 to July 8, 2020 and is administered by the Danish Business Authority. Opened for applications March 25, 2020. | -0.5 | 0.0 |
| Compensation for fixed costs | Compensation to companies for documentable fixed costs including rent, interest expenditures and irrevocable contract-bound expenses etc. | Capital transfers (D.9) | The scheme applies from March 9 to July 8, 2020 and is administered by the Danish Business Authority. Opened for applications April 8, 2020. | -2.9 | 0.0 |
| Compensation for self-employed etc. | Partial compensation to small companies for turnover losses. | Capital transfers (D.9) | The scheme applies from March 9 to July 8, 2020 and is administered by the Danish Business Authority. Opened for applications April 1, 2020. | -0.6 | 0.0 |
| Compensation for freelancers etc. | Partial compensation to freelancers etc. for A- and B-income losses. | Capital transfers (D.9) | The scheme applies from March 9 to July 8, 2020 and is administered by the Danish Business Authority. Opens for applications beginning of May, 2020. | <0.0 | 0.0 |
| A number of compensation/grant schemes to cultural life, civil society etc. | A number of compensation schemes that relates to cultural life, civil society etc. This includes compensation for national fundraisers, folk high schools, continuation schools, sports clubs, voluntary social CSO's etc. | Other current transfers (D.7) | Varies. | <0.0 | 0.0 |
| Compensation for organizers | Compensation to privately or publicly funded organizers for losses due to cancelled, postponed or substantially changed events. | Capital transfers (D.9) | The scheme applies from March 6 to August 31, 2020 and is administered respectively by the Danish Business | -0.1 | 0.0 |

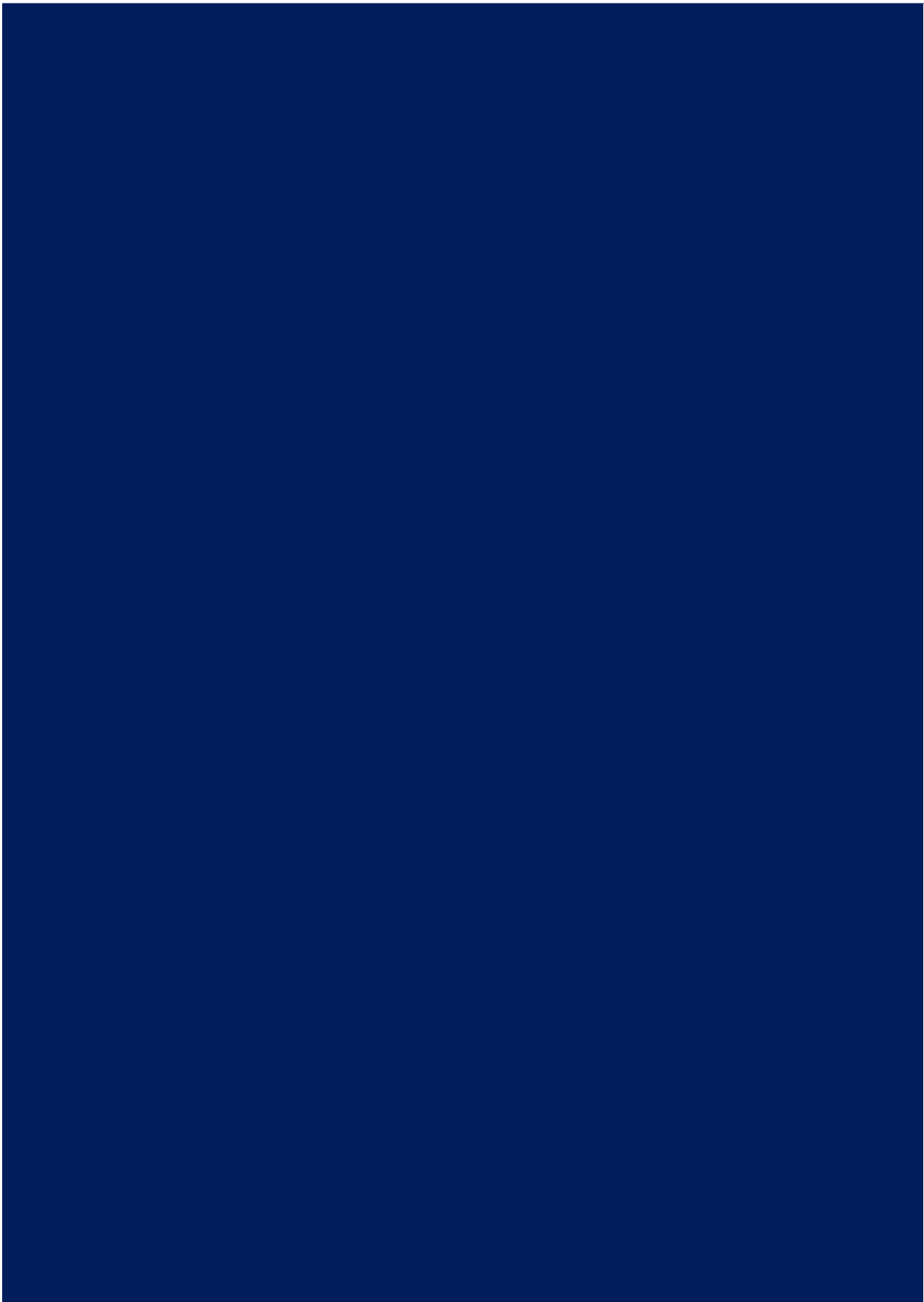
| | | | | | |
|---|--|---|--|-------------|----------------|
| | | | Authority and the Danish Agency for Culture and Palaces. Opened for applications March 20, 2020. | | |
| Abolition of the investment ceilings of municipalities and regions | The agreed upon construction ceilings of municipalities and regions are abolished in 2020, so municipalities and regions have the possibility to advance investments, which were planned to be carried out in the coming years anyway. | Gross fixed capital formation (P.51g) | The funding application is approved by the Finance Committee. The initiative applies throughout 2020. | -0.1 | 0.0 |
| Suspension of seniority for unemployment benefits and sickness benefits, the 225-hour rule etc. | The count of seniority for unemployment benefits is paused, the sickness benefits period is extended, and G-days are suspended etc. | Social contributions and benefits (D.6) | The legislation is enacted by the Danish Parliament. The initiatives apply up to and including June 30, 2020. | <0.0 | <0.0 |
| Extension of reimbursement of sickness benefits to employers etc. | The employer-paid sickness benefit period is suspended. | Social contributions and benefits (D.6) | The legislation is enacted by the Danish Parliament. The initiative expires January 1, 2021. | -0.1 | 0.0 |
| A number of initiatives such as extensions of payment deadlines etc., to strengthen cash-flow of companies. | Different initiatives, with no direct effects on the budget balance as they are mostly concerning shifts of liquidity etc., cf. <i>elaborate descriptions in box 3.1.</i> | | Varies. | 0.0 | 0.0 |
| Losses related to guarantees etc., cf. table 3.4 | Losses related to guarantees, where the expected loss is recorded upfront. | Capital transfers (D.9) | Varies, cf. table 3.4. | -0.5 | 0.0 |
| Additional expenditures to operational tasks | Additional expenditures to public authorities and administration within healthcare, police etc. | Final consumption expenditure (P.3) | Additional operational expenditures are registered on an ongoing basis. There is currently registered additional expenditures of DKK 0.8 bn. in 2020 | <0.0 | 0.0 |
| A number of other smaller initiatives with expenditure effect | Including boost of the Innovation Fund's Innobooster-scheme, export and investment package, art support, compensation schemes for media companies etc. | Other | Varies. | <0.0 | <0.0 |
| Total | | | | -4.9 | <0.0 |

Note: Negative numbers indicate expenditures.

An overview of the new state guarantees mentioned in *box 3.1* is described in *table 3.4* below

Table 3.4
Guarantees

| Guarantees | Description | Status | Maximal obligation as per cent of GDP |
|---|---|--|---------------------------------------|
| Loan guarantees for small, medium and large companies | Government guarantees for loans to small, medium and large companies. | Opened for applications March 2 and April 1, 2020. | 2.2 |
| The Travel Guarantee Fund | Government guarantee for The Travel Guarantee Fund. | Opened for applications April 6, 2020. | 0.1 |
| SAS | Government guarantee for SAS. | The Danish and the Swedish government have commonly decided to offer guarantees for SAS. | <0.1 |
| Match funding initiatives in Vækstfonden | Guarantee limit and contribution to Vækstfonden in order to bring funding to entrepreneurial and venture companies. | Political agreement approved April 18, 2020. Currently being implemented. | 0.1 |
| Companies' trade and exports | Guarantee coverage for part of credit insurance companies' losses related to companies' trade and exports. | Political agreement approved April 18, 2020. Currently being implemented. | 1.3 |
| Total | | | 3.7 |



Appendix 3.2 Completed initiatives and categorization of treatment of one-offs in the calculation of the structural budget balance

In the latest assessment in the *Economic Survey*, December 2019, the structural budget balance was estimated at -0.1 per cent of GDP in 2020 and 0.3 per cent of GDP in 2021. Thus, the starting point was robust with roughly balance and a beginning surplus before the corona epidemic hit.

The structural balance is generally unaffected by the business cycle – since it is an estimate of the underlying position of the public finances, i.e. adjusted for the business cycle and a number of other temporary factors. However, major economic crises, for example, may have an impact on the structural production potential, and higher debt and interest expenditure will affect the structural budget balance. On top of this comes the effects of discretionary fiscal policy measures.

Below is a review of the treatment of the completed initiatives in relation to the Ministry of Finance's estimate of the structural budget balance. In the light of the large economic turnaround and the current uncertainties, this version of the Convergence Programme does not include new estimates of the structural budget balance. Updated estimates for the structural balance will be made in the *Economic Survey*, May 2020. This should be seen in the context that it requires a full business cycle forecast and a corresponding detailed assessment of public finances to make an updated estimate of the structural budget balance, in particular in the current extraordinary situation with a major economic turnaround.

The Ministry of Finance's calculation of the structural budget balance is a so-called top-down method, which is based on the actual budget balance adjusted for calculated effects from business cycles as well as a number of temporary factors, including effects of fluctuations in financial markets as well as correcting for specific one-offs.

In some years there may therefore be special one-offs of a non-recurring nature, which affects the actual budget balance without particularly affecting the underlying position of the public finances. One-offs are defined as *special factors of a non-recurring character and short duration*. The assessment hereof is based among other things on whether a particular measure can be said to fulfill the following criteria: covering a single (or very few) years, being inherently (i.e. not due to the law-based or announced duration) non-recurring and simultaneously not weakening the long term sustainability of fiscal policy to a notable degree. Also, a correction will only be made when a measure amounts to a certain size (typically rounded to at least 0.1 per cent of GDP).

When assessing one-offs there will generally be a need for specific evaluation in relation to fulfilling the criteria. This is also the case in the international cooperation. The EU Commission's five guidelines in relation to one-offs are summarized in *Vade Mecum of the Stability and Growth Pact (2019-edition)*, cf. box 3.2, and elaborated guidelines and examples are found in *Report on Public Finances 2015*.

The one-offs for which the Ministry of Finance corrects in the calculation of the structural budget balance has historically been extraordinary expenditure (e.g. one-off expenditure following the payout of early retirement contributions in 2012 and 2018) and extraordinary revenue (e.g. one-off revenues in relation to the payout of Special Pension in 2009-10 and from the reorganization of the taxation of existing capital pensions in 2013-15).

Box 3.2

Guiding principles for the classification of one-off measures

Principle I: One-off measures are intrinsically non-recurrent. One-off measures are transactions that have, by their very nature, only a temporary, non-recurrent impact on general government revenue or expenditure. For it to be the case, a one-off measure must have an inherent characteristic that makes its impact temporary, i.e. a characteristic that means that it cannot have a sustained impact on the budgetary position.

Principle II: The one-off nature of a measure cannot be decreed by law or by an autonomous government decision. In order to ensure timely and effective policy surveillance, it should be possible to evaluate the one-off nature of a measure unambiguously upon its announcement. For that reason, the one-off nature of a measure should not depend on whether the policymaker announces the measure as temporary or permanent.

Principle III: Volatile components of revenue or expenditure should not be considered one-off. It is clear that the cyclical part of revenue or expenditure should not be considered as a one-off, as its impact is already corrected for via the cyclical adjustment of the general government balance (as explained above). But even after that cyclical adjustment, revenue or expenditure components may still exhibit a significant degree of volatility. The concept of one-offs is not, however, primarily intended to smooth time series and should therefore not be used to correct for such volatility.

Principle IV: Deliberate policy actions that increase the deficit do not, as a rule, qualify as one-offs. The provisions on one-offs are primarily meant to avoid policy measures that do not lead to a sustained improvement of the budget balance being treated as structural. In order to give policymakers the right incentive to fully recognise the permanent budgetary impact of their actions, there is therefore a strong presumption that deliberate policy actions that increase the deficit are of a structural nature.

Principle V: Only measures having a significant impact on the general government balance should be considered one-offs. As a rule, measures worth less than 0.1 % (rounded) of GDP should not be considered one-offs.

Source: Vade Mecum of The Stability and Growth Pact (2019-edition).

The current corona epidemic entails a special situation, where necessary restrictions and shutdowns, and the economic distress that follows for businesses etc., relates to the typical characteristic for one-offs, which in *Report on Public Finances 2015* (pp. 64) are described as: *"Measures introduced in direct response to 'exceptional events' and that have a very short-term impact. Exceptional events are defined for this purpose as: specific occurrences that can be regarded as being beyond the control of the government, and that have an often sudden impact on the revenue/expenditure or assets/liabilities of the general government or of the country, that is temporary by nature and significantly exceeds normal economic fluctuations."*

In the Ministry of Finance's calculation of the structural budget balance, the basis is that the initiatives carried out within aid packages etc., which are directly derived from the corona epidemic and the containment hereof as well as directly derived negative consequences related to health restrictions etc., are treated as one-offs in the calculation of the structural budget balance. This assessment applies for the major part of the expenditure effects described in chapter 3¹.

Generally though, it is still the case that measures of a more general nature – among these measures and tools, which can also be in use in more standard economic setbacks, and which aim to support economic activity in a more broad sense – affects the structural budget balance according to the general calculation methods and principles, so that the structural budget balance reflects the underlying fiscal policy that is led. This comprises for example a higher level of public investment, general measures concerning conditions for businesses and entrepreneurs etc.

General expansionary measures are thus reflected in the structural budget balance, and structural measures such as long term building up of capacity in the health care system or for example measures related to the handling of climate challenges etc. – as a general rule affects the structural balance. Accordingly, it is a defining criteria for the implemented wage compensation schemes to be considered one-offs that the schemes are inherently temporary and that their implementation is a direct response to the health restrictions following the corona epidemic. Alternatively, the schemes should have to be considered as general supportive fiscal policy measures.

Table 3.5 shows on this basis the categorization of the implemented measures in relation to their effect on the structural budget balance in the Ministry of Finance's calculation. All the shown measures have been taken as a reaction to the international corona epidemic, so the distinction between what is considered as one-offs and what is not is to a large degree based on whether the measures are (1) directly related to the handling of the disease and its consequences as well as the health restrictions in Denmark or (2) of a more general demand stimulating or supportive nature and thereby measures, which could have been taken as a response in a more standard international economic crisis.

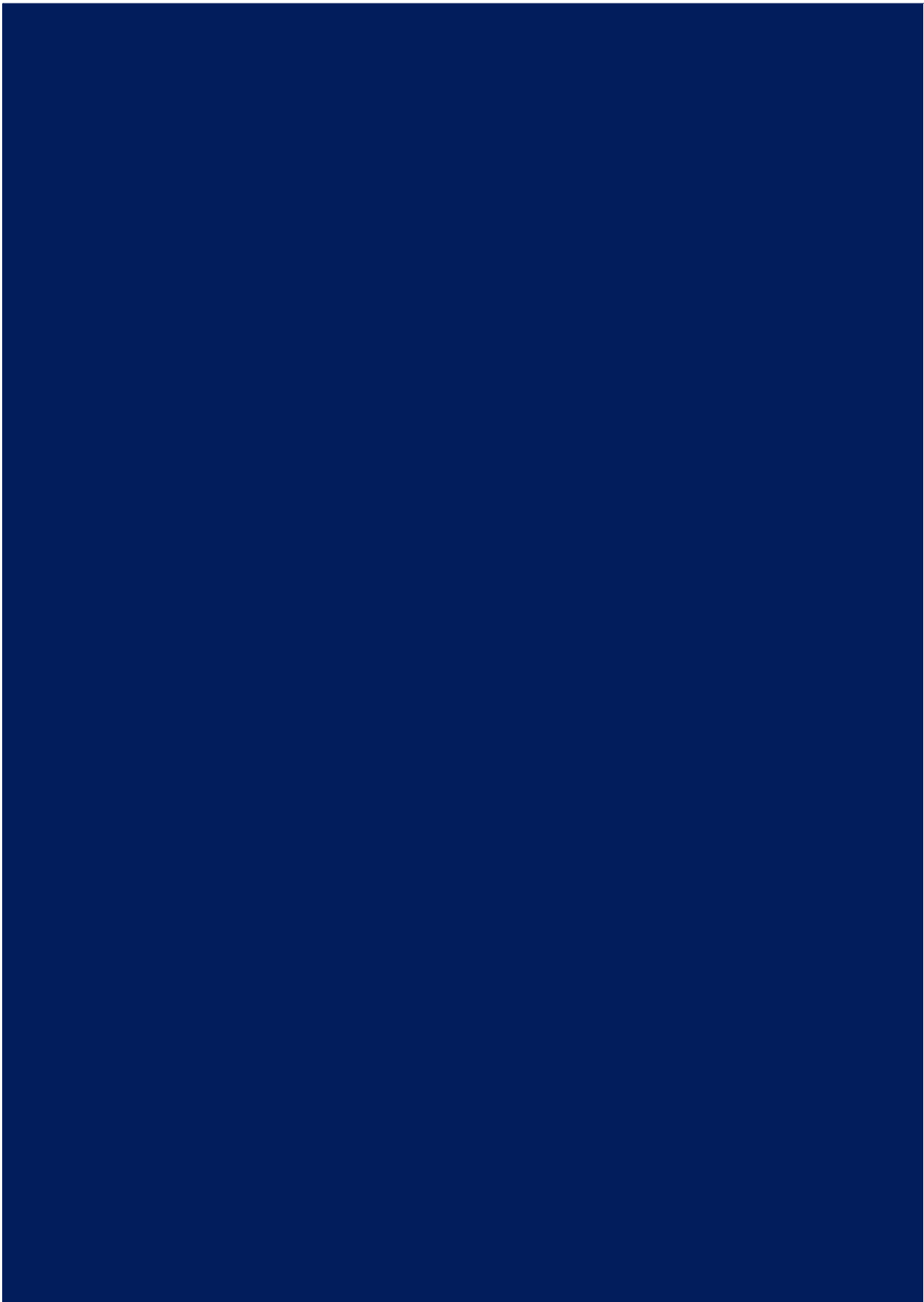
¹ The EU Commission has over the years adopted a more restrictive stance in relation to the classification of expenditure driving measures as one-offs. This is related to a desire for the member countries to be incentivized to fully acknowledge the lasting budgetary effect of such measures. The EU Commission chose for example to not treat the one-shot payout of early retirement contributions in 2018 as a one-off as opposed to the treatment of the equivalent payout in 2012, and even though the measure concerning the possibility for voluntary withdrawal from the early retirement scheme had an overall positive effect in long term fiscal sustainability. The Ministry of Finance believes that the aid packages to struggling businesses etc. under the COVID-19 crisis can be seen as measures that work to prevent a pronounced systemic economic crisis, and that there is a parallel to the fact that when there is a risk of collapse of systemic banks, there can be made capital injections, which according to the Commission's guidelines can be considered one-offs. There is no certainty that the EU Commission will adopt the same treatment of the COVID-19 related measures in the EU's calculation of the structural budget balance for Denmark as the Ministry of Finance does for the Danish calculation in relation to the Budget Law.

Table 3.5
Business and job related measures etc. implemented in response to the COVID-19 epidemic in relation to the categorization in the calculation of the structural budget balance

| DKK bn. | 2020 | 2021 |
|--|------------------------------|------------------------------|
| 1. Measures, which are excluded in the calculation of the structural budget balance (one-offs)¹⁾ | -101.6 | <0.0 |
| Wage compensation scheme | -10.2 | - |
| Compensation scheme for fixed costs | -65.3 | - |
| Compensation scheme for self employed | -14.1 | - |
| Compensation scheme for freelancers etc. with both primary and secondary income | -0.2 | - |
| Compensation scheme for organizers of events | -2.4 | - |
| Various compensation schemes in the cultural field, the education sector, civil society etc. | -1.3 | - |
| Reimbursement of sickness benefits to employers | -1.7 | - |
| Business lending schemes in Vaekstfonden and EKF | -5.5 | - |
| Expenditure related public authorities and administration | -0.8 | - |
| Other measures | -0.2 | <0.0 |
| 2. Measures, which are included in the calculation of the structural budget balance | -9.7 (-4.4) | -0.6 (-1.3) |
| Suspension of municipal and regional construction ceilings in 2020 | -2.5 | - |
| Suspension of seniority counting for unemployment benefits, sickness benefits, 225 hour rule, senior premium etc. | -0.5 | -0.3 |
| Export and investment package | -0.1 | -0.1 |
| Expansion of green Innobooster scheme | -0.4 | - |
| Guarantee coverage for businesses' trade and exports ²⁾ | -5.0 (-0.7) | - (-0.7) |
| Match funding in Vaekstfonden ²⁾ | -0.8 (-0.1) | - (-0.1) |
| Platform for crowdfunding | <0.0 | - |
| Payout of paid VAT as an interest free loan ²⁾ | -0.4 (-0.1) | -0.2 (-0.1) |
| Total direct effect from the implemented measures (1+2) | -111.3 | -0.6 |

- 1) The numbers reflect the direct expenditure consequences excluding derived effects on revenue, which will also be considered one-offs in the calculation of the structural budget balance.
- 2) The expenditure is included with a 7-year moving average in the calculation of the structural budget balance. In the table is specified the effect on the actual budget balance followed by the effect on the structural budget balance in parenthesis.

Source: Own calculations.



Annex tables according to EU's Code of Conduct

Table 1a
Macroeconomic prospects

| | 2019 | 2019 | 2020 | 2021 |
|---|---------|-------------------|------|------|
| | Bn. DKK | Change, per cent | | |
| Real GDP | 2,131.9 | 2.4 | -4.4 | 4.8 |
| Nominal GDP | 2,321.5 | 3.4 | -3.1 | 6.2 |
| Components of real GDP | | | | |
| Private consumption | 982.1 | 2.2 | -2.0 | 3.5 |
| Government consumption ¹⁾ | 524.7 | 0.5 | 1.6 | 0.2 |
| Gross fixed capital formation | 462.4 | 3.4 | -7.8 | 1.9 |
| Changes in inventories ²⁾ | | -0.4 | -1.0 | 1.1 |
| Exports of goods and services | 1,220.3 | 1.6 | -7.4 | 5.4 |
| Imports of goods and services | 1,075.9 | 0.1 | -6.2 | 2.9 |
| Contributions to real GDP growth | | | | |
| | | Percentage points | | |
| Final domestic demand | | 1.9 | -2.3 | 2.1 |
| Changes in inventories | | -0.0 | -0.0 | 0.0 |
| External balance of goods and services | | 0.8 | -1.1 | 1.5 |

1) Government consumption in table 1a is including depreciation.

2) Contribution to GDP growth.

Source: Statistics Denmark and own calculations.

Table 2b
Price developments

| | 2019 | 2019 | 2020 | 2021 |
|------------------------------|-------|--------------------------|------|------|
| | Level | Rate of change, per cent | | |
| GDP-deflator | 108.9 | 1.0 | 1.3 | 1.4 |
| Private consumption deflator | 110.0 | 0.8 | | |
| HICP-index | 108.4 | - | 0.9 | 1.1 |
| Public consumption deflator | 106.4 | 1.5 | | |
| Investment deflator | 111.4 | 0.8 | | |
| Export price deflator | 106.3 | 2.2 | | |
| Import price deflator | 106.0 | 2.3 | | |

Source: Statistics Denmark and own calculations.

Table 2
General government budgetary prospects (EDP-basis)

| | 2019 | 2019 | 2020 | 2021 |
|--|---------|-----------------|------|------|
| | Bn. DKK | Per cent of GDP | | |
| Net lending (EDP B.9) by sub-sector | | | | |
| General government (EDP-form) | 84.9 | 3.7 | -8.0 | -2.4 |
| Central government | 84.9 | 3.7 | | |
| Local government | 0.0 | 0.0 | | |
| Social security funds | 0.0 | 0.0 | | |
| General government (S13) | | | | |
| Total revenue | 1,212.7 | 52.2 | 49.4 | 48.0 |
| Total expenditure | 1,127.8 | 48.6 | 57.4 | 50.5 |
| Net lending | 84.9 | 3.7 | -8.0 | -2.4 |
| Interest expenditures | 16.5 | 0.7 | 1.0 | 0.9 |
| Primary balance ¹⁾ | 101.4 | 4.4 | -7.0 | -1.6 |
| One-off effects ²⁾ | -0.5 | 0.0 | -4.8 | -0.4 |
| Selected components of revenue | | | | |
| Total taxes ³⁾ | 1,085.6 | 46.8 | 44.2 | 42.9 |
| Taxes on production and imports | 363.5 | 15.7 | 15.9 | 15.4 |
| Current taxes on income and wealth etc. | 715.9 | 30.8 | 28.0 | 27.3 |
| Capital taxes | 6.2 | 0.3 | 0.3 | 0.2 |
| Social contributions ⁴⁾ | 0.9 | 0.0 | 0.0 | 0.0 |
| Property income ⁵⁾ | 23.7 | 1.0 | 1.0 | 0.9 |
| Other (residual) ⁶⁾ | 102.4 | 4.4 | 4.2 | 4.1 |
| Total revenue | 1,212.7 | 52.2 | 49.4 | 48.0 |
| p.m.: Tax burden ⁷⁾ | 1,089.7 | 46.9 | 44.4 | 43.1 |

Table 2 (continued)
General government budgetary prospects (EDP-basis)

| | 2019 | 2019 | 2020 | 2021 |
|--|----------------|-----------------|-------------|-------------|
| | Bn. DKK | Per cent of GDP | | |
| Selected components of expenditure | | | | |
| Compensation of employees and intermediate consumption | 547.3 | 23.6 | 25.1 | 24.2 |
| - Compensation of employees | 348.7 | 15.0 | 16.0 | 15.3 |
| - Intermediate consumption | 198.6 | 8.6 | 9.1 | 8.8 |
| Total social transfers | 397.3 | 17.1 | 18.5 | 17.5 |
| - Social transfers in kind ⁶⁾ | 31.7 | 1.4 | 1.5 | 1.4 |
| - Other than in kind | 365.6 | 15.7 | 17.0 | 16.1 |
| Interest expenditures | 16.5 | 0.7 | 1.0 | 0.9 |
| Subsidies | 37.8 | 1.6 | 2.2 | 1.6 |
| Gross fixed capital formation | 73.8 | 3.2 | 3.6 | 3.4 |
| Capital transfers | 6.4 | 0.3 | 4.7 | 0.6 |
| Other (residual) ⁶⁾ | 48.7 | 2.1 | 2.3 | 2.2 |
| Total expenditure | 1,127.8 | 48.6 | 57.4 | 50.5 |
| p.m.: Public consumption | 558.0 | 24.0 | 25.7 | 24.7 |
| Gross debt | 770.8 | 33.2 | 40.7 | 41.2 |

- 1) Defined as the EDP-definition of net lending plus the EDP-definition of interest expenditures.
- 2) Only includes distinct one-off measures and not corrections for temporary variations in the special budget items which enter into the calculation of structural budget balance of the Ministry of Finance – including variations in the pension yield taxation and North Sea revenue as an estimate of the structural budget balance has not been calculated. The one-off measures included in table 2 are one-offs related to the COVID-19 situation corresponding to -101.6 bn. DKK in 2020, cf. also annex 3.2. In addition, table 2 includes other one-off measures corresponding to the estimates herof in *Economic Survey, December 2019* related to the advancement of ordinary income from the capital pension tax in 2019 as a result of the restructuring in 2013-2015 (equivalent to -0.5 bn. DKK) and repayment of property tax in 2020 and 2021 (assumed corresponding to -6.6 bn. DKK in 2020 and -9.5 bn. DKK in 2021).
- 3) Defined as the sum of taxes on production and imports, current taxes on income, wealth, etc. and capital taxes. Does not include compulsory social contributions, which are traditionally included in the tax burden.
- 4) Does not include voluntary and imputed social contributions, since these are not included in the tax burden.
- 5) Includes interest income and dividends and land rent etc.
- 6) Statistic Denmark does not publish figures for all the subgroups (P.11+P.12+P.131+D.39+D.7+ D.9 (other than D.91), D.6311, D.63121, D.63131, D.29+D.4 (other than D.41) +D.5+D.7+D.9+P.52+ P.53+K.2+D.8), and no estimates are available for these individual components in the projections.
- 7) Defined as the sum of taxes on production and imports (incl. those collected by the EU), current taxes on income, wealth etc. and capital taxes and compulsory social contributions.

Source: Statistics Denmark and own calculations.

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