## OECD ECONOMIC SURVEYS DENMARK

## ISSN 0376-6438, e-ISSN 1609-7513 January 2019

## Consulta en línea desde Intranet

Executive Summary	9
Key Policy Insights	13
The economy is growing, though modestly	13
Macro-financial vulnerabilities have declined, but weaknesses remain	23
Macroeconomic policies are stimulating the economy	
Higher public sector efficiency could add to fiscal sustainability	
Ensuring equal opportunities to benefit from technological changes	43
The transition to a low-emission economy could be more cost-efficient	58
References	60
Annex 1.A. Progress in structural reform	
Annex 1.B. Incorporating downturn risk in fan charts for GDP growth projections	70
Chapter 1. Adapting business framework conditions to deal with disruptive technologies	73
Challenges and opportunities for Denmark's business sector	73
Refining competition and regulatory frameworks to promote business dynamics	
Upgrading capital markets and rebalancing taxation to boost investment	
Fostering knowledge creation and R&D to boost business innovation	103
Enabling businesses to thrive in the digital age	111
Building skills to keep up with technological disruption	119
References	128
Tables	
Table 1. Macroeconomic indicators and projections	18
Table 2. Possible low-probability extreme shocks to the Danish economy	
Table 3. Past OECD recommendations on financial sector and housing market risks	
Table 4. Potential impact of structural reforms on per capita GDP	
Table 5. Illustrative fiscal impact of recommended reforms	
Table 6. Past OECD recommendations to ease public expenditure pressures	
Table 7. Past OECD recommendations to maintain inclusive growth	
Table 1.1. Business services grouped by knowledge-intensity and internationalisation	
Table 1.2. Denmark ranks high on most innovation measures	
Table 1.3. Danish R&D investors is strongly dominated by pharmaceutical companies	
Figures	
Figure 1. Wellbeing ranks high in many dimensions	14
Figure 2. Growth has been weak, though other factors add to real incomes	15
Figure 3. A tightening labour market is beginning to feed into wage growth	17
Figure 4. The large current account surplus has started to decline	19

Figure 5. Denmark's main trading partners	19
Figure 6. A large part of the current account surplus stems from goods produced abroad	. 20
Figure 7. The Danish economy is vulnerable to a worst-case Brexit scenario	22
Figure 8. Brexit would particularly affect agri-food and manufacturing	23
Figure 9. Household gross debt has decreased but is still very high	. 24
Figure 10. House prices in Denmark have increased in line with household income	25
Figure 11. Nominal credit growth is low reflecting ongoing consolidation of high debt	
Figure 12. Rapidly increasing flat prices in Copenhagen is a risk	
Figure 13. Taxation of capital income at the household level is high but favours owner-occupied	
housing	28
Figure 14. Monetary conditions will not help to stabilise the economy	
Figure 15. The fiscal policy stance is set to become broadly neutral	32
Figure 16. The national Budget Law has eliminated public spending overruns	32
Figure 17. The institutional setup of the Danish Economic Councils integrates four tasks	34
Figure 18. Public finances will be sustainable if the retirement age increases as expected	35
Figure 19. Higher early retirement age has contributed to rising senior employment	
Figure 20. The pension replacement rate is projected to reach almost 90% by 2070	38
Figure 21. Age-dependent tax deductions address high marginal taxes from means testing	39
Figure 22. Household net wealth is sizeable across the income distribution, but assets are mostly	
illiquid	
Figure 23. Digital communication with the public sector is high.	
Figure 24. Jobs at risk of automation is lower than in other OECD countries	. 44
Figure 25. Job polarisation largely reflects educational upgrading, but high educated have filled	
more low-skill jobs	
Figure 26. High turnover supports strong and inclusive labour market performance	
Figure 27. Spending on support to find new jobs is very high	48
Figure 28. Inequality remains low, despite its increase since the mid-1990s	49
Figure 29. Taxes and transfers have become less redistributive between working families	
Figure 30. Immigration has increased substantially due to foreign workers and students	
Figure 31. High employment rates for natives drive the gaps to foreign-born	
Figure 32. Gender gaps are slowly closing	
Figure 33. The share of women in management positions is low	
Figure 34. Women are more inclined to work in the public sector and part-time	
Figure 35. The impact of children on earnings differs widely across women and men	
Figure 36. Most mothers work and use flexible work arrangements	
Figure 37. Parental leave reserved exclusively for fathers is low	
Figure 38. Environmental performance is strong	
Figure 39. Using probit probabilities of a future downturn to design fan charts	
Figure 1.1. Danish firms are at the frontier in using new technologies	
Figure 1.2. The business framework is among the most favourable across OECD countries	
Figure 1.3. A snapshot of the Danish economy and businesses	
Figure 1.4. Productivity growth has slowed down in Denmark driven by services	
Figure 1.5. Less knowledge-intensive services industries lag behind other countries	
Figure 1.6. Productivity growth in internationalised services is showing weaknesses	
Figure 1.7. The gap to firms at the productivity frontier remains small in Denmark	
Figure 1.8. Business dynamics has remained high compared to other countries	
Figure 1.9. Many young firms exit and those remaining employ a low share of workers	
Figure 1.10. The composition of new firms has shifted towards knowledge-based and ICT services.	
Figure 1.11. Mark-ups are stable on average, but on the rise in certain sectors	
Figure 1.12. Business investments are picking up and shifting towards intangibles	92

Figure 1.13. Corporations are accumulating financial assets despite a wide gap between return and	1
cost of capital	
Figure 1.14. ICT investment is associated with higher business dynamics and higher TFP	94
Figure 1.15. Capital markets are well developed	
Figure 1.16. Debt-to-equity is low and dominated by mortgage loans	
Figure 1.17. Denmark raises plenty of venture capital but the majority is invested abroad	
Figure 1.18. Growth capital for businesses to expand is scarce	
Figure 1.19. The tax wedge and the corporate income tax rate are close to OECD averages	
Figure 1.20. The top marginal tax rate and dividend taxation are high and aligned	
Figure 1.21. Business R&D is highly concentrated in a small number of firms	
Figure 1.22. Denmark's patents are highly specialised in environment technologies	107
Figure 1.23. Denmark's relative performance in patent filings is unequal across different	
technological areas	107
Figure 1.24. Information industries productivity and innovation performance relative to other	
sectors are lower than in most countries	108
Figure 1.25. The policy mix in public support for business R&D increasingly relies on fiscal	100
incentives, although they remain at a moderate level	
Figure 1.26. Private funding of public R&D is very low	
Figure 1.27. Adoption of digital technologies is uneven across technologies and firm size	
Figure 1.28. Potential increase in digital adoption rate from structural policy reforms	
Figure 1.29. Digital access is high, but deployment of the latest technologies is low	
Figure 1.30. IPv6 adoption is very low in Denmark	
Figure 1.32. Use of personal information on the Internet is a concern in Denmark	
Figure 1.33. Formally defined security policies are mostly present in large firms	
Figure 1.34. Knowledge areas and skills in shortage and surplus in Denmark	
Figure 1.35. The share of STEM graduates is low	
Figure 1.36. ICT skills shortage is significant and increasing	
Figure 1.37. Labour market returns to ICT tasks are relatively low	
Figure 1.38. Participation in life-long learning is high but decreasing	
Figure 1.39. A large proportion of foreign-born adults are highly educated, but they represent a	. 123
small proportion of the total population	. 126
Boxes	
Box 1. Denmark's global value chain integration can blur measures of economic activity	20
Box 2. Quantification of structural reforms	29
Box 3. The Danish Economic Councils	34
Box 4. Quantifying fiscal policy recommendations	36
Box 1.1. A disrupted economy? Snapshot shows characteristics close to OECD averages	76
Box 1.2. How to group service industries to detect weaknesses?	
Box 1.3. The Danish Disruption Council	
Box 1.4. Recent policy initiatives to enhance digitalisation and the business environment	
Box 1.5. ICT investment benefits business dynamics and firm productivity in Denmark	
Box 1.6. Reducing the tax bias to debt finance by an allowance for corporate equity	
Box 1.7. How much scope for structural reform to boost digital adoption in firms in Denmark?	
Box 1.8. Preparing for the next waves of digital innovation with the deployment of IPv6	
Box 1.9. Recommendations	127