

# Flash Comment Denmark

## GDP growth disappoints

- **Danish GDP contracted in Q3 15 and strong growth in stock building does not bode well for coming quarters.**
- **However, consumer spending is likely to become a more important growth driver going forward, in our view.**
- **All things considered, it is likely we will need to adjust down our growth outlook for 2015-16.**

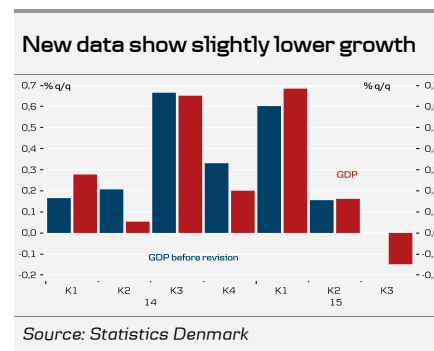
Statistics Denmark today published the Danish Q3 15 growth data, while substantially adjusting its data for the previous quarters. Overall, GDP growth disappointed and will probably come out slightly below our forecasts for 2015 and 2016.

GDP contracted by 0.1% in Q3 15 after adjustment for seasonal fluctuations and price changes. While this was broadly as expected, as we knew beforehand that exports had been very sluggish in Q3, the data was a disappointment, as consumer spending also failed to grow despite strong growth signals from Danish payment card (Dankort) transactions and retail sales. The reason was a sharp fall in household energy consumption. Excluding this component, consumer spending grew 0.7%, which – together with higher Dankort sales in October – indicates strong consumption growth in Q4 15.

Public consumption also declined, as did several investment components. Only a large growth contribution from stock building prevented a steep decline in GDP in Q3 15. In addition, stock building in a given quarter tends to be a drag on production in the following quarters.

On a positive note, Danish production now exceeds its pre-crisis level, disregarding the decline in North Sea energy production. Excluding raw materials, production is now 0.25% larger than at its Q4 07 pre-crisis peak. Achieving this over an eight-year period is nothing to write home about and it does not change that Denmark has experienced a deep and protracted crisis. Still, it is a good thing that we have now passed this milestone.

Employment grew by 6,300 in Q3 15 and is now 61,500 up on its 2012 low. So, in this sense, the recovery is on track. Indeed, we expect GDP growth to return over coming quarters, driven by a recovery across Europe, although today's subdued numbers indicate that overall GDP growth will probably not reach our forecasts of 1.6% for 2015 and 1.9% for 2016.



*Economist*  
Las Olsen  
+45 12 85 36  
[laso@danskebank.dk](mailto:laso@danskebank.dk)

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