

# DANMARKS NATIONALBANK

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Extraordinarily high current account surplus

## Denmark's large surplus is temporary



Denmark has had a current account surplus since 1990. The very large surplus since 2010 is temporary.



Firms' financial savings rose strongly in the wake of the financial crisis. Today, households are the main driver of the surplus.

Denmark has had a current account surplus for almost 27 consecutive years. In recent years, it has been extraordinarily high, at 7-9 per cent of the gross domestic product, GDP, corresponding to kr. 164-186 billion per year. As concluded by Danmarks Nationalbank in an analysis, a part of this surplus is assessed to be temporary.

The current account surplus can be seen as Denmark's financial savings abroad, thus enhancing future consumption possibilities. The high surplus in recent years is a result of consolidation among both firms and households since the financial crisis.

Financial savings by households and firms typically fluctuate with cyclical developments. This means that savings increase and investment is reduced during an economic downturn. This was also the case during the crisis in 2008-09, but since 2010, savings have been notably higher than the historical relationship with the cyclical position suggests.

### Legacy from the financial crisis

Given the current cyclical position, financial savings in the private sector could, in fact, be expected to be around 3 per cent of GDP, but in 2016, they accounted for around 8 per cent of GDP.

"This illustrates firstly that the currently very large current account surplus is driven by the private sector, and secondly that this cannot be attributed to normal cyclical conditions," Danmarks Nationalbank writes in the analysis.

The high surplus is thus likely to reflect other factors, such as the legacy from the financial crisis. It is assessed that many economic agents wanted to reduce debt in the wake of the financial crisis, and that especially the heavily indebted households have reduced consumption in order to pay off debt.

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Also, the low interest expenses are likely to be perceived by households as a temporary phenomenon, and the entire gain from the low interest rates is therefore not spent on consumption.

Since 2009, household debt has been reduced to around 270 per cent from around 315 per cent of disposable income. This consolidation may be coming to an end, which could lead to higher consumption and investment and hence higher imports. If this happens, the current account surplus would be reduced.

Firms' financial savings rose strongly after the onset of the financial crisis. For instance, the banks built up capital buffers. In 2010-15, firms' financial savings were larger than what was suggested by the cyclical position, and this contributed to boosting the current account surplus. Today, firms' savings are at a level which can be expected given the current cyclical position.

Read the analysis on the current account here ([link](#)).

### Denmark's balance with the rest of the world

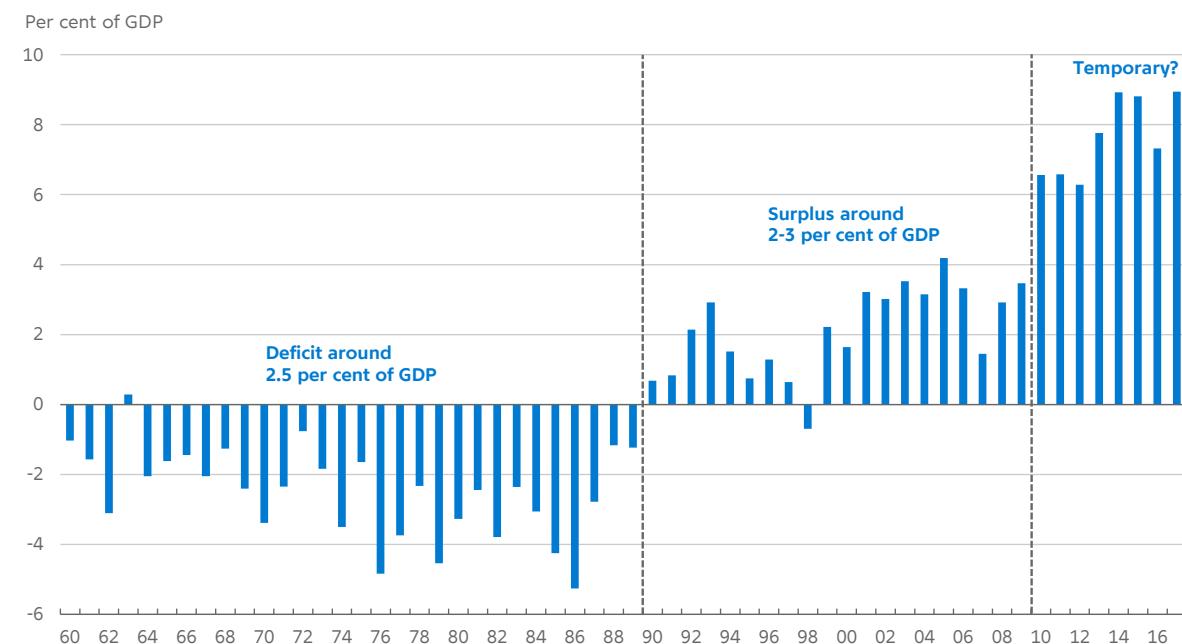
Box 1

The current account of the balance of payments is Denmark's account with the rest of the world. It can be considered in several ways. The analysis focuses on the current account as the difference between national savings and real investment. An alternative approach is to consider the current account as the value of Denmark's economic payments to and from abroad. In other words, whether we buy more goods and services abroad than they buy from us, and whether we receive more interest and dividend payments from abroad than we pay abroad.

From 1960 to 1989, Denmark had a current account deficit each year except 1963. Denmark has had a surplus each year from 1990, with the exception of 1998.

### High current account surplus since 2010

Chart 1



Note: 2017 is based on preliminary statistics for the 1st half year.

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