



Landsbanki Føroya

GOVERNMENTAL BANK

ECONOMIC ANALYSIS

CORRECTIONS REQUIRED
TO MAINTAIN A STRONG ECONOMY

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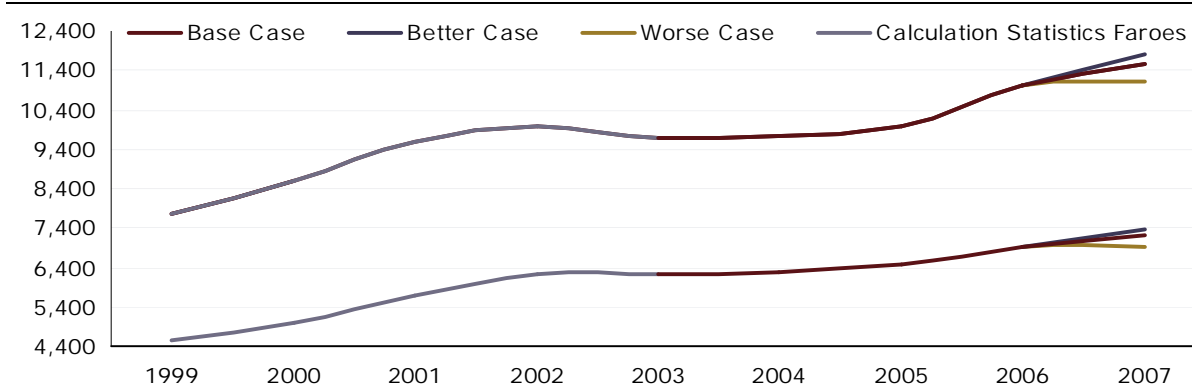
ANALYSIS

Projections of the Governmental Bank

The stagnation experienced by the economy from 2003 to 2005 shifted toward real growth in 2006. Despite positive changes in many areas, the Bank anticipates that limited production capacity will dampen economic growth during 2007, compared to 2006. The Bank's assessment for 2007 envisages nominal growth in GDP of approximately 5%, while it is estimated that wages will increase by approximately 4%.

The Bank's 2007 assessment is based on a number of assumptions: 1) continued labour shortages, 2) continued growth in public consumption and investment, and 3) a slight reduction in exports. With regard to the private sector, the pattern of consumption and investment will remain unchanged, compared to 2006 estimates.

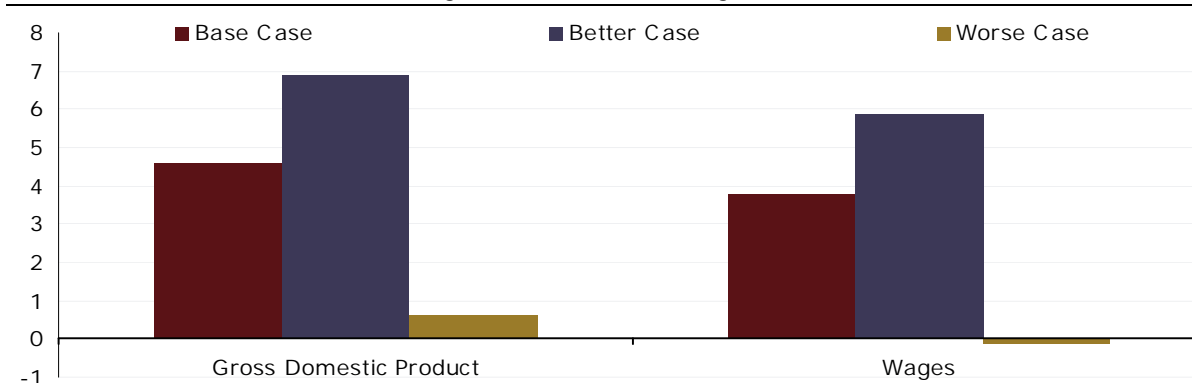
GDP (top line) and Wages, 1999–2007, million DKK (current prices) FIGURE 1



Source: Statistics Faroes (1999-2003) and Governmental Bank (2004-2007)

Compared with the Bank's May 2006 assessment, the GDP increased by approximately 4% in 2006, which was for the most part caused by a boom in the housing market. Thus, the upward revision of GDP was primarily a result of this price swing. The May 2006 assessment estimated that the increase in wages in 2006 would be around 7% (based on wages paid in 2005). Final calculations by Statistics Faroes at the end of 2006 show exactly the same growth in wages as anticipated by the assessment in May 2006.

Three scenarios for GDP and Wages in 2007, %-change FIGURE 2



Source: Governmental Bank

The main reason for the upward trend in 2006 was an increase in consumption and investment within the private sector. To a certain extent, this was a result of more available credit for households and businesses, which as a consequence put pressure on the housing market. The increase in home values, combined with general economic growth, has consequently impacted household

consumption. Furthermore, an increase in production has reappeared in the natural resources industries, while at the same time the public sector has maintained the same level of consumption and investment as in previous years.

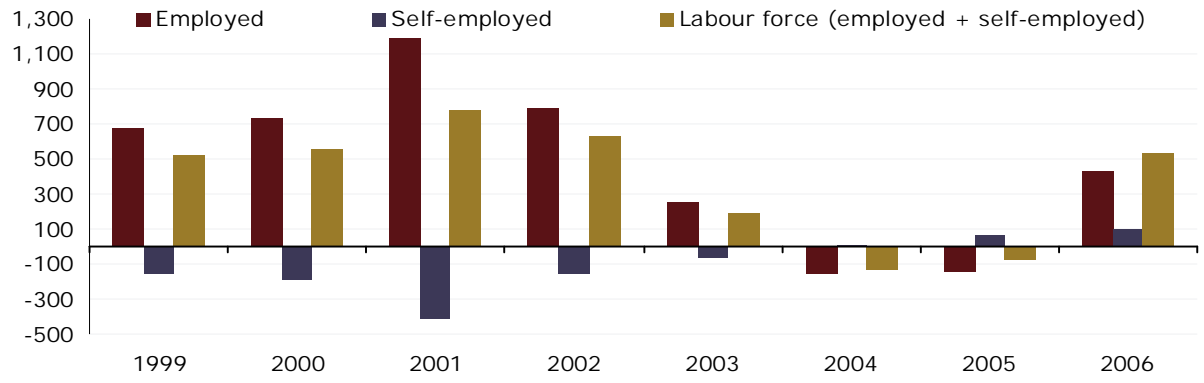
Three scenarios are presented in an effort to show the probable trend for 2007, with the reservation that various factors remain unclear. The better case and worse case projections serve to set the boundaries within which the actual economic trend will in all probability remain. See Figure 2.

Outlined below are the structural conditions that the Bank deems will influence the economic trend in 2007 and that the Bank considers are significant with regard to the overall outlook for 2007. A summary is provided on page 11.

The Labour Market

In many ways, the Faroese labour market has proved to be very fluid. This is evident from the analysis conducted by the Bank on labour and population statistics provided by Statistics Faroes. The data indicates, among other things, that the population shifts from being self-employed, to being employed, to being unemployed and later to being employed abroad. Exactly how and when the population shifts from category to category and back again is not known, but the data fluctuates in all categories.

Changes in the labour market (employed and self-employed), 1999-2006 FIGURE 3



Source: Statistics Faroes

The number of small, self-employed traders declined, which may indicate changes in the overall economic structure. The number of village shops has gone down over the years, while the supermarkets have expanded both in and outside the capital. The number of local, near shore fishermen often increases when unemployment swells and decreases again when regular employment becomes available. It should be noted that the index of self-employed traders is residually calculated, which increases the uncertainty of this factor.

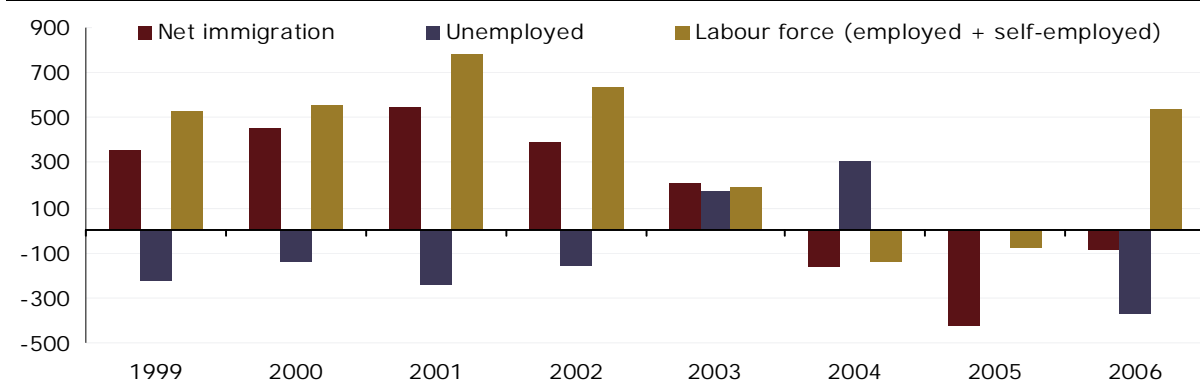
Unemployment was never significant during the period from 1998 to 2006. Unemployment has held steady, floating between +2% and 5% of the working population. From 1998 to 2002, unemployment declined every year, while concurrently a considerable number of workers immigrated to the Faroes from abroad. At the same time, the number of self-employed individuals appeared to decline. There was a significant increase in the economy during these years and the number of wage earners especially increased.

Stagnation arrived in 2003 when the aquaculture industry collapsed and the fishing industry entered into a period of decline. This situation lasted until 2005, because, among other factors, the aquaculture industry continued to steadily decline and the fishing industry experienced generally poor prices. The catches were good, however, and thus the fish processing companies managed, but just barely, in the face of strong competition for the fish. As a consequence, unemployment began to rise and net immigration shifted to net emigration. The level of emigration is one example of just how fluid

the Faroese labour market is. When there is limited employment, people leave the country, but to a certain degree when work is available they move back.

Some delay seems to occur in the fluctuations seen in the labour market. In 2003, unemployment started rising (+174), while immigration continued, but at a reduced rate. In 2004, unemployment surged again (ca. + 300) and emigration set in (-166). In 2005, unemployment remained static (ca. 0), but by this time emigration had peaked (-422). The labour force shrank both in 2003 and 2004. Estimates for 2006 suggest the following: 1) the number of unemployed will decrease (-370), the labour force will increase (ca. + 500), and 3) emigration will be less (ca. 80).

Net Immigration and Changes in the Labour Force, 1999-2006 FIGURE 4



Source: Statistics Faroes

The labour force appears to have increased by 2% in 2006 and the final result could be even more if companies were able to obtain the needed workers. The fish processing factories, the long-liners and the construction industry find it especially difficult to recruit people. Wage and employment statistics give some indication of the upward wage drift in 2006 within the construction industry and the financial services sector. In other business sectors, the indications are not as clear, because, among other things, the employment data includes part-time workers as well.

If the demand for labour continues to escalate without a commensurate rise in the number of available workers, it will be only be a matter of time before cost pressures spill over into other business sectors.

Households

In Q 3 of 2006, private loans from Faroese financial institutions increased by 14%, compared year-on-year with 2005. Despite this increase, the total gross debt of Faroese households is considerably less than in Denmark¹. From 2005 to 2006, the price of homes in the capital, Tórshavn, increased by 41%, while in the Faroes in general the increase was 19%². The demand for housing is still great, and housing prices are expected to increase somewhat. At the same time, a growing supply of new residential properties is expected to put a ceiling on price increases in the coming years.

The main reason for the rise in housing prices could very well be the general perception by people that the economic outlook is good, but it cannot be ignored that excellent repayment terms have had an impact as well. Interest on loans for single-family homes declined considerably in 2005. Subsequently, local interest rates began to rise commensurate with the rate increases instituted by the Danish National Bank. Increased competition among the local financial institutions, however, forced the rates down again. Interest rate fluctuations do not so far appear to be especially critical

¹ Faroese household debt (gross) 61% of GDP in 2005; Danish household debt 86% of GDP

² Price change from the end of Q3 2005 to the end of Q3 2006. Source: Eik Bank

with regard to increasing housing prices, but it is expected that increasing interest rates will eventually limit the growth of housing prices.

It is apparent that the market for single-family homes in the Faroes is greater than it was a few years ago. Given existing circumstances, an inflated interest subsidy will in fact be a commercial subsidy to those who buy and sell houses and to those who already own their own home. It will not serve as an incentive to people who intend to purchase a new home, mainly because the subsidy ultimately contributes to even higher housing prices beyond which would normally occur.

The high price of single-family houses makes it difficult for first-time buyers to enter the market. On the other hand, all who already have a home become that much richer. It is a well-known fact in economics that the net value of real estate affects the rate of consumption by households. Therefore, one could expect that private consumption will stimulate the economy and lead to an increase in imports in the near future followed with a possible rise in prices.

According to statements from the local banks, there is a growing interest in securities investment. It is well known that in other countries people take out loans to invest in the securities market. Because the total gross debt burden of Faroese households is not significantly large, we anticipate that loans might very well increase to allow more Faroese households to participate in the securities markets. Because employee pension plans are expected to grow over the coming years, individuals may be less fearful of entering into debt at a young age than has been the case heretofore in the Faroes. Thus, if managed wisely, the overall financial risk for households should not increase unreasonably. However, an important prerequisite for such a strategy is the availability of good risk management advice. Therefore, young households might be an interesting customer target group for new investment services by the banks. Economic growth should, therefore, be expected in this sector.

Business Sector

Faroese industry is currently in a state of flux. Companies have increased their international business activities, while others have been the subject of mergers and acquisitions. Debt load has increased even as the financial market is experiencing major changes.

Participation in Globalisation

Faroese export continues to be heavily dominated by fish and fish products. However, the Faroese are also engaged in the transport of passengers and goods between the Faroes and other countries. For more than 20 years, the Faroese have provided international transport services, but to a lesser extent today than before. Moreover, Faroese companies have serviced foreign vessels and airplanes that have visited the Faroes.

For many years, individual Faroese have worked in foreign companies, e.g. fisheries, transport and construction. During recessions in the Faroes, this was commonplace and for many years now Faroese seamen have more or less always been a part of the crews of foreign merchant fleets.

It would appear, however, that a fundamental change is taking place in the Faroese business community in the sense that Faroese enterprises are now taking on international projects or establishing companies abroad. The companies that stand out come from a variety of business sectors: fishing and related industries, construction, consultants and inspectors, advertising and public relations, retail, ship brokerage, transport services, offshore services and financial services. Some companies seem to be well grounded internationally with considerable activities³. On the other hand, some companies seem to be at an exploratory stage.

³ E.g. Eik Bank, Thor Offshore Services, PAM Offshore Service, El-service and Vónin

Some of the sounder companies, both fiscally and structurally, have not only the potential, but also the desire, to increase their international activities by offering expanded services as well as by entering into strategic investments. These companies, and others that have the resources to grow, represent a chance to diversify the Faroese economy. Thoughtful reflection on the long-term needs of these industries ought to inform any future review of governmental economic policy.

Another aspect of globalisation that has been discussed over the course of the last few years is the outsourcing of fish processing to China or Eastern Europe. Fish caught in our region have been shipped to these countries and processed at a much cheaper cost. Some Faroese companies have experimented with this idea in the Baltic countries, but not on a grand scale. This, however, is most likely going to change in the coming years.

Mergers and Acquisitions

From a Faroese perspective, companies have been acquired for grand sums in recent years. Such mergers and acquisitions have occurred in a variety of sectors: the fishing industry⁴, aquaculture, fish processing, shipbuilding, shipping, construction, retail, hotels and restaurants. The largest acquisitions have been in the fishing industry in which the value of the fishing permits has played a role in determining the resulting high price paid for the company. Vessels and fishing rights have also been traded among companies. The venture capital interests that have been involved in these transactions have been Faroese or joint collaborations between Faroese interests and, in the main, either Icelandic or Norwegian investors.

It is premature to assess the importance of the mergers and acquisitions that have occurred to date. Nonetheless, investors paid more for the companies than their inherent value would warrant, such that much remains to be done in order to ensure success. If these enterprises prove successful, they will no doubt contribute to overall economic growth in the Faroes.

Financial Institutions

The Faroese financial market has been marked by much more development and competition over the last few years than previously.

Many of the financial institutions operating in the Faroes – Eik Bank, Føroya Banki, Norðoya Sparikassi and Kaupthing Bank – have participated in the financing and management of the recent wave of mergers and acquisitions. Norwegian investment houses have also been involved.

By September 2006, Faroese financial institutions had increased their loans to commercial undertakings by 36%. This figure includes the purchase of business enterprises.

Faroese financial institutions offer a variety of different loans to their retail and commercial customers. They also offer new investment options, as well as asset management services.

The Public Sector

The public sector⁵ had a total surplus in 2003, but subsequently has run a deficit and the intention is to break even in 2006 and 2007.

Capital investment especially by the local municipalities is expected to increase considerably in 2007 and will be the reason behind the anticipated total deficit, while the national government intends to have only a minor surplus. The AMEG pension scheme is designed to provide supplemental pensions to a growing number of retirees and, therefore, has a built-in structural surplus. Currently, the benefits

⁴ E.g. Framherji (Krúnborg), Faroe Seafood (the Beta trawlers, etc) and Kósin have purchased vessels

⁵ Includes the national and local governments, the various benefit schemes including the national unemployment compensation office (ALS), the workers supplemental pension programme (AMEG), and health insurance plans that are administered locally)

paid out by ALS are proportionately low because business activity is good. Thus, ALS is experiencing a surplus because of market conditions.

Public Sector Revenue Less Expenses, Investment and Interest, 2002-2007 TABLE 1

| <i>Million. DKK</i> | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---------------------|------------|-----------|-------------|-------------|-----------|-----------|
| State | 191 | -54 | -150 | -211 | -18 | 75 |
| Municipalities | 194 | 88 | -25 | 11 | -34 | -183 |
| ALS | 89 | -1 | -4 | 5 | 29 | 29 |
| AMEG | 17 | 16 | 13 | 33 | 43 | 74 |
| Health insurance | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 491 | 49 | -166 | -162 | 20 | -5 |

Remark: 2007 figures are estimated

Source: Background report on the budget proposal prepared by the Ministry of Finance; the municipalities' budget prepared by the Ministry of the Interior; and the Bank's estimations

Over the past few years, the municipalities have increased their outlays for public services and healthcare, which is a consequence of the agreement between the national government and the municipalities to transfer responsibility for children's day care to the municipalities. If the municipalities had not taken on these expenses, the increase would more than likely be reflected in the budget of the national government.

Public Sector, Income/Expenses (Operations, Investment, Interest), 2002-2007 TABLE 2

| <i>Million DKK</i> | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|--------------------|-------|-------|-------|-------|-------|-------|
| Total revenue | 4,991 | 4,834 | 4,874 | 4,955 | 5,407 | 5,769 |
| Total expenses | 4,500 | 4,785 | 5,040 | 5,117 | 5,387 | 5,774 |
| <i>Growth</i> | | | | | | |
| Total revenue | | -3.1% | 0.8% | 1.7% | 9.1% | 6.7% |
| Total expenses | | 6.3% | 5.3% | 1.5% | 5.6% | 7.2% |

Remark: 2007 figures are estimated

Source: Background report on the budget proposal prepared by the Ministry of Finance; the municipalities' budget prepared by the Ministry of the Interior; and the Bank's estimations

In 2006, the number of people who were 67 years or more was 5,758. In 2050, the number is expected to be 11,300. If public services, including healthcare, are to be maintained at the same standard and level as today, the outlay of national and municipal funds will grow significantly. Therefore, it is not advisable that the national government and the municipalities run deficits when the economy is doing well. Under these circumstances, the national government and the municipalities should maintain relatively large surpluses in order to provide a commensurate level of public services in the future without unduly increasing the burden of taxation.

According to the annual accounts and the budgetary plans that are available, public sector revenue has grown on average by 3% per year for the period 2002 - 2007, while operational expenses, benefits, investment and interest have increased by 5%. Therefore, the public sector has had a stimulating effect overall on the economy during this period, not least because interest expenditures have decreased during this period.

Balance of Payments

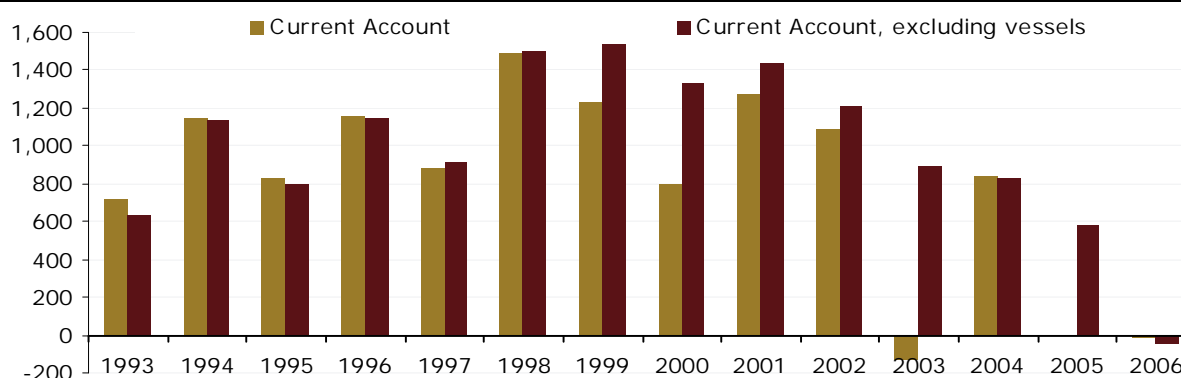
The latest figures for the Faroese balance of payments are from 2004, but a rough estimate⁶ reveals that in 2006 the current account was running a deficit for the first time since 1993⁷. During a ten-year

⁶ The only data available at present on the current balance of payments are the trade balance statistics up to and including November 2006

⁷ Except 2003, when the M/F Norröna was imported for around 700 million DKK

period from 1993 – 2002, the annual surplus in the current account was on average more than 1 billion DKK, while the surplus for the last four years on average has been around 550 million DKK.

Balance of Payments, excluding Vessels, 1993-2006, Million DKK FIGURE 5



Remark: Trade balances are calculated by the Governmental Bank up to and including November 2006 (December is technically calculated). The balance for 2005 is from Statistics Faroes and the other balances are from the calculations made by Statistics Faroes in 2004.
Source: Statistics Faroes (1993-2004) and our own estimates (2005-2006)

Generally, the intent is to achieve a balance of payments regime that is essentially balanced over time. After many years of relatively large surpluses in the current account, plus a considerably large net financial account, there is currently no risk in the immediate future for the Faroese Government to run a deficit in the current account. The reason for the large surpluses in the years immediately after the depression in the early 1990s was the big trade balance surpluses, primarily due to a fall in domestic demand and an increasing export by the fishing industry after it recovered. Decreasing surpluses over the last few years are in fact due to the opposite trend: domestic demand is growing while export by the fishing-related industries is declining.

Current Account, 2002-2006 TABLE 3

| | 2002 | 2003 | 2004 | 2005 | 2006 |
|---|--------------|-------------|------------|------------|------------|
| Trade Balance | 518 | -769 | 111 | -716 | -727 |
| Services Balance | -539 | -521 | -490 | -490 | -490 |
| Block Grant, etc. | 796 | 799 | 812 | 812 | 812 |
| Wage and Interest Balance | 316 | 362 | 394 | 394 | 394 |
| Balance of Payments | 1,091 | -129 | 817 | 0 | -11 |
| Balance of Payments, excluding Vessels | 1,209 | 886 | 827 | 582 | -42 |

Remark: Trade balances are calculated by the Governmental Bank up to and including November 2006 (December is technically calculated). The balance for 2005 is from Statistics Faroes and the other balances are from the calculations made by Statistics Faroes in 2004.
Source: Statistics Faroes (1993-2004) and our own estimates (2005-2006)

Most imports have been growing over the last few years, except for goods destined for the aquaculture industry and agriculture, both of which have been in decline. In 2006, however, all areas experienced relative significant growth. The fluctuating trend corresponds to the level of commercial activities. Growth was seen in the resources for production, equipment for investment, and consumables. An increase in the import of goods and equipment for investment increases domestic production capacity and usually leads to more export and/or less import the following year. Thus, a deficit caused by an influx of goods designed to increase production capacity is a problem that quickly sorts itself out. Altogether, the trend led to a deficit in the trade balance for 2006 of more than 700 million DKK and a deficit in the goods and services account of around 1,300 million DKK.

The current situation with the balance of payments is not in and of itself a problem for the Faroese economy, given the reasons for the fluctuating trend and the level of Faroese financial holdings abroad. Assuming the fluctuations in the Faroese balance of payments stem from the reasons offered above, the economy could tolerate a deficit of several hundred million DKK for a period of several years before the imbalance in and of itself became a problem for the economy. For the balance of

payments to remain essentially in equilibrium, which it achieved in 2006, the goods and services account must hold at around minus 1,300 million DKK and the cumulative trade balance should hold at approximately minus 700 million DKK. Thus, the national trade balance can tolerate much bigger deficits for many years, before it begins to represent any serious problem for the economy.

CONCLUSION

The Bank's GDP estimate for 2007 indicates nominal growth of approximately 5%, while the estimate for 2006 reflects nominal growth of approximately 10%. Despite clear signs that the Faroese economy is strong and that a significant structural framework is in place and developing, the growth experienced in 2006 was to a considerable extent based on events and forces that are not expected to continue through 2007.

We anticipate growth in 2007, compared to 2006, will be especially dampened by a labour shortage in certain industries. This reality exposes the inadequate structural framework that, either directly or indirectly, affects the labour market. Moreover, a lack of coordination between the national government and the local municipalities with regard to fiscal policy – which is an absolute prerequisite for effective management of an economic policy that is designed to ensure stable economic growth in the country – places additional pressure on the labour market with the concomitant danger of accelerated inflation.

Developments within the financial market over the last one or two years have expanded the potential for increased domestic consumption and investment within the private sector. The consequences of this are evident in, e.g., rising housing prices and accelerated business mergers and acquisitions. Thus, the private sector's total gross debt has increased considerably during this period.

The value of residential property has increased consistent with the increase in the price of housing (roughly estimated to be in aggregate around 3 billion DKK), such that, despite the fact that total gross debt has increased over the last year, the relative total equity in a home has increased much more. This growth in equity affords the possibility to finance consumption and investment, both in financial assets and tangible assets, such as real estate. At the same time, however, the economic risk increases because residential property and other tangible assets are valued higher, and therefore the values fluctuate more when the economy itself fluctuates.

Increased debt stemming from mergers and acquisitions increases the demand for a faster return on the investment and also forces investors in many instances to seek out professional risk management and investment consultancy services. If private households, companies and lenders live up to these tough new demands, then this emerging trend will stimulate the economy. These positive changes occurring in the private sector, however, place even greater emphasis on the need to fine-tune the government's economic policy.

Various factors impede the fluidity of the labour market. One critical factor that binds labour and other means of production to, for example, the fishing industry is the governmental policy of not levying a duty on access to the natural resources of the country (e.g. fish stocks and areas for aquaculture production), which are by law held in trust by the government. The government instead provides a special tax deduction for specific industries, such as the fishing industry. Another factor is the governmental mandate that permits the ALS unemployment scheme to distribute some 20 million DKK per year to the fishing industry even when the unemployment rate is marginal, currently only around 2%. This makes it exceedingly difficult to obtain adequate labour resources. Moreover, the rules governing the import of labour from outside the Nordic region are cumbersome at best. At the same time, Faroese workers can easily obtain work abroad, especially in the EU and Nordic countries. This is another classic example of impeding labour market fluidity. All these factors in the end dampen robust economic growth.

The government's economic policy has stimulated demand over the last few years and the government's 2007 budget will stimulate demand even more. Continued growth in domestic consumption impacts the economy in three different ways: 1) production increases, 2) imports increase, 3) and/or inflation rises. Presently, increased demand has not resulted in increased production capacity and it is believed that this situation will continue to prevail in the immediate

future. In all probability, this will result in an upward inflationary pressure on wages and a growing balance of payments deficit.

All things being equal, excessively high inflation in the years ahead is a bigger problem for the economy than running a deficit in the national balance of payments. Inflation can drive costs too high for businesses competing internationally, e.g. fish processing plants and factories producing goods and services that could also be imported. Production costs will overwhelm these companies, especially if they do not decisively invest or initiate efforts to substantially increase productivity. The condition of the financial account means that it is possible to continue with a deficit in the balance of payments for a number of years before any special safety measures will need to be put into place vis-à-vis the balance of payments and debt structures.

The responsibility for fiscal policy rests with the Faroese Parliament and the national government, while the municipalities only have the task to develop and build up their respective local areas and provide their residents with the mandated public services. Stable economic growth, therefore, requires that any political programme or initiative take into consideration the economic situation. Moreover, these programmes must be put into effect at the appropriate time. As a consequence, the parliament and the government must seek to establish a coordinated economic regime that will enable the local municipalities and the national administration to work within an agreed upon expenditure framework.

Given that the economy is robust and that the outlook is for continued high household consumption, coupled with possible increased private sector investment, the public authorities should consider initiatives that would dampen a surging economy. Therefore, in the near term, public revenues should grow much faster than public expenditures.

APPENDICES

Projection Assumptions

Basis Figures for 2003 and Assumptions for 2004 TABLE 1

| | BASIS 2003 <i>(Statistics Faroes)</i> | Base Case 2004 (based on BASIS 2003) |
|--|--|---|
| All industrial sectors included in the Model | <i>Ratio between input factors established in accordance with financial statements; bank clearinghouse data customarily used for valuations.</i> | Ratio between input factors amended in accordance with 2004 financial statements and price fluctuations for advances and declines in 2004; bank clearinghouse data customarily used for valuations. |
| Ratio Private Consumption/Disposable Income | 94.0% | 93.0% |
| Ratio Private Investment/GDP | 21.6% | 16.0% |
| Public Consumption | 2,765 million DKK | 2,899 million DKK (+4.9%) |
| Public Investment | 690 million DKK | 733 million DKK (+6.2%) |
| Exports | 4,421 million DKK | 4,255 million DKK (-3.8%) |
| Changes in Stock | -171 million DKK | Endogenous |
| Accommodation | 1,018 million DKK | 1,061 million DKK |
| Imputed Financial Services | 396 million DKK | 406 million DKK |

* The ratio in 2003 was affected by the investment in the M/F Norrøna. The ratio of 16% in 2004 corresponds to that in 2002

Assumptions for 2005 and 2006 TABLE 2

| | Base case 2005 (based on Base Case 2004) | Base case 2006 (based on Base Case 2005) |
|--|---|---|
| All industrial sectors included in the Model | Ratio between input factors amended in accordance with 2004 financial statements and price fluctuations for advances and declines in 2004; bank clearinghouse data customarily used for valuations. | Ratio between input factors amended in accordance with 2004 financial statements and price fluctuations for advances and declines in 2004; bank clearinghouse data customarily used for valuations. |
| Ratio Private Consumption/Disposable Income | 94.0% | 94.0% |
| Ratio Private Investment/GDP | 17.0% | 17.0% |
| Public Consumption | 3,067 million DKK (+5.8%) | 3,159 million DKK (+3.0%) |
| Public Investment | 683 million DKK (-6.9%) | 755 million DKK (+10.5%) |
| Exports | 4,163 million DKK (-2.2%) | 4,403 million DKK (+5.8%) |
| Changes in Stock | Endogenous | Endogenous |
| Accommodation | 1,050 million DKK | 1,429 million DKK |
| Imputed Financial Services | 402 million DKK | 374 million DKK |

| | Base Case 2007 (based on Base Case 2006) | Better Case 2007 (based on Base Case 2006) | Worse Case 2007 (based on Base Case 2006) |
|--|--|--|--|
| All industrial sectors included in the Model | Ratio between input factors amended in accordance with 2004 financial statements and price fluctuations for advances and declines in 2004. | Ratio between input factors amended in accordance with 2004 financial statements and price fluctuations for advances and declines in 2004. | Ratio between input factors amended in accordance with 2004 financial statements and price fluctuations for advances and declines in 2004. |
| Ratio Private Consumption/Disposable | 94.0% | 94.5% | 93.5% |
| Ratio Private | 18.0% | 20.0% | 17.0% |
| Public Consumption | 3,349 million DKK (+6.0%) | 3,380 million DKK (+7.0%) | 3,217 million DKK (+5.0%) |
| Public Investment | 921 million DKK (+22%) | 755 million DKK (unchanged) | 755 million DKK (unchanged) |
| Exports | 4,315 million DKK (-2.0%) | 4,403 million DKK (unchanged) | 4,183 million DKK (-5.0%) |
| Changes in Stock | +40 million DKK | +57 million DKK | +8 million DKK |
| Accommodation | 1,587 million DKK | 1,616 million DKK | 1,559 million DKK |
| Imputed Financial | 381 million DKK | 389 million DKK | 374 million DKK |

Projection Results

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|--------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| GDP, million DKK | 9,589 | 9,973 | 9,699 | 9,753 | 9,991 | 11,033 |
| GDP growth, pct. | 11.7 | 4.0 | (2.7) | 0.6 | 2.4 | 10.4 |
| Wages, million DKK | 5,694 | 6,221 | 6,246 | 6,273 | 6,466 | 6,939 |
| Wages growth, pct. | 14.3 | 9.3 | 0.4 | 0.4 | 3.1 | 7.3 |

| | Base Case | Better Case | Worse Case |
|--------------------|------------------|--------------------|-------------------|
| GDP, million DKK | 11,540 | 11,794 | 11,102 |
| GDP growth, pct. | 4.6 | 6.9 | 0.6 |
| Wages, million DKK | 7,202 | 7,345 | 6,929 |
| Wages growth, pct. | 3.8 | 5.8 | -0.1 |