

7. Economic growth

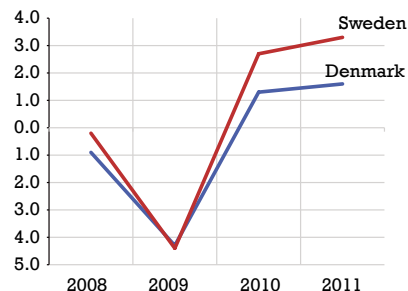
Industrial trends

In the wake of the international financial crisis that broke out in 2008, growth in the Öresund region also entered a much weaker phase. Following several bleak years at the start of the 2000s, the Öresund region experienced a tremendous economic boom between 2003 and 2006 on both the Danish and Swedish sides of the region. During 2006 a clear slowdown in the economy occurred especially on the Danish side of the sound. This was due to both a decreasing demand and an increasing shortage of labour that set limits on economic growth. The international economic downturn in 2008 was deep and in 2009 further deepened the recession. However, several economic forecasts predict that the global economy will slowly recover during 2010. Nevertheless, it should be noted that the economic situation is very difficult to assess, and even if some experts expect a weak upturn after 2010, growth will probably be held back in several countries due to weak trends on the housing market, unemployment that remains at a

high level, and lower levels of investment.

There are still no regional statistics on economic development in the Öresund region after 2007, but from a historical perspective, economic growth in the Öresund region has relatively high covariance with the national development in Denmark and Sweden. This is why we can find a degree of support in national forecasts to predict regional development in the Öresund region. The national forecasts that were presented in the beginning of 2009 were very bleak, but the forecasts made during the autumn/winter of 2009 hint towards cautious optimism. The graph below presents the forecasts presented in December 2009 by the Ministry of Finance in Denmark and the National Institute of Economic Research in Sweden. In both countries GDP is assumed to begin to grow in 2010. Growth in Sweden is predicted to lie at 2.7 percent, while Danish growth is expected to be around 1.3 percent.

GDP growth in Denmark and Sweden 2008 to 2010 (Forecast from 2009). Annual percentage of GDP growth at market prices

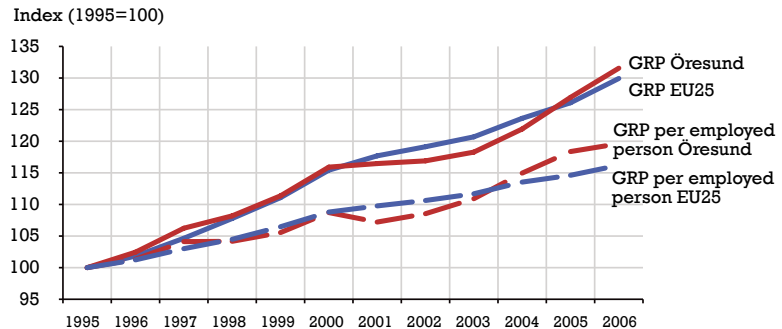


Sources: Ministry of Finance, Økonomisk Redegørelse (December 2009) and National Institute of Economic Research, Konjunkturläget (December 2009)

Economic growth from a European perspective

Economic trends in a region are often measured by what is known as gross regional product GRP, the regional equivalent to gross domestic product (GDP). GRP is the total value of goods and services produced during one year. During the period when comparable data has been available (1995 - 2006) economic growth in the Öresund region has only been slightly better than the average for the EU25 area, 32 and 30 percent respectively. In one comparison with the Helsinki region and Stockholm country, economic growth was considerably weaker in the Öresund area. During the period 1995 - 2006, Helsinki had a GRP growth of 70 percent and Stockholm of 60 percent. Due to a long delay in the regional economic statistics, information on GRP is unfortunately missing after 2006. However, information from OECD on GDP growth on a national level supports the tendency that the Helsinki and Stockholm regions as well as Region Skåne have had better growth than

Growth in Gross Regional Product (GRP) and GRP per employed in Öresund compared to the EU25 1995-2006 (Constant prices, reference year 2000)



Source: Eurostat. Calculated in constant prices by Region Skåne

the Capital Region of Denmark and Region Zealand even during 2007 and 2008. Since 2000, growth in Finland and Sweden has been stronger than in Denmark. Information on development of regional development and gross pay is available up until 2007, and indicates a strong connection be-

tween national economic development and the studied regions in recent years.

Gross Regional Product in the Öresund region compared to the EU25 1995 - 2006. EUR millions (Constant prices, reference year 2000)

	1995	1998	2000	2002	2004	2005	2006	Change 1995-2006
EU25	7,925,556	8,541,840	9,147,916	9,440,732	9,796,929	9,992,660	10,297,780	29.9%
Öresund region	99,392	107,835	115,203	116,184	121,192	126,162	130,758	31.6%
Öresund DK	73,152	79,460	84,413	84,024	87,782	91,652	94,109	28.6%
of which Capital Region of Denmark	55,614	60,654	65,237	64,217	67,310	70,769	72,408	30.2%
of which Region Zealand	17,538	18,807	19,175	19,807	20,472	20,883	21,700	23.7%
Öresund SE	26,240	28,074	30,790	32,160	33,411	34,510	36,650	39.7%
Helsinki	32,736	41,237	47,204	49,093	51,009	52,800	55,627	69.9%
Stockholm county	56,459	67,772	75,610	78,067	83,549	87,638	90,200	59.8%

Source: Eurostat. Calculated in constant prices by Region Skåne.

Gross regional product per employed in the Öresund region compared to EU25 1995-2006. EUR (Constant prices, reference year 2000)

	1995	1998	2000	2002	2004	2005	2006	Change 1995-2006
EU25	42,724	44,642	46,482	47,260	48,502	48,967	49,646	16.2%
Öresund region	59,538	62,019	64,728	64,618	68,443	70,474	71,215	19.6%
Öresund DK	62,204	63,978	66,782	66,056	70,282	72,452	72,839	17.1%
of which Capital Region of Denmark	64,970	66,361	69,624	68,099	73,005	75,447	75,583	16.3%
of which Region Zealand	54,808	57,337	58,640	60,202	62,604	63,864	64,971	18.5%
Öresund SE	53,182	57,073	59,694	61,141	64,042	65,707	67,358	26.7%
Helsinki	55,997	63,295	66,195	66,396	69,742	71,333	73,963	32.1%
Stockholm county	58,971	67,068	72,625	73,669	80,833	83,608	84,667	43.6%

Source: Eurostat. Calculated in constant prices by Region Skåne.

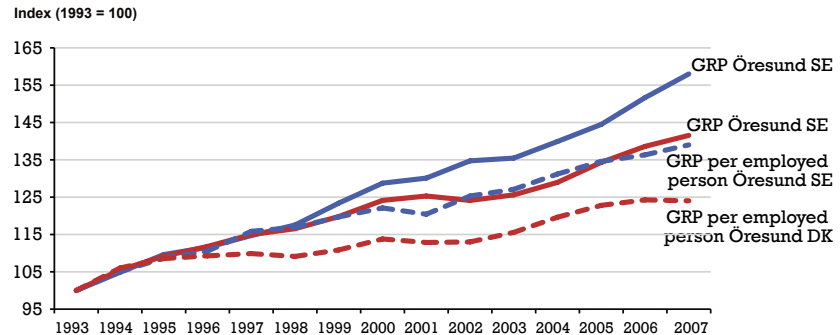
Labour productivity from a European perspective

Labour productivity is usually measured as increased production per hours worked. This is not possible on the regional level. Instead, we must use the rougher measurement of value added per employed person. From 1995 to 2006, growth of labour productivity in the Öresund region has been somewhat better than the average for the EU25 area, 20 and 16 percent respectively. Compared to the Helsinki region and Stockholm county, development has been somewhat weaker in the Öresund region. During the period 1995-2006, Helsinki had a GRP growth per employed person of 32 percent and Stockholm close to 44 percent, while the Öresund region had a growth of about 20 percent.

Economic growth and labour productivity in Öresund

It is too early to speak of the Öresund region as a functionally integrated economic unit. However, the region has potential to become a significant economic centre if the economies of Öresund DK and Öresund SE were more powerfully linked. One measure of the economic potential of the Öresund region is that about 26 percent of Denmark's and Sweden's total GDP comes from these regions. In 2007 Öresund DK accounted for 48 percent of Denmark's total GDP. The Capital Region of Denmark alone accounted for 37 percent and Region Zealand for 11 percent. Since 1993 the economic significance of the Capital Region of Denmark has also increased, measured as a share of Denmark's GDP. In 2007 Öresund SE accounted for 11 percent of Sweden's total GDP, which has been unchanged since 1993. Öresund DK accounts for two thirds of the total GRP for the Öresund region. However, when looking at growth in GRP and GRP per employed person, Öresund SE

Growth in Gross Regional Product (GRP) and GRP per employed in Öresund DK and Öresund SE. 1993 – 2007 (Constant prices, reference year 2000)



Source: Statistics Denmark and Statistics Sweden. Calculations by Region Skåne

has had a stronger growth rate than Öresund DK during the period 1993-2007. This is also true in a comparison between Region Skåne, Region Zealand and the Capital Region of Denmark. During the period Öresund SE has had a real GRP growth of 58

percent compared to 42 percent in Öresund DK. Growth in GRP per employed person has been 39 percent in Öresund SE, compared to 24 percent in Öresund DK. One reason for the sharp economic growth in Öresund SE is that the economy turned

sharply upwards during the second half of the 1990s, after a period of deep economic crisis. The strong growth of labour productivity is probably because Öresund SE has drastically transformed its business sector over the last 14 years. The weaker development in Öresund DK is most likely due in part to the international downturn in the beginning of the 2000s and in part because the region underwent a structural transformation earlier than in Öresund SE and thus could not reach the same productivity gains in later years.

GRP for each country's currency (GRP in millions). Constant prices, reference year 2000.

	1993	1996	1998	2000	2002	2004	2006	2007	Change 1993 - 2007
GRP Öresund SE	201,759	225,089	237,152	259,766	271,838	282,304	305,989	318,813	58.0%
GRP Öresund DK	491,313	549,304	572,659	609,864	609,845	633,642	680,986	695,474	41.6%
GRP Capital Region of Denmark	371,178	416,825	433,660	471,327	468,901	487,815	528,187	540,714	45.7%
GRP Region Zealand	120,135	132,479	138,999	138,537	140,944	145,827	152,799	154,760	28.8%

Source: Statistics Denmark and Statistics Sweden. Calculations by Region Skåne.

GRP per employed in each country's currency. Constant prices, reference year 2000.

	1993	1996	1998	2000	2002	2004	2006	2007	Change 1993 - 2007
GRP Öresund SE	412,426	455,922	482,114	503,618	516,802	541,124	562,274	573,301	39.0%
GRP Öresund DK	430,710	470,663	470,018	490,120	486,732	515,286	535,231	534,187	24.0%
GRP Capital Region of Denmark	446,321	488,495	483,652	510,840	505,014	537,603	559,946	561,039	25.7%
GRP Region Zealand	388,706	422,174	432,023	430,689	434,414	452,457	464,380	457,657	17.7%

Source: Statistics Denmark and Statistics Sweden. Calculations by Region Skåne

Comments on the statistics

Eurostat's regional database contains statistics on annual gross regional product (GRP) at the NUTS3 level in current prices (EUR) for the period 1995-2006. To calculate real GRP, the statistics must be calculated in constant prices. This is done by using national deflators (EUR) on the regional level, a method which presently gives the best approximate results.

Labour productivity is defined as value added per worked hour. A change in productivity consists of the change in value added in constant prices in relation to the change in the number of worked hours. Because there are no statistics available for worked hours by industry at the regional level, it is necessary to calculate labour productivity approximately as the change in value added in constant prices in relation to

the change in the number of gainfully employed persons. Moreover, calculations in constant prices of the regional value added can only be made approximately by using national deflators in the regional statistics.

Statistics from OECD on countries' economic growth, labour productivity and hours worked support the assumption that has been made for labour productivity on the regional level in Denmark and Sweden. As the only Nordic country, the number of hours worked per person in Denmark has increased during 2000-2007; at the same time economic growth has been lowest.