

## 8. Economic growth

### Industrial trends

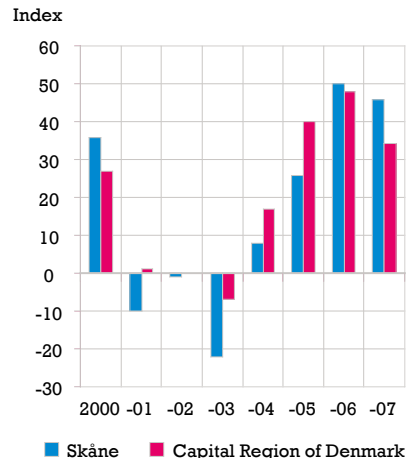
After a strong economic development for a number of years, the economy in the Öresund region is beginning to slow down. Following several weak years at the start of the 2000s, the business cycle has developed strongly and the economy has been booming on both the Danish and Swedish sides of the Öresund region. In 2005 and 2006, business in Skåne had a growth spurt and surpassed the Copenhagen area on the economic curve by a slight margin.

At the same time Denmark experienced its strongest growth in several years. The healthy economy combined with a weak population growth has resulted in a sharp increase for the demand for labour. Denmark has the lowest unemployment in the EU and according to the Öresund Barometer (November 2006), as many as one in four employers in the Capital Region of Denmark considered seeking Swedish employees in 2007. However, in 2006 the Danish Finance Minister pointed out that economic growth

was starting to slow down, partly due to a decreased demand and partly because the shortage of labour supply puts limits on economic growth. The Öresund Barometer measurement of the economy from November 2007 confirmed the assessment of the Danish Finance Minister. The downturn in the Capital Region of Denmark is mainly seen in the manufacturing and construction industries together with car sales.

Despite the slowdown, the shortage of labour supply is still a big problem for many companies in Öresund DK and Capital Region of Denmark in particular. The measurement from November 2007 also shows that despite the economic slump, companies' plans to recruit labour in Skåne have not decreased. Skåne, which has always lagged behind the Capital Region of Denmark in the business cycle, has not yet experienced the same downturn as the Capital Region of Denmark, but the slowdown will probably become more noticeable during 2008.

### Business cycle in the Öresund region 2000-2007



Source: Öresund Barometer (Business tendency survey)  
Footnote: Capital Region of Denmark refers to Copenhagen County, Frederiksberg County, the previous Copenhagen County, Frederiksberg County and Roskilde County.

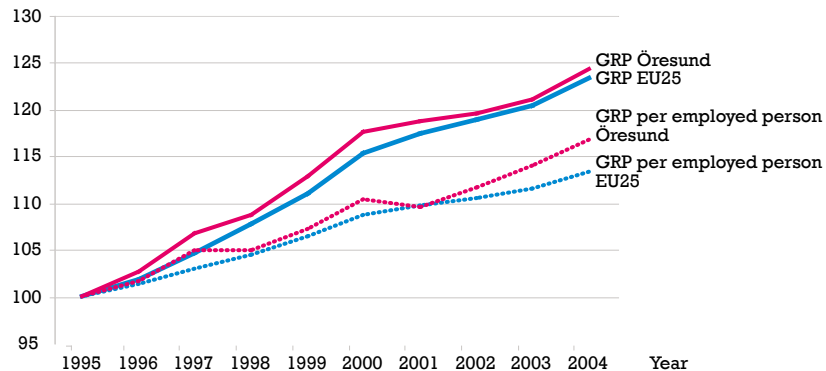
### Economic growth from a European perspective

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 - 2004) economic growth in the Öresund region has been slightly better than the average for the EU25 area, 24 and 23 percent respectively. In one comparison with the Helsinki region and Stockholm county, economic growth was considerably weaker in the Öresund area. From 1995 to 2004, Helsinki had a GRP growth of nearly 55 percent and Stockholm of nearly 45 percent, while the Öresund region had a growth of 24 percent. Unfortunately no regional information on GRP is available after 2004. However, information from OECD on GDP growth on a national level supports the tendency that the

### Growth in real gross regional product (GRP) and GRP per employed person in Öresund compared to the EU25 1995-2004

Index (1995=100)



Source: Eurostat. Constant prices calculated by Region Skåne and the Öresund Committee

Helsinki and Stockholm regions as well as Region Skåne have had better growth than the Capital Region of Denmark and Region Sealand even during 2005 and 2006. Information on the development of regional

employment and total wages is available up until 2006 and indicates a strong connection between national economic development and the studied regions in recent years.

### Gross regional product in the Öresund region compared to the EU25 1995-2004. Constant prices, reference year 2000 (EUR millions)

	1995	1997	1999	2001	2003	2004	Change 1995-2004
<b>EU25</b>	6 949 960	7 265 008	7 707 237	8 160 756	8 360 465	8 564 111	23.2%
<b>Öresund region</b>	89 520	95 458	100 857	106 158	108 336	111 246	24.3%
<b>Öresund DK</b>	67 490	72 137	75 713	79 177	80 294	82 306	22.0%
<b>Of which Capital Region of Denmark</b>	51 309	55 200	58 417	61 185	62 011	63 613	24.0%
<b>Of which Region Sealand</b>	16 181	16 937	17 296	17 992	18 283	18 693	15.5%
<b>Öresund SE</b>	22 030	23 322	25 144	26 981	28 042	28 940	31.4%
<b>Helsinki</b>	31 297	35 688	42 013	46 665	46 882	48 434	54.8%
<b>Stockholm county</b>	48 439	53 980	60 789	64 172	66 469	70 093	44.7%

Source: Eurostat. Constant prices calculated by Region Skåne and the Öresund Committee

### Gross regional product per employed person in the Öresund region compared to the EU25 1995-2004. Constant prices, reference year 2000 (EUR)

	1995	1997	1999	2001	2003	2004	Change 1995-2004
<b>EU25</b>	37 625	38 730	40 013	41 230	41 923	42 596	13.2%
<b>Öresund region</b>	53 569	56 182	57 387	58 654	61 007	62 498	16.7%
<b>Öresund DK</b>	57 292	59 177	60 137	61 664	63 826	65 167	13.7%
<b>Of which Capital Region of Denmark</b>	59 801	61 814	62 814	64 069	66 393	67 890	13.5%
<b>Of which Region Sealand</b>	50 565	51 954	52 572	54 685	56 428	57 340	13.4%
<b>Öresund SE</b>	44 676	48 577	50 440	51 305	54 156	55 977	25.3%
<b>Helsinki</b>	53 537	56 685	61 945	63 980	64 368	66 060	23.4%
<b>Stockholm county</b>	50 658	55 375	58 921	61 157	63 900	68 476	35.2%

Source: Eurostat. Constant prices calculated by Region Skåne and the Öresund Committee

### 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, which requires a rougher measurement, namely value added per gainfully employed person. From 1995 to 2004, growth of labour productivity in the Öresund region has been better than the average for the EU25 area, 17 and 13 percent respectively. Compared to the Helsinki region and Stockholm County, development has been somewhat weaker in the Öresund region. During the period 1995-2004, Helsinki has had a GRP growth per employed person of 23 percent and Stockholm 35 percent, while the Öresund region has had a 17 percent growth.

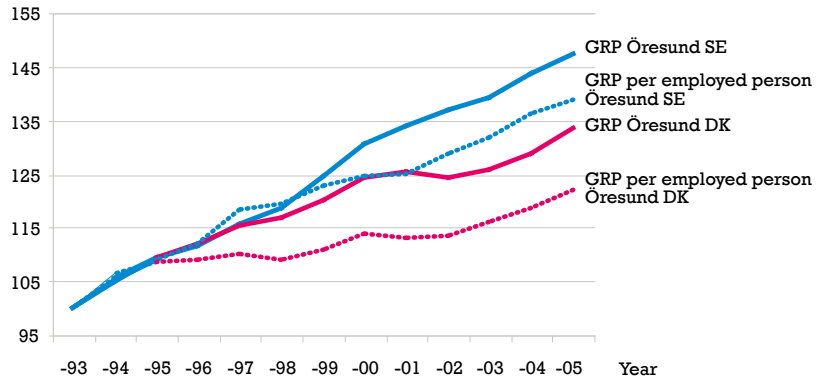
### Economic growth and labour productivity in Öresund

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 2005 Öresund DK accounted for 48 percent of Denmark's total GDP. The Capital Region of Denmark alone accounted for 37 percent and Region Sealand 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 2005 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

### Growth in real gross regional product (GRP) and GRP per employed person in Öresund SE and in Öresund DK 1993-2005

Index (1993=100)



Source: Statistics Denmark and Statistics Sweden. Constant prices calculated by Region Skåne and the Öresund Committee

looking at growth in GRP and GRP per employed person, Öresund SE has had a stronger growth than Öresund DK during the period 1993-2005. This is also true in a comparison between Region Skåne, Region Sealand and the Capital Region of

Denmark. During the period Öresund SE has had a real GRP growth of 47 percent compared to 34 percent in Öresund DK. Growth in GRP per employed person has been 39 percent in Öresund SE, compared to 22 percent in Öresund DK.

One explanation for the strong economic growth in Öresund DK is that the economy turned sharply upwards during the second half of the 1990s, which was preceded by a period of deep financial crisis. The strong growth of labour productivity is probably because Öresund SE has made a dramatic transformation of its business sector over the last 12 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 Skåne and thus could not reach the same productivity gains in later years.

### GRP growth in the Öresund region 1993-2005. Constant prices, reference year 2000 (EUR millions)

	1993	1995	1997	1999	2001	2003	2005	Change 1993-2005
<b>Öresund SE</b>	23 939	26 260	27 400	29 454	31 140	32 418	34 482	44.0%
<b>Öresund DK</b>	65 914	71 971	75 781	78 974	82 596	82 799	87 974	33.5%
<b>Capital Region of Denmark</b>	49 797	54 253	57 617	60 715	63 736	63 929	68 014	36.6%
<b>Region Sealand</b>	52 149	56 813	56 860	56 554	58 064	59 147	61 841	23.8%

Source: Statistics Denmark and Statistics Sweden Region Skåne and calculations of the Öresund Committee.

### GRP per employed person in the Öresund region 1993-2005. Constant prices, reference year 2000 (EUR)

	1993	1995	1997	1999	2001	2003	2005	Change 1993-2005
<b>Öresund SE</b>	48 935	53 223	56 565	58 407	58 922	62 174	65 655	34.2%
<b>Öresund DK</b>	57 510	61 655	63 249	63 782	65 674	67 888	70 749	23.0%
<b>Capital Region of Denmark</b>	59 878	64 757	65 813	66 459	67 704	69 704	73 408	22.6%
<b>Region Själland</b>	52 149	56 813	56 860	56 554	58 064	59 147	61 841	18.6%

Source: Statistics Denmark and Statistics Sweden Region Skåne and calculations of the Öresund Committee.

**Comments on the statistics**

The Öresund Barometer is a business tendency survey for the Öresund region which is based on calculations from enterprises own evaluation of the state of the economy. The Öresund Barometer can vary between -100 and +100. It is published annually in November. In practice the survey is geographically limited to Skåne and Capital Region of Denmark and consists of two separate economic barometers. The one for Skåne is produced by Statistics Sweden and the one for Capital Region of Denmark has been produced by the Danish analysis institute Greens. Both the surveys are basically the same regarding content of variables, coverage of industries, methods and periods.

The survey consists of a sample of 500 companies in Skåne and 500 companies in the Capital Region of Denmark. The total response rate in Skåne is around 80 percent while in Capital Region of Denmark it is usually around 50 percent. However, the response rate can be lower for particular industries in both Skåne and the Capital Region of Denmark. Nevertheless, these are high response rates for a business tendency survey.

The survey consists of a number of questions directed towards company management about the economic situation for a certain point in time. There are also questions about the development for the past, present and coming six months. As a rule, there are three alternatives for each question about economic development: greater/unchanged/less. The questions on the economic situation refer to how company management assesses the situation based on employment, new orders, turnover, profitability and economic bottlenecks (raw materials, labour force etc.).

Eurostat's regional database contains statistics on annual gross regional product (GRP) at the NUTS3 level in current prices (EUR) for the period 1995-2004. 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 hours worked. Be-

cause there is no access to statistics on hours worked per industry on the regional level, it is necessary to calculate labour productivity approximately as the change of value added in constant prices in relation to the change in the number of gainfully employed. 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 2000-2006, at the same time economic growth has been lowest. Statistics Denmark and Statistics Sweden present regional statistics of the annual gross regional product (GRP) and GRP per employed persons of the daytime population for the period 1993-2005 in current prices. To calculate real GRP, the statistics must be calculated in constant prices. This is done by using national deflators for Denmark and Sweden respectively.