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## Danmarks Nationalbank's Monetary Review, 2nd Quarter 2010

The Danish economy is gradually recovering. "The government debt problems in southern Europe and the resulting financial unrest imply a risk for the ongoing recovery of the European economy. But the Danish economy appears to be sufficiently robust for the moderate economic growth to continue," says Governor Nils Bernstein, Danmarks Nationalbank.

Recent months have seen an increasing focus on the problems associated with large and rapidly growing government debts in many countries in the wake of the financial crisis. "The financial market unrest this spring has made clear that countries with weak public finances risk being burdened with high interest rates on their government debt. This year, Denmark is facing a large government budget deficit of almost kr. 100 billion, that is, around 5 per cent of the gross domestic product. Our public finances must be improved in order to maintain the strong confidence in the Danish economy from which we are currently benefiting," says Nils Bernstein.

"That is why we welcome the political agreement on fiscal consolidation starting next year. According to Danmarks Nationalbank's best estimate, this will not prevent a further recovery of the Danish economy, and it will help us to maintain a low level of interest rates and a high degree of credibility as regards Denmark's fixed-exchange-rate policy," says Governor Nils Bernstein.

Enquiries can be directed to Karsten Bilstoft on tel.: (+45) 33 63 60 21.