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## NEGOTIATIONS ON 2025 PLAN SHOULD FOCUS ON MAKING THE DANISH ECONOMY MORE ROBUST

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Negotiations on the 2025 plan recently presented by the Danish government should focus on measures aimed at ensuring a stable development in the Danish economy.

That is the message from Governor Lars Rohde, Danmarks Nationalbank, at the quarterly press conference today.

"It is important to keep focus on creating the basis for a stable development in the Danish economy in the coming years. Ways should be found to increase the supply of labour, fiscal policy should be aligned with the cyclical position, and a housing taxation model should be developed that will help to dampen price fluctuations," says Lars Rohde.

The 1st half of 2016 saw a continuation of the economic progress that has characterised Denmark since 2013. Danmarks Nationalbank expects the gross domestic product (GDP) to grow by 0.9 per cent this year, rising to 1.5 and 1.8 per cent, respectively, in the next two years.

Employment increased further in the 2nd quarter of 2016, and unemployment fell. It is the assessment of Danmarks Nationalbank, that unemployment is now so low that continued employment growth hardly can be sustained by lower unemployment. So labour must primarily be found elsewhere.

"This means that there is a need for more people to stay longer on the labour market and for groups currently outside the Danish labour force to enter it," says Lars Rohde.

Danmarks Nationalbank also points out that in the coming years it will be necessary gradually to tighten fiscal policy, which has been expansionary since 2009 and thus supported activity in the Danish economy. In the 2025 plan presented by the government, it is envisaged that fiscal policy will not be in balance until the end of the period until 2025. Until now, the target has been 2020.

"We expect the economy to reach its normal capacity level as early as 2018. Conducting expansionary fiscal policy well beyond that point is risky, especially if interest rates continue to be very low. There is a risk of overheating and economic imbalances, which it may be necessary to take measures to prevent," says Lars Rohde.

The third issue of major significance to the future robustness of the economy is housing taxation: "It is important to find a model for housing taxation that reduces the risk of a repetition of the strong fluctuations in the economy seen in the 2000s. That can be achieved by restoring the link between house prices and housing taxes," says Lars Rohde.

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