

## STATEMENT

# DANMARKS NATIONALBANK'S COMMENTS ON THE DANISH ECONOMIC COUNCIL'S DISCUSSION PAPER AUTUMN 2018

4 December 2018

In general, Danmarks Nationalbank agrees with the Chairmanship's assessment of the cyclical position, risk outlook and economic policy. Denmark is well into an upswing and the capacity of the economy is under pressure. Growth is expected to remain robust, but to shift to a slightly lower gear. This is both natural and desirable after a period of relatively strong growth and does not call for special economic policy measures. The assessment is that the relatively high growth seen in recent years will make way for a "soft landing" for the economy.

As also seen in the last few reports, the Chairmanship's growth expectations for the coming years are a little higher than Danmarks Nationalbank's due to a more optimistic assessment of the potential. There is consensus that although the labour supply continues to rise, labour market pressures will intensify further in the projection period.

It should be emphasised that the macroprudential measures implemented are aimed primarily at ensuring financial stability and are not likely to have had any broader dampening effect on the economy.

Danmarks Nationalbank shares the Chairmanship's assessment of fiscal policy. Contractionary fiscal policy is appropriate in the current cyclical position, but if the shortage of labour becomes much more acute, there will be a need to tighten more than planned. In good times it is important to prepare for the period after a cyclical reversal. Fiscal policy should contribute to a balanced upswing and should not stimulate the economy further.

The report calculates how changes in personal income taxes affect the supply of labour. The previous estimates are somewhat old, so it is relevant to update the calculations. It is correctly stressed that such

estimates are subject to a high degree of uncertainty. Consequently, caution should be exercised in relation to including such effects as financing elements in tax reforms beforehand. They can be included when and if they have materialised.