

CURRENT TRENDS IN THE FAROESE ECONOMY

INTRODUCTION AND SUMMARY

The boom that began in 2013 seems to be gathering strength in 2016. In its most recent projection, from September, the Economic Council for the Faroe Islands, ECFI, has made an upward adjustment to its forecast of growth in the output value (gross domestic product, GDP) in 2016 and 2017. Both employment and wage expenditures are rising compared with last year, and wage earners' purchasing power is further boosted by falling consumer prices. In March 2016, the Faroese government assessed output to be above the capacity of the economy, which is expected to be 4.3 per cent of GDP in 2016, measured by the output gap. Hence, there is a risk of overheating, especially in the construction sector. At the same time, central and local government and publicly owned companies are planning massive investments in e.g. infrastructure and hospitals. Investment in 2016 is expected to total kr. 1.3 billion (7.3 per cent of GDP), which is 20 per cent higher than in 2014. Public sector investment is expected to rise by a

further 34 per cent until 2018. Consequently, there is a risk that the public sector and publicly owned companies contribute to pushing the economy further beyond its capacity limit.

There are indications of growth in public and private consumption in 2016. The rise in employment is distributed across nearly all sectors, but is particularly pronounced in aquaculture. Unemployment is approaching a record-low level. Growth in fisheries seems to have peaked, but the aquaculture industry is trying to expand its production capacity by investing heavily in onshore facilities.

The Finance Act operates with a central government surplus for the first time in eight years. However, this is mainly attributable to budget effects of the strong cyclical position. The Faroese government expects the structural deficit in 2016 to be 1.1 per cent of GDP. Add to this considerable demographic challenges that will gradually intensify over the next 40 years. In 2015, the ECFI

The Faroese government should tighten fiscal policy and ensure long-term sustainability

After several years of rising export earnings, driven by e.g. high prices for farmed salmon and good catches of mackerel and herring, the boom is gathering strength in 2016. The Economic Council for the Faroe Islands expects that growth in the next couple of years will be driven by both domestic and foreign demand, especially very large investments in the public sector and in publicly owned companies. There is a risk that the economy will overheat, particularly in the construction sector. Against that background, Denmark's

Nationalbank assesses that

- the structural government deficit should be replaced by a surplus sooner than planned,
- the long-term challenges to fiscal sustainability should be addressed now, and
- central and local government budgets should be coordinated better so as to ensure coherent management of government finances.

estimated that fiscal policy must be permanently tightened by 5 per cent of GDP if the government debt is to be stabilised in the long term.

Historically, public consumption and investment have at times contributed to amplifying cyclical fluctuations. There is a risk that the government will repeat this pattern in the current boom, and it should consider postponing some of the very large investments until the economy has shifted to a lower gear. In addition, the Faroese government should replace the structural deficit by a surplus sooner than planned. With a booming economy and large profits in the fisheries-related industries, now is also a good time to tackle the long-term challenge of fiscal sustainability. This can be achieved via reforms to increase the supply of labour, e.g. by gradually postponing the retirement age, and by giving the central government a larger share of the “economic rent” from the fisheries-related industries. This will reduce higher-than-normal profits and high wages in parts of the fisheries sector. But in the assessment of the ECFI, these two measures will address only two thirds of the challenge.

THE UPSWING IS ACCELERATING IN 2016

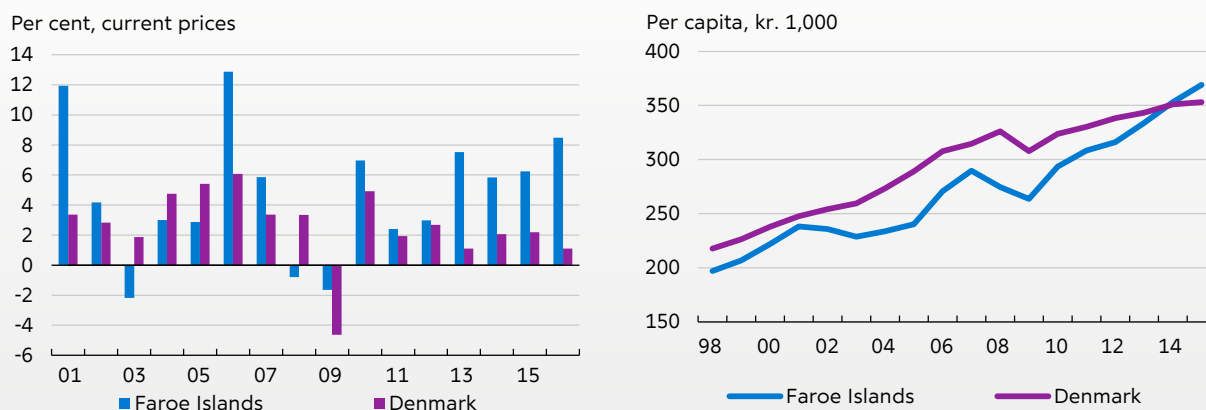
According to the most recent estimate, the output value rose by 6.2 per cent in 2015, which is more or less the same as in recent years, cf. the national

accounts table in the Appendix and Chart 1. The Faroese national accounts are compiled in value terms only (current prices), so all figures in this article are in current prices. Overall output has increased by 21 per cent since the upswing began in 2013. According to the ECFI’s most recent projection, from September 2016, the upswing is expected to accelerate in 2016 and output is forecast to rise by 8.5 per cent. In its spring projection, the ECFI expected growth of 5.3 per cent in 2016. However, dependence on aquaculture and fisheries, where activity varies with the size of stocks, implies strong volatility in the economy. Since the financial crisis, growth in output has been higher than in Denmark, and output per capita in the Faroe Islands matched the Danish level in 2015. But gross national disposable income per capita was higher than in Denmark due to the block grant from the Danish government and net wage income from people working abroad but living in the Faroe Islands.

While the upswing was initially driven mainly by exports, economic growth over the last year has been fuelled primarily by domestic demand, and especially by higher private consumption. Car sales are usually a good indicator of developments in private consumption. The number of new passenger cars rose by almost 12 per cent in 2015 and by more than 13 per cent year-on-year in the first seven months of 2016. As the value of imported passenger cars rose by more than 25 per cent in 2015, people are also buying more expensive cars.

Output growth has led to higher prosperity in the Faroe Islands than in Denmark

Chart 1



Note: GDP and gross national income in current prices. Figures for 2014-15 are preliminary, figures for 2016 are projections.
Source: Hagstova Føroya, Statistics Denmark, Danmarks Nationalbank and own calculations.

The level of investment decreased further in 2014, reflecting lower purchases of new aircraft and ships, which are to a large extent imported and therefore have no immediate impact on activity. Wage expenditures in the construction sector rose by more than 10 per cent in 2015 and a good 12 per cent year-on-year in the 1st half of 2016, indicating that fixed investments are still rising. Following a 3.5 per cent increase in 2013, public consumption remained unchanged in 2014. Public sector wage expenditures point to a substantial increase in public spending in 2015 and the 1st half of 2016, which will boost economic activity.

According to the ECFI, central and local government and publicly owned companies are planning a series of large investments totalling kr. 1.3 billion (7.3 per cent of GDP) in 2016. This is 20 per cent higher than in 2014. Investments are expected to rise by a further 34 per cent until 2018. For example, two new tunnels at a total price of kr. 2.1 billion (13 per cent of GDP) are planned for the period 2016-21. In a Danish context this would correspond to more than four Fehmarn Belt tunnels.¹ Many of these investments have a large import content, but on account of their total size they will contribute substantially to economic growth and increase the risk of bottlenecks, especially within the construction sector, where there are already signs of overheating. Seven in ten construction firms say that shortage of labour is an impediment to growth. Hence, the magnitude of the public investments and investments in publicly owned companies could further push the economy beyond its capacity limit.

Further growth in fish exports in 2015 meant that the value of exports of goods, excluding ships and aircraft, rose by just over 7 per cent in 2015. Imports of goods, excluding ships and aircraft, fell by 2.6 per cent. The main underlying factor was a decline of more than 30 per cent in the import value of fuel, primarily because of lower oil prices in the world market. Preliminary data for the 1st half of 2016 shows that the value of exports, excluding ships and aircraft, has risen strongly. The price of salmon, which accounts for 45 per cent of exports, has risen considerably

since the turn of the year. Imports of goods, excluding ships and aircraft, have risen by 7 per cent year-on-year, mainly due to imports of machinery.

The surplus on the balance of trade in goods was kr. 757 million in 2015 (4.6 per cent of GDP), while the balance of services should be expected to have been negative. It has been negative by around kr. 1 billion in the most recent years for which figures are available. Add to this a positive contribution of kr. 700-800 million from wage income from people living in the Faroe Islands but working abroad (including in Denmark). Finally, there are transfers of approximately kr. 800 million, mainly in the form of the block grant from the Danish government. So the current account surplus for 2015 is expected to be considerable.

The biannual confidence indicators show that firms and consumers are generally not as optimistic about the economy as they have been in previous years. Especially the consumers take a less positive view of their own finances and the Faroese economy one year ahead. Thinner order books, expectations that sales prices will fall and reduced international competitive strength has caused industrial expectations to decline to a lower, but still positive, level. This is in line with the most recent ECFI projection, which shows that growth will fall to 4.1 per cent in 2017. But retail trade and especially the construction sector have very positive expectations.

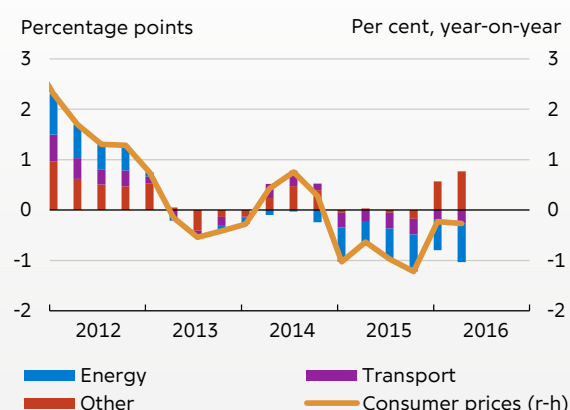
OIL PRICES ARE REDUCING THE PRICE LEVEL

Consumer prices have basically been falling since the spring of 2013, cf. Chart 2. In the 2nd quarter of 2016 they were 0.3 per cent lower than in the same quarter of 2015. Especially the falling oil prices in the world market in 2015 have had a downward impact on energy prices. Conversely, food, clothing and footwear are pushing the price index upwards. The low rate of consumer price inflation boosts household purchasing power and hence private consumption.

1 By comparison, the tunnel under the Fehmarn Belt between Denmark and Germany, which is to be built over 12 years, costs approximately kr. 65 billion, including onshore facilities, or 3.3 per cent of Denmark's GDP in 2015.

Falling energy prices are reducing consumer prices

Chart 2



Note: The weight of components on which oil and energy prices have a direct impact is more or less the same for Denmark and the Faroe Islands. However, the volatility of price indices for the energy components in connection with changes in oil prices is substantially higher in the Faroe Islands, partly reflecting a different taxation system. Unlike the Danish consumer price index, the Faroe price index includes interest expenses for housing instead of an imputed rental value of an owner-occupied dwelling. In the chart, the growth contribution from interest expenses for housing has been eliminated. "Other" includes rounding.

Source: Hagstova Føroya and own calculations.

ISING EMPLOYMENT

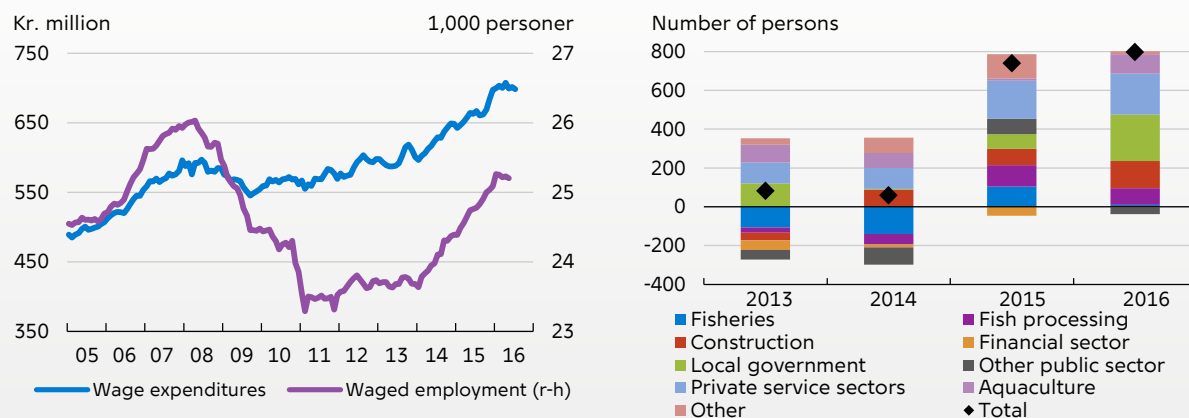
After having been stable in the preceding years, the number of wage earners rose for the third year running, cf. Chart 3. However, the rate of increase has declined a little so that the number of wage earners was 1.9 per cent higher in May 2016 than in May 2015. One year earlier, the annual growth rate had been 3.3 per cent. Growth in wage expenditures is high, but has subsided slightly, to 5.3 per cent year-on-year. In recent months the curve has flattened, however.

The rise in employment from 2015 to 2016 was broad-based across sectors, but measured by the number of persons it was highest in local government and in private service sectors, which have created more than half of all new jobs. The last year's increase in aquaculture has led to a sharp rise of approximately 11 per cent in employment. Productivity is high in this industry, which normally requires relatively little labour.²

Employment in construction has risen by more than 8 per cent due to e.g. the large public sector projects commenced recently. This more or less corresponds to the level seen in 2005, before

Especially the public sector and the private service sectors are taking on new employees

Chart 3



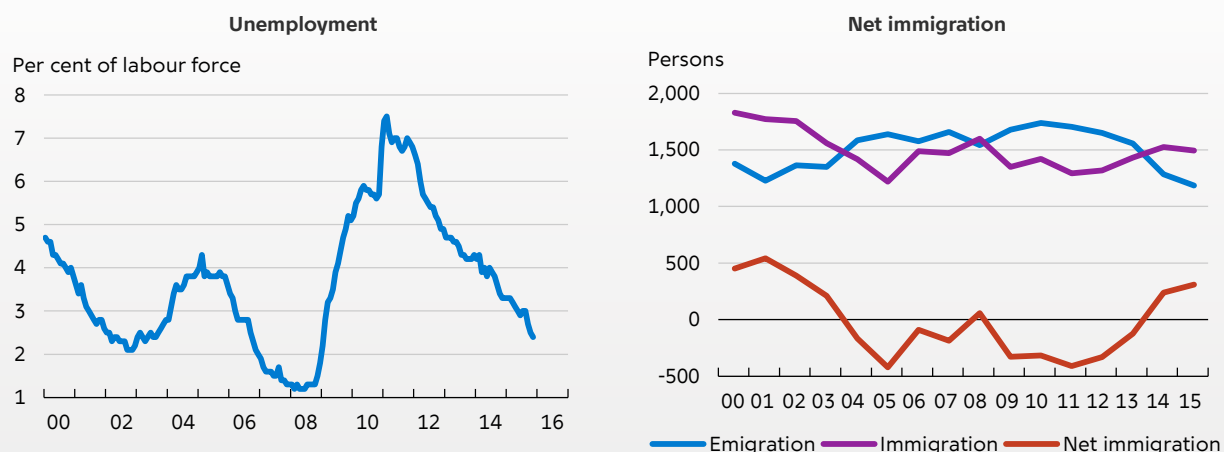
Note: Left-hand chart: Seasonally adjusted monthly data. 3-month moving averages for wage expenditures. The most recent observation is from May for waged employment and July for wage expenditures. Right-hand chart: Change in average employment in the 1st quarter of the period in question relative to the preceding year.

Source: Hagstova Føroya and own calculations.

2 Aquaculture employs less than 4 per cent of wage earners, but generates around 7 per cent of gross value added.

Strong growth in employment boosts net immigration and reduces unemployment

Chart 4



Note: Seasonally adjusted monthly data for the unemployment rate. The most recent observation is from November 2015.
Source: Hagstova Føroya.

surging house prices at the peak of the business cycle led to a building boom.

Unemployment has decreased steadily since 2011, standing at 2.4 per cent of the labour force (seasonally adjusted) in November 2015. This means that it is approaching the record-low level seen during the most recent boom in 2007-08, cf. Chart 4. The low rate of unemployment is a sign of mounting capacity pressures and highlights the need for central and local government to avoid increasing the level of activity. At the same time, reforms should be introduced to boost the labour force.

A large number of Faroese people, especially skilled workers and builders, live in the Faroe Islands but work abroad, attracted by higher wages and tax benefits. The Faroese government may to some extent counter the shortage of labour by reducing the tax benefits. Besides dampening the risk of overheating, this would increase tax revenue. The level of unemployment is not directly comparable with the level in other economies, in that the Faroese population is relatively mobile and responds to high unemployment by emigrating. For example, the labour force shrank during the crisis as a result of net emigration, while the recent economic recovery has led to net immigration of people of working age and also to a higher participation rate.

THE VALUE OF FISH EXPORTS CONTINUES TO RISE

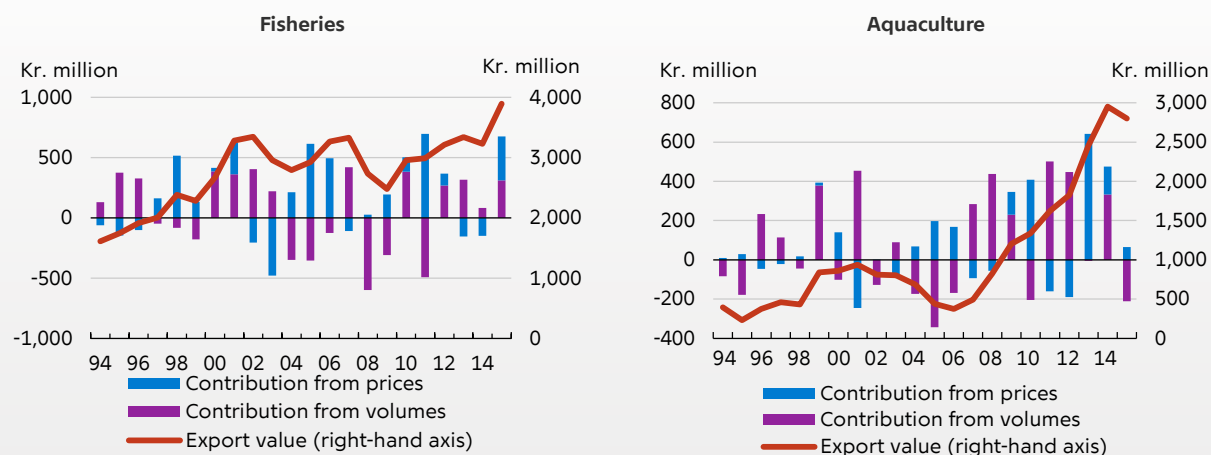
Fisheries and aquaculture account for around one sixth of total gross value added in the Faroe Islands and approximately 98 per cent of exports of goods, excluding ships and aircraft. This means that the Faroese economy is highly dependent on developments in catch volumes and fish prices. Both fluctuate considerably over time, but not necessarily in the same direction for the various branches of fisheries and species. The fact that earnings have increasingly been diversified across different branches of fisheries to some extent helps to reduce the vulnerability of the economy overall.

Fisheries saw substantial growth in 2015 and export values rose by more than 20 per cent, cf. Chart 5. This was attributable to a combination of rising prices and larger catches. Pelagic fishing for, inter alia, herring and mackerel is most profitable, while traditional demersal fishing, primarily for cod, saithe and haddock around the Faroe Islands, is still financially squeezed.

Demersal fishing is characterised by local stocks which do not migrate the way pelagic species do. So regulation is a local issue. Stocks of demersal fish are critically low for several species, and catches have been higher than recommended by marine biologists for many years, cf. Hegland and Hopkins (2014).

Growth in fisheries in 2015, but a small decline in aquaculture

Chart 5



Source: Hagstova Føroya and own calculations.

Earnings from pelagic fishing have risen strongly over the last five years, primarily because larger stocks of mackerel around the Faroe Islands have led to quadrupling of catches, which have also been sold at higher prices. In 2014, the Faroe Islands concluded a 5-year agreement with the EU and Norway that made it possible to catch the same volume of mackerel as in the preceding years. In 2010-13 the Faroe Islands had determined its own mackerel quota due to disagreement with the other countries.

In 2015, especially catches of herring increased, and in combination with substantially higher prices this boosted export values by more than 60 per cent. However, the export value of herring is only just over half the export value of mackerel. The Faroe Islands are not a party to the agreement between the EU, Norway, Iceland and Russia and kept their own herring quota at just over 40,000 tonnes in 2015, corresponding to the level in 2014. The Faroe Islands did not sign the agreement because of dissatisfaction with the share of just over 5 per cent allocated to the Faroe Islands in the agreement. So far, no agreement has been reached on herring and blue whiting quotas for 2016 and the Faroe Islands have unilaterally set a quota of 56,000 tonnes for herring and just over 347,000 tonnes for blue whiting (approximately 71,500 tonnes have been transferred from the 2015 quota).

Following eight years of continuous growth, aquaculture saw a small decline in 2015 due to

falling sales volumes. In 2016 to date, salmon prices have risen notably compared with 2015 prices. Lower expected catches of wild salmon in Alaska and algae in Chilean aquaculture facilities may reduce the supply of salmon in the 2nd half of 2016 so that prices will remain high in the short term.

Since Russia introduced a trade embargo on food from, inter alia, the EU, the Faroe Islands have achieved sales prices for salmon in the Russian market³ that are higher than the world market prices. The good sales opportunities meant that in 2015 Russia accounted for more than 25 per cent of the total value of Faroese exports, up from 17 per cent the year before. This makes Russia by far the largest single export market for the Faroe Islands, followed by the USA and the UK at just under 9 per cent each. Overall, the EU member states taken as one are still the Faroe Islands' primary trading partner, with a share of 41 per cent.

After several good years for pelagic fishing and aquaculture, it is doubtful whether the high growth rates can continue. Aquaculture production is close to its current capacity limit if disease is to be avoided. The largest Faroese firm, Bakka-frost, is planning investments of more than kr. 2 billion in onshore facilities over the next five years. According to the firm, this will make it possible to let the salmon grow larger before they are intro-

3 The Faroe Islands are not part of the EU.

duced into the fjords, thereby increasing capacity in the long term. In addition, it will make aquaculture less vulnerable to disease. As regards the pelagic sector, future growth will depend on the distribution of quotas between countries and the overall sustainability of fishing in the North East Atlantic Ocean. According to figures from the Faroe Marine Research Institute, the inflow of young demersal fish remains very low, which indicates that fishing activities cannot be increased for some time to come.

In January, the Faroese government set up a working group to prepare proposals for reforming the system for allocating fishing licences in the Faroe Islands when the current licences expire at the end of 2017. An important element of its terms of reference is that the new system is to do away with political allocation of fishing rights in favour of allocation on market terms. It is important that the process is transparent and ensures multi-year licensing, which will support investment in the industry. The reform should improve the government budget considerably. In recent years, the pelagic sector has been posting substantial higher-than-normal profits of around kr. 500 million p.a., known as “economic rent”, according to Ellefsen and Rógvi (2015). The authors note that the sum may very well have increased since then due to the mackerel fishing agreement.

INCREASING CUSTOMER FUNDING SURPLUSES IN FAROESE BANKS

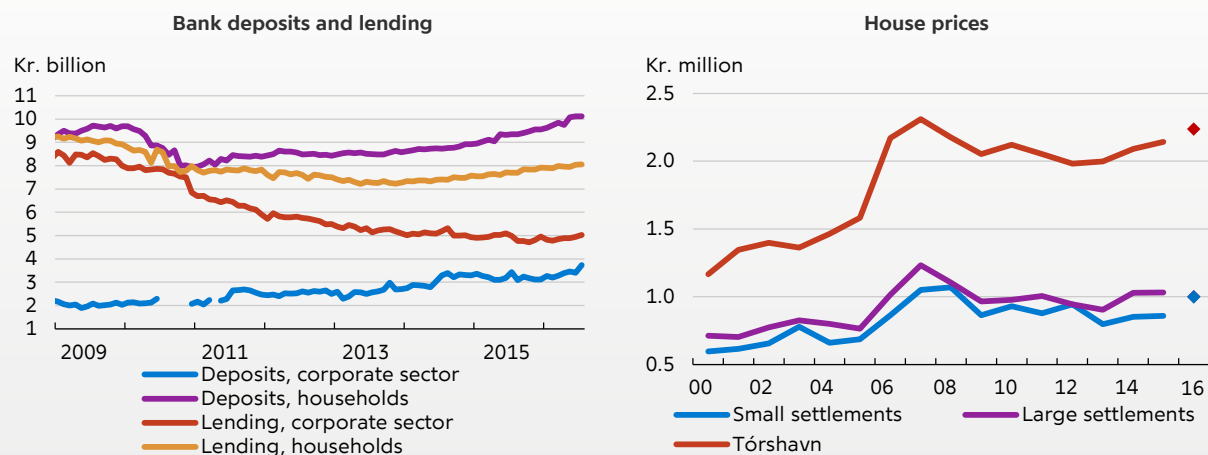
Lending by Faroese banks to the corporate sector has risen since the turn of the year, but remains lower than last year, while deposits continue to increase, cf. Chart 6. According to the banks, the development in lending is primarily attributable to very low demand. But the banks’ leverage, i.e. the sum of assets relative to equity capital, is relatively high compared with previous years.

The fisheries sector, which previously raised many loans and was a source of substantial credit losses for banks in crisis periods, borrows only little from banks now. Large investments are made mainly in pelagic fisheries and aquaculture. Both these sectors are currently operating with sizeable surpluses so that most investments can be funded by the firms themselves or repaid over a short period of time. Some of the loans for the largest investments in e.g. aquaculture are granted by foreign banks.

Household deposits increased by 8 per cent year-on-year in July. Household deposits exceeded kr. 10 billion in July, which is approximately 20 per cent higher than three years ago. At the same time, bank lending for housing purposes has risen by just under 5 per cent year-on-year in July, which is slightly higher than the growth rate seen

Increase in lending to households should be seen in the light of higher house prices in Tórshavn

Chart 6



Note: Left-hand chart: In September 2013, a new set of statistics was introduced, which is linked to the old set. Data for households and non-profit institutions serving households (NPISH) have been merged. The most recent observations are from July 2016. Right-hand chart: Data for the 1st quarter of 2016 only.

Source: Danmarks Nationalbank, Hagstova Føroya, Eik Bank and own calculations.

last year. This should be viewed in the light of an increase in house prices, especially in Tórshavn, of more than 8 per cent year-on-year in the 1st quarter of 2016. This means that prices have almost reached the 2008 level.⁴ The housing market is being driven by rising disposable income and low interest rates. This is also reflected in increased turnover in the housing market, which has risen by more than 25 per cent p.a. in the last two years. The Faroese housing market is generally characterised by shorter amortisation periods than in e.g. Denmark. This makes homeowners more resilient to shocks and dampens price developments. On the other hand, no land taxes or property value taxes are paid, and, all else equal, this reduces the user cost, thereby buoying up prices. Tax deductibility of interest on housing loans points in the same direction. The ceiling on and percentage rate of support for homeowners' interest costs have both been reduced gradually since 2009 so that in 2016, 35 per cent of interest

costs are refunded up to a ceiling of kr. 110,000. The ceiling will be lowered to kr. 100,000 p.a. in 2018.

FISCAL POLICY SHOULD BE TIGHTENED

Faroese government finances have shown deficits from 2008 to 2015, but the deficit is shrinking due to the economic boom. The deficits have mainly been attributable to the central government, while local governments have posted small surpluses. In 2015, the central government increased the surplus on its current budget to kr. 343 million as operating costs fell by more than revenue. But as in previous years, the current, investment and lending (CIL) balance was negative by 0.1 per cent of GDP, cf. Table 1. The 2016 Finance Act budgets for a CIL surplus of kr. 9 million (0.1 per cent of GDP), which is expected to be countered

Main items of the government accounts

Table 1

Kr. million	2013	2014	2015	2016	2017
Taxes and duties, etc.	3,686	4,014	3,884	3,919	..
Other revenue	63	62	51	68	..
Block grant from the Danish government	632	635	642	642	642
Total income	4,381	4,712	4,577	4,629	4,795
Operating costs	4,463	4,588	4,234	4,418	4,462
Fixed investments	237	360	341	186	280
Net interest expenses	94	18	84	16	3
Total expenses	4,794	4,966	4,659	4,620	4,745
Balance (CIL) central government	-413	-254	83	9	50
<i>Memo (per cent of GDP):</i>					
Balance (CIL) central government	-2.8	-1.6	-0.5	0.1	0.3
Structural government balance	-1.7	-1.6	-1.2	-1.1	-0.5
Balance (CIL) for central and local government	-3.1	-1.2	0.4	-1.2	..

Note: Data for 2013-15 is accounts data, data for 2016 is from the Finance Act and data for 2017 is proposed allocations from Economic Survey I. Net interest expenses includes e.g. transferred profits from Danmarks Nationalbank. The structural government deficit is for central and local government as well as social security funds.
Source: Faroese Ministry of Finance.

⁴ The number of trades per quarter is relatively low, which makes average prices sensitive to individual transactions.

by a large deficit of kr. 218 million (1.2 per cent of GDP) on the local government CIL balance due to higher operating costs and investment. The marked easing of local government budgets emphasises the need for better coordination with the central government's economic policy. According to the central government's economic survey from March 2016, the central government surplus is expected to rise a little, to 0.3 per cent of GDP, in 2017. Government debt has been rising since 2008 on account of the deficits of the central government in particular, but gross debt remains low in an international perspective, cf. Autrup 2015.

The budget surpluses for this year and next year are limited although the Faroe Islands are experiencing a boom with annual growth rates of 6 to 9 per cent over the last four years. According to the Faroese Ministry of Finance, output exceeds the capacity limit with an output gap of 4.3 per cent of GDP in 2016, falling to 2.5 per cent of GDP next year. The central government has not been able to improve public finances sufficiently during the boom. Hence, it expects public finances to show a structural deficit in 2017, i.e. for the 10th year in a row, although it has improved by 1 per cent of GDP in the last five years. This means that necessary adjustments are being postponed and may have to be introduced in a weaker economic environment.

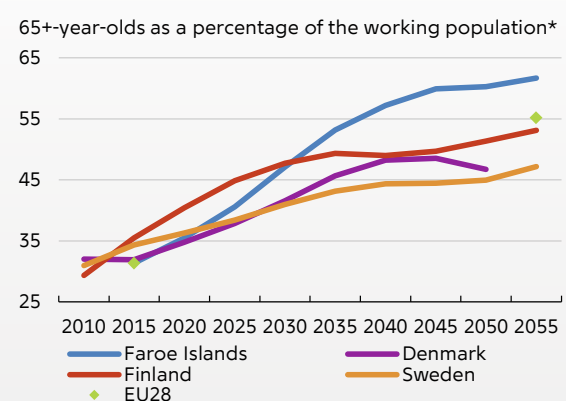
Calculations by the ECFI show that public sector consumption and investment have typically risen when government revenue has increased due to an improved cyclical position. This has had a procyclical effect. With the large planned increases in investments by the public sector and publicly owned companies, the central government risks a repetition of this pattern. At the same time, tax proceeds have, all else equal, been eroded by tax cuts in connection with the 2012 tax reform, which introduced lower taxes on incomes at the high end of the scale. In the same connection, the central government brought forward taxation of pension contributions in return for tax-free future disbursements. These measures have contributed to worsening the structural deficit. From 2016, the present government has given tax cuts to people with low and medium incomes for kr. 123 million (including dynamic effects), corresponding to approximately 1 per cent of GDP. This is expected to be funded via increased resource taxes and a trial period with fish quota auctions in

2016. Particularly the revenue from these auctions will vary from year to year. The auctions have given the expected aggregate revenue in 2016.

Public sector fixed investments will be very large in the next few years, including considerable investments in publicly owned companies. Investments in e.g. infrastructure will in some cases not be stated in the central government budget, as many of them will be funded via loans raised by separate publicly owned companies. The central government should avoid amplifying the upswing via increased public spending and excessive investment. It should be considered whether some of these investments can be postponed.

Like many other economies, the Faroese economy is facing large demographic challenges with more old people and fewer people of working age, cf. Chart 7. However, the challenge is greater in the Faroe Islands than in the other Nordic economies and the EU overall. While there were six people of working age to provide for two senior citizens in 2015, there will be only three Faroese people under the age of 65 to shoulder this burden in 40 years. The fertility rate of Faroese women is high, but in the projections the last 10 years' net annual *emigration* of just under 0.4 per cent of the population is expected to contin-

The adverse demographic development in the Faroe Islands will accelerate in the coming decades Chart 7



Note: *Working population is defined as the population aged 20-64 years. The last observation for the Faroe Islands is 2014. Note that the retirement age in the Faroe Islands is 67 years, but the line has been drawn at 65 years to ensure comparability across countries where the retirement age has generally been lower.

Source: Hagstova Føroya, secretariat of the Nordic Council of Ministers and own calculations.

ue. Projections of population figures are obviously subject to uncertainty, especially when it comes to fertility and net immigration, but nevertheless signs point to strong demographic headwinds for the Faroese economy. In Denmark, reforms – such as a higher retirement age that is indexed to life expectancy – has led to fiscal sustainability in the long term. So far the Faroese government has not prepared government finances for the future. Without reforms, Faroese government finances will meet strong challenges. In 2015, the ECFI calculated that the government deficit would increase steadily towards 2050. There is a need for permanent fiscal tightening of around 5 per cent of GDP (kr. 750 million) in order to stabilise net government debt in the long term.

In the assessment of the ECFI, a gradual increase of the retirement age from 67 to 72 years until 2048 will account for only 1.9 percentage points of this challenge, while higher revenue from fisheries and aquaculture for use of the nation's shared resources will add up to 1.5 percentage points. This means that other measures must be introduced to find the remaining 1.5 percentage points.

The Faroese government has presented a bill to re-establish Landsbanki Føroya, which was closed in 2013, to the Løgting (parliament). The aim is that the Landsbanki should undertake debt and liquidity management on behalf of central and local government and public funds, as well as providing financial and macroeconomic advice to the authorities. Danmarks Nationalbank remains the monetary policy authority of the Faroe Islands.

Growth rates. national accounts in value terms

Table 2

Per cent	Share of GDP (2014)	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Private consumption	51.6	8.0	5.8	-0.2	-1.4	-1.6	9.6	1.2	1.3	5.1	5.7	5.9	4.9
Public consumption	28.1	3.3	8.2	10.5	1.8	3.7	1.9	0.9	3.3	0.5	1.5	3.8	2.5
Total gross investment	19.7	42.0	28.4	-34.6	-17.4	20.7	-3.3	61.1	-7.5	-16.2	2.9	4.6	10.5
Exports of goods and services	51.9	11.2	6.5	7.8	-11.0	15.2	12.9	2.2	11.7	8.5	8.1	12.7	-0.9
Final consumption equal to total addition	151.3	12.5	10.3	-3.0	-5.7	6.8	7.2	8.6	3.2	1.9	5.4	7.8	3.0
Imports of goods and services	51.3	11.9	18.7	-6.8	-13.2	6.6	17.2	18.8	-3.6	-4.9	3.8	6.4	0.8
Gross domestic product (GDP)	100.0	12.9	5.9	-0.8	-1.7	7.0	2.4	3.0	7.5	5.8	6.2	8.5	4.1
Gross national income	..	12.8	5.7	-2.9	-3.6	11.2	3.3	3.8	5.9	5.6	6.2	8.4	4.2
Gross national disposable income	..	12.3	7.3	-5.1	-3.3	11.0	5.0	2.0	5.3	6.0	5.5	8.0	4.1
Memo: Consumer prices	..	1.5	3.6	6.3	-1.0	0.4	2.3	2.2	-0.6	-1.0	-1.7

Note: For 2014-15 the national accounts are estimates. for 2016-17 they are projections.

Source: Hagstova Føroya.

LITERATURE

Autrup, Søren Lejsgaard (2015), Economics, Current trends in the Faroese economy, Danmarks Nationalbank, *Monetary Review*, 3rd Quarter 2015.

High Commissioner of the Faroe Islands (2016), Report (in Danish).

Ellefsen, Hans and Heri á Rógvi (2015), Økonomisk rente og ringvirkninger i de vestnordiske fiskerier (Economic rent and knock-on effects in western Nordic fisheries), report prepared for NORA and for the task force on fisheries under the Nordic Council of Ministers – in Danish.

Economic Council of the Faroe Islands (2015a), Finanspolitisk holdbarhed for den offentlige sektor på Færøerne (Sustainability of the Faroese public sector finances), *Report from the Economic Council of the Faroe Islands*, spring – in Danish with an Executive Summary in English.

Economic Council of the Faroe Islands (2015b), Særlige analyser af offentlige investeringer og ældreplejen (Special analyses of government investments and elderly care), *Report from the Economic Council of the Faroe Islands*, autumn – in Danish with an Executive Summary in English.

Economic Survey I (2016), Faroese Ministry of Finance, March.

Hegland, Troels J. and Christopher CE Hopkins (2014), Towards a new fisheries effort management system for the Faroe Islands? – Controversies around the meaning of fishing sustainability, *Maritime Studies* 13:12.