

DANMARKS NATIONALBANK

13 SEPTEMBER 2017 — No. 8

Economic growth in Denmark is expected to be 2.3 per cent this year

The Danish economy is in a strong upswing



The Danish economy is in a solid upswing. Unlike the pre-crisis period, there are low risk of the economy overheating.



Employment has risen by approximately 160,000 since 2013. Growth is expected to continue at a slightly slower pace.

The Danish economy is growing strongly at the moment and there is a good chance that this development can continue, although parts of the labour market are under pressure.

The current upswing is solid. That is Danmarks Nationalbank's conclusion in an analysis of the Danish economy, expecting growth in the gross domestic product, GDP, to increase from 1.7 per cent in 2016 to 2.3 per cent in 2017. In 2018 and 2019, annual growth is expected to be 1.8 and 1.7 per cent, respectively. This is an upward adjustment compared with Danmarks Nationalbank's March forecast, which said 1.6 per cent in each of the years 2017, 2018 and 2019.

The prospect of continued growth means that the Danish economy is moving further into the upswing. Unlike in the years leading up to the financial crisis, the risk that the economy will overheat is lower, but current developments mean that it will become more difficult for firms to find the right labour.

Employment has risen continuously since the upswing gained momentum in 2013, and approximately 160,000 people have found work since then. Especially the services and construction sectors have employed more people, but the number of industrial employees has also risen.

There are strong indications that employment will continue to grow in the coming years, but the pace will slow down slightly as labour market pressures increase. In the assessment of Danmarks Nationalbank, employment will increase by almost 60,000 persons in the period until the end of 2019.

Unemployment has been declining for several years, but the trend has flattened recently. The reason is not that the recovery in the labour market is coming to a halt, but primarily that many people remain on the

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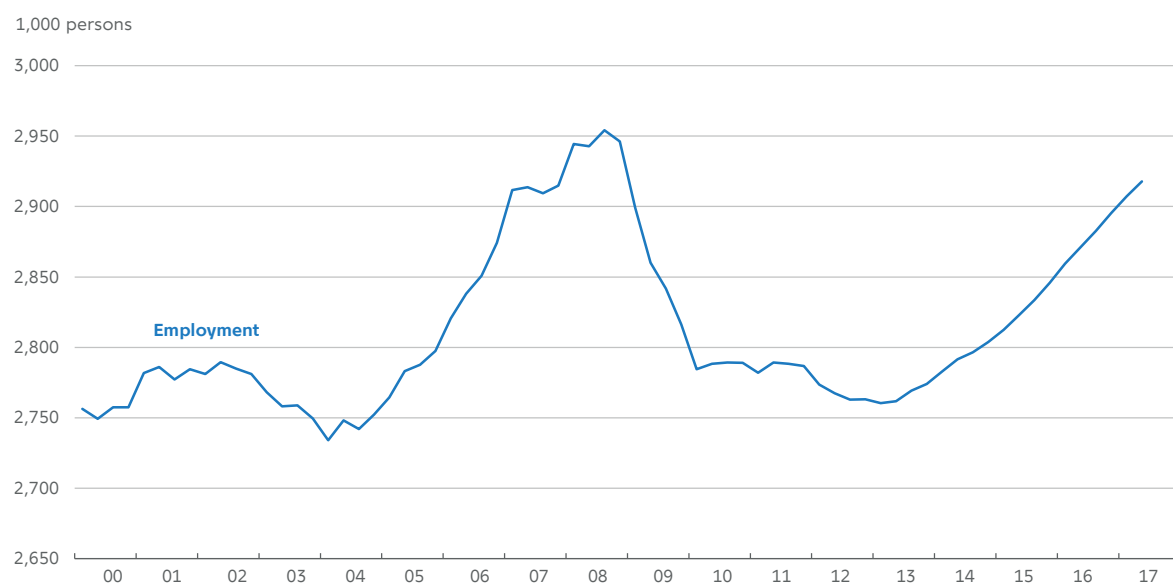


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News primarily address journalists, politicians, government officials, specialists and other persons who want to be kept updated on current topics.

More people are in employment

Chart 1



Note: Employment including leave, national accounts.
Source: Statistics Denmark.

labour market for longer and that new employees are being recruited from outside the existing labour force. So it can be concluded that reforms such as those postponing the retirement age have a considerable impact on the number of people in the labour market.

The low rate of unemployment and firms' continued demand for labour are pushing up wages, but the international competitiveness of Danish firms leaves scope for that.

Good opportunities for increased private consumption

There are strong indications that many consumers are more prudent and more cautious to spend money than previously. Households are still spending a smaller share of their incomes than they used to and saving more. This is one of the reasons why the pace of the upswing has been balanced so far.

There is a large potential for private consumption to pick up further as disposable income has increased in step with the rise in employment. At the same time, the general level of interest rates has fallen, while house prices have risen.

Danmarks Nationalbank's projection

Box 1

Danmarks Nationalbank analyses the Danish economy on a current basis and publishes forecasts of growth and other key indicators twice a year.

	2017	2018	2019
GDP	2.3	1.8	1.7
Consumer prices	1.0	1.4	1.7
Wage growth	2.4	2.8	3.0
Employment	+60,000 by the end of 2019		

Households and firms generally have robust financial buffers after a long period in which the saving ratio has been high, and increased private sector demand has not been driven by lending growth.

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