

DANMARKS NATIONALBANK

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The Danish economy is expected to grow by 1.7 per cent this year

The Danish economy is well prepared for external risks

The upswing in the Danish economy continues for the sixth consecutive year, and so far it has been balanced. The boom is also set to continue in the coming years, but at a slightly slower pace. This is only natural after several very good years.

That is Danmarks Nationalbank's conclusion in an analysis of the Danish economy which forecasts growth in the gross domestic product, GDP, of 1.7 per cent in 2019 and 2020, while growth is expected to be 1.6 per cent in 2021.

Being a small, open economy, Denmark is highly dependent on developments in the rest of the world.

And most recently, the risk that the slowdown in the global economy will be more severe than expected has increased. The trade conflict between the US and China has not been settled and may escalate to the detriment of the global economy.

The outcome of Brexit is also uncertain. It will affect the Danish economy, but it is likely to have a modest impact on the economy as a whole, even in the

Danmarks Nationalbank's projection



GDP

1.7

2019

1.7

2020

1.6

2021

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



CONSUMER PRICES

1.2

2019

1.5

2020

1.8

2021



EMPLOYMENT

+75,000

Towards the end of 2021



WAGE GROWTH

2.8

2019

3.3

2020

3.4

2021

event of a “no deal” Brexit. So far, the Danish economy does not seem to be affected.

The Danish economy is well prepared for addressing the current risks. Danish firms and households both have considerable savings and their wealth is substantial. That is a good point of departure if demand for Danish goods declines. There has been a tendency for weaker economic development in our neighbouring countries, but it has not yet had any marked impact on the Danish economy.

In the housing market, prices of single family houses slowed down a little towards the end of 2018. In Copenhagen, prices of owner-occupied flats have been almost flat since the spring of 2018. This is a healthy development, since prices there have risen more than warranted by developments in disposable incomes and interest rates, etc. So far, the development points to a soft landing for owner-occupied flats in Copenhagen.

Once the housing taxation agreement of 2017 takes effect in 2021, the link between housing taxation and house prices will be restored, contributing to more stable prices in the housing market.

In a new analysis Danmarks Nationalbank shows that, viewed in isolation, the housing taxation agree-

ment – when its effects on the housing market are fully phased in – will increase prices of single family houses by 1.4 per cent on average. Conversely, the agreement will, viewed in isolation, reduce prices of owner-occupied flats by 5.8 per cent. Although the agreement reduces prices of owner-occupied flats in Copenhagen, it will not in itself cause a hard landing.

Employment has risen by 1,000 a week

Developments in employment have also been positive. In 2018 alone, employment rose by 1,000 persons a week on average, and total employment has increased by 225,000 persons since the upswing gained momentum in 2013. Unemployment has not declined at the same rate, and a large proportion of the 225,000 comes from an expansion of the labour force. Most of the influx to the labour market is attributable to a higher proportion of elderly people remaining on the labour market for longer as well as foreign labour coming to Denmark.

With unemployment approaching 100,000 persons, the pressure on the labour market has intensified, and the pace of wage increase is also picking up slightly.

ABOUT NEWS



News are news articles based on analyses, working papers or other longer texts from Danmarks Nationalbank. News primarily

address journalists, politicians, government officials, specialists and others who want to be updated on current topics.

The news article consists of a Danish and an English version. In case of doubt regarding the correctness of the translation the Danish version is considered to be binding.

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