


Reforms can make Greenland's economy more self-sustaining

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Greenland's economy has slowed down after a few years of favourable times for fishing and a significant expansion of infrastructure. GDP growth since 2023 has been around 1 per cent per year, but there are still signs of capacity pressures in the economy. A significant labour shortage is building up, with increasing dependence on foreign labour. At the same time, an ageing population is putting pressure on the economy. An ambitious reform agenda should future-proof the public economy and the labour market.



Growth in Greenland is slowing down after several years of progress

Fishing is slowing down after a record year for seafood exports. The vital shrimp stocks are shrinking, limiting catch volumes. Growth is also being temporarily affected by the finalisation of several large-scale infrastructure investments.



Dependence on foreign labour is growing

There are widespread labour shortages in many parts of the economy. This has led to a significant influx of labour from abroad, especially Asia. It is difficult to recruit labour for major welfare areas such as health, education and social services.



An ageing Greenlandic population increases the need for reform

The population is expected to decrease over the next few decades, with more elderly and fewer young people in the country. This will have serious budgetary consequences for the Greenlandic treasury. An ambitious reform process should ensure sustainable public finances and economic development.

Why is it important?

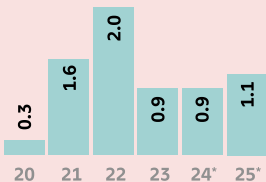
Danmarks Nationalbank is the central bank for the entire Danish Realm. We are therefore responsible for analysing developments in the Greenlandic and Faroese economies. to live up to our purpose of ensuring stable prices and ensuring the best basis for assessing the possible emergence of socio-economic imbalances.



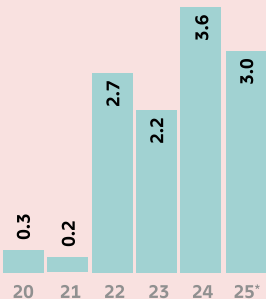
An ageing population is putting pressure on the Greenlandic government's economy and increasing the need for reform

Main chart: Facts about the Greenland economy

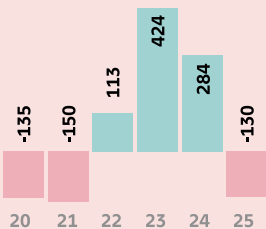
GDP growth per cent



Increase in consumer prices per cent



National treasury, operating and capital balance, kr. million



Population and economy

Population (size, early 2025)	56,542
of which born in Greenland	49,738
of which born in Nuuk (capital)	19,903
Labour force, 18-67 years (number, 2023)	29,049
of which employed	28,192
of which unemployed	857
Out of the labour force, 18-67 years (number, 2023)	8,023
GDP (kr. billion, 2023)	22.9
GDP per capita (kr.)	405,200



Note: (*) Estimates of real GDP growth and increase in consumer prices from the Greenland Economic Council, September 2024.
Source: Statistics Greenland, Finance Act 2025 and Economic Council.



The populations of Nuuk and the larger Greenlandic towns are growing, while fewer people live in the many smaller communities. Around 7 per cent of the population currently live in one of the smaller communities of up to 200 residents. The photo is from Sisimiut, the second-largest town in Greenland, with 5,485 inhabitants in 2025.

Keywords

Greenlandic economy

01

Growth has slowed down after several good years

Greenland's economy has proved relatively resilient to the international crises of recent years. The gross domestic product, GDP, increased by 3.6 per cent in 2021 and 2022 in real terms. This progress is due to a number of factors. Favourable times for the important fishing industry have led to a broad-based increase in income. Major investments in airports, infrastructure, housing and commercial real estate have boosted construction activity. Tourism in the form of, among other things, foreign hotel stays and cruise ship calls increased significantly after coronavirus-related travel restrictions were lifted. Inflation has also been modest in recent years compared to the rest of the world, due to Greenland's energy infrastructure.

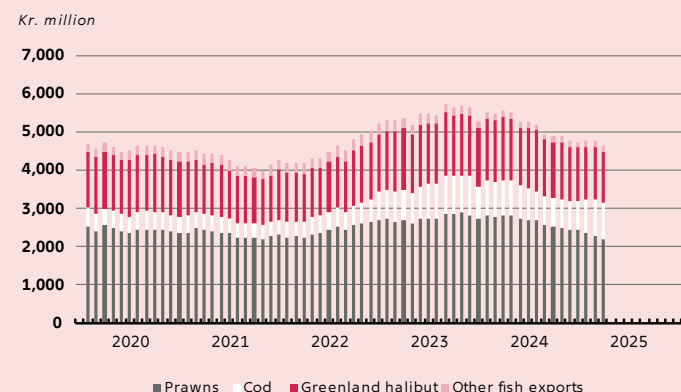
The economy slowed in 2023, with growth at 0.9 per cent. This was due to activity in major construction projects peaking around 2023 and a slowdown in the fishing industry. Growth is also expected to be around 1 per cent in both 2024 and 2025, which could ease the significant pressure on production capacity in the economy. This is the assessment made in the Greenland Economic Council's latest report from autumn 2024. Despite the slowdown, the economy will continue to be characterised by widespread labour shortages in the private and public sectors. Solving the labour problem is a key economic challenge.

Slowdown after record year in fishing

The years following the pandemic have been favourable for the fishing industry. Catch volumes increased and prices were boosted as restrictions were lifted in key markets. The favourable development in catch volumes and fish prices meant that the export value of seafood increased to kr. 5.5 billion in 2023, which is the highest ever export value of seafood. Product exports consist almost exclusively of seafood in various degrees of processing.

CHART 1

Seafood export value peaked in 2023

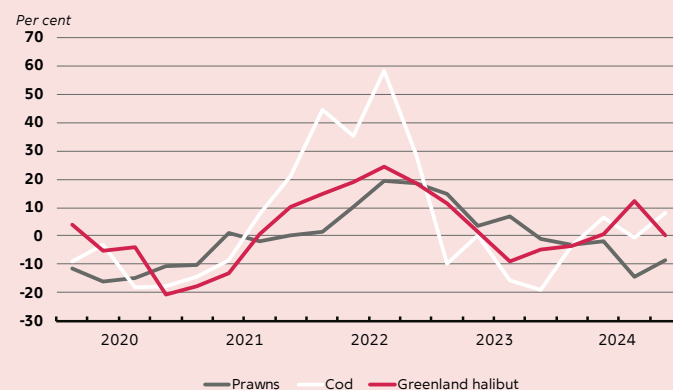


Note: Total of last 12 months' export values. The most recent observation was made in March 2025.

Source: Statistics Greenland.

CHART 2

Large fluctuations in seafood prices



Note: Percentage change in price index compared to the same quarter last year. The latest observation is from Q4 2024

Source: Statistics Greenland.

The favourable situation changed in 2024, see chart 1. Export value decreased by 10 per cent compared to the previous year, partly due to declining catch volumes for key export species. The shrimp quota was reduced by 7,500 tonnes to 102,500 tonnes. The quotas for this important fishery reflect biological advice and the fishery is MSC-certified as sustainable. The same applies to the seagoing Greenland halibut fisheries. There are indications of further decline in the shrimp population in Greenlandic waters. In its latest annual report from October 2024, the Northwest Atlantic Fisheries Organisation, NAFO, recommended a further reduction in catch volumes of around 20 per cent to maintain sustainable shrimp stocks. The shrimp quota for 2025 has since been set at 83,125 tonnes. Catch volumes in Greenlandic waters may therefore be at a turning point after increasing for a number of years. Shrimp catches increased for seven consecutive years up to 2023, when quotas reflected the biological advice. In the short term, catch volumes may deviate slightly from quotas due to the flexible quota scheme, under which quotas can be transferred or applied in advance to avoid large year-on-year changes in the industry.

BOX 1

High seafood prices since 2015 have boosted incomes in Greenland

The global prices of seafood exports are particularly important for income development in Greenland. When export prices rise more than import prices, the terms of foreign trade are strengthened, providing additional consumption and investment opportunities. Improved trade terms thus provide a wealth gain comparable to an increase in income. This wealth gain can be measured by the terms-of-trade-adjusted GDP, where the amount of exports is calculated as the amount of imports it can finance the purchase of:

$$\text{Terms-of-trade-adjusted GDP} = \text{GDP} - \text{exports} + (\text{export prices/import prices}) \times \text{exports},$$

where GDP and exports are in real terms (volumes) and export and import prices are the national accounts' deflators for exports and imports. When deflated by import prices instead of export prices, the volume of exports, and thus real GDP, is adjusted upwards when the terms of trade improve. This gives an indication of the consumption and investment opportunities that exports give rise to.

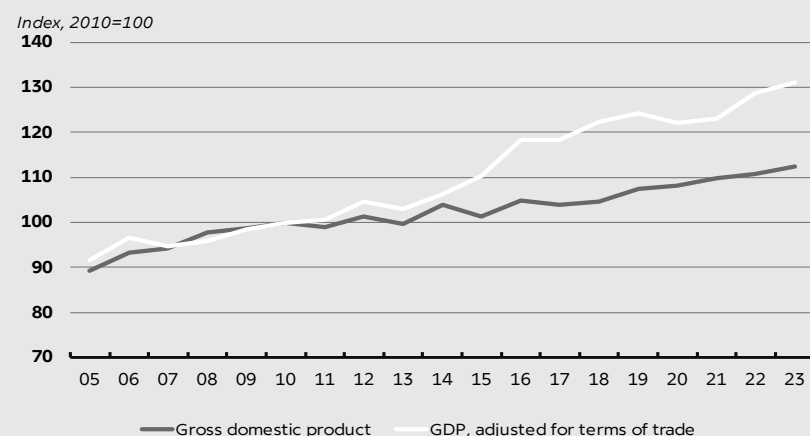
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The terms-of-trade-adjusted GDP per capita increases more than GDP per capita when the terms of foreign trade improve. The chart below shows that welfare gains from the terms of trade have been roughly equal to the effect of increased production (GDP) since 2015. Improvements in the terms of trade are usually only temporary, and over a long period of time export prices cannot be expected to rise more than import prices. Terms-of-trade gains are determined by global prices and conditions beyond the control of a small, open economy and did not contribute to Greenland's purchasing power growth before 2014.

CHART

Strengthening terms of trade has significantly increased purchasing power per capita since 2015



Note: Gross domestic product in real terms per capita, index 2010=10. Terms-of-trade-adjusted GDP is calculated as in Danmarks Nationalbank, *Relevansen af BNP-vækstrater, Kvartalsoversigt* (Relevance of GDP growth rates, Monetary Review, in Danish only) – 4th Quarter 2006.

Source: Own calculations and Statistics Greenland.

A milestone was reached in May 2024 when, after many years of political discussions, a new Fisheries Act was passed. Ensuring sustainable coastal fishing through increased utilisation of individually tradable quotas is key to the Act. For parts of the coastal fishery, this scheme will be voluntary and will enable more efficient fishing than the current so-called Olympic fishery, where fishing is based on a common quota on a first-come-first-served basis. In the coastal halibut and cod fisheries, biological recommendations have been significantly exceeded and the fisheries are not MSC-certified as sustainable.

Seafood export prices have also stagnated or fallen. For example, in Q4 2024, the average price per kilo of shrimp was 9 per cent lower than the previous year, see chart 2. This is reducing the value of exports and affecting the terms of trade in Greenland's foreign trade, and thus incomes and purchasing power for private individuals. A significant part of the increase in income since 2015 is actually related to the high seafood prices, see box 1 above.

With the economy's high specialisation in fishing also comes a high risk exposure to external factors. Sustainable catch volumes are determined by climatic and biological conditions, and export prices depend on world market conditions. The risk exposure is society-wide and will clearly show in the public economy. The Economic Council has calculated that a 25 per cent drop in fish prices will directly reduce public revenue by kr. 369 million, and that a 25 per cent drop in volume will reduce the public finances by kr. 288 million. In addition, there are derived negative effects on economic activity. While these examples of fluctuations are dramatic, they are not unprecedented. The high sensitivity points to the

importance of establishing both a robust and sustainable fishery and, in the long term, a broader business structure.

Hydropower expansion requires new borrowing

The new international airport in Nuuk opened in November 2024, while the new airports in Ilulissat and Qaqortoq are under construction and scheduled to open in 2026. These new airports can contribute to business development and make it easier for lots of tourists to visit the country. Major investments in infrastructure have thus peaked for the time being. This is happening from a very high level of activity, and there are plans to expand the Buksefjord power plant near Nuuk from 2026, followed by the establishment of a hydropower plant to supply Aasiaat and Qasigiannuit. The development of hydropower will increase the share of renewable energy in the public energy supply from around 70 to 90 per cent. The construction cost of the hydropower project near Nuuk is expected to be around kr. 3 billion, which is very large in relation to Greenland's economy. The Danish government is expected to contribute to the extensive modernisation of the infrastructure. To reduce interest costs and the risk for the Greenlandic government, in October 2024 an agreement in principle was reached on a 95 per cent Danish government guarantee for the hydropower plant near Nuuk. The agreement was signed in January 2025. The Danish government is already contributing financing and guarantees for the new airports in Nuuk and Ilulissat in addition to having an ownership share of one third.

The need for investment in Greenland is high, even beyond the large one-off construction projects. Over the years, a huge backlog has built up in the maintenance of public buildings and installations. These include wear and tear in rental housing, harbours and energy installations. A particular feature of the backlog is that insufficient provision has been made for maintenance in areas where user payment is prevalent. Rents in public rental housing have been set too low for housing associations to continuously renovate and renew the housing, and the result is that many public housing units are in a poor and outdated condition. In 2024, a political agreement was reached on a broad housing programme stretching over many years. The agreement includes annual rent increases of 3.8 per cent over a period of 15 years, a new housing insurance scheme and a renovation subsidy from the national treasury to eliminate the maintenance backlog. The agreement also aims to gradually reduce the government's housing stock by, among other things, converting rental housing into co-operative housing. The increase in rent in many public rental housing estates is crucial to enable housing departments to meet the necessary costs of renovation and renewal in the future.

Tourism on the rise, but raw materials at a standstill

Vast areas of pristine nature make tourism and raw materials important elements in Greenland's goal of creating a broader business structure. Tourism is strong and was already back to pre-pandemic levels in 2022. The growth in the number of foreign overnight stays, cruise ships and air travellers continued in 2023 and 2024. During peak season in the summer months, there is de facto full utilisation of flight, hotel and tour capacity, and even cruise tourism is approaching a capacity limit. Cruise tourism increased by 25 per cent in 2024 compared to the previous year, which may to some extent be related to tightened Norwegian restrictions on cruise tourism around Svalbard for environmental and nature conservation reasons. The new international airports in Nuuk and Ilulissat provide better opportunities to develop tourism, but cannot stand alone. If tourism is to contribute more to the Greenlandic economy, accommodation capacity and attractions must also be expanded, and the tourism season must be extended beyond the few summer months.

A Tourism Act was passed in November 2024. It is the first Greenlandic act in this area, and one of the aims is for tourism operators to contribute to the

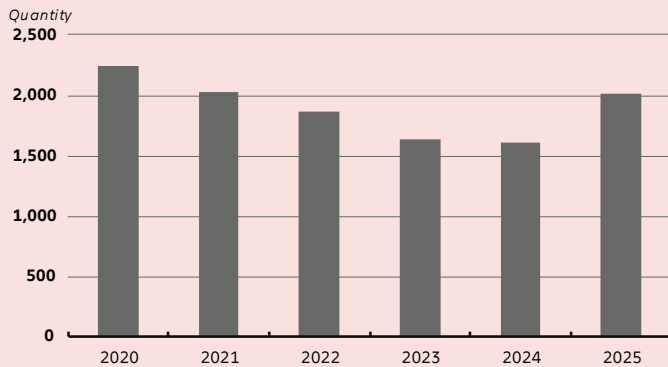
development of Greenlandic society. As something new, the law requires authorisation to operate a tourism business and for licensees to be resident and fully taxable in Greenland. Tourism businesses must have at least 2/3 local ownership to obtain a licence. It is important that tourism is developed for the benefit of the country, but the restriction on foreign ownership risks inhibiting investment in the experience opportunities required of an attractive travel destination. Foreign investment generally contributes knowledge and risk capital for the benefit of business development and incomes in society. A broader business structure requires large investments, and the basis for these investments cannot be created solely through Greenlandic savings and capital. This is evident in the area of raw materials, where activity is very low despite the many mineral deposits. There are licences for several large mineral projects, but the licensees have been unable to obtain financing. The highly publicised mineral project at Kuannersuit (Kvanefjeld) cannot be implemented as originally intended due to zero tolerance for uranium. There are high expectations for the raw materials sector, partly due to the need for minerals for the green transition and to ensure stable supply chains, but currently there is only one active mineral project with the extraction of anorthosite at Kangerlussuaqfjorden, which opened in 2019. The gold mine in South Greenland closed in 2013, but is expected to reopen in 2025, partly due to high gold prices. Exploration and surveys remain the most important activity in the mineral resources sector. In 2023, there were approximately 100 licences for such surveys, and exploration investments amounted to kr. 340 million.

Pressure on the labour market despite more job-seekers

Unemployment reached 2.9 per cent of the labour force in 2023, which is the most recent year of register-based statistics for the labour market. Employment was 28,192 people, which is the highest level ever and corresponds to 76 per cent of the population between 18 and the retirement age of 67. After many years of growth in the labour market, there were signs of a slowdown from 2024. Every month, municipalities register the number of people affected by unemployment. The municipal counts show that the number of enquiries increased from April 2024. In the first quarter of 2025, there were on average 400 more people looking for work compared to the previous year, see chart 3. Part of the increase may be related to the introduction of a new jobseeker's allowance in April 2024, which gives people more incentive to register as seeking work.

CHART 3

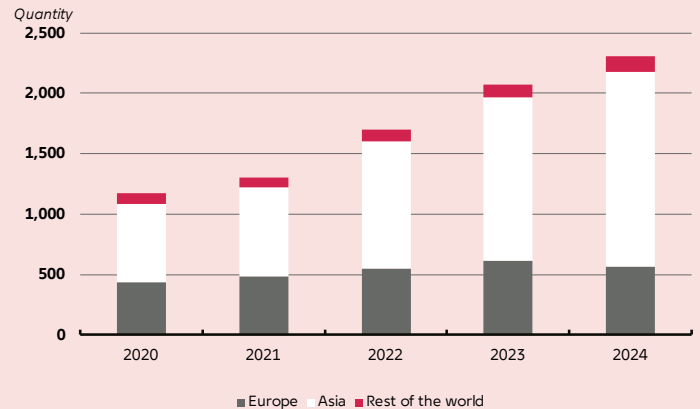
The number of registered jobseekers has increased since 2024



Note: The statistics for registered job-seekers include people who contact the municipality in a month with unemployment as a problem. Both legislation and municipal practices can affect the number of registrations.
Source: Statistics Greenland.

CHART 4

More foreign nationals of working age



Note: Foreign nationals between the ages of 17 and 64 in Q4 of the year. There may be delays in deregistering people who move out of the country again. The largest foreign populations are from the Philippines and Thailand.
Source: Statistics Greenland.

The recruitment of foreign labour is not showing the same signs of slowing down. The number of registered foreign citizens between the ages of 17 and 64 reached 2,300 in Q4 2024, continuing the migration to Greenland, especially from Asian countries, see chart 4. In just a few years, the proportion of foreign nationals has reached 6 per cent of the working-age population. While there may be delays in registering people moving out of the country again, there is no doubt that the economy is increasingly dependent on foreign labour. In Q4 2024, there were also just over 3,000 Danes – i.e. Danish citizens born in Denmark – aged between 17 and 64 with permanent residence in Greenland. The vast majority of them have also travelled to Greenland for work.

The continued recruitment of and dependence on foreign labour reflects the current pressure on the labour market and a structural challenge in strengthening the labour supply. Around 7,000 people between the ages of 17 and 67 were neither in the labour market nor in education in 2023, of whom 1,400 were young people up to the age of 25. That is more than one in six people of working age and one in five young people up to the age of 25. Labour market participation is relatively low compared to other countries, which is closely linked with education and qualifications. People with an education in Greenland have the same high employment rate as in the Nordic countries, but the proportion of the population with education beyond secondary school is significantly lower. Half of the population over the age of 25 have secondary school as their highest completed level of education. Educational attainment is the main reason why labour market attachment is lower than in other countries. This is one of the reasons why education policy is so important for the long-term development of Greenlandic society. A number of reforms have been implemented in recent years to boost labour supply. The retirement age was raised in several steps from 65 to 67 in 2021, and the offset rules for certain social benefits have been relaxed to strengthen incentives to work. These are important reforms, as many people will be reaching retirement age in the coming years, see chapter 3. In 2005, a tax reform was implemented, raising the tax-free allowance and earned-income tax allowance to increase the benefits of working and boost labour supply.

02

Healthy framework for public finances, but also high risk exposure

The favourable economic development is reflected in the public economy, where, among other things, tax revenues have increased more than expected in recent Finance Act budgets. The 2025 Finance Act budgets a deficit of kr. 130 million this year and a surplus in subsequent years. This is more expansive than planned for in the budget proposal – and more expansive than the economic situation can justify. However, the Finance Act complies with the Budget Act, which generally sets a healthy framework for public finances. The Budget Act requires as a minimum a balance between income and expenditure over the four-year period of the budget, i.e. the budget year and the three subsequent budget estimate years. The Budget Act also stipulates that operating and capital expenditure may not grow in real terms by more than 1 per cent in one year and 2 per cent over a four-year period. The Budget Act imposes an upper limit on the growth in public spending, and thus an implicit efficiency requirement for the public sector. Efficiency must increase in public service production if it is to develop in line with the rest of the economy. Many years of budgetary discipline, with a relatively high level of liquidity in the national treasury as a benchmark, have also resulted in the government having a net worth of over kr. 1 billion and virtually no gross debt.

Growing risk exposure

The budgetary framework and policies have contributed to the overall health of the public finances. However, the robustness of the public finances also depends on the direct and indirect risk exposure that the government has through such things as the high specialisation of the economy and the large ownership shares of dominant companies in the economy. For example, a sharp slowdown in the fishing industry would have major negative consequences for public revenues and the economy in general, see also the previous chapter. The net interest-bearing debt of the government and municipal public limited companies is expected to grow to over kr. 7 billion in 2027, with the financing of infrastructure projects adding to the debt. The Greenlandic government's ability to borrow is generally subject to certain conditions (covenants). For example, existing loan agreements have included a condition that the government must not maintain a net interest-bearing debt equivalent to more than 20 per cent of the annual revenue of the national treasury. The financing of the airports in Nuuk and Ilulissat, for example, was made possible and cheaper by having the Danish government as co-owner and co-guarantor.

The Greenlandic government owns most of the major companies in the country. These include the airport company Kalaallit Airports, the fishing group Royal Greenland, the grocery group KNI, the airline Air Greenland, the shipping company Royal Arctic Line and the telecoms company Tusass. Added to this are government-controlled energy supply activities in Nukissiorfiit and NunaGreen, which will be responsible for the planned expansion of hydroelectric power plants. Publicly owned companies often have sole responsibility for tasks critical to society that cannot be shut down. If a company gets into difficulty, the government will have to keep operations going, and with the build-up of debt in the companies, the risk exposure increases accordingly. With the government-

owned and government-controlled activities, the Greenlandic government has influence over a very large part of production and value creation in the country. In 2022, there were approximately 5,100 employees in the government-owned limited liability companies, and approximately 800 in the government's net-controlled companies within airports, Mittarfeqarfiit, and energy and water supply, Nukissiorfiit. There were 11,200 people in public services and administration, meaning that over 17,000 were employed either in government-owned companies or in the public sector. This corresponds to over 60 per cent of total Greenlandic employment.

Widespread personnel shortages in welfare areas

Public sector employment has remained roughly unchanged since 2021. Recruitment challenges come into play here, and the pressure on the labour market is reflected in the many vacant positions in the major welfare areas. Healthcare is particularly challenged by staff shortages and a chronic need to recruit skilled labour from outside the sector. In 2023, a health commission presented a number of recommendations for strengthening the healthcare system, which, in addition to staff shortages, is challenged by a vast geography with many small places to serve and by multilingualism both within the healthcare system and when providing citizen services. Since then, a multi-year healthcare agreement has been reached and more funds have been allocated to the area in the budget. Most recently – following an agreement between the Danish government and Naalakkersuisut – the Danish Parliament extraordinarily allocated kr. 140 million for 2025-28 for a new health pool in Greenland.

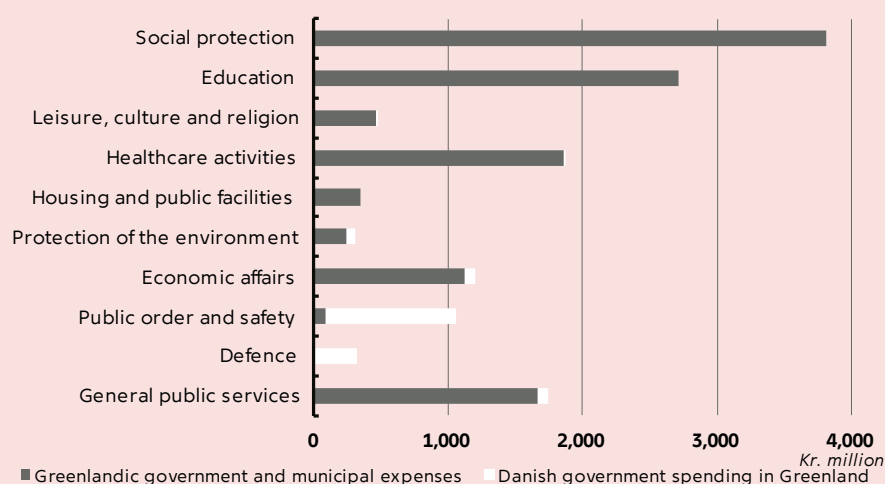
The situation in the health sector illustrates some of the dilemmas associated with public service production in Greenland. The public sector is organised according to the same principles as in the Scandinavian countries. There are rights to welfare services, but a small and dispersed population means diseconomies of scale in the production of these services. Universal and uniform services are difficult to provide across the country, and it is necessary to prioritise between the extent of welfare services for all and the quality of those services.

The Greenlandic government has taken over few new areas

Total expenditure on public services and administration was kr. 13.8 billion. The Greenlandic government and municipalities spent kr. 12.3 billion. As in the Scandinavian countries, social services, education and health predominate in public budgets. Danish government spending in Greenland was kr. 1.5 billion in 2023 and mainly focused on security and defence, see chart 5.

CHART 5

Total public service and administration expenditure by area in 2023



Note: The functional allocation of expenditure follows the principles of the national accounts.
Source: Statistics Greenland.

With home rule in 1979, the Greenlandic authorities were given the opportunity to decide to take over responsibility for a number of areas. This included legislation and administration of those areas as well as financial responsibility. The block subsidy was increased, corresponding to the state's expenses in the area in the year of takeover. Major areas, such as education, social affairs, tax, fisheries, housing and labour market, were taken over in 1980 or shortly after, and healthcare was taken over in the early 1990s. Since then, relatively few areas have been taken over. Under self-government from 2009, the raw materials area and offshore working environment were taken over in 2010, and regulations related to summer time etc. in 2023. The Danish government continues to carry out a number of important tasks that Greenlandic authorities are able to take over within the framework of the Act on Greenland Self-Government. These include police and justice, parts of the food and veterinary services, emergency services, maritime, financial regulation and supervision, and legal matters.

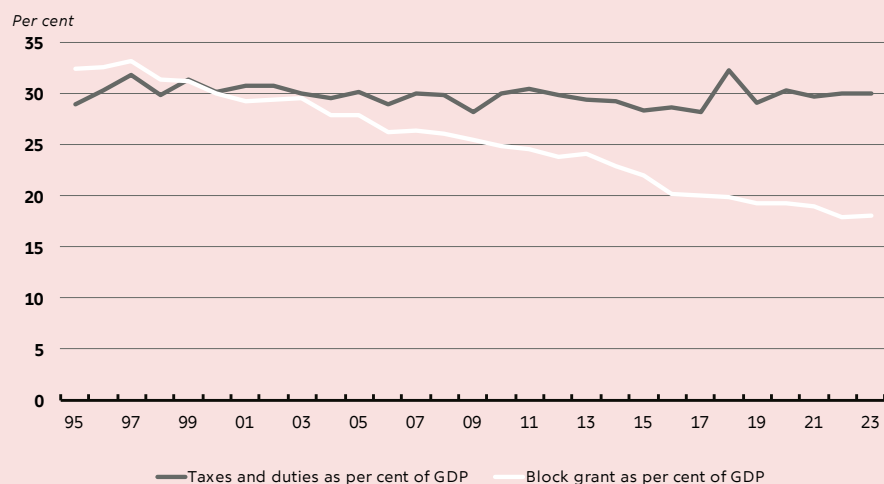
The block grant is a decreasing share of government revenue

The Danish subsidy to Greenland (the block grant) is regulated in the Act on Greenland Self-Government and is not affected by the takeover of new areas from Denmark. The block grant is kr. 4.45 billion in the 2025 Finance Act and accounts for just over half of the revenue in the national treasury. The revenue from the block grant corresponds to kr. 80,000 per capita and makes it possible to maintain a public spending level with correspondingly lower taxation of economic activity in Greenland. Total tax payments account for approximately 30 per cent of economic activity in Greenland, and the (implicit) tax burden has been stable for decades. The block grant amounts to just under 20 per cent of GDP. The grant contributes to the financing of large parts of public spending, but its share of total government revenue is decreasing, see chart 6. Since 2000, total tax payments have been greater than the subsidy, and the gap is still growing. This is because the economy has grown faster than the block grant, which is adjusted according to Danish price and wage developments, see also next chapter. However, the block grant still plays a significant role in the financing of public spending. It would require a significant boost in Greenland's

gross domestic product of up to 60 per cent for domestic income taxes and import and production taxes to contribute additional revenue equivalent to the block grant.

CHART 6

Public administration revenue as a percentage of gross domestic product



Note: Revenue is calculated according to the principles of the national accounts.

Source: Statistics Greenland.

03

An ageing population increases the need for reform

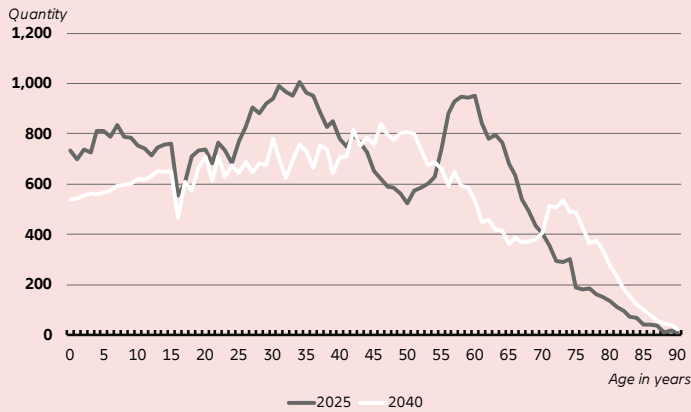
The latest population projections from Statistics Greenland point to an ageing and declining population. The total population will decrease by approximately 11,000 people, from the current 56,700 people to 45,700 in 2050. The number of children up to the age of 16 will fall by a third, from 12,800 to 8,700 in 2050, and there will be over 8,000 fewer people in the working age range of 17 to 65 in 2050. On the other hand, the number of elderly people is increasing, see chart 7.

The prospect of a major population decline is a new situation for Greenland, which has had over 55,000 inhabitants since 1989. The birth surplus – the number of births minus the number of deaths – has roughly equalled net emigration for long periods, but this balance no longer seems to apply. The birth rate has declined in recent years, and with fewer children, the population is getting smaller over time.

There is also net emigration of people born in Greenland, contributing to the population decrease. A large part of the emigration is to Denmark, which is home to more than 17,000 people born in Greenland. Of these, 4,000 are people born in Greenland to parents who were not born in the country themselves – for example, the children of Danish couples who have moved back to Denmark. The emigration of people born in Greenland occurs to a large extent in their working years. Of the youth cohort from 1981, 777 were living in Greenland as 20-year-olds (in 2001), of whom 140 people, net, had left by the time the cohort turned 40 (in 2021). This is a net emigration of 18 per cent of this particular youth cohort, and the same pattern is seen in later youth cohorts, see chart 8. Migration to Denmark is due to the many family relationships between Danes and Greenlanders, and can be linked to easier access to housing, job opportunities, school, education and healthcare in Denmark.

CHART 7

The age distribution is shifting towards more elderly and fewer young people

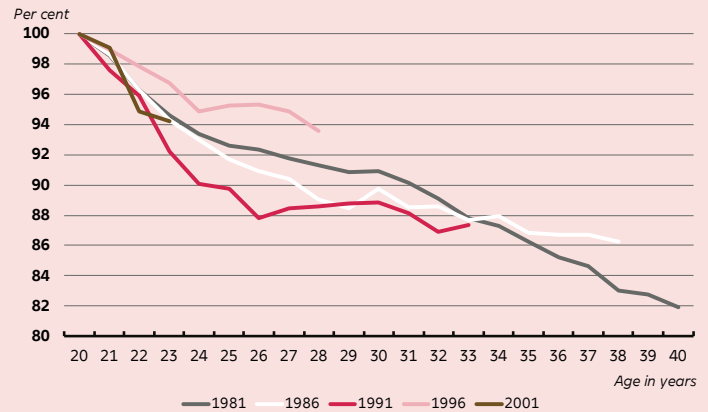


Note: The age distribution is based on the 2024 projection (main alternative). The decrease in the number of 15-16-year-olds is mainly related to attendance of boarding schools for the last one or two years of secondary education, with most such schools located in Denmark.

Source: Statistics Greenland.

CHART 8

Net emigration from Greenland of birth cohorts 1981-2001



Note: Proportion of youth cohorts from 1981 to 2001 residing in Greenland aged 20 (100 per cent) to 40 years. The number of 20-year-olds in each cohort is set at 100 per cent to exclude outgoing children travelling with parents.

Source: Statistics Greenland.

The economic basis of the welfare society is challenged when more elderly people have to be supported by fewer employed people. There are also major consequences of the decline in the labour force. With current labour market structures, the labour force will shrink by up to a fifth by 2050 as a result of fewer people of working age, see chart 9. This will make it more difficult to recruit employees for eldercare, health and education, where there are already staff shortages and more labour will be needed in the future. Reforms that strengthen attachment to the labour market are therefore crucial, and education plays a key role in this. A higher level of education is a prerequisite for a higher employment rate, see also chapter 1.

More elderly people means increasing pressure on healthcare, eldercare, pensions, etc. This upward pressure on costs will be particularly noticeable over the next 20 years as the age composition changes significantly. Public revenues are also slowly decreasing as a share of GDP, as the block grant is adjusted according to Danish price and wage developments, which are lower than in Greenland. Public revenues cannot keep up with spending pressures, making public finances unsustainable in the long term. According to the Greenland Economic Council, the rising costs and pressure on revenues will mean an annual funding shortfall of kr. 750 million (calculated at 2021 levels) if the development of public finances is to be sustainable.

The sustainability problem shows the budgetary implications of an ageing and shrinking population. In November 2023, a *Sustainability and Growth Plan II* was presented containing a series of reforms to reduce public spending and boost private sector activity. The aim is to achieve sustainable public finances and promote economic development. The coalition agreement between Demokraatit, IA, Siumut and Atassut states that the Sustainability and Growth Plan II will remain an important foundation, but that it needs to be supplemented with more initiatives to strengthen the business sector, streamline the public sector and lay the groundwork for investments and a stronger workforce. Naalakkersuisut is thus setting out an ambitious reform agenda, which includes reforms of the labour market and education system, as well as measures to

future-proof the public sector. It is important that the reform paths laid out are followed up with concrete initiatives to solve the long-term public financing problem and the labour market challenge.

CHART 9

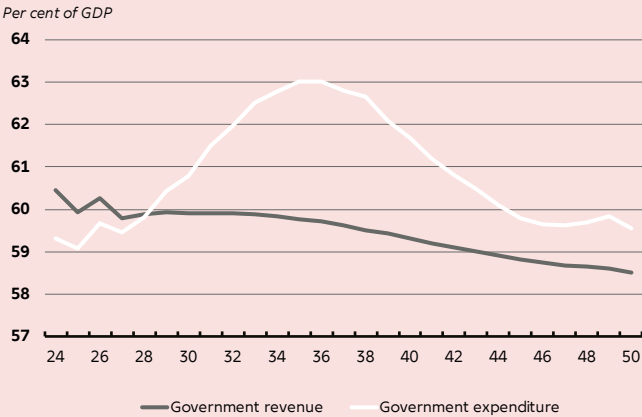
Population and labour force shrinking towards 2050



Note: The population is based on the projection from 2024 (main alternative), 2020-50. The labour force is calculated based on the population's attachment to the labour market by age and education level.
Source: Statistics Greenland, DREAM and Economic Council.

CHART 10

High spending pressures make fiscal policy unsustainable



Note: Public service and administration revenue and expenditure are exclusive of interest, 2024-50. Revenues include the government subsidy (block grant). Differences correspond to the primary government balance in the national accounts.
Source: Statistics Greenland, DREAM and Economic Council.

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The analysis consists of a Danish, Greenlandic and an English version. In case of doubt as to the correctness of the translation, the Danish version will prevail.

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