English Summary

The Covid-19 pandemic has had a significant impact on the Faroese economy over the past year and will continue to do so in 2021. The Economic Council estimates the growth in GDP for 2021 in current prices at 4.6, and the negative growth in GDP for 2020 in current prices at -4.8 %.

Domestic demand and purchasing power increased in the Faroe Islands in 2020. The demand for public stimulus packages has been low; because the efforts to contain the spread of Covid-19 at ports of entrance, together with other factors, consumer behaviour in the Faroe Islands has not changed. There is little to suggest that overall household spending has lessened as purchases within the Faroes have increased while purchases abroad in connection with travelling have decreased.

2021 is therefore best described by *normalisation* as export industries slowly gain access to foreign markets at the same time as foreign visitors are again allowed to visit the Faroe Islands. It probably will not be before some time in 2022 that the situation has been fully normalised.

However, there are indicators that the construction industry is slowing down. Construction has been unusually high over the past years with several big projects being completed concurrently. But the Covid-19 pandemic has been cause for uncertainty, resulting in the postponement of several projects. Therefore, the public sector ought to follow a stable spending and investment plan. The expected national deficit of DKK 312 million in 2020 and DKK 235 million (operations, appropriations and lending) counteracts an economic downturn.

Several companies in the tourist sector are in danger of going bankrupt if another summer season is lost. The Economic Council advises the minister to prepare a stimulus package for the tourist industry in case the country does not open up to tourism this summer. Likewise, certain export industries will be damaged, such as the fresh fish fleet, if the situation does not turn for the better globally in 2021.

The estimate for growth in GDP for 2021 is based on the optimism of parts of the export industry, which expect that fish sales on the international market will slowly increase as vaccinations become widespread and the world opens up again. It is expected that salmon exports will increase and that the price for salmon will rise as demand from foreign restaurants for whole salmon goes up. It is expected that both the volume and price for most fish species will normalise; however, uncertainty around Brexit may push prices down in 2021. While the export worth decreased by 12% in 2020 compared to the previous year, it is expected to grow by 5-10 % in 2021 compared to last year.

	2016	2017	2018	2019	2020	2021
Estimated growth of GDP in current prices:	8.8%	3.8%	0.7%	8.2%	-4.8%	4.6%

Comment: 2017 to 2019 are based on published data from Statistics Faroe Islands. 2020 and 2021 are own estimates
Source: Statistics Faroe Islands and the Economic Council

The Economic Council recommends that.

- *The stable economic policy will be continued. There is no need to increase or decrease public spending and investment. A stable long-term investment and spending plan is needed.*
- *The tourist industry receives a stimulus package so that operators and gained expertise in the industry will not be lost.*
- *Higher fees will be levied for the right of use in the fishing and fish farming industries.*
- *Adjustments will be made in public income and spending to meet demand for future welfare services as demographics change.*