English Summary

The development in the Faroese economy the past few years has been unusual due to exceptionally favourable salmon and oil prices, high pelagic fisheries and a national fiscal deficit (until 2016) during a marked upswing in the business cycle. Therefore, it has proven difficult to generate short-term prognoses. Since 2009, there has been an overall increase in fish exports every year, amounting to more than a doubling of the value in fish exports.

The Economic Council has adjusted its estimation of growth in GDP in current prices for 2017-2018. The Economic Council now estimates the growth in 2017 to be slightly higher than in the last report and the growth in 2018 to be significantly lower than previously estimated. These revised estimates for economic growth in 2017-2018 are based on new conditions. A decrease in growth or potential decline in 2018 is prospected because of shrinking quotas, higher oil prices, expected lower revenues in fish farming and an expected drop in the price level.

GDP growth for 2018 in current prices is mainly due to domestic demand.

	2014	2015	2016	2017	2018
Est. GDP-growth in current prices	7,5%	5,6%	6,8%	6,2%	0,5%

As the Economic Council has noted in previous reports, the demographic pressure will push expenses in the health sector up every year for the next twenty years. The same is the case for elder care. Considering the consequences of this, the relevant political authorities must assess as precisely as possible these consequences and not allow themselves to be misled by the current "good times," "high employment" or "population growth."

In the estimation of the Economic Council, the greatest single challenge to the Faroese national economy is the demographically conditioned financial sustainability challenge.

The Economic Council has never believed that a pensions reform on its own can solve the sustainability challenge as a whole. Therefore, if this challenge is to be solved, other reforms, which contribute to the state's income, are necessary.

It is e.g. reckless to claim that future pensioners, after a pension reform, will be able through taxes and duties to finance the funds needed for age related expenses as pensions, elder care and health care—or finance even an increasing part of these expenses.

The data also suggests that if the proportion of those aged 67 or more in employment is to increase over time, the political authorities have to implement this by raising the retirement age. These raises should follow the statistical increase in life expectancy.

The Economic Council expects that the business cycles will continue to rise and fall as they have hitherto done, and the council does not believe its claims about a sustainability challenge and the need for reforms are exaggerated.

A part of the Economic Council's work in the future will be to recalculate at regular intervals the consequences of reforms for financial stability with current data and a sustainability model. Such recalculations should be produced when adopted reforms have been in effect for a year.