

Resilience in the Faroe Islands

Reforming for an Aging Population and a Greener Future

Stornoway, July 1st 2025

Johnny í Grótinum, chairman

Economic Council of the Faroe Islands

About the Economic Council and Governmental Bank of the Faroe Islands

- Produces two reports with update on the economy
- Provides the Faroese government with advice on economic affairs
- The Bank administers the public liquidity and debt



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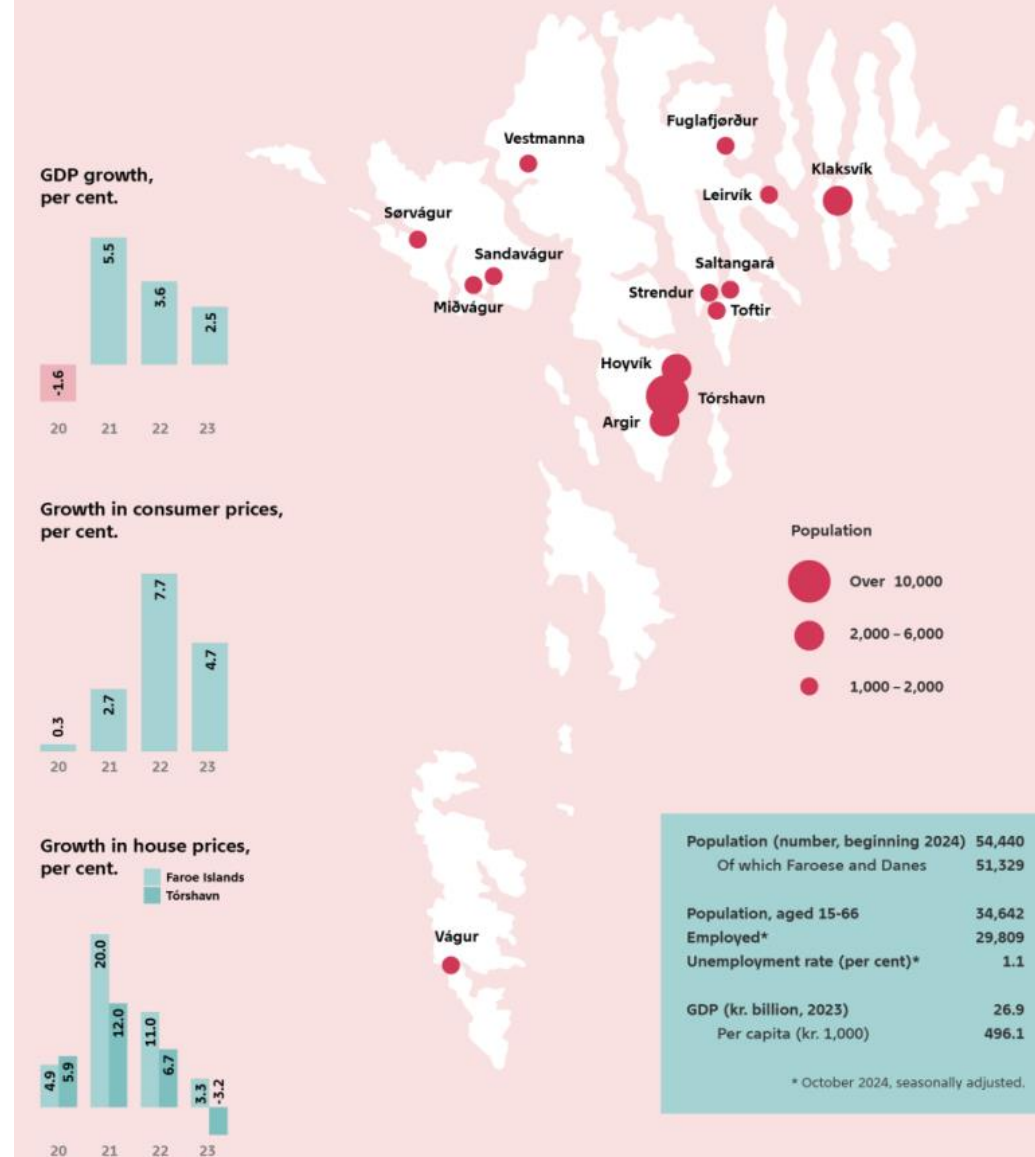
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Messages on resilience

- High economic growth for the last decade
 - GDP/capita surpassed Denmark
 - More than full employment
- Large public investments in infrastructure
- Demographic challenges loom ahead
 - Fast growth in number of elderly people
 - Constant drain of young people from the islands
- Green energy transition poses a challenge
- Need for reforms to ensure fiscal sustainability

Facts about the Faroe Islands



My opinion piece in BØRSEN – Danish Paper

A comment on the debate about Greenlandic independence in January 2025

- High economic growth of the Faroe Islands for 20 years
 - Especially from 2013
 - Fiscal transfers were reduced and fixed in nominal terms in 2003 (and reduced again now)
 - This combination has made the Faroe Islands self bearing in economic terms
- The growth drivers:
 - Aquaculture and Pelagic Fisheries
 - Industrial development financed by risk willing capital – partly from abroad
 - Huge influx of foreign labour in recent years from 2 to 8% of work force

“Can Greenland follow in the footsteps of the Faroe Islands?”

FREDAG 17. JANUAR 2025

OPINION **BØRSEN**

Kan Grønland følge i Færøernes fodspor?

KRONIK

Grønlands ønske om selvstændighed koliderer ofte med det betydelige bloktilskud, landet får af Danmark. Ønsker de at gøre sig mindre afhængige, kan de skæve til Færøerne



Johnny í Grótinum,
formand, Færøernes
Økonomiske Råd

I disse dage har mediernes rampelys for alvor ramt Grønland. De grønlandske politikere vejrer morgenluft for deres ønske om større magt over deres eget land. Det udfordrer rigs-fællesskabet.

I interview understreger grønlandske politikere, at Grønland ønsker at overtage magten uanset økonomisk afhængighed af Danmark eller andre lande. I "Deadline" på DR påpegede MF Aki Mathilde Høgh-Dam, at de ønsker statsdannelse, og kalder det ikke længere selvstændighed, "da inuun langtoq i 1979".

punkt. Sjóvinnubankin – én af de to store kommercielle banker – var blevet midlertidigt lukket af Finanstilsynet. Der havde i tre år været krisetegn i økonomien, men nu kulminerede det. Landskassen var tom. Fiskebankerne var tomme efter subsidieret rekruttering.

nye landsstyre om gældsrestrukturering for 900 mio. kr. som erstatning for banksagen.

Landsstyret ønskede en flerårig overgangsordning med afvikling af de økonomiske bindinger. En fælles



Færøernes økonomiske vækst bl.a. en erhvervsudvikling, indenfor lakseopdræt. Et liv væksteventyr kunne ske for landet, mener Johnny í Grótinum. Arkivfoto: Oscar Scott Carlsson/Scanpix

nationale investorer købte selskabet. I dag har det en børsværdi på ca. 24 mia. kr. og et driftsresultat på ca. 1,5 mia. kr. Landskassen opkræver ca. 900 mio. kr. i betaling for opdræts- og fiske-licenser årligt. Færøerne er blevet økonomisk selvstændige.

Brug for danske penge?

I dag står færøsk økonomi med et stærkt udgangspunkt med enholdsvis lav offentlig bruttoto og velkonsolideret erhverv og høj pr. indbygger.

Men som vi har påpeget i vores holdbarhedsanalyse fra 2024, står færøske velfærdsstat over for nogle væsentlige udfordringer på grund af aldringen af samfundet. Samtidig er investeringsbehovet for flere milliarder kroner i den grønne omstilling og uddannelse.

The Faroes are not saving for a rainy day

Need for welfare reforms and fiscal policy rules

- Demographic pressures are building
- Share of +80 year olds increasing rapidly
- Urbanization: Rural depopulation, Tórshavn expanding

ANALYSIS | The Faroese Economy
17 December 2024 | No. 20

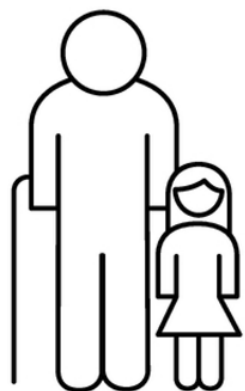
Fiscal planning can increase the resilience of the Faroese economy

The Faroese economy is in a boom period with low unemployment and high employment. High inflation and widespread labour market pressures in recent years have resulted in high agreed wage increases in a number of recent collective agreements. The economic boom has been going on for several years, but has not resulted in significant surpluses in public finances. For a relatively unified economy like the Faroe Islands, it is important to focus on a stability-orientated fiscal policy where good times are used to increase resilience and prepare for future challenges. In the financial sector, banks are better equipped to deal with a crisis than ever before.

Fiscal Policy is unsustainable

Number of elderly driving welfare expenditure

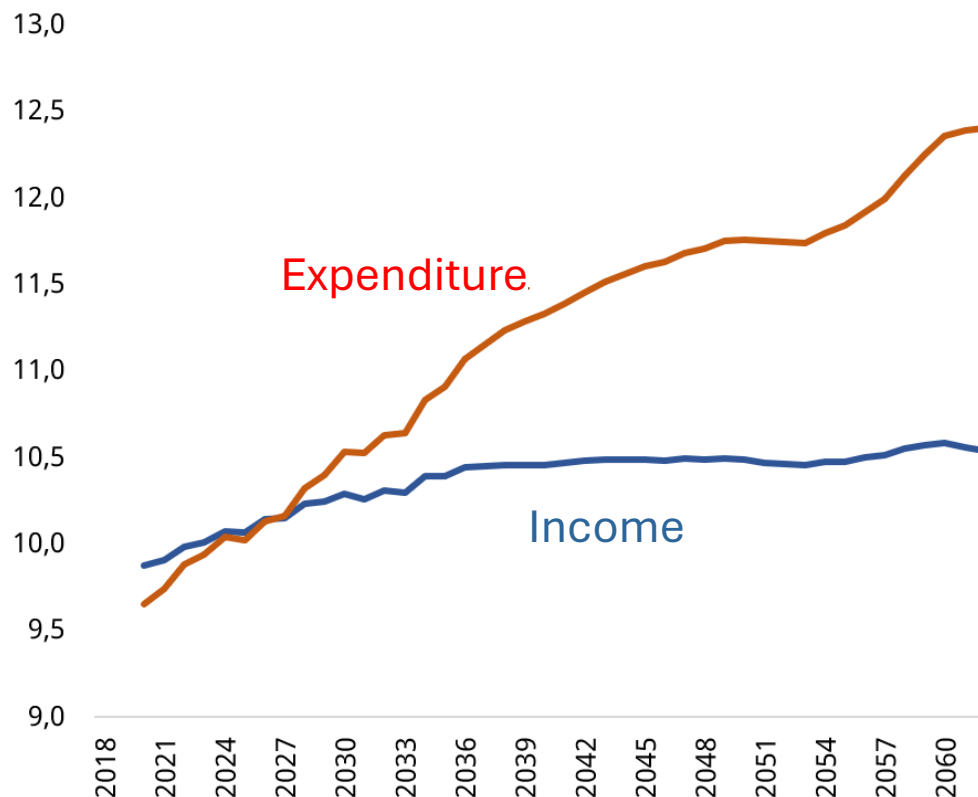
Verandi lóggáva:
Pensjónsaldur
hækkar ½ ár
einans í
2025 og 2030



Pensjónsaldurinn hækkar 1/2 ár einans í 2025 og 2030

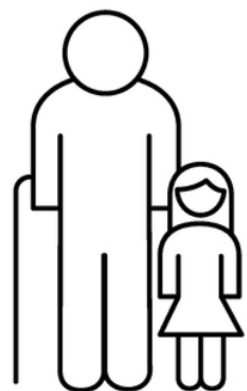
Inntøkur og útreiðslur almenna geirans

Mia. kr.



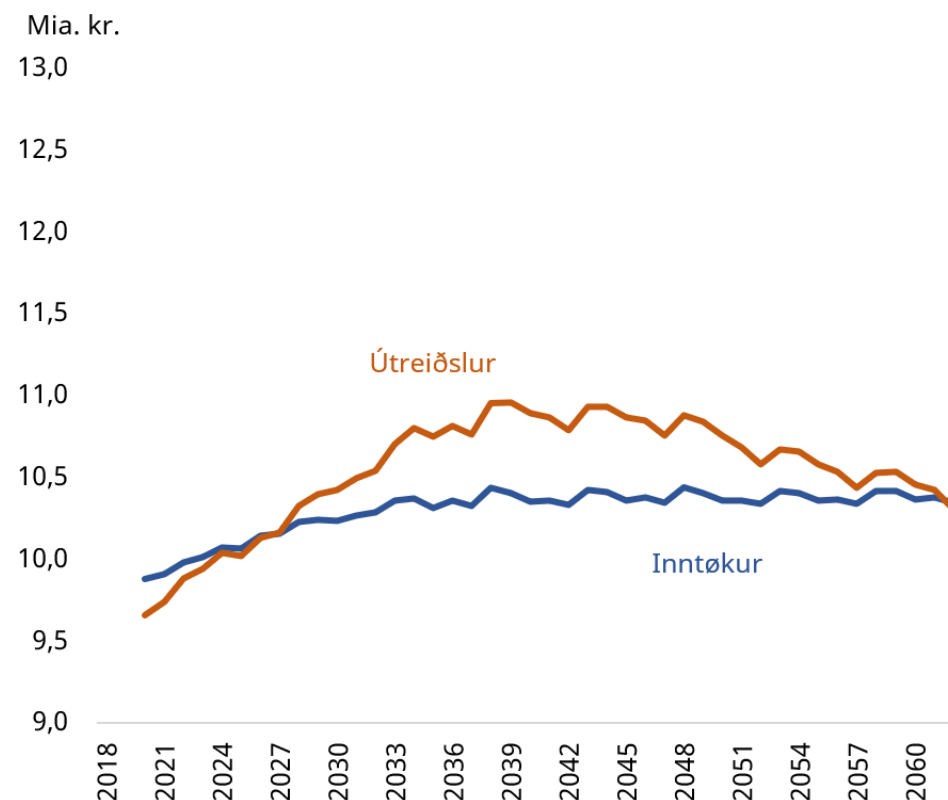
Indicator of GDP
-9%

Raising the retirement age to keep up with the rising life expectancy... can make the fiscal policy sustainable again



Pensjónsaldurinn hækkar 1 ár fimta hvørt ár (frá 2035)

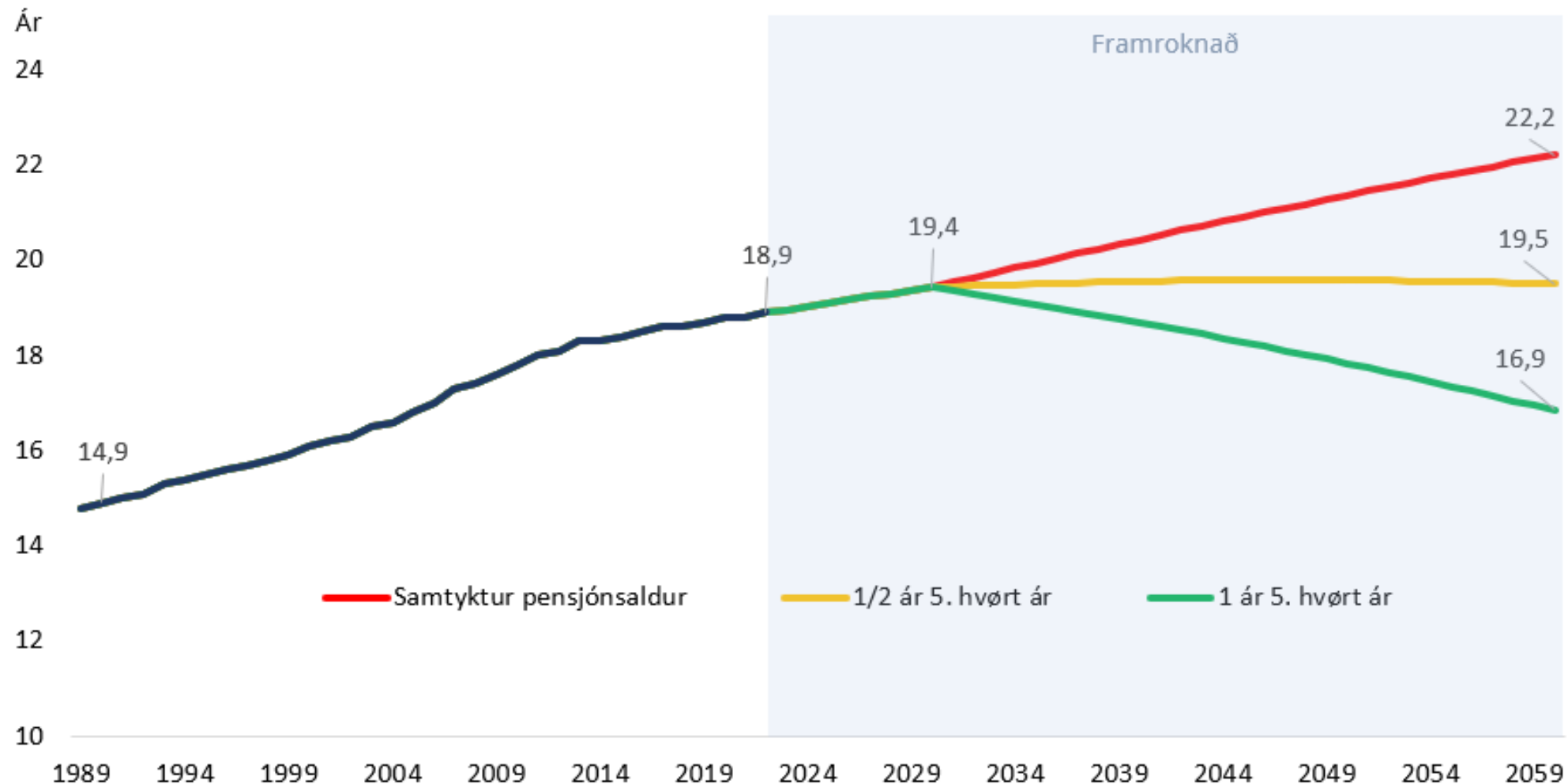
Inntøkur og útreiðslur almenna geirans



Kelda: Búskaparráðið

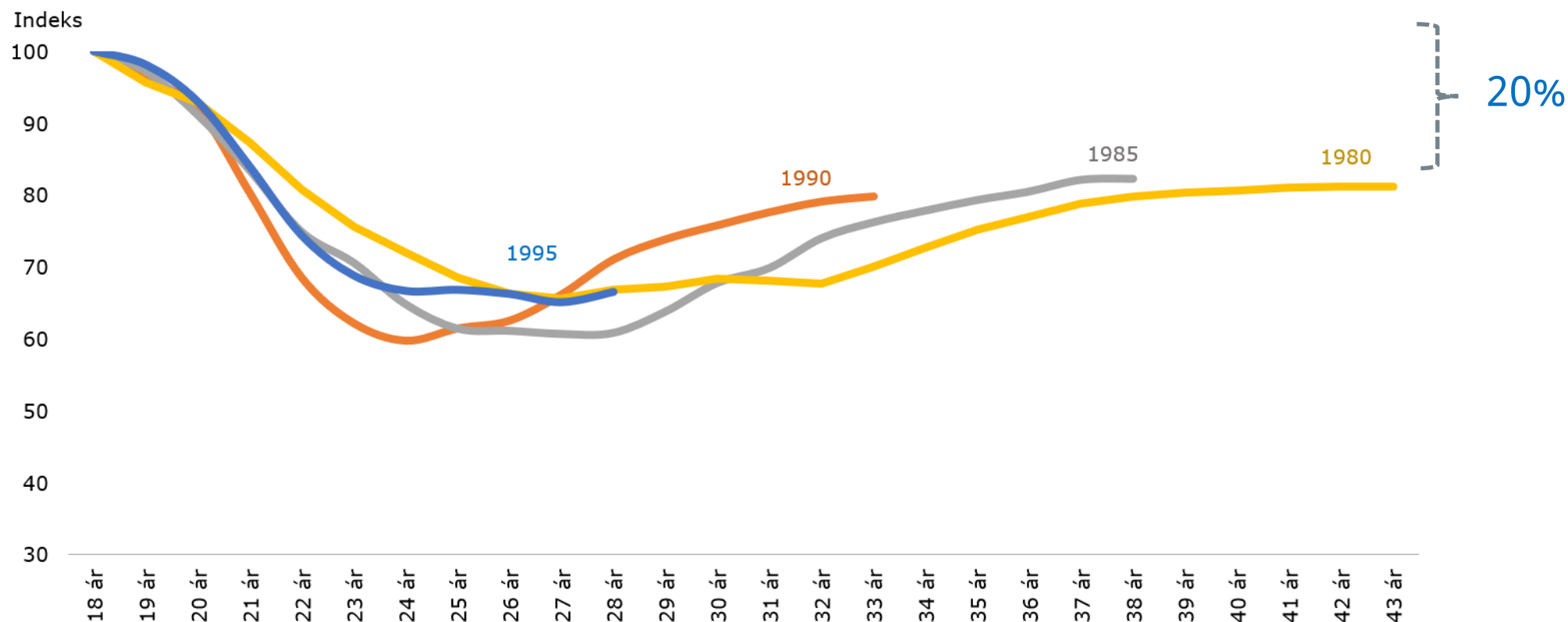
Simulation of the expected years of retirement after reform

Væntað restlívitið tá ið pensjónsaldur er rokkin



Another huge challenge: We are loosing 20% of each generation

Ung, ið eru vend heimaftur eftir at hava búð uttanlands

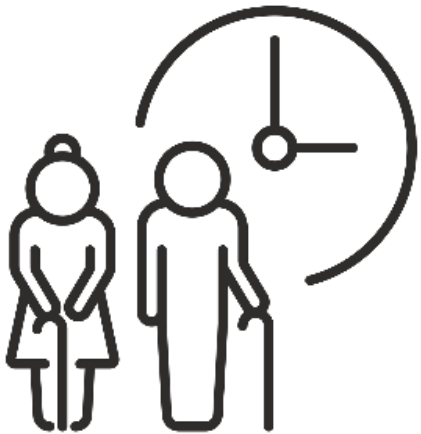


Kelda: Hagstova Føroya

Reforms needed

To create more solidarity between generations

Raising
retirement age



Rationalising
the elderly homes



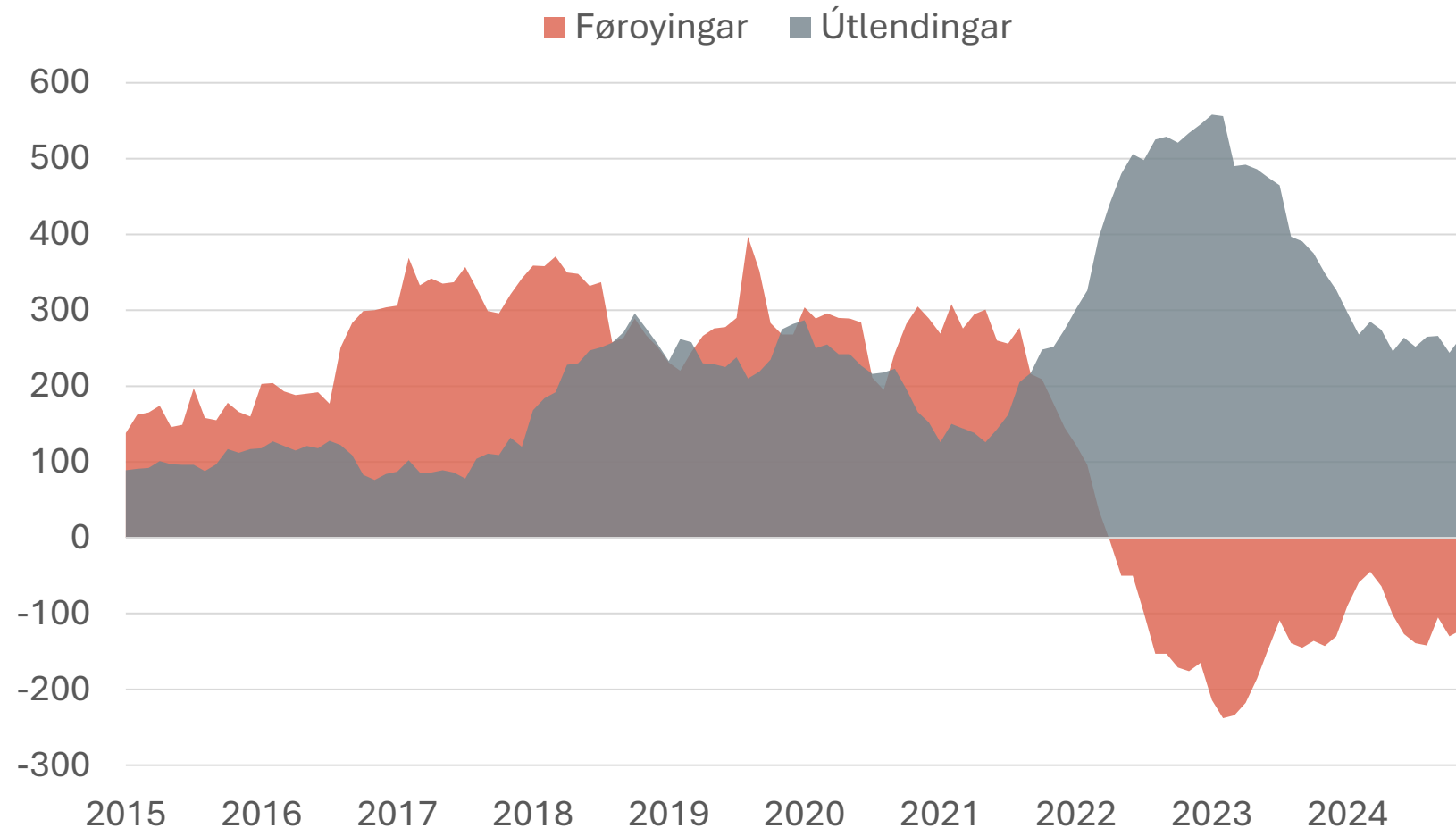
Fiscal Policy
Rules



Reduce the
loss of young people



The number of immigrant workers has increased, but slower growth now

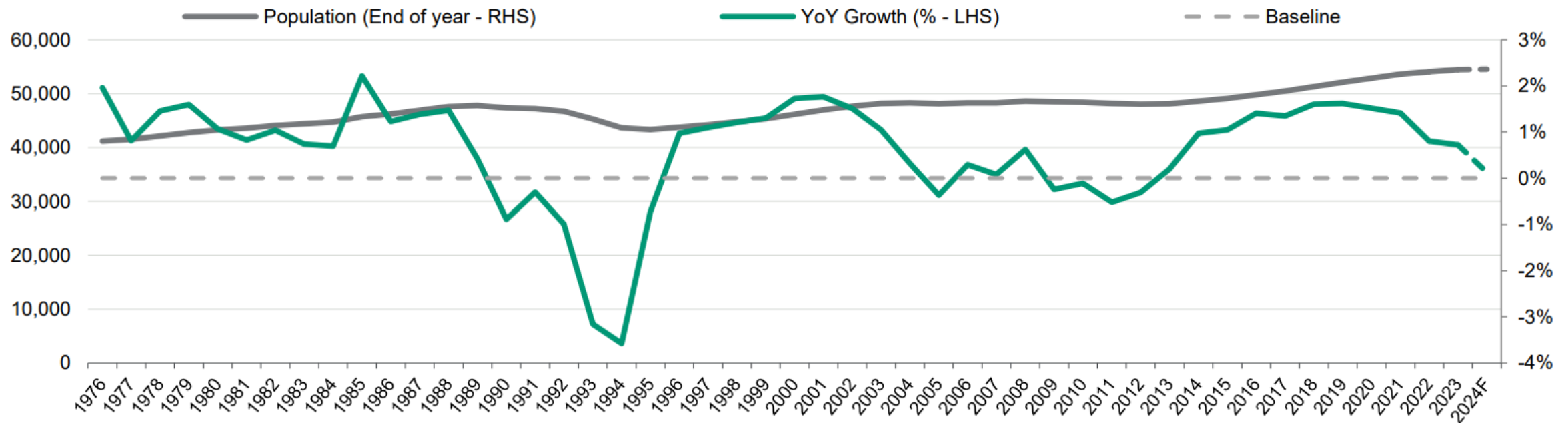


Population Growth slowing down

Exhibit 5

The Faroe Islands has seen strong population growth over the past decade

Population (LHS) and year-on-year growth (%) (RHS)



F - Forecast.

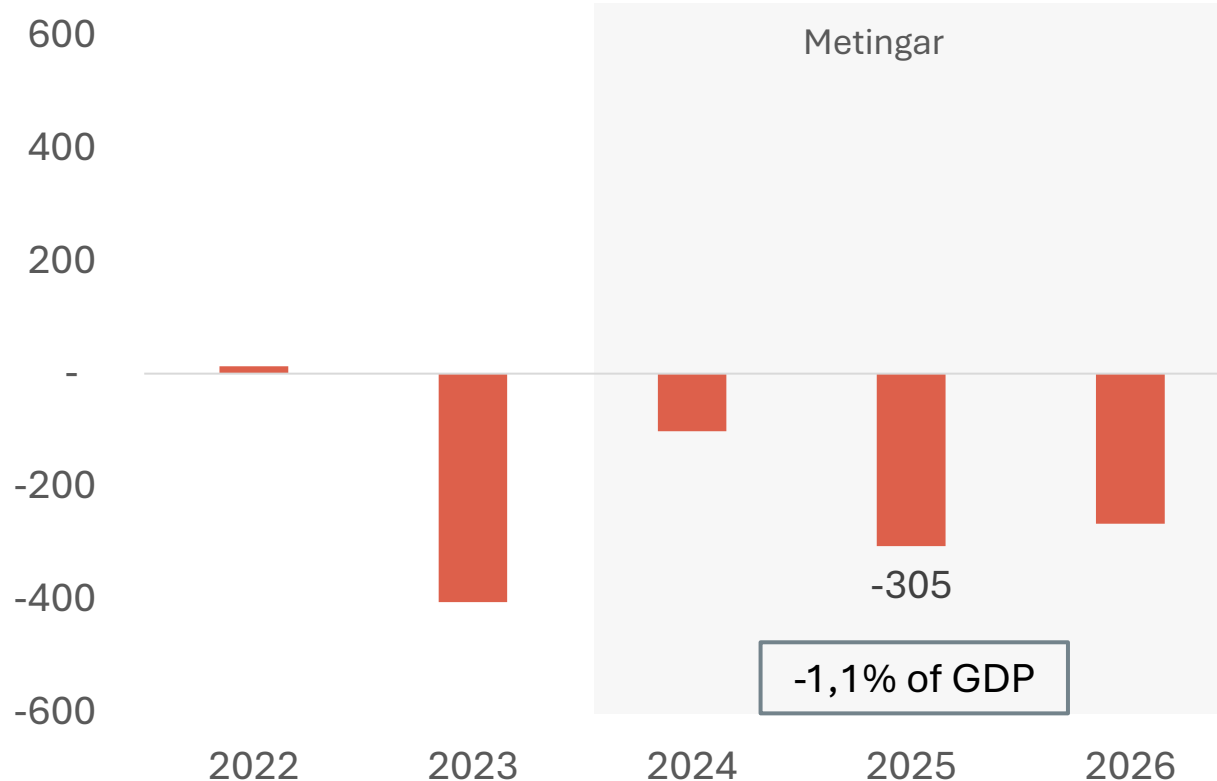
Sources: Landsbankin Foroya and Moody's Ratings

The Demographic Pressure is felt in the public budgets already

Landskassaúrslitið

RLÚ I, vanligir postar 2022-2026

MiÓ. kr.



Welfare Services on demand



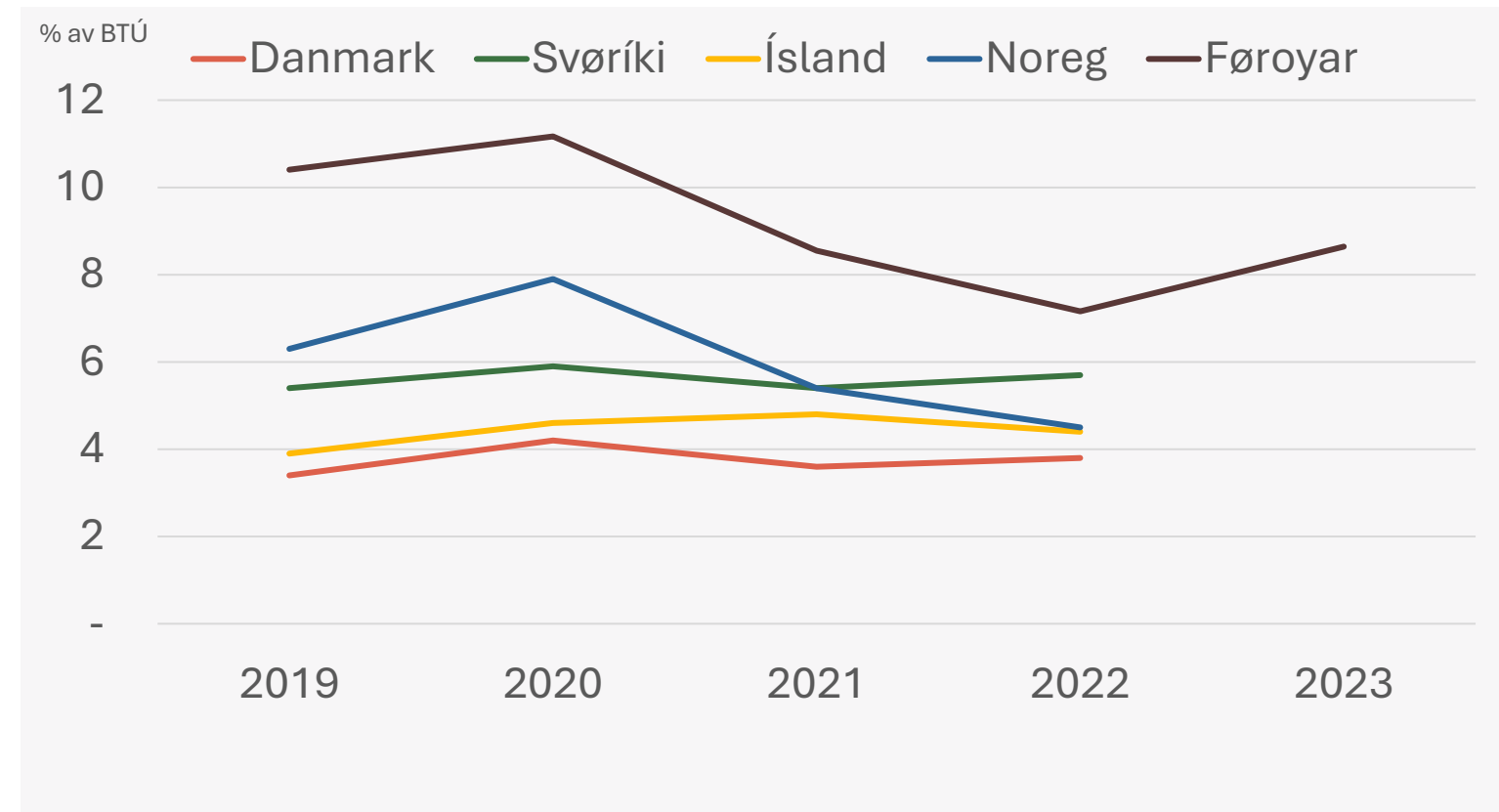
Old Age Benefits on the rise



Fiscal Policy Rule

The big spending ticket is investments

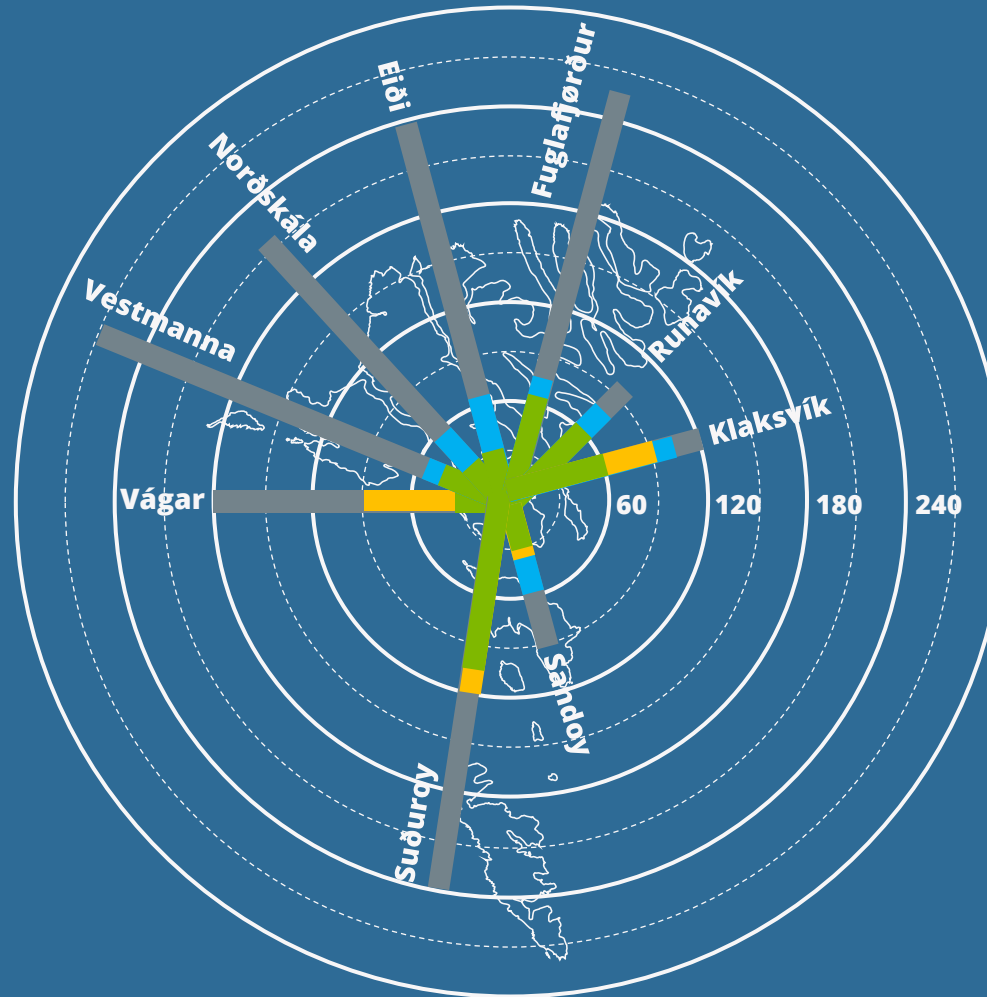
Significantly higher than neighboring countries



Distance from Periphery to Center

In minutes

Ár
2006

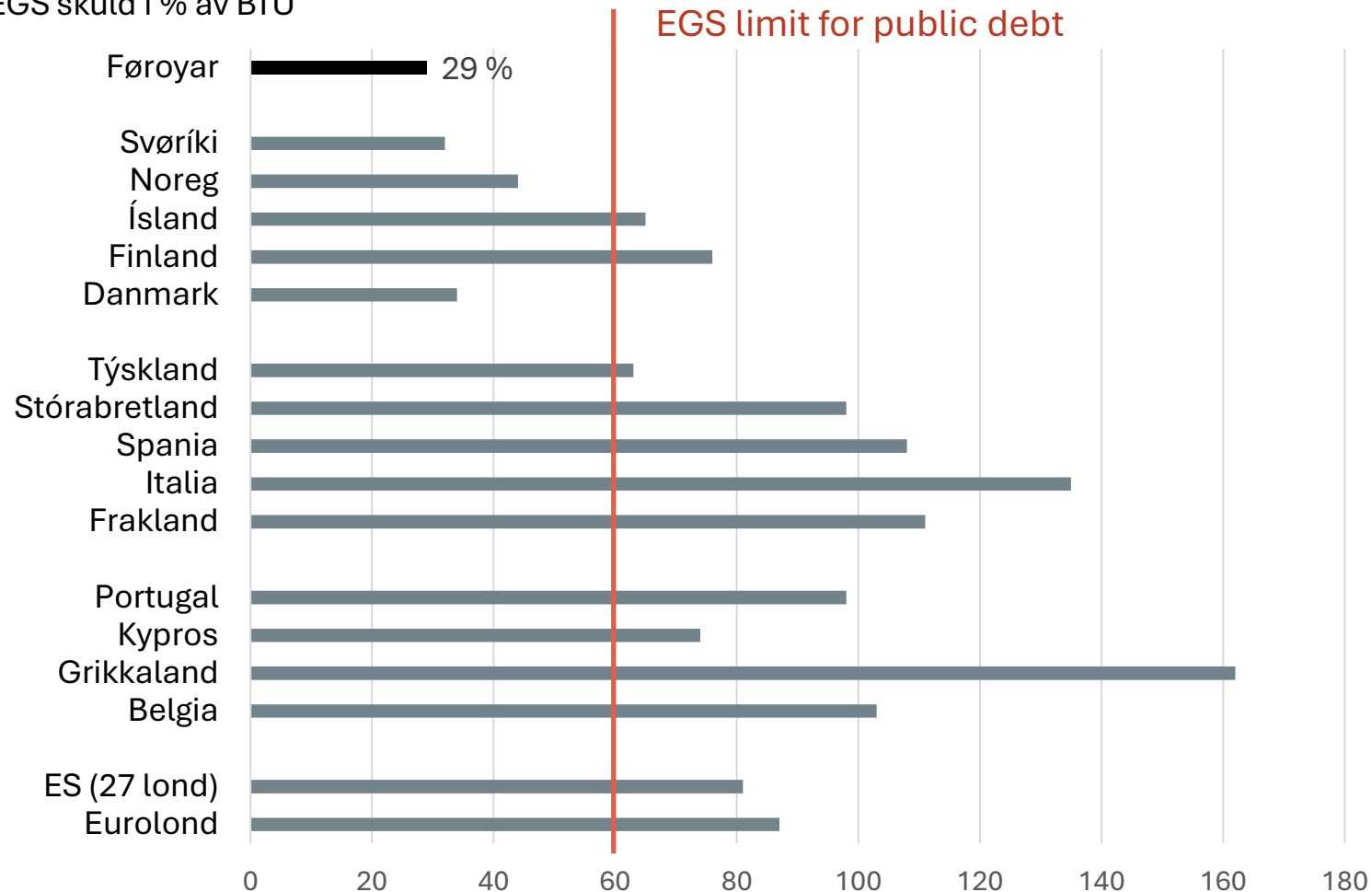




A healthy starting point, but need to prioritize investments

Almenn bruttoskuld í ymsum londum 2023

EGS skuld í % av BTÚ



Tunnels or Welfare Services?



Cost/benefit analysis

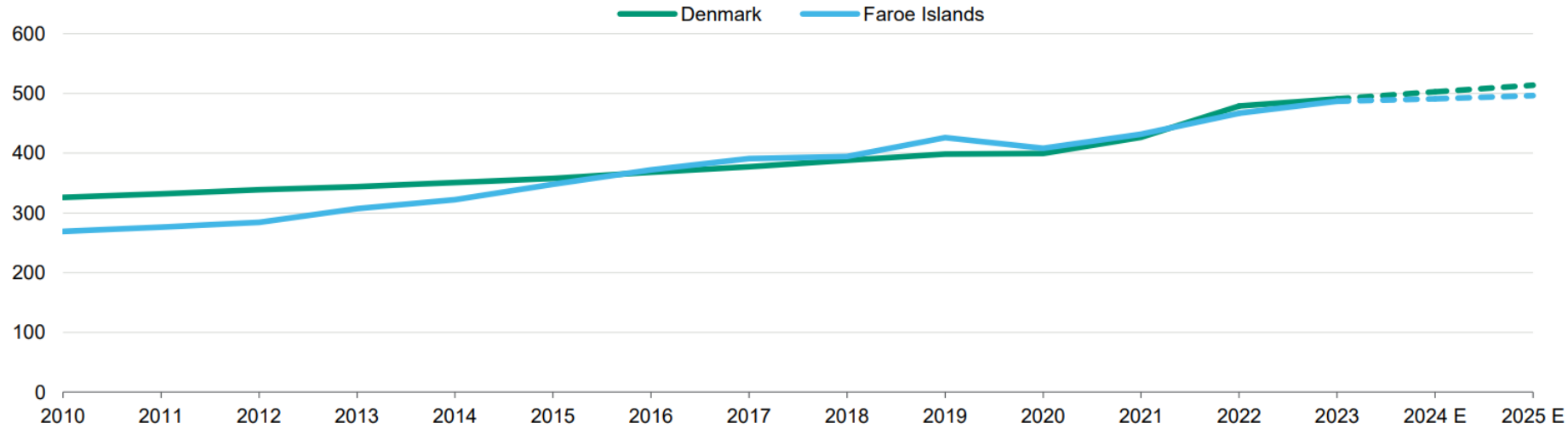
Green Energy as Economic Policy

- Goal: 100% renewable electricity by 2030 (now 50%)
 - Unrealistic!
- Oil still dominates transport, aquaculture, ferries
- Needed: wind, solar, marine energy, batteries, smart grid
- Green growth = energy security + jobs + competitiveness
- Reform of Energy Legal Framework to facilitate private investments

Exhibit 4

Faroese GDP per capita remains strong and in line with Danish GDP per capita

Nominal GDP per capita in DKK thousands, by year



E - Estimate

Sources: Landsbankin Foroya, Statistics Denmark and Moody's Ratings

Conclusion: Building Resilience

1. Aging, concentration, and climate require reforms
2. Key areas: Sustainable welfare system, a broader workforce, new industries, and green energy reform
3. With necessary reforms, we can lead—not just adapt
4. The Faroes can be a model of resilience for the North Atlantic

Thank you!