

## **DENMARK: Immediate austerity package unlikely, perhaps later**

Copenhagen-Jan 6-(BANNS)- Denmark Economic Minister Marianne Jelved said Wednesday the government saw no need for new austerity packages, but that additional reforms or budget cuts could be possible if the current account continued to run at a deficit.

"There is no way that we can issue a blank guarantee that there will be no new packages. We will have to see how things go in the autumn - but the government currently has no plans to introduce new measures," Jelved told BANNS.

She added that it was too early to gauge the effect of a recent tax reform package, but said, if deficits in the current account persisted the government could be forced to take more action.

Jelved's comments come after the government's Chief Wise Man - Economic Council Chairman Niels Kærgård said the government would do well to "wait-and-see" whether a new package would be necessary.

"Some indicators - the balance of payments and too high wage increases suggest an austerity package. Other signals point in the other direction - such as lower growth. The signals are mixed," Kærgård said.

His predecessor, Århus University Economics Professor Claus Vastrup said he envisaged the government introducing new measures "within a few months" in order to keep the economy on an even keel.

Vastrup pointed in particular to a wave of mortgage conversions expected to take place in coming months in which up to DKK 140 billion in mortgage debts are mature for conversion. Vastrup said a wave of conversions of this size would be unfortunate for the government's economic policy.

Jelved answered it would be easier to change systems than find more savings in the public sector.

"Experience has shown us that when we suggest cuts in public spending we cannot find the 90 votes needed (in Parliament to approve the proposal)." Jelved said in an interview in the national financial Børsen Wednesday.

"From our side, we can change the system, which in the end is a much wiser way to save expenses," she added.

Jelved also said that there were no plans to put more of a burden on the private sector in order to reverse the current account deficit. Saying that it was better to keep public expenditure on a tight leash.

Denmark posted a current account January-September 1998 deficit of DKK 5.6 billion compared with a 11.4 billion surplus in the same period a year earlier.

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