

Kingdom of Denmark

Rating Report



AAA
STABLE
OUTLOOK

Credit strengths

- Wealthy and competitive economy
- Sound public finances; low public debt
- Solid external position
- Strong institutional framework and stable governance

Credit challenges

- High levels of household debt
- Vulnerabilities related to high property prices

Rating rationale:

Wealthy and competitive economy: Denmark has one of the highest GDP-per-capita ratios in Europe and ranks first in the 2022 IMD World Competitiveness Ranking. Economic output proved resilient during the Covid-19 pandemic and has been growing rapidly in subsequent years. We expect slower economic growth in 2023 of 1.3% and 1.0% in 2024.

Public finances: Denmark benefits from strong public finances characterised by budget surpluses in the near term, broadly balanced budgets over the medium term and a moderate debt burden of around 30% of GDP. Challenges from an ageing population and investment needs are being addressed.

Strong external position: Denmark has generated a current account surplus every year since 1998, and we expect continued high surpluses over the coming years. A credible commitment to maintaining its fixed exchange rate is backed by large official reserves.

Strong institutional framework: Denmark ranks among the top countries globally in terms of governance indicators. It has a strong record of implementing structural reforms, maintaining fiscal discipline and conducting appropriate monetary policy aligned with the ECB.

Rating challenges include: i) vulnerabilities in the Danish financial system, including from high household debt; and ii) banking sector vulnerabilities related to high property prices.

Denmark's sovereign rating drivers

Risk pillars	Quantitative		Reserve currency	Qualitative*	Final rating	
	Weight	Indicative rating	Notches	Notches		
Domestic Economic Risk	35%	aa+	DKK [+0]	+1/3	AAA	
Public Finance Risk	20%	aaa		+1/3		
External Economic Risk	10%	aaa		+1/3		
Financial Stability Risk	10%	aaa		0		
ESG Risk	Environmental Factors	5%		aa+		+1/3
	Social Factors	7.5%		bb		0
	Governance Factors	12.5%		aaa		+1/3
Indicative outcome	aaa		+2			
Additional considerations			0			

Note: The qualitative scorecard adjustments, capped at one notch per rating pillar, are weighted equally with an aggregate adjustment rounded to the nearest integer. The reserve currency adjustment applies to currencies in the IMF's SDR basket. For details, please see Scope's [Sovereign Rating Methodology](#). Source: Scope Ratings

Outlook and rating triggers

The Stable Outlook reflects our view that risks to the ratings are balanced.

Positive rating-change drivers

- Not applicable

Negative rating-change drivers

- Financial system risks materialising in contingent liabilities for the government
- A severe economic shock, resulting in weaker medium-term growth prospects
- A deteriorating fiscal outlook, resulting in an upward trend in government debt ratios

Ratings and Outlook

Foreign currency

Long-term issuer rating	AAA/Stable
Senior unsecured debt	AAA/Stable
Short-term issuer rating	S-1+/Stable

Local currency

Long-term issuer rating	AAA/Stable
Senior unsecured debt	AAA/Stable
Short-term issuer rating	S-1+/Stable

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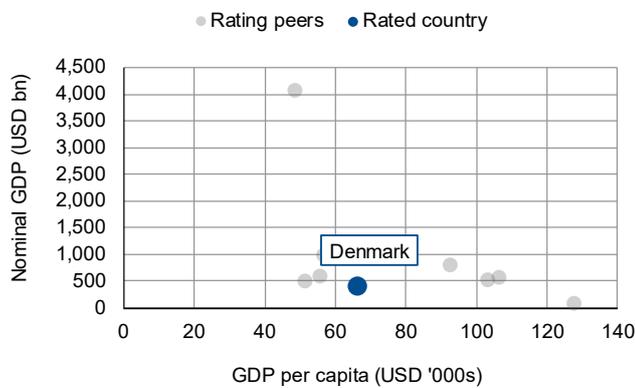
Bloomberg: RESP SCOP

Domestic Economic Risk

Overview of Scope's qualitative assessments for Denmark's *Domestic Economic Risk*

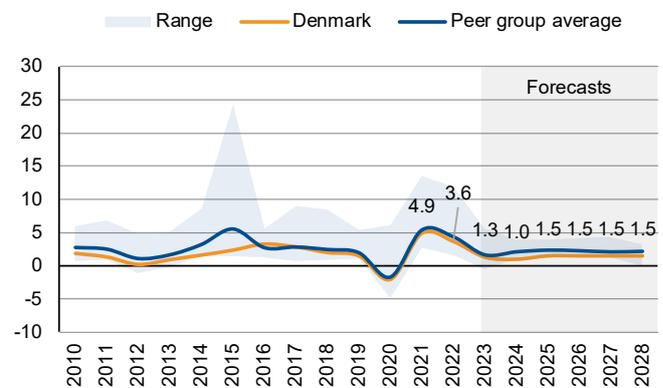
CVS indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aa+	Growth potential of the economy	Neutral	0	Robust growth potential and pre-crisis track record of sustained growth
	Monetary policy framework	Neutral	0	The fixed-exchange-rate policy helps anchor inflation and has supported external competitiveness, but it restricts the central bank's ability to control money supply
	Macro-economic stability and sustainability	Strong	+1/3	Competitive economy, favourable business environment and highly skilled labour force support productivity growth; highly flexible labour market

Nominal GDP and GDP per capita



Source: IMF World Economic Outlook (WEO), Scope Ratings

Real GDP growth, %



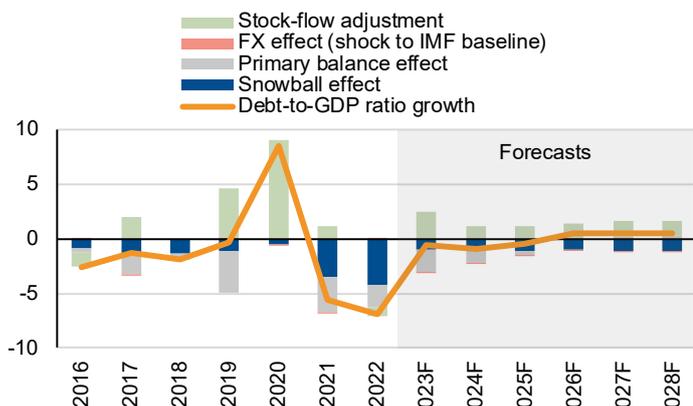
Source: IMF WEO, Scope Ratings forecasts

Public Finance Risk

Overview of Scope's qualitative assessments for Denmark's *Public Finance Risk*

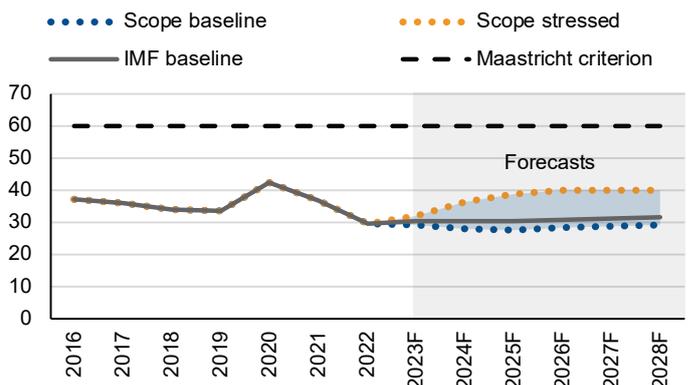
CVS indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aaa	Fiscal policy framework	Strong	+1/3	Appropriate response to Covid-19 and energy shock; pre-crisis track record of budget surpluses; progressive pension reform
	Debt sustainability	Neutral	0	Stable debt trajectory
	Debt profile and market access	Neutral	0	Excellent market access; low government financing costs in line with those of peers

Contributions to changes in debt levels, pp of GDP



Source: IMF WEO, Scope Ratings forecasts

Debt-to-GDP forecasts, % of GDP



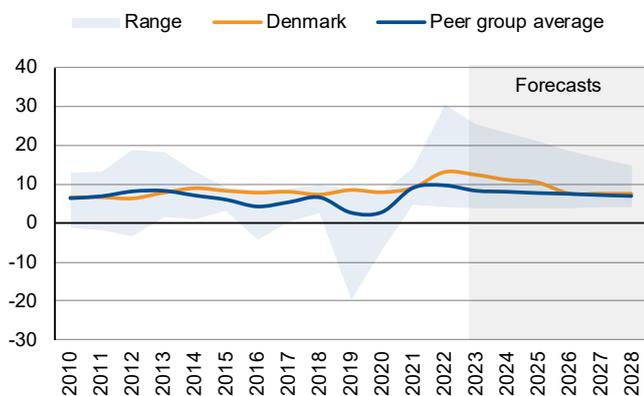
Source: IMF WEO, Scope Ratings forecasts

External Economic Risk

Overview of Scope's qualitative assessments for Denmark's *External Economic Risk*

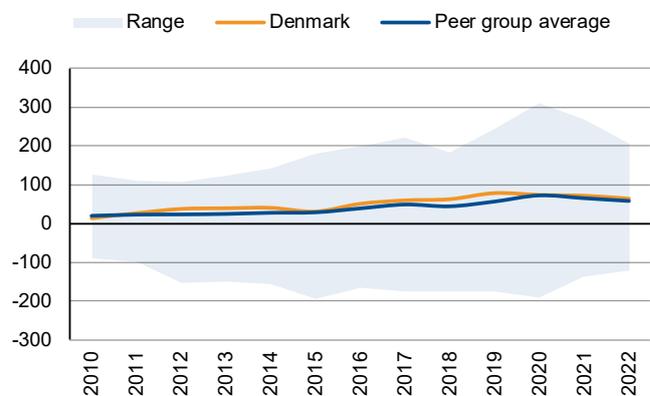
CVS indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aaa	Current account resilience	Neutral	0	Low cyclical volatility of export composition and external sector competitiveness support current account resilience
	External debt structure	Neutral	0	Relatively high external debt, especially in the financial institutions sector
	Resilience to short-term external shocks	Strong	+1/3	Very large net external creditor position, regional safe-haven currency

Current account balance, % of GDP



Source: IMF WEO, Scope Ratings

Net international investment position (NIIP), % of GDP



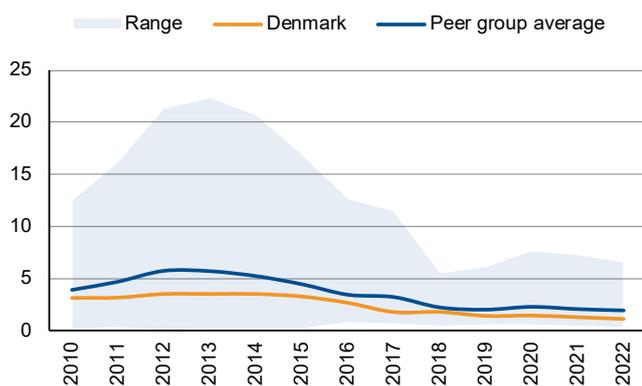
Source: IMF, Scope Ratings

Financial Stability Risk

Overview of Scope's qualitative assessments for Denmark's *Financial Stability Risk*

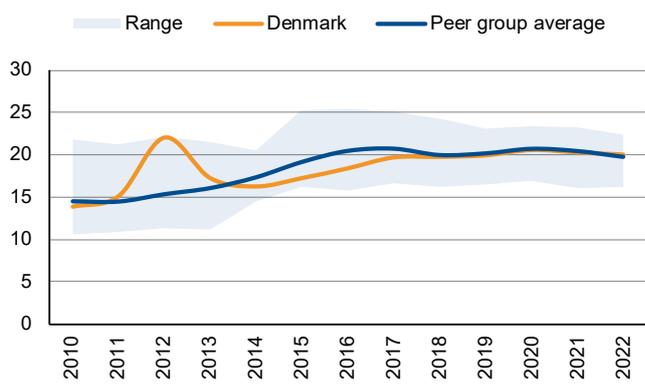
CVS indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aaa	Banking sector performance	Neutral	0	High capitalisation levels, stable and low levels of non-performing loans
	Banking sector oversight	Neutral	0	Prudent oversight under Denmark's central bank and financial supervisory authority; improvements in anti-money laundering/combating the financing of terrorism framework
	Financial imbalances	Neutral	0	High private-sector debt, large financial sector vis-à-vis the real economy in line with peers, and high interconnectedness in the Danish financial system

Non-performing loans (NPLs), % of total loans



Source: World Bank, Scope Ratings

Tier 1 capital, % of risk-weighted assets



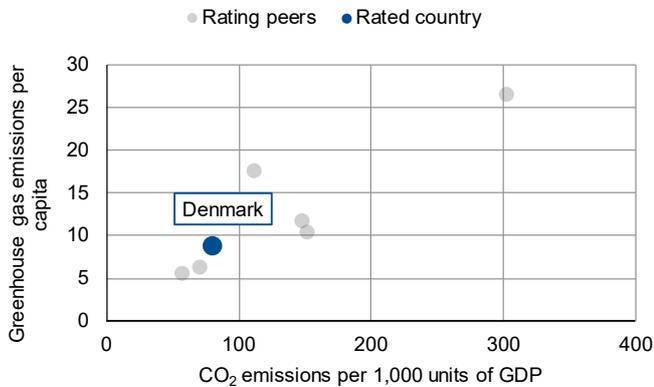
Source: IMF, Scope Ratings

ESG Risk

Overview of Scope's qualitative assessments for Denmark's ESG Risk

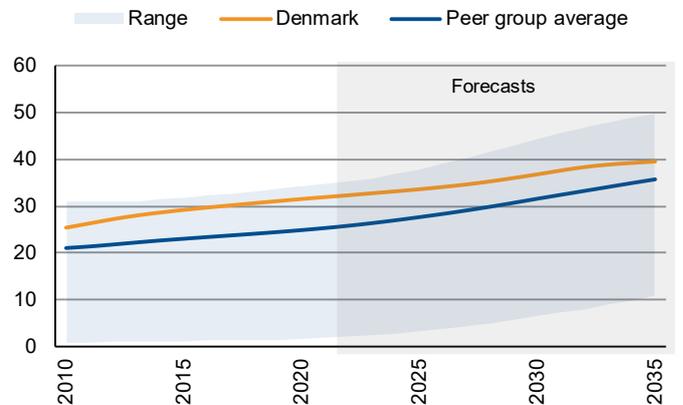
CVS indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aa+	Environmental factors	Strong	+1/3	Strong environmental standards, ongoing allocation of resources to achieve ambitious long-term targets for carbon neutrality and to reduce the CO2 emission reduction gap
	Social factors	Neutral	0	Relatively favourable demographics, well-established social safety nets, inclusive labour market, improving migrant employment levels
	Governance factors	Strong	+1/3	High-quality institutions, stable political environment

CO₂ emissions per GDP, mtCO₂e



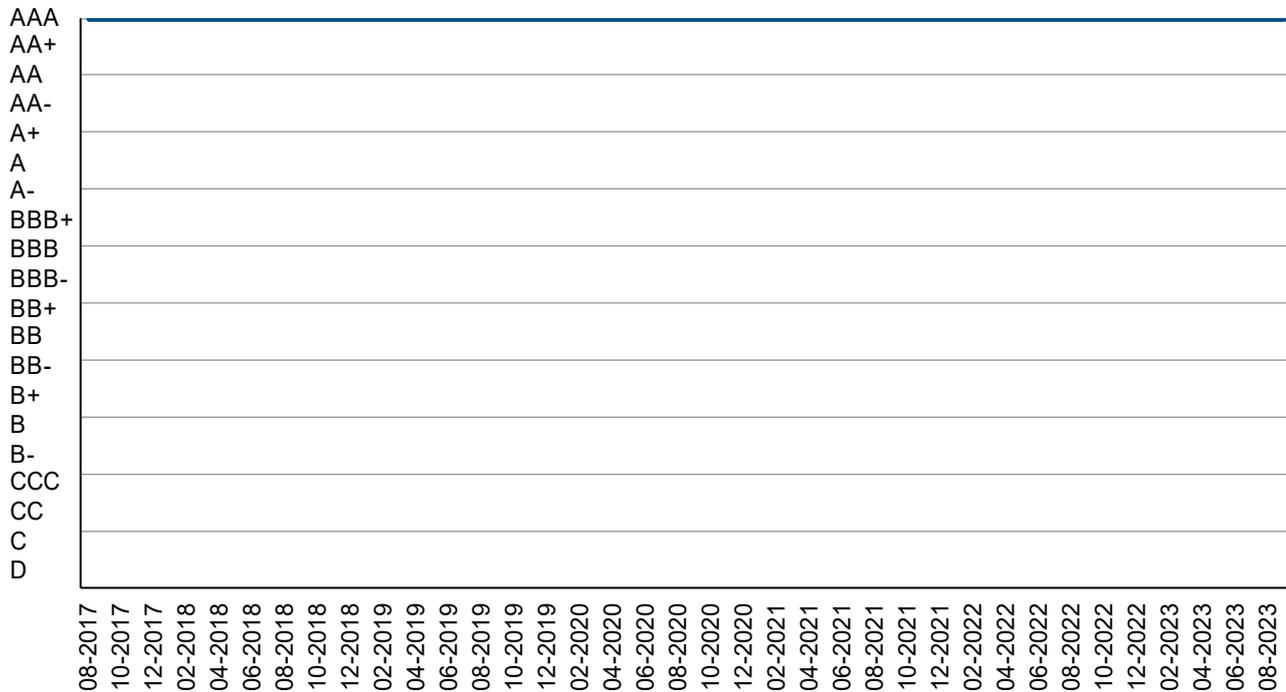
Source: European Commission, Scope Ratings

Old age dependency ratio, %



Source: United Nations, Scope Ratings

Appendix I. Rating history



NB. Positive/Negative Outlooks are treated with a +/-0.33-notch adjustment. Credit Watch positive/negative with a +/-0.67-notch adjustment.

Appendix II. Rating peers

Rating peers are related to sovereigns with an indicative rating in the same rating category or adjacent categories, with Scope's core variable scorecard embedding a methodological reserve-currency adjustment.

Peer group*
Germany
Ireland
Luxembourg
Netherlands
Norway
Sweden
Switzerland

Publicly rated sovereigns only; the full sample may be larger.

Appendix III. Statistical table for selected CVS indicators

This table presents a selection of the indicators (24 out of 30 – with the governance indicator reflecting a composite of six indicators) used in Scope's quantitative model, the core variable scorecard, in line with Scope's [Sovereign Rating Methodology](#). The metrics and sources for the data presented here ensure comparability across global peers and may therefore differ from national and other selective international statistics.

Pillar	Core variable	Source	2018	2019	2020	2021	2022
Domestic Economic	GDP per capita, USD '000s	IMF	61.7	59.7	61.0	68.2	66.5
	Nominal GDP, USD bn	IMF	356.8	346.5	355.2	398.3	390.7
	Real growth, %	IMF	2.0	1.5	-2.0	4.9	3.6
	CPI inflation, %	IMF	0.7	0.7	0.3	1.9	8.5
	Unemployment rate, %	WB	5.1	5.0	5.6	5.1	4.2
Public Finance	Public debt, % of GDP	IMF	34.0	33.7	42.2	36.6	29.7
	Net interest payment, % of revenue	IMF	-0.7	-0.5	-0.6	-0.8	-0.8
	Primary balance, % of GDP	IMF	0.4	3.9	-0.1	3.2	2.1
External Economic	Current-account balance, % of GDP	IMF	7.3	8.5	7.9	9.0	12.8
	Total reserves, months of imports	WB	4.2	4.0	4.6	4.3	4.5
	NIIP, % of GDP	IMF	62.0	77.7	74.5	72.2	-
Financial Stability	NPL ratio, % of total loans	IMF	1.8	1.4	1.4	1.2	-
	Tier 1 ratio, % of risk-weighted assets	IMF	19.0	19.4	19.9	20.2	19.6
	Credit to the private sector, % of GDP	WB	161.3	161.4	163.7	-	-
ESG	CO ₂ per EUR 1,000 of GDP, mtCO ₂ e	EC	105.0	92.3	79.8	80.1	-
	Income share of bottom 50%, %	WID	21.6	21.5	21.4	21.4	-
	Labour-force participation rate, %	WB	78.2	79.0	78.8	79.4	-
	Old-age dependency ratio, %	UN	30.6	31.0	31.5	31.9	32.3
	Composite governance indicators*	WB	1.7	1.7	1.7	1.8	-

* Average of the six World Bank Worldwide Governance Indicators.

Appendix IV. Economic development and default indicators

IMF Development Classification

5y USD CDS spread (bps) as of 28 September 2023

Emerging market and developing economy

12.2



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