

Kingdom of Denmark

This annex refers to the release of the monitoring note of 11 December 2020

Annex I: Summary of core variable scorecard, reserve currency adjustment and qualitative scorecard¹

Implied rating of core variable scorecard (CVS)		aaa
Reserve currency adjustment		0
Weight	Qualitative scorecard (QS) for long-term issuer ratings	
20%	Growth potential of the economy	Neutral
	Monetary policy framework	Neutral
	Macro-economic stability and sustainability	Strong
20%	Fiscal policy framework	Strong
	Debt sustainability	Neutral
	Debt profile and market access	Neutral
20%	Current account resilience	Neutral
	External debt structure	Neutral
	Resilience to short-term shocks	Strong
20%	Banking sector performance	Neutral
	Banking sector oversight	Neutral
	Financial imbalances	Weak
20%	Environmental risks	Neutral
	Social risks	Neutral
	Institutional and political risks	Strong
QS adjustment (notches)		1
Additional considerations (notches)		0
Final rating		AAA STA

Annex II: Selected indicators

	2016	2017	2018	2019	2020E	2021F	2022F
GDP per capita (USD '000s)	54,863	57,302	61,523	59,770	58,439	63,645	66,546
Real GDP, % change	3.2	2.0	2.4	2.3	-4.5	3.5	2.5
CPI, % change	0.0	1.1	0.7	0.7	0.4	0.9	1.2
Fiscal balance, % of GDP	-0.1	1.5	0.5	3.8	-4.0	-3.0	-1.5
Government debt, % of GDP	37.2	35.8	34.2	29.4	34.5	39.3	42.6
Current account balance, % of GDP	7.8	7.8	7.0	7.8	6.4	6.6	7.0
Gross external debt, % of GDP	153.1	150.5	136.7	138.8	-	-	-

Source: Macrobond, IMF, Danmarks Nationalbank, Scope Ratings GmbH

Annex III: Economic development and default indicators

IMF Development Classification²

AE

5y USD CDS spread (bps) as of 10 December 2020

8

¹ The weighting and explanation of all rating factors are described in Scope's 'Sovereign Ratings' methodology, available on www.scooperatings.com

² AE = advanced economy; EMDE = emerging market and developing economy

Annex IV: Analytical rationale for QS assessments

Denmark	December 2020	Assessment	Rationale
Peers*	Austria, Germany, Netherlands, Finland, Norway, Sweden		
Domestic economic risk	Growth potential	Neutral	Robust growth potential, and track record of sustained growth
	Monetary policy framework	Neutral	The fixed-exchange-rate policy ensures low inflation and has supported external competitiveness, but restricts the central bank's ability to control money supply and take unconventional measures
	Macro-economic stability & sustainability	Strong	Competitive economy, favourable business environment and highly-skilled labour force support productivity growth; highly flexible labour market
Public finance risk	Fiscal policy framework	Strong	Appropriate response to Covid-19 shock with sizeable countercyclical stimulus; track record of balanced budgets
	Debt sustainability	Neutral	Modestly-rising debt trajectory
	Debt profile & market access	Neutral	Excellent market access, low government financing costs, in line with peers
External economic risk	Current account resilience	Neutral	Low cyclicity of export composition and external sector competitiveness support current account resilience
	External debt structure	Neutral	Relatively-high external debt especially of the financial institutions sector
	Resilience to short-term shocks	Strong	Very large net external creditor position, regional safe-haven currency
Financial stability risk	Banking sector performance	Neutral	High capitalisation levels, declining profitability
	Banking sector oversight	Neutral	Prudent oversight under Danmarks Nationalbank and the FSA
	Financial imbalances	Weak	High private-sector indebtedness levels, large size of the banking sector vis-à-vis the economy, high interconnectedness within the financial system
ESG risks	Environmental risks	Neutral	High environmental standards, ongoing allocation of resources to achieve ambitious long-term targets on carbon neutrality and emissions reduction
	Social risks	Neutral	Relatively-favourable demographics, well-established social safety nets, inclusive labour market
	Institutional and political risks	Strong	High-quality institutions and stable political environment

*Peers relate to selected sovereigns with a similar indicative rating per Scope's Core Variable Scorecard.