

Kingdom of Denmark

Rating report

Rating rationale

Wealthy and competitive economy: Denmark maintains one of the highest GDP per capita levels in Europe and consistently ranks among the most competitive economies globally. The Danish economy has demonstrated resilience during recent economic shocks, with economic output growing rapidly in subsequent years. However, GDP growth has been uneven across sectors, with overall expansion primarily driven by the pharmaceutical sector. After growth of 2.5% in 2023 and 3.6% in 2024, we expect continued real GDP growth rates of 2.7% in 2025 and 1.6% in 2026.

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 29% of GDP. The challenges of an ageing population and investment needs are being addressed.

Strong external position: Denmark has recorded current account surpluses every year since 1998, and we expect these high surpluses to continue in the coming years, reinforcing its sizeable net creditor position of 54% of GDP as of Q3 2024. 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, although partially mitigated by high levels of households' assets; and ii) banking sector vulnerabilities related to property prices fluctuations.

Foreign currency

Long-term issuer rating/Outlook

AAA/Stable

Senior unsecured debt

AAA/Stable

Short-term issuer rating/Outlook

S-1+/Stable

Local currency

Long-term issuer rating/Outlook

AAA/Stable

Senior unsecured debt

AAA/Stable

Short-term issuer rating/Outlook

S-1+/Stable

Lead Analyst

Alessandra Poli

+49 69 8700 27498

a.poli@scoperatings.com

Team Leader

Alvise Lennkh-Yunus

+49 69 6677389-85

a.lennkh@scoperatings.com

Figure 1: Denmark's sovereign-rating drivers

| Risk pillars | Quantitative | | Reserve currency* | Political risk** | Qualitative*** | Final rating |
|-------------------------------------|-----------------------|-------------------|-------------------|------------------|----------------|--------------|
| | Weight | Indicative rating | Notches | Notches | Notches | |
| Domestic economic risk | 35% | aaa | DKK | Denmark | 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% | [+0] | [-0] | 1/3 | |
| | Social factors | 7.5% | | | 0 | |
| | Governance factors | 12.5% | aaa | | | |
| Sovereign Quantitative Model | aaa | | | | +2 | |
| Additional considerations | | | | | 0 | |

*The reserve-currency quantitative adjustment applies to currencies in the IMF's Special Drawing Rights (SDR) basket.

The political-risk quantitative adjustment is based on the World Bank's Political Stability & Absence of Violence/Terrorism index. *The qualitative scorecard analyst adjustments, capped at one notch per rating pillar, are weighted equally with an aggregate adjustment rounded to the nearest integer. For details, please see Scope's [Sovereign Rating Methodology](#). Source: Scope Ratings.

Credit strengths and challenges

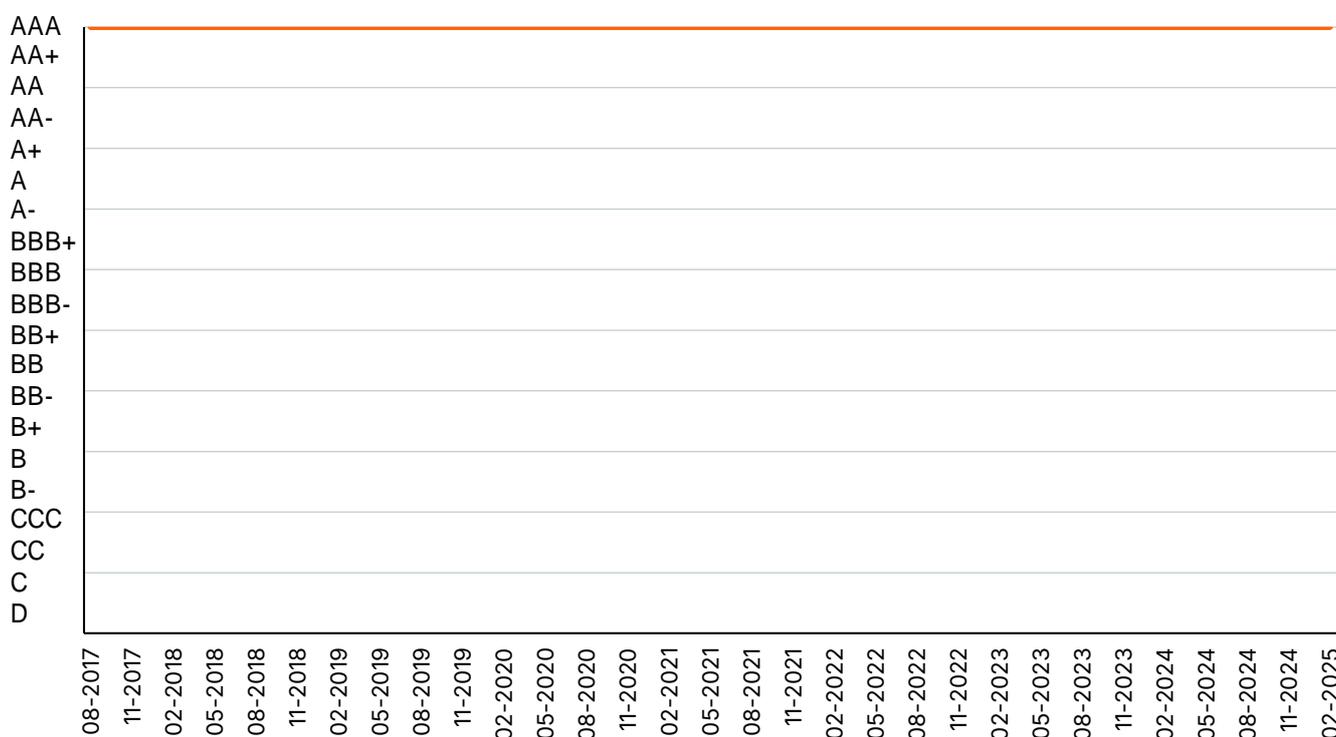
| Credit strengths | Credit challenges |
|---|--|
| <ul style="list-style-type: none"> Wealthy and competitive economy Sound public finances and low public debt Solid external position Strong institutional framework and stable governance | <ul style="list-style-type: none"> High household debt, partially mitigated by high levels of assets Vulnerabilities related to property prices fluctuations |

Outlook and rating triggers

The Stable Outlook reflects Scope’s view that risks to the ratings are balanced.

| Positive rating-change drivers | Negative rating-change drivers |
|--|---|
| <ul style="list-style-type: none"> Not applicable | <ul style="list-style-type: none"> Increasing financial system risks, resulting in broader systemic risks A significant and sustained deterioration of the medium-term economic and/or fiscal outlook |

Figure 2: Rating history



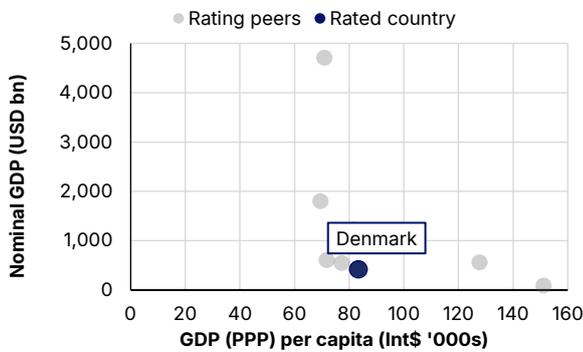
Foreign-currency long-term issuer rating. Positive/Negative Outlooks are treated with a +/-0.33-notch adjustment. Credit Watch positive/negative with a +/-0.67-notch adjustment. Source: Scope Ratings.

Domestic economic risk

Overview of Scope's assessments of Denmark's Domestic Economic Risk

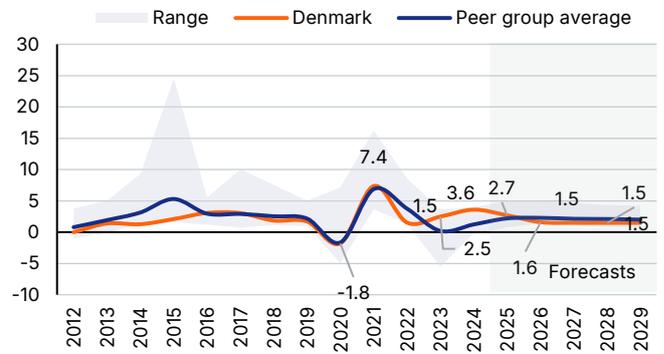
| SQM ¹ indicative rating | Analytical component | Assessment | Notch adjustment | Rationale |
|------------------------------------|--|------------|------------------|---|
| aaa | Growth potential and outlook | Neutral | 0 | Robust growth potential and sustained growth outlook of around 2% |
| | Monetary policy framework | Neutral | 0 | The fixed-exchange-rate policy helps to anchor inflation and has supported external competitiveness, but restricts the central bank's ability to control money supply |
| | Macroeconomic stability and sustainability | Strong | +1/3 | Competitive economy, favourable business environment and highly skilled labour force support productivity growth; highly flexible labour market |

Figure 3: Nominal GDP and GDP per capita



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

Figure 4: Real GDP growth, %



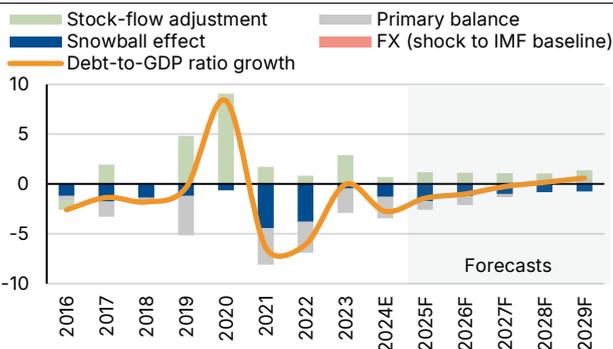
Source: IMF WEO, Scope Ratings forecasts

Public finance risk

Overview of Scope's assessments of Denmark's Public Finance Risk

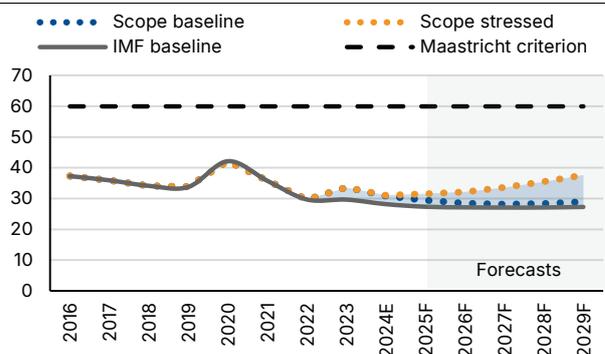
| SQM indicative rating | Analytical component | Assessment | Notch adjustment | Rationale |
|-----------------------|--------------------------------|------------|------------------|--|
| aaa | Fiscal policy framework | Strong | +1/3 | Large fiscal buffers to implement measures in times of crisis; expected continued budget surpluses |
| | Long-term debt trajectory | 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 |

Figure 5: Contributions to change in debt levels, pps of GDP



Source: IMF WEO, Scope Ratings forecasts

Figure 6: Debt-to-GDP forecasts, % of GDP



Source: IMF WEO, Scope Ratings forecasts

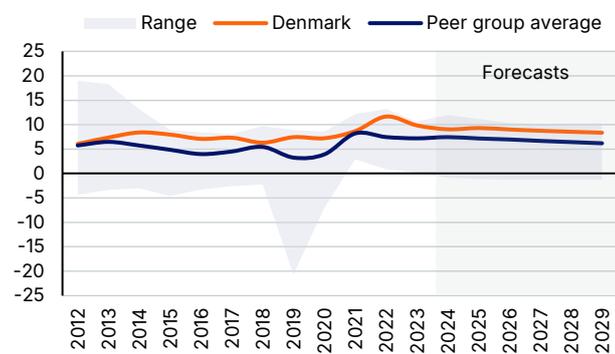
¹ Sovereign Quantitative Model

External economic risk

Overview of Scope's assessments of Denmark's External Economic Risk

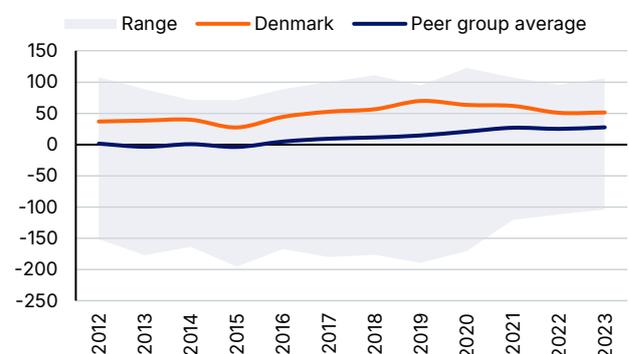
| SQM indicative rating | Analytical component | Assessment | Notch adjustment | Rationale |
|-----------------------|--|------------|------------------|--|
| aaa | Current account resilience | Neutral | 0 | Low cyclical of export composition and external sector competitiveness support current account resilience. Strong dependence of exports on the pharmaceutical sector |
| | 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 |

Figure 7: Current-account balance, % of GDP



Source: IMF WEO forecasts, Scope Ratings

Figure 8: Net international investment position (NIIP), % GDP



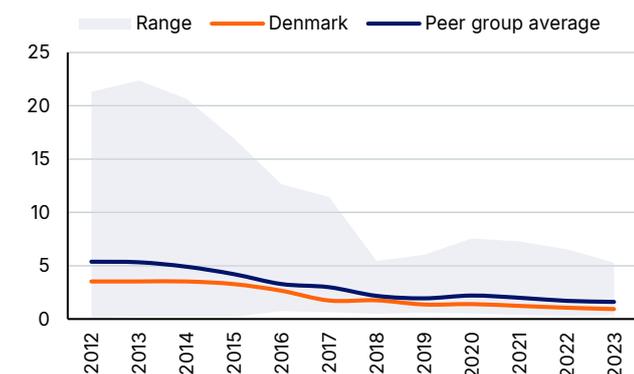
Source: IMF, Scope Ratings

Financial stability risk

Overview of Scope's assessments of Denmark's Financial Stability Risk

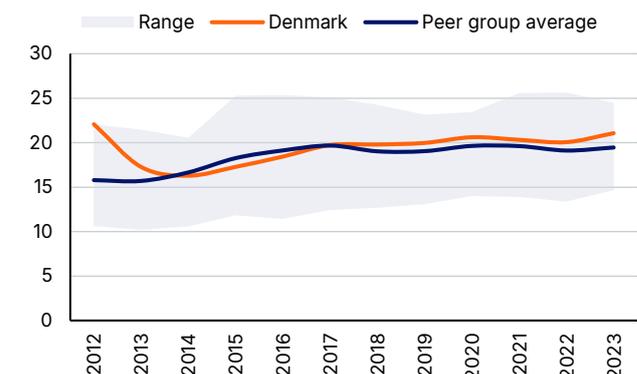
| SQM indicative rating | Analytical component | Assessment | Notch adjustment | Rationale |
|-----------------------|---|------------|------------------|--|
| aaa | Banking sector performance | Neutral | 0 | High capitalisation levels, stable non-performing loans |
| | Financial sector oversight and governance | 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 size of banking sector vis-à-vis the real economy and high interconnectedness in the Danish financial system |

Figure 9: Non-performing loans (NPLs), % of total loans



Source: World Bank (WB), Scope Ratings

Figure 10: Tier 1 capital, % of risk-weighted assets



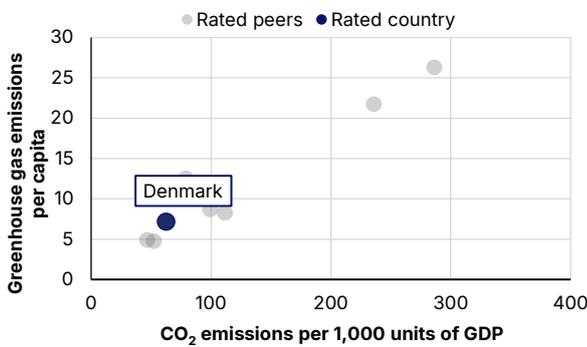
Source: IMF, Scope Ratings

Environmental, Social and Governance (ESG) risk

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

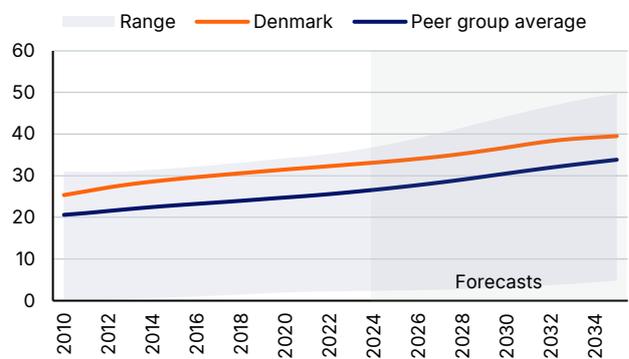
| SQM indicative rating | Analytical component | Assessment | Notch adjustment | Rationale |
|-----------------------|-----------------------|------------|------------------|---|
| aaa | Environmental factors | Strong | +1/3 | Strong environmental standards, ongoing allocation of resources to achieve 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 |

Figure 11: CO₂ emissions per GDP, mtCO₂e



Source: European Commission (EC), Scope Ratings

Figure 12: Old-age dependency ratio, %



Source: United Nations (UN), Scope Ratings

Reserve-currency adjustment

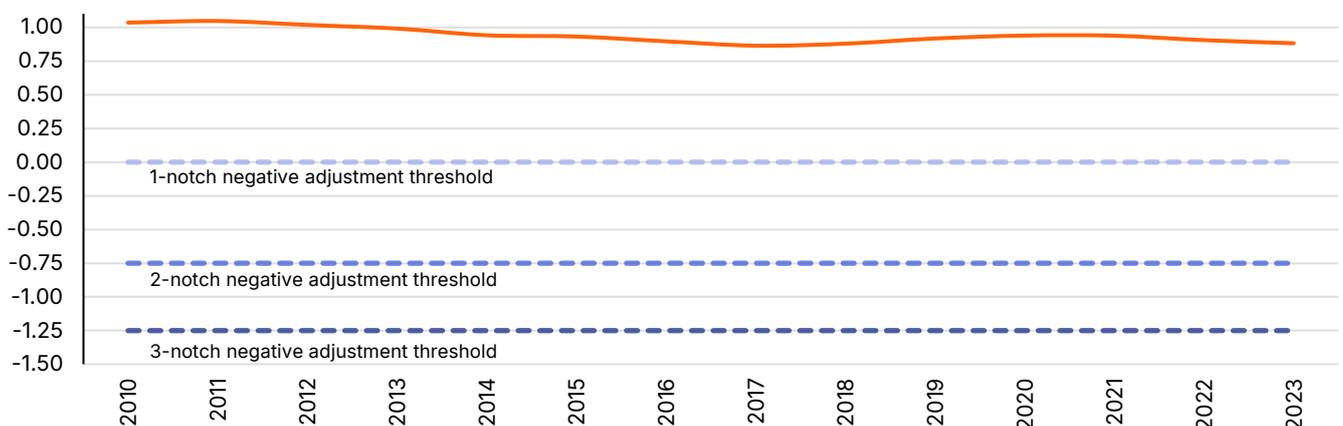
IMF SDR basket and Scope reserve-currency adjustment

| Currency | U.S. dollar | Euro | Chinese yuan | Japanese yen | Pound sterling | Other |
|------------------------------|-------------|------|--------------|--------------|----------------|-------|
| IMF SDR basket weights, % | 43.4 | 29.3 | 12.3 | 7.6 | 7.4 | 0.0 |
| Positive adjustment, notches | 3 | 1 | 1 | 1 | 1 | 0 |

Source: IMF, Scope Ratings

Political-risk adjustment

Figure 13: WB Political Stability & Absence of Violence/Terrorism index, Denmark, 3-year moving average



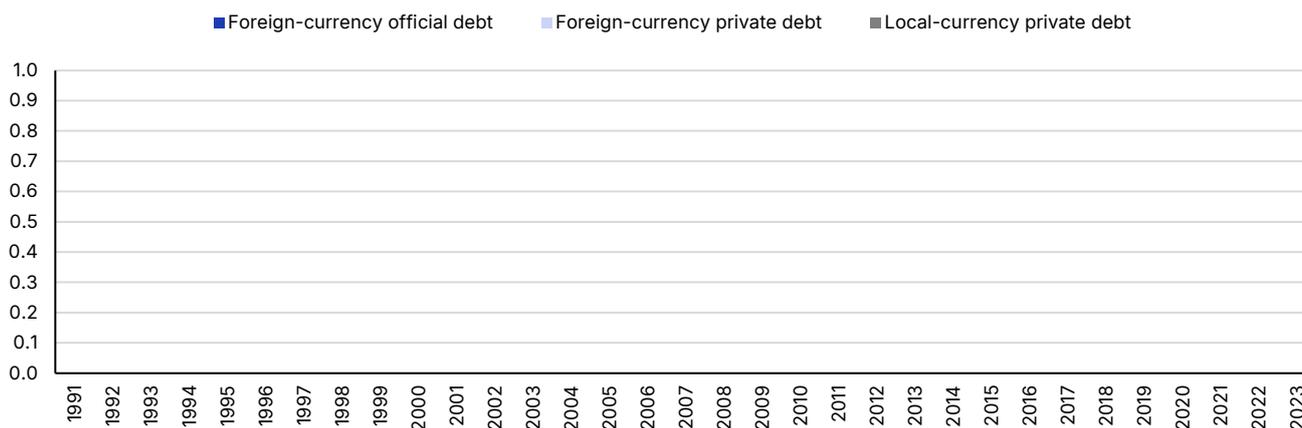
Source: WB, Scope Ratings

Additional considerations

No adjustment was applied to the rating from additional considerations.

Appendix 1. Sovereign default history

Sovereign default history, USD m



Depicted private-debt defaults may not always constitute a credit event under [Scope's credit-rating definitions](#).

Source: [Bank of Canada–Bank of England Sovereign Default Database](#), Scope Ratings.

Appendix 2. Rating peers

Rating peers are related to sovereigns with an indicative rating in the same rating category or adjacent categories, as assigned by Scope's sovereign quantitative model after accounting for methodological reserve-currency and political-risk adjustments.

| Peer group* |
|-------------|
| Germany |
| Sweden |
| Netherlands |
| Switzerland |
| Luxembourg |

*Select publicly-rated sovereigns only; the full sample of sovereign-rating peers may be larger.

Appendix 3. Economic development and default indicators

| | |
|---|--|
| IMF Development Classification | Emerging market and developing economy |
| 5y USD CDS spread (bp) as of 28 February 2025 | 11.64 |

Appendix 4. Statistical table for selected SQM indicators

This table presents a selection of the indicators (24 out of 30 – with the governance indicator reflecting a composite of five indicators) used in Scope's quantitative model, in line with Scope's Sovereign Rating Methodology. The metrics and sources for the data presented here ensure comparability across global country peers and may therefore differ from data from national and other select international statistical series.

| Pillar | Core variable | Source | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---------------------|---|--------|-------|-------|-------|-------|-------|------|
| Domestic Economic | GDP per capita (PPP), Int\$ '000s | IMF | 60.7 | 62.8 | 70.5 | 76.3 | 80.2 | 83.5 |
| | Nominal GDP, USD bn | IMF | 345 | 356 | 408 | 402 | 407 | 412 |
| | Real growth, % | IMF | 1.7 | -1.8 | 7.4 | 1.5 | 2.5 | 1.9 |
| | CPI inflation, % | IMF | 0.7 | 0.3 | 1.9 | 8.5 | 3.4 | 1.8 |
| | Unemployment rate, % | WB | 5.0 | 5.6 | 5.0 | 4.4 | 5.1 | - |
| Public Finance | Public debt, % of GDP | IMF | 33.8 | 42.2 | 35.8 | 29.7 | 29.7 | 28.2 |
| | Net interest payment, % of government revenue | IMF | -0.6 | -0.6 | -0.8 | -0.7 | -1.7 | -1.3 |
| | Primary balance, % of GDP | IMF | 4.0 | 0.1 | 3.7 | 3.1 | 2.5 | 1.1 |
| External Economic | Current-account balance, % of GDP | IMF | 7.4 | 7.2 | 8.7 | 11.7 | 9.8 | 9.0 |
| | Total reserves, months of imports | WB | 3.9 | 4.5 | 4.2 | 4.3 | 4.8 | - |
| | NIIP, % of GDP | IMF | 69.8 | 63.5 | 61.9 | 50.9 | 51.4 | - |
| Financial Stability | NPL ratio, % of total loans | IMF | 1.4 | 1.4 | 1.2 | 1.1 | 0.9 | - |
| | Tier 1 ratio, % of risk-weighted assets | IMF | 19.4 | 19.9 | 20.2 | 19.6 | 20.2 | 20.6 |
| | Credit to the private sector, % of GDP | WB | 161.9 | 163.5 | 154.4 | 142.8 | 146.6 | - |
| ESG | CO ₂ per EUR 1,000 of GDP, mtCO ₂ e | EC | 76.9 | 72.6 | 71.8 | 66.9 | 62.5 | - |
| | Income share of bottom 50%, % | WID | 22.0 | 21.5 | 21.5 | 21.5 | 21.5 | - |
| | Labour-force participation rate, % | WB | 79.0 | 78.9 | 79.6 | 80.4 | 80.8 | - |
| | Old-age dependency ratio, % | UN | - | - | - | - | - | - |
| | Composite governance indicators* | WB | 1.8 | 1.8 | 1.9 | 1.9 | 2.0 | - |
| | Political stability, index | WB | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 |

*Average of the following five World Bank Worldwide Governance Indicators: Control of Corruption, Voice and Accountability, Rule of Law, Government Effectiveness, Regulatory Quality.

Analyst

Alessandra Poli
+49 69 8700 27498
a.poli@scoperatings.com

Team Leader

Alvise Lennkh-Yunus
+49 69 6677389-85
a.lennkh@scoperatings.com

Applied methodologies

[Sovereign Rating Methodology](#), January 2025

Scope Ratings GmbH

Lennéstraße 5, D-10785 Berlin
Phone: +49 30 27891-0
Fax: +49 30 27891-100
info@scoperatings.com

Scope Ratings UK Limited

52 Grosvenor Gardens
London SW1W 0AU
Phone: +44 20 7824 5180
info@scoperatings.com



Bloomberg: RESP SCOP
[Scope contacts](#)
[scoperatings.com](https://www.scoperatings.com)

Disclaimer

© 2025 Scope SE & Co. KGaA and all its subsidiaries including Scope Ratings GmbH, Scope Ratings UK Limited, Scope Fund Analysis GmbH, Scope Innovation Lab GmbH and Scope ESG Analysis GmbH (collectively, Scope). All rights reserved. The information and data supporting Scope's ratings, rating reports, rating opinions and related research and credit opinions originate from sources Scope considers to be reliable and accurate. Scope does not, however, independently verify the reliability and accuracy of the information and data. Scope's ratings, rating reports, rating opinions, or related research and credit opinions are provided 'as is' without any representation or warranty of any kind. In no circumstance shall Scope or its directors, officers, employees and other representatives be liable to any party for any direct, indirect, incidental or other damages, expenses of any kind, or losses arising from any use of Scope's ratings, rating reports, rating opinions, related research or credit opinions. Ratings and other related credit opinions issued by Scope are, and have to be viewed by any party as, opinions on relative credit risk and not a statement of fact or recommendation to purchase, hold or sell securities. Past performance does not necessarily predict future results. Any report issued by Scope is not a prospectus or similar document related to a debt security or issuing entity. Scope issues credit ratings and related research and opinions with the understanding and expectation that parties using them will assess independently the suitability of each security for investment or transaction purposes. Scope's credit ratings address relative credit risk, they do not address other risks such as market, liquidity, legal, or volatility. The information and data included herein is protected by copyright and other laws. To reproduce, transmit, transfer, disseminate, translate, resell, or store for subsequent use for any such purpose the information and data contained herein, contact Scope Ratings GmbH at Lennéstraße 5, D-10785 Berlin. Public Rating are generally accessible to the public. Subscription Ratings and Private Ratings are confidential and may not be shared with any unauthorised third party.