

Kingdom of Denmark

Rating report

Rating rationale

Wealthy and competitive economy: Denmark has one of the highest GDP-per-capita ratios in Europe and ranks first in the 2023 IMD World Competitiveness Ranking for the second consecutive year. Economic output proved resilient during the Covid-19 pandemic and has been growing rapidly in subsequent years. However, GDP growth was uneven across sectors and overall growth was mostly driven by the pharmaceutical sector. After 1.8% in 2023, we expect continued solid real GDP growth rates at 2% in 2024 and 1.9% in 2025.

Strong 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 of 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.

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%	aa+	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.

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

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Credit strengths and challenges

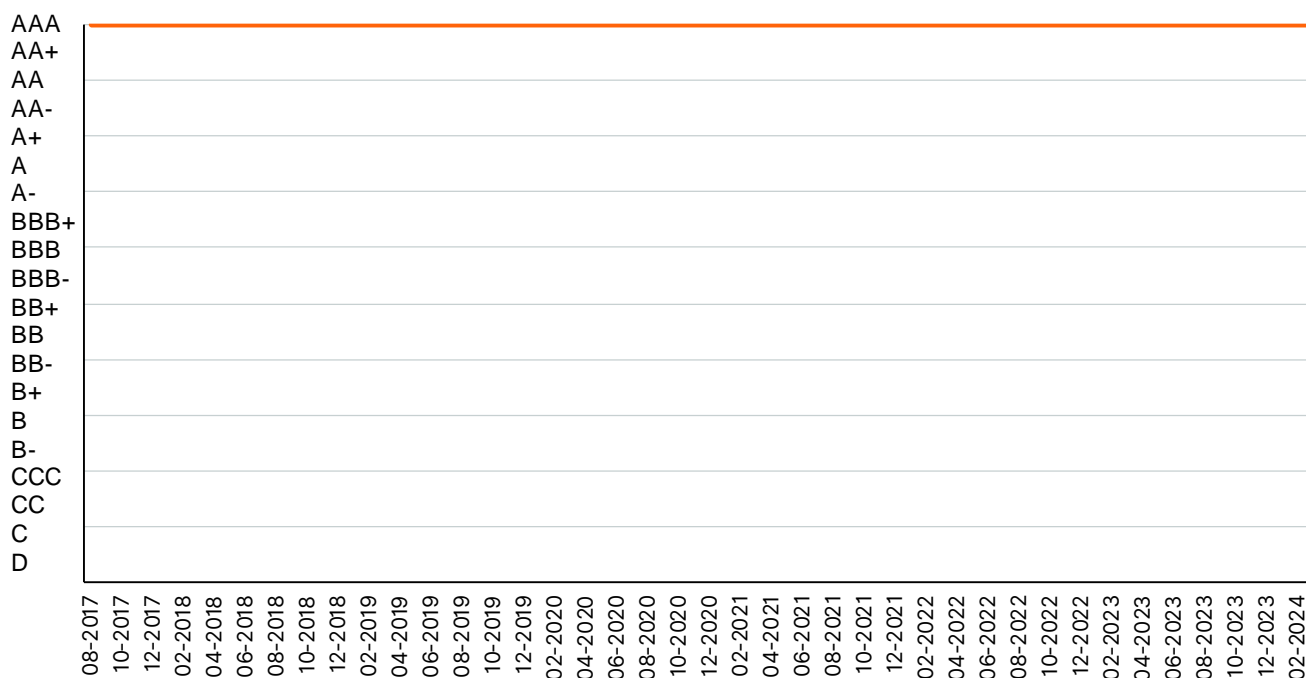
Credit strengths	Credit challenges
<ul style="list-style-type: none"> Wealthy and competitive economy Sound public finances and low public debt Solid external position Strong institutional framework and stable governance 	<ul style="list-style-type: none"> High levels of household debt Vulnerabilities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

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 severe economic shock, resulting in weaker medium-term growth prospects A deteriorating fiscal outlook, resulting in an upward trend in government debt ratios

Figure 2: Rating history¹



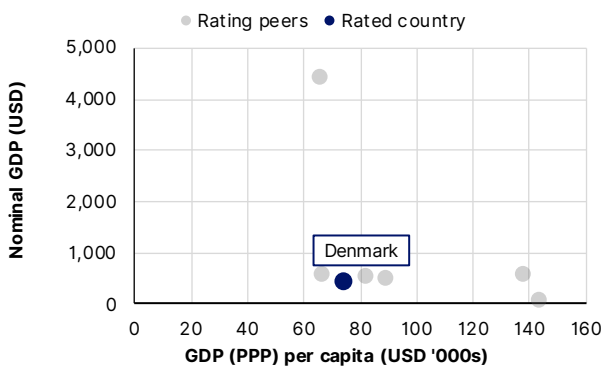
¹Foreign-currency long-term issuer rating. Positive/Negative Outlooks are treated with a +/-0.33-notch adjustment. Credit Watch positive/negative with a +/-0.67-notch adjustment. Source: Scope Ratings.

Domestic economic risk

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

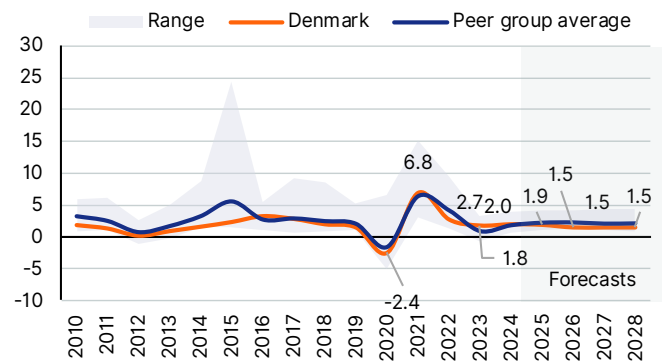
SQM* indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aa+	Growth potential and outlook	Neutral	0	Robust growth potential and track record of sustained growth
	Monetary policy framework	Neutral	0	The fixed-exchange-rate policy helps anchor inflation and has supported external competitiveness, but it restricts the central bank's ability to control money supply
	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, %



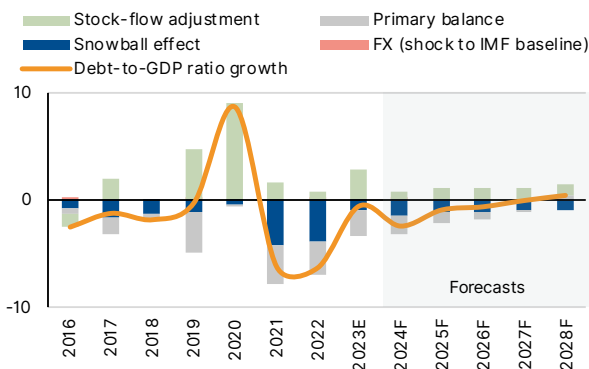
Source: IMF WEO, Scope Ratings forecasts

Public finance risk

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

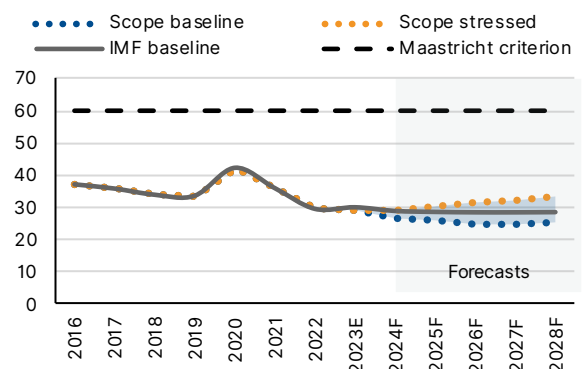
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aaa	Fiscal policy framework	Strong	+1/3	Appropriate response to Covid-19 and energy shock; track record of budget surpluses; robust pension system
	Long-term debt trajectory	Neutral	0	Stable debt trajectory
	Debt profile 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
 *Sovereign Quantitative Model.

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



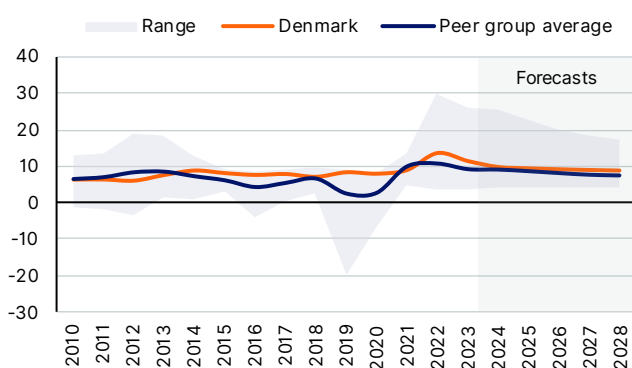
Source: IMF WEO, Scope Ratings forecasts

External economic risk

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

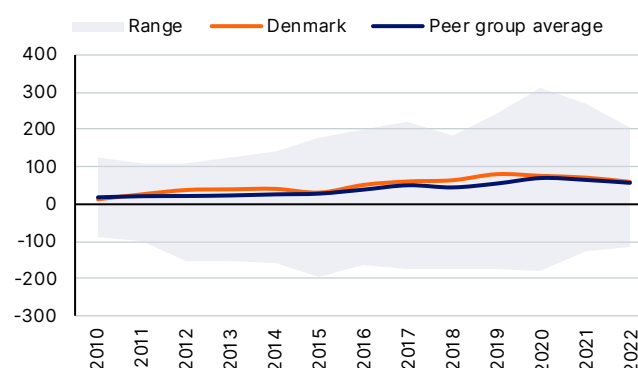
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aaa	Current account resilience	Neutral	0	Low cyclicality of export composition and external sector competitiveness support current account resilience; high reliance on pharmaceutical sector for exports
	External debt structure	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



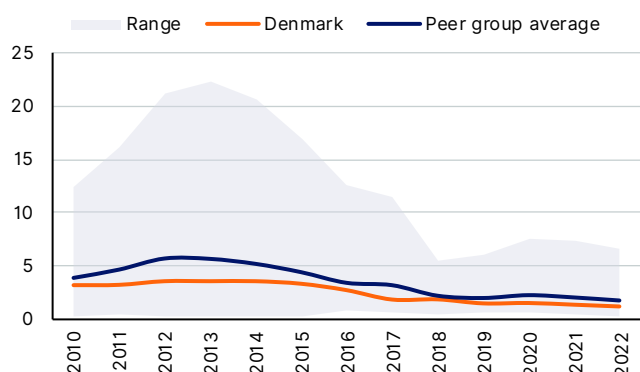
Source: IMF, Scope Ratings

Financial stability risk

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

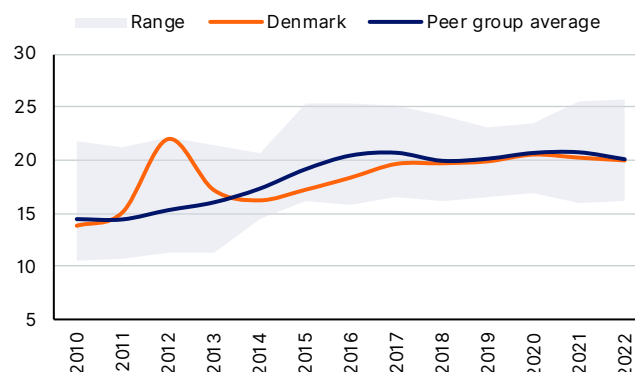
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aaa	Banking sector performance	Neutral	0	High capitalisation levels, stable levels of non-performing loans
	Financial sector oversight and governance	Neutral	0	Prudent oversight under Denmark's central bank and financial 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, % of total loans



Source: World Bank (WB), Scope Ratings

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



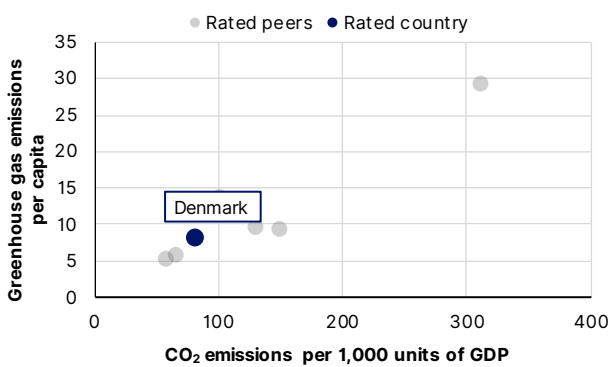
Source: IMF, Scope Ratings

Environmental, Social and Governance (ESG) risk

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

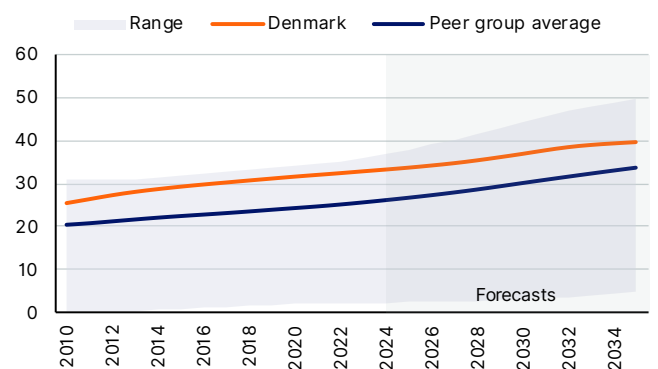
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aa	Environmental factors	Strong	+1/3	Strong environmental standards, ongoing allocation of resources to achieve ambitious long-term targets for carbon neutrality and to reduce the CO2 emission reduction gap
	Social factors	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

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

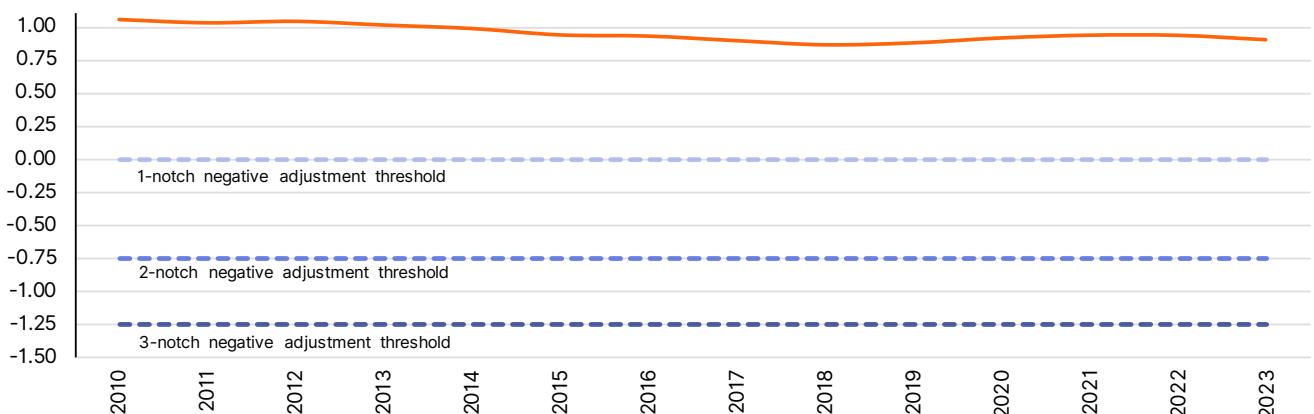
Figure 13: IMF SDR basket and Scope reserve-currency adjustment

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 14: 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 I. Sovereign default history

Figure 15: 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 II. 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
Ireland
Luxembourg
Netherlands
Norway
Sweden
Switzerland

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

Appendix III. Economic development and default indicators

IMF Development Classification

Advanced economy

5y USD CDS spread (bp) as of 22 March 2024

11.47

Appendix IV. 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	2018	2019	2020	2021	2022	2023
Domestic Economic	GDP per capita (PPP), USD '000s	IMF	57.8	59.5	58.6	65.3	71.3	75.0
	Nominal GDP, USD bn	IMF	357	346	355	406	401	421
	Real growth, %	IMF	2.0	1.5	-2.4	6.8	2.7	1.7
	CPI inflation, %	IMF	0.7	0.7	0.3	1.9	8.5	4.2
	Unemployment rate, %	WB	5.1	5.0	5.6	5.1	4.2	-
Public Finance	Public debt, % of GDP	IMF	34.0	33.7	42.3	36.0	29.7	30.1
	Net interest payment, % of government revenue	IMF	-0.7	-0.5	-0.6	-0.7	-0.6	-0.8
	Primary balance, % of GDP	IMF	0.4	3.9	0.1	3.7	3.2	1.4
External Economic	Current-account balance, % of GDP	IMF	7.3	8.5	8.1	9.1	13.5	11.4
	Total reserves, months of imports	WB	4.2	4.0	4.6	4.2	4.4	-
	NIIP, % of GDP	IMF	62.0	77.7	73.3	68.8	57.9	-
Financial Stability	NPL ratio, % of total loans	IMF	1.8	1.4	1.4	1.2	1.1	-
	Tier 1 ratio, % of risk-weighted assets	IMF	19.0	19.4	19.9	20.2	19.6	20.2
	Credit to the private sector, % of GDP	WB	161.3	161.4	163.9	155.4	143.4	-11.9
ESG	CO ₂ per EUR 1,000 of GDP, mtCO ₂ e	EC	103.2	91.1	85.3	90.0	82.7	-
	Income share of bottom 50%, %	WID	20.8	20.7	20.4	18.9	18.0	-
	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	32.7
	Composite governance indicators*	WB	1.8	1.8	1.8	1.9	1.9	-
	Political stability, index	WB	0.9	1.0	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*.

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