



NEWS RELEASE

Sep 4, 2023

Rating and Investment Information, Inc. (R&I) has announced the following:

Kingdom of Denmark (Sec. Code: -)

[Affirmed]

Foreign Currency Issuer Rating: AAA, Stable

RATIONALE:

Denmark has a robust industrial base supported by competitive industries, mainly in the areas of biotechnology, agriculture, energy and shipping. Gross domestic product (GDP) per-capita is closer to US\$70,000. The fiscal balance is expected to remain in surplus, with the government debt ratio standing at a low level and on a downward trend. The current account balance is in large surplus, and the external position remains stable. Based on the recognition that the country's strength underlying its high creditworthiness is unlikely to be undermined, R&I has affirmed the Foreign Currency Issuer Rating at AAA.

In 2022, the rise in energy prices and inflation weighed on the country's economy. This, along with a series of policy rate hikes by the central bank, resulted in negative growth in private consumption. Backed by strong exports particularly in pharmaceuticals and shipping services, however, the real GDP for 2022 maintained solid growth of 2.7%. Inflation peaked out, but core inflation is still high. In 2023, real GDP growth is expected to be lower than the previous year's level, though private consumption is recovering and exports will continue to contribute to the economy. The government projects 0.6% growth for 2023.

The fiscal balance, which had turned into a deficit in 2020, returned to a surplus in 2021 thanks to the economic recovery and the scaling down of policy packages addressing the COVID-19 pandemic. In 2022, robust tax revenues boosted the surplus to 3.3% of GDP despite a fiscal burden associated with increased defense spending, support for refugees from Ukraine and anti-inflation measures, among others. The government projects a fiscal surplus of 1.9% of GDP for 2023. The ratio of government debt to GDP, which jumped in 2020, has been on a downward trend, falling to 30.1% in 2022. There is no particular concern about the fiscal position.

Following the election held in November 2022, a grand coalition was sworn in, led by the center-left Social Democratic Party, the center-right opposition Liberal Party, and some other parties. In addition to stepping up their policy efforts to fight against climate change and reforming the taxation system, the new administration will implement policies to achieve the target of increasing its defense spending to 2% of GDP. Amid the lingering uncertainty about the economy and international affairs, eyes are on whether the administration will be able to overcome divisions within the coalition and maintain political stability.

R&I RATINGS:

ISSUER: Kingdom of Denmark

[Affirmed]

	Rating	Rating Outlook
Foreign Currency Issuer Rating	AAA	Stable

Primary rating methodologies applied:
R&I's Analytical Approach to Sovereigns [May 21, 2021]

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