

DANMARKS NATIONALBANK'S COMMENTS ON THE ECONOMIC COUNCIL'S DISCUSSION PAPER AUTUMN 2025

21 October 2025

Danmarks Nationalbank generally shares the Chairmanship's assessment that the Danish economy is strong with no clear signs of imbalances and that there are prospects for stable price and wage developments. The Danish economy has proved resilient to the major international shocks of recent years and there are no signs yet of a significant weakening of the Danish economy due to increased tariffs and uncertainty.

In its latest projection from September, and in common with the Chairmanship, Danmarks Nationalbank expects a slowdown in growth in the Danish economy. However, Danmarks Nationalbank expects a less severe slowdown and that employment will continue to increase in the coming years. This is in contrast to the Chairmanship, which expects a decline in employment. This should be seen in the context of different assessments of how the current capacity pressure will affect the economy.

The Chairmanship assesses that the Danish economy will remain in a moderate boom with a high level of employment in the coming years, although employment is expected to decline. Danmarks Nationalbank assesses to a greater extent than the Chairmanship that the pressure on the labour market has eased and that it is currently lower than the Chairmanship's assessment. Most indicators of capacity pressure in the economy have eased significantly over the past three years. Meanwhile, inflation is low and stable, and on that basis Danmarks Nationalbank's overall assessment is that the current pressure on the labour market and in the Danish economy in general is approximately neutral. This is also reflected in wage increases in the private labour market, which have slowed significantly in line with the spring collective agreements in the private labour market. The wage increases agreed in the collective labour agreements are compatible with stable, low inflation, which the Chairmanship also expects.

In common with Danmarks Nationalbank, the Chairmanship notes the plan to ease fiscal policy in Denmark significantly next year. This is due to both the increase in defence spending and new political priorities. Based on the assessment that the Danish economy is in a moderate boom, the

Chairmanship assesses that the planned fiscal policy in 2026 is too expansionary for the coming years from a narrow stabilisation perspective. In its September projection, Danmarks Nationalbank agreed with the Chairmanship that there is considerable uncertainty about future defence spending and how much it will affect capacity pressures, as it depends, among other things, on how much and how quickly defence spending is raised and how much of it is covered by imports. Danmarks Nationalbank believes that a permanent increase in defence spending to 3.5 per cent of GDP may increase capacity pressure in the Danish economy moderately. Nationalbanken also assesses that there is limited spare capacity to increase output in the Danish economy without increasing wage growth and inflation. If capacity pressure in Denmark increases noteworthy, it should be offset by fiscal measures that reduce it.

The Danish government's proposed 2026 Finance Act includes a reduction of a number of excise duties, including a temporary reduction in electricity tax, with the aim of increasing consumer purchasing power. Danmarks Nationalbank agrees with the Chairmanship that changes in taxes are structural policy measures that, in principle, are not suitable for use as cyclical policy tools. Temporary and frequent tax changes are generally inappropriate as they create uncertainty about the economic conditions for households and businesses. Nationalbanken recognises that there may be beneficial structural effects of a permanent reduction in the electricity tax. A permanent reduction encourages a shift in energy consumption from fossil fuels to electricity. A uniform CO₂e tax can also ensure the cheapest socio-economic incentive for lower emissions.