Denmark

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This report does not constitute a rating action.

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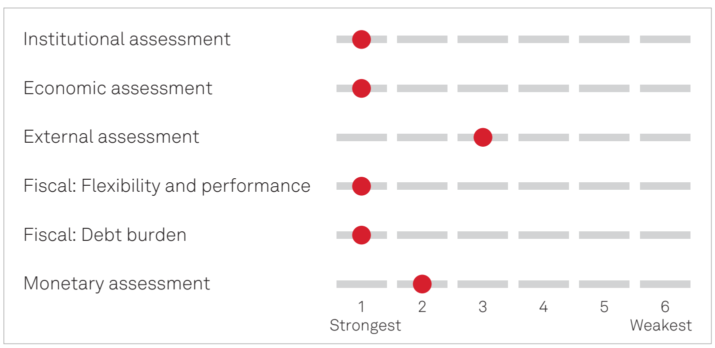
Ratings Score Snapshot



Sovereign credit rating
Foreign currency
AAA/Stable/A-1+
Local currency
AAA/Stable/A-1+

Credit Highlights

Overview

Institutional and economic profile	Flexibility and performance profile
A wealthy, diversified, export-oriented economy.	Denmark maintains low general government debt and a robust external position, with its public and private claims on the rest of the world exceeding liabilities by more than 50% of GDP.
Denmark's economic outlook remains driven by high demand for pharmaceutical products and a solid demand for its manufacturing goods and shipping services.	Robust public finances and central government liquid reserves provide a significant buffer against geopolitical uncertainty, offering sufficient headroom to support defense spending, which is projected to reach about 3.5% of GDP this year.
Denmark's new minority government is expected to ensure broad policy continuity, while maintaining sound public finances.	The Danish krone's (DKK) peg to the euro limits Denmark's monetary flexibility.

S&P Global Ratings projects Danish real GDP growth will moderate further to 2.5% this year from about 3.5% in 2025 as its economy remains resilient to current global uncertainty. GDP growth will be driven by real wage growth as well as investment, including in health and defense. Thereafter we assume growth will reach 1.7% on average over 2027-2029.

The U.S. is Denmark's largest export market, consuming an estimated 18% of Danish exports annually, particularly pharmaceuticals. We think that ongoing talks between the U.S. and Denmark on a stronger U.S. military presence in Greenland and increased Danish security provisions across the island will avoid disruptions to the bilateral trade between the two NATO members. Should these negotiations be unsuccessful, new U.S. tariff threats could jeopardize the Danish economic growth outlook. Compared with 2019 levels, Danish exports have increased by an estimated 12 percentage points of GDP. Even excluding a few bestselling diabetes and weight-loss medications facing intensifying global competition, current account surpluses should remain substantial.

We expect the new minority government to broadly continue the country's "DK 2035" strategy. Its key focus will remain social and welfare initiatives, increasing defense spending, and continuing reforms aimed at boosting structural employment and climate investments. We note that there could be some minor adjustments as the new coalition is more fragmented.

Outlook

The stable outlook reflects our view of Denmark's solid economic growth; rich human capital; and wealthy, adaptable, and open economy, with large fiscal and external buffers and high institutional effectiveness.

Downside scenario

We could lower the ratings if Denmark's budgetary outcomes were markedly weaker than our forecasts and the government debt-to-GDP ratio increased significantly.

Rationale

Institutional and economic profile: Pharmaceutical exports will remain a key GDP contributor, but the sector's importance will diminish as other sectors grow and competition increases

Denmark's economic growth continues to be underpinned by a robust pharmaceutical sector, led by the success of Novo Nordisk's weight-loss drugs. This pharmaceutical surge drove a structural increase in Denmark's export-to-GDP ratio, which has risen by 10 percentage points to approximately 70% since 2022. Currently, pharmaceutical products account for 18%-19% of total goods exports, primarily destined for the U.S. market. The impact of pharma is evident in the first quarter of 2026, when strong exports fueled 1.5% quarter-on-quarter GDP growth; without this highly volatile sector, growth would have been negligible at less than 0.5%. In contrast, domestic demand remains sluggish as households prioritize savings despite rising real wages. Other export-oriented sectors, particularly shipping, have benefited from geopolitical tensions, contributing 16% of total goods exports in 2025 and rising to 18% by May 2026.

We forecast real GDP growth will reach 2.5% in 2026 before slowing to 1.6% by 2028 as real wage gains and accommodative fiscal policies will increase household consumption. Government tax measures and lower inflation will also offset conservative consumer behavior. Government investments will support growth over the forecast period.

Labor market pressures have continued to ease since 2025, though employment rates remain strong. The unemployment rate in Denmark increased to 6.9% in May 2026 from 5.3% a year earlier. Employment growth remains strong, with a 1.1% year-on-year increase as of May driven by the expanding Danish workforce. In 2025, immigration remained flat compared with the previous year with about 102,000 people arriving from regions including Eastern Europe, Germany, and the U.S., with various skill sets.

Former and current Prime Minister Mette Frederiksen called snap elections in March 2026, ahead of the scheduled general election in October, amid initial political turmoil regarding the U.S. and Greenland. Following several failed attempts to form a coalition, a new minority government was established in early June. Prime Minister Frederiksen formed a center-left minority coalition comprising the Socialist People's Party, the center-left Radikale Venstre, and the centrist Moderates. While minority governments are common in Denmark, we note that political fragmentation has increased. We expect the mature political and institutional framework will continue to ensure stability and timely policy implementation and anticipate the new government will follow the broad policy agenda of the previous government.

Flexibility and performance profile: Current account surpluses will remain while the general government balance will turn slightly negative

We project Denmark's significant general government surplus will narrow until 2029, becoming slightly negative. This will leave its general government balance at about -0.1% of GDP on average over 2026-2029. This shift results from the government's "DK2035" strategy to introduce various social and welfare initiatives, increase defense spending, and continue reforms aimed at boosting structural employment and climate investments. The EU Recovery and Resilience Plan is supporting Denmark in its ambitious green and digital agenda with grants totaling €1.63 billion.

Generally, Denmark benefits from strong tax revenue growth, supported by high employment, steady wage increases, and robust corporate income. We expect tax revenues to decline over the forecast period due to limited corporate income tax (CIT) collection from the pharmaceutical sector. Simultaneously, several fiscal relief measures--including a DKK14 billion drop in electricity levies between 2026 and 2027 and the abolition of duties on coffee, chocolate, and sugar (costing DKK1.3 billion in 2026 and about DKK2.5 billion annually thereafter)--will result in lasting lower revenues. On the expenditure side, we expect a personal income tax (PIT) reform to reduce tax revenue by almost DKK11 billion by 2030. Fiscal effects will first be seen in 2026.

At the same time, we estimate defense spending will reach roughly 3.5% of GDP in 2026 up from 3.0% in 2025. The Danish government intends to maintain elevated defense spending, with approximately DKK365 billion allocated between 2024 and 2033, including roughly DKK70.5 billion in support for Ukraine. Moreover, the government announced further purchases of F-35 fighter jets in addition to a Second Agreement on the Arctic and North Atlantic that committed DKK27.4 billion in additional investment for Arctic defense measures, including patrol aircraft, vessels, surveillance infrastructure, and undersea connectivity, reinforcing security in the region.

The budget trajectory will keep Denmark's net general government debt to GDP relatively low. We project the ratio will decline to 8% of GDP by 2029 from about 12% of GDP in 2023. At the same time, gross general government debt will decrease to about 26% of GDP in 2029 from 33% in 2023. Our debt forecast includes the government's financing to construct the Fehmarnbelt traffic tunnel (2021-2029) connecting Denmark and Germany. Additionally, our debt forecast includes the debt of the social housing sector because the central government directly purchases social housing association bonds while issuing government securities. We note that the central government also took over the financing for its municipal funding agency

KommuneKredit in July 2025 being the sole buyer of its bond issuances. We understand that the government debt issuance strategy will remain unchanged for now despite higher financing needs as Denmark has significant central bank deposits of DKK214 billion as of June 2026. In an international comparison, Denmark's government debt structure remains favorable because the country benefits from a long average maturity of about 10 years, with interest payments as a share of government revenue remaining below 1.5% and on a declining trend.

We project Denmark's current account surplus will remain above 10%, amid geopolitical tensions and trade uncertainties. This resilience reflects the nation's high export competitiveness and strong demand for Danish pharmaceutical products, driven in part by Novo Nordisk’s weight loss medications, including its new weight loss pill. While further expansion may depend on competition from alternative drug producers and shifts in U.S. regulatory or tariff policies, Novo Nordisk’s November 2025 agreement with the U.S. government--which secures a three-year pharmaceutical tariff exemption in exchange for pricing concessions and domestic manufacturing investments--provides a buffer against trade volatility. Furthermore, because a significant portion of recorded Danish pharmaceutical exports is manufactured in the U.S., the sector is partially shielded from evolving trade policies. At the same time, we assume robust demand for sea transport services in light of current uncertainties as sea routes and air traffic might face some bottlenecks leading to higher freight prices.

Denmark remains in a strong net external asset position. Most of the country's external assets consist of outward direct investments, comprising about 64% of the total, and sizable overseas investments by pension providers. While Denmark maintains a significant liability position--driven primarily by its large banking sector, which accounts for roughly 29% of total external liabilities and about 65% of gross external debt as the country’s financial institutions are net borrowers globally--the country's external liquidity remains robust. Historically, the external liquidity coverage ratio, measured by gross external financing needs relative to current account receipts and reserves, has exceeded 150%, largely due to high levels of banking sector external liabilities which we expect to remain broadly stable given the financing needs of the sector.

Denmark's currency has a fixed peg to the euro. The Danish central bank usually mirrors the European Central Bank’s (ECB's) policy actions and intervenes in the foreign exchange market to manage the exchange rate. In June, the Danish central bank followed the ECB and raised interest rates by 0.25 basis points--its first hike since 2023. This leaves the current account rate, for example, at 1.85% compared with 1.60% in June 2025. We expect the rate differential of 40 basis points to remain, especially considering the lower inflation rate in Denmark compared with the eurozone. The Danish central bank also intervened in the foreign exchange market for the first time in years in June in light of a weaker Danish krone for some time--hitting a 25-year low in early June.

The country's inflation rate has been declining at a faster pace than that of euro area peers. Denmark’s inflation in June 2026 was 1.9%, below the eurozone average of 2.8%. From 2027, we project Denmark's inflation rate will experience a slight uptick to 2.1% because of higher real wages and because of the end of some fiscal relief measures, such as the electricity subsidy. From 2028 we expect stabilization at about 1.8%.

Supported by sound profitability, Denmark's banking sector is well capitalized and represents a limited contingent liability for the sovereign. Risk-adjusted profitability has improved markedly in recent years, supported by tailwinds from the interest rate environment, along with cost-efficient covered bonds funding and relatively low credit costs due to robust asset quality. Banks rely heavily on wholesale funding, but the efficiency and depth of the stable domestic covered bond market, operating under Denmark's balance principle, bolsters stability and has a strong track record. We forecast relatively low credit losses in the European context, considering favorable economic growth prospects, low unemployment, and stabilizing house prices.

Danish household debt has decreased markedly since 2022, but overall private-sector debt remains high among EU countries. This, in our view, somewhat reduces the private sector's ability to absorb economic shocks. However, it is more than offset by high household wealth and low public-sector debt. Besides the government's policy measures supporting the labor market, initiatives have helped households contain debt since the property market slump in 2008.

Denmark--Selected Indicators

	2020	2021	2022	2023	2024	2025	2026bc	2027bc	2028bc	2029bc
Economic indicators (%)										
Nominal GDP (bil. DKK)	2,326.6	2,553.3	2,831.3	2,781.3	2,985.6	3,118.5	3,289.2	3,408.7	3,516.9	3,628.6
Nominal GDP (bil. $)	355.6	406.1	400.1	403.7	433.0	471.1	511.3	542.5	573.3	584.4
GDP per capita (000s $)	61.1	69.5	68.1	68.1	72.6	78.6	84.8	89.5	94.1	95.5
Real GDP growth	(1.8)	6.5	0.4	1.1	3.9	3.5	2.5	1.8	1.6	1.6
Real GDP per capita growth	(2.1)	6.2	(0.1)	0.1	3.4	2.9	1.8	1.3	1.1	1.1
Real investment growth	4.3	12.8	1.8	(2.7)	9.8	(3.8)	4.5	2.6	2.3	2.3
Investment/GDP	22.8	24.0	24.8	24.0	24.8	23.1	23.0	23.2	23.3	23.5
Savings/GDP	30.0	32.5	35.9	33.7	36.1	35.3	35.1	34.6	34.3	34.2
Exports/GDP	55.0	59.2	70.8	68.7	69.7	69.2	69.0	69.0	69.2	69.3
Real exports growth	(6.4)	7.7	6.6	7.0	7.4	3.5	3.0	2.0	1.8	1.7
Unemployment rate	5.6	5.1	4.5	5.1	6.2	6.4	6.8	6.5	6.0	6.0
External indicators (%)										
Current account balance/GDP	7.2	8.6	11.2	9.7	11.2	12.3	12.0	11.5	11.0	10.8
Current account balance/CARs	11.3	12.3	13.6	11.9	13.6	15.1	15.1	14.4	13.9	13.5
CARs/GDP	64.2	69.7	81.9	81.6	82.6	81.3	79.7	79.4	79.4	79.8
Trade balance/GDP	5.0	2.8	2.3	7.4	9.3	10.4	10.4	10.1	9.9	9.7
Net FDI/GDP	(2.3)	(4.8)	(0.3)	(0.3)	(2.3)	(7.7)	(3.5)	(3.5)	(3.5)	(3.5)
Net portfolio equity inflow/GDP	(6.3)	(1.7)	2.2	(5.9)	(6.6)	(10.1)	(6.5)	(6.5)	(6.5)	(6.0)
Gross external financing needs/CARs plus usable reserves	214.4	213.0	178.2	175.2	159.6	141.8	149.8	149.3	150.1	151.4

Denmark--Selected Indicators

Narrow net external debt/CARs	64.4	44.9	40.7	31.7	35.8	40.4	40.8	41.4	42.0	43.9
Narrow net external debt/CAPs	72.6	51.2	47.1	36.0	41.4	47.6	48.1	48.4	48.8	50.8
Net external liabilities/CARs	(99.3)	(91.2)	(52.7)	(51.2)	(78.3)	(131.9)	(127.9)	(129.5)	(130.2)	(134.4)
Net external liabilities/CAPs	(111.9)	(103.9)	(61.0)	(58.1)	(90.6)	(155.3)	(150.6)	(151.4)	(151.2)	(155.3)
Short-term external debt by remaining maturity/CARs	146.3	150.3	113.3	106.7	92.7	75.7	83.6	82.3	80.5	81.4
Usable reserves/CAPs (months)	1.3	1.6	1.7	1.5	1.7	1.9	1.8	1.7	1.5	1.5
Usable reserves (Mil. $)	33,310.8	39,417.2	36,849.6	43,597.5	50,780.1	50,961.4	53,509.1	49,999.5	50,938.9	51,108.8
Fiscal indicators (general government %)										
Balance/GDP	0.4	4.1	3.4	3.5	4.1	2.9	0.3	0.0	(0.3)	(0.3)
Change in net debt/GDP	(0.1)	0.0	(0.7)	0.5	(2.6)	(1.6)	1.2	0.9	0.3	0.3
Primary balance/GDP	0.9	4.6	4.1	4.2	4.9	3.7	1.0	0.7	0.4	0.4
Revenue/GDP	53.7	53.8	48.5	51.0	50.6	50.1	49.8	49.4	49.4	49.4
Expenditures/GDP	53.3	49.7	45.1	47.5	46.5	47.2	49.6	49.4	49.7	49.7
Interest/revenues	1.0	0.9	1.5	1.3	1.5	1.6	1.5	1.5	1.3	1.3
Debt/GDP	45.2	39.6	33.3	33.0	29.9	27.4	27.0	27.0	26.5	26.0
Debt/revenues	84.2	73.7	68.7	64.8	59.2	54.7	54.1	54.6	53.6	52.6
Net debt/GDP	14.8	13.5	11.4	12.1	8.6	6.7	7.5	8.1	8.1	8.1
Liquid assets/GDP	30.4	26.1	21.9	20.9	21.3	20.8	19.5	18.9	18.4	17.9
Monetary indicators (%)										
CPI growth	0.3	1.9	8.6	3.4	1.3	1.8	1.5	2.1	1.8	1.8
GDP deflator growth	2.8	3.0	10.4	(2.9)	3.4	1.0	2.9	1.8	1.6	1.6
Exchange rate, year-end (DKK/$)	6.1	6.6	7.0	6.7	7.1	6.4	6.5	6.1	6.2	6.2
Banks' claims on resident non-gov't sector growth	2.3	2.0	(4.5)	3.9	4.2	0.4	3.0	2.5	2.5	2.5
Banks' claims on resident non-gov't sector/GDP	165.8	154.2	132.7	140.3	136.2	130.9	127.8	126.4	125.6	124.8
Foreign currency share of claims by banks on residents	29.6	28.7	26.1	28.2	26.7	25.5	25.45	25.45	25.45	25.45
Foreign currency share of residents' bank deposits	31.2	29.8	27.9	27.5	28.6	28.1	28.54	29.14	29.66	30.20

Denmark--Selected Indicators

Real effective exchange rate growth	1.2	(0.7)	(1.8)	0.7	(0.8)	0.6	0.61	0.61	0.61	0.61

Sources: Eurostat (Economic Indicators); Central Bank of Denmark (Danmark's Nationalbank), IMF (Monetary Indicators); Eurostat (Fiscal Indicators); Eurostat, IMF (Debt Indicators); International Monetary Fund, Statistics Denmark/Central Bank of Denmark. (External Indicators)

Adjustments: We adjust usable reserves by subtracting monetary base from reported international reserves

Definitions: Savings is defined as investment plus the current account surplus (deficit). Investment is defined as expenditure on capital goods, including plant, equipment, and housing, plus the change in inventories. Banks are other depository corporations other than the central bank, whose liabilities are included in the national definition of broad money. Gross external financing needs are defined as current account payments plus short-term external debt at the end of the prior year plus nonresident deposits at the end of the prior year plus long-term external debt maturing within the year. Narrow net external debt is defined as the stock of foreign and local currency public- and private- sector borrowings from nonresidents minus official reserves minus public-sector liquid claims on nonresidents minus financial-sector loans to, deposits with, or investments in nonresident entities. A negative number indicates net external lending. DKK--Danish krone. CARs--Current account receipts. FDI--Foreign direct investment. CAPs--Current account payments. The data and ratios above result from S&P Global Ratings' own calculations, drawing on national as well as international sources, reflecting S&P Global Ratings' independent view on the timeliness, coverage, accuracy, credibility, and usability of available information.

Denmark--Rating Component Scores

Key rating factors	Score	Explanation
Institutional assessment	1	Proactive policymaking and a strong track record in managing past economic and financial crises and delivering economic growth; ability and willingness to implement reforms to ensure sustainable public finances and economic growth; extensive checks and balances between institutions; free flow of information throughout society, with open debate of policy decisions; and timely and reliable data and statistical information.
Economic assessment	1	Based on GDP per capita ($) and growth trends as per the Selected Indicators table.
External assessment	3	Based on narrow net external debt and gross external financing needs/ (current account receipts [CARs] plus usable reserves) as per the Selected Indicators table. The sovereign's net international investment position is more favorable than the narrow net external debt position by over 100% of CARs, as per the Selected Indicators table.
Fiscal assessment: flexibility and performance	1	Based on the change in net general government debt (% of GDP) as per the Selected Indicators table.
Fiscal assessment: debt burden	1	Based on net general government debt (% of GDP) and general government interest expenditure (% of general government revenue) as per the Selected Indicators table.
Monetary assessment	2	The exchange rate regime is a soft peg. The Danish krone is pegged to the euro. Denmark's central bank has an established track record of operational independence and uses market-based monetary instruments; annual consumer price inflation is generally low, in line with that of peers, and broadly stable. We recognize the Danmarks Nationalbank holds a strong and long-established track record of full independence with clear objectives, employing a wide array of monetary instruments and holds an ability to act as lender of last resort for the domestic financial system.
Indicative rating	aaa	As per Table 1 of Sovereign Rating Methodology.
Notches of supplemental adjustments and flexibility	0	
Final rating		
Foreign currency	AAA	

Denmark--Rating Component Scores

Key rating factors	Score	Explanation
Notches of uplift	0	Default risks do not apply differently to foreign- and local-currency debt.
Local currency	AAA	

S&P Global Ratings' analysis of sovereign creditworthiness rests on its assessment and scoring of five key rating factors: (i) institutional assessment; (ii) economic assessment; (iii) external assessment; (iv) the average of fiscal flexibility and performance, and debt burden; and (v) monetary assessment. Each of the factors is assessed on a continuum spanning from 1 (strongest) to 6 (weakest). S&P Global Ratings' "Sovereign Rating Methodology," published on Dec. 18, 2017, details how we derive and combine the scores and then derive the sovereign foreign currency rating. In accordance with S&P Global Ratings' sovereign ratings methodology, a change in score does not in all cases lead to a change in the rating, nor is a change in the rating necessarily predicated on changes in one or more of the scores. In determining the final rating the committee can make use of the flexibility afforded by §15 and §§126-128 of the rating methodology.

Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Governments | Sovereigns: Sovereign Rating Methodology, Dec. 18, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Guarantee Criteria, Oct. 21, 2016
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- General Criteria: Methodology: Criteria For Determining Transfer And Convertibility Assessments, May 18, 2009

Related Research

- Sovereign Ratings List, July 23, 2026
- Sovereign Ratings History, July 23, 2026
- Sovereign Risk Indicators, July 14, 2026
- Default, Transition, and Recovery: 2025 Annual Global Sovereign Default And Rating Transition Study, March 4, 2026
- Banking Industry Country Risk Assessment: Denmark, March 27, 2025

Ratings Detail (as of August 06, 2026)*		
Denmark		
Sovereign Credit Rating		AAA/Stable/A-1+
Transfer & Convertibility Assessment		AAA
Senior Unsecured		AAA
Sovereign Credit Ratings History		
27-Feb-2001	*Foreign Currency*	AAA/Stable/A-1+
13-May-1998		AA+/Positive/A-1+
08-Oct-1991		AA+/Stable/A-1+
03-Aug-1995	*Local Currency*	AAA/Stable/A-1+
27-Jul-1992		AAA/Stable/--

Ratings Detail (as of August 06, 2026)*

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

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