

26 May 2026

Danmarks Nationalbank generally shares the Chairmanship's assessment of the growth outlook and of price and wage developments in the Danish economy in the coming years. In its latest projection from March and in common with the Chairmanship, Danmarks Nationalbank expects a slow-down in growth in the Danish economy. The war in the Middle East is expected to drive up inflation in Denmark, but the underlying price development is expected to remain low and stable in the slightly longer term.

The outlook for the Danish economy is characterised by persistently high uncertainty, which is dampening household consumption as well as companies' investment appetite and sales opportunities. In line with the Chairmanship, Danmarks Nationalbank assesses that the Danish economy is starting from a solid position without significant imbalances for dealing with unexpected economic headwinds.

Overall, the Chairmanship assesses that the Danish economy will remain in a moderate boom in the coming years. The Council also assesses that labour market pressures are currently limited, and that the increases in employment and the low unemployment rates seen in recent years have not resulted in correspondingly stronger wage growth. Danmarks Nationalbank shares the Chairmanship's assessment that a large part of the employment growth in recent years is structurally determined. Danmarks Nationalbank estimates that the overall capacity pressure in the Danish economy is currently approximately neutral. This means that the level of economic activity is not generating elevated pressure on prices and wages.

On the basis of the assessment that the Danish economy is in a moderate boom, the Chairmanship considers that fiscal policy, as planned by the previous government, is procyclical and more expansionary than stabilisation considerations would warrant. In its latest projection, Danmarks Nationalbank, like the Chairmanship, stated that there is considerable uncertainty about how fiscal policy will affect capacity pressure overall in the coming years, as it depends on such factors as the precise implementation of defence spending. The bank also assesses that there is limited

spare capacity to increase output in the Danish economy without fuelling wage increases and inflation. Due to the war in the Middle East, there is a risk that soaring energy prices will significantly increase inflation. Danmarks Nationalbank therefore recommends that, in the Finance Act for 2027, the incoming government should not push demand beyond what has already been planned for in the previous government's 2035 plan, as this could push inflation further.

Danmarks Nationalbank notes that the Chairmanship's calculation of the fiscal space in 2035 is significantly lower than the Ministry of Finance's latest calculation from February. This underlines that estimates of the fiscal space are subject to considerable uncertainty. This is especially true in periods when there is considerable uncertainty about future economic developments in Denmark and abroad. Danmarks Nationalbank therefore assesses, in line with the Chairmanship, that this argues in favour of the incoming government exercising caution in using up all the full fiscal space.

The Chairmanship points out that the sharp price increases in the Copenhagen owner-occupied flat market in recent years warrant attention. The financial burden on Copenhagen home buyers is not yet considered unsustainably high, but prices in Copenhagen have risen by more than can be explained solely by trends in incomes and interest rates. Danmarks Nationalbank assesses that high rates of price increases in and around Copenhagen, combined with increasing signs of expectations-driven developments, are leading to greater risk build-up in the Copenhagen housing market. The regulation of households' housing loans has been tightened significantly since the financial crisis, and recent developments in the Copenhagen housing market underline the need to maintain sound credit standards.

Danmarks Nationalbank agrees with the Chairmanship that any compensation schemes for higher living costs should avoid interfering with price formation and disrupting price signals. Any support schemes should also be targeted and temporary. Danmarks Nationalbank shares the Chairmanship's assessment that lower fuel taxes are not an appropriate response to higher energy prices, as a tax reduction would distort the price signal and weaken the incentive to move away from fossil fuels. Changes in duties and taxes are structural policy measures that are generally not well suited to use as cyclical policy instruments. Danmarks Nationalbank agrees that there may be beneficial structural effects from a permanent reduction in electricity tax. A permanent reduction encourages a shift in energy consumption from fossil fuels to electricity. A uniform CO<sub>2</sub>e tax

can also ensure the cheapest socio-economic incentive for lower emissions.