

DANMARKS NATIONALBANK'S COMMENTS ON THE ECONOMIC COUNCIL'S DISCUSSION PAPER AUTUMN 2026

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Danmarks Nationalbank shares the Chairmanship's overall assessment of the growth outlook for the Danish economy. Like the Chairmanship, Danmarks Nationalbank expects strong growth this year in its September projection, followed by a slowdown in growth in the years ahead. Danmarks Nationalbank agrees that there are currently no signs that significant macroeconomic imbalances are building up in the Danish economy.

The Chairmanship assesses that the Danish economy will remain in a moderate boom over the next few years, with slightly positive capacity pressure. The Chairmanship assesses that the strong growth in the Danish economy this year does not entail a corresponding increase in capacity pressure because a large share of the growth is attributable to production abroad, which uses only a limited amount of Danish capital and labour. Danmarks Nationalbank shares the assessment that the strong growth this year does not increase capacity pressure. Overall, pressure in the Danish economy is currently assessed to be approximately neutral, and to remain approximately neutral in the years ahead.

Danmarks Nationalbank also shares the Chairmanship's overall assessment of wage and price developments in the Danish economy over the next few years. Inflation has risen as a result of higher energy prices following the outbreak of the war in the Middle East, and the higher energy prices are expected to gradually feed through to prices more broadly in the economy. Further developments in energy prices are characterised by significant uncertainty, and Danmarks Nationalbank assesses that inflation risks are to the upside.

The Chairmanship expects domestic price pressures to make a larger positive contribution to inflation than Danmarks Nationalbank does. This reflects the Chairmanship's assessment that the Danish economy will remain in a moderate boom. By contrast, Danmarks Nationalbank does not expect the domestic economy to make a significant independent contribution to inflation in the coming years.

Based on its assessment that the Danish economy will remain in a moderate boom, the Chairmanship considers the planned easing of fiscal policy in the technical Finance Bill for 2027 to be more expansionary than stabilisation considerations would warrant. In line with the Chairmanship, Danmarks Nationalbank points out that there is considerable uncertainty about the overall effect of fiscal policy on capacity pressure in the Danish economy. It depends, among other things, on how defence spending is actually implemented and what other economic policies the government chooses to pursue. Danmarks Nationalbank assesses that there is only limited spare capacity to increase production without pushing up wages and inflation towards 2028. Danmarks Nationalbank therefore recommended in September that, in the Finance Act for 2027, the government should not push demand beyond what was already planned for in the government's *Economic Survey* from August. The government's Finance Bill for 2027 is consistent with the recommendation.

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 August. This underlines the considerable uncertainty associated with estimates of the fiscal space, especially in periods of significant uncertainty about future developments in both the Danish and the international economy. The government is planning for a structural budget deficit close to the Budget Act's deficit limit of 1 per cent of GDP in the coming years. The Chairmanship emphasises that this leaves limited scope to support the economy if the need arises at a later stage. In line with the Chairmanship, Danmarks Nationalbank therefore assesses that this suggests that the government should exercise caution in using the full fiscal space.