



MINISTRY OF FINANCE

Denmark's Annual Progress Report

April 2026

26

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In tables, rounding may result in the
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This publication has been prepared by
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Digital publication:
ISBN: 97887-85402-07-3

The publication is available
for download at en.fm.dk

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Following the reform of the common fiscal rules within the European Union, which entered into force on April 30, 2024, EU member states submitted the first set of medium-term fiscal and structural policy plans in autumn 2024. Under the new rules, such plans are, as a general rule, to be submitted every four years. In the intervening years, member states submit annual progress reports outlining the status of the implementation of the medium-term fiscal and structural policy plans.

In light of the Danish general election held on March 24, 2026, and the ongoing government formation negotiations in Denmark, the present progress report is exclusively of a technical nature. The data reflects adopted initiatives and fiscal policy frameworks prior to the calling of the election. An incoming government is expected to present the budget proposal for 2027 in August 2026, including proposals for expenditure ceilings for 2027-2030 based on a new medium-term projection.

The technical progress report primarily focuses on developments in the net expenditure indicator, which is used in connection with fiscal surveillance within the EU. Before this, the report briefly outlines the assumptions regarding the structural public balance, which remains the primary operational target for fiscal policy under the Danish Budget Act.

1.1 Structural Balance

The structural balance is an estimated measure of the underlying position of public finances under the current fiscal policy. Unlike the actual balance, the structural balance is adjusted for the effects of cyclical fluctuations and other temporary factors, making it a more reliant indicator of the underlying state of public finances.

Box 1.1

Structural Balance in Fiscal Policy Planning in Denmark

The structural general government balance plays a central role in fiscal planning in Denmark. The medium-term plans set out the overall objectives and priorities of fiscal policy, including the medium-term goal for the structural balance. Fiscal policy in Denmark is planned within the framework of the Danish Budget Law – including a deficit limit for the structural balance of 1 per cent of GDP and legally mandated four-year expenditure ceilings for central government, municipalities and regions – as well as the requirements of the EU's fiscal rules. The reform of the EU's fiscal rules does not change the fact that fiscal planning in Denmark continues to be based on the structural balance, as calculated by the Ministry of Finance, within the framework of the Budget Law, *cf. also Economic Survey, May 2024, Box 8.3.*

The fiscal framework in *DK2035 – A Strong Denmark in an Uncertain World*, February 2026, includes, among other things, a medium-term target for the structural balance of -0.6 percent of GDP by 2035. This target is consistent with maintaining a sustainable fiscal policy and ensuring that public debt, as a percentage of GDP, remains low. At the same time, there is fiscal room to implement discretionary stabilization measures in the event of an economic downturn etc., with a margin down to the Budget Law's deficit limit of 1 percent of GDP. The structural balance was most recently estimated at 1.1 percent of GDP in 2025. In the years towards 2035, the profile for the structural balance generally declines towards the target of -0.6 percent of GDP by 2035, cf. *table 1.1*.

Table 1.1
Structural balance towards 2035

	2023	2024	2025	2026	2030	2035
Percent of structural GDP						
DK2035	1.9	1.7	1.1 ¹⁾	-0.3	-0.5	-0.6

1) No new estimates for the structural balance have been made since *DK2035 – A Strong Denmark in an Uncertain World*.

Source: *DK2035 – A Strong Denmark in an Uncertain World*.

1.2 The Net Expenditure indicator

The net expenditure indicator is designed to form the basis for the ongoing monitoring of fiscal and structural policies within the EU. Member states commit to ensuring that the growth in the net expenditure indicator does not exceed the limits set by the budget rules of the EU's Stability and Growth Pact, including an EMU debt-to-GDP ratio that does not exceed 60 percent of GDP, or is reduced at an appropriate pace, and a deficit on the actual public balance that does not exceed 3 percent of GDP, with this deficit limit also being adhered to over the medium term. For Denmark, which adheres to the budget rules of the Stability and Growth Pact, the introduction of the net expenditure indicator does not alter the planning of fiscal policy in accordance with the expenditure ceilings that are continuously set by law in line with the Budget Law.

The net expenditure indicator is calculated as the annual growth rate in nominal primary expenditure, adjusted for discretionary revenue raising or reducing measures, and further corrected for cyclical fluctuations in unemployment-related income transfers, expenditure matched by EU funds, expenditure related to co-financing of EU programs, one-offs and other temporary factors.

The Ministry of Finance has made a calculation of the net expenditure indicator based on national accounts data for 2025 and the 2035 plan *DK2035 – A Strong Denmark in an Uncertain World*, February 2026, i.e. the projections based on adopted policy, the so-called expenditure ceiling projection (the plan contains other projections e.g. reflecting new proposed policies).

Growth in the net expenditure indicator in 2024 is calculated at 5.5 percent, which is lower than the estimate of 7.2 percent from *Denmark's Fiscal and Structural Policy Plan 2024 (2024)*. This should,

among other things, be seen in light of that the accounts for 2024 show lower public expenditure on, among other things, public consumption and public investments than estimated in the preparation of the fiscal and structural policy plan.

Based on the preliminary accounts for 2025 and the planned expenditure levels in 2026 from the 2035 plan, growth in the net expenditure indicator is estimated at 5.7 percent in 2025 and 7.9 percent in 2026. The accumulated growth in the net expenditure indicator from 2023 to 2026 is estimated at 20.3 percent, which exceeds the European Council's recommendation to Denmark by approximately 1.4 percentage points. In this context, it is noted that additional funds were allocated to the defense area in 2025 and 2026 in spring 2025.

As mentioned, the net expenditure indicator does not have any concrete impact on the planning of fiscal policy in Denmark, as long as the limits for the public balance, 3 percent of GDP, and the EMU debt-to-GDP ratio, 60 percent of GDP, in the Stability and Growth Pact are respected. In 2025, the surplus on the actual public balance was 2.9 percent of GDP, and EMU debt amounted to 27.9 percent of GDP.

Table 2
Net expenditure indicator

	Denmark's Fiscal and Structural Policy plan 2024 (Council recommendation)			Projection		
	2024	2025	2026	2024	2025	2026
Annual growth, per cent						
Net expenditure indicator	7.2	5.0	5.7	5.5	5.7	7.9
- Cumulative growth		12.6	18.9		11.5	20.3

Note: The net expenditure indicator for 2025 is based on the published accounts from Statistics Denmark. For 2026, it is based on the expenditure ceiling path from *DK2035 – A Strong Denmark in an Uncertain World*.

Source: *DK2035 – A Strong Denmark in an Uncertain World* and own calculations.

Appendix

Appendix table A.1
Central variables in the projection of the Danish economy

	2023 (level)	2023	2024	2025	2026
GDP		Yearly change in per cent			
Real GDP		0.6	3.5	2.9	2.0
GDP deflator		-2.1	1.5	1.7	2.2
Nominal GDP (bn. DKK)	2,788	-1.5	5.0	4.6	4.3
Growth Components		Yearly change in per cent			
Private consumption expenditure		-2.5	1.0	2.3	2.1
Government consumption expenditure ¹⁾		0.2	1.0	1.5	5.5
Gross fixed capital formation		-3.8	3.0	-3.5	5.8
Changes in inventories and net acquisition of valuables ²⁾		0.0	0.2	0.2	-0.1
Exports of goods and services		7.8	7.1	3.0	3.1
Imports of goods and services		2.5	4.1	-0.4	6.1
Contributions to GDP growth		Percentage points			
Final domestic demand		-3.4	0.8	0.4	3.6
Changes in inventories and net acquisition of valuables		0.0	0.2	0.2	-0.1
Net exports		4.0	2.4	2.4	-1.5
Price level		Yearly change in per cent			
Private consumption deflator		3.0	1.8	2.4	0.5
HICP-index		3.4	1.3	1.8	1.1
Government consumption deflator		1.7	4.5	4.2	2.7
Investment deflator		4.3	1.0	1.6	0.5

Export price deflator		-10.5	0.4	0.3	0.4
Import price deflator		-5.4	1.6	2.1	-1.5
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Labour Market		Yearly change in per cent			
Employment (1,000 persons)	3,090	1.3	0.7	1.1	0.6
Average annual hours worked per person employed	1,421	-1.0	-0.2	-0.1	0.0
Real GDP per person employed		-0.7	2.8	1.8	1.3
Real GDP per hour worked		0.3	3.0	1.9	1.3
Compensation of employees (bn. DKK)	1,431	4.7	5.2	4.6	4.0
Compensation per employee (1,000 DKK)	490	3.1	4.4	3.4	3.3
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Unemployment		Per cent			
Unemployment rate		2.6	2.7	2.7	2.8
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Potential GDP		Yearly change in per cent			
Potential GDP ³⁾		1.2	3.5	3.3	2.2
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Contributions to growth in potential GDP:		Percentage points			
Labour		0.9	0.7	0.8	0.4
Capital		0.7	0.7	0.5	0.7
Total factor productivity		-0.3	2.1	1.9	1.2
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		Per cent of GVA			
Output gap ⁴⁾		1.5	1.5	1.2	0.9

Note.: The estimated levels in 2026 reflect *DK2035 – A Strong Denmark in an Uncertain World*.

- 1) The real growth in public consumption is measured using the input method, excluding depreciation, and thus reflects the growth in resource consumption rather than the progress in services. Therefore, it cannot be compared with the real growth in private consumption.
- 2) Indicates the contribution of inventory changes to GDP growth.
- 3) Including a contribution from real indirect duties.
- 4) The output gap is calculated based on Gross Value Added (GVA).

Source: Statistics Denmark, *DK2035 – A Strong Denmark in an Uncertain World* and own calculations.

Appendix table A.2
External assumptions

	2023	2024	2025	2026	2027
Short term interest rate (yearly average), percent	2.9	3.3	1.9	1.6	1.6
Long term interest rate (yearly average), percent	2.6	2.2	2.0	2.6	2.8
EUR/USD exchange rate (yearly average)	0.92	0.92	0.89	0.87	0.87
EUR/DKK exchange rate (yearly average)	7.45	7.46	7.46	7.47	7.47
Oil price (Brent, USD/barrel)	82.5	80.5	69.1	64.3	66.4
GDO growth, world excluding EU ¹⁾	-	-	-	-	-
GDP growth, EU ¹⁾	-	-	-	-	-
Import growth, world excluding EU ¹⁾	-	-	-	-	-

1) In the Ministry of Finance's projections, there are no explicit forecasts for GDP growth or import volume in the EU or the rest of the world. Therefore, such forecasts are not included in the current table.
Source: Statistics Denmark, *DK2035 – A Strong Denmark in an Uncertain World* and own calculations.

Appendix table A.3

Public revenue and expenditure

	2023 (level, bn. DKK)	2023	2024	2025	2026
Public revenue		Per cent of GDP			
Taxes on production and imports	394	14.1	13.8	13.7	13.2
Current taxes on income, wealth, etc.	830	29.8	31.3	30.8	30.3
Social contributions	20	0.7	0.7	0.7	0.7
Interest revenue ¹⁾	43	1.5	1.5	1.4	1.4
Other current revenue	126	4.5	4.4	4.3	4.3
Capital taxes	8	0.3	0.3	0.3	0.2
Other capital revenue	-3	-0.1	-0.2	-0.2	-0.4
Total revenue ²⁾	1,417	50.8	51.8	50.9	49.6
- of which transfers from the EU ³⁾	7	0.2	0.2	0.2	0.2
Total revenue other than transfers from the EU	1,410	50.6	51.6	50.7	49.5
P.m.: Year-to-year changes in discretionary revenue measure ⁴⁾	-4	-0.1	-0.2	0.1	-0.5
P.m. Revenue reductions funded by transfers from the EU	1	0.0	0.0	0.0	0.0
P.m.: One-offs corrected for by the Danish Ministry of Finance related to revenue	0	0.0	0.0	0.0	0.0
Public expenditure		Per cent of GDP			
Compensation of employees	397	14.2	14.3	14.4	14.3
Intermediate consumption	228	8.2	8.3	8.5	9.7
Interest expenditure	19	0.7	0.8	0.8	0.7
Social benefits other than social transfers in kind	400	14.4	14.3	14.3	14.6
Social transfers in kind	37	1.3	1.3	1.3	1.2
Subsidies	36	1.3	1.3	1.2	1.4
Other current expenditures	86	3.1	2.8	3.0	2.8
Gross fixed capital formation	89	3.2	3.2	3.3	3.6
- of which nationally financed public investment	89	3.2	3.2	3.3	3.6
Capital transfers	33	1.2	1.3	1.2	0.9
Other capital expenditures	-3	-0.1	-0.1	0.0	0.0
Total expenditure ²⁾	1,321	47.4	47.3	48.0	49.1

- of which expenditure funded by transfers from the EU ⁵⁾	6	0.2	0.1	0.2	0.2
Nationally financed expenditure	1,316	47.2	47.2	47.8	48.9
P.m.: National co-financing of programmes funded by EU	1	0.0	0.0	0.0	0.0
P.m.: Estimated cyclical component of unemployment benefits	-13	-0.5	-0.4	-0.3	-0.3
P.m.: One-offs corrected for by the Danish Ministry of Finance related to expenditures	5	0.2	0.2	0.2	0.2
P.m.: Other temporary factors related to the primary expenditures	5	0.2	0.0	-0.1	-0.1
Net nationally financed primary expenditure (before revenue measures)	1,299	46.6	46.6	47.2	48.3
- Net nationally financed primary expenditure growth in percent ⁵⁾			5.5	5.7	7.9
Public budget balance		Per cent of GDP			
Actual balance	96	3.4	4.5	2.9	0.5
Primary balance	72	2.6	3.7	2.3	-0.1
Structural balance		1.9	1.7	1.1	-0.3
Primary structural balance		1.3	1.1	0.4	-1.0
Public debt		Per cent of GDP			
Gross debt (EMU debt)	919	33.0	30.5	27.9	27.6
Change in gross debt	-24	-0.4	-2.4	-2.6	-0.3
Contributions to changes in gross debt:					
Primary balance		-2.6	-3.7	-2.3	0.1
Snowball-effect		-0.3	-2.3	-1.9	-1.8
- of which net interest expenditure		-0.9	-0.8	-0.6	-0.6
- of which growth		-0.2	-1.1	-0.8	-0.5
- of which inflation		0.7	-0.5	-0.5	-0.6
Stock-flow adjustment		2.6	3.6	1.6	1.4
P.m.: implicit interest rate on debt		2.0	2.5	2.8	2.8
Defense expenditures		Per cent of GDP			
Total defense expenditures	50	1.8	1.8	2.2	-
- of which defense investments	8	0.3	0.2	0.4	-

- 1) Including dividends and the Danish National Bank's surplus.
- 2) The calculation of the total public expenditures and revenues is based on the classification of Statistics Denmark. This implies, for instance, that the sale of goods and services is included as revenue and not as negative expenditures.
- 3) The transfers consist of the total current transfers and capital transfers from the EU.
- 4) The estimated effects are calculated based on the immediate impact and thus do not include any revenue or expenditure effects from return flow and behaviour.
- 5) The expenses covered by EU funds are the total transfers from the EU minus the portion used for tax measures as part of Denmark's recovery and resilience plan. This is because lower tax revenues will appear on the revenue side, not the expenditure side.

Source: Statistics Denmark, *DK2035 – A Strong Denmark in an Uncertain World* and own calculations.

Appendix table A.4

Estimated effect of discretionary revenue measures

Per cent of GDP	Revenue/ expenditure	On-offs	ESA- code	2023	2024	2025	2026
Revenue initiatives							
Housing tax agreement	Revenue	No	D.5	0	-0.4	0	0
Reduction of electricity tax	Revenue	No	D.2	-0.2	0.1	0	0
Compensation for rising energy prices ¹⁾	Revenue	No	D.5	-0.1	0.1	0	0
Financing of right to early retirement	Revenue	No	D.91	0.1	0	0	0
Financing of green tax reform	Revenue	No	D.2	-0.1	0	0	0
Tax deduction for R&D	Revenue	No	D.2	0.1	0	0	0
Agreement on a stronger business sector	Revenue	No	D.2	0	0	0.1	0.1
Personal tax reform	Revenue	No	D.5	0	0	-0.2	-0.2
Distance-based road tax	Revenue	No	D.39	0	0	0.1	0
Temporary suspension of the electricity tax	Revenue	No	D.2	0	0	0	-0.3
Postponement of registration tax for electric vehicles	Revenue	No	D.2	0	0	0	-0.1
Streamlining of duties on chocolate and coffee, and removal of VAT on books	Revenue	No	D.5	0	0	0	-0.1
Other measures ²⁾	Revenue	No		0.1	0	0.1	0.1
Total				-0.1	-0.2	0.1	-0.5
One-off expenditures corrected for by the Ministry of Finance							
Covid-19 related expenditures related to compensation agreement to milk farmers, supporting industries, etc.	Expenditure	Yes	D.9	0.1	0.1	0.1	0.2
One-off payment of excess housing tax revenue	Expenditure	Yes	D.9	0.1	0.1	0.1	0
Total				0.2	0.2	0.2	0.2

Note: The estimated effects are calculated based on the immediate impact and thus do not include any revenue or expenditure effects from return flow and behaviour.

1) Compensation for rising energy prices includes, among other things, an increase in the employment deduction and a reduction in the electricity tax.

2) Other measures consist of initiatives that individually have a revenue effect not exceeding 0.1 per cent of GDP

Source: Statistics Denmark, *DK2035 – A Strong Denmark in an Uncertain World* and own calculations.

Appendix table A.5
RRF grants

Percent of GDP	2020	2021	2022	2023	2024	2025	2026
Grants from RRF							
Grants from RRF included in revenue forecast	0.0	0.1	0.0	0.1	0.1	0.0	0.1
Payment of grants from RRF	0.0	0.1	0.0	0.1	0.1	0.0	0.1
Expenditure financed through RRF grants							
Total current expenditures	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Total capital expenditures	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- of which gross fixed capital formation	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- of which capital transfers	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other expenditures financed through RRF grants							
Reduced tax revenue	0.0	0.1	0.1	0.0	0.0	0.0	0.0
Other expenditures with revenue effects	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial transactions	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: Statistics Denmark and own calculations.

Appendix table A.6
RRF loans

Percent of GDP	2020	2021	2022	2023	2024	2025	2026
Loan from RRF							
Loans from RRF included in revenue forecast	0	0	0	0	0	0	0
Payment of loans from RRF	0	0	0	0	0	0	0
Expenditure financed through RRF loans							
Total current expenditures	0	0	0	0	0	0	0
Total capital expenditures	0	0	0	0	0	0	0
- of which gross fixed capital formation	0	0	0	0	0	0	0
- of which capital transfers	0	0	0	0	0	0	0
Other expenditures financed through RRF loans							
Reduced tax revenue	0	0	0	0	0	0	0
Other expenditures with revenue effects	0	0	0	0	0	0	0
Financial transactions	0	0	0	0	0	0	0

Source: Statistics Denmark and own calculations.

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