

Flash comment Denmark

Boost to domestic tourism to result in lower inflation over the summer

- A new fiscal package is set to boost domestic tourism during the summer holiday.
- Half price for cultural experiences and cheaper ferries and train tickets set to weigh on inflation.
- We revise our inflation forecast down for the summer but keep our forecast for 2020 and 2021 at 0.5% and 1.2%, respectively.

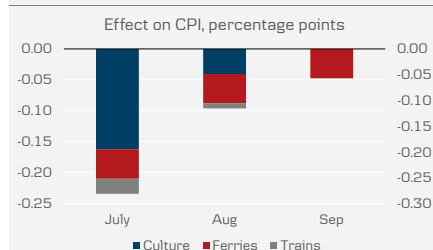
On Friday, the government released an agreement on a summer package to boost the economy via domestic tourism over the holidays. The agreement is made with a large majority of parliament between the government, The Liberals Party, The Social Liberty Party, The Socialist People's Party, The Red-Green Alliance, The Conservative Party and The Alternative. Most Danish people have probably planned to stay home over the holidays and the package's intention is to help the businesses that have been struggling during the lockdown to get back on their feet. The package contains a wide range of initiatives worth DKK700m of which several will contribute to lower holiday expenses.

The most expensive measure in the package and most significant in an inflation context, is the aim to halve prices for cultural experiences such as museums and theatres with a sitting audience, etc. This will cost DKK186.5m including administration costs. Besides cheaper experiences, transportation across the country will also be cheaper. DKK105m will be used to lower ferry prices. During July, passengers on foot or bike will be allowed to travel for free with domestic ferries. DKK62.5m will be used for cheaper railway travel with an 8-day railway pass and a million cheap train tickets across the Great Belt. Some of this effect is likely not to be caught in the CPI index, though.

Most of the elements of the package will be effective over the school summer holiday from 27 June to 9 August. That means they will have no impact on June prices, because they take effect after the data collection. They should have full effect in July and one-third effect in August as the last couple of days of the school holiday will be part of the collection week. Lower fares on ferries will have the same effect in July, August and September.

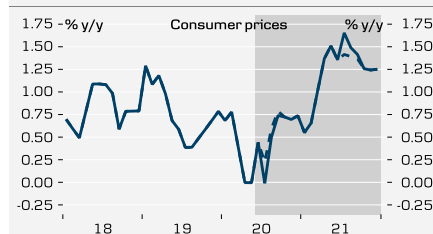
In total the summer package contributes to lower inflation by close to 0.25 percentage points in July, 0.1 percentage point in August and below 0.1 percentage point in September. Thus, we revise our CPI forecast down for the summer and now expect inflation to hit zero again in July after a rebound in June. Our annual forecasts remain unchanged at 0.5% for 2020 and 1.2% for 2021.

Cheaper museums etc. to weigh on inflation



Source: Statistics Denmark, Danske Bank, Macrobond Financial

Lower inflation over the summer



Note: Dotted line is old forecast.

Source: Statistics Denmark, Danske Bank, Macrobond Financial

Analyst

Bjorn Tangaa Sillemann
45 12 82 29
bjsi@danskebank.dk

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