

# Flash Comment Denmark

## Danmarks Nationalbank saw through weakest DKK this year

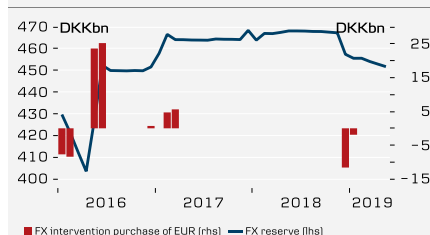
- The FX reserve fell slightly in May to DKK451.7bn.
- Danmarks Nationalbank saw through a rise in EUR/DKK to the highest level this year and refrained from intervening.
- Government deposits rose partly due to high issuance.

Danmarks Nationalbank has published FX reserve and central bank balance sheet data for May. The FX reserve decreased by DKK1.2bn to DKK451.7bn in May, while Danmarks Nationalbank refrained from intervening in FX markets. The government's deposits rose to DKK98bn in May, up from DKK88bn in April.

In May, EUR/DKK rose to the highest level this year and above the level in January, which triggered FX intervention. However, Danmarks Nationalbank chose to see through the recent round of DKK weakening. It suggests greater tolerance to a high EUR/DKK, which makes sense as the challenge for Danmarks Nationalbank in recent years has been a low EUR/DKK and Danmarks Nationalbank still has ample FX reserves to draw should DKK depreciation pressure mount. We still estimate that it would require DKK40bn in FX intervention before Danmarks Nationalbank would turn to a unilateral rate cut.

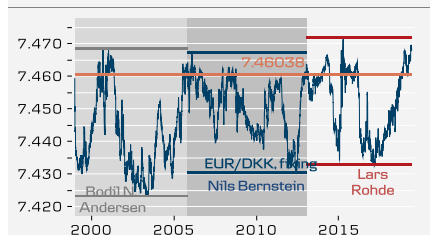
Government deposits rose in May, due partly to high issuance of government bonds and treasury bills. Government deposits are set to fall further over coming months, when, among other things, the government will have to draw DKK20bn on its account to fund the purchase of mortgage bonds, which settle at the beginning of July. It will vice versa push the net position higher in H2. See more in *DKK Edge – Net position update: liquidity rising gradually*, 4 June.

Chart 1. No intervention since February



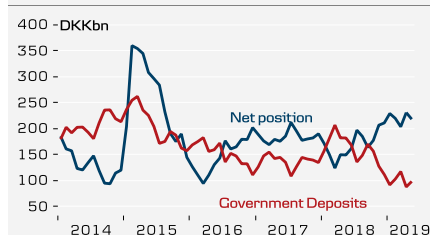
Source: Macrobond Financial

Chart 2. Highest EUR/DKK this year in May



Source: Macrobond Financial

Chart 3. Falling government deposits and higher net position this year



Source: Macrobond Financial

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