

# Flash Comment Denmark

## DN continues to pile up FX reserves

- **Danmarks Nationalbank bought EUR/DKK in FX intervention for another DKK5.2bn in July.**
- **It was the sixth straight month of FX intervention, which now totals DKK49.6bn.**
- **Government deposits declined to the lowest level since February last year.**

Danmarks Nationalbank (DN) just published July's FX reserve and monthly central bank balance sheet data. Among the main highlights were:

- The FX reserve was about unchanged in July at DKK459bn.
- DN bought EUR/DKK in FX intervention for a total of DKK5.2bn in July. It brings total FX intervention since February to DKK49.6bn.
- The government scaled down Commercial Paper issuance by another DKK5bn. Total Commercial Paper issuance now stands at DKK40bn.
- The government's net financing need was DKK36bn in July – DKK18bn lower than projected in the budget released in May.
- Government deposits shrank to DKK116bn from DKK140bn in June.

DN bought EUR/DKK in FX intervention for a sixth consecutive month. It has now accumulated a total of DKK49.6bn in FX reserves reversing most of the DKK65bn in outflow from March last year. EUR/DKK trade close to the 7.4360 FX intervention level; hence, DN will likely need to make further FX intervention in the coming months. We still expect it will continue until DN eventually cuts rates 10bp.

Government finances were much stronger than what the Finance Ministry expected in July. We suspect it could in part be due to early payments of the August VAT instalment, which means some of the improvement is likely to reverse. Nevertheless, the debt management office scaled back further on Commercial Paper issuance, which is now only DKK5bn above its indicative year-end target. Government deposits declined to the lowest level since February last year.

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