

# Research Denmark

## Statistics Denmark set to cut media licence weight on Danish CPI, but it will remain a drag over the coming years

- Statistics Denmark will cut the media licence weight in Danish CPI.
- That means the drag on CPI over the coming years will be smaller than the current weight suggests, but it will still be significant.
- We expect a negative drag of 0.15-0.20 percentage points every year in 2019-22.
- In 2019, several one-offs will disappear and push inflation higher, though.
- We anticipated the negative drag would be smaller in 2019 than the 0.27pp the weights imply now, and thus did not incorporate the total effect. We stick to our forecast with an increase to 1.2% in 2019 from 0.8% this year.

### Modest inflation pick-up next year

Statistics Denmark has, based on our calculations, decided to cut the weight on the media licence as of 2019. Currently it is indeed too large, probably because the consumer survey – on which the weights are based – overestimates the expenses on media licence compared to other consumption. We expected the 2019 weight would be altered and thus we did not account for the full effect of the lower media licence in our recent forecast. Thus, we stick to 0.8% for 2018 and 1.2% for next year.

Primarily it reflects that several one-offs have pulled inflation down during 2018. In October 2017 it was a reduction in the car tax, then in January 2018 it became significantly cheaper to drive over the Storebælt Bridge, and in February the annual rent increase turned out to be historically small. During the summer, the district heating plants cut prices significantly due to strong financial results following a mild winter (Danish district heating is non-profit). Lastly, despite drought and bad harvests, food has become cheaper in 2018, even though the opposite has been the case around Europe. Except maybe for electricity prices, we have not really seen the same kind of surprises pushing inflation upwards. That is a big part of the reason we expect inflation to pick up.

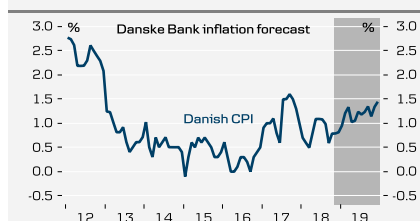
Over the coming four years, until the media licence has been completely phased out, it looks as if it will remain a drag of 0.15-0.20pp each year, as the payment will decrease by DKK600 (24% in 2019) and we expect the weight to decrease from 1.14% to around ¾%. That means, a total drag on Danish CPI of 0.6-0.8% – significant, but a lot less than the potentially more than 1.5pp the drag would constitute if weights were calculated as they have been so far.

You could argue, that the media licence should not be included in the CPI at all, as it is basically a tax, which is also the definition in the national accounts and down the line this could also be the result. But, transfers of media costs from licence payments to taxes have previously been calculated as price decreases in the Dutch and Icelandic HICP. Thus, it seems most likely, this will also be the case for Denmark.

### Also read

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### Pickup ahead as several one-offs slide out of inflation



Source: Statistics Denmark, Danske Bank, Macrobond Financial

### Inflation contribution in November compared to November 2017

Exceptional contributing factors	% points
Food	-0,47
Rent	-0,08
District heating	-0,12
Toll facilities and parking meters	-0,07

Source: Statistics Denmark, Danske Bank.

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