



Balance of payments – Financial account

Financial transactions with abroad	The statistics show the financial account of the balance of payments, i.e. financial transactions between residents and non-residents. The balance of payments is compiled in accordance with the IMF's "Balance of Payments Manual" from 1993 (BPM5).
Tables, monthly data	The Tables supplement includes the monthly external transaction data. In Table 1 is shown the overall balance of payments also comprising the current and capital accounts, which are published in more detail by Statistics Denmark. Tables 2-8 show the financial transactions of <i>others besides Danmarks Nationalbank</i> , broken down by instrument (2-6) and sector (7-8). <i>Danmarks Nationalbank's</i> external transactions broken down by instrument are shown in Table 9.
Sources	As of end-2004, the system for collection of information on Denmark's international investment position and the financial account of the balance of payments is based on the following four main sources: <ul style="list-style-type: none">• Statistics on balance sheets and flows of the MFI sector• General-government statistics• Securities statistics• Reporting by enterprises
Methodologies	Each source is based on the following identity: stock, beginning of period + transactions during the period + valuation changes, etc. during the period = stock, end of period, where stock data corresponds to the international investment position, cf. Danmarks Nationalbank's statistical publication "Denmark's external assets and liabilities", and transaction data corresponds to the financial account of the balance of payments.
The individual sources	In the following, the individual sources are described in relation to sectors.
- Statistics on balance sheets and flows of the MFI sector (MFI statistics)	MFI statistics comprise Danmarks Nationalbank, banks and mortgage banks, and other credit institutions. MFI statistics are prepared in accordance with ECB guidelines. In general, these guidelines correspond to those of BPM5. In a few cases it has been necessary to estimate breakdowns to compensate for lack of detailed information.

The MFI statistics are now the source of Danmarks Nationalbank's external transactions reserve assets. Previously, the data for the foreign-exchange reserve, which is published in the "Foreign exchange and liquidity" press release, was used as an approximation. The two compilations deviate from each other. Unlike the compilation of the foreign-exchange reserve, the reserve assets comprise transactions in *all* external accounts, i.e. including Danmarks Nationalbank's foreign shares, accrued interest receivable/payable, unsettled derivatives and krone-denominated accounts with banks in the Faroe Islands and Greenland.

The households' loans and deposits abroad are compiled on the basis of data from the foreign branches and subsidiaries of Danish MFIs.

- General-government statistics

The sources of information on government bonds, etc. owned by non-residents are Government Debt Management at Danmarks Nationalbank and the Securities statistics. Other external financial transactions relating to the general government are reported by Statistics Denmark.

- Securities statistics

For Danish securities issued in Denmark and held by non-residents, the primary source is VP Securities Services. Danish securities issued abroad are reported separately to Danmarks Nationalbank. For foreign securities held by Danish residents, the primary source of information is custodian banks in Denmark. If enterprises deposit such securities abroad, the information is included in the reports by the enterprises to Danmarks Nationalbank. It is assumed that households primarily deposit foreign securities with custodian banks in Denmark. Information is no longer obtained directly from the households. The Securities statistics are based on information on individual securities (security-by-security approach). Via master data for the individual securities, Danmarks Nationalbank can use the securities' identification numbers (ISIN codes) and the owner's holding to derive transactions and sector of issuer/owner.

- Reporting by enterprises

Enterprise reports are submitted by non-financial corporations, other financial intermediaries, etc., as well as insurance corporations and pension funds. Reporting mainly comprises direct investments, derivatives and other investments, e.g. loans and deposits.

Reporting takes place via various forms that generally correspond to the financial items of an enterprise's accounts. On most forms, external transactions are reported. For trade credits, however, only stock data is reported. Trade credit transactions are derived from changes in stock data and adjusted for exchange-rate changes.

Population and grossing-up

The reporting forms are sent to a sample of enterprises, primarily those with the largest financial transactions with abroad up to the end of 2004. Enterprises are selected with a view to ensuring that the various subsegments, e.g. instrument and sector, are adequately represented. Approximately 650 enterprises report on a monthly basis.

In addition, approximately 450 reporting enterprises had small transactions but relatively large holdings at end-2003. These enterprises report once a

year only. Transactions during the year – except reinvested earnings, cf. below – are assumed to be 0. Subsequently, the projected data is revised on the basis of changes in the actual reported holdings, adjusted for exchange-rate changes. As an exception from the main principle, however, transactions in equity under direct investments as well as foreign portfolio shares are reported.

Jointly, the two samples cover around 95 per cent of the historical external financial payments, depending on the instrument and sector. The data reported is grossed up by an average of 5 per cent, varying between 0 and 15 per cent.

For the other sources, the coverage is very close to 100 per cent. This data is not grossed up.

Accrued interest and reinvested earnings

The monthly financial transactions comprise also accrued interest and reinvested earnings.

In the Securities statistics accrued interest is calculated on the basis of the master data of the security, i.e. principal, coupon interest, etc. Account is also taken of imputed interest due to reduction of maturity when the issue price deviates from par. In the MFI statistics, accrued interest is reported on all external accounts.

Reinvested earnings relate to direct investments and comprise the part of an enterprise's profits that are not distributed. Reinvested earnings are projected on the basis of the profit ratios of the enterprise, as well as current information on distributed dividend. Projection is subject to uncertainty and entails revision when the actual earnings are reported in connection with the annual reporting.

The transactions are grouped by instrument and sector, cf. below.

Instruments

The breakdown by instrument is based on BPM5. The key instruments, some of which are broken down further in the Tables, are:

- *Direct investments*, i.e. shares and other equity instruments where an investor holds at least 10 per cent of the equity capital or voting rights in an enterprise. Direct investments also include loans and credits between directly or indirectly affiliated enterprises (e.g. sister companies) – referred to as intercompany debt, etc. in the Tables. Direct investments include pass-through investments. Pass-through investments are direct investments from abroad in a holding company in Denmark which reinvests the funds abroad. Another characteristic of pass-through investments is that the holding company does not have any (significant) activities in Denmark and normally does not own companies in Denmark. In Denmark's Nationalbank's statistical publication "Quarterly flow statistics on direct investments", direct investments are shown in individual Tables, respectively exclusive of pass-through investments and pass-through investments separately.

- *Portfolio investments*, i.e. transactions in shares and other equity instruments that are not direct investments, and in bonds (also known as debt instruments)
- *Financial derivatives*
- *Other investments*, comprising trade credits, loans, deposits and other outstandings.

Sectors

The breakdown by sectors is in accordance with the European System of Accounts (ESA95). The following sectors apply:

- *Non-financial corporations*
- *Danmarks Nationalbank*, including specification of reserve assets by instrument, cf. Table 10
- *Other MFIs*. Banks are specified in a separate table.
- *Other financial intermediaries, etc.*, including investment associations and investment companies, leasing and other financing companies as well as financial auxiliaries
- *Insurance corporations and pension funds*, including ATP. Before 2005 ATP is included under General government
- *General government*
- *Households, etc.*, including charities, etc. that supply goods and services to households.

Preceding sign

The tables adhere to the IMF's convention on preceding signs: A negative preceding sign (=capital outflow) indicates net purchases of external claims /reduced external borrowings, while a positive preceding sign (=capital inflow) indicates net sales of external claims/increased external borrowings.

Publication

Financial transactions are calculated on a monthly basis. Data for the most recent month are usually published on the 20th banking day in the following month. Statistics Denmark publishes the overall balance of payments approximately 1½ months after the end of the reference month.

Revision

The statistics are revised according to "Danmarks Nationalbank's revision policy for financial statistics". Times of revision and revision periods for the individual statistics appear from "Danmarks Nationalbank's revision cycle for financial statistics". Both documents can be found on Danmarks Nationalbank's website under Statistics – Revision policy.

Explanation of symbols

Details may not add because of rounding-off.

- Category not applicable.
- ... Data not available.

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