



Denmark's external assets and liabilities

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The statistics show Denmark's international investment position, i.e. Danish residents' external financial assets and liabilities. The international investment position is calculated in accordance with the IMF's "Balance of Payments Manual" from 1993, BPM5. This means that assets and liabilities as a main rule are stated at market value.

Tables, quarterly data

The Tables supplement includes stock data for assets and liabilities, as well as net assets, calculated at the end of each quarter (holdings). The first two Tables (1.1 and 1.2) show total holdings broken down by instruments (1.1) and sectors (1.2). Tables 2-16 show the holdings of *other than Danmarks Nationalbank* broken down by instrument (2-7) and sector (8-14). Tables 15-16 show selected assets and liabilities broken down by maturity and currency. *Danmarks Nationalbank's* holdings are shown in Table 17.

Sources

As of end-2004, the system for collection of information on the international investment position and the financial account of the balance of payments is based on the following four main sources:

- MFI statistics
- General-government statistics
- Securities statistics
- Reporting by enterprises
- Information from the Danish tax authorities on holiday residences

Methodologies

The collection of data is for each source based on the following identity:

$$\begin{aligned} & \text{stock, beginning of period} \\ & + \text{transactions during the period} \\ & + \text{valuation changes, etc. during the period} \\ & = \text{stock, end of period,} \end{aligned}$$

where stock data corresponds to the international investment position and transaction data to the financial account of the balance of payments, cf. Danmarks Nationalbank's statistical publication "Balance of Payments – Financial account". Valuation changes, etc. comprise not only changes in exchange rates and prices, but also other changes resulting from e.g. reclassification between sectors or instruments. For instance, a portfolio investment is reclassified as a direct investment when an investor increases the ownership from less than 10 per cent to more than 10 per cent of the equity capital in an enterprise. In the MFI statistics and in most of the reporting by enterprises all the elements of the identity are reported. Thus the reported figures can be reconciled.

When published, data is reconciled with the quarter's errors and omissions calculated in the balance of payments statistic [More information here – her indsættes et link]. Errors and omissions are calculated as the difference between the recorded transactions in the financial account of the balance of payments and transactions in the current account of the balance of payments plus capital transfers. A consequence of errors and omissions is that recorded stocks are incorrect. The reconciliation ensures that stocks are adjusted either upward or downward in order that the recorded stocks are in line with the underlying transactions.

The reconciliation is exclusive of Danmarks Nationalbank (the central bank) and the sector General government. For Danmarks Nationalbank errors and omissions are by definition zero and for General government reconciliation is already conducted by Statistics Denmark.

For all other sectors transactions are either increased or reduced with the quarter's errors and omissions distributed by the following dimensions: balance, instrument, sector, country, currency and original maturity. The distribution key is calculated according to the stocks (excl. Danmarks Nationalbank and General government) broken down by instrument, sector, country, currency and original maturity.

For the sector Other MFIs stocks are unchanged since the reconciled transactions are neutralized by valuation changes with opposite sign. For other sectors stocks are changed with the reconciled transactions.

Irrespective of source, virtually all reporting takes place on a monthly basis. In addition, enterprises with small transactions, but relatively large external holdings, report on an annual basis.

Improved sources and methodologies

The major enhancements as of end-2004 are as follows:

- Holdings, transactions and valuation changes are reported to one overall system: Previously, holdings on the one hand and payments to and from abroad on the other were reported in two different systems on a non-harmonised basis;
- Valuation changes are reported or calculated on a substantially improved basis;
- Virtually all reporting takes place on a monthly basis, while some stock reporting previously took place only on a quarterly/annual basis;
- The accrual principle is applied. Previously the payments principle was applied. This gives more accurate stock data, cf. the section on valuation.

The individual sources

In the following, the individual sources are described in relation to sectors.

- MFI statistics

MFI statistics comprise Danmarks Nationalbank, banks and mortgage banks, and other credit institutions. They are prepared in accordance with the guidelines issued by the ECB. In general, these guidelines correspond to those of BPM5. In a few cases it has been necessary to perform estimation where breakdowns are not available.

The MFI statistics are now the source of Danmarks Nationalbank's external holdings the 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 *all* external holdings, 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. In addition, holdings are stated at market value in the reserve assets, unlike the foreign-exchange reserve, which is stated at book value (accumulated transactions) over the year.

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

- Danish tax authorities

Private holiday residences are classified as equity. Data are as of end-2006 and based on information from the Danish tax authorities. Until end-2004 Danish residents' holiday residences abroad were estimated on the basis of the balance of payments statistics in which non-residents' holiday residences in Denmark, as well as those of residents who had moved abroad, were not registered. Data as of end-2005 and through 2006 are estimated on the basis of the Danish tax authorities' end-2006 data.
- General-government statistics

The sources of information on government bonds owned by non-residents are Government Debt Management at Danmarks Nationalbank, which manages central government borrowing, and the securities statistics. Other external financial assets and liabilities 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. 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 the households primarily deposit foreign securities with custodian banks in Denmark. As from 2005 Danmarks Nationalbank does not obtain information directly from the households. The securities statistics are based on information on individual securities. Via master data for the individual securities, Danmarks Nationalbank can use the securities' identification numbers (ISIN codes) and the owner's holding to derive valuation changes and sector of issuer/owner for the compilation of Denmark's international investment position. The transactions for the financial account of the balance of payments are calculated residually.
- 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, all elements of the identity are reported, cf. above. For trade credits, however, only stock data is reported. Where stock data can not be reported on a monthly basis the holdings are projected over the year by adding transactions and exchange-rate changes to the holdings at the beginning of the year. In such cases stock data is reported on an annual basis and used to revise the projected data.

Population and
grossing-up

The reporting forms are received from a selection of enterprises. Danmarks Nationalbank select with a view to ensuring that the various subsegments, e.g. instrument and sector, are adequately represented. Approximately 580 enterprises report on a monthly basis.

To those are added approximately 320 enterprises with small transactions, but relatively large holdings. They report once a year only. During the year, stock data is adjusted for exchange-rate changes. In addition, the equity capital is adjusted for reinvested earnings. Subsequently, the projected data is revised on the basis of the actual reported stock data.

Jointly, the two selections cover above 90 per cent of the historical external financial payments, depending on the instrument and sector. The data reported (holdings, transactions and valuation changes) 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.

Valuation ...

As a main rule, holdings are stated at market value including accrued interest receivable/payable or reinvested earnings, cf. below. Holdings in foreign currency are translated into Danish kroner at the exchange rate applying on the compilation date.

... without accrued in-
terest receivable/payable

For listed shares, including shares that are direct investments, the value is calculated on the basis of the market price. The value of equity capital in unlisted corporations is stated using the equity method (possibly after translation from cost price if the enterprise applies this accounting principle). Unlisted portfolio securities are reported at the estimated market value.

Loans and deposits are predominantly stated at nominal value.

... with accrued interest
receivable/payable

Accrued interest receivable/payable or reinvested earnings are added to the value of holdings as calculated above, cf. below. Accrued interest receivable/payable is interest receivable from the beginning of the interest-payment period to the compilation date.

In the MFI statistics, reported or calculated accrued interest receivable/payable is added for all holdings.

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

The holdings 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 Danmarks Nationalbank's statistical publication "Quarterly flow statistics on direct investments", direct investments are shown respectively exclusive of pass-through investments and pass-through investments separately in individual Tables.
- *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 17
- *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 4th quarter 2004 ATP is included under General government
- *General government*
- *Households, etc.*, including charities, etc. that supply goods and services to households.

Publication

The international investment position is published three months after the end of the quarter.

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 – Revisions policy.

Explanation of symbols Details may not add because of rounding.
• Category not applicable.
... Data not available.

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