

# DANMARKS NATIONALBANK

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## DENMARK'S INTERNATIONAL INVESTMENT POSITION, 2ND QUARTER 2018

# From foreign debt to large wealth in ten years

Since the financial crisis ten years ago Denmark has built up a considerable international net wealth position which amounted to kr. 1.390 billion in the 2nd quarter of 2018. This corresponds to 65 per cent of GDP and places Denmark as one of Europe's creditor nations. In contrast, Denmark had a foreign net debt corresponding to 8 per cent of GDP in the 2nd quarter of 2008.

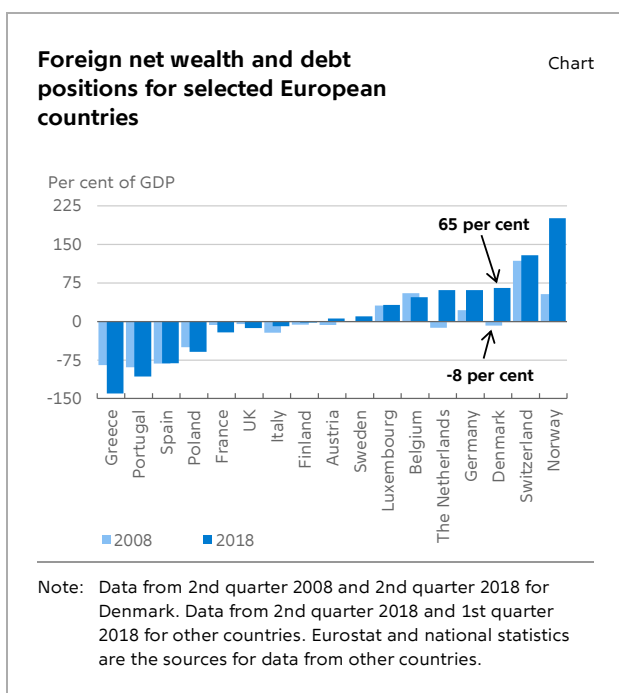
The built up of the wealth position reflects the continuous current account surpluses; the sum of the surpluses over the last ten years amount to 61 per cent of GDP.

Countries with current account surpluses have reduced their foreign debt or increased their foreign assets. In addition to Denmark, Norway, Switzerland, Germany, and the Netherlands among others have had large current account surpluses the last ten years. Like in Denmark the situation in the Netherlands has change from a foreign net debt position ten years ago to a foreign net wealth position today. Norway, Switzerland, and Germany had a net wealth position at the outset which has increased further over the last ten years.

A large net wealth position may strengthen a country's creditworthiness. Thus credit agencies take the international investment position, IIP, into account when they rate a country, and the IIP is, inter alia, a part of the EU's Macroeconomic Imbalance Procedure Scoreboard which is a collection of indicators designed to capture macroeconomic imbalances.

Denmark has large net assets in the form of direct investments, including investments in foreign subsidiaries, and portfolio investments in shares. On the other hand foreigners invest more in Danish bonds than Danes invest in foreign bonds.

In the 2nd quarter of 2018 Denmark's IIP rose by kr. 98 billion. The current account contributed with kr. 27 billion. Changes in market value, primarily due to a strengthening of the dollar, added another kr. 71 billion. Accordingly, market developments, i.e. changes in interest rates, share prices, and foreign exchange rates, affect the IIP.



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