

DANMARKS NATIONALBANK

31 MARCH 2021

DENMARK'S INTERNATIONAL INVESTMENT POSITION, 4TH QUARTER 2020

IIP remained robust despite decline in 2020

Denmark's international investment position (IIP) fell by kr. 367 billion last year and amounted to kr. 1,428 billion at the end of 2020. The decline is mainly due to a strong Danish stock market and a weaker dollar exchange rate. This is only the second fall in Danish annual IIP since Denmark went from negative to positive IIP in 2009.

The IIP is the difference between Danish investors' aggregate foreign assets, totalling kr. 9,022 billion, and foreign investors' holdings of Danish assets, known as Denmark's foreign liabilities, totalling kr. 7,594 billion.

Strong Danish stock market dragged down IIP

Both Danish and foreign shares fell sharply in the first quarter of 2020 due to the coronavirus pandemic. Since then, shares have more than recovered

from the fall, and the Danish stock market generally outperformed foreign stock markets. Therefore, the value of foreign investors' Danish shares has increased more than the value of Danes' foreign shares. Viewed in isolation, this reduces IIP.

Fall in dollar exchange rate also dragged down IIP

Negative exchange rate changes also contributed to an isolated decline in IIP of kr. 196 billion, the vast majority of which is due to a weakening of the dollar at the end of 2020. The dollar exchange rate is particularly significant for the IIP as a large part of Danes' foreign assets are invested in dollar assets.

Current account surplus pushed up IIP

Also in 2020, the current account of the balance of payments showed a surplus. As price and currency changes are typically smoothed out over the long term, the build-up of IIP is primarily driven by current account surpluses.

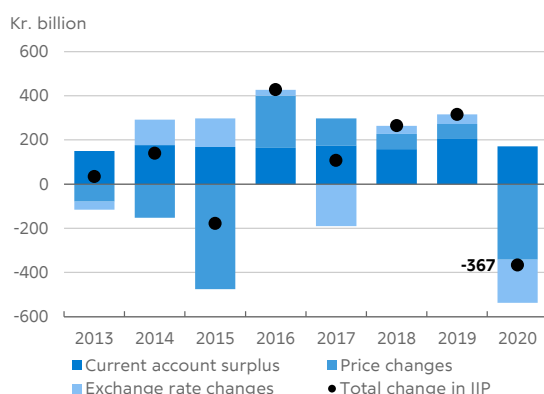
Foreign assets are an indicator of creditworthiness

A large IIP is an expression of high savings abroad and thus indicates a good ability to repay loans, also called creditworthiness. High creditworthiness means that a country has easy access to financing abroad.

Despite the decline in 2020, Danish IIP accounts for 62 per cent of GDP and is therefore still large – both historically and in relation to other EU countries. Denmark has the 3rd largest IIP measured in per cent of GDP.¹

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Price and exchange rate changes dragged down Denmark's international investment position in 2020



Note: Annual change in Denmark's IIP divided by what drives the change. Price changes include price changes and other value changes.

¹ Data from Eurostat and the IMF for the third quarter of 2020, as data for the fourth quarter is not yet available for EU countries.