

# DANMARKS NATIONALBANK

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## DENMARK'S INTERNATIONAL INVESTMENT POSITION, 4TH QUARTER 2017

# Market fluctuations had large impact on the IIP in 2017

Denmark's international investment position, IIP, rose by kr. 31 billion in 2017 to kr. 1,169 billion. The balance of payments surplus of kr. 165 billion added to the IIP while negative value adjustments of kr. 134 billion exerted a drag.

The large IIP contributed to the investment income, e.g. interest and dividend payments, of kr. 56 billion which constitutes a large share of the balance of payments surplus.

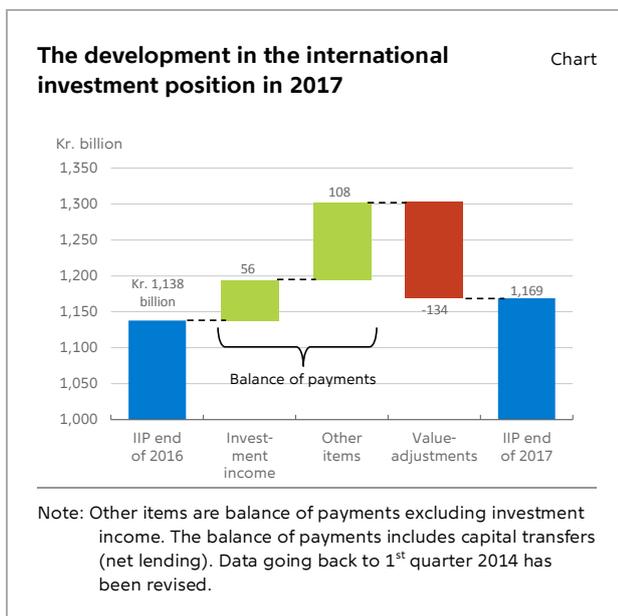
The fluctuations in exchange rates led to negative value adjustments of the IIP of kr. 184 billion. In par-

ticular, the weakening of the US dollar on its own reduced the IIP position by kr. 146 billion.

Seen in isolation the price adjustments on financial instruments led to an increase in the IIP of kr. 30 billion. This reflects considerable price increases related to both assets and liabilities of kr. 255 and 225 billion respectively. On the liabilities side, the increase was to a large extent made up of price gains on foreign investors' holdings of C25 shares. This reduces the IIP, but Danes are not getting poorer when the Danish stock market increases.

Viewed over a number of years, the build-up of the IIP reflects large, continued balance of payments surpluses. This has changed Denmark's position from being debtor 10 years ago to being creditor with an IIP corresponding to more than half of the GDP.

The IIP is measured as foreign assets of kr. 6,808 billion deducted by liabilities of kr. 5,639 billion. The large gross balances reflect Denmark's large economic and financial integration with other countries. For example insurance and pension companies diversify their considerable investments by investing abroad. The large balances imply that market adjustments can have a large impact on the IIP.



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