

DANMARKS NATIONALBANK

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DENMARK'S INTERNATIONAL INVESTMENT POSITION, 1ST QUARTER 2021

International investment position back to pre-corona level

Denmark's international investment position (IIP) took a big dive in 2020, but has increased by kr. 170 billion since the beginning of the year and amounts to kr. 1,765 billion at the end of the first quarter of 2021, corresponding to 77 per cent of GDP. Denmark's IIP is thus back to the pre-corona level.

The IIP is the difference between Danish investors' aggregate foreign assets and foreign investors' aggregate Danish assets, also called the liabilities. The IIP is popularly said to be equivalent to the Danes' savings abroad and amounts to approximately kr. 360,000 per Dane¹.

Paradoxically, the decline in 2020 was due to a very

strong Danish equity market, which caused the value of liabilities to increase. In addition, a weakened dollar exchange rate at the end of the year also caused the value of assets to fall.

The increase in IIP in the first quarter of 2021 is mainly due to current account surpluses and price increases in Danes' foreign shares.

Denmark's IIP is among the largest in the EU

The decline in IIP in 2020 meant that Denmark's foreign wealth in relation to GDP went from being the second largest in the EU to being the fourth largest. However, in the first quarter of 2021, the IIP is now back to the pre-corona level.

Large IIP strengthens a country's creditworthiness

A large IIP creates a return to Denmark in the form of interest income and dividend payments, etc. A large IIP can help to strengthen a country's overall creditworthiness.

Balance of payments creates IIP in the long run

Exchange rate fluctuations as well as price changes on shares and bonds can have a major impact on the size of IIP in the short term – which was, for instance, the case in 2020. But price changes will typically balance out over time, and the change in IIP is mainly driven by the current account balance in the long run.

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Denmark's IIP is back to the pre-corona level and now accounts for 77 per cent of GDP in 2021



Note: IIP relative to GDP for the 4th quarter of 2019 and 2020. The black dot indicates data for Denmark for the 1st quarter of 2021. Data from Eurostat and Danmarks Nationalbank. Figure data can be found [here](#).

¹ Calculated as Denmark's IIP in the 1st quarter of 2021 divided by the number of Danes aged 15 or over per 1 January 2020.