

DANMARKS NATIONALBANK

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DIRECT INVESTMENTS, 2ND QUARTER 2020

Foreign direct investments decreased in 2nd quarter

Danish companies' direct investments abroad decreased by kr. 9 billion in the 2nd quarter of 2020. It was primarily driven by a decrease in intra-group loans. The outward direct investment consists of equity investments in and intra-group loans to foreign subsidiaries where the Danish investor has controlling influence.

Foreign direct investments into Denmark decreased by kr. 7 billion in the 2nd quarter of 2020.

Reinvested earnings decline in times of recessions

Economic downturns are typically reflected in lower profits and related lower reinvested earnings in foreign subsidiaries. OECD expects a drop in global

foreign direct investment of 30 per cent in 2020 due to the coronavirus crisis. The expected fall is mainly due to an expected drop in reinvested earnings.¹

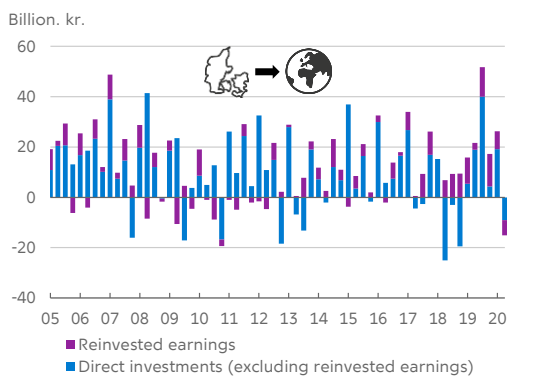
The effect of the coronavirus crisis on companies' yearly earnings is not known before the companies' yearly reports are compiled in 2021. Until then, a model-based earnings estimate is used.

The yearly Danish outward direct investments have on the whole followed the global trends in direct investment flows (*link*). This was also the case in the years after the financial crisis where outward direct investments were lower than before – for both Denmark and the OECD-countries as a whole.

It should be noted that multiple factors other than business cycles affect Danish direct investment in single quarters, including single companies' transactions and the timing of dividend payments.

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Danish companies' outward direct investments decreased in 2nd quarter



Note: Foreign direct investments are equity investments and intra-group loans excluding special purpose entities. Reinvested earnings are earnings in foreign subsidiaries deducting received dividend payments.

¹ See OECD ([link](#))