

DANMARKS NATIONALBANK

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PORTFOLIO INVESTMENTS, SEPTEMBER 2018

Moderation of capital flows since the financial crisis

Capital flows between Denmark and abroad decreased after the financial crisis erupted in the fall of 2008. The capital flows also decreased globally.

Portfolio investments are a central part of the capital flows which also include financial cross-border transaction like direct investments and loans, etc.

The moderation of outward Danish capital flows was primarily due to the banks' reduction of cross-border lending activity. However, the portfolio in-

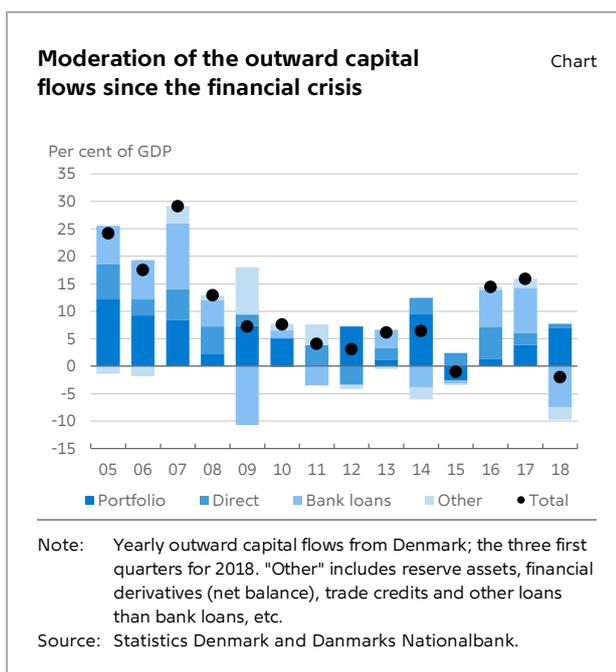
vestments were also reduced, mainly investments in foreign stock.

Capital flow is an indicator of financial integration with the outside world. Financial integration allows for diversification of risks, e.g. when investing in portfolio assets or taking up loans abroad.

Over the period since 2009, Danish portfolio investments abroad of kr. 738 billion represent the major part of the total outward capital flows.

In the first three quarters of 2018, outward capital flows to a large extent consist of portfolio investments, purchase of foreign shares in particular. However, the banks' lending abroad has decreased. In recent years, there have been relatively large changes in the banks' loans abroad, including inter-company loans.

Like the outward capital flows, the inward capital flows were moderated in connection with the financial crisis. Portfolio investments also constitute a large part of the inward flows; and the foreign accumulated portfolio investments in Denmark since 2009 amount to kr. 698 billion.



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