

SOURCES AND METHODS

BALANCE OF PAYMENTS – FINANCIAL ACCOUNT

Financial Statistics
Securities and External Statistics

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BALANCE OF PAYMENTS – FINANCIAL ACCOUNT

0 Administrative Information about the Statistical Product

1 Contents

2 Time

3 Accuracy

4 Comparability

5 Accessibility

6 Supplementary Documentation

0 ADMINISTRATIVE INFORMATION ABOUT THE STATISTICAL PRODUCT

0.1 Name

Balance of payments – Financial account.

0.2 Subject Area

Balance of payments – financial account and external assets and liabilities
National accounts and Balance of payments.

0.3 Responsible Authority, Office, Person, etc.

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0.4 Purpose and History

The purpose of the statistics is to show the financial transactions between residents and non-residents. The balance of payments is compiled in

accordance with the IMF's "Balance of Payments Manual" from 2008 (BPM6).

The statistics were commenced in 1931 due to currency restrictions, but first published in a tables format as from 1947.

0.5 Users and Application

The statistics are used to assess Denmark's international financial position.

The users are ministries, professional and industrial bodies, Danmarks Nationalbank, banks and mortgage banks, the ECB, IMF, OECD, BIS, etc.

0.6 Sources

As of end-2004, the system for collection of information on the international investment position and the financial account of the balance of payments is based on the following main sources:

- Reporting by enterprises.
- Statistics on balance sheets of banks and mortgage banks, cf. the Sources and method of the statistics
- Investment funds, cf. the Sources and method of the statistics
- General-government statistics
- Securities statistics, cf. the Sources and method of the statistics

These are described in further detail in section 1.2.

0.7 Legal Authority to Collect Data

Pursuant to section 14a of the [National Bank of Denmark Act](#), inserted by Act no. 579 of 1 June 2010, Danmarks Nationalbank has separate authority to collect, compile and publish statistical information to perform its tasks. The collected information may be used for other purposes than compilation of statistics. This particularly applies in connection with oversight of financial stability and when laying down monetary and foreign-exchange policies, as well as in relation to Danmarks Nationalbank's participation in the European cooperation in the financial area.

0.8 Response Burden

There is a direct response burden for a sample of non-financial corporations, insurance corporations and pension funds. Data from the other sources is collected from other registers or by others.

0.9 EU Regulation

The collection of data is based on Guideline of the ECB of 9 December 2011 on the statistical reporting requirements of the ECB in the field of balance of payments and international investment position statistics (ECB/2011/23) amended in ECB/2013/25.

1 CONTENTS

1.1 Description of Contents

The statistics comprise monthly external financial transactions distributed by sector and instrument.

1.2 Statistical Concepts

Information about the balance of payments is based on the main sources mentioned in section 0.6. In the following, the individual sources are described.

Reporting by enterprises

The population for the reporting enterprises is divided into:

- approximately 500 enterprises that report on a monthly basis
- approximately 250 enterprises that report on an annual basis.

Enterprise reports are submitted by non-financial corporations, other financial intermediaries, etc., as well as insurance corporations and pension funds. Reporting mainly comprises direct investments, derivatives and other investments, e.g. loans and deposits.

Reporting takes place via various forms that generally correspond to the financial items of an enterprise's accounts. On most forms, external transactions are reported.

Statistics on balance sheets of banks and mortgage banks (MFI statistics)

MFI statistics comprise Danmarks Nationalbank, banks and mortgage banks, and other credit institutions. MFI statistics are prepared in accordance with ECB guidelines. In general, these guidelines correspond to those of BPM6. In a few cases it has been necessary to estimate breakdowns to compensate for lack of detailed information.

The MFI statistics are now the source of Danmarks Nationalbank's external transactions in reserve assets. Previously, the data for the foreign-exchange reserve, which is published in Danmarks Nationalbank's press release "Foreign exchange and liquidity", was used as an approximation. The two compilations deviate from each other. Unlike the compilation of the foreign-exchange reserve, the reserve assets comprise transactions in all external accounts, i.e. including Danmarks Nationalbank's foreign shares, accrued interest receivable/payable, unsettled derivatives and krone-denominated accounts with banks in the Faroe Islands and Greenland.

The households' loans and deposits abroad are compiled on the basis of data from the foreign branches and subsidiaries of Danish MFIs.

Statistics on investment funds

The statistics are based on reports from Danish investment funds or their management companies. The statistics show, on a monthly basis, the asset and liability stocks of Danish investment funds and, for specific instruments, the movements. In addition the statistics also include a compartmentalization of investors of investment fund shares and investments of investment funds. The statistics are compiled in accordance with the guidelines of the ECB.

General-government statistics

The sources of information on government bonds, etc. owned by non-residents are Danmarks Nationalbank, Banking and Markets, and Danmarks Nationalbank's Securities statistics. Other external financial transactions relating to the general government are reported by Statistics Denmark.

Securities statistics

For Danish securities issued in Denmark and held by non-residents, the primary source is VP Securities. Danish securities issued abroad are reported separately to Danmarks Nationalbank. For foreign securities held by Danish residents, the primary source of information is custodian banks in Denmark. If enterprises deposit such securities abroad, the information is included in the reports by the enterprises to Danmarks Nationalbank. It is assumed that households primarily deposit foreign securities with custodian banks in Denmark. Information is no longer obtained directly from the households. The Securities statistics are based on information on individual securities (security-by-security approach). Via master data for the individual securities, Danmarks Nationalbank can use the securities' identification numbers (ISIN codes) and the owner's holding to derive transactions and sector of issuer/owner.

The transactions are grouped by instrument and sector, cf. below.

Instruments

The breakdown by instrument is based on BPM6. The key instruments, some of which are broken down further, are:

- *Direct investments*, i.e. shares and other equity instruments where an investor holds at least 10 per cent of the equity capital or voting rights in an enterprise. Direct investments also include loans and

credits between directly or indirectly affiliated enterprises (e.g. sister enterprises) – referred to as intercompany debt, etc. Direct investments include pass-through investments. Pass-through investments are direct investments from abroad in a holding company in Denmark which reinvests the funds abroad. Another characteristic of pass-through investments is that the holding company does not have any (significant) activities in Denmark and normally does not own companies in Denmark. In Danmarks Nationalbank's statistics Foreign direct investments - quarterly transactions, direct investments are shown separately, respectively exclusive of pass-through investments and pass-through investments separately.

- *Portfolio investments*, i.e. transactions in shares and other equity instruments that are not direct investments, and in bonds (also known as debt instruments).
- *Financial derivatives*.
- *Other investments*, comprising trade credits, loans, deposits and other outstandings.

Sector

The breakdown by sectors is in accordance with the European System of Accounts (ESA2010). The following sectors apply:

- Non-financial corporations.
- Danmarks Nationalbank, including specification of its reserve assets by instrument.
- Banks.
- Mortgage banks.
- Investment funds.
- Holding companies, etc. Both holding companies owning financial corporations and non-financial corporations.
- Insurance corporations and pension funds, including ATP.
- Other financial corporations, including financial auxiliaries.
- General government, including Central government.
- Households, etc., including charities, etc. that supply goods and services to households.

Accrued interest and reinvested earnings

The monthly financial transactions comprise also accrued interest and reinvested earnings.

In Danmarks Nationalbank's Securities statistics accrued interest is calculated on the basis of the master data of the security, i.e. principal, coupon interest, etc. Account is also taken of imputed interest due to reduction of maturity when the issue price deviates from par. In Danmarks

Nationalbank's Statistics on balance sheets of banks and mortgage banks, accrued interest is reported on all external accounts.

Reinvested earnings relate to direct investments and comprise the part of an enterprise's profits that are not distributed. Reinvested earnings are projected on the basis of an aggregated estimate for the profit of the enterprise, as well as current information on distributed dividend. Data are not reported until up to 22 months after the end of the reference period. Data are published in October the year after the end of the reference period. Until then monthly data are based on estimated figures and therefore is subject to more uncertainty than reported figures.

Sign convention

The statistics adhere to the IMF's and ECB's convention on signs, using the terms net acquisition of assets and net incurrence of liabilities.

From the above it follows that a net acquisition of assets (Denmark acquires foreign assets, i.e. capital outflow) are stated as a positive amount. Similarly, a net incurrence of liabilities (non-residents increase their claims against Denmark, i.e. capital inflow) is also stated as a positive amount. Thus a negative sign is used to state net reductions of assets and liabilities.

Net assets are calculated as net acquisition of assets minus net incurrence of liabilities and can be either a positive or a negative amount. If there is a net capital inflow it is stated as a negative amount and if there is a net capital outflow it is stated as a positive amount.

2 Time

2.1 Reference Period

The statistics are compiled on a monthly basis.

2.2 Date of Publication

The statistics are published every month on the 40th banking day after the end of the reference period.

2.3 Punctuality

The statistics are usually published without delay in relation to the scheduled date.

2.4 Frequency

The statistics are published every month.

3 ACCURACY

3.1 Overall Accuracy

The statistics are based on reports from ca. 750 enterprises. The overall accuracy is therefore dependent on the accuracy of the individual report from each of the enterprises. The accuracy of the other sources is stated in the Sources and method for these statistics.

Along with the statistics the residual error is also published. The residual error shows the difference between the net lending/net borrowing compiled by Statistics Denmark and the financial account of the balance of payments. By definition this error is zero. However, this is not the case since the figures are based on two different statistical compilations.

The difference might be caused by errors at the time of registration of the financial transaction. Analysis of monthly data should therefore be supplemented by an analysis of monthly averages.

3.2 Sources of Inaccuracy

Population and grossing-up

The reporting forms are sent to a sample of enterprises. Enterprises are selected with a view to ensuring that the various subsegments, e.g. instrument and sector, are adequately represented.

Enterprises with the largest financial transactions with abroad report transactions on a monthly basis including supplementary information on an annual basis.

Enterprises with small transactions, but relatively large holdings report on an annual basis. Transactions during the year – except reinvested earnings, cf. below – are assumed to be 0. Subsequently, the projected data is revised on the basis of changes in the actual reported holdings, adjusted for exchange-rate changes. As an exception from the main principle, however, transactions in equity under direct investments as well as foreign portfolio shares are reported.

Jointly, the two samples cover around 95 per cent of the historical external financial payments, depending on instrument and sector. The data reported is grossed up by an average of 5 per cent, varying between 0 and 15 per cent.

For the other sources, the coverage is very close to 100 per cent. This data is not grossed up. Concerning specific uncertainties in relation to the other sources please cf. the relevant Sources and methods mentioned in section 0.6.

3.3 Measures of Accuracy

The statistical uncertainty is not calculated.

4 COMPARABILITY

4.1 Comparability over Time

At the turn of the year 2004/05 Danmarks Nationalbank implemented a different system for collecting information on Denmark's international investment position and the financial account of the balance of payments. This means that data from before 2005 was gathered in a different way. Before the turn of the year 2004/05 the compilation of the financial account of the balance of payments was based on Danmarks Nationalbank's Payments statistics which included all payments. As from 2005 the compilation is based on a sample which is grossed up. Furthermore the statistics include more information in terms of reinvested earnings, commercial credits, accrued interest and imputed interest. This information was not contained in Danmarks Nationalbank's Payments statistics.

4.2 Comparability with other Statistics

There are no comparable statistics.

4.3 Coherence between Provisional and Final Statistics

The statistics are normally revised 2 reference periods back when the present month is published, cf. also [Danmarks Nationalbank's revision policy for financial statistics](#) and the appurtenant [revision cycle](#).

5 ACCESSIBILITY

5.1 Forms of Dissemination

Published monthly via:

www.nationalbanken.dk
<http://nationalbanken.statbank.dk>
www.statbank.dk

5.2 Basic Material: Storage and Usability

These Sources and method do not comprise data which are stored.

5.3 Documentation

See Jens Hald, [Denmark's balance of payments and international investment position](#), Danmarks Nationalbank, 2007.

5.4 Other Information

No further information is available.

6 Supplementary Documentation

None.