

SOURCES AND METHODS

FOREIGN DIRECT INVESTMENT, STOCKS

Financial Statistics
Securities and External Statistics

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FOREIGN DIRECT INVESTMENT, STOCKS

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0 ADMINISTRATIVE INFORMATION ABOUT THE STATISTICAL PRODUCT

0.1 Name

Foreign direct investment, stocks.

0.2 Subject Area

Direct investments

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 holdings of Danish direct investments abroad and foreign direct investments in Denmark. The statistics

are a subset of Danmarks Nationalbank's statistics: Denmark's international investment position.

The statistics were commenced in 1957 due to currency restrictions.

0.5 Users and Application

The statistics can be used as an indicator – among others – of the internationalization and openness of an economy. The users are ministries, professional and industrial bodies, Danmarks Nationalbank, banks and mortgage banks, the ECB, IMF, OECD, BIS, etc.

0.6 Sources

Since 2004 the collection of information on the international investment position and the financial account of the balance of payments have been based on the following main sources:

- Reporting by enterprises
- Banking and mortgage lending, balances, cf. the Sources and method of the statistics
- General-government statistics
- Investment funds, cf. the sources and method of the statistics
- Securities statistics, cf. the Sources and method of the statistics
- Information from the Danish tax authorities on holiday residences.

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 no direct response burden. The data is collected by others.

0.9 EU Regulation

The collection of data is based on the ECB's statistical reporting requirements in the field of balance of payments and international investment position statistics, and the international reserves template (ECB/2011/23) amended in ECB/2013/25.

1 CONTENTS

1.1 Description of Contents

The statistics contains annual data for direct investments broken down by equity and intercompany debt, which again are broken down by industry and country. The statistics are compiled both on a net basis according to the directional principle and on a gross basis according to the asset/liability principle (balance of payments principle). The two principles are described in section 1.2.

1.2 Statistical Concepts

The primary source for compilation of stock data for direct investments is reporting from a segment of Danish enterprises. Approximately 500 enterprises report on a monthly basis and approximately 250 report on an annual basis. Together the two groups represent a coverage of around 90 per cent. The coverage depends on type of investor and sector. The reported data is aggregated. The coverage of the other sources is close to 100 per cent; therefore these data are not grossed up.

The statistics are based on the flow identity:

stock, end of previous period
+ transactions during the period
+ revaluations, etc. during the period
= stock, end of period.

Stock data (asset/liability principle) corresponds to the international investment position, cf. Danmarks Nationalbank's statistics Denmark's international investment position, and credit flow data corresponds to Danmarks Nationalbank's statistics Balance of payments – Financial account. Reference is made to Sources and methods of these statistics for further details.

Revaluations, etc. comprise not only changes in exchange rates and prices, but also other changes resulting from among other things reclassification between sectors or instruments. For example, a portfolio investment is reclassified as a direct investment when an investor increases the ownership from less than 10 per cent to more than 10 per cent of the equity capital in an enterprise. In Danmarks Nationalbank's statistics Balance sheets of banks and mortgage banks and in most of the reporting by enterprises all the elements of the identity are reported. Thus the reported figures can be reconciled.

Definition of direct investment

In accordance with the definition in the IMF's Balance of Payments Manual from 2009 (BPM6) direct investments comprise shares and other forms of equity where an investor holds at least 10 per cent of the equity capital or voting power of an enterprise. Investments of this size are assumed to be made for the purpose of obtaining a long-term economic relationship between the investor and the enterprise as well as provide the investor a significant (but not necessarily controlling) influence on the management. A direct investment, cf. the above definition, may be in the form of equity capital, etc. or intercompany loan, etc.

The foreign direct investments statistics are compiled both on a net basis (directional principle) and on a gross basis (asset/liability principle). Under the directional principle investments of foreign enterprises into their Danish parent enterprises are classified as divestments, and are thus deducted from direct investments abroad. In the same way investments of Danish enterprises into foreign parent enterprises are deducted from foreign investments in Denmark. This is in contrast to the asset/liability principle, where Danish investments in foreign parent enterprises are not deducted, and vice versa for foreign branches' reverse investments in Danish parent enterprises.

The directional principle leads to a netting of intercompany loans between mother and daughter enterprises (see example below) and between fellow enterprises. The direction of the investment for fellow enterprises is determined by the ultimate investing country.

Det nye princip medfører en nettoficering af koncernlån, både mellem moder- og datterselskaber (se eksempel nedenfor) og mellem søsterselskaber. For søsterselskaber bestemmes retningen for investeringen på baggrund af det ultimative investorland.

		Asset/liability principle		Directional principle	
	Investing country	DK-Asset	DK-Liability	Outwards	Inwards
Example 1	Denmark	5000	300	4700	0

Example 2	Spain	2000	1000	0	-1000
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Equity, etc.

Holdings of equity, etc. consist of shares and other equity, whereas transfers of equity, etc. consist of transfers relating to shares and other equity as well as reinvested earnings. Equity capital transfers include setting up new enterprises, purchase/merger of existing enterprises or increase of equity in existing enterprises. Reinvested earnings comprise the part of an enterprise's profit that is not distributed. In these statistics the primary basis is actual annual account data.

Holiday residences

Private holiday residences are classified as equity. Data are as of end-2006 and based on information from the Danish tax authorities. Until end-2004 Danish residents' holiday residences abroad were estimated on the basis of the Payments statistics in which non-residents' holiday residences in Denmark, as well as those of residents who had moved abroad, were not registered. Data until end-2005 are therefore 0. Data as of end-2005 and through 2006 are estimated on the basis of the Danish tax authorities' end-2006 data. Holiday residences are categorized under the industry code "Real estate non-commercial".

Intercompany debt, etc.

Intercompany debt, etc. comprises trade credits, intercompany loans and other accounts between group enterprises. Intercompany debt, etc. includes accounts between both direct and indirect group enterprises, e.g. sister enterprises. Branches are treated as wholly owned subsidiaries, with the exception of branches of financial intermediaries, which are not included.

Banks' intercompany debt, etc.

For banks only equity capital transfers to subsidiaries and associates are included. Intercompany debt, etc. between banks in the same group are excluded, since they are considered to be ordinary banking activities.

Pass-through investments

Pass-through investments are direct investments from abroad into a holding company in Denmark, which reinvests the capital abroad. The investments are also characterised by the holding company having no real-economic activity, e.g. employees or production, in Denmark (of significance) and normally owning no enterprises in Denmark.

Industrial classification

The industrial classification is in accordance with the joint European nomenclature NACE Rev. 2, which is the basis for the Danish industrial classification of all economic activities, Dansk Branchekode 2007 (DB07), from Statistics Denmark. The industry breakdown is based on the industry of the resident enterprise.

Holding companies

Outward investments via Danish holding companies or inward investments in Danish holding companies are registered under the industry "Financial intermediation" in 1720 "holding companies (not head offices)". The objective of a holding company is typically to own shares in other Danish enterprises which usually do not belong to the group. This leads to an overrepresentation of investments in the industry.

Investment income

Investment income from direct investments is broken down by (distributed on) dividend from equity, reinvested earnings and interest from intercompany debt, etc.

2 TIME

2.1 Reference Period

The statistics are published on a yearly basis.

2.2 Date of Publication

The statistics are normally published 9½ months after the turn of year; the 10th banking day of October. At this time the annual accounts of the reporting enterprises are implemented in Danmarks Nationalbank's statistics Denmark's international investment position and Balance of Payments – Financial account

2.3 Punctuality

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

2.4 Frequency

The statistics are published every year.

3 ACCURACY

3.1 Overall Accuracy

The statistics are based on reports from approximately 770 enterprises. The overall accuracy is therefore dependent on the accuracy of the reports from the individual enterprises. For the other sources cf. the declarations of content for these statistics.

3.2 Sources of Inaccuracy

Since the statistics are a subset of Danmarks Nationalbank's statistics Denmark's international investment position and the Balance of payments – Financial account, reference is made to the Sources and methods for these statistics.

3.3 Measures of Accuracy

No calculations of statistical uncertainty are carried out.

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 the international investment position and the financial account of the balance of payments. The system also applies for Foreign direct investments - annual statement. This means e.g. that data from before 2005 was collected in a different way.

Since the statistics are a subset of Danmarks Nationalbank's statistics Denmark's international investment position and the Balance of payment – Financial account, reference is made to the Sources and methods for these statistics.

4.2 Comparability with other Statistics

Comparable statistics are not available.

4.3 Coherence between Provisional and Final Statistics

The statistics are normally revised 2 reference periods back when the present year is published, cf. also Danmarks Nationalbank's revision policy for financial statistics and the appurtenant

5 ACCESSIBILITY

5.1 Forms of Dissemination

Published annually 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

The compilation of Denmark's balance of payments and international investment position, including compilation of direct investments, is described in detail in Jens Hald, Denmark's balance of payments and international investment position, Danmarks Nationalbank, 2007.

5.4 Other Information

No other information is available.

6 SUPPLEMENTARY DOCUMENTATION

None.