

This metadata describes the compilation practices, sources and methodology in use in 2001. Please refer to the contact person below for details of any changes that may have been introduced by the country since that time.

## Denmark:

# Direct Investment Compilation Practices, Data Sources and Methodology

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### Direct Investment in Denmark

- **Balance of Payments (“Transactions Data”)**
- **International Investment Position (“Position Data”)**

### Direct Investment Abroad

- **Balance of Payments (“Transactions Data”)**
- **International Investment Position (“Position Data”)**

**[Glossary of Direct Investment Terms and Definitions](#)**

## DIRECT INVESTMENT IN DENMARK

### BALANCE OF PAYMENTS (“TRANSACTIONS DATA”)

#### A. Compilation Practices and Data Sources

**Data Availability:** Preliminary monthly data on direct investment financial flows (equity capital and other capital) are disseminated with a timeliness of 8 weeks after the end of the reference period. Data on (i) direct investment income on equity, and (ii) direct investment income on debt (interest) are compiled, but data are only disseminated at the aggregate level of total Investment Income in the balance of payments statistics. Data on reinvested earnings are estimated, but not disseminated.

**Revision Policy:** The data for the current and previous year are subject to revision at the end of each quarter. The data for all previous years are subject to a full revision at the time of dissemination of the data for September each year.

**Data Coverage:** No major industrial sectors are excluded from the data.

**Data Collection Methods:** Data are collected on an individual transactions basis, and reporting requirements are compulsory.

**Data Sources:** The data are compiled from an international transactions reporting system (ITRS). The estimates of reinvested earnings are based on the results for the previous year obtained from an annual enterprise survey. Press reports are also used for cross-checking the data. A business register of enterprises involved in direct investment is not maintained.

**Geographic Classification:** Monthly data showing country breakdowns are disseminated for direct investment income and direct investment financial flows with a timeliness of 8 weeks after the end of the reference period. In accordance with the international standards, the debtor/creditor principle is used as the basis for the geographic allocation of the data. Bilateral information is used in the compilation of the data. Data are disseminated showing breakdowns of direct investment financial flows (but not direct investment income) by regions or economic zones for: (i) the European Union, (ii) EFTA, (iii) the OECD, (iv) NAFTA, (v) the CIS countries, (vi) ASEAN, and (vii) OPEC. The five countries with the largest amount of direct investment flows into Denmark during 2001 (ranked in descending order) were: Sweden, the Netherlands, Canada, the United Kingdom, and France.

**Industrial Classification:** Monthly data showing a breakdown by industrial sector are disseminated for direct investment financial flows (but not direct investment income) with a timeliness of 8 weeks after the end of the reference period. The data are based on the industry of the resident direct investment enterprise. The classification broadly corresponds to the nine major divisions of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC). More detailed sectoral breakdowns are also disseminated, subject to confidentiality constraints. Data showing breakdowns by industrial sector/region or economic zone are disseminated for: (i) the European Union, and (ii) EFTA. Breakdowns by industrial sector/partner country are also disseminated.

#### B. Methodology

**Definition of Direct Investment Enterprises in Denmark:** In accordance with the international standards, the basic criterion for defining direct investment enterprises in Denmark is 10 percent ownership by a nonresident investor, regardless of whether the investor has an effective voice in management. Enterprises in which the nonresident investor owns less than 10 percent but has an effective voice in management are not included. No value threshold is used to identify direct investment enterprises, and unincorporated enterprises are not treated differently from incorporated enterprises.

**Treatment of Indirectly-Owned Direct Investment Enterprises:** The “Fully Consolidated System” (FCS) recommended in the international standards is fully applied. Specifically, (i) the direct investment earnings data include the relevant share of indirectly-owned direct investment enterprises, and (ii) the direct investment financial flows data include the equity and other capital transactions between resident enterprises and nonresident enterprises of the same group of related enterprises. Enterprises in Denmark are not required by law to (i) produce consolidated accounts covering their subsidiaries and associates, either domestic or foreign, or (ii) identify all transactions with the parent company.

**Measurement of Direct Investment Earnings:** Contrary to the international standards, the “Current Operating Performance Concept” (COPC) is not fully used to calculate earnings of direct investment enterprises. In accordance with COPC, deductions are made for depreciation of capital, and for provisions for host-country income and corporation taxes. However, contrary to COPC, realized and unrealized capital gains and losses, write-offs, and exchange rate gains or losses are included. In accordance with the international standards, when a direct investment enterprise makes a loss, the net loss is recorded as negative reinvested earnings.

**Treatment of Income on Equity (Dividends and Distributed Branch Profits):** Data on direct investment income on equity are compiled, but are disseminated only at the aggregate level of total Investment Income in the balance of payments statistics. The data cover both incorporated enterprises and unincorporated enterprises. Contrary to the international standards, dividends and distributed branch profits are recorded (i) on the date they are paid, rather than the date they are payable, and (ii) net, rather than gross, of any withholding taxes.

**Treatment of Reinvested Earnings and Undistributed Branch Profits:** Data on reinvested earnings are estimated, but not disseminated. The data cover both incorporated enterprises and unincorporated enterprises. Contrary to the international standards, reinvested earnings and undistributed branch profits are not recorded in the period in which they are earned, but in the year they are paid, that is, the year after they are earned.

**Treatment of Income on Debt (Interest):** Data on direct investment income on debt (interest) are compiled, but are only disseminated at the aggregate level of total Investment Income in the balance of payments statistics. The data cover interest income from: (i) long-term loans, and (ii) short-term loans. The data do not cover (i) bonds and money market instruments, and (ii) trade credits. In accordance with the international standards, the data do not include interest from financial derivatives. Contrary to the international standards, (i) the data include interest from deposits, loans and other claims and liabilities related to usual banking and financial intermediation activities between affiliated banks and affiliated financial intermediaries, and (ii) the data are compiled on a paid basis, rather than an accrual basis.

**Treatment of Equity Capital:** The data cover all types of financial flows affecting equity capital, namely, (i) listed voting stocks (shares), (ii) unlisted voting stocks, (iii) other non-voting stocks (including participating preference shares), and (iv) non-cash acquisitions of equity, such as through the provision of capital equipment. In accordance with the international standards, the data include equity transactions between affiliated banks and between affiliated financial intermediaries.

**Treatment of Other Capital:** The data cover: (i) long-term loans, and (ii) short-term loans. The data do not cover: (i) bonds and money market instruments, (ii) financial leases, (iii) trade credits, and (iv) financial derivatives. In accordance with the international standards, the data exclude (i) loans merely guaranteed by direct investors or related direct investment enterprises, (ii) changes in insurance company technical reserves, and (iii) transactions between affiliated banks and between affiliated financial intermediaries involving deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities. In accordance with the international standards, the data include transactions associated with permanent debt (that is, loan capital representing a permanent interest) between affiliated banks and between affiliated financial intermediaries.

**Treatment of Reverse Investment:** Transactions involving reverse investment are not treated in accordance with the international standards in most instances. Assuming that the direct investment enterprise is a resident of Denmark and the direct investor is a nonresident, when the direct investment enterprise owns at least 10 percent of its nonresident direct investor, and has therefore established a direct investment relationship in its own right, equity transactions are recorded in accordance with the international standards as “Direct Investment Abroad: Increase in Claims on Affiliated Enterprises”. However, contrary to the international standards, loan transactions are recorded as “Direct Investment in Denmark: Decrease in Liabilities to Direct Investors”, rather than “Direct Investment Abroad: Increase in Claims on Affiliated Enterprises”. Contrary to the international standards, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, equity and loan transactions are recorded as “Direct Investment in Denmark: Decrease in Liabilities to Direct Investors”, rather than “Direct Investment in Denmark: Increase in Claims on Direct Investors”.

**Treatment of Quasi-corporations:** In accordance with the international standards, the direct investment data include the activities of quasi-corporations involving the operation in Denmark by nonresidents of mobile equipment, such as ships, aircraft, and drilling rigs. Quasi-corporations involving the operation in Denmark of construction enterprises by nonresidents cannot be identified at present.

**Treatment of Offshore Enterprises:** Not applicable. There are no offshore enterprises established in Denmark by nonresidents at present.

**Treatment of Special Purpose Entities (SPEs):** In accordance with the international standards, (i) activities of SPEs established in Denmark by nonresidents are generally included in the direct investment data, and (ii) in the case of SPEs established in Denmark by nonresidents that have the sole purpose of financial intermediation, transactions with affiliated banks and affiliated financial intermediaries, except transactions in equity capital and permanent debt, are excluded from the data.

**Treatment of Land and Buildings:** In accordance with the international standards, the data include purchases and sales of land and buildings in Denmark by nonresident enterprises and individuals.

**Treatment of Natural Resources Exploration:** In accordance with the international standards, the data include expenditure related to natural resources exploration in Denmark by nonresidents.

**Exchange Rate Conversion:** Most transactions are converted to the unit of account at the exchange rate prevailing on the day of the transaction, but reinvested earnings are converted at the exchange rate at the end of the period in which the transactions are recorded.

## DIRECT INVESTMENT IN DENMARK

### INTERNATIONAL INVESTMENT POSITION (“POSITION DATA”)

#### A. Compilation Practices and Data Sources

**Data Availability:** Preliminary annual (calendar year) data are disseminated on (i) equity capital and reinvested earnings, and (ii) other capital, with a timeliness of 40-52 weeks after the end of the reference period.

**Revision Policy:** The data are usually revised twice during the year following their release - at the end of March and at the end of September. The data are considered to be final 40-52 weeks after their first release.

**Data Coverage:** No major industrial sectors are excluded from the data.

**Data Collection Methods:** Reporting requirements are compulsory.

**Data Sources:** The data are compiled primarily from annual enterprise surveys of direct investment enterprises in Denmark. The perpetual inventory method (a method for deriving position data from transactions data) is also used for preparing the preliminary data, using information from an international transactions reporting system (ITRS), with no adjustments for price changes, or exchange rate changes. Press reports are used for cross-checking the data obtained from the surveys. A business register of enterprises involved in direct investment is not maintained.

**Geographic Classification:** Annual (calendar year) data showing country breakdowns are disseminated with a timeliness of 40-52 weeks after the end of the reference period. In accordance with the international standards, the data are compiled on an “immediate country” basis. Data compiled on an “ultimate country” basis are also disseminated. Bilateral information is used in the compilation of the data. Data are disseminated showing breakdowns by regions or economic zones for: (i) the European Union, (ii) EFTA, (iii) the OECD, (iv) NAFTA, (v) the CIS countries, (vi) ASEAN, and (vii) OPEC. The five countries with the largest amount of direct investment in Denmark as at the end of 2000 (ranked in descending order) were: the United States, Sweden, the Netherlands, the United Kingdom, and the Benelux countries.

**Industrial Classification:** Annual data showing a breakdown by industrial sector are disseminated with a timeliness 40-52 weeks after the end of the reference period. The data are based on the industry of the resident direct investment enterprise. The classification broadly corresponds to the nine major divisions of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC). More detailed sectoral breakdowns are also disseminated, subject to confidentiality constraints. Data showing breakdowns by industrial sector/region or economic zone are disseminated for: (i) the European Union, and (ii) EFTA. Breakdowns by industrial sector/partner country are also disseminated.

#### B. Methodology

**Definition of Direct Investment Enterprises in Denmark:** In accordance with the international standards, the basic criterion for defining direct investment enterprises in Denmark is 10 percent ownership by a nonresident investor, regardless of whether the investor has an effective voice in management. Enterprises in which the nonresident investor owns less than 10 percent but has an effective voice in management are not included. No value threshold is used to identify direct investment enterprises, and unincorporated enterprises are not treated differently from incorporated enterprises.

**Treatment of Indirectly-Owned Direct Investment Enterprises:** The “Fully Consolidated System” (FCS) recommended in the international standards is fully applied. Specifically, the relevant share of indirectly-owned direct investment enterprises is included in (i) the reinvested earnings data, and (ii) the equity and other capital position data. Enterprises in Denmark are not required by law to (i) produce consolidated accounts covering their subsidiaries and associates, either domestic or foreign, or to (ii) identify all transactions with the parent company.

**Treatment of Equity Capital and Reinvested Earnings:** The data cover all types of position data affecting equity capital and reinvested earnings, namely, (i) listed voting stocks (shares), (ii) unlisted voting stocks, (iii) other non-voting stocks, including participating preference shares, (iv) non-cash acquisitions of equity, such as through the provision of capital equipment, and (v) reinvested earnings. In accordance with the international standards, the data include equity positions between affiliated banks and between affiliated financial intermediaries. The reinvested earnings data cover both incorporated enterprises and unincorporated

enterprises, but, contrary to the international standards, are not recorded in the period in which they are earned. (See also the section on the *Measurement of Direct Investment Earnings* in the metadata on the Balance of Payments [transactions] data on Direct Investment in Denmark.)

**Treatment of Other Capital:** The data cover: (i) long-term loans, (ii) short-term loans, and (iii) trade credits. The data do not cover: (i) bonds and money market instruments, (ii) financial leases, and (iii) financial derivatives. In accordance with the international standards, the data exclude (i) loans merely guaranteed by direct investors or related direct investment enterprises, (ii) changes in insurance company technical reserves, and (iii) positions between affiliated banks and between affiliated financial intermediaries involving deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities. In accordance with the international standards, the data include positions associated with permanent debt (that is, loan capital representing a permanent interest) between affiliated banks and between affiliated financial intermediaries.

**Treatment of Reverse Investment:** Positions involving reverse investment are not treated in accordance with the international standards in most instances. Assuming that the direct investment enterprise is a resident of Denmark and the direct investor is a nonresident, when the direct investment enterprise owns at least 10 percent of its nonresident direct investor, and has therefore established a direct investment relationship in its own right, equity positions are recorded in accordance with the international standards as "Assets: Direct Investment Abroad: Claims on Affiliated Enterprises". However, contrary to the international standards, loan positions are recorded as "Liabilities: Direct Investment in Denmark: Liabilities to Direct Investors", rather than "Assets: Direct Investment Abroad: Claims on Affiliated Enterprises". Contrary to the international standards, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, equity and loan positions are recorded as "Liabilities: Direct Investment in Denmark: Liabilities to Direct Investors", rather than "Liabilities: Direct Investment in Denmark: Claims on Direct Investors".

**Treatment of Quasi-corporations:** In accordance with the international standards, the direct investment data include the activities of quasi-corporations involving the operation in Denmark by nonresidents of mobile equipment, such as ships, aircraft, and drilling rigs. Quasi-corporations involving the operation in Denmark of construction enterprises by nonresidents cannot be identified at present.

**Treatment of Offshore Enterprises:** Not applicable. There are no offshore enterprises established in Denmark by nonresidents at present.

**Treatment of Special Purpose Entities (SPEs):** In accordance with the international standards, (i) activities of SPEs established in Denmark by nonresidents are generally included in the direct investment data, and (ii) in the case of SPEs established in Denmark by nonresidents that have the sole purpose of financial intermediation, positions with affiliated banks and affiliated financial intermediaries, except positions involving equity capital and permanent debt, are excluded from the data.

**Treatment of Land and Buildings:** In accordance with the international standards, the data include ownership of land and buildings in Denmark by nonresident enterprises and individuals.

**Treatment of Natural Resources Exploration:** In accordance with the international standards, the data include expenditure related to natural resources exploration in Denmark by nonresidents.

**Valuation:** Contrary to the international standards, the data are recorded primarily at book values, rather than market values. The book values used are the sum of (i) the equity capital, (ii) reserves, and (iii) retained earnings, on the liability side of the balance sheet of each reporting enterprise. However, some data, such as equity securities listed on the stock exchange, are recorded at market values.

**Exchange Rate Conversion:** The exchange rate prevailing on the day to which the position data relate is used to convert foreign currencies into the unit of account.

**DENMARK: DIRECT INVESTMENT ABROAD**  
**BALANCE OF PAYMENTS (“TRANSACTIONS DATA”)**

**A. Compilation Practices and Data Sources**

**Data Availability:** Preliminary monthly data on direct investment financial flows (equity capital and other capital) are disseminated with a timeliness of 8 weeks after the end of the reference period. Data on (i) direct investment income on equity, and (ii) direct investment income on debt (interest) are compiled, but data are only disseminated at the aggregate level of total Investment Income in the balance of payments statistics. Data on reinvested earnings are estimated, but not disseminated.

**Revision Policy:** The data for the current and previous year are subject to revision at the end of each quarter. The data for all previous years are subject to a full revision at the time of dissemination of the data for September each year.

**Data Coverage:** No major industrial sectors are excluded from the data.

**Data Collection Methods:** Data are collected on an individual transactions basis, and reporting requirements are compulsory.

**Data Sources:** The data are compiled from an international transactions reporting system (ITRS). The estimates of reinvested earnings are based on the results for the previous year obtained from an annual enterprise survey. Press reports are also used for cross-checking the data. A business register of enterprises involved in direct investment is not maintained.

**Geographic Classification:** Monthly data showing country breakdowns are disseminated for direct investment income and direct investment financial flows with a timeliness of 8 weeks after the end of the reference period. In accordance with the international standards, the debtor/creditor principle is used as the basis for the geographic allocation of the data. Bilateral information is used in the compilation of the data. Data are disseminated showing breakdowns of direct investment financial flows (but not direct investment income) by regions or economic zones for: (i) the European Union, (ii) EFTA, (iii) the OECD, (iv) NAFTA, (v) the CIS countries, (vi) ASEAN, and (vii) OPEC. The five countries/regions with the largest amount of direct investment flows from Denmark during 2001 (ranked in descending order) were: Switzerland, South America, the Benelux countries, Sweden, and the United Kingdom.

**Industrial Classification:** Monthly data showing a breakdown by industrial sector are disseminated for direct investment financial flows (but not direct investment income) with a timeliness of 8 weeks after the end of the reference period. The data are based on the industry of the resident direct investor. The classification broadly corresponds to the nine major divisions of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC). More detailed sectoral breakdowns are also disseminated, subject to confidentiality constraints. Data showing breakdowns by industrial sector/region or economic zone are disseminated for: (i) the European Union, and (ii) EFTA. Breakdowns by industrial sector/partner country are also disseminated.

**B. Methodology**

**Definition of Direct Investors Abroad:** In accordance with the international standards, the basic criterion for defining direct investors abroad is 10 percent ownership of a nonresident enterprise by a resident investor, regardless of whether the investor has an effective voice in management. Investors which own less than 10 percent of a direct investment enterprise but have an effective voice in management are not included. No value threshold is used to identify direct investors abroad, and unincorporated enterprises are not treated differently from incorporated enterprises.

**Treatment of Indirectly-Owned Direct Investment Enterprises:** The “Fully Consolidated System” (FCS) recommended in the international standards is fully applied. Specifically, (i) the direct investment earnings data include the relevant share of indirectly-owned direct investment enterprises, and (ii) the direct investment financial flows data include the equity and other capital transactions between resident enterprises and nonresident enterprises of the same group of related enterprises. Enterprises in Denmark are not required by law

to (i) produce consolidated accounts covering their subsidiaries and associates, either domestic or foreign, or (ii) identify all transactions with the parent company.

**Measurement of Direct Investment Earnings:** Contrary to the international standards, the “Current Operating Performance Concept” (COPC) is not fully used to calculate earnings of direct investment enterprises. In accordance with COPC, deductions are made for depreciation of capital, and for provisions for host-country income and corporation taxes. However, contrary to COPC, realized and unrealized capital gains and losses, write-offs, and exchange rate gains or losses are included. In accordance with the international standards, when a direct investment enterprise makes a loss, the net loss is recorded as negative reinvested earnings.

**Treatment of Income on Equity (Dividends and Distributed Branch Profits):** Data on direct investment income on equity are compiled, but are only disseminated at the aggregate level of total Investment Income in the balance of payments statistics. The data cover both incorporated enterprises and unincorporated enterprises. Contrary to the international standards, dividends and distributed branch profits are recorded (i) on the date they are paid, rather than the date they are payable, and (ii) net, rather than gross, of any withholding taxes.

**Treatment of Reinvested Earnings and Undistributed Branch Profits:** Data on reinvested earnings are estimated, but not disseminated. The data cover both incorporated enterprises and unincorporated enterprises. Contrary to the international standards, reinvested earnings and undistributed branch profits are not recorded in the period in which they are earned, but in the year they are paid, that is, the year after they are earned.

**Treatment of Income on Debt (Interest):** Data on direct investment income on debt (interest) are compiled, but are only disseminated at the aggregate level of total Investment Income in the balance of payments statistics. The data cover interest income from: (i) long-term loans, and (ii) short-term loans. The data do not cover (i) bonds and money market instruments, and (ii) trade credits. In accordance with the international standards, the data do not include interest from financial derivatives. Contrary to the international standards, (i) the data include interest from deposits, loans and other claims and liabilities related to usual banking and financial intermediation activities between affiliated banks and affiliated financial intermediaries, and (ii) the data are compiled on a paid basis, rather than an accrual basis.

**Treatment of Equity Capital:** The data cover all types of financial flows affecting equity capital: (i) listed voting stocks (shares), (ii) unlisted voting stocks, (iii) other non-voting stocks (including participating preference shares) and (iv) non-cash acquisitions of equity, such as through the provision of capital equipment. In accordance with the international standards, the data include equity transactions between affiliated banks and between affiliated financial intermediaries.

**Treatment of Other Capital:** The data cover: (i) long-term loans, and (ii) short-term loans. The data do not cover: (i) bonds and money market instruments, (ii) financial leases, (iii) trade credits, and (iv) financial derivatives. In accordance with the international standards, the data exclude (i) loans merely guaranteed by direct investors or related direct investment enterprises, (ii) changes in insurance company technical reserves, and (iii) transactions between affiliated banks and between affiliated financial intermediaries involving deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities. In accordance with the international standards, the data include transactions associated with permanent debt (that is, loan capital representing a permanent interest) between affiliated banks and between affiliated financial intermediaries.

**Treatment of Reverse Investment:** Transactions involving reverse investment are not treated in accordance with the international standards in most instances. Assuming that the direct investment enterprise is a resident of Denmark and the direct investor is a nonresident, when the direct investment enterprise owns at least 10 percent of its nonresident direct investor, and has therefore established a direct investment relationship in its own right, equity transactions are recorded in accordance with the international standards as “Direct Investment Abroad: Increase in Claims on Affiliated Enterprises”. However, contrary to the international standards, loan transactions are recorded as “Direct Investment in Denmark: Decrease in Liabilities to Direct Investors”, rather than “Direct Investment Abroad: Increase in Claims on Affiliated Enterprises”. Contrary to the international standards, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, equity and loan transactions are recorded as “Direct Investment in Denmark: Decrease in Liabilities to Direct Investors”, rather than “Direct Investment in Denmark: Increase in Claims on Direct Investors”.

**Treatment of Quasi-corporations:** In accordance with the international standards, the direct investment data include the activities of quasi-corporations involving the operation abroad by Danish residents of mobile equipment, such as ships, aircraft, and drilling rigs. Quasi-corporations involving the operation abroad of construction enterprises by Danish residents cannot be identified at present



**Treatment of Offshore Enterprises:** Not applicable. Offshore enterprises established abroad by Danish residents cannot be identified at present.

**Treatment of Special Purpose Entities (SPEs):** In accordance with the international standards, (i) activities of SPEs established abroad by Danish residents are generally included in the direct investment data, and (ii) in the case of SPEs established abroad by Danish residents that have the sole purpose of financial intermediation, transactions with affiliated banks and affiliated financial intermediaries, except transactions in equity capital and permanent debt, are excluded from the data.

**Treatment of Land and Buildings:** In accordance with the international standards, the data include purchases and sales of land and buildings abroad by Danish resident enterprises and individuals.

**Treatment of Natural Resources Exploration:** In accordance with the international standards, the data include expenditure related to natural resources exploration abroad by Danish residents.

**Exchange Rate Conversion:** Most transactions are converted to the unit of account at the exchange rate prevailing on the day of the transaction, but reinvested earnings are converted at the exchange rate at the end of the period in which the transactions are recorded.

**DENMARK: DIRECT INVESTMENT ABROAD**  
**INTERNATIONAL INVESTMENT POSITION (“POSITION DATA”)**

**A. Compilation Practices and Data Sources**

**Data Availability:** Preliminary annual (calendar year) data are disseminated on (i) equity capital and reinvested earnings, and (ii) other capital, with a timeliness of 40-52 weeks after the end of the reference period.

**Revision Policy:** The data are usually revised twice during the year following their release - at the end of March and at the end of September. The data are considered to be final 40-52 weeks after their first release.

**Data Coverage:** No major industrial sectors are excluded from the data.

**Data Collection Methods:** Reporting requirements are compulsory.

**Data Sources:** The data are compiled primarily from annual enterprise surveys of residents with direct investment enterprises abroad. The perpetual inventory method (a method for deriving position data from transactions data) is also used for preparing the preliminary data, using information from an international transactions reporting system (ITRS), with no adjustments for price changes, or exchange rate changes. Press reports are used for cross-checking the data obtained from the surveys. A business register of enterprises involved in direct investment is not maintained.

**Geographic Classification:** Annual (calendar year) data showing country breakdowns are disseminated with a timeliness of 40-52 weeks after the end of the reference period. In accordance with the international standards, the data are compiled on an “immediate country” basis. Data compiled on an “ultimate country” basis are also disseminated. Bilateral information is used in the compilation of the data. Data are disseminated showing breakdowns by regions or economic zones for: (i) the European Union, (ii) EFTA, (iii) the OECD, (iv) NAFTA, (v) the CIS countries, (vi) ASEAN, and (vii) OPEC. The five countries with the largest amount of direct investment from Denmark as at the end of 2000 (ranked in descending order) were: the Benelux countries, the United States, the United Kingdom, the Netherlands, and Sweden.

**Industrial Classification:** Annual data showing a breakdown by industrial sector are disseminated with a timeliness 40-52 weeks after the end of the reference period. The data are based on the industry of the resident direct investor. The classification broadly corresponds to the nine major divisions of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC). More detailed sectoral breakdowns are also disseminated, subject to confidentiality constraints. Data showing breakdowns by industrial sector/region or economic zone are disseminated for: (i) the European Union, and (ii) EFTA. Breakdowns by industrial sector/partner country are also disseminated.

**B. Methodology**

**Definition of Direct Investors Abroad:** In accordance with the international standards, the basic criterion for defining direct investors abroad is 10 percent ownership of a nonresident enterprise by a resident investor, regardless of whether the investor has an effective voice in management. Investors which own less than 10 percent of a direct investment enterprise but have an effective voice in management are not included. No value threshold is used to identify direct investors abroad, and unincorporated enterprises are not treated differently from incorporated enterprises.

**Treatment of Indirectly-Owned Direct Investment Enterprises:** The “Fully Consolidated System” (FCS) recommended in the international standards is fully applied. Specifically, the relevant share of indirectly-owned direct investment enterprises is included in (i) the reinvested earnings data, and (ii) the equity and other capital position data. Enterprises in Denmark are not required by law to (i) produce consolidated accounts covering their subsidiaries and associates, either domestic or foreign, or to (ii) identify all transactions with the parent company.

**Treatment of Equity Capital and Reinvested Earnings:** The data cover all types of position data affecting equity capital and reinvested earnings, namely, (i) listed voting stocks (shares), (ii) unlisted voting stocks, (iii) other non-voting stocks, including participating preference shares, (iv) non-cash acquisitions of equity, such as through the provision of capital equipment, and (v) reinvested earnings. In accordance with the international standards, the data include equity positions between affiliated banks and between affiliated financial intermediaries. The reinvested earnings data cover both incorporated enterprises and unincorporated

enterprises, but, contrary to the international standards, are not recorded in the period in which they are earned. (See also the section on the *Measurement of Direct Investment Earnings* in the metadata on the Balance of Payments [transactions] data on Direct Investment Abroad.)

**Treatment of Other Capital:** The data cover: (i) long-term loans, (ii) short-term loans, and (iii) trade credits. The data do not cover: (i) bonds and money market instruments, (ii) financial leases, and (iii) financial derivatives. In accordance with the international standards, the data exclude (i) loans merely guaranteed by direct investors or related direct investment enterprises, (ii) changes in insurance company technical reserves, and (iii) positions between affiliated banks and between affiliated financial intermediaries involving deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities. In accordance with the international standards, the data include positions associated with permanent debt (that is, loan capital representing a permanent interest) between affiliated banks and between affiliated financial intermediaries.

**Treatment of Reverse Investment:** Positions involving reverse investment are not treated in accordance with the international standards in most instances. Assuming that the direct investment enterprise is a resident of Denmark and the direct investor is a nonresident, when the direct investment enterprise owns at least 10 percent of its nonresident direct investor, and has therefore established a direct investment relationship in its own right, equity positions are recorded in accordance with the international standards as "Assets: Direct Investment Abroad: Claims on Affiliated Enterprises". However, contrary to the international standards, loan positions are recorded as "Liabilities: Direct Investment in Denmark: Liabilities to Direct Investors", rather than "Assets: Direct Investment Abroad: Claims on Affiliated Enterprises". Contrary to the international standards, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, equity and loan positions are recorded as "Liabilities: Direct Investment in Denmark: Liabilities to Direct Investors", rather than "Liabilities: Direct Investment in Denmark: Claims on Direct Investors".

**Treatment of Quasi-corporations:** In accordance with the international standards, the direct investment data include the activities of quasi-corporations involving the operation abroad by Danish residents of mobile equipment, such as ships, aircraft, and drilling rigs. Quasi-corporations involving the operation abroad of construction enterprises by Danish residents cannot be identified at present.

**Treatment of Offshore Enterprises:** Not applicable. Offshore enterprises established abroad by Danish residents cannot be identified at present.

**Treatment of Special Purpose Entities (SPEs):** In accordance with the international standards, (i) activities of SPEs established abroad by Danish residents are generally included in the direct investment data, and (ii) in the case of SPEs established abroad by Danish residents that have the sole purpose of financial intermediation, positions with affiliated banks and affiliated financial intermediaries, except positions involving equity capital and permanent debt, are excluded from the data.

**Treatment of Land and Buildings:** In accordance with the international standards, the data include ownership of land and buildings abroad by Danish resident enterprises and individuals.

**Treatment of Natural Resources Exploration:** In accordance with the international standards, the data include expenditure related to natural resources exploration abroad by Danish residents.

**Valuation:** Contrary to the international standards, the data are recorded primarily at book values, rather than market values. The book values used are the sum of (i) the equity capital, (ii) reserves, and (iii) retained earnings, on the liability side of the balance sheet of each reporting enterprise. However, some data, such as equity securities listed on the stock exchange, are recorded at market values.

**Exchange Rate Conversion:** The exchange rate prevailing on the day to which the position data relate is used to convert foreign currencies into the unit of account.