

Box 1 - Definition of terms

An investment of 10% or more in an enterprise is considered to be a direct investment, while a smaller share is classified as portfolio investment. The terms domestic and foreign are defined on the basis of domicile, not citizenship. Thus a party domiciled in Iceland is considered to be Icelandic.

FDI stock in an enterprise comprises the share in the book value of its equity and the net lending position with respect to it. A parent company granting a loan to a subsidiary in another country increases its stock in that company in the same way as if a share contribution had been involved. Both current and long-term loans are included in the net lending position.

The book value of equity can be increased by a share contribution or reinvestment of earnings. Reinvestment of earnings is retained earnings after payment of dividends.