

1. General Information

Name

Foreign direct investment in Iceland

Direct investment abroad

Supervisor of statistics

Central Bank of Iceland, Statistics

Purpose

Data are collected for the compilation of annual economic statistics and quarterly reports on the balance of payments and external position.

Sources

Data are provided by resident investors owning shareholdings of 10% or more in non-resident enterprises, and by resident enterprises in which non-residents own shareholdings of 10% or more. Companies submit reports on their investments to the Central Bank of Iceland in accordance with their interim and annual statements.

Foundation in law

The foundation in law for data collection is in [Act no. 36/2001 on the Central Bank of Iceland](#), Article 29 and [Ruels No. 13/1995, on the Obligation to Provide Information in respect of Foreign Exchange Transactions and Cross-border Capital Movements](#).

2. Terms and definitions

The following terms and definitions used to measure investments relating to Iceland are in accordance with the [OECD Benchmark Definition of Foreign Direct Investment 3rd Edition](#), which contains definitions of foreign direct investment concepts. Direct investment is when an investor owns a shareholding of 10% or more in an enterprise. A smaller shareholding is classified as portfolio investment. With a direct investment, the investor has an influence on the management of the enterprise by the virtue of the size of his shareholding.

Tables for foreign direct investment (FDI) present both flows and stocks.

Concepts and definitions

Flow

A flow can take three forms, i.e. equity capital transactions, reinvested earnings and intercompany loan transactions.

Equity transactions

The direct investor's purchases less sales of the company's shares.

Reinvested earnings

Reinvested earnings are total consolidated profit less dividends due for payment. A positive sign (+) in front of the figure for reinvested earnings (excluding price adjustments and extraordinary income) occurs when investors reinvest earnings within the relevant enterprise, thereby increasing their equity capital. A negative sign (-) in front of the figure for reinvested earnings occurs when the equity capital of subsidiaries is depleted, either by an operating loss or because dividends paid to shareholders exceed earnings. Under the IMF definition, it is considered normal to classify reinvested earnings not only as investment but also as investment income. Reinvested earnings often appear to be the main determinant of developments in residents' and non-residents' investment income between the years.

Intercompany loan transactions

Are calculated from changes in the stock of liabilities and claims at the beginning and end of the year, after adjustment for changes in the exchange rate.

Foreign direct investment position

A direct investment position in an enterprise consists of the share in the book value of its equity plus the net loan position towards it. An investor lending to a subsidiary in another country increases its foreign direct investment position in the subsidiary, in the same way as if a capital contribution were involved.

Equity

Equity comprises share capital/capital contributions, reserve funds, revaluation reserves and retained earnings. The book value of equity may increase with a capital contribution or reinvested earnings.

Intercompany loans

Intercompany loans cover both short-term and long-term loans. Loans are subdivided into claims on subsidiaries, liabilities towards subsidiaries and net loans.

Investment income

Investment income can take three forms: dividend payments, reinvested earnings and net interest income.

Discrepancy between flows and direct investment position

Since the direct investment position is recorded on an accounts basis but the flow on an accruals basis (at market value), the year-on-year difference between direct investment positions does not necessarily reflect the flow volume for the relevant year.

Resident/non-resident

Classification into resident and non-resident is based on legal domicile irrespective of nationality, under [Act No 87/1992 on Foreign Exchange, Article 1](#). An entity domiciled in Iceland is thus classified as a resident. An investment in Iceland is classified on the basis of where the investor is resident (domiciled). A company owned, for example, by an Icelander

who is resident in the Isle of Man, and which invests in Iceland, is classified as an investment from the Isle of Man. An investment abroad is classified on the basis of the country where the investor, resident (domiciled) in Iceland, is investing.

Classification by industrial sector

Classification by industrial sector is consistent with rev. 2 of Statistics Iceland's ÍSAT 2008 classification.

Exchange rate

Flow figures are entered at market value at the respective time while figures for direct investment position are entered at value at the end of the period. Amounts are adjusted according to exchange rate movements.

3. Integrity of data

Statistics are based on reports on direct investment from resident enterprises under non-resident ownership and from resident enterprises which own non-resident subsidiaries. Reports are submitted when shareholdings of 10% or more are involved. Figures are assumed to be correct as submitted unless shown to be otherwise by further comparisons. In the event of doubt about the reliability of individual figures, an explanation is sought from the provider of the information.

4. Revision of data

As a general rule, the quarterly data for the current and last couple of years are preliminary. Figures are revised with each compilation if warranted. Since direct investment reports are sometimes received long after the end of the accounting year, the Central Bank of Iceland reserves the right to revise figures for individual quarters for up to two years after their first publication.

5. Publication

Data are published quarterly on the [Central Bank's Statistics pages](#). Classification by industrial sector and country is published twice a year on annual basis. Reports on direct investment are received shortly after publication of interim or annual statements. Operational statistics for some companies are available from [Iceland Stock Exchange](#). Amounts denominated in foreign currency in investment reports are translated using the exchange rate for the relevant year, in accordance with information in the annual accounts. Data are available at a quarterly frequency from 1989.

6. Other

The IMF's Special Data Dissemination Standard (SDDS) recommends stating the direct investment position at market value. Since few resident enterprises under non-resident ownership are listed on Iceland Stock Exchange, the conventional methodology of stating direct investment position at book value is still used.

Data on real estate investments by non-residents in Iceland and by residents abroad, i.e. net investment at any time (flow), are included but not broken down in the balance of payments statistics. Data on the position of real estate investments are in the process of compilation.

Negative figures for direct investment

Figures for direct investment are sometimes negative, which can be attributed to partial or total sales of shares in enterprises by residents/non-residents, or to high dividend payments or operating losses by the enterprises. A reduction in claims can also contribute to a negative figure. The reasons for negative figures may vary from one year to the next, such as high dividend payments one year but a heavy operating loss and sales of operational units the next year.