

Balance of payments in the first quarter of 2013 and the external position

The Central Bank of Iceland has published on its website the preliminary statistics for the balance of payments in the first quarter of 2013, and for the external position at the end of the quarter.¹

The current account balance was positive by 5.6 b.kr. during the quarter, as opposed to a negative balance of 15.1 b.kr. in the preceding quarter. The goods account showed a surplus of 25.6 b.kr., and the services account was positive by 0.6 b.kr. The balance on income, however, was negative by 20.7 b.kr. The current account balance excluding deposit institutions in winding-up proceedings was positive by 14.4 b.kr., as opposed to a deficit of 4.0 b.kr. in the preceding quarter.

As before, the income account deficit is due largely to the deposit institutions in winding-up proceedings. Calculated expenditures due to these institutions totalled 14.2 b.kr., while revenues were 5.3 b.kr. The negative effect of deposit institutions in winding-up proceedings on the balance on income totalled 8.9 b.kr. The balance on income excluding these institutions was negative by 11.9 b.kr.

External assets totalled 4,597 b.kr. at the end of the quarter, while external liabilities totalled 12,846 b.kr. Thus the net external position was negative by 8,249 b.kr., and net liabilities increased by 31 b.kr. quarter-on-quarter. Excluding the financial institutions undergoing winding-up proceedings, assets totalled 2,617 b.kr. and liabilities 3,071 b.kr., yielding a net balance of -453 b.kr. Net liabilities declined by 37 b.kr. between quarters.

Direct investment

Figures on direct investment for 2012 have been revised to align with the most recent information. In addition, the Central Bank has received new information on the redistribution of the assets and liabilities of a large international company, which took place in Q4/2012. As a result of these revisions, the previously estimated balance of Icelanders' financial assets abroad at year-end 2012 was increased by 256 b.kr. The effect on non-residents direct financial assets in Iceland was a reduction of 298 b.kr. The year-end total was 1,298 b.kr. Overall, because of these changes, the net external position of the economy has improved by 554 b.kr. from the last published figures.

¹ See the Statistics pages at <http://www.sedlabanki.is>.

Underlying external position

It should be noted that an analysis of the underlying external position of the Icelandic economy will be published on the Central Bank of Iceland website today.

Table 1. Quarterly balance of payments in billions of krónur, at the price levels of the relevant period

	<u>2012, I</u>	<u>2012, II</u>	<u>2012, III</u>	<u>2012, IV</u>	<u>2013, I</u>
Current account balance	-45.6	-56.1	33.2	-15.1	5.6
Balance on goods	18.2	7.0	22.4	27.9	25.6
Balance on services	-5.7	8.2	36.5	-6.8	0.6
Balance on income and transfers, net	-58.1	-71.3	-25.7	-36.2	-20.7
Capital and financial account	16.6	55.6	-78.4	5.8	-11.9
Financial account excl. reserves	-105.0	-24.2	-403.1	-11.6	-22.2
Foreign assets, net	76.6	264.9	-401.1	80.8	-12.8
Foreign liabilities, net	-181.6	-289.1	-2.0	-92.4	-9.4
Reserve assets (- increase)	121.6	79.8	324.7	17.4	10.3
Net errors and omissions	29.0	0.6	45.2	9.4	6.3

Memorandum items:

CA excluding DMBs in winding-up proceedings	-15.2	-20.4	53.5	-4.0	14.4
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Table 2. International investment position at the end of the quarter, at the price levels of the relevant period

	<u>2012, I</u>	<u>2012, II</u>	<u>2012, III</u>	<u>2012, IV</u>	<u>2013, I</u>
Total assets	4,748	4,313	4,438	4,846	4,597
Direct investment abroad	1,518	1,578	1,602	1,569	1,454
Portfolio assets	923	868	902	1,073	1,086
Other investment, net	1,331	1,016	1,401	1,664	1,552
Reserves	977	852	533	540	505
Total liabilities	13,905	13,401	13,329	13,064	12,846
Direct investment in Iceland	1,693	1,642	1,674	1,298	1,236
Portfolio liabilities	2,366	2,279	2,029	1,522	1,490
Other investment, liabilities	9,847	9,479	9,626	10,244	10,120
International investment position	-9,157	-9,087	-8,891	-8,218	-8,249

Memorandum items:

IIP excluding DMBs in winding-up proceedings	-898	-909	-1,120	-491	-453
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