

Balance of payments in the fourth quarter of 2016 and the international investment position

The Central Bank of Iceland has published on its website the preliminary statistics for the balance of payments in the fourth quarter of 2016, and for the external position at the end of the quarter.¹

The current account balance was positive by 44.7 b.kr. during the quarter, as opposed to a positive balance of 100.7 b.kr. in the preceding quarter. The balance on goods was negative in the amount of 13.3 b.kr., while the balance on services² was positive by 43.4 b.kr. The balance on primary income was positive by 19.3 b.kr., whereas secondary income was negative in the amount of 4.8 b.kr.

Foreign assets totalled 3,837 b.kr. at the end of the quarter, while foreign liabilities totalled 3,811 b.kr. The net position is therefore positive by 26 b.kr., or roughly 1.1% of GDP. The net position improved by 36 b.kr., or 1.5% of GDP, between quarters. Net financial transactions improved the international investment position by approximately 113 b.kr., as liabilities declined by 113 b.kr. and foreign assets did not change as a result of financial transactions. Price and exchange rate movements had a negative impact on the international investment position in the amount of 79 b.kr. during the quarter. The króna appreciated against most other major currencies during the quarter, or by 5.8% in terms of the trade-weighted index.

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

² [See the Statistics Iceland website](#)

Table 1. Quarterly balance of payments (b.kr.)

	<u>2015, Q4</u>	<u>2016, Q1</u>	<u>2016, Q2</u>	<u>2016, Q3</u>	<u>2016, Q4</u>
Current account balance	16.0	14.9	33.2	100.7	44.7
Balance on goods	-14.7	-26.4	-39.4	-22.4	-13.3
Balance on services	23.2	29.9	64.8	122.2	43.4
Balance on primary income	11.7	15.0	12.3	4.4	19.3
Secondary income, net	-4.2	-3.6	-4.5	-3.5	-4.8
Capital account	-0.4	-0.3	-0.4	-0.2	-0.5
Financial account	23.7	6.0	74.2	53.3	113.1
Direct investment	-15.5	-37.1	49.1	-85.0	-13.4
Portfolio investment	610.0	69.8	126.9	-31.9	58.5
Derivatives	-0.1	0.7	1.1	0.8	0.4
Other investments	-638.0	-125.7	-76.5	53.6	-33.6
Foreign exchange reserves	67.2	98.3	-26.2	115.8	101.2
Net errors and omissions	8.1	-8.5	41.4	-47.2	68.9

Table 2. Quarter-on-quarter changes in the international investment position (b.kr.)

	Position at end-Q3/2016	Financial account	Exchange rate and price changes	Other changes	Position at end-Q4/2016
Foreign assets, total	4,048	0	-209	-2	3,837
Direct investment	1,752	-92	-110	17	1,567
Portfolio investment	925	36	-24	0	936
Derivatives*	7	0	0	0	7
Other investments	605	-45	-30	-18	512
Foreign exchange reserves	760	101	-45	-1	815
Foreign liabilities, total	4,058	-113	-130	-4	3,811
Direct investment	2,098	-78	-30	0	1,990
Portfolio investment	1,354	-23	-85	-4	1,241
Derivatives*	10	0	0	0	10
Other investments	596	-12	-15	0	569
International investment position	-9	113	-79	2	26
International investment position, % of GDP	-0.4%	4.7%	-3.2%	0.1%	1.1%

*Other changes are included under price and exchange rate changes for derivatives.

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