

## Balance of payments in the second quarter of 2010 and the external position

The Central Bank of Iceland has published on its website the preliminary statistics for the balance of payments in the second quarter of 2010, and for the external position at the end of the quarter.<sup>1</sup>

The current account balance was negative by 9 b.kr. in the second quarter, as opposed to a negative balance of 18 b.kr. in the preceding quarter. The trade account showed a surplus of 32.5 b.kr., and the service account was positive by 13.5 b.kr. The balance on income, however, was negative by 53 b.kr.

As before, the deficit in the balance on income during the quarter can be attributed to financial institutions in winding-up proceedings. Expenditures due to these institutions totalled 40.6 b.kr., while revenues were 16.9 b.kr. Therefore, the balance on income excluding deposit institutions in winding-up proceedings was negative by 31.4 b.kr., and the current account balance was positive in the amount of 14.8 b.kr.

External assets totalled 8,206 b.kr. at the end of the quarter, while external debt totalled 13,917 b.kr. Thus the net external position was negative by 5,711 b.kr., and net liabilities declined by nearly 189 b.kr. quarter-on-quarter. Excluding the financial institutions undergoing winding-up proceedings, assets totalled 2,487 b.kr. and liabilities 3,048 b.kr. The net external position was therefore negative by 561 b.kr., excluding those institutions.

Information on the external assets and liabilities of the deposit institutions in winding-up proceedings remains limited. As a result, the information is largely restated as it was at the time the banks failed, and is shown in a separate item, "Deposit institutions in winding-up proceedings," which is under the item "Other sectors."

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

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

	<u>2009 /2</u>	<u>2009 /3</u>	<u>2009 /4</u>	<u>2010 /1</u>	<u>2010 /2</u>
<b>Current account</b>	<b>18,8</b>	<b>-27,5</b>	<b>-17,3</b>	<b>-18,3</b>	<b>-9,0</b>
Exports of goods and services	186,8	232,3	204,3	196,2	221,0
Imports of goods and services	-154,7	-180,3	-173,0	-166,1	-174,9
Income and transfer, net	-13,2	-79,4	-48,5	-48,3	-55,1
<b>Capital and financial account</b>	<b>186,5</b>	<b>-69,2</b>	<b>-269,6</b>	<b>14,3</b>	<b>-26,6</b>
Financial account excl. reserves	150,7	-23,9	-218,6	30,7	85,9
Foreign assets, net	154,0	-71,5	-150,8	-5,9	-29,7
Foreign liabilities, net	-2,4	72,9	-10,1	36,6	115,7
Reserve assets	36,1	-44,9	-50,6	-16,2	-112,4
<b>Net errors and omissions</b>	<b>-205,3</b>	<b>96,7</b>	<b>286,9</b>	<b>4,0</b>	<b>35,6</b>

**Table 2. International investment position at the end of the quarter in billions of krónur, at the price levels of the relevant period**

	<u>2009 /2</u>	<u>2009 /3</u>	<u>2009 /4</u>	<u>2010 /1</u>	<u>2010 /2</u>
<b>Total assets</b>	<b>8.766</b>	<b>8.809</b>	<b>8.721</b>	<b>8.476</b>	<b>8.206</b>
Direct investment abroad	954	890	873	739	747
Portfolio assets	2.009	2.079	2.084	2.080	1.939
Other investment, net	5.418	5.406	5.278	5.167	4.946
Reserves	384	435	485	490	573
<b>Total liabilities</b>	<b>14.771</b>	<b>14.698</b>	<b>14.640</b>	<b>14.376</b>	<b>13.917</b>
Direct investment in Iceland	1.091	1.057	1.078	1.051	970
Portfolio liabilities	5.578	5.427	4.965	4.512	3.868
Other investment, liabilities	8.021	8.157	8.597	8.813	9.079
<b>International investment position</b>	<b>-6.006</b>	<b>-5.889</b>	<b>-5.919</b>	<b>-5.900</b>	<b>-5.711</b>

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