

Balance of payments in the first quarter of 2014 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 2014, and for the external position at the end of the quarter.¹

The current account balance was negative by 12.1 b.kr. during the quarter, as opposed to a positive balance of 11.2 b.kr. in the preceding quarter. The goods account balance showed a surplus of 9.3 b.kr., and the balance on services was positive by 0.8 b.kr. The balance on income² was negative by 22.2 b.kr. The current account balance excluding deposit institutions in winding-up proceedings was negative by 3.5 b.kr., as opposed to a surplus of 20.1 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 14.5 b.kr., while revenues were 6 b.kr. The negative effect of deposit institutions in winding-up proceedings on the balance on income totalled 8.5 b.kr. The balance on income excluding these institutions was therefore negative by 13.7 b.kr.

External assets totalled 4,638 b.kr. at the end of the quarter, while external liabilities totalled 12,101 b.kr. Thus the net external position was negative by 7,462 b.kr., and net liabilities declined by approximately 145 b.kr. quarter-on-quarter. Excluding the financial institutions undergoing winding-up proceedings, assets totalled 2,721 b.kr. and liabilities 2,915 b.kr., yielding a net balance of -194 b.kr. Net liabilities declined by 18 b.kr. between quarters.

Changes in standards

In September 2014, the Central Bank of Iceland will adopt new standards for statistics reporting on the balance of payments and external position of the economy. The new standards, Balance of Payments and International Investment Position Manual, 6th edition³, take the place of the 5th edition, issued in 1993 and implemented in Iceland in 1996. Further information can be found on the Statistics pages⁴ of the Central Bank website.

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

² Including transfers

³ <http://www.imf.org/external/pubs/ft/bop/2007/bopman6.htm>

⁴ <http://www.cb.is/statistics/new-manuals/>

Underlying international investment position

An analysis of the underlying external position of the Icelandic economy is published on the Central Bank of Iceland website today.

Table 1. Quarterly balance of payments in b.kr., at the price levels of the relevant period

	<u>2013, I</u>	<u>2013, II</u>	<u>2013, III</u>	<u>2013, IV</u>	<u>2014, I</u>
Current account balance	13.0	-8.8	54.7	11.2	-12.1
Balance on goods	26.7	-1.5	20.4	23.8	9,3
Balance on services	-0.2	19.5	46.7	-3.6	0,8
Balance on income and transfers, net	-13.4	-26.8	-12.4	-9.0	-22,2
Capital and financial account	-45.5	-24.6	-74.9	-10.6	-60.7
Financial account excl. reserves	-55.2	-41.8	-80.9	19.8	-70.2
Foreign assets, net	-54.5	-35.1	-1.1	-5.7	-42,1
Foreign liabilities, net	-0.7	-6.6	-79.7	25.5	-28,1
Reserve assets (- increase)	9.8	17.1	5.9	-30.4	9.4
Net errors and omissions	32.4	33.4	20.2	-0.6	72.8

Memorandum items:

CA excluding DMBs undergoing winding-up proceedings	24.5	3.1	63.3	20.1	-3.5
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Table 2. International investment position at the end of the quarter, at the price levels of the relevant period

	<u>2013, I</u>	<u>2013, II</u>	<u>2013, III</u>	<u>2013, IV</u>	<u>2014, I</u>
Foreign assets, total	4,728	4,693	4,747	4,656	4,638
Direct investment abroad	1,507	1,491	1,511	1,478	1,481
Portfolio assets	1,086	1,117	1,201	1,234	1,220
Financial assets excl. reserves	1,630	1,598	1,558	1,457	1,469
Foreign exchange reserves	505	486	478	487	468
Foreign liabilities, total	12,706	12,517	12,427	12,263	12,101
Inward foreign direct investment	1,279	1,272	1,250	1,239	1,274
Domestic marketable securities	1,473	1,417	1,247	1,200	1,143
Other foreign debt	9,954	9,828	9,930	9,825	9,683
International investment position	-7,978	-7,824	-7,679	-7,607	-7,462

Memorandum items:

Net external position excluding DMBs undergoing winding-up proceedings	-419	-385	-260	-212	-194
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Further information can be obtained from Ríkarður Bergstað Ríkarðsson and Pétur Örn Sigurðsson at the Central Bank of Iceland Statistics Department, tel. +354 569-9600.