

## Balance of payments in the third quarter of 2012 and the external position

The Central Bank of Iceland has published on its website the preliminary statistics for the balance of payments in the third quarter of 2012, and for the external position at the end of the quarter.<sup>1</sup>

The current account balance was positive by 29.4 b.kr. in the third quarter, as opposed to a negative balance of 52.8 b.kr. in the preceding quarter. The goods account showed a surplus of 21.2 b.kr., and the services account was positive by 34.8 b.kr. The balance on income, however, was negative by 26.6 b.kr. The current account balance excluding deposit institutions in winding-up proceedings was positive by 49.6 b.kr., as opposed to a deficit of 17.2 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 24.9 b.kr., while revenues were 4.6 b.kr. The negative effect of deposit institutions in winding-up proceedings on the balance on income totalled 20.3 b.kr. The balance on income excluding these institutions was negative by 6.3 b.kr.

External assets totalled 4,399 b.kr. at the end of the quarter, while external liabilities totalled 13,274 b.kr. Thus the net external position was negative by 8,874 b.kr., and net liabilities declined by approximately 230 b.kr. quarter-on-quarter. Excluding the deposit institutions undergoing winding-up proceedings, assets totalled 2,408 b.kr. and liabilities 3,525 b.kr., yielding a net balance of -1,117 b.kr. Net liabilities increased by 190 b.kr. between quarters.

During the quarter, deposit institutions in winding-up proceedings withdrew approximately 307 b.kr. from their accounts with the Central Bank of Iceland and transferred that amount to foreign bank accounts. This has a considerable effect on net liabilities excluding deposit institutions in winding-up proceedings. There is no effect on the underlying position of the Icelandic economy, however.

Due to technical changes, the Central Bank and Icelandic Government's June 2012 prepayments of the loans from the International Monetary Fund (IMF) and the Nordic countries were not entered as a reduction of the external balance during the last period.

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

This error has now been corrected, and net liabilities excluding the deposit institutions in winding-up proceedings have accordingly been reduced by 155 b.kr.

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

	<u>2011, III</u>	<u>2011, IV</u>	<u>2012, I</u>	<u>2012, II</u>	<u>2012, III</u>
<b>Current account</b>	<b>12,5</b>	<b>-44,2</b>	<b>-45,0</b>	<b>-52,8</b>	<b>29,4</b>
Balance on goods	34,3	16,1	19,2	8,3	21,2
Balance on services	28,7	-4,8	-6,1	10,0	34,8
Balance on income and transfer, net	-50,5	-55,6	-58,1	-71,1	-26,6
<b>Capital and financial account</b>	<b>66,4</b>	<b>25,9</b>	<b>-1,9</b>	<b>-71,4</b>	<b>-94,7</b>
Financial account excl. reserves	162,6	136,0	-123,5	-151,8	-418,8
Foreign assets, net	54,3	345,2	68,1	149,6	-424,9
Foreign liabilities, net	108,3	-209,2	-191,7	-301,4	6,1
Reserve assets	-96,1	-110,1	121,6	80,5	324,1
<b>Net errors and omissions</b>	<b>-78,9</b>	<b>18,3</b>	<b>47,0</b>	<b>124,2</b>	<b>65,4</b>
<i>Memorandum items:</i>					
<b>CA without DMBs undergoing winding-up proceedings</b>	<b>38,6</b>	<b>-20,4</b>	<b>-14,6</b>	<b>-17,2</b>	<b>49,6</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>2011, III</u>	<u>2011, IV</u>	<u>2012, I</u>	<u>2012, II</u>	<u>2012, III</u>
<b>Total assets</b>	<b>4.545</b>	<b>4.435</b>	<b>4.668</b>	<b>4.244</b>	<b>4.399</b>
Direct investment abroad	1.394	1.414	1.472	1.533	1.558
Portfolio assets	996	922	918	864	908
Other investment, net	1.244	1.052	1.301	995	1.401
Reserves	912	1.047	977	852	532
<b>Total liabilities</b>	<b>13.877</b>	<b>13.705</b>	<b>13.861</b>	<b>13.348</b>	<b>13.274</b>
Direct investment in Iceland	1.509	1.553	1.666	1.618	1.646
Portfolio liabilities	2.861	2.553	2.367	2.277	2.032
Other investment, liabilities	9.507	9.600	9.828	9.454	9.595
<b>International investment position</b>	<b>-9.332</b>	<b>-9.270</b>	<b>-9.193</b>	<b>-9.105</b>	<b>-8.874</b>
<i>Memorandum items:</i>					
<b>IIP excl. DMBs undergoing winding up proceedings</b>	<b>-989</b>	<b>-917</b>	<b>-934</b>	<b>-927</b>	<b>-1.117</b>

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