

Balance of payments in the second quarter of 2011 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 2011, and for the external position at the end of the quarter.¹

The current account balance was negative by 58 b.kr. in the second quarter, as opposed to a negative balance of 45.8 b.kr. in the preceding quarter. The goods account showed a surplus of 14.6 b.kr., and the services account was positive by 15.9 b.kr. The balance on income, however, was negative by 88.5 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 44.4 b.kr., while revenues were 7.5 b.kr. Therefore, the balance on income excluding deposit institutions in winding-up proceedings was negative by 51.5 b.kr., and the current account balance was negative in the amount of 21.1 b.kr.

External assets totalled 4,358 b.kr. at the end of the quarter, while external liabilities totalled 14,303 b.kr. Thus the net external position was negative by 9,945 b.kr., and net liabilities declined by nearly 32 b.kr. quarter-on-quarter. Excluding the financial institutions undergoing winding-up proceedings, assets totalled 2,470 b.kr. and liabilities 3,354 b.kr., yielding a net balance of -885 b.kr.

Foreign securities holdings

Resident investors' foreign securities holdings have been revaluated based on the preliminary results of an annual survey of cross-border securities investments, the Coordinated Portfolio Investment Survey, the final results of which will be published on the Bank's website in September.² The survey is carried out by Central Bank of Iceland staff on behalf of the International Monetary Fund (IMF). It is conducted in over 70 countries, and the results will be published on the Fund's website later in the year.³

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

² See *Erlend verðbréfaeign og landaskipting hennar í árslok 2010 [Foreign securities holdings and distribution by country at year-end 2010]* <http://www.sedlabanki.is/?pageid=444&itemid=d3cc8bc0-07dc-4e07-bac4-aaa226216292&nextday=28&nextmonth=9>

³ See <http://www.imf.org/external/np/sta/pi/global.htm>

Foreign direct investment

Aggregate flows from lending activity between Q1/2010 and Q1/2011 have been revised with reference to restructuring of loan claims and debt in foreign direct investment during the period. The revised figures on foreign direct investment for 2010, classified by country and sector, will be published on 8. September 2011.⁴

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

	<u>2010, II</u>	<u>2010, III</u>	<u>2010, IV</u>	<u>2011, I</u>	<u>2011, II</u>
Current account	-75.1	-11.2	-66.8	-45.8	-58.0
Exports of goods and services	222.0	231.0	213.9	200.5	229,6
Imports of goods and services	-177.2	-180.6	-181.6	-175.8	-199,1
Income and transfer. net	-119.8	-61.6	-99.1	-70.5	-88,5
Capital and financial account	-15.9	-2.0	288.1	-9.4	-162.1
Financial account excl. reserves	85.2	-66.5	470.8	65.3	-111.2
Foreign assets. net	-51.5	59.3	457.7	-18.0	-59,0
Foreign liabilities. net	136.8	-125.8	13.2	83.3	-52,2
Reserve assets	-101.0	64.5	-182.7	-74.7	-50.9
Net errors and omissions	91.0	13.2	-221.3	55.2	220.1

Memorandum items:

CA excluding DMBs in winding-up proceedings	-48.1	21.0	-30.9	-8.7	-21.1
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Table 2. International investment position at the end of the quarter in billions of krónur, at the price levels of the relevant period

	<u>2010, II</u>	<u>2010, III</u>	<u>2010, IV</u>	<u>2011, I</u>	<u>2011, II</u>
Total assets	4,228	3,998	4,090	4,274	4,358
Direct investment abroad	1,195	1,083	1,281	1,236	1,252
Portfolio assets	888	937	808	867	920
Other investment, net	1,583	1,491	1,333	1,405	1,358
Reserves	562	487	667	765	828
Total liabilities	14,446	13,593	13,763	14,251	14,303
Direct investment in Iceland	1,067	1,051	1,354	1,443	1,503
Portfolio liabilities	3,819	3,497	3,176	3,099	2,979
Other investment, liabilities	9,560	9,045	9,233	9,710	9,821
International investment position	-10,218	-9,595	-9,673	-9,977	-9,945

Memorandum items:

IIP excluding DMBs in winding-up proceedings	-1,007	-1,038	-846	-915	-885
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⁴ See <http://www.sedlabanki.is/?PageID=291>

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