

Balance of payments in the third quarter of 2013 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 2013, and for the external position at the end of the quarter.¹

The current account balance was positive by 53.9 b.kr. during the quarter, as opposed to a negative balance of 9.3 b.kr. in the preceding quarter. The goods account showed a surplus of 21 b.kr., and the services account was positive by 46 b.kr. The balance on income was negative by 13.2 b.kr. The current account balance excluding deposit institutions in winding-up proceedings was positive by 62.5 b.kr., as opposed to a surplus of 2.6 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 16.2 b.kr., while revenues were 7.6 b.kr. The negative effect of deposit institutions in winding-up proceedings on the balance on income totalled 8.6 b.kr. The balance on income excluding these institutions was therefore negative by 4.6 b.kr.

External assets totalled 4,734 b.kr. at the end of the quarter, while external liabilities totalled 12,380 b.kr. Thus the net external position was negative by 7,646 b.kr., and net liabilities declined by approximately 175 b.kr. quarter-on-quarter. Excluding the financial institutions undergoing winding-up proceedings, assets totalled 2,738 b.kr. and liabilities 2,992 b.kr., yielding a net balance of -254 b.kr. Net liabilities declined by 127 b.kr. between quarters.

Methodological changes implemented in 2014

The Central Bank of Iceland follows international standards in compiling the balance of payments and the external position of the economy. Next year, a change in methodology will be implemented with the publication of the sixth edition of the *Balance of Payments and International Investment Position Manual* to replace the fifth edition, which was implemented in Iceland in 1996. Other countries in the European Economic Area will also implement the new standards at that time. The first figures according to the new methodology, for Q1/2014, will be published at the beginning of June. The presentation of statistics will change concurrent with the publication of the new *Balance of Payments Manual*, and key terms and definitions will

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

change in line with national accounts. Among new features is a new category of assets and liabilities; insurance, pension, and standardised schemes, that has not previously been published. An overview of the changes can be found in Appendix 8 of the new manual.² Further explanation of the effects of the changes on the statistics will be outlined at a later date.

Underlying international investment position

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

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

	<u>2012, III</u>	<u>2012, IV</u>	<u>2013, I</u>	<u>2013, II</u>	<u>2013, III</u>
Current account balance	31.9	-19.6	5.6	-9.3	53.9
Balance on goods	23.0	28.4	25.6	-1.9	21.0
Balance on services	35.0	-10.8	0.0	19.2	46.0
Balance on income and transfers, net	-26.1	-37.3	-19.9	-26.6	-13.2
Capital and financial account	-75.6	28.9	-45.4	-13.4	-70.3
Financial account excl. reserves	-400.0	11.7	-55.3	-30.5	-76.3
Foreign assets, net	-399.1	97.4	-55.8	-35.1	6.5
Foreign liabilities, net	-0.9	-85.7	0.5	4.6	-82.8
Reserve assets (- increase)	324.5	17.2	9.9	17.1	5.9
Net errors and omissions	43.6	-9.3	39.8	22.7	16.5
<i>Memorandum items:</i>					
CA excluding DMBs undergoing winding-up proceedings	52.2	-5.9	17.2	2.6	62.5

² *Balance of Payments and International Investment Position Manual, 6th Edition.*
Appendix 8. <http://www.imf.org/external/pubs/ft/bop/2007/pdf/appx8.pdf>

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

	<u>2012, III</u>	<u>2012, IV</u>	<u>2013, I</u>	<u>2013, II</u>	<u>2013, III</u>
Foreign assets, total	4,456	4,855	4,722	4,688	4,734
Direct investment abroad	1,618	1,587	1,510	1,495	1,507
Portfolio assets	902	1,073	1,086	1,117	1,201
Financial assets excl. reserves	1,402	1,654	1,621	1,589	1,548
Foreign exchange reserves	533	540	505	486	478
Foreign liabilities, total	13,338	13,103	12,697	12,508	12,380
Inward foreign direct investment	1,699	1,337	1,279	1,272	1,250
Domestic marketable securities	2,013	1,500	1,464	1,408	1,237
Other foreign debt	9,626	10,266	9,954	9,828	9,894
International investment position	-8,883	-8,248	-7,975	-7,821	-7,646
<i>Memorandum items:</i>					
Net external position excluding DMBs undergoing winding-up proceedings	-1,111	-487	-415	-381	-254

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