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Balance of payments in the third quarter of 2016 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 2016, and for the external position at the end of the quarter.¹

The current account balance was positive by 100.4 b.kr. during the quarter, as opposed to a positive balance of 32.5 b.kr. in the preceding quarter. This is the largest current account surplus since measurements began and the first single-quarter surplus to exceed 100 b.kr. The balance on goods was negative in the amount of 22.5 b.kr., while the balance on services² was positive by 121.6 b.kr. The balance on primary income was positive by 6.1 b.kr., whereas secondary income was negative in the amount of 4.8 b.kr.

Foreign assets totalled 4,040 b.kr. at the end of the quarter, while foreign liabilities totalled 3,980 b.kr. The net position is therefore positive by 60 b.kr., or 2.6% of GDP. This is the first positive net external position since measurements were introduced.³ Net liabilities declined between quarters by 30 b.kr., or 1.3% of GDP. Net financial transactions improved the international investment position by approximately 129 b.kr., as foreign assets increased by 140 b.kr. and foreign liabilities by 11 b.kr. as a result of the transactions. Price and exchange rate movements had a negative impact on the international investment position in the amount of 83 b.kr. during the quarter. The króna appreciated against most other major currencies during the quarter, or by 6.7% in terms of the trade-weighted index. The appreciation was greatest against the pound sterling, at 10.1%.

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

² See the [Statistics Iceland website](#)

³ Figures on assets and liabilities extend back to 1978. They are not entirely comparable with the figures published today. See Historical summary of statistics on the [National Economic Institute](#) website.

Table 1. Quarterly balance of payments (b.kr.)

	<u>2015. Q3</u>	<u>2015. Q4</u>	<u>2016. Q1</u>	<u>2016. Q2</u>	<u>2016. Q3</u>
Current account balance	56.1	12.1	13.5	32.5	100.4
Balance on goods	-11.8	-14.7	-26.4	-38.8	-22.5
Balance on services	94.0	23.2	29.6	64.6	121.6
Balance on primary income	-2.1	7.7	14.0	11.2	6.1
Secondary income, net	-24.0	-4.2	-3.7	-4.5	-4.8
Capital account	-0.4	-0.4	-0.3	-0.4	-0.2
Financial account	54.4	27.4	14.7	84.3	129.3
Direct investment	-1.3	-11.9	-31.6	50.8	-11.8
Portfolio investment	-70.4	610.1	69.7	127.0	-31.9
Derivatives	5.0	-0.1	0.7	1.1	0.8
Other investments	112.5	-637.9	-122.5	-68.3	56.4
Foreign exchange reserves	8.5	67.2	98.3	-26.2	115.8
Net errors and omissions	-1.3	15.8	1.5	52.2	29.1

Table 2. Quarter-on-quarter changes in the international investment position (b.kr.)

	Position at end-Q2/2016	Financial account	Exchange rate and price changes	Other changes	Position at end-Q3/2016
Foreign assets, total	4,162	140	-261	-2	4,040
Direct investment	1,922	-45	-132	-2	1,744
Portfolio investment	917	39	-32	1	925
Derivatives*	8	0	-2	0	7
Other investments	616	30	-38	-3	605
Foreign exchange reserves	699	116	-58	3	760
Foreign liabilities, total	4,132	11	-178	14	3,980
Direct investment	2,149	-33	-103	6	2,020
Portfolio investment	1,321	71	-50	13	1,354
Derivatives*	12	0	-2	0	10
Other investments	650	-27	-23	-5	595
International investment position	30	129	-83	-16	60
International investment position, % of GDP	1.3%	5.5%	-3.5%	-0.7%	2.6%

*Other changes are included under price and exchange rate changes for derivatives.

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