

Balance of payments in the first quarter of 2017 and the international investment position

The current account balance was positive by 11.1 b.kr. during the first quarter of 2017, as opposed to a positive balance of 44.6 b.kr. in the preceding quarter. The balance on goods was negative in the amount of 35.1 b.kr., while the balance on services¹ was positive by 43.1 b.kr. The balance on primary income was positive by 8.7 b.kr., whereas secondary income was negative in the amount of 5.5 b.kr.

This is included in new information published on the Central Bank of Iceland website, showing the preliminary balance of payments in Q1/2017 and the external position of the economy at the end of the quarter.²

According to the preliminary figures, foreign assets totalled 3,909 b.kr. at the end of the quarter, while foreign liabilities totalled 3,817 b.kr. The net external position was therefore positive by 91 b.kr., or 3.7% of GDP, and improved by 48 b.kr., or 2% of GDP, between quarters. Net financial transactions improved the international investment position by 19 b.kr., as foreign liabilities declined by 74 b.kr. and foreign assets by 56 b.kr. as a result of the transactions. Price and exchange rate movements had a positive impact on the international investment position in the amount of 41 b.kr. This was due primarily to rising prices of foreign securities holdings during the quarter. The króna depreciated against major currencies, or by 1.3% in terms of the trade-weighted index.

¹ See the [Statistics Iceland website](#).

² See the Statistics pages at www.sedlabanki.is.

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

	<u>2016, Q1</u>	<u>2016, Q2</u>	<u>2016, Q3</u>	<u>2016, Q4</u>	<u>2017, Q1</u>
Current account balance	14.4	32.8	100.2	44.6	11.1
Balance on goods	-26.4	-39.4	-22.4	-13.3	-35.1
Balance on services	29.9	64.8	122.2	43.4	43.1
Balance on primary income	14.9	12.3	4.3	19.7	8.7
Secondary income, net	-3.9	-4.9	-3.9	-5.2	-5.5
Capital account	-0.3	-0.4	-0.2	-0.5	-0.3
Financial account	-20.8	76.4	46.3	113.9	18.9
Direct investment	-37.1	49.0	-85.0	-13.0	-4.5
Portfolio investment	69.8	126.9	-32.3	58.4	59.1
Derivatives	0.7	1.1	0.8	0.4	1.3
Other investments	-152.2	-75.0	47.1	-32.5	-35.6
Foreign exchange reserves	98.0	-25.6	115.6	100.7	-1.5
Net errors and omissions	-35.0	44.0	-53.7	69.9	8.1

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

	Position at end-Q4/2016	Financial account	Exchange rate and price changes	Other changes	Position at end-Q1/2017
Foreign assets, total	3,903	-55	73	-12	3,909
Direct investment	1,567	-51	15	-10	1,520
Portfolio investment	937	34	45	0	1,016
Derivatives*	7	1	-2	0	6
Other investments	577	-38	6	-3	542
Foreign exchange reserves	816	-2	10	0	824
Foreign liabilities, total	3,860	-74	33	-2	3,817
Direct investment	2,001	-47	19	-6	1,967
Portfolio investment	1,278	-25	8	2	1,263
Derivatives*	10	0	1	0	11
Other investments	570	-2	4	3	576
International investment position	43	19	40	-11	91
International investment position, % of GDP	1.8%	0.8%	1.6%	-0.4%	3.7%

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

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