

## Balance of payments and external position in the first quarter of 2003

The deficit on Iceland's current account in the first quarter of 2003 amounted to one billion kr. according to preliminary figures from the Central Bank. At the same time in 2002 the current account deficit was 1.5 b.kr. There was a 6.7 b.kr. surplus on the balance of goods but a 2.7 b.kr. deficit on the balance of services. Measured at fixed prices<sup>1</sup> exports of goods and services increased by 5% while imports grew by 5.7% from the same period the previous year. The deficit on the balance on income was 4.6 b.kr. in the first quarter of 2003 compared with a 6 b.kr. deficit in the same period last year and current transfer was negative by 0.4 b.kr.

Capital inflow measured 14.1 b.kr. during the first quarter of the year. External borrowing was 23.5 b.kr. and direct inward investment 6.6 b.kr. Capital outflows in connection with portfolio investment amounted to 7.3 b.kr. Other investments amounted to 6.4 b.kr., in particular in the form of lending by Icelandic banks to foreign entities, which has grown sharply in recent years, and the outstanding loan stock currently stands at 73 b.kr. The Central Bank's foreign reserves increased slightly during the first quarter to amount to 36 b.kr. at the end of March.

### ***Balance of payments in b.kr.***

<i>Quarter:</i>	<i>I</i>	<i>II</i>	<i>III</i>	<i>IV</i>	<i>I</i>
	<i>2002</i>	<i>2002</i>	<i>2002</i>	<i>2002</i>	<i>2003</i>
<b>Current Account</b>	<b>-1.5</b>	<b>-1.8</b>	<b>2.6</b>	<b>-0.1</b>	<b>-1.0</b>
Exports of goods and services	76.3	78.9	80.1	73.0	70.8
Imports of goods and services	-71.4	-75.5	-75.4	-71.1	-66.8
Income and current transfer, net	-6.4	-5.2	-2.1	-1.9	-5.0
<b>Capital and Financial Account</b>	<b>15.9</b>	<b>11.9</b>	<b>-8.7</b>	<b>-4.8</b>	<b>14.1</b>
Financial account excl. reserves	16.8	14.0	5.0	-15.8	14.3
Reserve assets (- increase)	-0.9	-2.1	-13.6	11.0	-0.2
<i>Net errors and omissions</i>	-14.3	-10.1	6.1	4.9	-13.2

Iceland's net international investment position was negative by 554.5 b.kr. at the end of March and had decreased since the beginning of the

<sup>1</sup> The trade-weighted exchange rate index was 11.5% lower during the first quarter of 2003 than in the same period the previous year.

year on account of the appreciation of the króna. Detailed information on the balance of payments and external position is presented in the attached tables along with revised statistics for the past two years. The figure for direct investment abroad has been revised downwards with updated statistics and a review of reinvested earnings. The adjusted figure reduces the balance on income and thereby the balance on the current account. After this revision, there was an 0.8 b.kr. deficit on the current account in 2002 instead of the surplus of just over 2 b.kr. previously reported. The net external position is also affected by the revision and was negative by 562.5 b.kr. at the end of 2002 and by 586.4 b.kr. at the end of 2001.

On Tuesday, June 10 2003 the Central Bank will publish tables showing the balance of payments and external position on the Statistics page of its website ([www.sedlabanki.is](http://www.sedlabanki.is)). A new overview of Iceland's external debt will also be presented in accordance with the IMF's Special Data Dissemination Standard (see the IMF website: <http://dsbb.imf.org>). External debt will be broken down classified in this overview by main creditors, by maturity (short-term and long-term) on an original maturity basis and by instrument.

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## BALANCE OF PAYMENTS

<i>m. kr.</i>	January- December		January-March		<i>change<sup>1</sup></i>
	<i>2001</i>	<i>2002</i>	<i>2002</i>	<i>2003</i>	<i>on previous year</i>
<b>Current Account</b>	<b>-29,729</b>	<b>-838</b>	<b>-1,529</b>	<b>-954</b>	
Exports of goods and services	303,631	308,230	76,260	70,840	5.0%
Imports of goods and services	-307,279	-293,461	-71,432	-66,808	5.7%
Balance on income and current transfer, net	-26,081	-15,607	-6,357	-4,986	-11.4%
<b>Balance on Goods</b>	<b>-5,936</b>	<b>13,630</b>	<b>5,504</b>	<b>6,729</b>	
Merchandise exports f.o.b.	196,582	204,303	53,124	49,379	5.0%
Merchandise imports f.o.b.	-202,518	-190,673	-47,620	-42,650	1.2%
<b>Balance on Services</b>	<b>2,288</b>	<b>1,139</b>	<b>-676</b>	<b>-2,697</b>	
Exports of services, total	107,049	103,927	23,136	21,461	4.8%
Transportation	50,878	51,848	12,157	10,564	-1.8%
Travel	22,881	22,844	3,156	3,129	12.0%
Other receipts	33,290	29,235	7,823	7,768	12.2%
Imports of services, total	-104,761	-102,788	-23,812	-24,158	14.7%
Transportation	-37,106	-39,564	-9,504	-9,289	10.5%
Travel	-36,401	-33,263	-6,589	-6,618	13.5%
Other expenditures	-31,254	-29,961	-7,719	-8,251	20.8%
<b>Balance on Income, net</b>	<b>-25,122</b>	<b>-16,783</b>	<b>-5,969</b>	<b>-4,577</b>	
Receipts	16,822	16,274	3,690	4,323	32.4%
Compensation of employees	5,772	5,417	1,400	1,529	23.4%
Dividends and reinvested earnings	7,688	6,721	1,230	1,772	62.8%
Interest payments	3,362	4,136	1,060	1,022	9.0%
Expenditures	-42,133	-33,057	-9,659	-8,900	4.1%
Compensation of employees	-533	-702	-101	-138	54.4%
Dividends and reinvested earnings	-346	-1,750	-186	-1,332	709.3%
Interest payments	-41,065	-30,605	-9,372	-7,430	-10.4%
<b>Current transfer</b>	<b>-959</b>	<b>1,176</b>	<b>-388</b>	<b>-409</b>	
<b>Capital and Financial Account</b>	<b>17,335</b>	<b>14,234</b>	<b>15,859</b>	<b>14,115</b>	
Capital transfer, net	362	-122	-24	51	
Financial account <sup>2</sup>	16,973	14,356	15,883	14,064	
<b>Financial Account excl. reserves</b>	<b>12,154</b>	<b>20,020</b>	<b>16,817</b>	<b>14,289</b>	
Direct investment, net	-20,108	-3,743	4,076	6,895	
Abroad	-34,669	-16,057	-597	297	
In Iceland	14,561	12,314	4,673	6,598	
Portfolio investment, net	60,841	20,519	-6,058	4,779	
Assets	-5,643	-28,200	-6,124	-7,261	
Equities	-5,812	-23,750	-6,466	-6,675	
Debt securities	169	-4,450	342	-586	
Liabilities	66,484	48,719	66	12,040	
Equities	4,266	1,521	-2,433	-2,455	
Debt securities	62,218	47,198	2,499	14,495	
Other investment, net	-28,579	3,244	18,799	2,615	
Assets	-47,101	-33,636	3,951	-6,389	
Liabilities	18,522	36,880	14,848	9,004	
<b>Reserve assets</b>	<b>4,819</b>	<b>-5,664</b>	<b>-934</b>	<b>-225</b>	
Net errors and omissions	12,394	-13,396	-14,330	-13,161	

1) Calculated at fixed prices based on the average exchange rate index of the króna.

2) Negative number represents capital outflow due to increase in assets or decrease in liabilities.

## EXTERNAL POSITION

<i>End of period in b.kr.:</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>March*</i> <i>2003*</i>
<b>I. Total assets</b>	<b>244.1</b>	<b>315.8</b>	<b>421.1</b>	<b>405.4</b>	<b>405.8</b>
1 Direct investment abroad	33.0	56.2	86.7	86.4	86.9
11 Equity capital	16.6	41.0	66.6	69.8	70.4
12 Other capital	16.4	15.2	20.2	16.7	16.5
2 Portfolio assets	137.6	186.3	202.5	169.8	168.3
21 Equity capital	124.3	179.7	188.0	151.3	149.3
22 Debt securities	13.4	6.6	14.6	18.5	19.0
221 Bonds and notes	12.5	3.6	11.8	16.1	17.2
222 Money-market instruments	0.9	3.0	2.8	2.4	1.8
223 Financial derivatives	1.2	0.0	0.0	0.0	0.0
3 Other investment, assets	36.6	39.1	95.2	112.0	114.7
4 Reserves	35.8	34.2	36.6	37.2	35.9
<b>II. Total liabilities</b>	<b>549.7</b>	<b>763.4</b>	<b>1.007.5</b>	<b>967.9</b>	<b>960.3</b>
1 Direct investment in Iceland	34.9	41.4	67.0	69.9	76.4
11 Equity capital	25.3	33.1	63.6	66.2	72.0
12 Other capital	9.6	8.3	3.4	3.7	4.4
2 Portfolio liabilities	226.2	346.7	468.0	464.9	456.9
21 Equity capital	4.8	1.2	5.6	7.9	5.7
22 Debt securities	221.4	345.5	462.4	457.0	451.2
221 Bonds and notes	181.7	299.2	379.4	388.4	359.7
222 Money-market instruments	39.8	46.3	83.0	68.6	91.5
223 Financial derivatives	1.2	0.0	0.0	0.0	0.0
3 Other investment, liabilities	287.4	375.3	472.4	433.1	427.1
31 Long-term loans	232.4	288.1	377.0	295.4	279.2
32 Short-term debt	55.0	87.2	95.4	137.7	147.9
<b>International investment position</b>	<b>-305.6</b>	<b>-447.6</b>	<b>-586.4</b>	<b>-562.5</b>	<b>-554.5</b>
1. Equity capital, net	117.6	193.3	202.1	159.9	154.1
2. Net external debt position	-423.2	-640.9	-788.5	-722.4	-708.6
21 Central Bank	32.2	18.6	21.7	20.8	25.9
22 General governments	-138.2	-167.4	-239.6	-225.4	-212.5
23 Deposit Money Banks	-145.2	-329.5	-377.4	-362.2	-371.7
24 Other sectors	-171.8	-162.6	-193.2	-155.5	-150.3
<i>Exchange rate, ISK per USD</i>	<i>72.35</i>	<i>84.47</i>	<i>102.95</i>	<i>80.58</i>	<i>76.48</i>
<b>IV. External debt ratio:</b> <sup>1</sup>					
11 Intern. investment position	-50.1	-64.0	-74.5	-78.3	-68.5
12 Net external debt <sup>2</sup>	69.4	91.6	102.1	100.5	87.6
13 External debt position <sup>3</sup>	83.5	103.1	121.1	123.9	108.6
131 Of which long-term debt	67.9	84.0	98.0	95.2	79.0

\*) Preliminary figures

1) GDP is calculated at a corresponding exchange rate to that of external debt at the end of the period

2) Net debt (liabilities less assets) excluding equities

3) Total liabilities less equities