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New standards for statistics on the balance of payments and international investment position

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Icelandic letters:

ð/Ð (pronounced like th in English this)

þ/Þ (pronounced like th in English think)

In *Monetary Bulletin*, ð is transliterated as d and þ as th in personal names, for consistency with international references, but otherwise the Icelandic letters are retained.

Symbols:

* Preliminary or estimated data.

0 Less than half of the unit used.

- Nil.

... Not available.

. Not applicable.

New standards for statistics on the balance of payments and international investment position

The Central Bank of Iceland has published statistics on the balance of payments and International Investment Position (IIP) of the economy according to new standards. The changes are being implemented so that the statistics will better reflect Iceland's external transactions and IIP. In order to facilitate international comparison, the Central Bank of Iceland complies with international standard in its compilation of the balance of payments and the IIP of the economy. The countries agree to comply with. In 2009, the IMF issued the sixth edition of its Balance of Payments and International Investment Position Manual (BPM6).¹ The BPM6 takes the place of the 5th edition of the same manual, BPM5,² which was published in 1993 and implemented in Iceland in 1996. The 6th edition was prepared in close consultation with the IMF Committee on Balance of Payments Statistics, as well as with a number of international institutions, including the European Central Bank (ECB), the EU statistical bureau Eurostat, the Organisation for Economic Co-operation and Development (OECD), the World Bank, the United Nations (UN), and others. This broad-based collaboration has generated increased consistency with standards for national accounts statistics (the System of National Accounts, or SNA³) and the OECD standards for foreign direct investment (the OECD Benchmark Definition of Foreign Direct Investment, 4th edition).⁴ Countries such as Australia, the US, Canada, and others have already implemented the new standards. The same standards will also be implemented in other European countries this autumn. Concurrent with the implementation in Iceland this September, Statistics Iceland will implement new standards for national accounts and for goods and services trade. The following is a description of the main changes in the statistics and the impact of the changes.

Methodology and presentation of statistics

There are a number of changes in methodology, as well as in the presentation of the statistics. The following is a review of the general changes that affect all statistics items – that is, the balance of payments and IIP. Major changes are discussed in greater detail later in this article. As is stated above, the changes will enhance consistency with other statistics. Among other features that users will notice, there will be absolute consistency between balance of payments terminology and national accounts terminology. Definitions and names of financial instruments (such as securities or derivatives) will be the same.

Methodology for measurement of transactions

Transactions are defined in the same way as in the previous version of the standards. The balance of payments shows transactions in which residents and non-residents exchange valuables or decide to engage in transfers by mutual agreement. The transactions are classified accord-

1. <http://www.imf.org/external/pubs/ft/bop/2007/bopman6.htm>

2. <https://www.imf.org/external/pubs/ft/bopman/bopman.pdf>

3. <http://unstats.un.org/unsd/nationalaccount/docs/SNA2008.pdf>

4. <http://www.oecd.org/daf/inv/investmentstatisticsandanalysis/40193734.pdf>

ing to the nature of the valuables involved – goods, services, primary and secondary income, capital transfers, or financial assets and liabilities. The transactions are recorded on a gross basis, which means that the valuables traded are recorded at the value of each, and no netting takes place. As in previous editions of the standards, goods transactions are recorded when economic ownership changes and services transactions are recorded when the service is provided. The timing of transactions is recorded on an accrual basis, according to which the timing is determined by when the value is created, transformed, or destroyed, or when economic ownership changes. The main changes in definitions of transactions pertain to goods and services. The effects of these changes are discussed in greater detail below.

Changes in presentation of the balance of payments involve mathematical signs. All values in the current account balance⁵ are now entered with a positive sign, whereas goods and services imports and primary income expense were previously entered with a negative sign. The rules pertaining to mathematical signs for the financial account will now be simpler than before. The financial account and the IIP are discussed in greater detail below.

Classification system

Terminology pertaining to the classification system for the balance of payments has been harmonised with national accounts terminology so as to facilitate comparison. This change is more obvious in the classification of assets and liabilities, as well as the classification of transactions and sectors. While the change in classification of assets and liabilities⁶ mainly entails new names, new categories have been added, such as *insurance, pension, and standardised guarantee schemes*, now included with financial assets and liabilities. Another new category, *other equity*, mainly includes the sovereign's holdings in international institutions abroad. Money market funds, previously included with unit share certificates in mutual funds, are now in a separate category. In addition, the Central Bank's debt to the IMF in the form of Special Drawing Rights (SDR) is now classified separately, whereas it was previously included with other debt. Bonds and money market instruments are now referred to as debt instruments and are divided into two categories: long-term and short-term. In addition to the above-mentioned changes, greater emphasis is placed on allowing users to familiarise themselves with the relationship between the IIP, financial account, and primary income. This is done by harmonising the classification of asset and liability items in the IIP and the financial account with the classification in factor income. Doing this makes it easier for users to compare balances, transactions, and revenues or expenditures deriving from the item in question.

5. The current account balance and other net values will be the same as before and can take a positive or a negative mathematical sign, depending on the results. Reinvestment can also carry a negative sign if it is negative.

6. Tables showing the categories can be found in balance of payments metadata: <http://www.sedlabanki.is/hagtolor/lysigogn-/greidslujofnudur/>

Direct investments

Direct investment is treated differently than before.⁷ The so-called asset and liability principle has been adopted instead of the directional principle.⁸ Assets and liabilities have been re-ordered so that the position and transactions between a direct investor and a company owned by that investor (the direct investment enterprise) are handled on a gross basis instead of a net basis. For example, this presentation implies that a loan (that is, a non-capital contribution from a foreign company to an investor) owed by a resident investor to a non-resident company owned by that investor is now entered on the liabilities side of the IIP and not netted out against the investor's loan claims against the non-resident company on the assets side. Furthermore, transactions between fellow enterprises – i.e., enterprises that are not connected by direct ownership but are indirectly connected (for instance, through the same parent company) – are segregated out.⁹ In addition, the position and transactions of fellow enterprises will be classified according to whether the end investor is a resident, non-resident, or unknown entity. This last change is quite complex in its implementation, as tracing the end investor often requires examination of a long chain of ownership. The Central Bank has adapted its data collection in foreign direct investment so as to enable it to identify the end investor. The aim is to publish the aforementioned breakdown in the latter half of 2015.

Special-purpose entities (SPEs)

In addition to the above-described changes, so-called special-purpose entities (SPEs) currently registered in Iceland are included in the statistics. These companies have not previously been included, but their numbers have declined, as many of them have been wound up in recent years. SPEs are companies that are often established for tax purposes and whose actual operations are limited or non-existent.¹⁰ They are wholly owned by non-residents, and have ownership stakes or loan claims against affiliated companies abroad, but they have no resident assets. Actually, they are only shells for capital flowing through Iceland and have very limited economic impact. Information on SPEs has been limited, and the data currently used by the Central Bank is from the domestic directorate of internal revenue, the Business registry, and the companies' representatives in Iceland. The figures published at this time extend back to 2013. They are preliminary figures

7. There will be a time lag between the implementation of the Benchmark Definition (BD4) in balance of payments and IIP statistics, on the one hand, and in foreign direct investment, on the other. The latter figures will be published in accordance with BD4 in September 2015.

8. According to the directional principle, positions and transactions – for instance, lending between an investor and a company owned by that investor – are netted out and entered in the balance of payments and IIP, depending on whether the investor is resident or non-resident. For example, net lending between a resident investor and a non-resident company owned by that investor would be entered on the outward side, corresponding to the assets side, while lending between a non-resident investor and a resident company owned by that investor would be entered on the inward side, corresponding to the liabilities side.

9. A final estimate of the scope of lending between fellow enterprises is not yet available and could change.

10. It should be noted that a distinction is made between SPEs and other companies with little or no operations. Such companies are established, among other things, as holding enterprises for other domestic companies and are not classified as SPEs in the statistics.

and will probably change in the future. Even though SPEs' activities in Iceland are limited and their impact on statistics says nothing about "actual" foreign direct investment, it is unavoidable to include them, as the aim of the statistics is to provide a comprehensive measure of the capital flows between residents and non-residents. Users who wish to ignore SPEs in statistics can acquaint themselves with the IIP and balance of payments flows; they will be identified by means of memorandum items in published statistics.

Insurance, pension, and standardized guarantee schemes

Insurance, pension, and standardized guarantee schemes¹¹ are under obligation to those who have paid into them. The rights of fund members and policyholders are therefore these parties' assets and create liabilities for the funds. Fund members' pension entitlements are not necessarily equivalent to the pension funds' assets because there are different types of funds. They could be either defined-benefit funds or defined-contribution funds. Defined-benefit funds are of two types: funded and unfunded. Assets in defined-benefit funds are calculated in terms of the fund's actuarial position. If a defined-benefit fund is funded, it can be assumed that fund members' assets (their actuarial position) at any given time is equal to the market value of the fund's assets. In the case of unfunded defined-benefit funds, however, the funds' assets could be less than their actuarial position, and the employer is responsible for bridging the gap that develops. Defined-contribution funds are always funded; therefore, fund members' assets at any given time are equal to the market value of the assets in the funds. Pensioners may reside in a different country than their pension fund. This is particularly the case for border workers who work temporarily in other countries, people who move to another country when they begin drawing their pension benefits, employees of international institutions, and employees of multinational corporations. In Iceland, it is also common that wage-earners pay into supplemental pension funds located abroad. All of these factors increase Iceland's assets and liabilities, and income and expenses are recorded in the balance of payments, as are related transactions.

Non-life insurance technical reserves fall into two categories. On the one hand is a fund for prepaid premiums, and on the other is a fund for outstanding claims that the insurance companies expect to pay for events that have already occurred. These funds constitute the insurance companies' liabilities and the insured parties' assets. Their impact on statistics is comparable to that of the pension funds, which is described above.

Financial derivatives

Until now, the Central Bank has not compiled data on derivatives for the specific purpose of publishing them in statistics. Data compilation has been limited to interest rate and currency swaps related to residents' foreign borrowings. Because only a few entities were in-

11. Insurance, pension, and standardised guarantee schemes fall into six categories. A list of them can be found in the balance of payments metadata: <http://www.sedlabanki.is/hagtolur/lysigogn-/greidslujofnudur/>

volved, it was not possible to publish the derivatives under a separate category, and they were included with loans instead. In spite of this, the Central Bank began gathering data from the banks in mid-2007. This data was limited to balances and was restricted in terms of time because of the collapse of the banks just over a year later. Even though derivatives trading has been limited in recent years, and in no way comparable to that occurring before the banks failed in 2008, the Central Bank has established a process for regular collection of data on derivatives trading between residents and non-residents. Data on swaps, forward contracts, and options is gathered from residents engaged in derivatives trading. The data that will now be published extends back to 2007, but it should be noted that the coverage of the data is limited until 2013.

The effects of the changes on presentation of data on the failed banks

The definition of a debt in arrears is unchanged from the previous standards; i.e., a debt is considered to be in arrears if it is unpaid when the original payment date has passed. Only the portion that is past due is considered to be in arrears. Even though the definition is unchanged, the methodology has changed under the new standards, causing a change in presentation of the failed banks' debt. The effects are greatest by far on the financial account because, according to the new standards, transactions concerning repayment of debt should only be recorded in the financial account when it has been paid in part or in full. This refers to a situation where it has been paid, refinanced with another loan, or forgiven by creditors. According to the previous standards, contractual instalments and interest in arrears according to the original terms were to be measured in the financial account and a new short-term debt "created" to offset it. By excluding the above-mentioned capital movements, which were only calculated amounts and not actual capital transfers of the failed banks' debt, the result will be a much "cleaner" financial account; however there will be no impact on the net result. This will make it easier for users to gain an overview of actual financial transactions between residents and non-residents. The change in handling of debt in arrears has much less impact on the IIP. It only represents a shift of past-due debt that was classified as short-term debt back to the original debt instrument. The above-described changes do not affect primary income.

Current account

Goods and services

The main impact of the changes on the current account balance will be in goods and services. As in previous editions of the standards, transactions are recorded when economic ownership is transferred, and they are recorded as services transactions when the service is provided. In the 5th edition, however, there were exceptions to this rule. One of these involves goods for processing, as goods transported across borders for further processing were included with goods trade. In the 6th edition, however, such goods are not included with goods trade unless ownership is transferred from a resident entity to a non-resident

entity, or vice versa. Instead, the service charge for the processing falls under the category “manufacturing services.” Therefore, the effect of the transaction is recorded during the period in which it occurs.

In addition, the 6th edition introduces changes concerning merchanting, which is now included under goods trade instead of services. Merchanting includes domestic entities' transactions with goods that do not enter Iceland: for example, if a domestic firm buys goods from Germany and sells them on to a buyer in Denmark, without physically bringing them to Iceland. The purchase of the goods is entered under goods trade as exports, with a negative sign. When the same goods are sold, the export of the goods is entered in the conventional manner, with a positive sign. The difference between purchase and sale price is shown under the item *Net exports of goods under merchanting*. The difference could reflect the intermediary's profit, profits or losses due to price changes, or changes in inventory. In case of a loss or an increase in inventories, net exports of goods under merchanting could be negative in some instances.

Until now, figures on goods imports and exports have been taken unchanged from external trade statistics compiled by Statistics Iceland. The change in standards will bring about a change in this practice. It can be said that with these changes, the difference in the figures will be that external trade will measure imports and exports of goods that are physically transported to and from the country. In balance of payments statistics, however, the Central Bank will take into account whether goods imports and exports entail a change in ownership between residents and non-residents. As before, figures from Statistics Iceland will be used for balance of payments statistics but will be adjusted to a balance of payments basis. The table below shows the changes that have been made to external trade figures for this adjustment. The most important difference is in manufacturing services, which are services performed by a party that does not own the product in question but is paid to process it further (adding to its value while the product is in the country concerned). The fee received

Table 1 Difference in goods trade in external trade statistics and balance of payments statistics

Exported goods

Exports on a balance of payments basis

- + Exports according to external trade
- Goods sent abroad or returned after processing without change of ownership
- + Goods sold to another country after having been processed abroad
- + Fuel purchased abroad by resident ships and vessels
- + Smuggling of goods
- Goods returned
- + Goods exported for merchanting, net
- + Goods acquired under merchanting (negative income)
- + Goods sold under merchanting

Imported goods

Imports on a balance of payments basis

- + Imports according to external trade
- Goods imported for processing without change of ownership
- + Goods from other countries for processing abroad
- + Fuel purchased abroad by resident ships and vessels
- + Smuggling of goods
- Goods returned

Source: Statistics Iceland.

by the manufacturer is included with services, but the value of the product itself is not included in the current account balance because there is no change in ownership.

The value of the product that the service provider receives for further processing in Iceland is deducted from imports, and by the same token it is excluded from exports when the product is expatriated after processing. Similarly, goods sent abroad by a resident for further processing are deducted from exports and then are excluded from imports when they are repatriated after processing. Other factors that have an effect are the estimated value of goods smuggled to and from the country, which are now included with goods imports and exports. In addition, the value of goods that tourists buy and take out of the country with them in excess of the duty-free limit is now included with goods trade instead of tourism, as it was previously. Goods produced abroad and previously imported to Iceland should be categorised separately as re-exports if they are re-exported in the same (or largely unchanged) condition. It is clear from the above that balance of payments statistics and external trade statistics will not fully agree as regards goods imports and exports, as they used to. In order to meet users' needs, the Central Bank will publish the above table so as to show the difference between the two.

Primary income

For harmonisation with the national accounts, the term primary income will be used instead of the previously used income. According to the new standards, interest on financial institutions' deposits and loans will be measured as net interest under primary income, net of financial intermediation services indirectly measured (FISIM). The purpose of this change is to measure the indirect cost that a borrower pays in the form of higher interest rates instead of paying separate service charges to the lender. By the same token, depositors receive interest income on their balances, net of service charges. In this way, the service portion is segregated out and recorded as a financial service. Interest including FISIM will be shown as a separate memorandum item.

Among other major changes in primary income, income earned by mutual funds on behalf of their owners now includes reinvestment, as is the case with direct investment. Reinvestment of mutual fund assets will therefore be treated in the same manner as reinvestment of direct investments. The funds' profits not paid out as dividends are considered reinvestment in the funds. For example, reinvestment of holdings in a foreign mutual fund is entered under primary income as income,¹² with an offsetting entry in the financial account as an increase in foreign assets. Furthermore, income from reserve assets is itemised under primary income, whereas it was previously included with other interest. Investment income attributable to insurance and pension schemes is entered as primary income, as these funds' assets are considered obligations to fund members and, ultimately, fund

12. For explanatory purposes, a simple example is given, where there is a profit from the operation of a foreign mutual fund. But if there is a loss on the fund's operation, there will be negative reinvestment, which will be entered as negative income (with a negative sign) under primary income, with an offsetting reduction in foreign assets in the financial account.

members' assets. Foreign pension fund members' calculated share in the income of Icelandic pension funds is listed in the balance on income as an expense. In the same manner, resident individuals' calculated income from their holdings in foreign pension funds is entered as income. The same applies to non-life insurance technical reserves; non-residents' share of domestic insurance companies' reserves and residents' share of foreign insurance companies' reserves that are included with primary income in the same manner as pension assets.

Compensation of employees is entered on a gross basis¹³ instead of a net basis, as was done previously (i.e., pre-tax wages), and including related expenses incurred by the employer, as well as the wage-earner's pension fund contribution. The effects of this can be seen in higher figures for wage income and expense in the primary income. In addition, gathering of wage-related data has been expanded, and the Central Bank now uses Director of Internal Revenue data compiled from individuals' income tax returns. This gives considerably more precise figures than were obtained previously, which will result in higher figures for individuals' wage income.

Secondary income

Secondary income is defined in greater detail than before. It is divided into two categories: personal transfers and other current transfers. Personal transfers are defined more broadly than before. They now include all monetary transfers between individuals living in two different countries. In this context, it is immaterial where the money originates or what the relationship between sender and recipient is. Previously, personal transfers were limited to workers' remittances to individuals connected to them. Concurrent with this expansion of the definition, data collection has been expanded in connection with transfers, and the Central Bank now gathers much more detailed information on personal transfers to and from Iceland. This gives more precise figures than were obtained previously, which will result in higher figures for personal transfers. In spite of greater data coverage, this item will probably never be measured with complete accuracy. For example, it is not simple to measure capital transfers in the form of cash.

Data collection has also been expanded for other transfers, as it has for personal transfers. As a consequence, other transfers are considerably higher than they were previously. Data on transfers for development aid is compiled, as are contributions from the general government, non-governmental organisations, such as aid organisations and various charities. This includes all transfers, both current and capital from non-governmental organisations. Iceland's contributions to development aid abroad are therefore measured with much greater accuracy than they were previously. In addition to development-related transfers, other contributions include wage-earners' pension contributions and pension funds' payments to retirees. The same applies to wage-earners' social security contributions and social security payments to individuals, such as old age and disability pensions, accident/

13. According to the previous standards, compensation of employees was also entered on a gross basis. Therefore, this is not a change in standards but an adaptation to the correct methodology.

illness per diem payments, and so forth. Tax refunds paid by the Government to non-residents, such as value-added tax reimbursements paid to tourists and reimbursements for film production in Iceland, are now included in transfers. Premiums and claims for liability insurance are also included with other transfers.

Financial account and IIP

The financial account includes transactions with financial assets and liabilities, taking place between residents and non-resident entities. The rule governing signs is now simpler than before, as numbers with a positive sign indicate an increase in assets or liabilities, while a negative sign indicates a decrease.¹⁴ If the overall balance has a positive sign, it indicates net lending to non-residents, and by the same token, a negative sign indicates net borrowing.¹⁵ New terminology has been adopted in connection with the financial account. The terms net acquisition of financial assets and net incurrence of liabilities are used instead of references to capital inflows and outflows. This is done to highlight the fact that the financial account does not measure capital transfers between countries but trade or transactions between residents and non-residents.

Table 2 Reconciliation of the IIP

<i>B.kr.</i>	Position at end- Q1/'14	Financial account	Exchange rate and price changes	Other changes	Position at end- Q2/'14
Foreign assets, total	5,340	51	17	8	5,415
Direct investment	2,129	10	-3	0	2,137
Portfolio investment	1,214	32	26	-2	1,271
Financial derivatives, net	3	0	-2	0	2
Other investment	1,525	-3	-5	8	1,525
Reserve assets	468	12	0	0	481
Foreign liabilities, total	12,878	31	-47	35	12,898
Direct investment	1,959	17	-8	3	1,971
Portfolio investment	5,546	32	8	-2	5,584
Other investment	5,368	-18	-46	34	5,337
Net International investment position (IIP)	-7,538	19	64	-27	-7,483

Source: Central Bank of Iceland.

The new standards place increased emphasis on explaining changes in foreign assets and liabilities between periods. The Central Bank will publish the following table for each quarter, showing changes in key assets and liabilities in the IIP, depending on whether they are attributable to financial account transactions, changes in exchange rate and prices, or other changes. There could be various reasons for other changes; therefore, a discrepancy in data on balances, on the

14. In the fifth edition of the standards, a positive sign indicated a reduction on the assets side and an increase on the liabilities side. A negative sign indicated an increase on the assets side and a reduction on the liabilities side. The signs in the overall balance indicate the same as before.

15. In spite of the terminology, net lending and borrowing are terms that extend to equity capital and derivatives as well as loans. Net lending can derive from an increase in foreign assets as well as a reduction in foreign liabilities. By the same token, net borrowing can stem from an increase in foreign liabilities as well as a reduction in assets.

one hand, and trade, on the other, could lead to an unexplained difference. Furthermore, there are instances where there is no data on transactions,¹⁶ and in those cases, there are methods used to estimate it, and averages are generally used (average exchange rates and/or prices), which could lead to an unexplained difference. The greater the volatility in the foreign exchange and securities markets within a given quarter, the more difficult it is to estimate transaction values accurately.

Revision policy

The statistics are published four times a year, about two months after the end of each quarter. In most instances, they are published at the beginning of March, June, September, and December. Until now, the Central Bank has not followed any particular policy concerning the revision of previously published statistics but has revised data as soon as possible after new information becomes available. Concurrent with the implementation of the new standards, however, statistics on the balance of payments and IIP will be revised according to a predefined schedule, as is set forth in the table below. The revision schedule is published so that users will know when they can expect previously published figures to change. The schedule is in line with the timing of the pertinent information, such as the results from firms' annual accounts.

Table 3 Revision policy

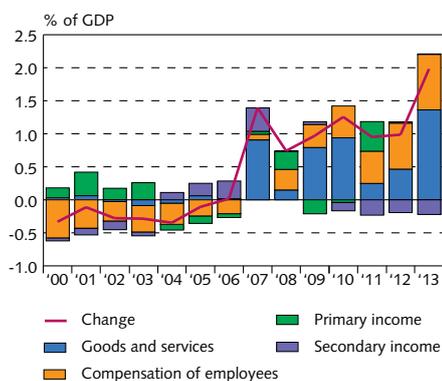
	March	June	September	December
Revision	15 quarters	4 quarters	17 quarters	6 quarters

The effects of the changes

The above-described changes in standards have a relatively broad impact. However, they have a similar effect on the revenues and expenses sides of the current account balance and on the assets and liabilities sides of the IIP. The impact is greatest on statistics for 2007-2013, and the effect on the years prior to this period is less pronounced.

The effects of the changes on the current account balance for 2000-2013, shown in Chart 1, range from being negative by 0.3% of GDP to being positive by 2%. In the earlier part of this period (2000-2007), the current account surplus is smaller by 0.1-0.3% of GDP than it was according to the previous figures. However, the position for 2008-2013 is improved by 0.7-2% of GDP using the new figures. The results for 2000-2006 are poorer primarily because foreign individuals' wage income in Iceland is now considered higher than it was previously. This is mainly because wages are now recorded on a gross basis and the Central Bank has expanded its data collection, as is discussed above. In addition, new data from the Director of Internal Revenue shows that Icelanders' wages abroad were somewhat lower in 2000-

Chart 1
Effects on the current account 2000-2013



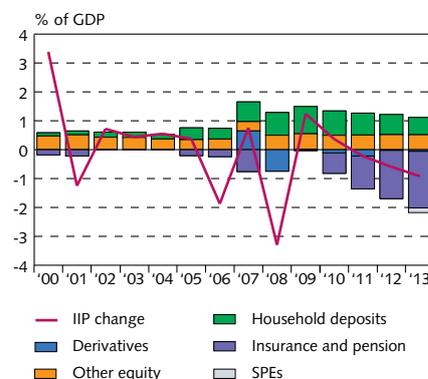
Sources: Statistics Iceland, Central Bank of Iceland.

16. An example is data from deposit money banks. The Central Bank collects only balances from their balance sheets but does not collect information on transactions with assets and liabilities. An example is data from deposit money banks. The Central Bank collects only balances from their balance sheets but does not collect information on transactions with assets and liabilities.

2006 than was previously estimated.¹⁷ During the period 2008-2013, however, Icelanders' wage income abroad was 0.3-0.8% of GDP higher than previously estimated. New figures from Statistics Iceland on goods and services trade have the greatest effect on the current account balance for 2008-2013, or 0.1-1.4% of GDP.

The changes have a marked impact on the IIP. The impact is greatest from so-called special-purpose entities, whose assets totalled 518 b.kr. at year-end 2013. Their liabilities totalled 521 b.kr. at the same time, however, so the net effect is only 3 b.kr., or about 0.2% of GDP. Using the assets and liabilities method for direct investment has a similar effect, as it yields a 160 b.kr. increase on both sides, with no impact on the IIP. Chart 2 shows items that entail a change in the IIP for 2000-2013. The combined effect ranges from being negative by 3.3% of GDP in 2008 to being positive by 3.4% of GDP in 2000. The IIP deteriorated by 0.2-2.0% of GDP during the period because of the inclusion of insurance, pension, and standardised guarantee schemes, with the impact peaking in 2010-2013. Derivatives had very little impact except in 2007, when the IIP improved by 0.6% of GDP, and 2008, when it deteriorated by 0.7% of GDP. The IIP improved most because of changes in individuals' foreign deposits and other share capital, with a combined effect of 0.9% of GDP during the period concerned. Individuals' deposits had little impact early in the period, but from 2007 onwards the effects increased markedly, due mainly to the weakness of the Icelandic króna.

Chart 2
Effects in International Investment Position
2000-2013



Sources: Statistics Iceland, Central Bank of Iceland.

17. This discussion covers data extending only back to 2000. The effects extend back to 1995, however, as the statistics are extrapolated back to that year in line with the new standards.