

Balance of payments in the second quarter of 2012 and the external position

The Central Bank of Iceland has published on its website the preliminary statistics for the balance of payments in the second quarter of 2012, and for the external position at the end of the quarter.¹

The current account balance was negative by 49.6 b.kr. during the quarter, as opposed to a negative balance of 47.1 b.kr. in the preceding quarter. The goods account showed a surplus of 12.8 b.kr., and the services account was positive by 12 b.kr. The balance on income, however, was negative by 74.4 b.kr. The current account balance excluding deposit institutions in winding-up proceedings was negative by 14 b.kr., as opposed to a deficit of 16.7 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 28.7 b.kr., and revenues were negative by 7 b.kr. The negative revenues are due to negative reinvestment in foreign companies, which generated a loss during the quarter. The negative effect of deposit institutions in winding-up proceedings on the balance on income was 35.7 b.kr. Therefore, the balance on income excluding these institutions was negative by 38.7 b.kr.

External assets totalled 4,215 b.kr. at the end of the quarter, while external liabilities totalled 13,505 b.kr. Thus the net external position was negative by 9,290 b.kr., and net liabilities increased by 144 b.kr. quarter-on-quarter. Excluding the financial institutions undergoing winding-up proceedings, assets totalled 2,583 b.kr. and liabilities 3,639 b.kr., yielding a net balance of -1,056 b.kr. Net liabilities increased by 177 b.kr. between quarters.

Foreign direct investment

Most companies engaged in direct investment have completed their financial statements for 2011, and the figures for the year have been revised based on the most recent information from them. Figures for the outward foreign direct investment stock were revised from year-end 2010. Icelandic residents' holdings in foreign holding companies were revised downwards, and loan claims against foreign holding

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

companies were revised upwards. The revaluation of total outward foreign direct investment is therefore upwards.

Preliminary figures for country and sectoral distribution of foreign direct investment flows until 2011 will be published on 10 September 2012. The balance of the capital stock for the same period was published in June 2012. (See <http://www.sedlabanki.is/?PageID=291>).

Foreign securities holdings

Resident investors' foreign securities holdings have been revalued based on the results of an annual survey of cross-border securities investments, the Coordinated Portfolio Investment Survey, the results of which were published on the Bank's website on 28 August 2011.² The largest effect is on the securities holdings of other parties,³ which were more than 30 b.kr. less than previously estimated based on the year-end 2011 position.

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

	<u>2011, II</u>	<u>2011, III</u>	<u>2011, IV</u>	<u>2012, I</u>	<u>2012, II</u>
Current account	-34,9	9,5	-48,4	-47,1	-49,6
Balance on goods	17,7	34,3	16,1	18,5	12,8
Balance on services	20,2	28,7	-4,8	-6,4	12,0
Balance on income and transfer, net	-72,7	-53,5	-59,8	-59,2	-74,4
Capital and financial account	-42,6	67,9	28,9	108,6	43,8
Financial account excl. reserves	9,5	164,1	139,1	-13,0	-36,6
Foreign assets, net	3,4	55,7	349,0	93,7	93,9
Foreign liabilities, net	6,1	108,4	-209,9	-106,7	-130,5
Reserve assets	-52,1	-96,1	-110,1	121,6	80,5
Net errors and omissions	77,5	-77,5	19,5	-61,5	5,9
<i>Memorandum items:</i>					
CA without DMBs undergoing winding-up proceedings	-13,9	35,6	-24,6	-16,7	-14,0

² See *Geographical origin of foreign portfolio investment - time series* <http://www.cb.is/statistics/statistics/2012/05/18/Portfolio-investment/>

³ Other parties include households and non-financial companies.

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

	<u>2011, II</u>	<u>2011, III</u>	<u>2011, IV</u>	<u>2012, I</u>	<u>2012, II</u>
Total assets	4.575	4.553	4.441	4.679	4.215
Direct investment abroad	1.448	1.402	1.419	1.465	1.527
Portfolio assets	964	996	922	916	859
Other investment, net	1.335	1.244	1.052	1.321	977
Reserves	828	912	1.047	977	852
Total liabilities	14.267	13.859	13.686	13.825	13.505
Direct investment in Iceland	1.502	1.500	1.543	1.674	1.624
Portfolio liabilities	3.130	2.853	2.544	2.303	2.260
Other investment, liabilities	9.635	9.507	9.600	9.848	9.621
International investment position	-9.692	-9.306	-9.246	-9.146	-9.290
<i>Memorandum items:</i>					
IIP excl. DMBs undergoing winding up proceedings	-963	-963	-892	-879	-1.056

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