

Balance of payments in the third quarter of 2006 and the external position

The Central Bank of Iceland has today published on its website statistics for the balance of payments in the third quarter of 2006 and the external position at the end of September.¹

The deficit on the current account was 80.8 b.kr. in Q3/2006. Over the first nine months of the year, the current deficit amounted to 205.3 b.kr. compared to 103.1 b.kr. the year before. There was a deficit on all current accounts: goods, services, income and current transfer. The balance on income deteriorated most sharply in Q3/2006, due to an increase in foreign liabilities and higher interest rates in international markets. Large profits of domestic companies owned by non-resident investors also play a major part, since these are measured as expenditure on the income account and are reinvested at the same time in the companies, i.e. appear as direct foreign investment in Iceland.

Net financial inflow measured 199.5 b.kr. over the first nine months of 2006, mainly due to foreign borrowing by banks and corporations. Foreign investment was 703 b.kr. over the first three quarters.

Balance of payments in b.kr.

	<i>July - Sept.</i>		<i>January- September</i>	
	<i>2005</i>	<i>2006</i>	<i>2005</i>	<i>2006</i>
Current Account	-41.4	-80.8	-103.1	-205.3
Exports of goods and services	87.7	92.3	248.2	262.2
Imports of goods and services	-121.5	-141.9	-331.3	-408.7
Income and current transfer, net	-7.7	-31.2	-20.1	-58.8
Capital and Financial Account	8.9	23.8	109.0	199.5
Financial account excl. reserves	20.9	24.6	118.5	193.7
External assets, net	-235.8	-315.3	-811.1	-709.7
External debt, net	256.7	340.0	929.6	903.4
Reserve assets (- increase)	-11.8	-0.7	-8.4	7.0
<i>Net errors and omissions</i>	32.6	57.0	-5.8	5.8

Iceland's international investment position was negative by 1,217 b.kr. at the end of September 2006, having deteriorated by 361 b.kr. since the beginning of the year. Foreign assets amounted to 3,593 b.kr. and foreign liabilities to 4,809 b.kr. at the end of September 2006.

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