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## Balance of payments in the fourth quarter of 2008 and the external position

The Central Bank of Iceland has published on its website the preliminary statistics for the balance of payments in the fourth quarter of 2008, and for the external position at the end of the quarter.<sup>1</sup>

In the fourth quarter of the year, the current account balance was negative by 199.6 b.kr., which is a considerably larger deficit than in the preceding quarter. The trade account showed a surplus of over 33 b.kr.; thus the current account deficit is attributable to the deficit on the income account, which totalled just over 233 b.kr.

The income account deficit during the fourth quarter is due primarily to residents' losses on outward foreign direct investment and increased interest expense on external liabilities.

Net financial outflow totalled 224.8 b.kr. in Q4. Capital inflows in the amount of 542.6 b.kr. are due primarily to negative reinvestment and sales of Icelandic companies abroad. Capital outflows totalled 315.5 b.kr., largely attributable to negative reinvestment by non-residents in Iceland.

The errors and omissions item in the quarterly accounts is negative by 25 b.kr., which is significantly less than in the previous quarter. The Central Bank's experience is that a negative errors and omissions item is most often explained by underestimation of the financial account, although sometimes it is also the case that more detailed information concerning changes in transactions and their timing becomes available much later.

Iceland's international investment position was negative by 3,675 b.kr. at the end of Q4/2008, after deteriorating by 1,341 b.kr. during the quarter. This is due mainly to the depreciation of the króna, but also to foreign borrowings by the Central Bank. External assets totalled 9,557 b.kr. at the end of the quarter, while external debt totalled 13,233 b.kr. It should be noted that the figures on external

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

debt still include the assets and liabilities of the three commercial banks that have been granted moratoria on payment.

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

	<u>2007,4</u>	<u>2008,1</u>	<u>2008,2</u>	<u>2008,3</u>	<u>2008,4</u>
<b>Viðskiptajöfnuður</b>	<b>-91,9</b>	<b>-59,0</b>	<b>-135,8</b>	<b>-113,4</b>	<b>-199,6</b>
Útflutningur vöru og þjónustu	127,6	110,5	171,9	173,5	194,2
Innflutningur vöru og þjónustu	-160,0	-146,9	-183,6	-193,9	-160,7
Þáttatekjur og framlög, nettó	-59,6	-22,6	-124,0	-93,0	-233,1
<b>Fjármagnsjöfnuður</b>	<b>88,8</b>	<b>185,5</b>	<b>-37,1</b>	<b>274,1</b>	<b>224,8</b>
Fjármagnshreyfingar án forða	92,3	192,5	-59,3	388,7	227,2
Erlendar eignir, nettó	-582,6	241,2	-350,1	223,2	542,6
Erlendar skuldir, nettó	674,8	-48,7	290,7	165,5	-315,5
Gjaldeyrisforði (- aukning)	-3,1	-6,5	22,6	-114,9	-1,9
<b>Skekkjur og vantalið nettó</b>	<b>3,2</b>	<b>-126,5</b>	<b>172,8</b>	<b>-160,7</b>	<b>-25,2</b>

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

	<u>2007,4</u>	<u>2008,1</u>	<u>2008,2</u>	<u>2008,3</u>	<u>2008,4</u>
<b>Erlendar eignir, alls</b>	<b>6.617</b>	<b>7.883</b>	<b>8.436</b>	<b>9.967</b>	<b>9.557</b>
Bein fjárfesting erlendis	1.709	1.756	1.899	2.488	1.818
Erlend markaðsverðbréf	1.672	2.086	2.091	2.222	2.331
Aðrar fjáreignir en forði	3.074	3.821	4.243	4.882	4.979
Gjaldeyrisforði	163	220	203	375	429
<b>Erlendar skuldir, alls</b>	<b>7.983</b>	<b>9.914</b>	<b>10.561</b>	<b>12.301</b>	<b>13.124</b>
Bein fjárfesting á Íslandi	740	839	887	869	421
Innlend markaðsverðbréf	3.706	4.582	4.853	5.419	6.155
Aðrar erlendar skuldir	3.537	4.493	4.821	6.013	6.548
<b>Hrein staða við útlönd</b>	<b>-1.366</b>	<b>-2.031</b>	<b>-2.126</b>	<b>-2.334</b>	<b>-3.566</b>

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