

Balance of payments in the fourth quarter of 2010 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 2010, and for the external position at the end of the quarter.¹

The current account balance was negative by 53.6 b.kr. in the fourth quarter, as opposed to a positive balance of 11.9 b.kr. in the preceding quarter. The goods account showed a surplus of 30.1 b.kr., and the services account was positive by 1.7 b.kr. The balance on income, however, was negative by 83 b.kr.

As before, the deficit in the balance on income can be attributed to financial institutions in winding-up proceedings. Expenditures due to these institutions totalled 37.5 b.kr., while revenues were 3.1 b.kr. Therefore, the balance on income excluding deposit institutions in winding-up proceedings was negative by 51.1 b.kr., and the current account balance was negative in the amount of 19.3 b.kr.

External assets totalled 3,965 b.kr. at the end of the quarter, while external liabilities totalled 13,291 b.kr. Thus the net external position was negative by 9,326 b.kr., and net liabilities declined by nearly 141 b.kr. quarter-on-quarter. Excluding the financial institutions undergoing winding-up proceedings, assets totalled 2,441 b.kr. and liabilities 2,875 b.kr., yielding a net balance of -434 b.kr.

Foreign direct investment

More complete information on foreign direct investment in the first three quarters of 2010 is now available. Previously published figures were estimates. The main change in outward foreign direct investment by Icelanders is that loan liabilities were higher than previously estimated. Interest expense was higher as well, which has a negative effect on the balance on income in the total amount of 11 b.kr. in the quarters concerned. Revised figures also affect non-residents' inward foreign direct investment, as their own capital was substantially higher than previously estimated, or about 114 b.kr. for Q3. Losses recorded by domestic firms owned by non-residents had the greatest impact on the current account balance, although the effect was smaller than expected. Their negative reinvestment is therefore much lower, which

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

means that the deficit in the balance on income was greater than previously projected.

A revised national and sectoral breakdown of foreign direct investment through 2009 (annual data) was scheduled for publication on 9 March 2011, but no change has occurred in previously published figures. The next revision of older data is scheduled for 8 June 2011. (See <http://www.sedlabanki.is/?PageID=291>).

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

	<u>2009 /4</u>	<u>2010 /1</u>	<u>2010 /2</u>	<u>2010 /3</u>	<u>2010 /4</u>
Current account	-17,7	-15,0	-63,8	11,9	-53,6
Exports of goods and services	206,3	198,0	222,4	235,4	213,0
Imports of goods and services	-178,6	-167,6	-177,4	-180,2	-181,1
Income and transfer, net	-45,4	-45,5	-108,8	-43,3	-85,4
Capital and financial account	-440,8	32,9	-46,1	-80,4	2,8
Financial account excl. reserves	-389,8	49,3	55,1	-144,9	185,6
Foreign assets, net	-280,0	-81,0	5,7	-37,1	265,1
Foreign liabilities, net	-52,0	130,3	49,3	-107,8	-79,5
Reserve assets	-50,6	-16,2	-101,0	64,5	-182,7
Net errors and omissions	458,5	-17,8	109,9	68,5	50,8
<i>Memorandum items:</i>					
CA without DMBs undergoing winding-up proceedings	22,0	24,8	-26,5	47,4	-19,3

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

	<u>2009 /4</u>	<u>2010 /1</u>	<u>2010 /2</u>	<u>2010 /3</u>	<u>2010 /4</u>
Total assets	4.255	4.128	4.115	3.914	3.965
Direct investment abroad	1.158	947	1.020	927	686
Portfolio assets	920	918	888	884	859
Other investment, net	1.693	1.773	1.645	1.615	1.752
Reserves	485	490	562	487	667
Total liabilities	14.850	14.618	14.082	13.380	13.291
Direct investment in Iceland	1.079	1.124	1.067	1.051	1.045
Portfolio liabilities	4.965	4.518	3.824	3.500	3.177
Other investment, liabilities	8.807	8.976	9.192	8.830	9.069
International investment position	-10.595	-10.490	-9.967	-9.467	-9.326
<i>Memorandum items:</i>					
IIP excl. DMBs undergoing winding up proceedings	-445	-574	-425	-453	-434

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