

Balance of payments in the first quarter of 2004 and the external position

The deficit on Iceland's current account in the first quarter of 2004 amounted to 13 billion kr. according to preliminary figures from the Central Bank. In the first quarter of 2003 the current account deficit was 2.7 b.kr. The merchandise account was in surplus by 0.3 b.kr. but there was a deficit of 5 b.kr. on the services account. The deficit on the income account was 8.1 b.kr. in the first quarter of 2004, compared with 6.1 b.kr. in the same period the preceding year. Measured at fixed exchange rates¹, exports of goods and services increased by 4.1% while imports increased by 17.1% from same quarter the preceding year.

Capital inflow measured 23.6 b.kr. in Q1/2004. Net foreign borrowing amounted to 83.2 b.kr., entirely in the form of medium-term notes on the European market, while other foreign borrowing decreased. Direct foreign investment in Iceland was 6.4 b.kr. Capital outflows in connection with portfolio investment abroad amounted to 24.8 b.kr., and foreign direct investment by residents 9.7 b.kr. Other investment was 24.1 b.kr., in particular foreign lending by Icelandic banks, which has soared in recent years with an outstanding stock now amounting to 165 b.kr. The Central Bank's foreign reserves amounted to 66.7 b.kr. at the end of March 2004 and had risen by 7.5 b.kr. during the quarter.

Balance of payments in b.kr.

<i>Quarter:</i>	<i>I</i>	<i>II</i>	<i>III</i>	<i>IV</i>	<i>I</i>
	<i>2003</i>	<i>2003</i>	<i>2003</i>	<i>2003</i>	<i>2004</i>
Current Account	-2.7	-16.9	-12.7	-11.1	-13.0
Exports of goods and services	71.1	68.1	79.7	68.9	72.8
Imports of goods and services	-67.3	-78.3	-87.4	-78.5	-77.5
Income and current transfer, net	-6.5	-6.7	-5.1	-1.5	-8.3
Capital and Financial Account	8.0	14.9	8.9	2.4	23.6
Financial account excl. reserves	8.2	15.0	18.6	16.1	31.1
Assets, net	-16,1	-49,7	-26,4	-114,6	-58,6
Liabilities, net	24,3	64,7	45,1	130,7	89,6
Reserve assets (- increase)	-0.2	-0.0	-9.6	-13.6	-7.5
<i>Net errors and omissions</i>	-5.3	2.0	3.8	8.8	-10.5

¹ The trade-weighted exchange rate index was 1.7% lower in the first quarter of 2004 than in the corresponding period a year before.

Iceland's net international investment position was negative by 591 b.kr. at the end of March, 33 b.kr. more than at the beginning of the year. Detailed information on the balance of payments and the external position is presented in the attached tables, along with revised figures for last year. The revised current account deficit in 2003 was 43.4 b.kr. and capital inflows measured 34.1 b.kr.

On Monday June 7, 2004, the Central Bank will publish tables showing the balance of payments and external position on the Statistics page of its website (www.sedlabanki.is). A table showing Iceland's gross external debt will also be published in accordance with the IMF's Special Data Dissemination Standard, classified by sectors, maturity and instruments.

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BALANCE OF PAYMENTS

<i>m.kr.</i>	January December		January - March		<i>change¹ on prev. year</i>
	2002	2003	2003	2004	
Current Account	-2,221	-43,440	-2,700	-13,048	
Exports of goods and services	308,802	287,811	71,143	72,767	4.1%
Imports of goods and services	-292,909	-311,520	-67,337	-77,491	17.1%
Balance on income and current transfer, net	-18,114	-19,731	-6,506	-8,324	30.2%
Balance on Goods	14,082	-15,901	6,668	267	
Merchandise exports f.o.b.	204,303	182,580	49,213	50,893	5.2%
Merchandise imports f.o.b.	-190,221	-198,481	-42,545	-50,626	21.1%
Balance on Services	1,811	-7,808	-2,862	-4,991	
Exports of services, total	104,499	105,231	21,930	21,874	1.5%
Transportation	51,685	51,310	10,640	12,623	20.7%
Travel	22,835	24,531	3,015	3,398	14.7%
Other receipts	29,979	29,390	8,275	5,853	-28.0%
Imports of services, total	-102,688	-113,039	-24,792	-26,865	10.3%
Transportation	-39,321	-40,006	-9,281	-10,447	14.5%
Travel	-33,406	-39,818	-7,308	-9,167	27.6%
Other expenditures	-29,961	-33,215	-8,203	-7,251	-10.1%
Balance on Income, net	-19,284	-18,565	-6,097	-8,067	
Receipts	17,111	17,180	3,968	4,913	26.0%
Compensation of employees	5,417	6,236	1,529	1,534	2.1%
Interest and investment income received ²	11,694	10,944	2,439	3,379	41.0%
Expenditures	-36,395	-35,745	-10,065	-12,980	31.2%
Compensation of employees	-702	-465	-138	-229	68.9%
Interest and investment income paid ²	-35,693	-35,280	-9,927	-12,751	30.7%
Current transfer	1,170	-1,166	-409	-257	
Capital and Financial Account	11,540	34,082	7,432	23,576	
Capital transfer, net	-122	-402	51	9	
Financial account ³	11,662	34,484	7,381	23,567	
Financial Account excl. reserves	17,326	57,885	7,606	31,079	
Direct investment, net	-9,188	-1,236	8,177	-3,282	
Abroad	-19,945	-12,778	-601	-9,694	
In Iceland	10,757	11,542	8,778	6,412	
Portfolio investment, net	22,159	235,995	14,549	97,727	
Assets	-30,017	-45,320	-7,807	-24,776	
Equities	-25,735	-40,579	-7,181	-23,936	
Debt securities	-4,282	-4,741	-626	-840	
Liabilities	52,176	281,315	22,356	122,503	
Equities	1,521	-2,598	-2,455	-475	
Debt securities	50,655	283,913	24,811	122,978	
Other investment, net	4,355	-176,874	-15,120	-63,366	
Assets	-30,426	-148,744	-7,677	-24,079	
Liabilities	34,781	-28,130	-7,443	-39,287	
Reserve assets	-5,664	-23,401	-225	-7,512	
Net errors and omissions	-9,319	9,358	-4,732	-10,528	

1) Calculated at fixed prices based on the average exchange rate index of the króna.

2) Dividends and reinvested earnings.

3) Negative number represents capital outflow due to increase in assets or decrease in liabilities.

EXTERNAL POSITION

<i>End of period in b.kr.:</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>March* 2004*</i>
I. Total assets	315.8	421.1	397.2	656.2	722.4
1 Direct investment abroad	56.2	86.7	89.6	98.1	102.3
11 Equity capital	41.0	66.6	70.7	79.2	81.6
12 Other capital	15.2	20.2	18.9	18.9	20.8
2 Portfolio assets	186.3	202.5	159.3	241.7	269.0
21 Equity capital	179.7	188.0	148.9	226.1	252.6
22 Debt securities	6.6	14.6	10.4	15.5	16.3
221 Bonds and notes	3.6	11.8	9.6	15.1	16.1
222 Money-market instruments	3.0	2.8	0.8	0.4	0.2
3 Financial derivatives	0.0	0.0	0.0	0.0	0.0
4 Other investment, assets	39.1	95.2	111.1	258.3	284.3
5 Reserves	34.2	36.6	37.2	58.1	66.7
II. Total liabilities	764.5	1.007.7	963.8	1.214.4	1.313.6
1 Direct investment in Iceland	41.5	69.5	61.5	62.5	66.5
11 Equity capital	33.1	63.7	56.6	52.2	56.2
12 Other capital	8.5	5.9	4.9	10.3	10.3
2 Portfolio liabilities	346.7	468.0	468.3	754.7	877.5
21 Equity capital	1.2	5.6	7.9	5.9	5.8
22 Debt securities	345.5	462.4	460.4	748.8	871.7
221 Bonds and notes	299.2	379.4	388.4	619.1	739.8
222 Money-market instruments	46.3	83.0	72.0	129.7	131.9
3 Financial derivatives	0.0	0.0	0.0	0.0	0.0
4 Other investment, liabilities	376.2	470.2	434.1	397.2	369.5
41 Long-term loans	289.0	377.0	296.2	251.5	246.2
42 Short-term debt	87.2	93.2	137.9	145.7	123.3
International investment position	-448.7	-586.6	-566.6	-558.2	-591.2
1. Equity capital, net	193.1	199.6	169.2	255.8	282.7
2. Net external debt position	-641.8	-786.2	-735.8	-814.0	-873.9
21 Central Bank	18.6	21.7	20.8	58.1	66.5
22 General governments	-167.4	-239.6	-226.9	-218.6	-223.7
23 Deposit Money Banks	-329.5	-377.4	-368.0	-483.0	-554.0
24 Other sectors	-163.4	-191.0	-161.7	-170.6	-162.7
<i>Exchange rate, ISK per USD</i>	<i>84.47</i>	<i>102.95</i>	<i>80.58</i>	<i>70.99</i>	<i>72.16</i>
IV. External debt ratio: ¹					
11 Intern. investment position	-63.8	-75.7	-78.5	-70.4	-68.7
12 Net external debt ²	91.3	101.5	101.9	102.6	101.6
13 External debt position ³	102.6	120.3	123.9	144.5	144.2
131 Of which long-term debt	83.6	97.6	94.8	109.7	114.6

*) Preliminary figures

1) GDP is calculated at a corresponding exchange rate to that of external debt at the end of the period.

2) Net debt (liabilities less assets) excluding equities.

3) Total liabilities less equities.