

## Current account deficit 27.1 b.kr. in Q1/2021 – net IIP positive by 36,2% of GDP

The current account showed a deficit of 27.1 b.kr. in Q1/2021. That represents a deterioration of 50.4 b.kr. from the preceding quarter and of 38.8 b.kr. from to the same quarter of 2020. The deficit on goods trade totalled 21.9 b.kr., and the deficit on services trade totalled 10.9 b.kr. There was a 12.8 b.kr. surplus on primary income and a 7.1 b.kr. deficit on secondary income (see Table 1).

This is included in new information published on the Central Bank of Iceland website, showing the preliminary balance of payments in Q1/2021 and the external position of the economy at the end of the quarter.<sup>1</sup>

**Table 1. Quarterly balance of payments (b.kr.)**

	2020/1	2020/2	2020/3	2020/4	2021/1
<b>Current account balance</b>	<b>11.7</b>	<b>-6.0</b>	<b>3.0</b>	<b>23.3</b>	<b>-27.1</b>
Balance on goods	-23.3	-19.5	-32.0	-15.5	-21.9
Balance on services	22.4	2.5	21.5	26.4	-10.9
Balance on primary income	19.5	17.3	14.3	19.8	12.8
Secondary income, net	-6.8	-6.3	-0.8	-7.4	-7.1
<b>Capital account</b>	<b>-0.5</b>	<b>-0.5</b>	<b>-0.3</b>	<b>-0.9</b>	<b>-0.7</b>
<b>Financial account</b>	<b>37.4</b>	<b>33.1</b>	<b>38.1</b>	<b>72.0</b>	<b>14.6</b>
Direct investment	34.3	31.6	15.2	8.1	42.3
Portfolio investment	-24.4	-35.0	69.3	107.3	-124.6
Derivatives	2.0	6.6	-2.1	-0.8	-1.4
Other investments	12.7	-44.7	18.8	9.5	19.3
International reserves	12.8	74.7	-63.0	-52.2	79.0
<b>Net errors and omissions</b>	<b>26.2</b>	<b>39.6</b>	<b>35.5</b>	<b>49.6</b>	<b>42.3</b>

Less favourable current account balance than in the same quarter of 2020 is primarily due to less favourable services trade<sup>2</sup> in the amount of 33.3 b.kr. The difference stemmed mainly from services export

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<sup>1</sup>Tables on Iceland's balance of payments and international investment position can be found on the Statistics pages of the Central Bank website: .

<sup>2</sup>[See the Statistics Iceland website.](#)

values, which were lower by 54.5 b.kr. Services imports declined by 21.2 b.kr. The balance on goods trade was more favourable by 1.4 b.kr. The primary income balance deteriorated by 6.7 b.kr., and the deficit on secondary income widened by 0.2 b.kr.

The net international investment position was positive by 1,069 b.kr., or 36.2% of GDP, and improved by 9 b.kr., or 0.3% of GDP, during the quarter. Foreign assets totalled 4,485 b.kr. at the end of the quarter, while foreign liabilities totalled 3,415 b.kr. Net financial transactions improved the net international investment position by 15 b.kr. during the quarter, as external assets increased by 69 b.kr. due to financial transactions and external liabilities increased by 54 b.kr. Asset values declined by 43 b.kr. during the quarter, owing to price and exchange rate movements, and liabilities fell in value by 46 b.kr. On the whole, price and exchange rate movements led to a 4 b.kr. improvement in the net international investment position. Prices in foreign securities markets rose by just over 4%, and prices in the domestic stock market rose by 14.1%. The króna appreciated by 4.4% in terms of the trade-weighted index.

**Table 2. Quarter-on-quarter change in international investment position (b.kr.)**

	Position at end-Q4/2020	Financial account	Exchange rate and price changes	Other changes	Position at end-Q1/2021
<b>Foreign assets, total</b>	<b>4,471</b>	<b>69</b>	<b>-43</b>	<b>-13</b>	<b>4,485</b>
Direct investment	858	-32	-32	-7	786
Portfolio investment	2,221	-4	44	0	2,261
Derivatives*	17	-7	-2	0	8
Other investments	559	32	-14	-6	572
International reserves	817	79	-39	0	857
<b>Foreign liabilities, total</b>	<b>3,412</b>	<b>54</b>	<b>-46</b>	<b>-5</b>	<b>3,415</b>
Direct investment	1,101	-74	-13	-5	1,009
Portfolio investment	1,473	121	-30	-2	1,562
Derivatives*	5	-5	10	0	10
Other investments	832	13	-13	2	834
<b>Net international investment position (NIIP)</b>	<b>1,060</b>	<b>15</b>	<b>4</b>	<b>-8</b>	<b>1,069</b>
<b>% of GDP</b>	<b>35.8%</b>	<b>0.5%</b>	<b>0.1%</b>	<b>-0.3%</b>	<b>36.2%</b>

\*Other changes are included under price and exchange rate changes for derivatives.