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Current account deficit 28.6 b.kr. in Q4/2023 – net IIP positive by 37.7% of GDP

The current account deficit measured 28.6 b.kr. in Q4/2023. This represents a deterioration of 107.1 b.kr. relative to the previous quarter and of 0.3 b.kr. relative to the same quarter in 2022. There was a deficit on goods trade in the amount of 77.5 b.kr and a 28.5 b.kr. surplus on services trade.¹ The surplus on primary income amounted to 34 b.kr., whereas there was a 13.5 b.kr. deficit on secondary income (Table 1).

This is included in new information published on the Central Bank of Iceland website, showing the preliminary balance of payments in Q4/2023 and the external position of the economy at the end of the quarter.²

Table 1. Balance of payments (b.kr.)

	<u>2022/4</u>	<u>2023/1</u>	<u>2023/2</u>	<u>2023/3</u>	<u>2023/4</u>
Current account balance	-28.3	-14.6	6.0	78.6	-28.6
Balance on goods	-81.9	-44.9	-83.4	-84.7	-77.5
Balance on services	28.3	25.7	86.1	148.0	28.5
Balance on primary income	36.8	16.9	15.8	28.2	34.0
Secondary income, net	-11.4	-12.3	-12.6	-12.8	-13.5
Capital account	-1.2	-1.3	-0.9	-0.7	-1.3
Financial account	59.4	-41.1	-14.5	80.9	86.6
Direct investment	41.6	-13.7	1.2	-125.1	94.9
Portfolio investment	177.9	25.8	80.5	124.8	90.8
Derivatives	4.2	-2.8	-2.6	-6.9	-3.5
Other investments	-83.7	-28.4	-66.4	94.4	-99.6
International reserves	-80.6	-22.0	-27.2	-6.3	4.0
Net errors and omissions	88.9	-25.2	-19.6	3.1	116.5

The current account balance for 2023 as a whole showed a surplus of 41.4 b.kr., as compared with a deficit of 65.2 b.kr. in 2022. The deficit on goods trade totalled 290.6 b.kr., while the surplus on services trade totalled 288.3 b.kr. The surplus on

¹See the [Statistics Iceland](https://www.stat.is/) website.

²Tables on Iceland's balance of payments and international investment position can be found on the Statistics pages of the Central Bank website: <https://www.cb.is/statistics/>.

primary income amounted to 94.8 b.kr., whereas there was a 51.2 b.kr. deficit on secondary income.

At the end of Q4, the net international investment position was positive by 1,614 b.kr., or 37.7% of GDP. It improved by 326 b.kr., or 7.6% of GDP, during the quarter. External assets totalled 5,753 b.kr. at the end of the quarter, and external liabilities were 4,139 b.kr. During the quarter, the position improved by 87 b.kr. as a result of financial transactions, as foreign assets increased by 33 b.kr. and foreign liabilities increased by 54 b.kr. Price and exchange rate movements during the quarter increased asset values by 330 b.kr. and increased the value of liabilities by 85 b.kr., thereby yielding an improvement of 246 b.kr. in the net external position. The króna depreciated by 3.4% in terms of the trade-weighted index. Prices in foreign securities markets rose by 6.1% between quarters, and prices in the domestic stock market rose by 9.7%.

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

	Position at end-Q3/2023	Financial account	Exchange rate and price changes	Other changes	Position at end-43/2023
Foreign assets, total	5,381	33	330	9	5,753
Direct investment	838	93	23	24	978
Portfolio investment	3,022	62	257	-7	3,334
Derivatives*	14	-4	6	0	16
Other investments	743	-123	19	-7	633
International reserves	763	4	25	0	792
Foreign liabilities, total	4,093	-54	85	15	4,139
Direct investment	1,447	-2	12	33	1,490
Portfolio investment	1,410	-29	61	-26	1,415
Derivatives*	21	0	-4	0	18
Other investments	1,214	-23	16	9	1,216
Net international investment position (NIIP)	1,288	87	246	-6	1,614
% of GDP	30.1%	2.0%	5.7%	-0.1%	37.7%

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