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## Current account surplus 11.4 b.kr. in Q1/2020 – net IIP positive by 692 b.kr.

The current account surplus measured 11.4 b.kr. in Q1/2020, as compared with a surplus of 50.9 b.kr. in the preceding quarter. The deficit on goods trade totalled 18.6 b.kr., while the surplus on services trade totalled 24 b.kr. There was a 14.2 b.kr. surplus on primary income and a 8.3 b.kr. deficit on secondary income (see table below).

This is included in new information published on the Central Bank of Iceland website, showing the preliminary balance of payments in Q1/2020 and the external position of the economy at the end of the quarter.<sup>1</sup>

The current account surplus was 32.6 b.kr. smaller than in the same quarter of the prior year, owing to a considerably less favourable goods account balance in the amount of 21.3 b.kr. The main difference was a 26.4 b.kr. reduction in export revenues, although the value of imported goods was lower by 5.1 b.kr. The balance on services trade<sup>2</sup> deteriorated by 5.5 b.kr., and the balance on primary income was less favourable by 5.3 b.kr. The deficit on secondary income was larger by 0.5 b.kr.

The net international investment position was positive by 692 b.kr., or 23.3% of GDP, and improved by 64 b.kr., or 2.2% of GDP, during the quarter. Foreign assets totalled 4,210 b.kr. at the end of the quarter, while foreign liabilities totalled 3,518 b.kr. Net financial transactions improved the net international investment position by 56 b.kr. during the quarter, as external assets increased by 78 b.kr. due to financial transactions and external liabilities increased by 22 b.kr. The value of assets and liabilities rose markedly because of price and exchange rate movements, which caused the net external position to increase by 22 b.kr. Foreign securities markets fell by 22.5%, and domestic share prices fell by nearly 18%. In addition, the króna depreciated by 12.4% in terms of the trade-weighted index.

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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:

<https://www.cb.is/statistics>.

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

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

|                                 | <u>2019/1</u> | <u>2019/2</u> | <u>2019/3</u> | <u>2019/4</u> | <u>2020/1</u> |
|---------------------------------|---------------|---------------|---------------|---------------|---------------|
| <b>Current account balance</b>  | <b>44.0</b>   | <b>16.3</b>   | <b>63.9</b>   | <b>50.9</b>   | <b>11.4</b>   |
| Balance on goods                | 2.7           | -42.6         | -47.2         | -11.8         | -18.6         |
| Balance on services             | 29.6          | 51.4          | 102.4         | 55.7          | 24.0          |
| Balance on primary income       | 19.5          | 14.9          | 15.2          | 10.0          | 14.2          |
| Secondary income, net           | -7.8          | -7.4          | -6.5          | -3.0          | -8.3          |
| <b>Capital account</b>          | <b>-0.4</b>   | <b>-0.5</b>   | <b>-0.4</b>   | <b>-0.6</b>   | <b>-0.6</b>   |
| <b>Financial account</b>        | <b>85.0</b>   | <b>-35.5</b>  | <b>124.9</b>  | <b>50.3</b>   | <b>55.8</b>   |
| Direct investment               | 27.7          | 26.7          | 6.6           | 33.3          | 48.0          |
| Portfolio investment            | 24.3          | -102.8        | 93.6          | 79.0          | -22.8         |
| Derivatives                     | 0.1           | 1.7           | 0.4           | 0.3           | 0.5           |
| Other investments               | 39.9          | -25.5         | 19.2          | -67.7         | 17.2          |
| International reserves          | -7.0          | 64.4          | 5.2           | 5.5           | 12.8          |
| <b>Net errors and omissions</b> | <b>41.4</b>   | <b>-51.3</b>  | <b>61.5</b>   | <b>0.1</b>    | <b>44.9</b>   |

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

|   | Position at end-<br>Q4/2019 | Financial<br>account | Exchange<br>rate and<br>price<br>changes | Other<br>changes | Position<br>at end-<br>Q1/2020 |
|---|-----------------------------|----------------------|--|------------------|--------------------------------|
| <b>Foreign assets, total</b>                            | <b>3,871</b>                | <b>78</b>            | <b>267</b>                               | <b>-4</b>        | <b>4,210</b>                   |
| Direct investment                                       | 798                         | 10                   | 108                                      | -7               | 909                            |
| Portfolio investment                                    | 1,758                       | 10                   | -13                                      | 0                | 1,755                          |
| Derivatives*  | 12                          | 1                    | 0  | 0                | 13                             |
| Other investments                                       | 480                         | 44                   | 60                                       | 2                | 586                            |
| International reserves                                  | 822                         | 13                   | 113                                      | 0                | 948                            |
| <b>Foreign liabilities, total</b>                       | <b>3,243</b>                | <b>22</b>            | <b>245</b>                               | <b>9</b>         | <b>3,518</b>                   |
| Direct investment                                       | 1,185                       | -38                  | 90                                       | 9                | 1,246                          |
| Portfolio investment                                    | 1,333                       | 33                   | 72                                       | 3                | 1,441                          |
| Derivatives*  | 4                           | 0                    | 12                                       | 0                | 16                             |
| Other investments                                       | 721                         | 27                   | 71                                       | -4               | 815                            |
| <b>Net international investment<br/>position (NIIP)</b> | <b>628</b>                  | <b>56</b>            | <b>22</b>                                | <b>-14</b>       | <b>692</b>                     |
| <b>% of GDP</b>   | <b>21.1%</b>                | <b>1.9%</b>          | <b>0.7%</b>                              | <b>-0.5%</b>     | <b>23.3%</b>                   |

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

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