

Current account surplus 22.1 b.kr. in Q4/2020 – net IIP positive by 1,039 b.kr.

The current account surplus measured 22.1 b.kr. in Q4/2020, as compared with a surplus of 2.9 b.kr. in the preceding quarter. The deficit on goods trade totalled 15.5 b.kr., while the surplus on services trade totalled 26.4 b.kr. There was an 18.3 b.kr. surplus on primary income and a 7.1 b.kr. deficit on secondary income (see Table 1).

This is included in information published on the Central Bank of Iceland website, showing the preliminary balance of payments in Q4/2020 and the external position of the economy at the end of the quarter.¹

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

	<u>2019/4</u>	2020/1	2020/2	2020/3	2020/4
Current account balance	52.7	11.9	-6.0	2.9	22.1
Goods account balance	-17.1	-23.3	-19.5	-32.0	-15.5
Balance on services	61.5	22.4	2.5	21.5	26.4
Balance on primary income	10.5	19.9	17.5	14.4	18.3
Secondary income, net	-2.2	-7.1	-6.5	-1.0	-7.1
Capital account	-0.6	-0.6	-0.5	-0.4	-0.9
Financial account	53.0	32.2	24.7	29.0	76.6
Direct investment	36.3	27.4	24.7	8.3	12.0
Portfolio investment	82.3	-22.9	-35.2	68.3	109.7
Derivatives	0.3	2.0	6.6	-2.1	-2.7
Other investments	-71.4	12.9	-45.3	17.5	9.8
International reserves	5.5	12.8	73.9	-63.0	-52.2
Net errors and omissions	1.0	20.9	31.2	26.5	55.4

The current account surplus was 30.6 b.kr. smaller than in the same quarter of 2019, owing primarily to less favourable services trade² in the amount of 35.1 b.kr. The difference stemmed mainly from services

¹Tables 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/>.

²[See the Statistics Iceland website.](#)

export values, which were lower by 69.9 b.kr. Services imports declined by 34.7 b.kr. The balance on goods trade was more favourable by 1.6 b.kr., and the balance on primary income was 7.8 b.kr. more favourable, owing mainly to negative reinvestment by foreign-owned domestic companies. The deficit on secondary income increased by 4.9 b.kr.

The current account surplus for 2020 as a whole amounted to 30.9 b.kr., as compared with a surplus of 193.9 b.kr. in 2019. The deficit on goods trade totalled 90.3 b.kr., while the surplus on services trade totalled 72.8 b.kr. The surplus on primary income amounted to 70.1 b.kr., whereas there was a 21.8 b.kr. deficit on secondary income.

The net international investment position was positive by 1,039 b.kr., or 35.3% of GDP, and improved by 83 b.kr., or 2.8% of GDP, during the quarter. Foreign assets totalled 4,441 b.kr. at the end of the quarter, while foreign liabilities totalled 3,402 b.kr. Net financial transactions improved the net international investment position by 77 b.kr. during the quarter, as external assets declined by 13 b.kr. due to financial transactions and external liabilities fell by 90 b.kr. Asset values declined by 58 b.kr. during the quarter, owing to price and exchange rate movements, and liabilities fell in value by 47 b.kr. On the whole, price and exchange rate movements led to a 12 b.kr. deterioration in the net international investment position. Prices in foreign securities markets rose by just over 14%, and prices in the domestic stock market rose by 22.4%. The króna appreciated by 4% in terms of the trade-weighted index.

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

	Position at end-Q3/2020	Financial account	Exchange rate and price changes	Other changes	Position at end-Q4/2020
Foreign assets, total	4,505	-13	-58	8	4,441
Direct investment	842	17	-34	6	830
Portfolio investment	2,128	27	66	-1	2,221
Derivatives*	14	-8	11	0	17
Other investments	578	3	-27	3	557
International reserves	943	-52	-74	-1	817
Foreign liabilities, total	3,550	-90	-47	-11	3,402
Direct investment	1,142	5	-32	-28	1,087
Portfolio investment	1,538	-82	17	9	1,482
Derivatives*	10	-5	-1	0	4
Other investments	859	-7	-30	8	830
Net international investment position (NIIP)	956	77	-12	18	1,039
% of GDP	32.5%	2.6%	-0.4%	0.6%	35.3%

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

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