

Current account surplus 13.1 b.kr. in Q3/2021 – net IIP positive by 41.1% of GDP

The current account surplus measured 13.1 b.kr. in Q3/2021. This represents an improvement of 50 b.kr. relative to the previous quarter and 12.5 b.kr. relative to Q3/2020. The deficit on goods trade totalled 47.4 b.kr., while the surplus on services trade totalled 60.3 b.kr. The surplus on primary income amounted to 7.9 b.kr., whereas there was a 7.7 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 Q3/2021 and the external position of the economy at the end of the quarter.¹

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

	<u>2020/3</u>	<u>2020/4</u>	<u>2021/1</u>	<u>2021/2</u>	<u>2021/3</u>
Current account balance	0.6	22.0	-23.8	-36.9	13.1
Balance on goods	-32.1	-15.6	-21.0	-56.3	-47.4
Balance on services	19.9	25.9	-8.3	22.6	60.3
Balance on primary income	14.4	20.1	13.0	4.4	7.9
Secondary income, net	-1.7	-8.4	-7.6	-7.6	-7.7
Capital account	-0.3	-0.9	-0.7	-0.8	-0.5
Financial account	58.8	14.0	19.4	15.3	88.7
Direct investment	15.2	8.3	43.4	19.4	-18.9
Portfolio investment	89.2	49.8	-135.4	32.8	80.1
Derivatives	-2.1	-0.8	-0.9	2.6	2.6
Other investments	19.6	8.9	33.2	-52.8	-29.7
International reserves	-63.0	-52.2	79.0	13.4	54.7
Net errors and omissions	58.6	-7.0	43.9	53.0	76.2

The more favorable current account balance relative to Q3/2020 is attributable mainly to considerably more favorable services trade² in the amount of 40.4 b.kr. The main difference lies in exported services values, which were higher by 70.5 b.kr., whereas imported services

1. 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/>.

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

values rose much less, or by 30.1 b.kr. The balance on goods trade was less favorable by 15.3 b.kr. The primary income balance deteriorated by 6.5 b.kr., and the deficit on secondary income widened by 6.1 b.kr.

The net international investment position was positive by 1,294 b.kr., or 41.1% of GDP, and improved by 175 b.kr., or 5.6% of GDP, during the quarter. Foreign assets totalled 4,964 b.kr. at the end of the quarter, while foreign liabilities totalled 3,670 b.kr. Net financial transactions improved the net international investment position by 89 b.kr. during the quarter, as external assets increased by 179 b.kr. due to financial transactions and external liabilities increased by 90 b.kr. Asset values rose by 210 b.kr. during the quarter, owing to price and exchange rate movements, and liabilities rose by 124 b.kr. Price and exchange rate movements therefore improved the net external position by 86 b.kr. Prices in foreign securities markets fell by nearly 1% between quarters, and prices in the domestic stock market rose by 5.6%. The króna depreciated by 3.4% in terms of the trade-weighted index.

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

	Position at end-Q2/2021	Financial account	Exchange rate and price changes	Other changes	Position at end-Q3/2021
Foreign assets, total	4,574	179	210	1	4,964
Direct investment	782	-1	26	10	817
Portfolio investment	2,381	104	125	0	2,611
Derivatives*	8	-7	7	0	9
Other investments	547	29	23	-9	589
International reserves	856	55	29	0	939
Foreign liabilities, total	3,455	90	124	1	3,670
Direct investment	1,013	18	26	-9	1,048
Portfolio investment	1,573	24	62	0	1,659
Derivatives*	12	-9	11	0	13
Other investments	857	58	24	10	950
Net international investment position (NIIP)	1,119	89	86	0	1,294
% of GDP	35.6%	2.8%	2.7%	0.0%	41.1%

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