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## Current account deficit 10.1 b.kr. in Q1/2023

– net IIP positive by 26.3% of GDP

The current account deficit measured 10.1 b.kr. in Q1/2023. This represents an improvement of 12.9 b.kr. relative to the previous quarter and 21.7 b.kr. relative to Q1/2022. There was a deficit on goods trade in the amount of 45.7 b.kr and a 21.4 b.kr. surplus on services trade.<sup>1</sup> The surplus on primary income amounted to 26.1 b.kr., whereas there was a 12 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 Q1/2023 and the external position of the economy at the end of the quarter.<sup>2</sup>

**Table 1. Balance of payments**

B.kr.	2022/1	2022/2	2022/3	2022/4	2023/1
Current account balance	-31.8	-32.6	26.4	-23.0	-10.1
Balance on goods	-19.2	-39.1	-69.9	-85.8	-45.7
Balance on services	5.9	41.5	115.0	24.2	21.4
Balance on primary income	-9.1	-25.2	-8.6	49.6	26.1
Secondary income, net	-9.4	-9.9	-10.0	-10.9	-12.0
Capital account	-0.8	-0.7	-0.7	-1.2	-1.3
Financial account	-35.8	-56.5	-0.1	62.1	-29.1
Direct investment	17.7	-58.8	-113.1	44.1	-4.8
Portfolio investment	-62.2	16.4	31.3	176.3	25.1
Derivatives	4.5	2.7	2.3	4.2	-2.2
Other investments	-1.5	-26.9	81.5	-81.9	-25.2
International reserves	5.6	10.1	-2.1	-80.6	-22.0
Net errors and omissions	-3.2	-23.2	-25.8	86.3	-17.7

The improvement in the current account balance relative to the same quarter in 2022 stems from a more favourable primary income balance in the amount of 35.2 b.kr., owing mainly to a poorer performance among foreign-owned companies classified as direct investment.<sup>3</sup> Furthermore, the surplus on services trade was 15.6 b.kr. larger. Offsetting

<sup>1</sup> See the [Statistics Iceland](#) website.

<sup>2</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>3</sup> A negative performance by foreign-owned firms in Iceland is recognised as revenues in the current account balance.

this, the deficit on goods trade was 26.5 b.kr. larger and the deficit on secondary income was larger by 2.6 b.kr.

The net international investment position was positive by 1,022 b.kr., or 26.3% of GDP, and improved by 50 b.kr., or 1.3% of GDP, during the quarter. External assets totalled 5,120 b.kr. at the end of the quarter, and external liabilities were 4,098 b.kr. During the quarter, the position deteriorated by 29 b.kr. as a result of financial transactions, as foreign assets increased by 89 b.kr. and foreign liabilities increased by 118 b.kr. Price and exchange rate movements during the quarter lowered asset values by 9 b.kr. and lowered the value of liabilities by 92 b.kr., thereby yielding an improvement of 83 b.kr. in the net external position. The króna appreciated by 3.1% in terms of the trade-weighted index. Prices in foreign securities markets rose by 7% between quarters, and prices in the domestic stock market rose by 7.3%.

**Table 2. Quarter-on-quarter change in international investment position**

B.kr.	Position at end- Q4/2022	Financial account	Exchange rate and price changes	Other changes	Position at end- Q1/2023
Foreign assets, total	5,042	89	-9	-2	5,120
Direct investment	857	3	-22	3	841
Portfolio investment	2,689	50	37	-7	2,769
Derivatives <sup>1</sup>	17	-2	3	0	18
Other investments	642	60	-22	2	683
International reserves	837	-22	-5	0	810
Foreign liabilities, total	4,070	118	-92	2	4,098
Direct investment	1,420	8	-40	6	1,394
Portfolio investment	1,512	25	-23	-1	1,513
Derivatives <sup>1</sup>	31	0	-5	0	26
Other investments	1,107	85	-24	-3	1,166
Net international investment position (NIIP)	972	-29	83	-4	1,022
% of GDP	25,0%	-0,7%	2,1%	-0,1%	26,3%

<sup>1</sup> Other changes are included under price and exchange rate changes for derivatives.