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Current account surplus 7.5 b.kr. in Q2/2023 – net IIP positive by 28.8% of GDP

The current account surplus measured 7.5 b.kr. in Q2/2023. This represents an improvement of 19.1 b.kr. relative to the previous quarter and 45.2 b.kr. relative to Q2/2022. There was a deficit on goods trade in the amount of 84.1 b.kr. and an 87.7 b.kr. surplus on services trade.¹ The surplus on primary income amounted to 17 b.kr., whereas there was a 13.1 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 Q2/2023 and the external position of the economy at the end of the quarter.²

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

	<u>2022/2</u>	<u>2022/3</u>	<u>2022/4</u>	<u>2023/1</u>	<u>2023/2</u>
Current account balance	-37.7	22.7	-24.8	-11.5	7.5
Balance on goods	-39.4	-69.5	-84.1	-47.2	-84.1
Balance on services	42.5	117.9	28.3	25.5	87.7
Balance on primary income	-30.3	-15.0	42.7	22.7	17.0
Secondary income, net	-10.5	-10.7	-11.6	-12.6	-13.1
Capital account	-0.7	-0.7	-1.2	-1.3	-0.9
Financial account	-59.2	-5.4	51.0	-35.9	-11.1
Direct investment	-64.1	-119.8	37.3	-10.2	-5.2
Portfolio investment	18.8	32.6	178.1	24.8	81.0
Derivatives	2.7	2.3	4.2	-2.8	-2.6
Other investments	-26.8	81.6	-87.9	-25.7	-57.0
International reserves	10.1	-2.1	-80.6	-22.0	-27.2
Net errors and omissions	-20.8	-27.4	77.0	-23.0	-17.8

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 47.3 b.kr., owing mainly to a poorer performance among foreign-owned companies classified as direct investment.³ The surplus on services trade increased by 45.2

¹See the [Statistics Iceland](https://www.cb.is/statistics/) 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/>.

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

b.kr., whereas the deficit on good trade grew by 44.7 b.kr. The deficit on secondary income was larger by 2.7 b.kr.

At the end of the quarter, the net international investment position was positive by 1,158 b.kr., or 28.8% of GDP. It improved by 173 b.kr., or 4.3% of GDP, during the quarter. External assets totalled 5,193 b.kr. at the end of the quarter, and external liabilities were 4,035 b.kr. During the quarter, the position deteriorated by 11 b.kr. as a result of financial transactions, as foreign assets decreased by 89 b.kr. and foreign liabilities decreased by 77 b.kr. Price and exchange rate movements during the quarter increased asset values by 113 b.kr. and lowered the value of liabilities by 35 b.kr., thereby yielding an improvement of 148 b.kr. in the net external position. The króna depreciated by 0.1% in terms of the trade-weighted index. Prices in foreign securities markets rose by 6% between quarters, and prices in the domestic stock market fell by 10.4%.

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

	Position at end-Q1/2023	Financial account	Exchange rate and price changes	Other changes	Position at end-Q2/2023
Foreign assets, total	5,164	-89	113	4	5,193
Direct investment	870	-68	1	15	818
Portfolio investment	2,778	45	116	-7	2,932
Derivatives*	18	-3	2	0	16
Other investments	690	-36	0	-4	650
International reserves	810	-27	-6	0	776
Foreign liabilities, total	4,179	-77	-35	-32	4,035
Direct investment	1,472	-63	2	-9	1,401
Portfolio investment	1,509	-36	-37	-3	1,434
Derivatives*	26	0	-1	0	25
Other investments	1,172	21	1	-20	1,175
Net international investment position (NIIP)	986	-11	148	36	1,158
% of GDP	24.5%	-0.3%	3.7%	0.9%	28.8%

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

Revision of statistics

Statistics have been revised as of Q1/2019 (Table 3). This represents a regular revision according to the predetermined review schedule.⁴ The main changes involve

⁴See [Metadata for the Balance of Payments](#), page 16.

figures from the Central Bank's annual sample of direct investment. Also included are Statistics Iceland's revised figures on goods and services trade, published last month. The effect of the revision is strongest in 2021 and 2022, but much weaker in 2020 and 2019. The larger current account deficit since the last publication is due in part to increased expenditures falling under reinvestment in direct investment, totalling 19.5 b.kr. in 2021 and 26.4 b.kr. in 2022. This is due to an improved operating performance by foreign-owned domestic companies and the recognition of income by parent companies according to the equity method. It is offset by revised figures on goods and services trade for 2022, which increase revenues by 12.2 b.kr. The deterioration in the external position for the same years is also due to direct investment.

Table 3. Revised statistics (b.kr.)

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Current account balance (new figures)	198	26	-97	-76
Current account balance (previous figures)	196	25	-78	-61
Difference	2	1	-19	-14
International investment position (new figures)	606	1,003	1,264	942
International investment position (previous figures)	606	1,005	1,277	972
Difference	0	-3	-13	-30