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1 December 2022

Current account surplus 23.1 b.kr. in Q3/2022 – net IIP positive by 23.6% of GDP

The current account surplus measured 23.1 b.kr. in Q3/2022. This represents an improvement of 65.3 b.kr. relative to the previous quarter but a deterioration of 5.9 b.kr. relative to Q3/2021. There was a deficit on goods trade in the amount of 70.7 b.kr and a 110.1 b.kr. surplus on services trade.¹ The deficit on primary income was 6.5 b.kr., and the deficit on secondary income was 9.9 b.kr. (Table 1).

This is included in new information published on the Central Bank of Iceland website, showing the preliminary balance of payments in Q3/2022 and the external position of the economy at the end of the quarter.²

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

	<u>2021/3</u>	<u>2021/4</u>	<u>2022/1</u>	<u>2022/2</u>	<u>2022/3</u>
Current account balance	29.0	-35.2	-45.5	-42.2	23.1
Balance on goods	-45.7	-38.3	-31.1	-39.3	-70.7
Balance on services	63.7	22.2	-0.5	30.2	110.1
Balance on primary income	18.9	-8.6	-4.5	-23.2	-6.5
Secondary income, net	-7.9	-10.6	-9.4	-9.8	-9.9
Capital account	-0.4	-0.9	-0.8	-0.6	-0.7
Financial account	86.1	-56.3	-29.5	-95.1	62.4
Direct investment	-11.7	-48.2	23.3	-57.2	-104.6
Portfolio investment	70.7	36.7	-61.0	-24.5	51.7
Derivatives	4.4	4.7	4.5	2.7	2.3
Other investments	-31.9	-47.6	-2.0	-26.2	115.2
International reserves	54.7	-1.9	5.6	10.1	-2.2
Net errors and omissions	57.4	-20.2	16.8	-52.3	40.0

The erosion in the current account balance relative to the same quarter in 2021 stems from a larger deficit on goods trade, in the amount of 25 b.kr., and a deterioration in primary income in the amount of 25.3 b.kr. Offsetting this is a larger surplus on services trade, in the amount of 46.4 b.kr. The deficit on secondary income was larger by 2 b.kr.

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/>.

The net international investment position was positive by 863 b.kr., or 23.6% of GDP, and improved by 60 b.kr., or 1.6% of GDP, during the quarter. External assets totalled 4,875 b.kr. at the end of the quarter, and external liabilities were 4,011 b.kr. During the quarter, the position improved by 62 b.kr. as a result of financial transactions, as foreign assets increased by 194 b.kr. and foreign liabilities increased by 132 b.kr. Asset values rose by 89 b.kr. during the quarter, owing to price and exchange rate movements, and liabilities rose by 96 b.kr. Price and exchange rate movements therefore eroded the position by 7 b.kr. Prices in foreign securities markets fell by 6.5% between quarters, and prices in the domestic stock market fell by 7.1%. The króna depreciated by 1.7% in terms of the trade-weighted index.

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

	Position at end-Q2/2022	Financial account	Exchange rate and price changes	Other changes	Position at end-Q3/2022
Foreign assets, total	4,611	194	89	-19	4,875
Direct investment	830	-15	17	-8	824
Portfolio investment	2,310	102	44	-6	2,450
Derivatives*	8	2	0	0	10
Other investments	583	107	20	-5	704
International reserves	881	-2	8	0	886
Foreign liabilities, total	3,808	132	96	-24	4,011
Direct investment	1,250	90	54	-17	1,377
Portfolio investment	1,496	50	-13	-2	1,531
Derivatives*	30	0	20	0	50
Other investments	1,033	-8	35	-5	1,054
Net international investment position (NIIP)	803	62	-7	5	863
% of GDP	22.0%	1.7%	-0.2%	0.1%	23.6%

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