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Current account surplus 7 b.kr. in Q2/2020 – net IIP positive by 838 b.kr.

The current account surplus measured 7 b.kr. in Q2/2020, as compared with a surplus of 16.7 b.kr. in the preceding quarter. The deficit on goods trade totalled 9.2 b.kr., while the surplus on services trade totalled 3.7 b.kr. There was a 19.2 b.kr. surplus on primary income and a 6.8 b.kr. deficit on secondary income (see table below).

This is included in new information published on the Central Bank of Iceland website, showing the preliminary balance of payments in Q2/2020 and the external position of the economy at the end of the quarter.¹

The current account surplus was 9.2 b.kr. smaller than in the same quarter of the prior year, owing primarily to less favourable services trade² in the amount of 48.4 b.kr. The difference stemmed mainly from services export values, which were lower by 99 b.kr. This was offset in part by a decline of 50.6 b.kr. in services imports. The balance on goods trade was more favourable by 34.3 b.kr., mainly because of a 47.9 b.kr. year-on-year reduction in imports, whereas exports were 13.6 b.kr. less than in the prior year. The primary income balance improved by 4.7 b.kr., and the deficit on secondary income narrowed by 0.2 b.kr.

The net international investment position was therefore positive by 838 b.kr., or 28.5% of GDP, and improved by 143 b.kr., or 4.9% of GDP, during the quarter. Foreign assets totalled 4,475 b.kr. at the end of the quarter, while foreign liabilities totalled 3,636 b.kr. Net financial transactions improved the net international investment position by 22 b.kr. during the quarter, as external assets increased by 83 b.kr. due to financial transactions and external liabilities increased by 61 b.kr. The

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>

²[See the Statistics Iceland website](#)

value of assets and liabilities rose somewhat because of price and exchange rate movements, which caused the net external position to increase by 137 b.kr. Prices in foreign securities markets rose by 18.8%, and domestic share prices rose by nearly 20%. The króna remained stable in terms of the trade-weighted index.

Currency composition of the International Investment Position

A table showing the currency composition of Iceland's IIP has been published on the Statistics pages of the Central Bank website.³ The table shows the currency breakdown of Iceland's external assets and liabilities at the end of 2018 and 2019, classified according to seven currency groups. The purpose of the publication is to provide a clearer view of Iceland's external assets and liabilities. As of end-2019, the US dollar constituted the largest share of assets (51%), followed by the euro (33%). On the liabilities side, the euro constituted the largest share (36%), followed by the Icelandic króna (29%) and the US dollar (22%).

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

	<u>2019/2</u>	<u>2019/3</u>	<u>2019/4</u>	<u>2020/1</u>	<u>2020/2</u>
Current account balance	16.2	65.4	55.3	16.7	7.0
Goods account balance	-43.4	-48.0	-12.8	-18.4	-9.2
Balance on services	52.2	104.4	59.0	22.7	3.7
Balance on primary income	14.4	15.1	9.1	19.8	19.2
Secondary income, net	-7.0	-6.1	0.0	-7.4	-6.8
Capital account	-0.5	-0.4	-0.6	-0.6	-0.5
Financial account	-30.8	130.8	56.1	34.7	22.1
Direct investment	33.2	12.8	36.1	27.3	24.1
Portfolio investment	-103.4	93.7	82.3	-22.9	-39.0
Derivatives	1.7	0.4	0.3	2.0	6.6
Other investments	-26.7	18.7	-68.1	15.5	-43.4
International reserves	64.4	5.2	5.5	12.8	73.9
Net errors and omissions	-46.5	65.8	1.3	18.5	15.7

³ See, International investment position: <https://www.cb.is/statistics/data/>

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

	Position at end- Q1/2020	Financial account	Exchange rate and price changes	Other changes	Position at end- Q2/2020
Foreign assets, total	4,220	70	188	-3	4,475
Direct investment	909	18	-2	-4	921
Portfolio investment	1,758	17	199	7	1,980
Derivatives*	13	-7	8	0	14
Other investments	592	-32	-3	-6	550
International reserves	948	74	-13	1	1,009
Foreign liabilities, total	3,525	47	50	14	3,636
Direct investment	1,234	-6	-5	4	1,227
Portfolio investment	1,441	56	62	-2	1,557
Derivatives*	25	-13	0	0	12
Other investments	824	11	-6	11	841
Net international investment position (NIIP)	695	22	138	-17	838
% of GDP	23.7%	0.8%	4.7%	-0.6%	28.5%

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

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