



No. 20/2023
1 December 2023

Current account surplus 61.8 b.kr. in Q3/2023 – net IIP positive by 31.2% of GDP

The current account surplus measured 61.8 b.kr. in Q3/2023. This represents an improvement of 60.8 b.kr. relative to the previous quarter and 39.7 b.kr. relative to Q3/2022. There was a deficit on goods trade in the amount of 94.2 b.kr and a 150.3 b.kr. surplus on services trade.¹ The surplus on primary income amounted to 18.8 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 Q3/2023 and the external position of the economy at the end of the quarter.²

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

	<u>2022/3</u>	<u>2022/4</u>	<u>2023/1</u>	<u>2023/2</u>	<u>2023/3</u>
Current account balance	22.1	-35.4	-20.8	1.0	61.8
Balance on goods	-69.5	-84.1	-47.2	-84.0	-94.2
Balance on services	117.9	28.3	25.7	86.1	150.3
Balance on primary income	-15.3	31.9	13.2	11.9	18.8
Secondary income, net	-10.9	-11.6	-12.5	-12.9	-13.1
Capital account	-0.7	-1.2	-1.3	-0.9	-0.7
Financial account	-3.4	41.7	-47.3	-32.2	74.2
Direct investment	-119.8	27.1	-18.5	-7.5	-140.1
Portfolio investment	32.7	177.1	24.9	79.3	126.6
Derivatives	2.3	4.2	-2.8	-2.6	-6.9
Other investments	83.5	-86.1	-29.0	-74.1	100.9
International reserves	-2.1	-80.6	-22.0	-27.2	-6.3
Net errors and omissions	-24.8	78.3	-25.2	-32.3	13.1

The improvement in the current account balance relative to the same quarter in 2022 stems, among other things, from a more favourable primary income balance in the amount of 34.2 b.kr., which in turn is due mainly to a poorer performance among foreign-owned companies classified as direct investment.³ Furthermore, the

¹See the [Statistics Iceland](https://www.stat.is/) 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.

surplus on services trade was 32.4 b.kr. larger. On the other hand, the deficit on goods trade increased by 24.6 b.kr. and the deficit on secondary income by 2.2 b.kr.

At the end of the quarter, the net international investment position was positive by 1,272 b.kr., or 31.2% of GDP. It improved by 145 b.kr., or 3.6% of GDP, during the quarter. External assets totalled 5,286 b.kr. at the end of the quarter, and external liabilities were 4,014 b.kr. During the quarter, the position improved by 74 b.kr. as a result of financial transactions, as foreign assets increased by 216 b.kr. and foreign liabilities increased by 142 b.kr. Price and exchange rate movements during the quarter lowered asset values by 103 b.kr. and lowered the value of liabilities by 184 b.kr., thereby yielding an improvement of 80 b.kr. in the net external position. The króna appreciated by just under 2% in terms of the trade-weighted index. Prices in foreign securities markets rose by 0.7% between quarters, while prices in the domestic stock market fell by 1.1%.

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

	Position at end-Q2/2023	Financial account	Exchange rate and price changes	Other changes	Position at end-Q3/2023
Foreign assets, total	5,187	216	-103	-14	5,286
Direct investment	810	8	-15	-13	790
Portfolio investment	2,932	127	-78	-4	2,977
Derivatives*	16	-7	5	0	14
Other investments	653	94	-7	2	742
International reserves	776	-6	-8	1	763
Foreign liabilities, total	4,060	142	-184	-5	4,014
Direct investment	1,400	148	-141	-3	1,405
Portfolio investment	1,437	1	-29	0	1,408
Derivatives*	25	0	-4	0	21
Other investments	1,198	-7	-10	-2	1,180
Net international investment position (NIIP)	1,127	74	80	-10	1,272
% of GDP	27.6%	1.8%	2.0%	-0.2%	31.2%

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