

## Current account surplus 51 b.kr. in Q4/2019 – net IIP positive by 667 b.kr.

The current account surplus measured 51 b.kr. in Q4/2019, as compared with a surplus of 62.9 b.kr. in the preceding quarter. There was a deficit on goods trade in the amount of 11.8 b.kr. and a 55.7 b.kr. surplus on services trade, as well as a 9.8 b.kr. surplus on primary income and a 2.6 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 Q4/2019 and the external position of the economy at the end of the quarter.<sup>1</sup>

The current account surplus was 46.1 b.kr. larger than in the same quarter of the prior year, owing to a considerably more favorable goods account balance in the amount of 25.8 b.kr. By the same token, the balance on services was more positive by 19.4 b.kr., with services revenues 10 b.kr. higher and services expenditures 9.4 b.kr. lower.<sup>2</sup> Primary income was less favorable, however, by 3.5 b.kr., whereas secondary income was more favorable by 4.4 b.kr.

The current account surplus for 2019 as a whole amounted to 172.5 b.kr., as compared with a surplus of 85.6 b.kr. in 2018. The deficit on goods trade totaled 99 b.kr., while the surplus on services trade totaled 239 b.kr. The surplus on primary income amounted to 54.7 b.kr., while there was a 22.3 b.kr. deficit on secondary income.

The net international investment position was positive by 667 b.kr., or 22.5% of GDP, and improved by 84 b.kr., or 2.8% of GDP, during the quarter. Foreign assets totaled 3,900 b.kr. at the end of the quarter, while foreign liabilities totaled 3,233 b.kr. Net financial transactions improved the net IIP by 52 b.kr. during the quarter, mainly because of payments made on deposit institutions' bonds amounting to nearly 63 b.kr. Total foreign assets declined by 25 b.kr. as a result of the transactions, and foreign liabilities declined by 77 b.kr. Price and

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<sup>1</sup> Tables on Iceland's balance of payments and international investment position can be found on the Statistics pages of the Central Bank website: [www.sedlabanki.is](http://www.sedlabanki.is)

<sup>2</sup> [See the Statistics Iceland website.](#)

exchange rate movements improved the net IIP by 43 b.kr., particularly due to an 8.3% rise in foreign securities prices during the quarter. The króna depreciated by 0.6% in terms of the trade-weighted index.

The statistics have been revised back to Q1/2016, as part of the revision schedule.<sup>3</sup> The impact of the revision is most pronounced in the financial account and the IIP. It is greatest in Q3/2019, as the NIIP published now for that quarter is about 130 b.kr. poorer than the one published in December 2019. The change is due mainly to new information on domestic firms' liabilities, which can be seen in both equities and loans.

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

	<u>2018/4</u>	<u>2019/1</u>	<u>2019/2</u>	<u>2019/3</u>	<u>2019/4</u>
<b>Current account balance</b>	<b>4,9</b>	<b>43,3</b>	<b>15,3</b>	<b>62,9</b>	<b>51,0</b>
Balance on goods	-37,6	2,7	-42,6	-47,2	-11,8
Balance on services	36,3	29,6	51,4	102,4	55,7
Balance on primary income	13,3	18,0	13,3	13,6	9,8
Secondary income, net	-7,1	-7,0	-6,8	-5,9	-2,6
<b>Capital account</b>	<b>-0,7</b>	<b>-0,4</b>	<b>-0,5</b>	<b>-0,4</b>	<b>-0,6</b>
<b>Financial account</b>	<b>36,5</b>	<b>96,9</b>	<b>-44,2</b>	<b>103,4</b>	<b>52,5</b>
Direct investment	-3,9	28,7	26,6	8,7	28,6
Portfolio investment	112,9	25,8	-102,0	95,1	78,0
Derivatives	2,6	0,1	1,7	0,4	0,3
Other investments	-85,2	49,3	-34,8	-6,5	-59,9
International reserves	10,1	-7,0	64,3	5,7	5,5
<b>Net errors and omissions</b>	<b>32,3</b>	<b>54,0</b>	<b>-59,1</b>	<b>41,0</b>	<b>2,1</b>

<sup>3</sup> See [Metadata for the balance of payments on the Central Bank website](#), p. 18.

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

	Position at end- Q3/2019	Financial account	Exchange rate and price changes	Other changes	Position at end- Q4/2019
<b>Foreign assets, total</b>	<b>3,858</b>	<b>-25</b>	<b>63</b>	<b>4</b>	<b>3,900</b>
Direct investment	792	20	5	9	826
Portfolio investment	1,690	1	67	0	1,758
Derivatives*	11	0	0	1	12
Other investments	539	-52	0	-5	482
International reserves	826	6	-9	-1	822
<b>Foreign liabilities, total</b>	<b>3,275</b>	<b>-77</b>	<b>19</b>	<b>16</b>	<b>3,233</b>
Direct investment	1,188	-8	-4	8	1,183
Portfolio investment	1,381	-77	31	2	1,337
Derivatives*	8	0	-4	0	4
Other investments	698	8	-4	6	708
<b>Net international investment position (NIIP)</b>	<b>584</b>	<b>52</b>	<b>43</b>	<b>-12</b>	<b>667</b>
<b>% of GDP</b>	<b>19.7%</b>	<b>1.8%</b>	<b>1.5%</b>	<b>-0.4%</b>	<b>22.5%</b>

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

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