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## Current account deficit 50.3 b.kr. in Q1/2022 – net IIP positive by 32% of GDP

The current account deficit measured 50.3 b.kr. in Q1/2022. This represents a deterioration of 5.8 b.kr. relative to the previous quarter and 27 b.kr. relative to Q1/2021. The deficit on goods trade totalled 20 b.kr., and the deficit on services trade totalled 5.4 b.kr. The deficit on primary income was 15.8 b.kr., and the deficit on secondary income was 9.1 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 Q1/2022 and the external position of the economy at the end of the quarter.<sup>1</sup>

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

	<u>2021/1</u>	<u>2021/2</u>	<u>2021/3</u>	<u>2021/4</u>	<u>2022/1</u>
<b>Current account balance</b>	<b>-23.3</b>	<b>-39.4</b>	<b>18.4</b>	<b>-44.5</b>	<b>-50.3</b>
Balance on goods	-19.6	-55.5	-45.6	-38.2	-20.0
Balance on services	-8.3	22.6	60.4	20.1	-5.4
Balance on primary income	12.8	1.9	11.8	-15.8	-15.8
Secondary income, net	-8.2	-8.3	-8.2	-10.6	-9.1
<b>Capital account</b>	<b>-0.6</b>	<b>-0.7</b>	<b>-0.4</b>	<b>-0.9</b>	<b>-0.9</b>
<b>Financial account</b>	<b>12.0</b>	<b>-3.4</b>	<b>82.9</b>	<b>-59.6</b>	<b>-38.5</b>
Direct investment	37.0	21.0	-10.7	-46.8	17.6
Portfolio investment	-134.1	23.8	66.7	28.6	-62.2
Derivatives	-0.9	2.6	4.4	4.7	4.6
Other investments	30.9	-64.2	-32.1	-44.3	-4.1
International reserves	79.0	13.4	54.7	-1.9	5.6
<b>Net errors and omissions</b>	<b>35.8</b>	<b>36.6</b>	<b>64.9</b>	<b>-14.2</b>	<b>12.7</b>

The erosion in the current account balance relative to the same quarter in 2021 stems mainly from a deterioration in primary income in the amount of 28.5 b.kr. This is due mainly to improved performance among foreign-owned companies classified as direct investment.<sup>2</sup> Furthermore, goods trade and secondary income were weaker in the amount of 0.4 b.kr. and 1 b.kr., respectively. The deficit on services trade was smaller by 2.9 b.kr.<sup>3</sup>

<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: <https://www.cb.is/statistics/data/>.

<sup>2</sup> A positive performance by foreign-owned firms in Iceland is recognised as expenses in the current account balance.

<sup>3</sup>See the [Statistics Iceland website](#).

The net international investment position was positive by 1,076 b.kr., or 32% of GDP, and deteriorated by 214 b.kr., or 6.4% of GDP, during the quarter. Foreign assets totalled 4,807 b.kr. at the end of the quarter, while foreign liabilities totalled 3,730 b.kr. During the quarter, the position declined by 38 b.kr. as a result of financial transactions, while foreign assets declined by 19 b.kr. due to financial transactions and foreign liabilities increased by 51 b.kr. Asset values declined by 302 b.kr. during the quarter, owing to price and exchange rate movements, and liabilities fell in value by 116 b.kr. Price and exchange rate movements therefore eroded the position by 186 b.kr. Prices in foreign securities markets fell by nearly 5.6% between quarters, and prices in the domestic stock market fell by 4.9%. The króna appreciated by 3.2% in terms of the trade-weighted index.

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

	Position at end-Q4/2021	Financial account	Exchange rate and price changes	Other changes	Position at end-Q1/2022
<b>Foreign assets, total</b>	<b>5,116</b>	<b>-19</b>	<b>-302</b>	<b>11</b>	<b>4,807</b>
Direct investment	829	-15	-28	11	797
Portfolio investment	2,804	-58	-220	0	2,526
Derivatives*	7	-9	10	0	7
Other investments	554	57	-15	1	596
Int'l reserves	923	6	-49	0	880
<b>Foreign liabilities, total</b>	<b>3,826</b>	<b>51</b>	<b>-116</b>	<b>-31</b>	<b>3,730</b>
Direct investment	1,184	-32	-22	-22	1,109
Portfolio investment	1,638	4	-77	-2	1,564
Derivatives*	16	18	0	0	34
Other investments	988	61	-17	-9	1,023
<b>Net international investment position (NIIP)</b>	<b>1,290</b>	<b>-38</b>	<b>-186</b>	<b>42</b>	<b>1,076</b>
<b>% of GDP</b>	<b>38.3%</b>	<b>-1.1%</b>	<b>-5.5%</b>	<b>1.3%</b>	<b>32.0%</b>

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