



Statement by the IMF Mission to Iceland

A mission from the International Monetary Fund (IMF), headed by Julie Kozack, visited Reykjavik during November 2-14 to hold discussions for the fourth review under the US\$2.1 billion Stand-By Arrangement (see Press Release No. 08/296). The mission met with senior government officials, parliamentarians, academics, representatives of the private sector, and labor organizations. At the conclusion of the mission, Ms. Kozack made the following statement:

“The Icelandic authorities and IMF mission have held productive discussions for the fourth review of the Stand-By Arrangement.

“Iceland’s post-crisis stabilization is continuing, supported by a steady implementation of program policies. Inflation is slowing and the trade balance is in surplus. Growth is gradually recovering and is expected to gather steam in 2011, but the pick-up is likely to be slower than previously projected on account of delays in investment projects. Accelerating household and corporate debt restructuring in a fiscally affordable way is critical to Iceland’s economic recovery and for sustainable growth over the medium term.

“Financial sector restructuring is continuing. The impact of the June and September Supreme Court rulings on bank capital is estimated to be limited. Elsewhere, work is advancing on resolving the savings banks, strengthening the non-bank financial sector, and addressing bank balance sheet vulnerabilities.

“Policy discussions focused on restructuring household and corporate debt, the 2011 budget, and the operational restructuring of the banking sector. Broad agreement has been reached on policies that can deliver program objectives but more time is needed to assess the impact of new measures under consideration to facilitate household debt restructuring. Discussions for the review will continue in the next few weeks, with the aim of bringing the review for approval to the Fund’s Executive Board in late 2010 or early 2011.”

Reykjavik
November 14, 2010