



ECONOMY OF ICELAND

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In *Economy of Iceland*, monetary figures are generally presented in euros; however, in certain instances, amounts are expressed in US dollars. The amount in Icelandic krónur is included in parentheses, as most figures are originally in krónur. Stocks at the end of the period are calculated using the period-end exchange rate, whereas flows are calculated using the average exchange rate for the period.

Icelandic letters:

ð/Ð (pronounced like *th* in English *this*)

þ/Þ (pronounced like *th* in English *think*)

Symbols:

- * Preliminary or estimated data.
- 0 Less than half of the unit used.
- Nil.
- ... Not available.
- . Not applicable.

Republic of Iceland

People

Population	332,529 (1 January 2016)
Capital	Reykjavík; population 122,460 (1 January 2016)
Language	Icelandic; belongs to the Nordic group of Germanic languages
Main religion	Evangelical Lutheran (71.6%)
Life expectancy	Females: 84 years; Males: 81 years

Governmental system

Government	Constitutional republic
Suffrage	Universal, over 18 years of age; proportional representation
Legislature	Parliament (Althingi) with 63 members
Election term	Four years; last election 27 April 2013

Economy

Monetary unit	Króna (plural: krónur); currency code: ISK
Gross domestic product	12 billion euros (2,205.479 billion krónur, 13.55 billion US dollars) in 2015
International trade	Exports of goods and services 53% and imports of goods and services 46% of GDP in 2015
Per capita GDP	33.66 thousand euros in 2015 (6.7 million krónur, 46 thousand US dollars in terms of PPP)

Land

Geographic size	103,000 sq.km. (39,769 sq.mi.)
Highest point	2,110 m. (6,923 ft.)
Exclusive economic zone	200 nautical miles (758,000 sq.km. / 292,665 sq.mi.)
Climate	Cool temperate oceanic; highly changeable, influenced by the warm Gulf Stream and Arctic currents

Republic of Iceland credit ratings

	<i>Affirmed</i>	<i>Foreign currency</i>		<i>Local currency</i>		<i>Outlook</i>
		<i>Long-term</i>	<i>Short-term</i>	<i>Long-term</i>	<i>Short-term</i>	
Moody's	September 2016	A-3	...	A-3	...	Stable
Standard & Poor's	July 2016	BBB+	A-2	BBB+	A-2	Stable
Fitch	July 2016	BBB+	F2	BBB+	F2	Stable

Central Bank of Iceland publications in English

Annual Report

Monetary Bulletin

Financial Stability

Economy of Iceland

Economic Affairs

Informational Reports

Special Publications

Central Bank of Iceland *Working Papers*

These publications are available on the Central Bank website. Also available on the website are regularly updated Central Bank statistics and *Economic Indicators*, a snapshot of the Icelandic economy in charts and tables.

Useful websites

Central Bank of Iceland

www.sedlabanki.is

Parliament of Iceland (Althingi)

www.althingi.is

Government of Iceland

www.government.is

Statistics Iceland

www.statice.is

OMX Nordic Exchange in Iceland

www.nasdaqomx.com

Government Debt Management

www.bonds.is

Trade Council of Iceland

www.icetrade.is

National Association of Pension Funds

www.ll.is

Invest in Iceland Agency

www.invest.is

Financial Supervisory Authority

www.fme.is

The Official Gateway to Iceland

www.iceland.is



Introduction

Economy of Iceland has been published by the Central Bank of Iceland since 1987. It is mainly intended for an international readership. This includes international institutions that deal with Icelandic economic matters on a regular basis, rating agencies, financial institutions, foreign investors, embassies and, more generally, everyone who is interested in the Icelandic economy. We also hope that Icelandic readers will find this survey useful. It is published every other year.

This publication focuses on the structure of the Icelandic economy. It is intended to serve as background material for understanding the evolution of the economy, but it does not provide a detailed account of recent developments. A more up-to-date analysis of recent developments and prospects is provided in the Central Bank's *Monetary Bulletin* and *Financial Stability* reports. The Bank's *Annual Report* describes the Central Bank of Iceland's general activities during the year.

The outline of this booklet is as follows: Chapter 1 presents basic facts about Icelandic geography, population, and society. Chapter 2 deals with the structure of the economy. It discusses size and income levels, the composition of GDP, foreign trade, main economic sectors, the labour market, and the Icelandic pension system. Chapter 3 provides an account of the financial system and discusses the various challenges during the recovery following the financial crisis. Chapter 4 surveys the public sector, including division of tasks, central and local government finances, expenditure structure, and the tax system. Chapter 5 describes the frameworks for monetary policy and financial stability. It explains the objectives and main instruments of monetary policy, and the role of the Monetary Policy Committee. It also elaborates on financial stability policy and the Central Bank's role in promoting an efficient and safe financial system. Chapter 6 presents Iceland's external debt position. It elaborates on the accumulation of debt in the years preceding the financial crisis and developments in its aftermath. It discusses changes in foreign direct investment and provides estimates of net foreign debt levels after the winding-up of the failed banks' estates. Chapter 7 describes government, corporate, and household balance sheets. It discusses the position of the Government, households, and businesses, and examines debt restructuring following the financial crisis. Chapter 8 discusses Iceland's capital controls, why they were introduced, the steps taken thus far in lifting them, and the potential risks accompanying their liberalisation. A number of tables are provided in an appendix.

We are constantly making efforts to improve this publication. Hence we would be grateful for any comments and suggestions that might increase the usefulness of this booklet. If you feel that important information is missing and should be added, or if you see other scope for improvement, please e-mail your suggestions to: sedlabanki@sedlabanki.is.