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International Monetary Fund
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Statement by the IMF Mission to Iceland

An International Monetary Fund (IMF) mission headed by Mr. Poul Thomsen today concluded a four-day visit to Iceland to review recent financial, economic, and policy developments. The review was part of the IMF's Emergency Financing Mechanism procedures, which were used to expedite the approval of the Stand-By Arrangement with Iceland on November 19, 2008 (see [Press Release No. 08/256](#)). During the visit, the mission had productive meetings with Iceland's authorities, as well as parliamentarians and various others representatives of the country's civil society.

In Reykjavik, at the conclusion of the visit, Mr. Thomsen made the following statement:

“Iceland's IMF-supported program is advancing well. The key near-term objective of stabilizing the króna is being met. A judicious monetary policy set the stage for an appreciation of the currency following the liberalization of controls on current account transactions and restoration of the interbank foreign exchange market. As conditions permit, the focus of monetary policy will soon turn to developing a comprehensive and well sequenced plan to lift capital controls and reduce interest rates.

“We also welcome the progress on fiscal policy. The draft of the 2009 budget is in line with the program. The authorities have reiterated their commitment to medium-term fiscal consolidation, and are on track to lay out a strategy to this end in the very near future.

“Finally, there has been progress on the restructuring of the financial sector, but the most crucial work now lies directly ahead. A framework has been put in place to engage creditors of the old banks, an asset recovery strategy has been put in place, and the groundwork has been laid for a valuation of new and old bank assets. Work on the valuation of assets will now need to commence to bring recapitalization of banks to a conclusion by the end the first quarter.

“An IMF mission will visit again in early February to conduct the first formal review under the program.”