

**EXECUTIVE  
BOARD  
MEETING**

FO/DIS/17/80

June 9, 2017

To: Members of the Executive Board

From: The Secretary

Subject: **Iceland—Deletion—Staff Report for the 2017 Article IV Consultation**

Board Action: The attached deletion from to SM/17/130 (5/30/17) has been proposed by the authorities of Iceland and agreed with staff in accordance with the policy on publication of papers:

**Highly Market-  
Sensitive Material**

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Questions: Mr. Bhatia, EUR (ext. 37626)  
Mr. Arena, EUR (ext. 36735)  
Mr. Bower, EUR (ext. 36099)



Table 1. Iceland: Selected Economic Indicators, 2013–22

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
					Proj	Proj	Proj	Proj	Proj	Proj
(Percentage change unless otherwise indicated)										
<b>National Accounts (constant prices)</b>										
Gross domestic product	4.4	1.9	4.1	7.2	5.8	3.6	3.2	3.1	2.6	2.6
Total domestic demand	0.7	5.2	5.9	8.7	6.4	3.3	3.8	3.1	2.7	3.1
Private consumption	1.0	2.9	4.3	6.9	6.4	4.6	3.8	3.2	3.1	3.0
Public consumption	1.0	1.7	1.0	1.5	1.3	1.3	1.4	1.5	1.5	1.5
Gross fixed investment	2.2	16.0	17.8	22.7	9.9	2.5	6.4	4.7	3.0	5.0
Net exports (contribution to growth)	2.7	-1.6	-0.4	-0.2	0.0	0.6	-0.3	0.2	0.1	-0.2
Exports of goods and services	6.7	3.2	9.2	11.1	6.9	4.4	3.2	2.4	1.6	1.8
Imports of goods and services	0.1	9.8	13.5	14.7	8.6	3.8	4.7	2.4	1.7	2.8
Output gap (percent of potential output)	-0.4	0.0	0.5	1.9	2.2	1.3	0.7	0.3	0.0	0.0
<b>Selected Indicators</b>										
Gross domestic product (ISK bn.)	1,891	2,006	2,214	2,422	2,632	2,820	3,001	3,188	3,366	3,555
Gross domestic product (\$ bn.)	15.5	17.2	16.8	20.0	23.0	25.8	27.6	28.8	29.7	30.7
GDP per capita (\$ thousands)	47.5	52.2	50.5	59.6	67.6	75.1	79.5	81.9	83.6	85.3
Private consumption (percent of GDP)	52.3	52.2	49.8	49.0	49.1	49.2	49.3	49.2	49.2	49.2
Public consumption (percent of GDP)	24.3	24.2	23.6	23.1	23.1	23.2	23.0	22.9	22.9	22.8
Gross fixed investment (percent of GDP)	15.7	17.2	18.9	21.2	21.9	21.5	22.2	22.5	22.5	22.9
Gross national saving (percent of GDP)	21.5	21.3	24.6	29.3	28.5	28.1	28.1	28.4	28.3	28.3
Unemployment rate (percent of labor force)	5.4	5.0	4.0	3.0	3.0	3.3	3.6	3.9	4.0	4.0
Employment	3.3	1.6	3.4	3.7	3.3	2.4	2.0	1.4	1.1	1.0
Labor productivity	0.6	0.0	0.8	3.5	2.5	1.2	1.1	1.7	1.5	1.6
Real wages	0.9	1.9	6.2	8.1	3.7	2.6	2.1	1.8	1.8	1.6
Nominal wages	4.8	4.0	7.9	10.1	5.9	5.3	4.8	4.5	4.3	4.2
Consumer price index (average)	3.9	2.0	1.6	1.7	2.2	2.7	2.8	2.7	2.5	2.5
Consumer price index (end period)	4.2	0.8	2.0	1.9	2.4	2.9	2.7	2.6	2.5	2.5
ISK/€ (average)	162	155	146	134	...	...	...	...	...	...
ISK/\$ (average)	122	117	132	121	...	...	...	...	...	...
Terms of trade (average)	-1.9	3.3	6.7	2.4	1.2	0.3	0.2	0.1	0.1	0.0
<b>Money and Credit (end period)</b>										
Base money (M0)	0.3	-17.6	27.8	3.0	8.7	7.3	12.8	4.2	4.6	5.7
Broad money (M3)	4.5	7.1	5.6	-4.6	7.8	7.5	7.2	6.3	5.5	5.6
Bank credit to nonfinancial private sector	-3.2	-2.4	3.5	4.3	4.8	6.1	6.4	6.2	5.6	5.6
Central bank 7 day term deposit rate 1/	5.75	4.50	5.75	5.00	4.75	...	...	...	...	...
(Percent of GDP unless otherwise indicated)										
<b>General Government Finances 2/</b>										
Revenue	42.1	45.2	42.0	58.4	41.6	41.8	41.7	41.5	41.2	41.1
Expenditure	43.9	45.3	42.9	46.1	40.6	40.4	40.2	40.2	40.0	40.0
Overall balance	-1.8	-0.1	-0.8	12.4	1.0	1.4	1.4	1.3	1.2	1.1
Structural primary balance	1.7	2.1	1.2	2.9	2.3	2.7	2.8	2.6	2.5	2.5
Gross debt	84.7	82.4	68.1	54.0	41.1	38.5	34.9	32.5	29.6	24.3
Net debt	62.2	55.8	49.3	41.9	32.9	30.4	26.9	18.2	16.0	13.5
<b>Balance of Payments</b>										
Current account balance 3/	6.0	4.0	5.5	8.0	6.6	6.5	5.9	5.9	5.8	5.4
of which: services balance	7.5	6.8	9.1	10.7	11.1	11.1	10.9	10.7	10.4	10.1
Capital and financial account (+ = outflow)	7.0	3.5	5.5	10.1	6.5	6.4	5.8	5.7	5.6	5.2
of which: direct investment, net (+ = outflow)	0.3	-4.3	-4.2	-3.6	-2.3	-1.8	-1.7	-7.4	-1.4	-1.5
Gross external debt 4/	248.7	205.5	180.0	125.1	114.9	102.0	96.1	92.6	91.0	83.9
Central bank reserves (\$ bn.)	4.1	4.2	5.0	7.2	6.2	5.3	5.6	7.3	7.5	7.5

Sources: Central Bank of Iceland; Ministry of Finance; Statistics Iceland; and IMF staff projections.

1/ For 2017, rate as of May 25.

2/ Data for 2016 are preliminary.

3/ Actual data include accrued interest payments on intracompany debt held by a large multinational; projected data do not.

4/ Data for 2013–14 use fund staff's calculated measure for the external debt of the bank estates; data from 2015 onward reflect the impact of the estates' compositions.