

# ICELAND

## OVERALL PERFORMANCE



## CHALLENGES IN 2011

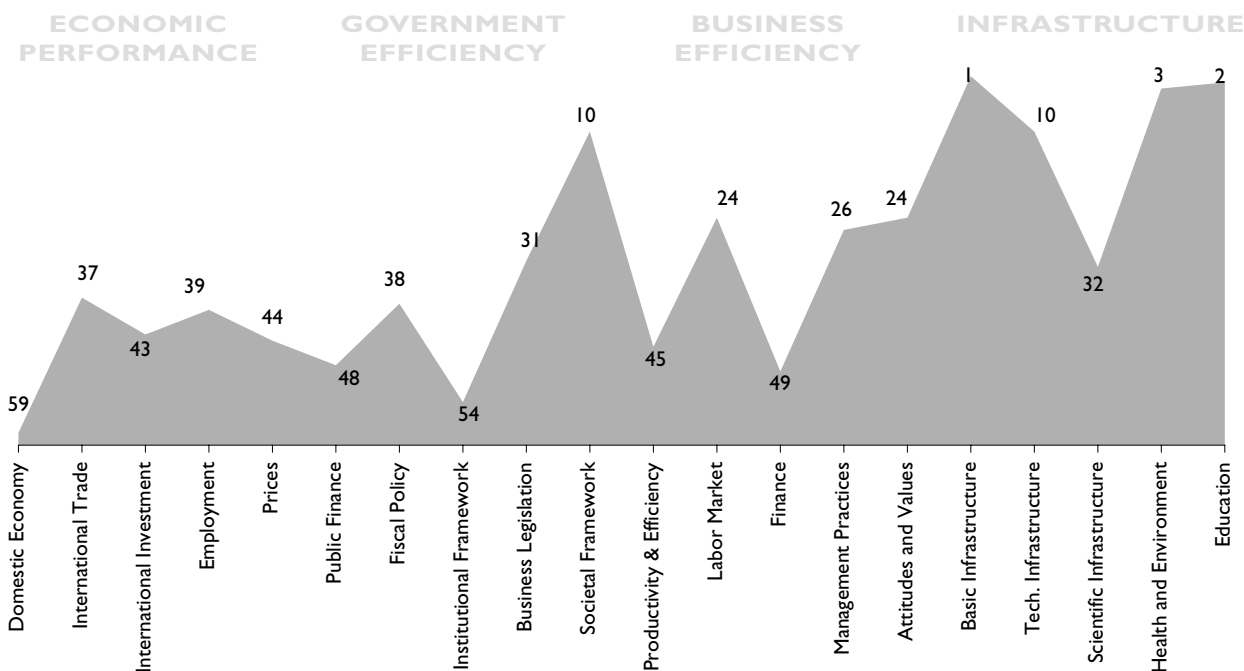
- Stimulate the economy to create jobs and spur economic growth.
- Increase employment by reducing the output gap.
- Begin lifting capital restrictions.
- Restructure debt of companies and individuals.
- Attract foreign investment.

Provided by :  
Icelandic Chamber of Commerce

## BASIC FACTS

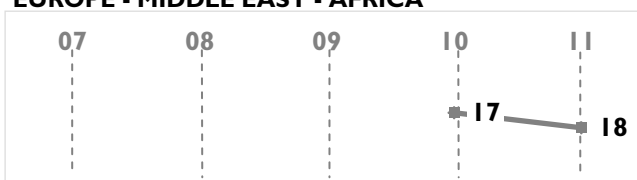
		Rank
Capital	Reykjavik	
Land area (km <sup>2</sup> '000)	103.0 (2009)	-
Exchange rate (per \$)	122.24 (2010)	-
Population (millions)	0.32 (2010)	59
GDP (\$ billions)	12.6 (2010)	59
GDP (PPP) per capita (\$)	35,626 (2010)	18
Real GDP growth (%)	-3.5 (2010)	58
Consumer Price Inflation (%)	5.4 (2010)	50
Unemployment rate (%)	7.6 (2010)	34
Labor force (millions)	0.18 (2010)	59
Current Account Balance (%)	-8.3 (2010)	57
Direct Investment		
Stocks Inward (\$ billions)	8.3 (2009)	58
Flows Inward (% of GDP)	6.4 (2010)	9

## COMPETITIVENESS LANDSCAPE



## PEER GROUP RANKINGS

### EUROPE - MIDDLE EAST - AFRICA



### POPULATIONS < 20 MILLION



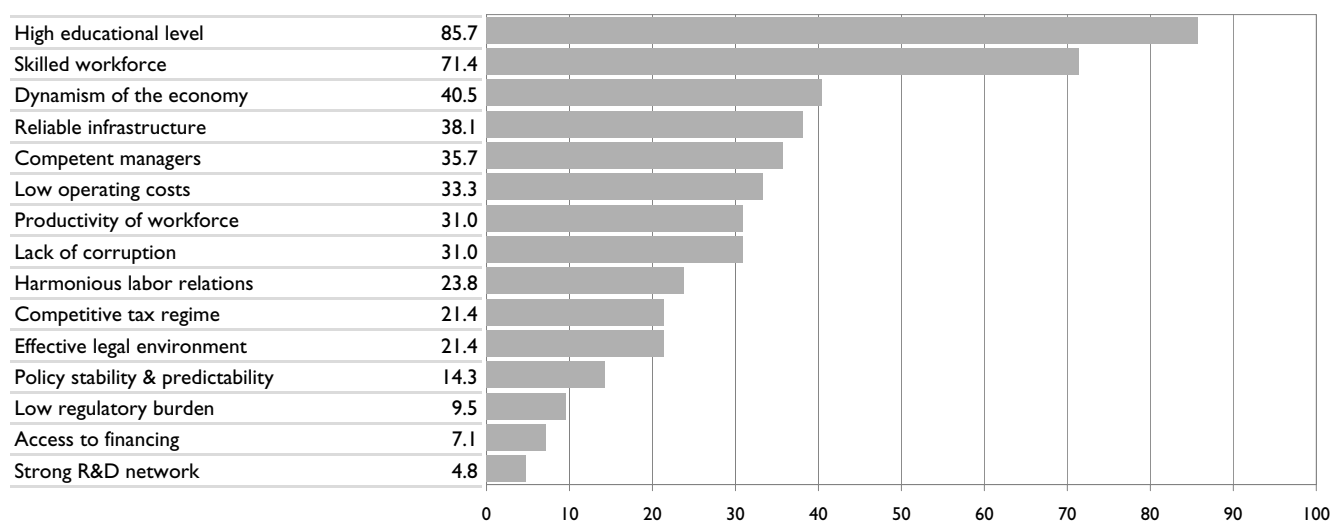
## COMPETITIVENESS EVOLUTION

The criteria below highlight the 15 biggest Improvements and the 15 biggest Declines in the overall performance of the economy. They are determined by the largest percentage changes in the value of each criterion from one year to the next.

IMPROVEMENTS	WCY		DECLINES	WCY	
	2010	2011		2010	2011
1.3.05 Direct investment flows inward (\$bn)	0.08	0.81	1.4.07 Long-term unemployment	0.50	1.55
1.3.06 Direct investment flows inward (%)	0.69	6.41	1.3.01 Direct investment flows abroad (\$bn)	2.28	-0.25
2.3.02 Cost of capital (Survey)	1.27	2.89	1.3.02 Direct investment flows abroad (%)	18.86	-2.02
3.3.16 Credit (Survey)	1.68	3.26	3.3.11 Stock market capitalization (%)	32.97	9.33
3.3.17 Venture capital (Survey)	1.72	3.00	2.2.11 Employer's social security contribution rate	5.34	8.65
2.4.10 State ownership of enterprises (Survey)	2.00	3.38	2.2.10 Employee's social security contribution rate	0.37	0.54
1.1.15 Real GDP growth per capita	-8.06	-3.17	3.3.01 Banking sector assets (%)	374.47	229.32
2.3.05 Central bank policy (Survey)	2.44	3.87	1.3.03 Direct investment stocks abroad (\$bn)	9.41	7.04
3.3.08 Financial risk factor (Survey)	2.56	4.00	2.3.11 Transparency (Survey)	2.68	2.05
1.5.01 Consumer price inflation	12.0	5.4	4.2.22 High-tech exports (%)	36.11	28.76
4.3.17 Number of patents in force	212.7	327.3	2.4.05 Foreign investors (Survey)	3.63	2.95
3.3.07 Finance and banking regulation (Survey)	3.18	4.86	2.3.04 Country credit rating	50.3	41.0
2.3.06 Foreign currency reserves (\$bn)	3.88	5.80	2.2.13 Real corporate taxes (Survey)	4.44	3.73
1.1.14 Real GDP growth	-6.9	-3.5	1.3.14 Relocation threats of R&D facilities (Survey)	6.00	5.09
3.3.15 Shareholders' rights (Survey)	4.56	6.71	3.3.09 Stock markets (Survey)	1.80	1.56

## KEY ATTRACTIVENESS INDICATORS

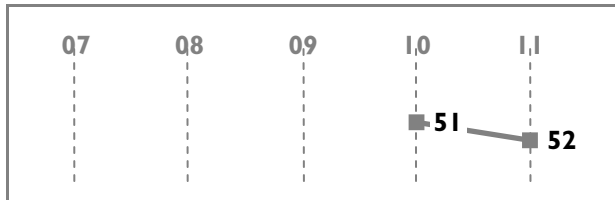
From a list of 15 indicators, respondents of the Executive Opinion Survey were asked to select 5 that they perceived as the key attractiveness factors of their economy. The chart shows the percentage of responses per indicator from the highest number of responses to the lowest.



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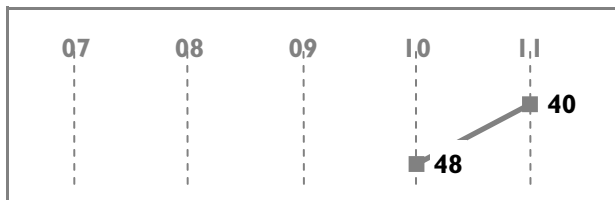
## ECONOMIC PERFORMANCE



Sub-Factor Rankings :	2010	2011
Domestic Economy	53	59
International Trade	21	37
International Investment	41	43
Employment	41	39
Prices	53	44



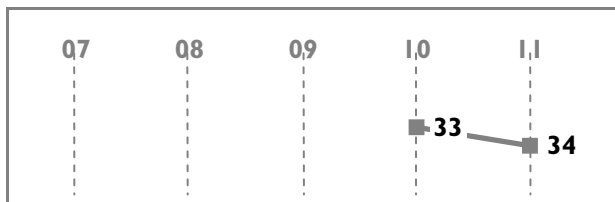
## GOVERNMENT EFFICIENCY



Sub-Factor Rankings :	2010	2011
Public Finance	57	48
Fiscal Policy	32	38
Institutional Framework	58	54
Business Legislation	32	31
Societal Framework	17	10



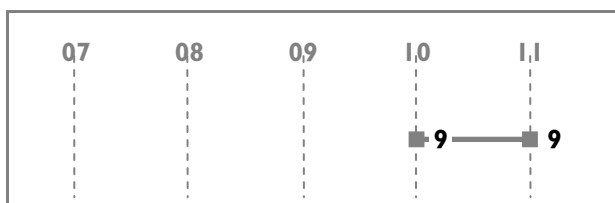
## BUSINESS EFFICIENCY



Sub-Factor Rankings :	2010	2011
Productivity & Efficiency	22	45
Labor Market	20	24
Finance	56	49
Management Practices	42	26
Attitudes and Values	13	24



## INFRASTRUCTURE



Sub-Factor Rankings :	2010	2011
Basic Infrastructure	1	1
Technological Infrastructure	7	10
Scientific Infrastructure	32	32
Health and Environment	2	3
Education	1	2

## ICELAND

**STRENGTHS****Economic Performance**

1.2.22 Terms of trade index	3
1.2.13 Exports of commercial services (%)	6
1.2.23 Tourism receipts (%)	7
1.4.02 Employment (%)	8
1.3.06 Direct investment flows inward (%)	9
1.3.13 Relocation threats of production (S)	10
1.3.04 Direct investment stocks abroad (%)	12
1.3.08 Direct investment stocks inward (%)	13
1.1.21 GDP (PPP) per capita	18
1.3.15 Relocation threats of services (S)	18

**Government Efficiency**

2.4.20 Redundancy costs	1
2.1.11 Pension funding (S)	2
2.4.17 Labor regulations (S)	3
2.5.03 Ageing of society (S)	3
2.2.10 Employee's social security contribution rate	4
2.4.15 Start-up days	6
2.5.09 Equal opportunity (S)	8
2.2.08 Corporate tax rate on profit	11
2.4.16 Start-up procedures	14
2.4.19 Immigration laws (S)	15

**Business Efficiency**

3.2.17 Skilled labor (S)	3
3.5.07 Corporate values (S)	4
3.2.04 Remuneration of management (\$)	5
3.2.12 Labor force (%)	7
3.4.06 Customer satisfaction (S)	8
3.3.01 Banking sector assets (%)	9
3.2.15 Female labor force (%)	9
3.2.08 Worker motivation (S)	9
3.5.04 Flexibility and adaptability (S)	9
3.2.10 Employee training (S)	10

**Infrastructure**

4.5.01 Total public expenditure on education (%)	1
4.1.19 Future energy supply (S)	1
4.4.24 Pollution problems (S)	1
4.2.10 Internet users	1
4.2.15 Qualified engineers (S)	1
4.4.11 Health problems (S)	1
4.1.18 Energy infrastructure (S)	1
4.1.24 Electricity costs for industrial clients	2
4.4.01 Total health expenditure (%)	2
4.4.26 Climate change (S)	2

**WEAKNESSES****Economic Performance**

1.2.08 Exports of goods (\$bn)	59
1.3.07 Direct investment stocks inward (\$bn)	58
1.1.14 Real GDP growth	58
1.1.15 Real GDP growth per capita	58
1.3.02 Direct investment flows abroad (%)	57
1.2.12 Exports of commercial services (\$bn)	57
1.2.02 Current account balance (%)	57
1.3.01 Direct investment flows abroad (\$bn)	57
1.3.17 Portfolio investment liabilities (\$bn)	54
1.1.13 Diversification of the economy (S)	53

**Government Efficiency**

2.4.06 Capital markets (S)	59
2.4.05 Foreign investors (S)	59
2.2.07 Effective personal income tax rate	58
2.4.07 Investment incentives (S)	58
2.1.04 Total general government debt (%)	57
2.2.12 Real personal taxes (S)	57
2.3.04 Country credit rating	56
2.4.10 State ownership of enterprises (S)	56
2.3.05 Central bank policy (S)	56
2.5.04 Risk of political instability (S)	56

**Business Efficiency**

3.3.09 Stock markets (S)	58
3.3.11 Stock market capitalization (%)	57
3.3.18 Corporate debt (S)	56
3.3.05 Banking and financial services (S)	56
3.2.06 Working hours	53
3.3.08 Financial risk factor (S)	53
3.3.06 Financial institutions' transparency (S)	53
3.3.16 Credit (S)	52
3.2.21 Foreign high-skilled people (S)	52
3.3.17 Venture capital (S)	50

**Infrastructure**

4.2.01 Investment in telecommunications (%)	51
4.2.11 Fixed broadband tariffs	43
4.2.04 Mobile telephone subscribers	38
4.2.19 Funding for technological development (S)	33
4.5.06 Higher education achievement (%)	28