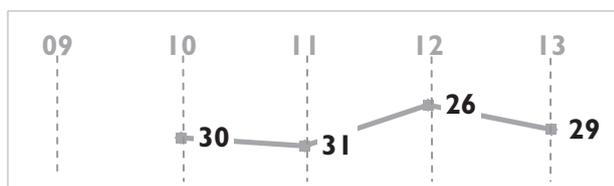


# ICELAND

## OVERALL PERFORMANCE



## CHALLENGES IN 2013

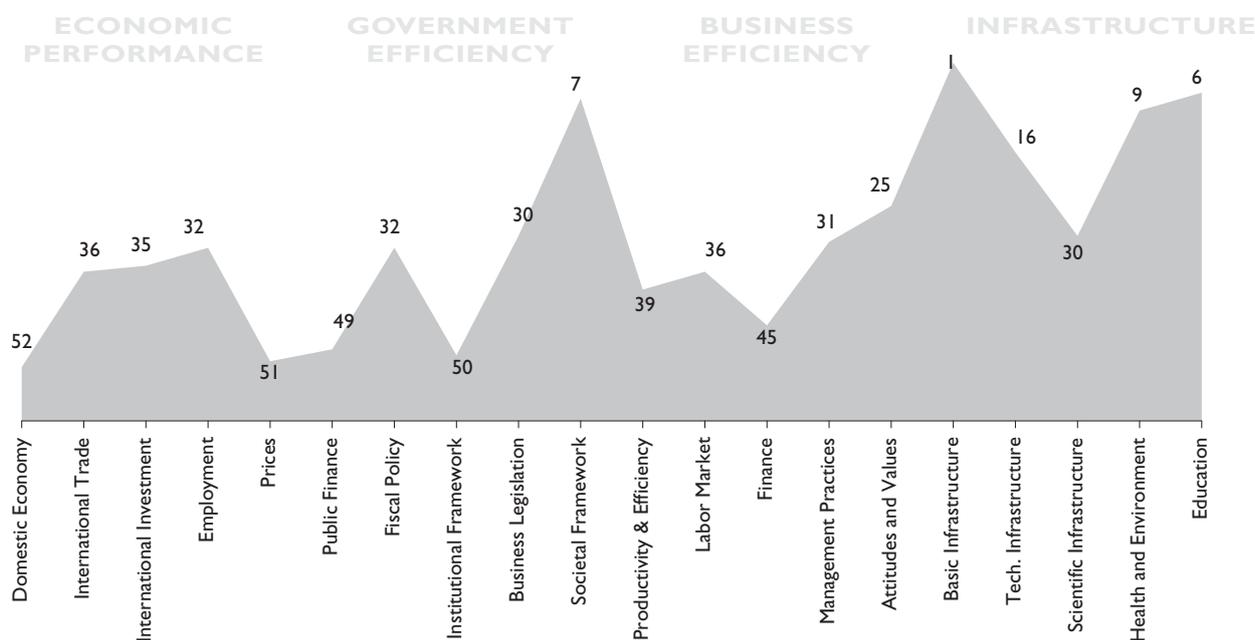
- Speed up the process of lifting the capital controls.
- Increase incentives for foreign direct investments.
- Increase domestic business investments.
- Lower and stabilize inflation.
- Restructure the debt of households and the business sector.

**Provided by :**  
Icelandic Chamber of Commerce

## BASIC FACTS

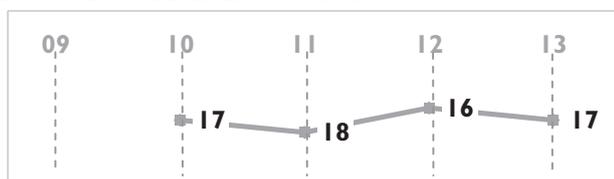
		Rank
Capital	Reykjavik	
Land area (km <sup>2</sup> '000)	103.0 (2012)	-
Exchange rate (per \$)	125.00 (2012)	-
Population (millions)	0.32 (2012)	60
GDP (\$ billions)	13.7 (2012)	60
GDP (PPP) per capita (\$)	36,754 (2012)	20
Real GDP growth (%)	1.6 (2012)	33
Consumer Price Inflation (%)	5.2 (2012)	53
Unemployment rate (%)	5.8 (2012)	24
Labor force (millions)	0.18 (2012)	60
Current Account Balance (%)	-4.8 (2012)	55
Direct Investment		
Stocks Inward (\$ billions)	48.8 (2011)	49
Flows Inward (% of GDP)	3.7 (2012)	17

## COMPETITIVENESS LANDSCAPE

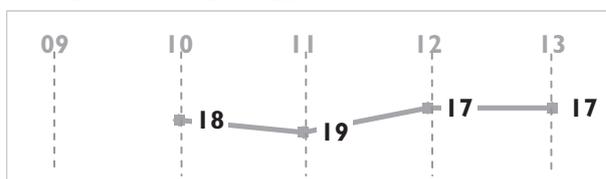


## PEER GROUP RANKINGS

### EUROPE - MIDDLE EAST - AFRICA



### POPULATIONS < 20 MILLION



## ICELAND

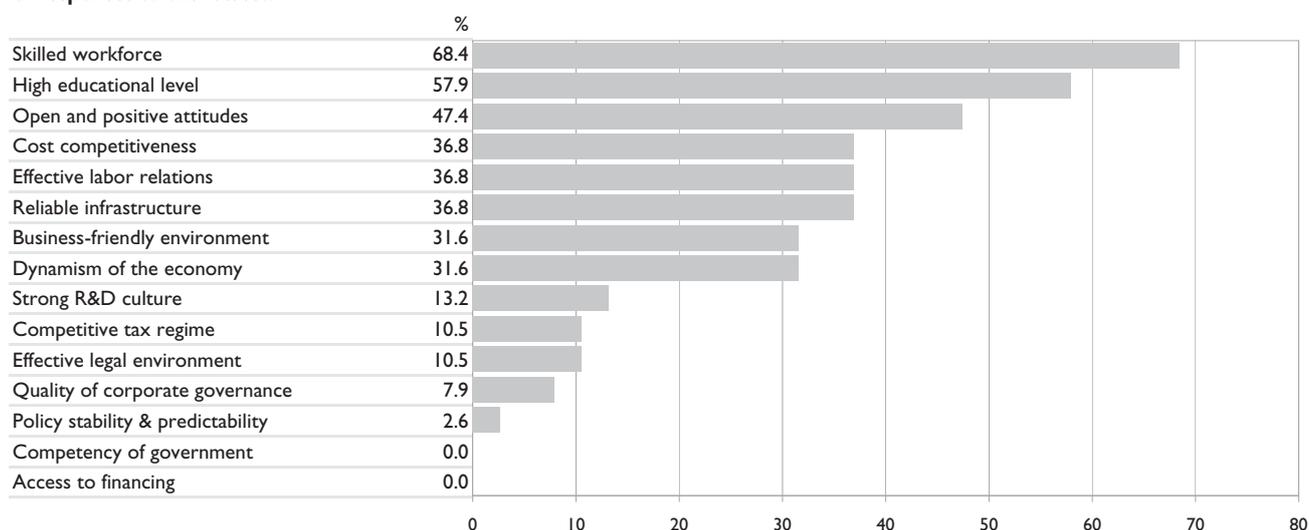
## COMPETITIVENESS EVOLUTION

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 2012	WCY 2013	DECLINES		WCY 2012	WCY 2013
1.3.03	Direct investment stocks abroad (\$bn)	10.50	45.60	1.3.02	Direct investment flows abroad (%)	-0.86	-24.27
1.3.07	Direct investment stocks inward (\$bn)	11.77	48.75	1.3.01	Direct investment flows abroad (\$bn)	-0.12	-3.32
1.3.04	Direct investment stocks abroad (%)	83.69	325.55	2.2.11	Employer's social security contribution rate	8.69	16.52
1.3.08	Direct investment stocks inward (%)	93.79	348.03	4.2.03	Fixed telephone tariffs	0.10	0.16
3.3.08	Stock markets (Survey)	2.12	4.47	2.3.06	Foreign currency reserves (\$bn)	8.58	4.22
3.3.19	Corporate debt (Survey)	2.18	4.05	1.2.24	Tourism receipts (%)	7.68	3.82
2.3.03	Interest rate spread	6.14	1.49	1.3.05	Direct investment flows inward (\$bn)	1.01	0.51
2.4.07	Investment incentives (Survey)	1.88	3.16	1.3.06	Direct investment flows inward (%)	7.20	3.75
3.5.02	Image abroad or branding (Survey)	3.64	5.79	1.1.14	Real GDP growth	3.1	1.6
2.4.05	Foreign investors (Survey)	2.69	4.05	4.4.12	Energy intensity	5,879	8,010
3.3.17	Venture capital (Survey)	2.38	3.32	1.5.01	Consumer price inflation	4.0	5.2
4.5.03	Pupil-teacher ratio (primary education)	10.31	6.90	4.2.01	Investment in telecommunications (%)	0.34	0.24
2.1.02	Government budget surplus/deficit (%)	-4.39	-2.95	2.3.02	Cost of capital (Survey)	2.27	1.62
2.3.07	Exchange rate stability	0.040	0.027	3.1.12	Productivity of companies (Survey)	5.76	4.26
1.2.02	Current account balance (%)	-7.00	-4.81	3.1.10	Large corporations (Survey)	6.30	4.84

## KEY ATTRACTIVENESS INDICATORS

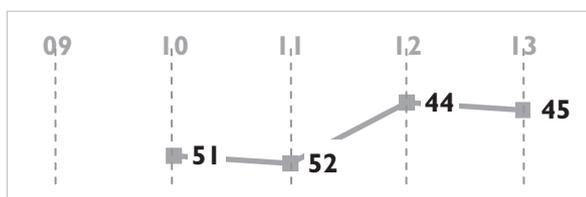
From a list of 15 indicators, respondents of the Executive Opinion Survey were asked to select 5 that they perceived as the key attractiveness factors of their economy. The chart shows the percentage of responses per indicator from the highest number of responses to the lowest.



# ICELAND



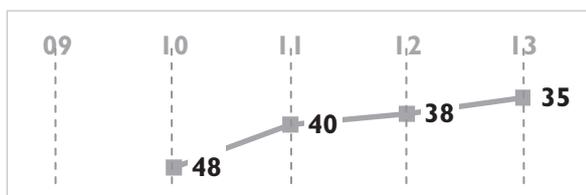
## ECONOMIC PERFORMANCE



Sub-Factor Rankings :	2012	2013
Domestic Economy	53	52
International Trade	28	36
International Investment	34	35
Employment	39	32
Prices	38	51



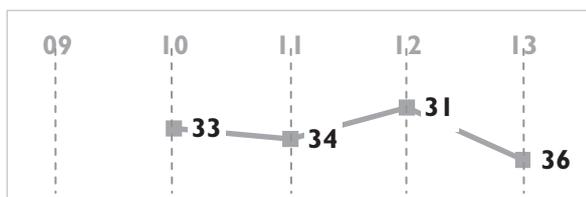
## GOVERNMENT EFFICIENCY



Sub-Factor Rankings :	2012	2013
Public Finance	49	49
Fiscal Policy	30	32
Institutional Framework	53	50
Business Legislation	35	30
Societal Framework	9	7



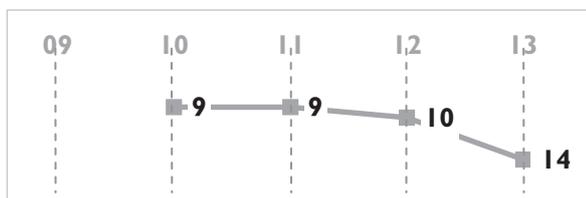
## BUSINESS EFFICIENCY



Sub-Factor Rankings :	2012	2013
Productivity & Efficiency	19	39
Labor Market	36	36
Finance	45	45
Management Practices	29	31
Attitudes and Values	30	25



## INFRASTRUCTURE



Sub-Factor Rankings :	2012	2013
Basic Infrastructure	1	1
Technological Infrastructure	9	16
Scientific Infrastructure	31	30
Health and Environment	6	9
Education	5	6

## ICELAND

**STRENGTHS****Economic Performance**

I.3.08 Direct investment stocks inward (%)	2
I.3.04 Direct investment stocks abroad (%)	2
I.2.13 Exports of commercial services (%)	6
I.3.13 Relocation threats of production (S)	7
I.4.02 Employment (%)	9
I.3.15 Relocation threats of services (S)	12
I.4.08 Youth unemployment	15
I.4.07 Long-term unemployment	15
I.2.24 Tourism receipts (%)	16
I.3.06 Direct investment flows inward (%)	17

**Government Efficiency**

2.4.17 Labor regulations (S)	1
2.4.20 Redundancy costs	1
2.1.11 Pension funding (S)	2
2.2.10 Employee's social security contribution rate	5
2.4.15 Start-up days	6
2.5.09 Equal opportunity (S)	6
2.3.13 Bribing and corruption (S)	6
2.5.03 Ageing of society (S)	7
2.3.03 Interest rate spread	10
2.2.08 Corporate tax rate on profit	16

**Business Efficiency**

3.2.16 Female labor force (%)	7
3.2.13 Labor force (%)	8
3.5.07 Corporate values (S)	8
3.2.04 Remuneration of management (\$)	10
3.2.08 Worker motivation (S)	11
3.5.04 Flexibility and adaptability (S)	13
3.2.07 Labor relations (S)	16
3.3.01 Banking sector assets (%)	17
3.2.18 Skilled labor (S)	18
3.1.04 Labor productivity (PPP)	22

**Infrastructure**

4.3.07 Total R&D personnel nationwide per capita	1
4.5.03 Pupil-teacher ratio (primary education)	1
4.2.10 Internet users	1
4.1.19 Future energy supply (S)	1
4.5.01 Total public expenditure on education (%)	2
4.4.19 Green technology solutions (S)	2
4.1.04 Access to water (S)	2
4.1.24 Electricity costs for industrial clients	3
4.2.13 Internet bandwidth speed	3
4.1.05 Access to commodities (S)	3

**WEAKNESSES****Economic Performance**

I.3.02 Direct investment flows abroad (%)	60
I.2.08 Exports of goods (\$bn)	60
I.2.12 Exports of commercial services (\$bn)	59
I.3.01 Direct investment flows abroad (\$bn)	58
I.2.25 Exchange rates (S)	57
I.2.02 Current account balance (%)	55
I.1.13 Diversification of the economy (S)	55
I.3.05 Direct investment flows inward (\$bn)	54
I.5.01 Consumer price inflation	53
I.3.07 Direct investment stocks inward (\$bn)	49

**Government Efficiency**

2.4.06 Capital markets (S)	60
2.3.02 Cost of capital (S)	60
2.1.04 Total general government debt (%)	58
2.3.05 Central bank policy (S)	58
2.4.05 Foreign investors (S)	58
2.3.06 Foreign currency reserves (\$bn)	55
2.4.07 Investment incentives (S)	55
2.5.04 Risk of political instability (S)	55
2.2.09 Consumption tax rate	53
2.3.04 Country credit rating	52

**Business Efficiency**

3.3.18 M&A Activity	57
3.2.06 Working hours	55
3.1.10 Large corporations (S)	54
3.2.22 Foreign high-skilled people (S)	53
3.1.12 Productivity of companies (S)	53
3.1.09 Workforce productivity (S)	53
3.3.19 Corporate debt (S)	51
3.3.10 Stock market capitalization (%)	50
3.2.23 International experience (S)	50
3.2.03 Remuneration in services professions (\$)	48

**Infrastructure**

4.2.01 Investment in telecommunications (%)	50
4.2.04 Mobile telephone subscribers	47
4.4.12 Energy intensity	41
4.2.11 Fixed broadband tariffs	39
4.2.03 Fixed telephone tariffs	39
4.5.12 Science in schools (S)	33
4.1.10 Dependency ratio	32
4.2.19 Funding for technological development (S)	31