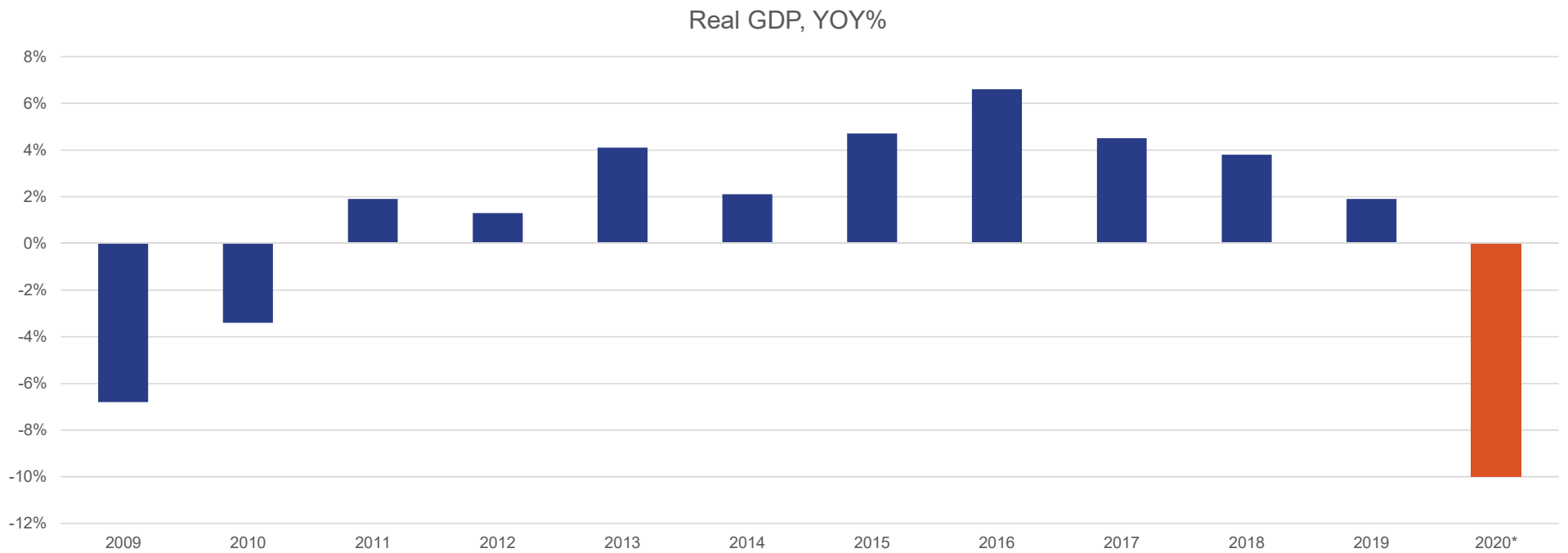


The Icelandic economy in times of COVID-19

Economic impact and policy reaction
Ingólfur Bender, Chief Economist FII

Sharp GDP contraction expected in 2020 due to COVID-19

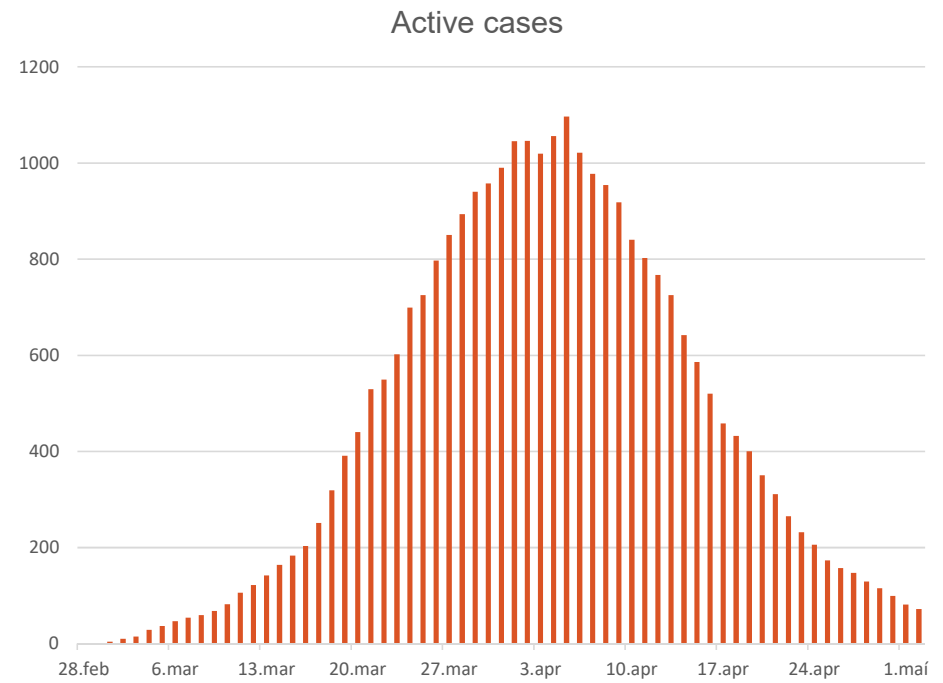
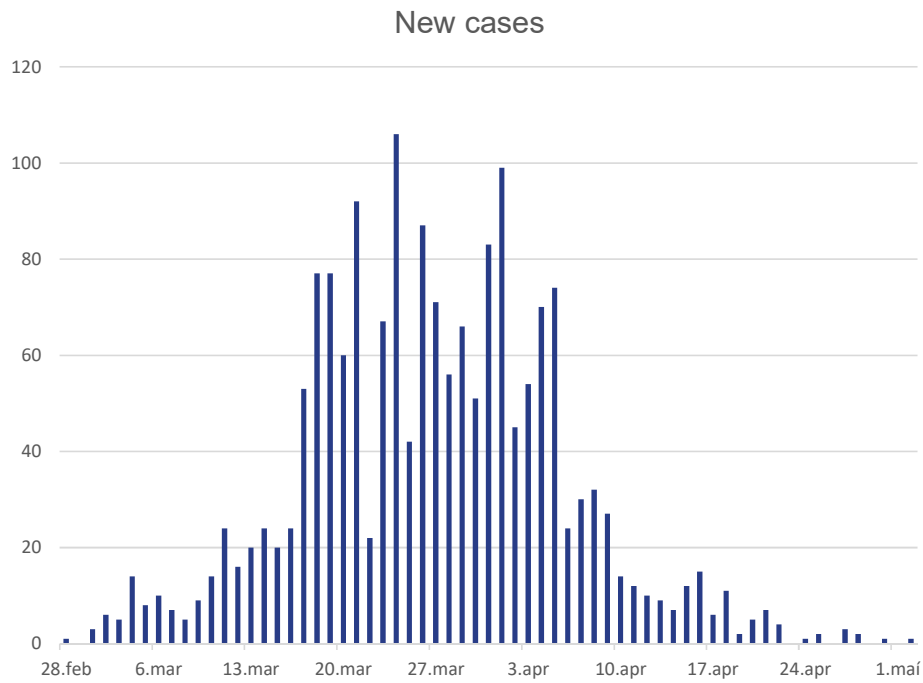
Expected to be the largest one year contraction in GDP in over 100 years



*FII/CIE forecast

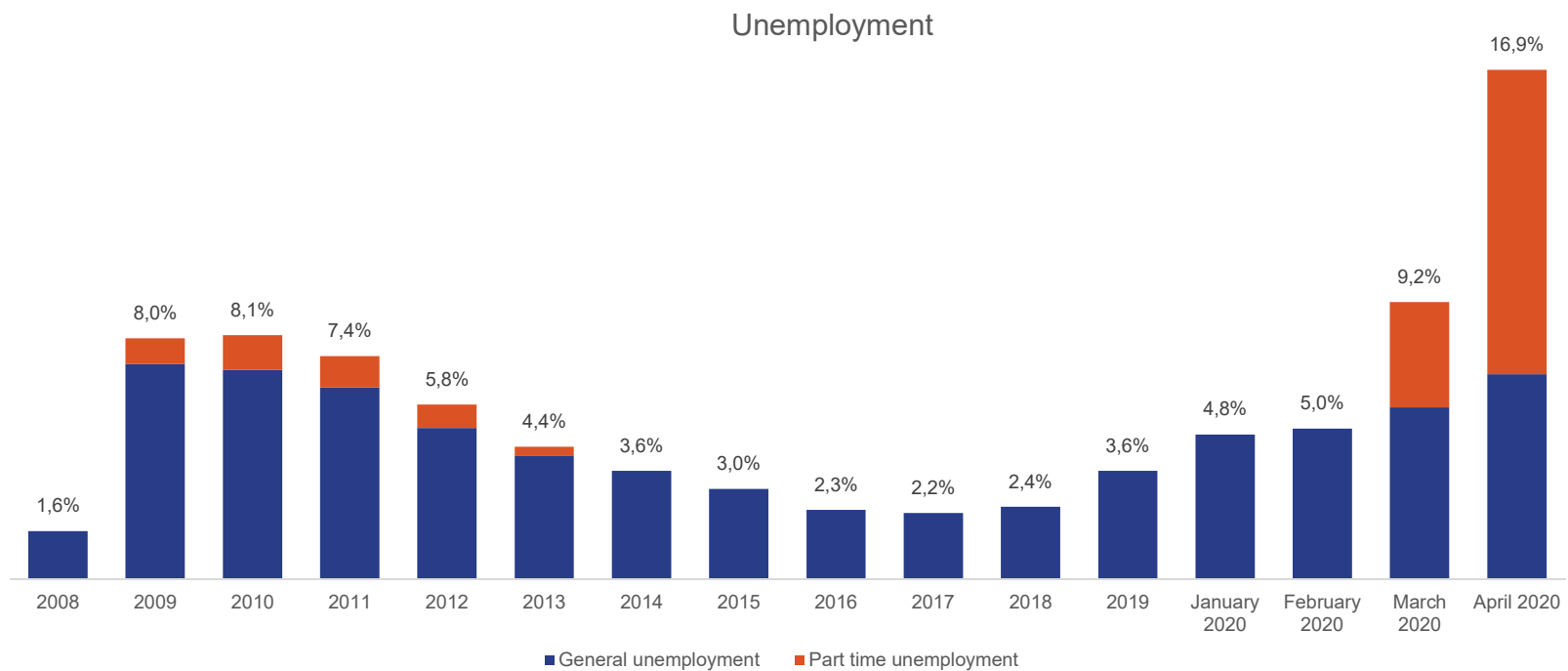
The COVID-19 pandemic is in remission

For now at least



The highest measurement since 1957

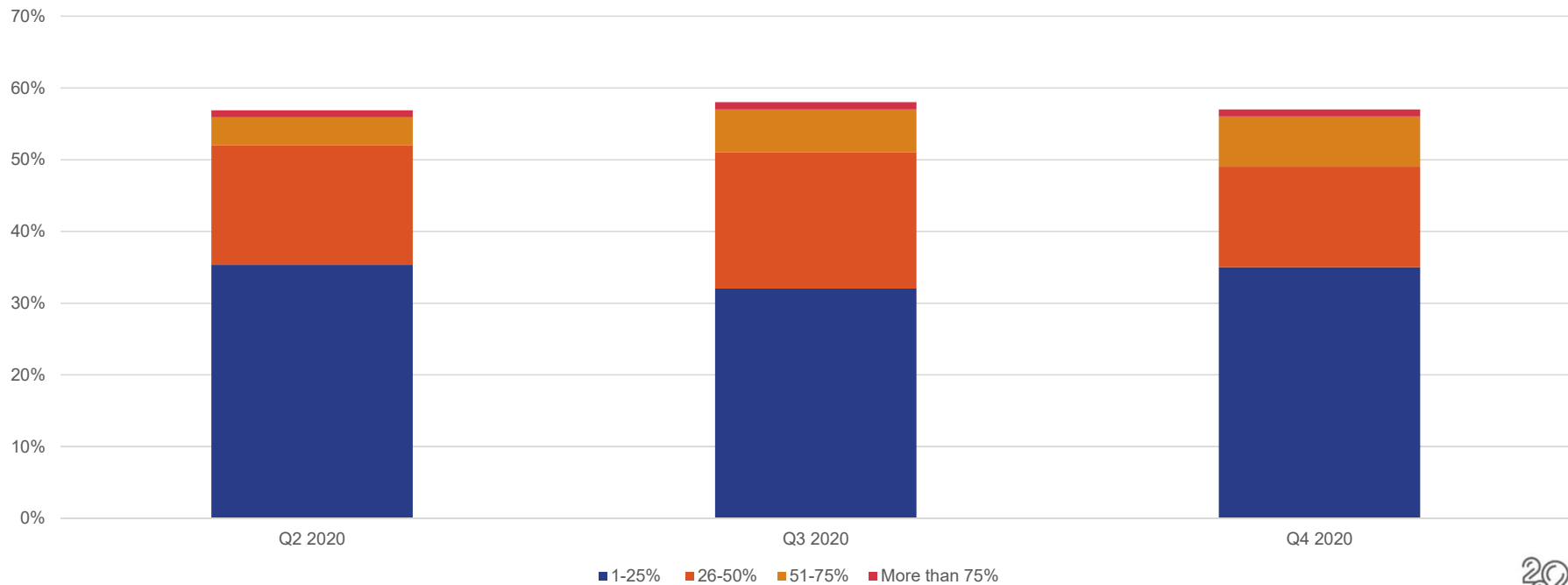
A sharp increase in unemployment



The construction industry is experiencing a sharp slowdown

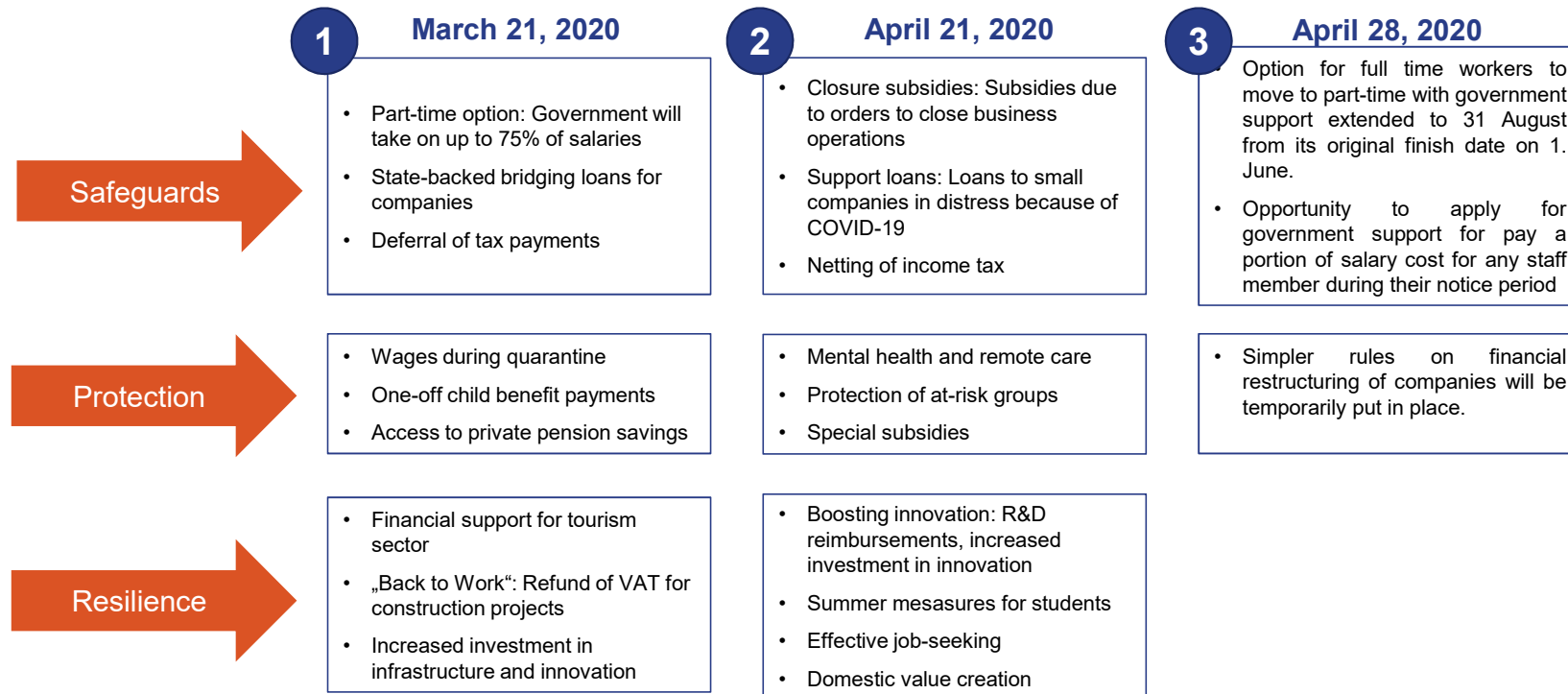
Almost 60% of construction companies are expecting significant revenue loss this year

Construction industry: Do you expect the quarterly revenues to decrease year on year? If so, how much?



Various government measures announced

The aim is to safeguard, protect and create a basis for a strong economic recovery



Investment initiative and refund of VAT

Increased investment in infrastructure and refund of VAT for construction projects

Investment in infrastructure

- General government will expedite large-scale investment projects in order to stimulate the economy
- Job growth: Emphasis on projects that immediately create jobs across society
- Investment in real estate, transport and other infrastructure

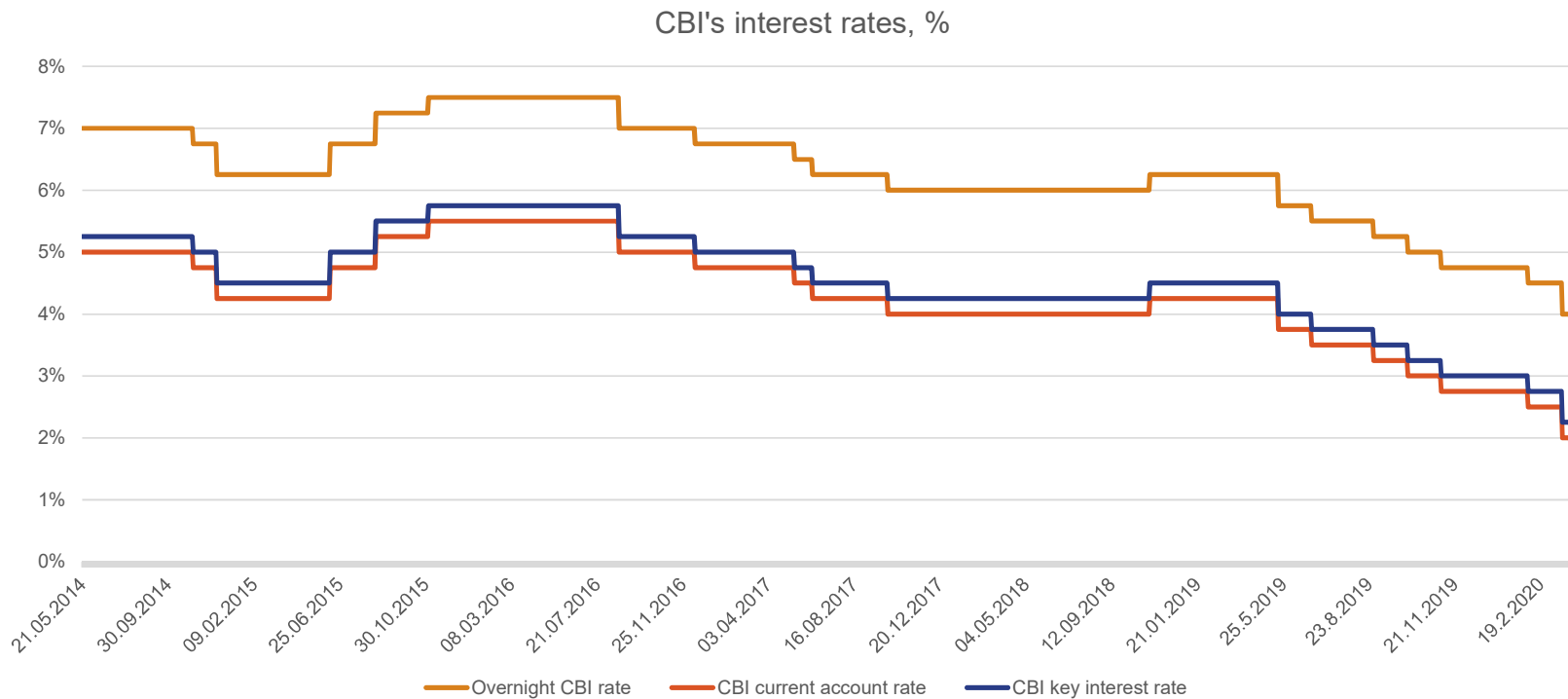
100% refund of VAT on labour for construction projects

- Reimbursement of value-added tax for labour („Back to Work“) on real estate renovation, maintenance and new construction increased from 60% to 100%
- The reimbursements now covers households assistance and construction undertaken by municipalities and NGOs working in the public interest
- This change remains in effect from 1. March through 31 December 2020

Estimated
impact of these
measures
amounts to ISK
50bn or 1.7% of
GDP

The Central Bank's COVID-19 measures

The CBI is enacting measures to stimulate the economy



Sharp economic contraction in uncertain times

But the resilience of the economy is strong



A sharp economic contraction in an economy heavily reliant on tourism

Sharp contraction is taking place in the construction sector

The government is responding with a sizable rescue and stimulation package

COVID-19 seems to be in remission but the outcome is highly uncertain



Thank you

2020

ÁR NÝSKÖPUNAR

