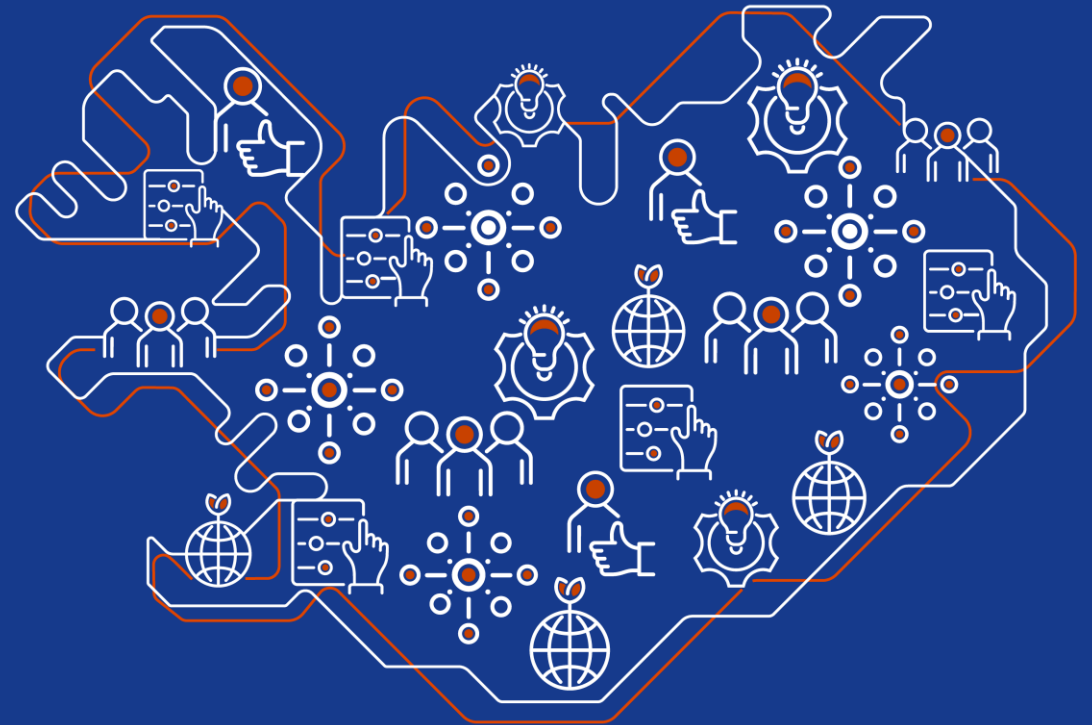


NPM Townhall meeting

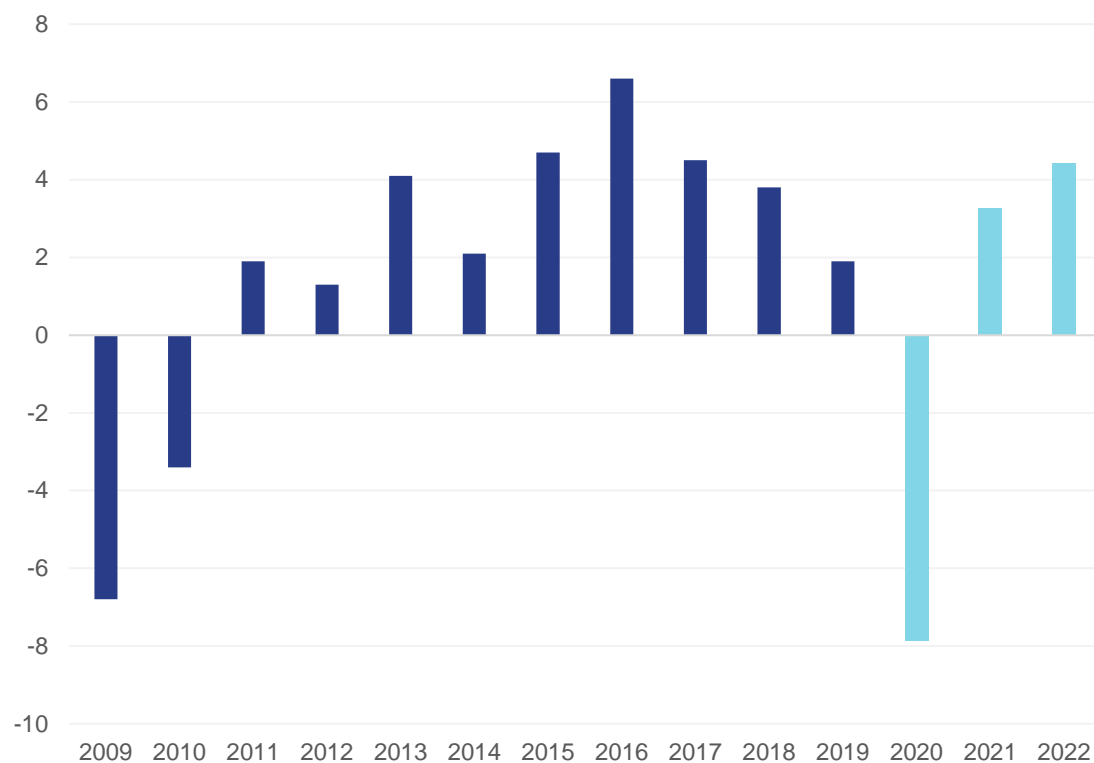
Country report – Iceland



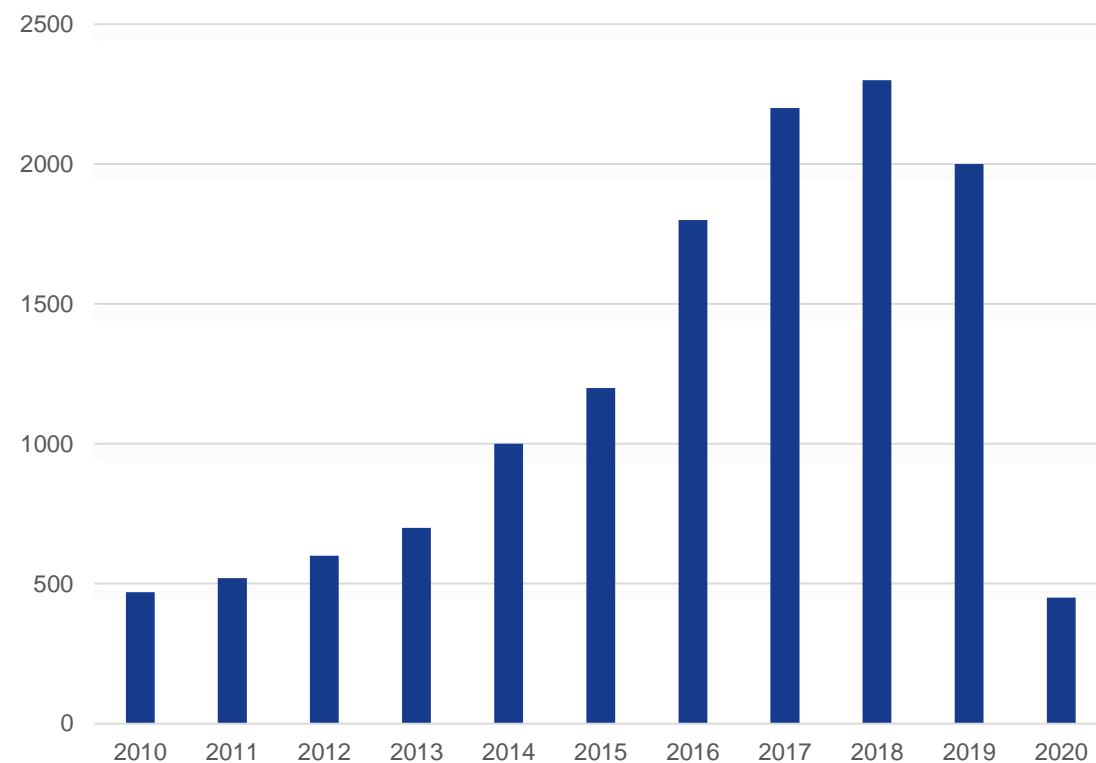
Sharp GDP contraction due to COVID-19 in 2020

The economy expected to pick up this year

Real GDP, YOY%

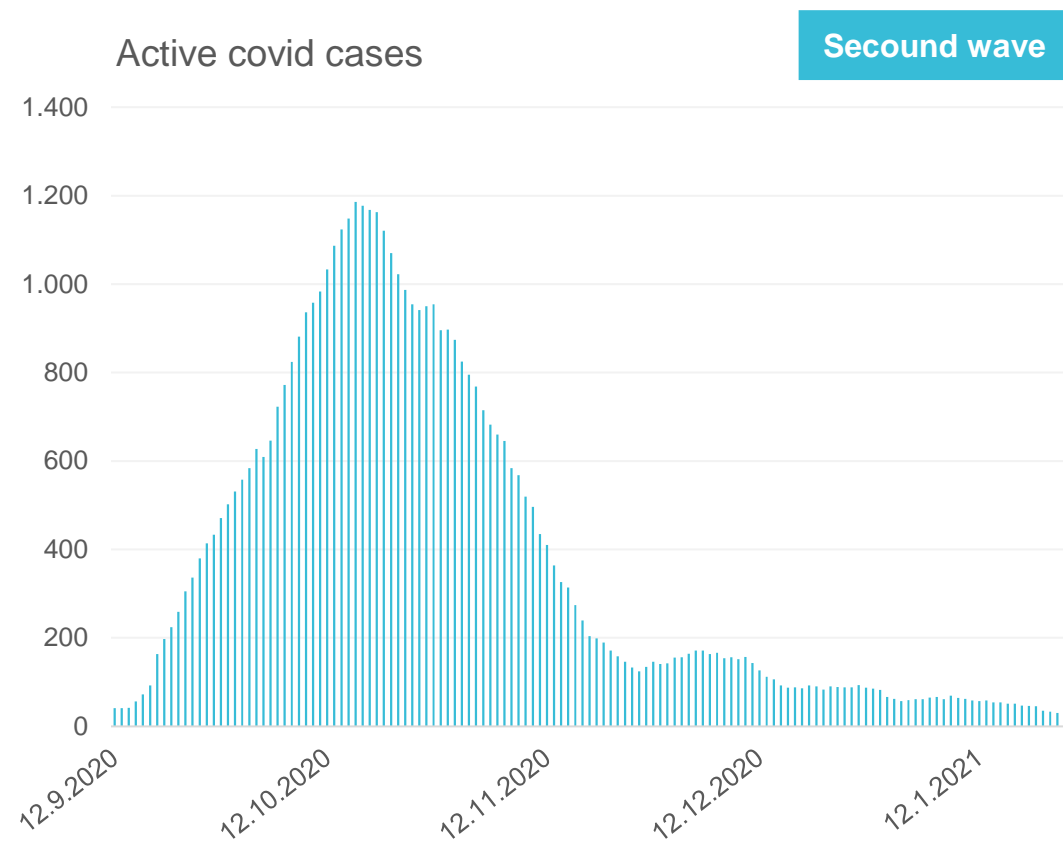
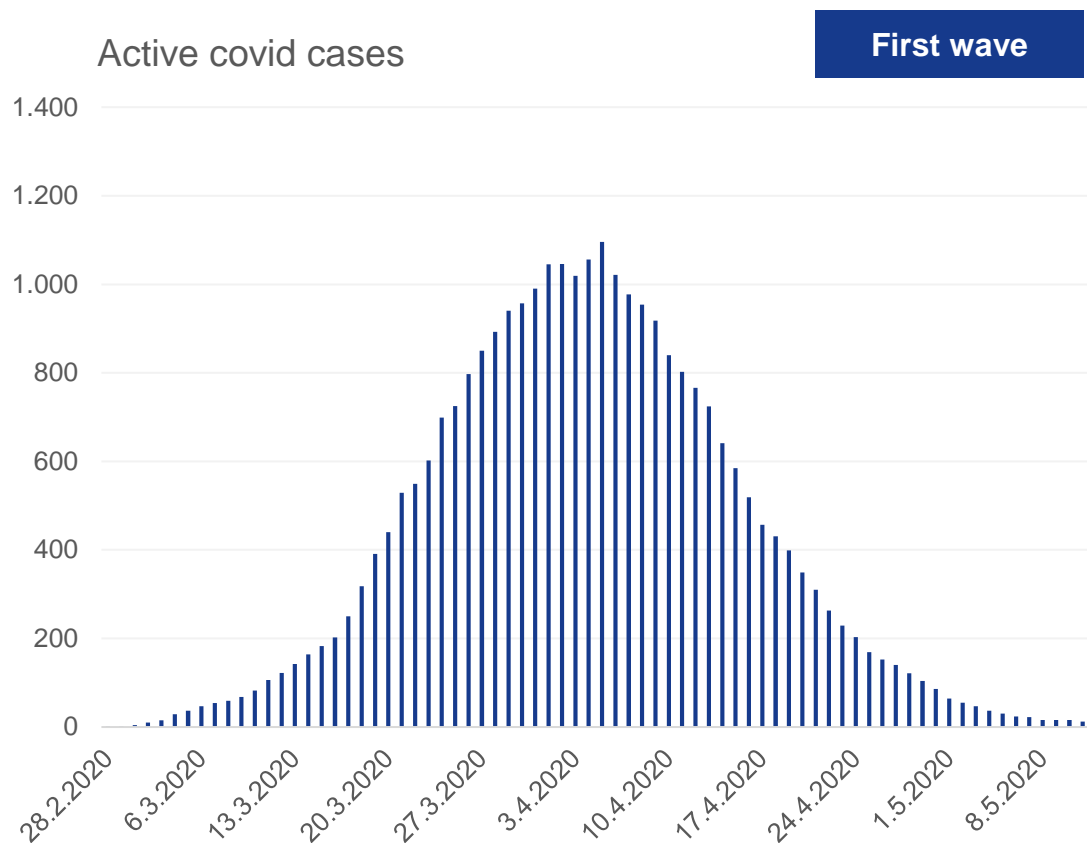


Tourists, thousand



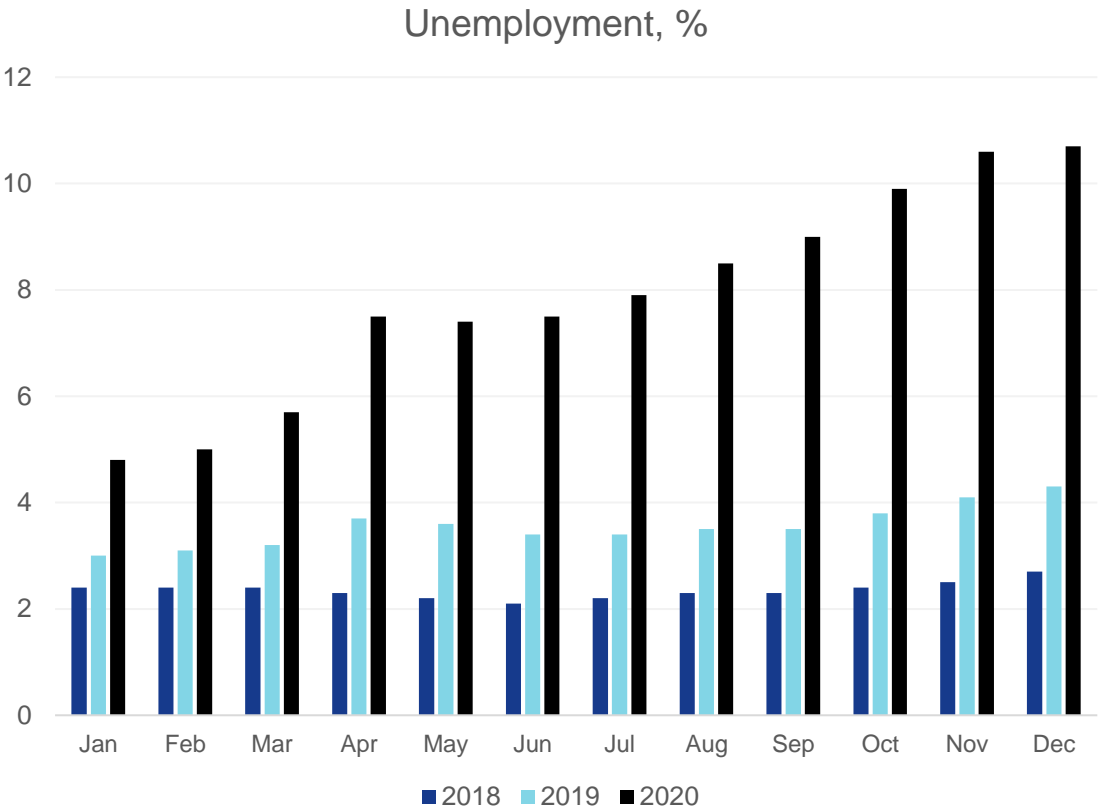
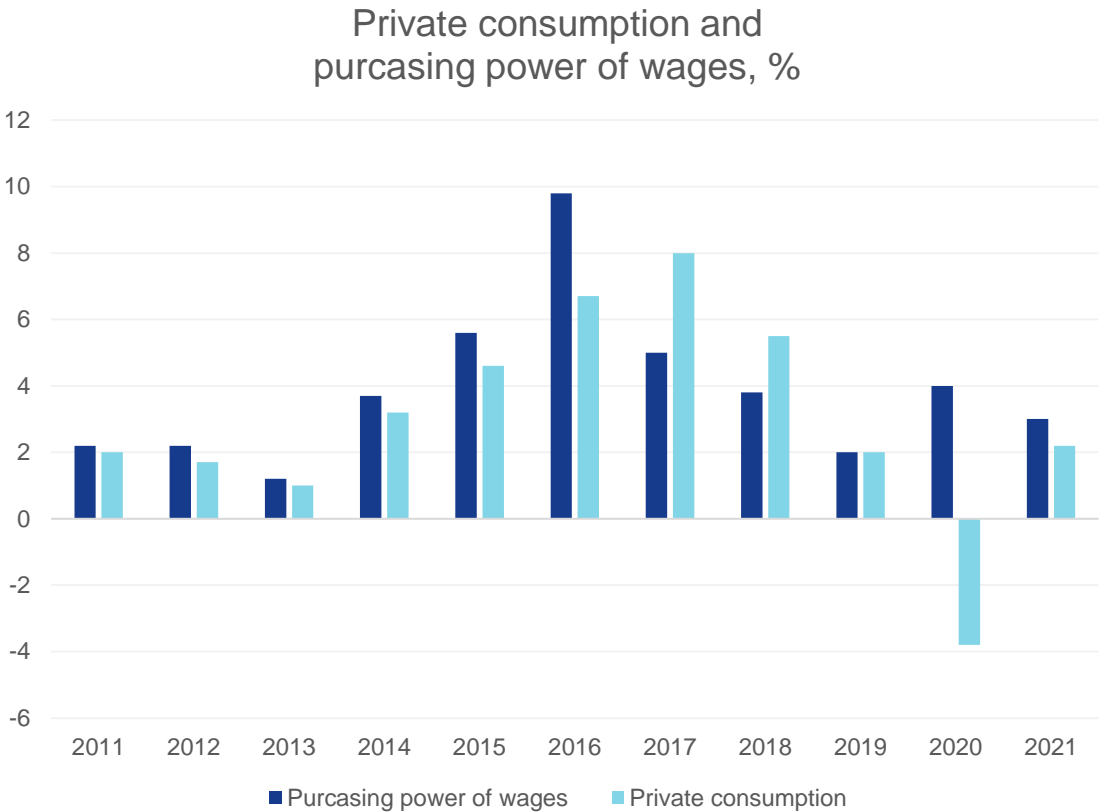
Out of the second wave of the COVID-19 pandemic

A bit bigger wave than the first one



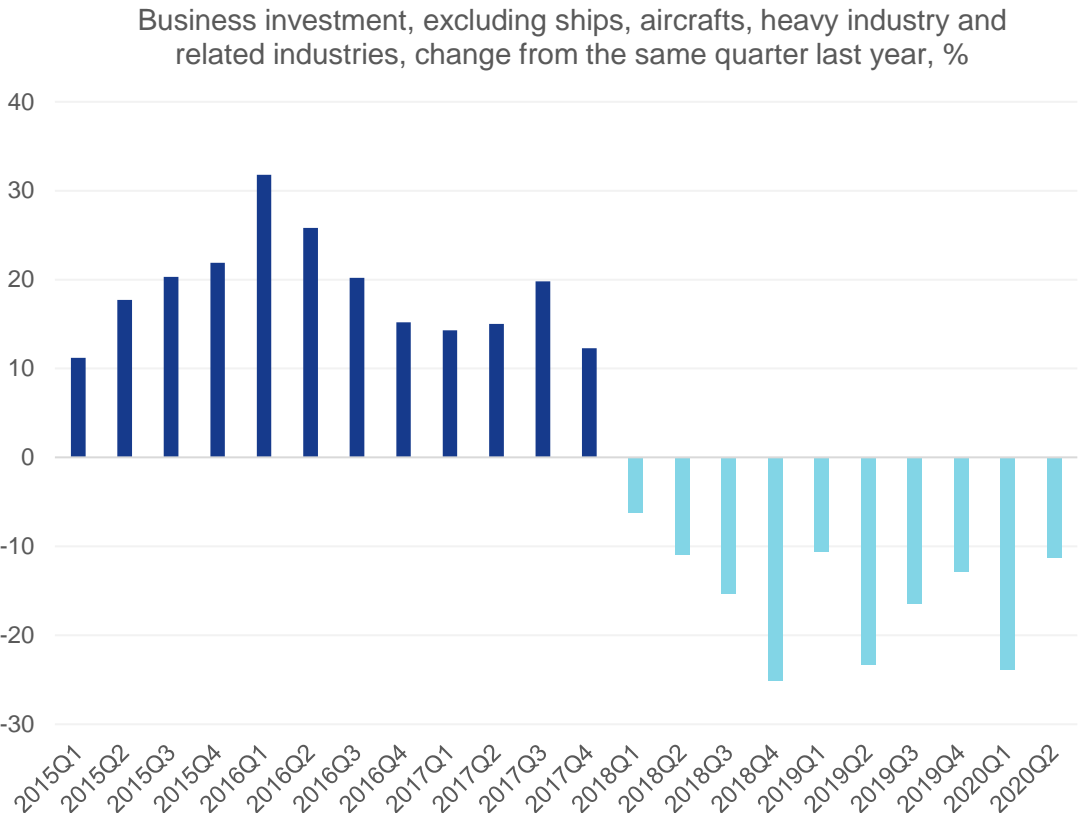
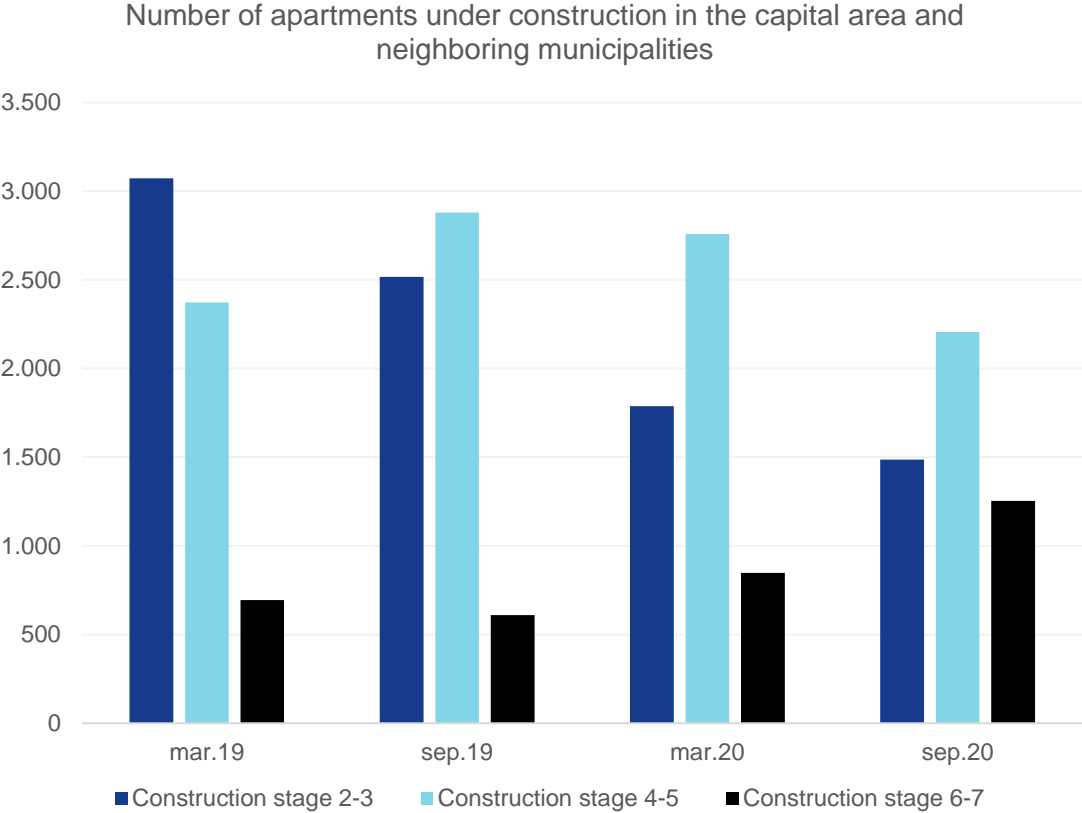
Decrease in private consumption as unemployment rises

Increasing consumption expected this year and a decrease in unemployment



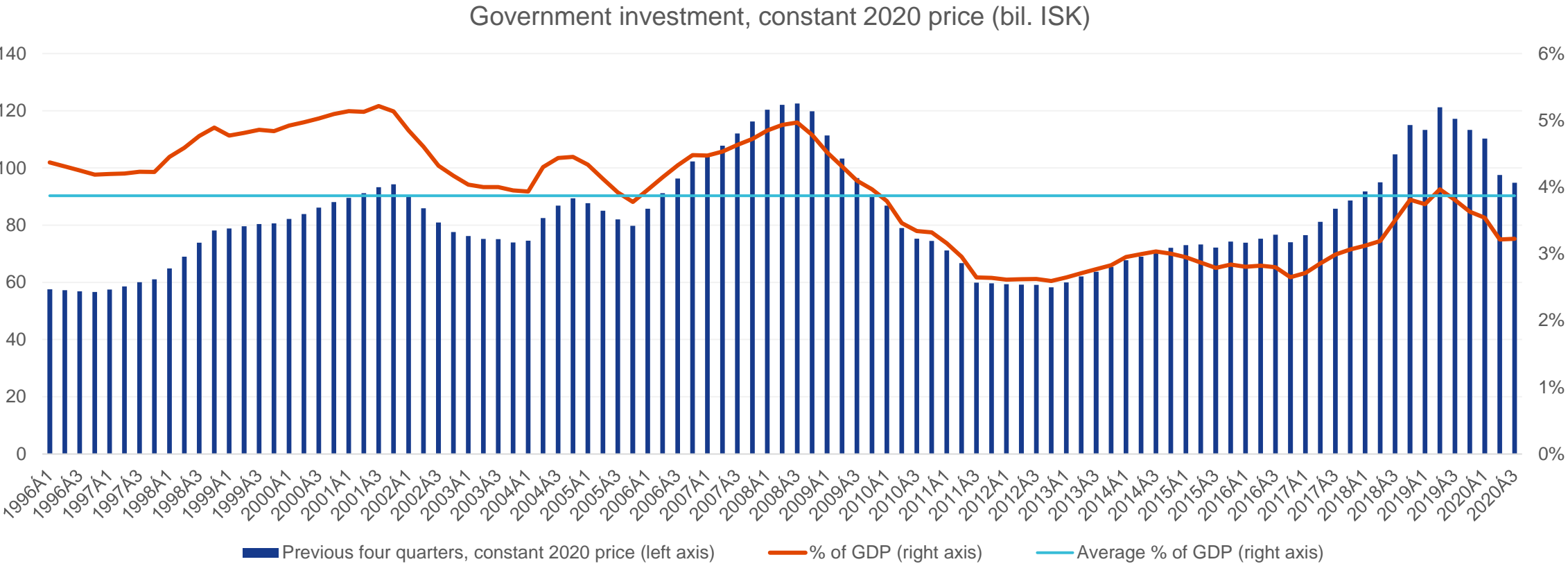
Private investment has been slowing down

Business and government investment expected to grow this year



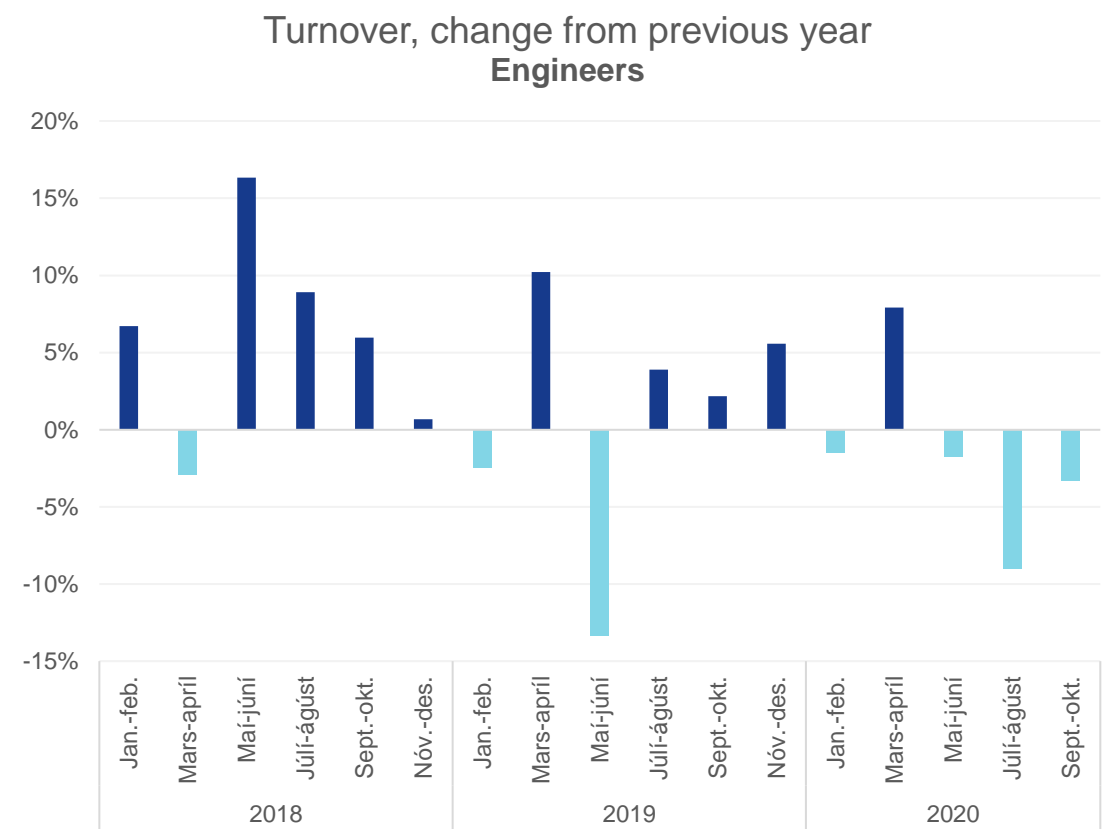
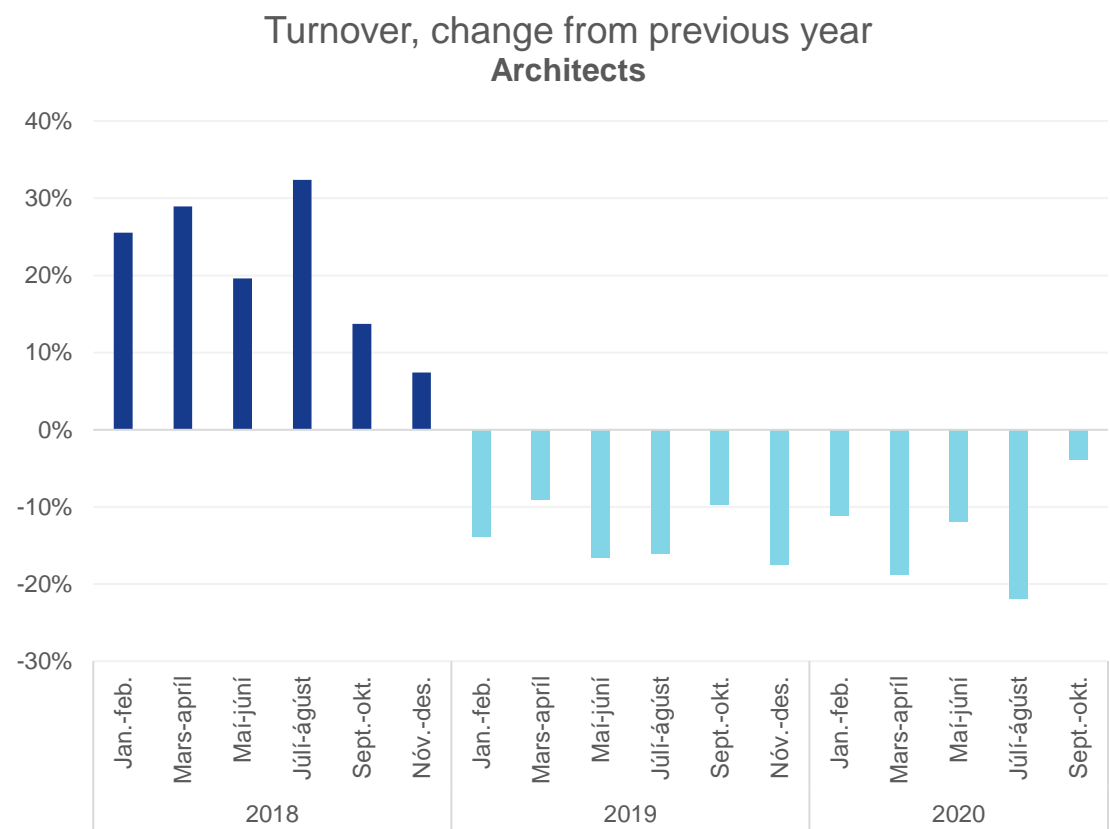
Government increases investment in infrastructure

Increases productivity, jobs and economic growth



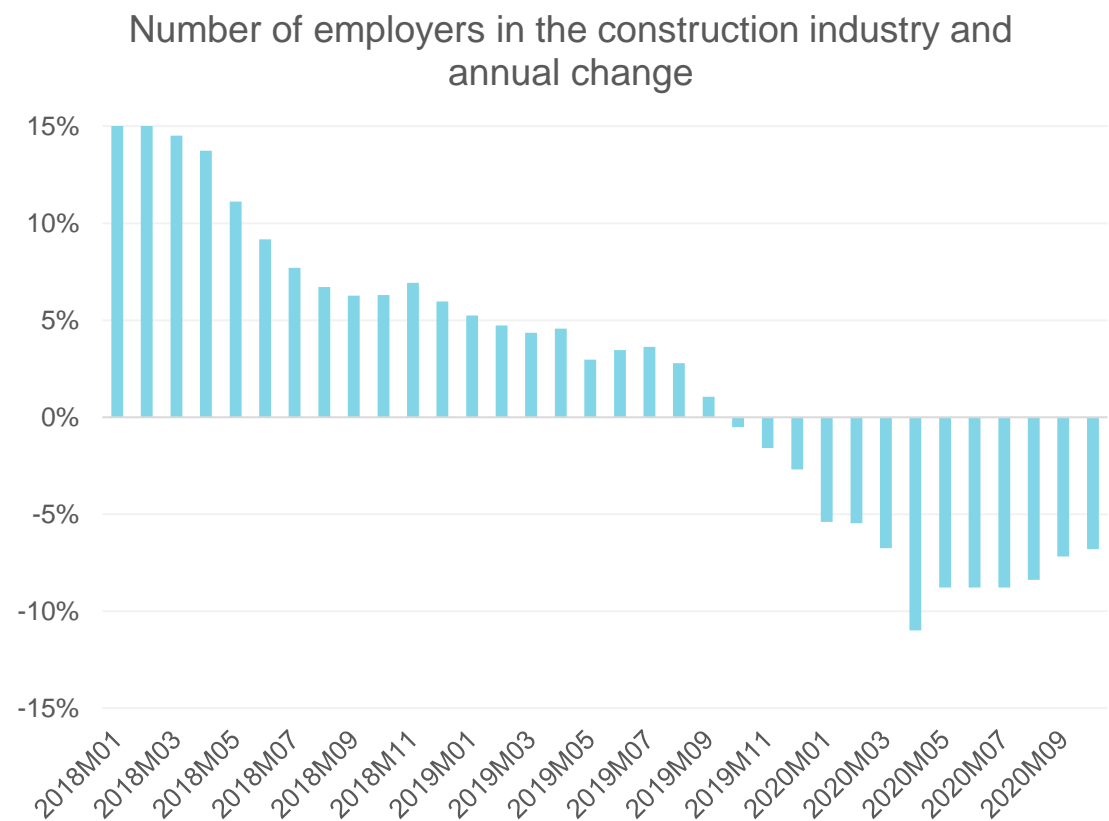
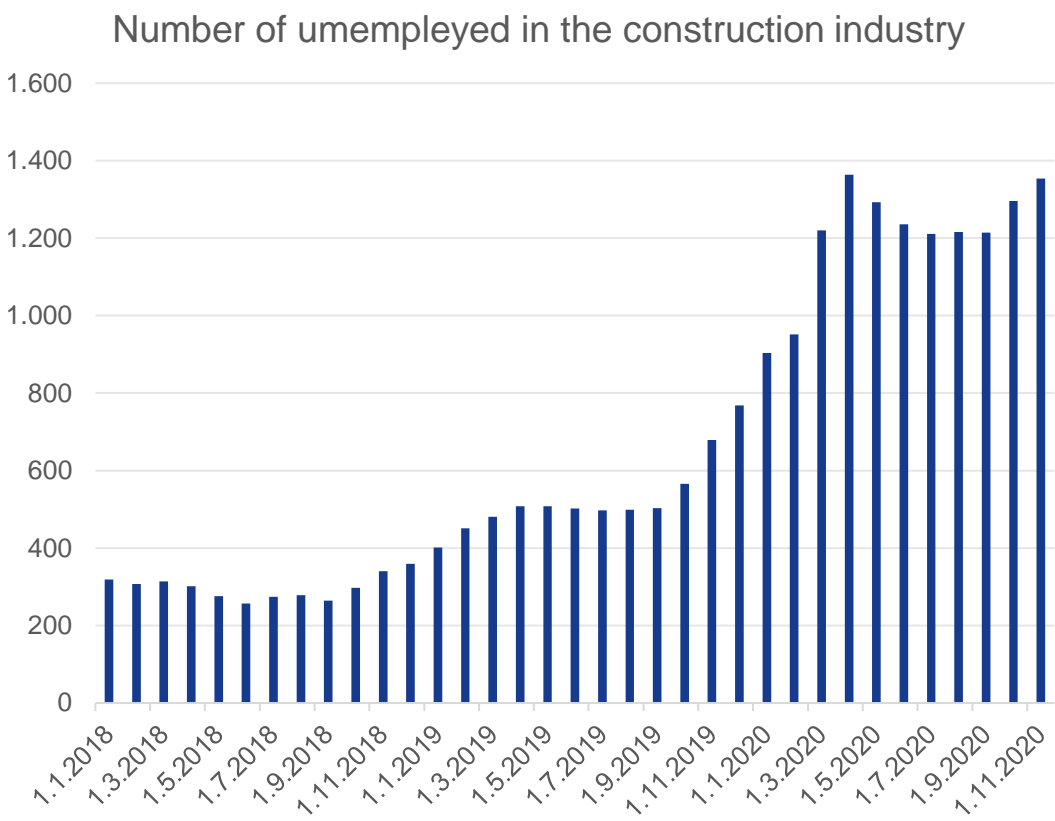
Decreasing turnover

Significant reduction in turnover for architects, but less for engineers



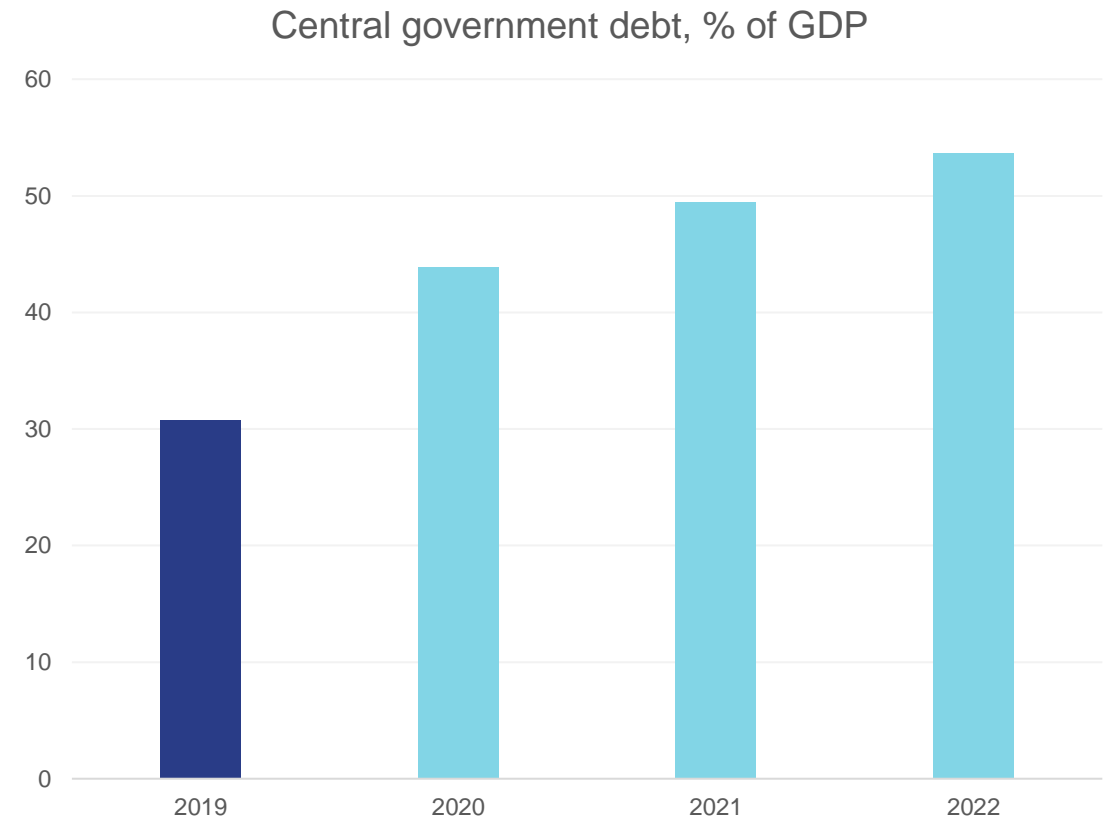
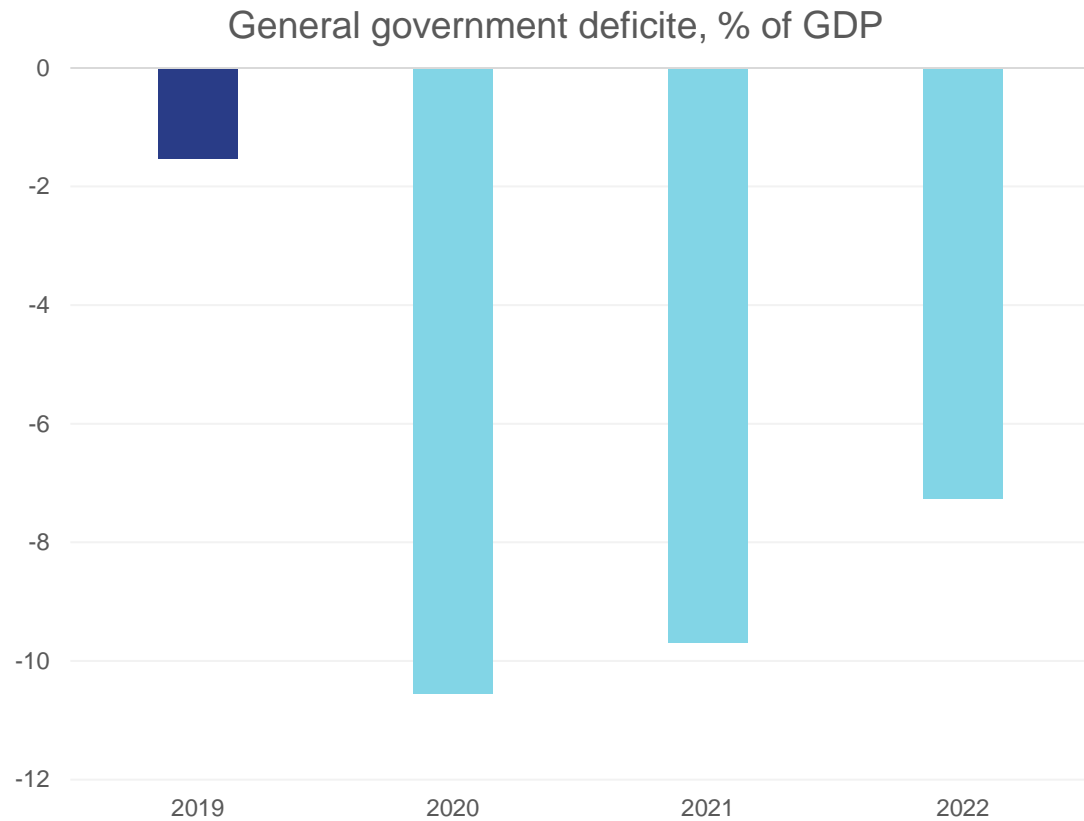
Unemployment in construction industry has been rising

Fewer employees in construction



Fiscal policy plays a key role in policy response to COVID

Low debt level before COVID an advantage



Investment initiative and refund of VAT

Increased investment in infrastructure and refund of VAT for construction projects

Investment in infrastructure

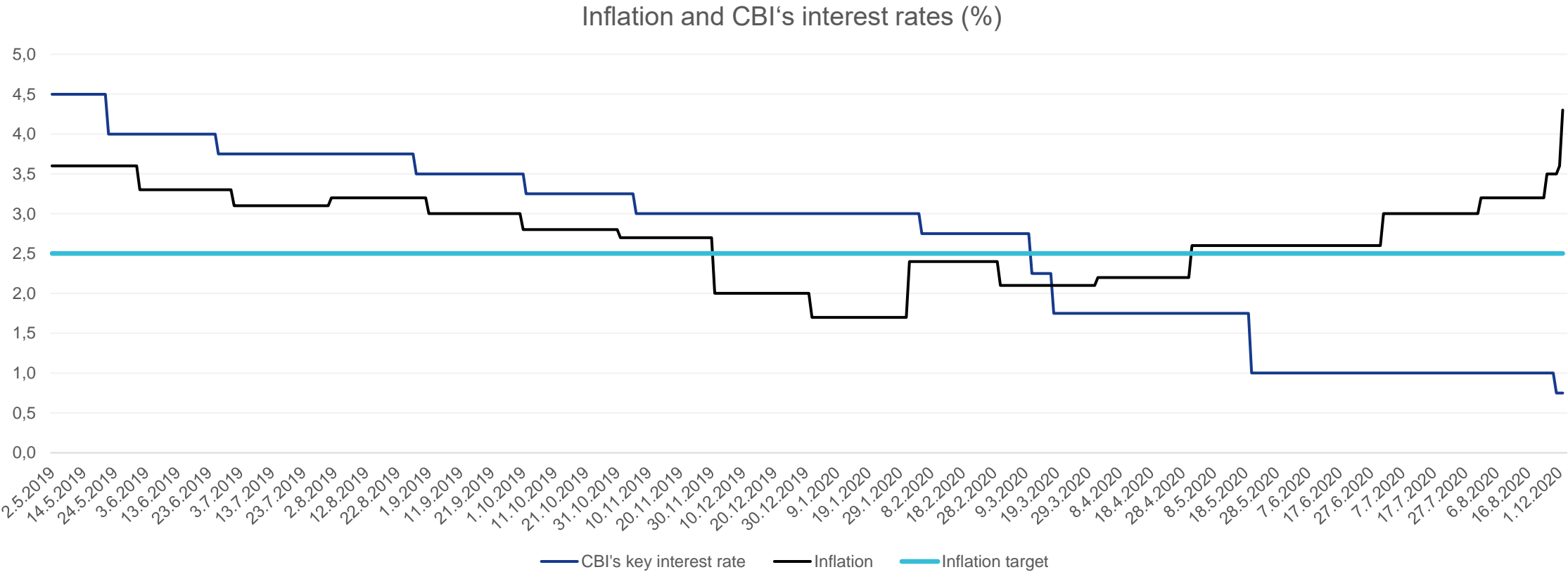
- General government has and will expedite large-scale investment projects in order to stimulate the economy
- Job growth: Emphasis on projects that immediately create jobs across society
- Investment in real estate, transport and other infrastructure

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 household assistance and construction undertaken by municipalities and NGOs working in the public interest
- This change remains in effect from 1. March through 31. December 2021

Monetary policy tools applied

Policy rate lowered – rise in inflation



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
- The outlook is highly uncertain but growth is expected to pick up this year

Thank you

