

Introduction

Iceland is an island nation located in Northern Europe between the Greenland Sea and the Northern Atlantic Ocean. It is northwest of the United Kingdom and has a strategic location between Greenland and Europe. Iceland is volcanically and geologically active with hot springs, geysers, and icefields. The government system is a constitutional republic; the chief of state is the president, and the head of government is the prime minister. Iceland has a Scandinavian-type social-market economy that combines a capitalist structure and free-market principles with an extensive welfare system. Iceland is a member of the European Free Trade Association (EFTA).



Location: Northern Europe

Capital City: Reykjavik (GMT)

Chief of State: President Gudni Thorlacius Jóhannesson

Head of Govt.: Prime Minister Katrín Jakobsdóttir

Currency: Icelandic Krona (ISK)

Major Languages: Icelandic, English, Nordic languages, German

Primary Religions: Evangelical Lutheran Church of Iceland (official) 62.3%, Roman Catholic 4%, Independent Congregation of Reykjavik 2.7%, Independent Congregation of Hafnarfjordur 2%, pagan worship 1.4%, Icelandic Ethical Humanist Association 1.1%, other (includes Zuiist and Pentecostal) or unspecified 19%, none 7.6% (2021 est.)

Calling Code: 354

Voltage: 220

Key Websites

Main Government Page: government.is

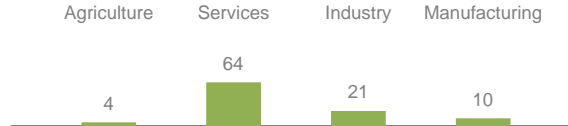
Commerce Ministry: eng.atvinnuvegaraduneyti.is

Investment Promotion Agency: invest.is

Key Economic Facts

Income Level (by per capita GNI):	High Income
Level of Development:	Developed
GDP, PPP (current international \$):	\$26.38 billion (2022)
GDP growth (annual %):	6.44% (2022)
GDP per capita, PPP (current international \$):	\$69,081.26 (2022)
Manufacturing, value added (% of GDP):	10.45% (2022)
Current account balance (BoP, current US\$):	-\$0.45 billion (2022)
Inflation, consumer prices (annual %):	8.31% (2022)
Labor force, total:	234,499 (2022)
Unemployment, total (% of total labor force) (modeled ILO estimate):	3.81% (2022)
Imports of goods and services (current US\$):	\$13.10 billion (2022)
Exports of goods and services (current US\$):	\$12.89 billion (2022)

GDP Composition %



**Although Manufacturing is included in the Industry figures, it is also separately reported because it plays a critical role in economy.*

Rankings

Index	Rank
Corruption Perceptions Index	13 / 178
Global Competitiveness Index	26 / 141
Global Enabling Trade Index	19 / 136
Index of Economic Freedom	19 / 176
International Logistics Performance Index (LPI)	40 / 160
Inward FDI Potential Index	11 / 139
KOF Index of Globalization	50 / 185
Networked Readiness Index (NRI)	16 / 139

Risk Assessment (Provided by Coface)

Country rating: A3 - Changes in generally good but somewhat volatile political and economic environment can affect corporate payment behavior. A basically secure business environment can nonetheless give rise to occasional difficulties for companies. Corporate default probability is quite acceptable on average.

Business Climate rating: A1 - The business environment is very good. Corporate financial information is available and reliable. Debt collection is efficient. Institutional quality is very good. Intercompany transactions run smoothly in environments rated A1.

Strengths

- Very high standard of living and low inequality in society
- Abundant renewable energy (hydropower, 85% of all households are heated with geothermal energy, 100% of electricity consumption is produced by renewable energy)
- Flexible labor market with high openness to immigrating workers
- Not an EU-country, but highly integrated into the European Union via the Agreement on the European Economic Area and the Schengen Agreement, a NATO-member state

Weaknesses

- Volcanic and seismic risks
- Small and very open economy: constrained monetary policy
- Concentration of production and exports (aluminium and marine products accounted for 76% of all goods exports in 2021)
- Volatile activity due to dependence on tourist inflows (23% of GDP in 2019 before the pandemic)
- Wage growth higher than productivity growth

U.S. Embassy

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