Research Update:

Iceland Outlook Revised To Positive From Stable On Improving Public Finances And Strong Growth; 'A/A-1' Ratings Affirmed

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Overview

- Strong ongoing economic recovery from pandemic fallout, alongside continued fiscal consolidation over the next few years, will improve Iceland's public finances beyond our previous expectations.
- We expect high domestic demand and the ongoing recovery of tourism will result in real GDP growth of 3.3% this year and an average of 2.4% in 2024-2026.
- Iceland has effectively managed external pressures, and the country's extensive energy independence has shielded the country from the fallout of the Russia-Ukraine conflict.
- We therefore revised our outlook on Iceland to positive from stable and affirmed our 'A/A-1' sovereign credit ratings.

Rating Action

On May 12, 2023, S&P Global Ratings revised its outlook on Iceland to positive from stable. We affirmed the long- and short-term foreign and local currency sovereign credit ratings at 'A/A-1'.

Outlook

The positive outlook reflects our view that Iceland's fiscal outlook or its ability to withstand external shocks will continue to improve, potentially beyond our expectations, over the next 24 months.

Upside scenario

We could raise the ratings if Iceland's public finances improved more than we anticipate, either via narrower deficits and lower net public debt, or a decrease in the government's contingent

liabilities.

We could also raise the ratings if we thought the country's ability to withstand external shocks had improved. This could be a result of stronger export growth, with exports becoming more diversified, resulting in a reduction of net external debt, and potential volatility in Iceland's terms of trade.

Downside scenario

We could revise the outlook to stable if fiscal or external performance worsened significantly below our expectations. Such a scenario would likely coincide with lower-than-expected economic growth. This could stem from, for example, decelerated economic activity in Iceland's main trading partners in Europe or a shift in global travel preferences that hinders the ongoing recovery of the country's tourism sector.

Rationale

Iceland's economy will continue to expand strongly in 2023, following an already-substantial recovery from pandemic-related setbacks over the past two years. We project real GDP growth of 3.3%. The country has yet to experience pronounced effects of the conflict in Ukraine, primarily owing to its significant degree of energy independence. At the same time, tourism has bounced back, with some indicators already exceeding pre-pandemic levels; tourism remains one of Iceland's most important sectors, representing roughly over a third of exports. Furthermore, domestic demand is holding up, despite rising inflation. The strong economic backdrop will enable fiscal authorities to consolidate much quicker than expected over the next few years. We project public deficits will decrease sharply to below 2% of GDP this year, after averaging more than 8% of GDP in 2020-2021. This should help decrease public debt, net of liquid public assets, to a low 36% of GDP by 2026.

Inflation has stood above 9% since July 2022, and we expect it will remain elevated over the coming months, averaging over 8% in 2023. Although inflation in Iceland was initially fueled by the domestic housing market--contrary to the rising energy prices that drove global inflation trends, it is now more broad-based. Given the likelihood of rising inflation, Iceland's monetary authorities have further tightened policy over the past few months, raising the main policy rate by a cumulative 6.75% since May 2021 to currently 7.50%. Additionally, external pressures have been manageable in recent years. The resilient balance of payments, low net external leverage, and strong central bank foreign currency reserves provide further economic buffers. Iceland's stable institutional framework and effective policymaking also support the ratings.

The ratings are constrained by the volatile nature of Iceland's small and open economy and the limited effectiveness of its monetary policy given the strong influence external developments can have on domestic inflation trends.

Institutional and economic profile: Iceland's growth prospects for the next several years remain solid

- Strong domestic demand and an ongoing recovery in the tourism sector will push real GDP growth to average 2.6% in 2023-2026.
- The Russia-Ukraine conflict has had only a limited impact on Iceland's economy due to minimal direct trade links with both countries and Iceland's substantial degree of energy independence.

- We expect the government to pursue continuity of economic and social policies, as well as environmental protection.

Iceland's economy appears set for another year of strong growth. We expect real GDP to expand by 3.3% in 2023, based on solid domestic demand, despite elevated inflation and high interest rates, as well as the ongoing recovery in tourism from pandemic-related setbacks. This follows an already strong recovery over the past few years, with real GDP expanding by 4.3% in 2021 and 6.4% in 2022. Importantly, Iceland's economy is only marginally affected from the war in Ukraine. Trade with Russia and Ukraine each represented less than 1% of total trade before the conflict, and Iceland is largely energy-independent. Iceland produces virtually all of its electricity from renewable sources; hydropower represents about 70% of the country's total electricity production, while geothermal plants produce the remaining 30%. Natural gas is not part of its energy mix.

Tourism will also support Iceland's economic growth in 2023 and on. The sector already surpasses 2019 figures by some short-term indicators (such as tourism-related value-added tax turnover) and current travel bookings indicate that overall tourism arrivals could well exceed 2 million this year. This will boost service exports, even though Iceland's two other main exporting sectors--aluminum production and marine products--will likely stagnate, given their already-strong expansion in 2022. At the same time, we expect domestic demand will grow strongly, despite high inflation. The labor market remains resilient, and we expect unemployment will average a low 4% this year. The agreed-to collective wage increases in 2022 will also mean that real wages will likely not decrease for most employees this year, despite high inflation. (Iceland has one the highest unionization rates globally.) We believe this should translate into solid real consumption growth of 2.5% in 2023.

However, Iceland has a small and open economy, with a population of just 390,000, and its GDP was about $28 billion in 2022. In our view, the country therefore remains susceptible to external shocks and shifts in terms of trade. Such shocks could, for example, occur in the tourism sector, if, because of the war in Ukraine, lower disposable income owing to high energy prices caused a protracted shift in global or European travel preferences. Tourism represented about 8% of Iceland's GDP before the pandemic, and the shock to the industry during the pandemic followed a decade of rapid growth; the number of visitors to Iceland increased almost fivefold from 2010 to 2019.

In our view, Iceland's institutional arrangements remain a rating strength, with functioning checks and balances between various public-sector institutions. The country's swift and effective policy responses to the pandemic underpin our view of generally effective and stable policymaking. The government coalition, consisting of three parties that span much of the political spectrum, has effectively progressed its agenda with a broadly consensus-oriented approach to policymaking. It is currently focused on economic and social reforms and environmental protection.

Flexibility and performance profile: Iceland's public finances continue to improve amid the central bank's brewing challenges with high inflation

- Strong nominal growth and consolidation efforts will push deficits to below 2% of GDP from this year, compared with an average of over 8% in 2020-2021.
- The central bank of Iceland has responded to high consumer price inflation (CPI)--persistently above 9% since July 2022--by raising its key rate by a cumulative 6.75% since May 2021 to 7.5% to date.

- External pressures still appear manageable, especially given Iceland's net external creditor position and large foreign exchange reserves.

Iceland's better-than-expected economic recovery has strengthened its fiscal outlook, and we believe the government will continue its consolidation efforts over the next years. The fiscal effects of the ongoing recovery have been particularly visible in the upward trend of revenue, which rose by about 16% year-on-year in 2022. These increases outpaced spending pressures from inflation, including through rising interest costs originating from Iceland's large stock of inflation-linked debt. Given the currently elevated inflation, the government is also consolidating its finances in order to avoid contributing to economic overheating. Although the government previously suspended its fiscal rules until 2026, after which deficits may not exceed 2.5% of GDP, we believe it will achieve this goal early, by 2023, with deficits narrowing to below 2% of GDP. This indicates the high degree of consolidation within a short period, given that deficits in 2020 and 2021 averaged about 8% of GDP. Outside the government's budget, public finances have also recently benefitted from the sale of significant stakes in publicly owned Islandsbanki, and further sales are still possible.

The improved fiscal outlook will help reduce Iceland's general government debt (as a share of GDP) further over the next years, bringing levels close to those before the pandemic. The country had deleveraged extensively until 2019, when net general government debt had declined to slightly above 35% of GDP from a peak of nearly 80% in 2011. We expect debt (net of liquid assets) will reach a moderate 36% of GDP by 2026. In gross terms, debt will decrease even more strongly to under 43% of GDP in 2026 from about 56% in 2021. The government will likely reduce some of its currently still-ample liquid assets to pay down debt over the next few years.

Iceland's underlying debt profile has also improved materially over the past decade. About 80% of gross government debt is now held domestically and below 20% is denominated in foreign currency. In line with previous policies, the authorities have placed the proceeds of foreign currency debt issuance as deposits at the central bank to bolster foreign exchange reserves over the past two years. The government covered its budget deficits in 2020 and 2021 predominantly by issuing debt on the domestic market under favorable conditions. Additional bond placements in international markets remain an option, in our view.

Furthermore, the government's funding practices will help reduce financing coasts. It has drawn from the liquid assets of 100% state-owned enterprise, the HF Fund, especially in 2020 and 2021. The HF Fund's predecessor, the HFF, previously provided affordable housing loans in Iceland. Currently, the HF Fund is being wound down following changes to government policy. The authorities are effectively managing the HF Fund's and treasury's liquidity positions jointly. Total funding from the HF Fund to the government in 2020 and 2021 covered more than one-third of the combined budget deficits (it was not used in 2022). That said, we expect this funding practice will not be used extensively in the future, even though these additional domestic financing options, as well as low interest costs for past foreign issuance, have helped the government trim financing costs. We expect the government's interest bill to stabilize at 5%-6% of revenue in from 2024 after a temporary increase beyond 7% in 2022-2023 due to high inflation (about 40% of central government debt is inflation linked).

We continue to exclude the HF Fund's liabilities as well as gross and net income from our general government data, as we continue to classify it as a contingent liability (despite their recent inclusion in the data reported by the national statistical office). The HF Fund's balance sheet represents about 17% of GDP, and we consider it a contingent liability for the government, which has provided a guarantee for the HF Fund's outstanding debt. Although the HF Fund has sufficient liquid assets to meet its liabilities in the next few years, losses related to an interest-rate mismatch between the institution's assets and liabilities could ultimately require an additional

capital contribution from the government. We continue to include the estimated net present value of the capital shortfall in our general government debt calculations, even though the HF Fund's full liabilities are not. The government is currently speeding up the wind-down of the HF Fund, but total government guarantees remain high--at slightly above 22% of GDP--and pertain mainly to the HF Fund, even though these guarantees are decreasing because of the gradual shrinkage of the HF Fund's balance sheet.

As with elsewhere in the world, inflation has remained elevated in Iceland over the past few months. However, the initial dynamics underlying Iceland's inflation differed from those in most other European countries as they were driven by the domestic housing market. Since July 2022, headline inflation has remained above 9%, and we expect it will average over 8% in 2023. Generally speaking, the contribution of imputed rents to headline inflation has substantially decreased since the end of 2022 (despite a recent uptick in April). Since then, price increases have become more broad-based, with food prices, transportation, and imported goods growing in importance. The contribution of energy prices to headline inflation has been much lower than elsewhere in Europe, reflecting Iceland's lower energy commodity imports. The recently decided wage increases could further amplify domestic inflation over the next month.

Inflation rates exceed the central bank's target of 2.5%, as has been the case for almost three years, and we do not expect inflation to converge to the central bank's target rate in the near term. The central bank has tightened monetary policy over the past few months, mostly in the form of several rate hikes. The key policy rate is now 7.50%, up 6.75% from a historical low of 0.75% in May 2021, and it stands above pre-pandemic rates. Further hikes are still possible if inflation continues to exceed the target rate, as is anticipated. The central bank's tightening follows substantial monetary policy support it started at the onset of the pandemic, including primarily a significant reduction of the policy rate, foreign exchange interventions of well over €1 billion, and adjustments to numerous macroprudential measures related to bank regulation. These policy measures helped support the economy, complementing the government's fiscal efforts and reducing exchange rate volatility.

Iceland has accumulated net foreign exchange reserves in recent years on the back of the tourism sector's strong performance as well as government bond placements at favorable terms in 2020 and 2021. This continues to provide the central bank with substantial policy room. Fundamentally, however, we still view Iceland's monetary policy effectiveness as constrained. The underlying economy represents one of the smallest currency areas globally and, historically, domestic inflation has been heavily influenced by developments abroad. The country's real effective exchange rate also tends to fluctuate over the economic cycle and could be subject to large valuation swings, exacerbating the cyclicality inherent in the economy.

Iceland's current account has generally remained strong over the past years and throughout the pandemic. It only moved into a slight deficit in 2021, despite the significant contraction of tourism--the country's most important export sector. High primary income outflows and higher imports due to strong domestic demand widened the deficit in 2022. Still, we believe these factors will partially reverse, with current account deficits of an average 1.2% in 2023-2026. We note that, over 2013-2019, Iceland's current account surpluses averaged over 6% of GDP, which supported external deleveraging.

We project that Iceland's net external asset position will remain roughly stable at about 30% of GDP over the next few years. Iceland has been in a net external asset position since 2016, with a marked increase in 2020-2021 and some contraction in 2022 due to asset revaluations. Iceland's foreign assets include significant foreign exchange reserves at the central bank of close to $6 billion, or close to 20% of GDP through 2026.

Icelandic banks' earnings have recovered from pandemic fallout and will remain strong, with

profitability remaining robust. We project credit losses will remain close to pre-pandemic levels in the coming two years, at nearly 30 basis points of gross loans. While tourism continues to drive the economic recovery, Icelandic house prices are steadily more detached from fundamentals, thereby posing a risk considering the elevated household debt. Nevertheless, banks' capitalization remains very strong and earnings provide a large buffer to absorb higher credit losses than we project in our base case. We therefore think the financial sector represents a limited contingent liability for the government.

Key Statistics

Table 1

Iceland--Selected Indicators

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Economic indicators (%)										
Nominal GDP (bil. LC)	2,642	2,844	3,024	2,919	3,245	3,766	4,171	4,457	4,705	4,931
Nominal GDP (bil. $)	25	26	25	22	26	28	30	33	35	36
GDP per capita (000s $)	73.1	75.4	69.1	59.2	69.3	74.0	76.6	82.4	87.0	89.2
Real GDP growth	4.2	4.9	1.8	(7.2)	4.3	6.4	3.3	2.5	2.5	2.3
Real GDP per capita growth	2.4	1.8	(0.6)	(9.1)	3.0	4.3	0.2	0.5	1.0	0.7
Real investment growth	10.6	2.3	(4.1)	(7.4)	9.8	6.9	4.0	4.0	3.0	2.2
Investment/GDP	21.7	22.1	20.7	21.4	22.4	22.6	22.5	22.5	22.6	22.6
Savings/GDP	26.0	26.4	27.2	22.3	20.0	21.1	21.3	21.6	21.3	21.3
Exports/GDP	45.7	46.0	43.7	33.2	37.4	46.3	46.9	46.9	47.1	47.7
Real exports growth	5.1	0.4	(5.5)	(31.1)	14.7	20.6	5.3	4.3	3.5	3.5
Unemployment rate	3.3	3.1	3.9	6.4	6.0	3.8	4.0	4.2	4.2	4.1
External indicators (%)										
Current account balance/GDP	4.2	4.3	6.5	0.9	(2.4)	(1.5)	(1.2)	(1.0)	(1.3)	(1.3)
Current account balance/CARs	8.5	8.4	13.4	2.3	(5.9)	(3.1)	(2.4)	(1.9)	(2.5)	(2.5)
CARs/GDP	49.8	50.4	48.4	37.8	41.2	50.2	50.7	50.4	50.5	51.0
Trade balance/GDP	(6.1)	(5.5)	(3.5)	(2.9)	(4.4)	(5.7)	(5.7)	(5.8)	(5.9)	(6.0)
Net FDI/GDP	0.7	(1.7)	(2.9)	(2.3)	0.7	2.9	0.5	(0.5)	(0.5)	(0.5)
Net portfolio equity inflow/GDP	(1.1)	(2.0)	(1.0)	(4.0)	(4.7)	(3.0)	(2.5)	(2.5)	(2.5)	(2.5)
Gross external financing needs/CARs plus usable reserves	79.5	83.4	80.2	80.5	91.0	91.7	97.5	97.2	97.9	97.9
Narrow net external debt/CARs	51.2	41.7	39.5	67.1	66.3	56.1	54.1	54.4	54.1	55.4
Narrow net external debt/CAPs	56.0	45.6	45.6	68.7	62.7	54.4	52.8	53.4	52.8	54.0
Net external liabilities/CARs	(6.0)	(18.7)	(43.6)	(99.5)	(91.5)	(44.4)	(51.5)	(56.5)	(59.0)	(62.2)

Table 1

Iceland--Selected Indicators (cont.)

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Net external liabilities/CAPs	(6.6)	(20.5)	(50.4)	(101.9)	(86.4)	(43.0)	(50.3)	(55.5)	(57.5)	(60.7)
Short-term external debt by remaining maturity/CARs	34.7	33.2	36.1	49.8	40.6	35.1	33.3	30.2	28.7	27.6
Usable reserves/CAPs (months)	7.7	6.5	7.3	10.2	6.9	5.9	4.6	4.2	4.0	3.9
Usable reserves (mil. $)	6,575	6,328	6,787	6,421	7,080	5,893	5,900	6,000	6,100	6,200
Fiscal indicators (general government; %)										
Balance/GDP	1.0	1.0	(1.4)	(8.4)	(7.7)	(4)	(1.9)	(1.5)	(1.2)	(1.3)
Change in net debt/GDP	(1.9)	(4.3)	8.0	3.4	4.5	5.6	0.5	0.8	1.2	1.2
Primary balance/GDP	5.0	4.0	1.3	(5.8)	(5.3)	(0.9)	1.0	0.9	0.9	0.9
Revenue/GDP	43.6	42.9	40.6	41.4	40.7	41.2	40.5	41.0	41.0	41.0
Expenditures/GDP	42.6	41.9	41.9	49.8	48.3	45.2	42.4	42.5	42.3	42.3
Interest/revenues	9.2	7.0	6.6	6.2	5.9	7.5	7.1	5.9	5.3	5.2
Debt/GDP	45.5	39.3	46.3	56.9	56.6	52.9	47.9	45.0	43.4	42.6
Debt/revenues	104.4	91.7	114.1	137.5	139.2	128.4	118.2	109.9	105.8	104.0
Net debt/GDP	37.8	30.8	37.0	41.7	42.0	41.8	38.3	36.6	36.0	35.6
Liquid assets/GDP	7.7	8.5	9.3	15.2	14.5	11.1	9.6	8.4	7.4	7.1
Monetary indicators (%)										
CPI growth	1.8	2.7	3.0	2.8	4.4	8.3	8.3	4.8	3.0	2.5
GDP deflator growth	0.9	2.6	4.4	4.1	6.6	9.0	7.3	4.2	3.0	2.5
Exchange rate, year-end (LC/$)	104.42	116.33	121.10	127.21	130.38	142.04	138.75	134.85	134.66	136.80
Banks' claims on resident non-gov't sector growth	6.8	9.0	4.1	4.7	(7.4)	11.5	5.0	6.0	6.0	6.0
Banks' claims on resident non-gov't sector/GDP	129.7	131.3	128.6	139.5	116.2	111.6	105.9	105.0	105.4	106.6
Foreign currency share of claims by banks on residents	11.6	12.3	12.8	13.3	14.1	13.7	N/A	N/A	N/A	N/A
Foreign currency share of residents' bank deposits	9.7	12.2	12.3	10.8	11.2	11.4	N/A	N/A	N/A	N/A

Table 1

Iceland--Selected Indicators (cont.)

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Real effective exchange rate growth	12.1	(2.6)	(7.0)	(8.1)	4.0	2.8	0.0	0.0	0.0	0.0

Sources: Statistics Iceland (Economic Indicators), Central Bank of Iceland, The Government of Iceland External Indicators), Statistics Iceland, Central Bank of Iceland (Fiscal Indicators), and Central Bank of Iceland, IMF (Monetary Indicators).
Adjustments: Government debt adjusted by including loans from Norges Bank and the IMF. Government fiscal metrics exclude the Icelandic Housing Financing Fund. External metrics exclude debt from previous DMBs in settlement proceedings.
Definitions: Savings is defined as investment plus the current account surplus (deficit). Investment is defined as expenditure on capital goods, including plant, equipment, and housing, plus the change in inventories. Banks are other depository corporations other than the central bank, whose liabilities are included in the national definition of broad money. Gross external financing needs are defined as current account payments plus short-term external debt at the end of the prior year plus nonresident deposits at the end of the prior year plus long-term external debt maturing within the year. Narrow net external debt is defined as the stock of foreign and local currency public- and private- sector borrowings from nonresidents minus official reserves minus public-sector liquid claims on nonresidents minus financial-sector loans to, deposits with, or investments in nonresident entities. A negative number indicates net external lending. N/A--Not applicable. LC--Local currency. CARs--Current account receipts. FDI--Foreign direct investment. CAPs--Current account payments. The data and ratios above result from S&P Global Ratings' own calculations, drawing on national as well as international sources, reflecting S&P Global Ratings' independent view on the timeliness, coverage, accuracy, credibility, and usability of available information.

Ratings Score Snapshot

Table 2

Iceland--Ratings Score Snapshot

Key rating factors	Score	Explanation
Institutional assessment	2	Generally strong, but relatively shorter track record of policies that deliver sustainable public finances and consistently balanced economic growth over the long term. Generally effective checks and balances and free flow of information through society. Statistical information is generally timely and reliable.
Economic assessment	2	Based on GDP per capita ($) as per the Selected Indicators table above. The economy is concentrated in fishing, aluminum, and tourism. Metal and fishing sectors each represent 20% and tourism generally over one-third of the export base.
External assessment	3	Based on narrow net external debt and gross external financing needs as per Selected Indicators in Table 1. Iceland's net international investment position is more favorable than the narrow net external debt position by over 100% of current accounts receipts (CARs), as per Selected Indicators in Table 1.The country is exposed to significant volatility in terms of trade, due to its dependence on tourism exports and changes in metal prices.
Fiscal assessment: flexibility and performance	2	Based on the general government balance (% of GDP) as per Selected Indicators in Table 1.
Fiscal assessment: debt burden	4	Based on net general government debt (% of GDP) and general government interest expenditure (% of general government revenue) as per Selected Indicators in Table 1.Contingent liabilities are moderate. We assess the amount of guarantees provided by Iceland (implicitly and explicitly) to various nondeposit-taking institutions at slightly below 25% of GDP. We believe there is a significant likelihood of extraordinary government support.
Monetary assessment	4	The krona is largely floating following the removal of capital controls, albeit with a shorter track record. The central bank has broad operational independence and uses market-based monetary instruments. Given the removal of capital controls and accumulation of extra net foreign exchange reserves, the central bank can act as lender of last resort for the financial system. However, Iceland exhibits a very volatile real effective exchange rate over the economic cycle.
Indicative rating	a+	As per Table 1 of "Sovereign Rating Methodology."

Table 2

Iceland--Ratings Score Snapshot (cont.)

Key rating factors	Score	Explanation
Notches of supplemental adjustments and flexibility	(1)	Iceland's economy and its currency area are narrower than rating peers', which makes the country inherently more susceptible to external shocks. This is not fully captured in the indicative rating.
Final rating		
Foreign currency	A	
Notches of uplift	0	Default risks do not apply differently to foreign- and local-currency debt.
Local currency	A	

S&P Global Ratings' analysis of sovereign creditworthiness rests on its assessment and scoring of five key rating factors: (i) institutional assessment; (ii) economic assessment; (iii) external assessment; (iv) the average of fiscal flexibility and performance, and debt burden; and (v) monetary assessment. Each of the factors is assessed on a continuum spanning from 1 (strongest) to 6 (weakest). S&P Global Ratings' "Sovereign Rating Methodology," published on Dec. 18, 2017, details how we derive and combine the scores and then derive the sovereign foreign currency rating. In accordance with S&P Global Ratings' sovereign ratings methodology, a change in score does not in all cases lead to a change in the rating, nor is a change in the rating necessarily predicated on changes in one or more of the scores. In determining the final rating the committee can make use of the flexibility afforded by §15 and §§126-128 of the rating methodology.

Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings , Oct. 10, 2021
- Criteria | Governments | Sovereigns: Sovereign Rating Methodology , Dec. 18, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings , April 7, 2017
- General Criteria: Principles Of Credit Ratings , Feb. 16, 2011
- General Criteria: Methodology: Criteria For Determining Transfer And Convertibility Assessments , May 18, 2009

Related Research

- Default, Transition, and Recovery: 2022 Annual Global Sovereign Default And Rating Transition Study, April 28, 2023
- Sovereign Ratings History, April 11, 2023
- Sovereign Ratings List, April 11, 2023
- Sovereign Risk Indicators, April 10, 2023. An interactive version is also available at www.spratings.com/sri
- Sovereign Ratings Score Snapshot, April 6, 2023
- Economic Outlook Eurozone Q2 2023: Rate Rises Weigh On Return To Growth, March 27, 2023
- Sovereign Debt 2023: Borrowing Will Stay Elevated Despite Rising Cost Of Debt, March 9, 2023
- Sovereign Debt 2023: Developed Europe Government Borrowing Estimated At $1.7 Trillion, March 9, 2023

- Global Aging 2023: The Clock Ticks, Jan. 18, 2023

In accordance with our relevant policies and procedures, the Rating Committee was composed of analysts that are qualified to vote in the committee, with sufficient experience to convey the appropriate level of knowledge and understanding of the methodology applicable (see 'Related Criteria And Research'). At the onset of the committee, the chair confirmed that the information provided to the Rating Committee by the primary analyst had been distributed in a timely manner and was sufficient for Committee members to make an informed decision.

After the primary analyst gave opening remarks and explained the recommendation, the Committee discussed key rating factors and critical issues in accordance with the relevant criteria. Qualitative and quantitative risk factors were considered and discussed, looking at track-record and forecasts.

The committee's assessment of the key rating factors is reflected in the Ratings Score Snapshot above.

The chair ensured every voting member was given the opportunity to articulate his/her opinion. The chair or designee reviewed the draft report to ensure consistency with the Committee decision. The views and the decision of the rating committee are summarized in the above rationale and outlook. The weighting of all rating factors is described in the methodology used in this rating action (see 'Related Criteria And Research').

Ratings List

Outlook Action; Ratings Affirmed

	To	From
Iceland		
Sovereign Credit Rating	A/Positive/A-1	A/Stable/A-1
Transfer & Convertibility Assessment	A	A
Senior Unsecured	A	A
Short-Term Debt	A-1	A-1

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at https://www.standardandpoors.com/en_US/web/guest/article/-/view/sourceId/504352 Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column. Alternatively, call one of the following S&P Global Ratings numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; or Stockholm (46) 8-440-5914

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