

# The Icelandic economy in times of COVID-19

Economic impact and policy reaction  
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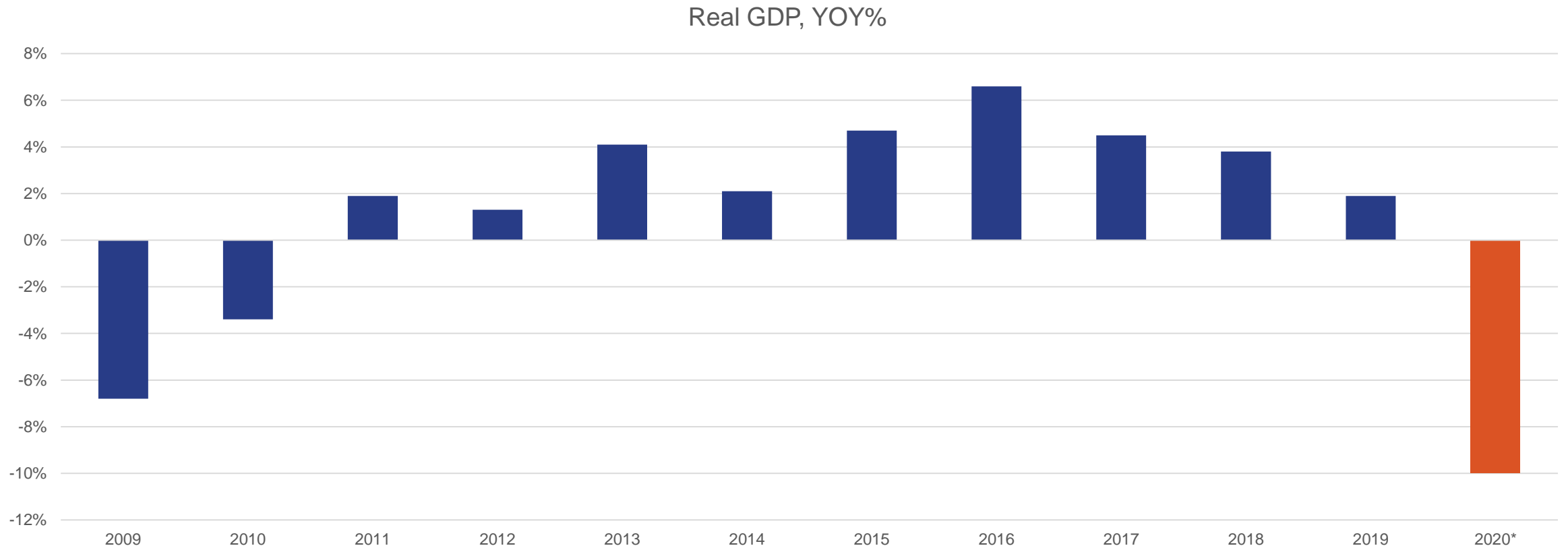
2020

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# Sharp GDP contraction expected in 2020 due to COVID-19

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

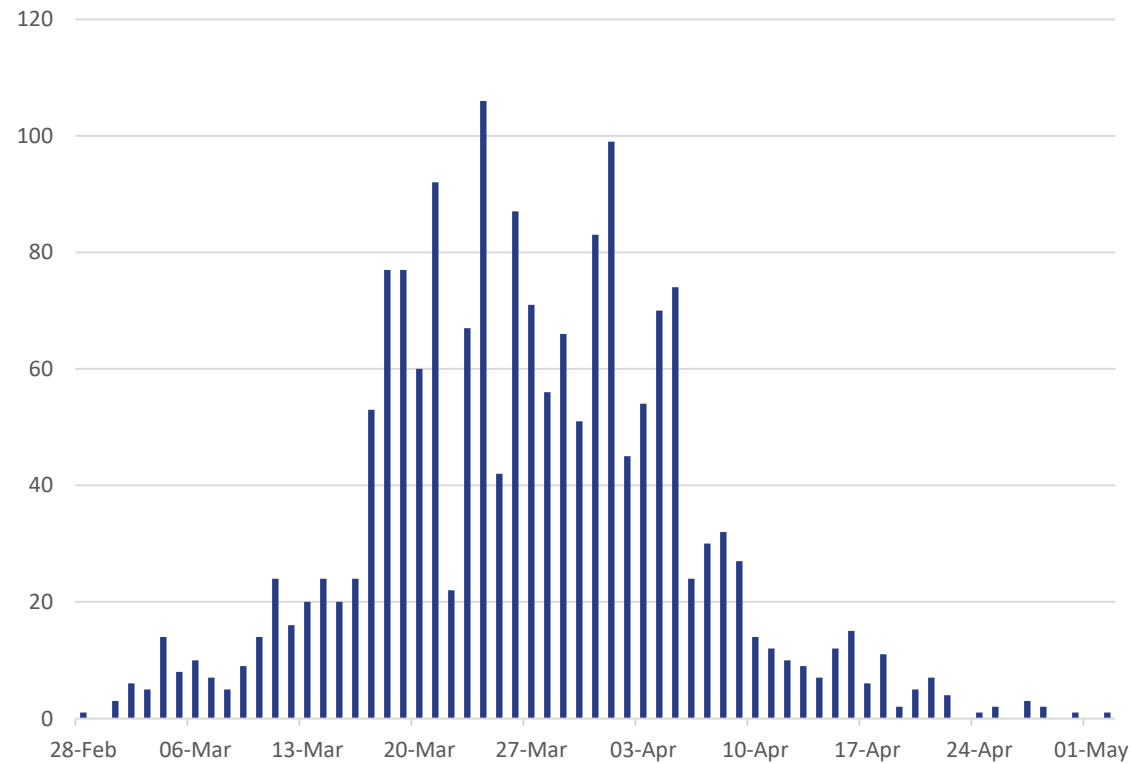


\*FII/CIE forecast

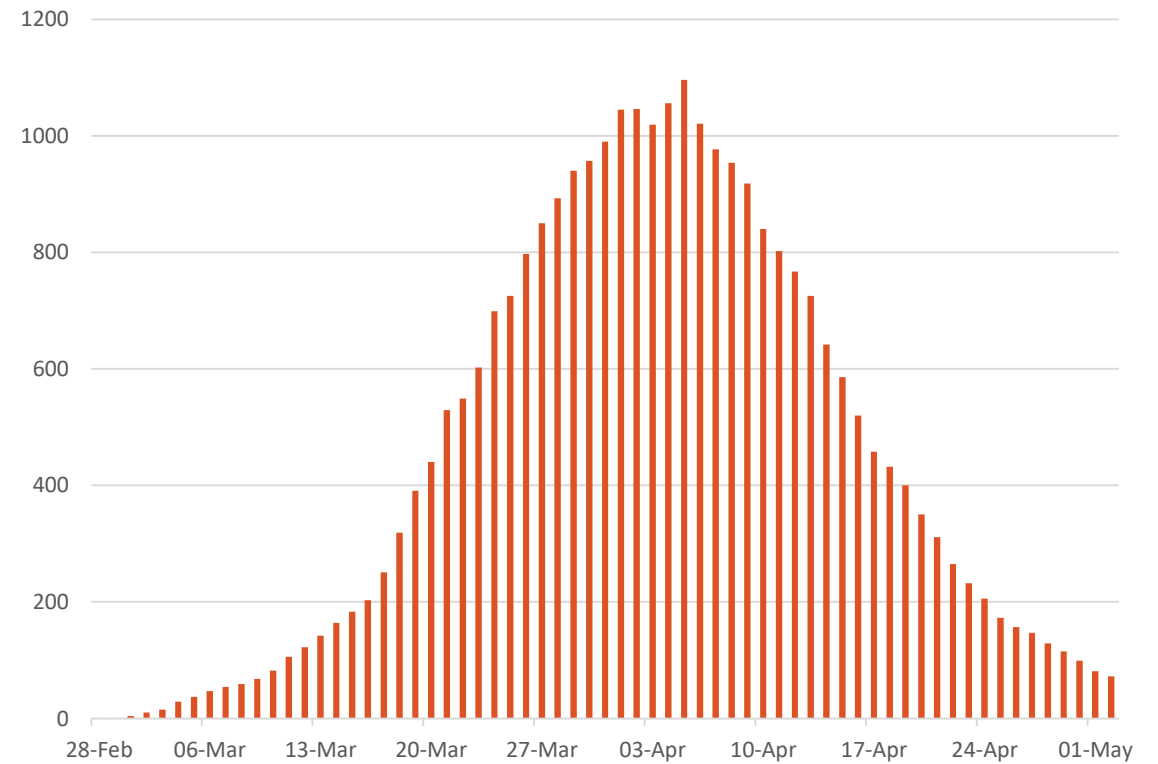
# The COVID-19 pandemic is in remission

For now at least

New cases

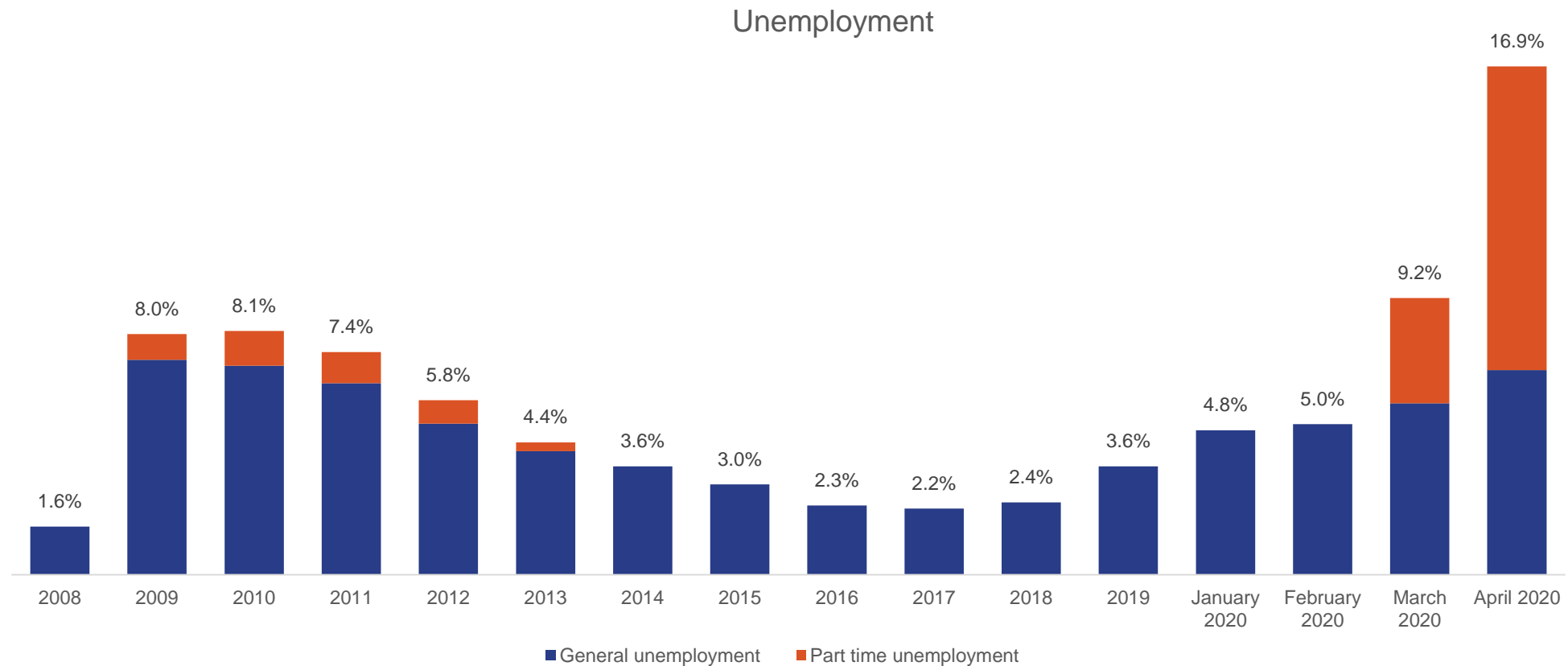


Active cases



# The highest measurement since 1957

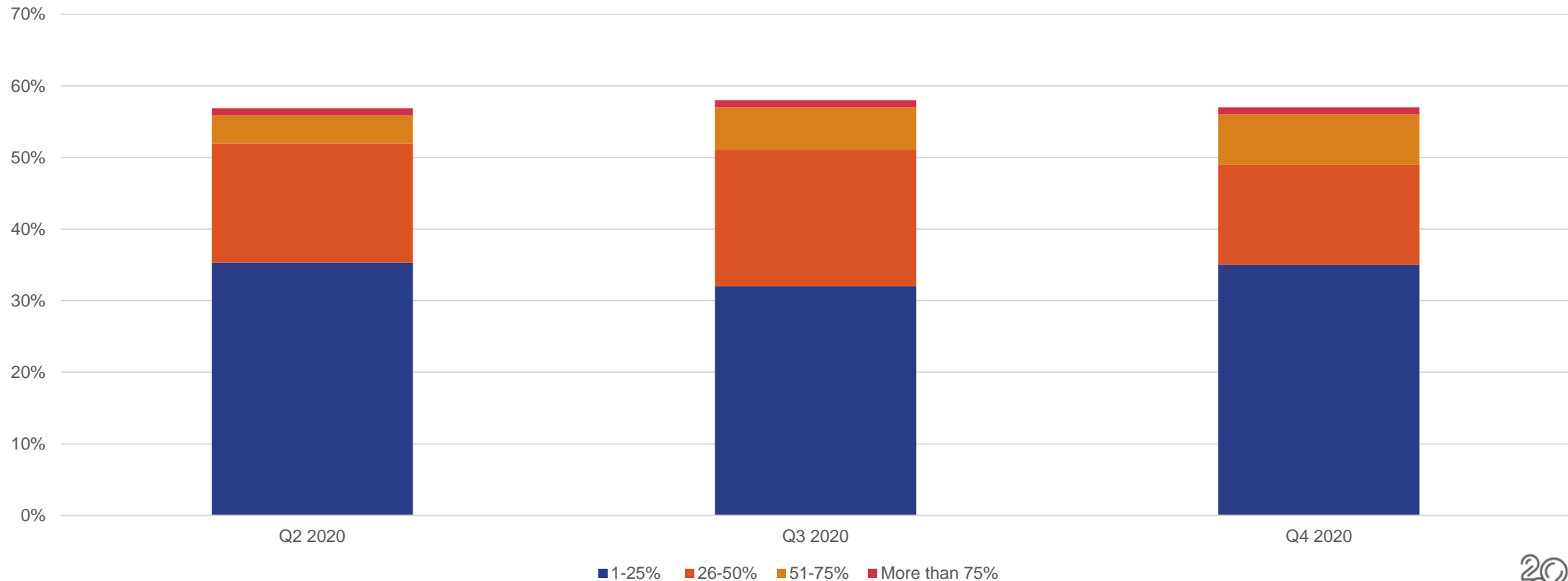
A sharp increase in unemployment



# The construction industry is experiencing a sharp slowdown

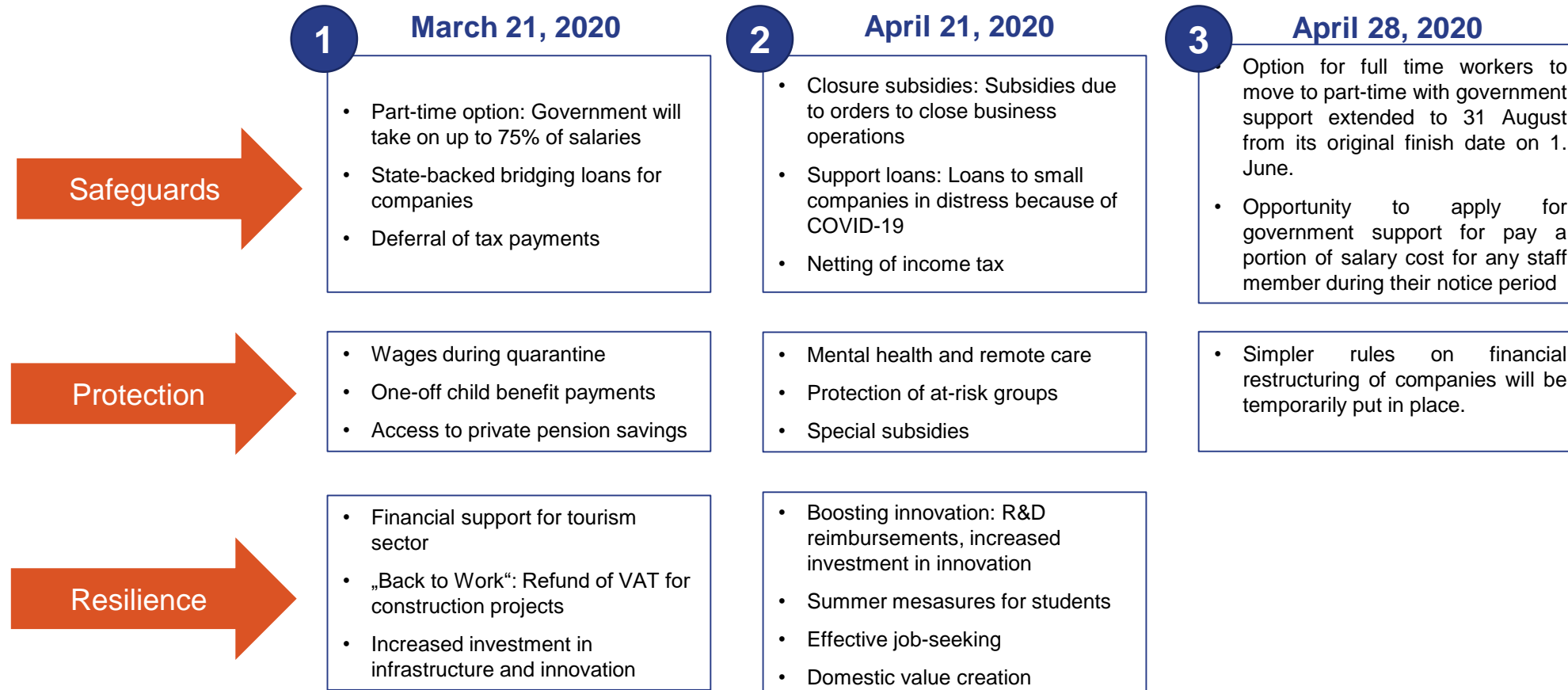
Almost 60% of construction companies are expecting significant revenue loss this year

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

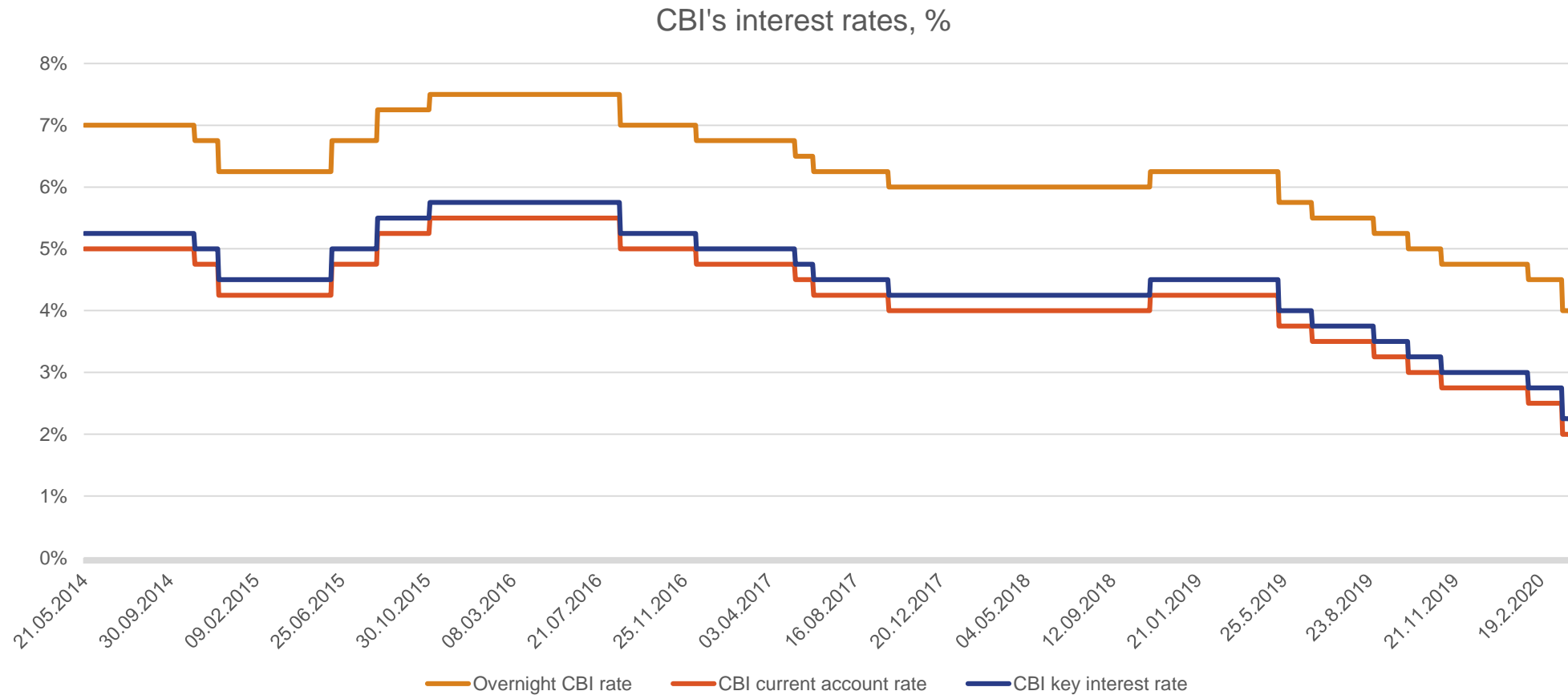
### 100% refund of VAT on labour for construction projects

- 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

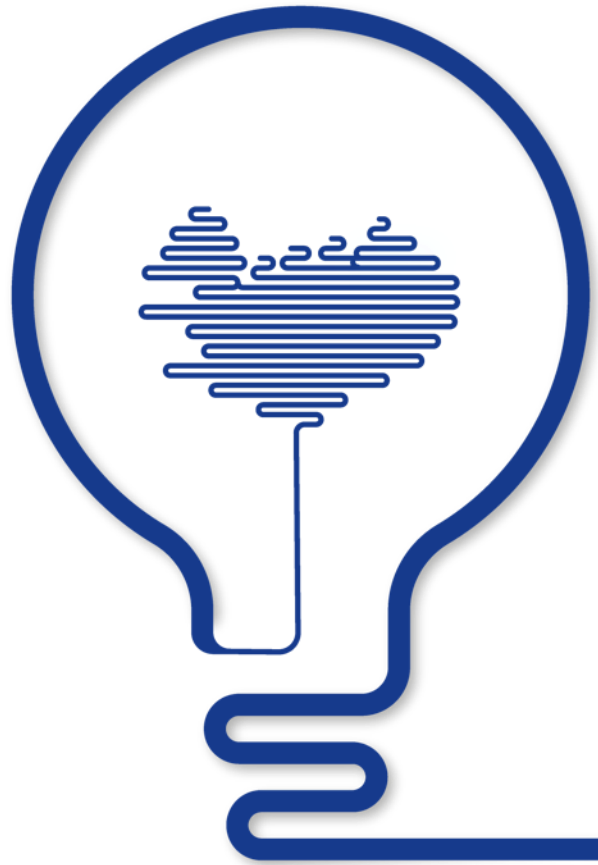


A sharp economic contraction in an economy heavily reliant on tourism

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

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