FitchRatings

Iceland

Key Rating Drivers

High Income, Strong Policy Buffers: Iceland's 'A' rating is underpinned by very high income per capita and governance indicators more consistent with 'AAA' and 'AA' category sovereigns. Sizeable buffers, including ample foreign reserves and a large fiscal cash buffer, help mitigate Iceland's external vulnerabilities. Strong fundamentals include sizeable pension fund assets, a sound banking sector, and strong private-sector balance sheets. However, the rating remains constrained by Iceland's small economy with limited export diversification and high public debt.

Cooling Economy: Iceland recorded one of the strongest post-pandemic recoveries among OECD economies, with real GDP at end-2023 11% above its 2019 level. However, economic activity is cooling. High interest rates and inflation are weighing on domestic demand. Tourism is also moderating from a high base, and with lower production in the marine and aluminium sectors, the contribution from net exports is expected to turn negative this year. Fitch Ratings' forecast is for a moderation in real GDP growth to 0.6% in 2024, from 4.1% in 2023.

Inflation Risks: Fitch forecasts inflation to average 6.1% in 2024, declining to 4.1% in 2025. The risk of persistent inflation could result in higher policy rates for longer, although this is not our baseline and we see scope for a potential interest rate cut in late 4Q24. We expect inflationary pressures from collective wage agreements to be limited. So far, agreements in the public sector have come in line with those of the private sector, which in March set out annual average wage growth of 4.0%, effective for 2024-2028.

Fiscal Consolidation Commitment: We forecast Iceland's general government deficit at 2.0% of GDP in 2024, narrowing to 1.6% in 2025 and 1.7% of GDP in 2026. Our baseline assumes a degree of fiscal consolidation broadly in line with the Fiscal Plan (2025-2029), although our GDP forecasts are lower. Recent support measures responding to the March collective agreements will cost the government 0.3%-0.4% of GDP annually until 2027.

Declining Debt Ratio: At 64.8% of GDP, Iceland's general government debt ratio is above the median debt ratio of 'A' category peers (50.3%), but we project it to remain on a gradual downward path. Our assumptions anticipate debt falling towards 59.2% by 2026. A combination of modest primary fiscal surpluses and use of accumulated cash deposits (which were at 9.4% of GDP in May 2024) will underpin debt reduction. The planned sale of the state's remaining stake of Íslandsbanki could result in a lower debt ratio than Fitch forecasts.

Strong External Buffers: Large net tourism flows and a high goods import dependency can affect exchange-rate volatility. Compared with its peer group, Iceland's real effective exchange-rate volatility is high (7.0% versus a historical median of 4.6% for 'A' rated sovereigns). A large pool of international FX reserves worth 19% of GDP (June 2024) and close to five months of imports coverage provide headroom against FX volatility risks.

Iceland's positive net international investment position (41.5% of GDP in 1Q24) stands out against the 'A' category peer group (where the current median is negative 9% of GDP), a reflection of its significant pension fund sector (with assets of 171% of GDP as of end-2023).

Sound Banking Sector: The Icelandic banking sector is well capitalised with ample liquidity buffers. As of end-2023, the sector's domestic systemically important banks (D-SIB) held an average capital ratio 24.3% of risk-weighted assets, with a liquidity coverage ratio (LCR: 232%) more than double the Central Bank of Iceland's (CBI) minimum requirement. Banks' issuance of bonds in foreign credit markets have also been strong, supporting substantial FX liquidity (FX LCR: 741%).

Ratings

Foreign Currency	
Long-Term IDR	A
Short-Term IDR	F1+
Local Currency	
Long-Term IDR	A
Short-Term IDR	F1+
Country Ceiling	A+
Outlooks	
Long-Term Foreign-Currency IDR	Stable
Long-Term Local-Currency IDR	Stable

Rating Derivation

Component	
Sovereign Rating Model (SRM)	A
Qualitative Overlay (QO)	0
Structural features	0
Macroeconomic	0
Public finances	0
External finances	0
Long-Term Foreign-Currency IDR	A

Source: Fitch Ratings

Data

	2024F
GDP (USDbn)	33
Population (m)	0.4

Source: Fitch Ratings

Applicable Criteria

Sovereign Rating Criteria (April 2023)
Country Ceiling Criteria (July 2023)

Related Research

Fitch Affirms Iceland at 'A'; Outlook Stable (August 2024)
Global Economic Outlook (June 2024)
Interactive Sovereign Rating Model
Fitch Fiscal Index - Analytical Tool
Click here for more Fitch Ratings content on Iceland

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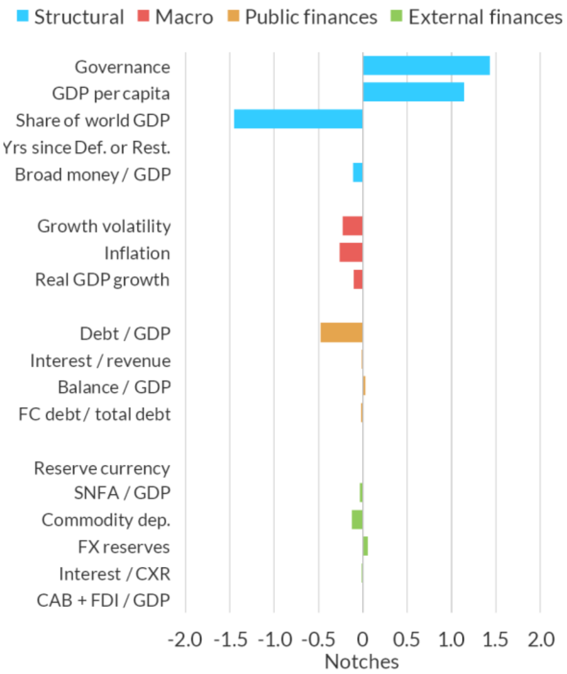
Rating Summary

Long-Term Foreign-Currency Issuer Default Rating: A

Sovereign Rating Model: A

Contribution of variables, relative to A median



Qualitative Overlay: 0

Adjustments relative to SRM data and output

Structural features: No adjustment.

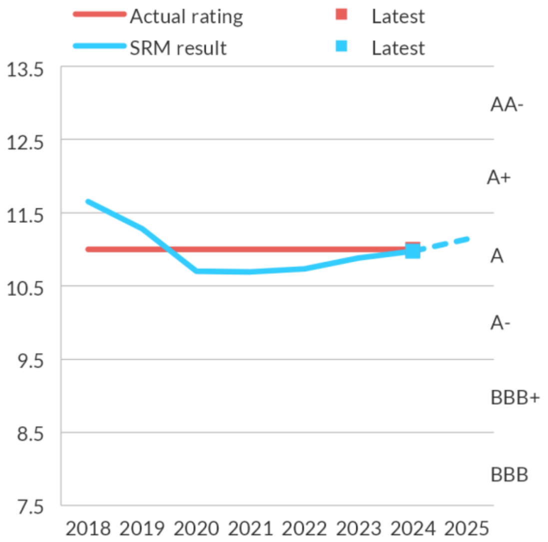
Macroeconomic outlook, policies and prospects: No adjustment.

Public finances: No adjustment.

External finances: No adjustment.

Note: See *Peer Analysis table* for summary data, including rating category medians; see the *Full Rating Derivation table* for detailed SRM data.
Source: Fitch Ratings

Sovereign Rating Model Trend



Recent Rating Derivation History

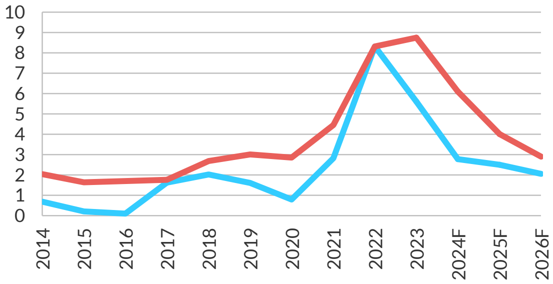
Review Date	LT FC IDR	SRM Result[ab]	QO S	M	PF	EF
Latest	A	A	0	0	0	0
1 Mar 2024	A	A	0	0	0	0
1 Sep 2023	A	A	0	0	0	0
10 Mar 2023	A	A	0	0	0	0
16 Sep 2022	A	A	0	0	0	0
18 Mar 2022	A	A	0	0	0	0
24 Sep 2021	A	A	0	0	0	0
26 Mar 2021	A	A	0	0	0	0
23 Oct 2020	A	A	0	0	0	0
22 May 2020	A	A	0	0	0	0

[a] The latest rating uses the SRM result for 2024 from the chart. This will roll forward to 2025 in July 2025.
[b] Historical SRM results in this table may differ from the chart, which is based on our latest data, due to data revisions.
Abbreviations: LT FC IDR = Long-Term Foreign-Currency Issuer Default Rating; SRM = Sovereign Rating Model; QO = Qualitative Overlay
Source: Fitch Ratings

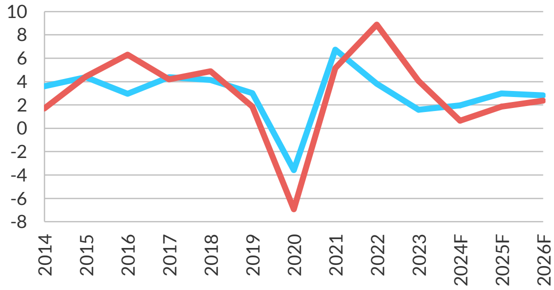
Peer Analysis

Iceland — A Median

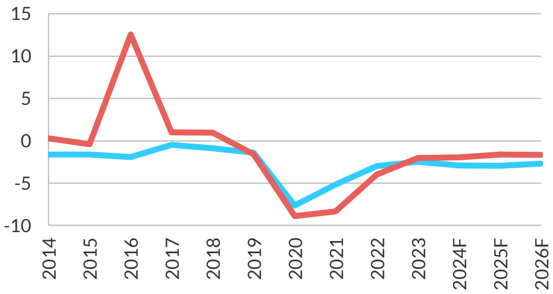
Consumer Price Inflation
(annual avg, %)



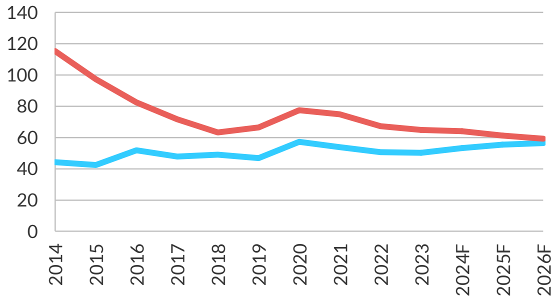
Real GDP Growth
(%)



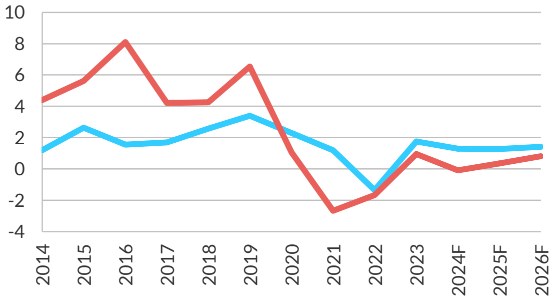
General Government Balance
(% GDP)



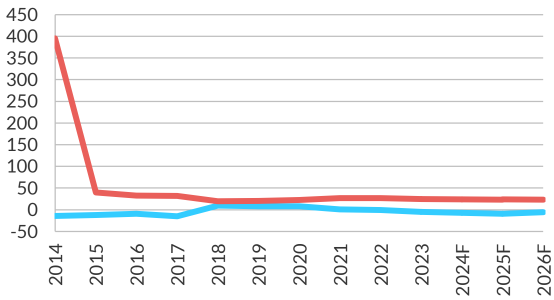
Gross General Government Debt
(% GDP)



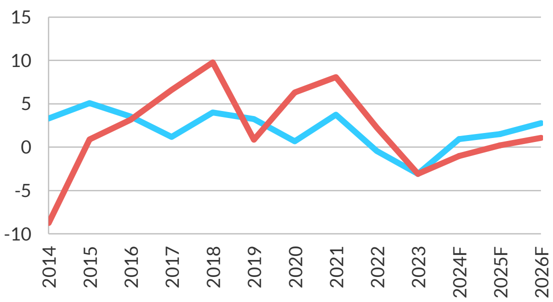
Current Account Balance
(% GDP)



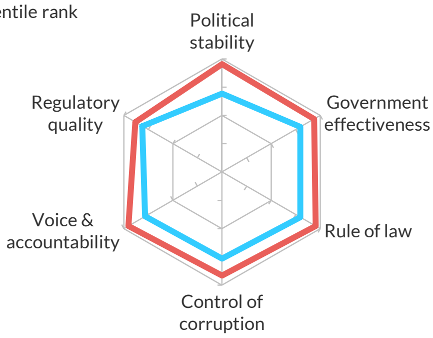
Net External Debt
(% GDP)



Real Private-Sector Credit Growth
(%)



Governance Indicators
Percentile rank



Source: Fitch Ratings, Statistical Office, Ministry of Finance, IMF, World Bank

Peer Analysis

2024F[a]	Iceland	A median	AA median	AAA median
Structural features				
GDP per capita (USD) [SRM]	86,424	31,559	53,127	68,755
Share in world GDP (%) [SRM]	0.0	0.0	0.0	0.0
Composite governance indicator (percentile, latest) [SRM][b]	93.2	74.7	84.3	93.8
Human development index (percentile, latest)	98.9	82.2	89.7	94.7
Broad money (% GDP) [SRM]	45.1	89.0	100.4	94.0
Private credit (% GDP, 3-year average)	89.6	73.6	103.1	123.3
Dollarisation ratio (% bank deposits, latest)	11.0	10.6	12.5	14.4
Bank system capital ratio (% assets, latest)	24.0	16.2	16.8	15.0
Macroeconomic performance and policies				
Real GDP growth (%, 3-year average) [SRM]	2.2	3.8	2.2	2.1
Real GDP growth volatility (complex standard deviation) [SRM]	4.1	3.0	2.4	1.9
Consumer price inflation (%, 3-year average) [SRM]	6.3	2.4	2.2	1.8
Unemployment rate (%)	3.8	6.3	5.1	5.3
Public finances (general government)[c]				
Balance (% GDP, 3-year average) [SRM]	-1.9	-2.5	-0.9	-0.2
Primary balance (% GDP, 3-year average)	0.1	-0.7	0.4	1.1
Interest payments (% revenue, 3-year average) [SRM]	4.6	4.3	3.4	3.6
Gross debt (% revenue, 3-year average)	146.6	135.7	140.1	113.8
Gross debt (% GDP, 3-year average) [SRM]	63.4	42.3	41.6	43.9
Net debt (% GDP, 3-year average)	54.6	36.8	33.8	37.2
FC debt (% gross debt, 3-year average) [SRM]	11.3	8.2	0.6	0.0
External finances[c]				
Current account balance (% GDP, 3-year average)	0.4	1.2	1.6	5.3
Current account balance + net FDI (% GDP, 3-year avg.) [SRM]	1.4	2.5	0.8	2.2
Commodity dependence (% CXR) [SRM]	40.9	11.8	15.7	14.4
Gross external debt (% GDP, 3-year average)	72.3	66.2	120.1	178.6
Net external debt (% GDP, 3-year average)	24.0	-7.7	-5.4	12.1
Gross sovereign external debt (% GXD, 3-year average)	13.8	21.4	17.7	12.2
Sovereign net foreign assets (% GDP, 3-year average) [SRM]	8.6	11.7	8.9	-4.3
External interest service (% CXR, 3-year average) [SRM]	4.4	2.3	3.9	7.3
Foreign-exchange reserves (months of CXP) [SRM]	5.1	4.4	2.7	1.5
Liquidity ratio	196.4	95.2	54.5	50.8

[a] Three-year averages are centred on this year. Fitch does not forecast indicators labelled 'latest', meaning data may be lagging.
[b] Composite of all six World Bank Worldwide Governance Indicators (see chart on the previous page).
[c] See Appendix 2: Data Notes and Conventions for details of data treatment for public finances and external finances.
Source: Fitch Ratings, Statistical Office, Ministry of Finance, IMF, World Bank, United Nations

Supplementary Information

BSI / MPI = - / 1. About the BSI and MPI: Fitch's bank systemic indicator (BSI) equates to a weighted average Viability Rating. The macro-prudential risk indicator (MPI) focuses on one potential source of financial stress, ranging from '3' – high potential vulnerability to financial stress over the medium term based on trends in credit expansion, equity and property prices and real exchange rates – to '1' – low likelihood. For more information, refer to Fitch's most recent Macro-Prudential Risk Monitor report.

Year cured from the most recent default or restructuring event, since 1980 = No event.

The de facto exchange-rate regime, based on the latest IMF Annual Report on Exchange Arrangements and Exchange Restrictions report, is 'Floating'.

Rating Factors

Strengths

- World Bank Governance Indicators (WBGI) rank much higher than the 'A' and 'AA' rated medians, and are in line with 'AAA' rated peers.
- GDP and income per capita are far higher than the 'A' and 'AA' medians.
- Pension funds' assets were 171% of GDP at end-2023, providing support to the sovereign's fiscal financing flexibility. There is also a large cash buffer (9.4% of GDP, as of August 2024), although projected to gradually decline in the coming years.
- FX reserves were 4.8 months of external payments at end-2023, above the 'A' peer current median (2.6 months).

Weaknesses

- Volatility of real GDP growth and inflation are higher than the 'A' peer median.
- At 64.8% of GDP (end-2023), Iceland's general government debt ratio is above the current median debt ratio of 'A' (50.3%) and 'AA' (48.8%) category peers.

Rating	Sovereign
A+	China
	Estonia
	Malta
	Ras Al Khaimah
	Saudi Arabia
A	**Iceland**
	Israel
	Japan
	Lithuania
	Slovenia
A-	Andorra
	Chile
	Latvia
	Poland
	Portugal
	Slovakia
	Spain

Source: Fitch Rating

Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- **Public Finances:** A marked deterioration in the debt/GDP ratio, for example, from a sustained period of fiscal loosening.
- **Macro:** A severe economic shock, for example, due to a sharp correction in the real estate market.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- **Public Finances:** Increased confidence in a sharp and sustained decline in the government debt/GDP ratio.
- **Macro/External:** Higher trend growth and/or evidence of economic diversification that reduces Iceland's vulnerability to external shocks.

Forecast Summary

	2021	2022	2023	2024F	2025F	2026F
Macroeconomic indicators and policy						
Real GDP growth (%)	5.1	8.9	4.1	0.6	1.9	2.4
Unemployment (%)	6.0	3.8	3.4	3.8	4.2	4.2
Consumer price inflation (annual average % change)	4.5	8.3	8.7	6.1	4.0	2.9
Policy interest rate (annual average, %)	1.1	4.2	8.2	9.0	8.0	6.5
General government balance (% GDP)	-8.3	-4.0	-2.0	-2.0	-1.6	-1.7
Gross general government debt (% GDP)	74.8	67.4	64.8	64.1	61.2	59.2
ISK per USD (annual average)	127.0	135.3	137.9	136.6	136.5	135.5
Real private credit growth (%)	8.1	2.3	-3.1	-1.0	0.2	1.1
External finance						
Merchandise trade balance (USDbn)	-1.1	-1.5	-2.1	-2.0	-1.9	-1.8
Current account balance (% GDP)	-2.7	-1.7	0.9	-0.1	0.3	0.8
Gross external debt (% GDP)	84.8	75.6	74.3	72.6	70.0	67.4
Net external debt (% GDP)	26.8	26.4	24.2	24.0	23.8	23.2
External debt service (principal + interest, USDbn)	1.2	3.0	2.4	1.9	3.3	4.8
Official international reserves including gold (USDbn)	7.1	5.9	5.8	6.4	6.2	6.2
Gross external financing requirement (% int. reserves)	24.8	43.8	22.6	22.3	40.6	61.7
Real GDP growth (%)						
US	5.8	1.9	2.5	2.1	1.5	1.6
China	8.4	3.0	5.2	4.8	4.5	4.5
Eurozone	5.4	3.5	0.4	0.8	1.5	1.4
World	6.3	2.7	2.9	2.6	2.4	2.4
Oil (USD/barrel)	70.6	98.6	82.1	80.0	70.0	65.0

Source: Fitch Ratings

Sources and Uses

Public Finances (General Government)

(ISKbn)	2024	2025
Uses	**224.9**	**192.9**
Budget deficit	89.2	77.2
MLT amortisation	135.6	115.8
Domestic	99.3	109.8
External	36.3	6.0
Sources	**224.9**	**192.9**
Gross borrowing	264.7	138.6
Domestic	145.0	130.1
External	119.7	8.6
Privatisation	0.0	0.0
Other	6.8	7.4
Change in deposits (- = increase)	-46.6	46.9

Source: Fitch Ratings

External Finances

(USDbn)	2024	2025
Uses	**1.3**	**2.6**
Current account deficit	0.0	-0.1
MLT amortisation	1.3	2.7
Sovereign	0.4	0.3
Non-sovereign	0.9	2.4
Sources	**1.3**	**2.6**
Gross MLT borrowing	2.3	3.1
Sovereign	1.3	0.3
Non-sovereign	1.1	2.8
FDI	0.5	0.2
Other	-0.9	-0.9
Change in FX reserves (- = increase)	-0.6	0.2

Source: Fitch Ratings

Credit Developments

Cooling Economy, Output Gap Closing

According to the CBI, Iceland's output gap was +4.0% in 2023, 1.7pp higher than its calculation in February[1]. Iceland's post-Covid-19 pandemic recovery was impressive. A robust rebound in tourism activity boosted employment growth, and combined with government support against high inflation, domestic demand proved resilient. However, the economy is now cooling fast. Fitch forecasts real GDP growth will moderate to 0.6% this year (a downward revision of 1.3pp from six months ago) from 4.1% in 2023.

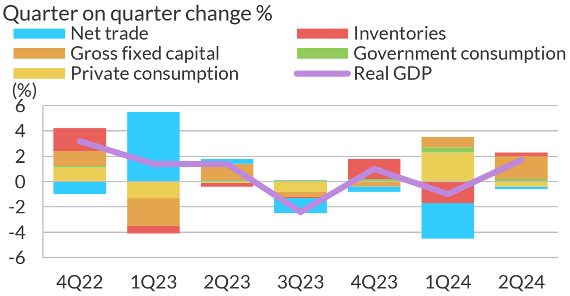
High inflation has persisted longer than expected, and will continue to weigh on domestic demand. Despite a robust collective wage bargaining round, average real wage growth will turn only moderately positive this year. A large pool of excess savings in the household sector could provide an unexpected boost to private consumption. However, with indicators in consumer confidence still weak, and deposit rates high, this may be unlikely.

Tourism activity is moderating from a high base. Arrivals declined 5.0% year-on-year (yoy) in 2Q24 after a strong performance in 1Q24. This follows a solid post-pandemic recovery, when total arrivals in 2023 were 12% above the 2019 level. We expect tourist numbers this year to be slightly below 2023, translating into a modest contraction in services exports. Combined with a weak outlook for goods exports (in part reflecting lower production in the marine and aluminium sectors), we expect a negative net contribution from trade to GDP this year.

Ongoing seismic and volcanic activity in the Reykjanes peninsula (the most recent on 22 August) remains a risk to our forecast, although the effect so far has been limited. A CBI scenario suggests a negative impact of less than 0.2pp on 2024 GDP growth. Government compensation measures for residents of Grindavík should help to cushion any negative effects on private consumption. However, a stronger impact is expected from the writing-off of Grindavík's housing stock, which the CBI estimates could increase residential real estate prices by 2pp in 2024 and 1pp in 2025. A larger shock, which could paralyse flight activity, remains a tail risk.

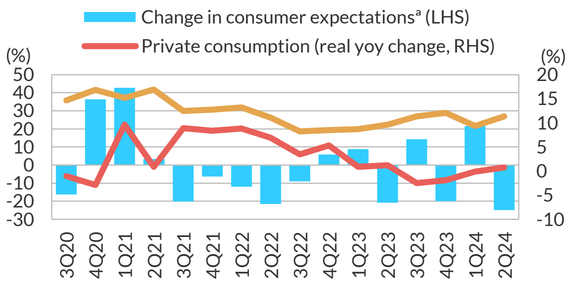
Contributions to Real GDP

Quarter on quarter change %



Source: Fitch Ratings, Central Bank of Iceland, Statistics Iceland

Household Sentiment



[a]Gallup Consumer Confidence Index (expectations six months ahead)
Source: Fitch Ratings, Statistics Iceland, CBI

Positive Medium-Term Growth Prospects

As monetary policy eases, we forecast real GDP growth to reach 2.0% in 2025 and 2.2% in 2026. Aside from higher private consumption growth, we also expect the contribution from gross fixed investments to increase. Growth in general business investment (excluding ships, aircraft and power-intensive industries) should gradually turn positive, providing an offsetting factor to lower public investment growth.

Medium-term growth prospects remain favourable, with potential growth at about 2.25%, according to the IMF. Through various R&D tax incentives, the government has made steady progress diversifying the economy into higher-value and less cyclically sensitive sectors, such as pharmaceuticals, biotechnology, and ICT. These incentives have also supported growth of traditional sectors, particularly aquaculture, in which Iceland is well placed to increase its global competitive advantage. In the near-term, a favorable demographic profile supports growth, led by inward migration contributing to Iceland's higher share of working age population relative to peers (67% versus OECD average of 65%).

Iceland is a small economy. Traditional sectors (processed aluminum, tourism and marine products) still represent the bulk of its exports (on average 67%). This limited diversification leaves the country exposed to specific trade shocks. Iceland's population is also small. Headwinds owing to capacity constraints will eventually lead to moderating population growth.

[1] Source: The CBI's Monetary Bulletin 2024/1 (February 2024) estimated Iceland's output gap at 2.3% in 2023.

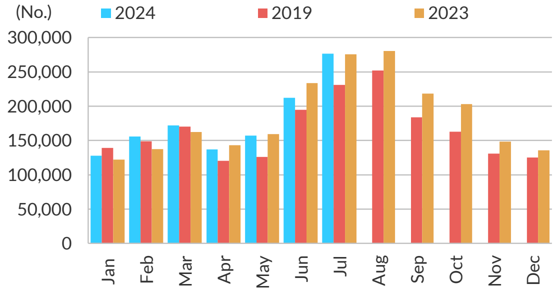
Inflationary Pressures Persist

Inflation and inflation expectations remain above the upper bound of the CBI's inflation target (2.5% +/- 1.5pp). Inflationary pressures have come down; however, the recent rise in housing prices has slowed the decline. Annual inflation in July reached 6.3%, the largest positive contribution from housing costs.

The CBI's main policy rate has remained at 9.25% since August 2023. In its August Monetary Policy Committee Statement, the CBI highlighted the current monetary stance as sufficient to bring inflation back to target. Fitch expects that with gradual disinflation and decline in expectations, this should give the CBI scope for its first policy rate cut in late 4Q24.

Private-sector wage negotiations that concluded in March will result in average annual increases of 4.0% for 2024-2028. At the public-sector level, collective agreements have been concluded only for one-third of state employees. So far, these have been in line with terms similar to the private sector. However, it is uncertain whether remaining negotiations will follow suit. In recent years, negotiated public-sector wages have typically come in higher than the private sector. Inflationary pressures could still stem from the recent wage agreements and fiscal support measures, that have yet to fully effect the economy.

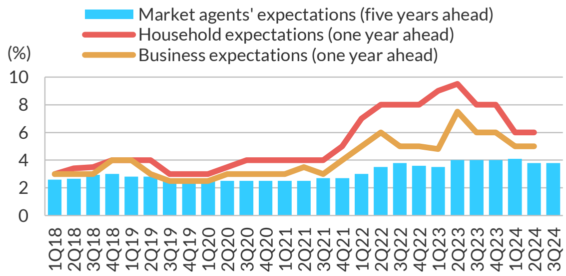
Number of Foreign Tourists



Source: Fitch Ratings, Statistics Iceland

Inflation Expectations

Annual change



Source: Fitch Ratings, Central Bank of Iceland, Statistics Iceland

Commitment to Fiscal Consolidation

The government's latest Fiscal Plan (2025-2029) targets a balanced budget at the general government level by 2029 (previously 2027). In response to this year's increased expenditure related to volcanic activity on the Reykjanes peninsula, and support measures responding to the March collective agreements[2], the government has outlined medium-term policies supporting fiscal consolidation and rebuilding of fiscal buffers, with a commitment to keeping expenditure growth below nominal GDP growth.

We forecast Iceland's general government deficit at 2.0% of GDP in 2024, narrowing to 1.6% in 2025 and 1.7% of GDP in 2026. The government support package responding to the March wage agreements entails a cost of 0.3%-0.4% of GDP annually until 2027. We expect policies, broadly in line with the Fiscal Plan (2025-2029), will be implemented to offset these costs.

Planned expenditure cuts total ISK28 billion (0.6% of GDP) at least for 2025. The bulk of cost reduction will come from the delayed operation of the new disability pension system (ISK10 billion). Other measures, not yet legislated, include reviewing conditions for refunds in innovative sectors (specifically film and R&D), and efficiency in operational spending. The potential for revenue growth will come mainly from the phasing-in of the government's progressive transport tax reform. If fully implemented, the authorities estimate this will help to yield a permanent intake of transport-related taxes of 1.7% of GDP by 2029[3].

Declining Public Debt Ratio

Iceland's general government debt ratio (64.8% of GDP) is projected to continue declining. Despite slowing nominal GDP growth, a combination of modest primary fiscal surpluses and use of accumulated cash deposits will underpin

[2] The package, totalling ISK80 billion will implemented over four years (2024-2027); the government estimates it will cost 0.3%-0.4% of GDP annually. It includes increased support for families in rental housing, higher child benefits, and support for households facing higher interest costs on housing loans.

[3] The Transport Tax Reform introduces a road-pricing levy for all vehicles. The fee is already implemented on electric, and hybrid cars (Phase I). Next steps (Phase II) will introduce the tax on all other vehicles in 2025 and 2026. The fee is intended to accommodate the reduction in tax revenue from vehicles and fuel due to the increase in the number of electric and fuel-efficient cars.

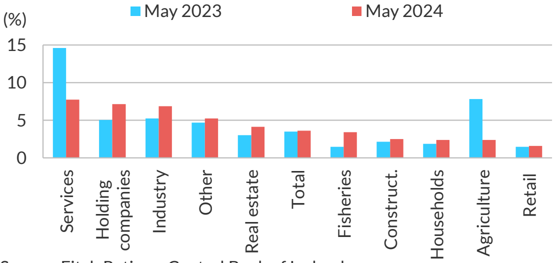
medium-term debt reduction. Risks to our debt projections are broadly balanced. Related to the Grindavík home purchasing programme, it remains uncertain how much the State Treasury will contribute to the financing of the SPV – the latest estimate is ISK35 billion (0.8% of GDP). Debt reduction could also come from the planned sale of the state's remaining stake (42.5%) in Íslandsbanki.

Fitch continues to include liabilities of the HF Fund in its general government debt figures, a nominal amount close to 13.5% of GDP. Steady progress has been made on the government's long-standing plans to wind down its state-owned housing fund. Since February, the state and key investors have been negotiating to agree on how the state guarantee on the outstanding HF Fund debt securities will be met.

Iceland's fiscal framework will be discussed in parliament later this year following the submission of a report on fiscal rules in April 2024. Under the current framework, a degree of pro-cyclicality in the Fiscal Balance rule may create incentives to use cyclically high revenues to finance new expenditure. For discussion is the possibility of introducing an Expenditure Rule, whereby public spending is limited to potential GDP growth, and any excess spending would need to be financed by a corresponding increase in revenues.

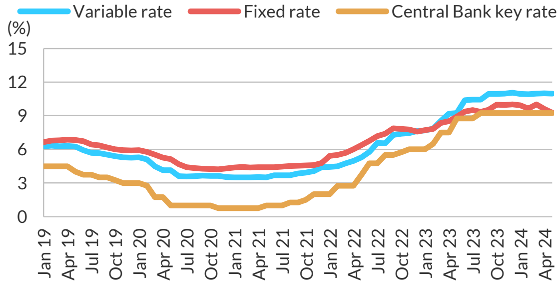
Non-Performing Loan Ratios

By sector across domestic banks; non-performing more than 90 days in arrears



Source: Fitch Ratings, Central Bank of Iceland

Interest Rates on New Non-Indexed Mortgages



Source: Fitch Ratings, Central Bank of Iceland

Modest Current Account Surpluses

Fitch's updated assumptions on tourism and a lower trade services surplus will lead to a current account deficit this year (-0.1% of GDP versus +0.9% of GDP in 2023), before recovering towards a surplus of 1.0% by end-2026. This compares with an average five-year surplus of 5.7% of GDP between 2015-2019. The weak external environment remains a weight on the trade balance, although lower exports of Icelandic goods this year also reflect an imposed zero-quota capelin season and cutbacks in electricity supply to aluminium smelters, affecting production.

Sound Banking Sector; Rising Household Debt Service

The Icelandic banking sector is well capitalised with ample liquidity buffers. At end-2023, the sector's domestic systemically important banks (D-SIB) held an average capital ratio 24.3% of risk-weighted assets, with a liquidity coverage ratio (LCR: 232%) more than double the CBI's minimum requirement. Banks' issuance of bonds in foreign credit markets has also been strong, supporting substantial FX liquidity (FX LCR: 741%).

High interest rates have supported banks' profitability. However, with the outlook of higher rates for longer, there is risk of some further increase in total private-sector loan impairments. At end-2023, 5.3% of loans were in impairment stage 2[4], although a potential impact on non-performing loans (NPLs) would be from a low base. As of 2Q24, NPLs in the household and corporate sector were 1.0% and 3.1%, respectively. We also see risks to the debt-servicing burden of households. The CBI estimates 8% of the outstanding mortgage stock will be up for an interest rate review in 2H24, increasing to about 12% in 2025[5].

[4] This number is also distorted by debtors affected by events in Grindavík.
[5] References non-indexed fixed-rate loans. For these loans, once the fixed interest period ends, they convert to variable rate.

Public Debt Dynamics

General government debt will decline gradually in the medium term. Stock-flow adjustments largely assume the use of government deposits to meet financing needs where borrowing is not planned, and to a lesser extent the repayment of loans from the HF Fund. In March 2024, the State Treasury issued its inaugural Green Bond (EUR750 million, 10-year maturity), and in June 2024 a first sovereign Gender Bond (EUR50 million, three-year maturity). The potential sale of the government's stake in Islandbanki is not accounted for in the stock-flow adjustment.

Debt Dynamics - Fitch's Baseline Assumptions

	2022	2023	2024	2025	2026	2027	2028
Gross general government debt (% of GDP)	67.4	64.8	64.1	61.2	59.2	57.7	56.3
Primary balance (% of GDP)	1.8	3.0	2.8	3.0	2.5	2.0	2.0
Real GDP growth (%)	8.9	4.1	0.6	1.9	2.4	2.5	2.5
Average nominal effective interest rate (%)	9.1	8.2	7.8	7.5	7.2	6.7	6.2
ISK/USD (annual average)	135.3	137.9	136.6	136.5	135.5	135.0	135.0
GDP deflator (%)	8.9	5.9	5.2	3.4	3.1	2.5	2.5
Stock-flow adjustments (% of GDP)	0.0	0.0	0.9	-1.2	-0.4	-0.5	0.0

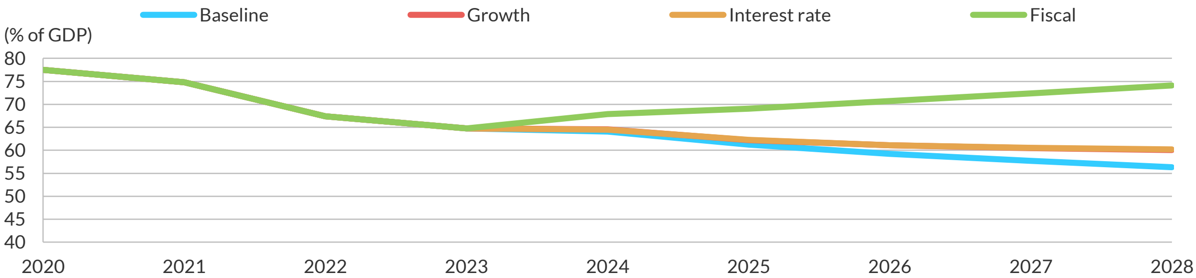
Source: Fitch Ratings

Debt Sensitivity Analysis: Fitch's Scenario Assumptions

Growth	GDP growth below potential. Long-term average at 1.0%.
Interest rate	Marginal interest rate 250bp higher
Fiscal	Persistent primary fiscal deficits averaging 1.0% of GDP

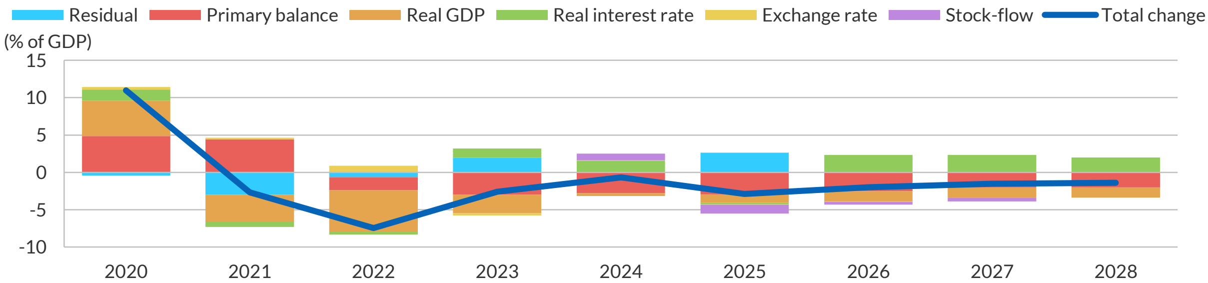
Source: Fitch Ratings

Sensitivity Analysis
Gross general government debt



Source: Fitch Ratings, Fitch Debt Dynamics Model

Baseline Scenario: Debt Creating Flows
Change in gross general government debt



Source: Fitch Ratings, Fitch Debt Dynamics Model

About the Public Debt Dynamics

Fitch uses stylised projections for a sovereign's gross general government debt/GDP ratio to illustrate the sustainability of its debt burden and its sensitivity to economic growth, the cost of borrowing, fiscal policy and the exchange rate.

Data Tables

General Government Summary

(% GDP)	2018	2019	2020	2021	2022	2023	2024F	2025F	2026F
Revenue	44.8	42.0	42.2	41.1	42.5	43.1	43.3	43.2	43.2
Expenditure	43.8	43.6	51.1	49.4	46.5	45.1	45.3	44.9	44.9
o/w interest payments	1.7	1.6	1.6	1.6	2.7	2.0	2.0	2.0	2.0
Interest payments (% revenue)	3.7	3.8	3.9	4.0	6.4	4.6	4.6	4.6	4.6
Primary balance	2.6	0.0	-7.3	-6.7	-1.3	0.0	0.0	0.4	0.3
Overall balance	1.0	-1.6	-8.9	-8.3	-4.0	-2.0	-2.0	-1.6	-1.7
Gross government debt	63.2	66.5	77.5	74.8	67.4	64.8	64.1	61.2	59.2
% of government revenue	141.2	158.5	183.6	182.2	158.6	150.3	147.9	141.6	137.1
Issued in domestic market	58.9	60.4	69.1	64.3	59.3	58.6	56.3	53.9	52.3
Issued in foreign markets	4.4	6.2	8.4	10.5	8.1	6.2	7.7	7.4	7.0
Local currency	58.9	60.4	69.1	64.3	59.3	58.6	56.3	53.9	52.3
Foreign currency	4.4	6.2	8.4	10.5	8.1	6.2	7.7	7.4	7.0
Central government deposits	7.9	8.4	16.7	14.5	11.1	8.9	9.4	8.0	7.6
Net government debt	55.4	58.1	60.8	60.3	56.2	55.9	54.6	53.3	51.7
Financing		1.6	8.9	8.3	4.0	2.0	2.0	1.6	1.7
Domestic borrowing		5.0	6.8	2.5	5.0	4.8	1.0	0.4	1.2
External borrowing		1.9	1.8	2.7	-1.5	-0.8	1.8	0.1	0.1
Other financing		-5.3	0.3	3.1	0.5	-1.9	-0.9	1.1	0.4
Change in deposits (- = increase)		-1.0	-8.0	0.4	1.1	1.2	-1.0	1.0	0.0
Privatisation		0.0	0.0	1.7	1.9	0.0	0.0	0.0	0.0
Other		-4.4	8.3	1.0	-2.6	-3.1	0.2	0.2	0.4

Source: Fitch Ratings, Ministry of Finance

Balance of Payments

(USDbn)	2018	2019	2020	2021	2022	2023	2024F	2025F	2026F
Current account	1.1	1.6	0.2	-0.7	-0.5	0.3	0.0	0.1	0.3
(% GDP)	4.3	6.5	1.1	-2.7	-1.7	0.9	-0.1	0.3	0.8
Goods	-1.5	-0.8	-0.6	-1.1	-1.5	-2.1	-2.0	-1.9	-1.8
Services	2.4	2.0	0.3	0.6	1.5	2.1	1.9	2.0	2.0
Primary income	0.4	0.7	0.7	0.0	-0.1	0.7	0.4	0.4	0.4
Secondary income	-0.2	-0.2	-0.2	-0.3	-0.3	-0.4	-0.3	-0.3	-0.3
Capital account	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial account	1.5	1.0	1.5	-1.4	0.0	0.8	-0.6	0.3	0.3
Direct investment	0.5	0.7	0.5	-0.5	-1.0	-0.3	-0.5	-0.2	-0.2
Portfolio investment	1.1	0.7	1.0	0.0	1.1	2.1	0.0	0.7	0.5
Derivatives	0.0	0.0	0.0	0.1	0.1	-0.1	0.1	0.1	0.1
Other investments	-0.1	-0.5	-0.1	-1.0	-0.3	-0.9	-0.2	-0.2	0.0
Net errors and omissions	0.5	-0.1	1.1	0.5	0.0	0.2	0.0	0.0	0.0
Change in reserves (+ = increase)	0.0	0.6	-0.2	1.1	-0.5	-0.4	0.6	-0.2	-0.1
International reserves, incl. gold	6.3	6.8	6.4	7.1	5.9	5.8	6.4	6.2	6.2
Liquidity ratio (%)	184.4	213.1	259.3	324.8	202.0	178.2	196.4	157.1	127.1
Memo									
Current external receipts (CXR)	13.2	12.0	8.2	10.6	14.1	14.9	14.8	15.5	16.3
Current external payments (CXP)	12.1	10.3	7.9	11.3	14.6	14.6	14.9	15.4	16.0
CXR growth (%)	7.4	-9.7	-31.6	29.8	33.3	5.2	-0.3	4.8	4.9
CXP growth (%)	7.5	-14.7	-23.2	42.2	29.4	-0.2	1.9	3.7	3.8
Gross external financing requirement	1.0	0.0	1.1	1.6	3.1	1.3	1.3	2.6	3.8
% International reserves	15.3	0.7	15.8	24.8	43.8	22.6	22.3	40.6	61.7
Net external borrowing	-1.2	-0.9	-0.9	2.6	1.1	0.9	1.0	0.4	0.6

Source: Fitch Ratings, IMF

External Debt and Assets

(USDbn)	2018	2019	2020	2021	2022	2023	2024F	2025F	2026F
Gross external debt	20.1	19.5	19.6	21.9	21.7	23.1	24.1	24.5	25.0
(% GDP)	76.7	79.1	90.5	84.8	75.6	74.3	72.6	70.0	67.4
(% CXR)	152.1	163.2	239.4	206.1	153.3	154.9	162.3	157.5	153.6
Short-term debt (% GXD)	7.9	6.9	7.7	8.9	11.8	12.2	12.2	12.2	12.2
By debtor									
Sovereign	2.6	3.0	2.8	3.7	2.8	2.7	3.6	3.6	4.2
Monetary authorities	0.4	0.5	0.4	0.7	0.6	0.6	0.6	0.6	0.6
General government	2.2	2.5	2.4	3.0	2.2	2.1	3.0	3.1	3.6
Banks	5.9	5.5	5.9	6.4	6.9	7.2	7.4	7.4	7.3
Other sectors	11.7	10.9	11.0	11.8	12.0	13.1	13.1	13.5	13.5
Gross external assets (non-equity)	15.0	14.5	14.8	15.0	14.1	15.5	16.1	16.2	16.4
Sovereign	6.3	6.8	6.4	7.1	5.9	5.8	6.4	6.2	6.2
International reserves, incl. gold	6.3	6.8	6.4	7.1	5.9	5.8	6.4	6.2	6.2
Other sovereign assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Banks	3.6	3.1	3.4	3.3	3.5	4.4	4.4	4.4	4.4
Other sectors	5.1	4.7	5.1	4.6	4.8	5.4	5.5	5.7	5.9
Net external debt	5.2	5.0	4.8	6.9	7.6	7.5	8.0	8.3	8.6
(% GDP)	19.7	20.3	22.1	26.8	26.4	24.2	24.0	23.8	23.2
Sovereign	-3.7	-3.8	-3.7	-3.4	-3.1	-3.1	-2.8	-2.6	-2.0
Banks	2.3	2.5	2.6	3.1	3.5	2.9	3.1	3.1	3.0
Other sectors	6.6	6.2	5.9	7.1	7.2	7.7	7.6	7.8	7.6
International investment position									
Assets	29.2	32.1	35.3	42.6	36.4	42.4	-	-	-
Liabilities	26.9	27.1	27.4	31.7	29.8	30.8	-	-	-
Net	2.3	5.0	7.9	10.9	6.6	11.6	-	-	-
Net sovereign	3.7	3.8	3.7	3.4	3.1	3.1	-	-	-
(% GDP)	14.2	15.2	17.0	13.1	10.9	10.0	-	-	-
External debt service (principal + interest)	2.6	2.1	1.7	1.2	3.0	2.4	1.9	3.3	4.8
Interest (% CXR)	3.5	3.8	5.1	2.6	2.4	4.9	4.3	4.1	3.9

Source: Fitch Ratings, central bank, IMF, World Bank

Full Rating Derivation

Long-Term Foreign-Currency Issuer Default Rating (SRM + QO) **A**

Sovereign Rating Model					Applied Rating[d]			A
					Model Result and Predicted Rating			10.97 = A
Input Indicator	**Weight (%)**	**2023**	**2024**	**2025**	**Adjustment to Final Data**	**Final Data**	**Coefficient**	**Output (notches)**
Structural features								**9.28**
Governance indicators (percentile)	21.4	n.a.	93.2	n.a.	-	93.2	0.077	7.22
GDP per capita (USD)	12.4	n.a.	86,424	n.a.	Percentile	94.9	0.038	3.63
Nominal GDP (% world GDP)	13.9	n.a.	0.03	n.a.	Natural log	-3.5	0.627	-2.17
Most recent default or restructuring	4.6	n.a.	None	n.a.	Inverse 0-1[a]	0.0	-1.822	0
Broad money (% GDP)	1.2	n.a.	45.1	n.a.	Natural log	3.8	0.158	0.60
Macroeconomic performance, policies and prospects								**-1.31**
Real GDP growth volatility	4.6	n.a.	4.1	n.a.	Natural log	1.4	-0.728	-1.03
Consumer price inflation	3.4	8.7	6.1	4.0	3-yr avg.[b]	6.3	-0.067	-0.42
Real GDP growth	2.0	4.1	0.6	1.9	3-yr avg.	2.2	0.065	0.14
Public finances								**-1.80**
Gross general govt debt (% GDP)	8.9	64.8	64.1	61.2	3-yr avg.	63.4	-0.023	-1.44
General govt interest (% revenue)	4.5	4.6	4.6	4.6	3-yr avg.	4.6	-0.044	-0.20
General govt fiscal balance (% GDP)	2.4	-2.0	-2.0	-1.6	3-yr avg.	-1.9	0.044	-0.08
FC debt (% of total general govt debt)	2.7	9.7	12.1	12.0	3-yr avg.	11.3	-0.007	-0.08
External finances								**0.04**
Reserve currency (RC) flexibility	7.3	n.a.	0.0	n.a.	RC score 0 - 4.5c	0.0	0.509	0
SNFA (% of GDP)	7.4	10.0	8.4	7.4	3-yr avg.	8.6	0.011	0.09
Commodity dependence	1.2	n.a.	40.9	n.a.	Latest	40.9	-0.004	-0.17
FX reserves (months of CXP)	1.5	n.a.	5.1	n.a.	n.a. if RC score> 0	5.1	0.029	0.15
External interest service (% CXR)	0.4	4.9	4.3	4.1	3-yr avg.	4.4	-0.007	-0.03
CAB + net FDI (% GDP)	0.1	2.0	1.3	0.9	3-yr avg.	1.4	0.001	0.00
Intercept Term (constant across all sovereigns)								**4.76**

[a] Inverse 0-1 scale, declining weight; [b] of truncated value (2%-50%); [c] Declining weight; [d] Sovereign rating committee can override SRM Predicted Rating if a marginal change in the Model Result leads to a notch change which is judged to be temporary or caused by a re-estimation of the SRM, a process that Fitch undertakes on at least an annual basis. Please refer to the Rating Action Commentary for further information when the Applied Rating differs from the Predicted Rating.
Note: This table contains data as at the date of the most recent rating action. There may be minor differences to data presented elsewhere in this report, which may have been updated where appropriate, for example in the event of subsequent data releases.
Source: Fitch Ratings

Qualitative Overlay (notch adjustment, range +/-3)	**0**
Structural features	0
Macroeconomic outlook, policies and prospects	0
Public finances	0
External finances	0

Source: Fitch Rating

About the SRM and QO

Fitch's SRM is the agency's proprietary multiple regression rating model that employs 18 variables based on three-year centred averages, including one year of forecasts, to produce a score equivalent to a Long-Term Foreign-Currency Issuer Default Rating (LT FC IDR). Fitch's QO is a forward-looking qualitative framework designed to allow for adjustment to the SRM output to assign the final rating, reflecting factors within our criteria that are not fully quantifiable and/or not fully reflected in the SRM.

Supplementary Ratings

Local-Currency Rating

Iceland's credit profile does not support an uplift of the Long-Term (LT) Local-Currency (LC) IDR above the LT FC IDR. In Fitch's view, neither of the two main factors supporting the upward notching of the LT LC IDR cited in the criteria is present, namely: strong public finance fundamentals relative to external finance fundamentals; and previous preferential treatment of LC creditors relative to FC creditors.

Country Ceiling

The Country Ceiling for Iceland is 'A+', one notch above the LT FC IDR. This reflects moderate constraints and incentives, relative to the IDR, against capital or exchange controls being imposed that would prevent or significantly impede the private sector from converting local currency into foreign currency and transferring the proceeds to non-resident creditors to service debt payments.

Fitch's Country Ceiling Model produced a starting point uplift of +2 notches above the IDR. Fitch's rating committee applied an offsetting -1 notch qualitative adjustment to this, under the Balance of Payments Restriction pillar, reflecting Iceland's short record of full liberalisation from capital controls that were in place in 2008-2019.

Overall Country Ceiling Uplift (CCM + QA, notches)			**+1**
Country Ceiling Model (CCM, notches)			**+2**
Pillar I = Balance of payments restrictions			**+3**
Current account restrictions (% of 40)	Latest	10.0	+3
Capital account restrictions (% of 69)	Latest	15.9	+3
Combined pillar II & III incentives score			**+1**
Pillar II = Long-term institutional characteristics			**+2**
Governance (WB WGI)	Latest	93.2	+3
International trade			+1
Trade openness	2020-24 avg	44.5	+2
Volatility of change in CXR (across 10yrs)	2024	18.6	0
Export share to FTA partners	2020-24 avg	85.7	+3
International financial integration[a]	2020-24 avg	50.2	+2
Pillar III = Near-term risks			**+1**
Macro-financial stability risks			+1
Composite inflation risk score			+1
Volatility of CPI (across 10yrs)	2024	2.7	+2
Recent CPI peak	2020-24 max	8.7	+3
Cumulative broad money growth	2019-24 chg %	74.8	+1
Volatility of change in REER (across 10yrs)	2024	6.9	+1
Dollarisation	Most recent	11.0	+2
Exchange rate risks			+2
Net external debt (% of CXR)	2022-24 avg	52.0	+1
Exchange rate regime	Latest	Floating	+3
Qualitative Adjustment (QA, notches)			**-1**
Pillar I = Balance of payments restrictions			-1
Pillar II = Long-term institutional characteristics			0
Pillar III = Near-term macro-financial stability risks			0

[a] Data for international financial integration is the average of private external assets (% of GDP) & private external debt (% GDP).
Source: Fitch Ratings

Full Rating History

	Foreign-Currency Rating			Local-Currency Rating			
Date	Long-Term	Short-Term	Outlook/Watch	Long-Term	Short-Term	Outlook/Watch	Country Ceiling
18 Mar 2022	A	F1+	Stable	A	F1+	Stable	A+
22 May 2020	A	F1+	Negative	A	F1+	Negative	A+
24 May 2019	A	F1+	Stable	A	F1+	Stable	A+
08 Dec 2017	A	F1	Stable	A	F1	Stable	A
07 Jul 2017	A-	F2	Positive	A-	F1	Positive	A-
13 Jan 2017	BBB+	F2	Positive	BBB+	F2	Positive	BBB+
22 Jul 2016	BBB+	F2	Stable	BBB+	F2	Stable	BBB+
24 Jul 2015	BBB+	F2	Stable	A-	-	Stable	BBB+
30 Jan 2015	BBB	F3	Positive	BBB+	-	Positive	BBB
14 Feb 2013	BBB	F3	Stable	BBB+	-	Stable	BBB
17 Feb 2012	BBB-	F3	Stable	BBB+	-	Stable	BBB-
16 May 2011	BB+	B	Stable	BBB+	-	Stable	BB+
05 Jan 2010	BB+	B	Negative	BBB+	-	Negative	BB+
23 Dec 2009	BBB-	F3	Negative	A-	-	Negative	BBB-
08 Oct 2008	BBB-	F3	Watch Negative	A-	-	Watch Negative	BBB-
30 Sep 2008	A-	F2	Watch Negative	AA	-	Watch Negative	A
01 Apr 2008	A+	F1	Negative	AA+	-	Negative	AA-
15 Mar 2007	A+	F1	Stable	AA+	-	Stable	AA-
21 Feb 2006	AA-	F1+	Negative	AAA	-	Negative	AA
17 Jun 2004	AA-	F1+	Stable	AAA	-	Stable	AA
31 Mar 2003	AA-	F1+	Stable	AAA	-	Stable	-
15 Feb 2002	AA-	F1+	Negative	AAA	-	Negative	-
26 Feb 2001	AA-	F1+	Stable	AAA	-	-	-
21 Sep 2000	AA-	F1+	Stable	AAA	-	Stable	-
03 Feb 2000	AA-	F1+	-	AAA	-	-	-

Source: Fitch Ratings

Appendix 1: Environmental, Social and Governance (ESG)

Credit Relevance Scores

General Issues	Key Sovereign Issues	SRM	QO	Score[a]
Environmental (E)				
GHG Emissions and Air Quality	Emissions and air pollution as a constraint on GDP growth	2	2	2
Energy Management	Energy resource management, including potential for 'stranded assets', affecting exports, government revenues and GDP	3	2	3
Water Resources and Management	Water resource availability and management as a constraint on GDP growth	2	2	2
Biodiversity and Natural Resource Management	Natural resource management, including potential for 'stranded assets', affecting exports, government revenues and GDP	3	3	3
Natural Disasters and Climate Change	Impact of adverse climate trends, and likelihood of and resilience to shocks	3	3	3
Social (S)				
Human Rights and Political Freedoms	Social stability, voice and accountability, regime legitimacy	4	2	4+
Human Development, Health and Education	Impact of human development, health and education on GDP per capita and GDP growth	3	2	3
Employment and Income Equality	Impact of unemployment and income equality on GDP per capita, GDP growth and political and social stability	3	2	3
Public Safety and Security	Impact of public safety and security on business environment and/or economic performance	3	2	3
Demographic Trends	Population decline or aging, rapidly rising youth population; pensions sustainability	3	2	3
Governance (G)				
Political Stability and Rights	Political divisions and vested interests; geo-political risks including conflict, security threats and violence; policy capacity: unpredictable policy shifts or stasis	5	2	5+
Rule of Law, Institutional & Regulatory Quality, Control of Corruption	Government effectiveness, control of corruption, rule of law, regulatory quality	5	2	5+
International Relations and Trade	Trade agreements, membership of international organisations, bilateral relations; sanctions or other costly international actions	3	2	3
Creditor Rights	Willingness to service and repay debt	4	2	4+
Data Quality and Transparency	Availability, limitations and reliability of economic and financial data, including transparency of public debt and contingent liabilities	3	2	3

Source: Fitch Ratings

About ESG Credit Relevance Scores

The scores signify the credit relevance of the respective E, S and G issues to the sovereign entity's credit rating, according to the following scale:

- 5 – Highly relevant to the rating, a key rating driver with a high weight.
- 4 – Relevant to the rating, a rating driver.
- 3 – Relevant, but only has an impact on the entity rating in combination with other factors.
- 2 – Irrelevant to the entity rating but relevant to the sector (sovereigns).
- 1 – Irrelevant to the entity rating and irrelevant to the sector (sovereigns).

The score for each 'General Issue' is comprised of a component SRM and QO score, and is simply the higher of the two. SRM scores are fixed across all sovereigns as the weights in the SRM are the same for all sovereigns; QO component scores vary across all sovereigns.

All scores of '4' or '5' result in a negative impact on the rating, unless indicated otherwise. Where a positive impact is occurring, the score of '4' or '5' is appended with a '+' symbol. Scores of '3', '2' and '1' do not have a direction of impact assigned.

Please refer to ESG Relevance Scores for Sovereigns for further information on the framework, including 'Sovereign Rating Criteria References' (which identify specific potentially related SRM variables and QO factors for each 'General Issue').

Credit-Relevant ESG Derivation

Iceland has an ESG Relevance Score of '5[+]' for Political Stability and Rights as WBGI have the highest weight in Fitch's SRM and are therefore highly relevant to the rating and a key rating driver with a high weight. As Iceland has a percentile rank above 50 for the respective Governance Indicator, this has a positive impact on the credit profile.

Iceland has an ESG Relevance Score of '5[+]' for Rule of Law, Institutional & Regulatory Quality and Control of Corruption as WBGI have the highest weight in Fitch's SRM and are therefore highly relevant to the rating and are a key rating driver with a high weight. As Iceland has a percentile rank above 50 for the respective Governance Indicators, this has a positive impact on the credit profile.

Iceland has an ESG Relevance Score of '4[+]'for Human Rights and Political Freedoms as the Voice and Accountability pillar of the WBGI is relevant to the rating and a rating driver. As Iceland has a percentile rank above 50 for the respective Governance Indicator, this has a positive impact on the credit profile.

Iceland has an ESG Relevance Score of '4[+]' for Creditor Rights as willingness to service and repay debt is relevant to the rating and is a rating driver for Iceland, as for all sovereigns. As Iceland has a record of 20+ years without a restructuring of public debt and captured in our SRM variable, this has a positive impact on the credit profile.

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/topics/esg/products#esg-relevance-scores.

Appendix 2: Data Notes and Conventions

Acronyms

Acronyms used in the above table and elsewhere in report are: Gross Domestic Product (GDP), Current External Receipts (CXR), Current External Payments (CXP), Current Account Balance (CAB), Foreign Direct Investment (FDI), World Bank Worldwide Governance Indicators (WBGI), Sovereign Rating Model (SRM), Qualitative Overlay (QO). For a full list of indicator definitions, please refer to the most recent Sovereign Data Comparator.

Medians

Medians underlying the SRM relative to rating category chart on the Rating Summary page and as reported in the Peer Analysis table on page 4 are long-term historical medians. These are based on actual data since 2000 for all sovereign-year observations when the sovereign was in the respective rating category at year-end. Current year ratings and data are excluded.

Chart medians on page 3 are based on data for sovereigns in the respective rating category at the end of each year. Latest ratings are used for the current year and forecast period.

Notes for Iceland

All data are on a calendar-year basis, which aligns with the domestic fiscal year for this sovereign.

Public finances data referenced in this report relate to the consolidated general government, as per our principal approach, unless specifically noted otherwise where cited

The external balance sheet data referenced in this report are derived from the international investment position dataset, as per our principal approach.

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For information on the solicitation status of the ratings included within this report, please refer to the solicitation status shown in the relevant entity's summary page of the Fitch Ratings website.

For information on the participation status in the rating process of an issuer listed in this report, please refer to the most recent rating action commentary for the relevant issuer, available on the Fitch Ratings website.

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