

# Iceland

## Key Rating Drivers

**High Income, Strong Policy Buffers:** Iceland's 'A' rating is underpinned by its very high income per capita and governance indicators that are more consistent with those of 'AAA' and 'AA' rated sovereigns. Strong credit fundamentals include the country's sizeable pension fund assets, sound banking sector, and strong private sector balance sheets. However, the rating remains constrained by Iceland's small economy with its limited export diversification and high level of public debt.

**Softening Economic Growth:** High inflation and tight financial conditions have started to weigh on domestic activity. After a strong start to 2023, we forecast a significant slowdown in 2H23. We forecast real GDP growth of 3.5% in 2023, a downward revision of 0.6pp from our June forecast. Robust activity in the tourism sector is partly offsetting the cooling domestic economy.

**CBI Maintains Tightening Bias:** In its August monetary policy meeting, the Central Bank of Iceland (CBI) raised its key policy rate 50bp to 9.25%, its fourth increase in 2023. Although headline inflation has eased, both core inflation and price expectations remain well above the CBI's inflation target of 2.5%. Elevated inflation expectations ahead of new wage bargaining negotiations taking place in 4Q23 remain a key concern. After average inflation of 8.3% in 2022, we forecast inflation of 8.7% in 2023, falling to 4.9% in 2024 and 3.3% in 2025.

**Fiscal Policy Tightens:** In June, the Icelandic government announced new measures to counter inflation, adopting a tighter fiscal stance to support the CBI's disinflation efforts, consistent with its latest Fiscal Plan (2024-2028). New measures affecting 2023 include an airport fee for passengers, a change to tax exemption limits for housing benefits, and a lower increase in salaries for high-ranking government officials.

**Temporarily High Funding Costs:** Iceland's ratio of interest payments to revenue (Fitch estimates 10.3% in 2023) is significantly higher than the 'A' peer median (3.6%), partly reflecting its large share of inflation-linked debt (42% of total central government debt). A large deposit buffer and a highly liquid domestic financial sector (including a sizeable pension fund sector, 175% of GDP) helps alleviate refinancing risks, despite temporarily high funding costs.

**Moderate Decline in Debt:** We expect general government debt to fall to 62.9% of GDP this year, after 68.2% in 2022. This compares with a median ratio of 50.6% for 'A' rated peers.

**Sound Banking Sector:** Domestic systemically important banks hold significant capital (average 23%) and liquidity ratios (137%). Despite high inflation, sector profitability remains positive, supported by high net interest income. The tightening of macroprudential measures have led to a reduction in credit demand and softening of house prices.

Since April, growth in real house prices has turned moderately negative. Structural factors including strong net immigration trends and low housing supply should limit risks of a significant downward price correction.

**Improving External Finances:** Iceland has a positive net international investment position (NIIP; 24.4% of GDP in 2022), broadly in line with the current median ratio of its 'A' peer group. The NIIP is projected to improve over the medium term, as the current account deficit (Fitch forecasts 1.3% of GDP by end-2023) gradually narrows. Expanding the capacity of Iceland's limited export industries (tourism, aluminum and fisheries) and diversification of domestic sectors will help reduce the country's vulnerabilities to external shocks.

There are already early signs of investment into more productive and less cyclically sensitive sectors, such as biotechnology and ICT. Iceland is also well positioned to increase its global competitive advantage in fish farming.

This report does not constitute a new rating action for this issuer. It provides more detailed credit analysis than the previously published Rating Action Commentary, which can be found on [www.fitchratings.com](http://www.fitchratings.com).

## 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

	2023F
GDP (USDbn)	30
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 \(September 2023\)](#)

[Global Economic Outlook - June 2023](#)

[Interactive Sovereign Rating Model](#)

[Fitch Fiscal Index - Analytical Tool](#)

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## Analysts

Kit Yeung

+49 69 768076 129

[kit.yeung@fitchratings.com](mailto:kit.yeung@fitchratings.com)

Alex Muscatelli

+49 69 768076 272

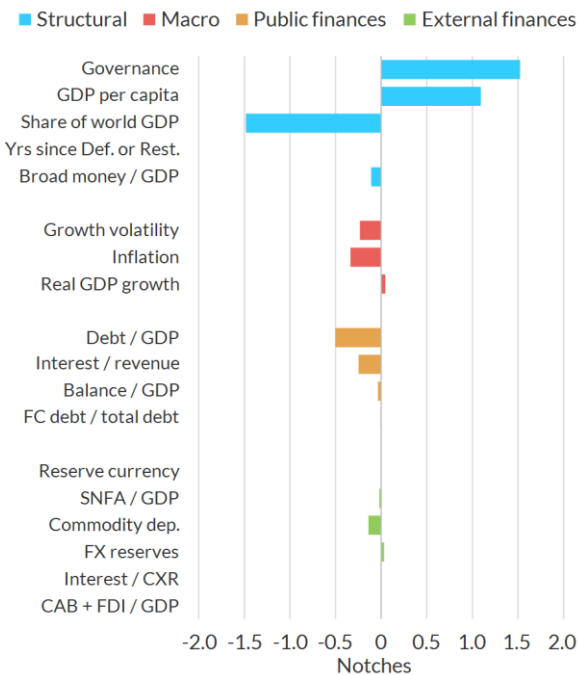
[alex.muscatelli@fitchratings.com](mailto:alex.muscatelli@fitchratings.com)

## 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.

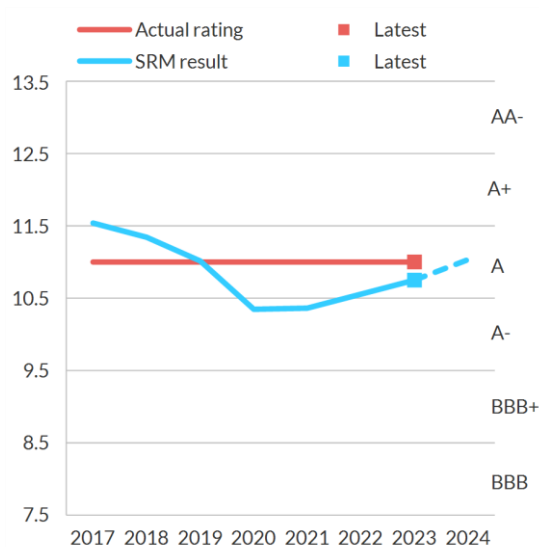
**Macroeconomic outlook, policies and prospects:** No adjustment.

**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 <sup>ab</sup>	QO			
			S	M	PF	EF
Latest	A	A	0	0	0	0
10 Mar 23	A	A	0	0	0	0
16 Sep 22	A	A	0	0	0	0
18 Mar 22	A	A	0	0	0	0
24 Sep 21	A	A	0	0	0	0
26 Mar 21	A	A	0	0	0	0
23 Oct 20	A	A	0	0	0	0
22 May 20	A	A	0	0	0	0
22 Nov 19	A	A+	0	0	0	-1
24 May 19	A	A+	0	0	0	-1

<sup>a</sup> The latest rating uses the SRM result for 2023 from the chart. This will roll forward to 2024 in July 2024).

<sup>b</sup> 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

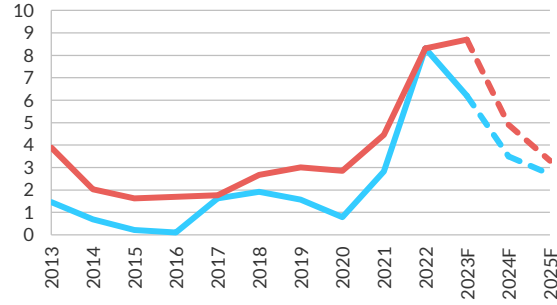
Source: Fitch Ratings

Peer Analysis

Iceland

Consumer Price Inflation

(annual avg, %)



A Median

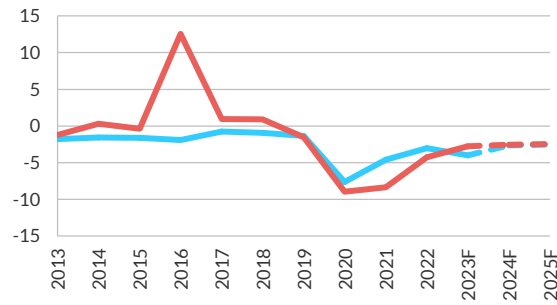
Real GDP Growth

(%)



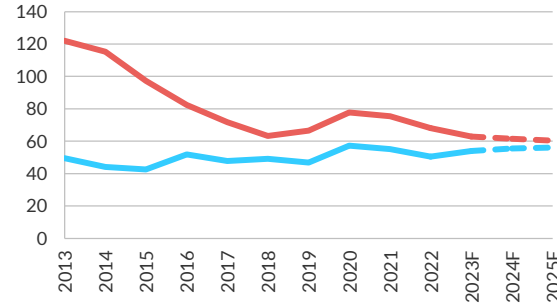
General Government Balance

(% GDP)



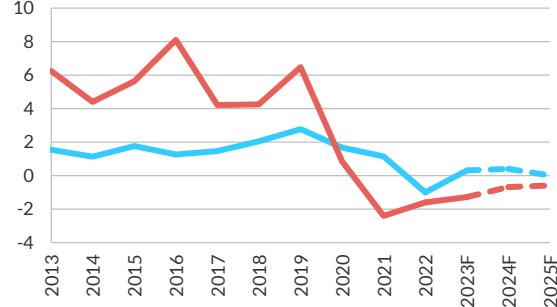
Gross General Government Debt

(% GDP)



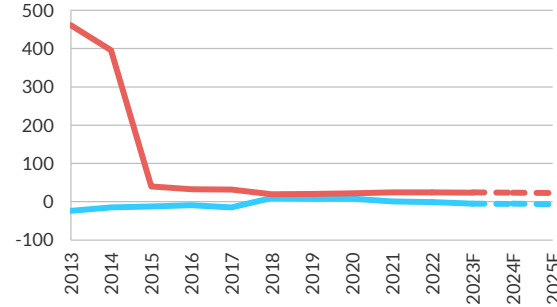
Current Account Balance

(% GDP)



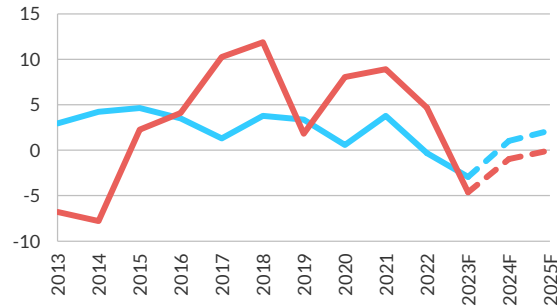
Net External Debt

(% GDP)



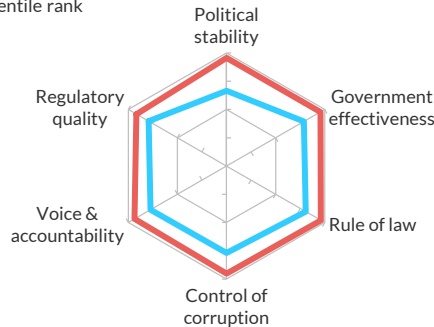
Real Private-Sector Credit Growth

(%)



Governance Indicators

Percentile rank



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

## Peer Analysis

2023F <sup>a</sup>	Iceland	A median	AA median	AAA median
<b>Structural features</b>				
GDP per capita (USD) [SRM]	79,579	31,652	51,146	72,200
Share in world GDP (%) [SRM]	0.0	0.0	0.0	0.0
<b>Composite governance indicator (percentile, latest) [SRM]<sup>b</sup></b>	<b>94.7</b>	<b>75.1</b>	<b>84.1</b>	<b>93.9</b>
Human development index (percentile, latest)	98.9	82.4	89.4	94.7
Broad money (% GDP) [SRM]	44.7	88.9	98.4	93.4
Private credit (% GDP, 3-year average)	91.8	73.5	102.9	122.6
Dollarisation ratio (% bank deposits, latest)	11.3	10.3	12.8	16.8
Bank system capital ratio (% assets, latest)	24.0	15.9	16.5	15.0
<b>Macroeconomic performance and policies</b>				
Real GDP growth (% , 3-year average) [SRM]	4.4	3.7	2.2	2.0
Real GDP growth volatility (complex standard deviation) [SRM]	4.1	3.0	2.4	1.9
Consumer price inflation (% , 3-year average) [SRM]	7.3	2.3	2.2	1.8
Unemployment rate (%)	3.8	6.4	5.1	5.4
<b>Public finances (general government)<sup>c</sup></b>				
Balance (% GDP, 3-year average) [SRM]	-3.2	-2.4	-0.9	-0.2
Primary balance (% GDP, 3-year average)	1.0	-0.6	0.5	1.1
Interest payments (% revenue, 3-year average) [SRM]	10.1	4.5	3.5	3.6
Gross debt (% revenue, 3-year average)	153.8	136.3	141.1	113.5
Gross debt (% GDP, 3-year average) [SRM]	64.2	42.1	40.5	43.9
Net debt (% GDP, 3-year average)	54.7	36.6	34.2	37.2
FC debt (% gross debt, 3-year average) [SRM]	10.8	9.8	0.8	0.0
<b>External finances<sup>c</sup></b>				
Current account balance (% GDP, 3-year average)	-1.2	0.9	1.2	4.9
Current account balance + net FDI (% GDP, 3-year avg.) [SRM]	0.8	2.4	0.6	2.1
Commodity dependence (% CXR) [SRM]	44.8	11.5	15.2	14.4
Gross external debt (% GDP, 3-year average)	70.3	65.9	119.9	178.1
Net external debt (% GDP, 3-year average)	24.0	-8.1	-2.3	13.5
Gross sovereign external debt (% GXD, 3-year average)	12.8	19.0	17.8	12.2
Sovereign net foreign assets (% GDP, 3-year average) [SRM]	10.1	11.9	7.7	-4.6
External interest service (% CXR, 3-year average) [SRM]	2.1	2.3	4.1	7.3
Foreign-exchange reserves (months of CXP) [SRM]	4.4	4.4	3.0	1.4
Liquidity ratio	205.6	98.4	59.9	51.5

<sup>a</sup> Three-year averages are centred on this year. Fitch does not forecast indicators labelled 'latest', meaning data may be lagging.

<sup>b</sup> Composite of all six World Bank Worldwide Governance Indicators (see chart on the previous page).

<sup>c</sup> 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 = n.a. / 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 Ratings' 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

- Iceland ranks much higher on the World Bank Worldwide Governance Indicators and Human Development Index Indicators relative to the medians.
- GDP and income per capita are significantly higher than the 'A' and 'AA' medians.
- Pension funds' assets were 175% of GDP at end-2022, providing support to the sovereign's fiscal financing flexibility.
- Foreign-exchange (FX) reserves were 4.9 months of current external payments in 2022 – above the 'A' peer current median (3.1 months).

### Weaknesses

- Volatility of real GDP growth and inflation are higher than the 'A' peer median.
- General government debt ratio at 68.2% of GDP (2022) is above the 'A' current median ratio of 52.4% and 'AA' current median ratio of 48.5%.

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

Source: Fitch Ratings

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

## Forecast Summary

	2020	2021	2022	2023F	2024F	2025F
<b>Macroeconomic indicators and policy</b>						
Real GDP growth (%)	-7.2	4.5	7.2	3.5	2.4	2.7
Unemployment (%)	6.3	6.0	3.8	3.8	4.2	4.2
Consumer price inflation (annual average % change)	2.8	4.5	8.3	8.7	4.9	3.3
Policy interest rate (annual average, %)	1.4	1.2	4.4	7.9	8.9	7.1
General government balance (% GDP)	-9.0	-8.4	-4.3	-2.8	-2.5	-2.5
Gross general government debt (% GDP)	77.7	75.4	68.2	62.9	61.5	60.3
ISK per USD (annual average)	135.4	127.0	135.3	137.5	134.0	135.0
Real private credit growth (%)	8.1	8.9	4.7	-4.6	-1.0	0.0
<b>External finance</b>						
Merchandise trade balance (USDbn)	-0.6	-1.1	-1.6	-2.1	-2.2	-2.3
Current account balance (% GDP)	0.9	-2.4	-1.6	-1.3	-0.7	-0.6
Gross external debt (% GDP)	90.7	83.0	74.3	70.3	66.1	63.5
Net external debt (% GDP)	22.0	24.5	24.3	24.3	23.5	22.8
External debt service (principal + interest, USDbn)	1.7	1.2	2.9	1.9	3.0	3.1
Official international reserves including gold (USDbn)	6.4	7.1	5.9	5.7	5.8	5.7
Gross external financing requirement (% int. reserves)	16.4	23.7	42.6	33.5	51.4	52.5
<b>Real GDP growth (%)</b>						
US	-2.8	5.9	2.1	1.2	0.5	2.4
China	2.2	8.4	3.0	4.8	4.6	4.8
Eurozone	-6.4	5.4	3.5	0.8	1.4	1.7
World	-3.0	6.1	2.7	2.4	2.1	2.9
Oil (USD/barrel)	43.3	70.6	98.6	80.0	75.0	70.0

Source: Fitch Ratings

## Sources and Uses

### Public Finances (General Government)

(ISKbn)	2023	2024
<b>Uses</b>	<b>225.1</b>	<b>247.1</b>
Budget deficit	116.5	112.7
MLT amortisation	108.7	134.4
Domestic	70.2	99.3
External	38.5	35.0
<b>Sources</b>	<b>225.1</b>	<b>247.1</b>
Gross borrowing	159.4	229.0
Domestic	140.0	198.1
External	19.4	30.9
Privatisation	0.0	0.0
Other	10.3	-6.9
Change in deposits (- = increase)	55.5	25.0

Source: Fitch Ratings

### External Finances

(USDbn)	2023	2024
<b>Uses</b>	<b>2.0</b>	<b>2.9</b>
Current account deficit	0.4	0.2
MLT amortisation	1.6	2.7
Sovereign	0.3	0.8
Non-sovereign	1.3	1.9
<b>Sources</b>	<b>2.0</b>	<b>2.9</b>
Gross MLT borrowing	2.1	3.2
Sovereign	0.1	1.1
Non-sovereign	2.0	2.1
FDI	0.5	0.4
Other	-0.9	-0.6
Change in FX reserves (- = increase)	0.2	-0.1

Source: Fitch Ratings

## Credit Developments

### Resilience in Inbound Tourism; but Domestic Demand Starts to Cool

Iceland's economy performed strongly in the first half of 2023, better than Fitch expected. Data released by Statistics Iceland show real GDP growth in 1H23 averaged 5.8% year-on-year (yoy). The GDP outturn has caused us to revise our forecast of 2023 real GDP forecast to 3.5%, up from our 2.1% forecast in March. However, compared to our June forecast of 4.1% growth, we now have a weaker outlook for domestic demand in 2H23.

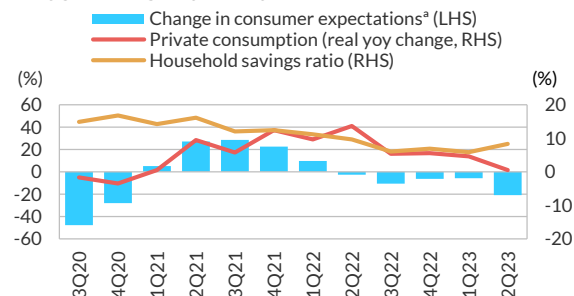
Private consumption growth slowed in 2Q23 after fairly strong 1Q23 performance. High inflation, even after new wage agreements took effect, kept real wage growth at modest levels. High frequency data on domestic payment card turnover largely showed a contraction yoy in 2Q23. Consumer confidence indicators also remain in negative territory despite some recent improvement. This sentiment can also be echoed in the household savings ratio, which increased 2.6pps in 2Q23 to 8.4% (compared to a 2015-2019 average ratio of 10.8%). With both inflation and policy rates having moved higher than Fitch's projections six months ago, we now expect private consumption growth to cool significantly in 2H23.

Tighter financial conditions have weighed on gross fixed capital investment. Particularly residential investment, which after period of strong construction activity (2016-2020), has since remained sluggish as existing housing projects come to completion, with limited new investment. A reflection of the overall weakness in the general business environment can also be seen in data reflecting the import of investment goods, which slowed significantly in 1H23 (average growth of 2.4% yoy vs 19.8% yoy in 1H22).

Exports of services related to the tourism sector have remained a dominant growth driver, benefitting from pent-up demand post-pandemic. Data up to July 2023 show the total number of foreign passengers up 8.6% compared to the same period in 2019. Authorities expect the number of foreign passengers to be close to 2.2 million in 2023, surpassing 2019 levels, but short of a record year of 2.3 million in 2018.

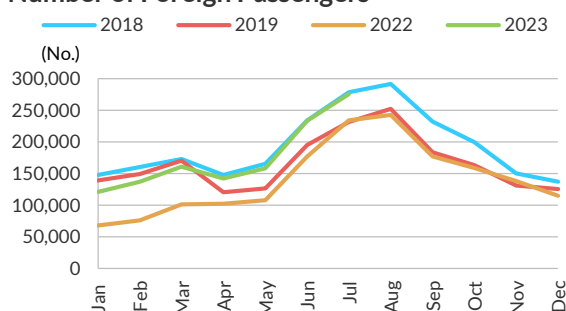
We forecast Iceland to achieve real GDP growth rates of 2.4% in 2024 and 2.7% in 2025. This compares to a five-year pre-pandemic average rate of 4.3% (2015-2019). We expect a modest slowdown in foreign tourism, a reflection of the weaker economic outlook of key market sources (for example, the US and UK) and capacity limits in the sector. With domestic interest rates now higher for a longer period, we also expect domestic demand to remain subdued. This is further affected by the government's contractionary fiscal stance over the forecast horizon.

### Household Sentiment



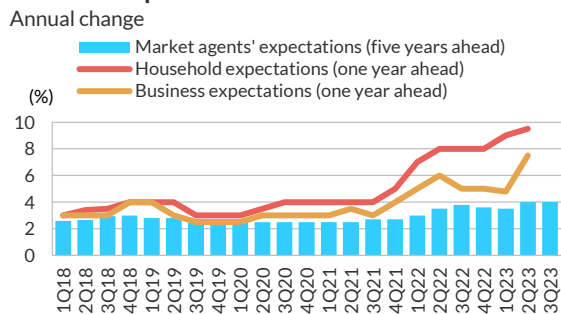
<sup>a</sup>Gallup Consumer Confidence Index (expectations six months ahead)  
Source: Fitch Ratings, Statistics Iceland, CBI

### Number of Foreign Passengers



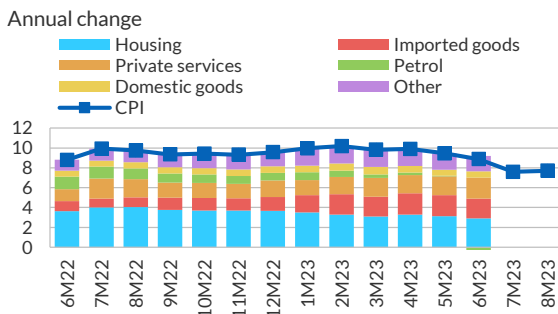
Source: Fitch Ratings, Statistics Iceland

### Inflation Expectations



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

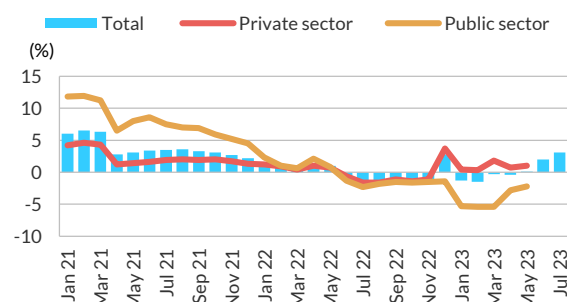
### Contributions to CPI



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

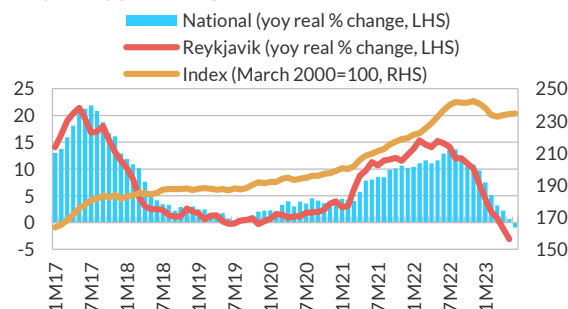


### Real Wage Growth by Sector



Source: Fitch Ratings, Statistics Iceland

### Real House Prices



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

### Higher Policy Rate for Extended Period

Developments surrounding inflation remain a key uncertainty for our GDP baseline. Headline inflation averaged 9.7% in 1H23; much higher than Fitch expected. As a result, we have lifted our 2023 inflation forecast to 8.7%; an increase of 0.8ppps from our March forecast. Components in housing, imported goods and recently private services have been key drivers of headline CPI. The latest August reading shows CPI to have eased to 7.7% from a peak of 10.2% in February. We expect, with the recent appreciation in the Icelandic króna, inflation to continue gradually easing in 2H23, particularly for imported goods, which account for 33% of the CPI basket. Meanwhile, the significantly tighter monetary policy stance should start weighing on domestic inflation.

In its August monetary policy meeting, the CBI raised its key policy by 50bps to 9.25%; its fourth rate increase in 2023. Since beginning its hiking cycle in May 2021, the CBI has raised its key policy rate by 850bps. Although headline inflation has started to ease, both underlying inflation and short-term inflation expectations remain stubbornly high and well above the CBI's inflation target of 2.5%. Elevated inflation expectations ahead of new wage bargaining negotiations in 4Q23 remain a key concern on the inflation outlook. We expect the CBI to maintain a tightening bias to avoid the risk of a wage-price spiral, and anticipate one additional rate hike in 2H23.

### House Prices Ease; Demand for New Mortgages Decline

The tightening of macroprudential measures<sup>1</sup> and higher interest rates have help lessen pressures in residential real estate prices. Real house prices have declined since late 2022 and more recently are contracting year-on-year. At the same time, the number of new mortgages granted have declined significantly. With the cooling economic outlook and high-interest rate environment, we expect house prices to continue a modest decline for much of 2023. According to the CBI, house prices remain above the long-term trend. Structural factors, which include strong net immigration trends and low housing supply, should limit risks of a significant price correction.

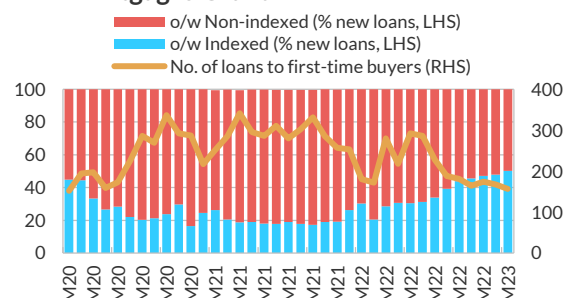
Recent months have seen a rise in indexed mortgages, as the interest rate on these loans remain significantly lower than for non-indexed mortgages. As of May 2023, the average interest rate on new indexed mortgages was 3.0%, compared to non-indexed mortgages at 8.9%. The share of indexed mortgages amount to roughly 47% of total outstanding, up from 44% since October 2022. Whilst interest costs are lower on indexed loans, the impact from higher inflation has raised the nominal principal payment on household loans.

For now, we expect the majority of households to manage their increased debt servicing burden at the cost of temporarily lower consumption. Risks to debt servicing are somewhat mitigated by the fact that many households have mixed mortgages. The average loan-to-value (LTV) ratio of new mortgages to households is also low at 58% (April 2023). The average LTV ratio of first-time buyers is 75%.

<sup>1</sup> In June 2022, the CBI's Financial Stability Committee lowered the LTV ratio for first-time buyers to 85% from 90%, and introduced minimum interest rate references to banks' calculation of maximum DSTI (3.0% for indexed loans and 5.5% for non-indexed loans), while also shortening the maturity profile in the DSTI calculation to 25 years for indexed mortgages (initially 30 years). In March 2023, the countercyclical capital buffer (CCyB) was increased to 2.5% from 2.0% (September 2021), effective from March 2024.

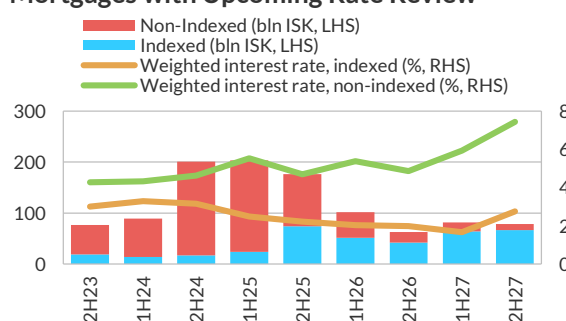


**New Mortgages Granted**



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

**Mortgages with Upcoming Rate Review**



Source: Fitch Ratings, Central Bank of Iceland

**Government Tightens Fiscal Policy**

Against initial budget expectations for a 3.0% central government fiscal deficit this year, authorities are now projecting a deficit closer to 1.3% of GDP<sup>2</sup>. High inflation and stronger-than-expected 1H23 economic activity will lead to higher-than-budgeted receipts in tax revenue, that will partly offset growth in government expenses.

Consistent with the 2024-2028 Fiscal Plan, the government in June announced new measures to counter inflation, undertaking a tighter fiscal stance to support the CBI’s disinflation efforts. For 2023, lower expenses and higher taxes should come from a reduction in initially agreed wage increases for senior government officials and nationally elected representatives, an increase in the exemption limit for tenant’s housing benefits, a reduction in VAT refunds on labour cost in the residential construction sector, and a new airport fee on passengers.

Further measures have also been approved for 2024, which the government estimates should contribute to ISK18.5 billion of additional revenue and ISK9.9 billion of cost savings. This will be in addition to ISK9 billion in new measures that will be presented in the 2024 Budget on 12 September.

**Stable Public Debt Trajectory**

After a general government debt ratio of 68.2% of GDP in 2022, we forecast debt to decline to 62.9% of GDP by end-2023. Driving the reduction in debt will be a projected primary fiscal surplus, strong nominal GDP growth, and use of government deposits at around 1.3% of GDP. The rundown of deposits largely reflects a 52% buyback (ISK38.4 billion, 0.9% of GDP) executed in May of a Eurobond maturing in June 2024.

Our debt dynamics model show Iceland’s debt ratio to be resilient to most heterogenous shocks, but the largest risk remains a lack of fiscal discipline (e.g. persistent primary fiscal deficits). On 25 August, the Minister of Finance stated its intention to reach a balanced budget by 2025, although details of the plan are unclear. This presents considerable upside to our projections, including possibly a lower debt ratio than our current forecast of 60.3% of GDP by end 2025.

Iceland benefits from a high degree of fiscal financing flexibility. Notwithstanding a sizeable cash buffer (we expect a buffer of 9.1% of GDP at end-2023), there is a robust and highly liquid domestic banking sector which holds 20%25% of government debt, as well as a sizeable pension fund sector (175% of GDP at end-2022) which holds around 40%.

There is a large share of inflation-indexed debt (41.6% of total central government debt as of August 2023), although this relates mainly to treasury bonds that have a weighted time to maturity of seven years.

Total state guarantees amounted to ISK825 billion (around 19% of GDP) in May 2023. The vast majority related to liabilities of the HF Fund (14% of GDP), which, as per Eurostat, Fitch accounts for in its government debt data. There are ongoing efforts between the government and investors of HF Fund securities to reach an agreement for the fund’s wind-down, but it is still uncertain how the government guarantee on its HF Fund debt securities will be met.

<sup>2</sup> The Ministry of Finance’s updated fiscal projection is based on the CBI’s May forecast for real GDP growth in 2023 of 4.8%.

## Public Debt Dynamics

According to Fitch’s baseline projections, general government debt will decline gradually to 60.2% of GDP by 2025. The risk of a low growth scenario and persistent primary fiscal deficits would result in public debt gradually increasing to higher levels. Conversely, further sales of government equity stakes could accelerate debt reduction over the coming years.

### Debt Dynamics - Fitch’s Baseline Assumptions

	2021	2022	2023	2024	2025	2026	2027
Gross general government debt (% of GDP)	75.4	68.2	62.9	61.5	60.2	60.0	59.4
Primary balance (% of GDP)	-4.6	0.3	1.6	1.2	0.8	1.0	1.0
Real GDP growth (%)	4.5	7.2	3.5	2.4	2.7	2.3	2.3
Average nominal effective interest rate (%)	5.4	7.1	6.9	7.1	6.8	6.2	5.7
ISK/USD (annual avg)	127.0	135.3	137.5	134.0	135.0	135.0	135.0
GDP deflator (%)	6.5	8.9	6.0	3.6	3.3	2.5	2.5
Stock-flow adjustments (% of GDP)	0.0	0.0	-1.4	-0.9	-0.9	0.0	0.0

Source: Fitch Ratings

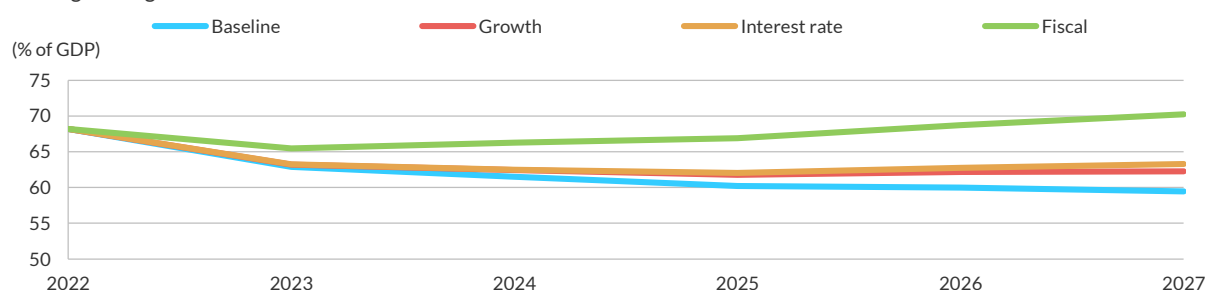
### Debt Sensitivity Analysis: Fitch’s Scenario Assumptions

Growth	GDP growth 1.0% lower than baseline
Interest rate	Marginal interest rate 250bp higher
Fiscal	Persistent primary fiscal deficits at 1.0% of GDP

Source: Fitch Ratings

### Sensitivity Analysis

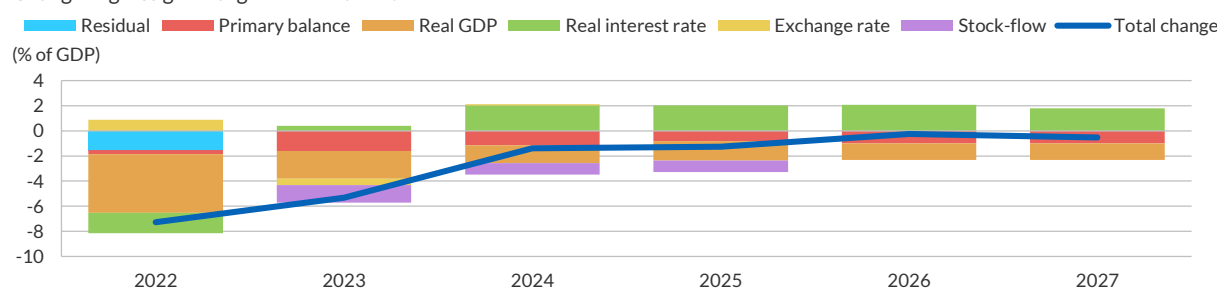
Gross general government debt



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)	2017	2018	2019	2020	2021	2022	2023F	2024F	2025F
Revenue	45.4	44.8	42.1	42.2	41.3	41.5	41.8	41.9	42.0
Expenditure	44.4	43.8	43.6	51.1	49.7	45.7	44.6	44.5	44.4
o/w interest payments	5.7	4.9	4.3	4.0	3.8	4.6	4.4	3.7	3.3
Interest payments (% revenue)	12.6	11.0	10.2	9.5	9.2	11.0	10.5	8.8	7.9
Primary balance	6.7	5.8	2.8	-5.0	-4.6	0.3	1.6	1.2	0.8
Overall balance	1.0	0.9	-1.5	-9.0	-8.4	-4.3	-2.8	-2.5	-2.5
Gross government debt	71.7	63.2	66.5	77.7	75.4	68.2	62.9	61.5	60.2
% of government revenue	158.1	141.3	158.2	184.4	182.7	164.4	150.2	146.7	143.7
Issued in domestic market	67.3	58.9	60.4	69.3	64.9	59.9	56.2	55.3	54.4
Issued in foreign markets	4.4	4.4	6.2	8.4	10.6	8.3	6.6	6.2	5.9
Local currency	67.3	58.9	60.4	69.3	64.9	59.9	56.2	55.3	54.4
Foreign currency	4.4	4.4	6.2	8.4	10.6	8.3	6.6	6.2	5.9
Central government deposits	7.2	7.9	8.4	16.7	14.6	11.4	9.1	8.0	7.0
Net government debt	64.6	55.4	58.1	61.0	60.8	56.8	53.8	53.6	53.3
Financing		-0.9	1.5	9.0	8.4	4.3	2.8	2.5	2.5
Domestic borrowing		-3.7	5.0	6.8	2.6	4.4	1.7	2.2	2.3
External borrowing		-0.2	1.9	1.8	2.8	-1.5	-0.5	-0.1	0.0
Other financing		2.9	-5.4	0.4	3.0	1.4	1.6	0.4	0.2
Change in deposits (- = increase)		-1.2	-1.0	-8.0	0.4	1.1	1.3	0.6	0.5
Privatisation		0.0	0.0	0.0	1.7	2.0	0.0	0.0	0.0
Other		4.2	-4.4	8.4	0.9	-1.7	0.2	-0.2	-0.3

Source: Fitch Ratings, Ministry of Finance

## Balance of Payments

(USDbn)	2017	2018	2019	2020	2021	2022	2023F	2024F	2025F
Current account	1.0	1.1	1.6	0.2	-0.6	-0.5	-0.4	-0.2	-0.2
% GDP	4.2	4.3	6.5	0.9	-2.4	-1.6	-1.3	-0.7	-0.6
Goods	-1.5	-1.5	-0.9	-0.6	-1.1	-1.6	-2.1	-2.2	-2.3
Services	2.6	2.4	2.0	0.3	0.6	1.4	2.0	2.2	2.3
Primary income	0.1	0.4	0.7	0.7	0.2	0.0	0.0	0.1	0.1
Secondary income	-0.2	-0.2	-0.2	-0.2	-0.3	-0.3	-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	1.1	1.5	1.0	1.5	-0.9	0.2	-0.2	-0.3	-0.2
Direct investment	-0.2	0.5	0.7	0.5	-0.2	-0.8	-0.5	-0.4	-0.3
Portfolio investment	2.3	1.1	0.7	1.0	0.0	1.1	0.5	0.5	0.5
Derivatives	0.1	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1
Other investments	-1.1	-0.1	-0.5	0.0	-0.8	-0.2	-0.2	-0.5	-0.4
Net errors and omissions	-0.7	0.5	-0.1	1.2	0.9	0.2	0.0	0.0	0.0
Change in reserves (+ = increase)	-0.8	0.0	0.6	-0.2	1.1	-0.5	-0.2	0.1	0.0
International reserves, incl. gold	6.6	6.3	6.8	6.4	7.1	5.9	5.7	5.8	5.7
Liquidity ratio (%)	211.2	184.4	213.1	259.3	326.7	212.6	205.6	159.1	155.9
Memo									
Current external receipts (CXR)	12.3	13.2	11.9	8.1	10.5	14.0	15.1	15.7	16.2
Current external payments (CXP)	11.3	12.1	10.3	8.0	11.2	14.4	15.5	15.9	16.4
CXR growth (%)	10.7	7.4	-9.8	-31.9	29.5	32.7	8.3	3.7	3.3
CXP growth (%)	19.3	7.5	-14.6	-23.1	40.3	29.4	7.6	2.6	3.1
Gross external financing requirement	0.0	1.0	0.1	1.1	1.5	3.0	2.0	2.9	3.0
% International reserves	-0.5	15.3	1.0	16.4	23.7	42.6	33.5	51.4	52.5
Net external borrowing	-5.9	-1.2	-0.9	-1.0	2.2	0.7	0.5	0.5	0.2

Source: Fitch Ratings, IMF

## External Debt and Assets

(USDbn)	2017	2018	2019	2020	2021	2022	2023F	2024F	2025F
Gross external debt	22.5	20.1	19.5	19.6	21.3	20.9	21.3	21.8	22.0
% GDP	91.1	76.7	79.1	90.7	83.0	74.3	70.3	66.1	63.5
% CXR	182.8	152.1	163.4	240.4	201.6	149.2	140.7	138.8	135.8
Short-term debt (% GXD)	7.2	7.9	6.9	7.6	8.3	11.1	11.1	11.1	11.1
By debtor									
Sovereign	2.8	2.6	3.0	2.8	3.7	2.8	2.6	2.9	2.9
Monetary authorities	0.4	0.4	0.5	0.4	0.7	0.6	0.4	0.4	0.5
General government	2.5	2.2	2.5	2.4	3.0	2.2	2.2	2.4	2.5
Banks	5.8	5.9	5.5	5.9	6.4	6.9	7.1	7.1	7.0
Other sectors	13.9	11.7	10.9	10.9	11.2	11.2	11.6	11.9	12.1
Gross external assets (non-equity)	14.6	15.0	14.5	14.8	15.0	14.0	14.0	14.1	14.1
Sovereign	6.6	6.3	6.8	6.4	7.1	5.9	5.7	5.8	5.7
International reserves, incl. gold	6.6	6.3	6.8	6.4	7.1	5.9	5.7	5.8	5.7
Other sovereign assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Banks	3.1	3.6	3.1	3.4	3.3	3.5	3.5	3.5	3.5
Other sectors	5.1	5.1	4.7	5.1	4.7	4.8	5.0	5.1	5.4
Net external debt	7.9	5.2	5.0	4.8	6.3	6.8	7.4	7.8	7.9
% GDP	31.8	19.7	20.3	22.0	24.5	24.3	24.3	23.5	22.8
Sovereign	-3.7	-3.7	-3.8	-3.7	-3.4	-3.1	-3.1	-2.9	-2.8
Banks	2.8	2.3	2.5	2.6	3.1	3.5	3.8	3.9	4.0
Other sectors	8.8	6.6	6.2	5.9	6.5	6.4	6.7	6.8	6.7
International investment position									
Assets	29.2	29.2	32.1	35.3	39.5	35.5			
Liabilities	28.7	26.9	27.1	27.4	29.7	28.7			
Net	0.5	2.3	5.0	7.9	9.8	6.8			
Net sovereign	3.7	3.7	3.8	3.7	3.4	3.1			
% GDP	15.1	14.2	15.2	17.0	13.2	11.1			
External debt service (principal + interest)	1.6	2.6	2.1	1.7	1.2	2.9	1.9	3.0	3.1
Interest (% CXR)	4.6	3.5	3.8	5.1	2.6	2.3	2.1	1.9	1.8

Source: Fitch Ratings, Central Bank of Iceland, IMF, World Bank

## Full Rating Derivation

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

A

Sovereign Rating Model					Applied Rating <sup>a</sup>			A
Input Indicator	Weight (%)	2022	2023	2024	Model Result and Predicted Rating			10.75 = A
					Adjustment to Final Data	Final Data	Coefficient	Output (notches)
<b>Structural features</b>								<b>9.31</b>
Governance indicators (percentile)	21.4	n.a.	94.7	n.a.	-	94.7	0.077	7.33
GDP per capita (USD)	12.4	n.a.	79,579	n.a.	Percentile	93.2	0.038	3.57
Nominal GDP (% world GDP)	13.9	n.a.	0.03	n.a.	Natural log	-3.5	0.627	-2.20
Most recent default or restructuring	4.6	n.a.	None	n.a.	Inverse 0-1 <sup>b</sup>	0.0	-1.822	0
Broad money (% GDP)	1.2	n.a.	44.7	n.a.	Natural log	3.8	0.158	0.60
<b>Macroeconomic performance, policies and prospects</b>								<b>-1.23</b>
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	8.3	8.7	4.9	3-yr avg. <sup>c</sup>	7.3	-0.067	-0.49
Real GDP growth	2.0	7.2	3.5	2.4	3-yr avg.	4.4	0.065	0.28
<b>Public finances</b>								<b>-2.12</b>
Gross general govt debt (% GDP)	8.9	68.2	62.9	61.5	3-yr avg.	64.2	-0.023	-1.46
General govt interest (% revenue)	4.5	11.0	10.5	8.8	3-yr avg.	10.1	-0.044	-0.44
General govt fiscal balance (% GDP)	2.4	-4.3	-2.8	-2.5	3-yr avg.	-3.2	0.044	-0.14
FC debt (% of total general govt debt)	2.7	11.6	10.9	10.1	3-yr avg.	10.8	-0.007	-0.08
<b>External finances</b>								<b>0.03</b>
Reserve currency (RC) flexibility	7.3	n.a.	0.0	n.a.	RC score 0 - 4.5 <sup>d</sup>	0.0	0.509	0
SNFA (% of GDP)	7.4	11.1	10.2	8.8	3-yr avg.	10.1	0.011	0.11
Commodity dependence	1.2	n.a.	44.8	n.a.	Latest	44.8	-0.004	-0.19
FX reserves (months of CXP)	1.5	n.a.	4.4	n.a.	n.a. if RC score > 0	4.4	0.029	0.13
External interest service (% CXR)	0.4	2.3	2.1	1.9	3-yr avg.	2.1	-0.007	-0.01
CAB + net FDI (% GDP)	0.1	1.3	0.4	0.6	3-yr avg.	0.8	0.001	0.00
<b>Intercept Term (constant across all sovereigns)</b>								<b>4.76</b>

<sup>a</sup> 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. <sup>b</sup> Inverse 0-1 scale, declining weight. <sup>c</sup> of truncated value (2%-50%). <sup>d</sup> Declining weight.

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

<b>Qualitative Overlay (Notch Adjustment, Range +/-3)</b>	<b>0</b>
Structural features	0
Macroeconomic outlook, policies and prospects	0
Public finances	0
External finances	0

Source: Fitch Ratings

### 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 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 LT Local-Currency (LC) IDR above the LT FC IDR. In Fitch's view, neither of the two key 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+', 1 notch above the LT FC IDR. This reflects strong 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.

<b>Overall Country Ceiling Uplift (CCM + QA, notches)</b>				<b>+1</b>
<b>Country Ceiling Model (CCM, notches)</b>				<b>+2</b>
<b>Pillar I = Balance of payments restrictions</b>				<b>+3</b>
Current account restrictions (% of 40)	Latest	10.0		+3
Capital account restrictions (% of 69)	Latest	15.9		+3
<b>Combined pillar II &amp; III incentives score</b>				<b>+1</b>
<b>Pillar II = Long-term institutional characteristics</b>				<b>+2</b>
<b>Governance (WB WGI)</b>	Latest	94.7		+3
<b>International trade</b>				+1
Trade openness	2019-23 avg	45.4		+2
Volatility of change in CXR (across 10yrs)	2023	18.4		0
Export share to FTA partners	2019-23 avg	86.4		+3
<b>International financial integration<sup>a</sup></b>	2019-23 avg	49.9		+2
<b>Pillar III = Near-term risks</b>				<b>+1</b>
<b>Macro-financial stability risks</b>				+1
Composite inflation risk score				+1
Volatility of CPI (across 10yrs)	2023	2.7		+2
Recent CPI peak	2019-23 max	8.7		+3
Cumulative broad money growth	2018-23 chg %	65.2		+1
Volatility of change in REER (across 10yrs)	2023	7.1		+1
Dollarisation	Most recent	11.3		+2
<b>Exchange rate risks</b>				+2
Net external debt (% of CXR)	2021-23 avg	52.3		+1
Exchange rate regime	Latest	Floating		+3
<b>Qualitative Adjustment (QA, notches)</b>				<b>-1</b>
Pillar I = Balance of payments restrictions				-1
Pillar II = Long-term institutional characteristics				0
Pillar III = Near-term macro-financial stability risks				0

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



## Full Rating History

Date	Foreign-Currency Rating			Local-Currency Rating			Country Ceiling
	Long-Term	Short-Term	Outlook/Watch	Long-Term	Short-Term	Outlook/Watch	
18 Mar 22	A	F1+	Stable	A	F1+	Stable	A+
22 May 20	A	F1+	Negative	A	F1+	Negative	A+
24 May 19	A	F1+	Stable	A	F1+	Stable	A+
08 Dec 17	A	F1	Stable	A	F1	Stable	A
07 Jul 17	A-	F2	Positive	A-	F1	Positive	A-
13 Jan 17	BBB+	F2	Positive	BBB+	F2	Positive	BBB+
22 Jul 16	BBB+	F2	Stable	BBB+	F2	Stable	BBB+
24 Jul 15	BBB+	F2	Stable	A-	-	Stable	BBB+
30 Jan 15	BBB	F3	Positive	BBB+	-	Positive	BBB
14 Feb 13	BBB	F3	Stable	BBB+	-	Stable	BBB
17 Feb 12	BBB-	F3	Stable	BBB+	-	Stable	BBB-
16 May 11	BB+	B	Stable	BBB+	-	Stable	BB+
05 Jan 10	BB+	B	Negative	BBB+	-	Negative	BB+
23 Dec 09	BBB-	F3	Negative	A-	-	Negative	BBB-
08 Oct 08	BBB-	F3	Watch Negative	A-	-	Watch Negative	BBB-
30 Sep 08	A-	F2	Watch Negative	AA	-	Watch Negative	A
01 Apr 08	A+	F1	Negative	AA+	-	Negative	AA-
15 Mar 07	A+	F1	Stable	AA+	-	Stable	AA-
21 Feb 06	AA-	F1+	Negative	AAA	-	Negative	AA
17 Jun 04	AA-	F1+	Stable	AAA	-	Stable	AA
31 Mar 03	AA-	F1+	Stable	AAA	-	Stable	-
15 Feb 02	AA-	F1+	Negative	AAA	-	Negative	-
26 Feb 01	AA-	F1+	Stable	AAA	-	-	-
21 Sep 00	AA-	F1+	Stable	AAA	-	Stable	-
03 Feb 00	AA-	F1+	-	AAA	-	-	-

Source: Fitch Ratings

## Appendix 1: Environmental, Social and Governance (ESG)

### Credit Relevance Scores

General Issues	Key Sovereign Issues	SRM	QO	Score <sup>a</sup>
<b>Environmental (E)</b>				
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
<b>Social (S)</b>				
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
<b>Governance (G)</b>				
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 organizations, 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 World Bank Governance Indicators 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 World Bank Governance Indicators 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 World Bank Governance Indicators 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 more than 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](https://www.fitchratings.com/topics/esg/products#esg-relevance-scores).

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## 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 (WBG), 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 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 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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