

Iceland Business Forecast Report Q2 2014

<https://marketpublishers.com/r/I90D53A250CEN.html>

Date: March 2014

Pages: 20

Price: US\$ 1,195.00 (Single User License)

ID: I90D53A250CEN

Abstracts

Core Views

Public resentment towards the government's decision not to allow a referendum on EU membership is threatening cohesion of the current administration. Plummeting support for the governing Progressive Party means we could see a change in key personnel over the course of 2014, although policy trajectory is unlikely to change. Real GDP growth will be slightly above long-term trend at 2.4% over our 10 year forecast period. This rate of economic expansion will be amongst the fastest for any developed nation, but it will still take until 2015 for real GDP to reach pre-crisis levels.

The government's planned US\$1.25bn mortgage debt relief package will not be a panacea. The previous administration's previous rounds of relief did not spark significant extra consumer spending or investment in housing. The plans also threaten to erode much of the improvement experienced in Iceland's current account position over recent quarters.

Major Forecast Changes

We have revised our medium-term krona forecasts, as we had not expected the currency's appreciatory trend to be quite so pronounced in recent months. Nevertheless, while we are not forecasting the unit to average ISK117.00/US\$ over the course of 2014, from ISK125.50/ US\$ previously, this still implies weakness from current levels, with further depreciation highly likely over the duration of our 10-year forecast horizon. If the currency continues to strengthen over the next few quarters, the selloff will be much more aggressive when it does eventually play out.

Key Risks To Outlook

Global economic conditions could deteriorate markedly, stifling Iceland's export-driven recovery.

If the government decides to remove the country's capital controls too soon it could result in a disorderly depreciation of the krona.

Contents

Executive Summary
Core Views
Major Forecast Changes
Key Risks To Outlook

CHAPTER 1: POLITICAL OUTLOOK

SWOT Analysis
BMI Political Risk Ratings
Domestic Politics
PM Position Under Threat

Iceland's government will focus on the debt write-down for households in a bid to win back lost support over its decision not to allow a referendum on EU accession. Nevertheless, since this may not be enough to reverse the decline in its popularity, we do not rule out a replacement of key officials, including the prime minister, over the next few months.

Table: Political Table

Long-Term Political Outlook
Few Major Threats On the Horizon

Over our 10-year forecast period, we see Iceland enjoying a high degree of political stability, given a very solid security environment, few societal dividing lines and a high standard of living. The Progressive-Independence Party coalition's decision not to pursue EU membership may actually reduce political uncertainty rather than increase it.

CHAPTER 2: ECONOMIC OUTLOOK

SWOT Analysis
BMI Economic Risk Ratings
Economic Activity
Debt Write Down Would Threaten Recovery

Government plans to write down ISK50bn in household debt place upside risks to our short-term real GDP growth forecasts for Iceland. However, if implemented they would exacerbate domestic economic distortions and further delay the removal of restrictive capital controls.

Table: ECONOMIC ACTIVITY

Exchange Rate Forecast
ISK: Depreciation Only A Matter Of Time

Table: Currency Forecast

CHAPTER 3: 10-YEAR FORECAST

The Icelandic Economy to 2023

Settling Into A More Moderate Long-Term Growth Trend

Real GDP growth over our 10 year forecast period is forecast to average 2.5%. This is lower than the 4.7% in the decade to 2007, but higher than our 2012-2021 eurozone average forecast of 1.4%. However, population growth rather than productivity gains will be a major driver of economic expansion.

Table: Long-Term Macroeconomic Forecasts

CHAPTER 4: BMI GLOBAL ASSUMPTIONS

Global Outlook

Global Growth Optimism Turning To Disappointment

Table: Global Assumptions

Table: Developed States, Real GDP Growth, %

Table: BMI VERSUS BLOOMBERG CONSENSUS REAL GDP GROWTH FORECASTS, %

Table: Emerging Markets, Real GDP Growth, %

I would like to order

Product name: Iceland Business Forecast Report Q2 2014

Product link: <https://marketpublishers.com/r/I90D53A250CEN.html>

Price: US\$ 1,195.00 (Single User License / Electronic Delivery)

If you want to order Corporate License or Hard Copy, please, contact our Customer Service:

info@marketpublishers.com

Payment

To pay by Credit Card (Visa, MasterCard, American Express, PayPal), please, click button on product page <https://marketpublishers.com/r/I90D53A250CEN.html>