



## JUNE 2010 ECONOMIC OUTLOOK FOR ICELAND: ANSWERS FROM SA

<b>MAIN FORECAST</b>						
<i>Annual % change</i>		<b>2010</b>	<b>2011</b>			
Real GDP growth		-3,0	2,3			
Consumer price inflation		6,2	3,8			
Unemployment rate		9,7	8,6			
Employment growth		-1,5	n/a			
government net lending (% of GDP)		-9,4	-5,3			
gross public debt (% of GDP)		119,9	110,7			
current account balance (% of GDP)		5,4	1,8			
<b>Components of aggregate demand - in real terms</b>						
<i>Annual % change</i>		<b>2010</b>	<b>2011</b>			
Private consumption		1,4	2,1			
Public consumption		-2,5	-2,0			
Private non-residential investment		12,6	20,7			
Exports		1,0	1,0			
Imports		0,8	5,9			
<b>ECONOMIC SENTIMENT</b>						
	<b>Positive</b>	<b>Negative</b>	<b>Unchanged</b>			
<b>Trend in business climate over the next 6 months</b>			Industry			
			Services			
	<b>Positive</b>	<b>Negative</b>	<b>Unchanged</b>			
<b>Trend in profitability over the next 6 months</b>		Industry				
		Services				
	<b>Global demand</b>	<b>Domestic demand</b>	<b>Cost of finance</b>	<b>Availability of finance</b>	<b>Company Profitability</b>	<b>Capacity Utilisation</b>
<b>Influence on companies' investment decisions</b>	neutral	neutral	negative	negative	neutral	negative
	<b>Replacement</b>	<b>Extension</b>	<b>Rationalisation</b>	<b>Innovation</b>		
<b>Driving force behind investment decisions in the next 6 months</b>	positive	positive	positive	positive		
	<b>Industry: past 6 months</b>	<b>Industry: next 6 months</b>	<b>Services: past 6 months</b>	<b>Services: next 6 months</b>		
<b>Overall trend in employment</b>	Down	Down	Down	Down		



POLICY MIX					
	<i>Tight, appropriate for the euro area</i>	<i>Tight</i>	<i>Appropriate</i>	<i>Loose</i>	<i>Loose, appropriate for the euro area</i>
<i>Monetary policy is...</i>		yes			
	<i>adequate</i>	<i>inadequate</i>			
<i>Consistency between fiscal and monetary policies</i>		yes			
	<i>excellent commitment</i>	<i>satisfactory commitment</i>	<i>neither satisfactory nor unsatisfactory commitment</i>	<i>unsatisfactory commitment</i>	<i>no clear commitment creating an extremely worrying situation</i>
<i>Regarding the sustainability of public finances, government shows ...</i>				yes	
	<i>excessive focus</i>	<i>sufficient focus</i>	<i>neither satisfactory nor unsufficient focus</i>	<i>unsufficient focus</i>	<i>so far ignored</i>
<i>Exit Strategies</i>					
<i>Tight fiscal rules and more effective institutions</i>				yes	
<i>Greater efficiency of public administrations</i>				yes	
<i>Credible cost-cutting measures</i>				yes	
<i>Increased scope of public-private partnerships</i>					yes
<i>Reform of pension systems</i>					yes
<i>Improved efficiency of healthcare sector</i>				yes	
	<i>excessive focus</i>	<i>sufficient focus</i>	<i>neither satisfactory nor unsufficient focus</i>	<i>unsufficient focus</i>	<i>so far ignored</i>
<i>Entry Strategies</i>					
<i>More and better-targeted education and training</i>		yes			
<i>More and better targeted R&amp;D and innovation efforts</i>		yes			



ACCESS TO FINANCE AND IMPACT OF THE CRISIS ON POTENTIAL GROWTH				
<b>Compared to 6 months ago, cost/access to finance has been...</b>	<b>sharply up / restrained</b>	<b>up / more difficult</b>	<b>same</b>	<b>down / easier</b>
<i>for SMEs</i>			Access	Cost
<i>for larger companies (&gt;250 employees)</i>			Access	Cost
<b>Over the next 6 months, cost /access to finance will be...</b>	<b>sharply up / restrained</b>	<b>up / more difficult</b>	<b>same</b>	<b>down / easier</b>
<i>for SMEs</i>			Access	Cost
<i>for larger companies (&gt;250 employees)</i>			Access	Cost