Research Update:

Iceland Ratings Raised To 'A+ ' On Strong Growth and Fiscal Consolidation; Outlook Stable

November 10, 2023

Overview

- We estimate that a strong tourism season will support real GDP growth of 3.8% in Iceland this year, and domestic demand should also contribute to growth over the next few years.
- The government continues to focus on fiscal consolidation, not least to contain inflation, and we expect general government deficits to be lower than 2% of GDP annually through 2026.
- Meanwhile, we expect Iceland's extensive domestic energy sources (primarily hydro and geothermal) will shield the country from further potential adverse developments affecting global energy markets.
- We therefore raised our long-term ratings on Iceland to 'A+' from 'A', and affirmed our 'A-1' short-term ratings. The outlook is stable.

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Rating Action

On Nov. 10, 2023, S&P Global Ratings raised its long-term foreign and local currency sovereign credit ratings on Iceland to 'A+' from 'A'. The outlook is stable.

We affirmed our 'A-1' short-term sovereign credit ratings on Iceland.

At the same time, we revised our transfer and convertibility assessment to 'AA-' from 'A'.

Outlook

The stable outlook reflects our view that Iceland's economy will continue to expand over the next two years, while recording only modest fiscal and current account deficits.

Downside scenario

We could lower the ratings if Iceland's fiscal or external performance worsened significantly compared to our forecasts. This could happen, for example, if an unanticipated shock hampered the country's key tourism sector.

Upside scenario

We could raise the ratings if Iceland's public finances strengthened significantly more than we currently anticipate, for instance, as a result of stronger growth outcomes or additional measures adopted by the government.

Rationale

The upgrade reflects Iceland's continued strong growth momentum, despite the economy already surpassing its pre-pandemic peak in the first quarter of 2022. We now forecast growth of 3.8% in Iceland for 2023, which is stronger than for other sovereigns we rate in Europe. The key tourism sector, which represents around 30% of exports, is performing well and most indicators, including arrivals, have surpassed the 2019 levels. We expect domestic demand to take over as a key growth driver from 2024, backed by Iceland's strong natural population growth and continued expansion of new economic sectors, including biotechnology, aquafarming, IT, and business services.

We also note that Iceland remains self-sufficient in meeting its domestic energy needs, mainly through local hydropower and geothermal sources. Consequently, the country has not experienced the impact of the spike in energy prices following the start of the Russia-Ukraine war. We expect Iceland will remain shielded from any further adverse developments in the global energy markets.

Meanwhile, the government is accelerating its fiscal consolidation plans, not least to support monetary policy in efforts to bring down inflation, which we expect will average 8% in 2023. We project the general government deficit to fall below 2% of GDP this year, after averaging more than 8% of GDP in 2020-2021. Net general government debt is falling and we forecast it will reach 41% of GDP by 2026, down from 46% of GDP at the end of 2023.

In our view, Iceland's low net external leverage and strong central bank international reserves provide further economic buffers. Iceland's stable institutional framework and effective policymaking also support the ratings.

Nevertheless, the ratings remain constrained by the volatile nature of Iceland's small, open economy and the limited effectiveness of its monetary policy given the strong influence external developments can have on domestic inflation trends. We consider these factors unlikely to change in the near future.

Institutional and economic profile: Iceland's medium-term growth prospects remain strong

- We forecast that a strong tourism season, with arrivals exceeding pre-pandemic levels, will contribute to growth of close to 4% in real terms this year.
- Domestic demand will become a more important growth driver from 2024, mainly due to strong population growth and expansion of nascent economic sectors.
- We anticipate that the government will pursue continuity of economic and social policies, as well as environmental protection.

Iceland's economy appears set for another year of strong growth. We expect real GDP to expand by 3.8% in 2023, buoyed by the tourism sector, which continues its recovery from pandemic-related setbacks. This follows an already-strong recovery over the past few years, with real GDP increasing by 4.5% in 2021 and 7.2% in 2022. Importantly, Iceland's economy has not been significantly affected by the Russia-Ukraine war due to limited trade exposure, with Russia and Ukraine each representing less than 1% of total trade before the armed conflict began. In addition, Iceland's self-sufficiency in energy production shields it from disruptions in European energy markets. Iceland produces virtually all of its electricity from renewable sources (70% from hydropower and 30% from geothermal plants). Natural gas is not part of its energy mix.

The strong recovery of tourism will likely result in several main indicators surpassing 2019 figures, including foreign arrivals, which could exceed 2.2 million this year. However, we believe tourism growth after 2023 will normalize, also reflecting capacity constraints. We expect domestic demand will emerge as a more pronounced growth driver from 2024. Agreed collective wage increases in 2022 of close to 8% will keep real income growth positive; Iceland has one the highest unionization rates globally. We also expect unemployment will average a low 3.7% this year and next, supporting consumption.

Another factor that will continue to support Iceland's economic development over the next few years is a favorable demographic profile. Iceland is one of few European countries with positive natural population growth; this, coupled with net migration, has increased the population by almost 20% over the past decade. Even with slightly lower population growth, we still expect this will contribute to economic growth in the future, including in emerging sectors such as pharmaceuticals, biotech, aquafarming, IT, and business services.

Nevertheless, Iceland fundamentally remains a small and open economy, with a population of about 400,000, and an estimated GDP of about $31 billion in 2023. Despite growth in new economic sectors, Iceland's export base remains concentrated in marine products, processed aluminum, and tourism. These three sectors represent close to 70% of total goods and services exports. In our view, the country therefore remains susceptible to external shocks and shifts in terms of trade. We estimate tourism revenue will amount to over 15% of GDP in 2023.

In our view, Iceland's institutional arrangements remain a rating strength, with functioning checks and balances between various institutions. The country's swift and effective policy responses to the pandemic underpin our view of generally effective and stable policymaking. The government coalition, consisting of three parties that span much of the political spectrum, has effectively progressed its agenda with a broadly consensus-oriented approach to policymaking. It is currently focused on economic and social reforms and environmental protection, and we expect this will remain the case over the next few years.

Flexibility and performance profile: Monetary and fiscal policy remain tight amid still-elevated inflation

- The central bank of Iceland has responded to high inflation--which we forecast at over 8% this year--by raising its key rate by a cumulative 8.5 percentage points since May 2021 to 9.25% to date.
- Additional consolidation measures will push the general government deficit below 2% of GDP this year, compared with an average of about 8% of GDP in 2020-2021, and despite currently high interest costs.
- We forecast only modest current account deficits and expect Iceland will remain in a net external creditor position through 2026.

Iceland's strong economic expansion has strengthened its fiscal outlook, and the government has tightened its fiscal stance so as not to fan inflation. The ongoing economic recovery has been particularly visible in revenue, which rose by about 16% year on year in 2022 and will likely increase by a further 6% in 2023. These increases outpaced spending pressures from inflation, including through rising interest costs originating from Iceland's large amount of inflation-linked debt.

The government previously suspended its fiscal rules until 2026 and has recently brought their reinstatement forward to 2025, after which deficits may not exceed 2.5% of GDP. However, we believe it will achieve the 2.5% target this year, with deficits narrowing to less than 2.0% of GDP. We expect the general government deficit to remain below 2.0% of GDP over 2024-2026. This indicates the high degree of consolidation the government has achieved in a short period, given that deficits in 2020 and 2021 averaged about 8% of GDP. Apart from the budget, Iceland's public finances have also recently benefited from the sale of the government's stake in Islandsbanki, and further sales are possible.

The improved fiscal outlook will help reduce Iceland's general government debt as a share of GDP. The country had already deleveraged extensively until 2019, when net general government debt had declined to about 37% of GDP from a peak of nearly 80% in 2011. Following the pandemic-led increase in debt, we now expect net general government debt will reach a moderate 41% of GDP by 2026.

Iceland's debt profile has also improved materially over the past decade. Over 80% of gross government debt is now held domestically and only about 16% is denominated in foreign currency. In line with previous policies, the authorities have placed the proceeds of foreign currency debt issuance as deposits at the central bank to bolster foreign exchange reserves, also over the past two years. The government covered its budget deficits in 2020 and 2021 predominantly by issuing debt on the domestic market under favorable conditions. Additional bond placements in international markets remain an option, in our view.

Furthermore, the government has previously drawn from the liquid assets of 100% state-owned enterprise, the HF Fund. In total, this funding source covered one-third of combined deficits in in 2020 and 2021. The HF Fund's predecessor, the HFF, previously provided affordable housing loans in Iceland. Currently, the HF Fund is being wound down following changes to government policy. The authorities are effectively managing the HF Fund's and treasury's liquidity positions jointly. That said, we expect this funding practice will not be used extensively in the future, even though these additional domestic financing options, as well as low interest costs for past foreign issuance, have helped the government trim financing costs. We expect the government's interest bill to stabilize at about 6% of revenue from 2025, after a temporary increase close to 9% in 2022-2023 due to high inflation (about 40% of central government debt is linked to inflation).

We continue to exclude the HF Fund's liabilities, as well as gross and net income, from our general government data. This is because we continue to classify HF Fund as representing a contingent liability, despite its recent inclusion in the data reported by Iceland's national statistical office. The HF Fund's balance sheet represented about 17% of GDP at year-end 2022. We consider it a contingent liability, since the government has provided a guarantee for the HF Fund's outstanding debt. Although the HF Fund has sufficient liquid assets to meet its liabilities in the next few years, losses related to an interest-rate mismatch between the institution's assets and liabilities would ultimately require an additional capital contribution from the government. We continue to include the estimated net present value of the capital shortfall in our general government debt calculations, even though the HF Fund's full liabilities are not. The government is currently speeding up the winddown of the HF Fund, but total government guarantees remain high. At about 20% of estimated GDP in 2023, guarantees pertain mainly to the HF Fund but are decreasing because of the gradual shrinkage of the HF Fund's balance sheet.

As in other countries, inflation has remained elevated in Iceland over the past few months and was close to 8% in September 2023. Generally speaking, the contribution of imputed rents, primarily reflecting rising house prices, to headline inflation has been volatile. It was an initial driver of inflation, but substantially decreased at the end of 2022 when price increases became more broad-based (with food, transportation, imported goods, and wage increases becoming more important factors). More recently, the contribution of imputed rents to overall inflation has reemerged. Energy prices have had a lower impact on headline inflation than elsewhere in Europe, reflecting Iceland's lower energy commodity imports. Recently agreed wage increases could further amplify domestic inflation over the next few months.

The inflation rate has been exceeding the central bank's target of 2.5% for more than three years, and we do not expect it reach the target in the near term. The central bank has tightened monetary policy over the past few months, mostly in the form of several rate hikes. The key policy rate is now 9.25%, up 8.5 percentage points from a low of 0.75% in May 2021. We believe the central bank could tighten its policy stance further, potentially also using other policy tools, including macroprudential measures, despite rate hikes, should inflation exceed expectations.

Iceland has accumulated net foreign exchange reserves in recent years on the back of the tourism sector's strong performance as well as government bond placements at favorable terms in 2020 and 2021. This continues to provide the central bank with substantial policy room. Fundamentally, however, we still view Iceland's monetary policy effectiveness as constrained. The underlying economy represents one of the smallest currency areas globally and, historically, domestic inflation has been heavily influenced by developments abroad. The country's real effective exchange rate also tends to fluctuate over the economic cycle and could be subject to large valuation swings, exacerbating the cyclicality inherent in the economy.

Iceland's current account has generally remained strong over the past years and throughout the pandemic. It only moved into a slight deficit in 2021, despite the significant contraction of tourism, the country's most important export sector. High primary income outflows, and higher imports due to strong domestic demand, widened the deficit in 2022. Still, we believe these factors will partly reverse, with current account deficits below 1% of GDP throughout 2023-2026. We note that, over 2013-2019, Iceland's current account surpluses averaged over 6% of GDP, which supported external deleveraging.

We project that Iceland's net external asset position will remain roughly stable, at 25%-30% of GDP over the next few years. Iceland has been in a net external asset position since 2016, with a marked increase in 2020-2021 and some contraction in 2022 due to asset revaluations. Iceland's foreign assets include significant foreign exchange reserves at the central bank of about $5.5 billion, or 15%-20% of GDP through 2026.

Icelandic banks' earnings have continued to improve owing to sustained, albeit softening, loan demand; higher interest rates; and strong internal efficiency. We expect profitability will remain strong, with the return on average equity at 11%-13% through 2025. We project that higher financing costs and tighter financial conditions for borrowers will result in credit losses rising moderately by 20 basis points to 25 basis points of gross loans over the next two years. Nevertheless, banks' capitalization remains robust and earnings provide a large buffer to absorb higher credit losses than we project in our base case. We therefore think the financial sector represents a limited contingent liability for the government.

Key Statistics

Table 1

Iceland--Selected Indicators

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Economic indicators (%)										
Nominal GDP (bil. LC)	2,642.0	2,844.1	3,026.1	2,920.5	3,250.4	3,796.6	4,214.7	4,514.6	4,777.8	5,019.6
Nominal GDP (bil. $)	24.7	26.3	24.7	21.6	25.6	28.1	31.0	33.2	35.6	37.3
GDP per capita (000s $)	73.1	75.4	69.1	59.2	69.4	74.6	80.0	84.1	88.6	91.6
Real GDP growth	4.2	4.9	1.9	(7.2)	4.5	7.2	3.8	2.8	2.2	2.5
Real GDP per capita growth	2.4	1.8	(0.6)	(9.0)	3.2	5.1	0.7	0.7	0.7	1.0
Real investment growth	10.6	2.3	(4.1)	(7.4)	10.8	7.6	3.0	4.3	3.3	3.0
Investment/GDP	21.7	22.1	20.7	21.4	22.4	22.5	22.0	22.0	22.2	22.3
Savings/GDP	26.0	26.4	27.2	22.3	19.5	20.6	21.7	21.8	22.0	22.1
Exports/GDP	45.7	46.0	43.7	33.2	37.3	46.6	47.1	46.6	46.2	46.2
Real exports growth	5.1	0.4	(5.3)	(31.0)	14.6	22.3	5.5	3.3	2.5	2.5
Unemployment rate	3.3	3.1	3.9	6.4	6.0	3.7	3.5	3.9	4.1	4.1
External indicators (%)										
Current account balance/GDP	4.2	4.3	6.5	0.9	(3.0)	(2.0)	(0.3)	(0.2)	(0.2)	(0.2)
Current account balance/CARs	8.5	8.4	13.5	2.4	(7.2)	(3.9)	(0.5)	(0.5)	(0.3)	(0.4)
CARs/GDP	49.8	50.4	48.5	37.8	41.2	50.5	50.8	50.0	49.6	49.4
Trade balance/GDP	(6.1)	(5.5)	(3.4)	(2.9)	(4.3)	(5.6)	(5.0)	(5.0)	(4.9)	(4.9)
Net FDI/GDP	0.7	(1.7)	(2.8)	(2.3)	2.0	3.5	0.5	(0.5)	(0.5)	(0.5)
Net portfolio equity inflow/GDP	(1.1)	(2.0)	(1.0)	(4.0)	(4.7)	(3.2)	(2.5)	(2.0)	(2)	(2.0)
Gross external financing needs/CARs plus usable reserves	79.5	83.4	80.1	80.4	90.4	91.0	96.4	98.5	96.4	99.9
Narrow net external debt/CARs	51.2	41.7	39.4	67.2	66.3	53.3	54.4	55.7	54.9	54.6
Narrow net external debt/CAPs	56.0	45.6	45.6	68.8	61.8	51.2	54.1	55.4	54.7	54.4
Net external liabilities/CARs	(6.0)	(18.7)	(43.6)	(99.3)	(90.5)	(44.8)	(47.9)	(49.0)	(51.4)	(54.5)
Net external liabilities/CAPs	(6.6)	(20.5)	(50.4)	(101.7)	(84.4)	(43.1)	(47.7)	(48.7)	(51.2)	(54.3)
Short-term external debt by remaining maturity/CARs	34.7	33.2	36.0	49.8	38.1	32.6	31.9	30.6	25.5	29.2

Table 1

Iceland--Selected Indicators (cont.)

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Usable reserves/CAPs (months)	7.7	6.5	7.3	10.2	6.8	5.8	4.5	4.0	3.6	3.6
Usable reserves (mil. $)	6,575.3	6,327.9	6,787.2	6,420.8	7,079.6	5,893.3	5,500.0	5,375.0	5,500.0	5,500.0
Fiscal indicators (general government; %)										
Balance/GDP	1.0	1.1	(1.4)	(8.3)	(7.8)	(3.2)	(1.7)	(1.4)	(1.2)	(1.0)
Change in net debt/GDP	(1.9)	(4.3)	8.1	6.9	7.4	8.0	2.1	0.3	0.9	1.2
Primary balance/GDP	4.5	3.5	0.7	(6.2)	(5.7)	0.4	2.0	1.7	1.3	1.5
Revenue/GDP	43.6	42.9	40.5	41.6	40.7	42.5	40.5	41.0	41.0	41.0
Expenditures/GDP	42.6	41.9	41.9	49.8	48.5	45.7	42.2	42.4	42.2	42.0
Interest/revenues	8.0	5.8	5.3	5.0	5.2	8.4	9.1	7.6	6.1	6.1
Debt/GDP	45.5	39.3	46.3	60.5	62.5	60.1	56.0	51.9	49.4	48.2
Debt/revenues	104.4	91.6	114.4	145.5	153.7	141.3	138.4	126.5	120.4	117.5
Net debt/GDP	37.8	30.8	37.0	45.2	48.0	49.1	46.3	43.6	42.0	41.2
Liquid assets/GDP	7.7	8.5	9.3	15.2	14.5	11.0	9.7	8.3	7.3	7.0
Monetary indicators (%)										
CPI growth	1.8	2.7	3.0	2.8	4.4	8.3	8.3	4.7	3.5	2.5
GDP deflator growth	0.9	2.6	4.5	4.0	6.5	8.9	7.0	4.3	3.5	2.5
Exchange rate, year-end (LC/$)	104.42	116.33	121.10	127.21	130.38	142.04	136.29	135.28	133.30	135.56
Banks' claims on resident non-gov't sector growth	6.8	9.0	4.1	4.7	(7.4)	11.4	6.0	5.0	5.0	5.0
Banks' claims on resident non-gov't sector/GDP	129.7	131.3	128.5	139.4	116.0	110.7	105.7	103.6	102.8	102.8
Foreign currency share of claims by banks on residents	11.6	12.3	12.8	13.3	14.1	13.7	N/A	N/A	N/A	N/A
Foreign currency share of residents' bank deposits	9.7	12.2	12.3	10.8	11.2	11.4	N/A	N/A	N/A	N/A

Table 1

Iceland--Selected Indicators (cont.)

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Real effective exchange rate growth	12.1	(2.6)	(7.0)	(8.1)	4.0	2.8	0.0	0.0	0.0	0.0

Sources: Statistics Iceland (Economic Indicators), Central Bank of Iceland, The Government of Iceland External Indicators), Statistics Iceland, Central Bank of Iceland (Fiscal Indicators), and Central Bank of Iceland, IMF (Monetary Indicators).
Adjustments: Government debt adjusted by including loans from Norges Bank and the IMF. Government fiscal metrics exclude the Icelandic Housing Financing Fund. External metrics exclude debt from previous DMBs in settlement proceedings.
Definitions: Savings is defined as investment plus the current account surplus (deficit). Investment is defined as expenditure on capital goods, including plant, equipment, and housing, plus the change in inventories. Banks are other depository corporations other than the central bank, whose liabilities are included in the national definition of broad money. Gross external financing needs are defined as current account payments plus short-term external debt at the end of the prior year plus nonresident deposits at the end of the prior year plus long-term external debt maturing within the year. Narrow net external debt is defined as the stock of foreign and local currency public- and private-sector borrowings from nonresidents minus official reserves minus public-sector liquid claims on nonresidents minus financial-sector loans to, deposits with, or investments in nonresident entities. A negative number indicates net external lending. N/A--Not applicable. LC--Local currency. CARs--Current account receipts. FDI--Foreign direct investment. CAPs--Current account payments. The data and ratios above result from S&P Global Ratings' own calculations, drawing on national as well as international sources, reflecting S&P Global Ratings' independent view on the timeliness, coverage, accuracy, credibility, and usability of available information.

Ratings Score Snapshot

Table 2

Iceland--Ratings Score Snapshot

Key rating factors	Score	Explanation
Institutional assessment	2	Generally strong, but relatively shorter track record of policies that deliver sustainable public finances and consistently balanced economic growth over the long term. Generally effective checks and balances and free flow of information through society. Statistical information is generally timely and reliable.
Economic assessment	2	Based on GDP per capita ($) as per the Selected Indicators table above. The economy is concentrated in fishing, aluminum, and tourism. Metal and fishing sectors each represent 20% and tourism generally over one-third of the export base. We estimate revenues from tourism at close to 20% from GDP; these could be volatile in case of adverse economic developments in Iceland’s main trading partners, a more pronounced shift in global travel preferences, or in case of natural disaster.
External assessment	3	Based on narrow net external debt and gross external financing needs as per Selected Indicators in Table 1. Iceland's net international investment position is more favorable than the narrow net external debt position by over 100% of current accounts receipts (CARs), as per Selected Indicators in Table 1. The country is exposed to significant volatility in terms of trade, due to its dependence on tourism exports and changes in metal prices.
Fiscal assessment: flexibility and performance	2	Based on change in net general government debt (% of GDP) as per Selected Indicators in Table 1.
Fiscal assessment: debt burden	4	Based on net general government debt (% of GDP) and general government interest expenditure (% of general government revenue) as per Selected Indicators in Table 1. Contingent liabilities are moderate. We assess the amount of guarantees provided by Iceland (implicitly and explicitly) to various non deposit-taking institutions at close to 20% of GDP. We believe there is a significant likelihood of extraordinary government support.

Table 2

Iceland--Ratings Score Snapshot (cont.)

Monetary assessment	4	The krona is largely floating following the removal of capital controls, albeit with a shorter track record. The central bank has broad operational independence and uses market-based monetary instruments. Given the removal of capital controls and accumulation of extra net foreign exchange reserves, the central bank can act as lender of last resort for the financial system. However, Iceland exhibits a volatile real effective exchange rate over the economic cycle.
Indicative rating	a+	As per Table 1 of "Sovereign Rating Methodology.
Notches of supplemental adjustments and flexibility	0	
Final rating		
Foreign currency	A+	
Notches of uplift	0	Default risks do not apply differently to foreign- and local-currency debt.
Local currency	A+	

S&P Global Ratings' analysis of sovereign creditworthiness rests on its assessment and scoring of five key rating factors: (i) institutional assessment; (ii) economic assessment; (iii) external assessment; (iv) the average of fiscal flexibility and performance, and debt burden; and (v) monetary assessment. Each of the factors is assessed on a continuum spanning from 1 (strongest) to 6 (weakest). S&P Global Ratings' "Sovereign Rating Methodology," published on Dec. 18, 2017, details how we derive and combine the scores and then derive the sovereign foreign currency rating. In accordance with S&P Global Ratings' sovereign ratings methodology, a change in score does not in all cases lead to a change in the rating, nor is a change in the rating necessarily predicated on changes in one or more of the scores. In determining the final rating the committee can make use of the flexibility afforded by §15 and §§126-128 of the rating methodology.

Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Governments | Sovereigns: Sovereign Rating Methodology, Dec. 18, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- General Criteria: Methodology: Criteria For Determining Transfer And Convertibility Assessments, May 18, 2009

Related Research

- Sovereign Ratings Score Snapshot, Nov. 7, 2023
- Global Sovereign Rating Trends: Third-Quarter 2023, Oct. 16, 2023
- Sovereign Ratings List, Oct. 13, 2023
- Sovereign Ratings History, Oct. 13, 2023
- Sovereign Risk Indicators, Oct. 9, 2023. Interactive version available at http://www.spratings.com/sri
- 2022 Annual Global Sovereign Default And Rating Transition Study, April 28, 2023
- Banking Industry Country Risk Assessment: Iceland, March 24, 2023

- Sovereign Debt 2023: Developed Europe Government Borrowing Estimated At $1.7 Trillion, March 9, 2023
- Global Aging 2023: The Clock Ticks, Jan. 18, 2023

In accordance with our relevant policies and procedures, the Rating Committee was composed of analysts that are qualified to vote in the committee, with sufficient experience to convey the appropriate level of knowledge and understanding of the methodology applicable (see 'Related Criteria And Research'). At the onset of the committee, the chair confirmed that the information provided to the Rating Committee by the primary analyst had been distributed in a timely manner and was sufficient for Committee members to make an informed decision.

After the primary analyst gave opening remarks and explained the recommendation, the Committee discussed key rating factors and critical issues in accordance with the relevant criteria. Qualitative and quantitative risk factors were considered and discussed, looking at track-record and forecasts.

The committee's assessment of the key rating factors is reflected in the Ratings Score Snapshot above.

The chair ensured every voting member was given the opportunity to articulate his/her opinion. The chair or designee reviewed the draft report to ensure consistency with the Committee decision. The views and the decision of the rating committee are summarized in the above rationale and outlook. The weighting of all rating factors is described in the methodology used in this rating action (see 'Related Criteria And Research').

Ratings List

Upgraded; Ratings Affirmed

	To	From
Iceland		
Sovereign Credit Rating	A+/Stable/A-1	A/Positive/A-1
Senior Unsecured	A+	A
Short-Term Debt	A-1	A-1
Transfer & Convertibility Assessment	AA-	A

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.spglobal.com/ratings for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/504352. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.spglobal.com/ratings. Alternatively, call S&P Global Ratings' Global Client Support line (44) 20-7176-7176.