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Debt Sustainability

Efnahags- og skattanefnd
7 November 2009
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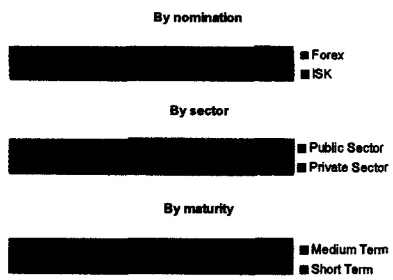
IMF Resident Representative in Iceland

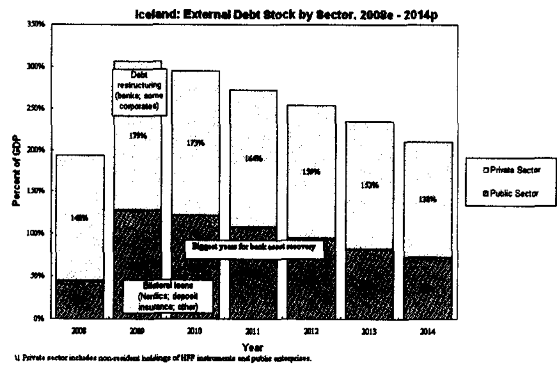
Summary debt data
(in percent of GDP)

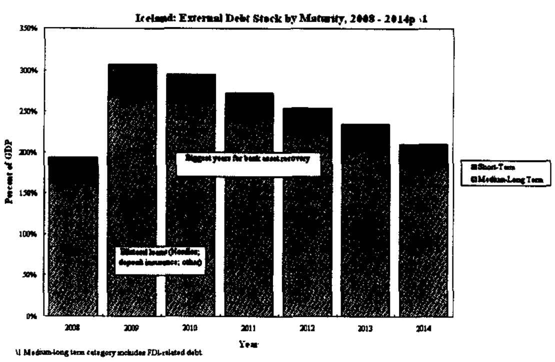
External position		(percent of GDP)
External Debt (end 2009)	1/	307
External Assets (CBI estimate June 2009)		181
Net (but note mismatch of dates)		*126*
Public Sector (end 2009)		(percent of GDP)
Gross Debt 2/		125
Liquid Assets		35
Net		*90*

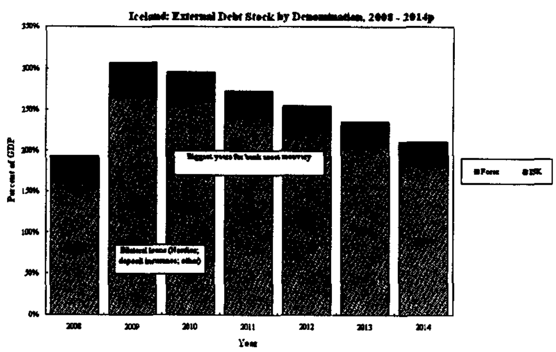
1/ Includes Icesave loan (49 percent of GDP including accrued interest) and two tranches of Nordic Loans
2/ Includes estimated net present value of Icesave guarantee after debt recovery (17.2 percent of GDP based on 75 percent recovery)

External Debt Composition

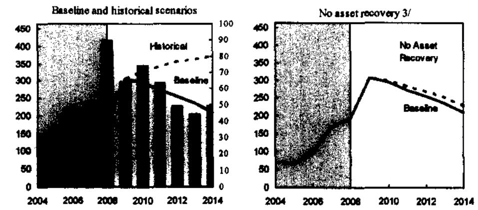






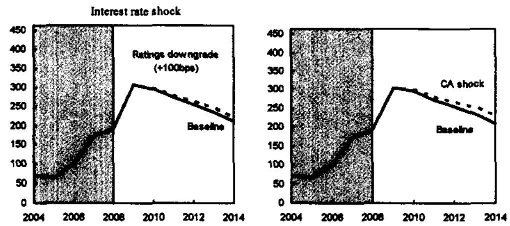


External Debt Sustainability: Current Baleline Projection (in percent of GDP) 1

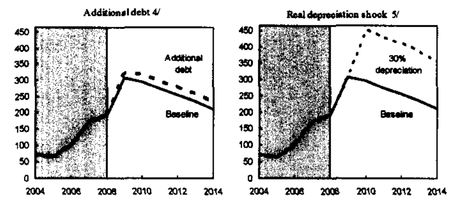


3/ No asset recovery scenario excludes the effects of the baseline projection of $3.4bn in asset recovery from external sources over the forecast horizon.

External Debt Sustainability: Current Baleline Projection (in percent of GDP) 2

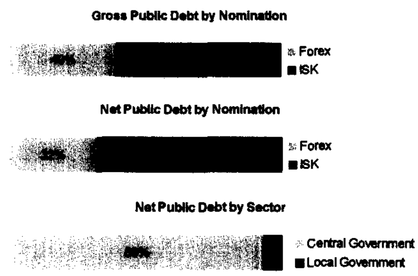


External Debt Sustainability: Current Baleline Projection (in percent of GDP) 3

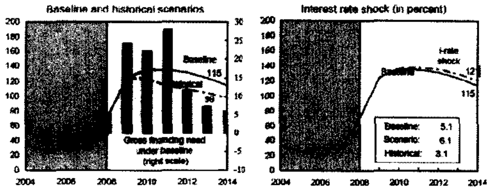


4/ Assumes upper end of estimates for external debt emanating from old bank restructuring (+$2.4bn).
5/ One-time real depreciation of 30 percent occurs in 2010.

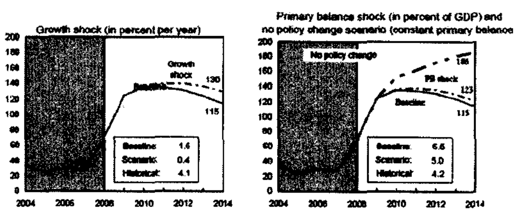
Public Debt Composition



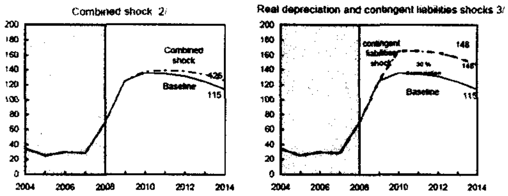
Public Debt Sustainability under Adjusted Program (Public debt in percent of GDP) 1



Public Debt Sustainability under Adjusted Program (Public debt in percent of GDP) 2



Public Debt Sustainability under Adjusted Program (Public debt in percent of GDP) 3



Sources: International Monetary Fund, country desk data, and staff estimates.
1/ Shaded areas represent actual data. Individual shocks are permanent one-half standard deviation shocks. Figures in the boxes represent average projections for the respective variables in the baseline and scenario being presented. Ten-year historical average for the variable is also shown.
2/ Permanent 1/4 standard deviation shocks applied to real interest rate, growth rate, and primary balance.
3/ One-time real depreciation of 30 percent and 20 percent of GDP shock to contingent liabilities occur in 2009, with real depreciation defined as nominal depreciation (measured by percentage fall in dollar value of local currency) minus domestic inflation (based on GDP deflator).