

enterprise europe

accessEuropa Iceland



Business Support on Your Doorstep



European Commission
Enterprise and Industry

KEY FACTS

Location: Northern Europe

Area: 103,000 sq km

Climate: Mild, windy winters; damp, cool summers

Population: 306,694 (July 2009 est)

Capital: Reykjavik

Languages: Icelandic, English

Labour Force: 166,000 (2008 est)

Unemployment Rate: 9.4% (Feb 2009 est)

Currency: Icelandic Krona (ISK)

Government: Constitutional Republic

Exports: \$6.846 billion f.o.b. (2008 est)

Imports: \$6.543 billion f.o.b. (2008 est)

Iceland



Historically, Iceland has experienced erratic growth with periods of high inflation. This is a result of its reliance on a few key exports which have fluctuated dramatically in terms of production and price. Throughout the 1990s the economy experienced a strong economic growth on the back of economic reforms, deregulation and low inflation.

A lack of natural resources led the country to become heavily dependent on the fishing industry which currently provides 70 per cent of export earnings and employs around six per cent of the workforce.

Economy

Iceland was among the first countries to be hit by the global financial crisis and is now moving towards economic recovery with multilateral assistance. Today's leading economic forecasts predict that Iceland will face two years of contraction before economic growth picks up in 2011.

Due to Iceland's strong fundamentals medium and long-term prospects are positive.

Sustainable use of clean energy and marine resources backed by good infrastructure, well funded pension system, culture of innovation and a young and well educated population, will serve as the backbone of Iceland's recovery.

Looking further ahead, Iceland's well educated workforce will be the key to its recovery from the economic crisis.

Geography, Climate and Geology

Iceland is located in the North Atlantic, about 3 hours by air from major cities in Western Europe and 5-6 hours from the East Coast of the USA. Shipping distances are 3-4 days to Europe and 7-8 days to eastern North America. Its mid-Atlantic location makes Iceland an ideal base for companies with business in both continents.

Geologically it is a young country, whose active volcanic forces have created huge resources of geothermal energy, which can provide low-cost industrial steam and electricity, while pollution-free hydropower resources have to some extent been developed in the mountainous highland terrain.

Despite its name, Iceland has a relatively mild climate for its northerly location. The mean annual temperature in the capital, Reykjavik, is -1.5°C in January and 10.3°C in July.

International Framework

Iceland is a founding member of the European Economic Area (EEA). This free-trade zone allows the tariff-free movement of goods, services, capital and labour.

A country domiciled in any of the other 30 member countries of the EEA, and in fact in any of the OECD countries, has the same rights to operate in Iceland as an Icelandic-registered company. It only needs to apply for the same permits and registration as an Icelandic-domiciled company.

Companies registered in Iceland are permitted to operate in all the countries of the EEA without any special permits or legislation. The same rules apply to movements of labour. A national of a foreign country who intends to stay in Iceland for a period exceeding three months must have a residence permit. However, a national of an EEA member country in search of a job is allowed to stay in Iceland for six months without a residence permit. Iceland is actively involved in the work of major international organisations. It is a member of the United Nations, Council of Europe, NATO, EFTA, OECD, GATT, GATS and WTO, and cooperates particularly closely in cultural and social fields with Scandinavian

Investment Incentives

Broadly speaking, Iceland does not offer direct subsidies for business investment. It focuses on the favourable environment for business in general, including low corporation tax, competitive labour and payroll costs, and low energy prices.

European Economic Area countries accounted for 74.8% of all Iceland's exports and 64% of imports in 2006



Economy Facts

GDP (ppp): \$19.02 billion (2008 est)

GDP per capita: \$39,900 (2008 est)

GDP real growth: -3.5% (2008 est)

Inflation: 13.4% (2008 est)

Exports to UK: £421.81 million (2007)

Imports from UK: £201.53 million (2007)

Industrial sites are available around Iceland at competitive costs. Local communities may offer certain incentives.

However, as a member of the EEA, Iceland has access to EU research funds for R&D Programmes and joint ventures undertaken with companies from at least one other EEA country.

Grants are issued for specific projects on a case-by-case basis by bodies including the New Business Venture Fund and Science Fund.

Foreign Trade

European Economic Area countries accounted for 74.8% of all Iceland's exports and 64.7% of imports in 2006, led by the Netherlands (16.6% of exports / 4.8% of imports) and the UK (15.6% / 5.3%). The USA accounted for 10.8% / 12.9%, Germany 15.0% / 12.3%, Norway 4.0% / 7.0% and Japan 2.1% / 4.1%.

Although some industry segments compete both in the small domestic market and in International export markets, in general Iceland has to maintain a high level of imports to supply consumer needs, and therefore a high level of exports to finance them.

Exports of goods and services accounted for 34.4% of GDP 2002-2006 (period average).



Iceland's export base is relatively narrow and largely based on natural resources

Opportunities

With the continued diversification of industries, increase in foreign investment, business friendly tax reforms and better resource management in the fisheries sector, Iceland presents many business opportunities. There are opportunities in most industrial and consumer sectors and the widespread use of English creates a good environment for UK exporters. The main UK exports to Iceland are consumer goods, articles of apparel and clothing accessories, non-ferrous metals, specialised industrial machinery and general industrial machinery and equipment.

UK Trading Relationship

Britain is Iceland's sixth largest supplier after Germany, the USA, Sweden, Denmark and the Netherlands, with a 5.5 per cent share of the country's imports. In 2007, British exports to Iceland amounted to £201 million. The balance of trade lies in Iceland's favour with the UK taking £421 million worth of goods over the same period.

Useful Contacts

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Key Sectors

Iceland's export base is relatively narrow and largely based on natural resources, namely fisheries products and output from industries powered by renewable energy sources (hydropower and geothermal power). Foreign investment is mainly concentrated in export-orientated sectors, although plenty of opportunities are available for serving the small but highly consumerist domestic market as well, on both the production and retail side. New exciting sectors for investment are in the field of information technology, financial services, life science and tourism in Iceland, which has grown increasingly in the last few years.

Fossil Fuels

Imported fossil fuels account for one-third of Iceland's energy consumption and are almost entirely used for transportation. Some 90% of houses in the country are heated from geothermal sources, following large-scale development of this energy source during the oil crisis of the 1970s. Geothermal steam is also used for electricity generation and for certain specialised industrial applications.

Main Industries

Fish processing, aluminium, smelting, ferrosilicon production, geothermal power, tourism

Main Exports

Fish and fish products, aluminium, animal products, ferrosilicon, diatomite

Main Imports

Machinery and equipment, petroleum products, foodstuffs, textiles

Energy Production

Iceland's main natural resource outside the fishing industry is its energy production from renewable, non-polluting sources. It is estimated that in 2008, even after a build up in power-intensive industry, only 40% of Iceland's 30TWh of technically, ecologically and economically feasible hydropower potential has been harnessed, and 20% of its 20TWh of geothermal energy.

Life Sciences

The Life Sciences sector in Iceland has experienced a rapid expansion in recent years. With R&D expenditure in this sector over 3% of GDP, an advanced health-care system, expertise in harvesting from natural resources, technical sophistication, comprehensive biobanks and data registries, the Life Science environment in Iceland provides a very positive business environment.

Marine Products

Marine products account for approximately 34% of Iceland's total exports and around 36% of its foreign currency earnings, despite greater export diversity and stricter fishing quotas. The main reason is the steady growth of value-added processing of seafood products, catch diversification and responsiveness to market trends.

Metals

Metals from power-intensive industries accounted for 17% of goods exports in 2006. Another important export sector is a wide range of equipment for this fishing industry, while software, medical and pharmaceutical exports are growing rapidly and biotechnology is now reaching the export stage too.

www.een-midlands.org.uk

