Iceland’s return to fiscal normality

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- Recently, nine years after the last major financial crash that shook it, Iceland announced its return to normality.
- Back in 2008, Iceland imposed a control of capital in order to prevent the devaluation of the country’s currency through the flight of foreign investors.
- At the peak of Iceland’s 2008 financial crisis, the country’s largest three banks, with a total capital ten times Iceland’s GDP, imploded.
- Over the past 9 years, the country’s tourism boom provided the profits necessary for replenishing the banks’ reserves of capital.

- A few days ago Iceland’s Central Bank announced it had bought back 50% of the financial assets from their foreign owners.
- The transactions were concluded at 20% less than the actual exchange rate, which is still much better than previous offers.
- Iceland was saved by its mighty influx of tourists. In 2016 alone, their number increased by 7.6%, and is presently on the rise.
- Thanks to this bonanza of tourism, the country’s unemployment dropped from 10% after the 2008 financial crisis to 3% now.
- Still, if not brought under control, the boom in tourism could lead to the country’s economy overheating (prices spiking).

- One out of six jobs are in, or related to, tourism in Iceland, which is a destination in high demand abroad.
- This country of 464,000 inhabitants is expected to attract 2.4 mil. tourists in 2017. Can you think of some highlights of Iceland’s tourism?
- With such optimistic prospects for the future, the country wants to expand the Int’l Airport of Keflavik and turn it into a regional hub.
- Around the airport, a whole urban community is expected to develop, more or less like a Dubai of the north.
- Holding a degree in law, Iceland’s minister of tourism is only 29.