

SEÐLABANKI ÍSLANDS

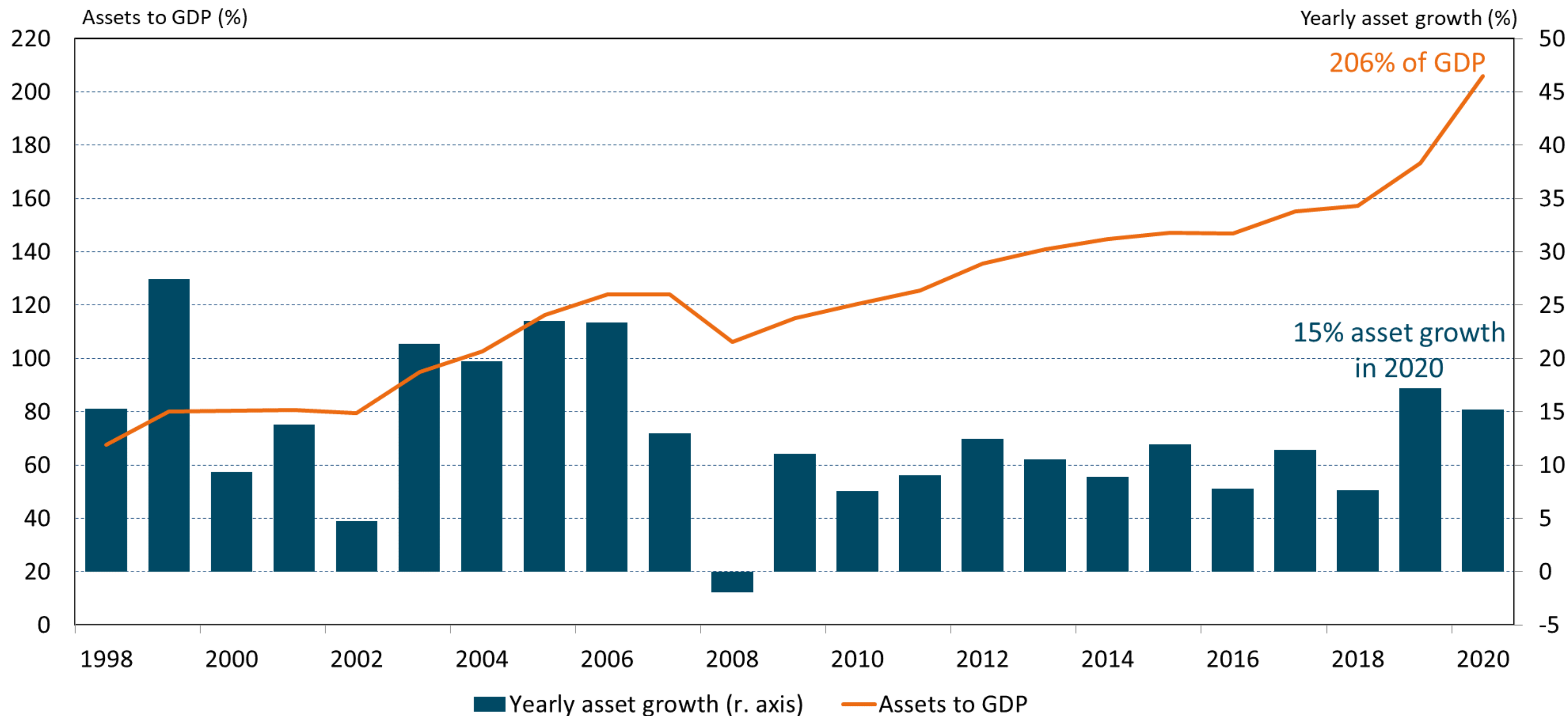
The Króna Conundrum



IPE Iceland 2021
07.10.2021

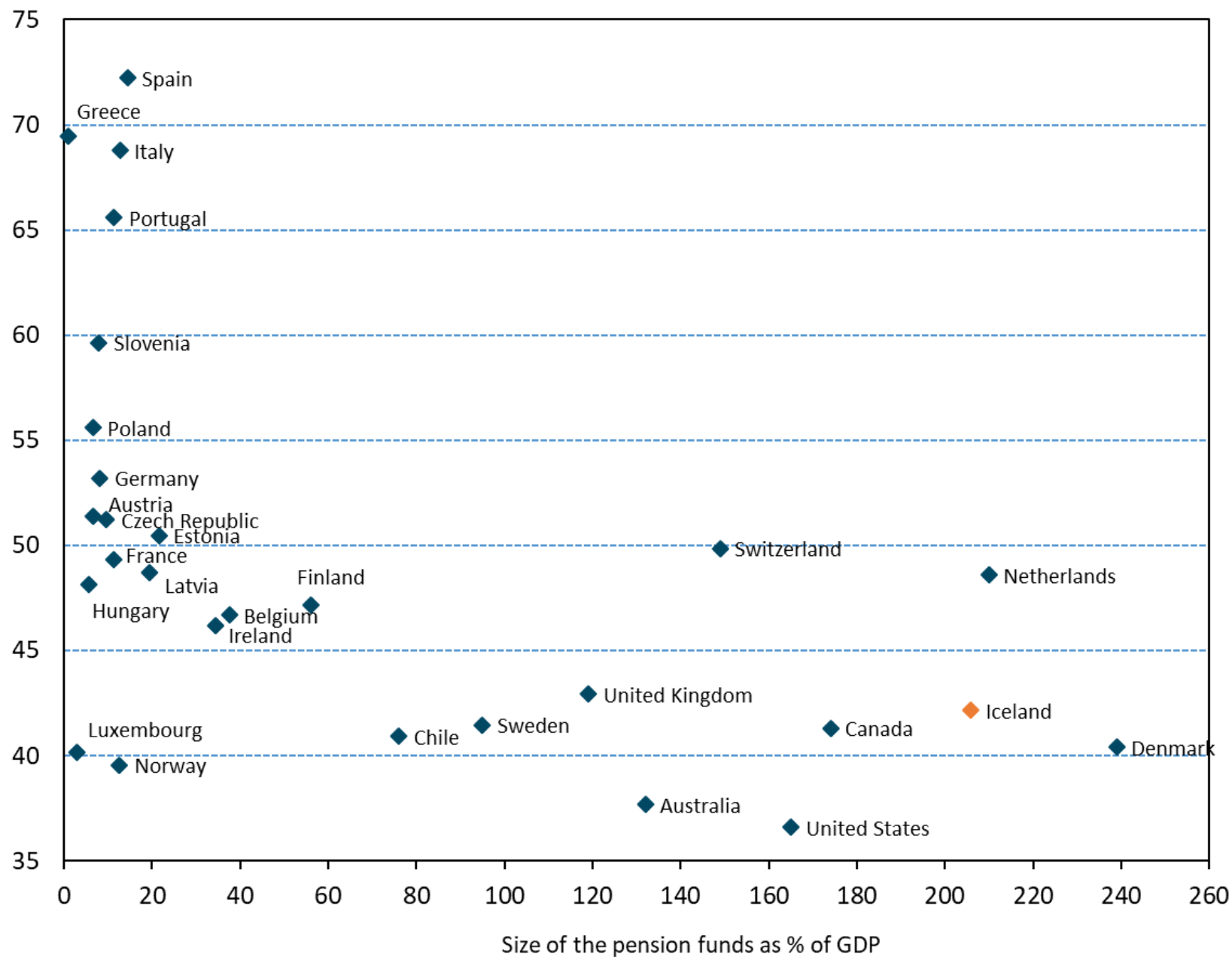
Ásgeir Jónsson
Governor of the Central Bank of Iceland

The Icelandic pension system is threefold its pre-millennium size

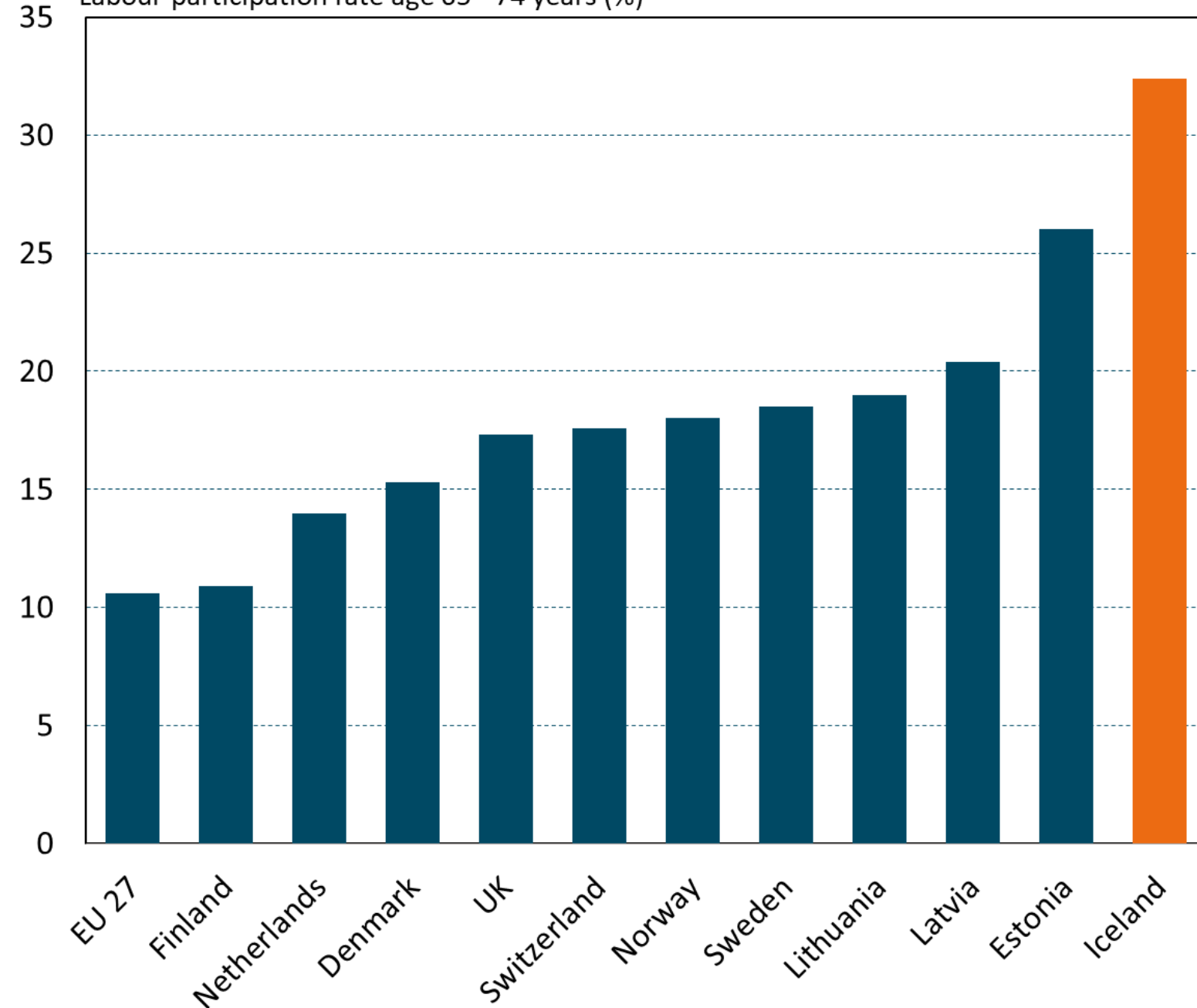


Favourable democraphics, high labour participation rate & high compulsory payments per employee are contributing factors to its size...

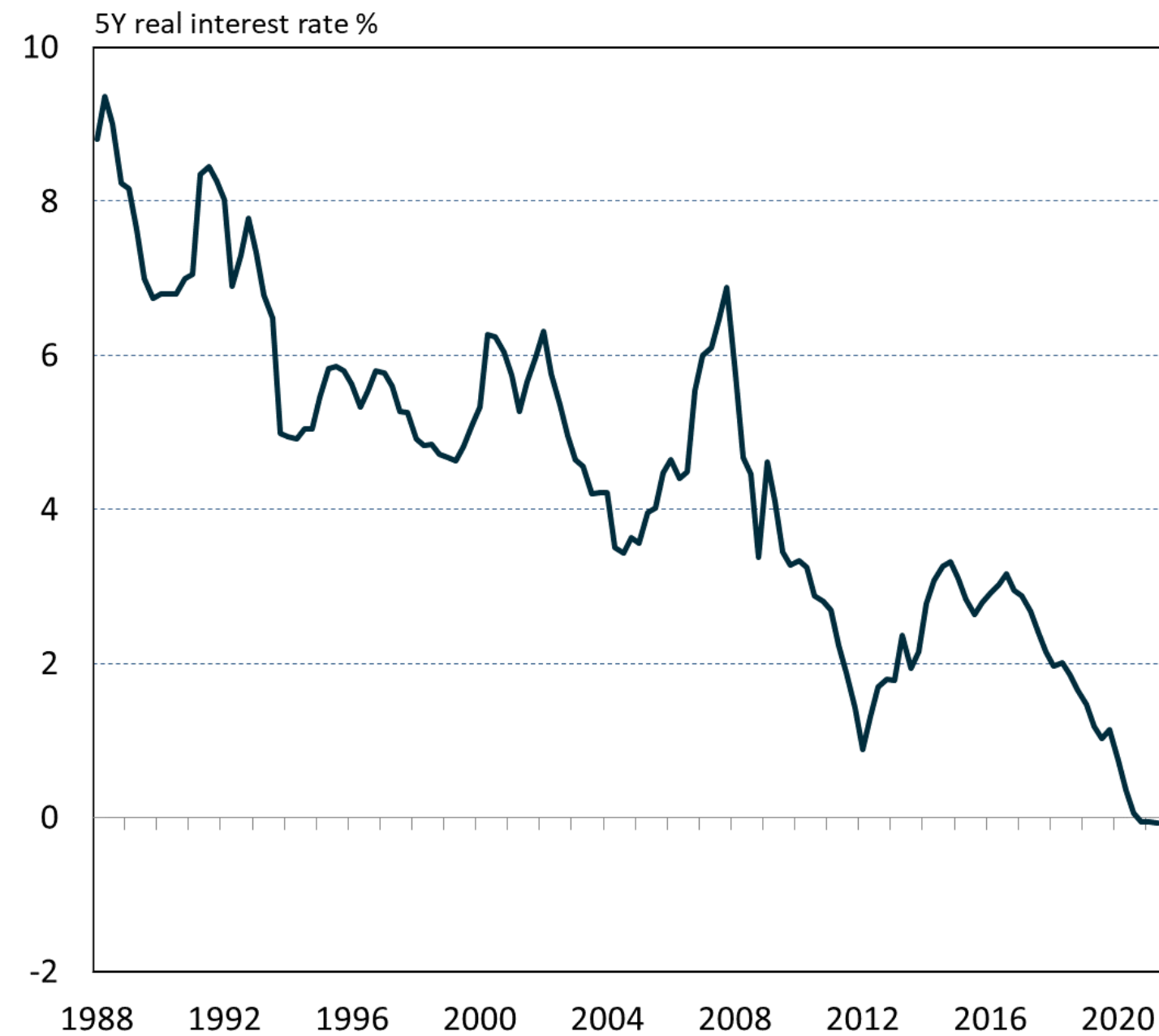
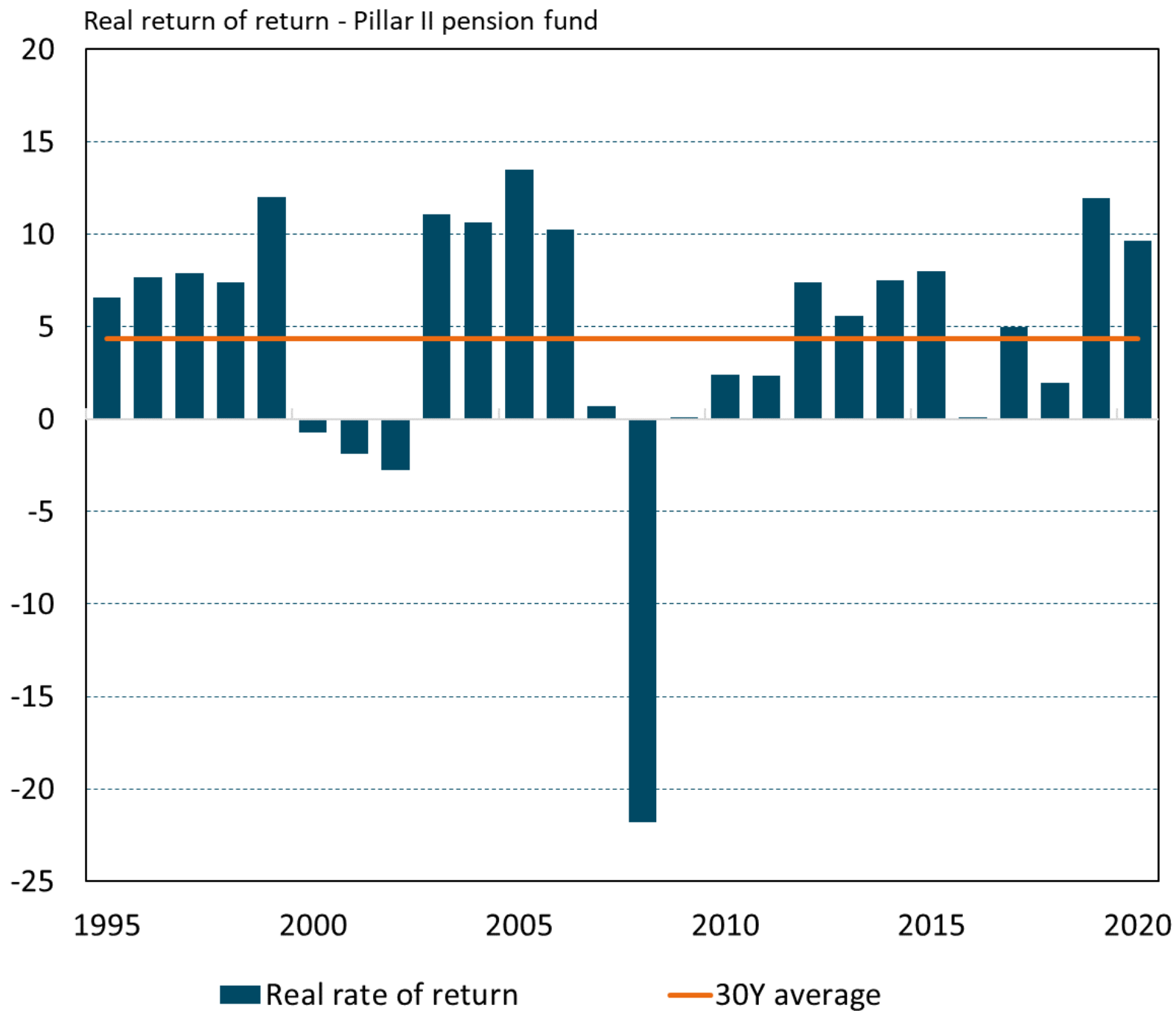
Old-age dependency ratio 2050



Labour participation rate age 65 - 74 years (%)

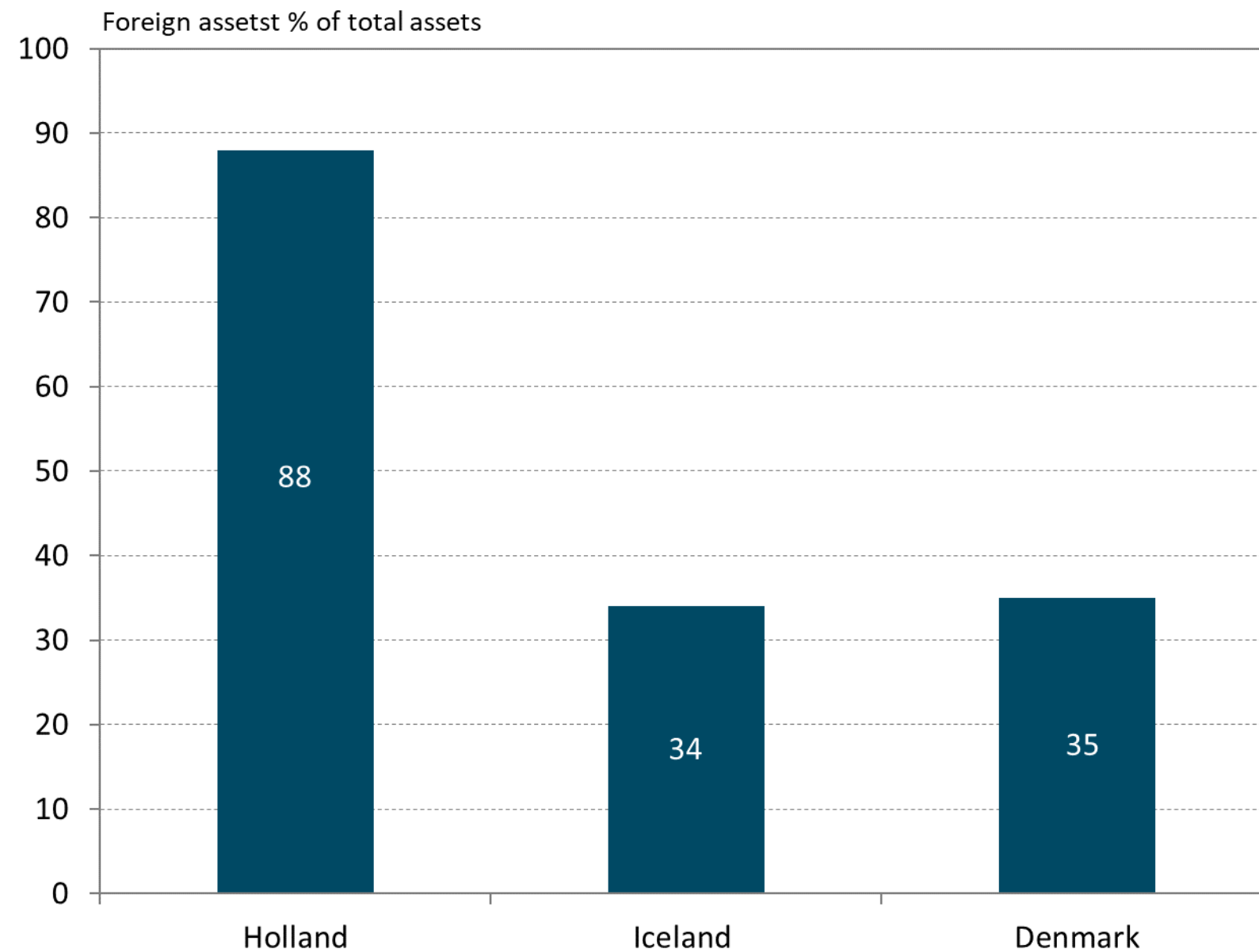
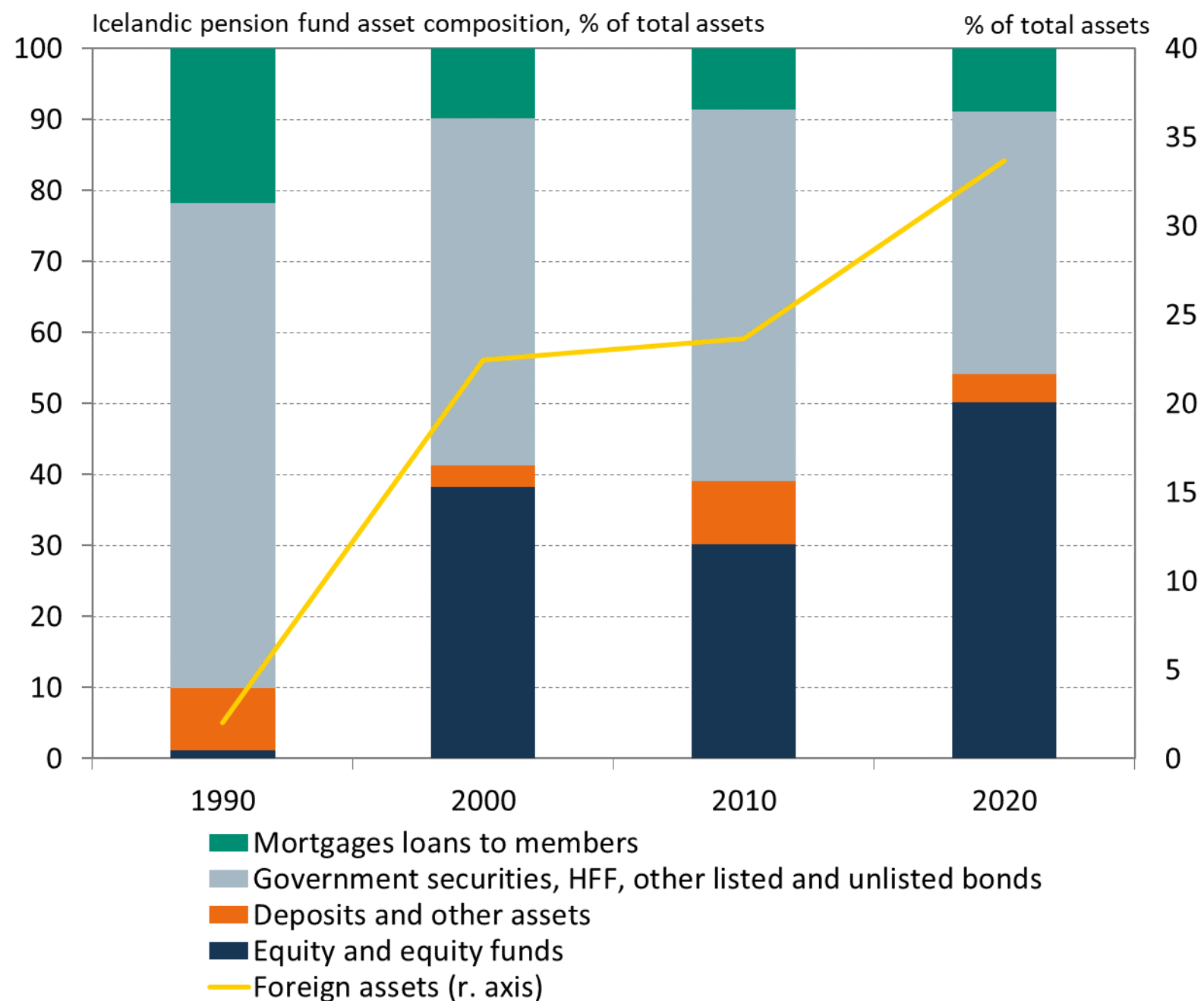


... and high rate of return has further increased the size of the funds despite lower long run real interest rates



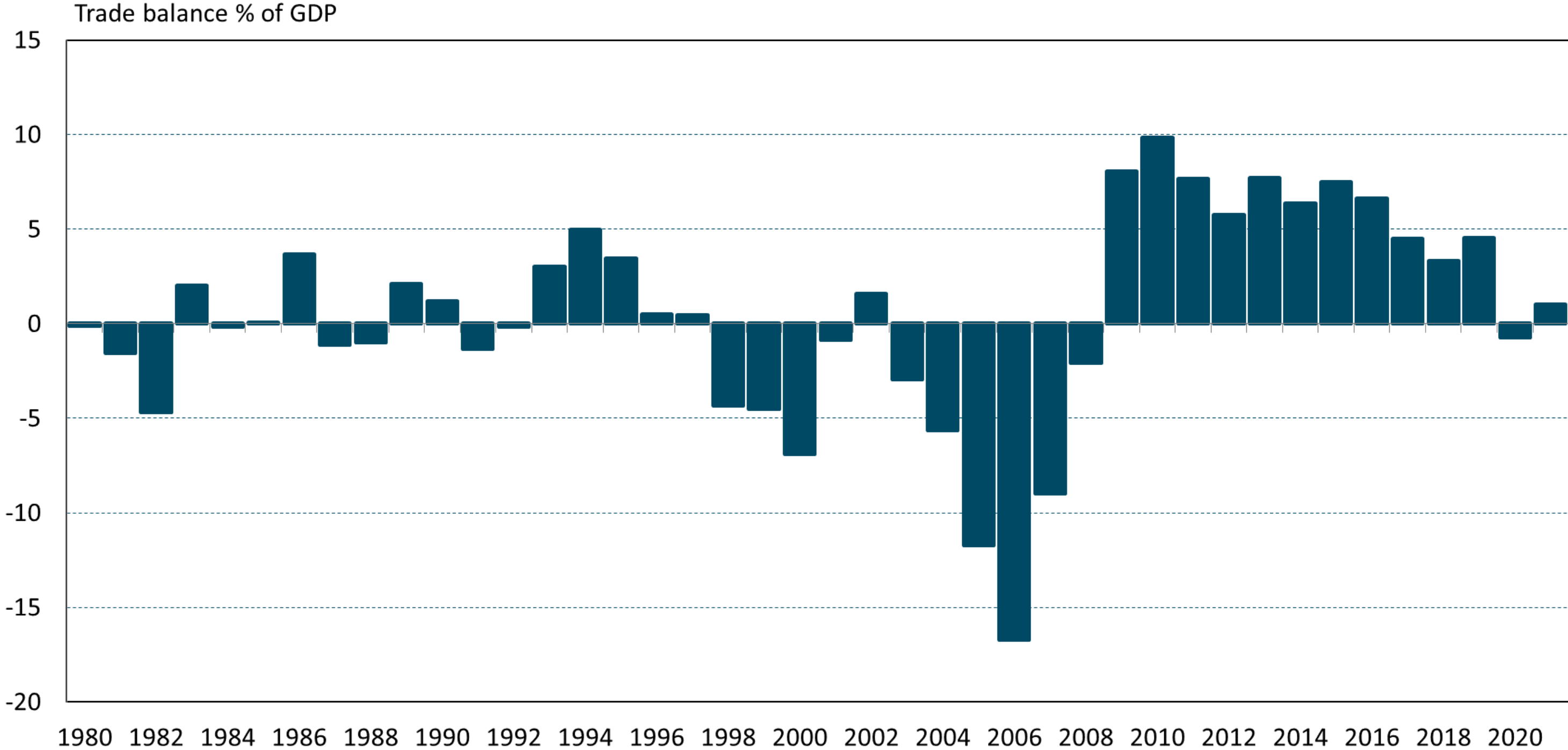
Asset diversification essential to a small market

Total market cap of the Icelandic equity and listed securities market 185% of GDP



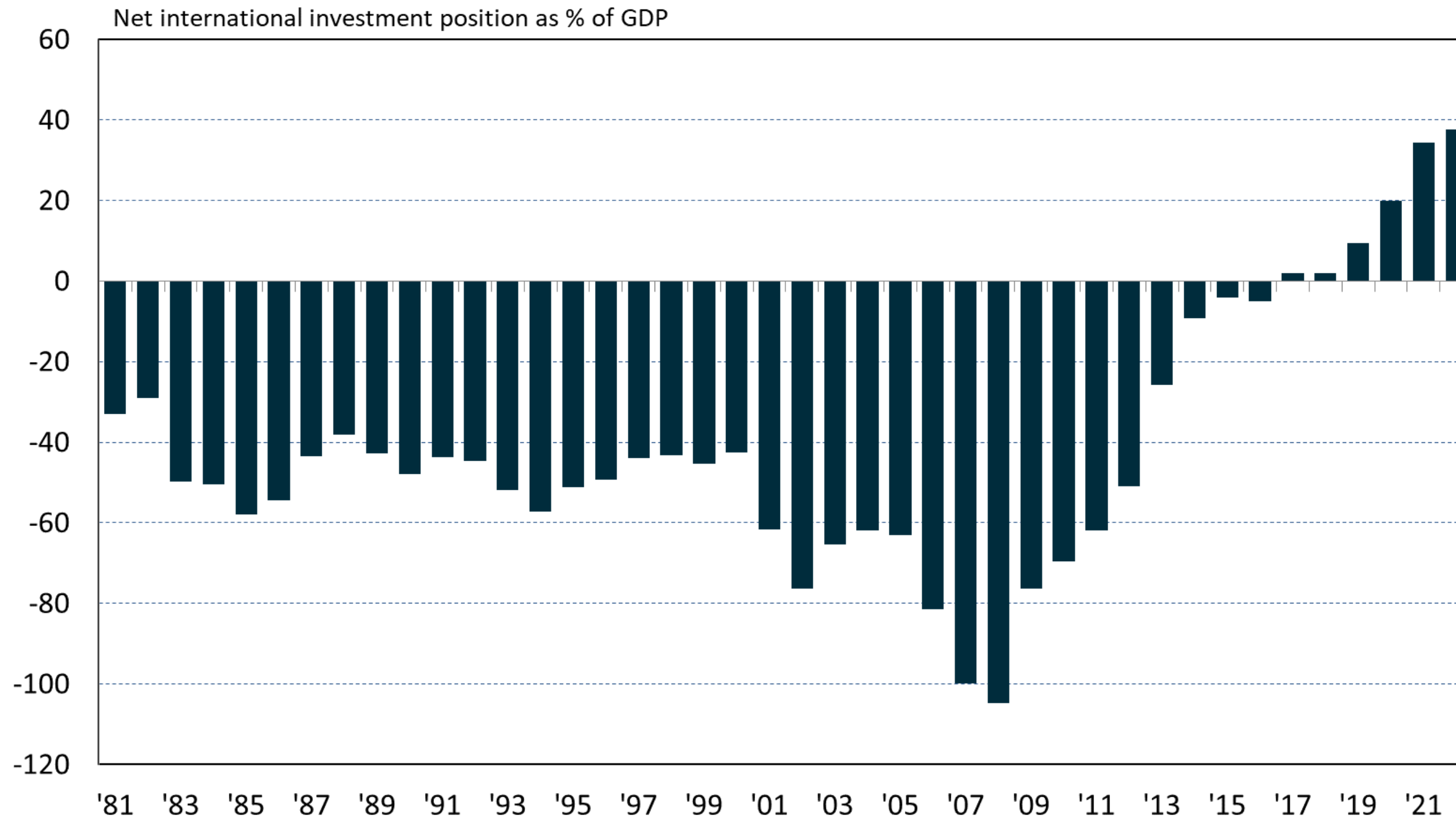
Source: DNB, Nationalbanken, Nazdaq, Central Bank of Iceland.

Contribution to the pension funds creates greater trade surplus

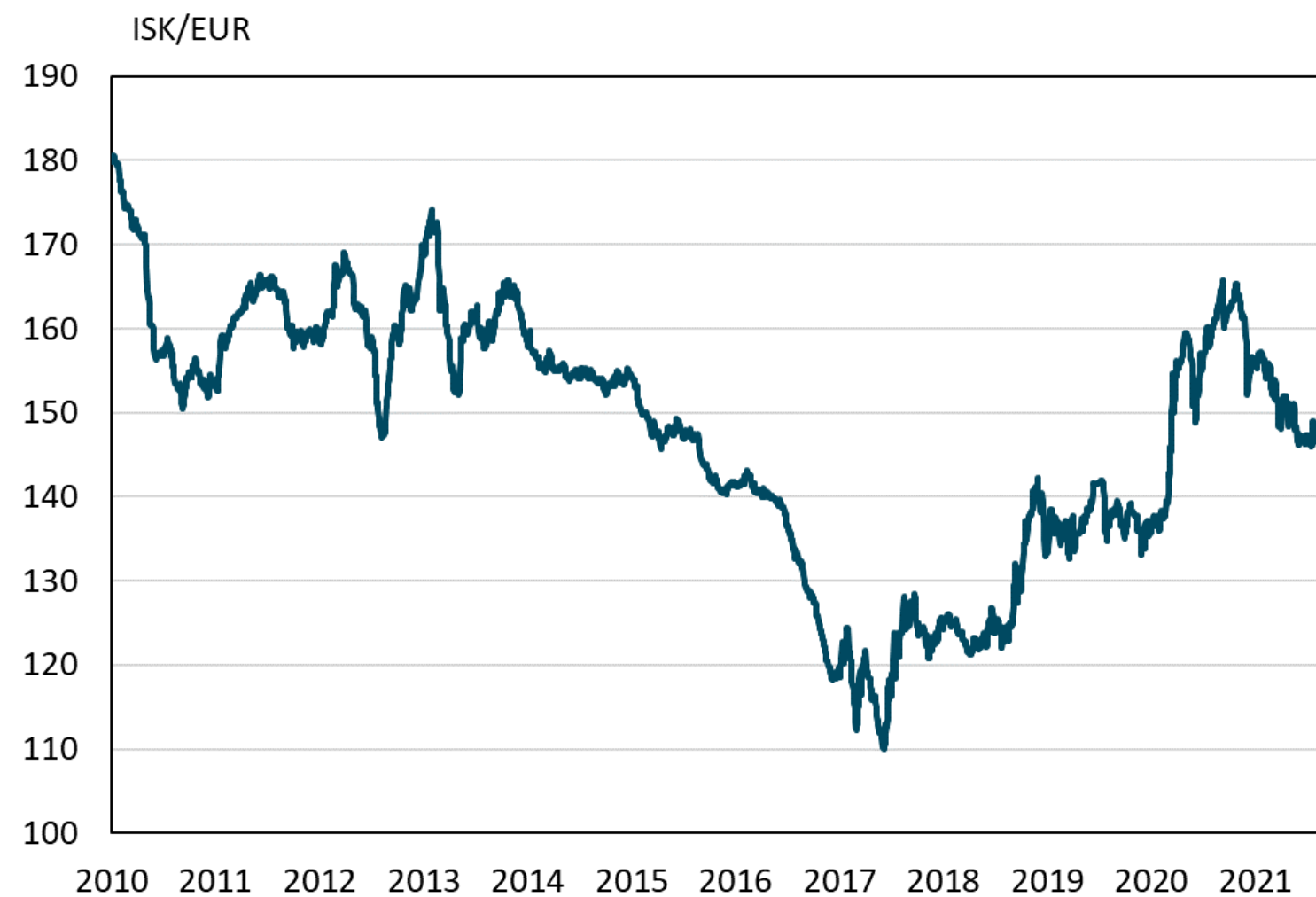
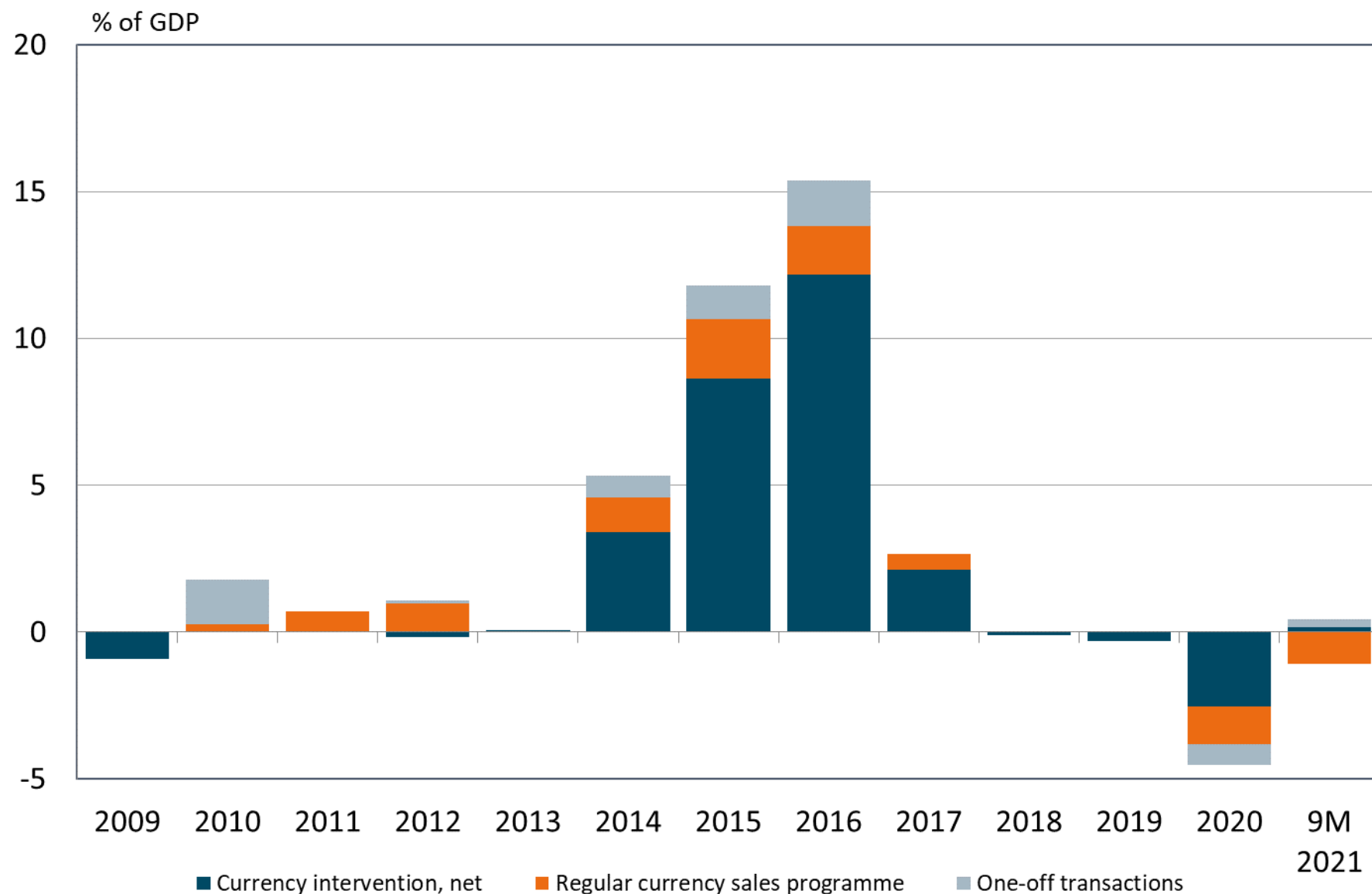


Forecast for 2021 from Monetary Bulletin 2021/3.

Strong NIIP – foreign assets larger than foreign debt



Central bank intervention in the currency market has brought about greater stability



Compared to previous recessions the real exchange rate has been relatively stable in the current one

