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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT



# ICELAND MANUAL

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Economic Department
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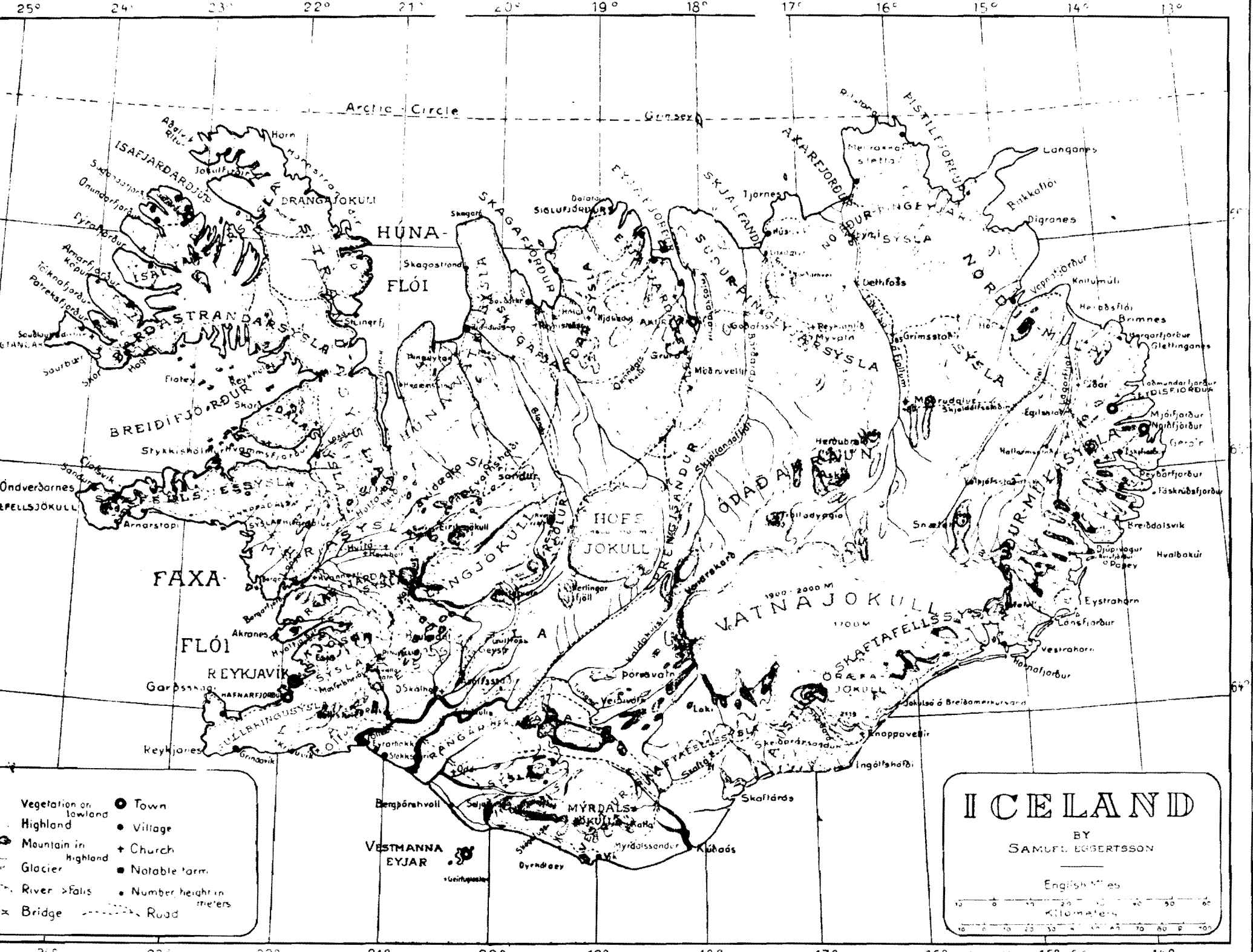
ICELAND
BY
SAMUEL EGGERTSSON
English Miles
Kilometers
Vegetation on lowland
Highland
Mountain in Highland
Glacier
River
Falls
Bridge
Town
Village
Church
Notable farm
Number height in meters
Road
Arctic Circle
Greenwich
HÚNAFLÓI
FAXAFLÓI
REYKJAVÍK
VESTMANNAEYJAR
VATNAJÖKULL
HOFSJÖKULL
LANGJÖKULL
ÖRÆFAJÖKULL
MÝRDALSJÖKULL
ÖDÁÐAHRAUN
ÍSAFJARÐARDJÚP
BREIÐIFJÖRÐUR
SKAGAFJÖRÐUR
EYJAFJÖRÐUR
SKJÁLFANDI
AXARFJÖRÐUR
PISTILFJÖRÐUR
HÚNAVATNSSÝSLA
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SUÐUR-ÞINGEYJARSÝSLA
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AUSTUR-SKAFTAFELLSSÝSLA
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RANGÁRVALLASÝSLA
ÁRNESSÝSLA
GULLBRINGUSÝSLA
KJÓSARSÝSLA
BORGARFJARÐARSÝSLA
ÍSAFJARÐARSÝSLA
BARÐASTRANDARSÝSLA
DALASÝSLA
SNÆFELLSNESSÝSLA
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Þórshöfn
Raufarhöfn
Kópasker
Húsavík
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Dettifoss
Grímsstaðir
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Mjóafjörður
Neskaupstaður
Eskifjörður
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Fáskrúðsfjörður
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Djúpivogur
Hvalbakur
Eystrahorn
Lónsfjörður
Vestrahorn
Hornafjörður
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Skeiðarársandur
Skaftárós
Kúðafljót
Ingólfshöfði
Vatnajökull
Öræfajökull
Skeiðarárjökull
Skaftafellsjökull
Myrdalssandur
Myrdalsjökull
Kötlu
Dyrhólaey
Vestmannaeyjar
Bergþórshvoll
Hekla
Heklugjá
Hekla
Hofsjökull
Langjökull
Eiríksjökull
Hofsjökull
Kerlingarfjöll
Hveravellir
Kerlingarfjöll
Gullfoss
Geysir
Hvítá
Hvítárvatn
Þingvallavatn
Þingvellir
Ölfusá
Selfoss
Hellisheiði
Hengill
Reykjavík
Hafnarfjörður
Garðabær
Kópavogur
Akranes
Borgarnes
Hvalfjörður
Reykjanes
Grindavík
Stokkseyri
Eyrarbakki
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Jökulsá á Fjöllum
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Vestfirðir
Norðurland
Austurland
Suðurland
Vesturland
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Ísafjörður
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Hólmavík
Blönduós
Sauðárkrókur
Siglufjörður
Akureyri
Dalvík
Ólafsfjörður
Húsavík
Raufarhöfn
Þórshöfn
Bakkafjörður
Vopnafjörður
Egilsstaðir
Seyðisfjörður
Neskaupstaður
Eskifjörður
Reyðarfjörður
Fáskrúðsfjörður
Stöðvarfjörður
Breiðdalsvík
Djúpivogur
Höfn
Vík
Kirkjubæjarklaustur
Skógar
Hella
Selfoss
Hveragerði
Grindavík
Keflavík
Sandgerði
Akranes
Borgarnes
Stykkishólmur
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Grundarfjörður
Búðardalur
Hólmavík
Drangajökull
Snæfellsnes
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# ICELAND MANUAL

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## Summary

Fishing and the export of fish and fish products, which fluctuate widely and unpredictably from year to year with variations in volume of fish caught, are the mainstay of the Iceland economy. Other foreign income is chiefly from small export of wool, mutton and sheepskins, and the servicing of foreign ships and airplanes. Domestic agriculture provides only part of food requirements, though there are small surpluses for export. Industry consists mainly of fish processing and electric power production. With inadequate domestic food supplies and no basic raw materials, Iceland is more heavily dependent on imports than most other countries.

New installations and facilities of a permanently useful nature were constructed during the war, while other equipment, mainly the fishing fleet, became outworn. By use of wartime accumulated foreign reserves, the fishing fleet has been both rebuilt and expanded since 1945, so that Iceland's capital and earning power are now, on the whole, greater than prewar. Current plans call for further capital equipment improvements, including further expansion of the fishing and commercial fleets, electric power development, and construction of fish processing and other plants. Since wartime accumulated foreign reserves now have been almost fully utilized, this will require some foreign financing.

Inflation remains a serious problem. The government's accounts in 1948, as also in 1947, were not in balance. Banknote circulation, which had dropped in 1947, increased again in 1948, and there was some further increase in the cost of living. Of principal future importance in reaching a balance of current external payments, particularly of dollar payments and receipts, are improving the competitive position of exports, and decreasing dependence on imports by developing agriculture and domestic industry. The high level of prices and wages, and the increasing difficulty of marketing exports, indicate an overvaluation of the kronur relative to the dollar and most other currencies.

## 1. GEOGRAPHY

Iceland, with an area of 39,758 square miles (103,000 square kilometers), is over twice the size of Denmark and less than a third the size of Norway. Located in the North Atlantic just below the Arctic Circle, it is midway between the southern tip of Greenland and central Norway. It is directly on principal north Atlantic sea and air routes, and at the center of the north Atlantic fishing regions. Harbors, which are only fair, are located mainly on the west, north and east coasts; there are few in the south. The interior is mainly barren and mountainous, with fast-flowing rivers, originating from glaciers, which cover about a third of the country. There are volcanoes, some active, in the center of the island, and hot springs, of varying temperatures up to the boiling point, scattered throughout the country. Lowlands and cultivable land (which is very highly valued), constituting only about one-seventh of the area, are located at the various river valleys around the island, but largely in the southwest. Iceland was once covered with forests; with the exception of a few recently planted small-scale forest areas, there are now, however, no trees in Iceland. Much of Iceland's soil was also lost with the trees. Except for some calcareous spar, sulphur and lignite, there are no known mineral resources. Iceland's climate is tempered by the ocean and the Gulf Stream. The weather is variable with a temperature ranging between 30 and 60 degrees fahrenheit. The annual mean temperature at Reykjavik is about 39° fahrenheit (3.9° centigrade), and the mean precipitation about 34 inches (870 mm.)

## 2. POPULATION

The people of Iceland in the past have survived on their rather barren island for a thousand years in spite of many disasters, including plagues and volcano eruptions. They are of Nordic and Irish descent, though culturally Scandinavian. Since 1900 the population has doubled and is now about 134,000. The increase in the last 10 years has been about 12%. There are only 3.3 persons per square mile, compared with 25 in Norway and 250 in Denmark. Somewhat over half of the population (54.8% in 1945) live in towns, 11.8% in villages of over 300 inhabitants and 33.4% in rural districts. The war accelerated the shift from the country to towns, particularly to Reykjavik. The population of Reykjavik, the capital, which is the only large town and located on the southwest coast, is 51,000. Nine other smaller towns, the largest of which is Akureyri (6,180) on the north coast, have a combined population of 25,000. Somewhat less than a third of the actively employed population (31.6% in 1940) is engaged in agriculture, compared with almost two-thirds in 1900, and about double those engaged in fishing (16.3%). The proportion engaged in industry (21.9%) is increasing. Commerce, communications and public service account for most of the remaining 30.2%. The standard of education is high and illiteracy is unknown.

## 3. GOVERNMENT AND FOREIGN RELATIONS

Iceland severed its ties with the Danish Crown and became an independent republic in 1944. During the war, in July 1941, American troops, on the invitation of the Iceland Government, replaced the British troops already there; they have now all left the country and only certain American civilians remain. The Althing,

the Iceland parliament, consists of 52 members, one-third in the Upper House, and the remainder in the Lower House. At the last elections, in June 1946, 20 members of the Independence (Conservative) party were elected, 13 Progressives (the Farmers party), 10 Communists and 9 Labor party members. From the previous elections in October 1942, the Labor Party gained 2 members at the expense of the Progressives; there was no change in Communist membership. In October, 1946, the coalition government headed by Prime Minister Olafur Thors fell over the question of the agreement with the United States on the American built Keflavik airport. The agreement, which was subsequently approved, provided for continued American use of the airport until the end of the occupation in Germany, with the provisions, however, that it could be revised after five years or abrogated after 5½ years.[1] It was disapproved of by the Communists, who staged a one-day general strike. The new coalition government of Stefan J. Stefansson, including no Communists, succeeded that of Thors.

Iceland is a member of OEEC and has joined the other western powers in the Atlantic Pact. This latter move meant an abrupt change in her former policy of unarmed neutrality. Iceland, though occupied by the Allied Powers during the war, never declared war on Germany.

4. NATIONAL INCOME

During the war and its immediate aftermath the national income of Iceland was much enlarged because of the great foreign demand, at high prices, for fish, and because of the British and American occupation. More recently, without occupation expenditures and with poor 1947-48 fishing seasons, income has remained high mainly through use of foreign assets accumulated during the war. These assets have now, however, been almost fully utilized.

Before the war, Iceland's per capita income was less than that of the other Scandinavian countries. In 1939, it was approximately $216 per person, compared to about $300 in both Norway and Denmark. Per capita money income, in dollars at the current rate of exchange, in 1947 - 48, amounted to about $1000 per person, compared to $465 in Norway and $750 in Denmark. Wages have increased more than the cost-of-living, as shown in a later table, and real income has increased over 50%. The proportion of total national income invested (in 1945-48, respectively, 24, 39, 36 and 29%)[2] has been greater than in either Denmark or Norway. Owing to this, and to a 300% increase in cost-of-living compared to 50% in Denmark and Norway, the standard of living remains less than in these countries, despite the larger dollar per capita income. The larger dollar per capita income is partly accounted for by the greater relative gross investment but, as the increase in cost-of-living expressed in dollars would indicate, the present kronur rate of exchange is probably out of line with both dollar and other currencies.

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1/ Treaties and Other International Acts Series, 1566, State Department
2/ ERP, Iceland, ECA February 1949. Page 7.

5. AGRICULTURE

Iceland's farm land, grassland and cultivated areas, amounts to about 7,000 square miles (18,000 square kilometers) which is less than 1/6 of the country's total area. The cultivated area, amounting only to about 175 square miles (450 square kilometers),1/ is scarce and valuable, and carefully tended. There are some 6000 farms, about 1000 government owned, varying widely in size and quality of soil. About half of the farmers are tenants, of whom 40% farm government land. Sheep and dairying are the chief types of farming, and principal crops are hay and potatoes. Efforts are being made to increase the acreage of cultivable land, and by 1952 a 50% increase is planned.

The number of cattle in Iceland is approximately the same as prewar, about 38,000. The number of sheep, partly because of a malady which has existed for some years, is now somewhat below prewar, about 500,000. The Icelandic pony, despite more modern methods, continues to be used for farm work and transportation, and also, to some extent, for meat.

Meat production in 1948 amounted to 10,000 tons, of which 1,000 tons was exported. Production of sheepskins and hides amounted to 1700 tons, of which 1400 were exported. By 1952 exports of meat are expected to amount to 2,500 tons annually and output of hides and skins to 2000 tons. Except for butter, Iceland is self-sufficient with respect to dairy products. With an increase in butter and cream output from 800 tons in 1948 to 1500 in 1952, Iceland should be self-sufficient also with respect to butter. With an increase in cultivable land by 1952, greater output of grains, potatoes and vegetables is expected.

The following figures show 1937, 1948 and planned 1952 output of principal agricultural products.

(1,000 Tons)

| Year | Potatoes | Milk | Meat | Wool |
|---|---|---|---|---|
| 1937 | 12 1/ | 66 | 8 | 0.82 |
| 1948 2/ | 10 | 62 | 10 | 0.75 |
| 1952 2/ | 17 | 90 | 11.5 | 0.85 |
| Increase from 1948 | 70% | 46% | 15% | 13% |

1/ 1939 2/ Estimates

Iceland's agriculture has been to some extent mechanized which has enabled increased output despite migration from the country to towns. Further increases in output will necessitate importation of more tractors and agricultural machinery. The present government plan calls for $8 million worth of such imports in the four fiscal years 1949/50 through 1952/53, $1.7 million from the United States and $6.3 million from ERP participating countries.

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1/ 110,000 acres or 45,000 hectares.

## 6. FISHERIES, THE FISHING FLEET, AND MERCHANT SHIPPING

The annual Iceland fish catch is less than half that of Norway but per person of population the catch is greater, about 3 tons compared with 1/3 ton. About 95% of the catch is exported, either fresh or processed, and such exports constitute 90% of total exports. The catches, particularly of herring, vary considerably from year to year but on the average, owing to use of better equipment, have increased faster than the number of people occupied. The season for cod and other whitefish, although some are caught all year round, is from February to June or July, and that for herring, from mid-June to mid-September.

The quantities of cod and other whitefish brought ashore increased regularly from an average of 49,390 tons annually in 1901-05 to 256,534 tons in 1931-35. In 1936-40 the annual average declined to 154,452 tons owing to poor fishing and to loss of markets in Spain and Italy. Due to the latter, Iceland in the latter part of the 1930's was poor and hard hit. In 1941-45, wartime demand increased the catch to 247,617 tons annually. The last three years, 1946-48, have been poor, and catches averaged 226,000 tons annually.

The amount of herring caught varies much more from year to year than that of cod, and it has only been within the last ten years or so that it has approached, in volume, the catches of cod and other whitefish. The 1947 herring catch amounted to 200,000 tons, compared with 230,000 tons of other fish caught.

Annual catches and their disposition from 1944 are shown below. A relatively greater increase in freezing and canning is anticipated than in output of salted and fresh fish.

| | (1000 tons) | | | | |
|---|---|---|---|---|---|
| | Total Catch | Salted & Fresh | Frozen & Canned | Herring 1/ to Factories | Home Consumption |
| 1944 | 461.3 | 184.0 | 55.4 | 221.8 | 4.0 |
| 1945 | 283.1 | 163.8 | 60.1 | 59.2 | 2.3 |
| 1946 | 326.3 | 141.3 | 79.5 | 105.5 | 2.5 |
| 1947 | 431.2 | 152.3 | 78.2 | 200.6 | 2.5 |
| 1948 | 409.2 | 196.7 | 79.8 | 129.9 | 2.9 |
| 1952/3 as 2/ % of 1947/8 | | 125% | 155% | 119% 3/ | |

1/ For processing to meal and oil.
2/ Iceland Long Term Program OEEC. 3/ Marine oils

Iceland's fishing fleet, as shown in Table I, doubled in tonnage after the first war and again since 1945. Fishing tonnage is now twice that of the merchant marine. At the end of 1948 the fleet consisted of some 48 steam trawlers and about 400 other fishing vessels with an aggregate tonnage of 54,000 gross tons. In 1945, the Government ordered in Great Britain 32 modern ocean-going steam trawlers, 175 to 180 feet long, and of these 27 have been delivered. It expects to order 10 additional trawlers to be completed in 1950-51. Aside from trawlers, a great number of smaller boats, between 50-70 feet, have been, and are

being, built, mostly in Sweden. Some of the new tonnage is replacing old tonnage now in use.

Tonnage of merchant shipping is now about 25,000 gross tons and consists of 12 vessels. With a further expansion to 42,000 tons by 1952, Iceland expects to carry most of its own, as well as some foreign trade.

A Fish Industries Board has been functioning since 1934 and includes representatives from the different economic interests in Iceland, including the trade unions, the trawler owners, the banks, the co-operatives, and the fisheries association. The activities of the board cover a wide field, including the finding of markets, the stimulation of sales, etc. The Board is under the Ministry of Industry and Communication and only those licensed by the minister may export. A similar Board was set up at the same time for the herring industry.

## 7. INDUSTRY

Owing to lack of raw materials, Iceland has developed industrially only to a limited extent. Industry in Iceland consists mainly of preparation of fish and output of fish products. Electricity is produced from water and steam power. Ships, mainly small-sized, are built and repaired. Some goods for domestic consumption are produced. The best indication of Iceland's industrial activity is the export of fish and fish products, shown in tables IV and V.

During the last decade quick frozen fish filets have taken the place of salted cod as Iceland's chief export item. There are at present 72 refrigerating plants with a total capacity of 700 metric tons of filets per day, an annual output of between 25 - 30 thousand metric tons. Two new plants are being constructed, 5 others are planned, and 4 old plants are being completely re-equipped, so that by 1952 total capacity is expected to amount to about 830 metric tons of filets per day, an increase from current capacity of about 20%.

The capacity of herring oil and meal plants is currently being expanded, with ECA assistance, by over 30%, and output, practically all exported to the United States and Europe, is expected, with reasonably good herring catches, to reach annually about 40-50,000 tons of oil and 45-55,000 tons of meal. To increase the export value of the herring oil, a refining and hardening plant is planned with a capacity of 50 tons a day. It is planned, also, to expand annual production of fishmeal from waste of fish processed for food, now 5-6,000 tons annually, since such material is now being wasted.

Steam trawlers and smaller fishing vessels can be repaired and serviced in a recently completed shipyard at Reykjavik and other small ones throughout the country. To handle merchant marine ships of from 1000 to 8000 tons two drydocks in Reykjavik are to be built within the next four years.

Capacity of electric power plants, about 60% hydro-electric, is approximately 50,000 kw. Hydro resources are estimated at 2.5 million kw. In 1947 generated energy was 140 million kwh, about 1000 kwh per person. About 80% was used for domestic purposes, and 20% in industry, mainly for fish processing.

The electric utilities, of which there are 50, and the main power plants are practically all owned by the municipalities. In spite of expansion over the last 10 years all existing plants are overloaded, and a doubling of capacity to 107,500 kw is planned during the next four years. The expansion is of primary importance for industrial development. Such projects as a fertilizer plant, a refining and fish oil hardening plant and a cement plant, which are part of the government long-term program, are entirely dependent on increased electricity production. Aluminum production is also a possibility although no development in that field has yet been planned.

The unique heating system of Reykjavik, which utilizes hot spring water, now heats about 75% of the city's buildings and is to be expanded to heat all buildings. Expansion of the heating system will substantially reduce coal imports, amounting annually for all purposes to about 150,000 tons.

Present government plans call for construction within the next three years of a nitrogen fertilizer plant with a capacity of 7,500 tons per year. Domestic requirements are estimated at 3,500 tons annually by 1952, which would leave 4,000 tons for export. Domestic use of fertilizer in sufficient quantity is expected to reduce imports of coarse grain.

Houses in Iceland, owing to lack of wood, are very largely of concrete. It is planned to construct by 1952 a cement plant with a capacity, sufficient for domestic requirements, of 75,000 metric tons. In 1946 and 1947, 73,000 and 64,000 metric tons, respectively, were imported.

The building of a flour mill with an annual capacity of 12,000 tons which can be easily increased to 20,000 tons, is planned in 1950-52.

8. FOREIGN TRADE

Before the war, in 1938-39, exports from Iceland, which were somewhat larger than imports, represented approximately half of the national income, and averaged annually about $120 per person. Since the war, in 1947-48, exports have averaged annually about $400 per person and imports, about $530 per person. In comparison, Norwegian exports averaged annually, in 1947-48, about $130 per person and those of New Zealand, another country greatly dependent on foreign trade, about $270 per person.

Iceland's imports are ordinarily greatest in the spring, and exports greatest in the fall. The annual trade balance, which before the war, as shown in Table II, was favorable by a small margin, has since the war been unfavorable, reaching the large amount of 229 million kroner (45% of total imports) in 1947, but declining, however, to a smaller amount, in 1948. The war increased exports and imports considerably, and to a greater extent on a value than on a quantity basis. As shown in Table III, the quantity of fish, salted and fresh, exported (representing quantitatively the bulk of total exports) doubled in 1940-41 from the average of 1935-39, reached a maximum during the war in 1944, declined somewhat to a low in 1946, and then recovered in 1948 to an amount below the wartime peak but well over twice the prewar average. Prices, about 8 cents per kilo in 1935-39, increased each year, to an average of 22 cents in 1947, and then declined to an average of 18 cents in 1948.

Fish exports other than herring, which before the war were mainly salted, as Table IV shows, are now predominantly iced or frozen. Cured herring exports, shown in barrels in the same table, vary irregularly from year to year. Exports of fish products, the principal of which (cod liver oil, herring oil, and fish meal) are shown in Table V, have increased relative to fish exports since prewar, and have now almost as great an aggregate value.

The following table shows principal exports in 1947-48.

| | Unit | Quantity | | Value (million kr.) | |
|---|---|---|---|---|---|
| | | 1947 | 1948 1/ | 1947 | 1948 1/ |
| Fish, Salted and Fresh | 1000 tons | 113.5 | 152.0 | 159.0 | 174.9 |
| Herring, cured | 1000 lbs. | 66.0 | 105.7 | 13.2 | 21.7 |
| Cod and Herring Oil | 1000 tons | 25.9 | 35.4 | 74.7 | 103.0 |
| Herring and Fresh Meal | 1000 tons | 16.6 | 38.3 | 16.4 | 39.1 |
| Other exports 2/ | - | - | - | 27.2 | 30.5 |
| Total | | | | 290.5 | 369.2 |

1/ January-November
2/ Some fish and products included. Principal other than fish exports shown in table following.

Other than fish exports, the principal of which are shown below for 1947-48, represent a small share of total exports and consist mainly of animal products.

| | Unit | Quantity | | Value(million kr.) | |
|---|---|---|---|---|---|
| | | 1947 | 1948 1/ | 1947 | 1948 1/ |
| Mutton, frozen | tons | 1029 | 411 | 4919 | 2008 |
| Sheep casings | " | 35 | 44 | 728 | 785 |
| Wool | " | 562 | 277 | 5057 | 1602 |
| Sheep skins, green-salted | thous. | 266 | 420 | 4901 | 8778 |
| Fur skins | " | 7 | 7 | 450 | 297 |
| Other hides & skins | tons | 116 | 130 | 637 | 759 |
| Total | | | | 16692 | 14229 |

1/ January-November

Iceland imports practically all of its fuel, building materials, and industrial raw materials, and much of its food and manufactured goods. Imports of ships and equipment represent a greater proportion, and food, clothing, and fuel, a somewhat smaller proportion, of total imports, now than prewar. Imports of selected items, representing half of total imports, are shown in Table VI.

The bulk of Iceland's foreign trade is normally with Europe. During the war, however, most exports went to the United Kingdom, as the summary table below shows, and most imports came from the United States. Trade recently has been reverting to the prewar pattern.

| | (million kroner) | | |
|---|---|---|---|
| Exports | 1939 | 1944 | 1948 |
| United States | 7.4 | 23.7 | 26.3 |
| United Kingdom | 11.8 | 227.6 | 118.7 |
| Other Countries 1/ | 50.5 | 3.0 | 250.7 |
| | 69.7 | 254.3 | 395.7 |
| Imports | | | |
| United States | 2.3 | 165.0 | 85.7 |
| United Kingdom | 13.8 | 51.1 | 135.9 |
| Other Countries 1/ | 45.5 | 31.4 | 235.1 |
| | 66.6 | 247.5 | 456.7 |

1/ Predominantly Europe. Breakdown for 1939 and 1948 shown in Table VII.

## 9. BALANCE OF PAYMENTS

In contrast to usually balanced payments before the war, Iceland has had considerable deficits on current account since the war, amounting to a maximum with all countries in 1947 of 242 million kroner (Table VIII) representing over one-third of expenditures. On the basis of a more nearly balanced trade account in 1948 (Table II), payments for the year, for which complete data are not yet available, apparently will again be nearer to a balance, although the deficit in dollars still continues large. By 1952-53 it is expected, according to the government long-term plan, that an overall balance can be attained, although there may still be a small deficit in dollars. The improvement will result from cutting down imports, particularly from the dollar area; increasing exports, mainly of processed fish products; and reducing transportation expenses, by building up the merchant marine. The large wartime earnings, which were mainly from Allied military expenditures in Iceland during the war, and which amounted at the end of 1944 to over 500 million kroner (see Table X), have now been almost completely utilized, for repaying previous indebtedness and for the excess of recent imports, including new ships.

Iceland obtained an ECA loan of $2.3 million in the second quarter of 1948 to finance machinery for herring processing plants and a floating herring factory. Iceland has also received conditional aid of $3.5 million and direct grants of $2.5 million. Procurement authorization through April 30, 1949, total $6.3 million.

## 10. PRICES, BANKING AND PUBLIC FINANCE

The cost-of-living in Iceland has increased, as shown below, roughly threefold since prewar, while wages have increased over five times.

(Jan.-March 1939 = 100)

| | Wages | Cost-of-Living |
|---|---|---|
| 1941 | 160 | 157 |
| 1945 | 277 | 467 |
| 1946 | 293 | 525 |
| 1947 | 315 | 589 |
| 1948 | 321 | 579 |

Source: ERP, Iceland, ECA February 1949. Page 16.

The inflation has resulted from foreign spending in Iceland during the war, high revenue from fish exports, postwar spending in Iceland for reconstruction and development, and inadequate price and investment controls. Cost-of-living in Reykjavik, shown in Table IX, increased from an average of 102 in 1939 to 315 in 1947. The greatest increase occurred through 1943. In 1948 the increase was very gradual; from 319 in January to 326 in December. The cost of food alone increased somewhat more than all items together, and was 360 in January 1948 and 364 in December.

Iceland has three principal banks, the National Bank, with about two-thirds of total assets, the Fisheries Bank, and the Rural Bank. The impact of the war is well shown by bank data in Table X. Deposits, loans, and note circulation all increased from prewar more than did prices. From a negative amount in 1939, Iceland built up foreign assets, mainly dollars and sterling, during the war which reached a maximum of 581 million kroner in the middle of 1945. Dollars were accumulated because of occupation payments and because fish exports to the United Kingdom were paid for in dollars under lend-lease. With the large imports required for reconstruction, these assets were rapidly expended following the war, and at the end of 1948 amounted to about $7 million. Deposits, loans, and note circulation because of high economic activity have been maintained, through 1948, at high levels.

The national budget has grown by 13 times in the last 10 years, which is a greater increase than shown by bank or price indices. The 1947 and 1948 budgets, about 250 million kroner in each year, represent about one-third of the national income. Budgets from 1938 through 1946 were balanced, but not in 1947-8. In order to prevent domestic prices from rising and to maintain exports one-quarter of recent budgets have been spent for subsidies. The proposed 1949 budget shows an estimated surplus, but in view of the poor herring season and the continuing rise in subsidies, it is likely that expenditures will again exceed revenues.

TABLE I

Fishing Fleet

| Year | Motor Boats 1/ | Trawlers | Other Steamers | Motor Boats | Trawlers | Other Steamers | Total |
|---|---|---|---|---|---|---|---|
| | (number) | | | (1000 gross tons) | | | |
| 1915 | 135 | 20 | 6 | 4.7 | 5.1 | 1.2 | 11.0 |
| 1920 | 159 | 28 | 2 | 4.6 | 8.7 | 0.2 | 13.7 |
| 1925 | 212 | 47 | 27 | 6.0 | 13.6 | 2.8 | 22.4 |
| 1930 | 224 | 41 | 35 | 5.5 | 13.9 | 3.9 | 23.3 |
| 1935 | 277 | 37 | 23 | 6.6 | 12.4 | 2.7 | 21.7 |
| 1940 | 334 | 35 | 23 | 9.6 | 12.2 | 2.3 | 24.1 |
| 1944 | 314 | 31 | 12 | 11.3 | 10.0 | 1.5 | 22.7 |
| 1945 | 360 | 31 | 8 | 14.4 | 10.0 | 1.1 | 25.5 |
| 1948 | | 48 2/ | | | | | 54.0 2/ |

1/ Twelve tons and over; sailing boats included in 1925 and before.

2/ End of 1948; from data supplied to OEEC

Source: Iceland, 1946, Reykjavik
Handbook edited by Director of Statistical Bureau.

## Registered Vessels at End of 1948

According to an extract from the register of shipping, published in the Icelandic Nautic Almanac for 1949, the number and tonnage of registered vessels over 12 gross tons at the end of the year 1948 were as follows:

| Size of Vessel | Steam-Vessels | | Motor-Vessels | | Total | |
|---|---|---|---|---|---|---|
| | Number | Gross Tonnage | Number | Gross Tonnage | Number | Gross Tonnage |
| 2000-4999 gross tons | 1 | 4724 | 2 | 6902 | 3 | 11626 |
| 1000-1999 " " | 4 | 5897 | 3 | 4493 | 7 | 10390 |
| 500- 999 " " | 34 | 22638 | 4 | 2861 | 38 | 25499 |
| 100- 499 " " | 30 | 8591 | 51 | 8473 | 81 | 17064 |
| 50- 99 " " | - | - | 146 | 9770 | 146 | 9770 |
| 30- 49 " " | - | - | 80 | 3109 | 80 | 3109 |
| 12- 29 " " | - | - | 214 | 4010 | 214 | 4010 |
| Total | 69 | 41850 | 500 | 39618 | 569 | 81468 |
| **Kind of Employment** | | | | | | |
| Trawlers | 49 | 26663 | - | - | 49 | 26663 |
| Other Fishing Vessels | 11 | 2583 | 483 | 23278 | 494 | 25861 |
| Passenger Ships | 3 | 3601 | 3 | 3115 | 6 | 6716 |
| Freight Ships | 4 | 8606 | 10 | 12183 | 14 | 20789 |
| Ferries | - | - | 2 | 502 | 2 | 502 |
| Government Inspection Ship | - | - | 1 | 507 | 1 | 507 |
| Surveying Vessel | - | - | 1 | 33 | 1 | 33 |
| Dredging Vessel | 1 | 286 | - | - | 1 | 286 |
| Tug | 1 | 111 | - | - | 1 | 111 |
| Total | 69 | 48850 | 500 | 39618 | 569 | 81468 |

Source: Iceland Statistical Bulletin, February 1949.

TABLE II

Foreign Trade

| Year | Exports Value (million kronur) | Imports | Balance | Exports Quantity (1937= 100) | Imports |
|---|---|---|---|---|---|
| 1937 | 59 | 53 | 6 | 100 | 100 |
| 1938 | 59 | 50 | 9 | 106 | 99 |
| 1939 | 71 | 64 | 7 | 99 | 109 |
| 1940 | 133 | 74 | 59 | 113 | 85 |
| 1941 | 189 | 131 | 58 | 113 | 134 |
| 1942 | 201 | 248 | - 47 | 113 | 205 |
| 1943 | 233 | 251 | - 18 | 158 | 181 |
| 1944 | 254 | 248 | 6 | 168 | 182 |
| 1945 | 267 | 320 | -53 | 173 | 253 |
| 1946 | 291 | 443 | -152 | 167 | 347 |
| 1947 | 290 | 519 | -229 | 165 | 347 |
| 1948 | ~~369~~ 396 | ~~395~~ 457 | - ~~26~~ 61 | 188 | 270 |
| 1949: | | | | | |
| January | | | | | |
| February | | | | | |
| March | | | | | |
| ~~January - March~~ | | | | | |

Source: Iceland Trade Statistics. IMF Bulletin.

TABLE III

Exports of Fish, Salted and Fresh, Total

| | Quantity | Value | Unit Value | |
|---|---|---|---|---|
| | 1000 metric tons | million kr. | Kr. per kilo | $ per kilo |
| 1932 | 76.9 | 30.1 | 0.39 | 0.061 |
| 1935 | 69.8 | 24.1 | 0.35 | 0.077 |
| 1939 | 60.4 | 26.0 | 0.43 | 0.075 |
| 1940 | 126.7 | 87.7 | 0.69 | 0.106 |
| 1941 | 140.4 | 129.1 | 0.92 | 0.142 |
| 1942 | 146.6 | 134.9 | 0.92 | 0.142 |
| 1943 | 151.71 | 144.6 | 0.95 | 0.146 |
| 1944 | 166.74 | 168.36 | 1.01 | 0.156 |
| 1945 | 152.17 | 168.37 | 1.11 | 0.171 |
| 1946 | 108.22 | 141.97 | 1.31 | 0.202 |
| 1947 | 113.5 | 159.0 | 1.40 | 0.216 |
| 1948 1/ | 152.0 | 174.9 | 1.15 | 0.177 |

1/ January - November

Source: Iceland Trade Statistics.

TABLE IV

Exports of Fish, Salted and Fresh, by Category

| Year | Cured Salt Fish (clipfish) | | Uncured Salt Fish | | Fresh fish on ice and frozen | | Herring, cured | |
|---|---|---|---|---|---|---|---|---|
| | 1000 tons | m. kronur | 1000 tons | m. kronur | 1000 tons | m. kronur | 1000 bbls. | m. kronur |
| 1932 | 59.1 | 21.9 | 17.8 | 3.8 | - | 4.4 | 249.2 | 4.5 |
| 1935 | 38.9 | 16.0 | 14.9 | 3.5 | 16.0 | 4.6 | 143.6 | 5.7 |
| 1939 | 19.2 | 10.6 | 19.9 | 6.5 | 21.3 | 8.9 | 287.9 | 11.7 |
| 1940 | 17.5 | 15.2 | 9.3 | 4.8 | 99.9 | 67.7 | 38.0 | 2.8 |
| 1941 | 4.4 | 6.0 | 18.5 | 16.9 | 117.5 | 106.2 | 75.7 | 6.3 |
| 1942 | 2.4 | 3.9 | 6.5 | 7.3 | 137.7 | 123.7 | - | - |
| 1943 | 0.71 | 1.5 | 1.5 | 2.0 | 149.5 | 141.1 | 31.6 | 4.8 |
| 1944 | 0.04 | 0.16 | 1.3 | 1.5 | 165.4 | 166.7 | 19.7 | 3.7 |
| 1945 | 0.17 | 0.37 | 0.6 | 0.8 | 151.4 | 167.2 | 115.0 | 17.1 |
| 1946 | 0.02 | 0.07 | 11.5 | 18.9 | 96.7 | 123.0 | 158.7 | 28.0 |
| 1947 | 0.3 | 0.8 | 26.6 | 46.4 | 86.6 | 111.8 | 66.0 | 13.2 |
| 1948 1/ | 1.3 | 3.8 | 14.7 | 26.7 | 136.0 | 144.4 | 105.7 | 21.7 |

1/ January - November

Source: Iceland Trade Statistics.

TABLE V

Exports of Principal Fish Products

| Year | Cod Liver Oil 1000 tons | Cod Liver Oil m. kronur | kr. per kilo | Herring Oil 1000 tons | Herring Oil m. kronur | kr. per kilo | Herring & Fish Meal 1000 tons | Herring & Fish Meal m. kronur | kr. per kilo |
|---|---|---|---|---|---|---|---|---|---|
| 1932 | 3.9 | 1.8 | 0.46 | 9.9 | 1.6 | 0.16 | 13.3 | 2.6 | 0.20 |
| 1935 | 4.8 | 3.6 | 0.75 | 7.4 | 1.6 | 0.22 | 10.0 | 2.0 | 0.20 |
| 1939 | 6.6 | 5.7 | 0.86 | 17.3 | 6.2 | 0.36 | 25.6 | 7.2 | 0.28 |
| 1940 | 5.6 | 13.2 | 2.36 | 22.4 | 12.7 | 0.57 | 23.1 | 9.3 | 0.40 |
| 1941 | 5.4 | 20.1 | 3.72 | 27.8 | 14.2 | 0.51 | 19.5 | 7.3 | 0.37 |
| 1942 | 5.5 | 21.8 | 3.96 | 26.5 | 21.0 | 0.79 | 17.9 | 8.4 | 0.47 |
| 1943 | 5.6 | 20.2 | 3.61 | 30.0 | 27.2 | 0.91 | 13.6 | 6.5 | 0.48 |
| 1944 | 6.4 | 22.0 | 3.44 | 26.4 | 26.1 | 0.99 | 28.2 | 13.7 | 0.49 |
| 1945 | 8.4 | 32.7 | 3.89 | 13.9 | 13.5 | 0.97 | 7.8 | 3.8 | 0.49 |
| 1946 | 7.7 | 28.5 | 3.70 | 17.5 | 26.8 | 1.53 | 16.4 | 12.1 | 0.74 |
| 1947 | 5.4 | 22.9 | 4.24 | 20.5 | 51.8 | 2.53 | 16.6 | 16.4 | 0.99 |
| 1948 | 7.5 | 31.1 | 4.15 | 27.9 | 71.9 | 2.58 | 38.3 | 39.1 | 1.02 |

Source: Iceland Trade Statistics.

TABLE VI

Imports of Selected Items

| | 1947 | 1948 1/ | 1947 | 1948 1/ |
|---|---|---|---|---|
| | Quantity in 1000 tons | | Value in million kr. | |
| Grain | 20.2 | 16.6 | 19.9 | 16.7 |
| Animal Fodder | 1.4 | 4.9 | 0.9 | 3.8 |
| Wood and Products | 33.7 | 13.9 | 32.7 | 13.7 |
| Paper and Products | 4.2 | 3.6 | 10.0 | 7.3 |
| Coal and Coke | 163.8 | 95.9 | 27.1 | 16.4 |
| Fuel Oil | 98.7 | 81.9 | 19.5 | 18.6 |
| Cements | 63.7 | 38.8 | 12.0 | 7.9 |
| Iron and Steel | 11.6 | 8.6 | 15.5 | 11.9 |
| Ships and Boats | 18.8 | 16.3 | 88.8 | 56.2 |
| Vehicles and Planes | 6.5 | 1.1 | 47.1 | 13.1 |
| Total | | | 273.5 | 165.6 |
| Percent of all Imports | | | 53 % | 55 % |

1/ January - September

Source: Iceland Trade Statistics

TABLE VII

Imports and Exports, by Countries
(1000 kronur)

| | 1939 | | | 1948 | | |
|---|---|---|---|---|---|---|
| | Imports | Exports | Balance | Imports | Exports | Balance |
| Belgium | 0.7 | 0.6 | - 0.1 | 11.3 | 0.2 | - 11.1 |
| Czechoslovakia | 1/ | 1/ | - | 22.9 | 29.8 | + 6.9 |
| Denmark | 12.6 | 7.7 | - 4.9 | 40.8 | 15.7 | - 25.1 |
| Finland | 0.1 | 0.1 | - | 11.8 | 17.6 | + 5.8 |
| France | 0.1 | 0.1 | - | 4.7 | 16.8 | + 12.1 |
| Germany | 10.1 | 7.5 | - 2.6 | 1.1 | 67.6 | + 66.5 |
| Great Britain | 13.8 | 11.8 | - 2.0 | 135.9 | 118.7 | - 17.2 |
| Greece | 1/ | 1.1 | + 1.1 | 0.6 | 11.9 | + 11.3 |
| Italy | 5.3 | 4.8 | - 0.5 | 12.9 | 13.0 | + 0.1 |
| Netherlands | 0.9 | 4.5 | + 3.6 | 25.1 | 34.7 | + 9.6 |
| Norway | 5.6 | 6.8 | + 1.2 | 5.6 | 1.9 | - 3.7 |
| Poland | 0.7 | 0.2 | - 0.5 | 13.9 | 8.9 | - 5.0 |
| Portugal | 0.1 | 5.4 | + 5.3 | 0.4 | - | - 0.4 |
| Russia | - | - | - | 0.7 | 6.1 | + 5.4 |
| Sweden | 4.6 | 8.5 | + 3.9 | 22.1 | 14.8 | - 7.3 |
| Switzerland | 1/ | 1/ | - | 1.5 | 0.7 | - 0.8 |
| Brazil | 0.3 | 1.6 | + 1.3 | 4.5 | 1.0 | - 3.5 |
| Canada | 0.3 | 1/ | - 0.3 | 19.7 | 0.1 | - 19.6 |
| United States | 2.3 | 7.4 | + 5.1 | 85.7 | 26.3 | - 59.4 |
| Venezuela | 1.3 2/ | - | - 1.3 | 26.7 | - | - 26.7 |
| Other Countries | 2.8 | 1.6 | - 1.2 | 8.8 | 9.9 | + 1.1 |
| Total | 61.6 | 69.7 | + 8.1 | 456.7 | 395.7 | - 61.0 |

1/ Less than 50,000 kronur.

2/ Curacao

Source: Iceland Trade Statistics.

TABLE VIII

Balance of Payments

(million kronur)

| | 1938 | 1946 | 1947 | 1948 |
|---|---|---|---|---|
| **Receipts:** | | | | |
| Exports | 58.6 | 291.4 | 290.5 | |
| Transportation | 6.4 | 64.9 | 65.6 | |
| Insurance | 2.1 | 10.8 | 12.6 | |
| Investments | - | 6.3 | 2.8 | |
| Other invisibles | 0.5 | 7.3 | 4.7 | |
| Total | 67.6 | 380.7 | 376.2 | |
| **Expenditures:** | | | | |
| Imports | 50.5 | 448.7 | 519.1 | |
| Foreign Travel | 0.8 | 18.9 | 12.0 | |
| Transportation | 5.8 | 47.0 | 56.1 | |
| Insurance | 3.1 | 16.5 | 20.6 | |
| Investment | 2.7 | 0.9 | 1.0 | |
| Other invisibles | 0.6 | 33.5 | 9.1 | |
| Total | 63.5 | 565.5 | 617.9 | |
| **Balance** | + 4.1 | -184.8 | -241.7 | |

Source: IMF, Revised Data for 1948 Yearbook, November 1948.

Iceland

Table IX

Cost of Living in Reykjavik
(January-March 1939 = 100)

| | All Items | Food only |
|---|---|---|
| 1939 . . . . . | 102 | |
| 1940 . . . . . | 131 | |
| 1941 . . . . . | 163 | |
| 1942 . . . . . | 212 | |
| 1943 . . . . . | 256 | |
| 1944 . . . . . | 268 | |
| 1945 . . . . . | 277 | |
| 1946 . . . . . | 293 | |
| 1947 . . . . . | 315 | |
| 1948: | | |
| January . . . . . | 319 | 360 |
| June . . . . . | 319 | 356 |
| December. . . . . | 326 | 364 |
| 1949: | | |
| January . . . . . | 326 | 364 |

Source: Iceland Statistical Bulletin

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Table X

Position of the Banks[1]
(Million Kronur)

| End of Month | | Deposits[2] | Loans[3] | Note Circulation | Foreign Assets[4] |
|---|---|---|---|---|---|
| 1939: | January . . . . . | 71 | 93 | 12 | -9 |
| | June . . . . . | 71 | 101 | 12 | -17 |
| | December. . . . . | 76 | 104 | 14 | -12 |
| 1940: | June . . . . . | 88 | 110 | 15 | -3 |
| | December. . . . . | 130 | 97 | 25 | 60 |
| 1941: | June . . . . . | 169 | 92 | 35 | 115 |
| | December. . . . . | 222 | 105 | 51 | 165 |
| 1942: | June . . . . . | 265 | 127 | 68 | 212 |
| | December. . . . . | 353 | 173 | 108 | 285 |
| 1943: | June . . . . . | 390 | 172 | 124 | 364 |
| | December. . . . . | 460 | 193 | 145 | 447 |
| 1944: | June . . . . . | 541 | 212 | 144 | 521 |
| | December. . . . . | 597 | 236 | 167 | 562 |
| 1945: | June . . . . . | 629 | 264 | 167 | 581 |
| | December. . . . . | 603 | 337 | 177 | 467 |
| 1946: | June . . . . . | 593 | 420 | 167 | 364 |
| | December. . . . . | 538 | 482 | 167 | 217 |
| 1947: | June . . . . . | 528 | 573 | 158 | 76 |
| | December. . . . . | 562 | 518 | 107 | 38 |
| 1948: | June . . . . . | 588 | 605 | 151 | 28 |
| | December. . . . . | 577 | 601 | 175 | 46 |

1/ The National Bank, the Fisheries Bank, and the Rural Bank.
2/ Deposits on current accounts and savings accounts (deposits from banks and savings banks not included.)
3/ Inland bills, loans on security, advances on cash credit and current accounts.
4/ Foreign bonds, balance with foreign correspondents and foreign bills.

Source: Iceland Statistical Bulletin