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Political, Social and Economic Background and Trends

Since 17 June 1944, Iceland has been a republic with a written constitution and a parliamentary form of government. In accordance with the constitution, the Icelandic parliament; Alþingi and the President of Iceland jointly exercise legislative power. The President of Iceland serves as the country's elected head of state and is elected for a term of four years by direct vote of the electorate. The parliament is composed of 63 members in one house, elected for four years by proportional representation. The government in office holds executive power and is headed by the Prime Minister. The right to receive general education is guaranteed by article 76 of the Constitution of Iceland which stipulates that the law shall guarantee for everyone suitable general education. Compulsory education in Iceland is free of charge; various professional services are also offered including special education services and psychological assistance. Icelandic is the national language and the language of instruction. The Icelandic economy has grown very rapidly the past decades, from being one of the poorer countries of Europe to ranking among the highest economic performers.

Today, the Icelandic economy can be defined as small but open economy with a stable GDP growth and GDP volume per capita, usually above the EU28 baseline. After the 2008 banking and financial crisis, the economy slowly started to turn around. Unemployment rates gradually decreased and for the last 3-4 years unemployment rates have reached as low as under 2% at a point. A recent boom in tourism has contributed to a sharp economic growth and contributed to an already high employment rate.

Following global corona-crisis a steep decline in number of tourists and a weakening of the small Icelandic currency (ISK) has been seen.

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