

Where is the economic forecast for the general household until 2013?

Due to a constant financial degeneration amongst Icelandic homes, The association of Icelandic homes (HH) wishes to express its great concerns. According to HH's analysis using figures presented by the National Bank of Iceland, 18% of Icelandic homes are now dealing with a financial situation that can be defined as "heavy", referring to monthly payments (in relation to monthly income), while the financial situation of 36% homes can be defined as "very heavy". This is the current situation despite the fact that large portion of homes have already taken actions, such as renegotiating with their creditors, in order to lower the monthly payment figure, at least temporarily through freezing the loans temporarily or through extending the loans for up to 40 years.

Despite that, the government has just recently agreed on a financial plan that includes an additional ISK 90.000 monthly load for the average household. How Icelandic homes are supposed to afford this plan, on top of high inflation rates and everything else, remains a mystery to HH.

According to calculations made by an HH board member, based on figures presented by The Icelandic Statistic bureau, the average household's income does not cover the average household's cost. On a yearly basis the average loss is around ISK 2 millions. Therefore it is clear that additional taxes or other additional cost for the households will increase the amount of homes that can be defined as technically and operationally bankrupt. In addition a survey amongst HH's members concludes that a vast majority, or 61% of members are not able to provide for their financial needs with their income, they say they are either technically bankrupt or heading there, collecting debts or using their savings in order to make ends meet on a monthly basis. It should be noticed that a larger proportion, or 85%, of those who have foreign currency related loans are not able to make ends meet. One can only assume that this outcome reflects the general situation of the society. According to the same survey (executed in June 2009), 44% of HH's members are rather or very likely not to be able to fulfill their financial obligations for the next six months.

Therefore, HH demands that the **government prepares an economic forecast for the general household that spans the presented resurrection period of the state's fund, i.e. from 2009 to 2013.** Such forecast is necessary to define the current financial situation of Icelandic homes and estimate the development for the next years. HH also want to know what actions the government is going to take to resurrect the financial situation of the general household and prevent people from losing their faith in their future here in Iceland. The current debt is obviously terrifying and nothing indicates that the situation will get better without radical actions on behalf of the government.

According to HH, it does not serve its purpose to resurrect the financial situation of the state's fund and the financial sector, if it is at the expense of Icelandic homes, firms and municipalities. The resurrection of all these three cornerstones of the society must go hand in hand.

Reykjavík, July 4th 2009

HH's board of members

www.heimilin.is