



WORLD RANK:

16

REGIONAL RANK:

11

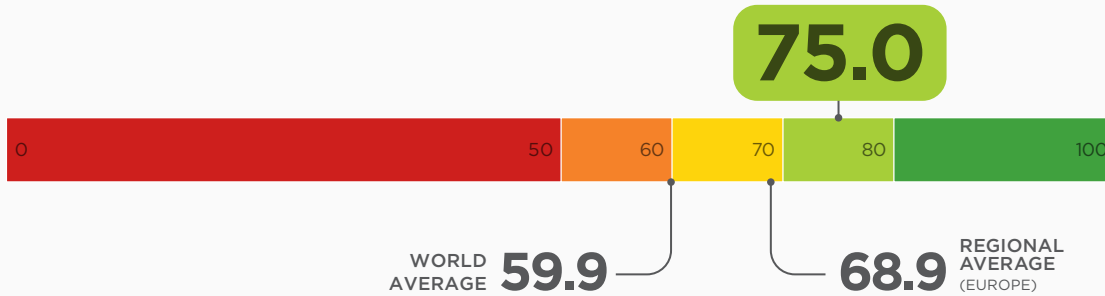
ECONOMIC FREEDOM STATUS:
MOSTLY FREE

ICELAND

Iceland's economic freedom score is 75, making its economy the 16th freest in the 2026 *Index of Economic Freedom*. Its rating has increased by 2.2 points from last year, and Iceland is ranked 11th out of 44 countries in the Europe region. The country's economic freedom score is higher than the world and regional averages. Iceland's economy is considered "mostly free" according to the 2026 *Index*.

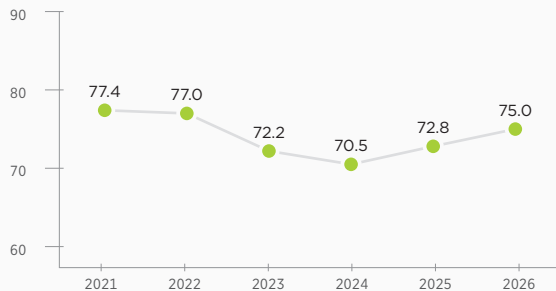
Despite the challenging global economic situation, Iceland's economy has been resilient, bolstered by regulatory efficiency and open-market policies. The legal framework is among the world's best and provides effective protection of property rights. The rule of law is well maintained, and a minimum tolerance for corruption is a strong tradition. Iceland's modern, transparent regulatory environment encourages entrepreneurial activity by allowing the formation and operation of businesses to be efficient and dynamic. Labor regulations are relatively rigid with broad wage settlements and high unionization.

ECONOMIC FREEDOM SCORE



HISTORICAL INDEX SCORE CHANGE (SINCE 1997): +4.5

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
0.4 million

GDP (PPP):
\$30.3 billion
1.4% growth in 2025
3-year average growth rate: 1.9%
\$80,466 per capita

UNEMPLOYMENT:
3.2%

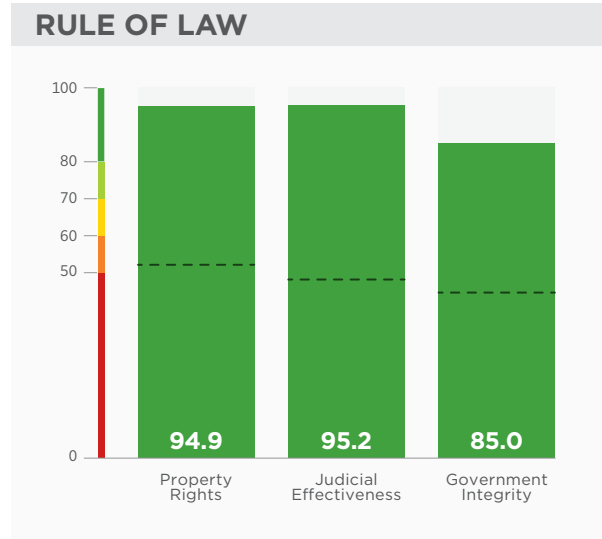
INFLATION (CPI):
5.9%

TRADE AS % OF GDP: 84.3%

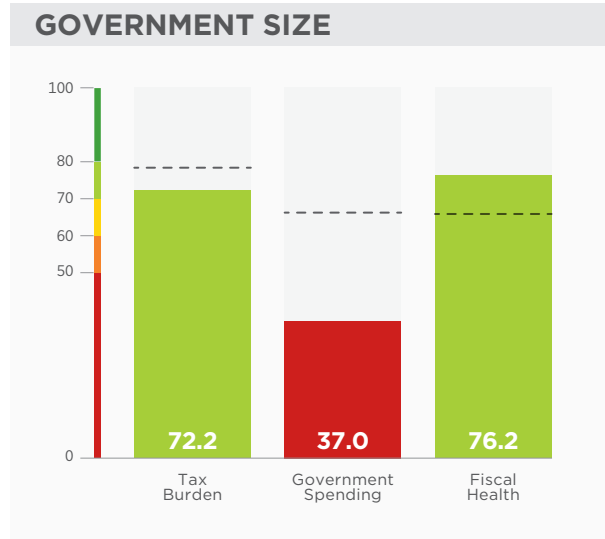
PUBLIC DEBT:
59.4% of GDP

2025 data unless otherwise noted. Data compiled as of January 2026.

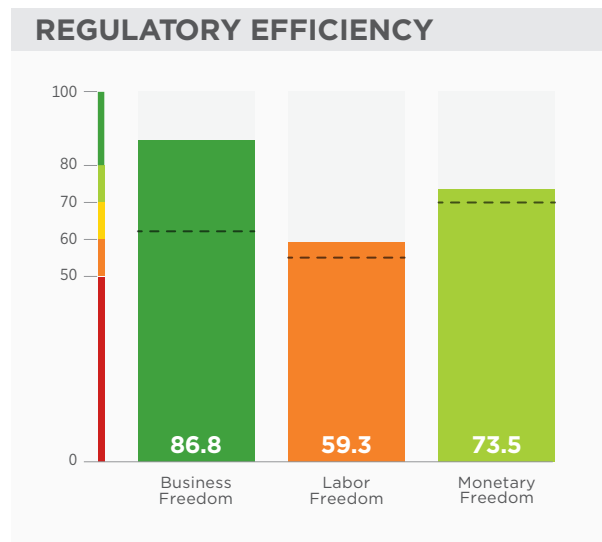
12 ECONOMIC FREEDOMS | ICELAND



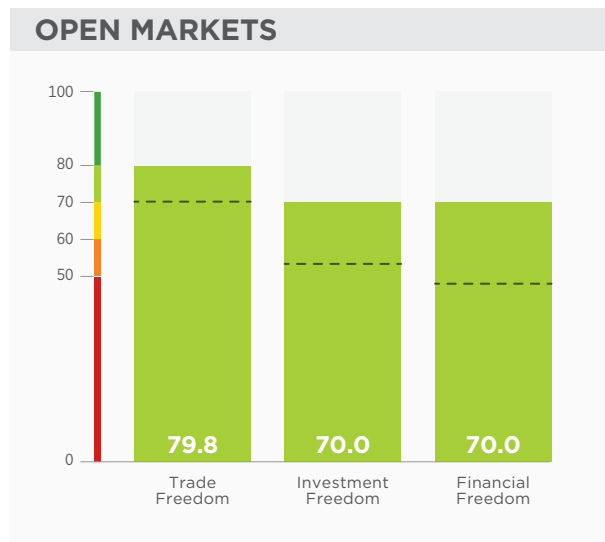
The overall rule of law is very well respected in Iceland. The country's property rights score is above the world average; its judicial effectiveness score is above the world average; and its government integrity score is above the world average.



The top individual income tax rate is 31.8 percent, and the top corporate tax rate is 20 percent. The tax burden equals 36.9 percent of GDP. Three-year government spending and budget balance averages are, respectively, 45.8 percent and -3.2 percent of GDP. Public debt amounts to 59.4 percent of GDP.



Iceland's overall regulatory environment is well institutionalized and relatively efficient. The country's business freedom score is far above the world average; its labor freedom score is above the world average; and its monetary freedom score is above the world average.



The trade-weighted average tariff rate is 2.6 percent, and more than 80 nontariff measures are in force. Transparent and efficient regulations, applied evenly in most cases, encourage investment. The financial sector has regained stability with capital controls removed. Commercial banks offer a variety of services.