



2021|2

# REPORT

MONETARY POLICY COMMITTEE REPORT TO PARLIAMENT





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MONETARY POLICY COMMITTEE REPORT  
TO PARLIAMENT 2021/2

14 January 2022

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# Monetary Policy Committee Report to Parliament 14 January 2022

The Act on the Central Bank of Iceland stipulates that the Monetary Policy Committee (MPC) of the Central Bank of Iceland shall submit to Parliament (Alþingi) a report on its activities twice a year and that the contents of the report shall be discussed in the Parliamentary committee of the Speaker's choosing.

The new Act on the Central Bank of Iceland, which entered into force on 1 January 2020, requires that the Monetary Policy Committee meet at least six times each year. Since the last Report was sent to Parliament, the Committee has held three regular meetings, most recently on 17 November 2021. The following report discusses the work of the Committee between July and December 2021.

## Monetary policy formulation

According to the Act on the Central Bank of Iceland, the principal objective of monetary policy is to promote price stability. This objective is further described in the joint declaration issued by the Bank and the Icelandic Government on 27 March 2001 as an inflation target of 2½%, based on the consumer price index. By law, the MPC takes decisions on the application of the Bank's monetary policy instruments; furthermore, the MPC's decisions shall be based on a thorough and careful assessment of developments and prospects for the economy, including the assessment published in the Bank's *Monetary Bulletin*. The MPC's statements and minutes, enclosed with this report, contain the arguments for the Committee's decisions in the latter half of 2021.

## Developments from July to December 2021

At its meetings in August and October, the MPC decided to raise the Bank's key rate by 0.25 percentage points

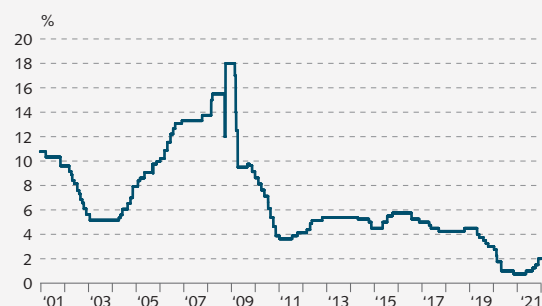
Table 1. Central Bank of Iceland interest rate decisions H2/2021 (%)

Date	Current accounts	Seven-day term deposits	Collateralised loans	Overnight loans
25 August	1.00	1.25	2.00	3.00
6 October	1.25	1.50	2.25	3.25
17 November	1.75	2.00	2.75	3.75

Chart 1

Central Bank of Iceland key interest rate<sup>1</sup>

Daily data 3 January 2001 - 31 December 2021



1. The Central Bank's key interest rate is defined as follows: the 7-day collateralised lending rate (until 31 March 2009), the rate on deposit institutions' current accounts with the Central Bank (1 April 2009 - 30 September 2009), the average of the current account rate and the rate on 28-day certificates of deposit (1 October 2009 - 20 May 2014), and the rate on 7-day term deposits (from 21 May 2014 onwards).

Source: Central Bank of Iceland.

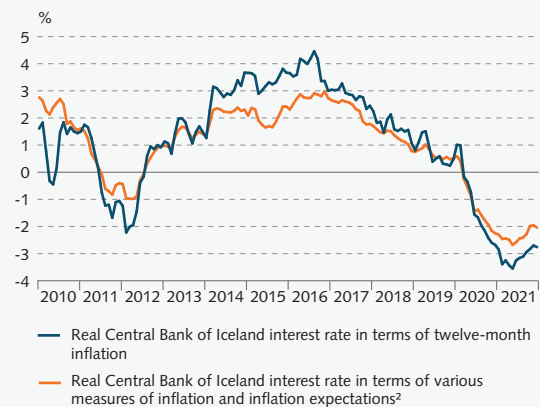
each time, as inflation had proven more persistent than previously assumed and it appeared that it would take longer to bring inflation back to target. Furthermore, there was the risk that elevated global inflation, supply-chain disruptions, and domestic wage rises would cause inflation to remain high, potentially leading to a further rise in inflation expectations. Moreover, economic activity had rebounded strongly and there were signs of a continued robust recovery of domestic demand. When the new macroeconomic forecast was available at the time of the MPC's November meeting, the GDP growth outlook for 2022 had improved, but the inflation outlook had deteriorated somewhat, and long-term inflation expectations had risen by some measures. As a result, the Committee decided to raise the key rate by another 0.5 percentage points so as to minimise the risk that inflation would prove even more persistent and inflation expectations would become unmoored from the target. The Bank's key rate was therefore 2% at the end of 2021, or 1 percentage point higher than at mid-year, when the Committee sent its last report to Parliament.<sup>1</sup> Even so, it was still 0.75 percentage points lower than in February 2020, when the pandemic reached Iceland.

In terms of the Central Bank's real interest rate, the monetary stance tightened in tandem with the Bank's nominal rate increases over the course of the year. In terms of the average of various measures of inflation and one-year inflation expectations, the Bank's real rate was -2.1% at the end of 2021, or 0.4 percentage points higher than at the end of June. The real rate in terms of twelve-month inflation rose by 0.2 percentage points over the same period, to -2.9% at the end of the year.

Nominal Treasury bond yields continued to rise as the year progressed, after declining temporarily during the summer. The yield on ten-year nominal Treasury bonds was 4.2% at the end of December, after increasing by 0.6 percentage points since end-June and 1 percentage point since the end of December 2020. Long-term indexed rates fell slightly during the year, however. The yield on indexed ten-year Treasury-guaranteed bonds was 0.7% at the end of December, 0.2 percentage points lower than at mid-year.

At its August meeting, the MPC decided that the Bank should discontinue purchasing Treasury bonds in the secondary market. The Committee was of the view that the purchases had been successful and had prevented a rise in long-term yields when the pandemic

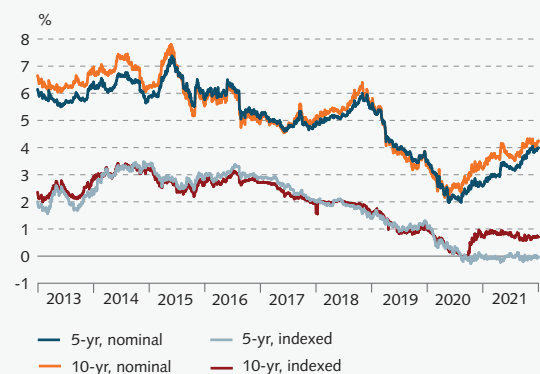
Chart 2  
Real Central Bank of Iceland interest rates<sup>1</sup>  
January 2010 - December 2021



1. From 2010 to May 2014, the nominal policy rate was the average of the current account rate and the maximum rate on 28-day CDs. From May 2014, the policy rate has been the seven-day term deposit rate. 2. Until January 2012, according to twelve-month inflation, one-year business inflation expectations, one-year household inflation expectations, the one-year breakeven inflation rate, and the Central Bank forecast of twelve-month inflation four quarters ahead. From February 2012 onwards, according to the above criteria, plus one-year market inflation expectations based on a quarterly Central Bank survey.

Sources: Gallup, Statistics Iceland, Central Bank of Iceland.

Chart 3  
Government-guaranteed bond yields<sup>1</sup>  
2 January 2013 - 30 December 2021



1. Based on the zero-coupon yield curve, estimated with the Nelson-Siegel method, using money market interest rates and Government-guaranteed bonds.

Source: Central Bank of Iceland.

1. The key rate is the interest rate that is the most important determinant of short-term market rates and therefore is the best measure of the monetary stance. At present, this is the interest rate on seven-day term deposits with the Central Bank.

struck and fiscal uncertainty was high. Committee members also agreed that this policy instrument should remain available so that it could be activated if conditions warranted its use. From the onset of the pandemic, the Bank bought Treasury bonds in the secondary market in the amount of 22.6 b.kr.

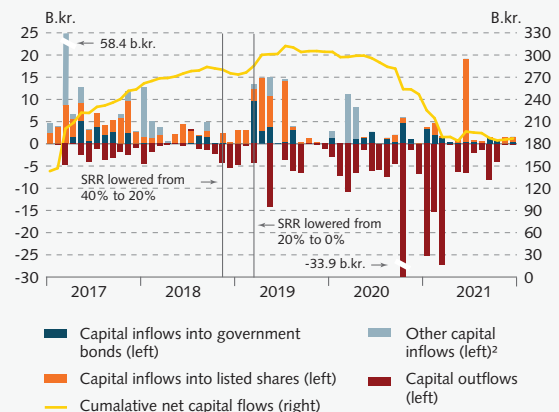
Annual growth in M3 lay in the 8-9% range in H2/2021 and remained relatively stable during the year, after surging in H2/2020. Annual growth in lending to households is still significant, measuring about 11% in H2/2021. Mortgage lending rates rose relative to H1, following the Bank's rate hikes. Interest rates on corporate loans rose as well, but in terms of the deposit rates offered to businesses, credit spreads are still reasonably low in comparison with recent years. The stock of corporate loans to nearly all sectors contracted during the year despite increased economic activity.

Inflows of capital for new investment totalled 6.6 b.kr. in H2/2021 and were due almost exclusively to purchases of listed equities and Treasury bonds. Over the same period, outflows of capital previously imported for new investment totalled 15.9 b.kr., most of it due to sales of listed shares. Net outflows relating to new investment therefore totalled 9.4 b.kr. in H2/2021, as compared with 50.4 b.kr. in H1/2021.

Despite a strong rebound in tourism, the króna depreciated this past summer, but some outflows – due to new investments and the pension funds' foreign currency purchases – continued. The króna began to appreciate again in November, but relative to the trading partner average, it weakened by 2.3% in H2/2021, and at that time it was still roughly 6% weaker than in late February 2020, when the COVID-19 pandemic spread to Iceland. The Central Bank has intervened relatively little in the foreign exchange market since the last report was sent to Parliament, as the market has appeared well balanced. In H2/2021, the Bank sold foreign currency for 7.2 b.kr. and purchases amounted to 4 b.kr. The Bank's activity accounted for about 8% of total foreign exchange market turnover during the period.

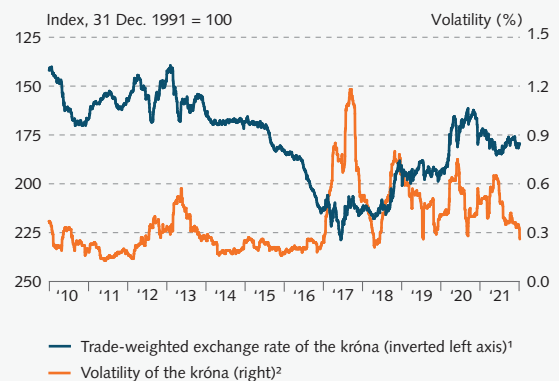
Inflation remained high in H2, and the outlook deteriorated from June onwards. Inflation measured 5.1% in December, up from 4.3% in June, when the last report was sent to Parliament. In Q4, inflation averaged 4.8%, slightly above the forecast published in the November *Monetary Bulletin*. Inflation excluding housing was 3.3% in December and had declined since June. Underlying inflation measured 4% in December, according to the average of various measures. It declined as the second half of the year progressed but rose again at year-end.

Chart 4  
Capital flows due to registered new investments<sup>1</sup>  
January 2017 - December 2021



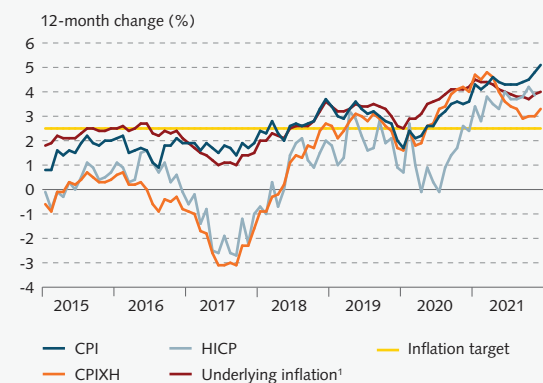
1. Investment commencing after 31 October 2009 and based on new inflows of foreign currency that is converted to domestic currency at a financial institution in Iceland. 2. Other inflows in March 2017 derive almost entirely from non-residents' acquisition of a holding in a domestic commercial bank.  
Source: Central Bank of Iceland.

Chart 5  
Exchange rate and volatility of the króna  
Daily data 4 January 2010 - 31 December 2021



1. Price of foreign currency in terms of the króna. Inverted axis shows a stronger króna as a rise. 2. Volatility is measured by the standard deviation of daily changes in the past 3 months.  
Source: Central Bank of Iceland.

Chart 6  
Various measures of inflation  
January 2015 - December 2021



1. Underlying inflation shows the average of five different measures.  
Sources: Statistics Iceland, Central Bank of Iceland.

The increase in house prices was the main driver of inflation in the last three quarters of 2021, and in December, just under half of headline inflation was attributable to the housing component of the CPI. The cost of owner-occupied housing had risen by 13.3% in the previous twelve months, up from a year-on-year increase of 7.5% in June. Furthermore, house prices nationwide had risen by just under 16% in the previous twelve months, although real mortgage interest expense pulled in the opposite direction. Increased petrol prices have also been a factor, as global oil prices had become higher by November than before the pandemic struck. The impact of the depreciation of the króna on imported goods prices has tapered off in recent months, and imported inflation has subsided. As of December, imported goods prices had risen 2.9% over the previous twelve months.

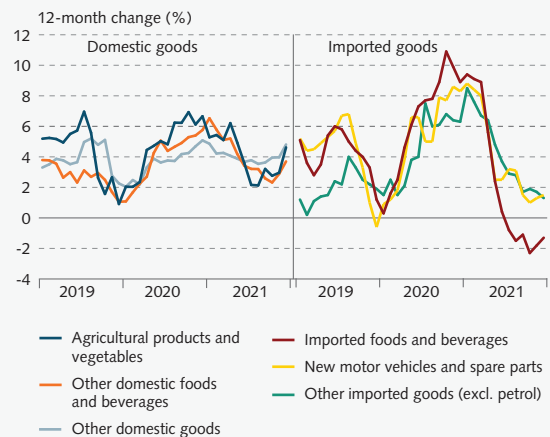
According to the forecast in the November *Monetary Bulletin*, inflation looks set to remain above 4% for longer than previously anticipated, and not to fall below 3% until Q4/2022. The bleaker inflation outlook is due in particular to a poorer initial position and higher imported inflation. Global inflation has increased considerably, oil prices have risen more than previously expected, and the effects of supply-chain bottlenecks appear likely to persist longer than previously assumed. Furthermore, in Iceland, a positive output gap is expected in the next two years, and wages and house prices are projected to rise more than previously forecast.

Short-term inflation expectations have been affected by the fact that inflation has been more persistent than previously assumed, and most measures of one- and two-year expectations have risen since June 2021. Expectations vary, as market agents expect inflation to be at target in two years, while corporate executives and households project it at 3% and 4%, respectively.

Surveys showed that in December, long-term inflation expectations were broadly the same as at the time the last report was sent to Parliament. Market agents still expect inflation to be close to the target, on average, in the long run, while households and corporate executives expect it to average 3-3.5% over the next five years. The breakeven inflation rate in the bond market rose in H2/2021, however, and the five-year breakeven rate five years ahead was 3% at the end of December, or approximately 0.5 percentage points higher than when the last report was sent to Parliament.

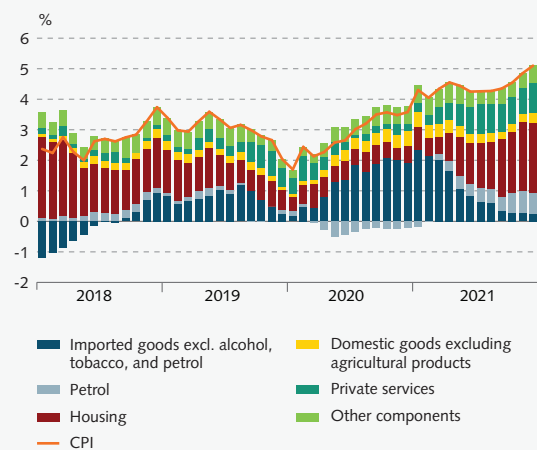
At the MPC's November meeting, members agreed to take a larger step in raising interest rates, as inflation had been more persistent and the inflation outlook had deteriorated. Furthermore, the labour market was recov-

Chart 7  
Domestic and imported goods prices  
January 2019 - December 2021



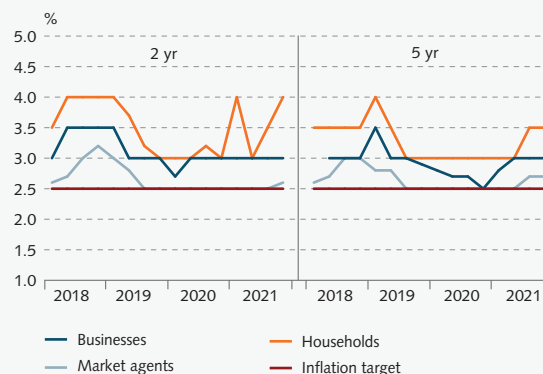
Source: Statistics Iceland.

Chart 8  
Components of CPI inflation  
January 2018 - December 2021



Sources: Statistics Iceland, Central Bank of Iceland.

Chart 9  
Two- and five-year inflation expectations<sup>1</sup>  
Q1/2018 - Q4/2021



1. Gallup surveys of households' and businesses' inflation expectations and Central Bank survey of market agents' inflation expectations. Median responses.  
Sources: Gallup, Central Bank of Iceland.



ering strongly, unemployment had declined, and the outlook was for wage cost increases in the coming term to be larger than previously assumed. It emerged in the discussion that there was the risk that higher imported inflation would push domestic inflation upwards; for instance, through further rises in the price of services. The Committee therefore considered it important to act decisively so as to minimise the risk that inflation would turn out even more persistent and inflation expectations would become unmoored from the target. The MPC reiterated that it would apply the tools at its disposal to ensure that inflation eases back to the target within an acceptable time frame.

On behalf of the Central Bank of Iceland Monetary Policy Committee,

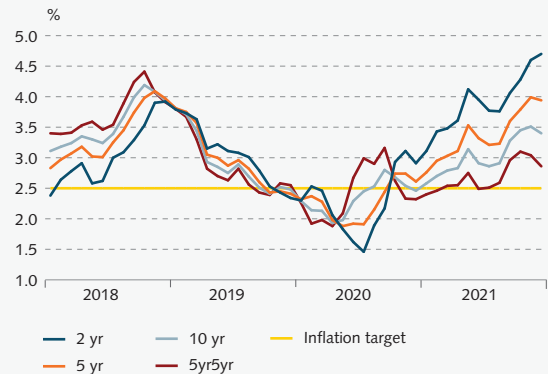


Ásgeir Jónsson

Governor of the Central Bank of Iceland and Chair of the Monetary Policy Committee

Chart 10

Breakeven inflation rate<sup>1</sup>  
January 2018 - December 2021



1. Monthly averages.

Source: Central Bank of Iceland.

## Statement of the Monetary Policy Committee 25 August 2021

The Monetary Policy Committee (MPC) of the Central Bank of Iceland has decided to raise the Bank's interest rates by 0.25 percentage points. The Bank's key interest rate – the rate on seven-day term deposits – will therefore be 1.25%.

The economic outlook has improved since the Bank's last forecast. According to the new macroeconomic forecast, published in the August *Monetary Bulletin*, the outlook is for GDP growth to measure 4% this year, some 0.9 percentage points above the May forecast. The improvement is driven mainly by tourist arrivals, which have increased more rapidly this summer than was previously expected. Unemployment has subsided more than previously forecast, although it remains high, and the slack in the economy has narrowed more quickly.

A large share of the population is now vaccinated against COVID-19. Even so, case numbers have risen once again, and there is still some uncertainty about the path the pandemic will take, owing to the increased spread of the Delta variant of the virus. Furthermore, the impact of temporary supply chain disruptions abroad, which have pushed manufacturing and distribution costs upwards all over the world, could persist longer than previously anticipated.

Inflation measured 4.4% in Q2/2021 but was 4.3% in July. Overall inflationary pressures appear to be subsiding, particularly according to underlying inflation, but nevertheless remain relatively high. The rise in inflation expectations earlier this year seems to be reversing. According to the Central Bank's forecast, however, the outlook is for inflation to ease somewhat more slowly than was projected in May. It is expected to remain above 4% through the year-end but align with the target in H2/2022.

The MPC will apply the tools at its disposal to ensure that inflation eases back to the target within an acceptable time frame.

## Statement of the Monetary Policy Committee 6 October 2021

The Monetary Policy Committee (MPC) of the Central Bank of Iceland has decided to raise the Bank's interest rates by 0.25 percentage points. The Bank's key interest rate – the rate on seven-day term deposits – will therefore be 1.5%.

According to preliminary national accounts figures, GDP growth was slightly weaker in H1/2021 than was forecast in the August *Monetary Bulletin*. Growth in domestic demand was well in line with the Bank's forecast, however. Indicators imply a continued strong domestic economic recovery in Q3, and the GDP growth outlook for 2021 as a whole is broadly unchanged.

Inflation rose to 4.4% in September. The contribution from the housing component continued to increase, and housing accounted for a large share of headline inflation in September. Underlying inflation continued to ease, however, although it remains significant. On the other hand, the impact of temporary supply-chain disruptions, which have pushed manufacturing and distribution costs upwards all over the world, could persist longer than previously anticipated.

Although underlying inflation is declining, there is cause for concern in that inflation expectations appear to have begun rising again. It is too soon, however, to say whether they are becoming less firmly anchored to the inflation target.

The MPC will apply the tools at its disposal to ensure that inflation eases back to the target within an acceptable time frame.

## Statement of the Monetary Policy Committee 17 November 2021

The Monetary Policy Committee (MPC) of the Central Bank of Iceland has decided to raise the Bank's interest rates by 0.5 percentage points. The Bank's key interest rate – the rate on seven-day term deposits – will therefore be 2%.

According to the Bank's new macroeconomic forecast, published in the November *Monetary Bulletin*, the outlook is for GDP growth to measure about 4% in 2021, broadly in line with the August forecast. However, better prospects for exports result in an improved outlook for year-2022 GDP growth, which is expected to measure just over 5%. Nevertheless, significant uncertainty remains, and as before, economic developments will depend on the path the pandemic takes.

Inflation rose to 4.5% in October. The contribution from domestic cost pressures, rising house prices, and wage growth has accounted for a large share of inflation recently, but the effects of rising global oil and commodity prices have also grown stronger. Underlying inflation is lower, however, and has declined in recent months.

The inflation outlook has deteriorated somewhat since August, owing in part to more persistent global price increases, a more rapid rebound in domestic economic activity, and rising wage costs. The outlook is for inflation to continue rising in coming months but then start to ease, given that inflation expectations remain anchored to the target.

The MPC reiterates that it will apply the tools at its disposal to ensure that inflation eases back to the target within an acceptable time frame.



*The Monetary Policy Committee of the Central Bank of Iceland*

## Minutes of the Monetary Policy Committee meeting

23-24 August 2021 (103rd meeting)

Published: 8 September 2021

The Act on the Central Bank of Iceland stipulates that it is the role of the Monetary Policy Committee (MPC) to set Central Bank interest rates and apply other monetary policy instruments. Furthermore, the Act states that “[m]inutes of meetings of the Monetary Policy Committee shall be made public, and an account given of the Committee’s decisions and the premises upon which they are based.” In accordance with the Act, the MPC has decided to publish the minutes of its meetings two weeks after each decision. The votes of individual Committee members are also included in the minutes.

The following are the minutes of the MPC meeting held on 23 and 24 August 2021, during which the Committee discussed economic and financial market developments, decisions on the application of the Bank’s monetary policy instruments, and the communication of those decisions on 25 August.

### **I Economic and monetary developments**

Before discussing monetary policy decisions, members discussed the domestic financial markets, financial stability, the outlook for the global economy and Iceland’s international trade, the domestic economy, and inflation, with emphasis on information that had emerged since the Committee’s last meeting, on 19 May 2021, as published in the updated forecast in *Monetary Bulletin 2021/3* on 25 August.

#### **Financial markets**

Since the May meeting, the króna had depreciated by 0.4% in trade-weighted terms. The Bank’s net foreign currency purchases totalled 138 million euros (20.2 b.kr.) between meetings. Of that total, purchases under the intervention programme totalled 65 million euros (about 9.5 b.kr.), and sales under the intervention programme totalled 18 million euros (about 2.7 b.kr.) The Central Bank’s transactions accounted for about 26.3% of total turnover in the foreign exchange market.

In terms of the Central Bank’s real rate, the monetary stance had tightened since the May meeting. In terms of the average of various measures of inflation and one-year inflation expectations, the Bank’s real rate was -2.5%, or 0.1 percentage points higher than just after the

announcement of the May interest rate decision. In terms of twelve-month inflation, it was -3.2% and had risen by 0.2 percentage points between meetings.

Interest rates in the interbank market for krónur rose in line with the increase in the key rate in May, but there had been no turnover in the market since the MPC's last meeting. Yields on long-term nominal Treasury bonds had fallen by 0.4 percentage points since the May meeting, and yields on long-term indexed Treasury bonds had declined by 0.1 percentage points. Furthermore, average non-indexed mortgage lending rates had risen by 0.2 percentage points following the May rate hike.

In terms of three-month interbank rates, the short-term interest rate differential had widened by 0.3 percentage points, to 2.2 percentage points versus the euro area and 1.5 percentage points versus the US. The long-term interest rate spread was virtually unchanged between meetings, at 4.1 percentage points versus Germany and 2.4 percentage points versus the US. Measures of the risk premium on the Treasury's foreign obligations had risen marginally between meetings. The CDS spread on the Treasury's five-year US dollar obligations was 0.6%, and the spread between the Treasury's eurobonds and comparable bonds issued by Germany was 0.6-0.7 percentage points.

Financial institutions' analysts had projected that the MPC would hold the Bank's interest rates unchanged, noting that even though inflation had proven higher and more persistent in the recent term than previously expected, inflation expectations still appeared firmly anchored; furthermore, the effects of the May rate hike and the reduction in maximum loan-to-value ratios on new mortgages, introduced in June, had not yet come fully to the fore. Moreover, the outlook suggested that the setback in the battle with the COVID-19 pandemic might slow down the economic recovery, and unemployment remained high.

According to the Central Bank's quarterly market expectations survey, conducted in August, respondents expected the Bank's key rate to be raised to 1.25% in Q3/2021. They also expected another rate hike in Q4, bringing the key rate to 1.5% by the year-end. This is a higher rate than survey participants expected in the survey from May, when they projected that the Bank's key rate would be 1% in Q3 and 1.25% at the end of 2021. In the survey, about 67% of respondents considered the monetary stance appropriate at present, up from 54% in the previous survey. The share who considered the monetary stance too loose had fallen, however, from 46% in May to 33%. As in the previous survey, no respondents considered the stance too tight.

Annual growth in M3 has gained pace since the spring and is estimated to have measured 8.2% in June. At the same time, annual growth in credit system lending to households is estimated at just over 11%, slightly more than in recent months. Corporate lending contracted by about 2%, however.

The Nasdaq OMXI10 index had risen by 12.9% between meetings. Turnover in the Main Market totalled 568 b.kr. in the first seven months of 2021, some 67% more than over the same period in 2020.

### **Global economy and external trade**

According to the International Monetary Fund's (IMF) July forecast, global GDP growth is projected to measure 6% in 2021. Although this is the same as the Fund's forecast from April, the composition of GDP growth has changed. The outlook for this year has improved for advanced economies but deteriorated for emerging and developing economies, particularly in Asia, reflecting regional differences in vaccine rollouts and in the path of the pandemic itself.

For advanced economies, increased fiscal stimulus plays a major role in the brighter outlook, particularly in the US, where additional measures are planned. The IMF forecasts year-2022 global GDP growth at 4.9%, some 0.5 percentage points above its April forecast, with most of the growth due to the aforementioned fiscal stimulus package in the US. Global economic uncertainty remains pronounced, however, according to the Fund, and the GDP growth risk profile is tilted to the downside.

Iceland's external goods trade generated a deficit of 16.9 b.kr. in July and 126 b.kr. for the first seven months of the year, as opposed to a deficit of 88 b.kr. at constant exchange rates over the same period in 2020. The value of exported goods excluding ships and aircraft rose by just over 19% year-on-year during the first seven months of 2021. The rise is due largely to increased aluminium export values, as global aluminium prices have risen virtually unimpeded since April 2020. Furthermore, increased marine product export values had a strong impact, mainly because of a favourable capelin season in Q2. The value of imported goods excluding ships and aircraft was up 20% year-on-year at constant exchange rates in the first seven months of 2021, but this reflects a number of contributing factors, with all key subcategories increasing markedly in value relative to the same time in 2020.

Global aluminium prices had risen 7½% since the May meeting, by a third year-to-date, and by nearly 50% since the onset of the pandemic. Preliminary figures from Statistics Iceland indicate that the year-on-year decline in foreign currency prices of marine products lost pace in June, with prices down just over 4%. Global Brent crude prices had risen by 3½% between MPC meetings, to around 71 US dollars per barrel by the time of the August meeting. This is almost 8% higher than before the pandemic. Other commodity prices have also risen since May.

The real exchange rate in terms of relative consumer prices fell by 0.4% month-on-month in July, when it was 6.1% above its 25-year average and 10% above its October 2020 trough. It rose by 2% year-on-year in the first seven months of 2021, as inflation in Iceland was 2 percentage points above the trading partner average. The nominal exchange rate was virtually unchanged.

### **Domestic economy and inflation**

Private consumption grew by 2.5% quarter-on-quarter in Q1/2021, about half the growth rate forecast in the May *Monetary Bulletin*. Year-on-year growth measured only 0.8%, well below the May forecast of 5%. Payment card turnover and other high-frequency indicators had suggested much stronger growth during the quarter, and card turnover, both within Iceland and overall, had continued to increase in Q2, as had new motor vehicle registrations (excluding car rental agencies). It therefore appears that private consumption grew somewhat between Q1 and Q2, and will measure about 10% higher in Q2 than in the same quarter of 2020.

The Gallup Consumer Confidence Index measured 123.4 points in July, a decline of 8.4 points between months but an increase of 71.2 points between years. All sub-indices rose markedly year-on-year but fell month-on-month, apart from the assessment of the current situation, which improved by 18.5 points.

According to the results of Gallup's summer survey, conducted in June among Iceland's 400 largest firms, respondents' assessment of the current economic situation was much more positive than in spring survey. Their expectations six months ahead were also more positive than in the spring. About 84% of executives expected the economic situation to improve in the next six months, and about 4% expected it to deteriorate, somewhat fewer than in the spring.

Executives were also more optimistic about domestic and foreign demand than in the spring survey, particularly those in the financial and insurance sector, the fishing industry, and transport, transit, and tourism.

The seasonally adjusted survey results show that 39% of firms were planning to recruit staff, while only 8% were planning redundancies. The balance of opinion is therefore positive by 31 percentage points, about the same as during the strong upswing in 2016. About 22% of executives considered themselves short-staffed, which is 10 percentage points higher than in the previous survey and at the historical average. In addition, a third of executives – roughly the same as in the previous survey – were of the view that their firms would have difficulty responding to an unexpected increase in demand.

According to the Statistics Iceland labour force survey (LFS), total hours worked increased by 2.7% year-on-year in Q2/2021, owing to a 3.9% rise in the number of jobs, as average hours worked declined by 1.2%. The number of workers on the pay-as-you-earn (PAYE) register has also begun to rise, after declining more during the pandemic than the number of employed people according to the LFS.

According to seasonally adjusted LFS data, the labour participation and employment rates increased by nearly 1 percentage point between quarters in Q2. This brought labour participation more or less back to the pre-pandemic rate, whereas the employment rate was still down by about 2½ percentage points. Unemployment measured 6.6% in Q2 and was therefore 1.8 percentage points below its Q4/2020 peak. Registered unemployment has declined by nearly half in the past six months. It measured 6.1% in July, only 1 percentage point higher than before the pandemic.

Iceland's population grew by 1.3% year-on-year in Q2, slightly more than in the quarters beforehand. This increased population growth is due mostly to a turnaround in immigration.

In Q2/2021, the wage index rose by 1.2% between quarters and by 7.5% year-on-year, and real wages in terms of the index were 3% higher during the quarter than at the same time in 2020.

Statistics Iceland's nationwide house price index, published in late July, rose by 0.9% month-on-month when adjusted for seasonality, and by 13.2% year-on-year. The capital area house price index, calculated by Registers Iceland, rose by 0.7% month-on-month in July when adjusted for seasonality, and by 15.4% year-on-year. The number of purchase agreements registered nationwide rose by 39% year-on-year in the first seven months of 2021, while the number of contracts for new construction increased by 56% over the same period.

The CPI rose by 0.16% month-on-month in July, and twelve-month inflation remained unchanged at 4.3%. Inflation excluding housing tapered off between months, to 3.4%. Underlying inflation also declined between June and July, to 3.8% according to the average of various measures.

Rising prices for items relating to travel and tourism had the most impact on the CPI in July, with airfares, petrol, and other items rising somewhat between months. House prices also continued to rise. As in 2020, the effects of summer sales were weaker than they had generally been before the onset of the pandemic. This is probably due in part to strong domestic demand.

According to the Central Bank's market expectations survey, respondents' inflation expectations one and two years ahead are unchanged from the May survey. Survey participants expect inflation to measure 3% in one year's time and align with the target after two years.



Gallup's summer survey indicates that households and businesses expect inflation to measure 3.5-4% a year from now and then fall to 3% in two years' time.

Market agents' and corporate executives' inflation expectations five years ahead rose slightly in the last survey. Corporate expectations are now 3%. On the other hand, market agents' ten-year expectations are still at target. The breakeven inflation rate in the bond market has begun to fall again after rising over the course of the year, and the five-year breakeven rate five years ahead has returned to target.

According to the forecast published in *Monetary Bulletin* on 25 August 2021, inflation appears likely to measure just over 4% in H2, slightly higher than was projected in May. The outlook is for inflation to continue falling in H1/2022, albeit somewhat more slowly than was forecast in May. This reflects several factors, including larger rises in global commodity prices and more persistent cost pressures stemming from COVID-related supply chain disruptions. In addition, the slack in the domestic economy has narrowed faster than previously forecast. Inflation is projected to align with the target in Q3/2022, slightly later than was forecast in May. On the other hand, the baseline forecast assumes that the króna will be stronger in the coming term than was assumed in May. The inflation outlook for the latter half of the forecast horizon is somewhat poorer than was envisioned in May, but inflation is expected to hold close to target, on average, over the period.

The exchange rate index was just under 194 points in Q2, which is in line with the Bank's May forecast. According to the baseline forecast, the outlook is for the króna to be about 1½% stronger in Q3 and hold steady at roughly that level for the remainder of the forecast horizon.

GDP among Iceland's main trading partners contracted by 0.1% quarter-on-quarter in Q1, somewhat less than was assumed in the Bank's May forecast. Economic activity picked up again in major advanced economies in Q2, when new COVID case numbers started to fall, vaccination rollouts gained momentum, and public health measures were eased. Trading partner GDP is estimated to have grown by 2.2% quarter-on-quarter in Q2. COVID-19 case numbers started to rise again worldwide over the summer, but even so, the outlook is for a continued economic recovery in major advanced economies. This is due in particular to more widespread vaccination; furthermore, businesses have grown more adept at keeping economic activity up and running despite public health restrictions. According to the Bank's baseline forecast, year-2021 GDP growth among Iceland's main trading partners is projected at 5.3%, some 0.5 percentage points above the May forecast. The trading partner growth rate is expected to rise in 2022 as well.

Preliminary figures from Statistics Iceland indicate that Iceland's GDP declined by 5.2% quarter-on-quarter in Q1/2021, twice the contraction provided for in the Bank's May forecast. This was due largely to weaker-than-expected domestic demand, whereas external trade developed in line with the Bank's forecast. As a result, GDP was still 1.7% lower than in Q1/2020, whereas the May forecast assumed it would rise by 2% year-on-year. Indicators imply that GDP grew by 11% year-on-year in Q2, mainly because of base effects from the sharp contraction in Q2/2020. GDP growth is projected at 4% for the year as a whole, some 0.9 percentage points above the May forecast, owing in large part to the more rapid opening of the country to tourists. As a result, the contribution of net trade to output growth will be over 1.4 percentage points more than previously forecast, although slightly weaker growth in domestic demand will pull in the

opposite direction. Output growth is expected to be similar in 2022 and then taper off to just over 2% in 2023, as in the May forecast.

Unemployment is projected to decline more than previously forecast, both this year and over the forecast horizon as a whole. The unemployment rate based on Statistics Iceland's labour force survey is forecast to measure 6.5% in 2021 and fall to 5% by the final year of the forecast horizon. If this forecast materialises, registered unemployment will average just over 8% this year and 4.3% in 2023. It is assumed that the slack in output that opened up in 2020 will narrow rapidly, measuring 1% this year. As in the Bank's May forecast, an output gap is expected to open up in late 2022.

As before, both domestic and global economic developments will depend in large part on how successful efforts to control the pandemic prove to be. Although a large percentage of Iceland's population has been fully vaccinated, the current vaccines' effectiveness against the Delta variant and its potential successors remains uncertain. The Bank's baseline forecast assumes that the current set of public health measures will remain in place for a while but will have relatively little impact on domestic economic activity. This assessment could change, however, if there is a setback in the response to the pandemic and restrictions must be tightened once again, or if individuals refrain increasingly from their usual activities due to fear of contagion.

## II Decisions on the Bank's monetary policy instruments

The MPC discussed the monetary stance in view of economic developments and the fact that the Bank's real rate had risen marginally since the May meeting. Members discussed whether the monetary stance was appropriate in view of the inflation outlook, as the Committee had decided in May to raise interest rates. At that time, the economic outlook was better than had been assumed in the Bank's February forecast, and inflation had turned out higher and more persistent than previously projected.

In their discussion, Committee members noted that the economic outlook had improved still further relative to the Bank's previous forecast, and according to the new macroeconomic forecast, published in the August *Monetary Bulletin*, the outlook was for GDP growth to measure 4% this year, some 0.9 percentage points above the May forecast. It came to light that the improvement was driven mainly by tourist arrivals, which had increased more rapidly this summer than was previously expected. The MPC also noted that unemployment had subsided more than previously forecast, although it remained high, and the slack in the economy had narrowed more quickly. Moreover, it emerged in the discussion that the pandemic and related public health measures appeared to have less and less effect on economic activity.

The MPC discussed the fact that a large share of Iceland's population had been vaccinated against COVID-19 but that case numbers had risen once again, and there was still some uncertainty about the path the pandemic would take, owing to the increased spread of the Delta variant of the virus. The Committee also noted that the impact of temporary supply-chain disruptions abroad could therefore persist longer than previously anticipated, and that these disruptions had pushed manufacturing and distribution costs upwards all over the world. This could be attributed both to stronger global demand for consumer goods and to disruptions in output at factories and harbours around the world due to elevated infection rates. It emerged in the discussion that the effects of these supply-chain disruptions in 2021 to date had to some extent been underestimated.

The Committee discussed developments in inflation, which measured 4.4% in Q2 but was 4.3% in July. It emerged that overall inflationary pressures appeared to be subsiding, particularly according to underlying inflation, but nevertheless remained relatively high. Members also noted that the rise in inflation expectations earlier this year seemed to be reversing. They noted as well, however, that according to the Central Bank's forecast, the outlook was for inflation to ease somewhat more slowly than had been projected in May. It also emerged that inflation was expected to remain above 4% through the year-end but align with the target in H2/2022.

The MPC discussed the situation in the housing market, in view of rising house prices and the role the Bank's interest rate cuts had played in that trend. Members noted that there were signs that house prices had begun to diverge from fundamentals that generally determine house price developments, and that the spread between house price inflation, on the one hand, and wage and income growth, on the other, had widened in the recent term. Household debt had increased at the same time, although this could be due in part to a rise in the number of first-time homebuyers. The Committee also heard a presentation on the Financial Stability Committee's recent decision to lower maximum loan-to-value ratios on consumer mortgages and to consider applying other borrower-based measures to offset debt-driven house price inflation. The Committee discussed the interaction between those decisions and monetary policy – among other things, whether applying these policy instruments could mitigate house price volatility in the long run, thereby supporting monetary policy.

Members discussed the foreign exchange market and the fact that the króna had been relatively stable and the market well balanced in the recent term. They also discussed the Bank's intervention in the foreign exchange market, which had been sparse between meetings and concentrated primarily on transactions due to inflows in connection with Íslandsbanki's initial public offering.

In addition, the MPC discussed the Bank's purchases of Treasury bonds in the secondary market. The Committee was of the view that the bond purchases had been successful and had prevented a rise in long-term yields when the pandemic struck and fiscal uncertainty was high. Nevertheless, the need for the measure had proven less pronounced than had been anticipated at the onset of the pandemic. Members agreed that the Bank should suspend the purchases and stop submitting bids for the present, but should keep the tool at their disposal so that they could use it if conditions called for it; e.g., in response to bond market unrest or a significant shift in the yield curve, to sterilise foreign exchange market intervention, or to affect money holdings.

The Committee discussed whether to hold the Bank's key interest rate unchanged or to raise it by 0.25-0.5 percentage points. The main arguments in favour of keeping the key rate unchanged centred on the persistent uncertainty about the effects of the current wave of the pandemic on economic activity, and the scope and consequences of public health measures. It emerged as well that the current inflation rate could be attributed in part to temporary factors that would subside in the coming term, and that inflation expectations had begun falling by several measures. It was also pointed out that there was only a short time until the MPC's next meeting, and that further data on developments and prospects would be available then.

The main arguments presented at the meeting in favour of a rate hike centred on inflation, which had proven more persistent than previously assumed, and the prospect that it would take longer to bring inflation back to target. It emerged in the discussion that there was the risk that elevated global inflation, the inflationary impact of supply-chain disruptions, and domestic wage rises would cause inflation to remain high, potentially leading to a further rise in inflation expectations. Members also noted that domestic demand had picked up strongly, as could be

seen in factors such as increased payment card turnover, stronger growth in lending to households, and brisk activity and rising prices in the housing market. Furthermore, the recovery of the labour market had been stronger and the slack in output smaller than had been estimated at the time of the MPC's last meeting. It was preferable to respond in a timely manner by raising interest rates now, thereby reducing the likelihood that rapid monetary tightening would be needed later on. The arguments in favour of taking a larger step and raising rates by 0.5 percentage points included the fact that uncertainty had receded since the May meeting, as a large share of the population was now vaccinated and it was clear that the vaccines were effective in preventing severe illness in COVID-19 patients. Furthermore, it was clear that the link between public health measures and economic activity had weakened and that households' and businesses' adaptability, together with Government measures, kept the economy moving, for the most part, despite the pandemic. Moreover, tourist numbers and tourist spending had increased more rapidly this summer than previously expected, and the GDP growth outlook had improved markedly.

In view of the discussion, the Governor proposed that the Bank's interest rates be raised by 0.25 percentage points. The Bank's key rate (the seven-day term deposit rate) would be 1.25%, the current account rate 1%, the seven-day collateralised lending rate 2%, and the overnight lending rate 3%. All members voted in favour of the Governor's proposal, although Gunnar Jakobsson and Gylfi Zoëga would have preferred to raise rates by 0.5 percentage points.

It emerged at the meeting that the MPC would apply the tools at its disposal to ensure that inflation eases back to the target within an acceptable time frame.

The following Committee members were in attendance:

Ásgeir Jónsson, Governor and Chair of the Monetary Policy Committee

Rannveig Sigurdardóttir, Deputy Governor for Monetary Policy

Gunnar Jakobsson, Deputy Governor for Financial Stability

Gylfi Zoëga, Professor, external member

Katrín Ólafsdóttir, Associate Professor, external member

Thórarinn G. Pétursson, Chief Economist of the Central Bank, was present for the entire meeting. In addition, a number of Bank staff members attended part of the meeting.

Karen Á. Vignisdóttir wrote the minutes.

The next Statement of the Monetary Policy Committee will be published on Wednesday 6 October 2021.



*The Monetary Policy Committee of the Central Bank of Iceland*

## Minutes of the Monetary Policy Committee meeting

4-5 October 2021 (104th meeting)

Published: 20 October 2021

The Act on the Central Bank of Iceland stipulates that it is the role of the Monetary Policy Committee (MPC) to set Central Bank interest rates and apply other monetary policy instruments. Furthermore, the Act states that “[m]inutes of meetings of the Monetary Policy Committee shall be made public, and an account given of the Committee’s decisions and the premises upon which they are based.” In accordance with the Act, the MPC has decided to publish the minutes of its meetings two weeks after each decision. The votes of individual Committee members are also included in the minutes.

The following are the minutes of the MPC meeting held on 4 and 5 October 2021, during which the Committee discussed economic and financial market developments, decisions on the application of the Bank’s monetary policy instruments, and the communication of those decisions on 6 October.

### **I Economic and monetary developments**

Before turning to monetary policy decisions, members discussed the domestic financial markets, financial stability, the outlook for the global economy and Iceland’s international trade, the domestic economy, and inflation, with emphasis on information that has emerged since the Committee’s last meeting, on 25 August 2021.

#### **Financial markets**

Since the August meeting, the króna had appreciated by 0.6% in trade-weighted terms. The Bank’s net foreign currency sales totalled 21 million euros (3.2 b.kr.) between meetings. Of that total, purchases under the intervention programme totalled 9 million euros (about 1.3 b.kr.), and sales under the intervention programme totalled 30 million euros (about 4.6 b.kr.) The Central Bank’s transactions accounted for about 9.6% of total turnover in the foreign exchange market.

In terms of the Central Bank’s real rate, the monetary stance had tightened since the August meeting. In terms of the average of various measures of inflation and one-year inflation expectations, the Bank’s real rate was -2.2%, or 0.3 percentage points higher than just before the announcement of the August interest rate decision. In terms of twelve-month inflation, it was -3% and had risen by 0.1 percentage points over the same period.

Interest rates in the interbank market for krónur rose in line with the increase in the key rate in August, but there was no turnover in the market between meetings. Yields on long-term nominal Treasury bonds had risen by 0.4 percentage points since the August meeting, whereas yields on long-term indexed Treasury bonds were more or less unchanged. Furthermore, average non-indexed mortgage lending rates had risen marginally following the August rate hike.

In terms of three-month interbank rates, the short-term interest rate differential had widened by 0.3 percentage points between meetings, to 2.4 percentage points versus the euro area and 1.8 percentage points versus the US. The long-term interest rate spread had widened slightly, to 4.2 percentage points versus Germany and 2.5 percentage points versus the US. Measures of risk premia on the Treasury's foreign obligations were virtually unchanged between meetings. The CDS spread on the Treasury's five-year US dollar obligations was 0.6%, and the spread between the Treasury's eurobonds and comparable bonds issued by Germany was 0.6-0.7 percentage points.

Financial institutions' analysts expected the MPC to raise the Bank's interest rates by 0.25 percentage points, citing the fact that inflation had been higher in the recent term and more persistent than previously expected and that it would take longer to bring inflation back to target. Indicators implied that domestic demand had rebounded decisively, and the recovery of the labour market had been stronger than previously expected. Furthermore, real estate prices had continued to rise rapidly, although the impact of recent Central Bank measures had yet to come to the fore.

Growth in broad money (M3) has been relatively stable in recent months, with the twelve-month growth rate estimated at 8.2% in August. At the same time, annual growth in credit system lending to households is estimated at just over 11%, roughly the same as in recent months. Corporate lending continued to decline, however, contracting by just over 3% in August.

The Nasdaq OMXI10 index had fallen by 3.3% between meetings. Turnover in the Main Market totalled 759 b.kr. in the first nine months of 2021, some 86% more than over the same period in 2020.

### **Global economy and external trade**

According to the Organisation for Economic Cooperation and Development's (OECD) September forecast, the global economy is set to grow by 5.7% this year, about 0.1 percentage points less than the OECD had forecast in May. The near-term outlook has deteriorated in several countries because of the impact of the Delta variant of the COVID-19 virus and temporary supply-chain disruptions. In particular, GDP growth is expected to be weaker in the US, although the outlook has also deteriorated for Canada, the UK, and Japan. In the eurozone, however, GDP growth is expected to gain pace. For 2022, the OECD projects global output growth at 4.5%, up from 4.4% in its May forecast. Inflation has risen rapidly in the US, Canada, and the UK, as well as in several emerging market economies, whereas it has remained low in many other advanced economies. In the OECD's view, the past year's elevated inflation in the G20 countries is due mainly to rising commodity prices and international shipping costs. In those countries, inflation is forecast to peak at roughly 4½% towards the end of this year but fall to

3½% by late 2022. According to the OECD's baseline forecast, G20 inflation will average 3.7% this year and 3.9% in 2022, about 0.2-0.5 percentage points above the May forecast.

Global aluminium prices had risen 10½% since the August meeting, by nearly 50% year-to-date, and by over 60% since the onset of the pandemic. Preliminary figures from Statistics Iceland indicate that foreign currency prices of marine products rose by 4.7% year-on-year in August, although in the first eight months of 2021, prices were down by an average of 2.5% year-on-year. The global price of Brent crude rose by 16% between MPC meetings, to nearly 83 US dollars per barrel by the beginning of October. This is almost one-fourth higher than before the pandemic. The price of other commodities has fallen slightly since August, however.

Iceland's external goods trade generated a deficit of 30.6 b.kr. in August and 121 b.kr. for the first eight months of the year, as opposed to a deficit of 92 b.kr. at constant exchange rates over the same period in 2020. The value of exported goods excluding ships and aircraft rose by just under 21% year-on-year in the first eight months of 2021. As before, the increase is due largely to higher aluminium and marine product prices, although marine product exports have declined in volume. The value of imported goods excluding ships and aircraft was up 25% year-on-year at constant exchange rates in the first eight months of 2021, with all key subcategories continuing to increase in value relative to the same period in 2020.

The real exchange rate in terms of relative consumer prices fell by 1.4% month-on-month in September, when it was 3.5% above its 25-year average and 7.5% above its October 2020 trough. It rose by 3.2% year-on-year in the first nine months of 2021, as inflation in Iceland was 1.9 percentage points above the trading partner average and the nominal exchange rate rose by 1.6%.

### **Domestic economy and inflation**

According to preliminary figures published by Statistics Iceland in August, GDP grew by 7.3% year-on-year in Q2/2021, slightly less than was forecast in the August *Monetary Bulletin*. In seasonally adjusted terms, GDP grew by 4.2% between quarters, after contracting in Q1. Domestic demand grew by 9.4% year-on-year, and most components – excluding private consumption and public investment – showed stronger growth than was assumed in the August forecast. The main difference, however, was in investment, which grew nearly 26%, exceeding the forecast by more than 9 percentage points. The deviation from the forecast stems mainly from changes made by Statistics Iceland to its methodology for the treatment of aircraft leasing contracts. Because of this change, business investment increased far more than had been assumed. Another result of the change in methodology was that the contribution of net trade to the change in GDP was negative by 2.3 percentage points, whereas the forecast had assumed a positive contribution of 2.9 percentage points. Apart from changes in methodology and their effect on imports, export growth turned out weaker, mainly because of Statistics Iceland's revision of historical data.

GDP growth measured 3.5% in H1/2021. According to figures from Statistics Iceland, growth in domestic demand was stronger than had been assumed in the Bank's August forecast. Exports were up 1.6% year-on-year and imports by 8.2%, and the contribution from net trade was negative by 2.4 percentage points, which was somewhat more negative than in the forecast.

The current account showed a deficit of 31 b.kr. in Q2, or 3.9% of GDP, as opposed to the 1% surplus forecast in August. The deficit was due in large part to a deficit of 56 b.kr. on the goods account, which was offset in part by a larger services account surplus measuring just over 25 b.kr. Services exports increased by 55% year-on-year during the quarter, owing largely to

increased revenues from tourism. The surplus on primary income declined by 11 b.kr. year-on-year and was slightly smaller than previously expected.

Domestic payment card turnover suggests that household demand grew in Q3, even though COVID-19 case numbers began to rise again during the summer. In the past six months, spending in contact-intensive sectors has regained momentum, and by the summer it had returned broadly to the pre-pandemic level. Ever since the onset of the pandemic, household spending on consumer durables has been rising steadily. This trend appears to be continuing, and spending on consumer durables is now somewhat above the pre-pandemic level.

All components of the Gallup Consumer Confidence Index rose markedly in September, both year-on-year and month-on-month. The assessment of the current situation rose the most and is now at its highest since end-2017. The index shows that optimism among consumers has increased greatly since Q1.

According to the results of Gallup's autumn survey, conducted in September among Iceland's 400 largest firms, respondents' assessment of the current economic situation was more positive than in the summer survey. Their expectations six months ahead are somewhat more negative than they were this summer, however. Just over 60% of executives – somewhat fewer than in the summer – expect economic conditions to improve over the next six months, and another 30% expect them to be unchanged. Executives are somewhat more pessimistic about both domestic and foreign demand than in the summer survey, particularly those in wholesale and retail trade and in the financial and insurance sector.

The outlook for firms' performance has improved since the spring survey, and nearly half of executives now expect their profits to be stronger this year than in 2020. Most companies in the survey saw an increase in margins in the past six months, and a full 40% expect margins to keep growing in the next six months, whereas 16% expect them to shrink. The investment outlook also improved between surveys, and investment is now expected to be stronger in 2021 than in 2020.

The seasonally adjusted results of the autumn survey show that labour demand remains strong. Just over 35% of firms want to add on staff, while just over 7% are planning to downsize, leaving a positive balance of opinion of 28 percentage points. Furthermore, firms' problems with staffing and with boosting production appear to have grown worse since the summer survey. About 33% of executives considered themselves short-staffed, which is 10 percentage points higher than in the previous survey. In addition, nearly half of executives reported difficulty responding to an unexpected increase in demand. This is 14 percentage points higher than in the summer survey and the steepest rise ever recorded between two consecutive surveys. Problems relating to staffing and boosting production were most pronounced in transport, transit, and tourism, as well as in miscellaneous specialised services.

The wage index rose by 0.3% month-on-month in August and by 7.9% year-on-year. Real wages were 3.4% higher during the month than at the same time in 2020.

Statistics Iceland's nationwide house price index, published in late September, rose by 1.7% month-on-month when adjusted for seasonality, and by 14.7% year-on-year. The capital area house price index, calculated by Registers Iceland, rose by 1.4% month-on-month in August when adjusted for seasonality, and by 16.4% year-on-year. The number of purchase agreements registered nationwide rose by 30% year-on-year in the first eight months of 2021, while the number of contracts for new construction increased by 45% over the same period. The average time-to-sale in the capital area has lengthened by about two weeks since bottoming out in March, measuring 1.3 months in August.



The consumer price index (CPI) rose by 0.47% month-on-month in September, raising twelve-month inflation to 4.4%. Inflation excluding housing continued to taper off between months, however, falling to 2.9%. Underlying inflation also declined between August and September, to 3.7% according to the average of various measures.

Most of the rise in the CPI in September is due to house price inflation, although clothing and footwear prices rose as well, due to end-of-sale effects. The price of imported goods as a whole has risen 2.6% in the past twelve months, and imported inflation has eased recently. On the other hand, private services prices have risen by 3.8% in the past year, and their contribution to headline inflation has gradually increased in the recent term.

According to Gallup's autumn survey, corporate executives project both short- and long-term inflation at 3%. Their one-year expectations have fallen since the summer survey, while their long-term expectations are unchanged. Households' inflation expectations two and five years ahead have risen since the previous survey, however, to 3.5%. Furthermore, the breakeven inflation rate in the bond market has risen since the August MPC meeting, and the ten-year breakeven rate was 3.4% at the beginning of October.

## II Decisions on the Bank's monetary policy instruments

The MPC discussed the monetary stance in view of economic developments and the fact that the Bank's real rate had risen since the August meeting. Members also discussed whether the monetary stance was appropriate in view of the inflation outlook, as they had decided in August to continue tightening it. At that time, the economic outlook had continued to improve relative to the Bank's previous forecast, but it appeared that inflation would subside somewhat more slowly than previously anticipated.

Members discussed the newly released preliminary national accounts figures, which indicated that GDP growth in H1/2021 was slightly weaker than had been forecast in the August *Monetary Bulletin*. They noted, however, that growth in domestic demand was well in line with the Bank's forecast. It emerged that indicators implied a continued strong domestic economic recovery in Q3, and the GDP growth outlook for 2021 as a whole was broadly unchanged. The Committee also noted that indicators from the labour market implied that the economy was rebounding quickly.

Members noted that inflation had risen to 4.4% in September. They discussed the contribution from the housing component, which had continued to increase, and noted that housing accounted for a large share of headline inflation in September. It also emerged that the twelve-month rise in wages was strong and that private services prices had increased somewhat in the recent term. MPC members also noted that underlying inflation had continued to ease, although it remained significant. On the other hand, it emerged that the impact of temporary supply-chain disruptions, which had pushed manufacturing and distribution costs upwards all over the world, could persist longer than previously anticipated. It was pointed out that increased global inflationary pressures could also result in more persistent inflation.

The MPC was of the view that, although underlying inflation was declining, there was cause for concern in that inflation expectations appeared to have begun rising again, although it was too soon to say whether they had become less firmly anchored to the inflation target.

Committee members discussed the Bank's intervention in the foreign exchange market. The Bank had intervened relatively little between meetings, and the MPC considered the market quite well balanced. The Bank's intervention in recent months had included both purchases and

sales, in line with the Committee's policy of mitigating short-term exchange rate volatility. The MPC also discussed developments in the real exchange rate in the context of the assessment of the equilibrium real exchange rate. Members were of the opinion that the conditions created in the wake of the economic shock in 2020, when the depreciation of the króna temporarily pushed the real exchange rate below its equilibrium value, no longer appeared to be in place.

All members agreed that the Bank's key rate should be raised, and they discussed whether it should be raised by 0.25 percentage points or 0.5 percentage points. The main arguments discussed at the meeting in favour of taking a smaller step centred on the continued uncertainty about the global economic outlook. Uncertainty about developments in the labour market was another factor. Even though labour demand had been strong since the spring, there is some uncertainty about how durable the recovery will prove to be once Government support measures are gradually unwound. Unemployment could rise again, particularly if activity in the tourism sector declines during the coming winter. It also emerged in the discussion that inflation was probably due in part to temporary factors such as supply-chain disruptions abroad. It was pointed out as well that, in view of the recent decisions by the Bank's Financial Stability Committee to lower the maximum loan-to-value (LTV) ratio on consumer mortgages and impose a cap on debt service-to-income (DSTI) ratios, it would be more appropriate to continue to take cautious steps, as significant uncertainty remained about the interaction between the Bank's interest rate hikes and the application of macroprudential tools such as LTV and DSTI ratios. It emerged that the transmission mechanism of monetary policy was probably more efficient than before, as borrowers had turned increasingly to non-indexed variable-rate loans in the recent term.

The main arguments for raising interest rates by 0.5 percentage points were the many indications that economic activity had rebounded strongly, as could be seen, for instance, in steeply rising property prices, strong household lending growth, and shortages of labour in certain sectors. It was pointed out that a third of firms were having difficulty filling job vacancies. It also emerged that there was the risk of higher imported inflation in the coming term; furthermore, surveys showed that a majority of executives anticipate having to raise the price of their own products and services, and expect price increases from their suppliers. In this light, it was important to tighten the monetary stance decisively, so as to minimise the risk that inflation would be even more persistent, and to respond strongly to the rise in long-term inflation expectations.

In view of the discussion, the Governor proposed that the Bank's interest rates be raised by 0.25 percentage points. The Bank's key rate (the seven-day term deposit rate) would be 1.5%, the current account rate 1.25%, the seven-day collateralised lending rate 2.25%, and the overnight lending rate 3.25%. Ásgeir Jónsson, Rannveig Sigurdardóttir, and Katrín Ólafsdóttir voted in favour of the proposal. Gunnar Jakobsson and Gylfi Zoëga voted against the Governor's proposal and wanted to raise rates by 0.5 percentage points.

It emerged at the meeting that the MPC would apply the tools at its disposal to ensure that inflation eases back to the target within an acceptable time frame.

The following Committee members were in attendance:

Ásgeir Jónsson, Governor and Chair of the Monetary Policy Committee

Rannveig Sigurdardóttir, Deputy Governor for Monetary Policy

Gunnar Jakobsson, Deputy Governor for Financial Stability

Gylfi Zoëga, Professor, external member

Katrín Ólafsdóttir, Associate Professor, external member

Thórarinn G. Pétursson, Chief Economist of the Central Bank, was present for the entire meeting. In addition, a number of Bank staff members attended part of the meeting.

Karen Á. Vignisdóttir wrote the minutes.

The next Statement of the Monetary Policy Committee will be published on Wednesday 17 November 2021.



*The Monetary Policy Committee of the Central Bank of Iceland*

## Minutes of the Monetary Policy Committee meeting

15-16 November 2021 (105th meeting)

Published: 1 December 2021

The Act on the Central Bank of Iceland states that decisions on the application of the Bank's monetary policy instruments shall be taken by the Monetary Policy Committee (MPC). It also states that the minutes of MPC meetings shall be made public and an account given of the Committee's decisions and the premises on which they are based. On the basis of this statutory authority, the MPC publishes the minutes of each meeting two weeks after the announcement of each decision. The minutes also include information on individual members' votes.

The following are the minutes of the MPC meeting held on 15 and 16 November 2021, during which the Committee discussed economic and financial market developments, decisions on the application of the Bank's monetary policy instruments, and the communication of those decisions on 17 November.

### **I Economic and monetary developments**

Before discussing monetary policy decisions, members discussed the domestic financial markets, financial stability, the outlook for the global economy and Iceland's international trade, the domestic economy, and inflation, with emphasis on information that has emerged since the Committee's last meeting, on 6 October 2021, as published in the new forecast and analysis of uncertainties in *Monetary Bulletin* 2021/4 on 17 November.

#### **Financial markets**

Since the October meeting, the króna had depreciated by 2.3% in trade-weighted terms. The Central Bank conducted no transactions in the foreign exchange market between meetings.

In terms of the Bank's real rate, the monetary stance was virtually unchanged since the October meeting. In terms of the average of various measures of inflation and one-year inflation expectations, the Bank's real rate was broadly unchanged since just before the announcement of the October decision, at -2.2%. In terms of twelve-month inflation, it was -2.9% and had risen by 0.1 percentage points over the same period.

Interest rates in the interbank market for krónur rose in line with the increase in the key rate in October, and market turnover totalled 2 b.kr. between meetings. Yields on long-term nominal Treasury bonds had risen marginally since the October meeting, whereas yields on long-term indexed Treasury bonds had fallen slightly. Furthermore, average non-indexed mortgage lending rates had risen marginally following the October rate hike.

In terms of three-month interbank rates, the short-term interest rate differential had widened by 0.2-0.3 percentage points between meetings, to 2.7 percentage points versus the euro area and 2 percentage points versus the US. The long-term interest rate differential versus Germany had widened by 0.2 percentage points between meetings, to 4.4 percentage points, whereas the spread versus the US was broadly unchanged, at 2.5 percentage points. Measures of risk premia on the Treasury's foreign obligations were virtually unchanged between meetings. The CDS spread on the Treasury's five-year US dollar obligations was 0.5%, and the spread between the Treasury's eurobonds and comparable bonds issued by Germany was 0.6-0.8 percentage points.

Financial institutions' analysts expected the MPC to raise the Bank's interest rates by 0.25 percentage points, noting that inflation had been higher and more persistent than previously expected and that near-term inflation forecasts had deteriorated. They also mentioned that although uncertainty had increased because of the recent rise in COVID-19 case numbers and despite remaining signs of a slack in the economy, the overall economic outlook had improved, real incomes had risen, and indicators implied continued growth in domestic demand.

According to the Central Bank's quarterly market expectations survey, conducted in November 2021, respondents expected the Bank's key rate to remain unchanged at 1.5% at the end of 2021, followed by a rate hike of 0.5 percentage points in Q1/2022 and a further rate hike of 0.25 percentage points in Q2. They also expected the key rate to measure 2.5% in one year and 3% in two years. This is higher than in the survey from August, when they expected the key rate to be 2% after one year and 2.25% in two years' time. Participants' responses on the monetary stance changed somewhat in the November survey, and a majority, 56%, considered the current stance too loose, up from 33% in August. On the other hand, the share who considered it appropriate fell to 44%, from 67% in the last survey. As before, no respondents considered the monetary stance too tight.

Year-on-year growth in M3 has been relatively stable in recent months, measuring 8.6% in September. At the same time, annual growth in credit system lending to households is estimated at just over 11%, roughly the same as in recent months. Corporate lending continued to decline, however, contracting by 3½% in September.

The Nasdaq OMXI10 index had risen by 3.4% between meetings. Turnover in the Main Market totalled 870 b.kr. in the first ten months of 2021, some 89% more than over the same period in 2020.

### **Global economy and external trade**

According to the International Monetary Fund's (IMF) October forecast, global GDP growth is projected to measure 5.9% in 2021, which is 0.1 percentage points below the Fund's July forecast. The slight downward revision stems from weaker output growth in advanced economies, mainly the US, Canada, Japan, and Germany. Elsewhere in the euro area, however, the outlook has improved, and stronger GDP growth is now forecast for the region as a whole. Furthermore, the IMF forecasts stronger GDP growth in emerging and developing countries this year. For 2022, global output growth is forecast at 4.9%, as in July.

Iceland's external goods trade generated a deficit of 12.5 b.kr. in October and 192 b.kr. for the first ten months of the year, as opposed to a deficit of 127 b.kr. at constant exchange rates over the same period in 2020. The value of exported goods excluding ships and aircraft rose by just over 21% year-on-year in the first ten months of 2021. As before, the increase is due largely to higher industrial goods values, particularly aluminium products, owing to steep price hikes, but

the value of all key subcategories of exported goods has risen year-on-year. The value of imported goods excluding ships and aircraft was up 24% year-on-year at constant exchange rates in the first ten months of 2021, with all key subcategories continuing to increase in value, while the rise in investment goods values had the most impact.

The global price of aluminium had fallen by almost 11% since the MPC's October meeting. Even so, prices were nearly one-third higher than at the beginning of 2021 and about 45% higher than before the pandemic struck. Preliminary figures from Statistics Iceland indicate that foreign currency prices of marine products were up 2.9% year-on-year in Q3/2021; however, in the first nine months of the year, prices were 2.2% lower, on average, than over the same period in 2020. The global price of Brent crude fell marginally between MPC meetings, to just over 82 US dollars per barrel by mid-November. This is about one-fourth higher than before the pandemic.

The real exchange rate in terms of relative consumer prices rose by 0.4% month-on-month in October, when it was 3.6% above its 25-year average and 7.7% above its October 2020 trough. It rose by 3.6% year-on-year in the first ten months of 2021, as the nominal exchange rate rose by 2.1%, while inflation in Iceland was 1.7 percentage points above the trading partner average.

### **Domestic economy and inflation**

According to the Statistics Iceland labour force survey (LFS), total hours worked increased by 3.5% year-on-year in Q3/2021, as the number of employed persons rose 4.3%, while the average work week was shorter by 0.8%. The number of employed persons has increased sharply since the beginning of 2021 and, in Q3, was a full 2% above the year-2019 average. Offsetting this is a more than 3% shorter work week. As a result, the rise in total hours worked has not kept pace with job growth, and in Q3/2021 total hours were 1% fewer than in 2019. The number of wage earners has also risen rapidly in 2021 to date. Data from the pay-as-you-earn (PAYE) register indicate that some 18,000 jobs were lost during the pandemic, but that around 16,700 jobs had been created by August 2021.

Seasonally adjusted LFS data show that the labour participation rate rose quarter-on-quarter in Q3 but that the employment rate rose considerably more. Seasonally adjusted unemployment measured 4.6% in Q3, after declining by about 2 percentage points quarter-on-quarter, as compared with just under 4% in 2019. Registered unemployment continued to fall, to a seasonally adjusted rate of 5.1% in October, and was  $\frac{1}{2}$  a percentage point higher than in February 2020.

Iceland's population grew by 1.9% year-on-year in Q3, considerably more than in Q2. The uptick in population growth is due mostly to immigration. It appears that importation of foreign workers will continue in tandem with the recovery of the domestic economy, owing to the large number of job vacancies that have not yet been filled.

The general wage index rose by 0.7% between quarters in Q3, and by 7.8% year-on-year. Real wages were 3.4% higher in Q3 than in the same quarter of 2020.

Private consumption contracted marginally quarter-on-quarter in Q2, after growing 1.6% in Q1. This is somewhat weaker than was assumed in the August forecast. There are signs that the impact of the pandemic and public health measures on consumption and travel patterns has continued to subside. Real incomes have also been on the rise, and the employment outlook has improved markedly. As a result, the outlook is for private consumption growth in H2/2021 to outpace the August forecast.

Consumers are increasingly optimistic, and in September the Gallup Consumer Confidence Index was at its highest in five years. In October, it measured 130, a 10.8-point decline from the previous month but an increase of 82.8 points year-on-year. All components of the index fell during the month, led by the assessment of the economic situation, which was down 17.5 points.

Statistics Iceland's nationwide house price index, published in late October, rose by 1% month-on-month when adjusted for seasonality, and by 15.1% year-on-year. The capital area house price index, calculated by Registers Iceland, rose by 1% month-on-month in September when adjusted for seasonality, and by 16.6% year-on-year. The number of purchase agreements registered nationwide rose by 22% year-on-year in the first nine months of 2021, while the number of contracts for new construction increased by 32% over the same period. The average time-to-sale in the capital area measured 1.3 months in September and has lengthened by 0.4 months since bottoming out in March.

The consumer price index (CPI) rose by 0.59% month-on-month in October, raising twelve-month inflation to 4.5%. Inflation excluding housing also rose marginally, to 3%. Underlying inflation was unchanged between September and October and measured 3.7% in terms of the average of various measures.

As before, rising house prices explained most of the increase in the CPI in October, and the cost of owner-occupied housing has risen by 11.8% in the past twelve months. Petrol prices also rose somewhat in October.

According to the Bank's market expectations survey, market agents expect inflation to measure 3.3% one year ahead, which is higher than in the August survey, whereas they still expect it to be at target in two years' time. They also expect inflation to be close to target, on average, in the long run. The breakeven inflation rate in the bond market has risen in the recent past, however, and the five-year breakeven rate five years ahead was just over 3% in mid-November.

According to the forecast published in *Monetary Bulletin* on 17 November 2021, the outlook is for inflation to ease more slowly than previously projected. In Q3/2021, inflation was marginally above the August forecast, and the near-term outlook has deteriorated significantly. Inflation is forecast at 4.7% in Q4/2021 and 4.4% in Q1/2022. The bleaker inflation outlook is due in particular to a poorer initial position and higher imported inflation than was assumed in August. Furthermore, in Iceland, a larger output gap is expected in the next two years, wages and house prices are projected to rise more than previously forecast, and the exchange rate of the króna is expected to be slightly lower over the forecast horizon than was projected in August. Moreover, because of the recent rise in long-term inflation expectations, it will take longer for the inflationary impact of cost increases to subside. According to the baseline forecast, inflation will be close to target by the end of 2022 and then rise slightly in the latter half of the forecast horizon, averaging 2.9% in 2023. It is expected to ease back towards the target thereafter.

The trade-weighted exchange rate index (TWI) stood at 194 points in Q3/2021, and the króna was therefore about 1% weaker, on average, than was forecast in the August *Monetary Bulletin*. According to the baseline forecast, the average exchange rate will remain broadly stable over the forecast horizon, and therefore slightly lower than was assumed in the August forecast. If the forecast materialises, the real exchange rate will rise by 2½% over the forecast horizon, although at the end of the period it will still be 11% below its 2017 peak.

Among Iceland's main trading partners, economic activity picked up rapidly after public health measures were eased in Q2, when GDP grew by 2.2% quarter-on-quarter, one of the strongest average quarterly growth rates ever measured for this group of countries. Trading partner GDP

growth measured 6.3% year-on-year in H1/2021, about 0.3 percentage points above the Bank's August forecast. Leading indicators and international forecasts suggest that economic activity will continue to gain strength in H2/2021, but more slowly than was forecast in August. This is due mainly to weaker activity in manufacturing, which in turn is due to a shortage of inputs and problems with shipping. The Bank's baseline forecast assumes that trading partners' GDP growth will measure 5.5% this year, about 0.2 percentage points above the August forecast. The upward revision is attributable to stronger growth in H1. For 2022, trading partners' GDP growth is projected to measure 4.3%, or 0.2 percentage points below the August forecast.

In Iceland, GDP grew by 3.5% year-on-year in H1, according to preliminary figures from Statistics Iceland; however, the outlook is for a growth rate of 6½% in Q3 and 3.9% for 2021 as a whole. This is 0.1 percentage points below the August forecast. The poorer outlook for 2021 reflects more sluggish growth in H1 than was previously expected, although it will be offset in part by stronger GDP growth in H2. Furthermore, GDP growth is expected to accelerate still further in 2022, owing mainly to strong growth in exports as a result of increased revenues from tourism and a more favourable capelin season. The contribution of net trade to output growth will therefore be positive by 2.7 percentage points – the first positive contribution since 2019. The contribution of private consumption growth to GDP growth will also be positive, but gradually less so than in 2021. GDP growth is projected to measure 5.1% in 2022, some 1.2 percentage points above the August forecast. About half of this revision is attributable to the expectation of an increased capelin catch. The GDP growth outlook for the long term is more or less unchanged. Growth is set to ease to 2.6% in 2023 and remain around that level in 2024.

The current account deficit measured 3.9% of GDP in Q2/2021, reflecting a larger surplus on services trade versus a larger deficit on goods trade. The current account is expected to show a surplus again in Q3, followed by a larger one in Q4. The main drivers of the improvement are tourism-related services exports and more favourable terms of trade. Even so, a deficit measuring 0.9% of GDP is expected for 2021 as a whole. The current account balance is projected to turn positive again in 2022, fuelled by increased growth in services exports and improved terms of trade. The surplus for the year as a whole is forecast at 1.9% of GDP, which is ½ a percentage point below the August forecast. As in August, the surplus is expected to narrow again in the latter half of the forecast horizon.

The unemployment outlook is ambiguous for the near term but looks set to improve over time. A large number of hiring subsidies will expire in Q4/2021, creating greater uncertainty about the short-term outlook for unemployment. In the long run, however, the unemployment outlook is more favourable than in the Bank's August forecast, in part because activity in the domestic economy has picked up more than was projected then. The baseline forecast assumes that job creation will continue and that LFS-based unemployment will measure 6%, falling to around 4% towards the end of the forecast horizon. Registered unemployment is estimated to be higher this year, at nearly 8%, but is also expected to fall to 4% by the end of the forecast horizon.

If the Bank's forecast materialises, GDP will return to its 2019 level slightly earlier in 2022 than was assumed in August. It will also remain higher over the entire period than in the Bank's previous forecasts. Leading indicators also imply that the slack in output is narrowing quickly and may even have closed already, and with stronger GDP growth in 2022, the expected output gap will be wider than was assumed in the August forecast. As before, the outlook is highly uncertain, and forecasts of the economic recovery in Iceland and elsewhere are based to some extent on the assumption that there will not be a setback in the fight against the pandemic. Another major uncertainty lies in how quickly the supply-chain disruptions underlying the surge in global commodity prices and shipping costs can be unwound. Added to this is uncertainty



about fiscal policy in the wake of Iceland's recent Parliamentary elections, about wage developments, and about how rapidly households will tap into the savings they built up during the pandemic. The inflation outlook could therefore be overly optimistic, particularly if inflation expectations have become unmoored from the target.

## II Decisions on the Bank's monetary policy instruments

The MPC discussed the monetary stance in view of economic developments and the fact that the Bank's real rate had remained broadly unchanged since the October meeting. Members discussed whether the monetary stance was appropriate in view of the worsening inflation outlook, as they had decided in October to continue tightening it. At that time, there were indications of a continued strong economic recovery, and inflation had risen.

Members noted that according to the Bank's new macroeconomic forecast, published in the November *Monetary Bulletin*, the outlook was for year-2021 GDP growth to measure about 4%, broadly in line with the August forecast. Furthermore, better prospects for exports had resulted in an improved outlook for year-2022 GDP growth, which was expected to measure just over 5%. Nevertheless, the Committee was of the opinion that significant uncertainty remained and that, as before, economic developments would depend on the path taken by the pandemic.

The MPC discussed the rise in inflation to 4.5% in October. Members noted that the contribution from domestic cost pressures, rising house prices, and wage growth had accounted for a large share of inflation recently, but that the effects of rising global oil and commodity prices had also grown stronger. It emerged that underlying inflation was lower, however, and had declined in recent months.

The Committee discussed the deterioration in the inflation outlook since the August forecast, which was due in part to more persistent global price increases, a more rapid rebound in domestic economic activity, and rising wage costs. It emerged that the outlook was for inflation to continue rising in coming months but then start to ease, given that inflation expectations remained anchored to the target. The MPC also discussed the Bank's intervention in the foreign exchange market, which had been infrequent in recent months, and noted that the market appeared well balanced.

All members agreed that the Bank's key rate should be raised, and they discussed rate increases ranging from 0.25 to 0.75 percentage points. The main argument presented in favour of taking a smaller step was that the impact of rate hikes on households' debt service burden would presumably be greater now than it had been before, in view of the larger share of non-indexed variable-rate mortgages, making it preferable to continue taking cautious steps. Furthermore, the impact of the interaction between rate hikes and the recent application of macroprudential tools had yet to come to the fore. Moreover, it was pointed out that unemployment could rise again when Government support measures were withdrawn. In view of this, there were concerns that the economic recovery could prove fragile. It also emerged in the discussion that a portion of inflation was due to temporary factors outside monetary policy control – i.e., rising petrol prices and supply-chain disruptions – as underlying inflation had declined in recent months. It was pointed out that by the time the impact of a November rate hike had peaked, inflationary pressures stemming from these factors and from house price inflation would probably have begun to subside.

The main argument presented in favour of taking a larger step was that inflation had been more persistent and the inflation outlook had deteriorated at the same time as long-term inflation expectations had risen by some measures. Furthermore, the labour market was recovering

strongly, unemployment had declined, and the outlook was for wage cost increases in the coming term to be larger than previously assumed. It emerged in the discussion that there was the risk that higher imported inflation would push domestic inflation upwards; for instance, through further rises in the price of services. This being the case, it was important to act decisively so as to minimise the risk that inflation would turn out even more persistent and inflation expectations would become unmoored from the target.

In view of the discussion, the Governor proposed that the Bank's interest rates be raised by 0.5 percentage points. The Bank's key rate (the seven-day term deposit rate) would be 2%, the current account rate 1.75%, the seven-day collateralised lending rate 2.75%, and the overnight lending rate 3.75%. All Committee members voted in favour of the proposal.

The MPC reiterated at the meeting that it would apply the tools at its disposal to ensure that inflation eases back to the target within an acceptable time frame.

The following Committee members were in attendance:

Ásgeir Jónsson, Governor and Chair of the Monetary Policy Committee

Rannveig Sigurdardóttir, Deputy Governor for Monetary Policy

Gunnar Jakobsson, Deputy Governor for Financial Stability

Gylfi Zoëga, Professor, external member

Katrín Ólafsdóttir, Associate Professor, external member

Thórarinn G. Pétursson, Chief Economist of the Central Bank, was present for the entire meeting. In addition, a number of Bank staff members attended part of the meeting.

Karen Á. Vignisdóttir wrote the minutes.

The next Statement of the Monetary Policy Committee will be published Wednesday on 9 February 2022.

## Announcement concerning Central Bank purchases of Treasury bonds

At the beginning of May 2020, the Central Bank of Iceland began buying Treasury bonds in the secondary market, in accordance with the 23 March 2020 statement by the Monetary Policy Committee. According to that decision, the total amount purchased may range up to 150 b.kr. The Bank will announce the maximum bond purchase amount for each quarter in advance.

For Q3/2021, the Bank's total purchases may range up to 10 b.kr. at market value.\* The Bank may buy bonds in all nominal benchmark series denominated in Icelandic krónur.

The Central Bank will purchase the bonds by submitting bids to the Nasdaq Iceland trading system. It is also possible that the Bank will announce purchases by auction.

Any auctions that are held will be announced with one day's advance notice. The announcement will specify the series and the estimated maximum amount to be purchased.

Information on the general terms and conditions for auctions that may be held in connection with the Central Bank's purchase of Treasury bonds in the secondary market can be found [here](#).

The aim is to keep the scale of the purchases consistent with normal market functioning. The Bank will set amounts, frequency, and execution of the purchases so as to ensure the efficacy of the measures.

For Q2, it was announced that the Bank's total purchases could range up to 20 b.kr. market value. The Bank's total purchases in Q2 came to 8.1 b.kr. market value, as follows: RIKB25, 2.9 b.kr., RIKB28 2.9 b.kr., and RIKB31 2.3 b.kr.

A more detailed breakdown of the Bank's bond purchases can be found [here](#).

Further information can be obtained from Sturla Pálsson, Director of the Markets Department of the Central Bank, at tel +354 569-9600.

*\* The sale price or market value refers to the clean price plus accrued indexation; i.e., with indexation but without accrued interest.*

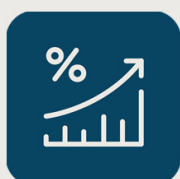
No. 18/2021  
1 July 2021

## Vinumarkaðurinn á sér viðreisnar von



Erindi um ákvörðun PSN og forsendur hennar  
Samiðn 27. ágúst 2021

Rannveig Sigurðardóttir  
Varaseðlabankastjóri peningastefnu



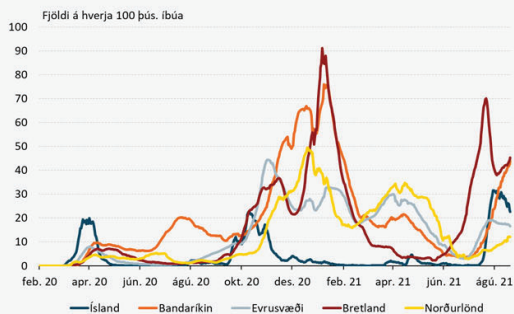
## Ytri skilyrði og innlent raunhagkerfi

## Smitum fjölgað þrátt fyrir bólusetningar

- Smitum fjölgaði víða hratt í sumar í kjölfar útbreiðslu Delta-afbrigðis veirunnar
- Bólusetning virðist þó draga úr hættu á alvarlegum veikindum og minni hömlur á efnahagsstarfsemi en í fyrri bylgjum farsóttar því möguleg
- Kröftugur bati alþjóðlegrar eftirspurnar og framleiðsluþrúflanir hafa leitt til mikillar hækkunar hrávöruverðs og flutningskostnaðar

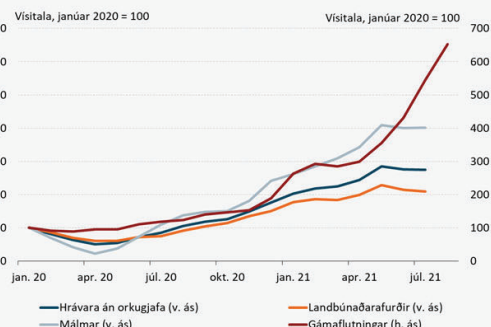
Ný dagleg tilfelli af COVID-19<sup>2</sup>

1. febrúar 2020 - 20. ágúst 2021



Alþjóðlegt flutninga- og hrávöruverð<sup>1</sup>

Janúar 2020 - ágúst 2021



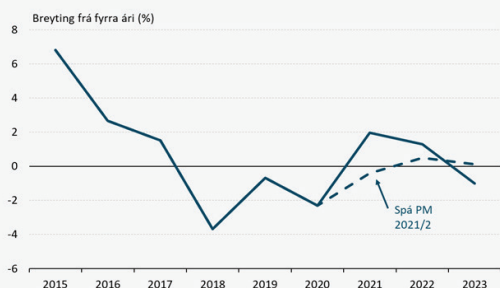
1. Landbúnaðarafurðir skiptast í matvæll (62%), drykkjarvörur (13%) og hráefni (25%). Verðvísitala gámaflutninga er Freightos Global Container Index. Gögn til og með 20. ágúst 2021. 2. Staðfest ný smit. Norðurlönd eru meðaltal Danmerkur, Noregs og Svíþjóðar. Sjó daga hreyfanlegt meðaltal.

Heimildir: Alþjóðabankinn, Alþjóðaheilbrigðismálastofnunin, Covid.is, Freightos Limited, Johns Hopkins University, Our World in Data.

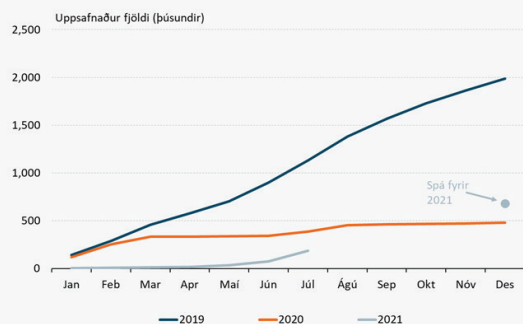
## Hagstæðari viðskiptakjör og meiri fjölgun ferðamanna

- Viðskiptakjör töluvert hagstæðari í ár þar sem hækkun álverðs og kröftugri viðsnúningur í verði sjávarafurða vegur á móti alþjóðlegum hækkunum
- Meiri fjölgun ferðamanna í ár – 680 þús. í stað 660 þús.

Viðskiptakjör vöru og þjónustu 2015-2023<sup>2</sup>



Brottfarir erlendra farþega um Keflavíkurflugvöll 2019-2021<sup>1</sup>

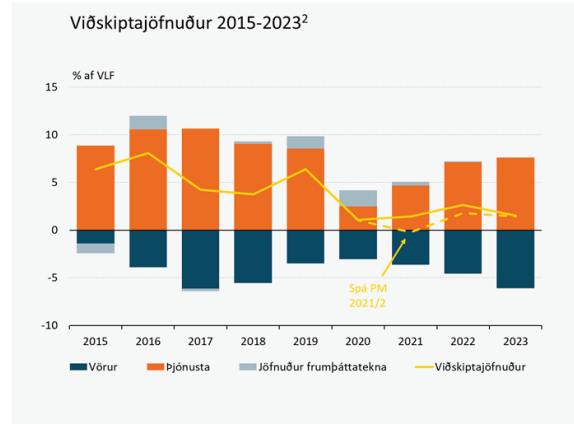
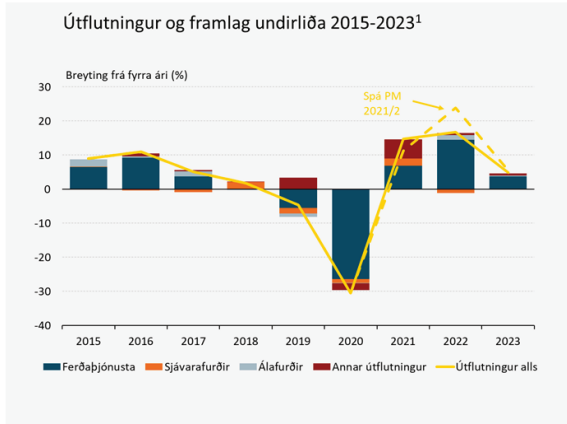


1. Uppsafnaður fjöldi hvers árs. Punkturinn sýnir heildarfjölda 2021 samkvæmt grunnsþá Seðlabankans. 2. Grunnsþá Seðlabankans 2021-2023. Brottalína sýnir spá PM 2021/2.

Heimildir: Ferðamálastofa, Hagstofa Íslands, Seðlabanki Íslands.

## Meiri útflutningur og viðskiptaafgangur

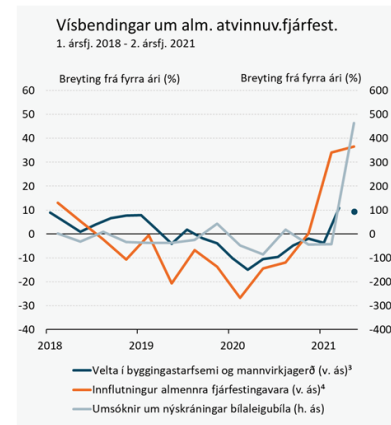
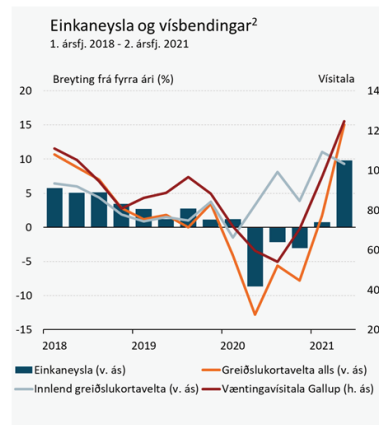
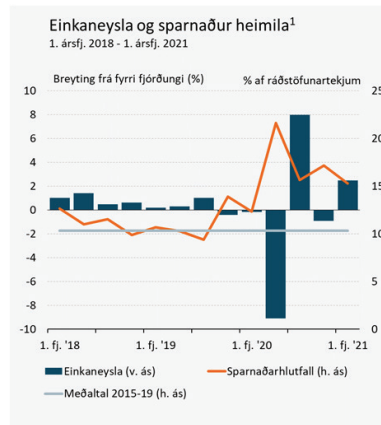
- Meiri fjölgun ferðamanna og betri horfur í sjávarútvegi gera það að verkum að útflutningur eykst um 15% í ár í stað 11% í PM 21/2
- Minni útflutningsvöxtur á næsta ári en spáð var í maí: grunnáhrif frá árinu í ár, lakari horfur í ferðaþjónustu og minni þorskaflí
- Horfur á 1½% viðskiptaafgangi í ár í stað lítilegs halla eins og spáð var í maí: hagstæðari utanríkisviðskipti og viðskiptakjör



1. Vegna keðjutengingar getur verið að summa undirliðanna sé ekki jöfn heildarútflutningi. Ferðaþjónusta er samtala á „ferðalögum“ og „farþegaflutningum með flugi“. Áútflutningur skv. skilgreiningu þjóðhagsreikninga. Grunnspá Seðlabankans 2021-2023. Brotalína sýnir spá frá PM 2021/2. 2. Jöfnuður rekstrarframlaga talin með frumþáttajöfnuði. Grunnspá Seðlabankans 2021-2023. Brotalína sýnir spá frá PM 2021/2. Heimildir: Hagstofa Íslands, Seðlabanki Íslands.

## Eftirspurn á F1 veikari en vænst var en F2 sterkur ...

- Einkaneyslan jókst um 2,5% milli fjórðunga á F1 skv. tölum þjóðhagsreikninga – helmingi minna en spáð hafði verið í PM 21/2
- Talið var að heimilin gengju hraðar á mikinn sparnað í takt við vísbendingar aukna umferð, kortaútgjöld og bjartsýni heimila
- Sömu vísbendingar benda til kröftugs vaxtar eftirspurnar á F2
- Eins og vísbendingar um atvinnuvegafjárfestingu á F2 gera nú og gerðu á F1 - en þess sáust ekki merki í tölum þjóðhagsr.

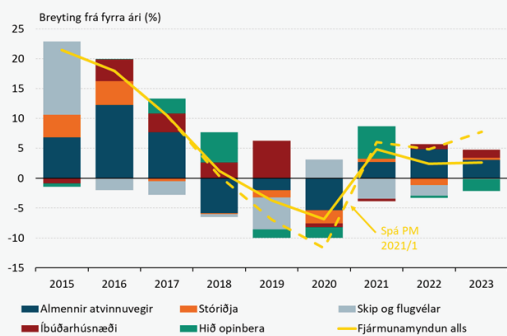


1. Við útreikning á hlutfalli sparnaðar er miðað við áætlun Seðlabankans um ráðstöfunartekjur. Árstíðarleiddrið gögn. 2. Væntingavísitala Gallup er árstíðarleiddrið. Grunnspá Seðlabankans 2. ársfj. 2021 fyrir einkaneyslu. 3. Samanlögð velta í byggingastarfsemi og mannvirkjagerð. Gögnin eru eftir tveggja mánaða virðisaukaskattstímabili og staðvirk með byggingavísitölu. Punkturinn er áætlun Seðlabanka Íslands fyrir maí og júní. 4. Samanlagt innflutningsverðmæti almennra fjárfestingavara og flutningataekja til atvinnurekstrar, þó ekki skipa og flugvéla, staðvirk með gengisvísitölu. Heimildir: Gallup, Hagstofa Íslands, Seðlabanki Íslands.

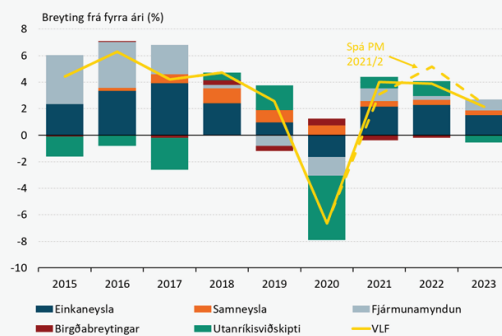
## ... og horfur á meiri hagvexti á árinu öllu

- Horfur um atvinnuvegafjárfestingu lítillega lakari í ár (4,5 í stað 4,9) ...
- ... vegna minni fjárfestingu hins opinbera og í íbúðahúsnæði en vöxtur almennrar atvinnuvegafjárfestingar meiri (4,5% í stað 1%)
- Hagvaxtahorfur betri í ár – 4% í stað 3,1% - aðallega vegna hagstæðara framlags utanríkisviðskipta
- Horfur á svipuðum hagvexti á næsta ári - en hægari vexti 2023 (2%)

Fjármunamyndun og framlag undirliða 2015-2023<sup>1</sup>



Hagvöxtur og framlag undirliða 2015-2023<sup>1</sup>



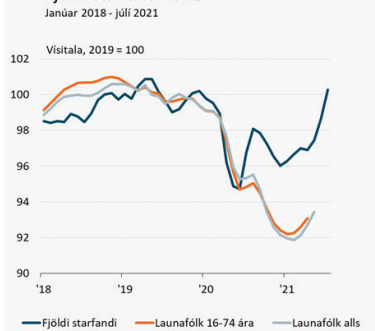
1. Almenn atvinnuvegafjárfesting er atvinnuvegafjárfesting án fjárfestingar í orkufrekum iðnaði og í skipum og flugvélum. Grunnspá Seðlabankans 2021-2023. Brotalína sýnir spá frá PM 2021/2. 2. Grunnspá Seðlabankans 2021-2023. Brotalína sýnir spá frá PM 2021/2.

Heimildir: Hagstofa Íslands, Seðlabanki Íslands.

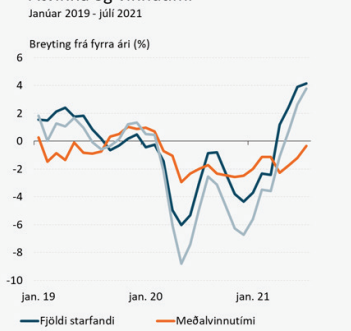
## Atvinna hefur aukist hratt ...

- Samkvæmt VMK fjölgaði störfum um 4,2% milli ára í júlí og voru rúmlega 3% fleiri en þau voru fyrir farsóttina
- Meðalvinnutíminn þó enn um 2 klukkustundum styttri
- Atvinnuþátttaka hefur náð því sem hún var fyrir farsótt - en vantar rúma hálfa prósentu upp á hlutfall starfandi

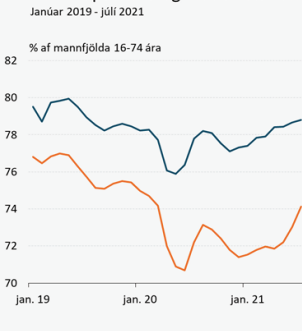
Fjöldi starfandi fólks<sup>1</sup>



Atvinna og vinnutími



Atvinnuþátttaka og hlutfall starfandi<sup>2</sup>

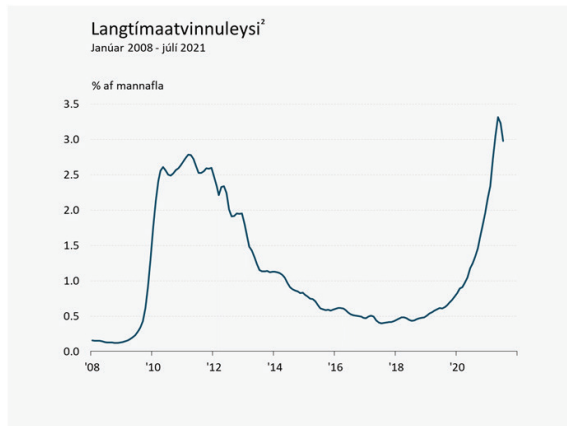
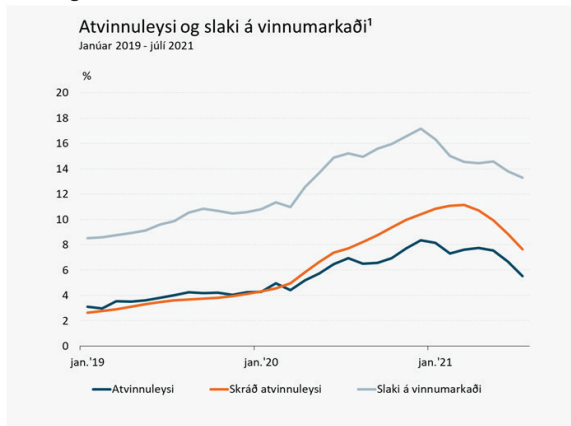


1. Fjöldi starfandi fólks skv. vinnumarkaðskönnun Hagstofunnar (VMK) og fjöldi launafólks skv. staðgreiðsluskrá ríkisskattstjóra. Launafólk 16-74 ára inniheldur einnig þá sem voru í fæðingarorlofi og þá sem voru með reiknað endurgjald. Launafólk alls undanskilur þá hópá en inniheldur launafólk á öllum aldri. Þriggja mánaða hreyfanlegt meðaltal árstíðarleiðréttar talna. Gögn fyrir launafólk eru árstíðarleiðrétt af Seðlabanka Íslands. 2. Tölur úr vinnuamarkaðskönnun Hagstofu Íslands nema skráð atvinnuleysi (án hlutabóta) og langtímaatvinnuleysi sem eru frá Vinnuálfstofnun. Þriggja mánaða hreyfanlegt meðaltal. Árstíðarleiðréttar tölur

Heimildir: Gallup, Hagstofa Íslands, Seðlabanki Íslands.

## ... og atvinnuleysi minnkað mikið

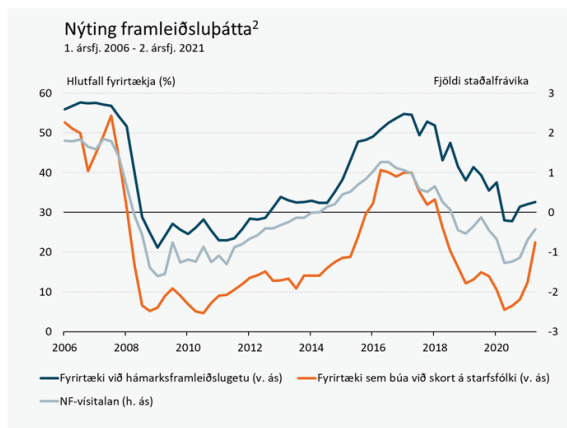
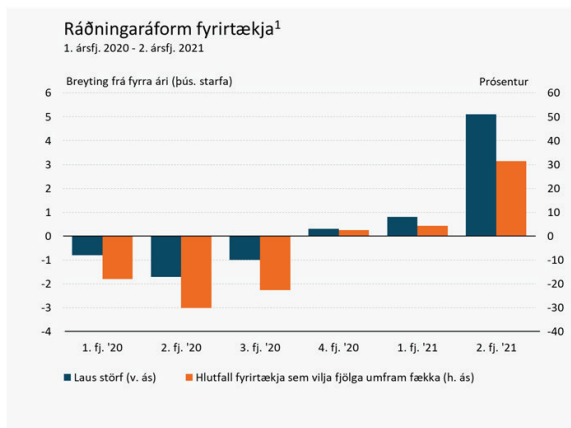
- Atvinnuleysi var ríflega 5% í júlí samkvæmt VMK en 6,4% eins og það er skráð hjá VMST
- Langtímaatvinnuleysi einnig tekið að minnka
- Frá apríl fram í júlí hefur um helmingur afskráninga af atvinnuleysissskrá verið vegna ráðningarstyrkja
- Dregur úr slaka á vinnumarkaði



1. Árstíðarleiðréttar tölur. Atvinnuleysi sýnt sem hlutfall af mannafla en slaki á vinnumarkaði sem hlutfall af mannafla með mögulegri viðbót. 2. Fjöldi einstaklinga sem hefur verið á atvinnuleysissskrá lengur en 12 mánuði.  
Heimildir: Hagstofa Íslands, Vinnuálagstofnun, Seðlabanki Íslands.

## Mikil fjölgun lausra starfa og skortur á fólki eykst

- Lausum störfum fjölgaði mikið á F2 - voru tæplega tvöfalt fleiri en á F2/2019 og tæplega þriðjungur fleiri fyrirtæki vilja fjölga starfsfólki en fækka því – munurinn á líka jákvæður og hann var 2016 þegar mikill uppgangur var í þjóðarþúinu
- Fyrirtækjum sem segjast búa við skort á starfsfólki fjölgar einnig mikið og NF-vísitalan er nú svipuð og F4/2019 – slakinn að hverfa

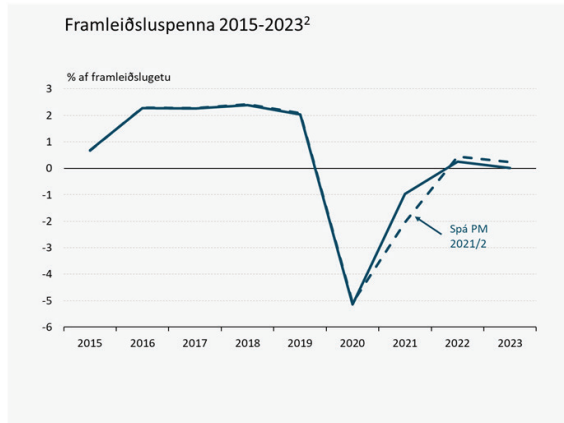
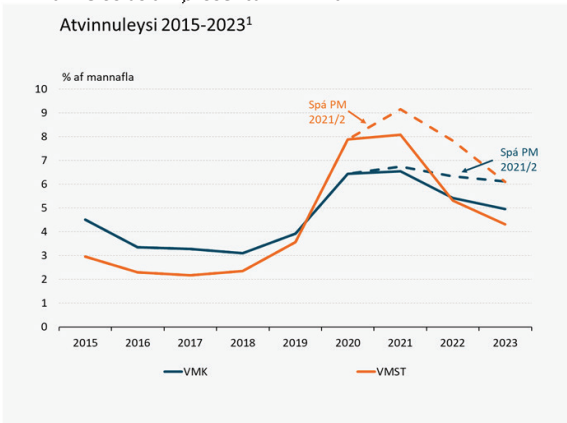


1. Laus störf skv. fyrirtækjakönnun Hagstofu Íslands og hlutfall fyrirtækja sem vilja fjölga eða fækka starfsfólki næstu 6 mánuði er úr könnun Gallup meðal 400 stærstu fyrirtækja landsins og eru gögnin árstíðarleiðrétt af Seðlabanki Íslands. 2. Málkvarðar fyrir nýtingu framleiðsluþátta byggjast á viðhorfskönnun Gallup meðal 400 stærstu fyrirtækja landsins. Vísitala nýtingar framleiðsluþátta (NF-vísitalan) er fyrsti frumþáttur valinna vísibendinga um nýtingu framleiðsluþátta sem er skalaður til svo meðaltal hans er 0 og staðalfrávik 1. Ítarlegri lýsingu má finna í rammagrein 3 í PM 2018/2.  
Heimildir: Gallup, Hagstofa Íslands, Seðlabanki Íslands.



## Atvinnuleysi hjaðnar hraðar en spáð var í maí

- Slakinn í þjóðarþúinu hefur minnkað hraðar en spáð var í maí: framleiðslulakinn í ár 1% af framleiðslugetu í stað 2% í PM 21/2 og talið að atvinnuleysi verði 6,5% að meðaltali í ár miðað við VMK (6,7% í PM 21/2) en 8,1% miðað við VMST (9,1% í PM 21/2) ...
- ... minnkar einnig hraðar en spáð var í maí og fer í 4½-5% 2023 og verður þá orðið svipað og það var í aðdraganda farsóttarinnar
- Framleiðslulaki prósentu minni í ár



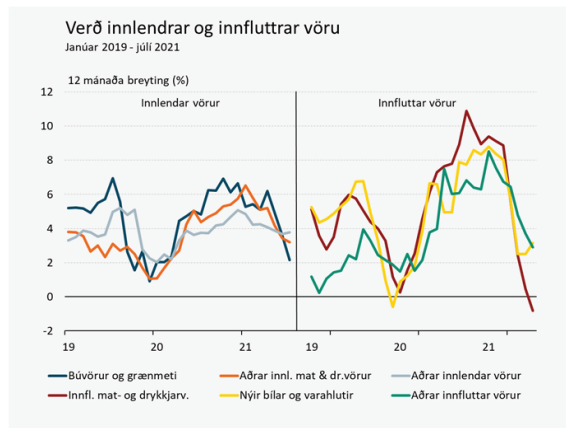
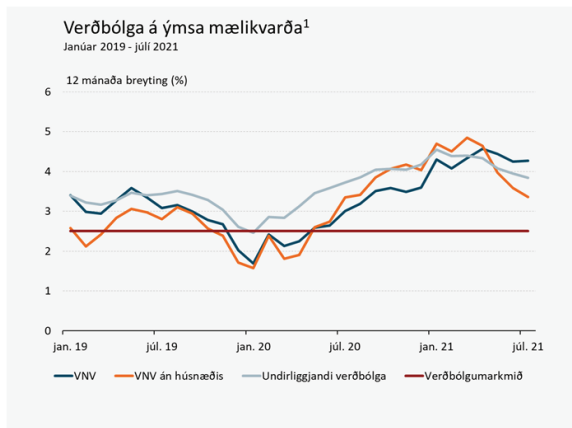
1. Atvinnuleysi miðað við vinnuorkaáskönnun Hagstofu Íslands (VMK) og skráð atvinnuleysi Vinnuálastofnunar án hlutabóta (VMST). Grunnspá Seðlabankans 2021-2023. Brotalína sýnir spá frá PM 2021/2. Heimildir: Hagstofa Íslands, Vinnuálastofnun, Seðlabanki Íslands.



## Verðbólga

## Verðbólga virðist hafa náð hámarki

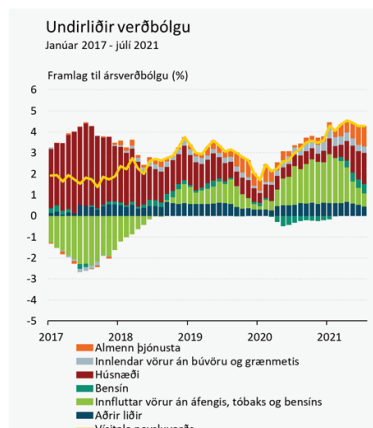
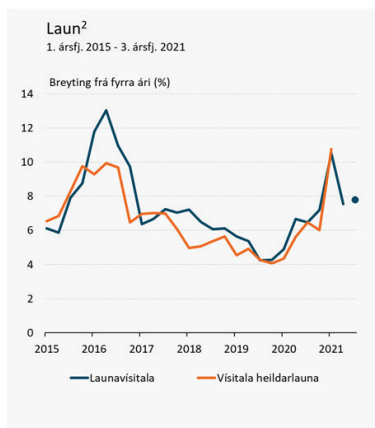
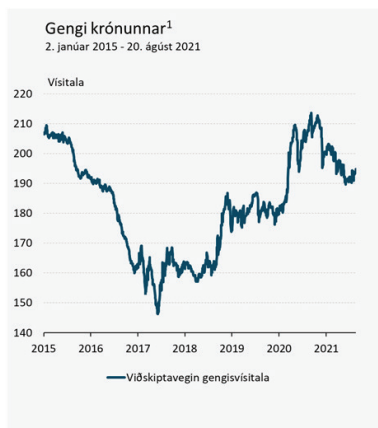
- Verðbólga hefur verið yfir 4% frá áramótum og fór í 4,6% í apríl en hjaðnaði í 4,3% í júlí ... virðist hafa náð hámarki
- Hjaðnar hraðar á mælikvarða verðbólgu án húsnæðis (4,8% í mars - 3,4% í júlí) og undirliggjandi verðbólgu (4,6% í jan. - 3,8% í júní)
- Áhrif gengislækkunar í fyrra greinilega minnkað: hratt hefur dregið úr verðhækkunum innfluttrar vöru - en einnig innlendar vöru



1. Undirliggjandi verðbólga er mæld með kjarnavísitölu (áhrif óbeinna skatta, sveiflukenndra matvöruhlúa, bensins, opinberrar þjónustu og raunvaxtakostnaðar húsnæðisins eru undanskilin) og tölfraðilegum mælikvörðum (vegið miðgildi, klípt meðaltal, kvik þáttalíkan og sameiginlegur þáttur VNV).  
Heimildir: Hagstofa Íslands, Seðlabanki Íslands.

## Hærra gengi og hækkun launa og húsnæðis vegast á

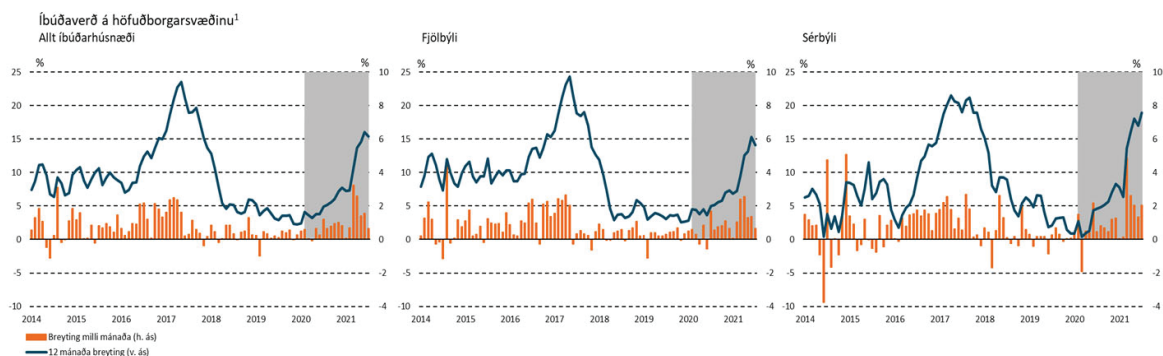
- ISK hefur hækkað um 3% frá áramótum og 9½% frá því það var lægst í sept. 2020 ... er þó enn 5½% lægra en í upphafi faraldurs
- Gengishækkun vegur á móti áhrifum kröftugrar viðspyrnu innlendar eftirspurnar sem birtist m.a. í töluverðum launahækkunum og verðhækkun húsnæðis



1. Verð erlendra gjaldmiðla í krónum (þróng viðskiptavog). 2. Gildi fyrir 3. ársfjórðung 2021 byggist á tölum fyrir júlí.  
Heimildir: Hagstofa Íslands, Þjóðskrár Íslands, Seðlabanki Íslands.

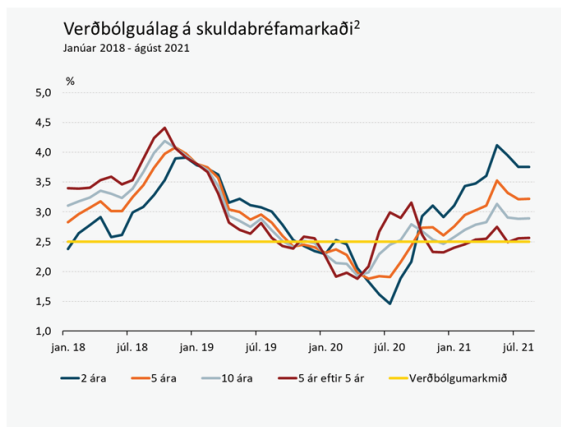
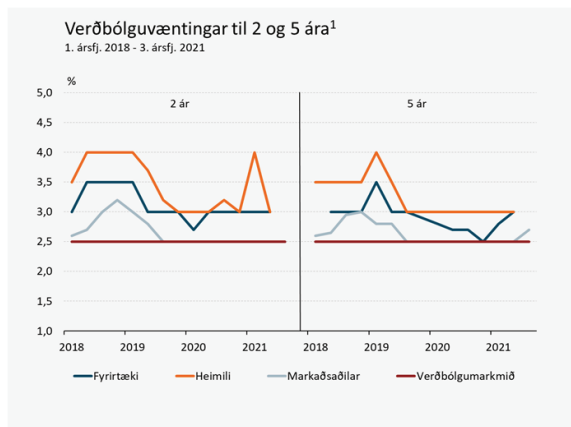
## Töluverð verðhækkun í kjölfar vaxtalækkunar

- Íbúðaverð á höfuðborgarsvæðinu hækkaði um 15,4% milli ára í júlí (sérbýli 18,9% - fjölbýli 14,1%)
- Mánaðartakturinn hjaðnað frá því í mars og árstakturinn hjaðnaði í júlí
- Hagstæðara vaxtaumhverfi hefur auðveldað fasteignakaup
- Faraldurinn hefur dregið úr tækifærum til neyslu og sparnaður heimila því aukist
- Vinnuumhverfi og rýmisþörf fólks hafa breyst



## Hækkun verðbólguvæntinga að ganga til baka?

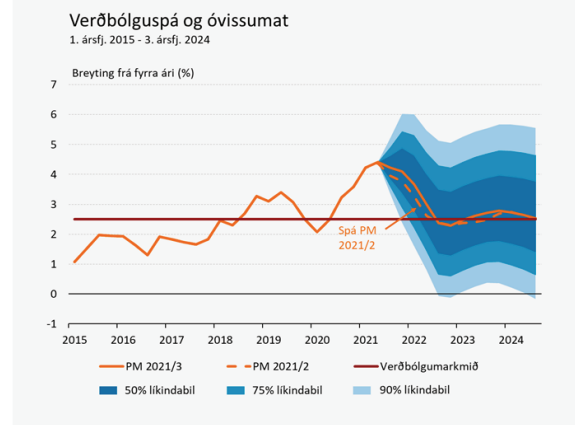
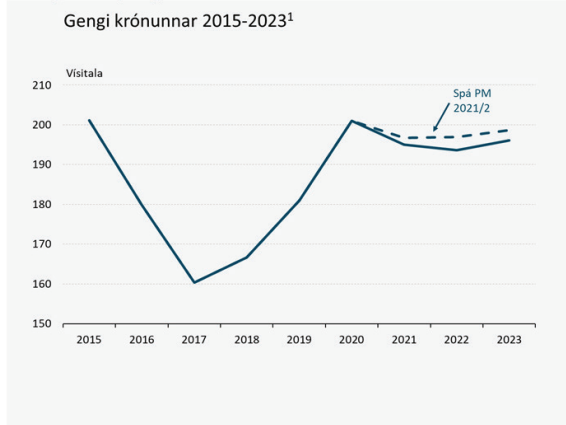
- Vísendingar voru um að kjölfesta verðbólguvæntinga í markmiði væri að veikjast í vor: væntingar heimila (2 ára) og fyrirtækja (5 ára) hækkuðu og verðbólguálagið hækkaði yfir allar tímalengdir ... en nýjustu mælingar gætu bent til þess að hækkunin sé mögulega tekin að ganga til baka (þótt 5 ára væntingar fyrirtækja hækki aftur og væntingar markaðsaðila hækki lítillega)



1. Kannanir Gallup á verðbólguvæntingum heimila og fyrirtækja og Seðlabankans á verðbólguvæntingum markaðsaðila. Miðgildi svara. 2. Meðaltal mánaða. Heimildir: Gallup, Seðlabanki Íslands.

## Heldur hægari hjöðnun verðbólgu en áður var spáð

- Gengi krónunnar hefur hækkað heldur meira en spáð var í maí og gert er ráð fyrir að það haldist hærra út spátímann
- Verðbólga á Q2 í takt við spá en verður heldur meiri út árið og hjaðnar lítillega seinna í markmið vegna hraðari minnkunar slaka í ár, meiri hækkuð alþjóðlegs hrávoruverðs og þrálátari kostnaðarþrýstingur vegna framleiðsluflana skýra breytinguna



1. Þróng viðskiptavog. Grunnspá Seðlabankans 2021-2023. Brotalína sýnir spá frá PM 2021/2.  
Heimildir: Hagstofa Íslands, Seðlabanki Íslands.

## Peningamál í hnotskurn



Alþjóðlegum efnahagsbata miðar áfram með aukinni bóluþetningu



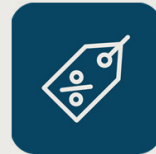
Meiri fjölgun ferðamanna í sumar en áður spáð en lakari horfur á Q4



Spáð um 4% hagvexti í ár og á næsta ári – horfur batna í ár frá maíspá



Störfum fjölga og atvinnuleysi minnkar hraðar en spáð var í maí



Verðbólga í takt við spá á Q2 en hjaðnar lítillega hægur en áður var talið



Mikil óvissa – ekki síst tengt farsótt og virkni bóluþetningar

Ritið í heild  
 Kynning aðalhogfræðings

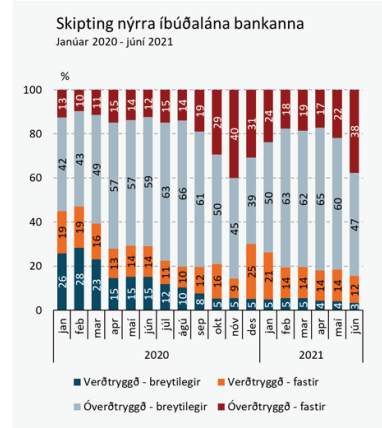
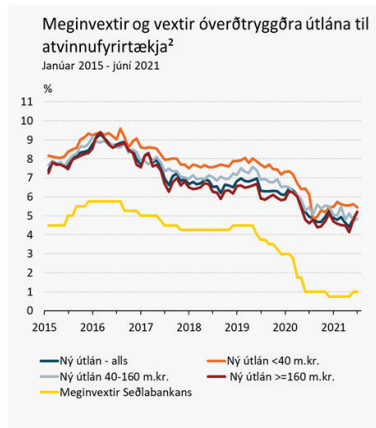
Power Point myndir  
 Myndagögn

Tíst  
 Facebook

# Miðlun peningastefnunnar

## Miðlun peningastefnunnar

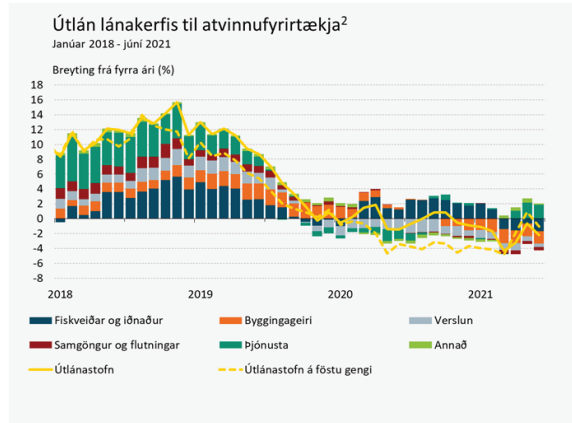
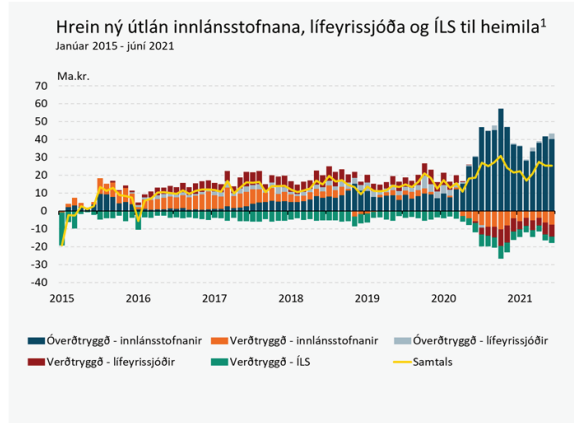
- Vextir nýrra óverðtryggðra lána bæði til heimila og fyrirtækja hækkuðu í takt við 25p vaxtalækkun í maí sl.
- ... og hlutur **fastra** óvertryggra vaxta jókst



1. Vegnir meðalvextir óverðtryggðra útlána stóru viðskiptabankanna þriggja miðað við fjárhæð útlána. 2. Vegnir meðalvextir á óverðtryggðum útlánnum stóru viðskiptabankanna þriggja með breytilegum vöxtum miðað við fjárhæð útlána. Heimild: Seðlabanki Íslands.

# Útlánavöxtur

- Til heimila mikill – 11,3% í júní – og hlutur innlánsstofnana vex
- Stærstur hluti aukningarinnar til heimila tilkominn vegna óverðtryggðra lána
- Útlán til fyrirtækja drógust saman um rúmleg 2% að nafnvirði í júní (1% á föstu gengi)
- Útlán til flesta atvinnugreina drógust saman



1. Hrein ný útlán samanstanda af nýjum útlánum að fráðregnum umfram- og uppgreiðslum eldri lána. Tölur yfir ný útlán lífeyrissjóðanna ná frá september 2015. 2. Stofn útlána í erlendum gjaldmiðli er reiknaður miðað við vísitölu meðalgengis í júní 2021.  
Heimild: Seðlabanki Íslands.

Takk fyrir

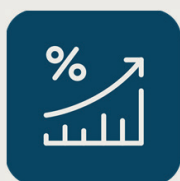
SEÐLABANKI ÍSLANDS

Sér fyrir endann á kófkreppunni en  
veiruaufbrigðin skapa óvissu



Kynning fyrir Félag atvinnurekenda  
1. september 2021

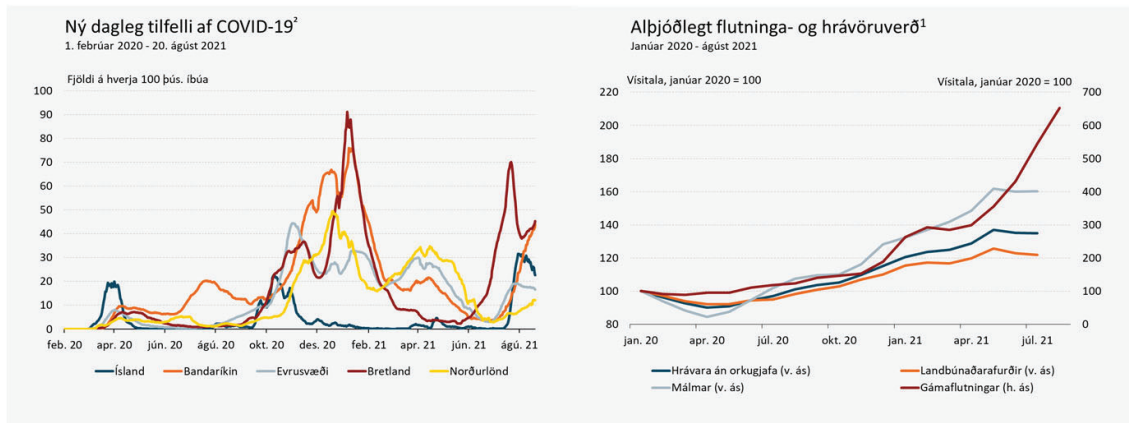
Rannveig Sigurðardóttir  
varaseðlabankastjóri peningastefnu



Ytri skilyrði og innlent raunhagkerfi

## Smitum fjölgaði víða hratt í sumar í kjölfar útbreiðslu Delta-afbrigðis veirunnar

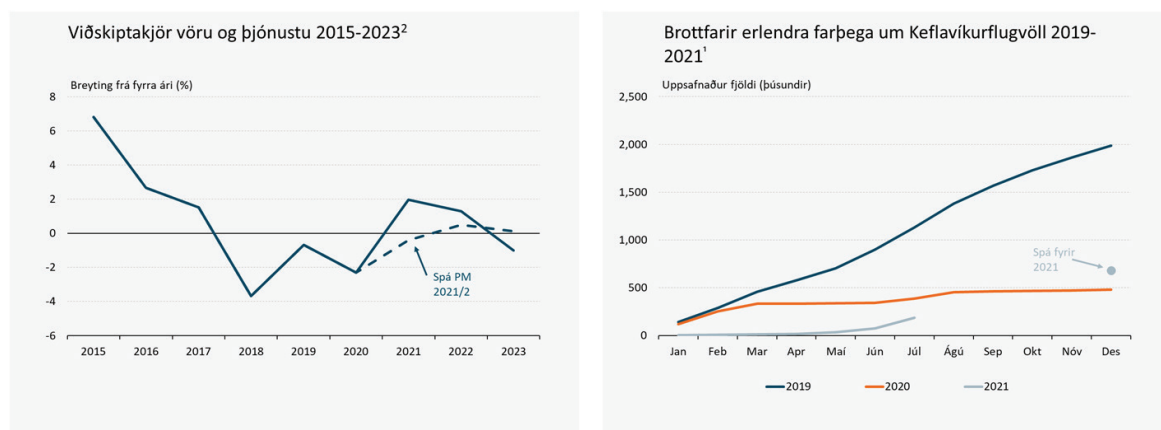
- Smitum fjölgaði víða hratt í sumar í kjölfar útbreiðslu Delta-afbrigðis veirunnar
- Bólusetning virðist þó draga úr hættu á alvarlegum veikindum og minni hömlur á efnahagsstarfsemi en í fyrri bylgjum farsóttar því möguleg
- Kröftugur bati alþjóðlegrar eftirspurnar og framleiðsluþrúflanir hafa leitt til mikillar hækkunar hrávöruverðs og flutningskostnaðar



1. Landbúnaðarafurðir skiptast í matvæli (62%), drykkjarvörur (13%) og hráefni (25%). Verðvísitala gámaflutninga er Freightos Global Container Index. Gögn til og með 20. ágúst 2021. 2. Staðfest ný smit. Norðurlönd eru meðaltal Danmerkur, Noregs og Svíþjóðar. Sjó daga hreyfanlegt meðaltal.  
Heimildir: Alþjóðabankinn, Alþjóðaheilbrigðismálastofnunin, Covid.is, Freightos Limited, Johns Hopkins University, Our World in Data.

## Hagstæðari viðskiptakjör og meiri fjölgun ferðamanna

- Viðskiptakjör töluvert hagstæðari í ár þar sem hækkun álverðs og kröftugri viðsnúningur í verði sjávarafurða vegur á móti alþjóðlegum hækkunum
- Mikil fjölgun ferðamanna á sumarmánuðum skilar meiri útflutningstekjum - 680 þús. í stað 660 þús. á árinu í heild



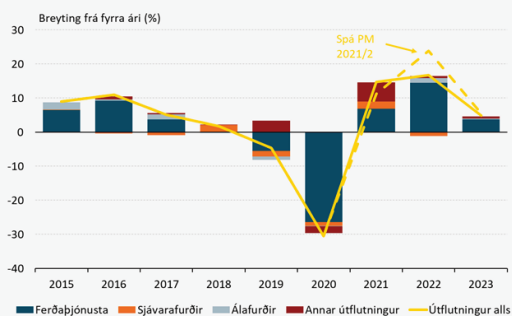
1. Uppsafnaður fjöldi hvers árs. Punkturinn sýnir heildarfjölda 2021 samkvæmt grunnsþá Seðlabankans. 2. Grunnsþá Seðlabankans 2021-2023. Brotalína sýnir spá PM 2021/2.  
Heimildir: Ferðamálastofa, Hagstofa Íslands, Seðlabanki Íslands.



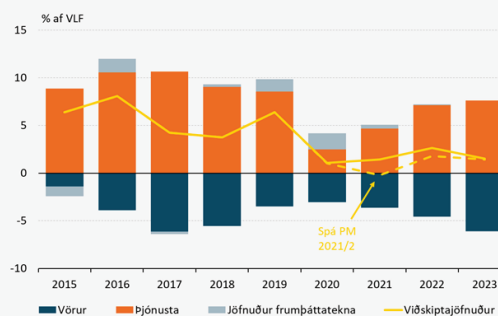
## Meiri útflutningur og viðskiptaafgangur

- Meiri fjölgun ferðamanna á sumarmánuðum, betri horfur í sjávarútvegi og meiri vöxtur annars þjónustuútflutnings gera það að verkum að útflutningur er nú talinn aukast um 15% í ár í stað 11% eins og gert var ráð fyrir í maí
- Minni útflutningsvöxtur á næsta ári en spáð var í maí: grunnáhrif frá árinu í ár, lakari horfur í ferðaþjónustu og minni þorskaflí
- Horfur á 1½% viðskiptaafgangi í ár í stað lítilllegs halla eins og spáð var í maí: hagstæðari utanríkisviðskipti og viðskiptakjör

Útflutningur og framlag undirliða 2015-2023<sup>1</sup>



Viðskiptajöfnuður 2015-2023<sup>2</sup>



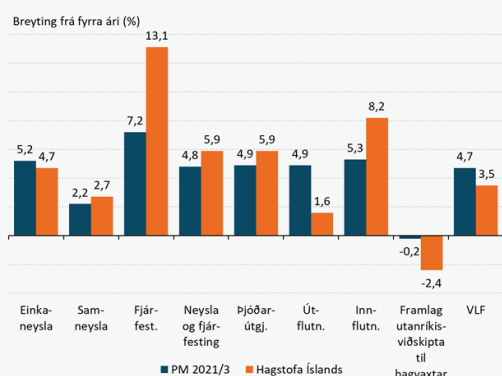
1. Vegna keðjutengingar getur verið að summa undirliðanna sé ekki jöfn helldarútflytningu. Ferðaþjónusta er samtala á „ferðalögum“ og „farþegaflutningum með flugi“. Álfurflutningur skv. skilgreiningu þjóðhagsreikninga. Grunnspá Seðlabankans 2021-2023. Brotalína sýnir spá frá PM 2021/2. 2. Jöfnuður rekstrarframlaga talin með frumþáttajöfnuði. Grunnspá Seðlabankans 2021-2023. Brotalína sýnir spá frá PM 2021/2.

Heimildir: Hagstofa Íslands, Seðlabanki Íslands.

## Tölur þjóðhagsreikninga fyrir H1 2021

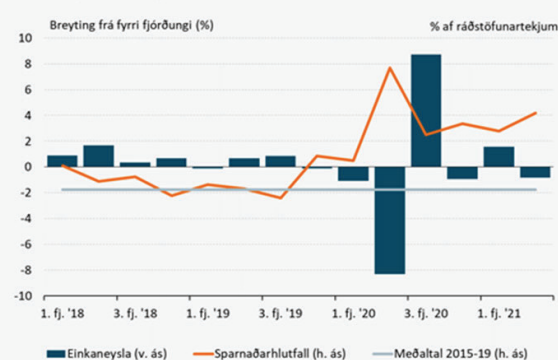
- Vöxtur þjóðarútgjalda kröftugri á H1 en spá PM 2021#3 gerði ráð fyrir ...
- ... en framlag utanríkisviðskipta neikvæðara

Þjóðhagsreikningar fyrir H1 2021 og mat Seðlabankans



Einkaneysla og sparnaður heimila<sup>1</sup>

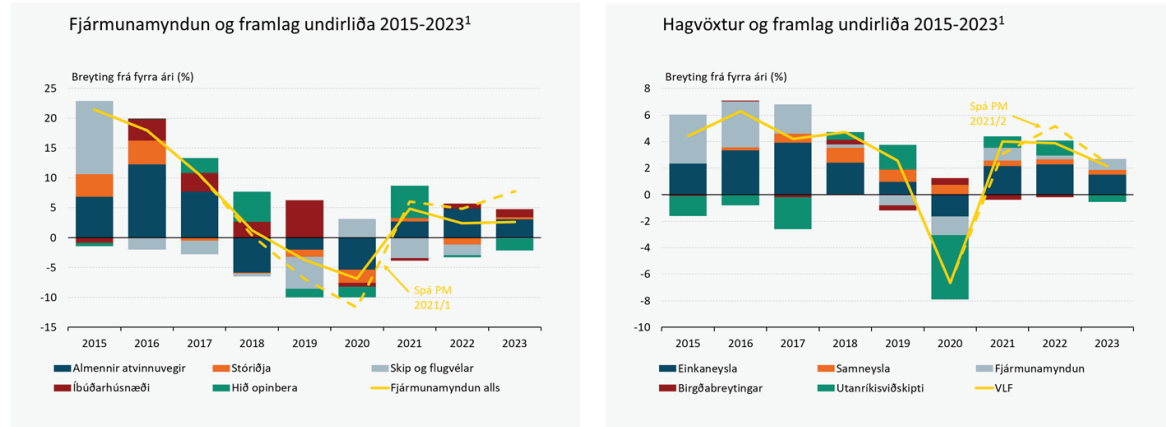
1. ársfj. 2018 - 2. ársfj. 2021



1. Við útreikning á hlutfalli sparnaðar er miðað við áætlun Seðlabankans um ráðstöfunartekjur frá PM 2021/3. Árstíðarleiðrétt gögn. Heimildir: Hagstofa Íslands, Seðlabanki Íslands.

## Horfur á meiri hagvexti á árinu öllu

- Horfur um fjármunamyndun lítilla lakari í ár skv. spánni vegna minni fjárfestingu hins opinbera og í íbúðahúsnæði en vöxtur atvinnuvegafjárfestingar meiri
- Tölur fyrir H1 benda til að það gæti verið meiri kraftur í fjárfestingunni en spáin gerir ráð fyrir
- Hagvaxtahorfur betri í ár – 4% í stað 3,1% - aðallega vegna hagstæðara framlags utanríkisviðskipta
- Horfur á svipuðum hagvexti á næsta ári - en hægari vexti 2023 (2%)



1. Almenn atvinnuvegafjárfesting er atvinnuvegafjárfesting án fjárfestingar í orkufrekum iðnaði og í skipum og flugvélum. Grunnspá Seðlabankans 2021-2023. Brotalína sýnir spá frá PM 2021/2.  
Heimildir: Hagstofa Íslands, Seðlabanki Íslands.

## Atvinna hefur aukist hratt ...

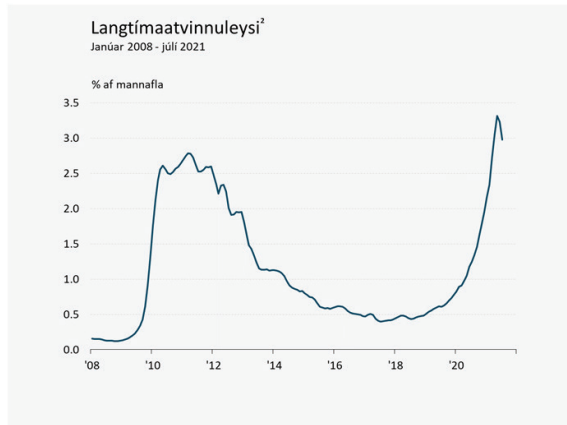
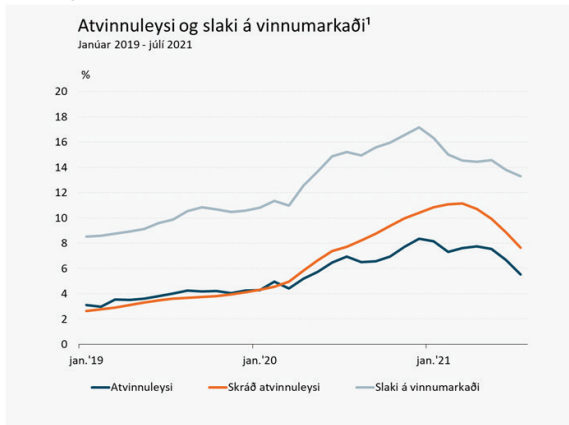
- Samkvæmt VMK fjölgaði störfum um 4,2% milli ára í júlí og voru rúmlega 3% fleiri en þau voru fyrir farsóttina
- Meðalvinnutíminn þó enn um 2 klukkustundum styttri
- Atvinnuþátttaka hefur náð því sem hún var fyrir farsótt - en vantar rúma hálfa prósentu upp á hlutfall starfandi



1. Fjöldi starfandi fólks skv. vinnumarkaðskönnun Hagstofunnar (VMK) og fjöldi launafólks skv. staðgreiðsluskrá ríkisskattstjóra. Launafólk 16-74 ára inniheldur einnig þá sem voru í fæðingarorlofi og þá sem voru með reiknað endurgjald. Launafólk alls undanskilur þá hópa en inniheldur launafólk á öllum aldri. Þriggja mánaða hreyfanlegt meðaltal árstíðarleiréttra talna. Gögn fyrir launafólk eru árstíðarleirétt af Seðlabanka Íslands. 2. Tölur úr vinnumarkaðskönnun Hagstofu Íslands nema skráð atvinnuleysi (án hlutabóta) og langtímatvinnuleysi sem eru frá Vinnuálagstofnun. Þriggja mánaða hreyfanlegt meðaltal. Árstíðarleiréttar tölur  
Heimildir: Gallup, Hagstofa Íslands, Seðlabanki Íslands.

## ... og atvinnuleysi minnkað mikið

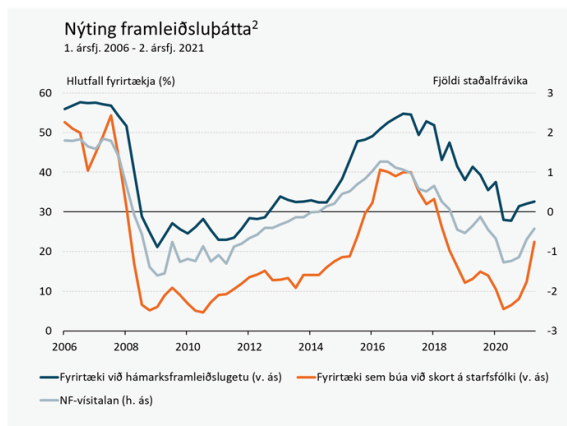
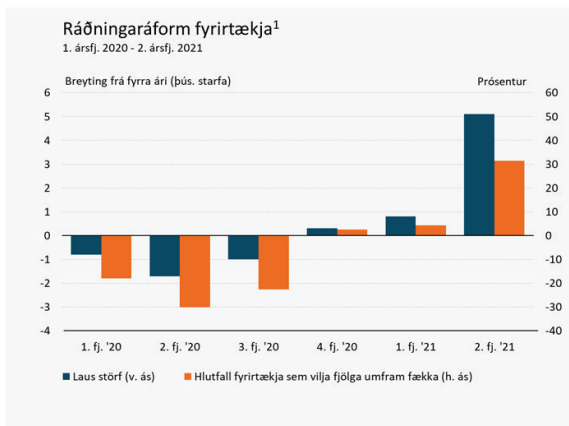
- Atvinnuleysi var ríflega 5% í júlí samkvæmt VMK en 6,4% eins og það er skráð hjá VMST
- Langtímaatvinnuleysi einnig tekið að minnka
- Frá apríl fram í júlí hefur um helmingur afskráninga af atvinnuleysissskrá verið vegna ráðningarstyrkja
- Dregur úr slaka á vinnumarkaði



1. Árstíðarleiðréttar tölur. Atvinnuleysi sýnt sem hlutfall af mannafla en slaki á vinnumarkaði sem hlutfall af mannafla með mögulegri viðbót. 2. Fjöldi einstaklinga sem hefur verið á atvinnuleysissskrá lengur en 12 mánuði.  
Heimildir: Hagstofa Íslands, Vinnumálastofnun, Seðlabanki Íslands.

## Mikil fjölgun lausra starfa og skortur á fólki eykst

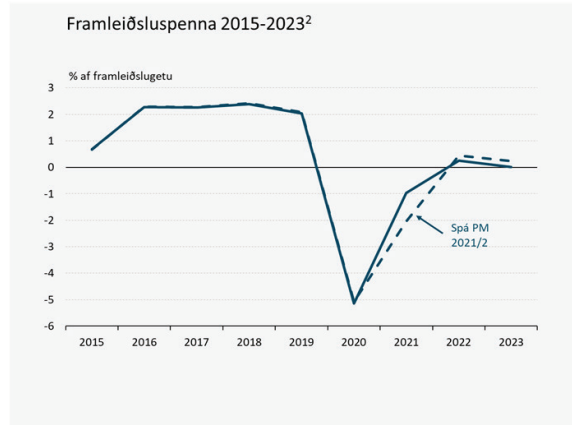
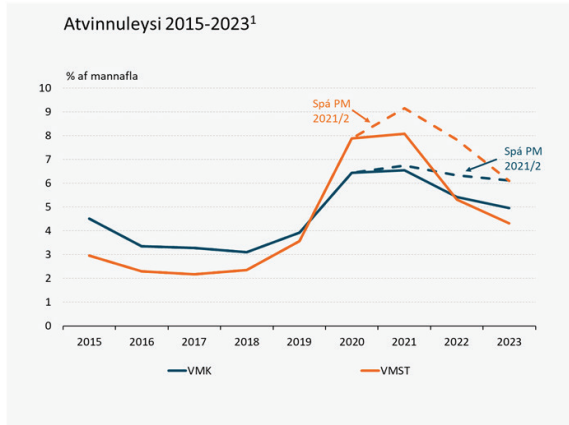
- Lausum störfum fjölgaði mikið á F2 - voru tæplega tvöfalt fleiri en á F2/2019 og tæplega þriðjungur fleiri fyrirtæki vilja fjölga starfsfólki en fækka því – munurinn á líka jákvæður og hann var 2016 þegar mikill uppgangur var í þjóðarþúinu
- Fyrirtækjum sem segjast búa við skort á starfsfólki fjölga einnig mikið og NF-vísitalan er nú svipuð og F4/2019 – slakinn að hverfa



1. Laus störf skv. fyrirtækjakönnun Hagstofu Íslands og hlutfall fyrirtækja sem vilja fjölga eða fækka starfsfólki næstu 6 mánuði er úr könnun Gallup meðal 400 stærstu fyrirtækja landsins og eru gögnin árstíðarleiðrétt af Seðlabanka Íslands. 2. Mælikvarðar fyrir nýtingu framleiðsluþátta byggjast á viðhorfskönnun Gallup meðal 400 stærstu fyrirtækja landsins. Vísitala nýtingar framleiðsluþátta (NF-vísitalan) er fyrsti frumþáttur valinna vísbendinga um nýtingu framleiðsluþátta sem er skalaður til svo meðaltal hans er 0 og staðalfrávik 1. Ítarlegri lýsingu má finna í rammagrein 3 í PM 2018/2.  
Heimildir: Gallup, Hagstofa Íslands, Seðlabanki Íslands.

## Atvinnuleysi hjaðnar hraðar en spáð var í maí

- Slakinn í þjóðarþúinu hefur minnkað hraðar en spáð var í maí
- Atvinnuleysi minnkar einnig hraðar en spáð var í maí og verður orðið svipað og það var í aðdraganda farsóttarinnar
- Framleiðslulaki prósentu minni í ár



1. Atvinnuleysi miðað við vinnumarkaðskönnun Hagstofu Íslands (VMK) og skráð atvinnuleysi Vinnuálastofnunar án hlutabóta (VMST). Grunnspá Seðlabankans 2021-2023. Brotalína sýnir spá frá PM 2021/2. 2. Grunnspá Seðlabankans 2021-2023. Brotalína sýnir spá frá PM 2021/2. Heimildir: Hagstofa Íslands, Vinnuálastofnun, Seðlabanki Íslands.



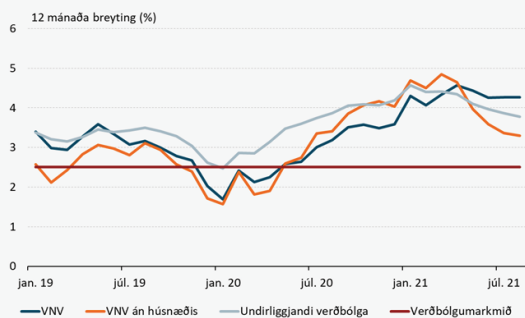
## Verðbólga

## Verðbólga virðist hafa náð hámarki

- Verðbólga hefur verið yfir 4% frá áramótum og fór í 4,6% í apríl en hjaðnaði í 4,3% í júlí ...
- ... virðist hafa náð hámarki – sem sést betur þegar horft er til verðbólgu án húsnæðis og undirliggjandi verðbólgu
- Áhrif gengislækkunar í fyrra fara greinilega minnkandi: hratt hefur dregið úr verðhækkunum innfluttrar vöru en einnig innlendirar

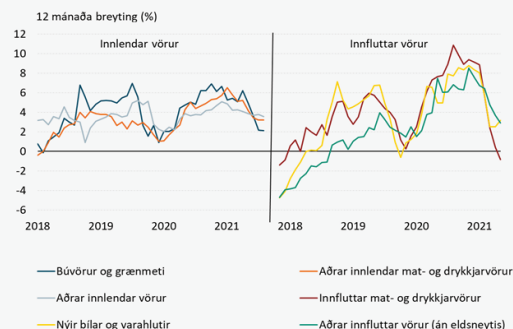
Verðbólga á ýmsa mælikvarða<sup>1</sup>

Janúar 2019 - ágúst 2021



Verð innlendirar og innfluttrar vöru

Janúar 2018 - ágúst 2021



1. Undirliggjandi verðbólga er mæld með kjarnavísitölu (áhrif óbeinna skatta, sveiflukenndra matvöruhlöða, bensins, opinberra þjónustu og raunvaxtakostnaðar húsnæðislána eru undanskilin) og tölfræðilegum mælikvörðum (vegð miðgildi, klípt meðaltal, kvíkt þáttalkan og sameiginlegur þáttur VNV).  
Heimildir: Hagstofa Íslands, Seðlabanki Íslands.

## Hærra gengi og hækkun launa og húsnæðis vegast á

- ISK hefur hækkað um 3% frá áramótum og 9½% frá því það var lægst í sept. 2020 ... er þó enn 5½% lægri en í upphafi faraldurs
- Gengishækkun vegur á móti áhrifum kröftugrar viðspyrnu innlendirar eftirspurnar sem birtist m.a. í töluverðum launahækkunum og verðhækkun húsnæðis

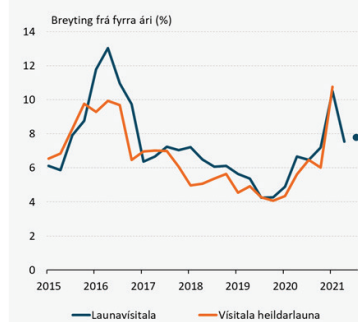
Gengi krónunnar<sup>1</sup>

2. janúar 2015 - 20. ágúst 2021



Laun<sup>2</sup>

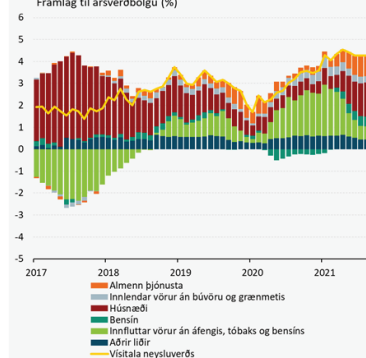
1. ársfj. 2015 - 3. ársfj. 2021



Undirliðir verðbólgu

Janúar 2017 - ágúst 2021

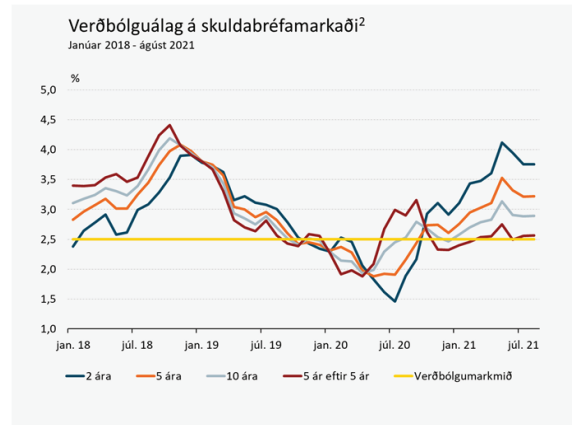
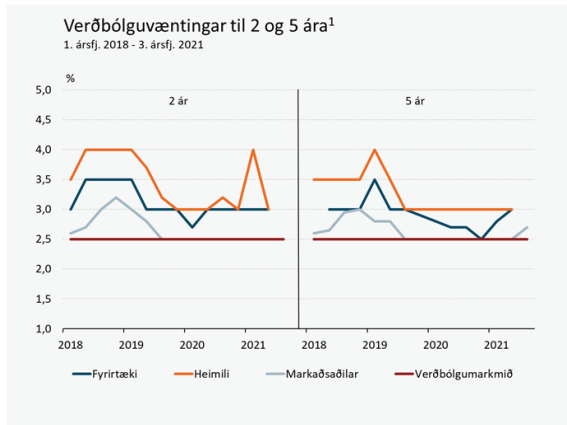
Framlag til ársverðbólgu (%)



1. Verð erlendrar gjaldmiðla í krónum (þröng viðskiptavog). 2. Gildi fyrir 3. ársfjórðung 2021 byggist á tölum fyrir júlí.  
Heimildir: Hagstofa Íslands, Þjóðskrár Íslands, Seðlabanki Íslands.

## Hækkun verðbólguvæntinga að ganga til baka?

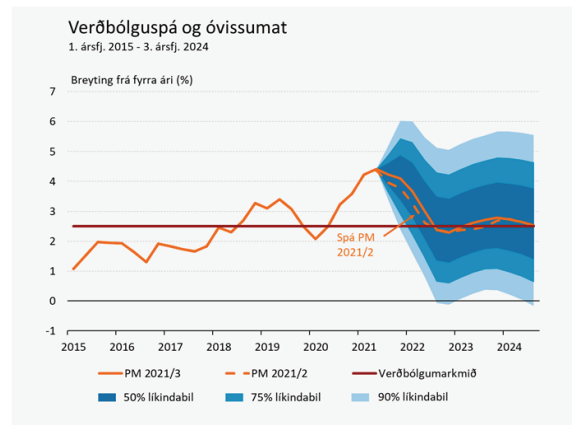
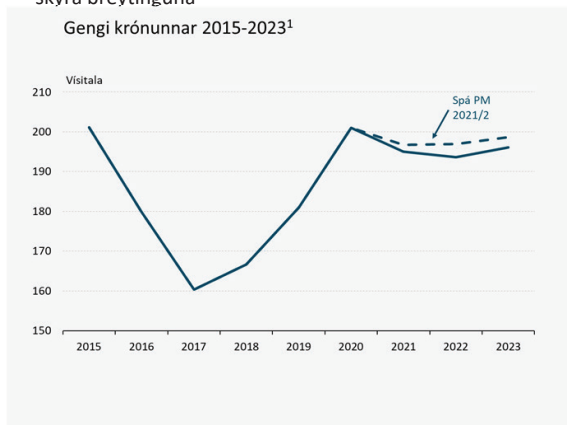
- Vísendingar voru um að kjölfesta verðbólguvæntinga í markmiði væri að veikjast í vor...
- ... en nýjustu mælingar gætu bent til þess að hækkunin sé mögulega tekin að ganga til baka (þótt 5 ára væntingar fyrirtækja hækki aftur og væntingar markaðsaðila hækki lítillega)



1. Kannanir Gallup á verðbólguvæntingum heimila og fyrirtækja og Seðlabankans á verðbólguvæntingum markaðsaðila. Miðgildi svara. 2. Meðaltal mánaða.  
Heimildir: Gallup, Seðlabanki Íslands.

## Heldur hægari hjöðnun verðbólgu en áður var spáð

- Gengi krónunnar hefur hækkað heldur meira en spáð var í maí og gert er ráð fyrir að það haldist herra út spátímann
- Verðbólga á Q2 í takt við spá en verður heldur meiri út árið og hjaðnar lítillega seinna í markmið vegna hraðari minnkunar slaka í ár, meiri hækkun alþjóðlegs hrávöruverðs og þrálátari kostnaðarþrýstingur vegna framleiðslutrufllana skýra breytinguna



1. Þróng viðskiptavog. Grunnspá Seðlabankans 2021-2023. Brotalina sýnir spá frá PM 2021/2.  
Heimildir: Hagstofa Íslands, Seðlabanki Íslands.

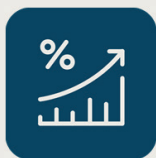
## Spá Seðlabankans í hnotskurn



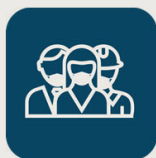
Alþjóðlegum efnahagsbata miðar áfram með aukinni bólusetningu



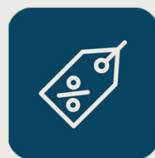
Meiri fjölgun ferðamanna í sumar en áður spáð en lakari horfur á Q4



Spáð um 4% hagvexti í ár og á næsta ári – horfur batna í ár frá maíspá



Störfum fjölga og atvinnuleysi minnkar hraðar en spáð var í maí



Verðbólga í takt við spá á Q2 en hjaðnar lítillga hægar en áður var talið



Mikil óvissa – ekki síst tengt farsótt og virkni bólusetningar

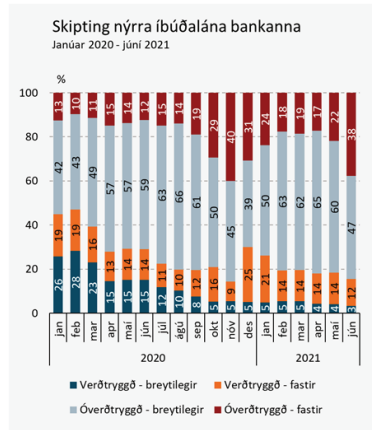
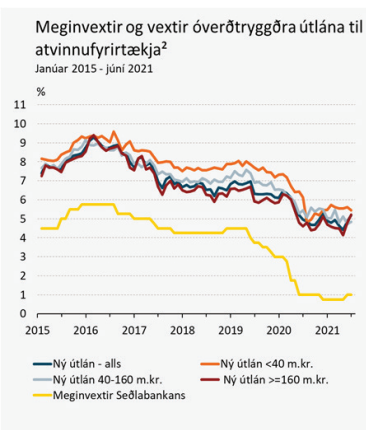
Ritið í heild  
 Kynning aðalhafraeðings

Power Point myndir  
 Myndagögn

Tíst  
 Facebook

## Miðlun peningastefnunnar

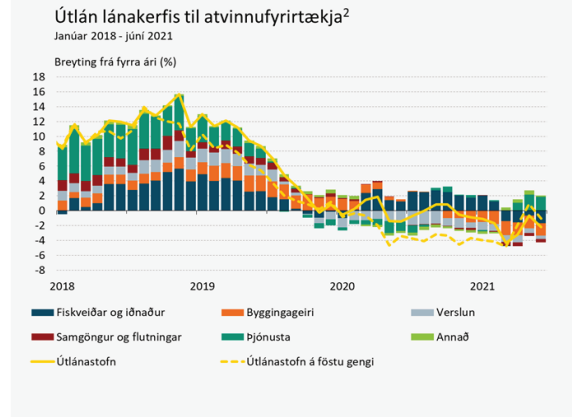
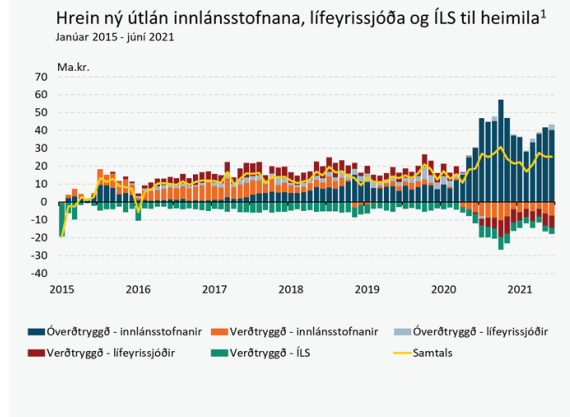
- Vextir nýrra óverðtryggðra lána bæði til heimila og fyrirtækja hækkuðu í takt við 25p vaxtalækkun í maí sl.
- ... og hlutur **fastra** óverðtryggra vaxta jókst



1. Vegnir meðalvextir óverðtryggðra útlána stóru viðskiptabankanna þriggja miðað við fjárhæð útlána. 2. Vegnir meðalvextir á óverðtrygðum útlánnum stóru viðskiptabankanna þriggja með breytilegum vöxtum miðað við fjárhæð útlána. Heimild: Seðlabanki Íslands.

# Útlánavöxtur

- Til heimila mikill – 11,3% í júní – og hlutur innlánsstofnana vex
- Stærstur hluti aukningarinnar til heimila tilkominn vegna óverðtryggðra lána
- Útlán til fyrirtækja drógust saman um rúmleg 2% að nafnvirði í júní (1% á föstu gengi) – en útgáfa markaðsskuldabréfa líflæg
- Útlán til flesta atvinnugreina drógust saman



1. Hrein ný útlán samanstanda af nýjum útlánum að frádregnum umfram- og uppgreiðslum eldri lána. Tölur yfir ný útlán lífeyrissjóðanna ná frá september 2015. 2. Stofn útlána í erlendum gjaldmiðli er reiknaður miðað við vísitölu meðalgengis í júní 2021.  
Heimild: Seðlabanki Íslands.

Takk fyrir



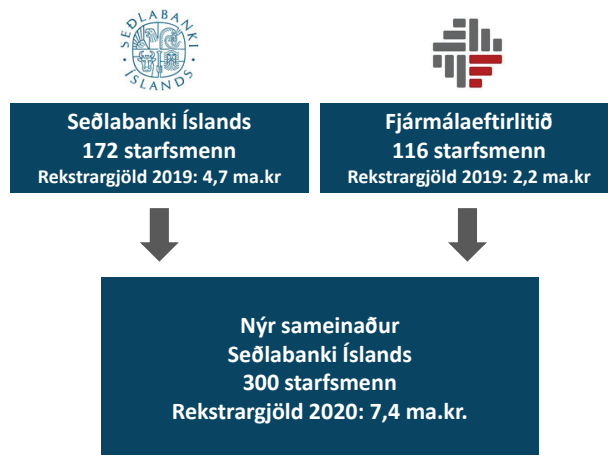
# Nýr Seðlabanki



Reikningsskiladagur 2021  
Félag löggiltra endurskoðenda

Ásgeir Jónsson  
Seðlabankastjóri

## Ný og öflug stofnun á grunni tveggja eldri



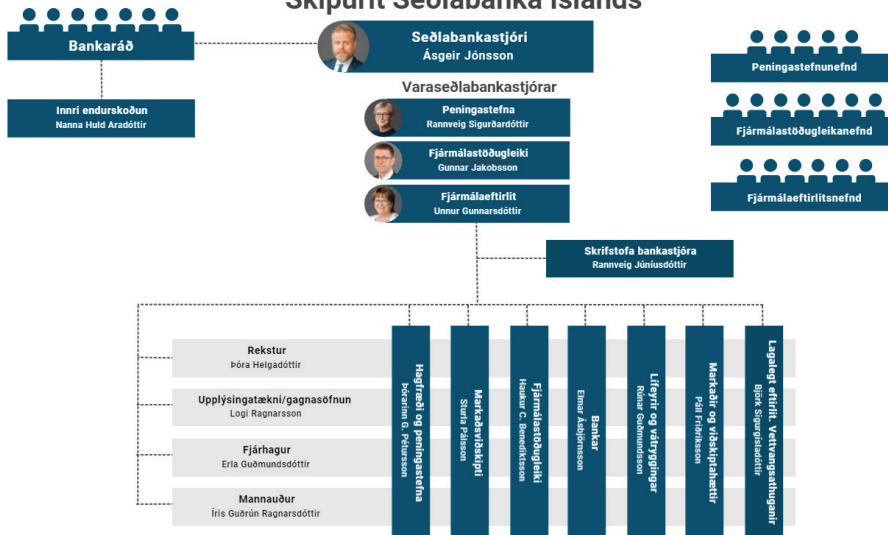
# Ný stofnun með þrjú meginmarkmið



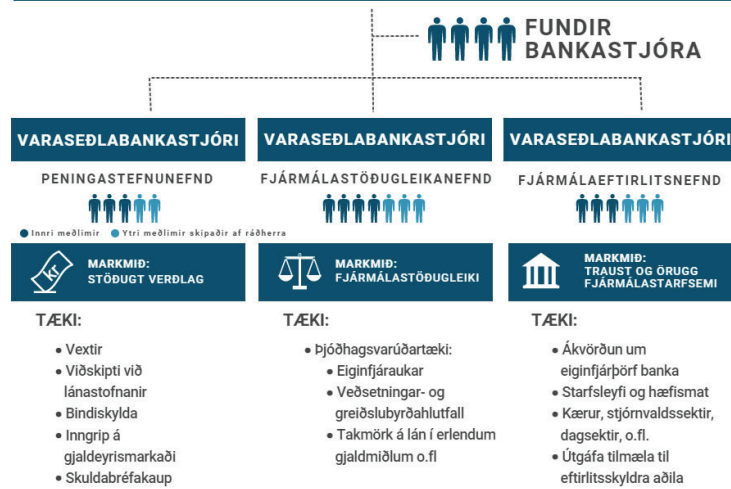
## Markmið Seðlabanka Íslands

Stöðugt verðlag	Fjármálastöðugleiki	Traust og örugg fjármálastarfsemi
Seðlabanki Íslands skal stuðla að stöðugu verðlagi og er heimilt með samþykki ráðherra að lýsa yfir tölulegu markmiði um verðbólgu	Seðlabanki Íslands skal stuðla að fjármálastöðugleika	Seðlabankinn skal fylgjast með að starfsemi eftirlitsskyldra aðila sé í samræmi við lög

## Skipurit Seðlabanka Íslands



# SEÐLABANKASTJÓRI



## Eftirlitsstarfssemi á heima í Seðlabankanum

Bankaeftirlitið fært úr Seðlabankanum, FME stofnað

1998

FME sameinað Seðlabankanum

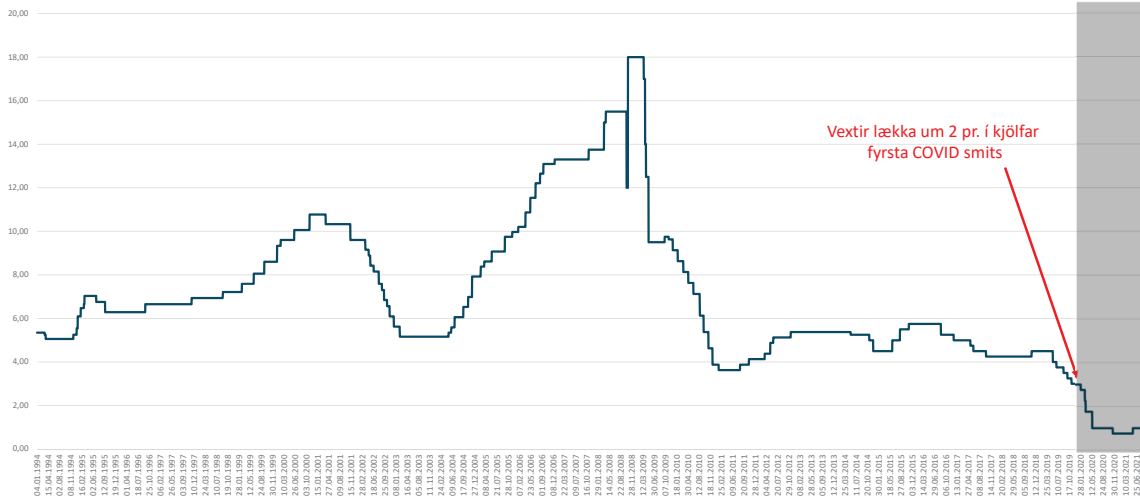
2020

2008

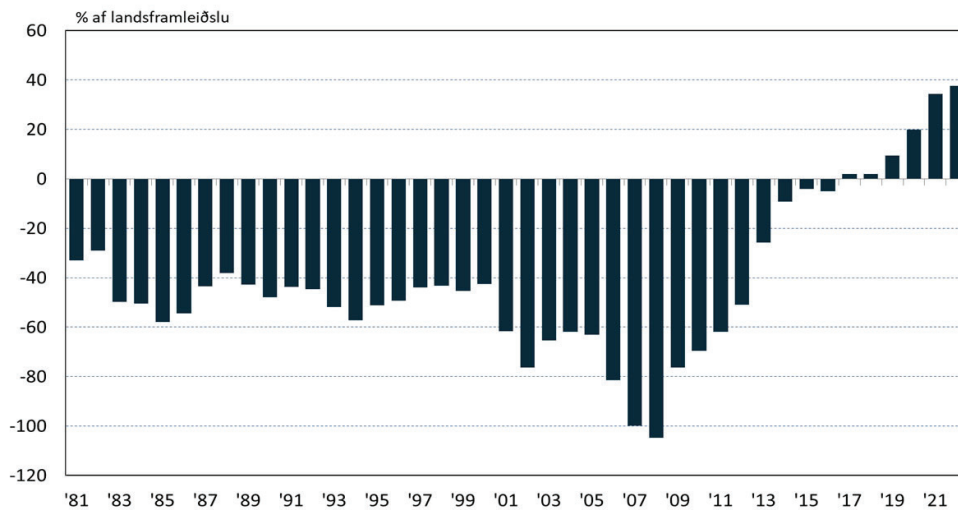
Dreifð ábyrgð og eftirlit með fjármálakerfinu var veikleiki í aðdraganda fjármálakreppunnar

- Eftir sameiningu: Ein stofnun ber ábyrgð á fjármálastöðugleika og býr yfir öllum helstu upplýsingum um fjármálakerfið og þróun kerfislægrar áhættu innan þess.
- Seðlabankinn hefur nú skýrari valdheimildir og slagkraft til að geta haft áhrif á hegðun fjármálastofnana og markaðsaðila til hins betra.

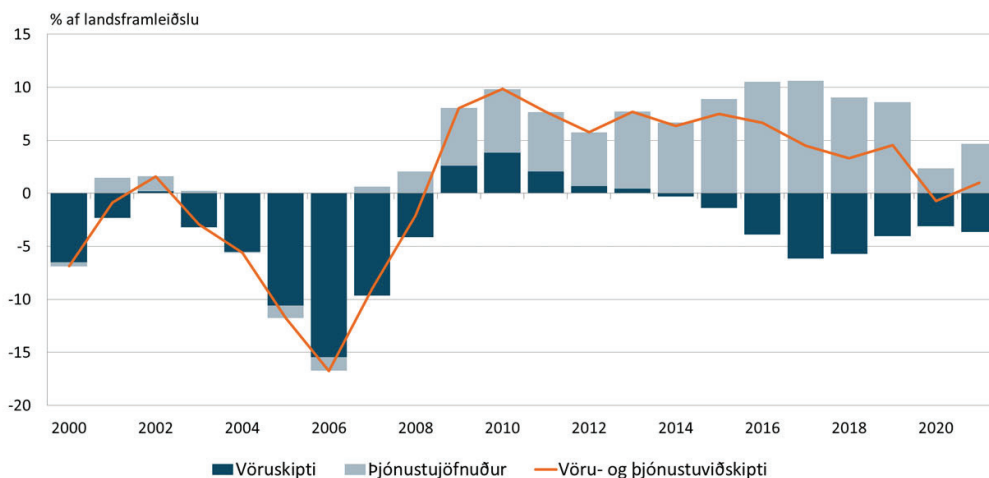
# Meginvextir Seðlabankans sögulega lágir



# Erlend staða sterk – erlendar eignir umfram erlendar skuldir

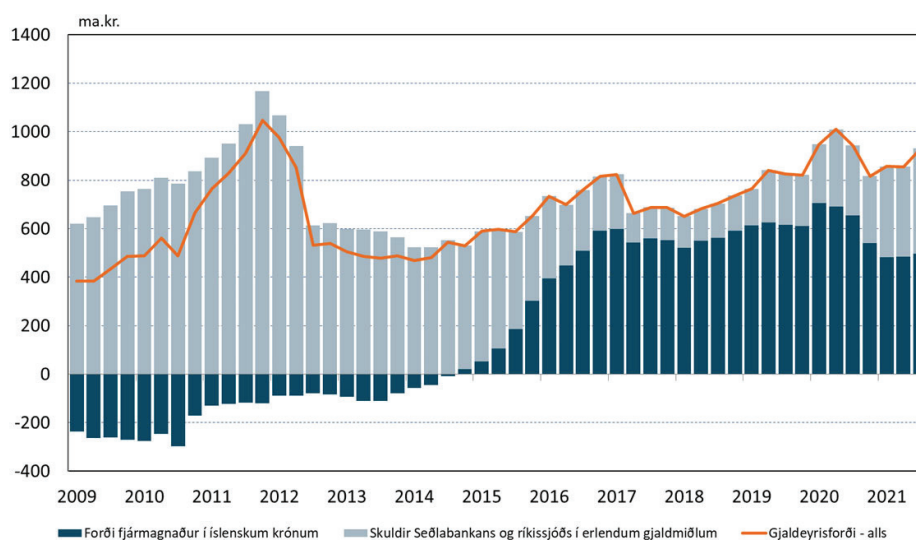


## Utanríkisviðskiptin í jafnvægi þrátt fyrir útflutningsáfallið

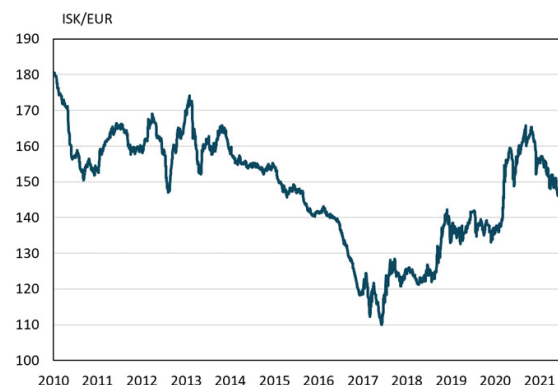
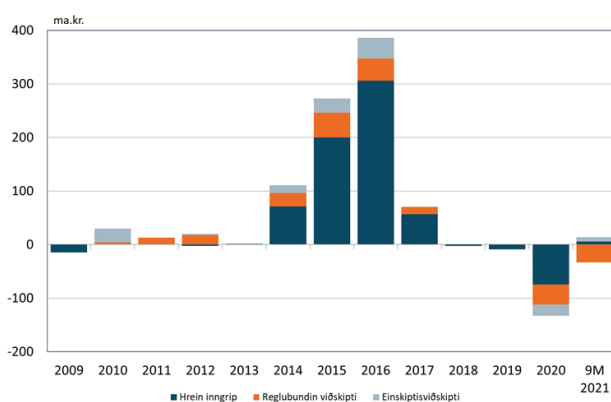


Gildi fyrir árið 2021 úr spá Peningamála 2021/3.

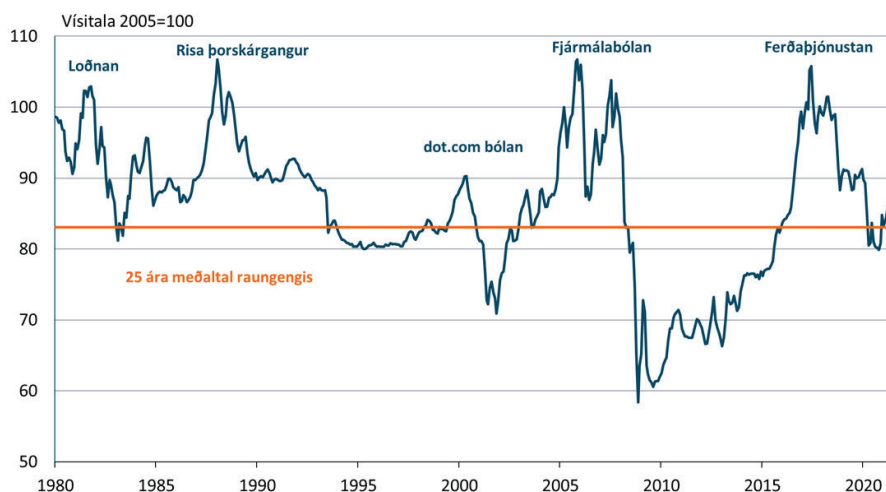
## Seðlabankinn býr yfir 900 milljarða króna gjaldeyrisforða – vel yfir algengum viðmiðunum



## Inngrip Seðlabankans hafa skapað gengisstöðugleika



## Raugengi hefur verið nokkuð stöðugt borið saman við fyrri efnahagssamdráttarskeið



## Sameinuð stofnun: betri yfirsýn, bætt greining og samræmd viðbrögð



Með meiri og betri yfirsýn yfir fjármálakerfið og öflugum tækjum hefur slagkraftur bankans aukist.



Öflugri greining og eftirlit eykur viðbragðsflýti, styrkir peningastefnu og fjármálastöðugleika í landinu.



Þungi framkvæmdar peningastefnunnar liggur ekki í jafn ríkum mæli á vaxtatækinu og áður. Minni þörf á hömlum og sértækum takmörkunum á viðskiptum

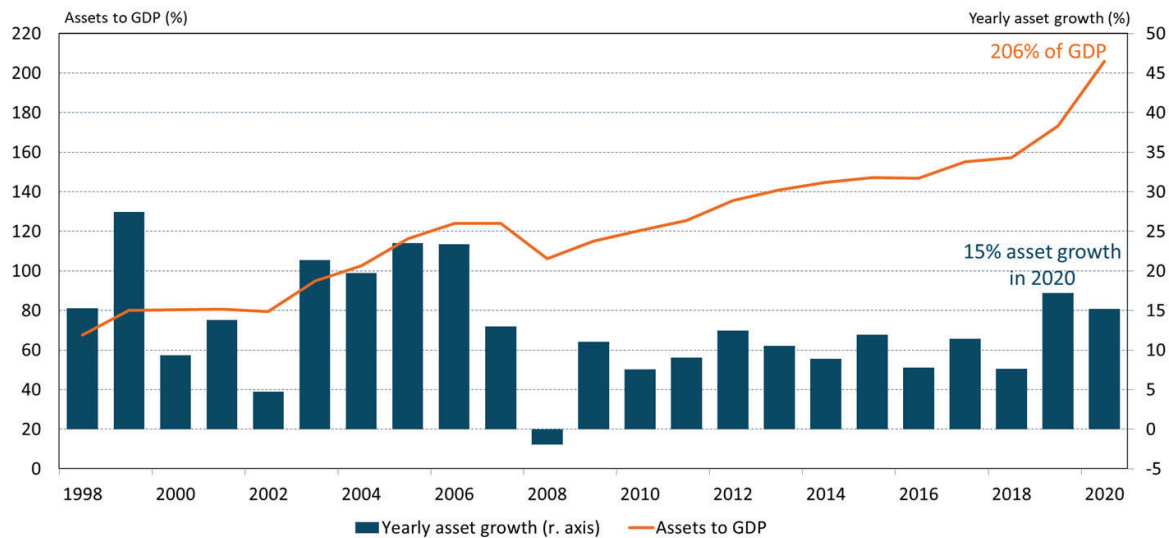
# The Króna Conundrum



IPE Iceland 2021  
07.10.2021

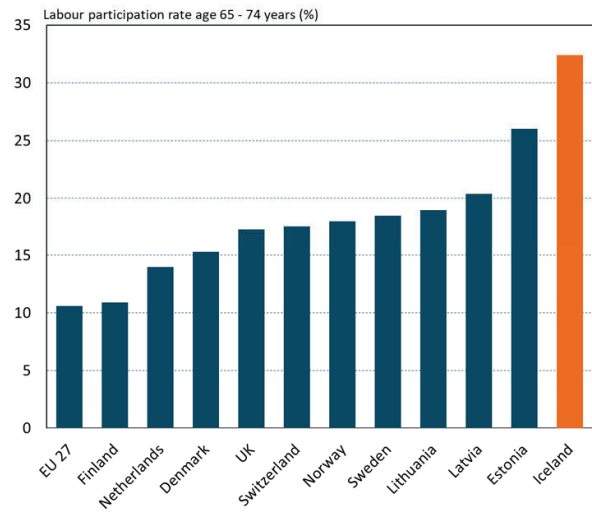
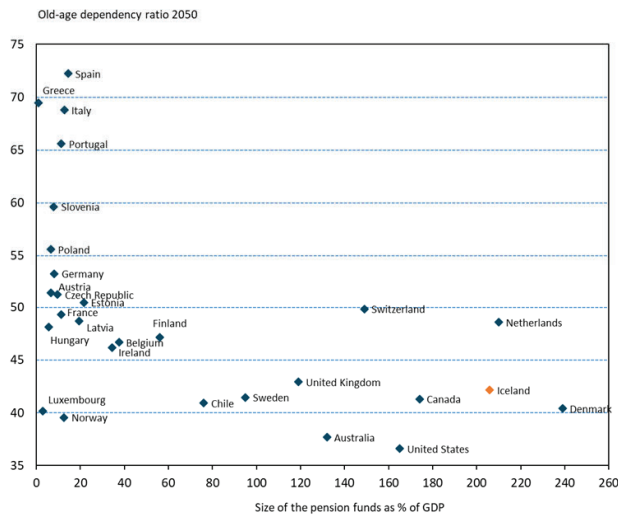
Ásgeir Jónsson  
Governor of the Central Bank of Iceland

## The Icelandic pension system is threefold its pre-millennium size

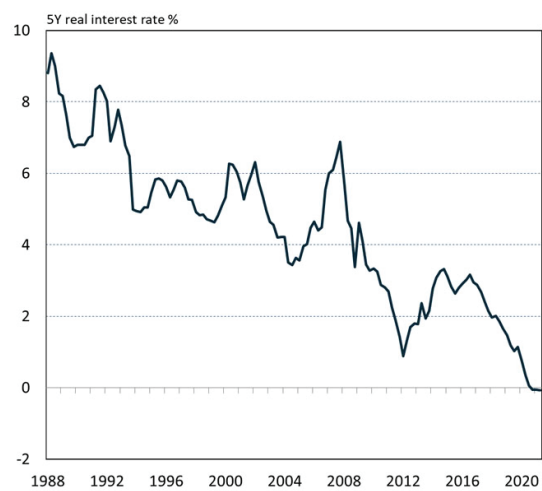
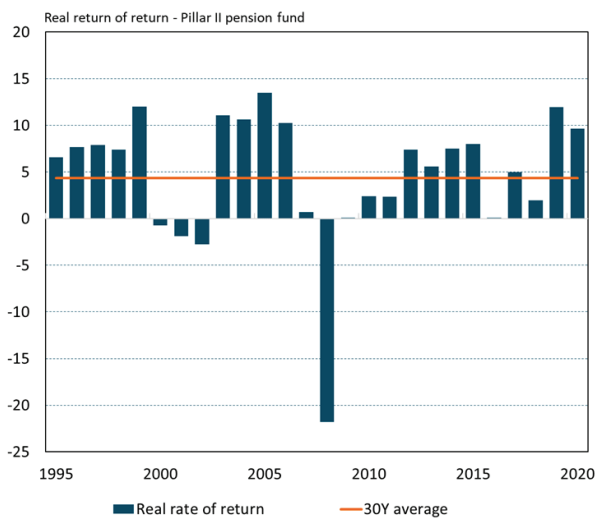




## Favourable demographics, high labour participation rate & high compulsory payments per employee are contributing factors to its size...

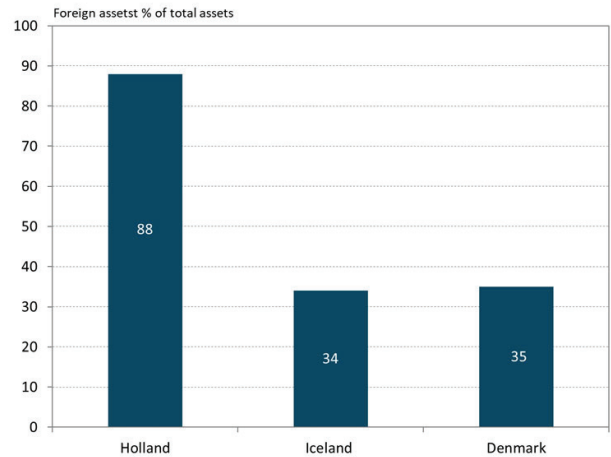
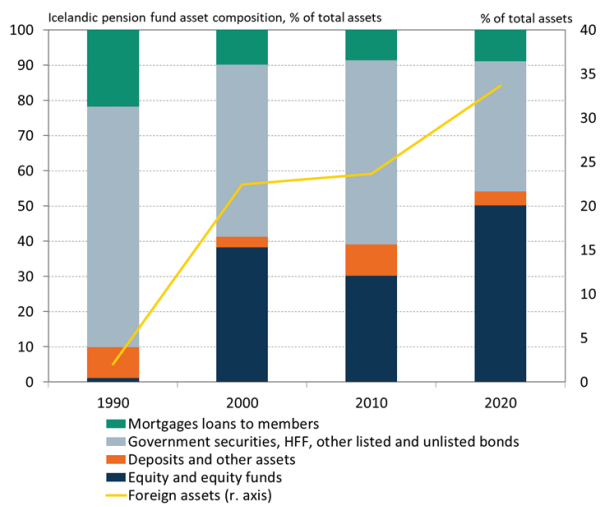


## ... and high rate of return has further increased the size of the funds despite lower long run real interest rates



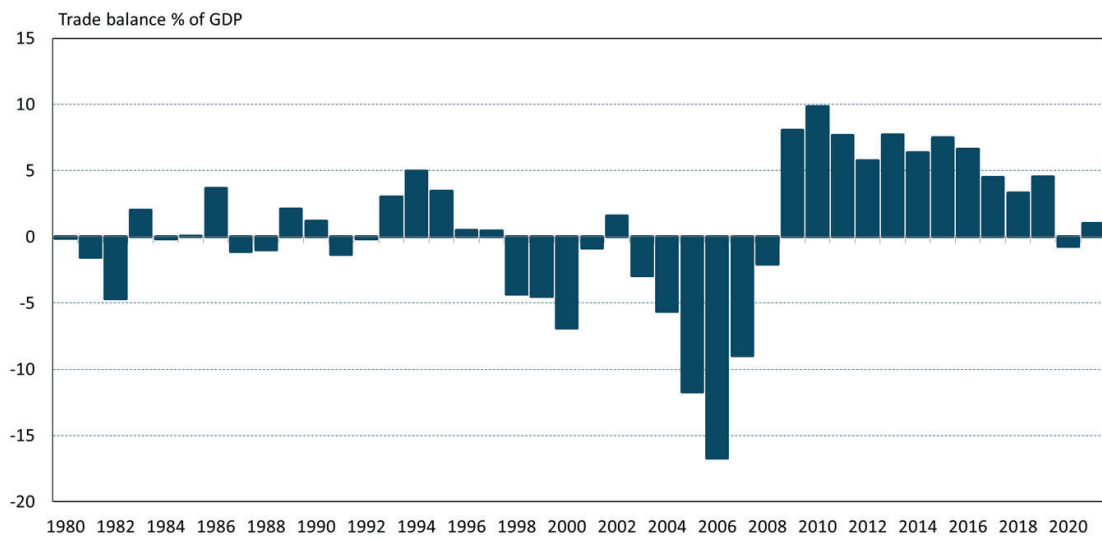
## Asset diversification essential to a small market

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



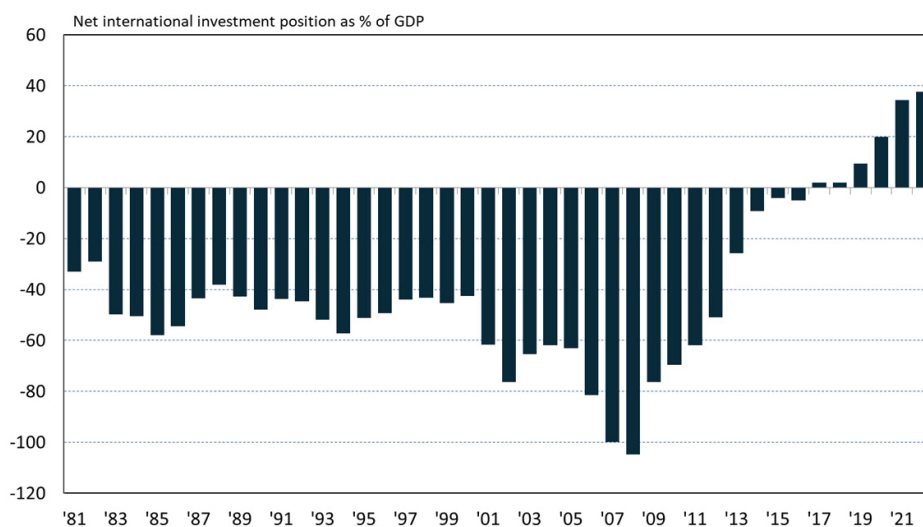
Source: DNB, Nationalbanken, Nazdaq, Central Bank of Iceland.

## Contribution to the pension funds creates greater trade surplus

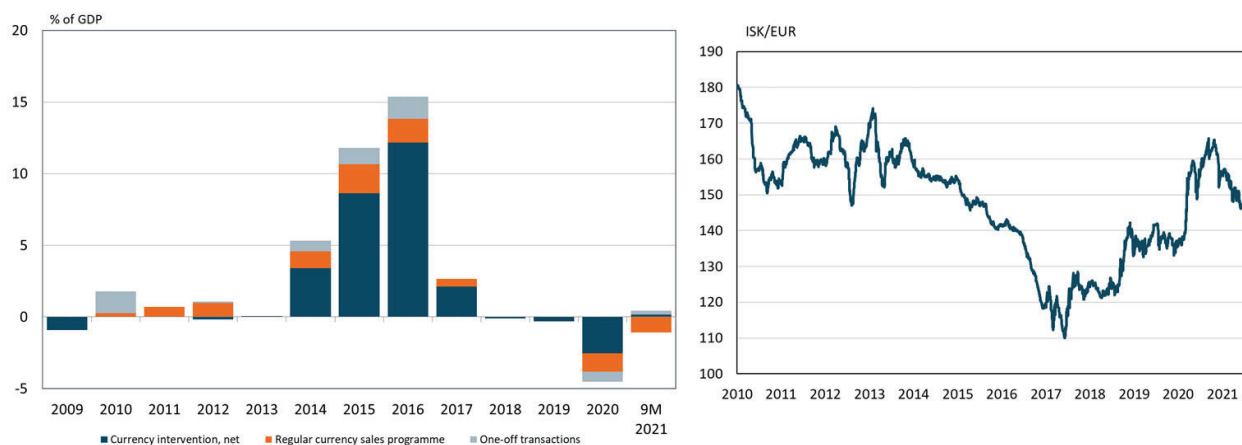


Forecast for 2021 from Monetary Bulletin 2021/3.

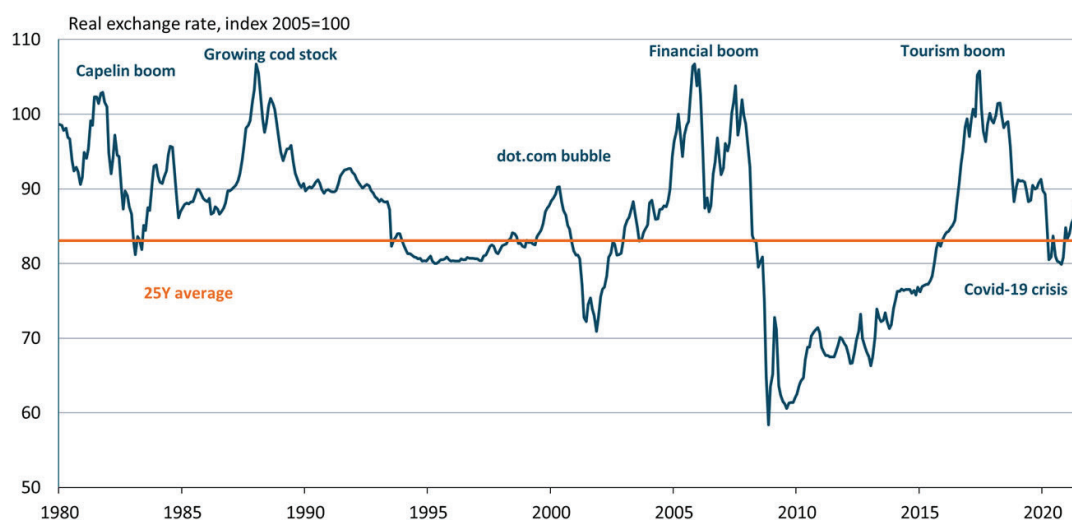
## Strong NIIP – foreign assets larger than foreign debt



## 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



## Transition periods in pension savings pose challenges for a small economy



Establishing the pension system in the 60s and 70s was a wise move and of great importance for the Icelandic economy and people



The size of the largely fully funded system can pose challenges for a small economy and financial markets during transition periods, i.e. during the funds' expansion phase and when pension savings are being extracted from the system



Foreign investments are an important factor in risk diversification as well as for minimizing the impact of changes in pension savings on economic stability



Recent years have shown the importance of effective stability oriented policies – better alignment with economic fundamentals has been achieved through concerted fiscal and monetary policy efforts

## Hagstjórn í heimsfaraldri Hvað tókst vel og hverjar er horfurnar?

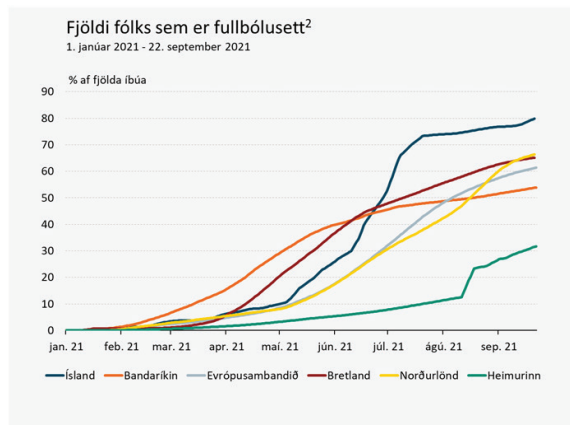
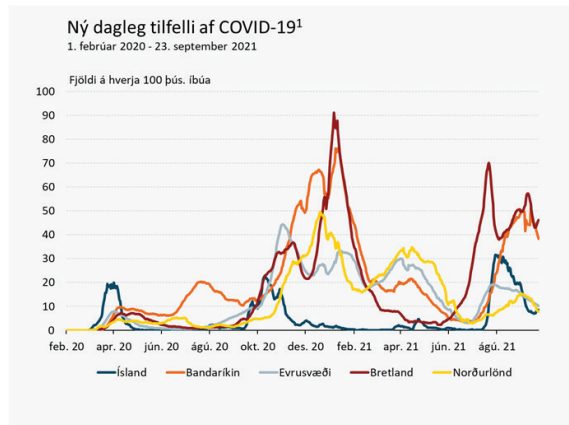


Fjármálaráðstefna sveitarfélaga 2021  
7. október 2021

Rannveig Sigurðardóttir  
varaseðlabankastjóri peningastefnu

## Kapphlaup smita og bólusetninga

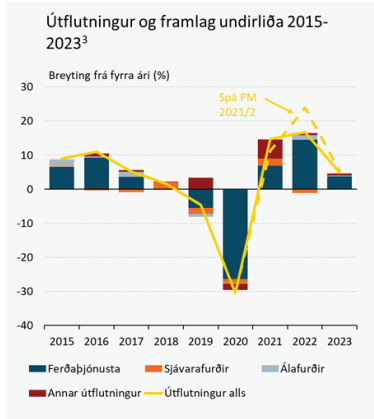
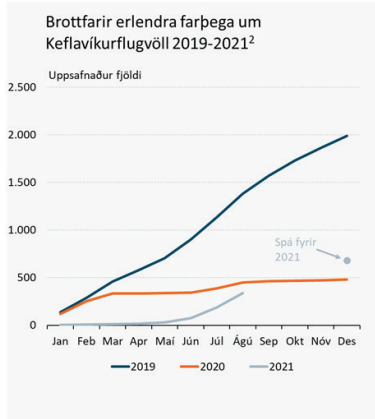
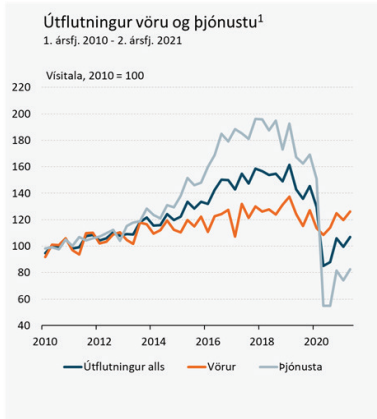
- Smitum fjölgaði víða hratt í sumar í kjölfar útbreiðslu Delta-afbrigðis veirunnar ... en hefur fækkað á ný hér á landi
- Meirihluti íbúa iðnríkja bólusettur – hlutfallið óvíða jafn hátt og hér
- Hefur því dregið úr hættu á alvarlegum veikindum og gert stjórnvöldum kleift að slaka á sóttvörnum
- Tæplega þriðjungur bólusettur á heimsvísu



1. Sjö daga hreyfanlegt meðaltal. 2. Hlutfall fólks sem talið er fullbólusett samkvæmt viðmiði heilbrigðisfyrivalda. Norðurlönd eru meðaltal Danmerkur, Noregs og Svíþjóðar. Sjö daga hreyfanlegt meðaltal.  
Heimildir: Alþjóðaheilbrigðismálastofnunin, Covid.is, Johns Hopkins University, Our World in Data.

# Hægfara bati útflutnings eftir áföll síðasta árs

- Útflutningur dróst saman um 30% í fyrra – þjónustuútflutningur um 50% en vöruútflutningur um tæplega 9%
- Hægfara en skrykkjóttur bati útflutnings
- Ferðamönnum fjölgaði hratt í sumar: 337 þús. frá janúar til ágúst - 75% af fjölda á sama tíma 2020 en 24% af fjölda 2019
- Spáð 680 þús. ferðamönnum á árinu öllu og tæplega 15% vexti útflutnings alls í ár (11% í PM 21/2)

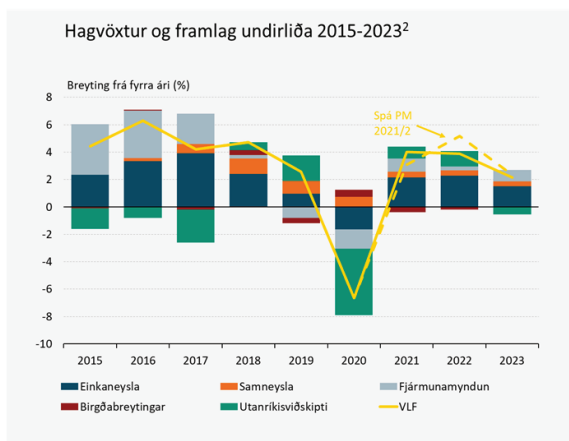
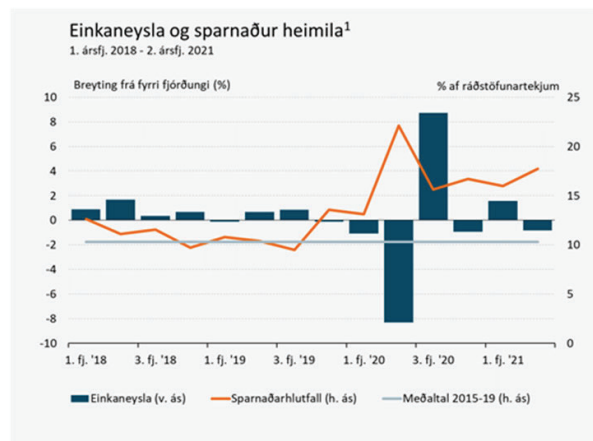


1. Árstíðarleifðrættar magnvísitölur. 2. Uppsafnaður fjöldi hvers árs. Punkturinn sýnir heildarfjölda 2021 samkvæmt grunnsþá Seðlabankans. 3. Vegna keðjutengingar getur verið að summa undirliðanna sé ekki jöfn heildarútflutningi. Ferðabjónusta er samtala á „ferðalögum“ og „farþegaflutningum með flugi“. Álfútlutningur skv. skilgreiningu þjóðhagsreikninga. Grunnsþá Seðlabankans 2021-2023. Brotalína sýnir spá frá PM 2021/2.

Heimildir: Ferðamálastofa, Hagstofa Íslands, Seðlabanki Íslands.

# V-laga hagvöxtur og verulegur sparnaður

- Einkaneyslan sveiflast mikið milli fjórðunga
- Sparnaðarhlutfall vel fyrir ofan meðaltal síðustu ára
- Hagvaxtahorfur betri í ár samkvæmt ágústspá en maíspá - 4% í stað 3,1% - aðallega vegna hagstæðara framlags utanríkisviðskipta
- Horfur á svipuðum hagvexti á næsta ári - en hægari vexti 2023 (2%)



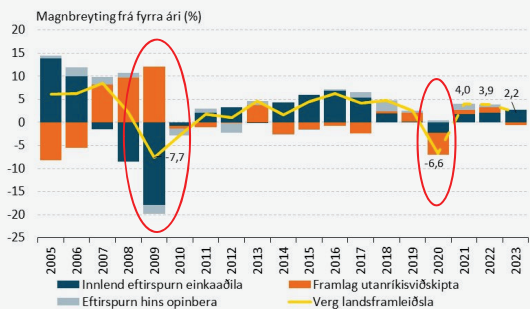
1. Við útreikning á hlutfalli sparnaðar er miðað við áætlun Seðlabankans um ráðstöfunartekjur frá PM 2021/3. Árstíðarleifðrætt gögn. 2. Grunnsþá Seðlabankans 2021-2023. Brotalína sýnir spá frá PM 2021/2.

Heimildir: Hagstofa Íslands, Seðlabanki Íslands.

# Hvað fólst í samdrættinum?

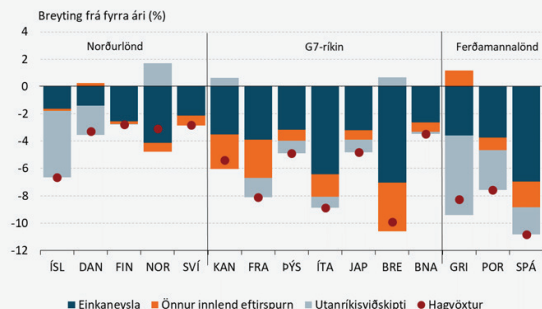
- **Fjármálakreppan 2008:** Innlend eftirspurn dróst mikið saman - framlag utanríkisviðskipta til hagvaxtar jákvætt – framlag hins opinbera neikvætt
- **Covid áfallið:** Aðallega útflutningur sem dróst saman – framlag utanríkisviðskipta neikvætt - hið opinbera veitti mótspyrnu
- Samdráttur einkaneyslu - minni hér en í flestum löndum

Verg landsframleiðsla og framlag helstu undirliða 2005-2023<sup>1</sup>



1. Innlend eftirspurn einkaaðila er samtala framlags einkaneyslu, atvinnuvega- og íbúðafjárfestingar auk birgðabreytinga. Eftirspurn hins opinbera er samtala framlags samneyslu og fjárfestingar hins opinbera. Grunnspá Seðlabankans 2021-2023 sem birtist í Peningamálum 2021/3. Heimildir: Hagstofa Íslands, Seðlabanki Íslands.

Stærð og samsetning efnahagsamdráttar 2020<sup>1</sup>

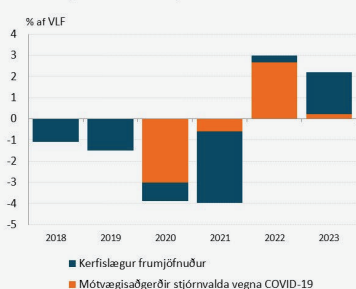


1. Framlag annarrar innlendir eftirspurnar er samtala framlags samneyslu, fjármunamyndunar og birgðabreytingar, auk mögulegs skekkjuliðar þar sem samtala framlags undirliða þarf ekki að vera jöfn hægvegi vegna keðjutengingar þjáðagsreikninga. Tölur fyrir Noreg eru án vinnslu og flutnings á ollu og gasi. Heimildir: Hagstofa Íslands, Noregsbanki, OECD.

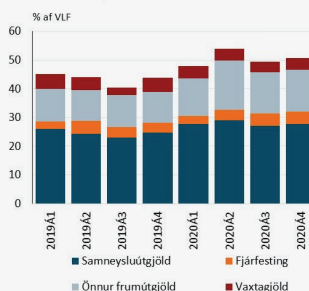
# Mótvægisáðgerðir hins opinbera skiptu máli

- Afkoma hins opinbera versnaði vegna sértækra mótvægisáðgerða en einnig vegna sjálfvirkar sveiflujöfnunar
- Gert ráð fyrir að þessi þróun snúist við á næsta ári þegar mótvægisáðgerðir renna sitt skeið og efnahagsbatinn heldur áfram
- Tilfærslur og framleiðslustyrkir jukust mikið með mótvægisáðgerðum en samneysluútgjöld jukust einnig umtalsvert
- Fjárfesting hins opinbera verið minni en áætlanir gáfu til kynna
- Umfang beinna mótvægisáðgerða í takt við það sem verið hefur hjá ríkjum innan ESB en meira en á Norðurlöndunum

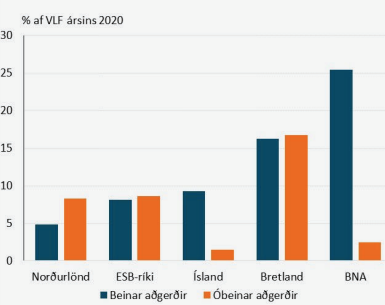
Breyting á hagsveifluleiðréttum frumjöfnuði ríkissjóðs 2018-2023<sup>1</sup>



Útgjöld hins opinbera 1. ársfj. 2019 - 2. ársfj. 2021



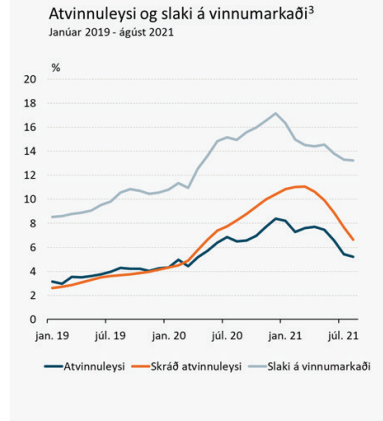
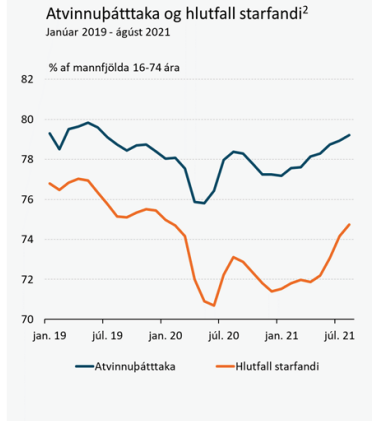
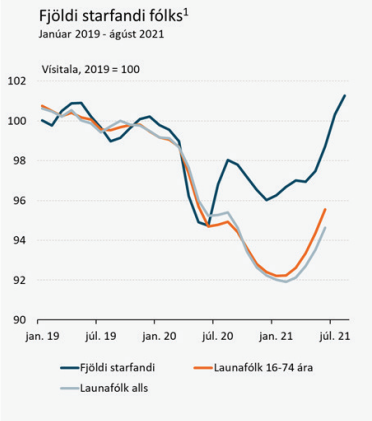
Mótvægisáðgerðir stjórnvalda vegna COVID-19<sup>2</sup>



1. Frumjöfnuður er leiðréttur fyrir einkisþilisláttum. Grunnspá Seðlabankans 2021-2023 úr Peningamálum 2021/2. 2. Beinar áðgerðir á borð við útgjöld og eftirgjöf tekna og óbeinar áðgerðir á borð við hlutafjárframlög, lánveitingar, ábyrgðir stjórnvalda sem samþykktar hafa verið vegna COVID-19 farsóttarinnar frá janúar 2020. Einfalt meðaltal áðgerða Norðurlandanna og ríkja innan ESB. Uppfært í júlí 2021. Heimildir: Alþjóðagjaldeyrissjóðurinn, Fjármála- og efnahagsráðuneytið, Hagstofa Íslands, Seðlabanki Íslands.

# Störfum fjölgar og atvinnuleysi minnkar

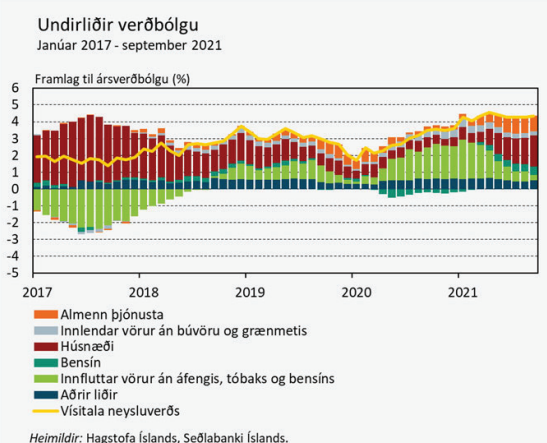
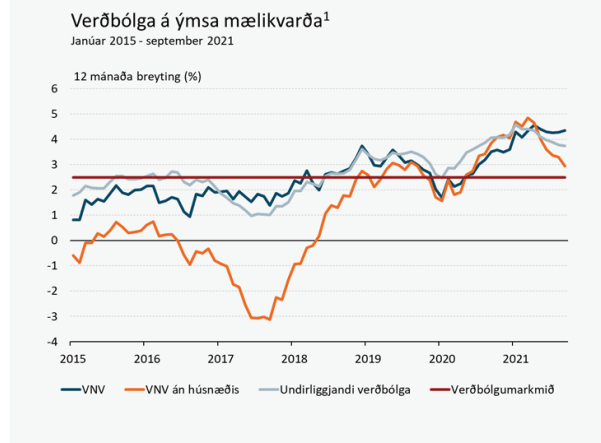
- Störfum fjölgar hratt, atvinnuþátttaka eykst stöðugt og hlutfall starfandi er orðið svipað og það var fyrir farsóttina
- Atvinnuleysi hefur minnkað hraðar en gert var ráð fyrir í vor: mælist nú liðlega 5% miðað við VMK en skráð atvinnuleysi mælist meira eða 6½% ... hlutfall þeirra sem vilja vinna meira eða eru á jaðri vinnumarkaðar hefur einnig lækkað töluvert
- Spáð að atvinnuleysi verði 6,5%(6,7%) í ár, 5½%(6,3%) 2022 og 5%(6%) 2023 sem er svipað og það var í aðdraganda farsóttarinnar



1. Fjöldi starfandi fólks skv. vinnumarkaðskönnun Hagstofunnar (VMK) og fjöldi launafólks skv. staðgreiðsluskrá ríkisskattstjóra. Launafólk 16-74 ára inniheldur einnig þá sem voru í fæðingarorlofi og þá sem voru með reiknað endurgjald. Launafólk alls undanskilur þá hópa en inniheldur launafólk á öllum aldri. Þriggja mánaða hreyfanlegt meðaltal árstíðarleiddrétt talna. Gógn fyrir launafólk eru árstíðarleiddrétt af Seðlabanka Íslands. 2. Þriggja mánaða hreyfanlegt meðaltal árstíðarleiddrétt talna. 3. Atvinnuleysi sem hlutfall af mannafla en slaki á vinnumarkaði sem hlutfall af mannafla með mögulegri viðbót. Þriggja mánaða hreyfanlegt meðaltal árstíðarleiddrétt talna.  
Heimildir: Hagstofa Íslands, Vinnumálstofnun, Seðlabanki Íslands.

# Verðbólga jókst á ný í september

- Verðbólga hefur verið yfir 4% frá áramótum - fór í 4,6% í apríl, var 4,3% í ágúst en jókst í 4,4% í september
- Undirliggjandi verðbólga var 3,7% í september og heldur áfram að minnka
- Verðbólga án húsnæðis minnkaði töluvert frá því í ágúst og var 2,9%
- Áhrif gengislækkunar í fyrra fara greinilega minnkandi: hratt hefur dregið úr verðhækkunum innfluttrar vöru en einnig innlendrar

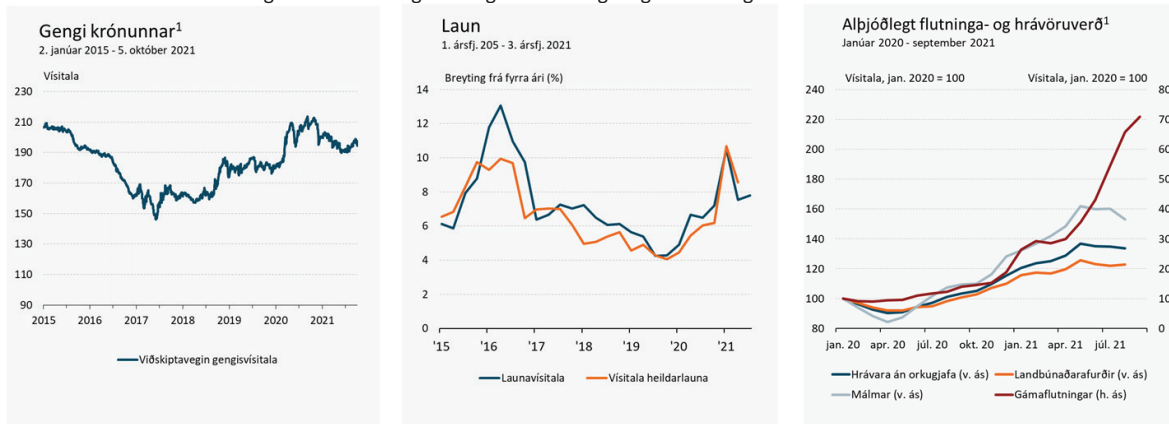


1. Undirliggjandi verðbólga er mæld með kjarnavísitölu (áhrif óbeinna skatta, sveiflukenndra matvöruhlöða, bensins, opinberra þjónustu og raunvaxtakostnaðar húsnæðislána eru undanskilin) og tölfræðilegum mælikvörðum (vegð miðgildi, klippið meðaltal, svikt þáttalkan og sameiginlegur þáttur VNV).  
Heimildir: Hagstofa Íslands, Seðlabanki Íslands.



## Hærra gengi og hækkun launa og húsnæðis vegast á

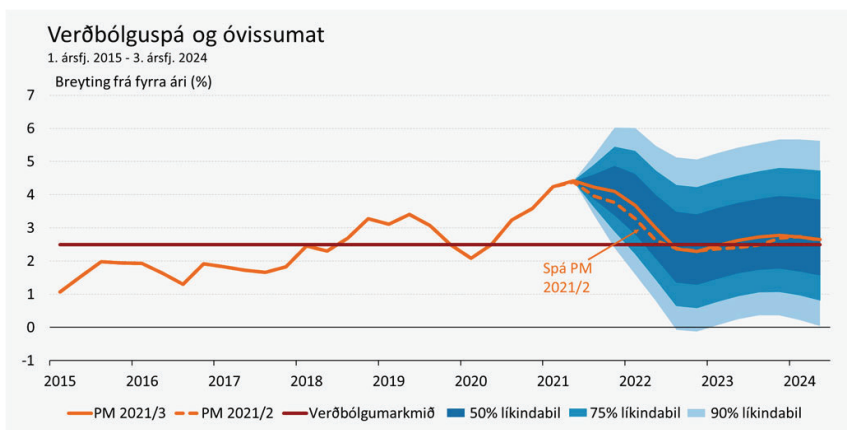
- Gengið hækkað um 3% frá áramótum og 9½% frá því það var lægst í sept. 2020 ... er þó enn 5½% lægri en í upphafi faraldurs
- Gengishækkun vegur á móti áhrifum kröftugrar viðsýrnu innlendrar eftirspurnar sem kemur m.a. fram í tölverðum launahækkunum og verðhækkun húsnæðis
- Kröftugur efnahagsbati og mikil eftirspurn ásamt framleiðsluþröflunum vegna farsóttar og annarra framboðsáfalla hafa leitt til mikillar hækkunar á olíu- og hrávöruverði og flutningskostnaði og lengt afhendingartíma



1. Verð erlendra gjaldmiðla í krónum (þröng viðskiptavog). 2. Gildi fyrir 3. ársfjórðung 2021 byggist á tölum fyrir júlí og ágúst.  
Heimildir: Hagstofa Íslands, Þjóðskrár Íslands, Seðlabanki Íslands.

## Horfur á að verðbólga hjaðni hægar en spáð var

- Gert ráð fyrir að verðbólga hjaðni í 2,5% verðbólguþröflunarmarkmið á seinni hluta næsta árs
- Óvissa um
  - Hversu hratt slakinn minnkar,
  - Hækkun alþjóðlegs hrávöruverðs og kostnaðarþröflings vegna framleiðsluþröflana



Heimildir: Hagstofa Íslands, Seðlabanki Íslands.

## Aðgerðir vegna COVID-19



## Monetary Policy Challenges The labour market – the missing link?

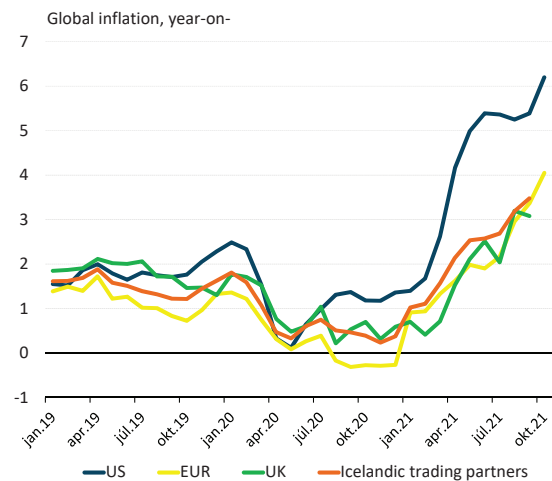
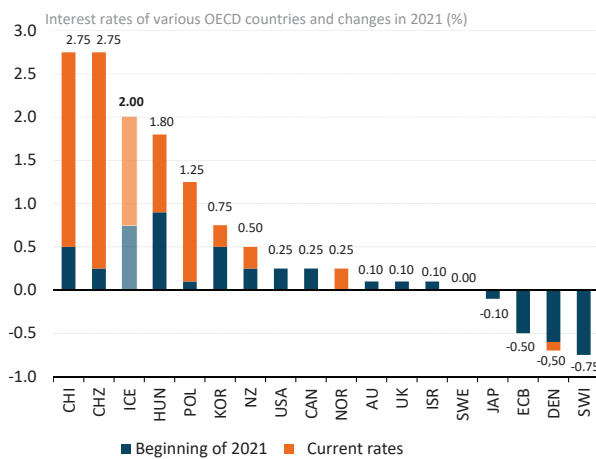
Presentation to a meeting of the Chamber of Commerce



Ásgeir Jónsson  
Governor

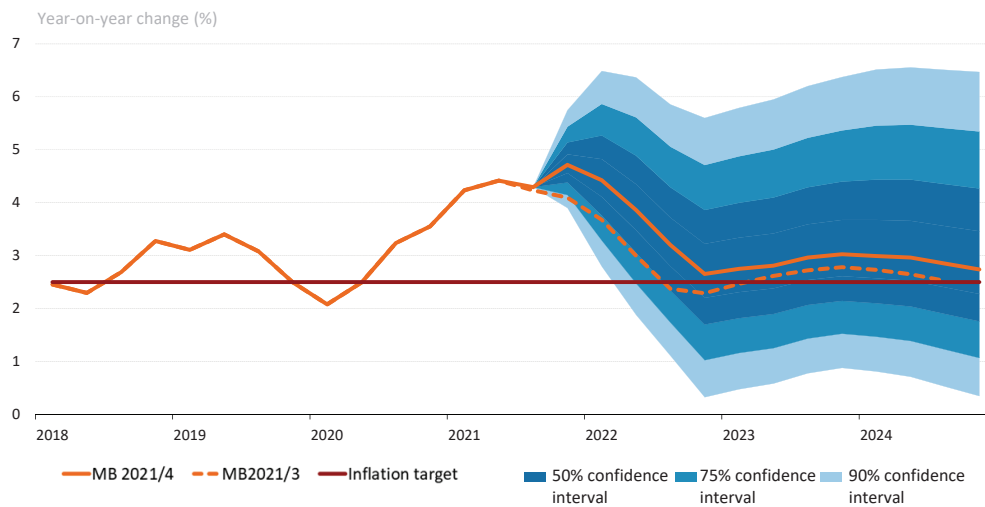
18 November 2021

## Inflation is now a global problem



Sources: Statistics Iceland, Central Bank of Iceland.

## Worse inflation outlook

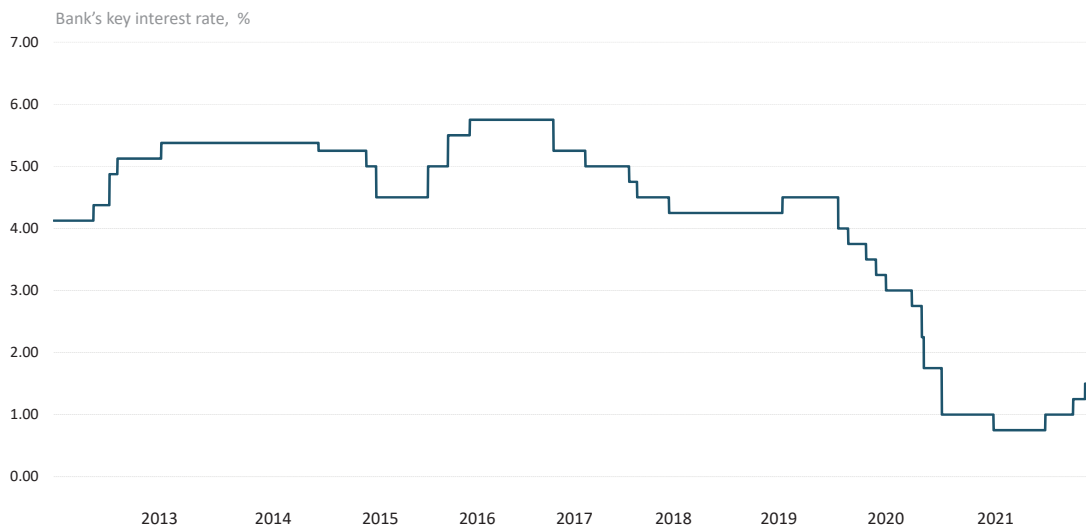


Sources: Statistics Iceland, Central Bank of Iceland.

## Interest rates and inflation back in the driver's seat

- Strong shift of global demand from services to goods and real estate, which has pushed commodity prices upwards and created goods shortages.
- Emphasis on shortening supply chains and moving production closer to the home market has boosted labour demand in the industrial countries.
- Central banks worldwide are tightening their monetary stance and applying macroprudential tools.
- The Central Bank of Iceland's actions are consistent with those of foreign central banks; we are merely a little ahead of them.
- We can now raise rates to counter domestic inflationary pressures without significantly widening the interest rate differential with abroad.

## The Bank's key rate is now 2% – it was 4.5% when the Living Standards Wage Agreements were made in 2019

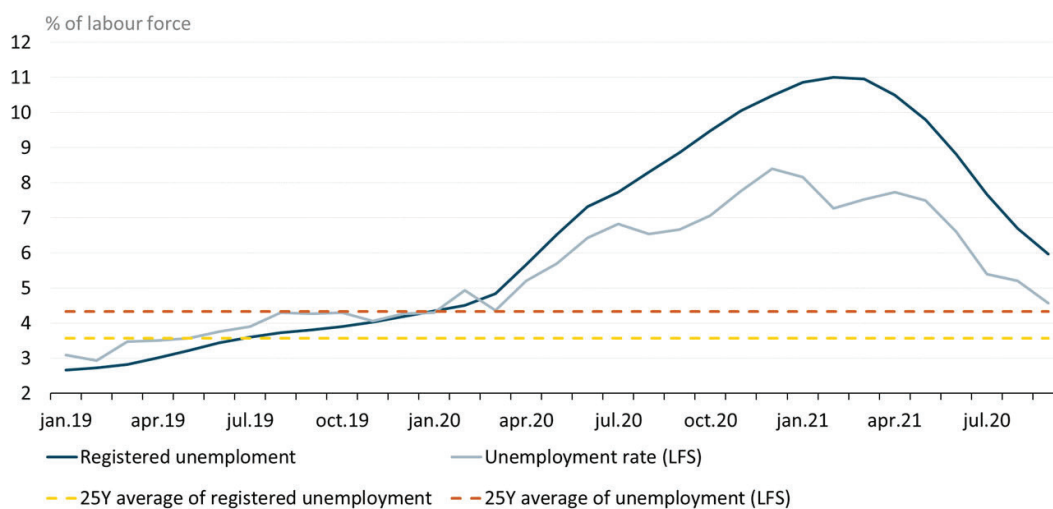


## Lower real interest rate have stimulated the economy



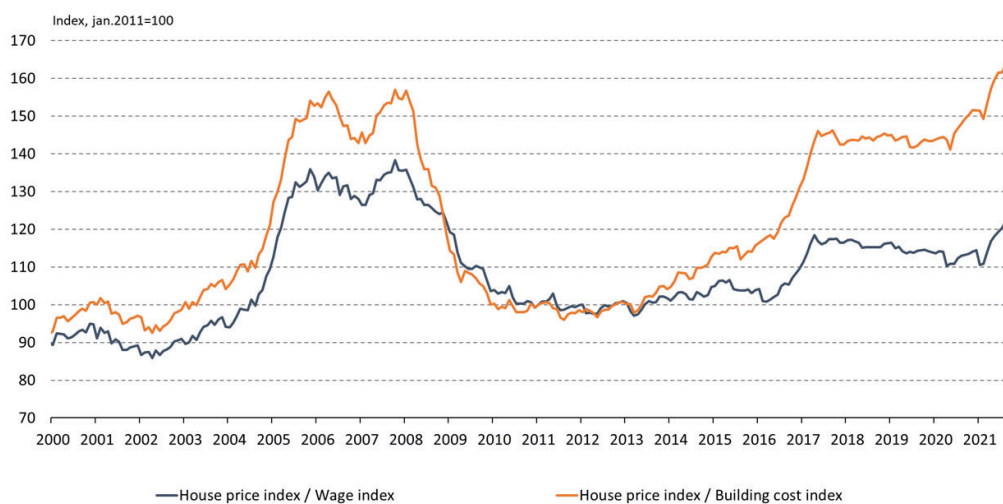
1. Real rate 27 Jan 2010 – 17 Nov 2021. For the period through 21 May 2014, the Bank's key rate is based on the average of deposit rates and the maximum rate on 28-day certificates of deposit. From then onwards, the key rate is the rate on seven-day term deposits.  
Sources: Statistics Iceland, Central Bank of Iceland.

## Unemployment has fallen rapidly



Sources: Directorate of Labour, Statistics Iceland, Central Bank of Iceland.

## House prices have deviated from fundamentals



Sources: Statistics Iceland, Central Bank of Iceland.

## The real exchange rate is close to its long-term average



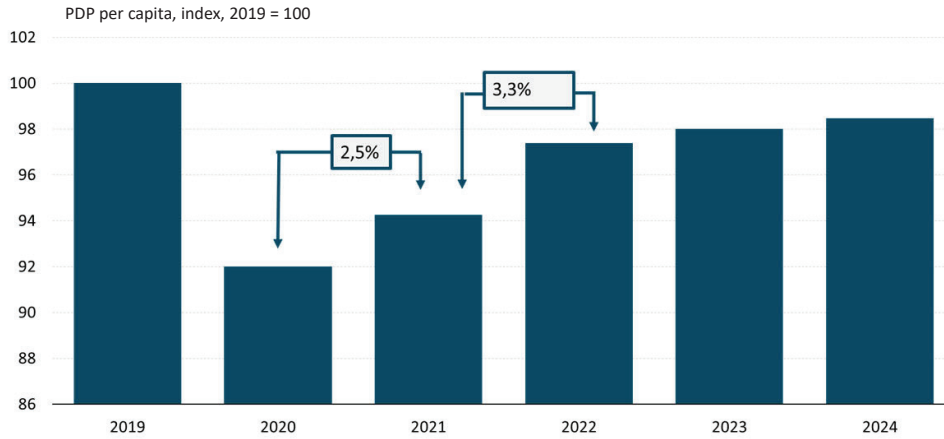
Sources: Statistics Iceland, Central Bank of Iceland.

## Inflationary has limited fuel

- Property prices are close to their peak.
- There are limits to how much commodity prices can rise – a fall in demand from China could push them downwards.
- The real exchange rate is at an appropriate level – no need for a shift.
- Icelandic inflation is in line with foreign inflation and will not cause the real exchange rate to rise.
- The real risk factor for inflation at present is domestic cost pressures, especially pressures from the labour market.

## Wages to rise in 2021-2022 due to GDP growth bonus

Paid out due to GDP growth in 2021 and 2022, even though GDP per capita will be lower than in 2019



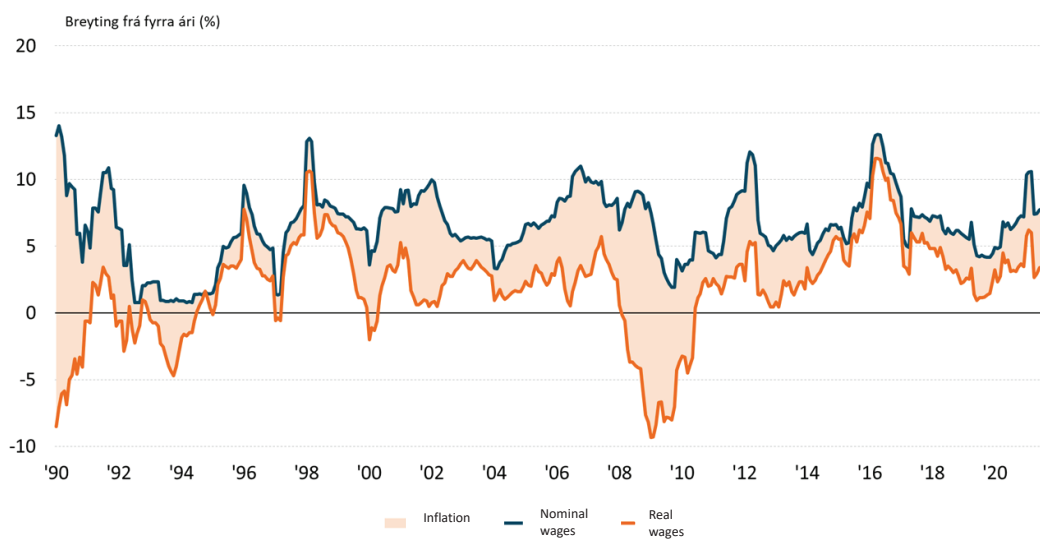
Sources: Statistics Iceland, Central Bank of Iceland.

## Icelanders seek nominal wage increases





## Nominal wage hikes do not necessarily deliver higher real wages



## Living standards rather than nominal wage increases

The Icelandic people need:

- Low inflation
- Favourable interest rates
- A stable foreign exchange market
- A stable housing market
- A stable financial market

The Central Bank has both the determination and the capacity to ensure these public goods, but everyone must play for the same team.



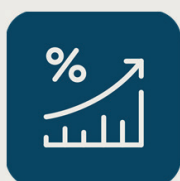
Thank you

# Verðbólga og COVID Hversu tímabundið er tímabundið?



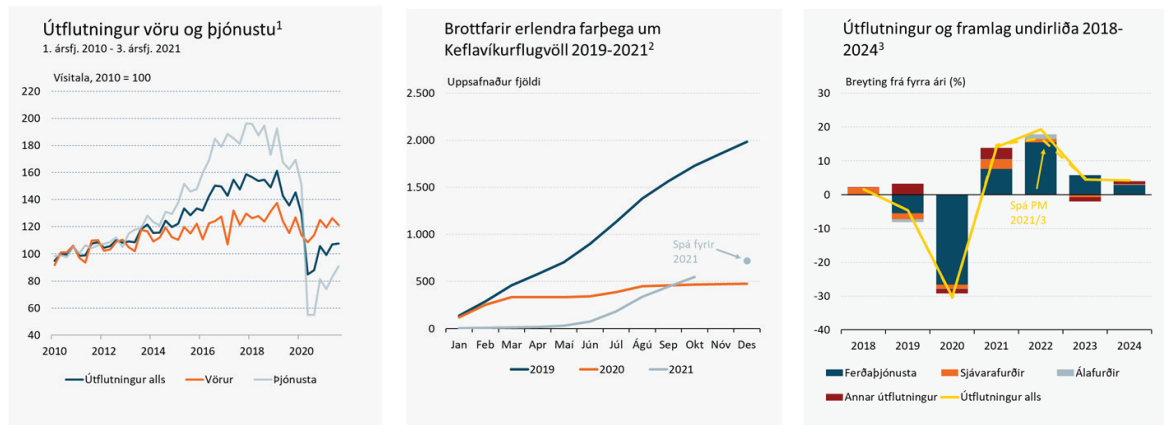
Erindi um ákvörðun PSN og forsendur hennar  
Samiðn 2. desember 2021

Rannveig Sigurðardóttir  
Varaseðlabankastjóri peningastefnu

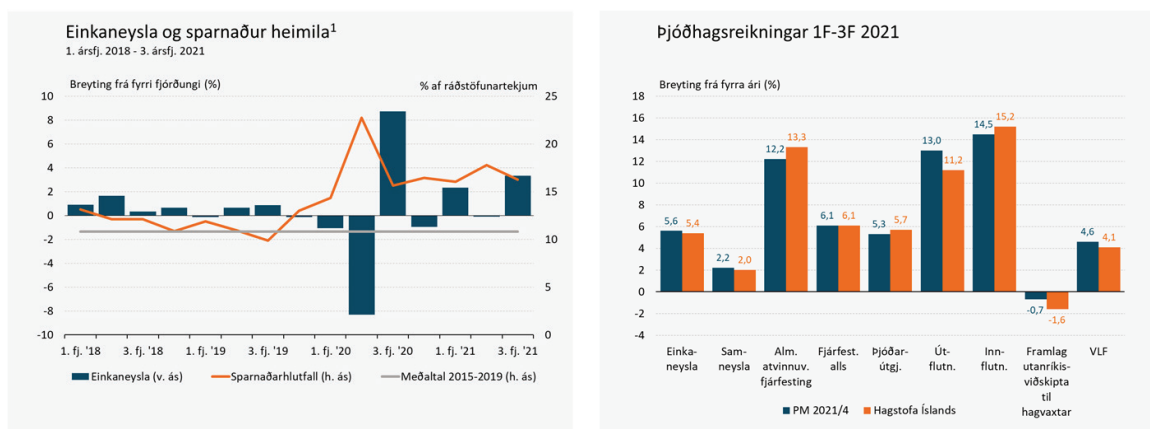


## Hver er staðan miðað við fyrir faraldurinn og hverjar eru horfurnar?

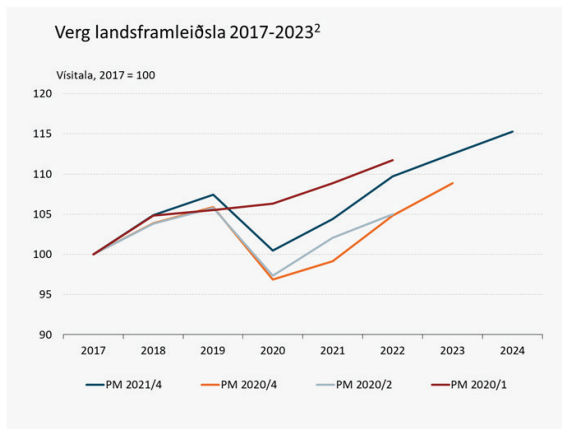
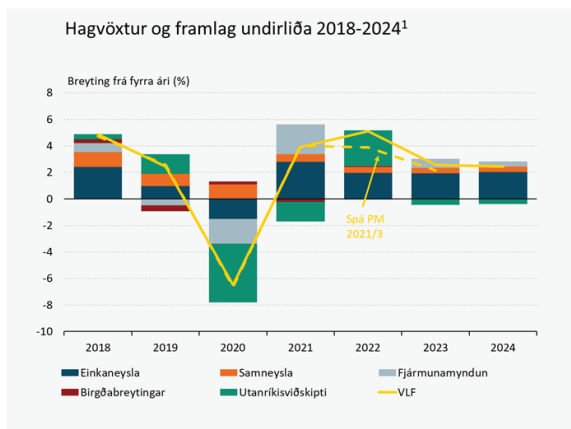
# Hægfara bati útflutnings: vöruútflutningur á svipuðu stigi og 4F 2019 - mun taka lengri tíma fyrir þjónustuútflutning



# Hagvöxtur á 1F-3F í takt við nóvember spá



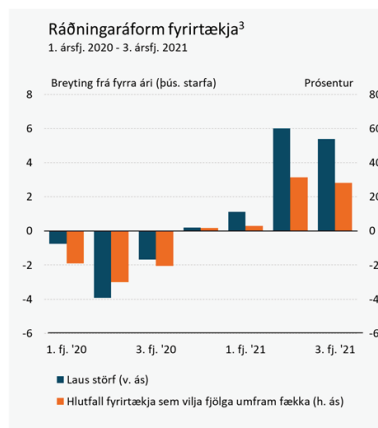
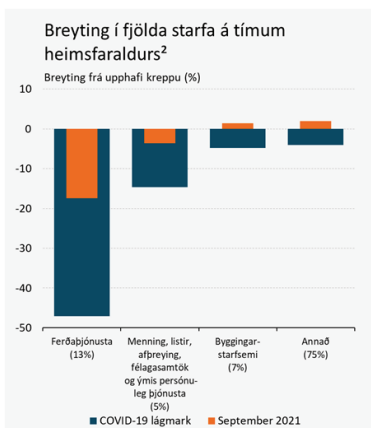
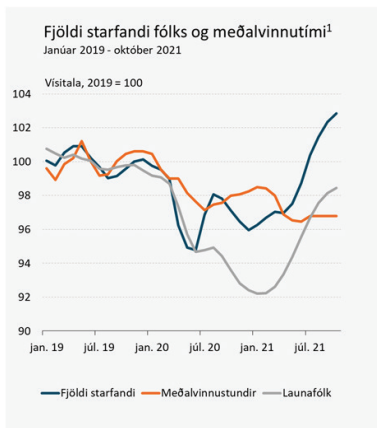
# Hagvaxtarhorfur batnað en landsframleiðslan nær ekki sama stigi og 2019 fyrr en 2022



1. Grunnspá Seðlabankans 2021-2024. Brotalína sýnir spá frá PM 2021/3. 2. Grunnspár Seðlabankans í Peningamálum frá febrúar 2020, maí 2020, nóvember 2020 og nóvember 2021.

Heimildir: Hagstofa Íslands, Seðlabanki Íslands.

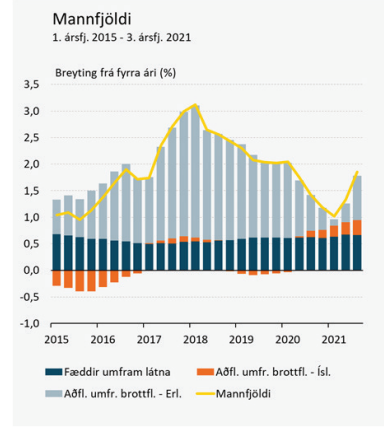
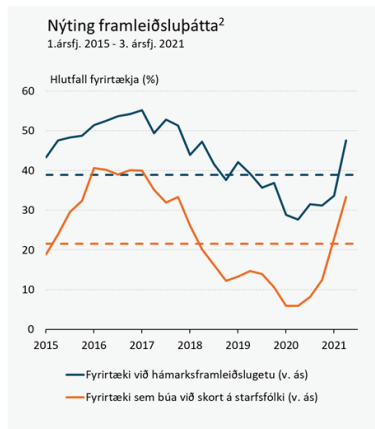
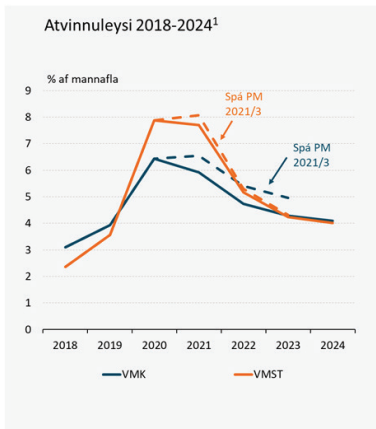
# Aukin atvinna og lausum störfum fjölgar



1. Launafólk samkvæmt tölum úr staðgreiðsluskrá Skattisins en önnur gögn úr vinnu- og atvinnuáætlun Hagstofu Íslands. Fólk á aldrinum 16-74 ára. Þriggja mánaða hreyfanlegt meðaltal árstíðarleiðréttra tölva. 2. Byggt á mánaðarlegum fjölda launafólks á aldrinum 16-74 ára úr staðgreiðsluskrá ríkisskattstjóra. Upphaf kreppu er febrúar 2020. Árstíðarleiðrétta tölur. 3. Laus störf skv. fyrirtækjakönnun Hagstofu Íslands og hlutfall fyrirtækja sem vilja fjölga eða fækka starfsfólki næstu 6 mánuði er úr könnun Gallup meðal 400 stærstu fyrirtækja landsins og eru gögnin árstíðarleiðrétta af Seðlabanki Íslands.

Heimildir: Gallup, Hagstofa Íslands, Seðlabanki Íslands.

# Atvinnuleysi minnkað hratt og vaxandi skortur á fólki

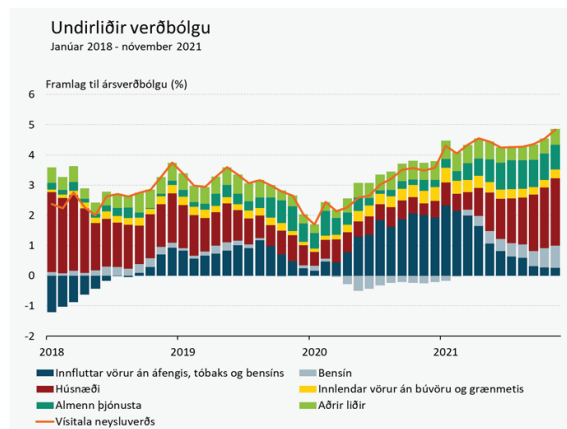
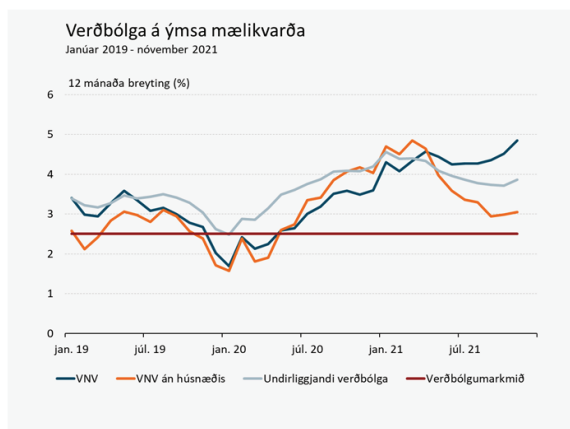


1. Atvinnuleysi miðað við vinnumarkaðskönnun Hagstofu Íslands (VMK) og skráð atvinnuleysi Vinnumálastofnunar án hlutabóta (VMST). Grunnspá Seðlabankans 2021-2024. Brotalínur sýna spá frá PM 2021/3. 2. Mælikvarðar fyrir nýtingu framleiðslubátta byggjast á viðhorfskönnun Gallup meðal 400 stærstu fyrirtækja landsins.  
Heimildir: Hagstofa Íslands, Vinnumálastofnun Seðlabanki Íslands.



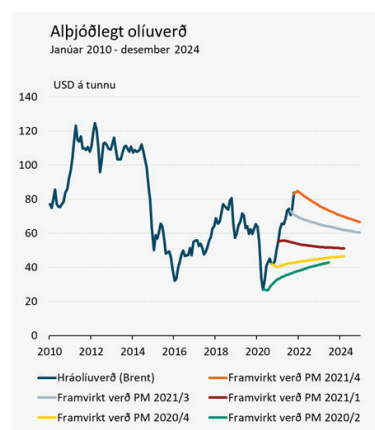
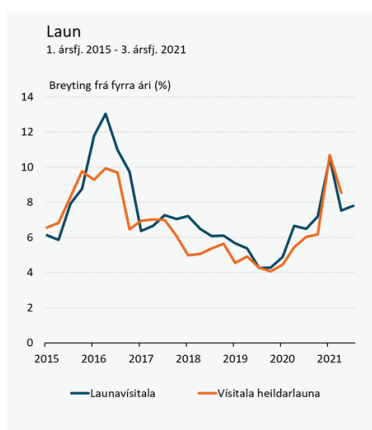
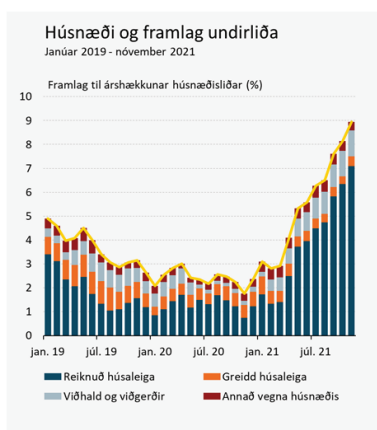
## Verðbólga og aðgerðir Seðlabankans

# Mæld verðbólga enn að aukast - en undirliggjandi verðbólga er minni



Heimildir: Hagstofa Íslands, Seðlabanki Íslands.

# Innlendur verðbólguþrýstingur mikill en spurning hversu tímabundnir verða „tímabundnir“ þættir?

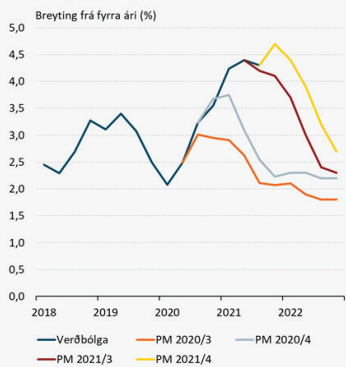


Heimildir: Hagstofa Íslands, Refinitiv, Seðlabanki Íslands.

# Verðbólguhorfur og nýlegar aðgerðir Seðlabankans

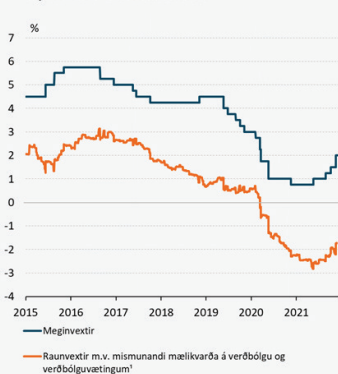
## Spár um verðbólgu í kjölfar farsóttar

1. ársfj. 2018 - 4. ársfj. 2022



## Meginvextir Seðlabanka Íslands

1. janúar 2015 - 26. nóvember 2021



## Aðgerðir Seðlabankans 2021

- 1 Meginvextir hækkaðir um 1,25 pr. í 2%
- 2 Reglulegri gjaldeyrissölu hætt
- 3 Hámark verðsetningarhlutfalls lækkað
- 4 Hámark sett á greiðslubyrði fasteignalána
- 5 Sveiflujöfnunaraúkunin aftur hækkaður í 2%

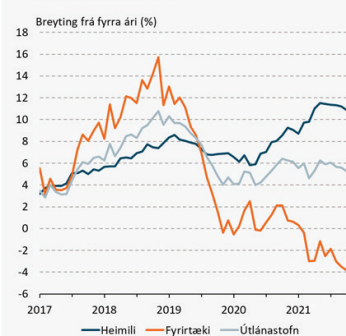
1. Fram til febrúar 2012 er miðað við 12 mánaða verðbólgu, verðbólguvæntingar fyrirtækja til eins árs, verðbólguvæntingar heimila til eins árs, verðbólguálag á fjármálamarkaði til eins árs og spá Seðlabankans um ársverðbólgu eftir fjóra ársfjórðunga. Frá mars 2012 er einnig miðað við verðbólguvæntingar markaðsaðila til eins árs samkvæmt árstjórnungstegri könnun Seðlabankans.

Heimildir: Gallup, Hagstofa Íslands, Seðlabanki Íslands

# Miðlun peningastefnunnar

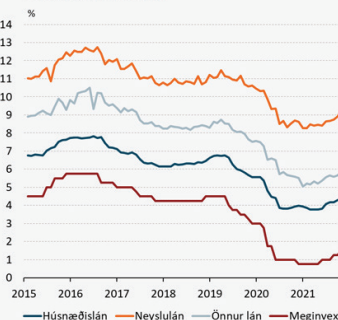
## Útlán lánakerfis<sup>1</sup>

Janúar 2017 - október 2021



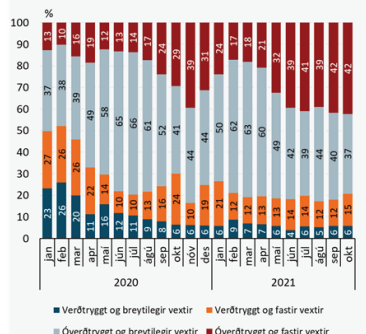
## Meginvextir og vextir óverðtryggðra útlána til heimila<sup>2</sup>

Janúar 2015 - október 2021



## Tegund nýrra fasteignalána til neytenda<sup>3</sup>

Janúar 2020 - október 2021



1. Leiðrætt fyrir endurflokkun og skuldalækkunaraðgerðum stjórnvalda. Án útlána til innlánsstofnanna, fallinna fjármálafyrirtækja og ríkissjóðs. Fyrirtæki eru atvinnufyrirtæki og félagasamtök sem þjóna heimilum 2. Vegnir meðalvextir óverðtryggðra útlána stóru viðskiptabankanna þriggja miðað við fjárhæð útlána. 3. Hlutfallsleg skipting fasteignalána KMB og HMS til neytenda eftir tegundum. Frá ágúst 2020 ná tölur einnig til stærstu lífeyrissjóða. Heimild: Seðlabanki Íslands.

Heimildir: Seðlabanki Íslands





Takk fyrir

Spurningar?

# Efnahagsmál á tímum farsóttarinnar



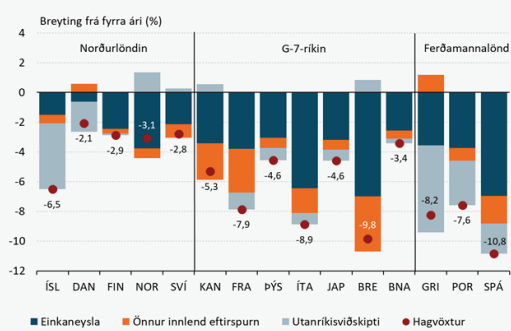
Kynning fyrir MBA nemendur  
Háskóli Íslands 10. desember 2021

Pórarinn G. Pétursson  
Aðalhafgræðingur Seðlabanka Íslands

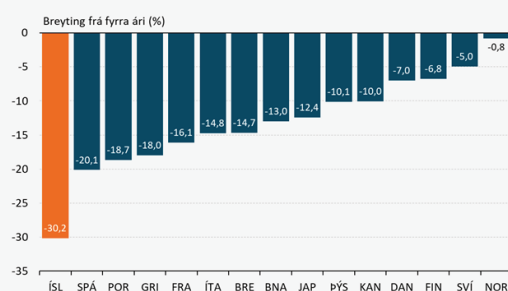
## Mikill efnahagssamdráttur í fyrra en samsetning ólík

- VLF dróst saman um 6,5% í fyrra – næst mesti samdráttur á einu ári (7,7% 2009) í heila öld (14% 1920)
- Um ⅓ samdráttarins hér á landi má rekja til samdráttar utanríkisviðskipta – öfugt við flest önnur iðnríki þar sem samdráttur innlendrar eftirspurnar vó þungst ... endurspeglar hinn gríðarlega samdrátt útflutnings hér á landi

Stærð og samsetning efnahagssamdráttar 2020<sup>1</sup>



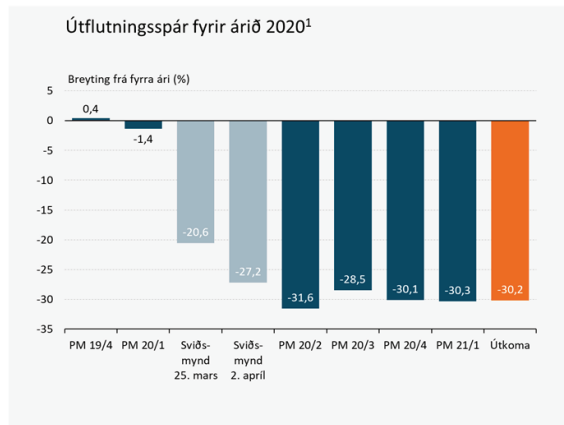
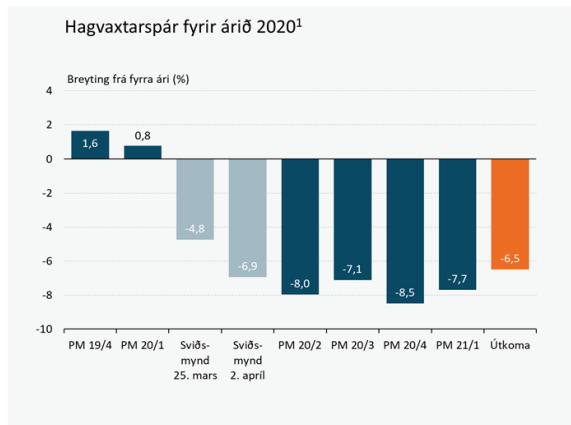
Stærð útflutningssamdráttar 2020<sup>1</sup>



1. Framlag annarrar innlendrar eftirspurnar er samtala framlags samneyslu, fjármunamyndunar og birgðabreytingar, auk mögulegs skekkjuliðar þar sem samtala framlags undirlíða þarf ekki að vera jöfn hagvexti vegna keðjutengingar þjóðhagsreikninga. Tölur fyrir Noreg eru án öllugerira. 2. Útflutningur vöru og þjónustu.  
Heimildir: Hagstofa Íslands, Noregsbanki, OECD, Seðlabanki Íslands.

## Samdrátturinn í ágætu samræmi við spár bankans

- Efnahagshorfur breyttust mikið þegar farsóttin tók að breiðast út um heiminn og til grundvallar fyrstu sviðsmyndagreiningu bankans lá lítið fyrir og alþjóðaáhrif voru vanmetin ... en viku síðar var matið uppfært og fór ansi nálægt endanlegri útkomu
- Spár bankans urðu síðan svartsýnnir er leið á árið í takt við bakslag í farsótt og of dökkan bráðabirgðatölur Hagstofunnar

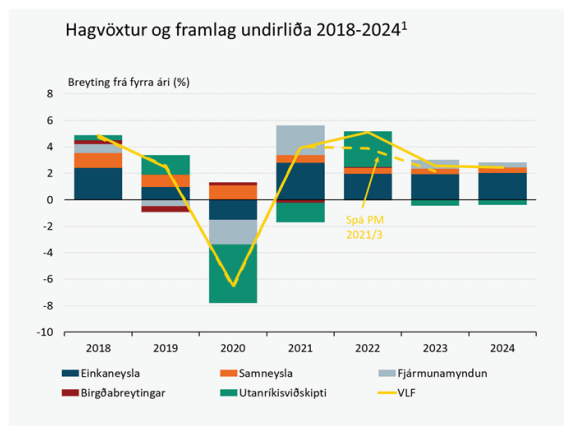
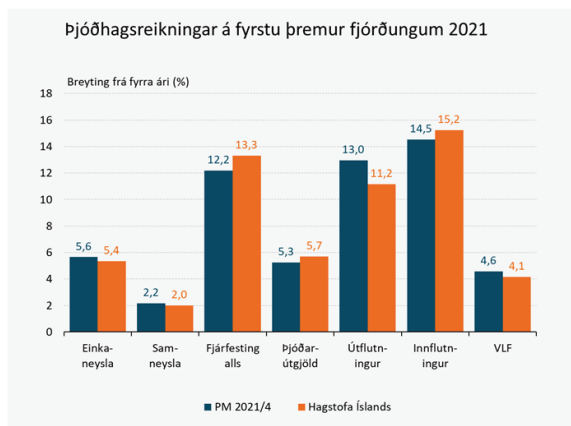


1. Spár PM 2019/4 (frá nóv. 2019), PM 2020/1 (frá feb. 2020), PM 2020/2 (frá maí 2020), PM 2020/3 (frá ágúst 2020) og PM 2020/4 (frá nóv. 2020) fyrir hagvöxt og útflutning ársins 2020 ásamt nýjasta mati Hagstofu Íslands. Myndirnar sýna einnig spá PM 2021/1 (frá feb. 2021) sem er síðasta spá bankans fyrir fyrstu áætlun Hagstofunnar á þróun ársins 2020 sem birtist stuttu síðar. Einnig er sýnt fyrsta mat Seðlabankans á áhrifum COVID-19-farsóttar á þjóðarþúskapinn sem birt var í lok mars 2020 og uppfært mat sem er stuttu síðar.

Heimildir: Hagstofa Íslands, Seðlabanki Íslands.

## Hagvöxtur í ár ... sem eykst enn frekar á næsta ári

- 6% árhagvöxtur á Q3 (spáð 6,6% í PM 21/4) og þróunin það sem af er ári í takt við PM 21/4 spána: spáð 3,9% vexti á árinu öllu
- Talið að hagvöxtur sækji enn frekar í sig veðrið á næsta ári og verði 5,1% – horfur batna frá fyrri spá og munar þar helst um hagstæðari þjónustuútflutning og loðnuvertið – en lítil breyting er á hagvaxtarhorfum fyrir 2023-2024

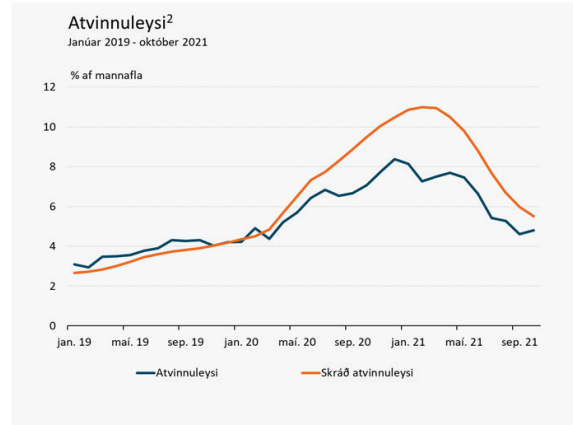
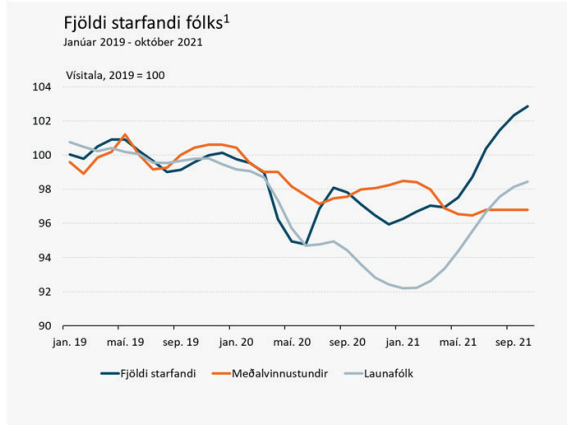


1. Grunnspá Seðlabankans 2021-2024. Brotalina sýnir spá frá PM 2021/3.

Heimildir: Hagstofa Íslands, Seðlabanki Íslands.

## Aukin atvinna og hröð hjöðnun atvinnuleysis

- Samkvæmt VMK fjölgaði störfum um 4,3% milli ára á Q3 en á móti styttest vinnuvikan um 0,8% ... fjöldi starfa kominn 3% yfir meðalfjölda 2019 en skv. staðgreiðslugögnum vantar enn 1½% upp á að ná fjölda starfa 2019
- Atvinnuleysi heldur áfram að minnka og var 4,6% á Q3 (VMK) en 5,1% í október (VMST) ... hefur lækkað um 3½-5½ pr. frá háttoppi

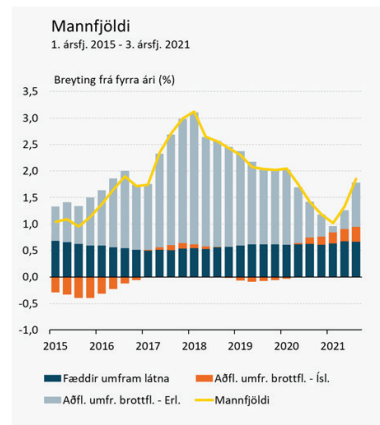
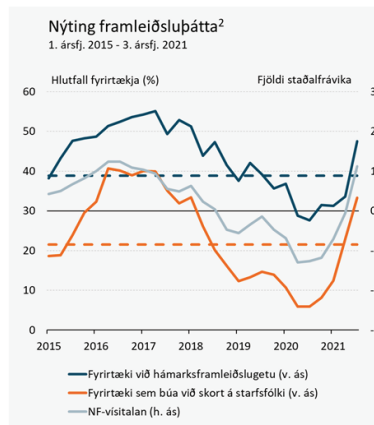
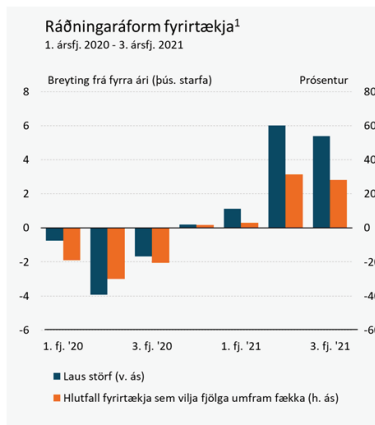


1. Launafólk samkvæmt tölum úr staðgreiðsluskrá Skattisins en önnur gögn úr vinnumarkaðskönnun Hagstofu Íslands. Fólk á aldrinum 16-74 ára. Þriggja mánaða hreyfanlegt meðaltal árstíðarleiðréttra talna. 2. Þriggja mánaða hreyfanlegt meðaltal árstíðarleiðréttra talna.

Heimildir: Hagstofa Íslands, Vinnuáskrástofnun, Seðlabanki Íslands.

## Lausum störfum fjölga og vaxandi skortur er á fólki

- Lausum störfum heldur áfram að fjölga hratt og tæplega þriðjungi fleiri fyrirtæki vilja fjölga starfsfólki en fækka því
- Fyrirtækjum sem segjast búa við skort á starfsfólki eða starfa við full afköst fjölga einnig mikið
- NF-vísitalan jákvæð í fyrsta sinn síðan haustið 2018 ... og hreinn innflutningur erlendis vinnuafis er tekinn að aukast hratt á ný

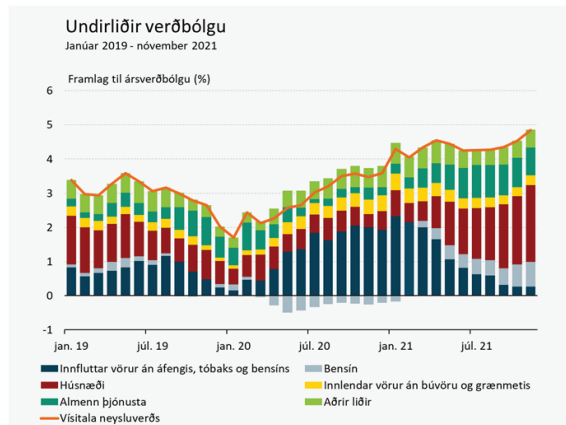
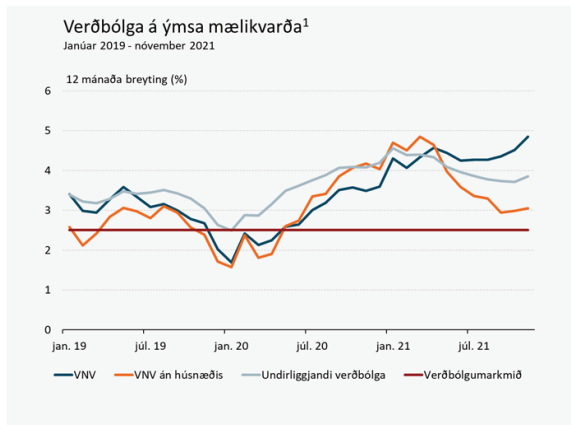


1. Laus störf skv. fyrirtækjakönnun Hagstofu Íslands og hlutfall fyrirtækja sem vilja fjölga eða fækka starfsfólki næstu 6 mánuði er úr könnun Gallup meðal 400 stærstu fyrirtækja landsins og eru gögnin árstíðarleiðrétt af Seðlabanka Íslands. 2. Mælikvarðar fyrir nýtingu framleiðslupátta byggjast á viðhorfskönnun Gallup meðal 400 stærstu fyrirtækja landsins. Vísitala nýtingar framleiðslupátta (NF-vísitalan) er fyrsti frumþáttur valinna vísbendinga um nýtingu framleiðslupátta sem er skalaður til svo meðaltal hans er 0 og staðalfrávik 1. Ítarlegri lýsingu má finna í rammagrein 3 í PM 2018/2.

Heimildir: Gallup, Hagstofa Íslands, Seðlabanki Íslands.

## Mæld verðbólga yfir 4% en undirliggjandi er minni

- Verðbólga hefur verið yfir 4% frá áramótum og mældist 4,8% í nóvember ... hefur aukist aftur undanfarna mánuði
- Hækkun húsnæðisliðar VNV vegur þungt og án húsnæðis mælist verðbólga minni eða 3% og hefur hjaðnað nokkuð undanfarið
- Undirliggjandi verðbólga mælist einnig minni en mæld verðbólga – er 3,9% miðað við meðaltal fimm mælikvarða

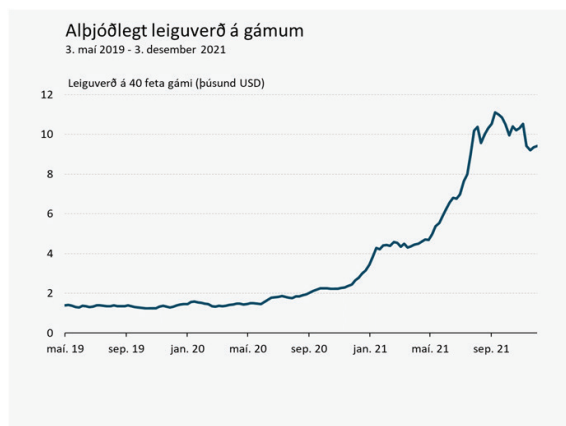
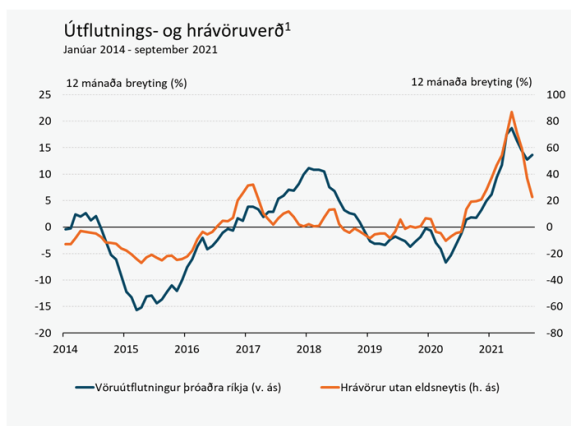


1. Undirliggjandi verðbólga er mæld með kjarnavísitölu (áhrif óbeinna skatta, sveiflukenndra matvöruviða, bensíns, opinberrar þjónustu og raunvaxtakostnaðar húsnæðisliðanna eru undanskilin) og tölfræðilegum mælikvörðum (vegjið miðgildi, klípt meðaltal, kvítt þáttalíkan og sameiginlegur þáttur VNV).

Heimildir: Hagstofa Íslands, Seðlabanki Íslands.

## Miklar verðhækkanir alþjóðlega ...

- Samspil kröftugs efnahagsbata og viðvarandi framboðstruflana og flöskuhálsa hefur leitt til mikillar hækkunar hrávöruverðs og flutningskostnaðar: hrávöruverð (án eldsneytis) var næstum 90% hærra en fyrir ári í maí og útflutningsverð helstu viðskiptalanda tæplega 20% hærra ... og gámaverð er ríflega 500% hærra en í ársbyrjun 2020

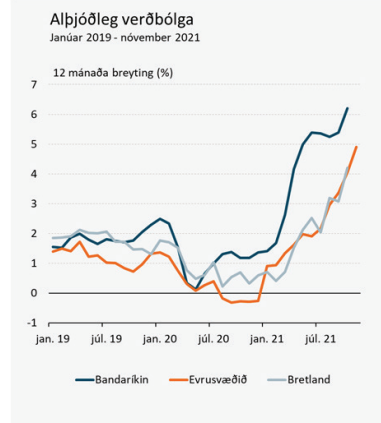
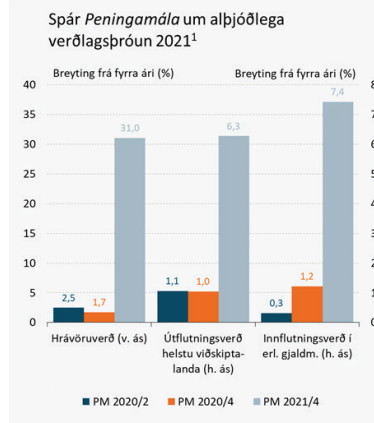
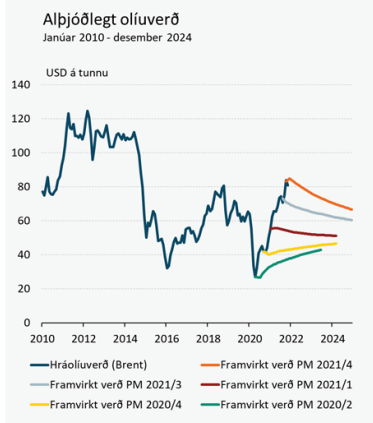


1. Útflutningsverð og hrávöruverð í Bandaríkjadöllum. Útflutningsverð er vegjið útflutningsverð þróaðra ríkja.

Heimildir: CPB World Trade Monitor, Freightos Limited.

## ... sem hafa verið langt umfram spár

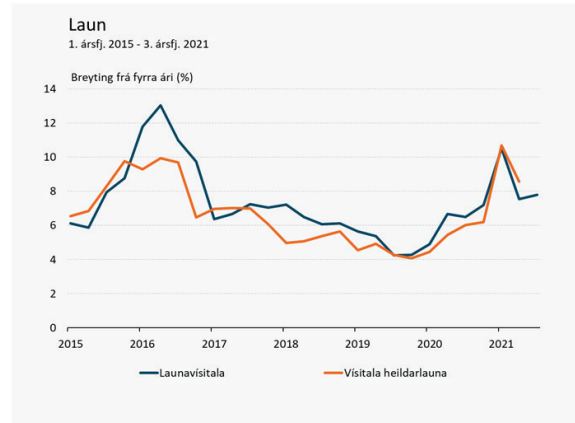
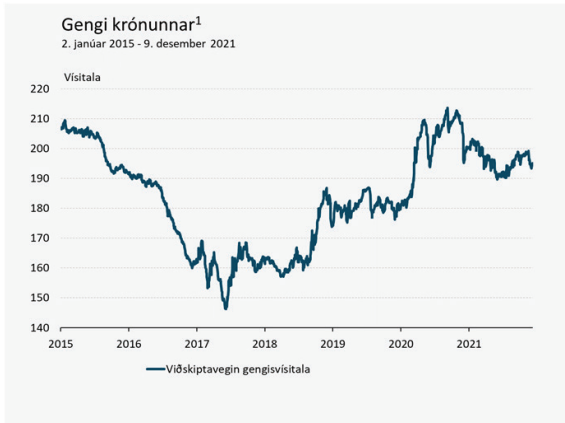
- Olíuverð hefur hækkað mun meira en búist var við og var ríflega tvöfalt hærra í nóvember en spáð var í nóvember í fyrra ...
- ... hið sama á við um annað hrávöruverð, útflutningsverð helstu viðskiptalanda og verð á innflutningi til landsins ...
- ... og verðbólga hefur rokið upp um allan heim á skömmum tíma og hefur ekki verið meiri í Bandaríkjunum í þrjú áratugi



1. Hrávöruverð utan eldsneytis í Bandaríkjadólu. Útflutningsverð er vegið meðalverð vöru- og þjónustuútflutnings helstu viðskiptalanda. Innflutningsverð Íslands er í erlendum gjaldmiðlum (miðað við viðskiptavegna gengisvísitölu).  
Heimildir: Refinitiv Datastream, Seðlabanki Íslands.

## Hærra gengi vegur á móti innlendum þrýstingi

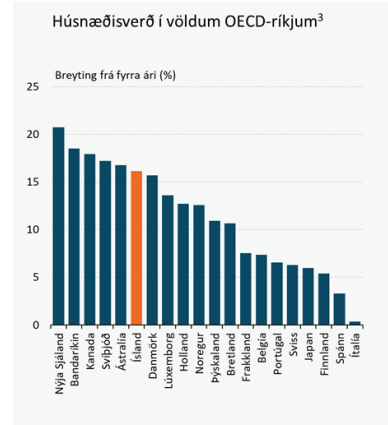
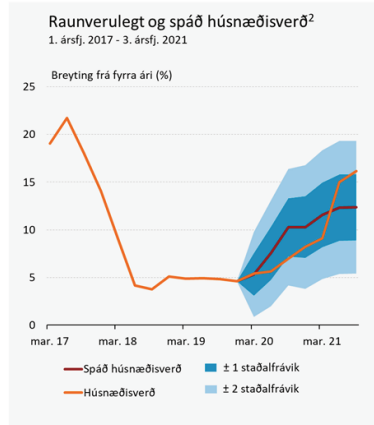
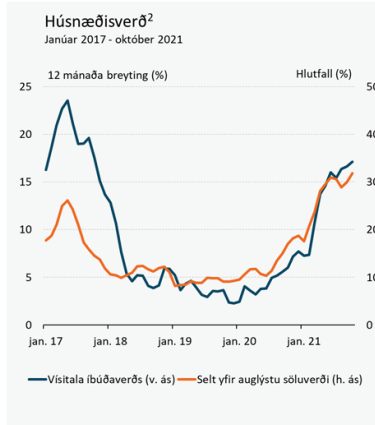
- Gengi krónu hefur hækkað um 3% frá áramótum en er þó enn næstum 6% lægra en í upphafi faraldurs
- Um 10% hækkun ISK frá því það var lægst í sept. 2020 vegur á móti 7% árshækkun launa að meðaltali frá því að farsóttin skall á
- Horfur á meiri launahækkunum á spátímanum vegna svokallaðs hagvaxtarauka kjarasamninga



1. Verð erlendra gjaldmiðla í krónum (þróng viðskiptavog).  
Heimildir: Hagstofa Íslands, Seðlabanki Íslands.

## Hröð hækkun húsnæðisverðs ... eins og alþjóðlega

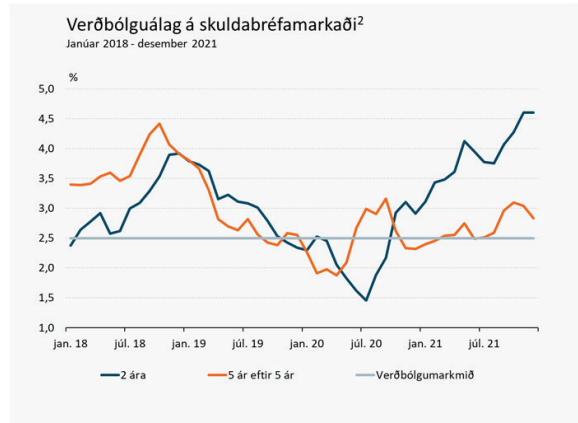
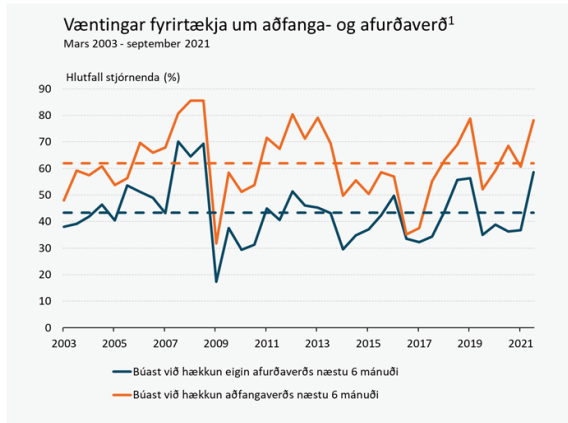
- Árshækkun húsnæðisverðs var 17% í október og um þriðjungur eigna selst yfir ásettu verði
- Hækkun húsnæðisverðs frá miðju ári hefur verið umfram það sem hægt er að skýra með undirliggjandi grunnþáttum ...
- ... en er þó ekki úr takti við það sem sést í fjölda annarra þróaðra ríkja



1. Húsnæðisverð á höfuðborgarsvæðinu. Hlutfall íbúða á landinu öllu sem seldur eru yfir auglýstu söluerði af heildarfjölda seldra íbúða, þriggja mánaða hlaupandi meðaltal. 2. Spáð ársbreyting húsnæðisverðs út frá kvikri (e. dynamic) spá frá 1. ársfj. 2020 til 3. ársfj. 2021 með húsnæðisverðsjófnu áþekkrri húsnæðisverðsjófnu Þjóðhagslíkans Seðlabankans metinni fyrir tímabil 3. ársfj. 2001 - 4. ársfj. 2017. 3. Árshækkun húsnæðisverðs á 3. ársfj. 2021 á Íslandi og í Bandaríkjunum, Frakklandi og Kanada en 2. ársfj. 2021 í öðrum löndum (fyrir utan 1. ársfj. 2021 í Nýja-Sjálandi).  
Heimildir: Hagstofa Íslands, Húsnæðis- og mannvirkjastofnun, Þjóðskrár Íslands, Seðlabanki Íslands.

## Verðbólguvæntingar hafa hækkað

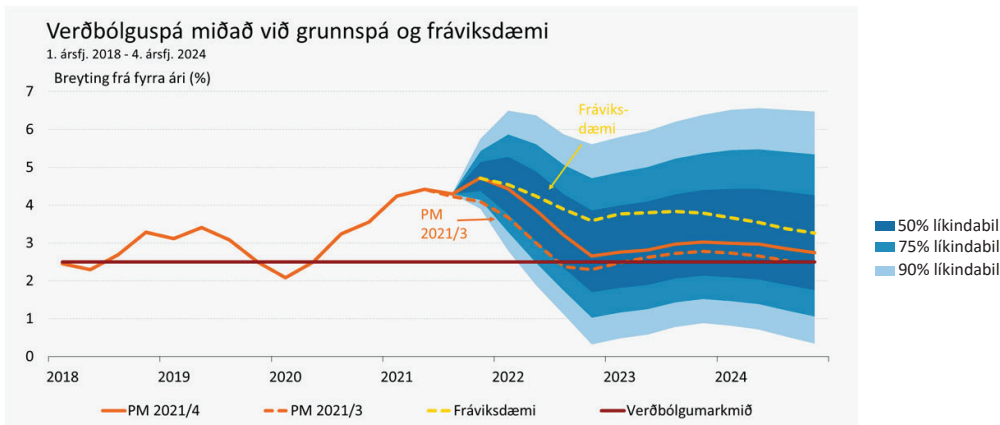
- Mikil hækkun launa og innfluttra aðfanga veldur því að æ fleiri fyrirtæki búast við hækkun aðfanga- og afurðaverðs
- Væntingar um aukna verðbólgu til skemmri tíma í takt við aukna verðbólgu undanfarið ...
- ... meira áhyggjufelni eru vísbendingar um að langtíma væntingar hafi einnig hækkað – þótt merki séu um viðsnúning undanfarið



1. Könnun Gallup frá því mars. Brotnar línur sýna meðaltöl frá 2003. 2. Meðaltal mánaða.  
Heimildir: Gallup, Seðlabanki Íslands.

## Verðbólguhorfur versna og hætta á vanspá

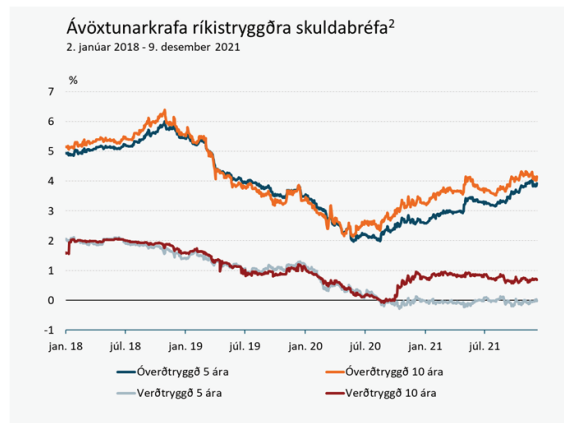
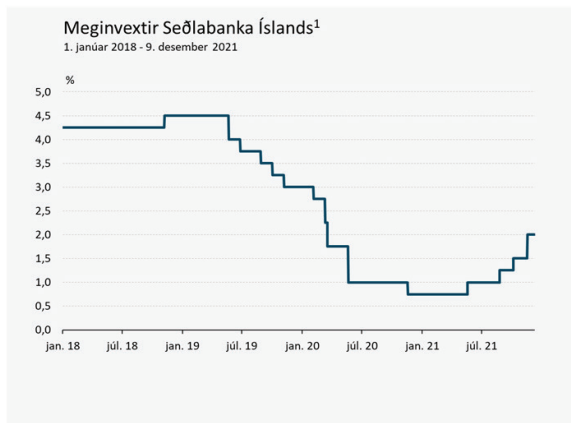
- Verðbólga var 4,3% á Q3 (4,2% í PM 21/3) og er talin aukast í 4,7% á Q4 en minnka í 4,4% á Q1/2022 ... verri horfur skýrast af lakari upphafsstöðu, meiri innfluttri verðbólgu, lægra gengi ISK, minni slaka og meiri hækkun launa og húsnæðisverðs
- Verðbólga gæti orðið þrálátari ef langvarandi framboðshnókrar og meiri innflutt verðbólga grafa undan kjölfestu væntinga



Heimildir: Hagstofa Íslands, Seðlabanki Íslands.

## Vextir teknir að hækka á ný ...

- Traustari kjölfesta verðbólguvæntinga gerði Seðlabankanum kleift að lækka vexti verulega til að mýkja efnahagsfallið
- Nú þegar efnahagsbata vindur fram og verðbólga hefur aukist umfram væntingar er bankinn tekinn að vinda ofan örvunaraðgerðum sínum þótt vextir bankans séu enn lægri en þeir voru fyrir farsóttina ... en langtímavextir eru orðnir hærri

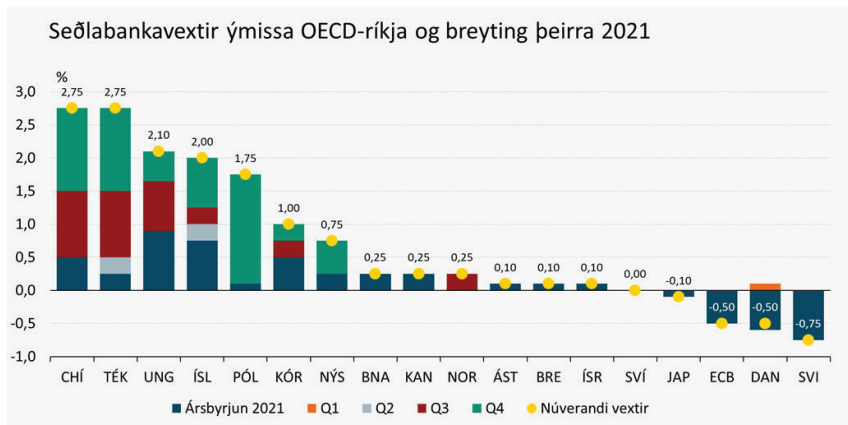


1. Meginvextir Seðlabankans eru vextir á 7-daga bundnum innlánum. 2. Út frá eingreiðsluvaxtaferlum (metnum með aðferð Nelson-Siegel) þar sem er notast við vexti á millibankamarkaði með krónur og vexti ríkistryggðra skuldabréfa.  
Heimildir: Seðlabanki Íslands.



## ... eins og víða erlendis ...

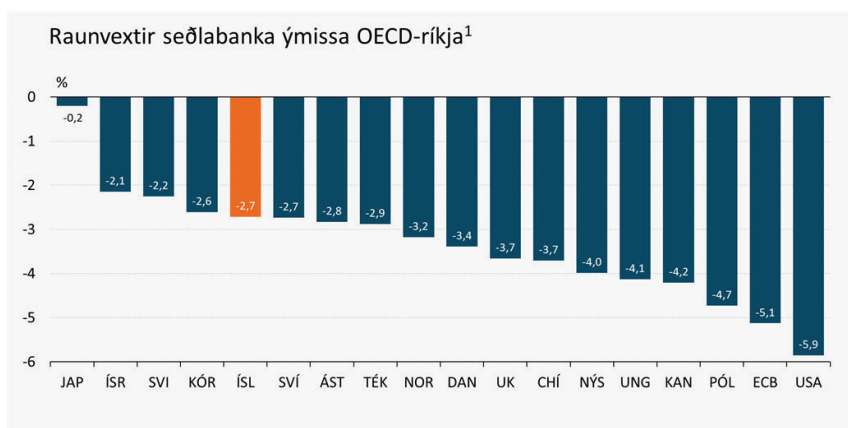
- Seðlabankar ýmissa OECD-ríkja þegar byrjaðir að hækka vexti – sérstaklega þeirra minni með styttri sögu verðstöðugleika
- Einungis tveir seðlabankar hækkuðu vexti á Q2 (ÍSL og TÉK) en á Q3 voru 10 hækkanir og það sem af er Q4 hafa orðið 12 hækkanir ... og sumir hafa tekið stór skref með 0,75-1,25 pr. hækkunum



Heimildir: cbrates.com, heimasíður seðlabanka, Seðlabanki Íslands.

## ... þótt raunvextir séu enn verulega neikvæðir

- Eftir sem áður eru raunvextir seðlabanka enn mjög neikvæðir ... hér á landi eru þeir -2,7% (miðað við núverandi verðbólgu) og skera sig ekki sérstaklega úr í þessum samanburði ... en hafa þarf þó í huga að víðtæk skuldabréfakaup annarra seðlabanka gera það að verkum að taumhaldið er í raun mun lausara en endurspeglast í skammtímaraunvöxtum



1. Raunvextir seðlabanka miðað við níjstu ársbreytingu vísitölu neysluverðs.  
Heimildir: cbrates.com, heimasíður seðlabanka, OECD, Seðlabanki Íslands.

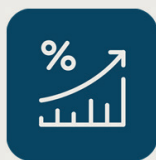
## Peningamál í hnotskurn



Framleiðslu-  
truflanir  
dragbitur á  
alþjóðlegan  
efnahagsbata



Útflutnings-  
horfur batna –  
sérstaklega  
vegna aukins  
loðnukvóta



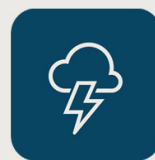
Meiri hagvöxtur  
á seinni hluta  
þessa árs og á  
næsta ári en  
spáð var í ágúst



Störfum heldur  
áfram að fjölga  
og atvinnuleysi  
minnkar hratt



Verðbólga  
þrálátari en  
spáð var og  
horfur halda  
áfram að versna



Mikil óvissa –  
ekki síst tengt  
verðbólgu-  
horfum



March 27, 2001

## **Declaration on inflation target and a change in the exchange rate policy**

(From March 27, 2001 – as amended by agreement between between the Prime Minister of Iceland and the Board of Governors of the Central Bank of Iceland on November 11, 2005, cf. Press release no. 35/2005)

On March 27, 2001 the Prime Minister and the Governors of the Central Bank of Iceland signed a declaration on changes in the framework of monetary policy in Iceland. The declaration is as follows:

The Government of Iceland and the Central Bank of Iceland have decided the following changes in the framework of monetary policy in Iceland, effective March 28, 2001:

- (1) The main target of monetary policy will be price stability as defined below. The Central Bank shall also promote financial stability and the main objectives of the economic policy of the Government as long as it does not deem it inconsistent with the Bank's main objective of price stability.
- (2) Rather than basing monetary policy on keeping the exchange rate within a fluctuation band, the Central Bank will aim at keeping inflation within defined limits as specified below.
- (3) The change described above implies that the fluctuation limits for the króna are abolished. Nevertheless, the exchange rate will continue to be an important indicator in the conduct of monetary policy.
- (4) The Government grants full authority to the Central Bank to use its instruments in order to attain the inflation target.
- (5) Later this week, the Government will submit to Parliament a bill on a new Central Bank Act which, once enacted, will legally confirm the decisions described above on making price stability the main objective of monetary policy and on the independence of the Central Bank to use its instruments.
- (6) The inflation target of the Central Bank will be based on 12-month changes in the consumer price index as calculated by Statistics Iceland. Statistics Iceland will also be asked to calculate one or more indices which may be used to assess the underlying rate of inflation, as will be further agreed between the Central Bank and Statistics Iceland. The Central Bank will take note of such indices in its assessment of inflation and in the implementation of monetary policy.

(7) The Central Bank will aim at an annual inflation rate of about 2½ per cent.

(8) If inflation deviates by more than 1½ percentage point from the target, the Central Bank shall bring it inside that range as quickly as possible. In such circumstances, the Bank will be obliged to submit a report to the Government explaining the reasons for the deviations from the target, how the Bank intends to react and how long it will take to reach the inflation target again in the Bank's assessment. The report of the Bank shall be made public.

(9) The Central Bank shall aim at attaining the inflation target of 2½ percent not later than by the end of 2003. In the year 2001, the upper Declaration on inflation target and a change in the exchange rate policy limit for inflation shall be 3½ percentage points above the inflation target but 2 percentage points above it in the year 2002. The lower limit for inflation will always be 1½ percentage point below the inflation target. Should inflation move outside the target range in 2001 and 2002, the Bank shall respond as set out in item 8 above.

(10) Despite the elimination of the fluctuation limits for the króna, the Central Bank will intervene in the foreign exchange market if it deems such action necessary in order to promote the inflation objective described above or if it thinks that exchange rate fluctuations might undermine financial stability.

(11) The Central Bank shall publish inflation forecasts, projecting inflation at least two years into the future. Forecasts shall be published in the Bank's Monetary Bulletin. This shall also contain the Bank's assessment of the main uncertainties pertaining to the inflation forecast. The Bank shall also publish its assessment of the current economic situation and outlook.

**[Amended text by agreement between the Prime Minister of Iceland and the Board of Governors of the Central Bank of Iceland on November 11, 2005]**

(12) The Central Bank shall in its publications explain how successful it is in implementing the inflation target policy. The Governors will also report to the Minister, the Government and committees of the Parliament on the policy of the Bank and its assessment of current economic trends and prospects.

