



# MONETARY POLICY COMMITTEE REPORT TO PARLIAMENT

2020 • 2



# Monetary Policy Committee Report to Parliament

13 January 2021

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.

According to the new Act on the Central Bank of Iceland, which entered into force on 1 January 2020, the Committee is now required to meet at least six times a year instead of the previous eight. Since the last MPC report to Parliament, the Committee has held three regular meetings, and its last statement was published on 18 November 2020. The following report discusses the work of the Committee between July and December 2020.

## 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 2020.

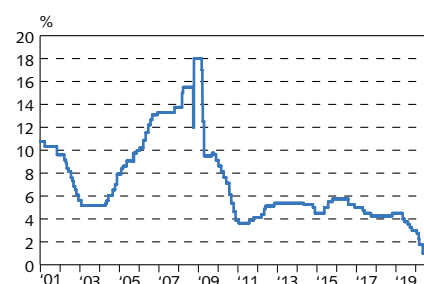
## Developments from July to December 2020

In H1/2020, the MPC lowered the Bank's key interest rate by 2 percentage points, including 1.75 percentage points after the COVID-19 pandemic began to affect Iceland.<sup>1</sup> At its meetings in August and October, the Committee decided to hold rates unchanged. Members were of the view that the rate cuts in the spring had supported domestic demand and that lower interest rates had been transmitted effectively to households; however, the full impact of the rate cuts had yet to come to the fore. Uncertainty due to the pandemic was still significant, however. By the time of the MPC's November meeting, when the Bank's new macroeconomic forecast was available, the

Table 1. Central Bank of Iceland interest rate decisions in H2/2020 (%)

Date	Current accounts	Seven-day term deposits	Collateralised loans	Over-night loans
26 Aug.	0.75	1.00	1.75	2.75
7 Oct.	0.75	1.00	1.75	2.75
18 Nov.	0.50	0.75	1.50	2.50

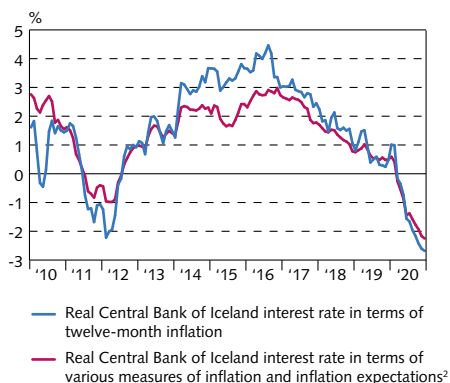
Chart 1  
Central Bank of Iceland key interest rate<sup>1</sup>  
3 January 2001 - 31 December 2020



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.

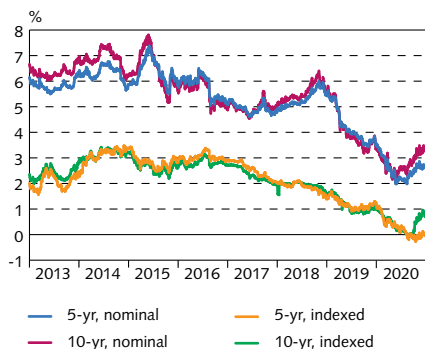
1. The key rate is the interest rate that is the most important determinant of short-term market rates and therefore is the best measure of the monetary stance. At present, this is the interest rate on seven-day term deposits with the Central Bank.

Chart 2  
Real Central Bank of Iceland interest rates<sup>1</sup>  
January 2010 - December 2020



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 2020



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.

economic outlook had deteriorated because of increased spread of the disease, and the Committee decided to lower the key rate by an additional 0.25 percentage points in order to support the economic recovery still further. The Central Bank's key rate was therefore 0.75% at the end of December, or 2.25 percentage points lower than at the end of December 2019.

The monetary stance in terms of the Bank's real rate eased even further in H2/2020. In terms of the average of various measures of inflation and one-year inflation expectations, the Bank's real rate was -2.3% at the end of December, as opposed to -1.5% at the end of June. The Bank's real rate in terms of twelve-month inflation fell by 1.2 percentage points over the same period, to -2.8% at the end of December.

The Bank also took a number of other actions in H2/2020 to ease the monetary stance and boost financial system liquidity, in order to shore up demand, support increased access to credit, and preserve financial system stability. In accordance with the MPC's March decision, the Bank has bought Treasury bonds in the secondary market, so as to ensure that the more accommodative monetary stance is transmitted normally to households and businesses. At the November meeting, Committee members agreed that conditions had become more favourable for the Bank to enter the Treasury bond market more decisively, as the foreign exchange market had grown more stable, although the MPC would continue to monitor market yields and the pace of the increase in the Treasury bond supply. The Bank bought Treasury bonds for 7.6 b.kr. in the second half of the year.

Nominal Treasury bond yields fell considerably early in the year but have risen again in H2. The yield on ten-year nominal Treasury bonds was 3.3% at the end of December, after increasing by 0.7 percentage points since end-June and 0.1 percentage points since the end of December 2019. Indexed long-term rates also declined early in the year but began to rise in H2. At the end of December, they were 0.8%, or 0.6 percentage points higher than at the end of June, but 0.4 percentage points lower than at year-end 2019.

Growth in lending to households has ranged between 6% and 9% in H2/2020, and has increased relative to H1/2020. Household mortgage lending rates have been broadly unchanged since end-June. However, the spread between the key rate and rates on new corporate loans has narrowed slightly since H1/2020, although growth in corporate lending remains virtually flat.

Capital inflows for new investment totalled 10.7 b.kr. in H2/2020, about half as much as in H1. Over the same period, outflows of capital previously imported for new investment amounted to 56 b.kr., as compared with 35 b.kr. in H1. For the most part, inflows and outflows in H2/2020 were due to Treasury bond purchases and sales.

From June until early November, there was downward pressure on the exchange rate; however, it eased temporarily when the Bank announced on 9 September that it would begin a regular currency sales programme. By then, the króna had depreciated by nearly 16% year-to-date in trade-weighted terms. The objectives of the regular

currency sales programme were to deepen the market and improve price formation. From 14 September through the year-end, the Bank sold 3 million euros each business day. However, with the emergence of positive news about the development of COVID-19 vaccines in early November, the króna began to appreciate. At the end of December, it was 8.3% weaker than on 28 February, when the first case of COVID-19 was diagnosed in Iceland, but has appreciated by 6.6% since the 9 September announcement of the regular currency sales programme.

In line with the MPC's decision to intervene in the foreign exchange market to mitigate excess short-term exchange rate volatility, the Bank has intervened more often in the market this year than in 2018 and 2019. Intervention is also applied in case of fluctuations that extend over longer periods than a single day, which could otherwise result in overshooting and subsequent correction. In H2/2020, the Bank sold foreign currency for 121 b.kr. and bought it for 2.6 b.kr. The Bank's activity accounted for nearly 49% of total foreign exchange market turnover during the period. The Bank's intervention was much larger in scale in H2 than in H1.

Inflation rose in H2, measuring 3.6% in December, after being at target in June. Inflation excluding housing was somewhat higher, or 4%, and the spread between inflation with and without housing has widened since June. Underlying inflation in terms of the average of various measures measured 4.2% in December, up from 3.6% in June.

The main driver of increased inflation has been the rise in imported goods prices following the depreciation of the króna. All subcomponents of imported goods in the CPI have risen since June. Higher prices of various goods – such as furniture, housewares, electronic equipment and clothing – have affected the CPI most strongly in H2. This subcomponent as a whole had risen by 6.3% year-on-year in December. Domestic goods prices have risen as well, by 5.9% year-on-year, led by food prices and imported input prices. Price increases for imported goods had eased by the year-end, and it is likely that most of the pass-through following the depreciation of the króna has taken place. Private services prices have risen by only 1% year-on-year, with various types of services suffering because of the pandemic and associated public health measures.

House prices have also risen somewhat in the recent term, in the wake of interest rate cuts. The market price of housing has risen by 7.8% in the past twelve months, led by single-family homes in the capital area. The contribution of the housing component to twelve-month inflation totalled 0.6 percentage points in December and has declined slightly since June, as lower real mortgage interest expense has offset the rise in house prices.

Inflation averaged 3.6% in Q4/2020, as compared with the forecast of 3.7% in the November *Monetary Bulletin*. According to the forecast, the outlook is for inflation to average 3.7% in Q1/2021, and then, once the effects of the depreciation of the króna disappear from measurements, it is expected to begin to ease relatively quickly, owing to the sizeable slack that has developed in the economy.

Chart 4  
Capital flows due to registered new investments<sup>1</sup>  
January 2017- December 2020

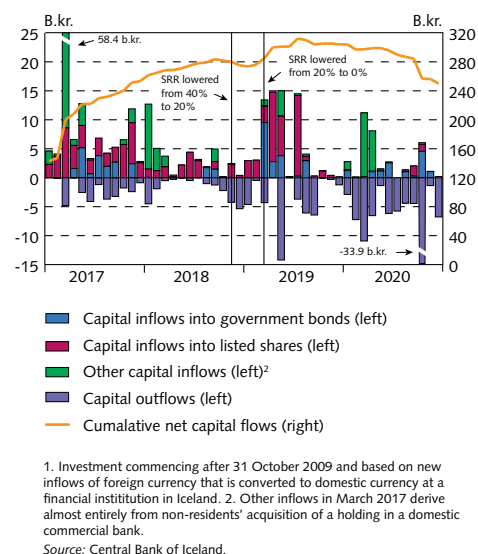


Chart 5  
Exchange rate and volatility of the króna  
4 January 2010 - 31 December 2020

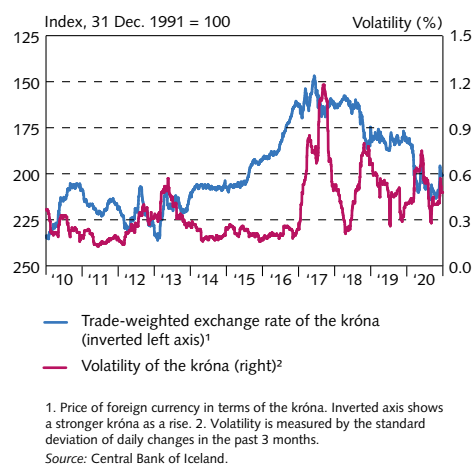


Chart 6  
Various measures of inflation  
January 2014 - December 2020

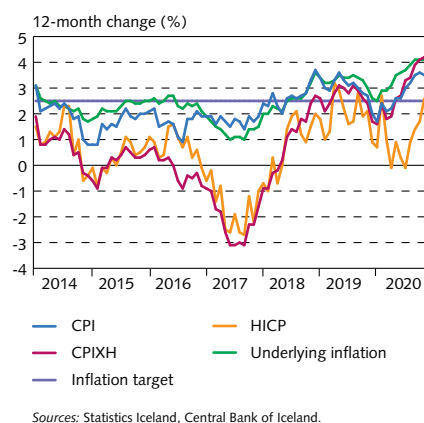
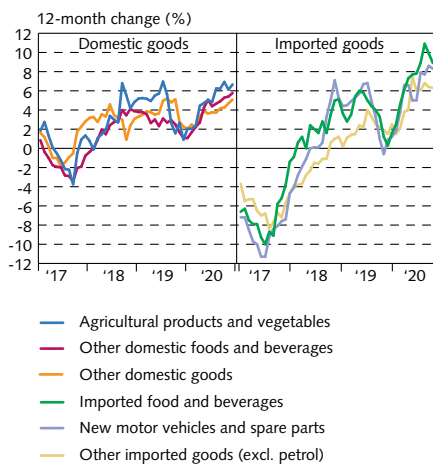
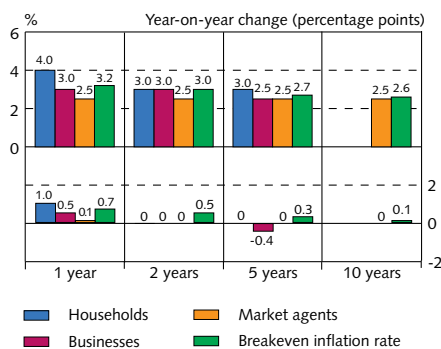


Chart 7  
Domestic and imported goods prices  
January 2017 - December 2020



Source: Statistics Iceland.

Chart 8  
Inflation expectations<sup>1</sup>



1. The most recent Gallup surveys of corporate and household inflation expectations were carried out in December 2020. The most recent Central Bank survey of market agents' expectations is from the beginning of November 2020. Households and businesses are not asked about ten-year inflation expectations. The most recent value for breakeven inflation is the average of Q4/2020. The lower part of the chart shows the year-on-year change.

Sources: Gallup, Central Bank of Iceland.

According to recent surveys, market agents expect inflation to be at target in one year's time, while corporate executives expect it to measure 3% and households project it at 4%. Market agents' and executives' expectations are unchanged since the last MPC report was sent to Parliament, whereas households' expectations have risen somewhat. Long-term inflation expectations have been broadly unchanged in the recent term, despite the depreciation of the króna. It is noteworthy, however, that in the winter survey, corporate executives' expectations concerning average inflation over the next five years had fallen to the target. The five- and ten-year breakeven inflation rate in the bond market averaged 2.6-2.7% in Q4 and is therefore close to the target as well, albeit somewhat higher than it was in June.<sup>2</sup>

At its November meeting, the MPC decided to lower the Bank's key interest rate further, as the economic outlook had deteriorated and GDP growth was forecast to be weaker in 2021 than had previously been expected. The Committee was of the view that although inflation had risen temporarily and appeared set to be higher than was assumed in August, more firmly anchored inflation expectations provided the MPC the scope to respond decisively to the deteriorating economic outlook by lowering interest rates further. However, in the Committee's opinion, uncertainty was pronounced and economic developments would depend to a considerable degree on the path the pandemic took.

### Accompanying documents

The following documents are enclosed with this report:

1. Monetary Policy Committee statements from July through November 2020.
2. Minutes of Monetary Policy Committee meetings from June through November 2020.
3. Press release on a special temporary collateralised lending framework for support loans, 28 August 2020.
4. Speech on the economic outlook, given by the Deputy Governor for Monetary Policy to the Competition Authority, 3 September 2020 (in Icelandic).
5. Speech on the economic outlook during a global pandemic, given by the Deputy Governor for Monetary Policy to the Icelandic Federation of Trade, 7 September 2020 (in Icelandic).
6. Press release on the Central Bank of Iceland's regular foreign currency sales programme, 9 September 2020.
7. Press release on the continuation of the Central Bank of Iceland's regular foreign currency sales programme, 30 September 2020.
8. Press release on the Central Bank of Iceland's Treasury bond purchases, 30 September 2020.
9. Speech on the economic outlook and uncertainty during a global pandemic, given by the Deputy Governor for Monetary Policy at

2. It should be noted that part of the recent volatility in the breakeven rate is due to technical factors relating to the calculation of indexed Treasury bond yields, as the bond maturing in 2021 was removed from market making. As a result, the fluctuations are not due solely to changes in inflation expectations. Furthermore, the breakeven rate also includes an inflation risk premium and a liquidity risk premium.

a meeting of Government ministers and the SAM Group (a task force for harmonisation of employment and educational initiatives), 26 October 2020 (in Icelandic).

10. Press release on the continuation of the Central Bank of Iceland's regular foreign currency sales programme, 30 October 2020.
11. Speech on the economic outlook and COVID-19-related measures, given by the Governor at the Monetary Policy Meeting of the Chamber of Commerce, 19 November 2020 (in Icelandic).
12. Press release on the continuation of the Central Bank of Iceland's regular foreign currency sales programme, 30 November 2020.
13. Speech on the economic outlook and uncertainty during a global pandemic, given by the Deputy Governor for Monetary Policy at a meeting of Samiðn, 8 December 2020 (in Icelandic).
14. Press release on the continuation of the Central Bank of Iceland's regular foreign currency sales programme, 30 December 2020.
15. Press release on the Central Bank of Iceland's Treasury bond purchases, 30 December 2020.
16. Joint declaration by the Government and the Central Bank on inflation targeting, March 2001.

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*

## Accompanying documents

	Page
Statement of the Monetary Policy Committee 26 August 2020	9
Statement of the Monetary Policy Committee 7 October 2020	10
Statement of the Monetary Policy Committee 18 November 2020	11
Minutes of the Monetary Policy Committee extraordinary meeting June 2020	12
Minutes of the Monetary Policy Committee August 2020	14
Minutes of the Monetary Policy Committee October 2020	22
Minutes of the Monetary Policy Committee November 2020	29
Special temporary collateralised lending framework for COVID support loans	37
Economic outlook during a pandemic	38
Economic outlook during a pandemic	48
Central Bank to begin regular programme of foreign currency sales	60
Central Bank to continue programme of regular foreign currency sales	61
Announcement concerning Central Bank purchases of Treasury bonds	62
Economic outlook and uncertainty during a pandemic	63
Central Bank to continue programme of regular foreign currency sales	75
Chamber of Commerce's monetary policy meeting 2020	76
Central Bank to continue programme of regular foreign currency sales	84
Economic outlook and uncertainty during a pandemic	85
Central Bank to continue programme of regular foreign currency sales	98
Announcement concerning Central Bank purchases of Treasury bonds	99
Declaration on inflation target and a change in the exchange rate policy	100



## Statement of the Monetary Policy Committee 26 August 2020

The Monetary Policy Committee (MPC) of the Central Bank of Iceland has decided to keep the Bank's interest rates unchanged. The Bank's key interest rate – the rate on seven-day term deposits – will therefore remain 1%.

According to the Central Bank's new macroeconomic forecast, published in the August *Monetary Bulletin*, the outlook is for a 7% contraction in GDP this year and roughly 10% unemployment by the year-end. Although the outlook for H2 is somewhat poorer than was forecast in May, the contraction for the year as a whole is expected to be smaller than was projected then. This is due mainly to the more robust private consumption seen this spring and summer. Uncertainty is unusually pronounced, however, and economic developments will depend on the path the pandemic takes.

Inflation measured 2.5% in Q2 but had risen to 3% by July, driven largely by a more than 12% depreciation of the króna since the pandemic reached Iceland. Medium- and long-term inflation expectations are broadly unchanged, however, and appear to remain anchored to the Bank's inflation target. According to the Bank's forecast, inflation is expected to average about 3% over the remainder of 2020. However, because of the significant slack in the economy and low global inflation, it will taper off in 2021 and is projected to average 2% in the latter half of the forecast horizon.

More firmly anchored inflation expectations provide monetary policy the scope to respond decisively to the deteriorating economic outlook. Lower interest rates, together with actions taken by the Bank this spring, have supported domestic demand. The impact of these measures has yet to emerge in full, however, and they will continue to support the economy and facilitate a more rapid recovery than would otherwise occur.

The MPC will continue to monitor economic developments and will use the tools at its disposal to support the domestic economy and ensure that the more accommodative monetary stance is transmitted normally to households and businesses.

## Statement of the Monetary Policy Committee 7 October 2020

The Monetary Policy Committee (MPC) of the Central Bank of Iceland has decided to keep the Bank's interest rates unchanged. The Bank's key interest rate – the rate on seven-day term deposits – will therefore remain 1%.

According to preliminary national accounts figures, GDP growth was slightly stronger in H1/2020 than was forecast in the August *Monetary Bulletin*. On the other hand, high-frequency indicators and surveys suggest that demand growth eased in late summer. Because of increased spread of the coronavirus in the recent past, the economic outlook has deteriorated relative to the August forecast. Uncertainty is pronounced, however, and economic developments will depend to a considerable degree on the path the pandemic takes.

Inflation rose between quarters in Q3/2020, to 3.2%, which is somewhat above the August forecast. The exchange rate pass-through from the depreciation of the króna continues to affect imported goods prices. Other things being equal, the considerable slack in the domestic economy will cause inflation to subside as the effects of the depreciation taper off. Medium- and long-term inflation expectations are broadly unchanged, however, and appear to remain anchored to the Bank's inflation target.

More firmly anchored inflation expectations provide monetary policy the scope to respond decisively to the deteriorating economic outlook. Lower interest rates, together with actions taken by the Bank this spring, have supported domestic demand. The impact of these measures has yet to emerge in full, however, and they will continue to support the economy and facilitate a more rapid recovery than would otherwise occur.

The MPC will continue to monitor economic developments and will use the tools at its disposal to support the domestic economy and ensure that the more accommodative monetary stance is transmitted normally to households and businesses.

## Statement of the Monetary Policy Committee 18 November 2020

The Monetary Policy Committee (MPC) of the Central Bank of Iceland has decided to lower 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 0.75%.

The autumn surge in COVID-19 cases and the tightened public health measures have weakened the economic rebound that began in Q3, following a historically large contraction in Q2. The economic outlook has therefore deteriorated, and according to the forecast in the November *Monetary Bulletin*, GDP growth is set to contract by 8.5% this year, a full 1 percentage point more than was forecast in August. GDP growth is projected to be weaker in 2021 as well. The economic outlook is highly uncertain, and economic developments will depend to a considerable degree on the path the pandemic takes.

The króna depreciated after the pandemic reached Iceland but has been relatively stable in the recent term. Inflation has risen since the spring, measuring 3.6% in October; however, medium- and long-term inflation expectations are broadly unchanged. According to the Bank's forecast, the outlook is for inflation to average about 3.7% until early 2021 and then begin to ease, owing to the sizeable slack in the economy.

Although inflation has risen temporarily and appears set to be higher than was assumed in August, more firmly anchored inflation expectations provide the MPC the scope to respond decisively to the deteriorating economic outlook. Interest rate reductions and other measures taken by the Central Bank in the past few months have supported domestic demand and mitigated the adverse impact of the economic shock.

The MPC will continue to use the tools at its disposal, including Treasury bond purchases by the Central Bank, to support the domestic economy and ensure that the more accommodative monetary stance is transmitted normally to households and businesses.



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

## Minutes of the Monetary Policy Committee meeting

Extraordinary meeting in June 2020 (96th meeting)

Published 8 July 2020

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 MPC’s minutes from the joint meeting of the Monetary Policy Committee and the Financial Stability Committee, held on 23 June 2020, during which the Committees discussed decisions on the application of the Bank’s monetary policy instruments.

### **I Decisions on the Bank’s monetary policy instruments**

On 25 May 2020, the Central Bank of Iceland and the Ministry of Finance and Economic Affairs made an agreement under which the Bank will handle the granting of Treasury guarantees vis-à-vis credit institutions in connection with COVID-19-related support loans to business operators. It emerged at the meeting that the aim of the support loans was to maintain employment and economic activity by supporting small businesses that have suffered a temporary drop in revenues because of the pandemic and the associated public health measures. Furthermore, the loans should make viable small companies less likely to fail, thereby supporting financial system stability. It emerged at the meeting that it was important to encourage credit institutions to participate in the measure.

By law, credit institutions will grant loans bearing a Treasury guarantee at an interest rate equivalent to the Central Bank’s key rate (i.e., the seven-day term deposit rate, currently 1%), which is below the cost of their new funding. The loans will erode credit institutions’ liquidity position and liquidity ratios, all else being equal. The Committee noted that, in order to ensure the success of this measure, it would be necessary to develop a special collateralised lending framework that would provide credit institutions with short-term funding from the Central Bank, on the same terms as the support loans bearing a 100% Treasury guarantee.

In view of the discussion, the Governor proposed that, because of the uniqueness of support loans bearing a 100% Treasury guarantee and the circumstances currently prevailing due to the

pandemic, the Central Bank would develop a separate temporary collateralised lending framework for support loans, subject to the terms offered at any given time on seven-day term deposits with the Central Bank. All members voted in favour of the proposal.

Developments in the real estate market were also discussed at the meeting, in view of the pandemic and the recent reductions in Central Bank interest rates. It was mentioned that there are signs that households are increasingly refinancing their mortgage loans in response to lower interest rates. Committee members noted that mortgage lending had shifted somewhat from pension funds to commercial banks, as the latter were offering lower interest rates, and from indexed loans to non-indexed variable-rate loans. It emerged that nearly one-third of households' mortgage debt was non-indexed at the end of April. The Committees also discussed various macroprudential tools and the interactions between various Central Bank policy instruments.

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, Assistant Professor, external member

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

Karen Áslaug Vignisdóttir wrote the minutes.

The next scheduled Statement of the Monetary Policy Committee will be published on Wednesday 26 August 2020.



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

## Minutes of the Monetary Policy Committee meeting

August 2020 (97th meeting)

Published: 9 September 2020

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 24 and 25 August 2020, 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 26 August.

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

Before turning to the interest rate decision, 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 May meeting, as published in the updated forecast in *Monetary Bulletin 2020/3* on 26 August.

#### **Financial markets**

Since the May meeting, the króna had depreciated by 2.5% in trade-weighted terms. Over this same period it fell by 3.2% against the pound sterling and 3.9% against the euro but rose by 3.8% against the US dollar. Between meetings, the Bank purchased foreign currency in the amount of 60 million euros (9.1 b.kr.) and sold currency for 141 million euros (22.5 b.kr.). The Bank’s transactions accounted for just over 30% of total foreign exchange market turnover for the period.

In terms of the Central Bank’s real rate, the monetary stance eased 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 -1.7%, or 0.4 percentage points lower than just after the publication of the

May interest rate decision. In terms of twelve-month inflation, it was -1.9% and had fallen by 0.8 percentage points between meetings.

Interest rates in the interbank market for krónur fell in line with the Central Bank's rate reduction in May, but there was no turnover in the market during the period. Yields on long-term nominal Treasury bonds had risen by up to 0.2 percentage points since the May meeting, while yields on long-term indexed Treasury bonds had fallen by 0.4 percentage points. Average rates on non-indexed mortgage loans had fallen between meetings, and average rates on indexed mortgage loans had also fallen slightly.

In terms of three-month interbank rates, the interest rate differential had narrowed against the euro by 0.4 percentage points between meetings, to 2.1 percentage points, and had narrowed by 0.5 percentage points against the US dollar, to 1.3 percentage points. The long-term interest rate spread versus Germany was broadly unchanged between meetings, at 3 percentage points, whereas the spread versus the US had widened slightly, to 1.9 percentage points. Measures of the risk premium on the Treasury's foreign obligations had fallen 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 0.7 percentage points.

Financial institutions' analysts expected the MPC either to hold the Bank's interest rates unchanged or to lower them by 0.25 percentage points, noting that despite persistent uncertainty about the path the COVID-19 pandemic would take, the economy had in many ways been more resilient than expected. On the other hand, inflation had risen in excess of expectations and the real rate had fallen, thereby easing the monetary stance.

According to the Central Bank's quarterly market expectations survey, conducted in mid-August, respondents expected the Bank's key rate to remain unchanged at 1% in Q3/2020, followed by a rate cut of 0.25 percentage points in Q4. This is a lower rate than survey participants expected in May, when they projected that the Bank's key rate would bottom out at 1% in Q4/2020. In the August survey, about half of respondents considered the monetary stance appropriate at present, up from 19% in the previous survey. However, the share who considered the monetary stance too tight or far too tight declined from just over 70% in the May survey to 28% in this survey. Roughly 23% of respondents considered the stance too loose or far too loose, as compared with 11% in the Bank's previous survey.

Annual growth in M3 has gained pace as the year has progressed, measuring 13½% in July, adjusted for the deposits of the failed financial institutions. Growth in credit system lending to domestic borrowers lost pace over the course of 2019, but annual growth has been relatively stable at around 4% thus far in 2020. In June, household lending grew by just over 6% year-on-year, while corporate lending contracted by 0.7%.

The Nasdaq OMXI10 index had risen by 5% between meetings. Turnover in the Main Market totalled 341 b.kr. in the first seven months of 2020, some 6.7% less than over the same period in 2019.

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

According to the forecast published by the International Monetary Fund (IMF) in late June, the global economic outlook has deteriorated even further due to the COVID-19 pandemic. The adverse impact of the pandemic was more pronounced in H1/2020 than the Fund projected in the spring, and the recovery in H2 now expected to be weaker as well. Global GDP is expected

to contract by 4.9% this year, as opposed to 3% in the IMF's April forecast. The outlook for 2020 has worsened for advanced economies and emerging economies alike. Advanced economies are forecast to shrink by 8% and emerging economies by 3%, approximately 2 percentage points more than in the April forecast. Furthermore, the IMF expects the turnaround in 2021 to be weaker globally, with GDP growth projected at 5.4%, or 0.4 percentage points less than in the spring forecast. Uncertainty about global economic developments remains unusually pronounced, however, and depends on how persistent the pandemic proves to be. As it did in the spring, the Fund considers the risk to its macroeconomic forecast to be concentrated on the downside.

Iceland's external goods trade generated a deficit of about 47.2 b.kr. for the first seven months of the year, as opposed to a deficit of 81.5 b.kr. over the same period in 2019. Exports of ships and aircraft strongly affected the figures, however. If they are excluded, the goods account deficit in 2020 to date measured 40 b.kr., as opposed to 95.7 b.kr. over the same period in 2019. This year's smaller deficit is due to a contraction in import values over and above export values, particularly to include investment goods and tourism-related inputs. Exports excluding ships and aircraft contracted by 11% year-on-year in the first seven months of 2020, owing mainly to a contraction in the value of exported industrial goods and marine products.

Global aluminium prices have risen by 19% since the MPC's May meeting but remain slightly lower than they were both at the beginning of 2020 and in August 2019. Preliminary figures from Statistics Iceland indicate that foreign currency prices of marine products fell between Q1 and Q2 but were up 3.5% year-on-year in H1/2020. Global Brent crude prices had risen by about a third since the MPC's May meeting, to just under 46 US dollars per barrel at the time of the August meeting. The increase reflects, on the one hand, a surge in demand following the reduction in COVID-19 infection rates and the relaxation of public health measures in late spring and early summer, and on the other hand, the impact of reduced production among leading oil manufacturing countries. Oil prices were still down by roughly a third in 2020 to date, and by about a fifth since August 2019.

The real exchange rate in terms of relative consumer prices fell by 3.3% month-on-month in July, when it was 2.2% below its 25-year average and 11.4% below its end-2019 level. In the first seven months of 2020, it was down by 6.4% compared with the same period in 2019, as the nominal exchange rate of the króna was 7.8% lower and inflation in Iceland was 1.3 percentage points above the trading partner average.

### **Domestic economy and inflation**

Indicators of private consumption in Q2 suggested a significant change in household consumption patterns. Spending in categories most strongly affected by public health measures shrank considerably, while spending on consumer durables increased. This trend eased as the pandemic receded and public health measures were relaxed. Payment card turnover was still down markedly between years in July, with turnover abroad contracting sharply and domestic turnover rising strongly.

In August, the Gallup Consumer Confidence Index measured 43.8 points, more than 47 points less than in August 2019. After an improvement in the spring, the index has fallen in the past two months.

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



negative than in the surveys taken both this spring and in summer 2019. In the summer 2020 survey, however, executives' attitudes towards the outlook six months ahead are more positive than in both the spring survey and the summer 2019 survey. About 87% of respondents considered the current situation poor, and about 13% considered it neither good nor poor. Just under 49% of executives were of the view that economic conditions would improve in the next six months, while 19% expected conditions to be neither good nor poor. About 32% of respondents expect conditions to be worse in six months' time, a somewhat smaller share than in the last survey. They were slightly more pessimistic about developments in domestic demand over the next six months than they were in the spring survey. On the other hand, they were considerably more pessimistic about developments in foreign demand than they were in the spring.

According to the seasonally adjusted results of the Gallup survey carried out this summer among Iceland's 400 largest firms, the balance of opinion on staffing plans (i.e., firms planning to recruit as compared with those planning redundancies) was negative by 32 percentage points. The same balance of opinion was negative by just over 17 points in the spring and has therefore nearly doubled between surveys. Furthermore, only 5% of executives consider themselves understaffed. This percentage returned to its historical low in the summer survey, when it fell to its post-crisis trough. In addition, about 28% of executives report that their firms would have difficulty responding to an unexpected increase in demand, about 10 percentage points less than in the last survey.

According to the Statistics Iceland labour force survey (LFS), total hours worked fell by 7.2% between years in Q2/2020, the largest single-quarter contraction since Q3/2009. The decline in total hours stemmed from a 5.1% reduction in the number of employed persons and a 2.3% shortening of the average work week. The steep reduction in working hours, part of it due to the part-time option, showed more clearly in the working hours of those at work during the reference week, as they were a full 7% shorter than at the same time in 2019.

According to seasonally adjusted LFS data, the labour participation rate was 78.3% in Q2, its lowest since Statistics Iceland began the quarterly survey in 2003. This is also true of the employment rate, which measured 72.8% at the same time. Unemployment rose less as a result, measuring 5.1%, an increase of 1.2 percentage points from the previous quarter. The unemployment rate would presumably have risen even more if the adjustment of the labour market following the economic shock had not taken place through declining labour participation and the Government's part-time option.

Net migration of foreign nationals was negative in Q2/2020, for the first time since Q2/2012. This is due primarily to a smaller number of foreign immigrants and a slight increase in emigration during the quarter.

In Q2/2020, the wage index rose by 3.8% between quarters and by 6.7% year-on-year, and real wages in terms of the index were 4.1% higher during the quarter than in Q2/2019.

Statistics Iceland's nationwide house price index, published in late July, rose by 0.1% month-on-month when adjusted for seasonality, and by 6.7% year-on-year. The capital area house price index, calculated by Registers Iceland, rose by 1.2% month-on-month in July when adjusted for seasonality, and by 4.9% year-on-year. The number of purchase agreements registered nationwide fell by 7.2% year-on-year in the first seven months of 2020, while the number of contracts for new construction increased by 40.5% over the same period.

The CPI rose by 0.15% month-on-month in July, and twelve-month inflation increased to 3%. The CPI excluding the housing component had risen by 3.3% year-on-year in July. Underlying

inflation measured 3.7% in July, in terms of the average of various measures, and was therefore noticeably above observed inflation. This is partly because this calculation excludes the decline in petrol prices and the impact of lower real mortgage interest expense. The interest component of imputed rent has lowered inflation in the past year, causing twelve-month inflation to be lower by an estimated 0.7 percentage points.

The main reason for the inflation spike in July was that summer sales lowered the index far less than in the same month of 2019. This could be due to the depreciation of the króna, but increased spending on consumer goods could have been a factor as well.

According to Gallup's summer survey, households and businesses expect inflation to measure 3-3.5% in one year's time, or 0.5 percentage points more than in the last survey. Their long-term inflation expectations have either remained unchanged or fallen, however. Market agents' short- and long-term inflation expectations have also remained unchanged at 2.5%. The five- and ten-year breakeven rate in the bond market is now at target or slightly below it, although it has risen marginally in the recent term.

According to the forecast published in *Monetary Bulletin* on 26 August 2020, the outlook is for inflation to average about 3% for the remainder of the year. The significant slack in the economy and low global inflation indicate that it will begin to taper off in 2021, and it is projected to average 2% in the latter half of the forecast horizon. For the first half of the forecast period, this is a higher inflation rate than was projected in May, as inflation is higher at the outset and the slack in the economy is smaller now than previously expected.

In Q2/2020, GDP among Iceland's main trading partners is estimated to have contracted by nearly 13%, partly because of governmental measures to curb the spread of the pandemic. This is a somewhat larger contraction than was forecast in the May *Monetary Bulletin*. Indicators imply that global economic activity picked up as the quarter progressed, but the outlook for H2/2020 has deteriorated since May because of the resurgence of the pandemic in many parts of the world. Trading partner countries are forecast to see a contraction of just over 7% in 2020, more than was projected in May. GDP growth in 2021 and 2022 looks set to be stronger, however.

The króna began to depreciate when the pandemic reached Iceland, and by early May it had fallen by more than 12% since end-February. It appreciated over the course of the month, possibly in response to increased optimism following successful public health measures and a steep decline in the domestic infection rate, as well as the hope of a stronger recovery of tourism than had previously been expected. The appreciation reversed course over the summer months, however, and just before the August *Monetary Bulletin* went to press, the króna had fallen in trade-weighted terms by just over 12% since end-February and by more than 14% year-to-date. In Q2, the trade-weighted exchange rate index stood at just over 203 points, and the króna was therefore a full 2% stronger than was forecast in May. The index has been around 207 thus far in August, and the baseline forecast is based on the assumption that it will remain close to that level throughout the forecast horizon.

Domestic economic activity had begun to slow before the pandemic reached Iceland, contracting by just over 1% year-on-year in Q1/2020. The effects of the pandemic started to show towards the end of that quarter and intensified in April. On the other hand, there were signs that domestic demand had gained momentum in May and June, when the pandemic eased and public health measures were relaxed. Nevertheless, the forecast assumes a nearly 11% year-on-year contraction in GDP in Q2. This is a smaller contraction than was forecast in May, mainly because household consumption spending did not suffer as much as was feared at

that time. Although the outlook for H2 is rather poorer than was forecast in May, GDP is expected to contract by approximately 7% in 2020 as a whole, instead of the previously projected 8%. The smaller contraction in 2020 explains in part why 2021 GDP growth is projected to be weaker than was assumed in the May forecast. GDP growth is expected to measure 3½% per year in 2021 and 2022. If this forecast materialises, GDP will not return to its end-2019 level until the end of the forecast horizon.

Total hours worked are expected to fall by over 7% this year. In addition, unemployment is expected to rise as the year progresses, peak at around 10% towards the year-end, and average just over 7% for 2020 as a whole. This represents a smaller decline in total hours and a lower unemployment rate than in the May forecast, and it is due for the most part to the economy's having weathered the pandemic better than was expected in May. Job numbers are expected to rise slightly and unemployment to fall again in 2021.

A sizeable output slack is believed to have developed, and according to the forecast, it will grow over the course of this year. It is expected to measure just under 6% in 2020, slightly less than was forecast in May. As was forecast then, the slack in the economy is expected to narrow in 2021 and more or less close by the end of the forecast horizon. This forecast is more uncertain than usual, however.

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

MPC members discussed the monetary stance in view of economic developments and the fact that the Bank's real rate had fallen since the May meeting. They discussed whether the monetary stance was appropriate in view of the inflation outlook, as the Committee had lowered interest rates further in May, owing to the prospect of a sharp contraction in GDP and a surge in unemployment in 2020, coupled with low inflation over the forecast horizon.

The MPC discussed economic developments and prospects and, in this context, considered the Bank's new macroeconomic forecast, published in the August *Monetary Bulletin*. According to that forecast, the outlook is for a 7% contraction in GDP this year and roughly 10% unemployment by the year-end. Members noted that although the outlook for H2 was somewhat poorer than had been forecast in May, the contraction for the year as a whole was expected to be smaller than was projected then. This was due mainly to more robust private consumption in the spring and summer than had been forecast in May. It emerged at the meeting that, although the tourism industry had rebounded more strongly than expected during the summer, the outlook for the coming months was broadly unchanged since spring. The Committee emphasised, however, that uncertainty was unusually pronounced and that economic developments would depend on the path the pandemic took.

The Committee discussed developments in inflation, which measured 2.5% in Q2 but had risen to 3% in July. Members noted that the uptick in inflation was driven largely by the more than 12% depreciation of the króna since the pandemic reached Iceland. It also emerged that medium- and long-term inflation expectations were broadly unchanged, and the Committee considered it positive that expectations appeared to remain anchored to the Bank's inflation target, which would be important for near-term developments in inflation. It emerged at the meeting that, according to the Bank's forecast, inflation was expected to average about 3% over the remainder of 2020 but, because of the significant slack in the economy and low global inflation, it would taper off in 2021.

The MPC discussed recent intervention in the foreign exchange market in the context of the Bank's strategy, formulated just over a decade earlier and referred to as "inflation targeting-plus". An important part of that strategy is to mitigate short-term exchange rate volatility and counteract excessive fluctuations, including those that persist longer than a single day and could otherwise lead to overshooting and a correction later on. It emerged in the discussion that the real exchange rate of the króna was probably below its equilibrium level, at the same time as inflation was above the target.

All members were of the opinion that it was appropriate to keep the Bank's interest rates unchanged. The outlook was for the contraction in 2020 to be somewhat smaller than had been forecast in May, which was also reflected in higher inflation than had been expected then. It was pointed out that the impact of the measures adopted when the economic shock struck earlier in the year was still coming to the fore. The Committee discussed the transmission of lower interest rates to the terms enjoyed by households and businesses. Members agreed that rate cuts had been transmitted effectively to households and that the housing market had firmed up somewhat in recent months. The discussion touched on whether the increase in non-indexed variable-rate loans would cause households' debt service to exceed their debt service capacity when conditions changed and interest rates started to rise again. Furthermore, Committee members were still concerned that lower interest rates had not been transmitted effectively to companies, although indicators implied that corporate credit spreads may have peaked. It emerged in the discussion of financial institutions' and credit institutions' position that the weaker transmission of rate cuts to corporate borrowers stemmed partly from a repricing of risk and a significant increase in risk premia and uncertainty. It was also pointed out that there was limited demand for corporate loans at present.

The Committee discussed the execution of the Central Bank's quantitative easing programme, noting that it had gone smoothly thus far but was affected by the fact that the supply of Treasury bonds had not yet increased to any marked degree. It could be assumed that the supply would increase, although it remained to be seen how much and how quickly it would do so. Committee members agreed that the continuation of the quantitative easing programme would be based on those developments and on market yields.

In view of the discussion, the Governor proposed that the Bank's interest rates be held unchanged. The Bank's key rate (the seven-day term deposit rate) would be 1%, the current account rate 0.75%, the seven-day collateralised lending rate 1.75%, and the overnight lending rate 2.75%. All Committee members voted in favour of the proposal.

In the Committee's view, more firmly anchored inflation expectations provided monetary policy the scope to respond decisively to the deteriorating economic outlook. Members were also of the opinion that lower interest rates, together with actions taken by the Bank this spring, had supported domestic demand. They agreed that the impact of these measures had yet to emerge in full, however, and that the measures would continue to support the economy and facilitate a more rapid recovery than would otherwise occur.

The MPC reiterated at the meeting that it would continue to monitor economic developments and would use the tools at its disposal to support the domestic economy and ensure that the more accommodative monetary stance was transmitted normally to households and businesses.

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

The Chief Economist was in attendance 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 7 October 2020.



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

## Minutes of the Monetary Policy Committee meeting

October 2020 (98th meeting)

Published: 21 October 2020

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 5 and 6 October 2020, 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 7 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 26 August 2020.

#### **Financial markets**

Since the August meeting, the króna had appreciated by 0.2% in trade-weighted terms. Over this same period it rose by 1.1% against the pound sterling and fell by 0.3% against the US dollar but remained broadly flat against the euro. The Central Bank decided to begin regular sales of foreign currency in the domestic foreign exchange market on 14 September. Between meetings, the Bank sold foreign currency in the amount of 177 million euros (28.8 b.kr.), including 51 million euros sold under the regular sales programme. The Bank’s transactions accounted for 48% of total foreign exchange market turnover for the period.

In terms of the Central Bank’s real rate, the monetary stance had eased slightly since the MPC’s August meeting. In terms of the average of various measures of inflation and inflation expectations, the Bank’s real rate was -1.8%, or 0.1 percentage points lower than just after the

publication of the August interest rate decision. In terms of twelve-month inflation, it was -2.4% and had fallen by 0.5 percentage points between meetings.

Interest rates in the interbank market for krónur were virtually unchanged between meetings, and there was no turnover in the interbank market during that period. Yields on long-term nominal Treasury bonds had risen by 0.2 percentage points since the August meeting, and yields on long-term indexed Treasury bonds had risen by 0.3 percentage points. Average mortgage lending rates had held broadly unchanged between meetings, however.

In terms of three-month interbank rates, the interest rate differential was virtually unchanged between meetings, at 2.1 percentage points versus the euro area and 1.3 percentage points versus the US. The long-term interest rate spread versus Germany had widened by 0.4 percentage points, to 3.4 percentage points, and the spread versus the US had widened by 0.3 percentage points, to 2.1 percentage points. Measures of the risk premium on the Treasury's foreign obligations were more or less 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 0.7-0.8 percentage points.

Financial institutions' analysts had projected that the MPC would hold interest rates unchanged, citing the onset of the third wave of the COVID-19 pandemic in Iceland, with continued adverse effects on the economy, even though inflation had risen more than expected.

Annual growth in M3 has gained pace as the year has progressed, measuring 13½% in August, adjusted for the deposits of the failed financial institutions. Growth in credit system lending to domestic borrowers lost pace over the course of 2019, but annual growth has been relatively stable at around 4-5% thus far in 2020. Household lending grew by just over 7% year-on-year in August, while corporate lending grew by just under 1%.

The Nasdaq OMXI10 index had fallen by 1.3% between meetings. Turnover in the Main Market totalled 397 b.kr. in the first nine months of 2020, some 11% less than over the same period in 2019.

## **Global economy and external trade**

According to the Organisation for Economic Cooperation and Development's (OECD) September forecast, the global economy is set to shrink by 4.5% this year. This is 1.5-3.1 percentage points smaller than the contraction forecast in June, yet it remains the largest contraction in global output since World War II. The change from the June forecast is due mainly to an improved outlook for China and the US and to a smaller contraction in Europe. On the other hand, the GDP growth outlook has deteriorated in several emerging economies, and an even larger contraction is now forecast for India, Argentina, Mexico, and South Africa. The OECD forecasts a return to growth in 2021, with global GDP rising by 5%, broadly in line with its June forecast. Uncertainty about global economic developments remains pronounced, however, and depends on how persistent the COVID-19 pandemic proves to be. Global GDP growth could turn out as much as 3 percentage points less in 2021, according to the OECD, if the pandemic drags on or if public health measures must be tightened more than is assumed in the baseline forecast. However, it could turn out 2 percentage points stronger if more moderate public health measures suffice to keep the pandemic in check or if a vaccine or effective medical treatment is developed sooner than expected.

Iceland's goods account deficit totalled 58 b.kr. in the first eight months of 2020, at constant exchange rates. The deficit over the same period in 2018 was 98 b.kr., also at constant exchange rates. The smaller deficit now is due in particular to a large contraction in import values in 2020

to date, although aircraft exports in January 2019 also affected the comparison. Excluding ships and aircraft, the goods account showed a deficit of 51 b.kr. in the first eight months of 2020, as opposed to a 113 b.kr. deficit over the same period in 2019. The contraction in import values excluding ships and aircraft has eased recently, in line with expectations. In the past three months, import values have contracted by nearly 20% year-on-year, as opposed to 24% at the time of the MPC's last meeting. The main difference is a smaller contraction in imports of consumer goods and transport equipment. Export values excluding ships and aircraft contracted by 11% year-on-year in the first eight months of 2020, particularly for manufactured goods, although marine product export values fell by 10%.

The global price of aluminium had risen marginally since the August meeting but was broadly as it was in October 2019. Preliminary figures from Statistics Iceland indicate that foreign currency prices of marine products were up 0.7% year-on-year in the first eight months of 2020. Global Brent crude prices measured about 43 US dollars per barrel at the time of the October meeting, about 7% lower than at the August meeting. At the time of the October meeting, oil prices were down by just over a third year-to-date and about a fourth year-on-year.

The real exchange rate in terms of relative consumer prices was virtually unchanged month-on-month in September, when it was 3.1% below its 25-year average and 12.1% below its end-2019 level. In the first nine months of 2020, it was down by 7.4% compared with the same period in 2019, as the nominal exchange rate of the króna was 9.1% lower and inflation in Iceland was 1.7 percentage points above the trading partner average.

### **Domestic economy and inflation**

According to preliminary figures published by Statistics Iceland at the end of August, GDP contracted by 9.3% year-on-year in Q2. Domestic demand declined by 7.1%, driven by a contraction in all components except public consumption and changes in inventories. There were significant changes in external trade, with both imports and exports declining markedly. Exports contracted considerably more than imports, however, and the contribution of net trade to GDP growth was therefore negative by 2.2 percentage points. GDP contracted by 5.7% in H1/2020. Domestic demand contracted by 2.4%, while the contribution from net trade was negative by 3.3 percentage points.

The contraction in Q2 was 1.4 percentage points smaller than was forecast in the August *Monetary Bulletin*. Developments in net trade and its contribution to GDP growth were broadly in line with the forecast. Domestic demand was more resilient than had been assumed, contracting by 1.4 percentage points less than projected. In particular, private consumption and residential investment contracted less than was forecast. Figures from Statistics Iceland show that the contraction was  $\frac{1}{2}$  a percentage point smaller in H1 than was forecast in August. The main difference was in stronger private consumption, in addition to somewhat stronger-than-expected business investment, although this was due in large part to a revision in Q1.

The current account balance was positive by 7 b.kr. in Q2, as compared with a surplus of 16 b.kr. in Q2/2019. The subcomponents of the current account balance have changed markedly in the wake of the COVID-19 pandemic. The services account surplus shrank by 48 b.kr. between years, although it was partially offset by a smaller goods account deficit. In addition, the balance on primary and secondary income was more positive this year than in 2019. Developments in the balance on goods and services trade were in line with the Bank's August forecast, but the balance on primary income was considerably more favourable than expected, and the current account surplus was therefore somewhat larger than was forecast in August.



After a strong contraction in private consumption in Q2, key indicators imply that consumption picked up in Q3. This was particularly the case with domestic consumption, as overseas travel was negligible during the summer. Household demand had clearly shifted in particular towards consumer durables this summer, and spending on categories that suffered from public health measures and changes in household consumption patterns this spring, increased considerably. On the whole, however, household payment card turnover in July and August was lower than at the same time in 2019, but even though turnover within Iceland surged, it did not suffice to offset the steep contraction in households' overseas card use.

The Gallup Consumer Confidence Index measured 60.6 points in September, or 16.8 points higher than in August, but 38.6 points less than at the same time in 2019. Consumers' expectations six months ahead improved, while their assessment of the current situation deteriorated. The big-ticket index fell significantly in September, driven by a sharp contraction in consumers' overseas travel plans.

According to the fiscal budget proposal for 2021, the Treasury is expected to show a deficit of 8.6% of GDP. According to the Ministry of Finance and Economic Affairs' revision of the 2020 outcome in comparison with the National Budget for the year, the outcome has deteriorated by 9.1 percentage points of GDP. According to the Ministry's estimate for 2020 as a whole and Statistics Iceland figures for 2019, the fiscal outcome deteriorated by 8.1 percentage points of GDP between the two years. The Ministry also estimates that the unadjusted primary surplus will narrow by as much as 8.2 percentage points of GDP between 2019 and 2020.

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 about the same as in the summer survey, but considerably more negative than in the survey taken in autumn 2019. Executives' expectations six months ahead are much more negative than they were in the summer, however. About 85% of respondents considered the current situation poor, and just under 13% considered it neither good nor poor. Some 43% of executives are of the view that economic conditions will deteriorate in the next six months, and 31% expect conditions to be neither better nor worse. Just over a fourth of executives expect conditions to improve in the next six months – somewhat fewer than in the summer. Executives are also more pessimistic about both domestic and foreign demand than in the summer survey, particularly those in transport, transit, and tourism and those in wholesale and retail trade. Respondents have not been more pessimistic about foreign demand since measurements began.

The outlook for firms' performance has deteriorated markedly since the spring survey, and more than half of executives now expect their profits to be weaker this year than in 2019. Most executives responded that their margins had declined since the spring survey, and a similar share expected margins to continue falling over the next six months. The assessment was most negative in transport, transit, and tourism and in the construction and fishing sectors. Overall, executives in all sectors expect to invest less in 2020 than in 2019, and they were considerably more pessimistic than in the spring.

According to the seasonally adjusted results of the autumn survey, the balance of opinion on staffing plans (i.e., firms planning to recruit as compared with those planning redundancies) was negative by 24 percentage points. However, survey respondents were somewhat less pessimistic than in the summer survey, when the same balance of opinion was negative by 32 percentage points. The outlook is still for job losses in all sectors, although job numbers could fall proportionally the most in transport, transit, and tourism, where the balance of opinion was negative by 53 percentage points. Among firms in wholesale and retail trade and in the financial

and insurance sector, the balance of opinion was negative by about a third, whereas executives in the miscellaneous specialised services sector were less pessimistic, with the balance of opinion negative by 5 percentage points.

After adjusting for seasonality, 6% of executives considered themselves short-staffed, about the same as in the summer survey and close to the historical low. There was little or no reported shortage of workers in the construction, wholesale/retail trade, fishing, and financial/insurance sectors. Executives reporting staffing shortages were most likely to be in the industry and manufacturing sector, where 16% considered themselves understaffed, an increase of 8 percentage points between surveys. Just under one out of every 10 executives in miscellaneous specialised services and in transport, transit, and tourism reported being understaffed.

About 27% of executives reported that their firms would have difficulty responding to an unexpected increase in demand, after adjusting for seasonality. This percentage was broadly unchanged from the summer survey, and only 6 percentage points above the trough in the wake of the financial crisis. Proportionally, the largest share of construction company executives, or two out of five, reported that their firms would have difficulty responding to an unexpected uptick in demand, whereas fewer than one out of five in retail/wholesale trade and the financial/insurance sector were of the same opinion.

The wage index rose by 0.2% month-on-month in August and by 6.4% year-on-year. Real wages were 3.5% higher during the month than at the same time in 2019.

Statistics Iceland's nationwide house price index, published in late September, rose by 0.5% month-on-month when adjusted for seasonality, and by 7.8% year-on-year. The capital area house price index, calculated by Registers Iceland, rose by 0.9% month-on-month in August when adjusted for seasonality, and by 5.2% year-on-year. The number of purchase agreements registered nationwide rose by 5.1% year-on-year in the first eight months of 2020, while the number of contracts for new construction increased by 48.6% over the same period.

The consumer price index (CPI) rose by 0.39% month-on-month in September, raising twelve-month inflation to 3.5%. The CPI excluding the housing component had risen by 3.9% year-on-year in September. Underlying inflation measured 4.1% in September, in terms of the average of various measures, and therefore remains noticeably above observed inflation. This is partly because underlying inflation excludes the decline in petrol prices and the impact of lower real mortgage interest expense. The interest component of imputed rent has lowered inflation in the past year, causing twelve-month inflation to be lower by an estimated 0.8 percentage points.

The depreciation of the króna has significantly affected imported goods prices in recent months and still affected prices in September. The impact of seasonal sales reversed, and more besides, particularly because of a steep rise in furniture and electronic equipment prices. This was probably due as well to the impact of the recent surge in demand for these goods.

According to Gallup's autumn surveys, households' one- and two-year inflation expectations rose between surveys, with households expecting 4% inflation in one year and 3.2% inflation in two years. Their long-term inflation expectations were unchanged at 3%, however. Firms' short- and long-term inflation expectations were unchanged between surveys at 3%, however, and executives expect inflation to average 2.7% over the next five years. The five- and ten-year breakeven inflation rate in the bond market has risen slightly since the last MPC meeting, to 2.6-2.8% at the beginning of October.

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

Committee members discussed economic developments and prospects, the Bank's most recent *Financial Stability* report, financial institutions' position, and risks in the financial system. Representatives from the Ministry of Finance and Economic Affairs attended part of the meeting to introduce the fiscal budget proposal and fiscal plan to the Committee. The Committee also invited Ólafur Guðlaugsson, chair of the Disease Prevention Council, to the meeting to discuss the status of matters relating to the COVID-19 pandemic and the development of a vaccine.

The MPC discussed the monetary stance in view of economic developments and the fact that the Bank's real rate had fallen marginally since the August meeting. Members discussed whether the monetary stance was appropriate in view of the inflation outlook, as the Committee had decided in August to hold the Bank's interest rates unchanged. At that time, the outlook was for the contraction in 2020 to be slightly smaller than had been expected in May, and inflation had risen slightly between meetings, as the Committee had expected.

The Committee discussed preliminary national accounts figures, which showed that GDP growth was slightly stronger in H1/2020 than had been forecast in the August *Monetary Bulletin*. On the other hand, high-frequency indicators and surveys suggested that demand growth had eased in late summer. Members noted that because of increased spread of the coronavirus in the recent past, the economic outlook had deteriorated relative to the August forecast. It emerged at the meeting that the negative impact on demand of the third wave of the pandemic gave cause for concern. The Committee emphasised, however, that uncertainty was pronounced and that economic developments would depend to a considerable degree on the path the pandemic took.

The MPC discussed developments in inflation, which rose between quarters in Q3/2020, measuring 3.2%, somewhat above the August forecast. Members noted that the exchange rate pass-through from the depreciation of the króna continued to affect imported goods prices, but they agreed that, other things being equal, the considerable slack in the domestic economy would cause inflation to subside as the effects of the depreciation tapered off. It was pointed out that increased demand for certain goods could nevertheless cause price hikes in those goods categories. Members considered it positive that medium- and long-term inflation expectations were broadly unchanged and appeared to remain anchored to the Bank's inflation target.

The Committee discussed the foreign exchange market. As in August, members were of the view that the real exchange rate of the króna was probably below its equilibrium at present. As long as that was the case, it was important that the Central Bank should continue intervening in the market in order to mitigate the depreciation of the króna. In addition, the Bank's regular sales of foreign currency at the market opening had deepened the market and improved price formation. The MPC was of the opinion that these measures had played a role in keeping the króna broadly stable between meetings.

The Committee discussed the Bank's quantitative easing programme. Thus far, there had not been a need for large-scale bond purchases, as the supply of Treasury bonds had not yet increased significantly and both price formation and market functioning were normal. Members agreed that even though long-term bond market yields had eased upwards recently, decisive action was not warranted, for the present.

All members were of the opinion that it was appropriate to keep the Bank's interest rates unchanged. It emerged in the discussion that lower interest rates had supported domestic demand and that rate cuts had been transmitted successfully to households, as the housing

market had been relatively buoyant in recent months. Members also noted that it appeared as though the credit quality of new mortgages granted by the systemically important banks had improved in the recent past, as loan-to-disposable income ratios and loan-to-value ratios on new loans had fallen. That being the case, most new borrowers should generally be able to shoulder a heavier debt service burden if interest rates should rise. It also emerged at the meeting that issuance of new corporate loans was at a low ebb, as demand was weak. It was normal that investment should decline in the wake of a shock of the magnitude of the current one, and when uncertainty was at such a high level. The Committee considered it positive, however, that it seemed as though credit spreads on new corporate loans had peaked and had started to decline.

In view of the discussion, the Governor proposed that the Bank's interest rates be held unchanged. The Bank's key rate (the seven-day term deposit rate) would be 1%, the current account rate 0.75%, the seven-day collateralised lending rate 1.75%, and the overnight lending rate 2.75%. All Committee members voted in favour of the proposal.

In the Committee's view, more firmly anchored inflation expectations provided monetary policy the scope to respond decisively to the deteriorating economic outlook. Members were also of the opinion that lower interest rates, together with actions taken by the Bank this spring, had supported domestic demand. They agreed that the impact of these measures had yet to emerge in full and that the measures would continue to support the economy and facilitate a more rapid recovery than would otherwise occur.

The MPC reiterated at the meeting that it would continue to monitor economic developments and would use the tools at its disposal to support the domestic economy and ensure that the more accommodative monetary stance was transmitted normally to households and businesses.

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

The Chief Economist was in attendance 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 18 November 2020.



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

## Minutes of the Monetary Policy Committee meeting

November 2020 (99th meeting)

Published: 2 December 2020

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 16 and 17 November 2020, 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 18 November. In addition, the Committee’s updated rules of procedure were approved at the meeting.

### **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 7 October 2020, as published in the new forecast and analysis of uncertainties in *Monetary Bulletin 2020/4* on 18 November.

#### **Financial markets**

Since the October meeting, the króna had depreciated by 0.8% in trade-weighted terms. Over this same period it fell by 0.8% against the pound sterling but rose by 0.8% against the euro and 1.5% against the US dollar. Between meetings, the Bank sold foreign currency in the amount of 275 million euros (45.1 b.kr.), including 90 million euros sold under the regular sales programme. The Bank’s transactions accounted for 61% of total foreign exchange market turnover for the period.

In terms of the Central Bank’s real rate, the monetary stance had eased slightly since the MPC’s October meeting. In terms of the average of various measures of inflation and inflation

expectations, the Bank's real rate was -2.1%, or 0.2 percentage points lower than just after the announcement of the October interest rate decision. In terms of twelve-month inflation, it was -2.5% and had fallen by 0.1 percentage points between meetings.

Interest rates in the interbank market for krónur were virtually unchanged between meetings, and there was no turnover in the interbank market during that period. Yields on long-term nominal Treasury bonds had risen by 0.2 percentage points since the October meeting, and yields on long-term indexed Treasury bonds had risen by 0.3 percentage points. Average mortgage lending rates had held broadly unchanged between meetings, however.

In terms of three-month interbank rates, the interest rate differential was virtually unchanged between meetings, at 2 percentage points versus the euro area and 1.3 percentage points versus the US. The long-term interest rate spread versus Germany had widened by 0.2 percentage points, to 3.6 percentage points, while the spread versus the US was unchanged at 2.2 percentage points. Measures of the risk premium on the Treasury's foreign obligations were more or less 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 0.7-0.8 percentage points.

Financial institutions' analysts had projected that the MPC would hold interest rates unchanged, noting that even though inflation had risen above the target, it was expected to ease over the course of 2021, all else being equal. Furthermore, analysts stressed the necessity of continuing to ensure that lower interest rates would be transmitted to households and businesses, but they considered it more effective to do so through Central Bank bond purchases than through further interest rate cuts.

According to the Central Bank's quarterly market expectations survey, conducted in early November, respondents expected the Central Bank's key interest rate to remain unchanged at 1% in Q4/2020 and until the end of 2021, and then begin to rise. This represents a change from the survey taken in August, when respondents expected that the key rate would be lowered by 0.25 percentage points in Q4 and remain unchanged at 0.75% until Q3/2021. A majority of respondents considered the monetary stance appropriate at present, or 58%, as compared with 49% in the last survey. The share of respondents who considered the stance too loose declined. The share who considered the monetary stance too tight was about the same as in the last survey, at just under one-third.

Annual growth in M3 has gained pace as the year has progressed, measuring 15.2% in September, adjusted for the deposits of the failed financial institutions. Growth in credit system lending to domestic borrowers lost pace over the course of 2019, but annual growth has been relatively stable at around 4-5% thus far in 2020. Household lending grew by 7.5% year-on-year in September, while corporate lending grew by 1%.

The Nasdaq OMXI10 index had risen by 15.6% between meetings. Turnover in the Main Market totalled 460 b.kr. in the first ten months of 2020, some 7% less than over the same period in 2019.

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

According to the International Monetary Fund's (IMF) mid-October forecast, global GDP growth is projected to contract by 4.4% this year, or 0.8 percentage points less than was forecast in June. The revision is due to an improved outlook for advanced economies, which in turn is due primarily to a smaller Q2 contraction in the US and the eurozone than had previously been

expected. GDP growth in China has also rebounded more quickly than expected, although the outlook is poorer for other emerging market economies, India in particular, and a slightly larger contraction is now forecast for emerging and developing economies as a whole. For 2021, global GDP growth is projected at 5.2%, or 0.2 percentage points less than was forecast in June. Global economic uncertainty therefore remains significant, however, and developments will depend on how successful efforts to control the COVID-19 pandemic prove to be. Global GDP growth could turn out nearly 3 percentage points weaker in 2021, according to the IMF, if the pandemic proves more persistent than is assumed in the baseline forecast. On the other hand, it could be ½ a percentage point stronger if efforts to control the pandemic are more successful.

Iceland's goods account deficit totalled 66 b.kr. in the first ten months of 2020, at constant exchange rates. The deficit over the same period in 2019 was 113 b.kr., also at constant exchange rates. The smaller deficit now is due in particular to a large contraction in import values in 2020 to date, although aircraft exports in January 2019 also affected the comparison. Excluding ships and aircraft, the goods account showed a deficit of 58 b.kr. in the first ten months of 2020, as opposed to a 124 b.kr. deficit over the same period in 2019. Import values excluding ships and aircraft have contracted by nearly 15% year-on-year in the past three months, as opposed to a contraction of 20% by the same measure at the time of the MPC's last meeting. The main difference is a weaker contraction in imports of commodities and operational inputs, as well as fuels and transport equipment. Export values excluding ships and aircraft contracted by 12% year-on-year in the first ten months of 2020, particularly to include manufactured goods, although marine product export values fell by 10% at constant exchange rates.

Global aluminium prices had risen by nearly 13% since the MPC's October meeting and were roughly 13% higher than in mid-November 2019. Preliminary figures from Statistics Iceland indicate that foreign currency prices of marine products were up 0.9% year-on-year in the first nine months of 2020. Global Brent crude prices measured about 44 US dollars per barrel at the time of the November meeting, nearly 3% higher than at the October meeting. However, oil prices were still about one-third lower at the time of the November meeting than in mid-November 2019 and at year-end 2019.

The real exchange rate in terms of relative consumer prices fell by 0.4% month-on-month in October, when it was 3.7% below its 25-year average and 12.7% below its end-2019 level. In the first ten months of 2020, it was down by 7.8% compared with the same period in 2019, as the nominal exchange rate of the króna was 9.6% lower and inflation in Iceland was 1.8 percentage points above the trading partner average.

### **Domestic economy and inflation**

According to the Statistics Iceland labour force survey (LFS), total hours worked declined by 3.7% year-on-year in Q3/2020, with the number of employed falling by 1.3% and average hours worked by 2.4%. The survey indicates that total hours rose considerably between Q2 and Q3, after a steep decline between Q1 and Q2. According to the pay-as-you-earn (PAYE) register, job numbers also rose during the summer, but much less than LFS figures suggest. For example, the number of wage-earners was still 5.7% lower in Q3/2020 than in the same quarter of 2019. Both the LFS and data from the PAYE register indicate that job numbers declined again in September, when economic activity started to slide once more.

Seasonally adjusted LFS measurements indicate that labour participation rose markedly and that the employment rate rose as well in Q3, after a steep drop in Q2. At the same time, the

survey-based unemployment rate rose by 0.7 percentage points, to 5.8%. The seasonally adjusted registered unemployment rate excluding workers receiving part-time unemployment benefits has risen much more, however. In October, it measured 10.1%, its highest since measurements were introduced in 1957.

Year-on-year population growth measured 1.4% in Q3, including 0.7 percentage points due to immigration of foreign nationals. Although growth in the foreign labour force has slowed in the past two years, it has slowed even more sharply since the pandemic struck. However, net migration was positive in Q3, whereas it was negative in the quarter beforehand.

The general wage index rose by 0.5% between quarters in Q3, and by 6.5% year-on-year. Real wages were 4.1% higher in Q3 than in the same quarter of 2019.

After a rebound during the summer, indicators of private consumption began to suggest in late Q3 and early Q4 that the rebound was losing pace, in tandem with rising infection rates and tightened public health measures. Payment card turnover was down 12% year-on-year in October: card use within Iceland was virtually unchanged, while turnover abroad declined by more than half. Information from the Icelandic Centre for Retail Studies shows that, as was the case during the first wave of the pandemic this spring, consumer spending varied across categories in October. Sales of goods and services susceptible to public health measures declined markedly, while sales of household staples and various consumer durables increased. Daily data on payment card turnover within Iceland indicate that household demand weakened still further in the first week of November.

The Gallup Consumer Confidence Index measured 47.2 points in October, a decline of 13.4 points between months and about 39.7 points between years. All subcomponents of the index fell between months, with the assessment of the labour market declining the most.

Statistics Iceland's nationwide house price index, published in late October, rose by 0.8% month-on-month when adjusted for seasonality, and by 7.3% year-on-year. The capital area house price index, calculated by Registers Iceland, rose by 0.8% month-on-month in September when adjusted for seasonality, and by 5.6% year-on-year. The number of purchase agreements registered nationwide rose by 9.9% year-on-year in the first nine months of 2020, while the number of contracts for new construction increased by 47% over the same period.

The consumer price index (CPI) rose by 0.43% month-on-month in October, raising twelve-month inflation to 3.6%. The CPI excluding the housing component had risen by 4.1% year-on-year in October. Underlying inflation also measured 4.1% in October, in terms of the average of various measures. This is partly because underlying inflation excludes the decline in petrol prices and the impact of lower real mortgage interest expense. The interest component of imputed rent has lowered inflation in the past year, causing twelve-month inflation to be lower by an estimated 0.8 percentage points. Imported goods prices still show the effects of the depreciation of the króna, with food and beverage prices rising by 1% month-on-month in October. In addition, the cost of owner-occupied housing was up 2.2% between years.

According to the market expectations survey, market agents expect inflation to average 3.7% in Q4/2020 and just under 3.8% in Q1/2021. This is higher than in the August survey. Expectations one, two, five, and ten years ahead were unchanged since the last survey, however, at 2.5%. The five- and ten-year breakeven inflation rate in the bond market has averaged 2.6-2.7% in Q4 to date and is therefore close to the target as well, albeit somewhat higher than it was a year ago.



According to the forecast published in *Monetary Bulletin* on 18 November 2020, the outlook is for inflation to average 3.7% until early 2021, and then, once the effects of the depreciation of the króna disappear from measurements, it is expected to begin to ease relatively quickly, owing to the sizeable slack that has developed in the economy. This is above the August forecast, owing mainly to stronger imported inflationary pressures.

The króna is slightly weaker now than was assumed in the Bank's August forecast. The baseline forecast assumes that the trade-weighted exchange rate index (TWI) will remain close to 212 points, on average, over the next two years, and that the króna will appreciate slightly towards the end of the forecast horizon. The real exchange rate will therefore fall even further this year but then rise gradually from 2022 onwards. By the end of the forecast horizon, it will still be nearly 17% below its 2017 peak.

The COVID-19 pandemic profoundly affected the global economy in H1/2020. GDP in Iceland's main trading partner countries contracted by more than 12% year-on-year in Q2, the largest single-quarter contraction on record. As the summer passed, the pandemic appeared to be receding, but it has surged in recent months, forcing a re-tightening of public health measures virtually all over the world. Thus the outlook is for a renewed contraction in trading partners' GDP in Q4, followed by a weaker recovery in H1/2021 than was forecast in the August *Monetary Bulletin*. The 2020 contraction is projected at just under 6%, and the growth rate in 2021 is forecast at 4.6%.

In Iceland, GDP contracted by 5.7% year-on-year in H1/2020 but is expected to hold virtually unchanged in H2. As a result, the outlook is for an 8.5% contraction in 2020 as a whole, somewhat more than was forecast in August but broadly in line with the forecast from May. The outlook for 2021 has worsened as well, as the forecast assumes that bringing the pandemic under control will take longer than was projected in the last forecast. Fewer tourists are expected to visit Iceland; therefore, exports will take longer to recover and will grow more slowly. As a consequence, GDP growth will measure only 2.3% in 2021, as compared with the August forecast of 3.4%.

The current account surplus measured 1.7% of GDP in H1, reflecting a deficit on goods and services trade versus a surplus on the primary income balance. The trade balance is expected to return to positive territory in H2, resulting in a surplus of nearly 1% of GDP for 2020 as a whole. This is a slightly smaller surplus than was forecast in August, owing to the bleaker outlook for export growth and the prospect of less favourable terms of trade. Pulling in the other direction is the larger surplus on primary income in H1, which stems in part from record returns on foreign direct investment. The current account surplus for 2020 will therefore be well in line with the August forecast, at about 2½% of GDP. The surplus is projected to widen slightly in 2021, although it will be smaller than previously projected, or 3% of GDP instead of nearly 4%, as was forecast in August. This is due primarily to the prospect of more sluggish growth in tourism in 2021 and a weaker improvement in terms of trade.

The baseline forecast assumes that unemployment will rise somewhat in Q4 and will average 6% this year, according to the Statistics Iceland labour force survey. It will not peak, however, until H1/2021, when seasonally adjusted unemployment is projected to overtake the post-crisis peak. It will then start to fall in H2 and continue declining throughout the forecast horizon. Growth in potential output is expected to slow markedly in the first half of the period, but demand is projected to contract more, and a sizeable slack is set to develop in the economy.

The slack is estimated to measure about 6% of potential output this year. It will gradually narrow from early 2021 onwards but is not expected to close until H2/2022.

According to the baseline forecast, GDP will not return to its 2019 level until 2023, but nevertheless, it will remain nearly 6% below the pre-pandemic forecast from February 2020. This is highly uncertain, however, and it is possible that the baseline forecast is too optimistic. As is discussed in the alternative scenarios in Box 1 of *Monetary Bulletin*, the economic recovery will be weaker if it proves more difficult to control the pandemic. The same is true if households are slower to tap the savings they have built up during the pandemic. GDP could therefore contract even further in 2021. By the same token, GDP growth could pick up more strongly than is assumed in the baseline forecast if efforts to control the pandemic bear fruit and households spend more of their savings.

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

The MPC discussed the monetary stance in view of economic developments and the marginal decline in the Bank's real rate since the October meeting. Members discussed whether the monetary stance was appropriate in view of the inflation outlook, as the Committee had decided in October to hold the Bank's interest rates unchanged. Furthermore, the economic outlook had deteriorated because of increased spread of COVID-19. On the other hand, inflation had risen between Q2 and Q3 and was above the Bank's August forecast.

Committee members noted that the autumn surge in COVID-19 cases and the tightened public health measures had weakened the economic rebound that had begun in Q3, following a historically large contraction in Q2. In the MPC's view, the economic outlook had therefore deteriorated, and according to the forecast in the November *Monetary Bulletin*, GDP was set to contract by 8.5% this year, a full 1 percentage point more than was forecast in August. GDP growth was projected to be weaker in 2021 as well. The Committee emphasised that the economic outlook was highly uncertain and that economic developments would depend to a considerable degree on the path the pandemic took.

The MPC discussed the foreign exchange market, noting that the króna had been relatively stable in the recent term, although it had depreciated after the pandemic reached Iceland. Inflation had risen since the spring, measuring 3.6% in October. However, Committee members considered it important that medium- and long-term inflation expectations were broadly unchanged. It emerged at the meeting that, according to the Bank's forecast, the outlook was for inflation to average about 3.7% until early 2021 and then begin to ease, owing to the sizeable slack in the economy. In the MPC's opinion, because of the slack in the economy, it was most likely that inflation would ease back to the target if the króna remained relatively stable. It was pointed out that, given the current situation and outlook, there were few factors that could increase inflationary pressures to any marked degree. On the other hand, it was noted that if the recovery proved relatively swift once a vaccine was widely available, inflationary pressures could develop because of pent-up demand if households were quick to tap into the savings they had accumulated during the pandemic.

The MPC discussed whether to lower interest rates further or to hold them unchanged. The main arguments in favour of lowering interest rates were the economic outlook, which had deteriorated markedly in the recent term, and the expectations that it would take longer than previously projected for the recovery to begin. It emerged at the meeting that it was appropriate to support domestic demand even more strongly, as the outlook was for unemployment to rise higher and persist longer than had previously been assumed. Members

noted that the exchange rate of the króna was close to the level seen in May, and that the outlook was for the pressure on the exchange rate to ease in the coming term, in part because of positive news about the development of a COVID-19 vaccine and reduced capital outflows from Iceland. Furthermore, the Bank's intervention in the foreign exchange market had been effective and had tamped down on expectations of a further depreciation. Positive news about the development of a vaccine should also ease uncertainties and stimulate companies' appetite for investment. Long-term inflation expectations were still at or near the target, enabling the Bank to lower interest rates further. It was pointed out that if asset prices should rise excessively or debt levels should surge because of lower interest rates, the Central Bank could apply other policy instruments to counter the trend.

The main argument in favour of unchanged interest rates was that inflation was above the target and had risen more than had been assumed in the Bank's last forecast. There was some risk that a further interest rate cut could deanchor inflation expectations and undermine the credibility of monetary policy. A smaller interest rate differential could also put greater pressure on the exchange rate. It was also noted that a rate cut could stimulate the segment of the economy where there was little or no slack in output and could push house prices higher.

The Committee discussed the Bank's quantitative easing programme. It emerged at the meeting that it had not been considered advisable for the Bank to enter the bond market decisively while it was intervening in the foreign exchange market, partly due to outflows relating to non-residents' Treasury bond sales. In some respects, the conditions for quantitative easing were different in Iceland than in countries where inflation was low and inflation expectations had fallen steeply, in addition to being below the respective central banks' inflation targets. In Iceland, inflation had risen and was above target, yet the anchor to the target appeared not to have weakened in the same way. Moreover, interest rates in those economies were down to zero or even negative, while rates in Iceland were still positive. The Committee discussed monetary policy transmission, and it was noted that household lending rates had begun to rise in some cases, while credit spreads on corporate loans had fallen recently. Committee members agreed that conditions were now more favourable for the Bank to enter the Treasury bond market more decisively, as the foreign exchange market had grown more stable, although the MPC would continue to monitor market yields and the pace of the increase in the Treasury bond supply. These matters would always be assessed based on conditions, however.

In view of the discussion, the Governor proposed that the Bank's interest rates be lowered by 0.25 percentage points. The Bank's key rate (the seven-day term deposit rate) would be 0.75%, the current account rate 0.5%, the seven-day collateralised lending rate 1.5%, and the overnight lending rate 2.5%. All Committee members voted in favour of the proposal.

Committee members were of the view that although inflation had risen temporarily and appeared set to be higher than was assumed in August, more firmly anchored inflation expectations provided the MPC the scope to respond decisively to the deteriorating economic outlook. They were also of the opinion that interest rate reductions and other measures taken by the Central Bank in the past few months had supported domestic demand and mitigated the adverse impact of the economic shock.

The MPC stressed that it would continue to use the tools at its disposal, including Treasury bond purchases by the Central Bank, to support the domestic economy and ensure that the more accommodative monetary stance was transmitted normally to households and businesses.

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

The Chief Economist was in attendance 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 3 February 2021.

## Special temporary collateralised lending framework for COVID support loans

As is mentioned in the Central Bank press release of 24 June 2020, the Bank will offer commercial banks and savings banks special collateralised loans bearing a 100% Treasury guarantee, in connection with COVID-related support loans. The collateralised loans will be offered beginning on 2 September 2020. Until another decision is forthcoming, these special collateralised loans will be offered by auction once a month, on the first Wednesday of each month.

The loans will be granted at the Central Bank's key interest rate, currently 1%, against collateral deemed eligible for Central Bank facilities at any given time. In accordance with the above, the Bank will temporarily update its list of securities eligible as collateral and will make temporary amendments to the Rules on Central Bank of Iceland Facilities for Financial Undertakings, no. 1200/2019.

Press release no. 27/2020  
28 August 2020

## Efnahagshorfur á tímum heimsfaraldurs



Kynning fyrir Samkeppniseftirlitið  
3. september 2020

Rannveig Sigurðardóttir  
varaseðlabankastjóri peningastefnu



## Efnahagshorfur

## Peningamál í hnotskurn



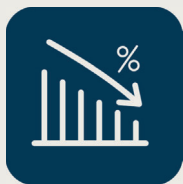
COVID-19 veldur usla í heimsbúskapnum



Gríðarlegt högg fyrir fluggeirann og ferðaþjónustu hér á landi



Eftir mikinn samdrátt í vor jókst einkaneyslan töluvert í sumar



Horfur á minni efnahags-samdrætti í ár en spáð var í maí



Mikil fækkun starfa og atvinnuleysi í sögulegar hæðir

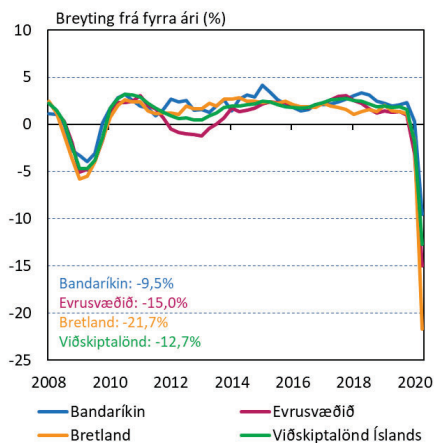


Verðbólga hefur heldur aukist og verður meiri en spáð var í maí

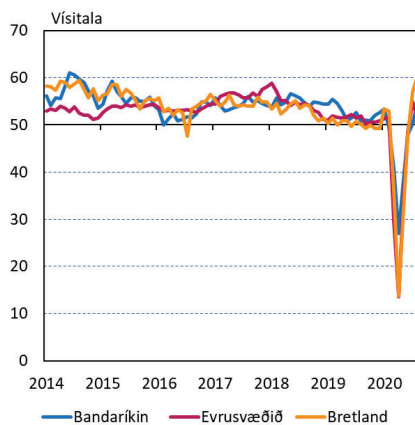
## Sögulegur samdráttur á Q2 en viðsnúningur á Q3

- COVID-19 og aðgerðir til að hemja útbreiðslu faraldursins hafa valdið gríðarlegum usla í heimsbúskapnum: VLF í helstu viðskiptalöndum dróst saman um 1,9% á Q1 og útlit er fyrir 12,7% samdrátt á Q2 – sá mesti sem mælst hefur frá seinna stríði
- Framleiðsluvísitölur hafa hins vegar hækkað töluvert frá því í maí og iðnframleiðsla og smásala aukist nokkuð

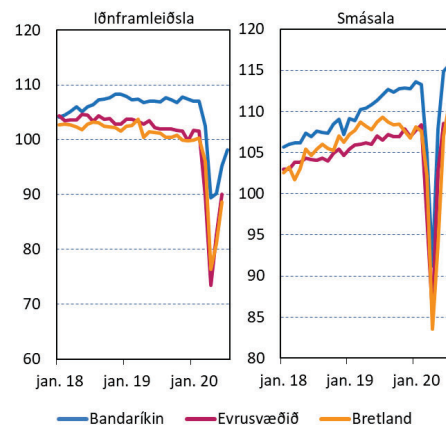
Alþjóðlegur hagvöxtur<sup>1</sup>  
1. ársfj. 2008 - 2. ársfj. 2020



PMI-vísitala fyrir framleiðslu og þjónustu<sup>2</sup>  
Janúar 2014 - ágúst 2020



Iðnframleiðsla og smásala<sup>3</sup>  
Janúar 2018 - júlí 2020

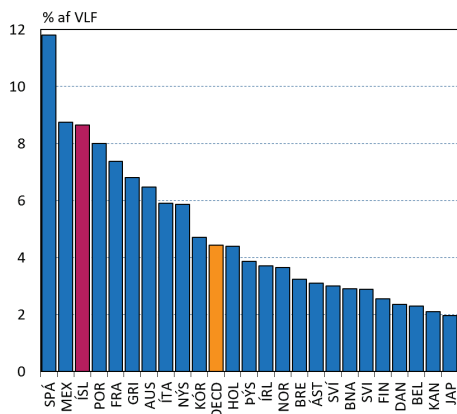


1. Grunnspá Seðlabankans 2. ársfj. 2020 fyrir helstu viðskiptalönd. 2. PMI-vísitala Markit fyrir framleiðslu og þjónustu (Composite Output Purchasing Managers' Index). Vísitalan er birt mánaðarlega og er árstíðarleiðrétt. Þegar gildi vísitölnnar er yfir 50 táknar það vöxt milli mánaða en ef hún er undir 50 táknar það samdrátt. 3. Mánaðarlegar árstíðarleiðréttar magnvísitölur (2016 = 100).  
Heimildir: Refinitiv Datastream, Seðlabanki Íslands.

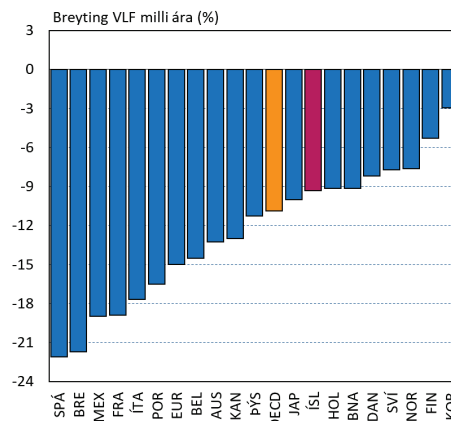
# Samsetning þjóðarbúskapar skiptir máli

- Sóttvarnaraðgerðir sem takmarka ferðir og nán samskipti fólks bitna á ferðabjónustu
- Samdráttur á Q2 yfirleitt meiri í þeim löndum þar sem ferðabjónusta vegur þungt í VLF
- Minni samdráttur hér en í þeim löndum þar sem vægi ferðabjónustu í VLF er mikið

Vægi ferðabjónustu í VLF í ýmsum OECD-ríkjum<sup>1</sup>



Alþjóðlegur hagvöxtur á 2. ársfj. 2020



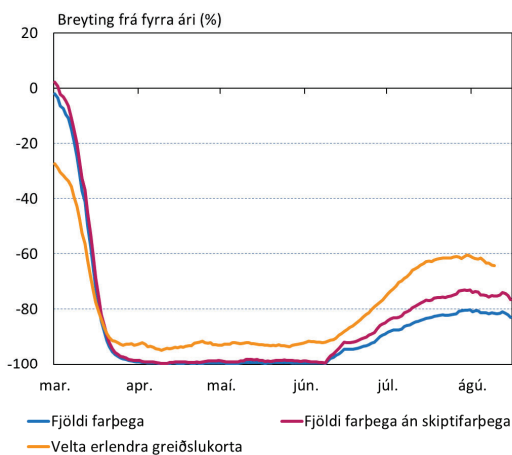
1. Vægi ferðabjónustu í VLF árið 2018 eða nýjasta ár með tiltækum gögnum. Löndin eru Spánn (SPÁ), Mexíkó (MEX), Ísland (ÍSL), Portúgal (POR), Frakkland (FRA), Grikkland (GRI), Austurríki (AUS), Ítalía (ITA), Nýja-Sjáland (NÝS), Suður-Kórea (KÓR), Holland (HOL), Þýskaland (PÝS), Írland (IRL), Noregur (NOR), Bretland (BRE), Ástralía (AST), Svíþjóð (SVI), Bandaríkin (BNA), Sviss (SVI), Finnland (FIN), Danmörk (DAN), Belgía (BEL), Kanada (KAN) og Japan (JAP). Heimildir: Hagstofa Íslands, OECD.

# Horfur á minni samdrætti útflutnings en spáð í maí

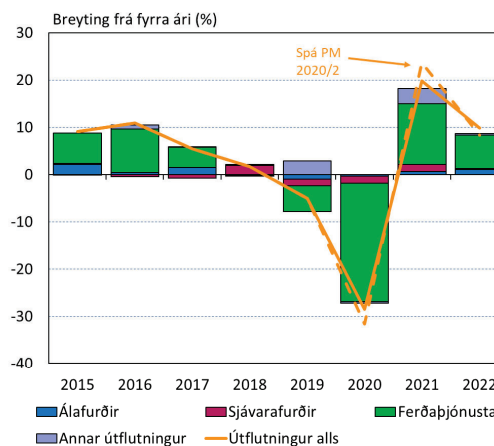
- Algert hrun varð í komum ferðamanna til landsins: daglegur fjöldi ferðamanna til landsins nú um 20% af því sem hann var í fyrra
- Batinn í júlí og ágúst meiri en spáð var og þrátt fyrir bakslag er spáð heldur minni fækkun farþega í ár en í maí: 76% í stað 81%
- Einnig minni samdráttur í útflutningi sjávarafurða og því útlit fyrir minni samdrátt útflutnings en spáð í maí

Ferðamenn og útgjöld<sup>1</sup>

7. mars - 21. ágúst 2020



Útflutningur og framlag undirliða 2015-2022<sup>2</sup>



1. Fjöldi farþega sem fór daglega um Keflavíkurflugvöll. Tölur fyrir árið 2019 eru án farþega WOW Air. Greiðslukortatölur eru samtala debet- og kreditkorta útgæfin af erlendum aðilum. 7 daga hreyfanlegt meðaltal. 2. Vegna keðjutengingar getur verið að samtala undirliðanna sé ekki jöfn útflutningi alls. Álútflutningur skv. skilgreiningu þjóðhagsreikninga. Ferðabjónusta er samtala á „ferðalögum“ og „farþegaflutningum með flugi“. Grunnspá Seðlabankans 2020-2022. Brotalína sýnir spá frá PM 2020/2.

Heimildir: Hagstofa Íslands, Isavia, Seðlabanki Íslands.

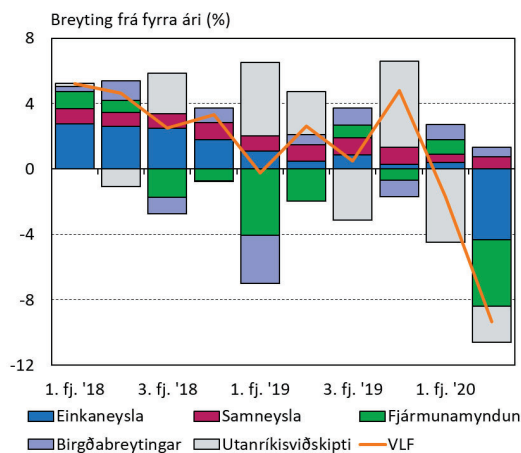


# VLF dróst saman um 5,7% á fyrri helmingi ársins

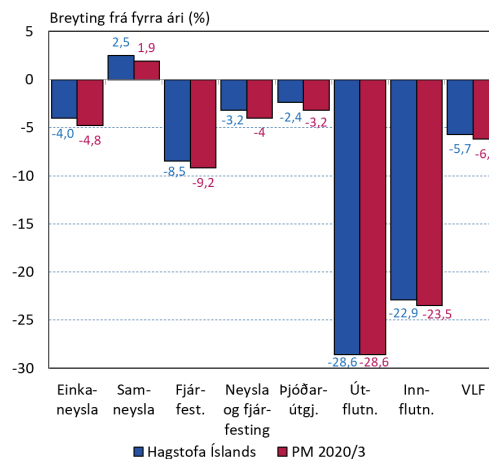
- Þjóðarútgjöld drógust saman um 2,4% og til viðbótar bættist við 3,3 prósentna neikvætt framlag utanríkisviðskipta
- Svipaður samdráttur og spáð var í PM 2020/3: bæði einkaneysla og fjárfesting reyndist lítillega sterkari

## Hagvöxtur og framlag undirliða<sup>1</sup>

1. ársfj. 2018 - 2. ársfj. 2020



## Þjóðhagsreikningar fyrir hluta 2020

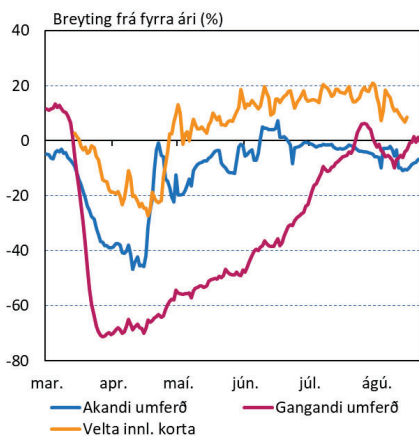


1. Vegna keðjutengingar getur verið að samtala undirliðanna sé ekki jöfn hagvextinum.  
Heimildir: Hagstofa Íslands, Seðlabanki Íslands.

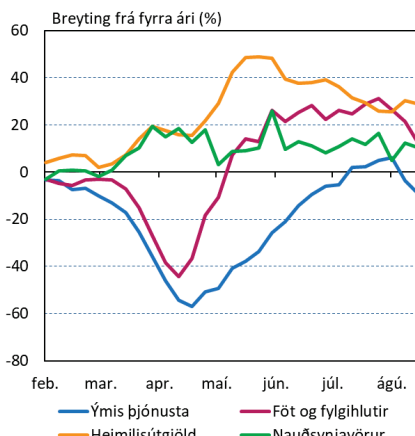
# Vísbendingar um viðspyrnu einkaneyslu í sumar

- Farsóttin og sóttvarnaraðgerðir höfðu veruleg áhrif á efnahagsumsvif í mars og apríl: akandi og gangandi umferð dróst verulega saman og útgjöld heimila minnkuðu mikið: kortagögn benda til að samdrátturinn hafi mestur verið um 23% um miðjan apríl ... en að viðsnúningur hafi orðið í maí og júní – þótt kraftur batans sé mismikill eftir útgjaldaflokkum

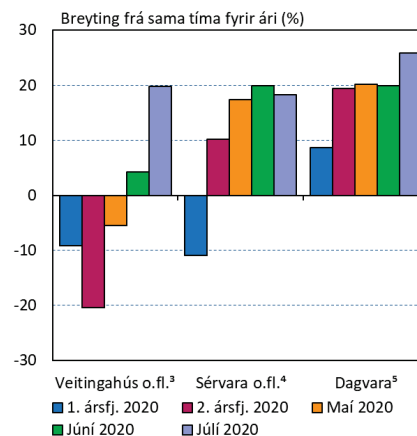
Umferð og kortavelta<sup>1</sup>  
1. mars - 21. ágúst 2020



Útgjöld heimila eftir útgjaldaflokkum<sup>2</sup>  
1. febrúar - 21. ágúst 2020



Greiðslukortavelta eftir helstu útgjaldaflokkum

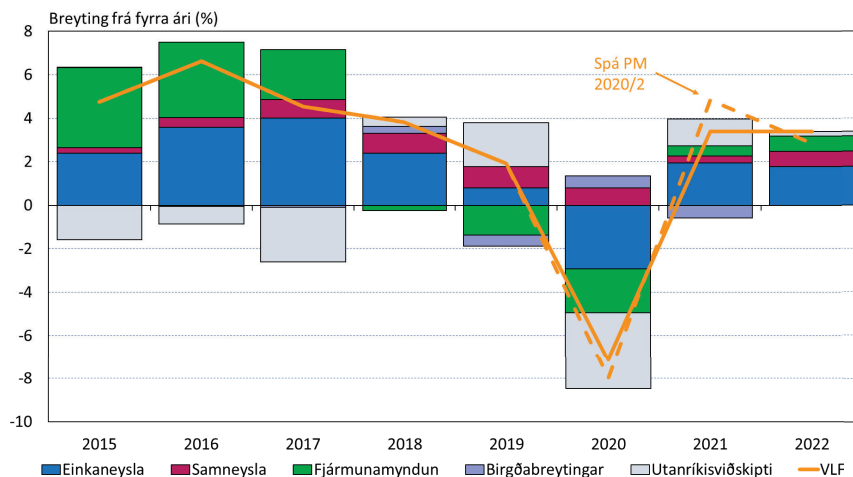


1. Akandi umferð er umferð um Hafnarfjarðarveg sunnan Kópavogslækjar, Reykjanesbraut við Dalveg í Kópavogi og Vesturlandsveg ofan Ártúnsbrekku. Gangandi umferð samkvæmt Apple Mobility Trends. Greiðslukortatölur eru samtala debet- og kreditkorta útgefin af innlendum aðilum. Gangandi umferð breyting frá 13. jan. 2020 en hinar raðinnar breyting frá fyrra ári (umferðargögn 7 daga hreyfanlegt meðaltal en greiðslukortagögn 14 daga hreyfanlegt meðaltal). 2. Ýmis þjónusta á við veitingastaði, leikhús, líkamsræktarstöðvar o.fl. Heimilisútgjöld eiga við kaup á raftækjum, húsgögnum og í byggingavöruslunum (28 daga hreyfanlegt meðaltal). 3. Veitingahús, gisting, flutningar, pakkaferðir, tollfrjáls verslun, menning og afþreying, snyrting og ýmis persónuleg þjónusta. 4. Raf- og heimilistæki, húsbúnaður, fatnaður, önnur sérvara og ýmis sérhæfð þjónusta. 5. Dagvöruslun og stórmarkaðir.  
Heimildir: Apple Mobility Trends, Hagstofa Íslands, Markaðsvakt Meniga, Rannsóknarsetur verslunarinnar, Vegagerðin, Seðlabanki Íslands.

# Verulegur samdráttur í ár en þó minni en spáð í maí

- Þótt horfur fyrir seinni hluta ársins séu heldur lakari en í maí er talið að samdrátturinn í ár verði 7,1% í stað 8% í maíspánni
- Hagvöxtur á næstu tveimur árum verði um 3½% á ári
- Landsframleiðslan nær ekki því stigi sem hún var á í lok síðasta árs fyrir en í lok spátímans

Hagvöxtur og framlag undirliða 2015-2022<sup>1</sup>



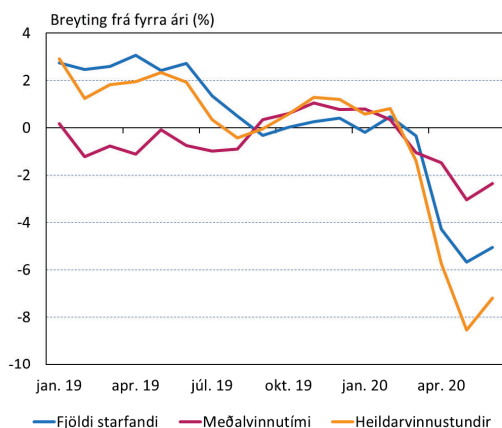
1. Grunnspá Seðlabankans 2020-2022. Brotalína sýnir spá frá PM 2020/2.  
Heimildir: Hagstofa Íslands, Seðlabanki Íslands.

# Faraldurinn hefur mikil áhrif á vinnumarkaðinn ...

- Samkvæmt VMK fækkaði störfum um 5,1% á Q2 og vinnutími styttest um 2,3% – 7,2% fækkun heildarvinnustunda sú mesta frá Q3/2009 ... en nokkru minni fækkun en spáð í PM 2020/2 (en VMK gæti vanmetið fækkun starfa og styttingu vinnutíma)
- Atvinnuþátttaka minnkaði einnig verulega og er í sögulegu lágmarki – fólki utan vinnumarkaðar hefur því fjölgað mikið

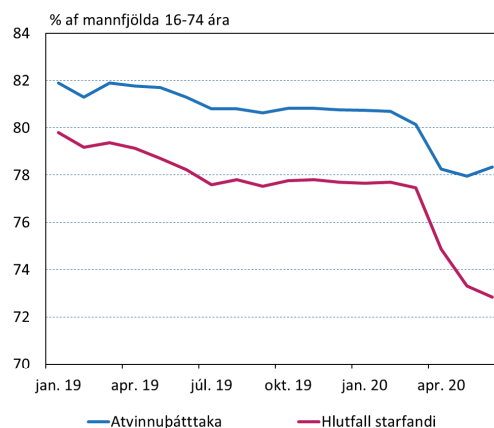
Atvinna og vinnutími<sup>1</sup>

Janúar 2019 - júní 2020



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

Janúar 2019 - júní 2020

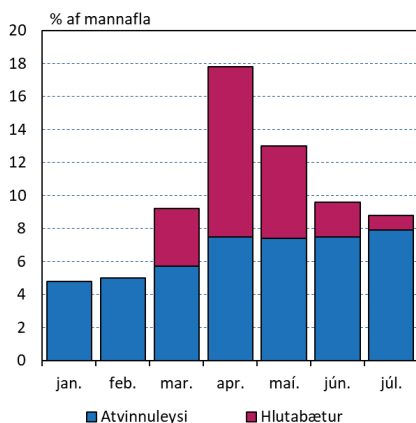


1. Þriggja mánaða hreyfanlegt meðaltal. 2. Árstíðarleiriðrett þriggja mánaða hreyfanlegt meðaltal.  
Heimildir: Hagstofa Íslands, Seðlabanki Íslands.

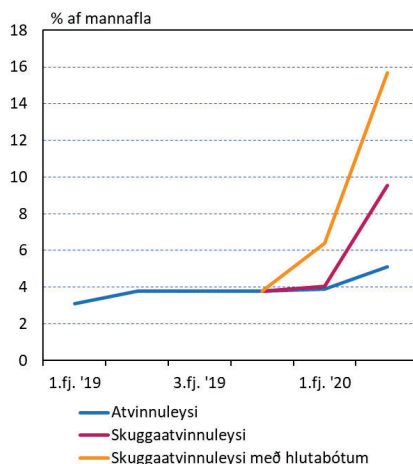
## ... og atvinnuleysi hefur aukist mikið

- Atvinnuleysi hefur aukist hratt og var 6,8% á Q2 skv. VMK (5,1% árstíðarleiðrétt) en skráð atvinnuleysi var komið í 7,9% í júlí
- Atvinnuleysi hefði aukist enn meira ef hluti þeirra sem misstu vinnu hefðu ekki horfið af vinnumarkaði og ef ekki hefði komið til hlutabótaleiðar stjórnvalda ... talið að atvinnuleysi nái hámarki í 10% í lok árs en 7,2% að meðaltali á árinu öllu

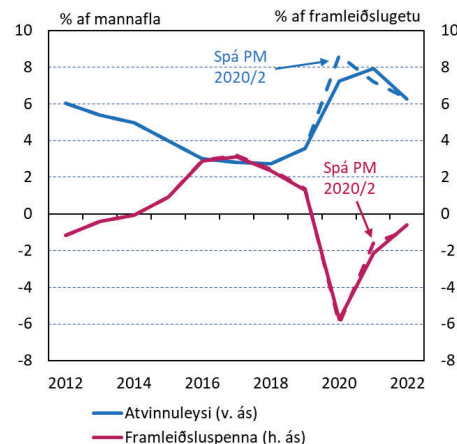
Skráð atvinnuleysi  
Janúar - júlí 2020



Atvinnuleysi og "skuggaatvinnuleysi"<sup>1</sup>  
1. ársfj. 2019 - 2. ársfj. 2020



Atvinnuleysi og framleiðsluspenna 2012-2022<sup>2</sup>

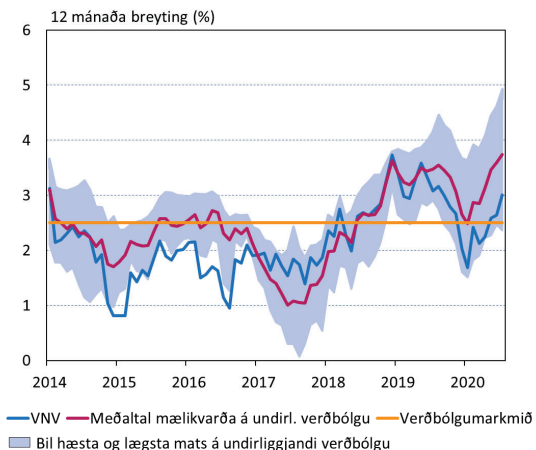


1. Skuggaatvinnuleysi tekur einnig tillit til þeirra sem mælast utan vinnumarkaðar og skuggaatvinnuleysi með hlutabótum bætir við fjölda á hlutabótum margfaldað með bótahlutfalli. Árstíðarleiðréttar tölur. 2. Grunnspá Seðlabankans 2020-2022. Brotalínur sýna spá frá PM 2020/2.  
Heimildir: Hagstofa Íslands, Vinnuálagstofnun, Seðlabanki Íslands.

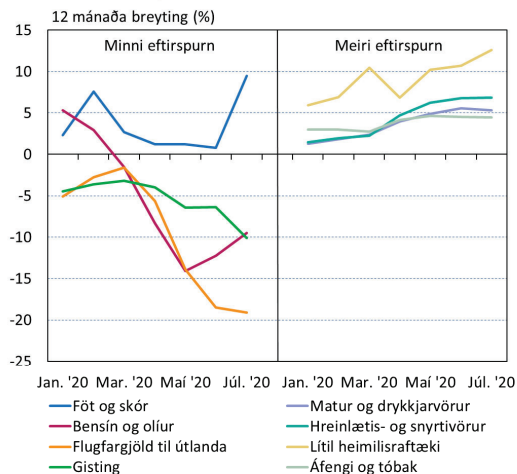
## Verðbólga hefur aukist á ný ...

- Verðbólga mældist 2,5% á Q2 en var komin í 3,2% í ágúst – undirliggjandi verðbólga er meiri og var 3,9% í ágúst (þar veða m.a. minni áhrif lækkunar bensínverðs og raunvaxtakostnaðar húsnæðislána) ... hækkun innfluttrar vöru vegur þyngst en einnig mældist nokkur hækkun vörutegunda sem eftirspurn jókst eftir í sóttvarnaraðgerðum

Mæld og undirliggjandi verðbólga<sup>1</sup>  
Janúar 2014 - júlí 2020



Áhrif COVID-19 á verð ólíkra undirliða  
vísitölu neysluverðs<sup>2</sup>



1. Undirliggjandi verðbólga er mæld með kjarnavísitölu (áhrif óbeinna skatta, sveiflukenndra matvöruháða, bensíns, opinberrar þjónustu og raunvaxtakostnaðar húsnæðislána eru undanskilin) og tölfræðilegum mælikvörðum (vegjið miðgildi, klípt meðaltal, kvíkt þáttalíkan og sameiginlegur þáttur VNV). 2. Valdir undirliðir. Flugfargjöld til útlanda og lítill heimilisraftæki eru 3 mánaða hreyfanlegt meðaltal.  
Heimildir: Hagstofa Íslands, Seðlabanki Íslands.

## ... í kjölfar lækkunar ISK en kjölfesta væntinga heldur

- Gengi ISK tók að lækka í lok febrúar þegar faraldur brast á: hafði lækkað um 12% snemma í maí ... hækkaði á ný er leið á maí en lækkaði aftur í sumar og er nú 13,6% lægra en í lok febrúar og 14,3% lægra en fyrir ári ... þrátt fyrir þetta eru verðbólguvæntingar á alla mælikvarða ýmist óbreyttar eða lægri en fyrir ári og við markmið á flesta þeirra

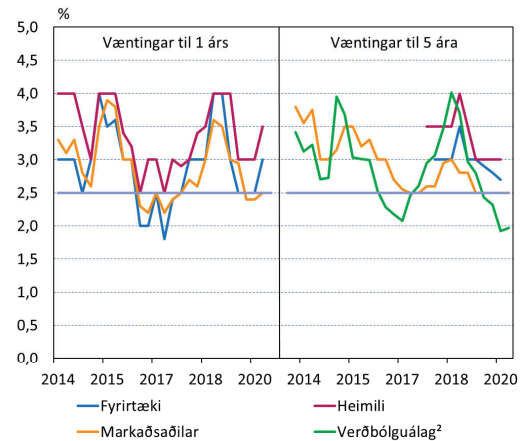
Gengi krónunnar<sup>1</sup>

2. jan. 2015 - 21. ágúst 2020



Verðbólguvæntingar

1. ársfj. 2014 - 3. ársfj. 2020



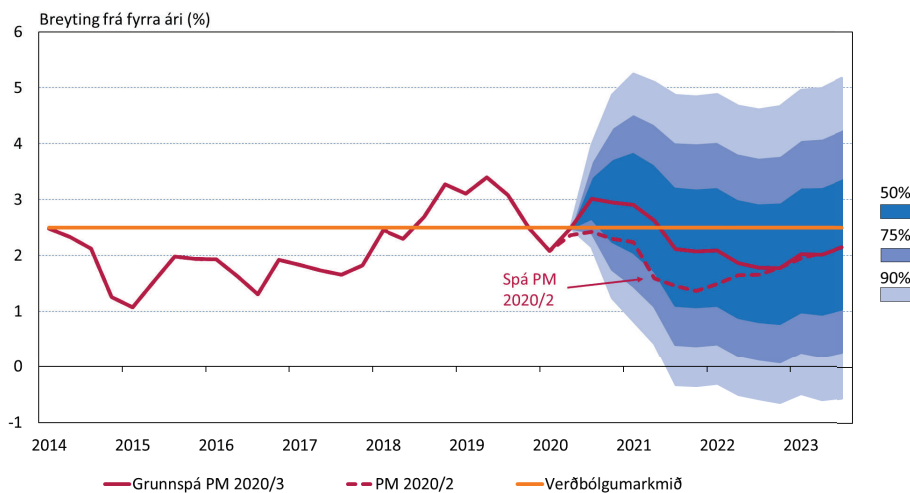
1. Verð erlendra gjaldmiðla í krónum (þróng viðskiptavog). 2. Nýjasta gildið er meðaltal daglegra gilda frá 1. júlí til 21. ágúst 2020. Heimildir: Gallup, Seðlabanki Íslands.

## Meiri verðbólga fram á næsta ár en spáð var í maí

- Spáð að verðbólga verði um 3% út árið en taki síðan smám saman að hjaðna og verði um 2% á seinni hluta tímabilsins
- Mikill slaki í þjóðarþúinu og lítill alþjóðleg verðbólga geri það að verkum að hún hjaðni þegar áhrif gengislækkunarinnar hafa fjarað út

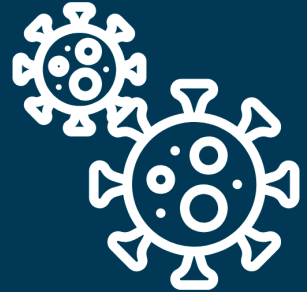
Verðbólguþá og óvissumat

1. ársfj. 2014 - 3. ársfj. 2023



Heimildir: Hagstofa Íslands, Seðlabanki Íslands.

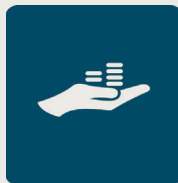
# Aðgerðir vegna COVID-19



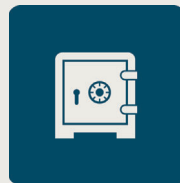
## Aðgerðir Seðlabankans



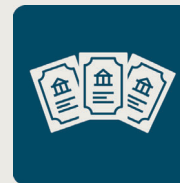
Vextir hafa verið lækkaðir



Aðgangur lánastofnana að lausafé hefur verið aukinn



Kaup hafin á ríkisskuldabréfum



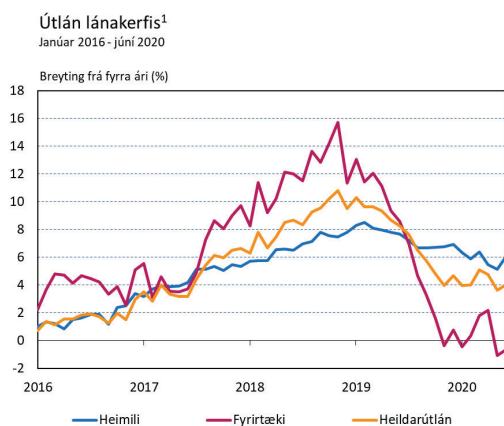
Gjaldeyris-inngripum verið beitt í samræmi við stefnu bankans

## Aðrar aðgerðir

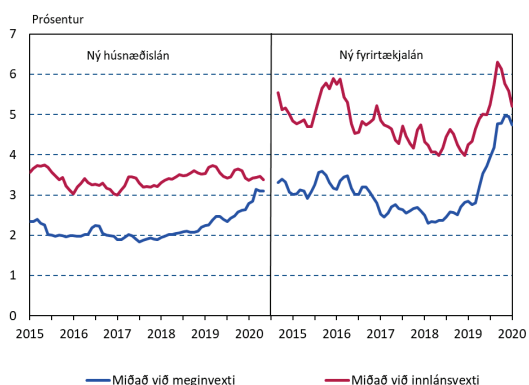
- Seðlabankinn hefur **hvatt lífeyrissjóði til þess að draga úr kaupum á erlendum gjaldeyri** til að fjármagna erlenda fjárfestingu þangað til að um hægist
- Seðlabankinn hefur beint þeim tilmælum til stjórnna fjármálafyrirtækja að **nýta ekki bættu lausafjárstöðu og minni eiginfjárkröfur til arðgreiðslna**
- Innlánsstofnunum einum nú heimilt að eiga innlánsreikning í Seðlabankanum. Við það færðust **innstæður ýmissa annarra fjármálafyrirtækja og ríkisstofnana út í fjármálakerfið** sem styrkir lausafjárstöðu innlánsstofnana og miðlun peningastefnunnar
- Seðlabankinn hefur **tryggt sér aðgang að sérstökum tímabundnum endurhverfum viðskiptaglugga bandaríska seðlabankans** þar sem hann hefur aðgang að lausafé í Bandaríkjadöllum gegn veði í bandarískum ríkisverðbréfum úr gjaldeyrisforða bankans

## Miðlun peningastefnunnar

- Útlánastofn lánakerfis til innlendra aðila hefur verið nokkuð stöðugur í kringum 4% það sem af er þessu ári
- Útlánavöxtur til heimila hefur haldist í kringum 5% en hratt dregið úr vexti útlána til fyrirtækja
- Vaxtaálag á nýjum útlánum til heimila hefur aukist lítillega en vaxtaálag á ný fyrirtækjalán tók að hækka hratt á seinasta ári



Vaxtaálag á útlánum<sup>2</sup>  
Mars 2015 - júlí 2020



1. Leiðrétt fyrir endurflokkun og skuldalækkunaraðgerðum stjórnvalda. Án útlána til innlánsstofnana, fallinna fjármálafyrirtækja og hins opinbera. Fyrirtæki eru atvinnufyrirtæki og félagsamtök sem þjóna heimilum.  
2. Mismunur á vegnum meðalvöxtum á óverðtrygðum útlánnum stóru viðskiptabankanna þriggja og meginvöxtum Seðlabankans annars vegar og vegnum meðalvöxtum á nýjum innlánnum hins vegar. Þriggja mánaða hreyfanleg meðaltöl. Nýjustu tölur eru bráðabirgðatölur.  
Heimild: Seðlabanki Íslands..

## Enn eru til sóknarfæri fyrir peningastefnuna



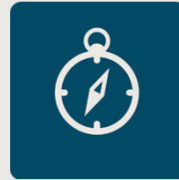
Enn svigrúm til að lækka meginvexti sem eru 1%



Áframhaldandi gjaldeyrisinngrip til að draga úr óhóflegum sveiflum



Ríkisskuldabréfakaup í samræmi við þróun framboðs ríkisbréfa og ávöxtunarkröfu



Framsýn leiðsögn



Veðlán með útlánahvata

## Efnahagshorfur á tímum heimsfaraldurs



Kynning fyrir Félag atvinnurekenda  
7. september 2020

Rannveig Sigurðardóttir  
varaseðlabankastjóri peningastefnu



## Efnahagshorfur



# Ágústspá Seðlabankans í hnotskurn



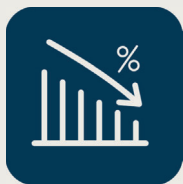
COVID-19 veldur usla í heimsbúskapnum



Gríðarlegt högg fyrir fluggeirann og ferðaþjónustu hér á landi



Eftir mikinn samdrátt í vor jókst einkaneyslan töluvert í sumar



Horfur á minni efnahags-samdrætti í ár en spáð var í maí



Mikil fækkun starfa og atvinnuleysi í sögulegar hæðir

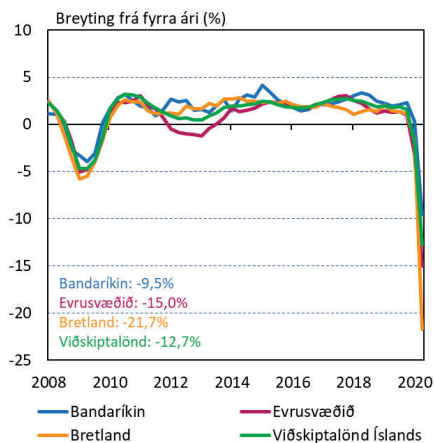


Verðbólga hefur heldur aukist og verður meiri en spáð var í maí

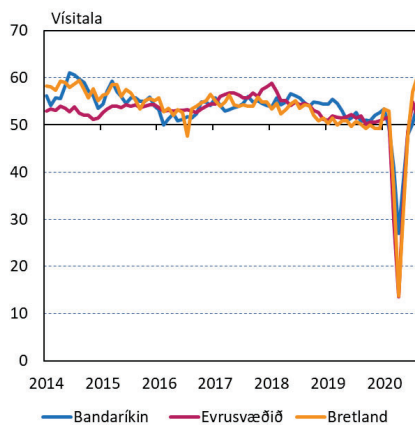
## Sögulegur samdráttur á Q2 en viðsnúningur á Q3

- COVID-19 og aðgerðir til að hemja útbreiðslu faraldursins hafa valdið gríðarlegum usla í heimsbúskapnum: VLF í helstu viðskiptalöndum dróst saman um 1,9% á Q1 og útlit er fyrir 12,7% samdrátt á Q2 – sá mesti sem mælst hefur frá seinna stríði
- Framleiðsluvísitölur hafa hins vegar hækkað töluvert frá því í maí og iðnframleiðsla og smásala aukist nokkuð

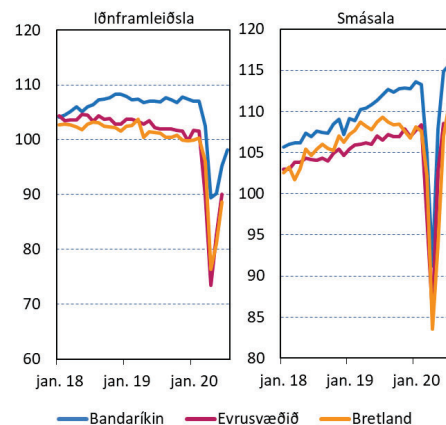
Alþjóðlegur hagvöxtur<sup>1</sup>  
1. ársfj. 2008 - 2. ársfj. 2020



PMÍ-vísitala fyrir framleiðslu og þjónustu<sup>2</sup>  
Janúar 2014 - ágúst 2020



Iðnframleiðsla og smásala<sup>3</sup>  
Janúar 2018 - júlí 2020

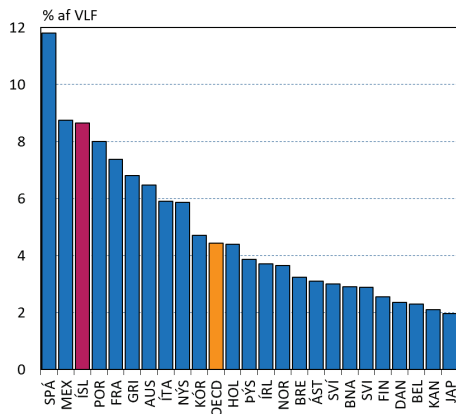


1. Grunnspá Seðlabankans 2. ársfj. 2020 fyrir helstu viðskiptalönd. 2. PMÍ-vísitala Markit fyrir framleiðslu og þjónustu (Composite Output Purchasing Managers' Index). Vísitalan er birt mánaðarlega og er árstíðarleiðrétt. Þegar gildi vísitölnnar er yfir 50 táknar það vöxt milli mánaða en ef hún er undir 50 táknar það samdrátt. 3. Mánaðarlegar árstíðarleiðréttar magnvísitölur (2016 = 100).  
Heimildir: Refinitiv Datastream, Seðlabanki Íslands.

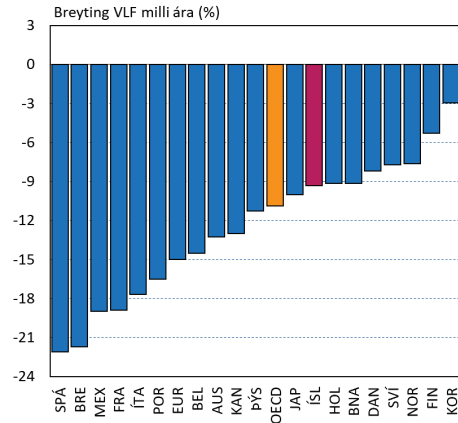
# Samsetning þjóðarbúskapar skiptir máli

- Sóttvarnaraðgerðir sem takmarka ferðir og nán samskipti fólks bitna á ferðabjónustu
- Samdráttur á Q2 yfirleitt meiri í þeim löndum þar sem ferðabjónusta vegur þungt í VLF
- Minni samdráttur hér en í þeim löndum þar sem vægi ferðabjónustu í VLF er mikið

Vægi ferðabjónustu í VLF í ýmsum OECD-ríkjum<sup>1</sup>



Alþjóðlegur hagvöxtur á 2. ársfj. 2020



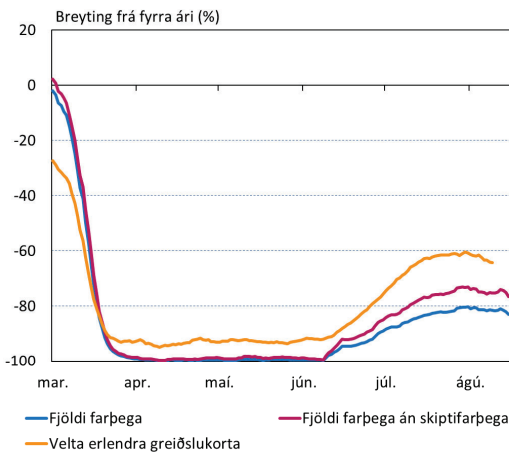
1. Vægi ferðabjónustu í VLF árið 2018 eða nýjasta ár með tiltækum gögnum. Löndin eru Spánn (SPÁ), Mexíkó (MEX), Ísland (ÍSL), Portúgal (POR), Frakkland (FRA), Grikkland (GRI), Austurríki (AUS), Ítalía (ITA), Nýja-Sjáland (NÝS), Suður-Kórea (KÓR), Holland (HOL), Þýskaland (PÝS), Írland (IRL), Noregur (NOR), Bretland (BRE), Ástralía (AST), Svíþjóð (SVI), Bandaríkin (BNA), Sviss (SVI), Finnland (FIN), Danmörk (DAN), Belgía (BEL), Kanada (KAN) og Japan (JAP). Heimildir: Hagstofa Íslands, OECD.

# Horfur á minni samdrætti útflutnings en spáð í maí

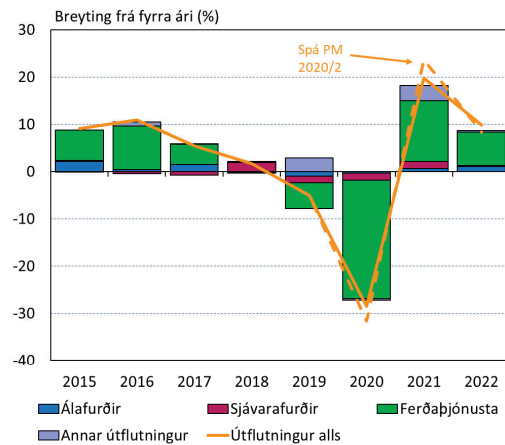
- Algert hrun varð í komum ferðamanna til landsins: daglegur fjöldi ferðamanna til landsins nú um 20% af því sem hann var í fyrra
- Batinn í júlí og ágúst meiri en spáð var og þrátt fyrir bakslag er spáð heldur minni fækkun farþega í ár en í maí: 76% í stað 81%
- Einnig minni samdráttur í útflutningi sjávarafurða og því útlit fyrir minni samdrátt útflutnings en spáð í maí

Ferðamenn og útgjöld<sup>1</sup>

7. mars - 21. ágúst 2020



Útflutningur og framlag undirliða 2015-2022<sup>2</sup>



1. Fjöldi farþega sem fór daglega um Keflavíkurflugvöll. Tölur fyrir árið 2019 eru án farþega WOW Air. Greiðslukortatölur eru samtala debet- og kreditkorta útgæfin af erlendum aðilum. 7 daga hreyfanlegt meðaltal. 2. Vegna keðjutengingar getur verið að samtala undirliðanna sé ekki jöfn útflutningi alls. Álútflutningur skv. skilgreiningu þjóðhagsreikninga. Ferðabjónusta er samtala á „ferðalögum“ og „farþegaflutningum með flugi“. Grunnspá Seðlabankans 2020-2022. Brotalína sýnir spá frá PM 2020/2.

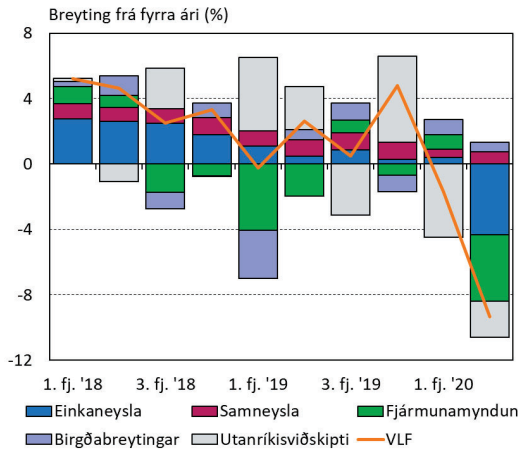
Heimildir: Hagstofa Íslands, Isavia, Seðlabanki Íslands.

# VLF dróst saman um 5,7% á fyrri helmingi ársins

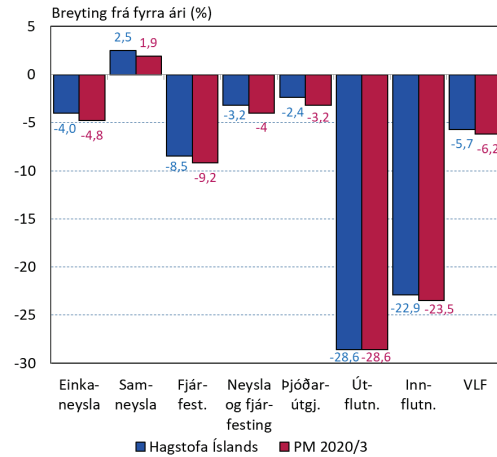
- Þjóðarútgjöld drógust saman um 2,4% og til viðbótar bættist við 3,3 prósentna neikvætt framlag utanríkisviðskipta
- Svipaður samdráttur og spáð var í PM 2020/3: bæði einkaneysla og fjárfesting reyndist lítillega sterkari

## Hagvöxtur og framlag undirliða<sup>1</sup>

1. ársfj. 2018 - 2. ársfj. 2020



## Þjóðhagsreikningar fyrir hluta 2020

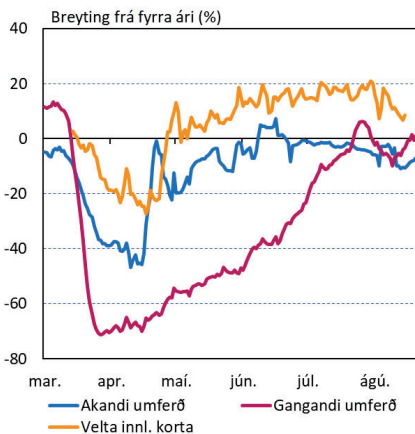


1. Vegna keðjutengingar getur verið að samtala undirliðanna sé ekki jöfn hagvextinum.  
Heimildir: Hagstofa Íslands, Seðlabanki Íslands.

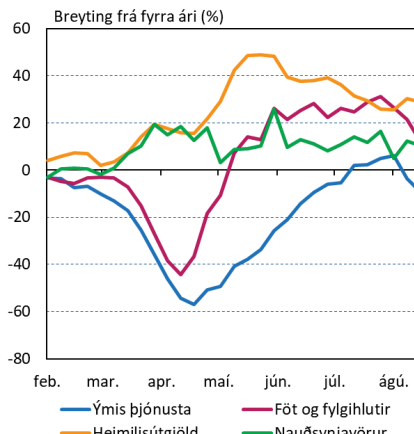
# Vísbendingar um viðspyrnu einkaneyslu í sumar

- Farsóttin og sóttvarnaraðgerðir höfðu veruleg áhrif á efnahagsumsvif í mars og apríl: akandi og gangandi umferð dróst verulega saman og útgjöld heimila minnkuðu mikið: kortagögn benda til að samdrátturinn hafi mestur verið um 23% um miðjan apríl ... en að viðsnúningur hafi orðið í maí og júní – þótt kraftur batans sé mismikill eftir útgjaldaflokkum

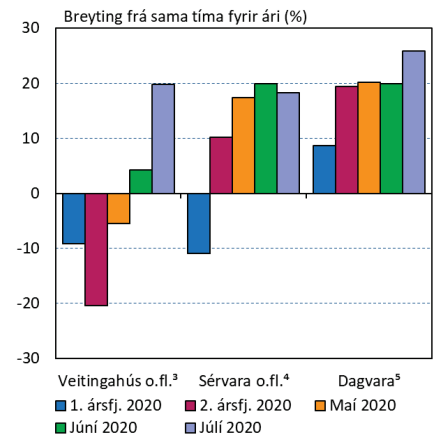
Umferð og kortavelta<sup>1</sup>  
1. mars - 21. ágúst 2020



Útgjöld heimila eftir útgjaldaflokkum<sup>2</sup>  
1. febrúar - 21. ágúst 2020



Greiðslukortavelta eftir helstu útgjaldaflokkum

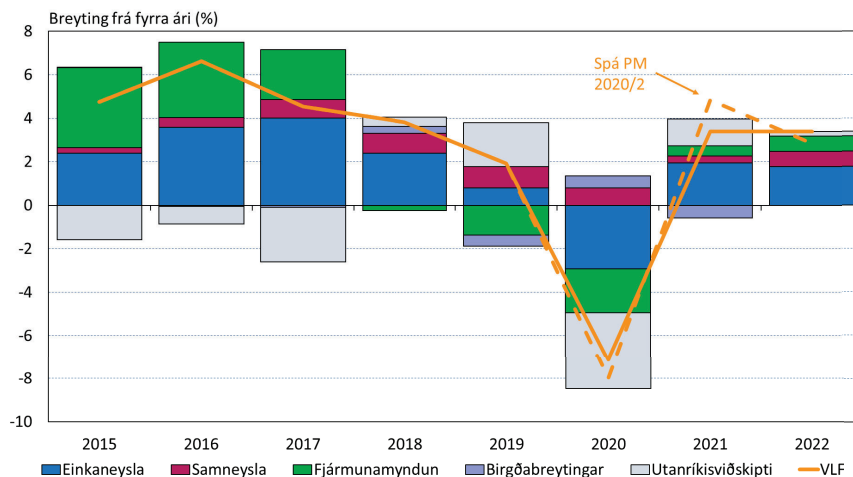


1. Akandi umferð er umferð um Hafnarfjarðarveg sunnan Kópavogslækjar, Reykjanesbraut við Dalveg í Kópavogi og Vesturlandsveg ofan Ártúnsbrekku. Gangandi umferð samkvæmt Apple Mobility Trends. Greiðslukortatölur eru samtala debet- og kreditkorta útgefin af innlendum aðilum. Gangandi umferð breyting frá 13. jan. 2020 en hinar raðinnar breyting frá fyrra ári (umferðargögn 7 daga hreyfanlegt meðaltal en greiðslukortagögn 14 daga hreyfanlegt meðaltal). 2. Ýmis þjónusta á við veitingastaði, leikhús, líkamsræktarstöðvar o.fl. Heimilisútgjöld eiga við kaup á raftækjum, húsgögnum og í byggingavöruslunum (28 daga hreyfanlegt meðaltal). 3. Veitingahús, gisting, flutningar, pakkaferðir, tollfrjáls verslun, menning og afþreying, snyrting og ýmis persónuleg þjónusta. 4. Raf- og heimilistæki, húsbúnaður, fatnaður, önnur sérvara og ýmis sérhæfð þjónusta. 5. Dagvöruslun og stórmarkaðir.  
Heimildir: Apple Mobility Trends, Hagstofa Íslands, Markaðsvakt Meniga, Rannsóknarsetur verslunarinnar, Vegagerðin, Seðlabanki Íslands.

# Verulegur samdráttur í ár en þó minni en spáð í maí

- Þótt horfur fyrir seinni hluta ársins séu heldur lakari en í maí er talið að samdrátturinn í ár verði 7,1% í stað 8% í maíspánni
- Hagvöxtur á næstu tveimur árum verði um 3½% á ári
- Landsframleiðslan nær ekki því stigi sem hún var á í lok síðasta árs fyrir en í lok spátímans

Hagvöxtur og framlag undirliða 2015-2022<sup>1</sup>



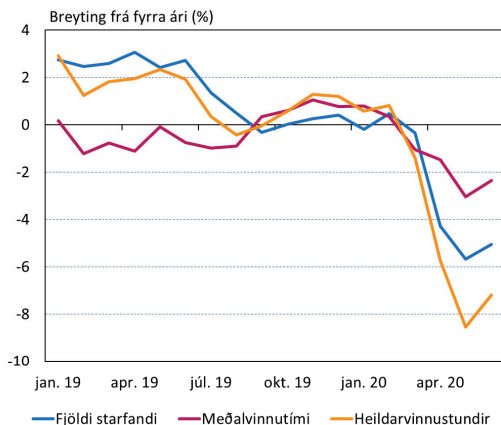
1. Grunnspá Seðlabankans 2020-2022. Brotalína sýnir spá frá PM 2020/2.  
Heimildir: Hagstofa Íslands, Seðlabanki Íslands.

# Faraldurinn hefur mikil áhrif á vinnumarkaðinn ...

- Samkvæmt VMK fækkaði störfum um 5,1% á Q2 og vinnutími styttest um 2,3% – 7,2% fækkun heildarvinnustunda sú mesta frá Q3/2009 (en VMK gæti vanmetið fækkun starfa og styttingu vinnutíma)
- Atvinnuþátttaka minnkaði einnig verulega og er í sögulegu lágmarki – fólki utan vinnumarkaðar hefur því fjölgað mikið

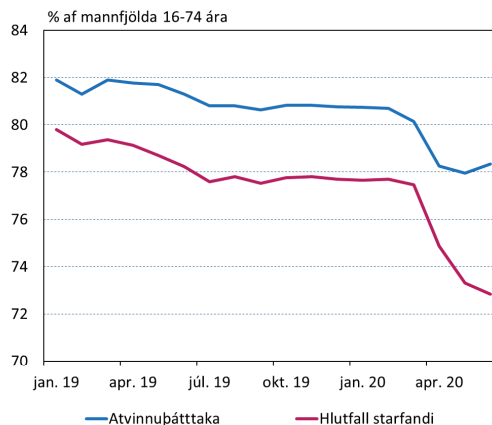
Atvinna og vinnutími<sup>1</sup>

Janúar 2019 - júní 2020



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

Janúar 2019 - júní 2020

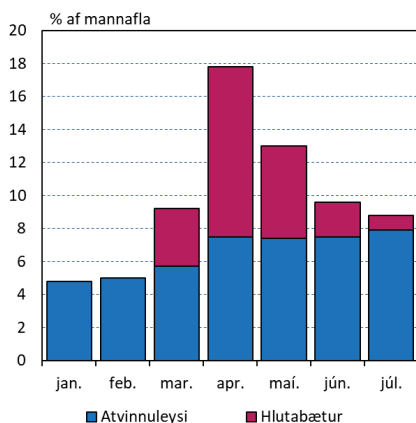


1. Þriggja mánaða hreyfanlegt meðaltal. 2. Árstíðarleirið þriggja mánaða hreyfanlegt meðaltal.  
Heimildir: Hagstofa Íslands, Seðlabanki Íslands.

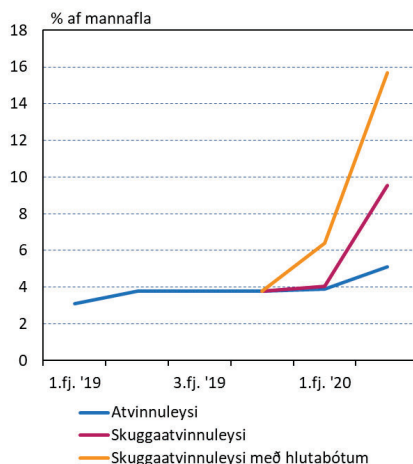
## ... og atvinnuleysi hefur aukist mikið

- Atvinnuleysi hefur aukist hratt og var 6,8% á Q2 skv. VMK (5,1% árstíðarleiðrétt) en skráð atvinnuleysi var komið í 7,9% í júlí
- Atvinnuleysi hefði aukist enn meira ef hluti þeirra sem misstu vinnu hefðu ekki horfið af vinnumarkaði og ef ekki hefði komið til hlutabótaleiðar stjórnvalda ... talið að atvinnuleysi nái hámarki í 10% í lok árs en 7,2% að meðaltali á árinu öllu

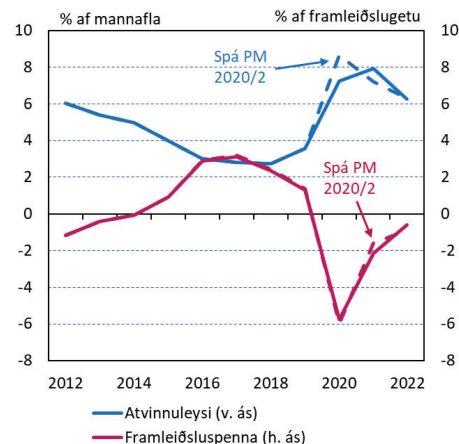
Skráð atvinnuleysi  
Janúar - júlí 2020



Atvinnuleysi og "skuggaatvinnuleysi"<sup>1</sup>  
1. ársfj. 2019 - 2. ársfj. 2020



Atvinnuleysi og framleiðsluspenna 2012-2022<sup>2</sup>

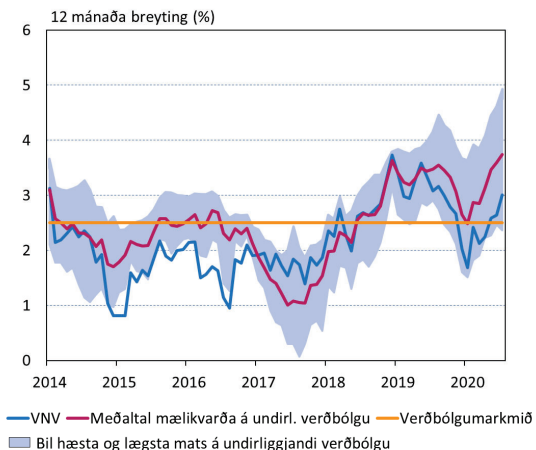


1. Skuggaatvinnuleysi tekur einnig tillit til þeirra sem mælast utan vinnumarkaðar og skuggaatvinnuleysi með hlutabótum bætir við fjölda á hlutabótum margfaldað með bótahlutfalli. Árstíðarleiðréttar tölur. 2. Grunnspá Seðlabankans 2020-2022. Brotalínur sýna spá frá PM 2020/2.  
Heimildir: Hagstofa Íslands, Vinnuálagstofnun, Seðlabanki Íslands.

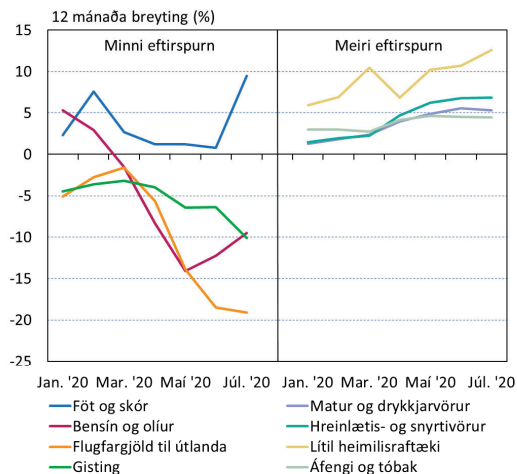
## Verðbólga hefur aukist á ný ...

- Verðbólga mældist 2,5% á Q2 en var komin í 3,2% í ágúst – undirliggjandi verðbólga er meiri og var 3,9% í ágúst (þar veða m.a. minni áhrif lækkunar bensínverðs og raunvaxtakostnaðar húsnæðislána) ... hækkun innfluttrar vöru vegur þyngst en einnig mældist nokkur hækkun vörutegunda sem eftirspurn jókst eftir í sóttvarnaraðgerðum

Mæld og undirliggjandi verðbólga<sup>1</sup>  
Janúar 2014 - júlí 2020



Áhrif COVID-19 á verð ólíkra undirliða  
vísitölu neysliverðs<sup>2</sup>



1. Undirliggjandi verðbólga er mæld með kjarnavísitölu (áhrif óbeinna skatta, sveiflukenndra matvöruháða, bensíns, opinberrar þjónustu og raunvaxtakostnaðar húsnæðislána eru undanskilin) og tölfræðilegum mælikvörðum (vegjið miðgildi, klípt meðaltal, kvíkt þáttalíkan og sameiginlegur þáttur VNV). 2. Valdir undirliðir. Flugfargjöld til útlanda og lítill heimilisraftæki eru 3 mánaða hreyfinglegt meðaltal.  
Heimildir: Hagstofa Íslands, Seðlabanki Íslands.

## ... í kjölfar lækkunar ISK en kjölfesta væntinga heldur

- Gengi ISK tók að lækka í lok febrúar þegar faraldur brast á: hafði lækkað um 12% snemma í maí ... hækkaði á ný er leið á maí en lækkaði aftur í sumar og er nú 13,6% lægra en í lok febrúar og 14,3% lægra en fyrir ári ... þrátt fyrir þetta eru verðbólguvæntingar á alla mælikvarða ýmist óbreyttar eða lægri en fyrir ári og við markmið á flesta þeirra

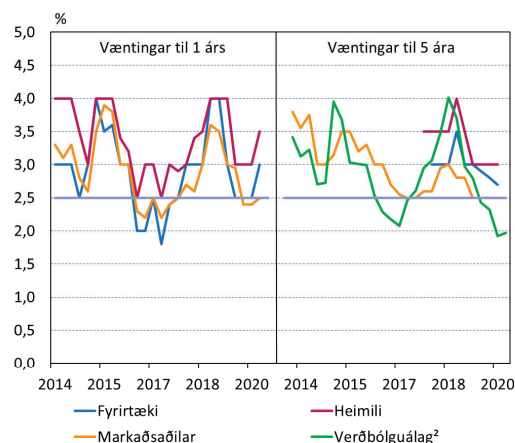
### Gengi krónunnar<sup>1</sup>

2. jan. 2015 - 21. ágúst 2020



### Verðbólguvæntingar

1. ársfj. 2014 - 3. ársfj. 2020



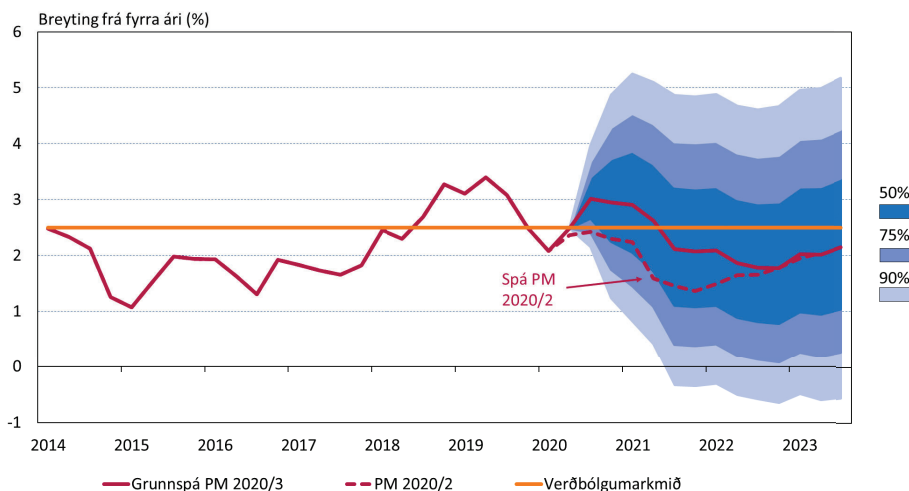
1. Verð erlendra gjaldmiðla í krónum (þróng viðskiptavog). 2. Nýjasta gildið er meðaltal daglegra gilda frá 1. júlí til 21. ágúst 2020.  
Heimildir: Gallup, Seðlabanki Íslands.

## Meiri verðbólga fram á næsta ár en spáð var í maí

- Spáð að verðbólga verði um 3% út árið en taki síðan smám saman að hjaðna og verði um 2% á seinni hluta tímabilsins
- Mikill slaki í þjóðarþínu og lítil alþjóðleg verðbólga geri það að verkum að hún hjaðni þegar áhrif gengislækkunarinnar hafa fjarað út

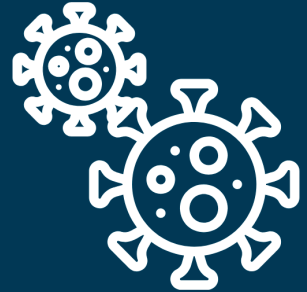
### Verðbólguþá og óvissumat

1. ársfj. 2014 - 3. ársfj. 2023

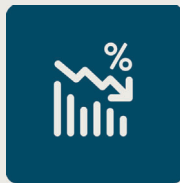


Heimildir: Hagstofa Íslands, Seðlabanki Íslands.

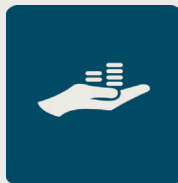
# Aðgerðir vegna COVID-19



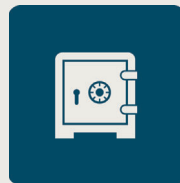
## Aðgerðir Seðlabankans



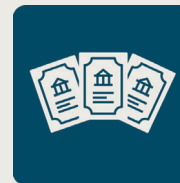
Vextir hafa verið lækkaðir



Aðgangur lánastofnana að lausafé hefur verið aukinn



Kaup hafin á ríkisskuldabréfum

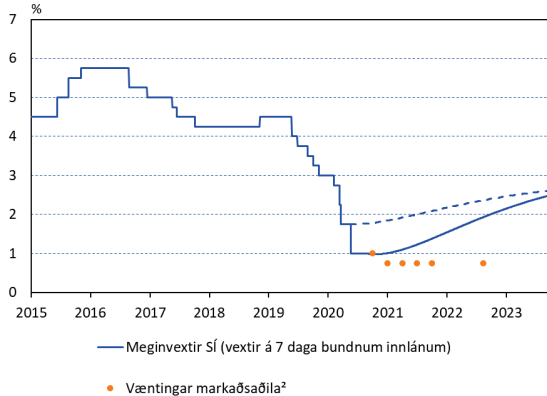


Gjaldeyris-inngripum verið beitt í samræmi við stefnu bankans

# Vextir hafa verið lækkaðir

## Meginvextir Seðlabanka Íslands og væntingar um framtíðarþróun þeirra<sup>1</sup>

1. janúar 2015 - 30. september 2023



1. Við mat á vaxtaferlinum er notast við meginvexti Seðlabankans og vexti ríkisbréfa. Brotta línan sýnir framvirka vaxtaferlinn fyrir útgáfu PM 2020/2.2. Áætlað út frá miðgildi svara í könnun Seðlabanka Íslands á væntingum markaðsaðila til veðlávaxta. Könnunin var framkvæmd dagana 10.-12. ágúst 2020.  
Heimild: Seðlabanki Íslands.

## Hvað hefur Seðlabankinn gert?

- Frá því í upphafi COVID-faraldursins hafa meginvextir bankans verið lækkaðir úr 2,75% í 1%

## Af hverju?

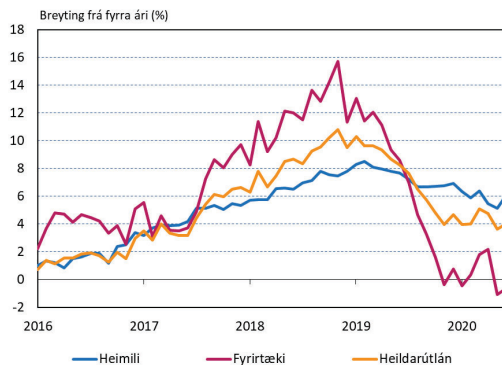
- Lægri seðlabankavextir gera lánastofnunum kleift að lána heimilum og fyrirtækjum á lægri vöxtum
- Skilar sér í lægri útgjöldum heimila og fyrirtækja, sem styður við eftirspurn ...
- ... og auðveldar heimilum og fyrirtækjum að standa skil á lánum t.d. þegar tekjur minnka
- ... og styður þannig einnig við fjármálastöðugleika

# Miðlun peningastefnunnar

- Útlánastofn lánakerfis til innlendra aðila hefur verið nokkuð stöðugur í kringum 4% það sem af er þessu ári
- Útlánavöxtur til heimila hefur haldist í kringum 5% en hratt dregið úr vexti útlána til fyrirtækja
- Vaxtaálag á nýjum útlánum til heimila hefur aukist lítillega en vaxtaálag á ný fyrirtækjalán tók að hækka hratt á seinasta ári

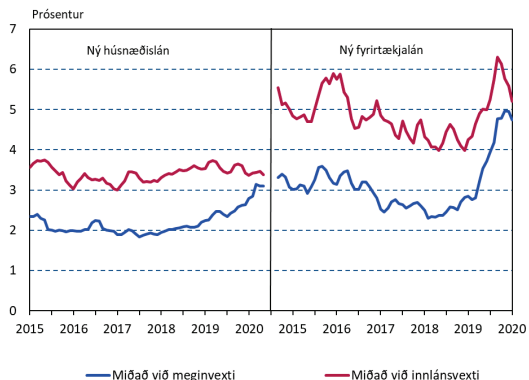
## Útlán lánakerfis<sup>1</sup>

Janúar 2016 - júní 2020



## Vaxtaálag á útlánum<sup>2</sup>

Mars 2015 - júlí 2020



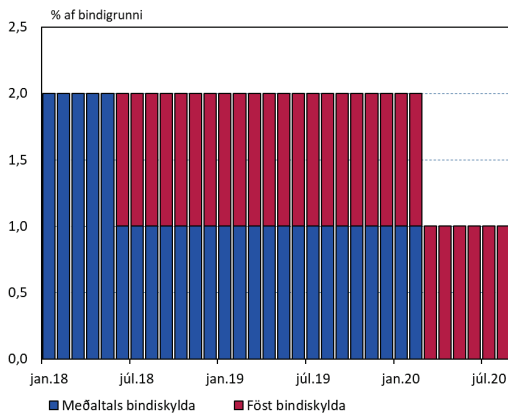
1. Leiðrétt fyrir endurflokkun og skuldalækkunaraðgerðum stjórnvalda. Án útlána til innlánsstofnana, fallinna fjármálafyrirtækja og hins opinbera. Fyrirtæki eru atvinnufyrirtæki og félagsamtök sem þjóna heimilum.  
2. Mismunur á vegnum meðalvöxtum á óverðtrygðum útlánnum stóru viðskiptabankanna þriggja og meginvöxtum Seðlabankans annars vegar og vegnum meðalvöxtum á nýjum innlánnum hins vegar. Þriggja mánaða hreyfanleg meðaltöl. Nýjustu tölur eru bráðabirgðatölur.  
Heimild: Seðlabanki Íslands..



# Aðgangur lánastofnana að lausafé aukinn

## Bindiskylda<sup>1</sup>

1. janúar 2018 - 31. ágúst 2020



1. Bindiskylda leggst á viðskiptabanka og sparisjóði og er hlutfall af bindigrunni sem nær til innlána og útgáfu eigin skuldabréfa með allt að tveggja ára líftíma.  
Heimild: Seðlabanki Íslands.

## Hvað hefur Seðlabankinn gert?

- Bindiskylda hefur verið lækkuð og henni breytt sem rýmkaði lausafjárstöðu innlánsstofnana
- Slakað hefur verið á eiginfjárkröfum fjármálafyrirtækja með því að færa sveiflujöfnunarauka úr 2% í 0%
- Hætt hefur verið að bjóða uppá bundin innlán til eins mánaðar
- Sérstök og tímabundin lausfjárfyrirgreiðsla í formi veðlána veitt

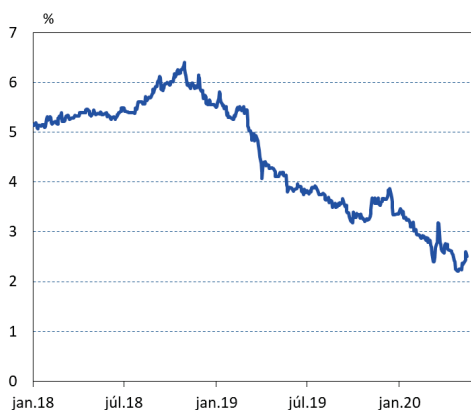
## Af hverju?

- Auka laust fé lánastofnana sem
  - greiðir fyrir lánveitingu þeirra til heimila og fyrirtækja
  - eykur svigrúm þeirra til að endurskipuleggja skuldir heimila og fyrirtækja í vanda
- og styður þannig enn frekar við eftirspurn

# Kaup á ríkisskuldabréfum

## Ávöxtunarkrafa 10 ára ríkistryggðra skuldabréfa<sup>1</sup>

1. janúar 2018 - 31. ágúst 2020



1. Út frá eingreiðsluferli (metnum með aðferð Nelson-Siegel) þar sem notast er við vexti á millibankamarkaði með krónur og vexti ríkistryggðra skuldabréfa.  
Heimild: Seðlabanki Íslands.

## Hvað hefur Seðlabankinn gert?

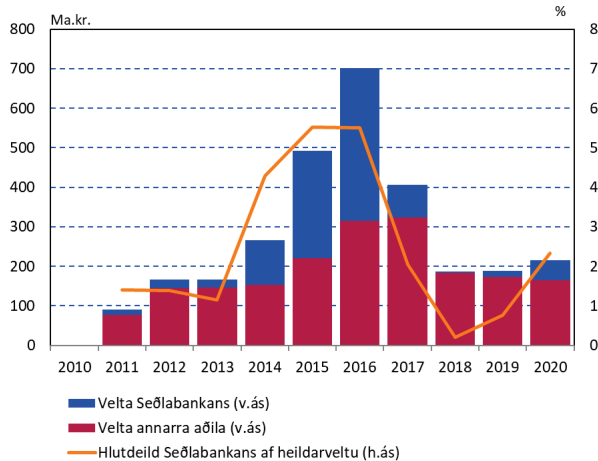
- Hafið kaup á ríkisskuldabréfum á eftirmarkaði
- Gætu numið allt að 150 ma.kr. eða um 5% VLF
- Framkvæmdin mun taka mið af þróun framboðs á ríkisbréfum og þróun ávöxtunarkröfu á markaði

## Af hverju?

- Koma í veg fyrir að aukið framboð ríkisbréfa þrýsti upp markaðsvöxtum þvert á markmið peningastefnunnar
- Tryggja þannig enn frekar að lausara taumhald peningastefnunnar miðlist með eðlilegum hætti til heimila og fyrirtækja
- Hafði áhrif á ávöxtunarkröfuna til lækkunar strax og tilkynnt var um aðgerðina

## Gjaldeyrisinngrip

Velta á millibankamarkaði með gjaldeyri og hlutdeild Seðlabankans 2010 -2020



### Hvað hefur Seðlabankinn gert?

- Frá upphafi faraldursins hefur Seðlabankinn selt gjaldeyri fyrir 42,8 ma.kr. en keypt gjaldeyri fyrir 9,1 ma.kr.
- Hlutur Seðlabankans hefur numið um 26% af heildarveltu á gjaldeyrismarkaði á tímabilinu

### Af hverju?

- Markmið inngripanna nú er að draga úr skammtímasveiflum á gengi krónunnar og leggja gegn óhóflegum sveiflum frá jafnvægisraungengi sem gæti birst í leiðréttingu síðar
- Raungengi krónunnar líklega undir jafnvægisraungengi um þessar mundir á sama tíma og verðbólga er komin yfir markmið

## Aðrar aðgerðir

- Seðlabankinn hefur **hvatt lífeyrissjóði til þess að draga úr kaupum á erlendum gjaldeyri** til að fjármagna erlenda fjárfestingu þangað til að um hægist
- Seðlabankinn hefur beint þeim tilmælum til stjórna fjármálafyrirtækja að **nýta ekki bætt lausafjárstöðu og minni eiginfjárkröfur til arðgreiðslna**
- Innlánsstofnunum einum nú heimilt að eiga innlánsreikning í Seðlabankanum. Við það færðust **innstæður ýmissa annarra fjármálafyrirtækja og ríkisstofnana út í fjármálakerfið** sem styrkir lausafjárstöðu innlánsstofnana og miðlun peningastefnunnar
- Seðlabankinn hefur **tryggt sér aðgang að sérstökum tímabundnum endurhverfum viðskiptaglugga bandaríska seðlabankans** þar sem hann hefur aðgang að lausafé í Bandaríkjadöllum gegn veði í bandarískum ríkisverðbréfum úr gjaldeyrisforða bankans

## Enn eru til sóknarfæri fyrir peningastefnuna



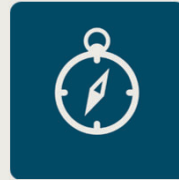
Enn svigrúm til að lækka meginvexti sem eru 1%



Áframhaldandi gjaldeyrisinngrip til að draga úr óhóflegum sveiflum



Ríkisskuldabréfakaup í samræmi við þróun framboðs ríkisbréfa og ávöxtunarkröfu



Framsýn leiðsögn



Veðlán með útlánahvata

## Central Bank to begin regular programme of foreign currency sales

The Central Bank of Iceland has decided to launch a regular programme of selling foreign currency in the domestic foreign exchange market, beginning on Monday 14 September 2020. The objectives of the purchase programme are to deepen the market and improve price formation. All else being equal, a larger and more stable supply of currency should lead to greater stability in the market.

The domestic foreign exchange market has not been spared the effects of the COVID-19 pandemic. Turnover has declined markedly, and price formation has been weak. The Bank is of the opinion that this is a temporary situation and that the market can be expected to normalise again once the impact of the pandemic subsides.

The Bank is prepared to sell up to 240 million euros (40 b.kr.) in regular transactions with market makers through year-end 2020. The structure of the transactions will be similar to that earlier used for the Bank's regular currency purchases. From Monday 14 September through the month-end, the Bank will sell 3 million euros to market makers each business day. The transactions will take place soon after the market opens, and no later than 10:00 hrs. At the end of each month, the Bank will announce the amount and planned transaction dates for the coming month's currency sales. The amount will be based on market conditions at the time in question. The aim will be to keep the scale of the currency sales consistent with normal market functioning. The Central Bank reserves full right to adjust amounts, frequency, and execution of the sales so as to ensure the efficacy of the measure.

Regular currency sales do not affect the Bank's declared policy of intervening in the market in order to mitigate volatility when it considers such intervention warranted. The Bank's international reserves amounted to 973 b.kr. at the end of August 2020. Of that total, its net foreign currency holdings totalled 730 b.kr. The amount the Bank is prepared to sell over the remainder of this year currently totals 4% of the international reserves and 5½% the Bank's net foreign currency holdings.

Further information can be obtained from Ásgeir Jónsson, Governor of the Central Bank of Iceland, at tel: +354 569-9600.

Press release no. 30/2020  
9 September 2020

## Central Bank to continue programme of regular foreign currency sales

From Thursday 1 October through the end of the month, the Central Bank of Iceland will sell 3 million euros per day to market makers in the interbank market for foreign exchange, for a total of 66 million euros during the month. The transactions will take place soon after the market opens in the morning, and no later than 10:00 hrs. They will be conducted in accordance with Press Release no. 30/2020, issued on 9 September 2020.

The Bank began selling currency to market makers on a regular basis on 14 September, with the objective of deepening the market and improving price formation. The Bank sold a total of 39 million euros (6.3 b.kr.) in this manner during the month of September.

Regular currency sales do not affect the Bank's declared policy of intervening in the foreign exchange market as it deems necessary to mitigate volatility.

Further information can be obtained from Ásgeir Jónsson, Governor of the Central Bank of Iceland, at tel: +354 569-9600.

See here a link to 9 September press release: [Central Bank to begin regular programme of foreign currency sales](#)

Press release no. 35/2020  
30 September 2020

## 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 Q4/2020, the Bank's total purchases may range up to 20 b.kr. 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 and Q3, it was announced that the Bank's total purchases could range up to 20 b.kr. market value for each of the two quarters.\* The Bank's total purchases in Q2 came to 892.3 m.kr. market value, as follows: RB21, 203.5 m.kr.; and RB22, 688.8 m.kr. No purchases were made in Q3.

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.*

Press release no. 36/2020  
30 September 2020

## Efnahagshorfur og óvissa á tímum heimsfaraldurs



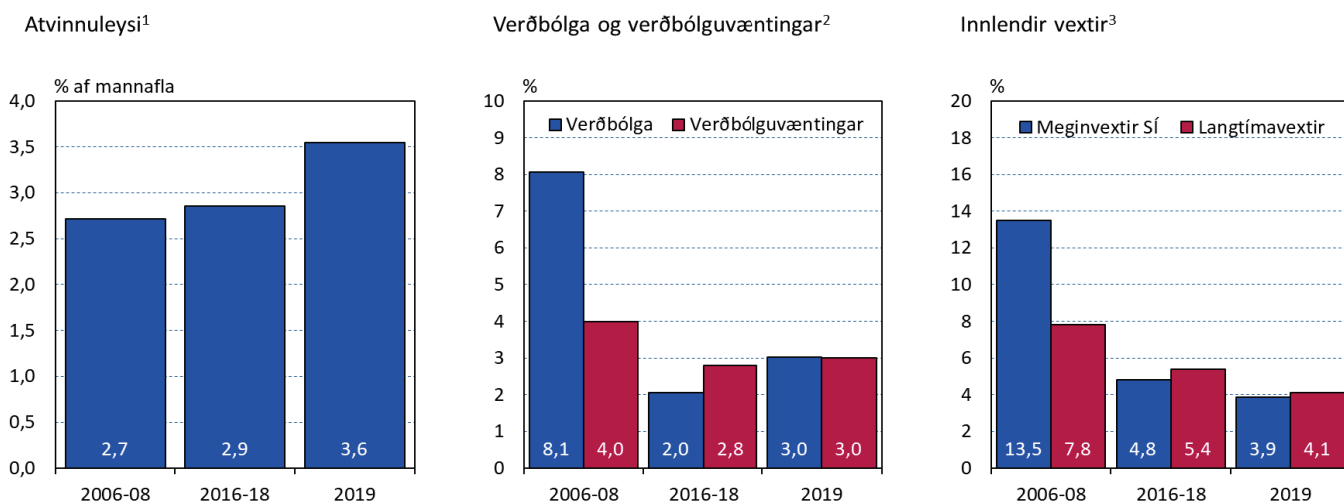
Kynning fyrir ráðherra og SAM-hóþinn  
26. október 2020

Rannveig Sigurðardóttir  
varaseðlabankastjóri peningastefnu



## Viðnámspróttur þjóðarbúsins nú og við fjármálakreppuna Efnahagshorfur og óvissa

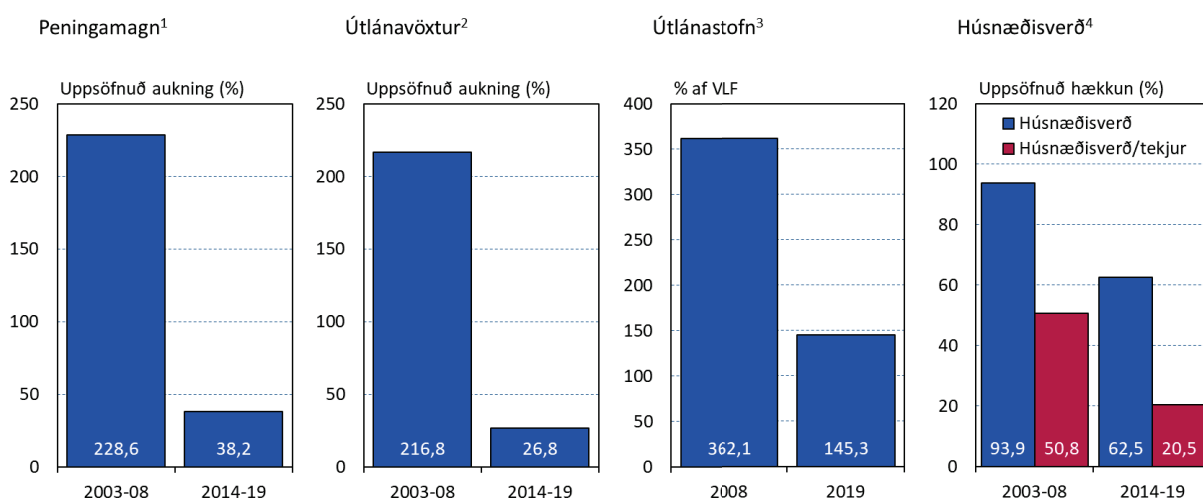
# Spenna á vinnumarkaði svipuð og í aðdraganda fjármálakreppunnar en verðbólga við markmið og vextir lægri



1. Atvinnuleysi samkvæmt vinnumarkaðsskönnun Hagstofunnar sem % af mannafla. 2. 5 ára verðbólguvæntingar út frá verðbólguálagi á skuldabréfamarkaði. 3. Meginvextir Seðlabankans eins og þeir eru skilgreindir á hverjum tíma. Langtíma vextir eru 10 ára ríkisbréfavextir metnir út frá eingreiðslurófinu.

Heimildir: Hagstofa Íslands, Seðlabanki Íslands.

# Ekki ójafnvægi í fjármálakerfinu eins og var í aðdraganda fjármálakreppunnar

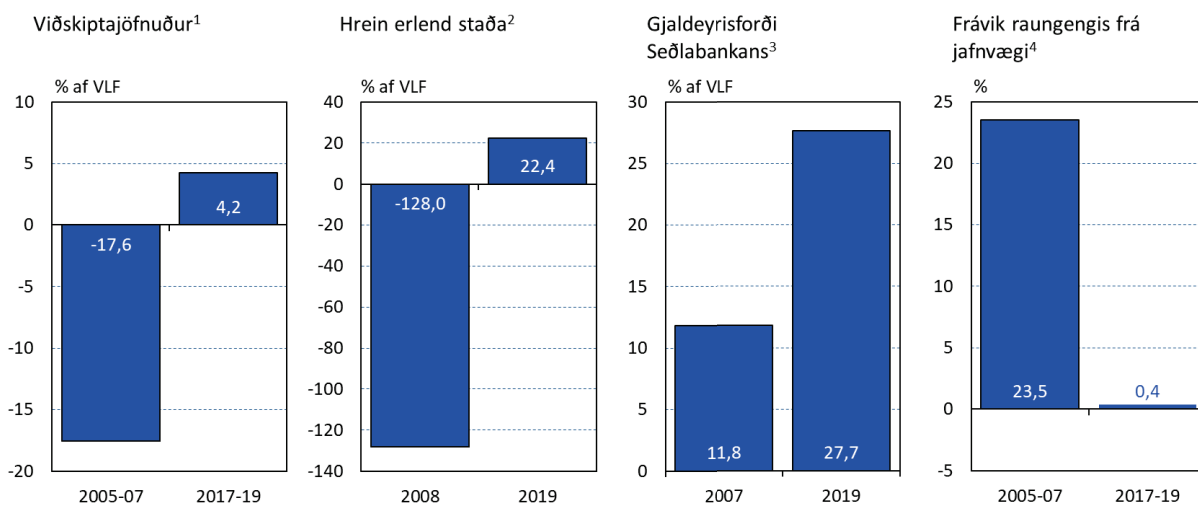


1. Aukning breiðs peningamagns (M3) yfir tímabilin 2003-2008 og 2014-2019. Tölur fyrir seinna tímabilið eru leiðréttar fyrir innlánunum fallinna fjármálafyrirtækja. 2. Aukning heildarútlána lánakerfisins (leiðréttar fyrir endurflokkun og skuldalækkunaraðgerðum stjórnvalda) yfir tímabilin 2003-2008 og 2014-2019. 3. Útlánastofn lánakerfisins sem % af VLF. 4. Hækkun húsnæðisverðs og hlutfalls húsnæðisverðs og atvinnutekna (ráðstöfunartekna án fjármagnstekna) eftir skatt yfir tímabilin 2003-2008 og 2014-2019.

Heimildir: Hagstofa Íslands, Seðlabanki Íslands.

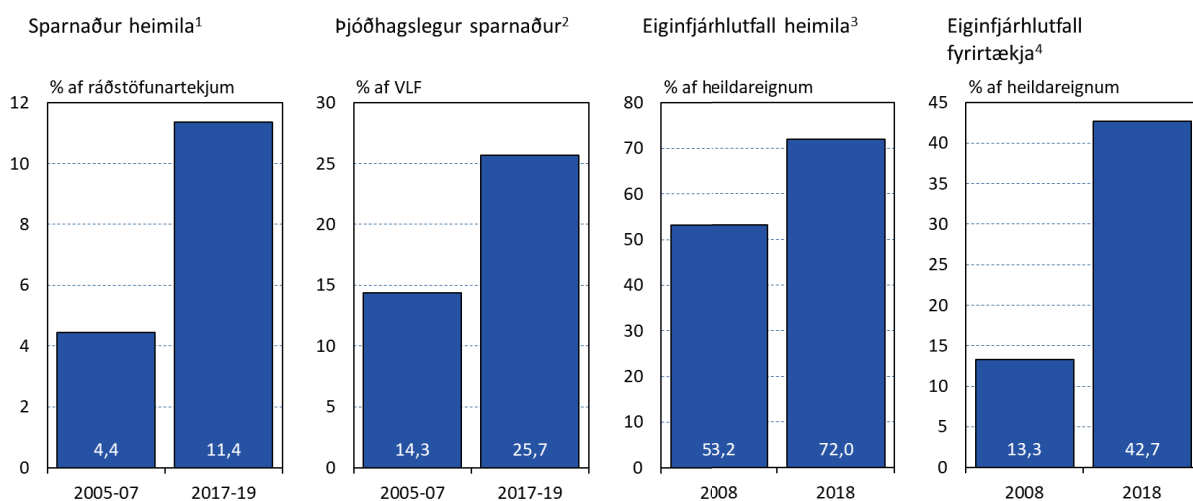


## Alger stakkaskipti hafa orðið á ytri stöðubjóðarbúsins



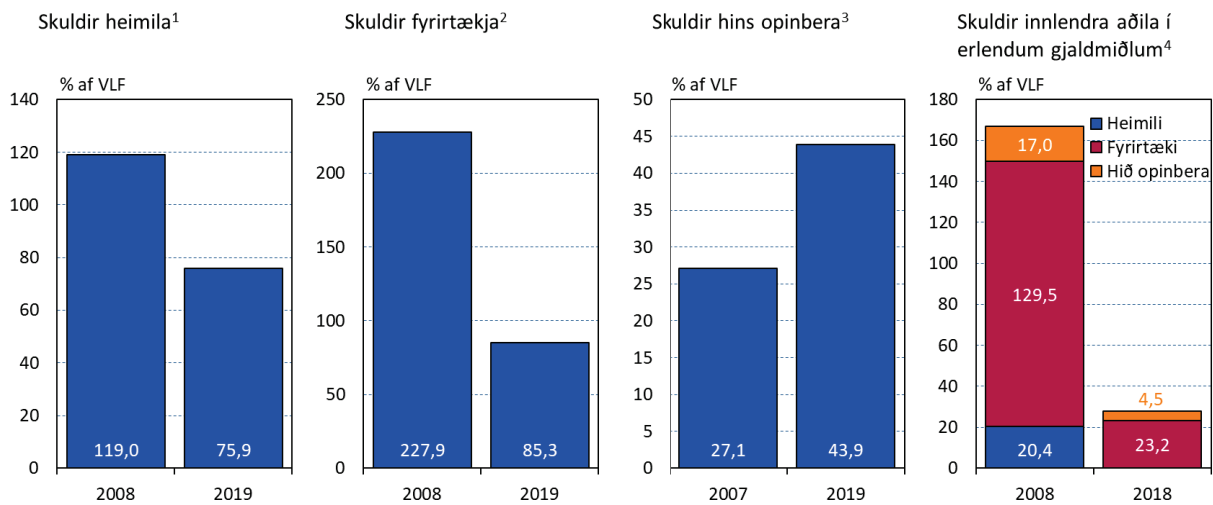
1. Viðskiptajöfnuður sem % af VLF. 2. Hrein erlend staða þjóðarbúsins sem % af VLF. 3. Gjaldeyrisforði sem % af VLF. 4. Frávik raungengis frá metnu jafnvægisraungengi.  
Heimildir: Hagstofa Íslands, Seðlabanki Íslands.

## Sparnaður hefur aukist verulega og eiginfjárstaða heimila og fyrirtækja er sterk



1. Sparnaður heimila sem % af ráðstöfunartekjum heimila. 2. Þjóðhagslegur sparnaður sem % af VLF. 3. Eigið fé heimila án lífeyrisréttinda sem % af heildareignum þeirra samkvæmt upplýsingum úr skattframtölum en hlutabréfaeign samkvæmt fjármálareikningum og Nasdaq verðbréfamistöð. 4. Eigið fé atvinnufyrirtækja utan lyfjaframleiðslu, fjármála- og váttryggingarstarfsem sem % af heildareignum þeirra.  
Heimildir: Hagstofa Íslands, Nasdaq verðbréfamistöð, Seðlabanki Íslands.

# Skuldir heimila og fyrirtækja hafa minnkað mikið og skuldir í erlendum gjaldmiðlum eru mun minni en áður



1. Heildarskuldir heimila sem % af VLF. 2. Heildarskuldir fyrirtækja (skuldir og útgefin markaðsskuldabréf) sem % af VLF. Fyrirtæki án fjármálafyrirtækja (þ.m.t. eignarhaldsfélaga). 3. Vergar skuldir hins opinbera sem % af VLF. 4. Skuldir í erlendum gjaldmiðlum eða tengdar erlendum gjaldmiðlum sem % af VLF. Atvinnufyrirtæki án fjármálafyrirtækja (þ.m.t. eignarhaldsfélaga). Tölur fyrir 2008 eru fyrir september hjá heimilum og fyrirtækjum en fyrir ágúst hjá hinu opinbera.  
 Heimildir: Hagstofa Íslands, Seðlabanki Íslands.

## Af hverju skiptir þetta máli?



Verðbólga og væntingar eru við markmið sem gerði Seðlabankanum kleift að lækka vexti hressilega



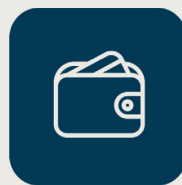
Fjármálakerfið ekki lengur orsök heldur hluti af lausninni



Hækkun á húsnæðisverði einkennist ekki af bólu myndun



Viðskiptaafgangur og meiri erlendar eignir en erlendar skuldir



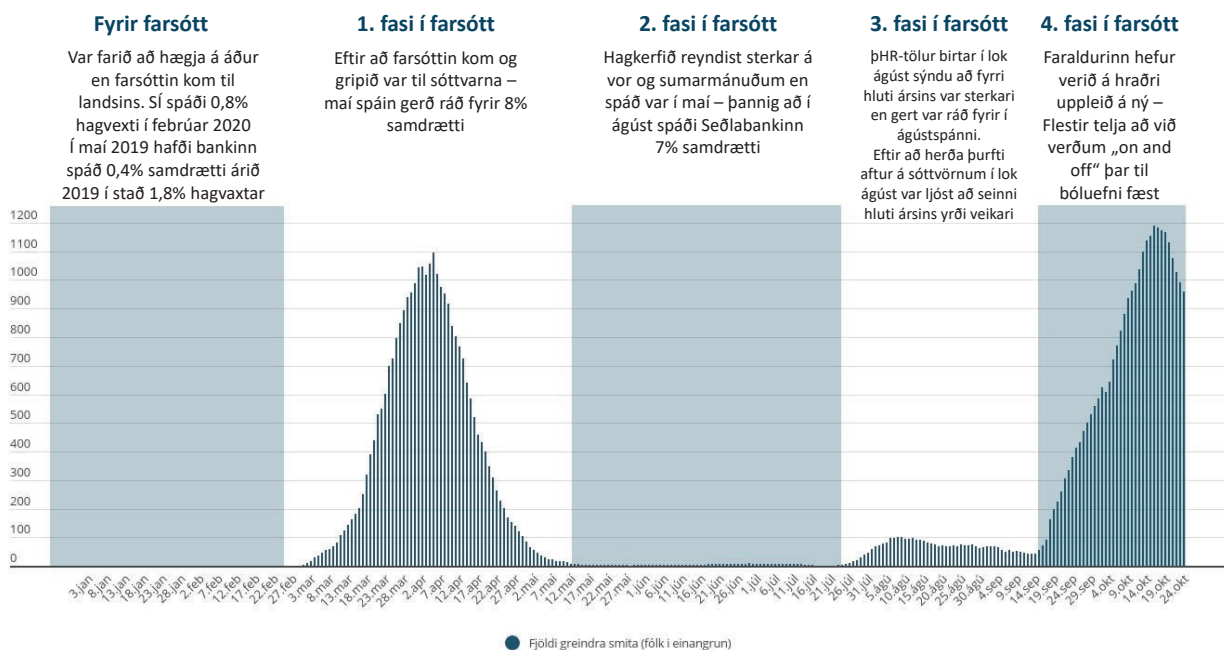
Aukinn sparnaður og betri eiginfjárstaða auðveldar heimilum og fyrirtækjum að takast á við áfallið



Áhrif gengislækkunar á skuldir og efnahag heimila, fyrirtækja og hins opinbera minni nú en fyrir áratug

# Efnahagshorfur og óvissa

## Fjórir fasar í farsótt



## Ágústspá Seðlabankans í hnotskurn



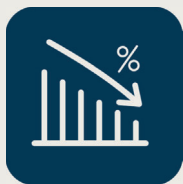
COVID-19 veldur usla í heimsbúskapnum



Griðarlegt högg fyrir fluggeirann og ferðabjónustu hér á landi



Eftir mikinn samdrátt í vor jókst einkaneyslan töluvert í sumar



Horfur á minni efnahags-samdrætti í ár en spáð var í maí



Mikil fækkun starfa og atvinnuleysi í sögulegar hæðir

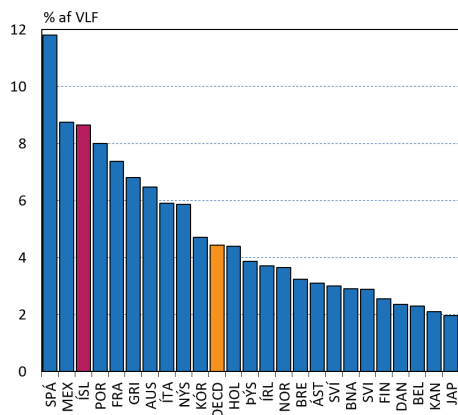


Verðbólga hefur heldur aukist og verður meiri en spáð var í maí

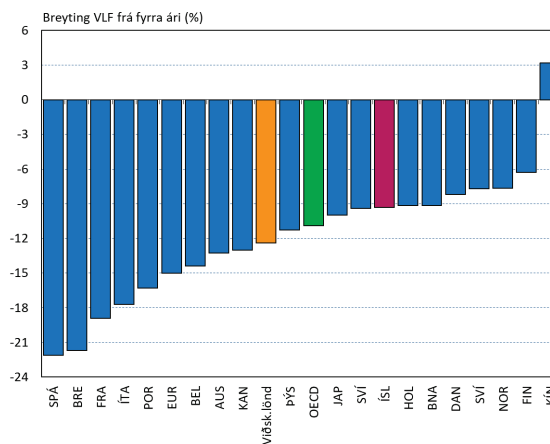
## Samsetning þjóðarbúskapar og sóttvarnaraðgerðir skipta máli

- Sóttvarnaraðgerðir sem takmarka ferðir og nán samskipti fólks bitna á ferðabjónustu
- Samdráttur á 2F yfirléitt meiri í þeim löndum þar sem ferðabjónusta vegur þungt í VLF ...
- ... en samdráttur hér var minni en í þeim löndum þar sem vægi ferðabjónustu í VLF er mikið

Vægi ferðabjónustu í VLF í ýmsum OECD-ríkjum<sup>1</sup>



Alþjóðlegur hagvöxtur á 2. ársfj. 2020

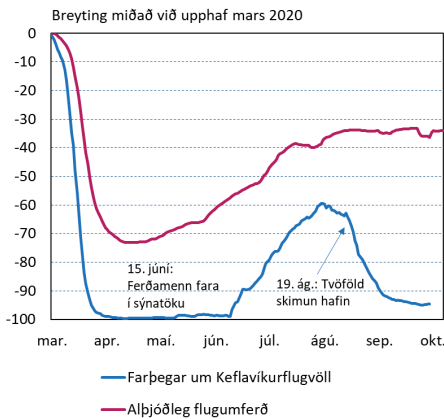


1. Vægi ferðabjónustu í VLF árið 2018 eða nýjasta ár með tiltækum gögnum. Löndin eru Spánn (SPÁ), Mexíkó (MEX), Ísland (ÍSL), Portúgal (POR), Frakkland (FRA), Grikkland (GRI), Austurríki (AUS), Ítalía (ITA), Nýja-Sjáland (NÝS), Suður-Kórea (KÓR), Holland (HOL), Þýskaland (ÞÝS), Írland (IRL), Noregur (NOR), Bretland (BRE), Ástralía (AST), Svíþjóð (SVI), Bandaríkin (BNA), Sviss (SVI), Finnland (FIN), Danmörk (DAN), Belgía (BEL), Kanada (KAN) og Japan (JAP). Heimildir: Hagstofa Íslands, OECD.

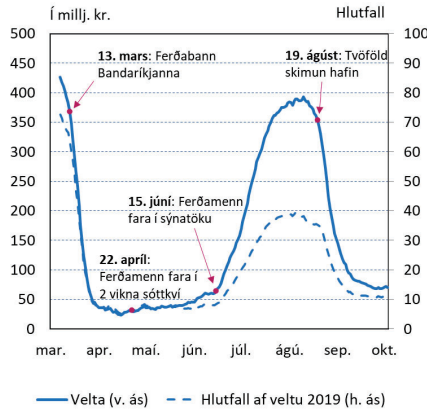
# Verulegur samdráttur útflutnings ferðapjónustu

- Algert hrun varð í komum ferðamanna til landsins í vor
- Bati í júlí og ágúst en versnar aftur eftir sumarvertíðina
- Minni samdráttur í útflutningi sjávarafurða á 1H

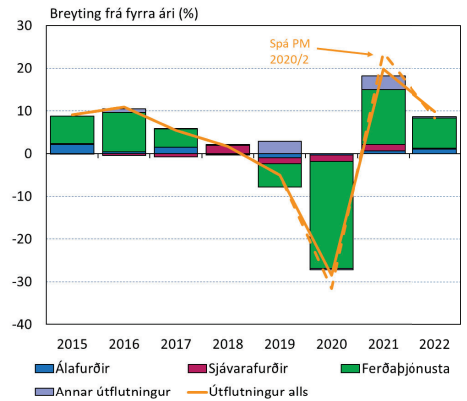
Flugumferð og farþegar um Keflavíkurflugvöll<sup>1</sup>  
5. mars - 11. október



Dagleg velta erlendra korta<sup>1</sup>  
1. mars - 3. október 2020



Útflutningur og framlag undirliða 2015-2022<sup>2</sup>

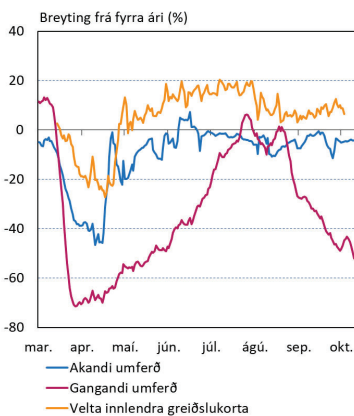


1. Fjöldi farþega sem fór daglega um Keflavíkurflugvöll. Tölur fyrir árið 2019 eru án farþega WOW Air. Greiðslukortatölur eru samtala debet- og kreditkorta útgefin af erlendum aðilum. 7 daga hreyfanlegt meðaltal. 2. Vegna keðjutengingar getur verið að samtala undirliðanna sé ekki jöfn útflutningi alls. Áútflutningur skv. skilgreiningu þjóðhagsreikninga. Ferðapjónusta er samtala á „ferðalögum“ og „farþegaflutningum með flugi“. Grunnspá Seðlabankans 2020-2022. Brotalína sýnir spá frá PM 2020/2.  
Heimildir: Hagstofa Íslands, Isavia, Seðlabanki Íslands.

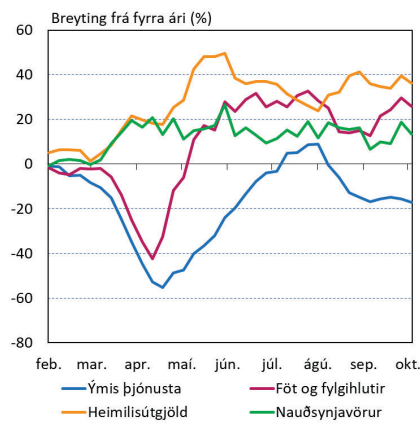
# Viðspyrna einkaneyslu í sumar en dampurinn farinn úr

- Farsóttin og sóttvarnaraðgerðir höfðu veruleg áhrif á efnahagsumsvif í mars og apríl
- Einkaneysla náði viðspyrnu í sumar ...
- ... en aftur hefur hægt á eða dregist saman
- Mismunandi þróun eftir útgjaldaflokkum

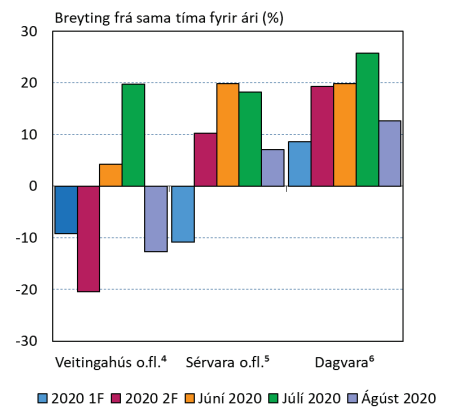
Umferð og kortavelta<sup>1</sup>  
1. mars - 11. október 2020



Útgjöld heimila eftir útgjaldaflokkum<sup>2</sup>  
1. febrúar - 3. október 2020



Greiðslukortavelta eftir helstu útgjaldaflokkum

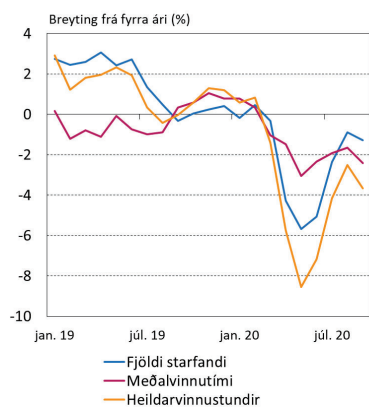


1. Akandi umferð er umferð um Hafnarfjarðarveg sunnan Kópavogslækjar, Reykjanesbraut við Dalveg í Kópavogi og Vesturlandsveg ofan Ártúnsbrekku. Gangandi umferð samkvæmt Apple Mobility Trends. Greiðslukortatölur eru samtala debet- og kreditkorta útgefin af innlendum aðilum. Gangandi umferð breyting frá 13. jan. 2020 en hinar raðirnar breyting frá fyrra ári (umferðargögn 7 daga hreyfanlegt meðaltal en greiðslukortagögn 14 daga hreyfanlegt meðaltal). 2. Ýmis þjónusta á við veitingastaði, leikhús, líkamsræktarstöðvar o.fl. Heimilisútgjöld eiga við kaup á raftækjum, húsgögnum og í byggingavöruverzlunum (28 daga hreyfanlegt meðaltal). 3. Veitingahús, gisting, flutningar, pakkagerðir, tollfrjáls verslun, menning og afþreying, snyrting og ýmis persónuleg þjónusta. 4. Raf- og heimilisæki, húsbúnaður, fatnaður, önnur sérvara og ýmis sérhæfð þjónusta. 5. Dagvöruverzlun og stórmarkaðir.  
Heimildir: Apple Mobility Trends, Hagstofa Íslands, Markaðsvakt Meniga, Rannsóknarsetur verslunarinnar, Vegagerðin, Seðlabanki Íslands.

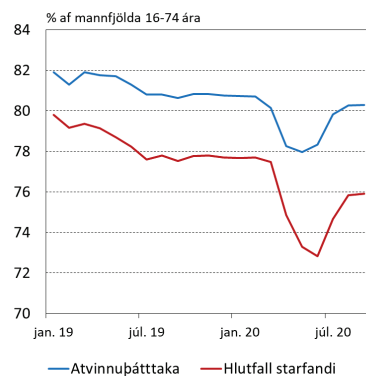
## Vinnumagn á niðurleið eftir skammvinnan sumaryl

- Samkvæmt VMK fækkaði störfum á 2F um 5,1% og vinnutími stýttist um 2,3% – 7,2% fækkun heildarvinnustunda ...
- ... en náði viðspyrnu í sumar
- Septembertölur sýna að aftur hægir á í kjölfar hertra sóttvarnaraðgerða
- Mæld atvinnuþátttaka minnkaði einnig verulega á 2F – en gæti verið mælivandi

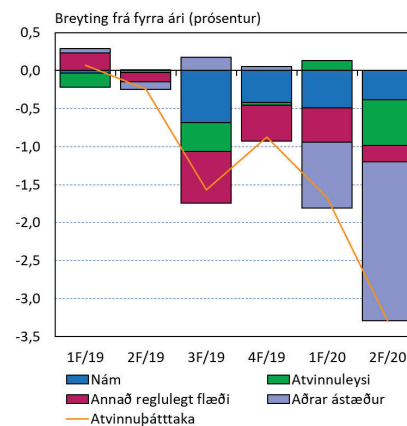
Atvinna og vinnutími<sup>1</sup>  
Janúar 2019 - september 2020



Atvinnuþátttaka og hlutfall starfandi<sup>2</sup>  
Janúar 2019 - september 2020



Breyting í atvinnuþátttöku<sup>3</sup>  
1. ársfj. 2019 - 2. ársfj. 2020

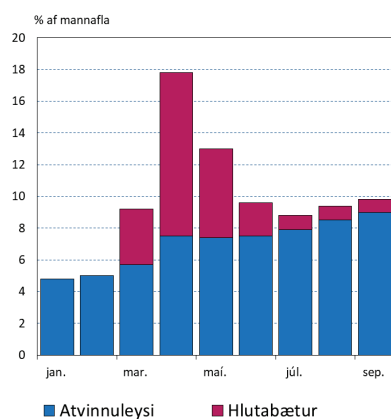


1. Þriggja mánaða hreyfanlegt meðaltal. 2. Árstíðarleiðrétt þriggja mánaða hreyfanlegt meðaltal.  
Sources: Statistics Iceland, Central Bank of Iceland.

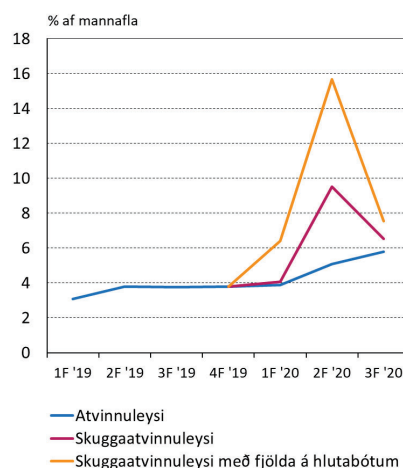
## Atvinnuleysi hefur aukist mikið

- Atvinnuleysi hefur aukist hratt og var 5,1% skv. VMK (5,8% árstíðarleiðrétt) á F3 en skráð atvinnuleysi VMST var 8,5%
- Atvinnuleysi hefði aukist enn meira ef hluti þeirra sem misstu vinnu hefðu ekki horfið af vinnumarkaði og ef ekki hefði komið til hlutabótaleiðar stjórnvalda
- Skuggaatvinnuleysi 16% á F2 en 7,6% á F3

Skráð atvinnuleysi  
Janúar - september 2020



Atvinnuleysi og "Skuggaatvinnuleysi"<sup>1</sup>  
1. ársfj. 2019 - 3. ársfj. 2020

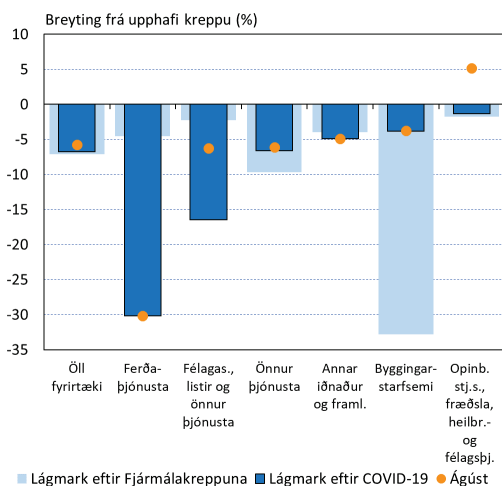


1. Skuggaatvinnuleysi tekur einnig tillit til þeirra sem mælast utan vinnumarkaðar og skuggaatvinnuleysi með hlutabótum bætir við fjölda á hlutabótum margfaldað með bótahlutfalli. Árstíðarleiðréttar tölur.  
Heimildir: Hagstofa Íslands, Vinnuálagstofnun, Seðlabanki Íslands.

## Dregið úr fækkun starfa og lausum störfum fjölgaði á 3F

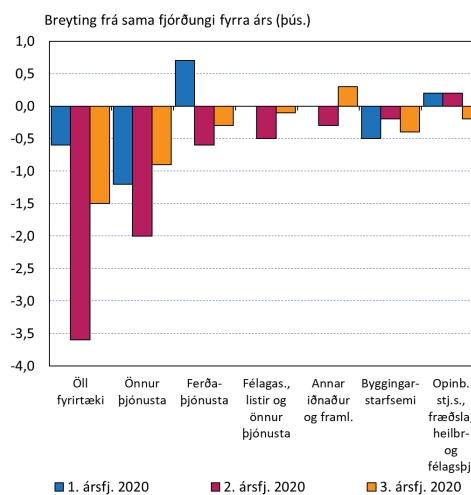
- Fækkun starfandi fólks milli ára skv. staðgreiðsluskrá hefur verið nálægt 5% frá því í apríl
- Mismunandi þróun eftir geirum og miðað við það sem var eftir fjármálakreppuna
- Störfum hefur fækkað um 30% í ferðabjónustu nú sem er svipuð fækkun og varð mest í byggingargeiranum fjármálakreppunni
- Lausum störfum fjölgaði lítillega milli fjórðunga á 3F og samhliða dró úr ársfækkun þeirra - 1.500 færri störf voru laus á 3F en í fyrra

Fækkun starfa í ágúst og fyrstu sjö mánuði í kjölfar efnahagsáfalla<sup>1,2</sup>



1. Önnur þjónusta eru bákar G-N án þeirra sem teljast til einkennandi greina ferðabjónustu. Annar iðnaður og framleiðsla eru bákar A-E. 2. Árstíðarleiðréttar tölur. Heimildir: Hagstofa Íslands, Seðlabanki Íslands.

Laus störf<sup>1</sup>



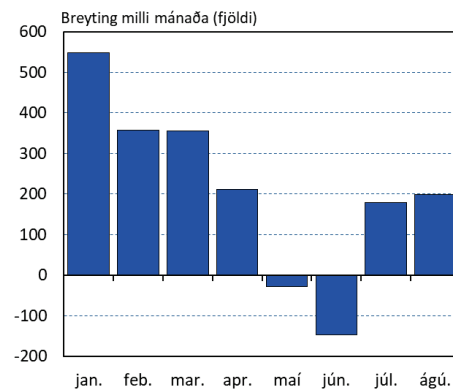
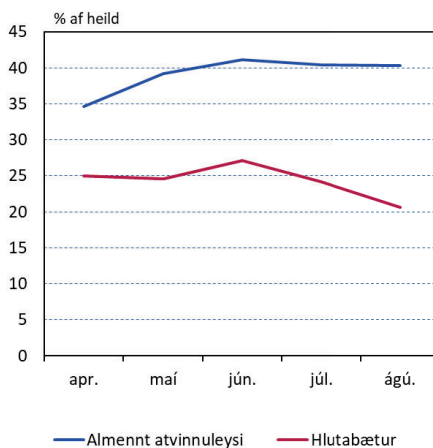
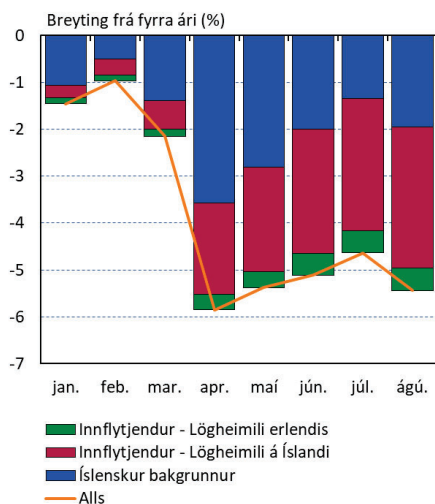
## Störfum innflytjenda hefur fækkað hratt

- Fækkun starfa milli ára í apríl sl. skýrðist aðallega af atvinnumissi fólks með íslenskan bakgrunn en síðan þá hafa hlutföllin snúist við
- Vægi erlendra ríkisborgara í atvinnuleysi hefur verið tiltölulega stöðugt frá því í maí eða um 40%
- Skv. mánaðartölum Þjóðskrár er útlit fyrir að erlendum ríkisborgurum fjölgi á 3F

Fjöldi starfandi skv. staðgreiðsluskrá Janúar - ágúst 2020

Vægi erlendra ríkisborgara í skráðu atvinnuleysi

Erlendir ríkisborgarar búsettir á Íslandi<sup>1</sup> Janúar - ágúst 2020

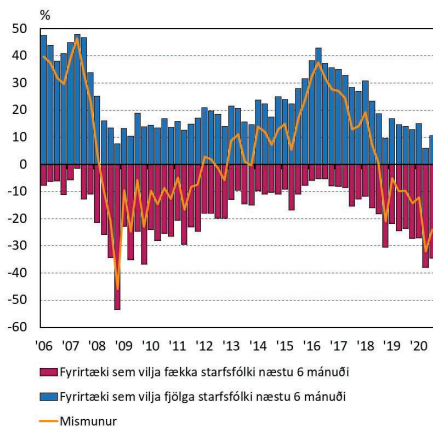


1. Þjóðskrá Íslands birtir tölur um fjölda erlendra ríkisborgara fyrsta dag hvers mánaðar. Á myndinni er gögnum hlíðrar þannig að breyting í gefnum mánuði er breyting frá fyrsta degi þess mánaðar til fyrsta dags næsta mánaðar. Heimildir: Hagstofa Íslands, Vinnuálastofnun, Þjóðskrár Íslands.

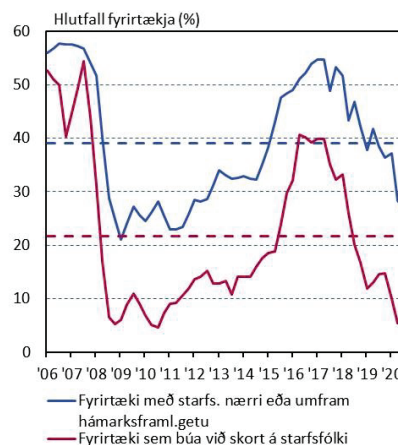
# Atvinnuhorfur slæmar

- 24 pr. fleiri fyrirtæki vildu fækka starfsfólki næstu 6 mánuði umfram þau sem vildu fjölga því
- Aðeins 6% stjórnenda töldu vera skort á starfsfólki ...
- ... en 27% fyrirtækja töldu sig í vanda með að mæta óvæntri eftirspurn

Ráðningaráform fyrirtækja<sup>1</sup>  
1. ársfj. 2006 - 3. ársfj. 2020



Nýting framleiðsluþátta<sup>2</sup>  
1. ársfj. 2006 - 3. ársfj. 2020

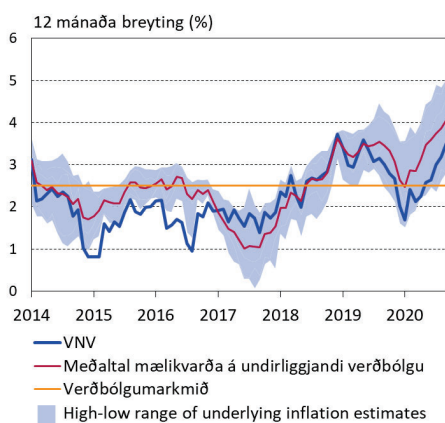


1. Fyrirtæki sem vilja fækka starfsfólki sýnd með neikvæðu formerki. Árstíðarleiddréttar tölur. 2. Brotalínur sýna meðalhúttöll tímabilsins. Árstíðarleiddréttar tölur. Heimildir: Gallup, Hagstofa Íslands, Seðlabanki Íslands.

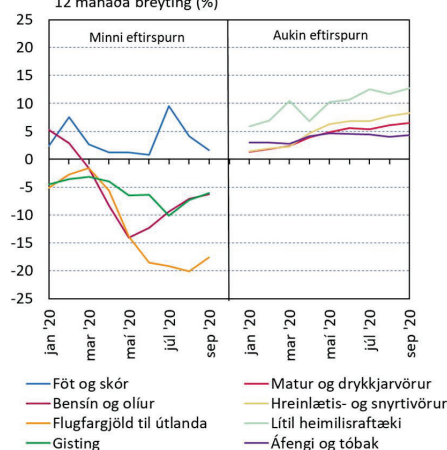
# Verðbólga hefur aukist ...

- Verðbólga mældist 2,5% á 2F en var komin í 3,2% á 3F - undirliggjandi verðbólga er meiri vegna m.a. minni áhrifa lækkunar bensínverðs og raunvaxtakostnaðar húsnæðislána
- Nokkur hækkun vörutegunda sem eftirspurn jókst eftir í sóttvarnaðgerðum
- En hækkun innfluttrar vöru vegur þyngst

Mæld og undirliggjandi verðbólga<sup>1</sup>  
Janúar 2014 - september 2020



Áhrif COVID-19 á verð ólíkra undirlíða vísitölu neysluverðs<sup>2</sup>  
12 mánaða breyting (%)



1. Undirliggjandi verðbólga er mæld með kjarnavísitölu (áhrif óbeinna skatta, sveiflukenndra matvöruhlúa, bensíns, opinberrar þjónustu og raunvaxtakostnaðar húsnæðislána eru undanskiilin) og tölfræðilegum mælikvörðum (vegð miðgildi, klípt meðaltal, kvíkt þáttalíkan og sameiginlegur þáttur VNV). 2. Valdir undirlíðir. Flugfaragjöld til útlanda og lítil heimilisraftæki eru 3 mánaða hreyfanleg meðaltal. Heimildir: Hagstofa Íslands, Seðlabanki Íslands.



## ... í kjölfar lækkunar ISK en kjölfesta væntinga heldur

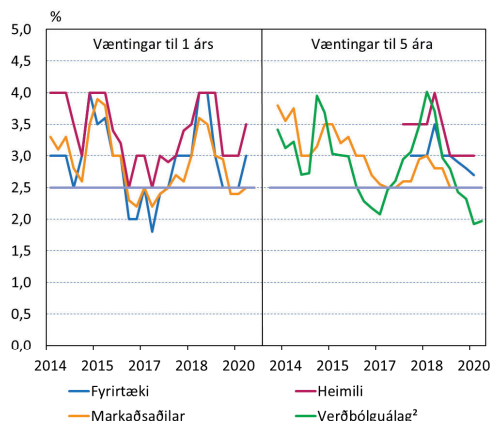
- Gengi ISK tók að lækka í lok febrúar þegar faraldur brast á: hafði lækkað um 12% snemma í maí - hækkaði á ný er leið á maí en lækkaði aftur í sumar
- Er nú rúmlega 13% lægra en í lok febrúar og 14% lægra en fyrir ári
- Þrátt fyrir þetta eru verðbólguvæntingar á alla mælikvarða ýmist óbreyttar eða lægri en fyrir ári og við markmið á flesta þeirra

Gengi krónunnar<sup>1</sup>  
2. janúar 2015 - 22. október 2020



Verðbólguvæntingar

1. ársfj. 2014 - 3. ársfj. 2020

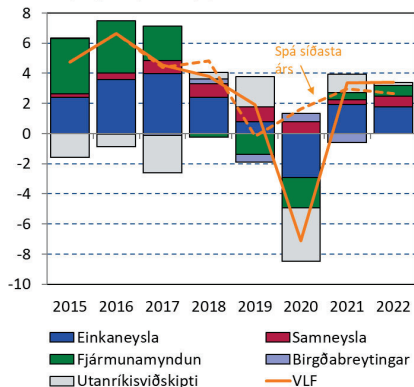


1. Verð erlendra gjaldmiðla í krónum (þróng viðskiptavog). 2. Nýjasta gildið er meðaltal daglegra gilda frá 1. júlí til 21. ágúst 2020.  
Heimildir: Gallup, Seðlabanki Íslands.

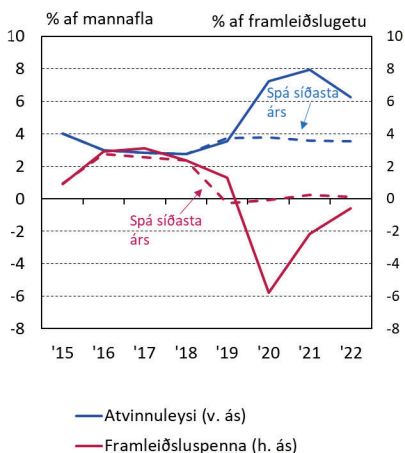
## Efnahagshorfur versnað verulega vegna áhrifa farsóttarinnar

Hagvöxtur og framlag undirliða 2015-2022<sup>1</sup>

Breyting frá fyrra ári (%)



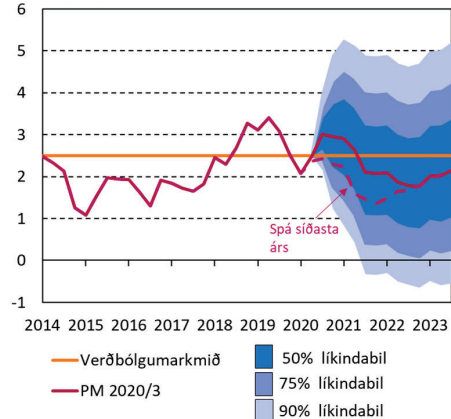
Atvinnuleysi og framleiðsluspenna 2012-2022<sup>1</sup>



Verðbólguþá og óvissumat<sup>1</sup>

1. ársfj. 2014 - 3. ársfj. 2023

Breyting frá fyrra ári (%)



1. Grunnþá Seðlabankans 2020-2022. Brotalína sýnir spá frá PM 2019/4.  
Heimildir: Hagstofa Íslands, Seðlabanki Íslands.

# Fjórir fasar í farsótt

## Fyrir farsótt

Var farið að hægja á áður en farsóttin kom til landsins. Sí spáði 0,8% hagvexti í febrúar 2020. Í maí 2019 hafði bankinn spáð 0,4% samdrætti árið 2019 í stað 1,8% hagvaxtar.

## 1. fasi í farsótt

Eftir að farsóttin kom og gripið var til sóttvarna – maí spáin gerð ráð fyrir 8% samdrætti.

## 2. fasi í farsótt

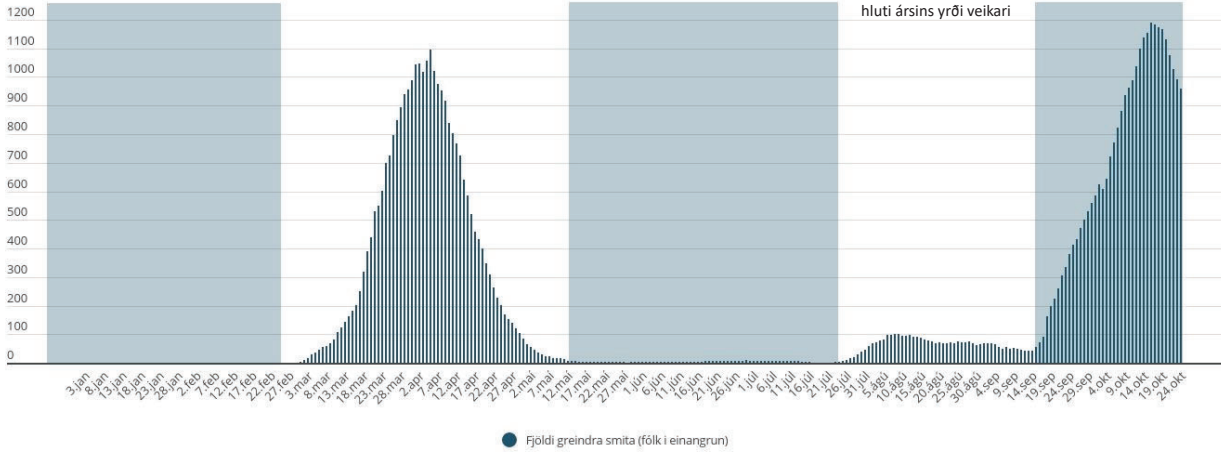
Hagkerfið reyndist sterkar á vor og sumarmánuðum en spáð var í maí – þannig að í ágúst spáði Seðlabankinn 7% samdrætti.

## 3. fasi í farsótt

ÞHR-tölur birtar í lok ágúst sýndu að fyrri hluti ársins var sterkari en gert var ráð fyrir í ágústspánni. Eftir að herða þurfti aftur á sóttvörnum í lok ágúst var ljóst að seinni hluti ársins yrði veikari.

## 4. fasi í farsótt

Faraldurinn hefur verið á hraðri uppleið á ný – Flestir telja að við verðum „on and off“ þar til bóluefni fæst.



## Central Bank to continue programme of regular foreign currency sales

From Monday 2 November through the end of the month, the Central Bank of Iceland will sell 3 million euros per day to market makers in the interbank market for foreign exchange, for a total of 63 million euros during the month. The transactions will take place soon after the market opens in the morning, and no later than 10:00 hrs. They will be conducted in accordance with Press Release no. 30/2020, issued on 9 September 2020.

The Bank began selling currency to market makers on a regular basis on 14 September, with the objective of deepening the market and improving price formation. The Bank sold a total of 66 million euros in this manner during the month of October.

Regular currency sales do not affect the Bank's declared policy of intervening in the foreign exchange market as it deems necessary to mitigate volatility.

Further information can be obtained from Ásgeir Jónsson, Governor of the Central Bank of Iceland, at tel: +354 569-9600.

See here a link to the press release from 9 September 2020, no. 30/2020: [Central Bank to begin regular programme of foreign currency sales](#).

No. 39/2020  
30 October 2020

# Peningamálafundur Viðskiptaráðs

Ásgeir Jónsson seðlabankastjóri



Peningamálafundur Viðskiptaráðs  
Ásgeir Jónsson seðlabankastjóri

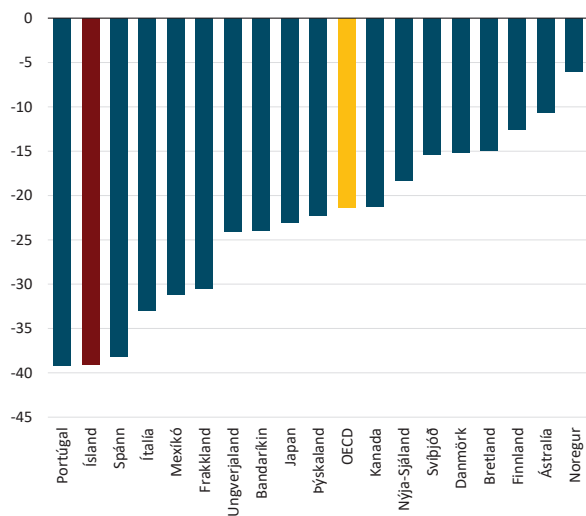
19.11.2020

## Gríðarlegur útflutningsamdráttur hér á landi



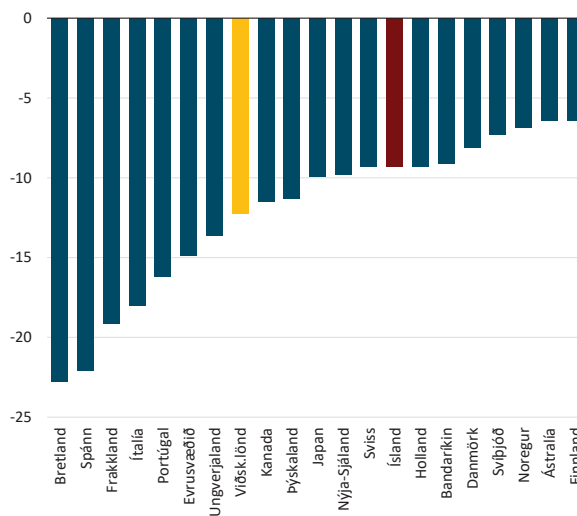
Útflutningur á öðrum ársfjórðungi

Breyting frá fyrra ári (%)



Hagvöxtur á öðrum ársfjórðungi

Breyting frá fyrra ári (%)

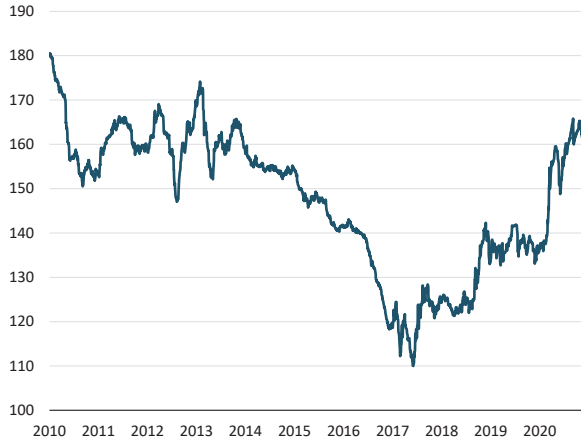


# Lægra gengi en svipað nú og í vor

## Gengi krónu gagnvart evru

1. jan. 2010 - 18. nóv. 2020

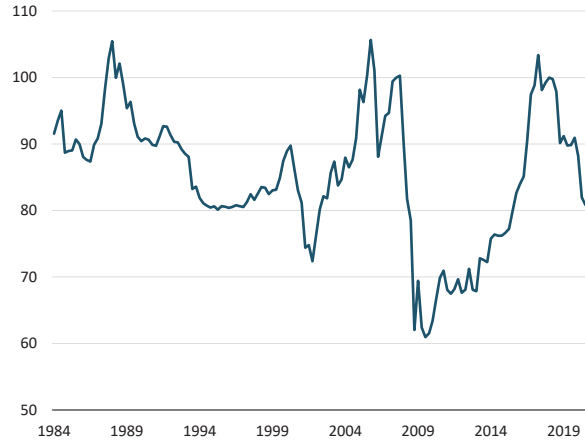
EUR/ISK



## Raugengi krónunnar

1. ársfj. 1984 - 3. ársfj. 2020

Vísitala, 2005 = 100



# Erfiðar aðstæður á vinnumarkaði

## Skráð atvinnuleysi

Janúar 1990 - október 2020

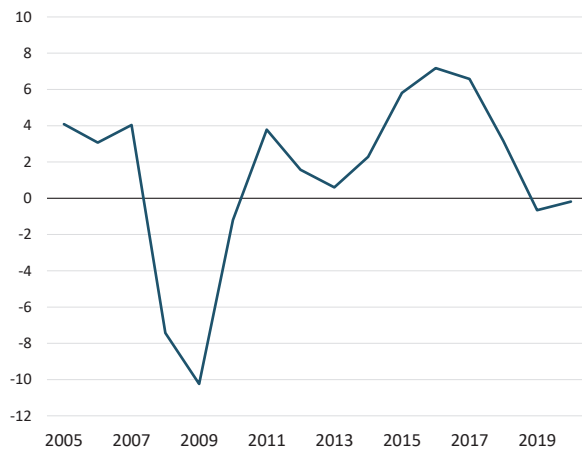
% af mannafla



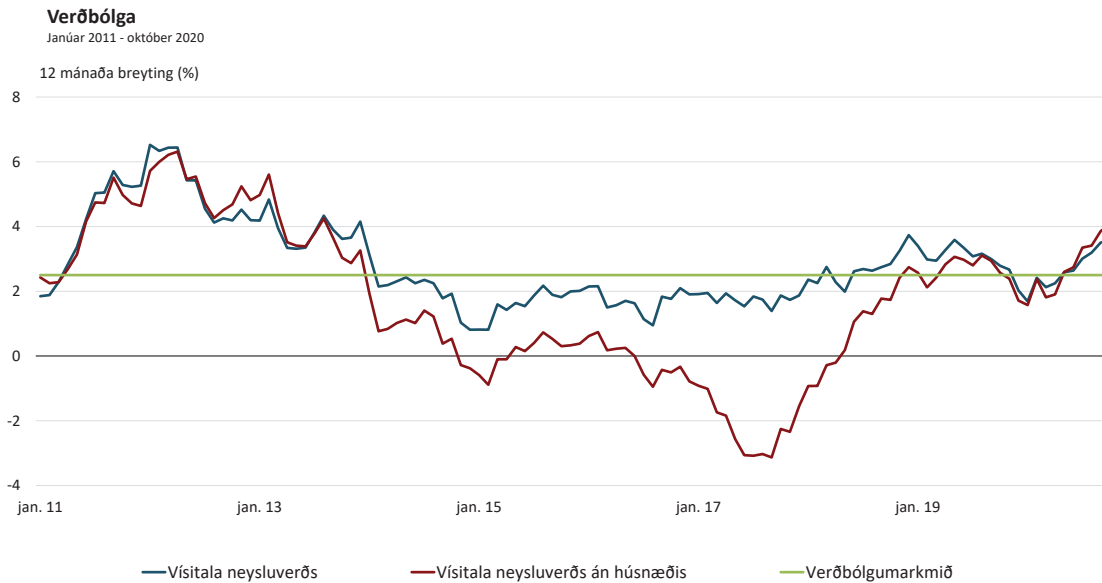
## Raunlaun

2005-2020

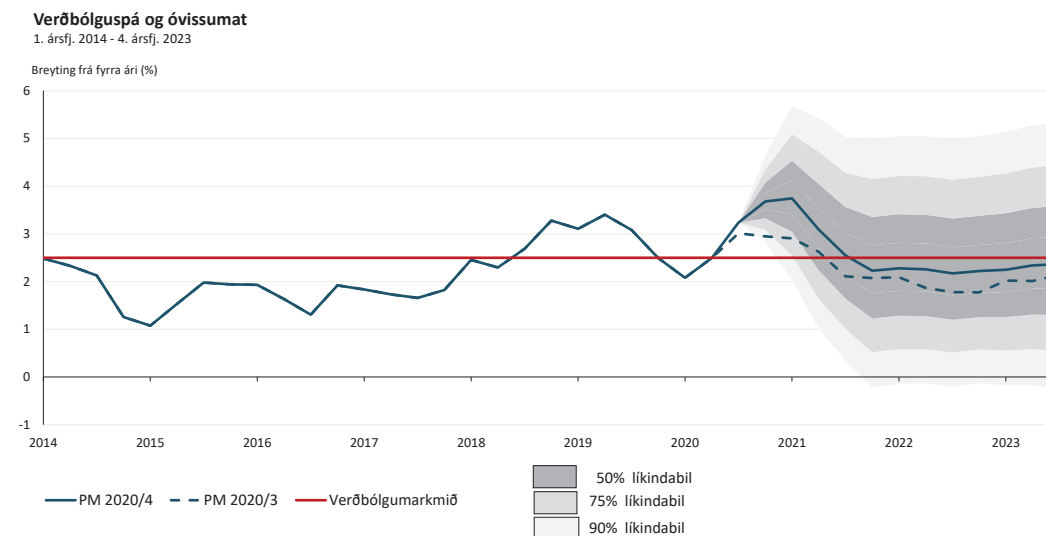
Breyting frá fyrra ári (%)



# Tímabundið verðbólguþétt í kjölfar lækkunar á gengi



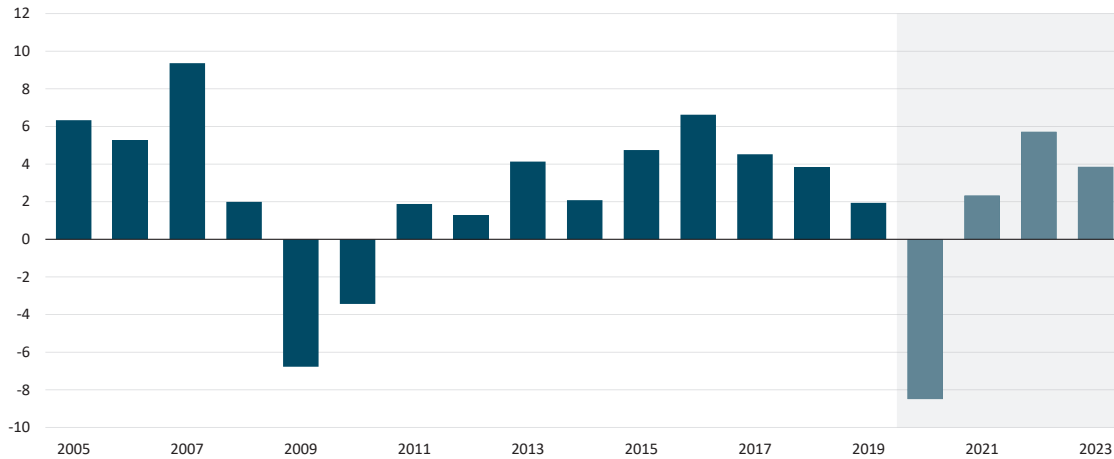
# Verðbólga yfir markmiði en minnkar snemma á næsta ári



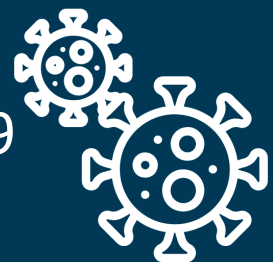
# Hagvöxtur dregst saman í ár en viðsnúningur 2021

## Hagvaxtarspá PM 2020/4

Breyting frá fyrra ári (%)



## Aðgerðir Seðlabankans vegna COVID-19



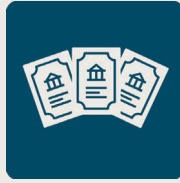
## Aðgerðir Seðlabankans



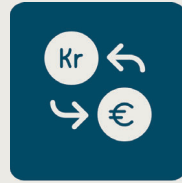
Stýrivextir lækkaðir um tvær prósentur frá upphafi COVID



Lausafjáreftirgjöf við fjármálastofnanir, bindiskylda afnumin og sérstök tímabundin veðlán



Kaup á ríkisskuldabréfum



Gjaldeyrisinngrip og regluleg sala gjaldeyris



Sveiflujöfnunarauki afnuminn og ákvörðun um eiginfjárbörf tekur mið af aðstæðum



Fjármögnun vegna stuðningslána

## Mögulegar aðgerðir í framtíðinni



Svigrúm til vaxtalækkana



Áframhaldandi kaup á ríkisskuldabréfum



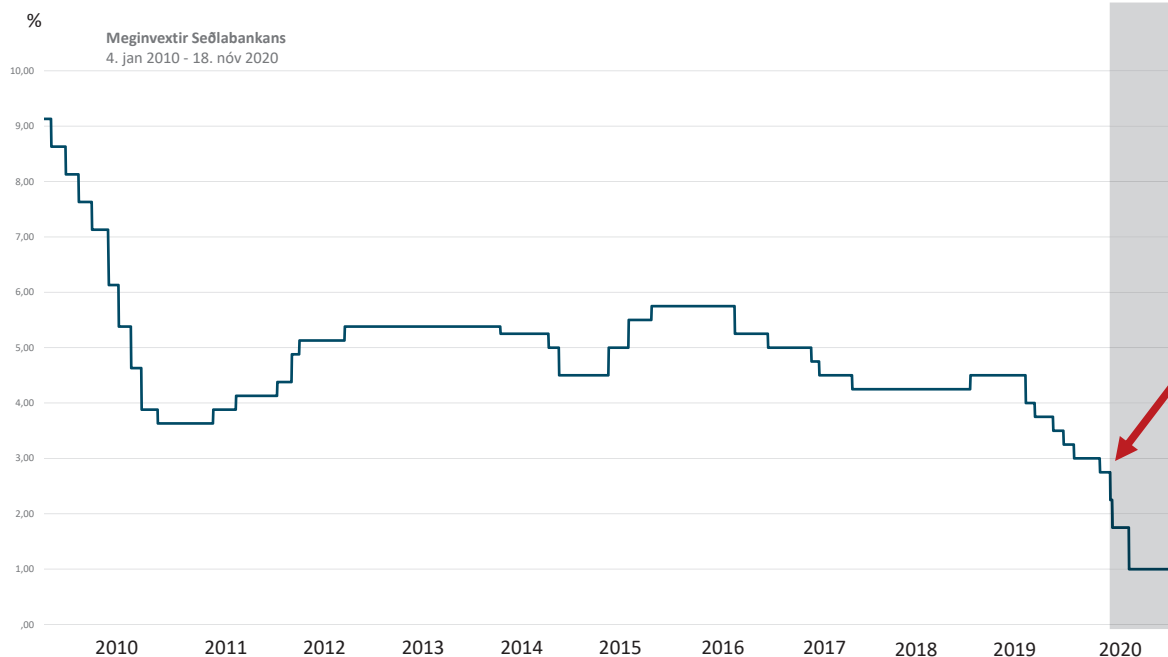
Fjármögnun sértryggðra skuldabréfa bankanna



Sérstakir veðlánarammar vegna útlána

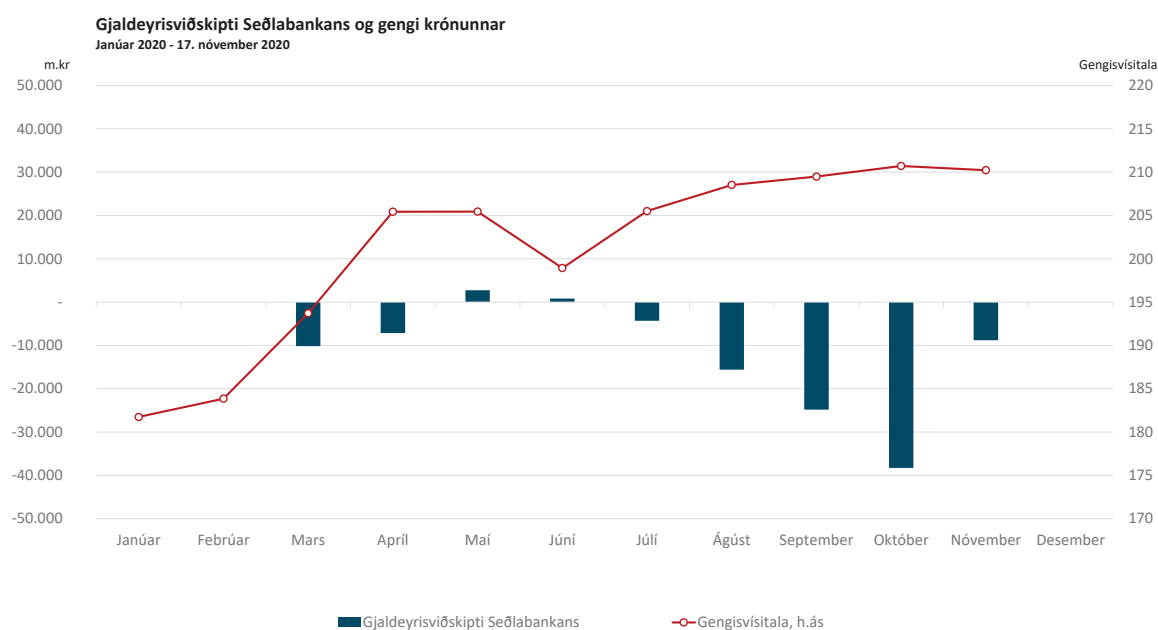


## Stýrivextir hafa verið lækkaðir um tvær prósentur frá upphafi COVID



Vextir lækkað hratt eftir að fyrsta COVID smit kemur upp á Íslandi

## Gjaldeyrisviðskipti og gengi krónunnar



## Ávöxtunarkrafa óverðtryggðra ríkisbréfa og sértryggðra skuldabréfa

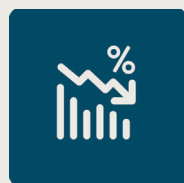
Krafa á óverðtryggð ríkisbréf  
26. jan 2017 – 17. nóv 2020



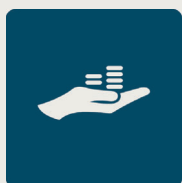
Ávöxtunarkrafa óverðtryggðra sértryggðra skuldabréfa  
Jan 2018 – nóv 2020



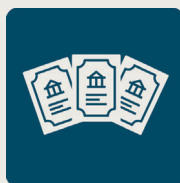
## Aðgerðir Seðlabankans



Stýrivextir lækkaðir um tvær prósentur frá upphafi COVID



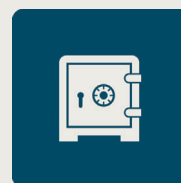
Lausfjárefitgjöf við fjármálastofnanir, bindiskylda afnumin og sérstök tímabundin veðlán



Kaup á ríkisskuldabréfum



Gjaldeyris-inngrip og regluleg sala gjaldeyris



Sveiflujöfnunarauki afnuminn og ákvörðun um eiginfjárförf tekur mið af aðstæðum



Fjármögnun vegna stuðningslána

Takk fyrir

## Central Bank to continue programme of regular foreign currency sales

From Tuesday 1 December through the end of the month, the Central Bank of Iceland will sell 3 million euros per day to market makers in the interbank market for foreign exchange, for a total of 66 million euros during the month. The transactions will take place soon after the market opens in the morning, and no later than 10:00 hrs. They will be conducted in accordance with Press Release no. 30/2020, issued on 9 September 2020.

The Bank began selling currency to market makers on a regular basis on 14 September, with the objective of deepening the market and improving price formation. The Bank sold a total of 63 million euros in this manner during the month of November. From 14 September to date, the Bank has sold a total of 168 million euros under the regular sales programme.

Regular currency sales do not affect the Bank's declared policy of intervening in the foreign exchange market in order to mitigate volatility when it considers such intervention warranted.

Further information can be obtained from Ásgeir Jónsson, Governor of the Central Bank of Iceland, at tel: +354 569-9600.

No. 42/2020  
30 November 2020

Efnahagshorfur og óvissa á tímum  
heimsfaraldurs



Kynning fyrir Samiðn  
8. desember 2020

Rannveig Sigurðardóttir  
varaseðlabankastjóri peningastefnu



Efnahagshorfur og óvissa

# Aðdragandi og fjórir fasar í farsótt

## Aðdragandi

Farið að hægja á áður en farsóttin kom. Í maí 2019 spáði bankinn 0,4% samdrætti árið 2019 í stað 1,8% hagvaxtar og peningastefnunefnd lækkaði vexti um 0,5 pr.

## 1. fasi í farsótt

Farsóttin kom og gripið var til sóttvarna. Maí 2020 spáð 8% samdrætti á árinu.

## 2. fasi í farsótt

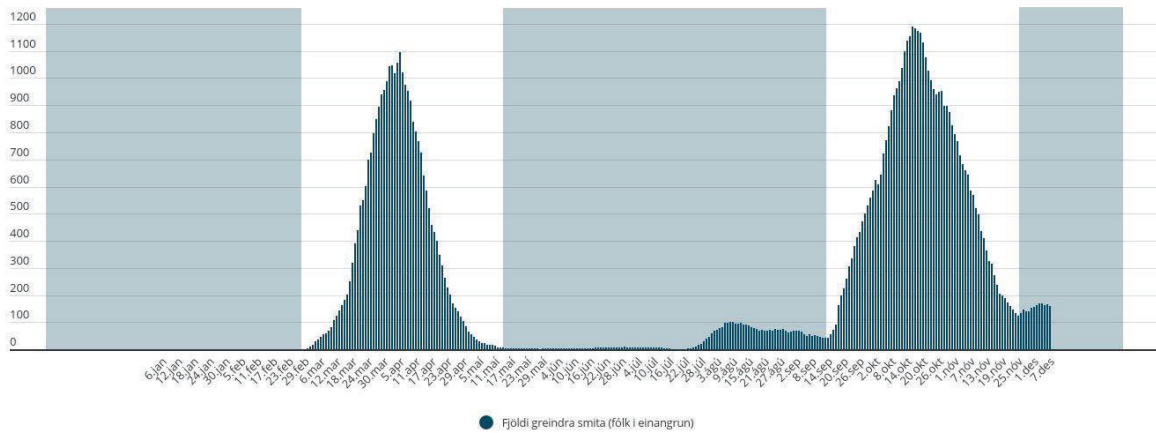
Hagkerfið reyndist sterkara á vor- og sumarmánuðum en spáð var í maí. Ágústspáin gerði því 'aðeins' ráð fyrir 7% samdrætti.

## 3. fasi í farsótt

Herða þurfti aftur á sóttvörnum sem hefur áhrif á horfur fyrir seinni hluti ársins.

## 4. fasi í farsótt

Horfur fyrir 2021 ráðast af því hversu hratt og vel tekst að koma á hjarðónæmi.



## Peningamál í hnotskurn



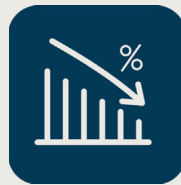
Farsóttin virtist í rénun í sumar en mikil fjölgun smita í haust og vetur



Bakslag í viðsnúningi í heimsbúskapnum



Mikill samdráttur útflutnings og lakari horfur en í ágústspá



Meiri samdráttur í ár og hægari bati á næsta ári



Mikil fækkun starfa og atvinnuleysi í sögulegar hæðir

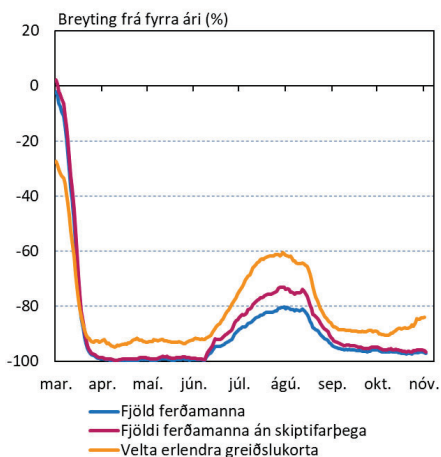


Verðbólga hefur aukist og horfur á að verði þrálátari en áður spáð

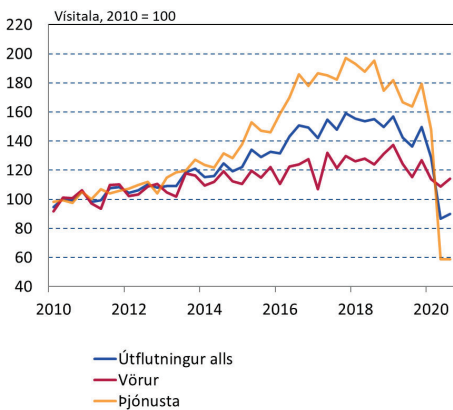
# Gríðarlegur útflutningsamdráttur hér á landi ...

- Farsóttin leiddi til hruns í komum ferðamanna til landsins
- Tæplega 65% samdráttur var á þjónustuútflutningi milli ára bæði á F2 og F3
- Útflutningur vöru og þjónustu dróst saman um næstum 40% milli ára á F2 – með því mesta sem mælist meðal OECD-ríkja
- Samdrátturinn líttilega minni á F3 (-34%)

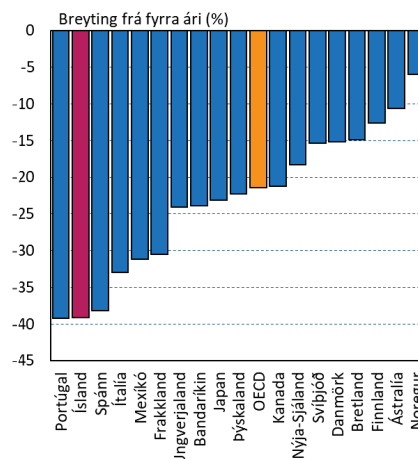
Ferðamenn og útgjöld<sup>1</sup>  
7. mars - 13. nóvember 2020



Útflutningur vöru og þjónustu<sup>2</sup>  
1. ársfj. 2010 - 3. ársfj. 2020



Útflutningur á öðrum ársfjórðungi í ýmsum OECD-ríkjum<sup>3</sup>

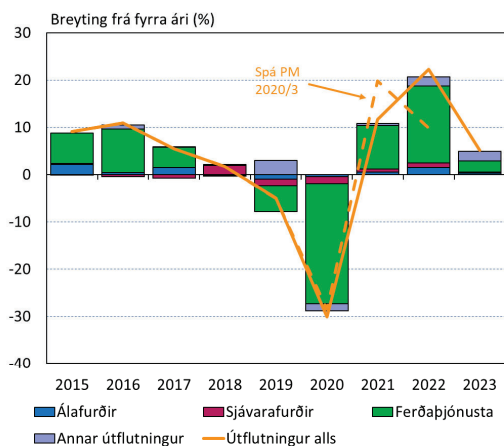


1. Fjöldi farþega sem fór daglega um Keflavíkurflugvöll. Tölur fyrir árið 2019 eru án farþega WOW Air. Greiðslukortatölur eru samtala debet- og kreditkorta útgefna af erlendum aðilum. Sjö daga hreyfanlegt meðaltal. 2. Árstíðarleidiráttar magnvísitalur. 3. Árstíðaleiðrétt magnvísitala útflutnings vöru og þjónustu. Heimildir: Hagstofa Íslands, Isavia, OECD, Seðlabanki Íslands.

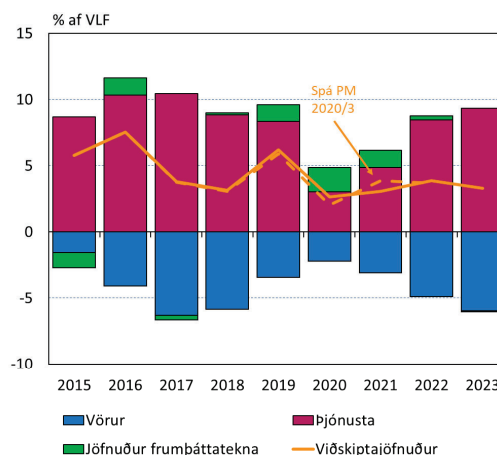
# ... og horfur fyrir næsta ár hafa versnað

- Gert ráð fyrir 30% samdrætti vöru- og þjónustuútflutnings í ár
- Meiri samdráttur en spáð var í ágúst og horfur versna einnig fyrir næsta ár vegna verri horfa í ferðaþjónustu
- Þrátt fyrir útflutningsamdrátt helst viðskiptaafgangur allan spátímann: fer úr 6,2% af VLF 2019 í 2,6% í ár og er yfir 3% frá 2021

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



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

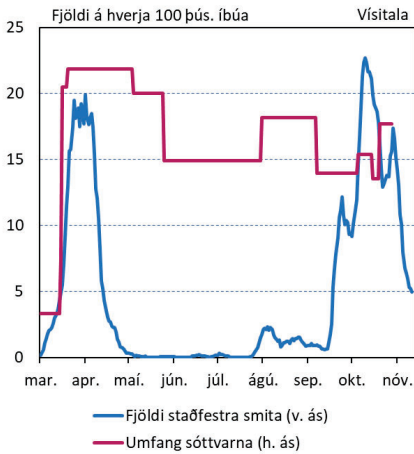


1. Vegna keðjutengingar getur verið að summa undirliðanna sé ekki jöfn heildarútflutningi. Álafurðingur skv. skilgreiningu þjóðhagsreikninga. Ferðaþjónusta er samtala á „ferðalögum“ og „farþegaflutningum með flugi“. Grunnspá Seðlabankans 2020-2023. Brotalína sýnir spá frá PM 2020/3. 2. Jöfnuður rekstrarframlaga talin með frumþáttajöfnuði. Grunnspá Seðlabankans 2020-2023. Brotalína sýnir spá frá PM 2020/3. Heimildir: Hagstofa Íslands, Seðlabanki Íslands.

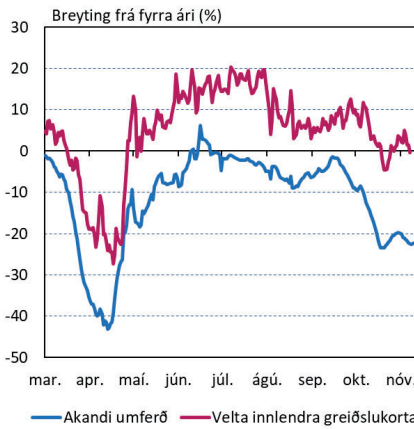
# Fjara tók undan bata þegar smitum fjölgaði aftur

- Innlend efnahagssumsvif tóku við sér í sumar þegar farsóttin rénaði og slakað var á sóttvörnum: akandi umferð var komin á svipað stig og fyrir ári um miðjan júní og innlend kortavelta var um 15% meiri en á sama tíma í fyrra ...
- ... en fjarað hefur undan batanum á ný – sérstaklega hefur dregið úr neysluútgjöldum sem krefjast nálægðar við annað fólk

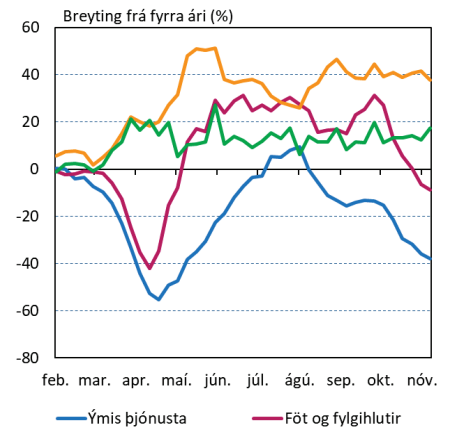
Smit og sóttvarnir<sup>1</sup>  
1. mars - 13. nóvember 2020



Umferð og kortavelta<sup>2</sup>  
1. mars - 13. nóvember 2020



Útgjöld heimila eftir útgjaldaflokkum<sup>3</sup>  
7. febrúar - 7. nóvember 2020

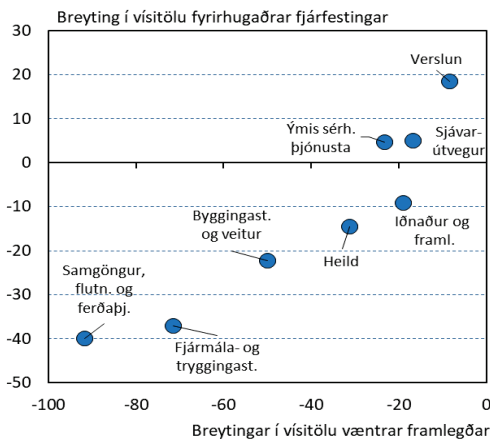


1. Fjöldi staðfestra smita er sjö daga hreyfanlegt meðaltal. Umfang sóttvarna vegur saman ýmsa mælikvarða á hversu hart stjórnvöld ganga fram við að draga úr útbreiðslu COVID-19. 2. Akandi umferð er dagleg umferð um Hafnarfarðarveg sunnan Kópavogslækjar, Reykjanesbraut við Dalveg í Kópavogi og Vesturlandsveg ofan Ártúnsbrekku. Greiðslukortatölur eru samtala debet- og kreditkorta útgefinna af innlendum aðilum. Fjórðan daga hreyfanlegt meðaltal. 3. Ýmis þjónusta á við veitingastaði, leikhús, líkamsræktarstöðvar o.fl. Heimilisútgjöld eiga við kaup á raftækjum, húsgögnum og í byggingavöruslunum. 28 daga hreyfanlegt meðaltal. Heimildir: Covid.is, Hagstofa Íslands, Meniga Markaðsvakt, Oxford COVID-19 Government Response Tracker, Vegagerðin, Seðlabanki Íslands.

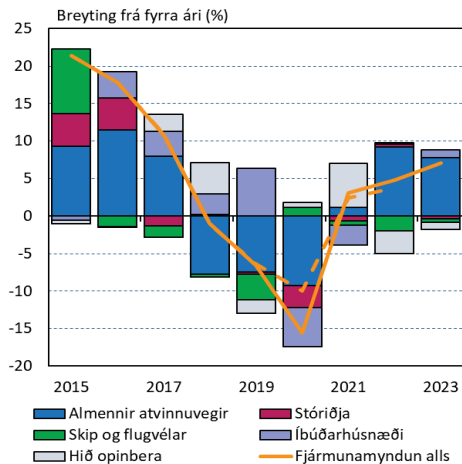
# Fyrirtæki svartsýnni og draga meir úr fjárfestingu

- Fjárfesting atvinnuveganna dróst saman um 10% á fyrstu 3 fjórðungum ársins
- Sterk fylgni milli fjárfestinga og væntinga um framlegð
- Spáð 15% samdrætti fjárfestingar í ár (10% í PM 20/3) og að hún taki ekki að aukast á ný fyrr en sér fyrir endann á farsóttinni

Væntingar stjórnenda fyrirtækja um framlegð og fjárfestingarútgjöld<sup>2</sup>



Fjármunamyndun og framlag helstu undirliða 2015-2023<sup>3</sup>



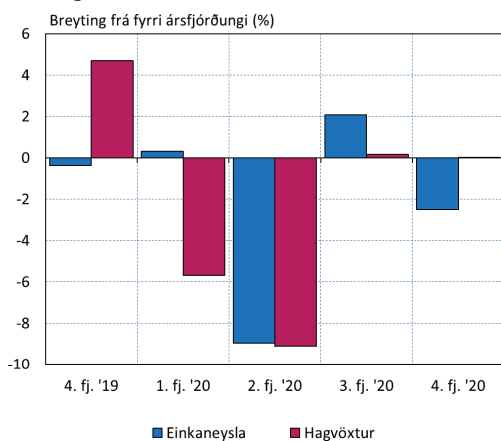
1. Könnun Seðlabankans á fjárfestingaráformum 96 fyrirtækja (könnun nær ekki til fjárfestinga í hótélum, skipum og flugvélum). Könnun Gallup á fjárfestingaráformum 400 stærstu fyrirtækja landsins. Sýnt er hlutfall fyrirtækja sem ætla að auka fjárfestingu og ætla að minnka hana. 2. Breyting milli kannana sem framkvæmdar voru í mars og september 2020. Spurt er um væntingar um framlegð á næstu sex mánuðum og hvort fjárfestingarútgjöld verði meiri eða minni í ár en á árinu á undan. 3. Almenn atvinnuvegafjárfesting er atvinnuvegafjárfesting án fjárfestingar í orkufrækm iðnaði og í skipum og flugvélum. Grunnspá Seðlabankans 2020-2023. Brotlína sýnir spá PM 2020/3. Heimildir: Gallup, Hagstofa Íslands, Seðlabanki Íslands.



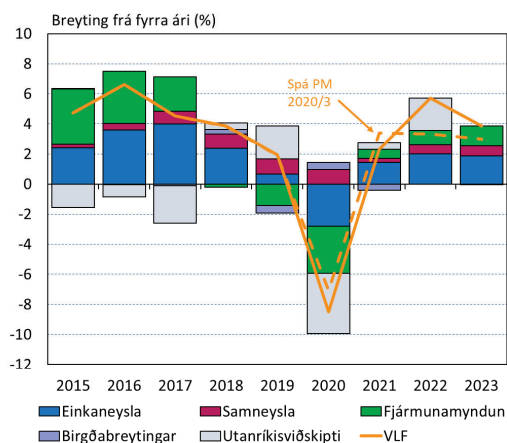
## Lítill bati á H2/2020 og lakari horfur fyrir næsta ár

- Einkaneyslan virðist hafa aukist nokkuð á Q3 en farsóttin veldur því að hún er talin dragast aftur saman á Q4
- Batinn á H2 sem spáð var í PM 20/3 er því nánast horfinn og VLF stendur í stað milli fjórðunga
- Spáð 8,5% samdrætti á árinu öllu (7,1% í PM 20/3) og bata næsta árs seinkar: hagvöxtur 2,3% í stað 3,4% í PM 20/3

Ársfjórðungslegur vöxtur einkaneyslu og hagvöxtur<sup>1</sup>



Hagvöxtur og framlag undirliða 2015-2023<sup>2</sup>

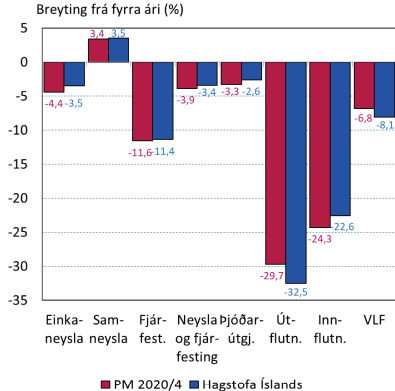


1. Árstíðarleidd gögn. Grunnspá Seðlabankans fyrir 3. og 4. ársfjórðung 2020. 2. Grunnspá Seðlabankans 2020-2023. Brotalína sýnir spá frá PM 2020/3. Heimildir: Hagstofa Íslands, Seðlabanki Íslands.

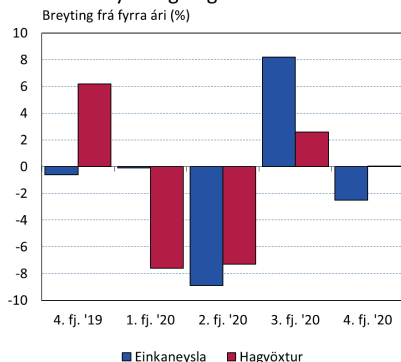
## Meiri samdráttur í ár og lakari horfur fyrir næsta ár

- Tölur þh-reikninga sýna minni samdrátt fyrstu 3 ársfjórðunga ársins (6,8%) en nóvemberspáin gerði ráð fyrir (8,1%)
- Einkaneyslan virðist hafa aukist nokkuð á Q3 en farsóttin veldur því að hún er talin dragast aftur saman á Q4
- Spáð 8,5% samdrætti á árinu öllu (7,1% í PM 20/3) og bata næsta árs seinkar: hagvöxtur 2,3% í stað 3,4% í PM 20/3

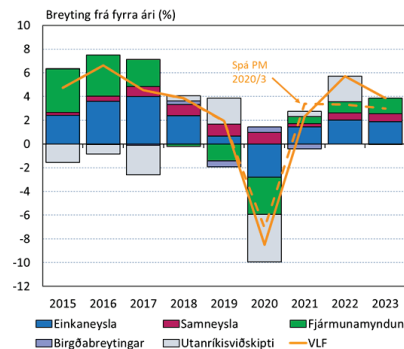
Þjóðhagsreikningar fyrstu þrjá ársfj. 2020



Ársfjórðungslegur vöxtur einkaneyslu og hagvöxtur<sup>1</sup>



Hagvöxtur og framlag undirliða 2015-2023<sup>2</sup>

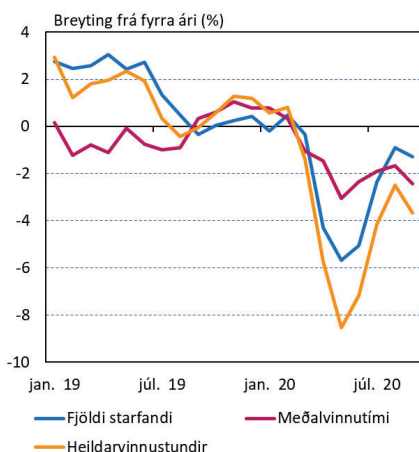


1. Árstíðarleidd gögn. Grunnspá Seðlabankans fyrir 4. ársfjórðung 2020. 2. Grunnspá Seðlabankans 2020-2023. Brotalína sýnir spá frá PM 2020/3. Heimildir: Hagstofa Íslands, Seðlabanki Íslands.

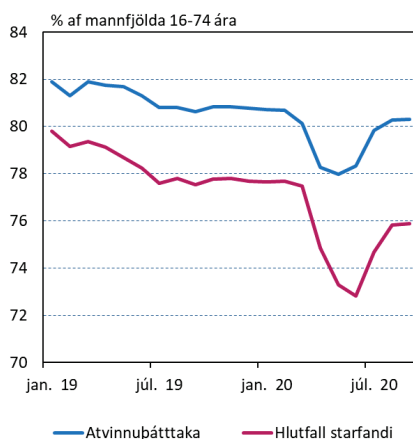
## Eftir skammvinnan sumaryl gaf vinnumarkaður eftir á ný

- Samkvæmt VMK virtist töluvert draga úr ársfækkun heildarvinnustunda í sumar og atvinnupátttaka og hlutfall starfandi hækkuðu skarpt á ný ... en bakslag mælist í september: ársfækkun starfa eykst á ný og aukning atvinnupátttöku stöðvast
- Staðan mælist enn verri sé horft til fjölda starfa m.v. staðgreiðslugögn og skráð atvinnuleysi mælist 2,9 pr. herra en skv. VMK

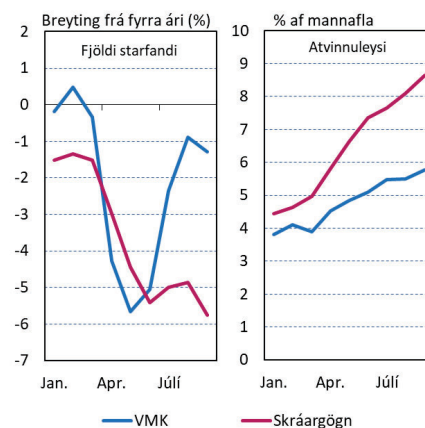
Atvinna og vinnutími<sup>1</sup>  
Janúar - september 2020



Atvinnupátttaka og hlutfall starfandi<sup>2</sup>  
Janúar - september 2020



Fjöldi starfandi og atvinnuleysi<sup>3</sup>  
Janúar - september 2020

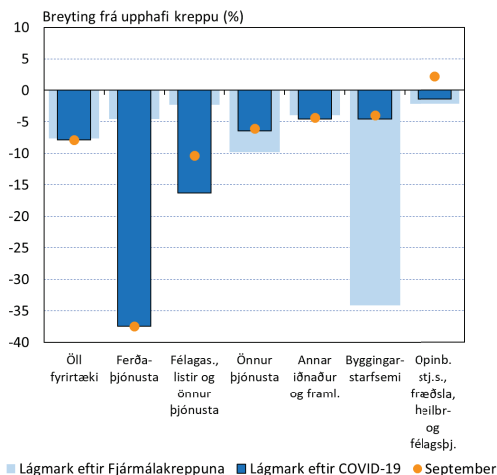


1. Þriggja mánaða hreyfanlegt meðaltal. 2. Árstíðarleidd þriggja mánaða hreyfanlegt meðaltal. 3. VMK stendur fyrir vinnumarkaðskönnun Hagstofu Íslands. Skrárgögn eru staðgreiðslugrá ríkisskattstjóra fyrir fjölda starfandi og skráð atvinnuleysi Vinnuálfstofnunar fyrir atvinnuleysi. Atvinnuleysi er árstíðarleidd og er skráð atvinnuleysi árstíðarleidd af SeoLABANKI ISLANDS. Þriggja mánaða hlaupandi meðaltal.  
Heimildir: Hagstofa Íslands, Vinnuálfstofnun, SeoLABANKI ISLANDS.

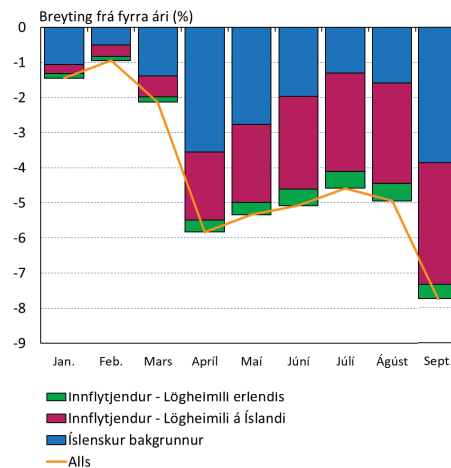
## Fækkun starfa mismikil eftir atvinnugrein og ríkisfangi

- Starfandi fólk hefur fækkað um 8% frá upphafi kreppu til september
- Þróunin er mismunandi eftir geirum og önnur en var eftir fjármálakreppuna
- Fækkun starfa innflytjenda hlutfallslega meiri en þeirra með íslenskan bakgrunn

Fækkun starfa í september og fyrstu átta mánuði í kjölfar efnahagsáfalla<sup>1,2</sup>



Fjöldi starfandi skv. staðgreiðslugrá  
Janúar - september 2020

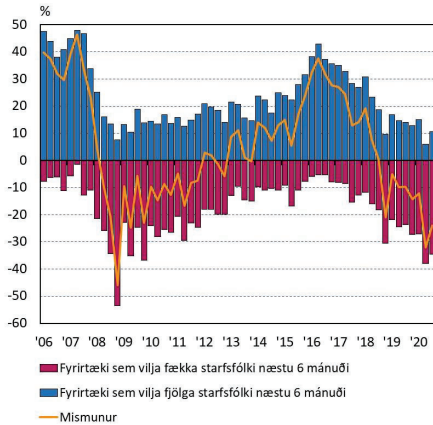


1. Önnur þjónusta eru bákar G-N án þeirra sem teljast til einkennandi greina ferðaþjónusta. Annar iðnaður og framleiðsla eru bákar A-E. 2. Árstíðarleiddar tölur.  
Heimildir: Hagstofa Íslands, SeoLABANKI ISLANDS.

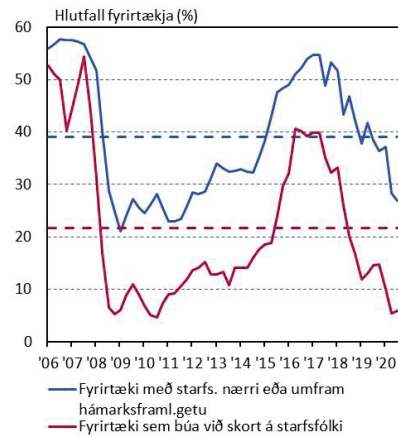
# Atvinnuhorfur áfram dökkar

- Fleiri fyrirtæki (24%) vildu í september fækka starfsfólki næstu 6 mánuði umfram þau sem vildu fjölga því
- Aðeins 6% stjórnenda töldu vera skort á starfsfólki ...
- ... en 27% fyrirtækja töldu sig í vanda með að mæta óvæntri eftirspurn

Ráðningaráform fyrirtækja<sup>1</sup>  
1. ársfj. 2006 - 3. ársfj. 2020



Nýting framleiðslupátta<sup>2</sup>  
1. ársfj. 2006 - 3. ársfj. 2020

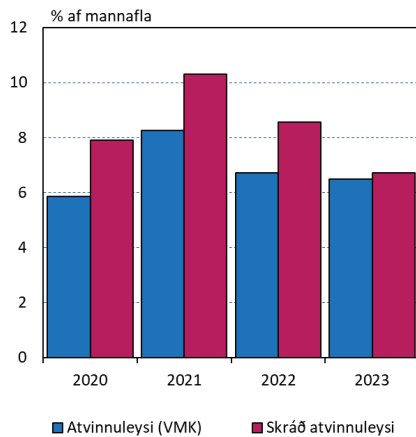


1. Fyrirtæki sem vilja fækka starfsfólki sýnd með neikvæðu formerki. Árstíðarleiddréttar tölur. 2. Brotalínur sýna meðalhúttöll tímabilsins. Árstíðarleiddréttar tölur. Heimildir: Gallup, Hagstofa Íslands, Seðlabanki Íslands.

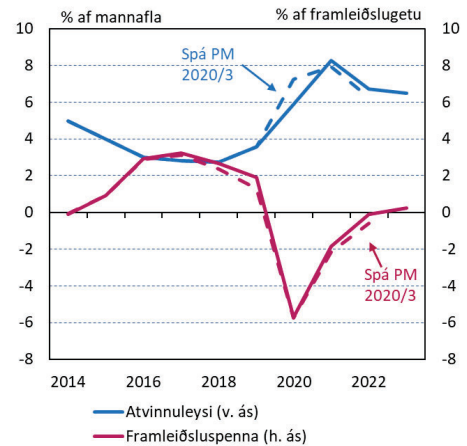
# Vaxandi atvinnuleysi og mikill slaki í þjóðarbúinu

- Spáð er að atvinnuleysi verði að meðaltali 5,9% í ár skv. VMK en 8,3% að meðaltali á næsta ári
- Skráð atvinnuleysi verður hins vegar 2% meira í ár og á næsta ári og verður liðlega 10% að meðaltali á næsta ári
- Slakinn nær hámarki í 5,7% í ár

Atvinnuleysi 2020-2023<sup>1</sup>



Atvinnuleysi og framleiðsluspenna 2014-2023<sup>3</sup>

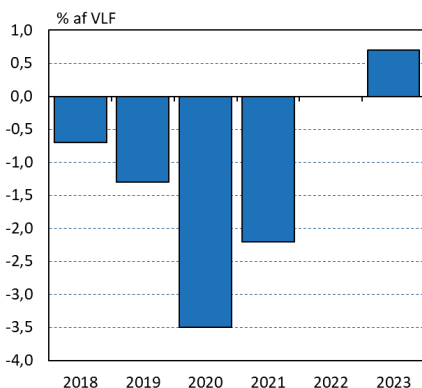


1. Skráð atvinnuleysi án hlutabóta. Grunnspá Seðlabankans. 3. Grunnspá Seðlabankans 2020-2023. Brotalínur sýna spá frá PM 2020/3. Heimildir: Hagstofa Íslands, Vinnuálagstofnun, Seðlabanki Íslands.

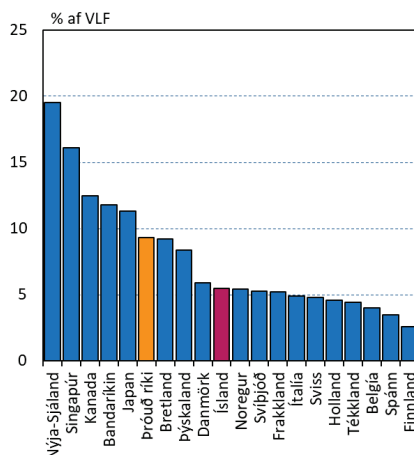
# Ríkisfjármálaaðgerðir styðja við störf og tekjur

- Umfangsmiklar aðgerðir ríkisins til að veða á móti efnahagsamdrætti: nema 3,5% af VLF í ár og 2,2% á næsta ári
- Beinar aðgerðir svipaðar að umfangi og hjá flestum hinna Norðurlandanna en minni en að meðaltali hjá þróuðum löndum
- Verulegar afleiðingar fyrir afkomu ríkissjóðs: halli á heildarjöfnuði fer úr 1,3% af VLF 2019 í 9,8% í ár og 4% halli á frumjöfnuði

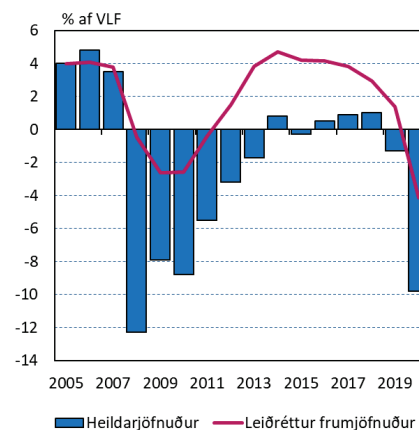
Breyting á hagsveifluleiðréttum frumjöfnuði ríkissjóðs 2018-2023<sup>1</sup>



Beinar aðgerðir í ríkisfjármálum vegna COVID-19<sup>2</sup>



Afcoma ríkissjóðs 2005-2020<sup>3</sup>



1. Frumjöfnuður er leiðréttur fyrir einkisþilslíðum. Grunnspá Seðlabankans 2020-2023. 2. Aðgerðir sem tilkynnt hafði verið um um miðjan september 2020. Tímarammi aðgerða er breytilegur eftir löndum en meirihluti þeirra eiga að koma til framkvæmda árin 2020-2021. 3. Frumjöfnuður er leiðréttur fyrir einkisþilslíðum. Árin 2016-2020 er bæði frum- og heildarjöfnuður leiðréttur fyrir stöðugleikafamlögum, flýtingu niðurfærslu verðtryggðra húsnæðislána, sérstakri innborgun í A-deild LSR, arðgreiðslum umfram fjárlög og öðrum sérstökum aðgerðum. Grunnspá Seðlabankans 2020.  
Heimildir: Alþjóðagjaldeyrissjóðurinn, Fjármála- og efnahagsráðuneytið, Hagstofa Íslands, Seðlabanki Íslands.

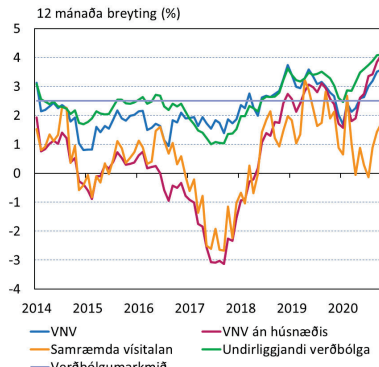
# Vaxandi verðbólga í kjölfar gengislækkunar

- Gengi ISK lækkaði snarpt þegar faraldur brast á
- Verðbólga mældist 3,2% á F3 en var í 3,5% í nóvember
- Gengislækkun hefur hækkað verð innfluttrar vöru nokkuð ... en verð innlestrar vöru hefur einnig hækkað

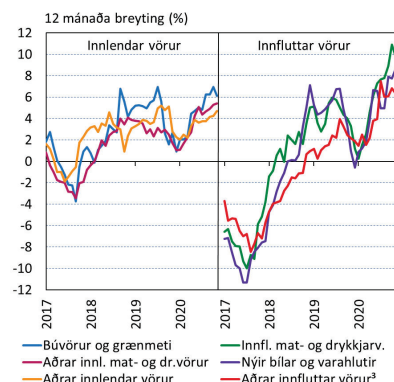
Gengi krónunnar<sup>1</sup>  
2. janúar 2015 - 4. desember 2020



Verðbólga á ýmsa mælikvarða<sup>2</sup>  
Janúar 2014 - nóvember 2020



Verð innlestrar og innfluttrar vöru  
Janúar 2017 - nóvember 2020



1. Verð erlendra gjaldmiðla í krónum (þróng viðskiptavog). 2. Undirliggjandi verðbólga er mæld með kjarnavísitölu (áhrif óbeinna skatta, sveiflukkendra matvöruhlíða, bensins, opinberra þjónustu og raunvaxtakostnaðar húsnæðislána eru undanskilin) og tölfraeðilegum mælikvörðum (vegið miðgildi, klippt meðaltal, kvítt þáttalíkan og sameiginlegur þáttur VNV). 3. Aðrar innfluttar vörur eru án eldsneytis.  
Heimildir: Hagstofa Íslands, Seðlabanki Íslands.

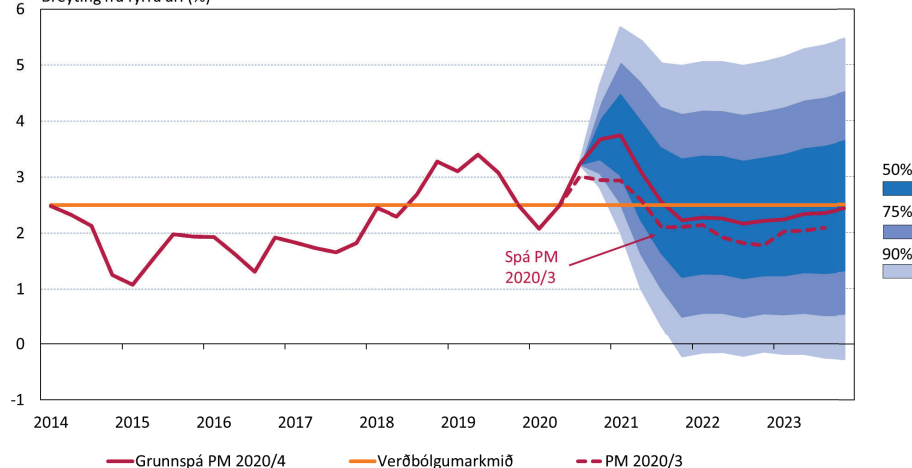
## Spáð er að verðbólga hjaðni í markmið á næsta ári

- Spáð er að verðbólga verði um 3,7% að meðaltali fram á Q1/2021 en að mikill slaki í þjóðarbúinu togi hana niður í markmið á Q3/2021 þegar áhrif lækkunar ISK hafa fjarað út ... nokkru meiri verðbólga en spáð í PM 20/3 sem rekja má til verri upphafsstöðu, meiri hækkunar innflutningsverðlags og minni framleiðsluslaka en þá var gert ráð fyrir

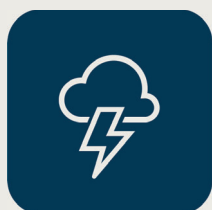
### Verðbólguþspá og óvissumat

1. ársfj. 2014 - 4. ársfj. 2023

Breyting frá fyrra ári (%)



Heimildir: Hagstofa Íslands, Seðlabanki Íslands.

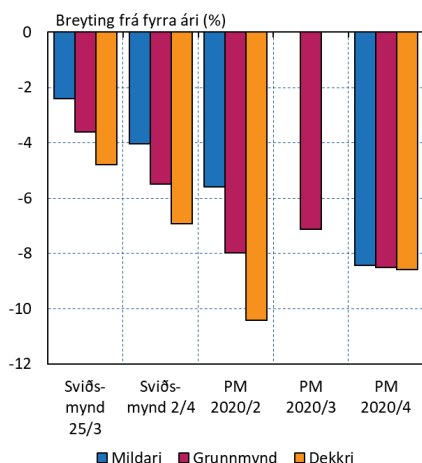


## Óvissuþættir og fráviksdæmi

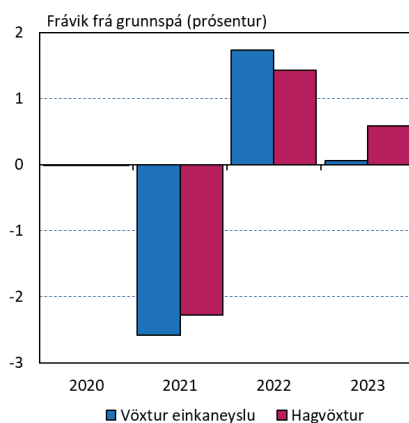
## Efnahagshorfur ráðast af framgangi farsóttar ...

- Hagvaxtarhorfur urðu æ svartýnni eftir því sem skaðsemi farsóttar varð ljósari og versna á ný eftir aukna bjartsýni í ágúst
- Frávíksdæmi með ólíkum forsendum um hversu hratt farsótt gengur niður: lítil áhrif á 2020 en breyta horfum fyrir 2021 mikið ...
- ... hagvöxtur 2021 allt frá 0% í verra dæminu (2,3 pr. undir grunnspá) í 4,7% í betra dæminu (2,3 pr. yfir grunnspá)

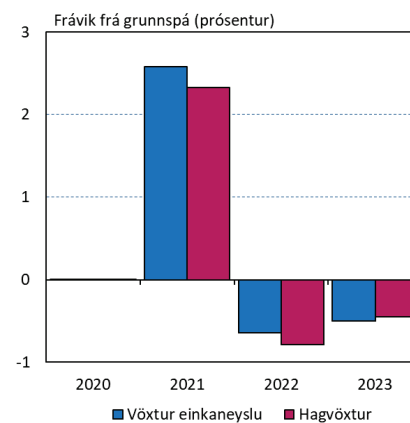
Spár Seðlabankans um hagvöxt 2020



Farsótt gengur hægar niður



Farsótt gengur hraðar niður

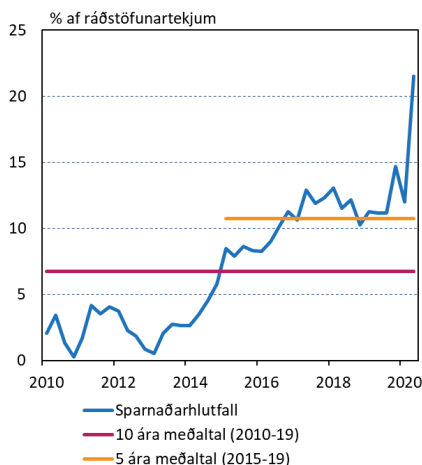


Heimild: Seðlabanki Íslands.

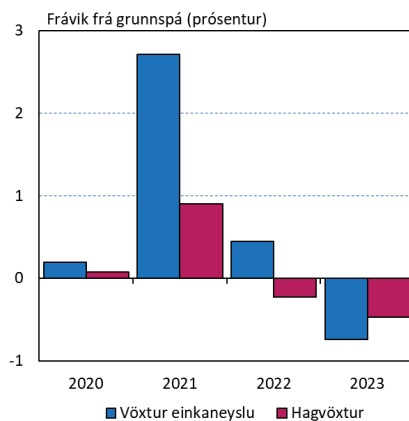
## ... en líka af sparnaðarhegðun heimila

- Sparnaður heimila jókst nokkuð í kjölfar fjármálakreppunnar og hefur aukist enn meira í kjölfar farsóttar
- Hversu hratt heimilin ákveða að ganga á þennan „þvingaða“ sparnað mun hafa töluverð áhrif á hagvaxtarhorfur á næsta ári ...
- ... hagvöxtur 2021 allt frá 1,5% ef meiri sparnaður (0,9 pr. undir grunnspá) í 3,2% ef minni sparnaður (0,9 pr. yfir grunnspá)

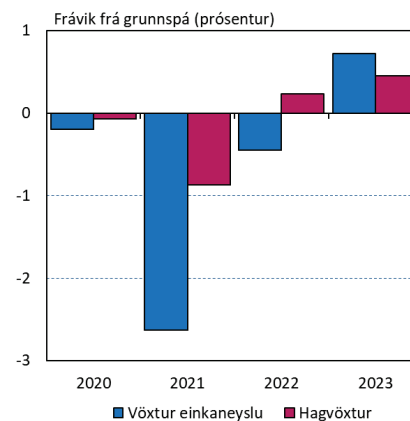
Sparnaður heimila<sup>1</sup>  
1. ársfj. 2010 - 2. ársfj. 2020



Heimilin ganga hraðar á sparnað



Heimilin ganga hægar á sparnað

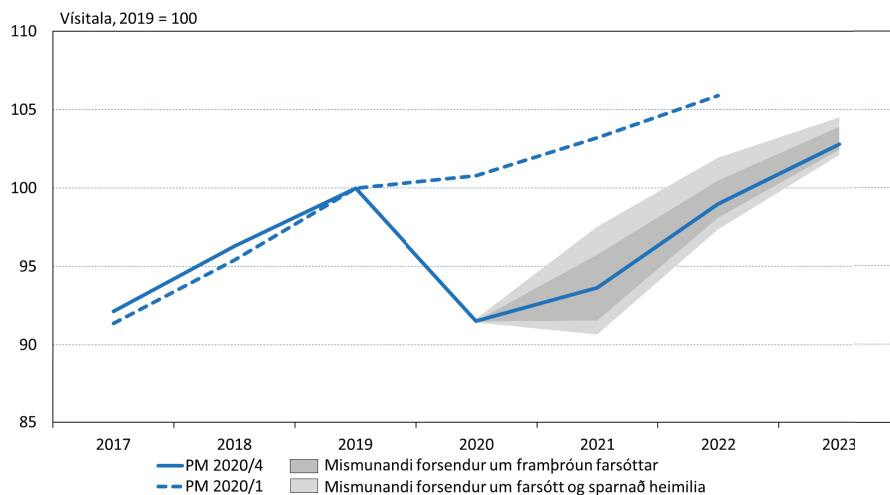


1. Nokkur óvissa er um tölur Hagstofunnar um eiginlegt tekjustig heimila þar sem að ráðstöfunartekjuþjóni byggist ekki á samstæðuþjóni tekju- og efnahagsreiknings. Við útreikning á hlutfalli sparnaðar er miðað við áætlun Seðlabankans um ráðstöfunartekjur þar sem tölur Hagstofunnar eru hækkaðar með hlöðsón af áætluðum útgjöldum heimilanna yfir langt tímabil. Árstíðarleifrétt gögn.  
Heimildir: Hagstofa Íslands, Seðlabanki Íslands.

## Mikil óvissa um efnahagshorfur ...

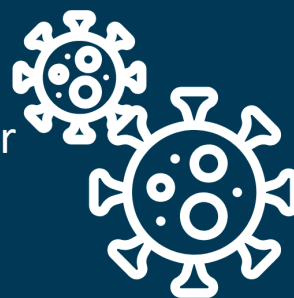
- Samkvæmt grunnsþá nær VLF því stigi sem hún var árið 2019 ekki fyrr en 2023 og er þá 5,6% undir því sem spáð var í PM 20/1 ...
- ... en óvissa er mikil: fari saman að farsóttin gangi hægar niður og heimilin ganga hægar á eigin sparnað gæti orðið tæplega 1% samdráttur 2021 en ef farsóttin gengur hraðar niður og heimilin ganga hraðar á eigin sparnað gæti hagvöxtur orðið 5½%

Verg landsframleiðsla 2017-2023<sup>1</sup>



1. VLF samkvæmt grunnsþá Seðlabankans 2020-2023 og ólíkum fráviksdæmum í rammagrein 1.  
Heimildir: Hagstofa Íslands, Seðlabanki Íslands.

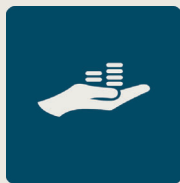
## Aðgerðir Seðlabankans og miðlun peningastefnunnar



## Aðgerðir Seðlabankans



Stýrivextir lækkaðir um tvær prósentur frá upphafi COVID



Aðgangur lánastofnana að lausafé aukin



Kaup á ríkisskuldabréfum



Gjaldeyris-inngrip



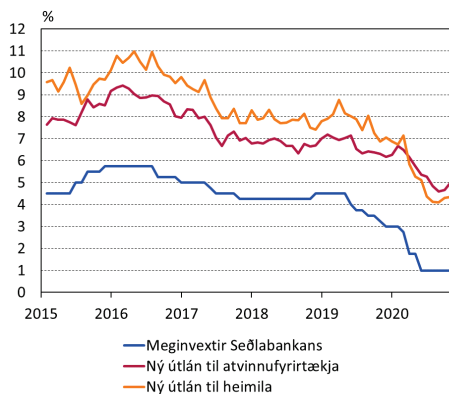
Fjármögnun vegna stuðningslána með 100% ríkisábyrgð

## Miðlun peningastefnunnar

- Lánakjör heimila hafa batnað í takt við lækkun vaxta Seðlabankans
- Vaxtaálag á ný fyrirtækjalán tók að hækka í fyrra ...
- ... en virðist nú hafa náð hámarki

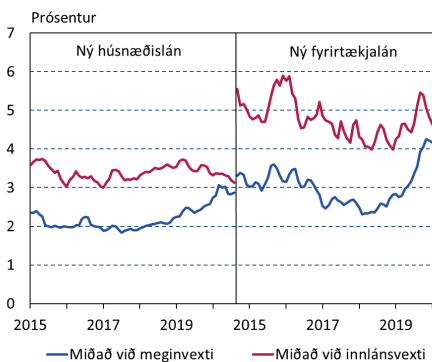
### Meginvextir og vextir óverðtryggðra útlána<sup>1</sup>

Janúar 2015 - október 2020



### Vaxtaálag á útlánum<sup>2</sup>

Mars 2015 - október 2020



1. Vegnir meðalvextir á óverðtryggðum útlánnum stóru viðskiptabankanna þriggja. 2. Mismunur á vegnum meðalvöxtum á óverðtryggðum útlánnum stóru viðskiptabankanna þriggja og meginvöxtum Seðlabankans annars vegar og vegnum meðalvöxtum á nýjum innlánum hins vegar. Þriggja mánaða hreyfanleg meðaltöl. Nýjustu tölur eru bráðabirgðatölur.  
Heimild: Seðlabanki Íslands.



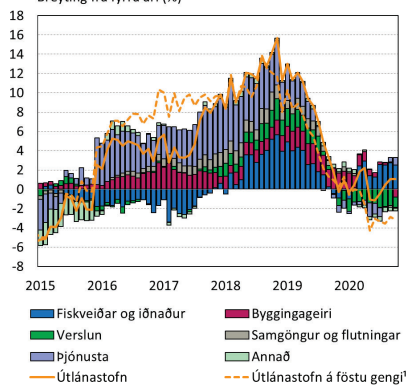
# Miðlun peningastefnunnar

- Hratt dregið úr vexti útlána til fyrirtækja sl. 2 ár og hann verið að meðaltali 0.4% það sem af er ári
- Útlán til heimila vaxið – nær einvörðungu íbúðalán
- Heimilin hafa endurfjármagnað íbúðalán sín

## Útlán lánakerfis til atvinnufyrirtækja

Janúar 2015 - október 2020

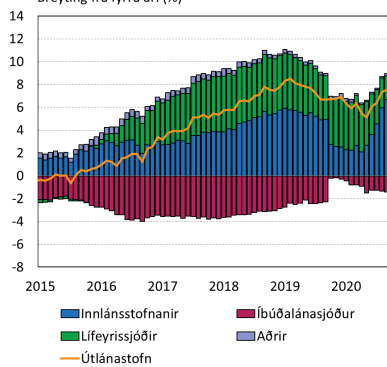
Breyting frá fyrra ári (%)



## Útlán lánakerfis til heimila<sup>2</sup>

Janúar 2015 - október 2020

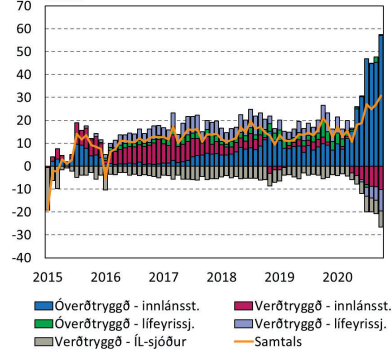
Breyting frá fyrra ári (%)



## Hrein ný útlán innlánsstofnana, lífeyrissjóða og ÍLS til heimila<sup>3</sup>

Janúar 2015 - október 2020

Ma.kr.

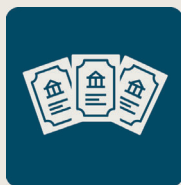


1. Stofn útlána í erlendum gjaldmiðli er reiknaður miðað við vísitölu meðalgengis í október 2020. 2. Leiðrétt fyrir endurflokkun og skuldalækkunaraðgerðum stjórnvalda. 3. Hrein ný útlán samanstanda af nýjum útlánnum að frádrögnum umfram- og uppgreiðslum eldri lána. Tölur yfir ný útlán lífeyrissjóðanna ná frá september 2015.  
Heimild: Seðlabanki Íslands.

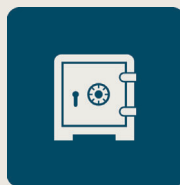
# Enn eru sóknarfæri fyrir peningastefnuna



Enn svigrúm til að lækka meginvexti sem eru 0,75%



Áframhaldandi ríkisskuldabréfakaup í samræmi við þróun framboðs ríkisbréfa og ávöxtunarkröfu



Áframhaldandi gjaldeyrisinngrip til að draga úr óhóflegum sveiflum



Framsýn leiðsögn



Veðlán með útlánhvata

## Central Bank to continue programme of regular foreign currency sales

From Monday 4 January 2021 through the end of the month, the Central Bank of Iceland will sell 3 million euros per business day to market makers in the foreign exchange market, for a total of 60 million euros during the month. The transactions will take place soon after the market opens, and no later than 10:00 hrs.

The Bank began selling foreign currency to market makers on a regular basis on 14 September 2020, in accordance with Press Release no. 30/2020, published on 9 September 2020.

The objectives of the regular sales programme are to deepen the market and improve price formation. The Bank sold a total of 63 million euros (9.8 b.kr.) in this manner during the month of December. Since 14 September 2020, the Bank has sold a total of 231 million euros (37 b.kr.) through the regular sales programme.

At the end of each month, the Bank will announce the amount and planned transaction dates for the coming month's currency sales. The amount will be based on market conditions at the time in question. The aim will be to keep the scale of the currency sales consistent with normal market functioning. The Central Bank reserves full right to adjust amounts, frequency, and execution of the sales so as to ensure the efficacy of the measure.

Regular currency sales do not affect the Bank's declared policy of intervening in the foreign exchange market as it deems necessary to mitigate volatility.

Further information can be obtained from Ásgeir Jónsson, Governor of the Central Bank of Iceland, at tel: +354 569-9600.

No. 44/2020  
30 December 2020

## 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 Q1/2021, the Bank's total purchases may range up to 20 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, Q3, and Q4/2020, it was announced that the Bank's total purchases could range up to 20 b.kr. market value for each of the three quarters.\* The Bank's total purchases in Q2 came to 0.9 b.kr. market value, as follows: RIKB21, 0.2 b.kr.; and RIKB22, 0.7 b.kr. No purchases were made in Q3. The Bank's total purchases in Q4 came to 6.7 b.kr. market value, as follows: RIKB25, 1.0 b.kr.; RIKB28, 2.7 b.kr.; and RIKB31, 3.0 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.*

Press release no. 45/2020  
30 December 2020



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