



Monthly Newsletter

4 November 2025

Landsbankinn Economic Research

Market events - November 2025

Monday	Tuesday	Wednesday	Thursday	Friday
3 November	4	5	6	7
	JBT Marel publishes results	Kvika Bank and Sýn publish results	Oculus publishes results Bank of England policy rate decision	Unemployment in the US
10	11	12	13	14
Registered unemployment (DoL) Reitir publishes results	Departures from Keflavík International Airport (FMST) Eimskip publishes results	Review of market expectations Alvotech publishes results	Iceland Seafood publishes results Inflation in the US	Amaroq publishes results
17	18	19	20	21
Kaldalón publishes results	Payment mediation in October (CBI) Housing price index in October (HMS)	Policy rate decision and publication of the <i>Monetary Bulletin</i> (CBI) Rental price index in September (HMS) Inflation in the UK	Monthly report (HMS) Brim and Hampiðjan publish results	Wage index in September (HAG)
24	25	26	27	28
			CPI in November (HAG) Goods and services balance Q3 (HAG) Overnight stays in October (HAG) Síldarvinnslan publishes results	National accounts f. Q3 (HAG) Ísfélagið publishes results

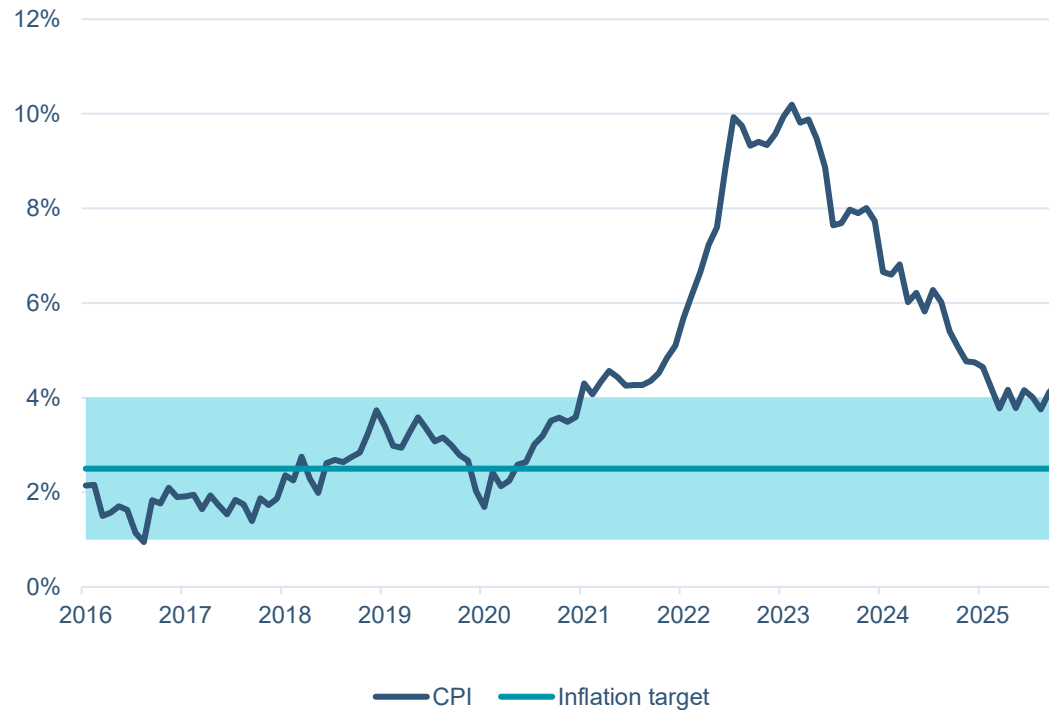


Inflation

Inflation is up from 4.1% in 4.3% in October. Prior to publication of the October figure, inflation had stayed in the 3.8-4.2% range since February, only to rise slightly higher now. Inflation less housing grew between months and the same holds for the annualised increase of three core indices. This indicates a rise in underlying inflation.

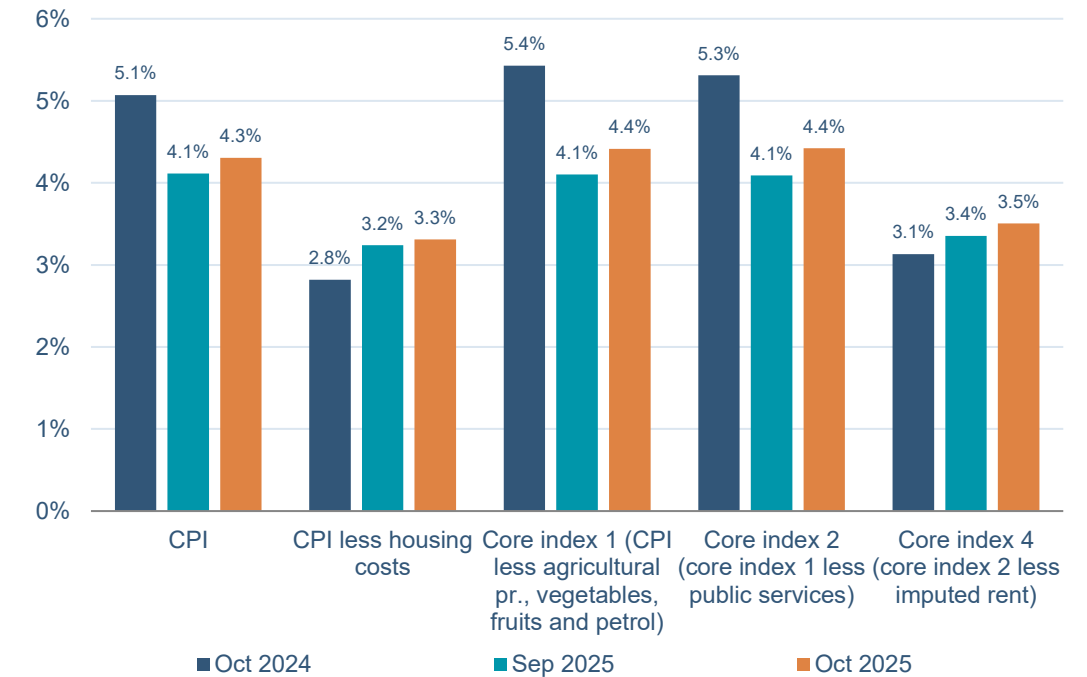
Consumer price index

YoY change



Most recent measurement, one month ago and one year ago

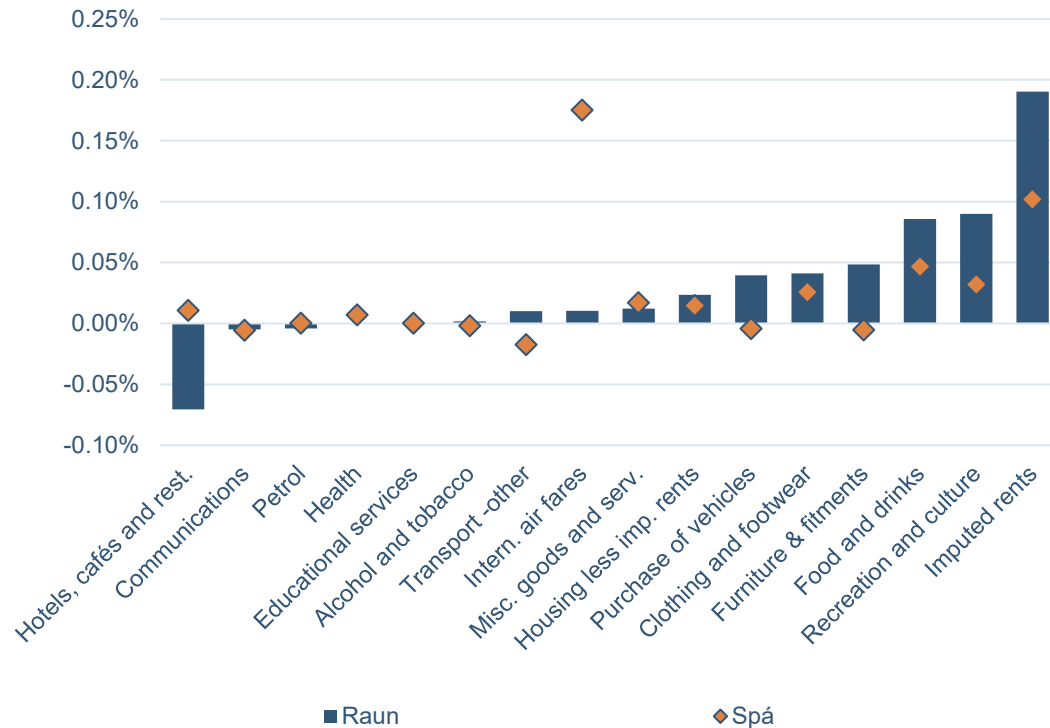
YoY change



MoM change in the CPI

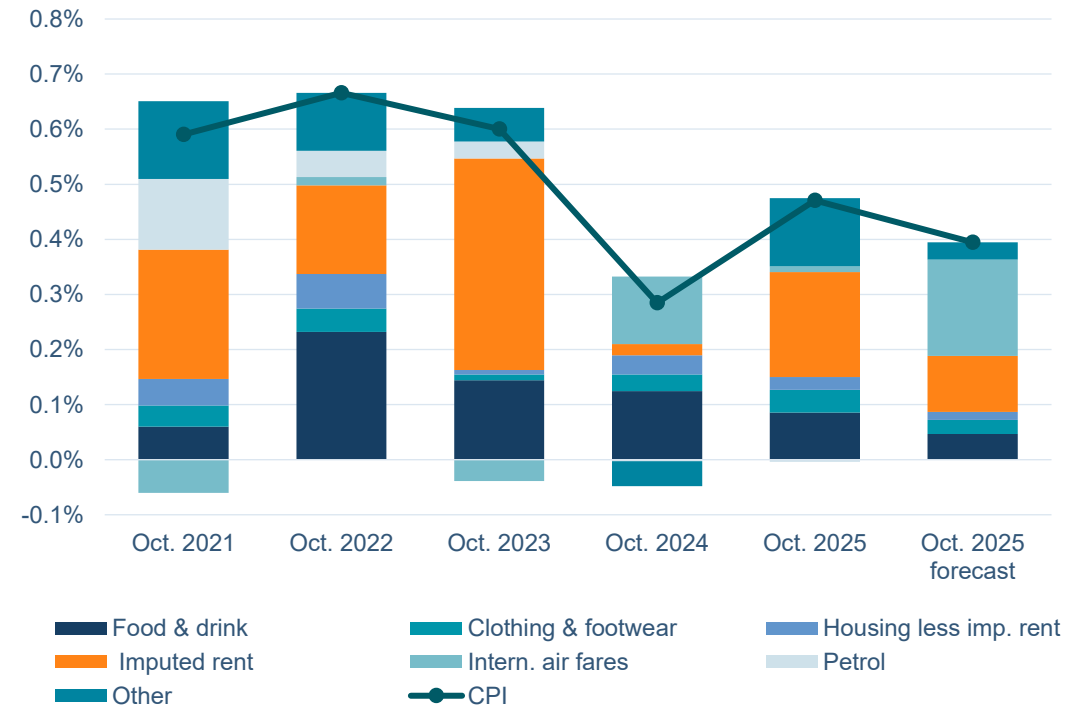
The CPI rose by 0.47% between months, which is somewhat higher than our forecast of a 0.39% increase. Various components rose more than we expected, such as imputed rent, recreation & culture, and food & drink. Most surprising though was the moderate increase in international airfares, which was much lower than we expected, as was the decrease of hotels & restaurants - again, contrary to our expectations.

Contribution of components in October



October measurement of CPI

MoM change and weight of components

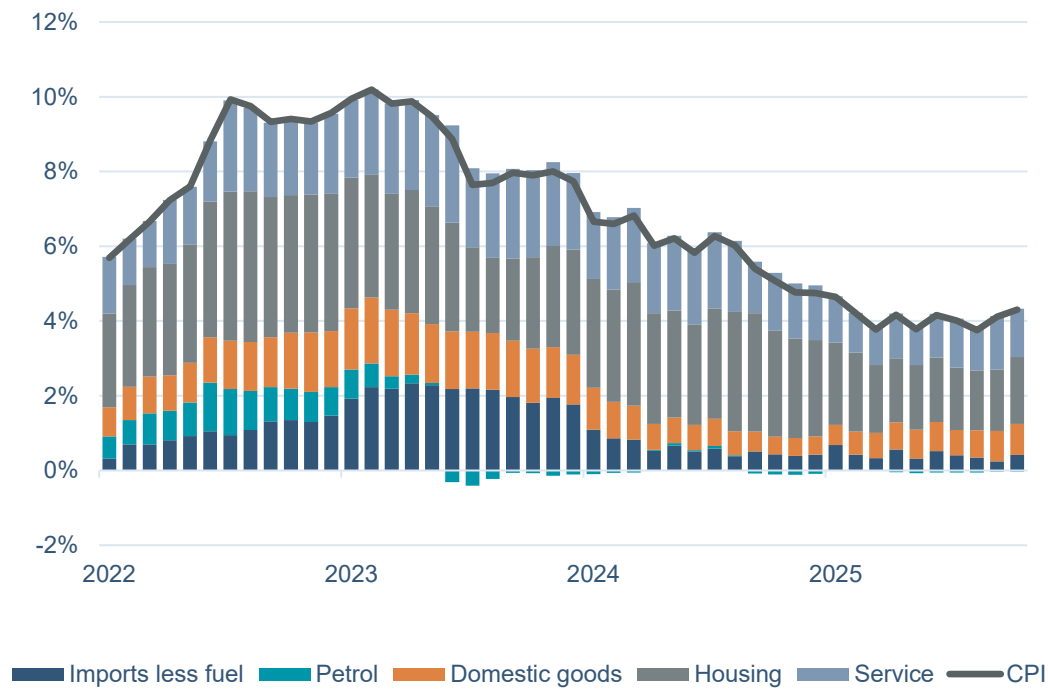


Composition of 12M inflation

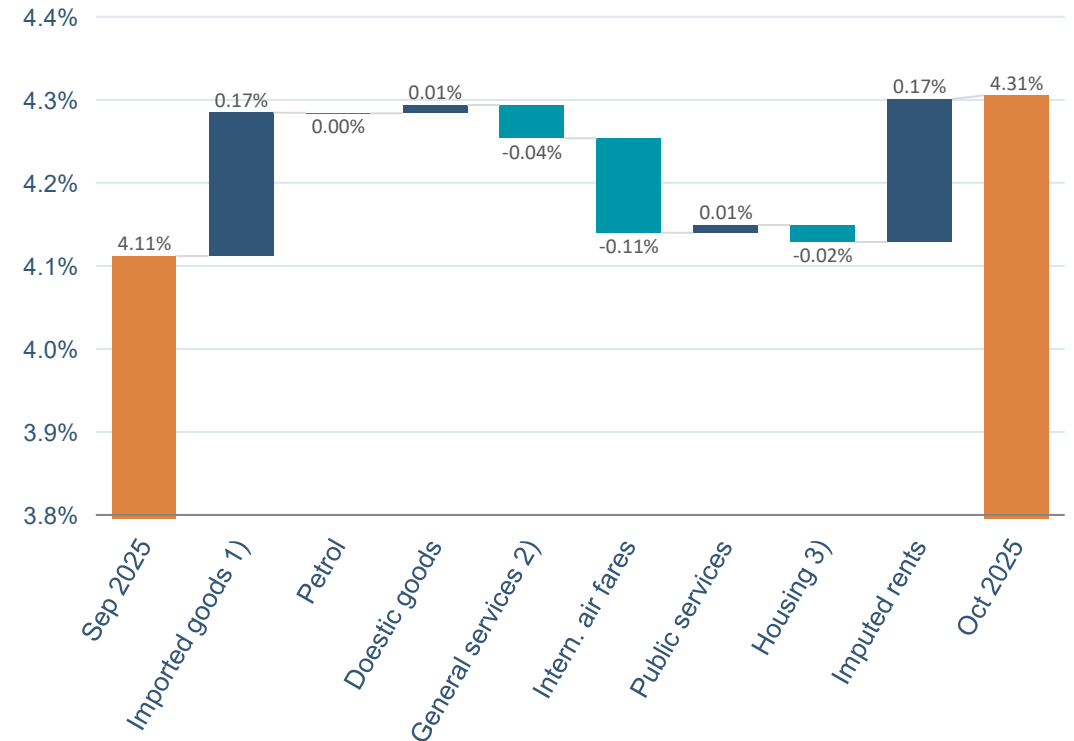
12-month inflation grew by 0.2 pp between months in October. The contribution of imported goods and imputed rent to 12-month inflation increased but the contribution of international airfares contracted. The contribution of other components changed but little.

Inflation by type and origin

YoY change and weight of components



Changes to the composition



1) Imported goods less petrol. 2) General services less int. airfares. 3) Housing less imputed rent.
Source: Statistics Iceland

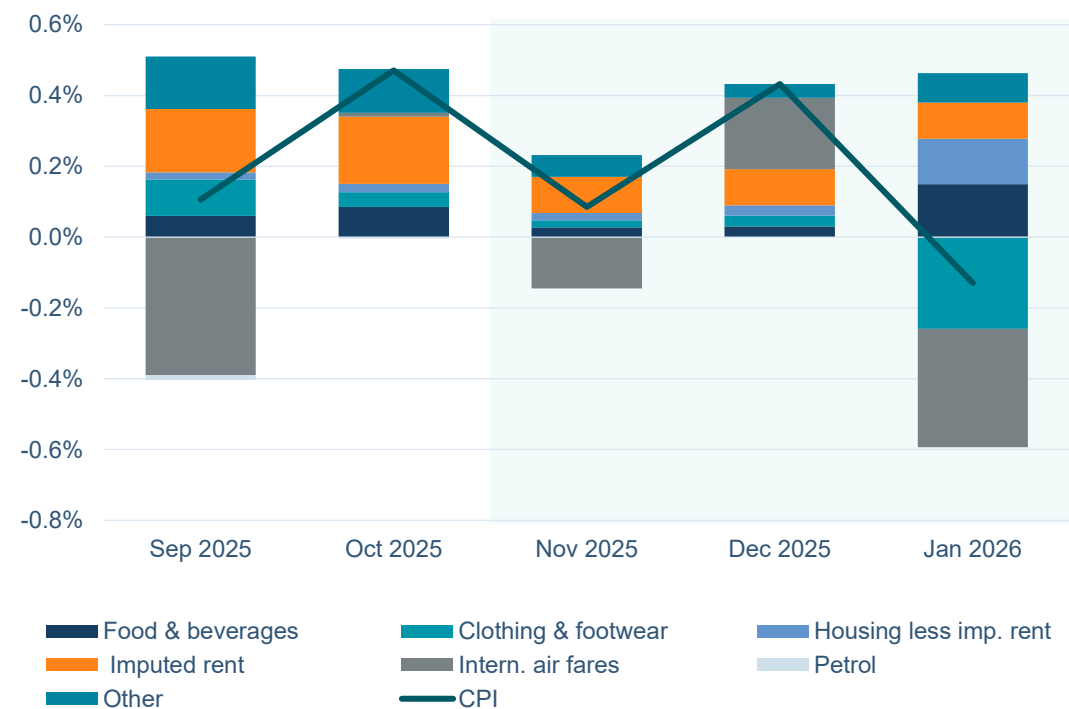


The outlook for the next months

We now expect the CPI to increase by 0.09% in October and by 0.43% in November and to decrease by 0.13% in December. If the forecast holds, 12M inflation will be 4.3% in November and December, and 4.5% in January 2026. This forecast is higher than the one we presented in the price measurement week, due mainly to two factors. Firstly, inflation in October was higher than we expected, impacting the 12-month rhythm going forward more. Secondly, changes to fees on vehicles will enter into effect at the beginning of next year.

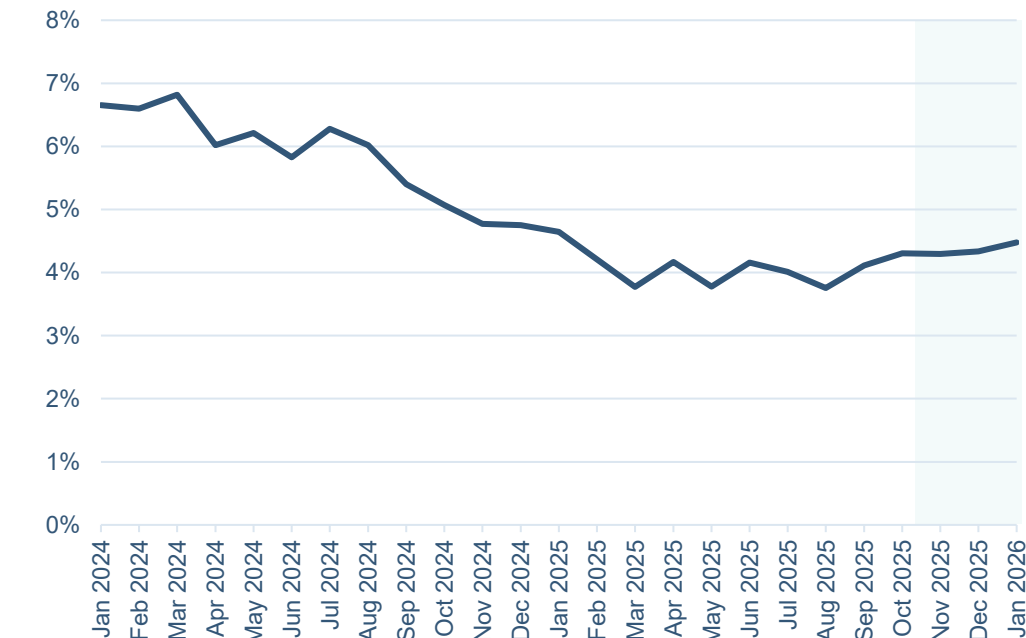
Inflation forecast

YoY change and weight of components



Inflation forecast

12M inflation



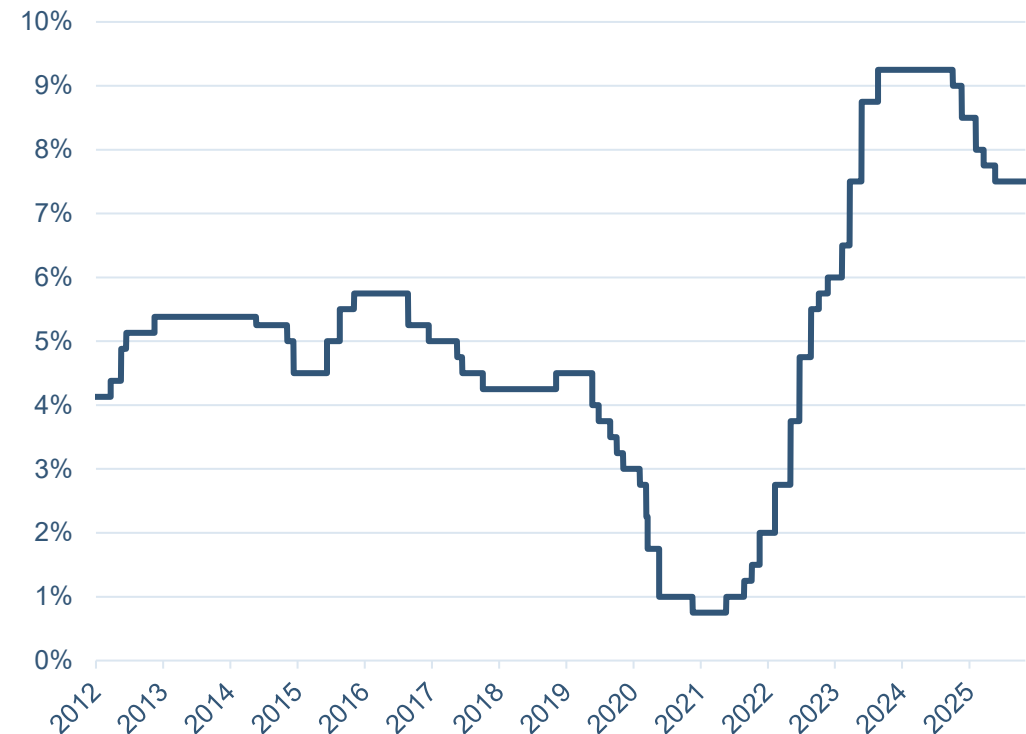
Policy rate

The next interest rate decision will be announced on 19 November. The Monetary Policy Committee was unanimous in its decision to hold the rate unchanged in the past two meetings. We consider that increased inflation, and not least growing underlying inflation, make a further rate cut almost unthinkable. We consider a no-change decision the most likely course of action.

MPC interest rate decisions

Date	Decis.	For	Against	Other option	Key interest rate
8 Feb. 2023	+0.50%	ÁJ, RS, GJ, GZ, HS		HS (+0.75%)	6.50%
22 March 2023	+1.00%	ÁJ, RS, GJ, ÁÓP, HS			7.50%
2023-05-24	+1.25%	ÁJ, RS, ÁÓP, HS	GJ (+1.00%)		8.75%
23 Aug 2023	+0.50%	ÁJ, RS, ÁÓP, HS	GJ (+0.25%)		9.25%
4 Oct. 2023	Unch.	ÁJ, RS, GJ, ÁÓP	HS (+0.25%)	ÁÓP (+0.25%)	9.25%
22 Nov. 2023	Unch.	ÁJ, RS, GJ, ÁÓP, HS			9.25%
7 Feb. 2024	Unch.	ÁJ, RS, ÁÓP, HS	GJ (-0.25%)		9.25%
20 March 2024	Unch.	ÁJ, RS, ÁÓP, HS	GJ (-0.25%)		9.25%
2024-05-08	Unch.	ÁJ, RS, ÁÓP, HS	AS (-0.25%)		9.25%
21 Aug 2024	Unch.	ÁJ, RS, TB, ÁÓP, HS			9.25%
2 Oct. 2024	-0.25%	ÁJ, RS, TB, ÁÓP, HS		HS (Unch.)	9.00%
20 Nov. 2024	-0.50%	ÁJ, RS, TB, ÁÓP, HS			8.50%
5 Feb. 2025	-0.50%	ÁJ, RS, TB, ÁÓP, HS			8.00%
19 March 2025	-0.25%	ÁJ, RS, TB, ÁÓP, HS			7.75%
2025-05-21	-0.25%	ÁJ, ThGP, TB, ÁÓP		HS (Unch.)	7.50%
20 Aug 2025	Unch.	ÁJ, RS, TB, ÁÓP, HS			7.50%
8 Oct. 2025	Unch.	ÁJ, RS, TB, ÁÓP, HS			7.50%
19 Nov. 2025					

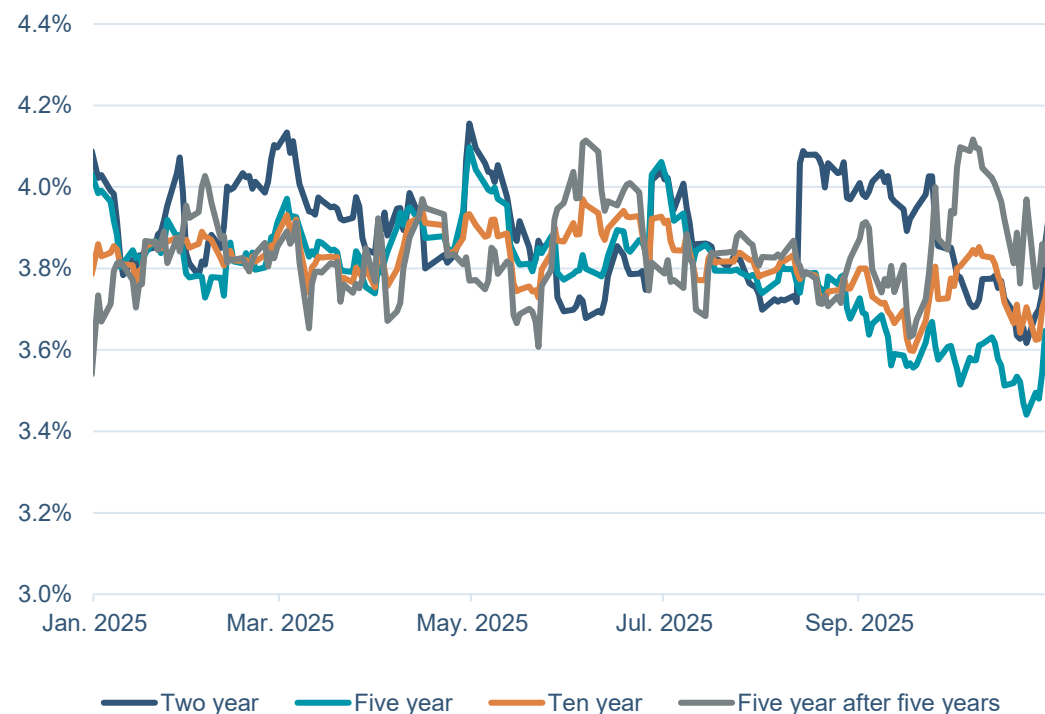
Key interest rate of the Central Bank of Iceland



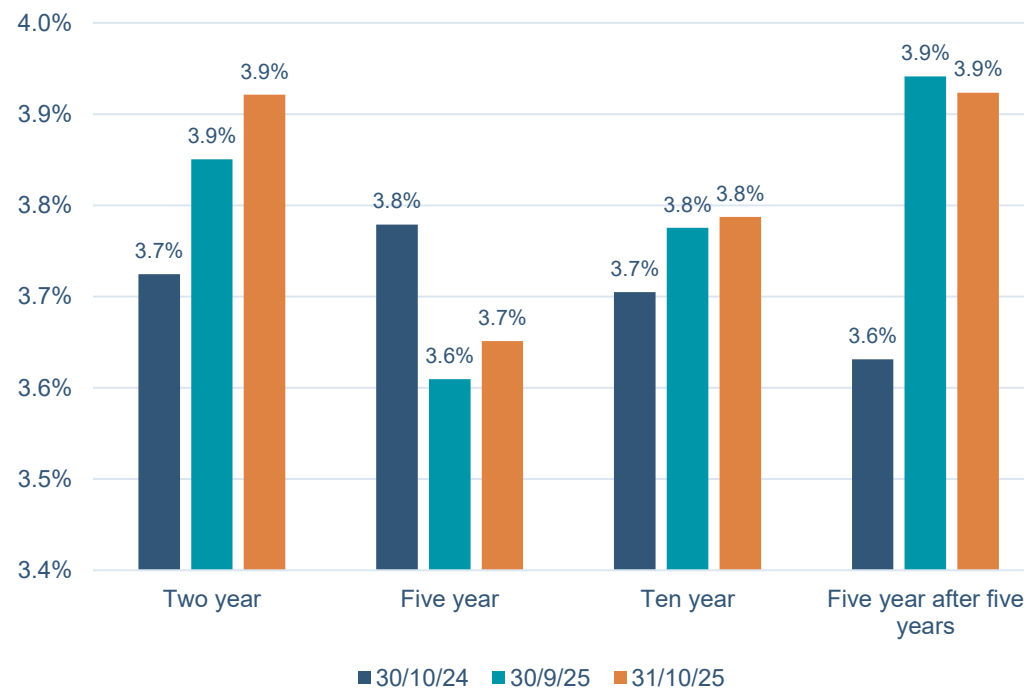
Break-even rate in the bond market

The break-even rate in the bond market began to decline following the Supreme Court ruling in the interest rate case on 14 October. It rose again when the October inflation figure was published. The two-year premium was slightly higher at the beginning of the month than at the end, and the same can be said for the five-year premium.

Bread-even rate



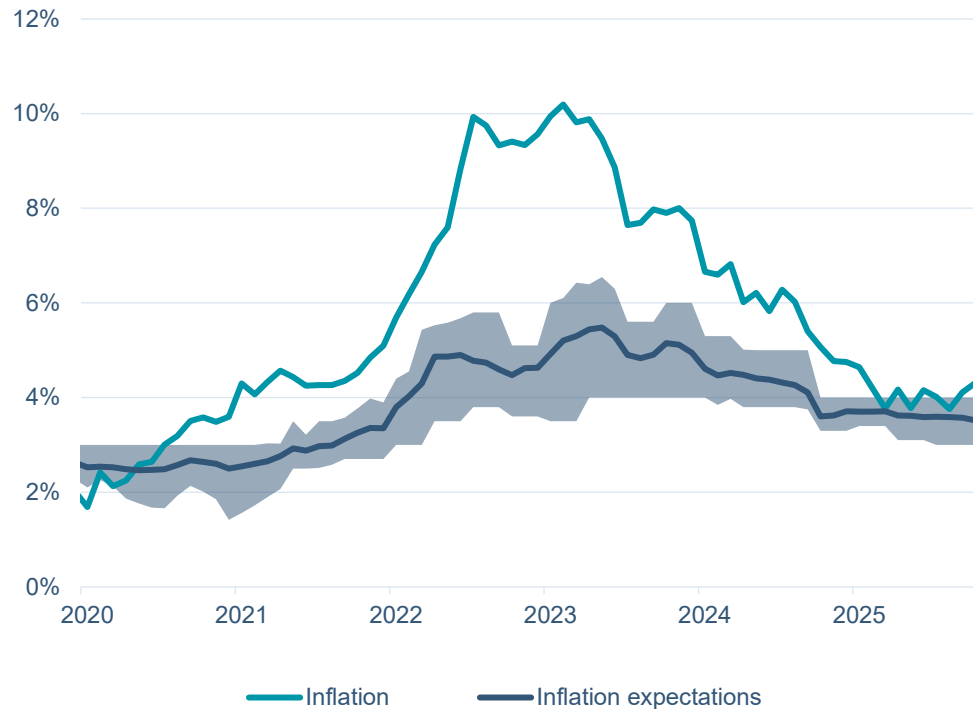
Most recent measurement, one month ago and one year ago



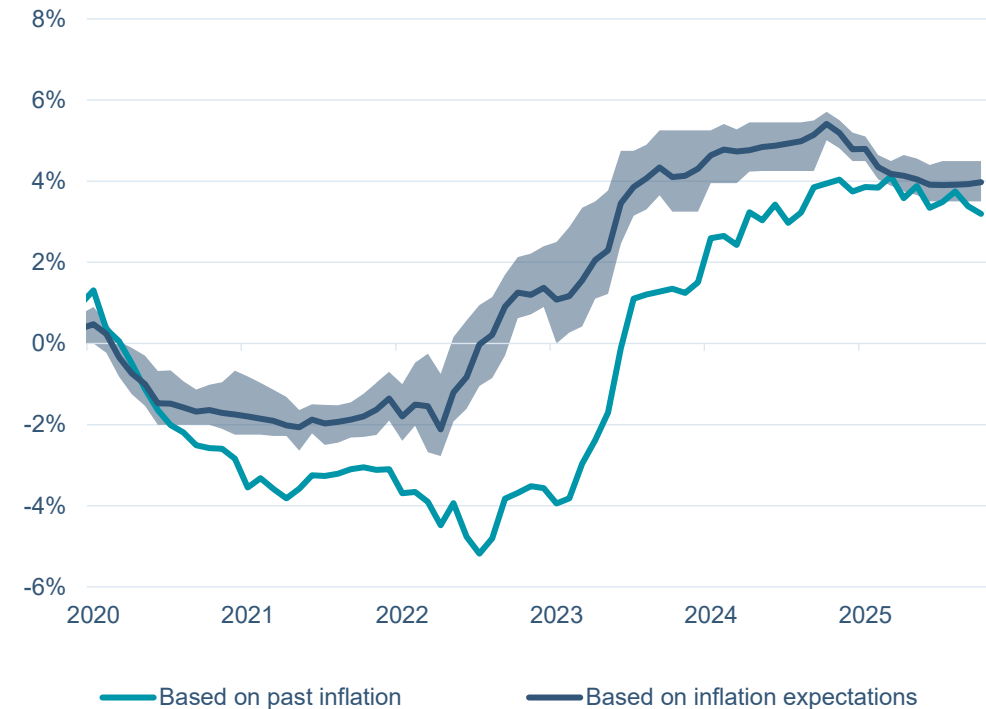
Inflation, inflation expectations and the real policy rate

The average of key measurements of inflation expectations has held steady in a narrow range this year to date, between 3.5-3.7%. The real interest rate, both based on past inflation and the average of key measurements of inflation expectations, has declined this year to date.

Inflation and inflation expectations



Real policy rate

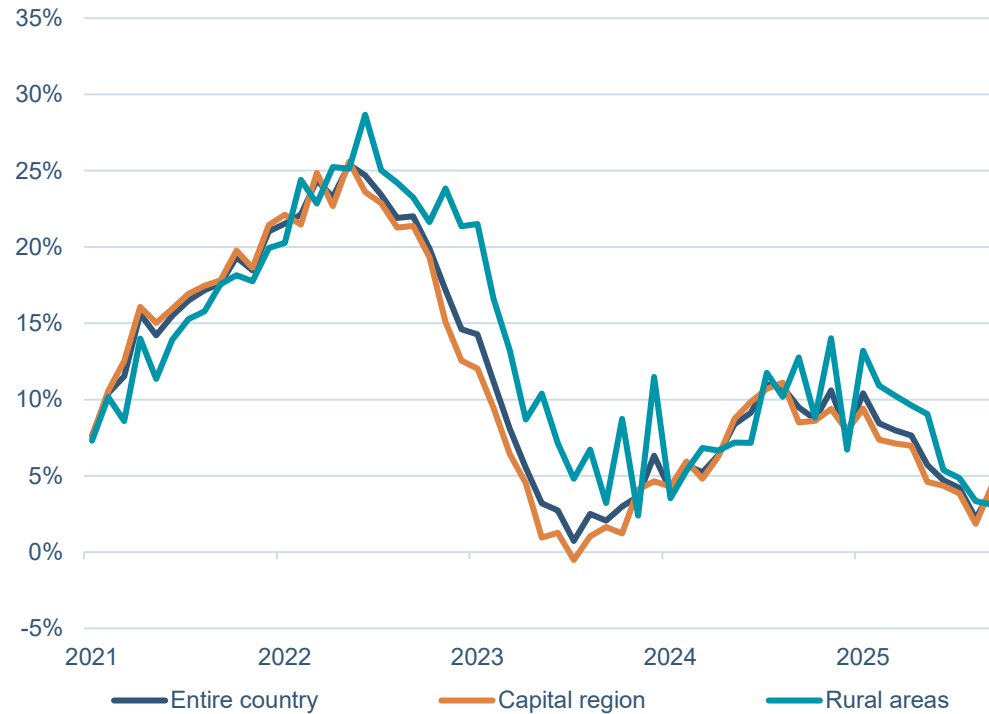


The real estate market

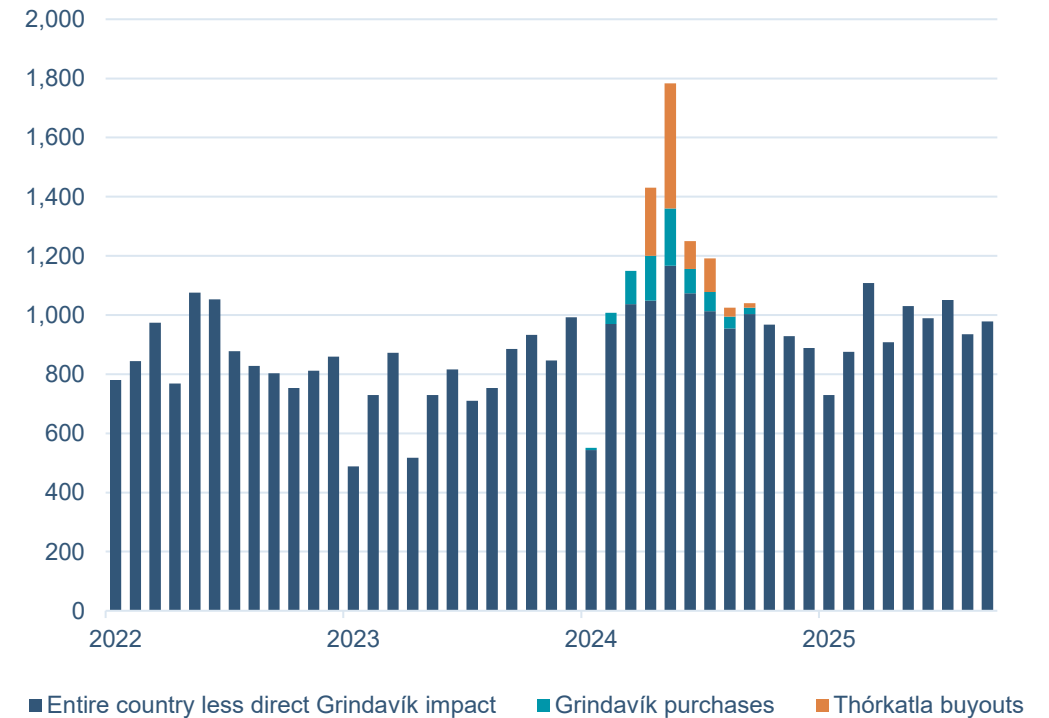
The housing price index rose by 1.5% between months in September. Caution should be exercised in interpreting the increase as a sign of rising price pressure in the market, as it was driven mainly by single-family dwellings in the capital area, which rose by 2.9%. Because single-family dwellings are relatively expensive, a small number of large properties can have a significant impact on fluctuations in the index. The 12M increase continues to slow, dwindling from 2.2% in August to 0.8% in September.

Housing price index

YoY change

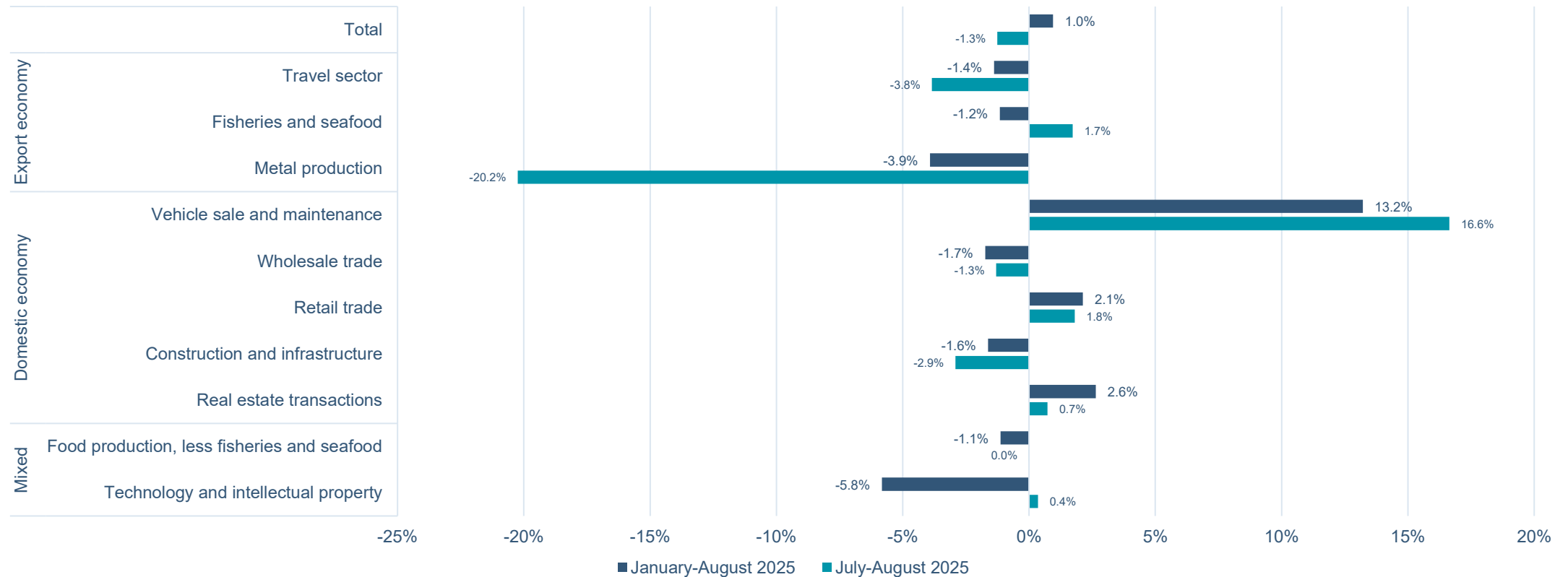


Signed purchase contracts - entire country



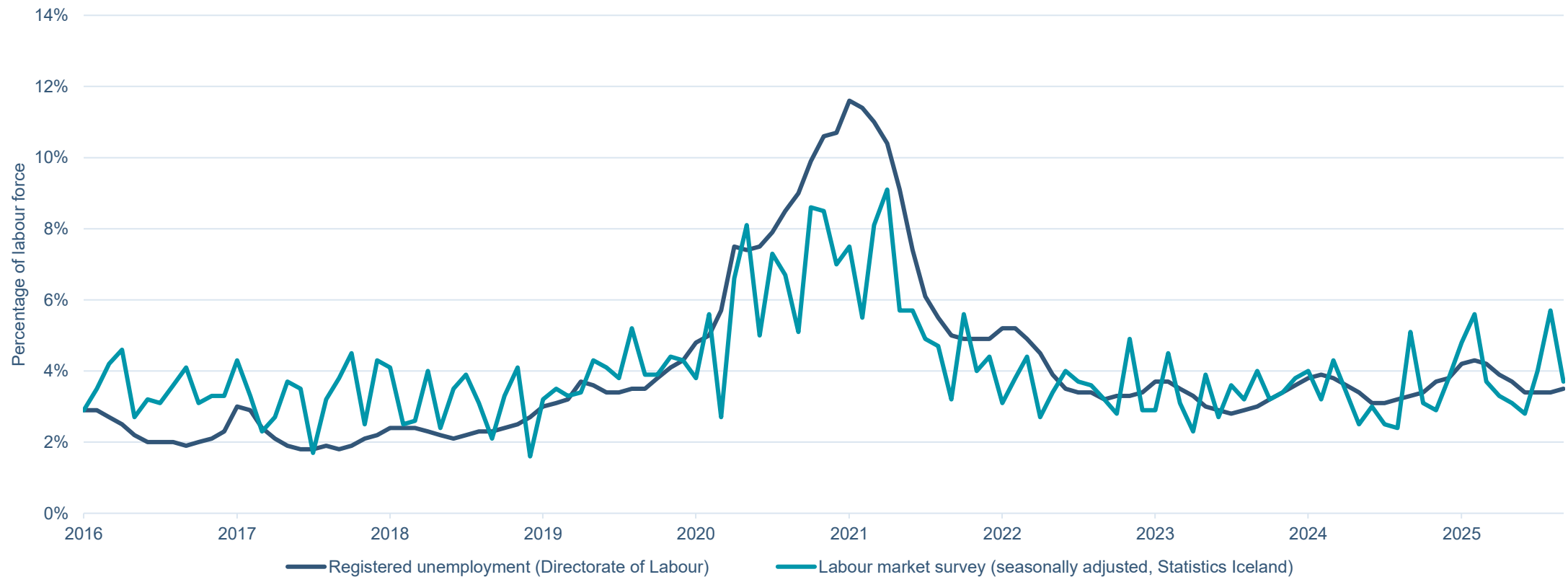
Turnover based on VAT reports

Turnover based on VAT reports contracted between years in real terms for the VAT period July-August. Limited data was submitted from passenger transport firms, presumably because of the bankruptcy of Play, which explains the contraction in the tourist sector. In exports, turnover in seafood and fisheries increased between years and metal production contracted significantly. In the domestic economy, turnover grew in the automotive industry, retail and real estate while turnover in wholesale and construction and infrastructure contracted between years.



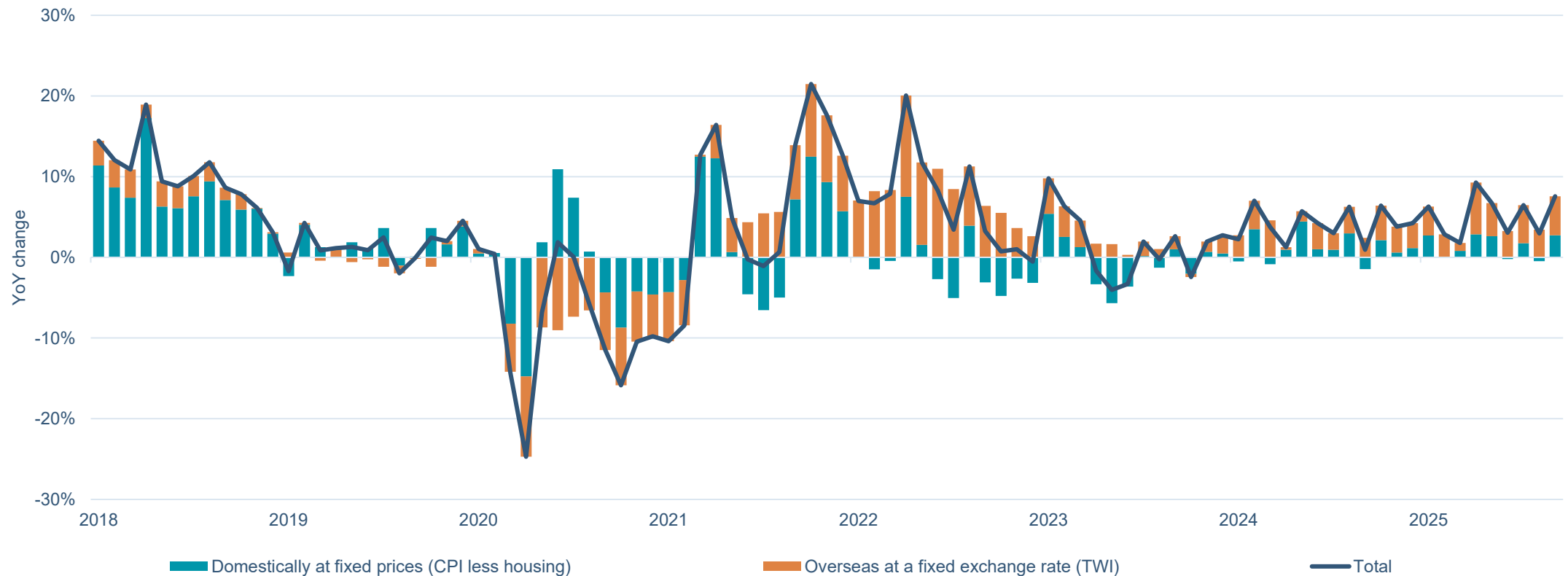
Unemployment

Registered unemployment was 3.5% in September, up by 0.1 percentage points between months. Unemployment was 0.2 pp higher in September of this year than the same month in 2024 and the year-over-year change has been similar in the past few months.



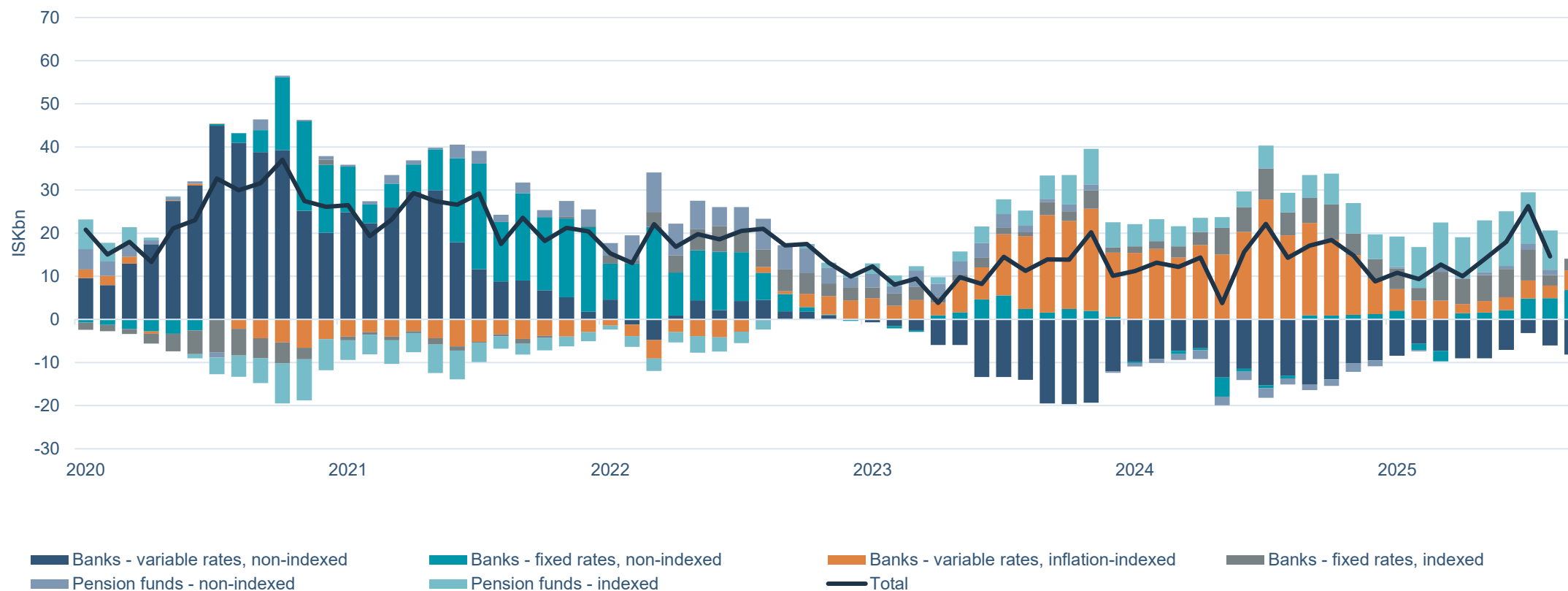
Payment card turnover of Icelandic households

Card turnover grew by 7.6% between years in September in real terms. It grew by 22.4% overseas and by 3.5% domestically. This significant growth in Icelandic card turnover overseas is in tune with the boom in international travel this year. This year to date, departures by Icelanders have been 20% more numerous than the same time last year. While card turnover grows and international travel increases, household deposits have also grown considerably. Overdrafts remain low - another indicator of sound household standing.



Net new housing mortgages

Net new housing mortgages by the commercial banks amounted to ISK 5.9 bn in September. Of that figure, ISK 7.3 bn represent net new inflation-indexed loans while net repayment of non-indexed loans amounted to ISK 1.3 bn. Figures for net new lending by pension funds in September have not been released. It will be interesting to see soon whether the division of the housing mortgage market between commercial banks and pension funds changes, following the change in availability caused by the court ruling in the interest rate case.

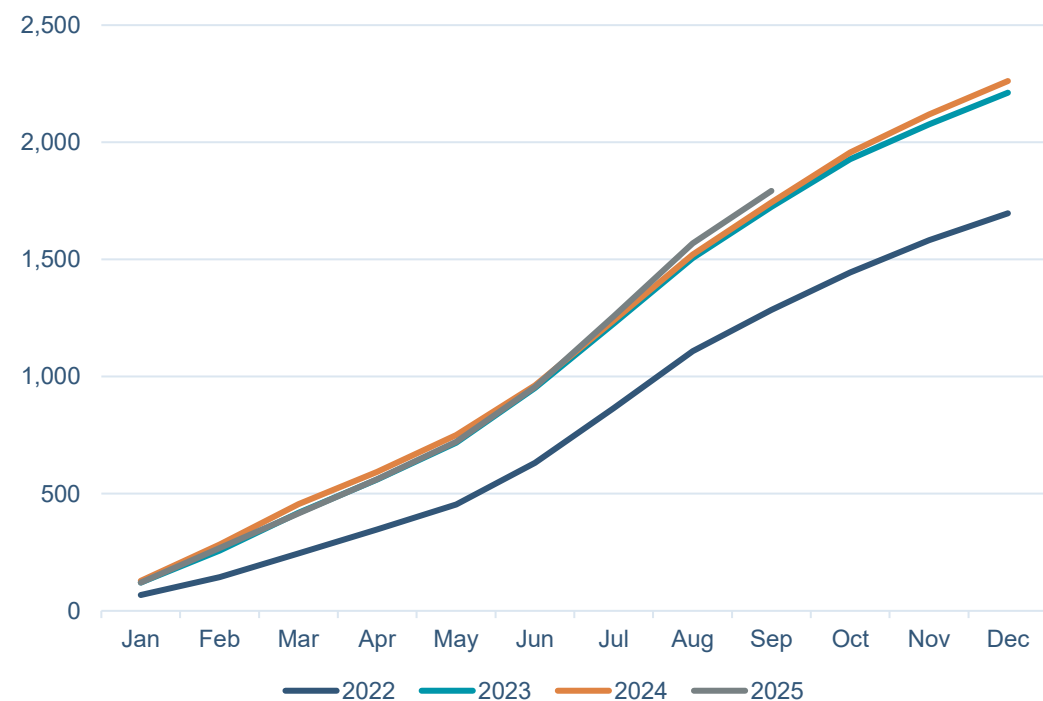


The travel sector

Around 224,000 non-domestic travellers passed through Keflavík International Airport in September, 0.5% more than in September 2024. This year to date, departures by non-domestic travellers have been around 2.8% higher than the same time last year. Non-domestic payment card turnover contracted by 6.6% between years at fixed prices and by 5.4% at a fixed exchange rate. Overnight hotel stays by non-domestic visitors grew by 11.2% between years.

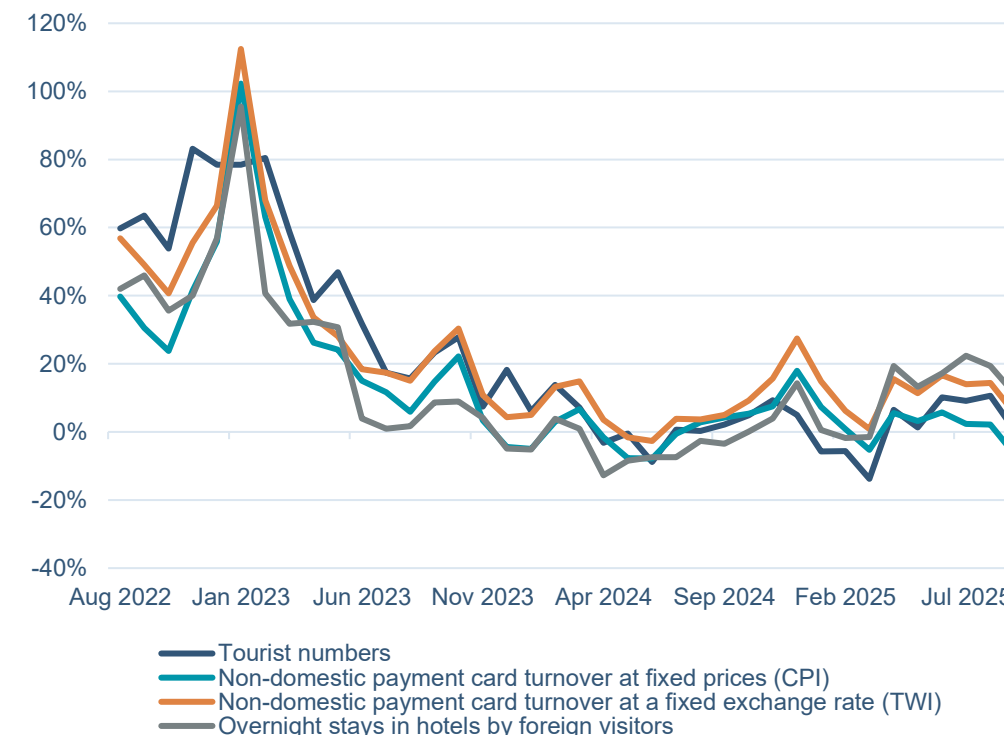
Acc. tourist numbers

Thousand individuals



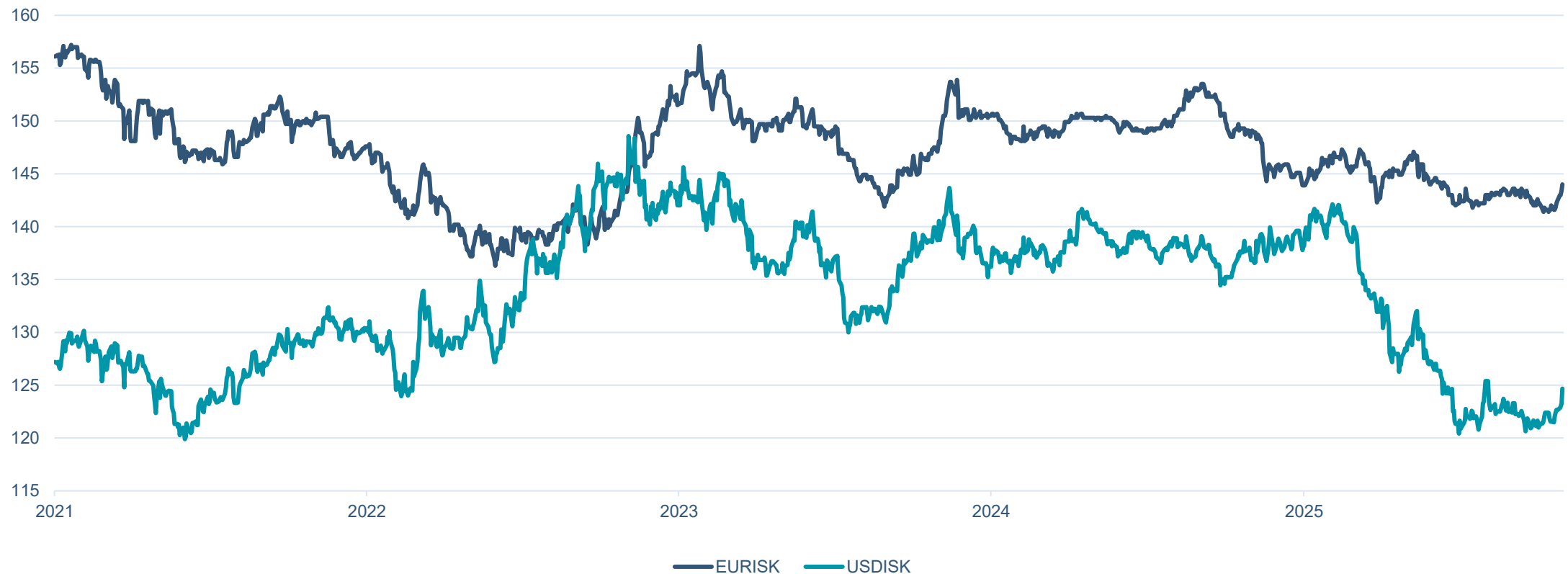
Development of key indicators

YoY change



ISK exchange rate

The ISK weakened rather sharply towards the end of October, when non-domestic parties sold treasury securities. They may have expected a rate cut following news of a malfunction at Norðurál at Grundartangi and anticipated a narrowing of the interest rate differential. Any hope of an interest rate cut was likely dashed with the publication of the October inflation figure last week. It will be interesting to monitor exchange rate developments in the coming days and weeks. At the end of the month, the EUR was 144.8 (ISK +2.4 as compared to the end of September) and the USD was 125.3 (ISK +4.0 as compared to the end of September).



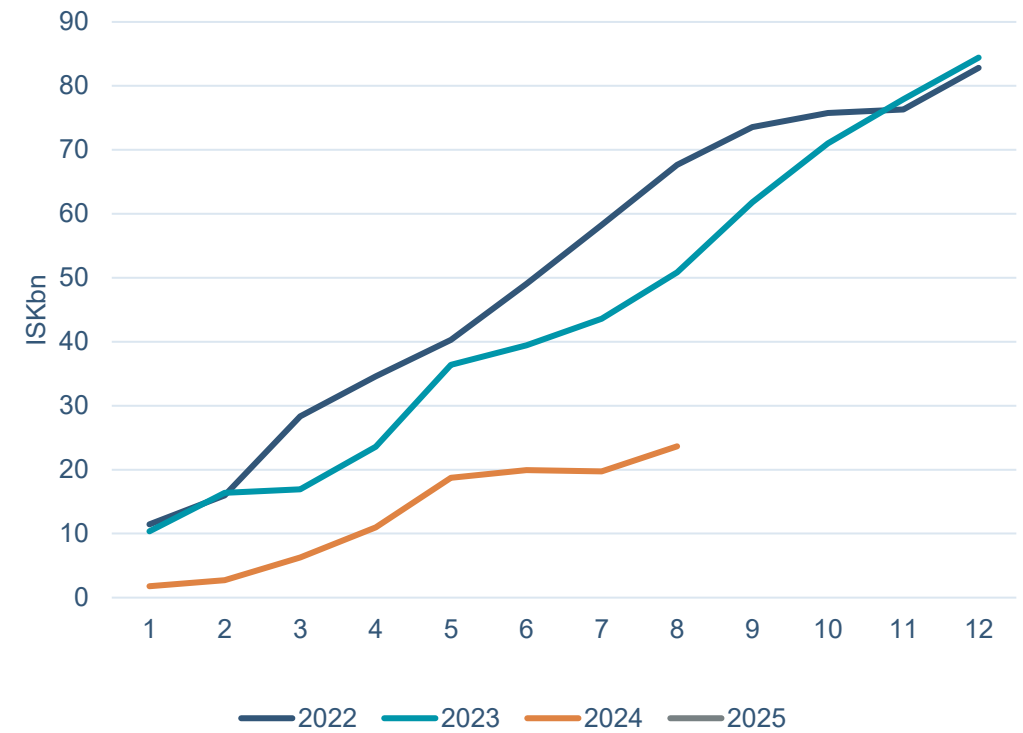
FX trade of the CBI and pension funds

Besides regular purchases, the CBI was not active on the FX market in October. The CBI purchased euros for ISK 7.2 billion in the period 1-29 October and, this year to date, has bought euros for ISK 66 billion. Accumulated FX purchases by the pension funds in the first eight months of the year were ISK 23.6 billion, just under a half of FX purchases in the same period of 2024.

Activity by the Central Bank of Iceland



Acc. annual FX purchases of pension funds



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