

The background of the entire page is a photograph of a lakeside town. In the foreground, a calm lake reflects the sky and the buildings. A few swans and ducks are visible in the water. The middle ground shows a row of colorful houses (white, yellow, red) with dark roofs, some with multiple stories. Behind the houses are tall evergreen trees. The sky is overcast with grey clouds.

# Monthly Newsletter

**6 January 2026**

**Landsbankinn Economic Research**

# Market events - January 2026

Monday	Tuesday	Wednesday	Thursday	Friday
			1 January	2
5	6	7 Inflation in the eurozone	8	9 Registered unemployment (VMST) Unemployment in the US
12	13 Inflation in the US	14	15 Hagar publishes results	16 Payment mediation in December (CBI)
19	20 <b>Housing price index in Dec. (HMS)</b>	21 Rental price index in Dec. (HMS) Inflation in the UK	22 Wage index in Dec. (HAG) Monthly report (HMS)	23
26	27	28 Market expectation survey Q1 (CBI) Policy rate decision in the US	29 <b>Consumer price index for Jan. (HAG)</b> Overnight stays in December (HAG) Landsbankinn publishes results	30

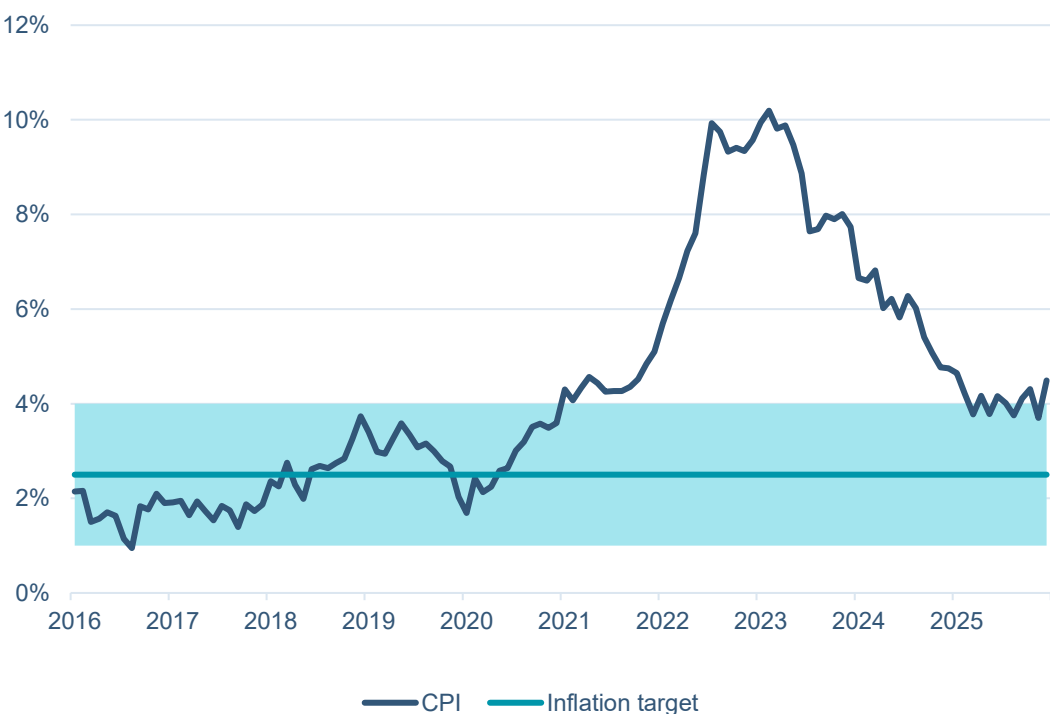


# Inflation

The CPI rose by 1.15% between months in December, bringing inflation up from 3.7% to 4.5%. The 12-month increase in the CPI less housing and all three core indices rose between months.

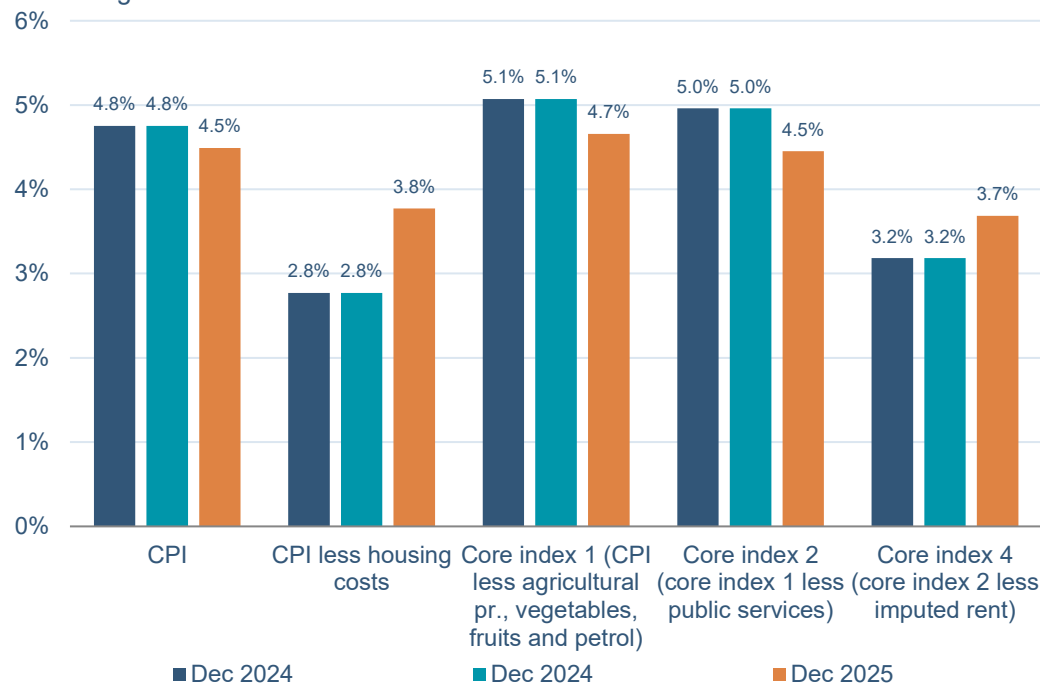
## Consumer price index

YoY change



## Most recent measurement, one month ago and one year ago

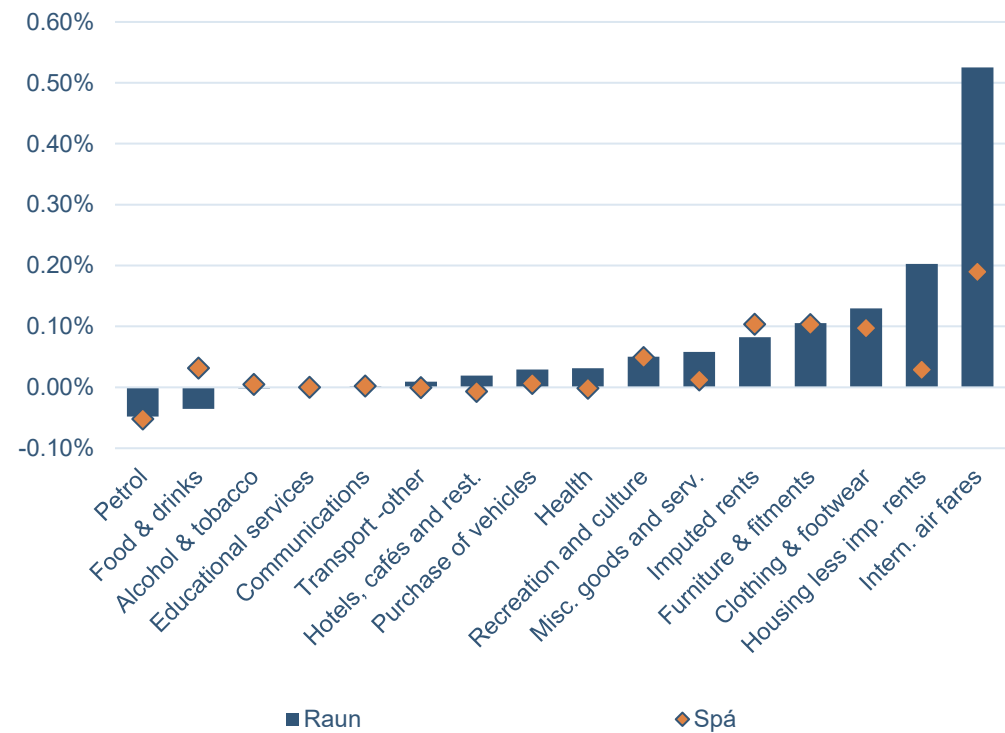
YoY change



# MoM change in the CPI

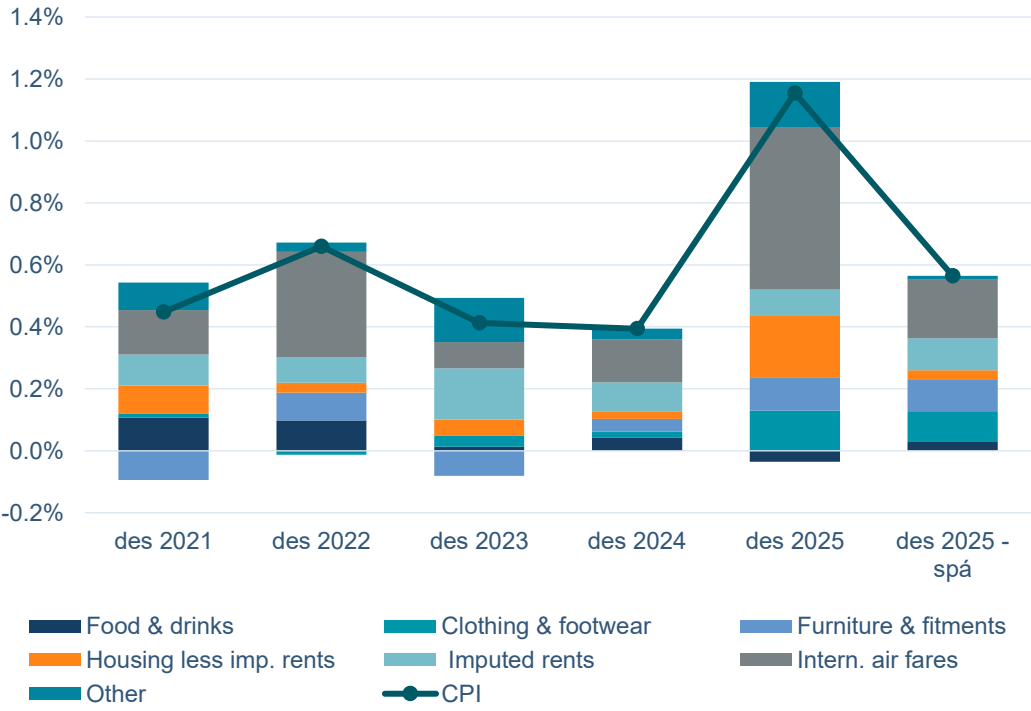
The figure was significantly higher than we expected - we had assumed a 0.56% increase between months and for inflation to rise to 3.9%. There were three major surprises in the measurement: international airfares increased much more than we expected, housing less imputed rent increased more and the price of the food basket decreased unexpectedly. The increase in housing less imputed rent is caused by a substantial increase in prices for hot water. Other components changed more or less in line with expectations, with the impact of discount days in November fully reversing.

Contribution of components in December 2025



December measurements of CPI

MoM change and weight of components

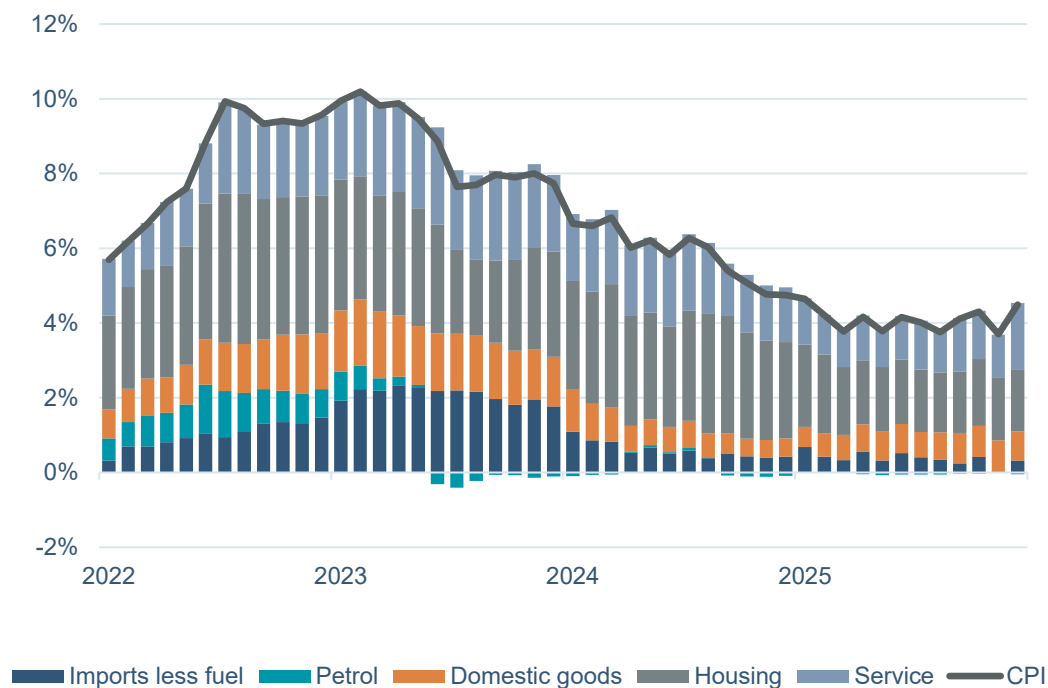


# Composition of 12M inflation

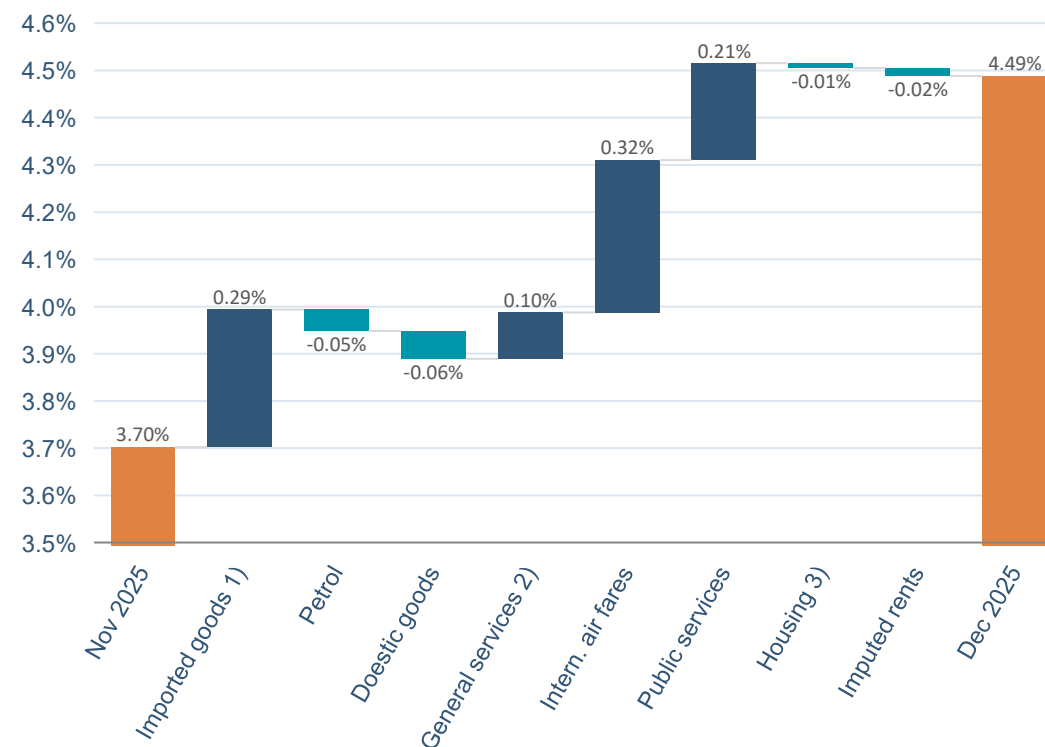
12-Month inflation grew by 0.8 pp between months in December. The largest contributions came from imported goods, international airfares and public services. The increased contribution from imported goods is explained by the reversal of discount-day effects from November, while the increased contribution from public services is due to an increase in prices for hot water.

## Inflation by type and origin

YoY change and weight of components



## Changes to the composition of 12M inflation



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

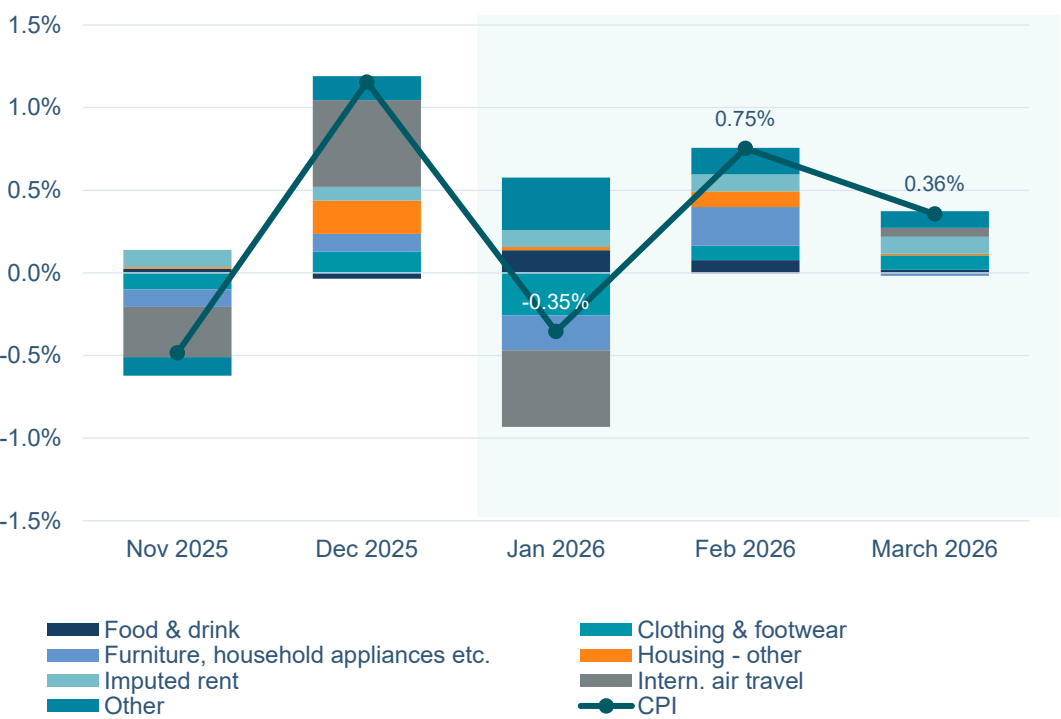


# The outlook for the next months

We forecast 4.4% 12M inflation in January and 4.2% in February and March.

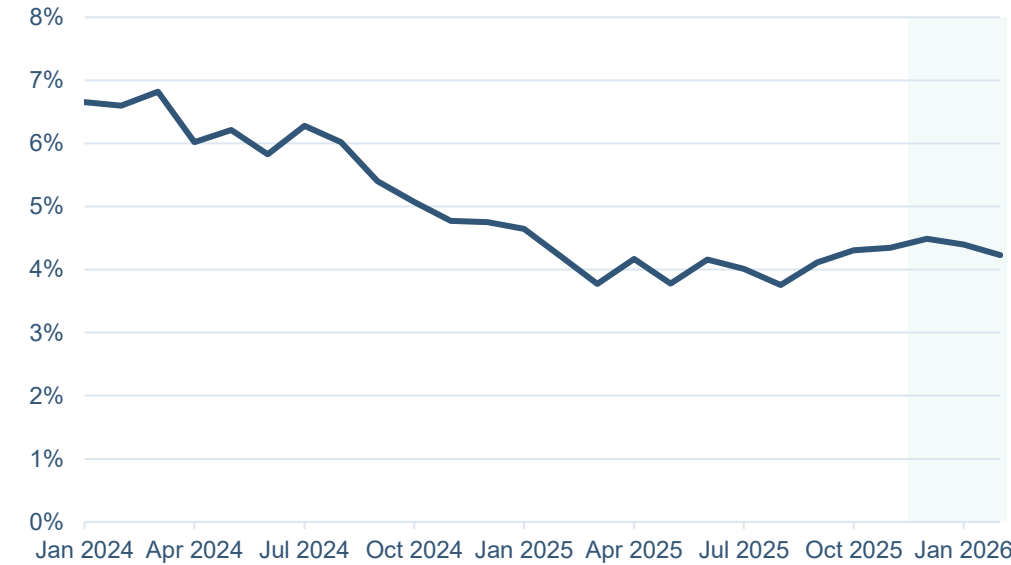
## Inflation forecast<sup>\*)</sup>

MoM change and weight of components



## Inflation forecast<sup>\*)</sup>

12M inflation



<sup>\*)</sup> Forecast published 22 December 2025.  
Source: Statistics Iceland, Landsbankinn Economic Research



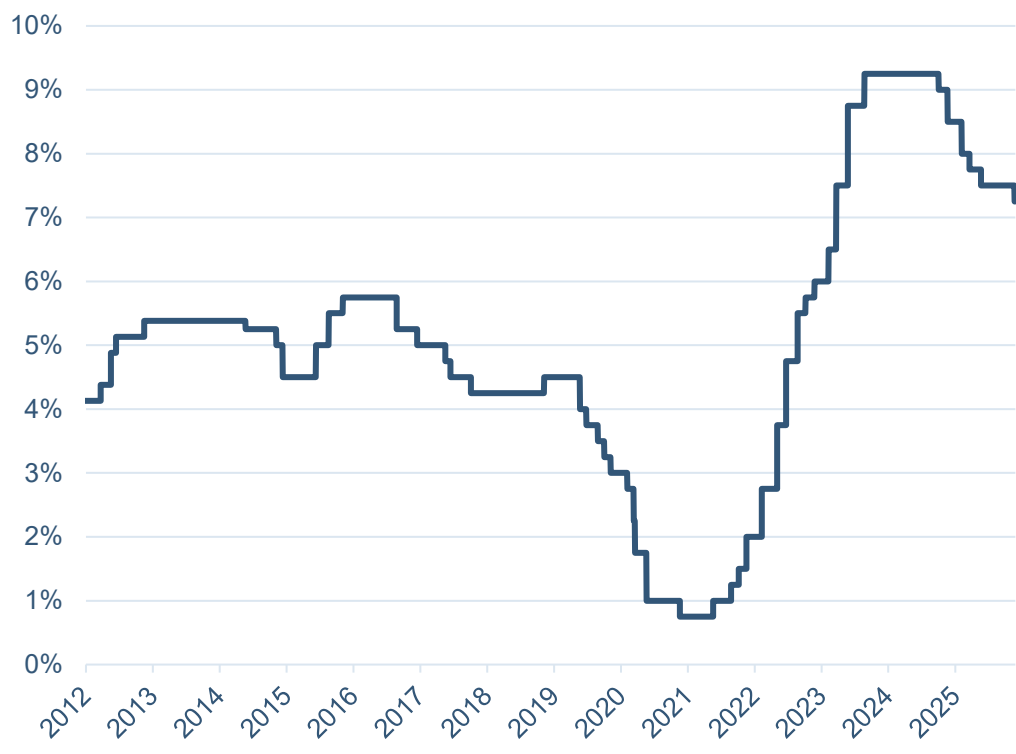
# Policy rate

The Monetary Policy Committee lowered the policy rate by a total of 1.25 percentage points in 2025. The first interest-rate decision of the year is Wednesday, 4 February.

## MPC interest rate decisions

Date	Decis.	For	Against	Other option	Key interest rate
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	-0.25%	ÁJ, RS, TB, ÁÓP, HS			7.25%
4 Feb. 2026					
18 March 2026					
20 May 2026					
19 Aug 2026					
7 Oct. 2026					
18 Nov. 2026					

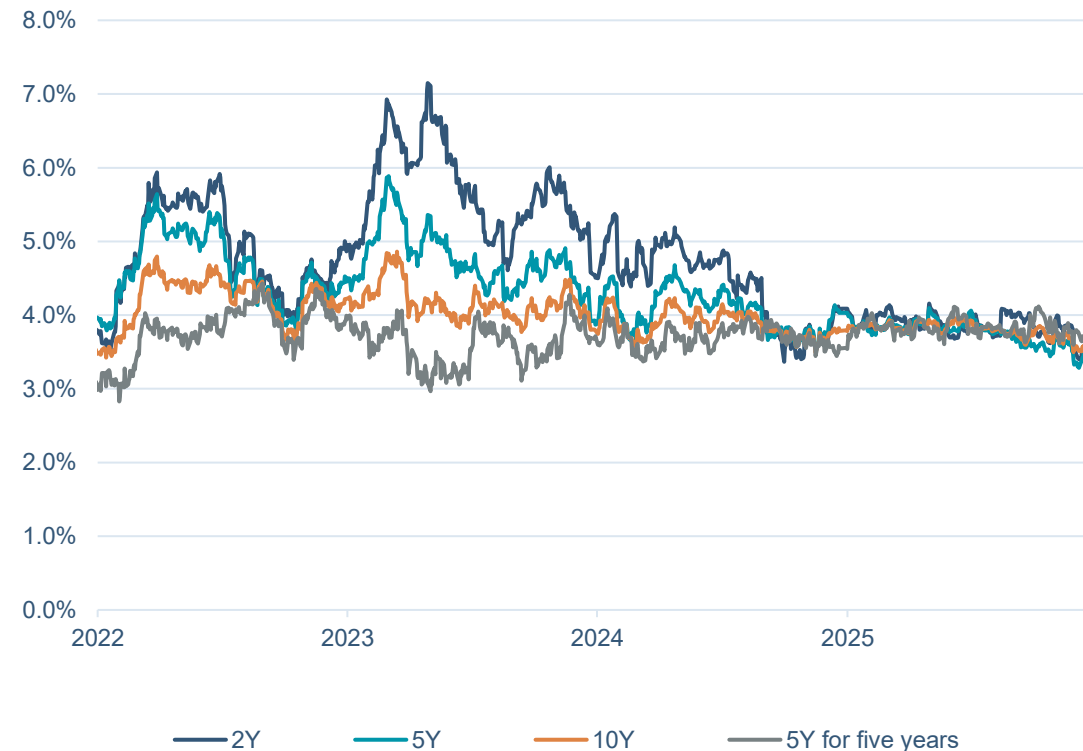
## Key interest rate of the Central Bank of Iceland



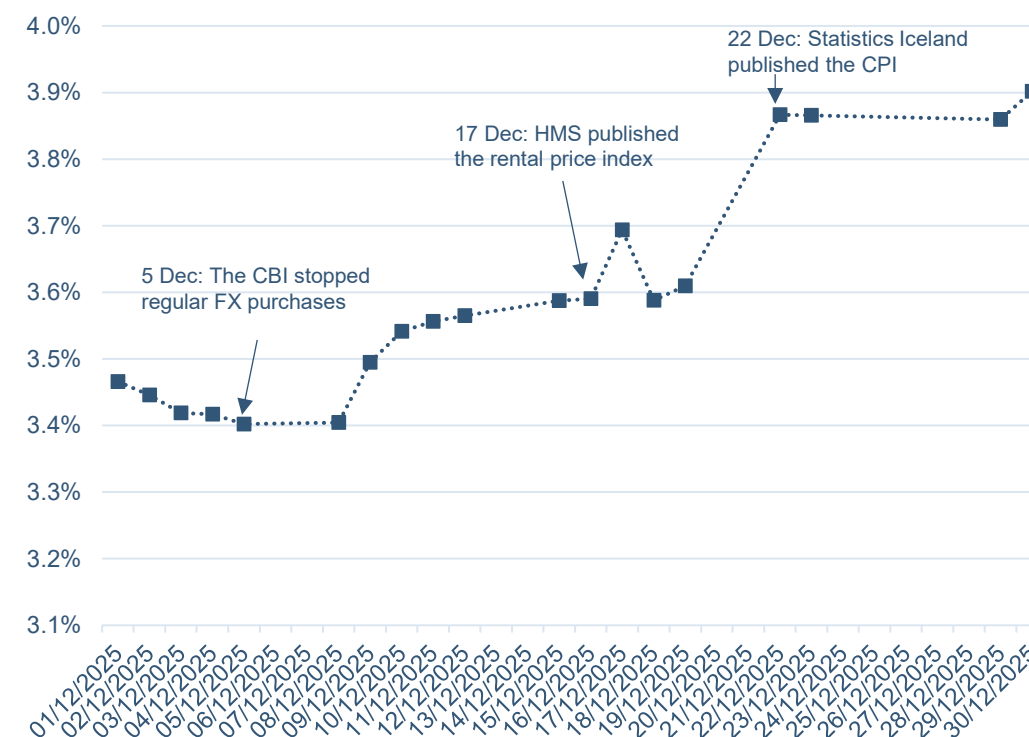
# Inflation premium in the bond market

Inflation risk premiums in the bond market increased over the course of December, whether measured at the two-year horizon (3.9% at month-end, +0.4 pp intra month), the five-year horizon (3.7% at month-end, +0.4 pp intra month), or the ten-year horizon (3.6% at month-end, +0.1 pp intra month). A large share of the increase during the month occurred on the day Statistics Iceland released the December inflation figures, which were significantly higher than expected.

## Inflation premium in the bond market



## 2Y inflation premium (break-even rate)



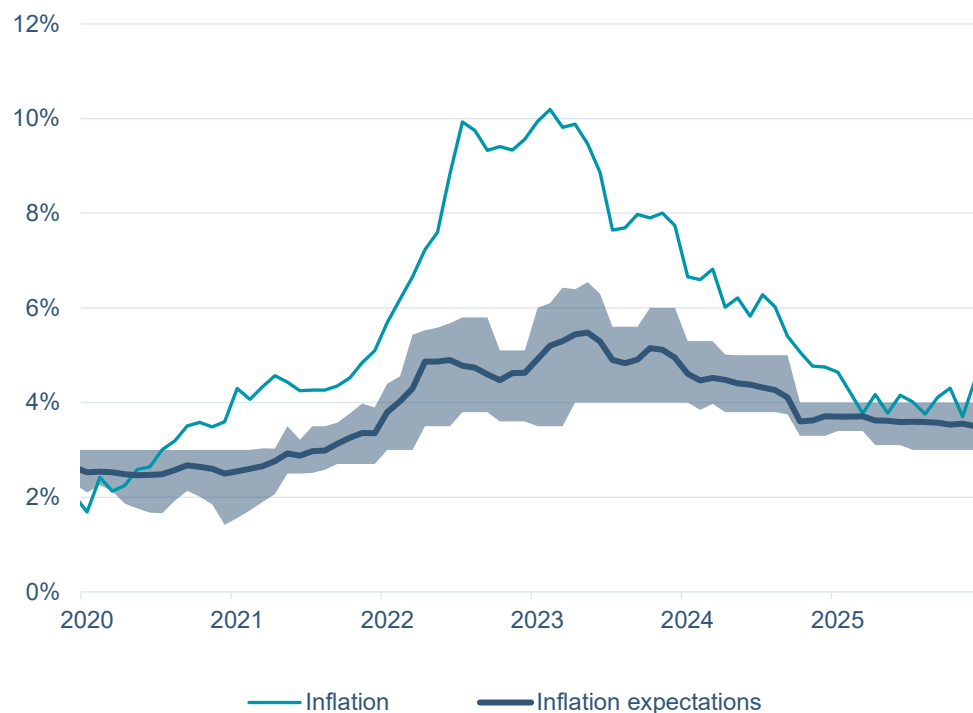


# Inflation, inflation expectations and the real policy rate

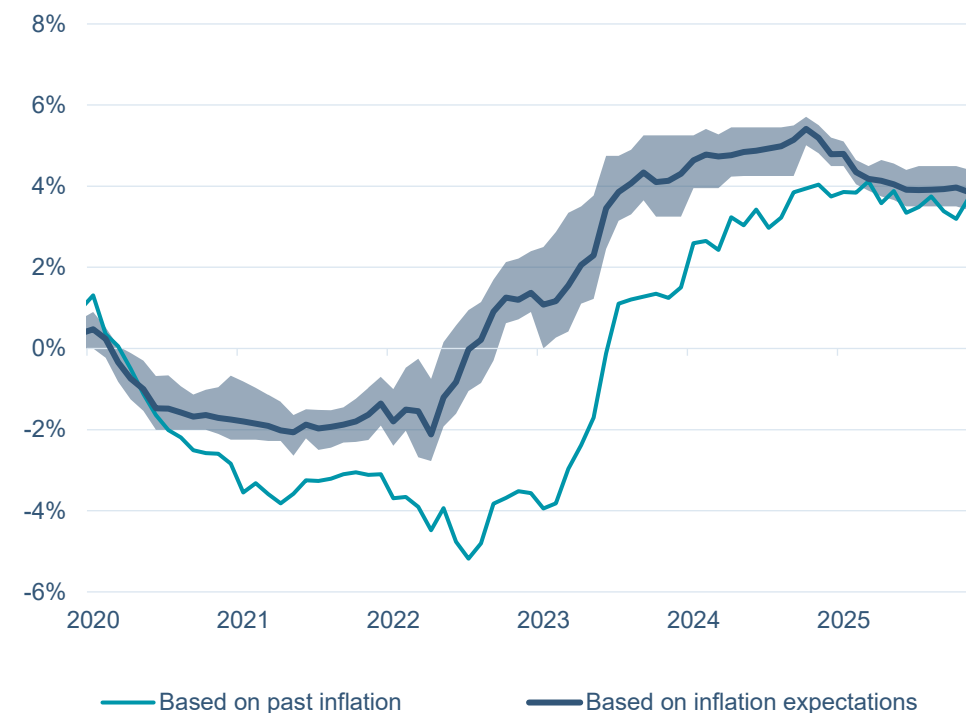
The average of the main measures of inflation expectations was 3.5% in December and declined by only 0.2 pp over the year.

The real policy rate based on past inflation was 2.8% in December, down by 1.0 pp over the year. The real policy rate based on the average of the main measures of inflation expectations was 3.8% and also declined by 1.0 pp over the year.

## Inflation and inflation expectations



## Real policy rate

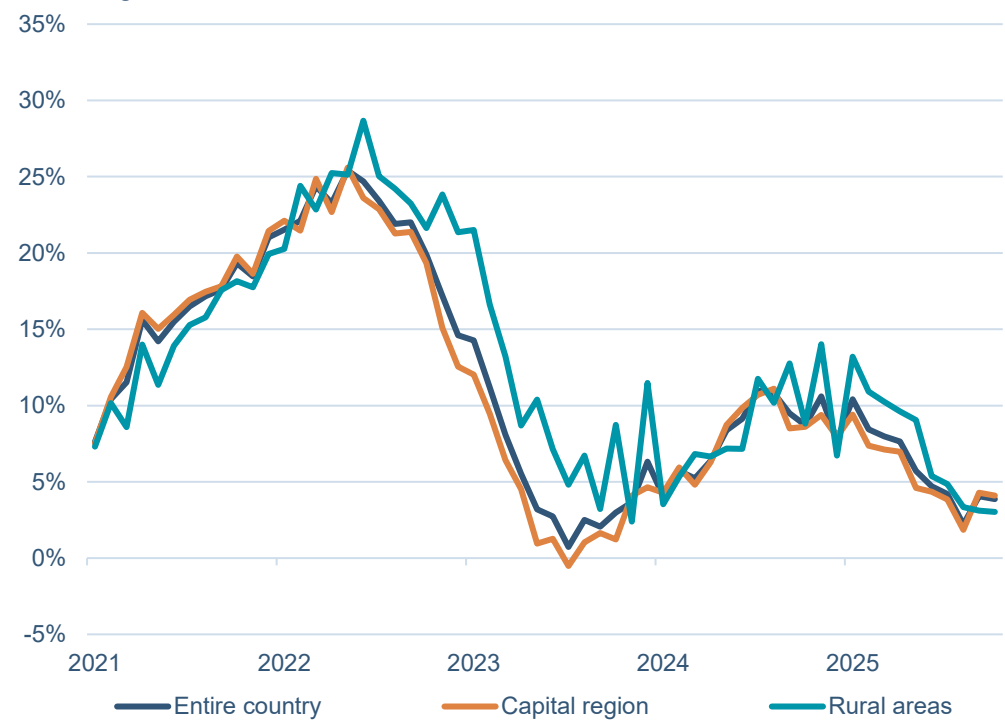


# The real estate market

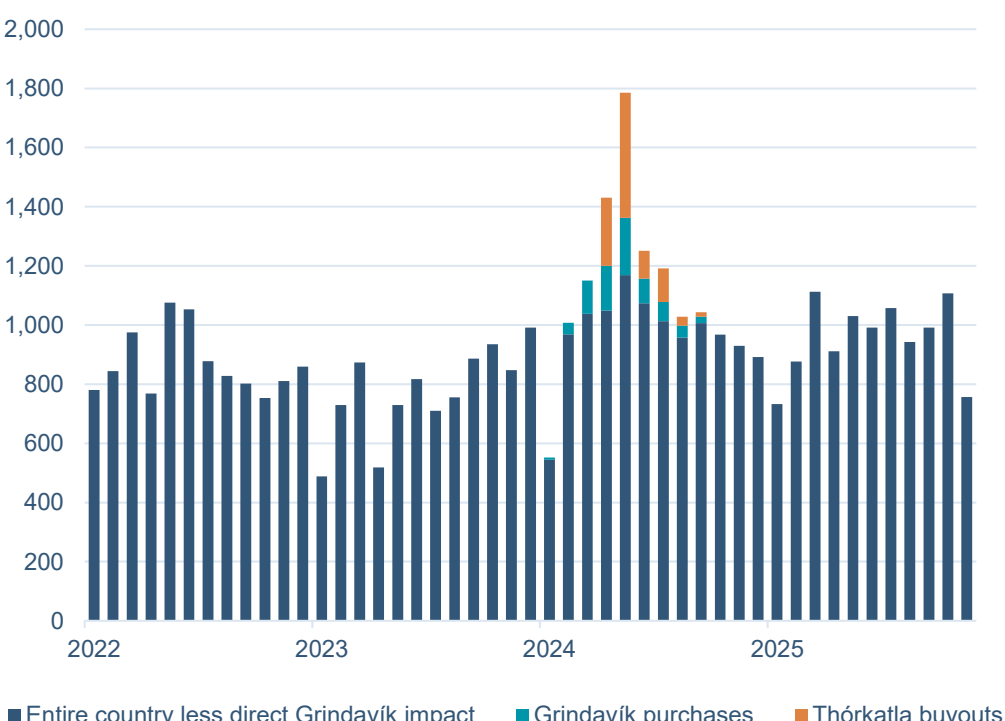
The housing price index decreased by 0.35% between months in November. The decline was driven by multi-family dwellings in rural Iceland, where prices fell by 1.4%, and in addition, single-family homes declined both in the capital region and rural areas. Multi-family dwellings prices in the capital region were broadly unchanged month-on-month. As expected in the wake of the interest rate ruling, the number of purchase agreements fell sharply in November.

## Housing price index

YoY change

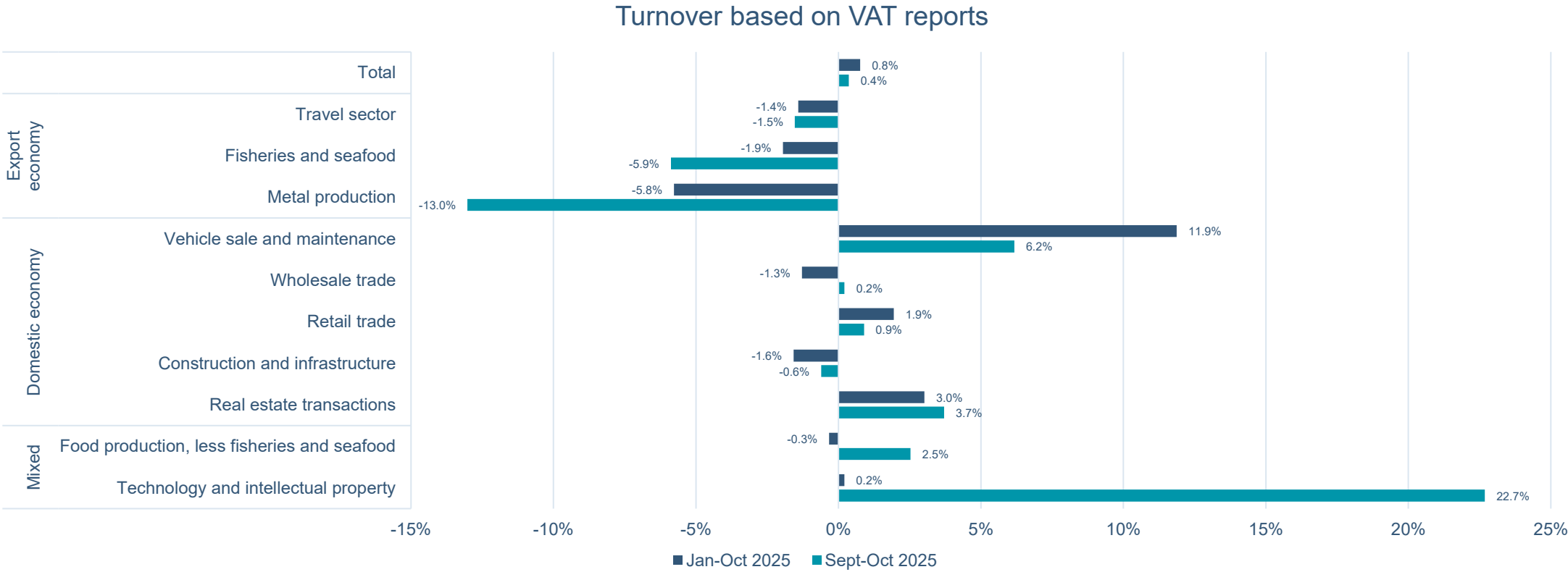


## Signed purchase contracts - entire country



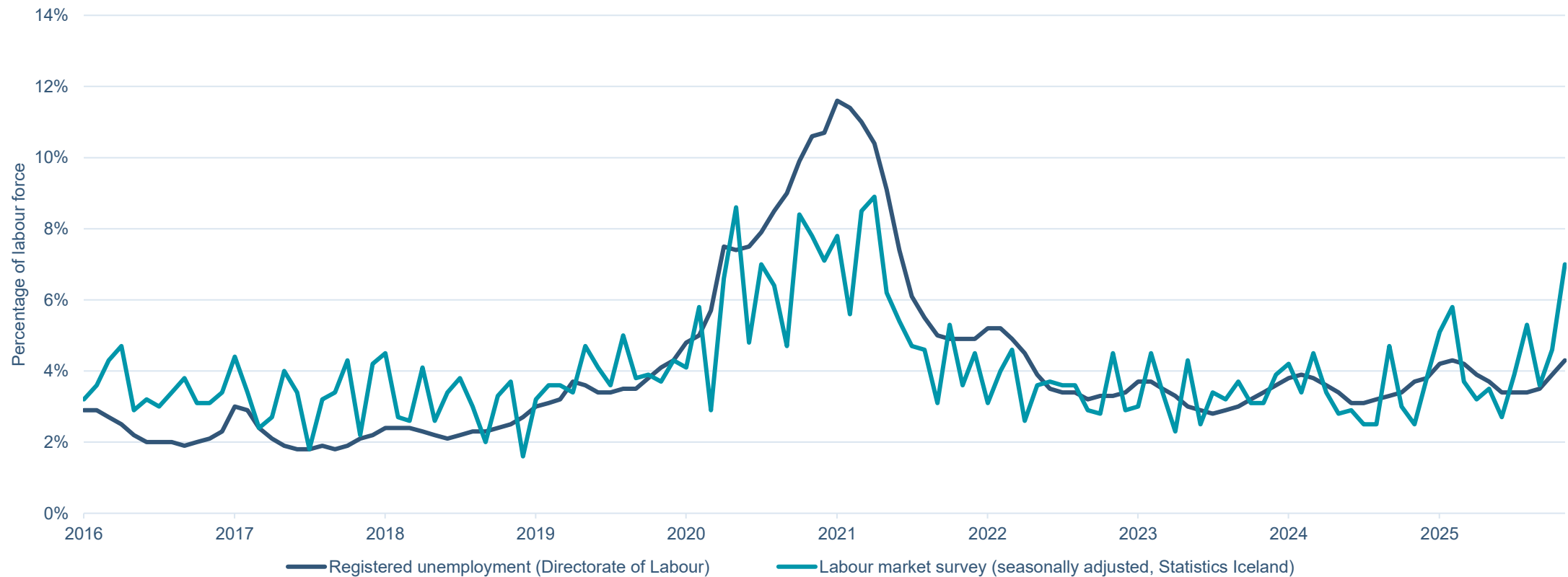
# Turnover based on VAT reports

According to VAT reports, turnover in the three major export sectors declined year-on-year during the Sept-Oct VAT period. The contraction in tourism is partly explained by Play ceasing operations at the end of September and not submitting a VAT report. Exported volumes of metals increased year-on-year despite a malfunction in Norðurál's smelting pots toward the end of the period, on 21 October. The year-on-year decline in turnover in the sector (in ISK) can be attributed to a stronger króna than at the same time last year. Turnover in the technology and intellectual property sector increased significantly, driven by expanded data centre operations.



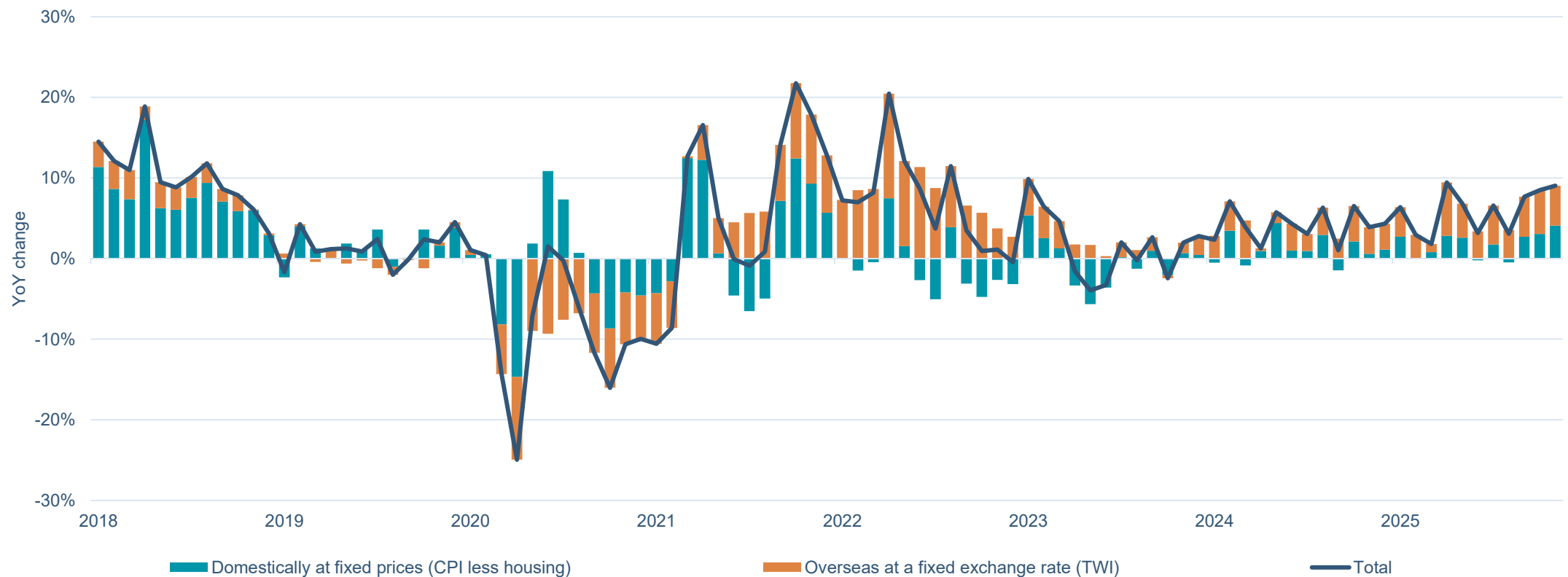
# Unemployment

Registered unemployment was 4.3% in November. Unemployment growth between years remained within a tight range, 0.2-0.4 pp, between February 2024 to September 2025 before rising to 0.5 pp in October and 0.6 pp in November.



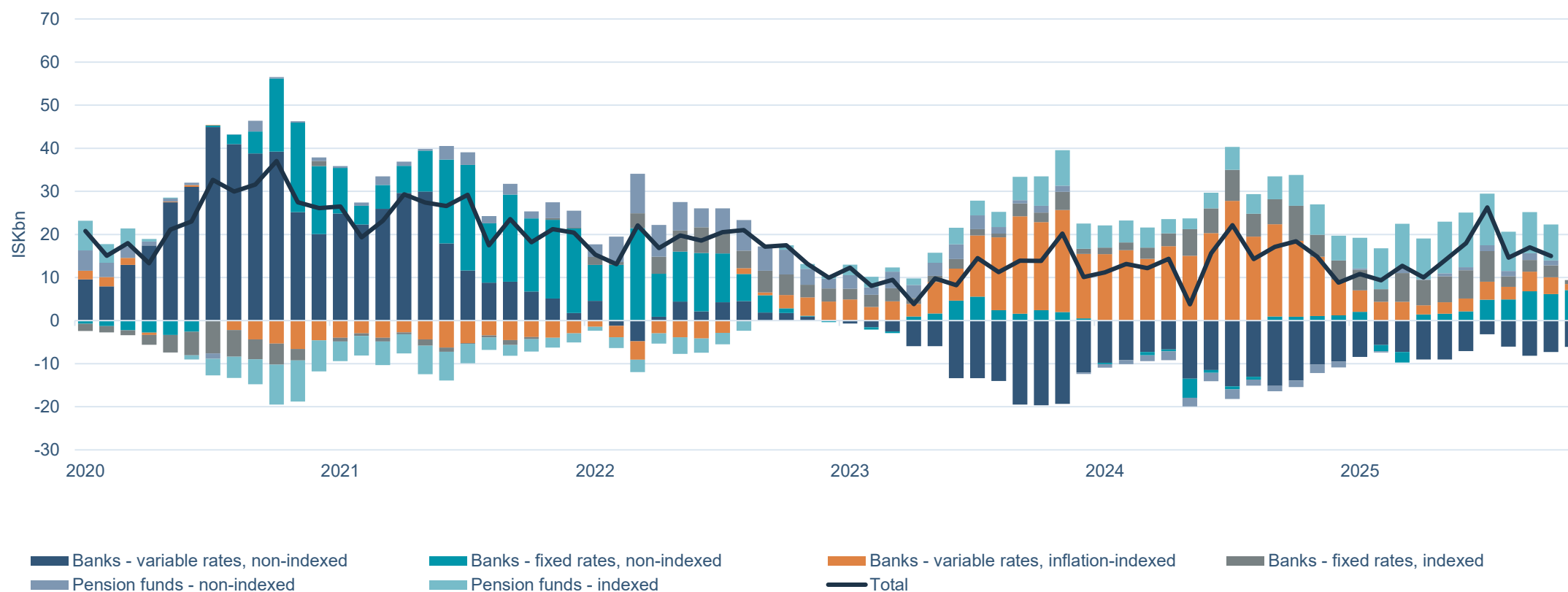
# Payment card turnover of Icelandic households

Card turnover grew by 9.0% between years in November in real terms. It grew by 23.0% overseas and by 5.2% 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 18% more numerous than the same time last year. At the same time that card turnover grows and international travel increases, household deposits have also grown considerably. Overdrafts remain low - another indicator of sound household standing.



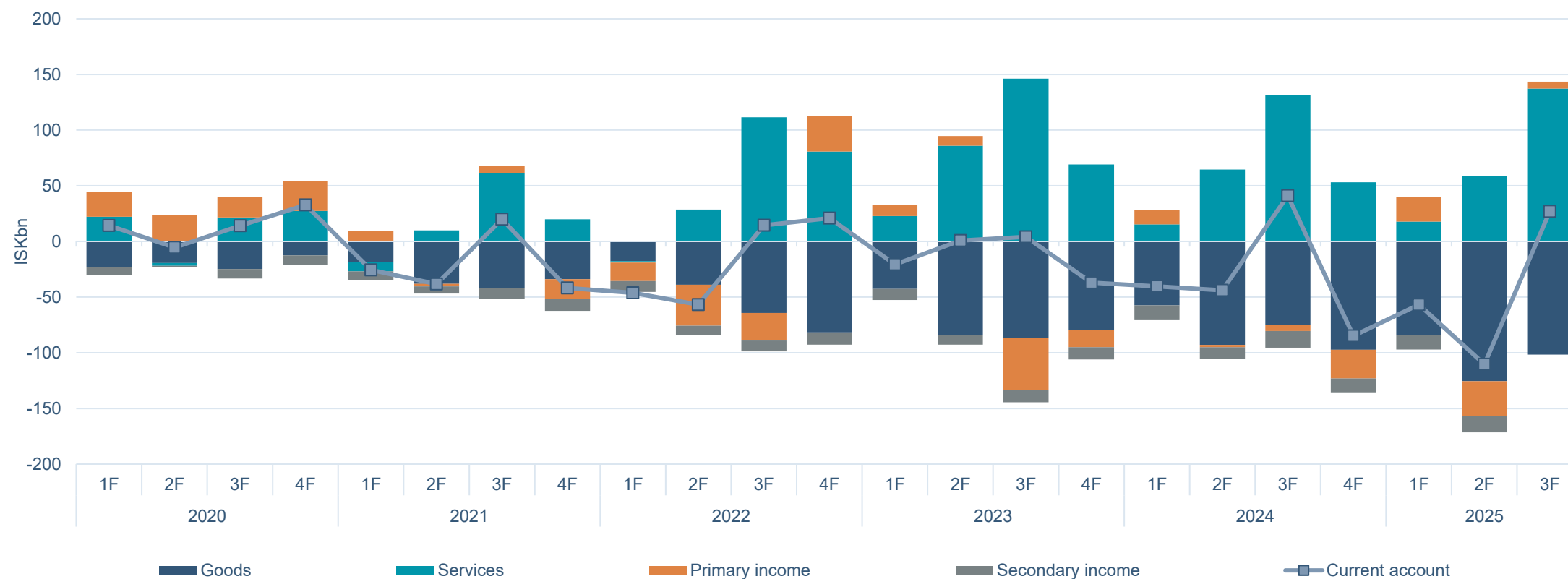
# Net new housing mortgages

Net new housing mortgages by the commercial banks amounted to just ISK 3.3 bn in November. There was net prepayment of variable-rate mortgages, while there was net new borrowing in non-indexed loans with fixed interest rates. There was little change in indexed loans from commercial banks. The CBI will publish data on net new lending by pension funds for November on Friday, 9 January, at which point the effects of the interest rate ruling on household borrowing will become somewhat clearer.



# Balance of trade

In the third quarter of 2025, a surplus of ISK 27 bn was recorded in foreign trade, with the third quarter typically being the strongest quarter of the year. The deficit in the goods balance and secondary income increased year-on-year, the surplus in services increased year-on-year, and instead of a deficit in primary income as in the previous year, a surplus was recorded. Overall, the surplus in foreign trade was ISK 14 bn lower in the third quarter of 2025 than in the third quarter of 2024.

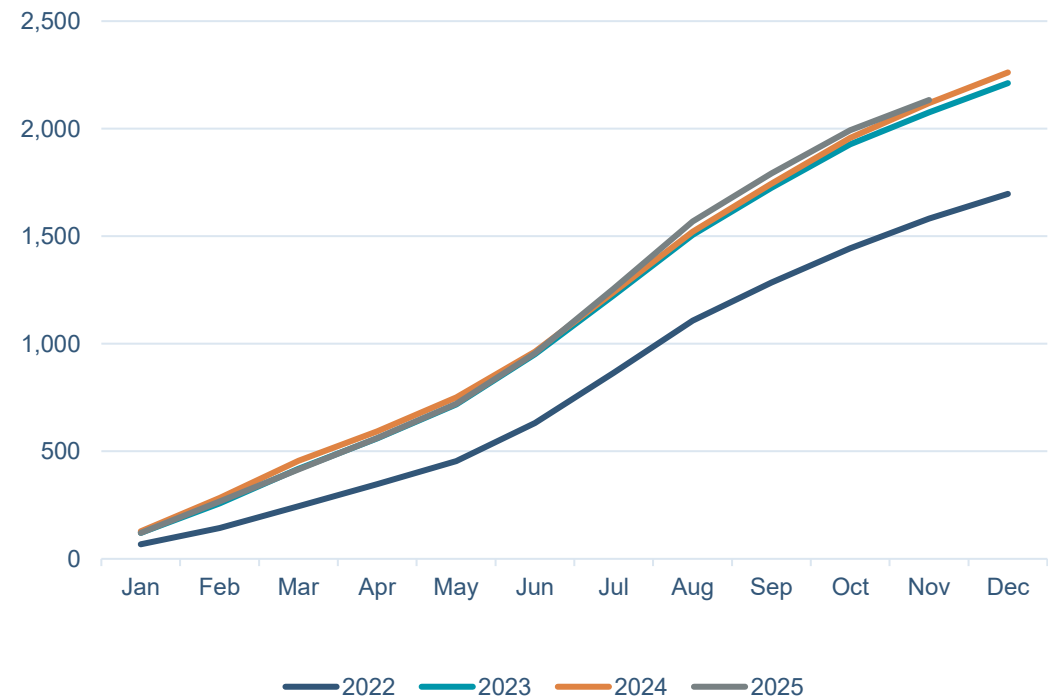


# The travel sector

Around 141,000 foreign travellers passed through Keflavík International Airport in November, a 13.0% decrease from the same month last year. In the first 11 months of the year, departures grew by 0.7% from the same period in 2024. Non-domestic payment card turnover contracted by 12.0% between years at fixed prices and by 6.6% at a fixed exchange rate in November while overnight stays in hotels by foreign visitors decreased by 2.9% between years.

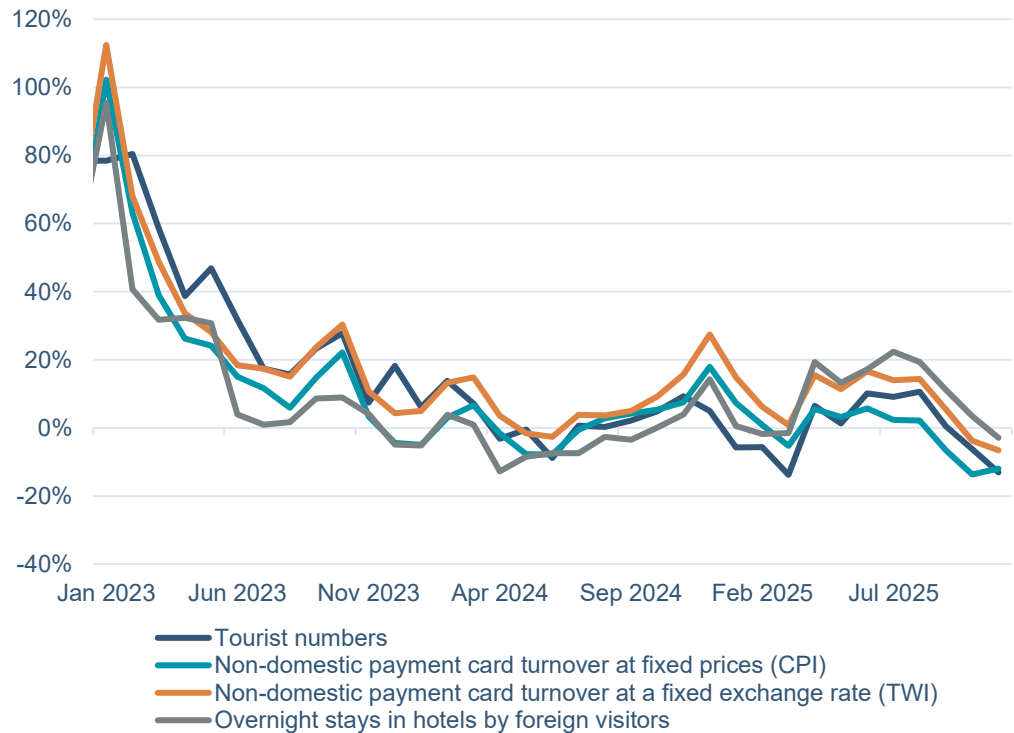
## Acc. tourist numbers

Thousand individuals



## Development of key indicators

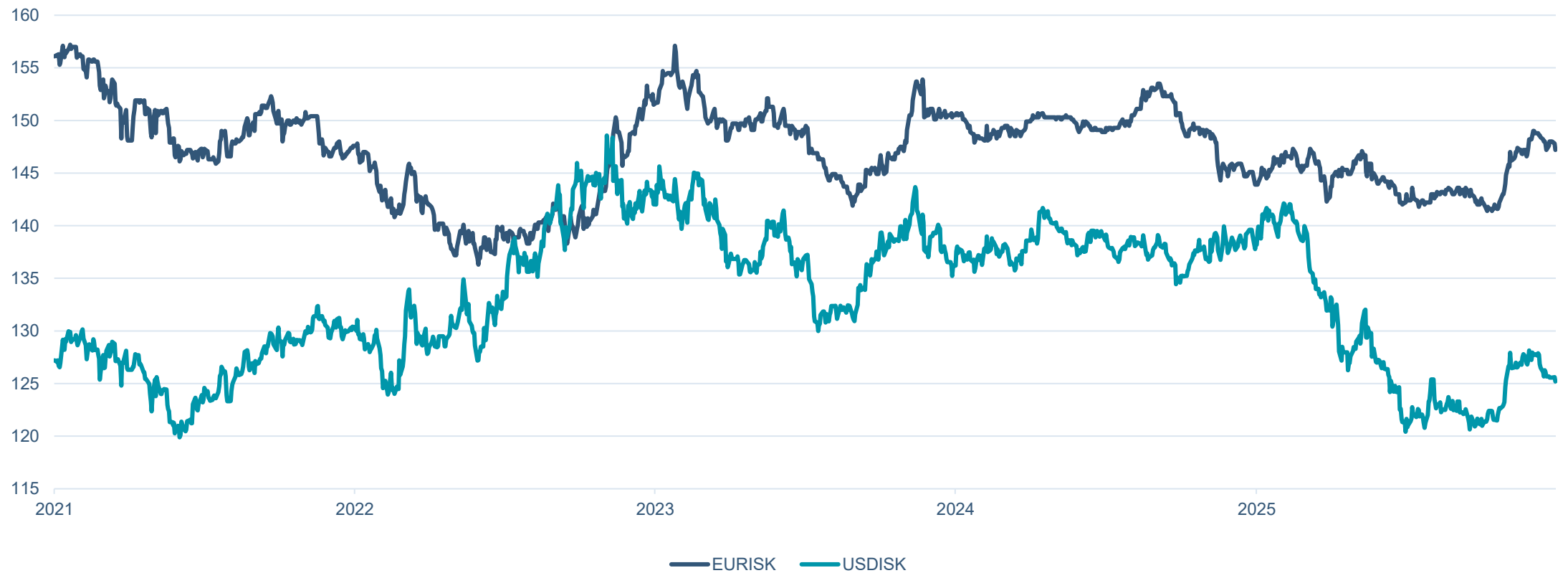
YoY change





# ISK exchange rate

The ISK appreciated in December. At the end of the month, the euro stood at 147.2 (-1.0 intra month) and the USD at 125.2 (-2.9 intra month). Looking at the entire year 2025, the ISK depreciated against the euro, which cost ISK 3.3 more at the end of 2025 than at year-end 2024 while appreciating against the USD, which cost ISK 13.0 less at the end of 2025 than at year-end 2024.



# FX trade of the CBI and pension funds

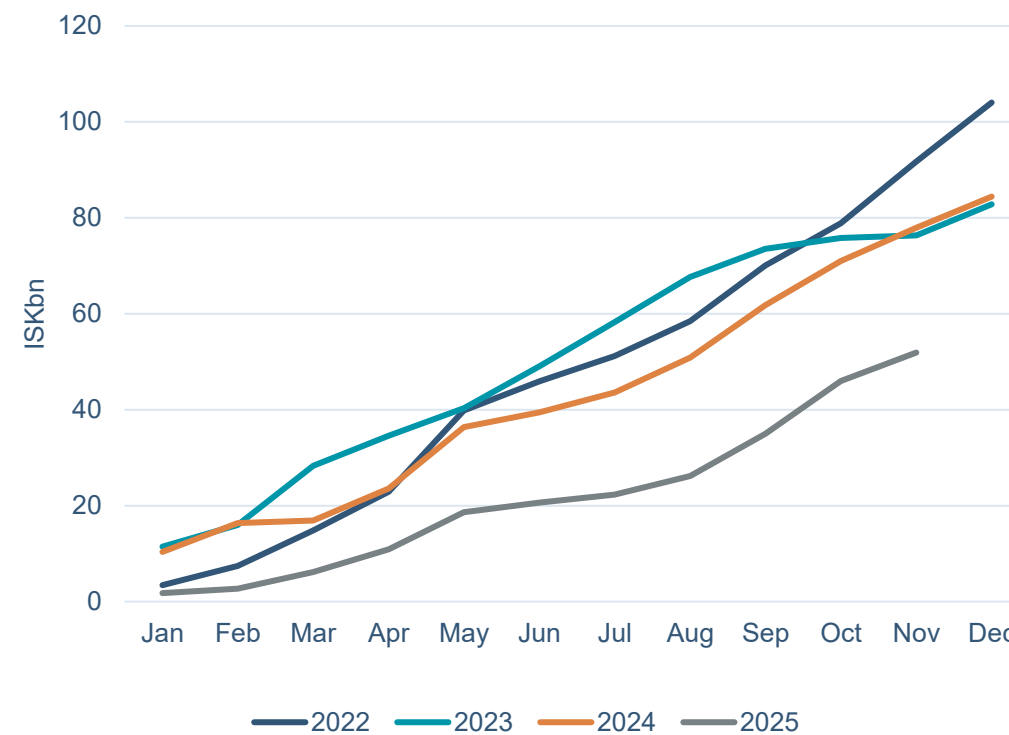
The CBI announced on 5 December that it intended to cease its regular FX purchases. The CBI purchased FX for the total amount of ISK 73 bn in 2025.

In the first 11 months of the year, the pension funds purchased FX for ISK 52 bn, rather less than in the same period in 2024 (ISK 78 bn). The lower volume is explained by the fact that they received currency through JBT's acquisition of Marel early in the year and in relation to the resolution of ÍL-sjóður.

## Activity by the Central Bank of Iceland



## Acc. annual FX purchases of pension funds



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