



Monthly Newsletter

3 February 2026
Landsbankinn Economic Research



Market events - February 2026

Monday	Tuesday	Wednesday	Thursday	Friday
2 February		3 Policy rate decision (CBI) <i>Monetary Bulletin 2026/1</i> Inflation in the eurozone	4 Festi, Icelandair and SKEL publish results Policy rate decision in the UK Policy rate decision in the eurozone	5 6 Unemployment in the US
9	10 Departures from Keflavík International Airport (FMST) Registered unemployment in January (VMST)	11 Arion Bank and Kvika Bank publish results Inflation in the US	12 Heimar, Íslandsbanki, Kaldalón and Sjóvá publish results	13
16 Reitir publishes results	17 Housing price index in January (HMS) Payment mediation in January (CBI) Síminn publishes results	18 Minutes of the Monetary Policy Committee (CBI) Rental price index in January (HMS) Skagi publishes results Inflation in the UK	19 Monthly report (HMS)	20
23 Wage index in January (HAG)	24 Turnover based on VAT reports for Nov-Dec (HAG) Iceland Seafood publishes results	25 CPI in February (HAG) Overnight stays in January (HAG) Brim, Nova and Sýn publish results	26 National accounts f. Q4 (HAG) Goods and service transactions f. Q4 (HAG)	27

(HAG) Statistics Iceland Central Bank of Iceland, VMST: Vinnumálastofnun, FMST: Ferðamálastofa, HMS: The Housing and Construction Authority.

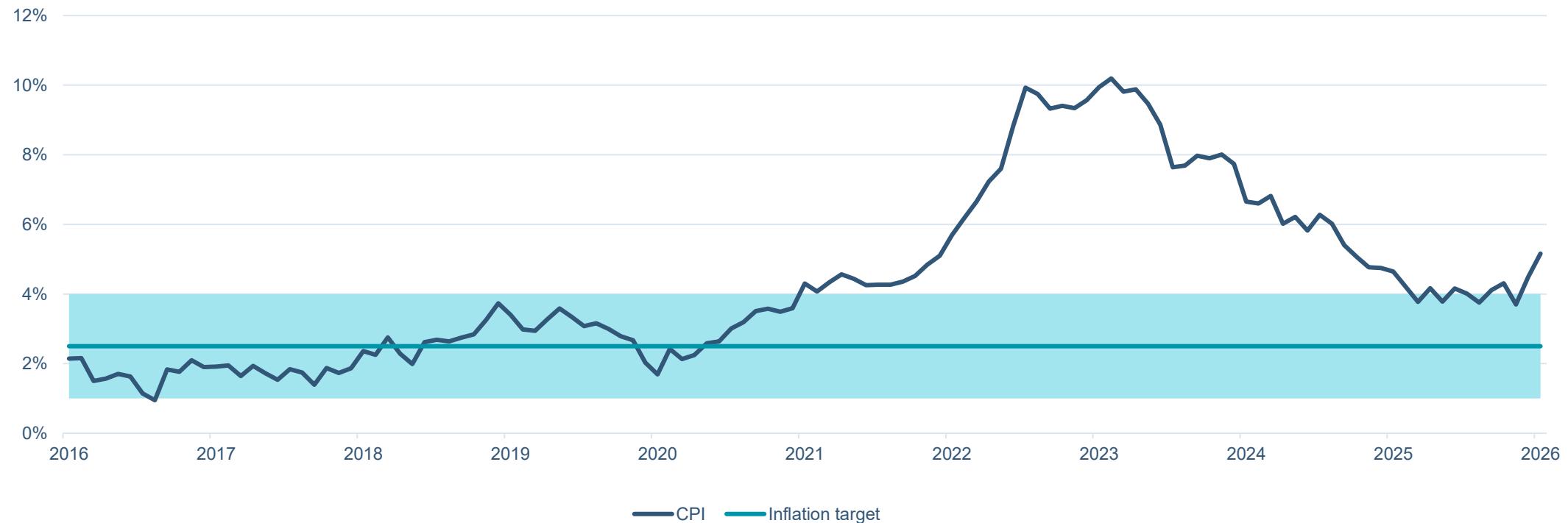


Inflation

The consumer price index (CPI) rose by 0.38% between months in January. Inflation increased by 0.7 percentage points, from 4.5% to 5.2%. The measurement was fairly close to our forecast for 5.1% inflation.

Consumer price index

YoY change

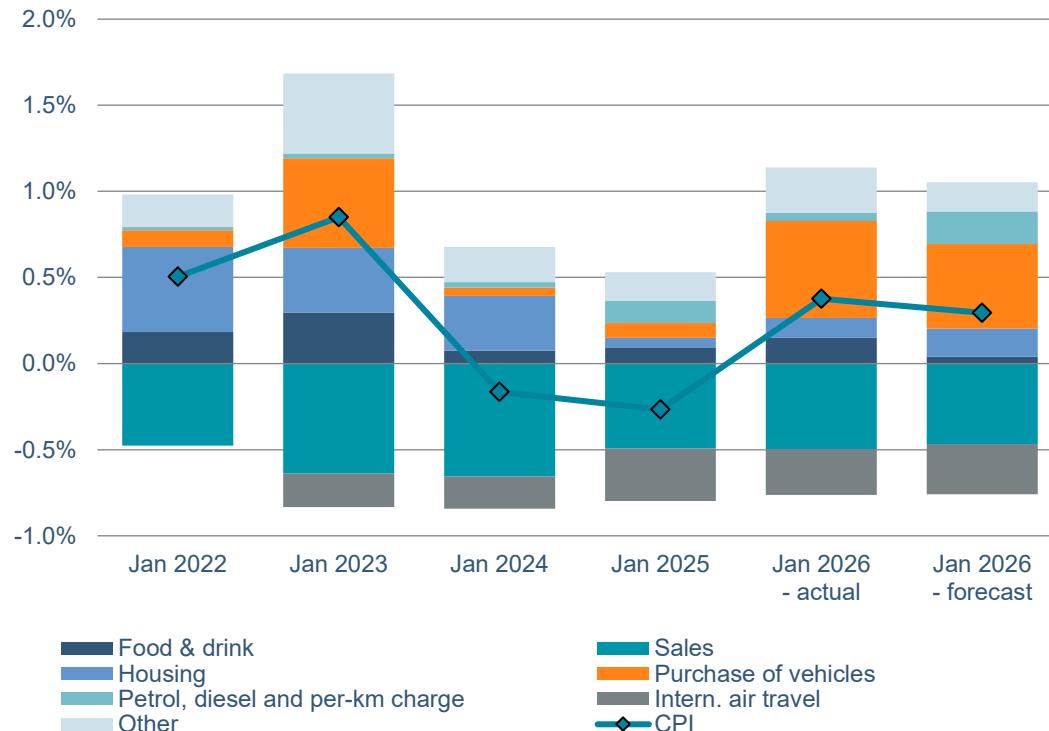


MoM change in the CPI

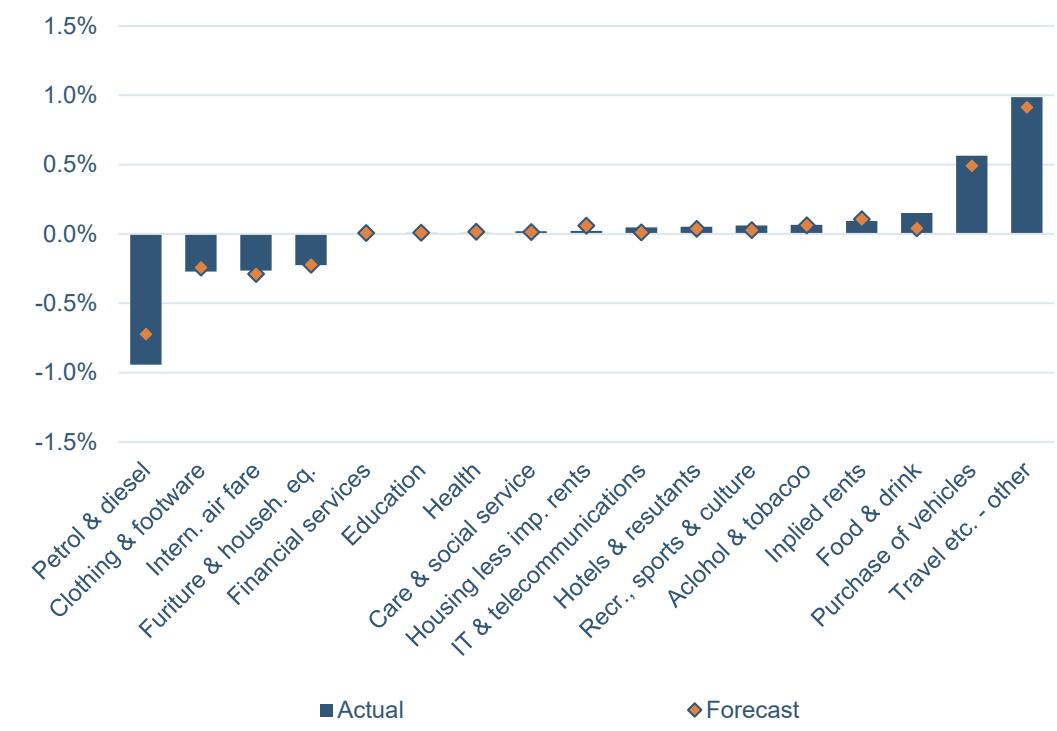
Changes to public levies on the purchase and operation of vehicles had a +0.61% impact on the index. The price of the food basket increased more than we expected. Sales were close to our expectations, contributing -0.50% to the MoM change in the index.

January CPI measurements

MoM change and contribution of components

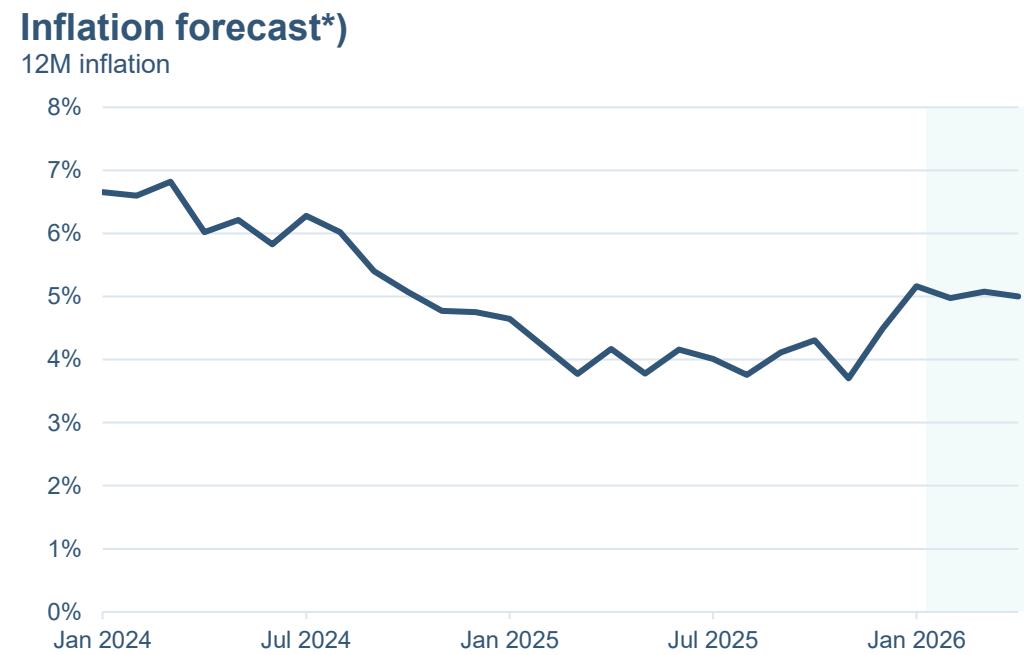
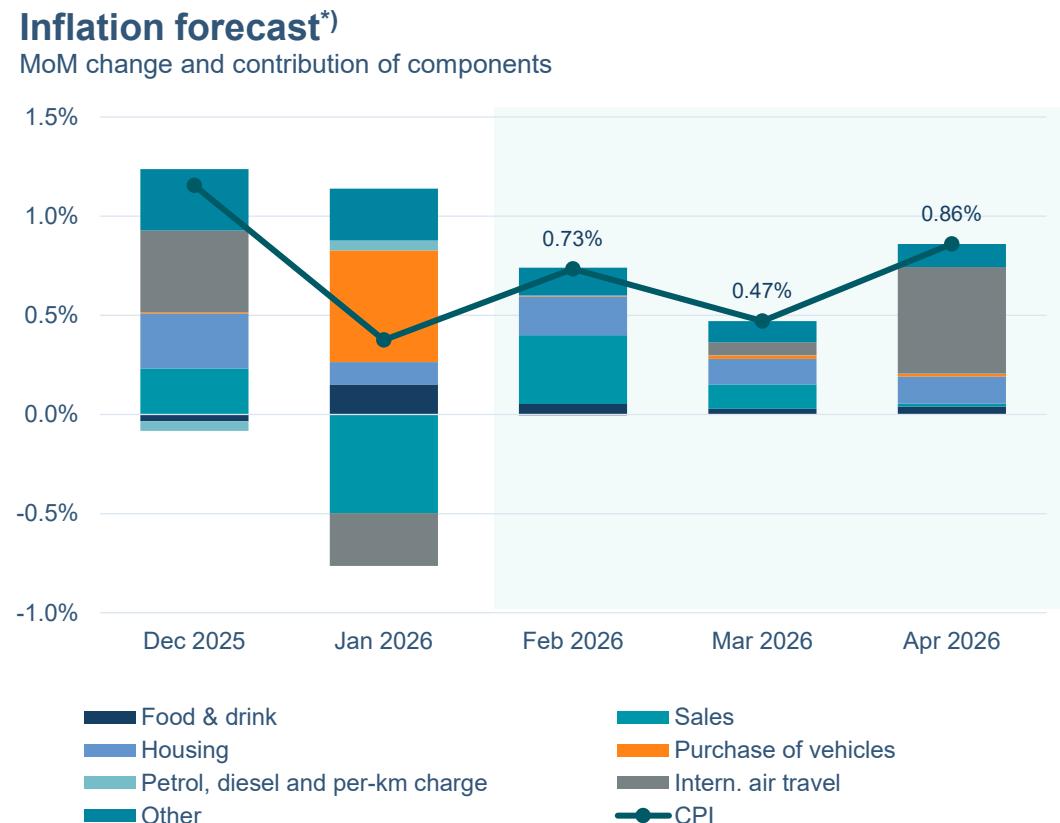


Contribution of components



The outlook for the next months

Our forecast for the next months is +0.73% in February, +0.47% in March and +0.86% in April. If the forecast holds, 12M inflation will be 5.0% in February, 5.1% in March and 5.0% in April.



*) Forecast published 29 January 2026

Source: Statistics Iceland, Landsbankinn Economic Research



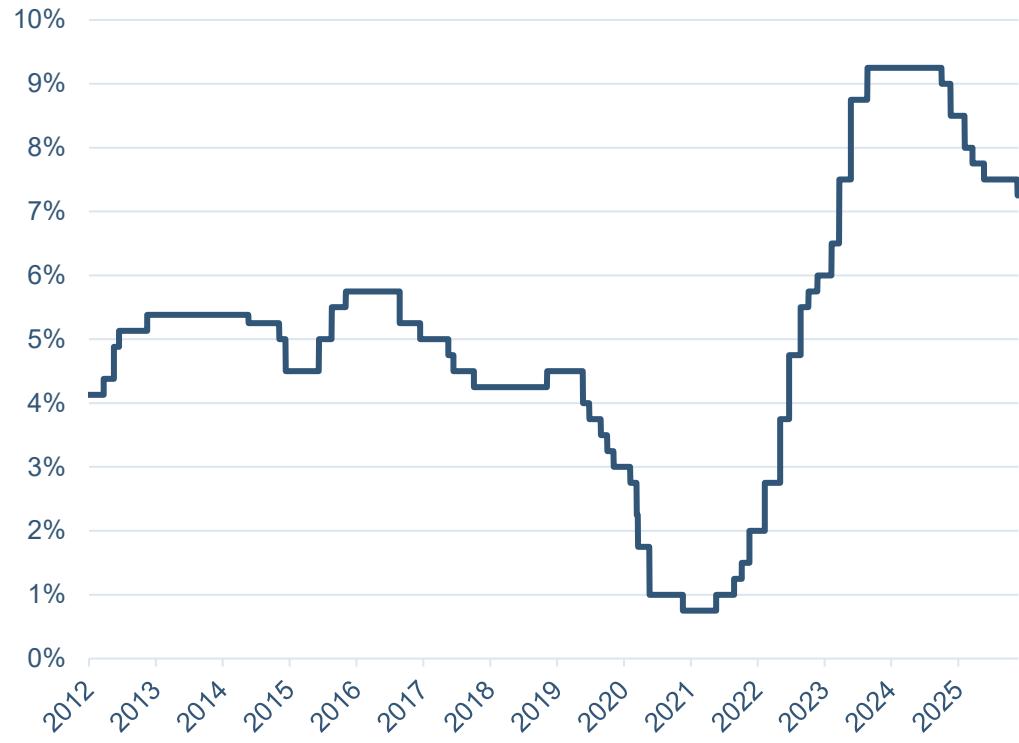
Policy rate

We predict that the MPC will raise the policy rate by 0.25 pp on Wednesday, 4 February. Inflation rose from 4.5% to 5.2% in January. Increased inflation is primarily yet not solely due to the increase in public levies. The measurement shows that there is still underlying price pressure. Inflation expectations have not been successfully lowered and the rise in purchasing power continues to manifest as more consumption.

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					

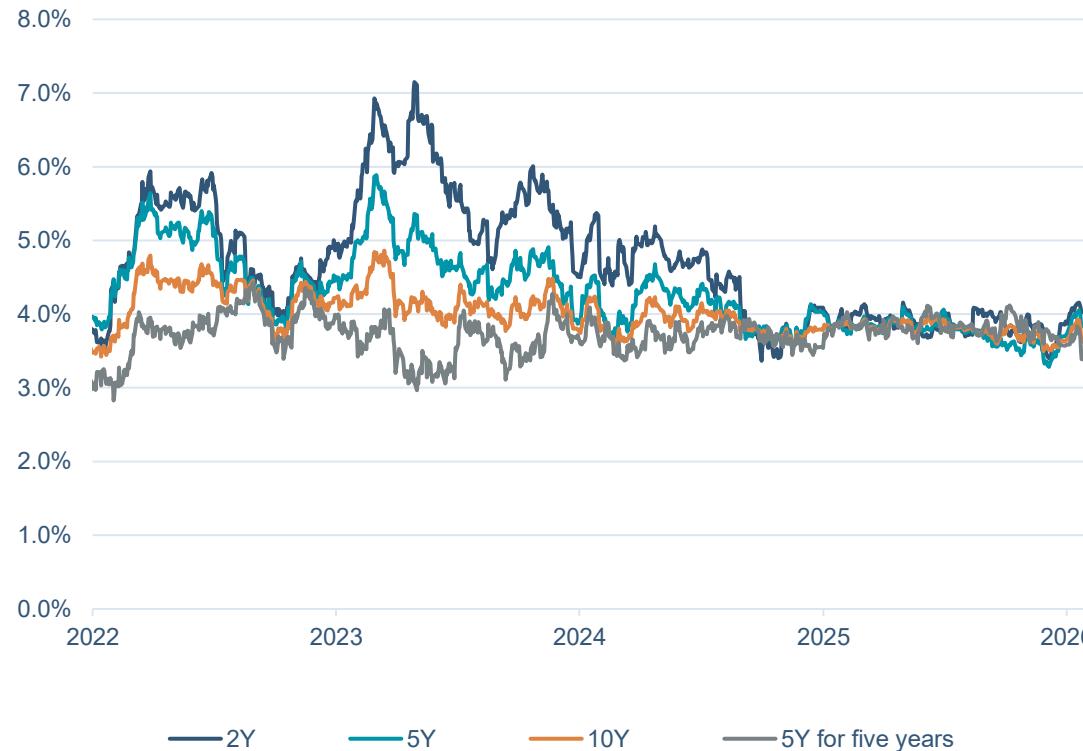
Key interest rate of the Central Bank of Iceland



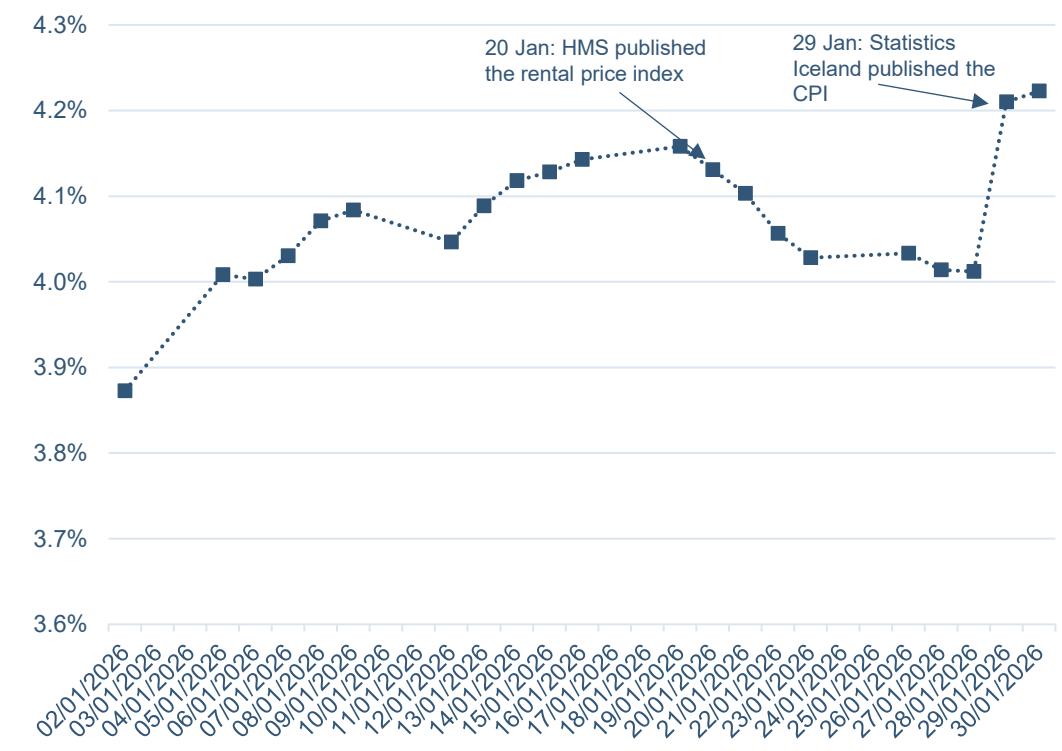
Inflation premium (break-even rate) in the bond market

Inflation risk premiums in the bond market increased over the course of January, whether measured at the two-year horizon (4.2% at month-end, +0.3 pp intramonth), the five-year horizon (4.0% at month-end, +0.3 pp intramonth), or the ten-year horizon (3.8% at month-end, +0.2 pp intramonth). The premium decreased somewhat in response to the lower MoM housing price index yet bounded upwards again when the CPI measurement turned out higher than expected.

Inflation premium in the bond market



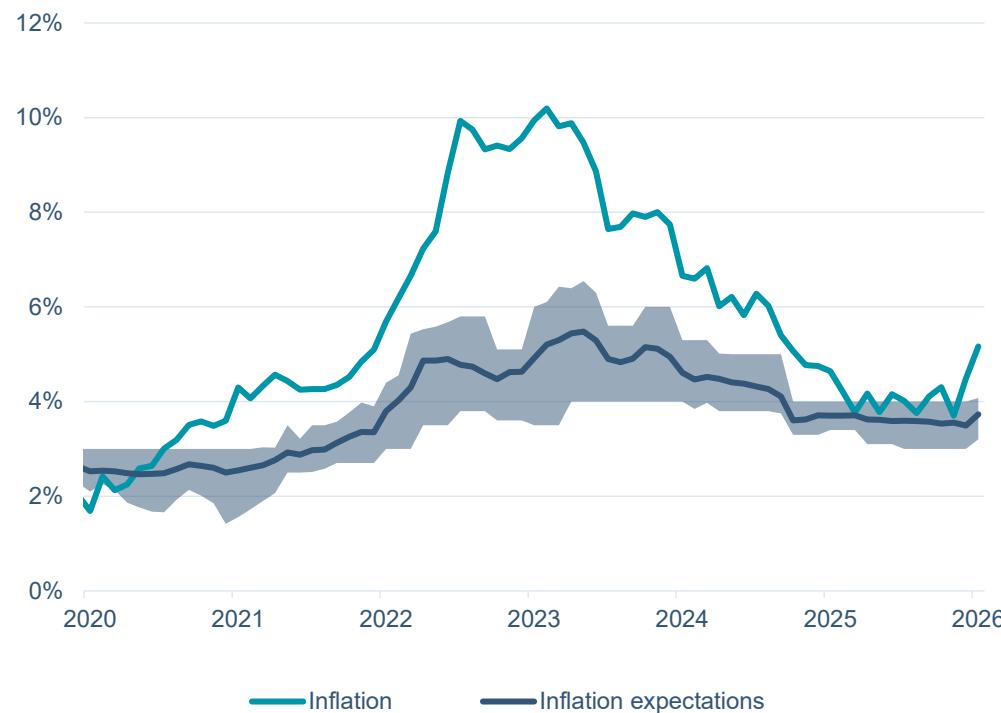
2Y inflation premium



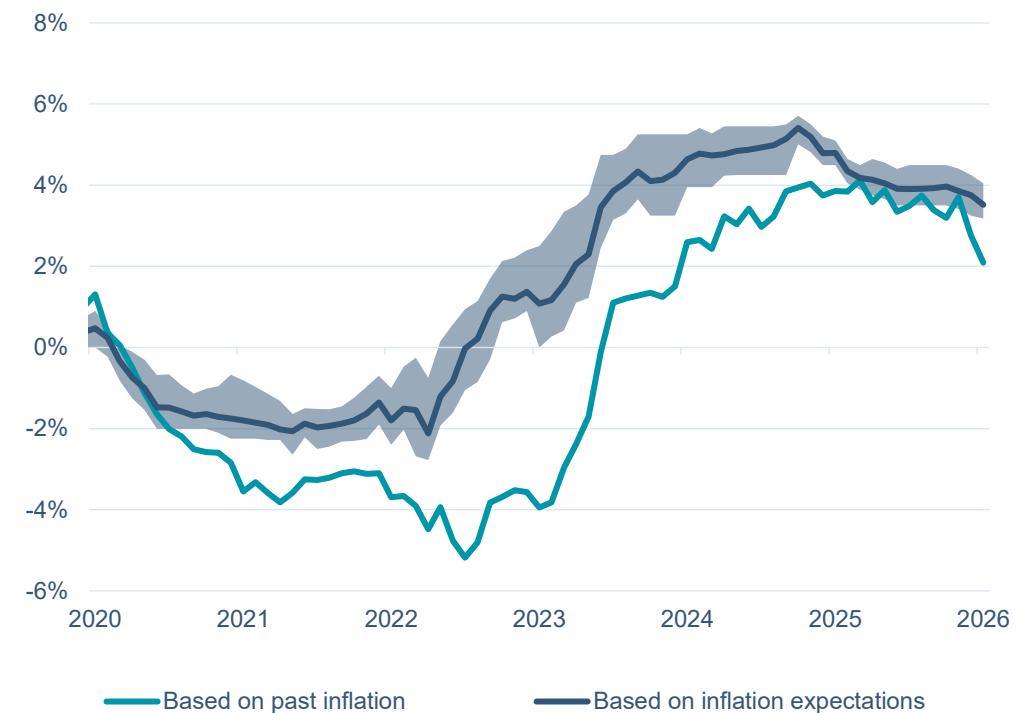
Inflation, inflation expectations and the real policy rate

The average of the key measures of inflation expectations was 3.7% in January (+0.1 percentage point MoM). The real policy rate compared to past inflation was 2.1% (-0.7% MoM) and based on the average of key measures of inflation expectations, the real policy rate was 3.5% (-0.2 percentage points MoM).

Inflation and inflation expectations



Real policy rate

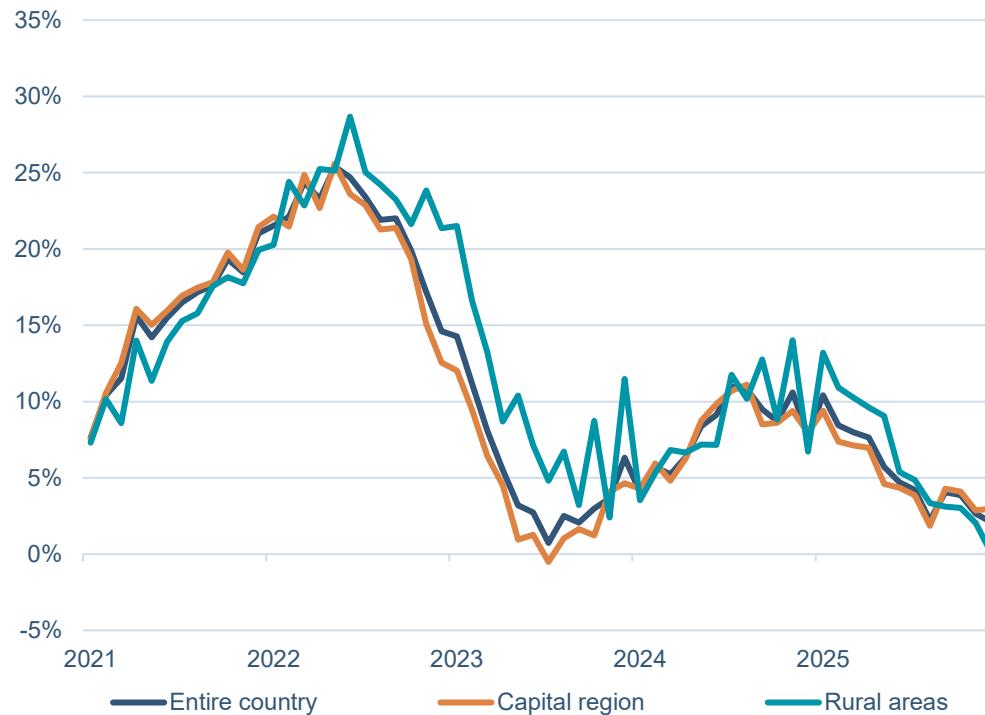


The real estate market

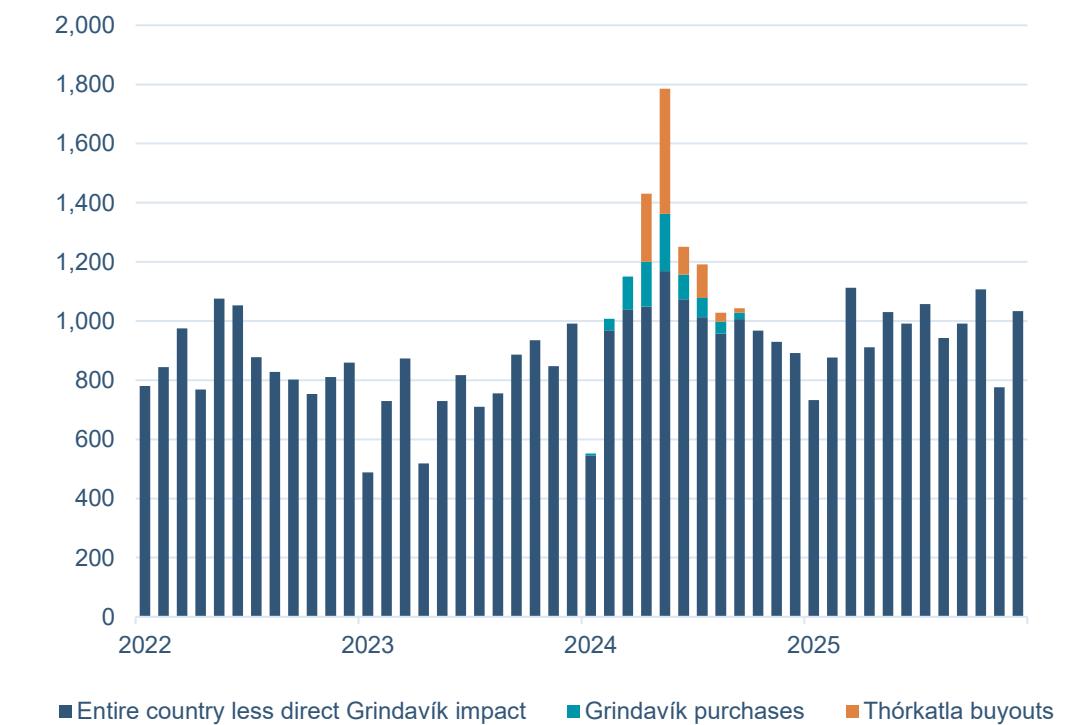
The housing price index declined by 1.2% between months in December, the sharpest drop since November 2022. The decrease was driven by multi-family dwellings in rural Iceland, where prices fell by 2.2%, and in addition, both single and multi-family dwellings declined in rural areas. Apartment prices in the capital region were broadly unchanged MoM. The 12M increase in the index measured 2.1% in December, the lowest bump since September 2023.

Housing price index

YoY change



Signed purchase contracts - entire country

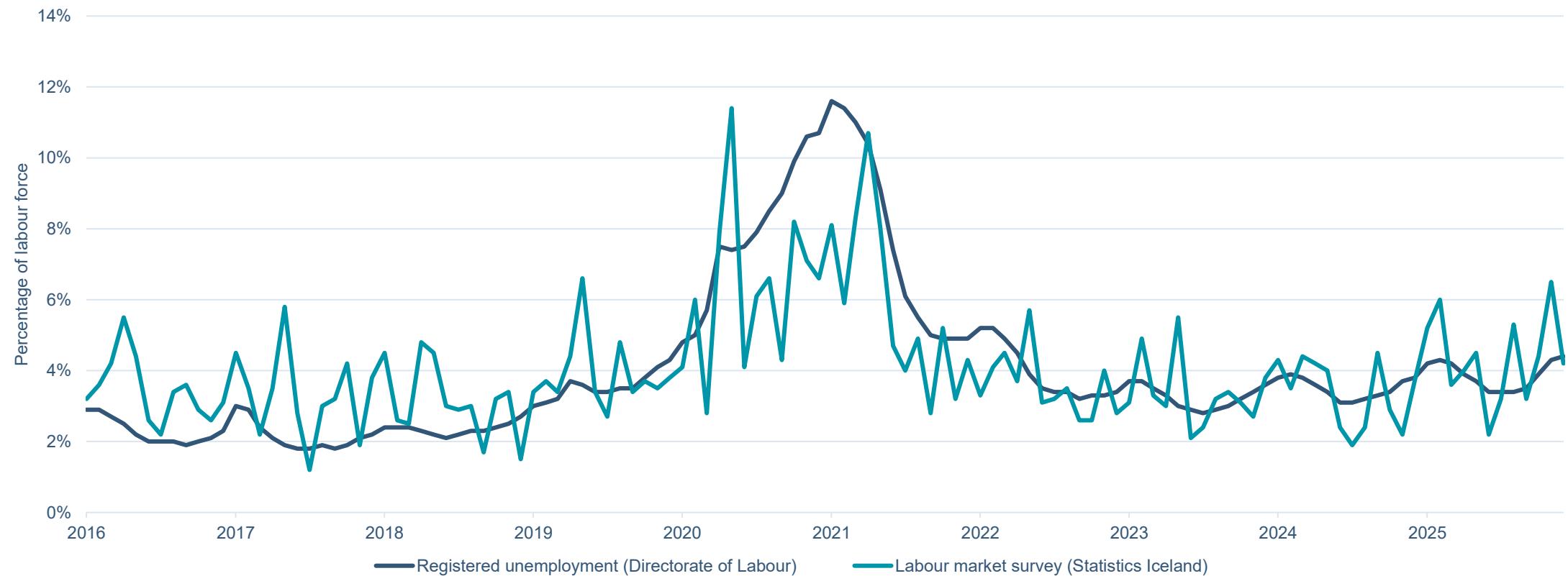


Data on Thórkatla buyouts and Grindavík purchases extends from January to September 2024.
Source: The Housing and Construction Authority



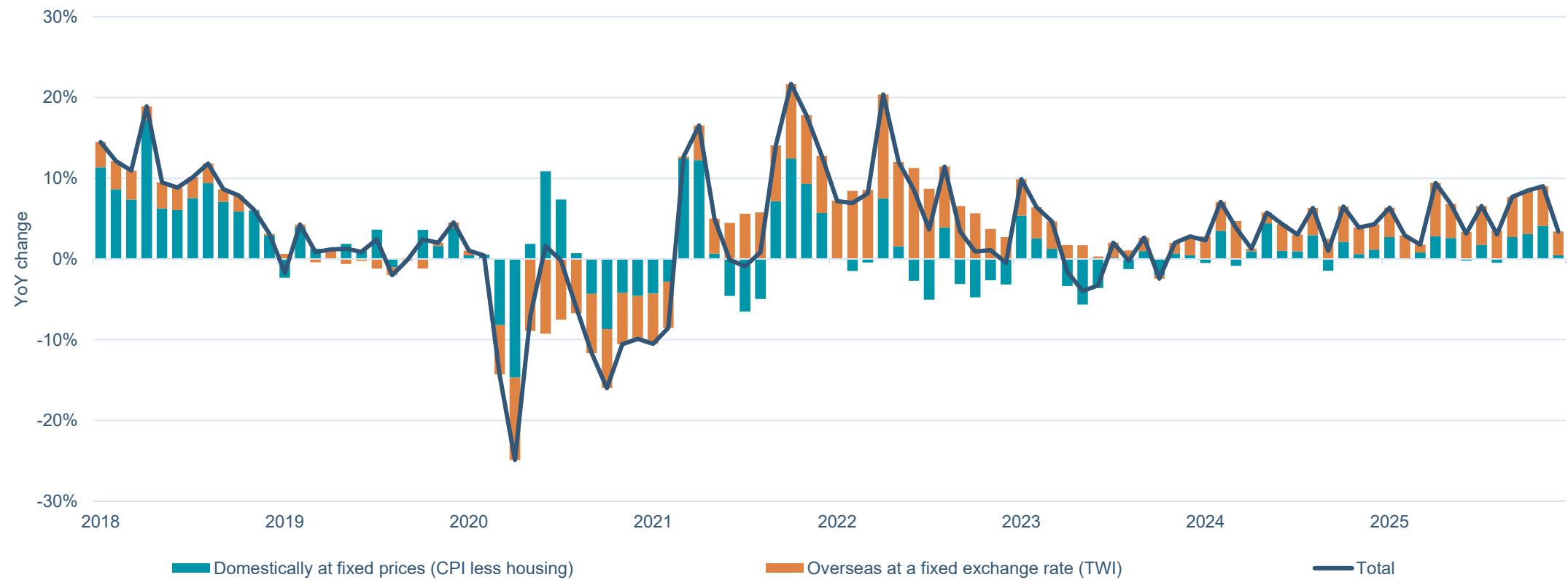
Unemployment

Registered unemployment was 4.4% in December. Increased unemployment 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 and December.



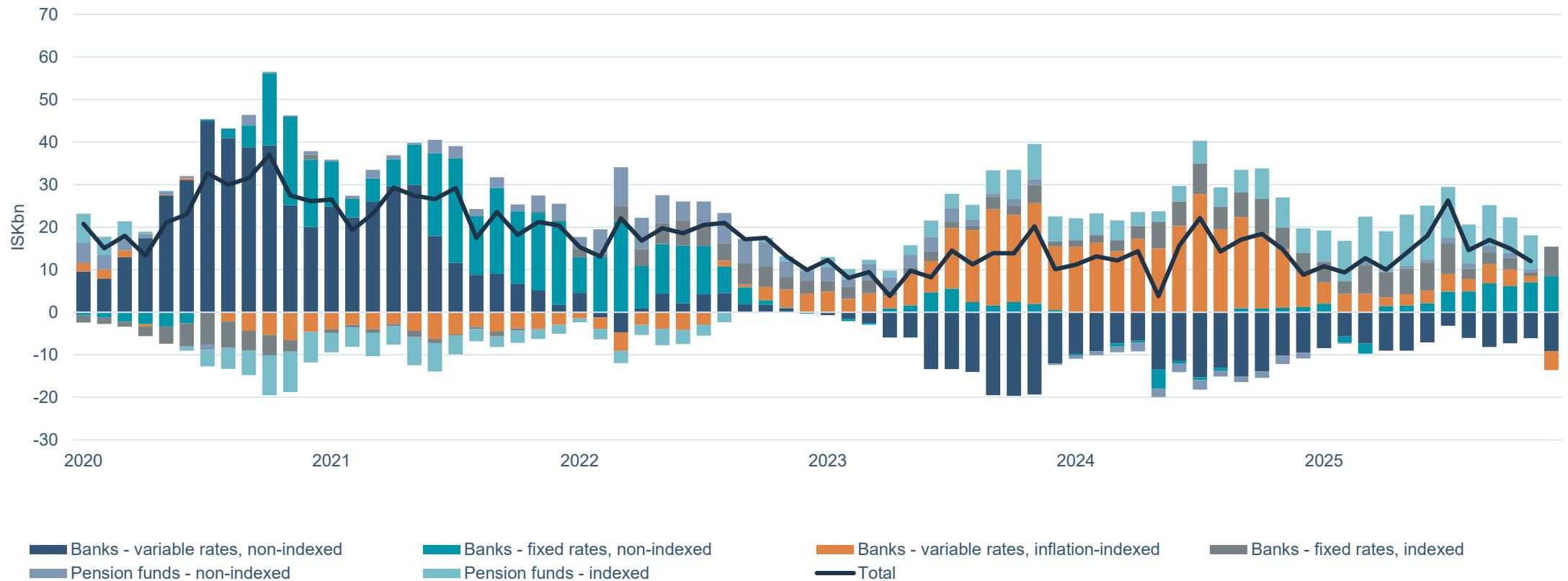
Payment card turnover of Icelandic households

Card turnover grew by 3.4% between years in December in real terms. It grew by 14.9% overseas and by 0.6% domestically. This significant growth in Icelandic card turnover overseas is in tune with the boom in international travel last year. In 2025, international travel by Icelanders grew by 18% compared to 2024. 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 1.9 bn in December. Figures for net new lending by pension funds in December will be released on Wednesday, 4 February.

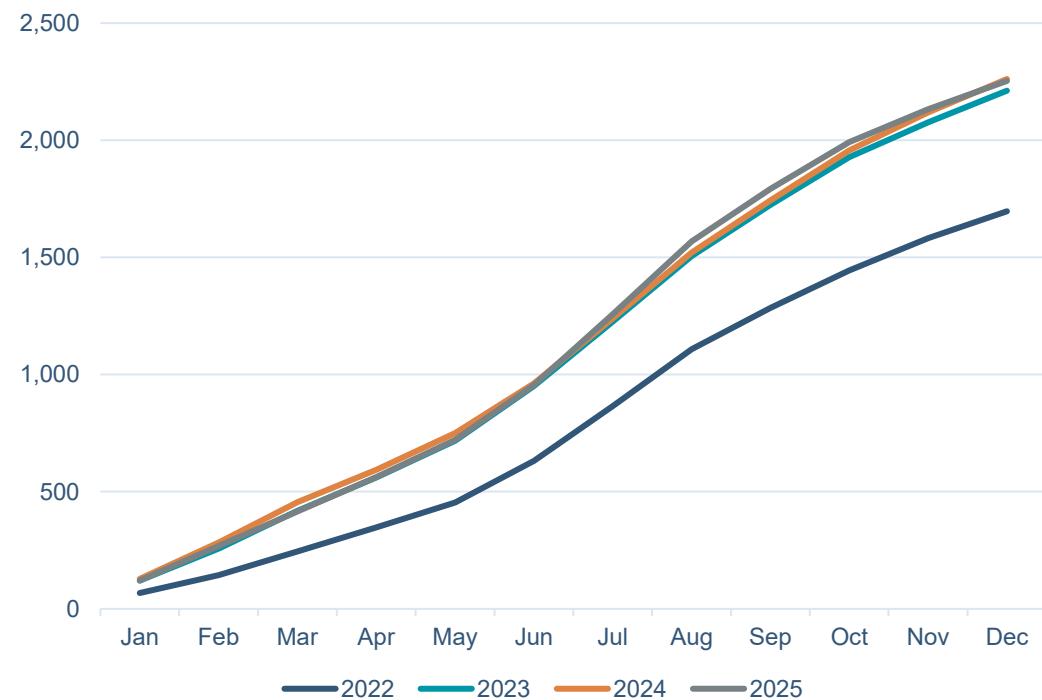


The travel sector

Around 120,000 foreign travellers passed through Keflavík International Airport in December, a 16% decrease from the same month last year. For the year overall, tourist departures were 0.4% fewer than in 2024 and 2025 is the third year running that departures by non-domestic tourists from Keflavík number 2.2 million. Non-domestic payment card turnover contracted by 12.5% between years at fixed prices and by 7.7% at a fixed exchange rate in December while overnight stays in hotels by non-domestics decreased by 9.2% between years.

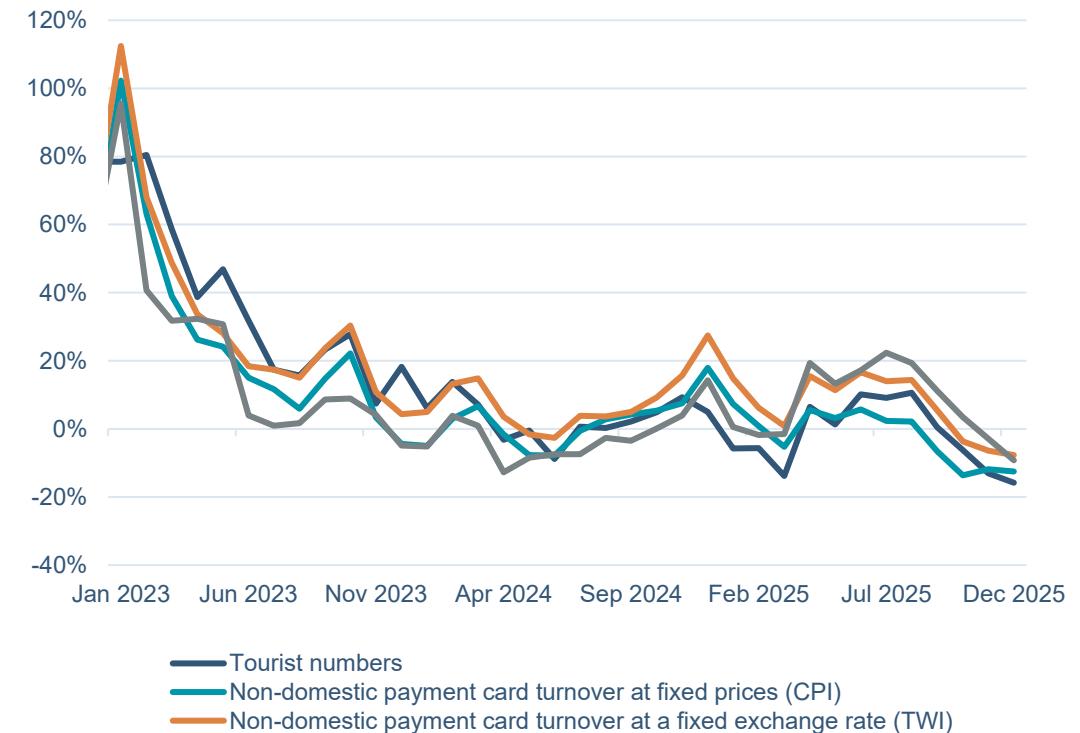
Acc. tourist numbers

Thousand individuals



Development of key indicators

YoY change



ISK exchange rate

The ISK appreciated in January. At the end of the month, the euro stood at 145.2 (-2.0 intramonth) and the USD at 121.8 (-3.4 intramonth).



Disclaimer

This review and/or summary is marketing material intended for information purposes and does not constitute financial advice or an independent financial analysis. This marketing material does not contain investment advice or independent investment analysis. The legal provisions that apply to financial advice and financial analysis do not apply to this content, including the ban on transactions prior to publication.

Information about the prices of domestic shares, bonds and/or indices is source from Nasdaq Iceland - the Stock Exchange. Landsbankinn's website contains further information under each individual equity, bond class or index. Information about the prices of non-domestic financial instruments, indices and/or funds are sourced from parties Landsbankinn considers reliable. Past returns are not an indication of future returns.

Information about the past returns of Landsbréf funds is based on information from Landsbréf. Detailed information about the historic performance of individual funds is available on Landsbankinn's website, including on returns for the past 5 years. Information about the past performance of funds show nominal returns, unless otherwise stated. If results are based on foreign currencies, returns may increase or decrease as a result of currency fluctuations. Past returns are not necessarily an indication of future returns.

Securities transactions involve risk and readers are encouraged to familiarise themselves with the Risk Description for Trading in Financial Instruments and Landsbankinn's Conflict of Interest Policy, available on Landsbankinn's website.

Landsbankinn is licensed to operate as a commercial bank in accordance with Act No. 161/2002, on Financial Undertakings, and is subject to supervision by the Financial Supervisory Authority of the Central Bank of Iceland (www.sedlabanki.is/fjarmalaeftirlit).

