



# Monthly Newsletter

**3 March 2026**

**Landsbankinn Economic Research**

# Market events – March 2026

| Monday   | Tuesday  | Wednesday  | Thursday   | Friday                         |
|--|--|--|--|--------------------------------|
| 2 March  | 3<br>Eimskip and Oculis publish results<br>Inflation in the eurozone   | 4<br>Kaldalón publishes results  | 5<br><b>Balance of payment in Q4 (CBI)</b><br>Hampiðjan and Síldarvinnslan publish results           | 6<br>Unemployment in the US    |
| 9  | 10<br>Departures from Keflavík International Airport (FMST)<br>Registered unemployment (Directorate of Labour) | 11<br>Inflation in the US  | 12<br>Eik publishes results  | 13                             |
| 16<br>Ölgerðin publishes results                                     | 17<br>Payment mediation in February (CBI)<br><b>Housing price index in February (HMS)</b>                      | 18<br><b>Policy rate decision (CBI)</b><br>Rental price index in February (HMS)<br>Alvotek publishes results<br>Policy rate decision in the US | 19<br>Monthly report (HMS)<br>Policy rate decision in the UK<br>Policy rate decision in the eurozone | 20                             |
| 23<br>Wage index in February (HAG)                                   | 24   | 25<br>Ísfélagið publishes results<br>Inflation in the UK   | 26<br><b>CPI in March (HAG)</b><br>Amaroq publishes results  | 27<br>Economic indicators (Sí) |
| 31<br>Overnight stays in February (HAG)<br>Inflation in the eurozone |  |  |  |                                |

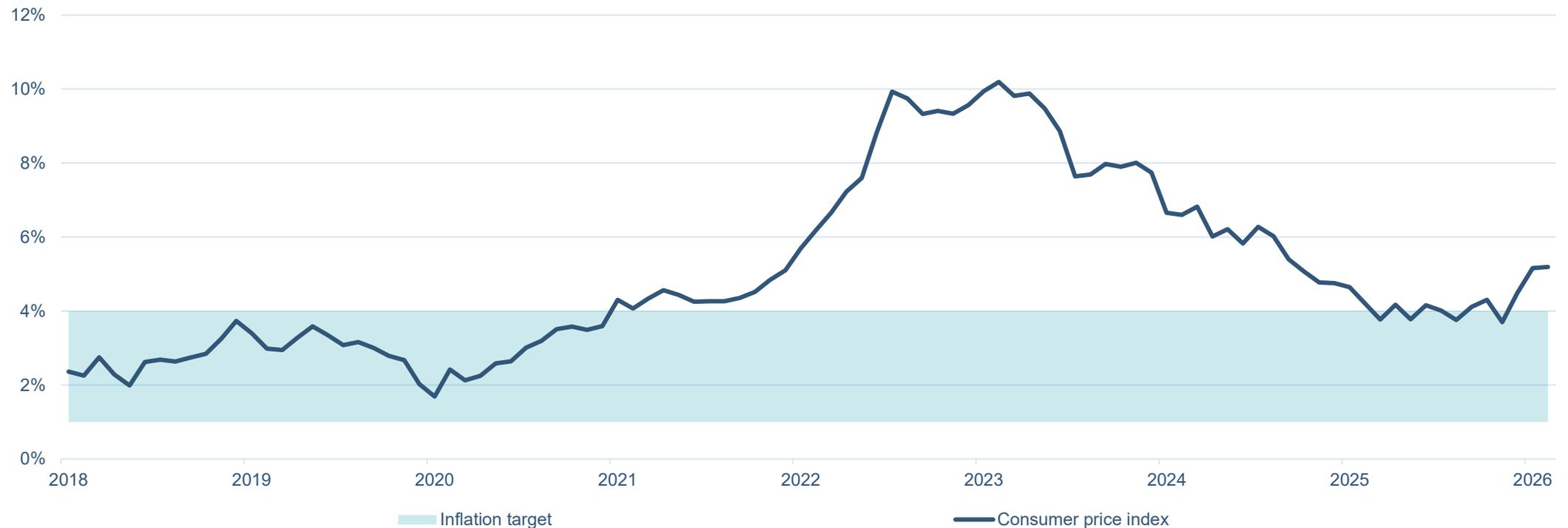


# Inflation

The consumer price index (CPI) rose by 0.94% between months in February. Inflation was unchanged at 5.2%. The measurement exceeded our forecast of a 0.64% month-over-month increase and 4.9% inflation.

## Consumer price index

YoY change

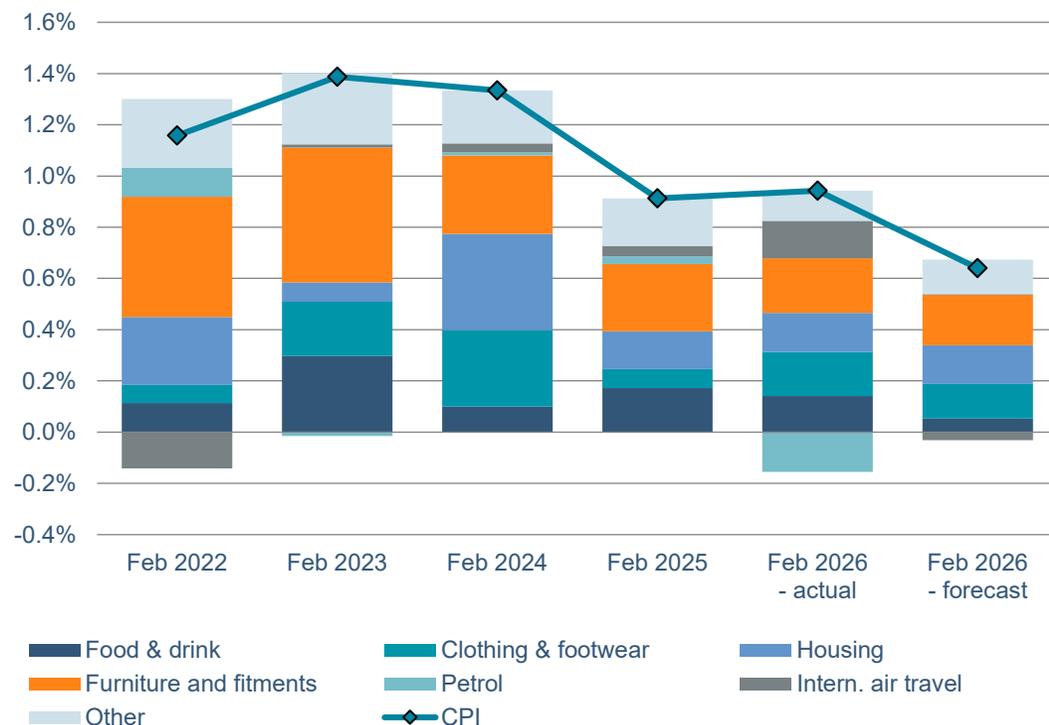


# MoM change in the CPI

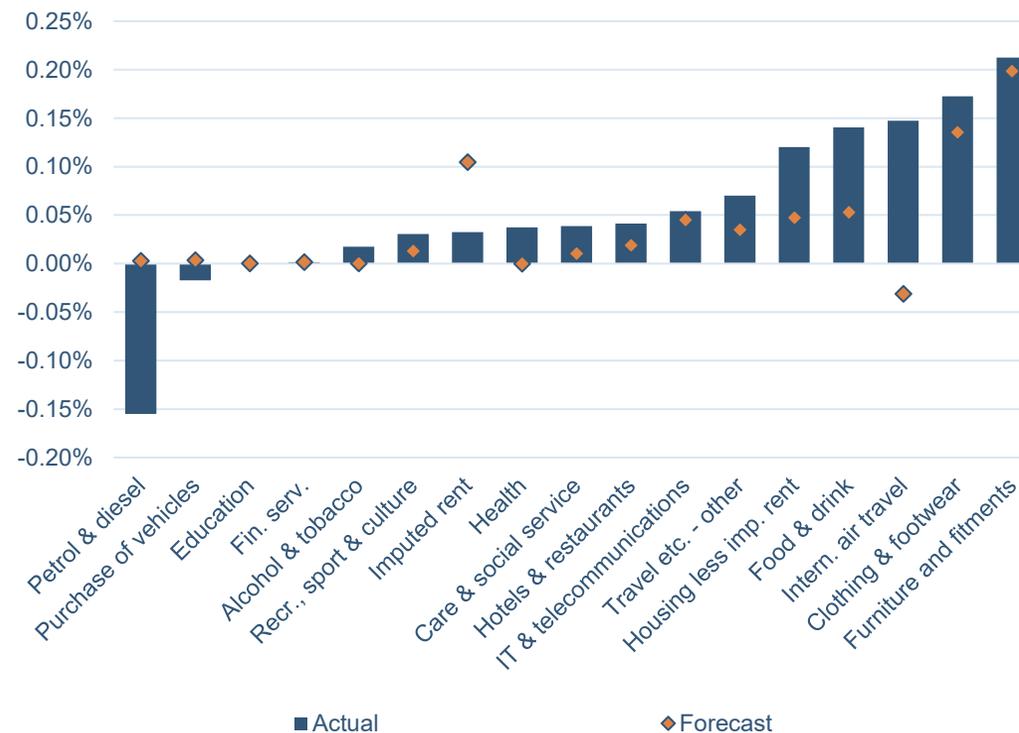
A jump in the price of food and beverages was the main surprise factor in the measurement. International airfares rose significantly between months whereas we had expected a slight decrease. The impact of tariff increases were also more pronounced than we expected. In the counterbalance, imputed rent rose less and Statistics Iceland corrected a mistake in the price measurement of petrol and diesel in January which has a lowering impact in February.

## February measurement of the CPI

MoM change and weight of components



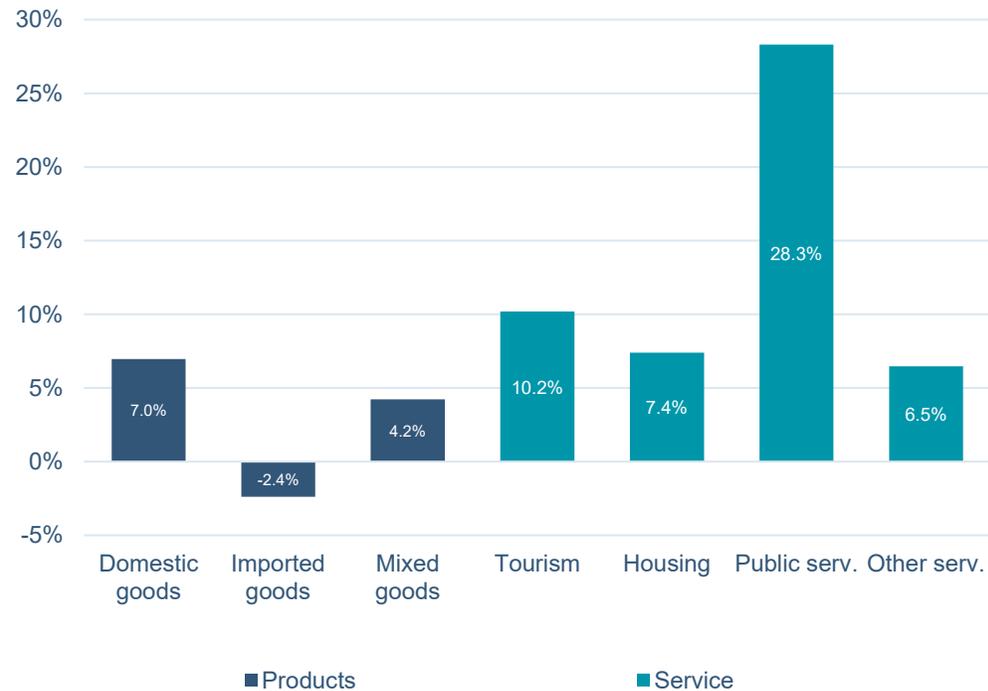
## Contribution of components in February



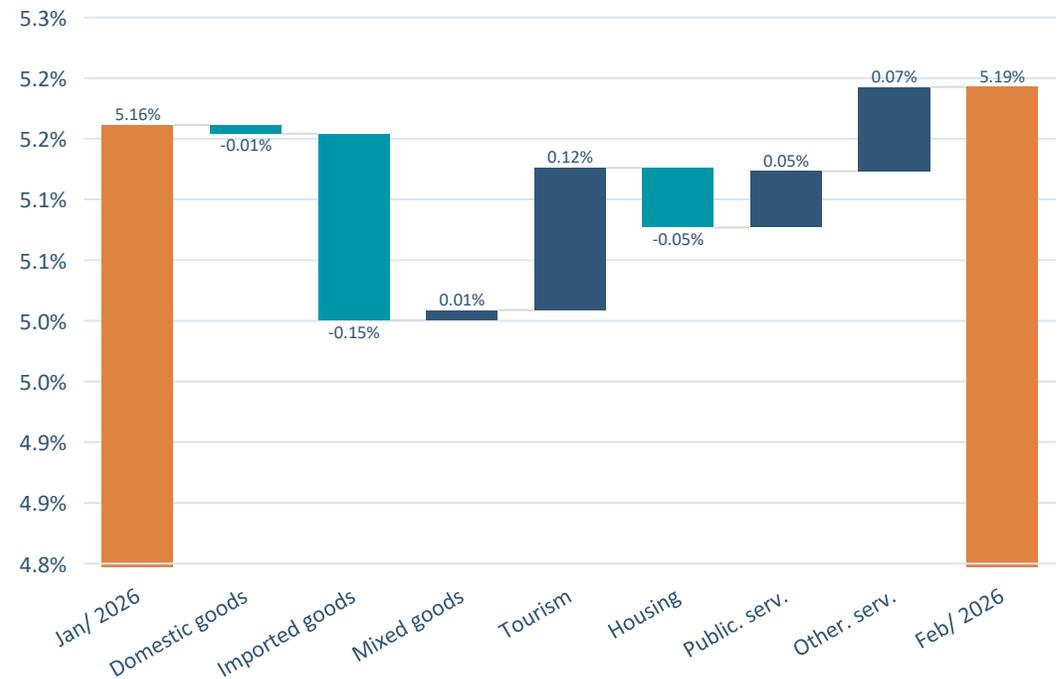
# Inflation by type and origin

Domestic goods have increased in the past year while imported goods have decreased. Components linked to the travel sector pressured 12-month inflation upward in February, with international airfares measuring 22% higher than at the same time last year. Imputed rent has grown slower in the most recent months but even so, the weight of total housing cost is mostly unchanged due to public tariff changes.

## YoY change



## Changes to the composition of 12M inflation

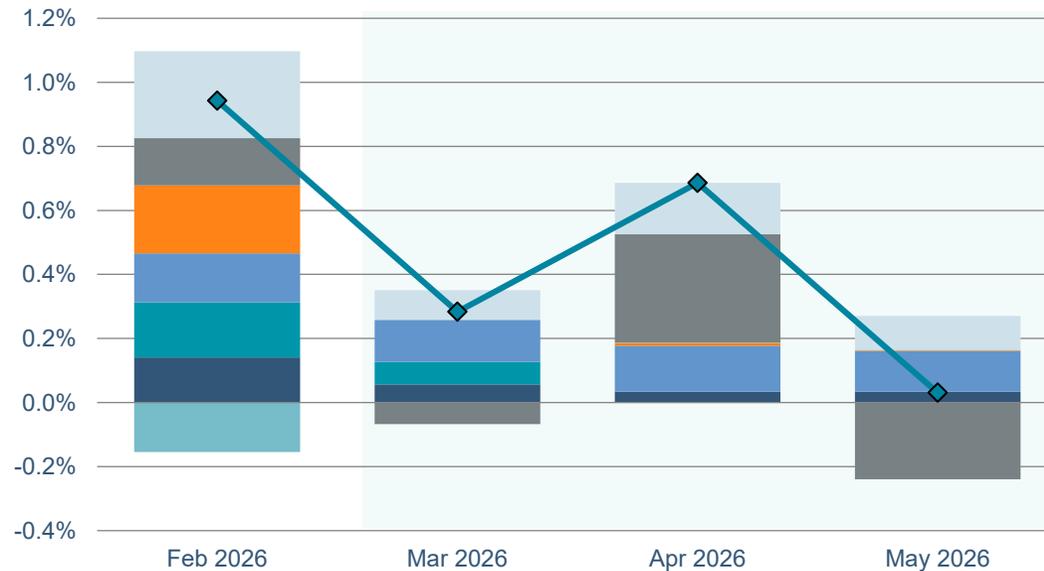


# The outlook for the next months

Our forecast for the next months is +0.28% in March, +0.69% in April and +0.03% in May. If the forecast holds, 12-month inflation will be 5.1% in March, 4.8% in April and 5.0% in May.

## Inflation forecast

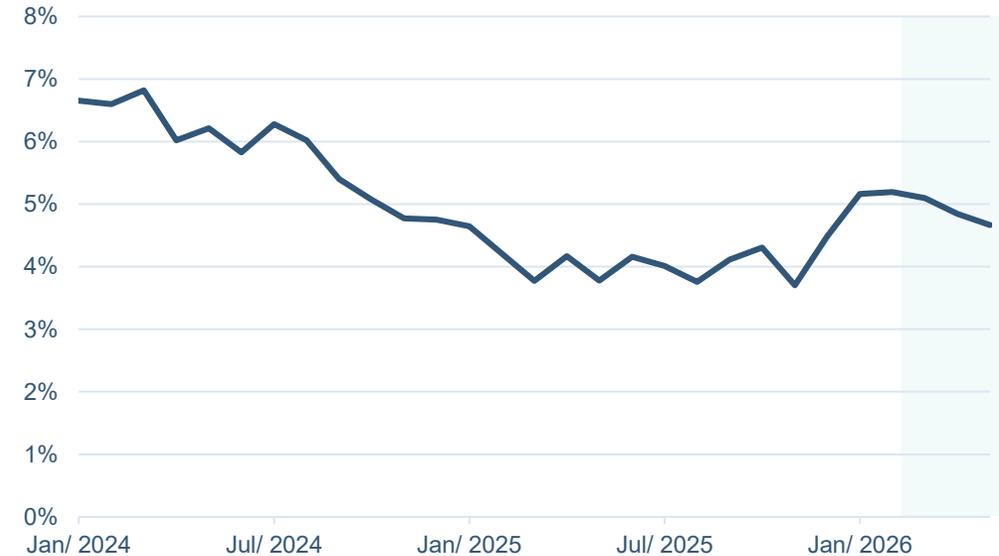
MoM change and weight of components



- Food & drink
- Furniture and fitments
- Other
- Clothing & footwear
- Petrol
- ◆ CPI
- Housing
- Intern. air travel

## Inflation forecast\*)

12-month inflation



\*) Forecast published 26 February 2026.  
Source: Statistics Iceland, Landsbankinn Economic Research



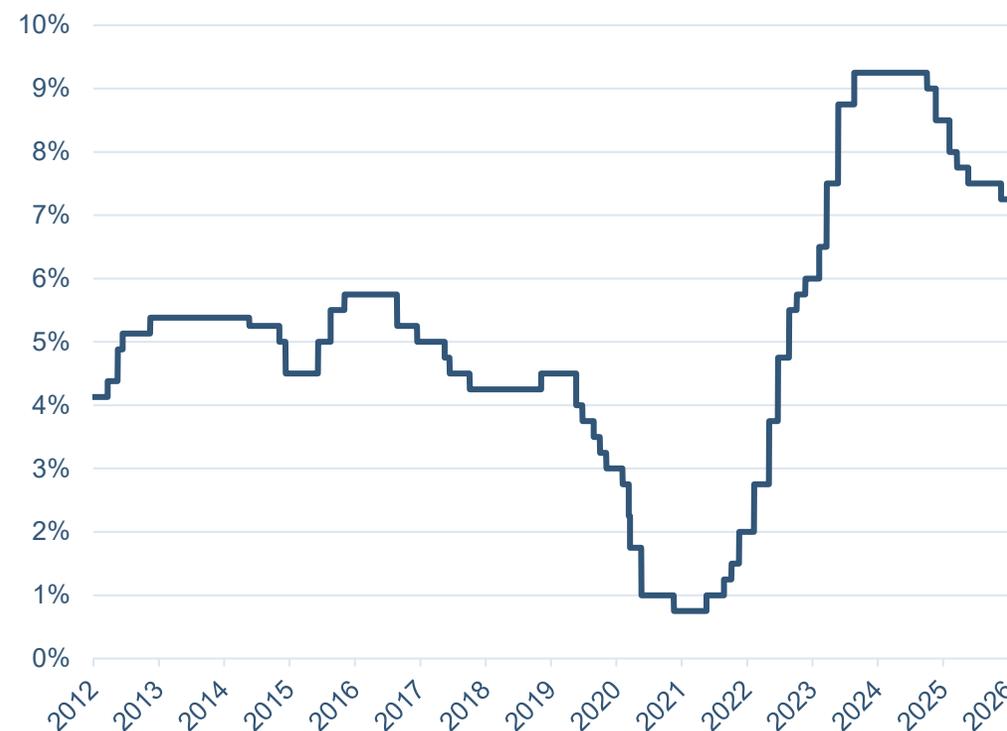
# Policy rate

The Monetary Policy Committee maintained an unchanged policy rate on 4 February. All members of the MPC supported the decision. The policy rate of the CBI is now 7.25%. According to the MPC's statement, price increases were fairly broadly based, indicating that underlying inflationary pressure is still in place. On the other hand, there are clear signs of cooling and the outlook is for fairly slow economic growth and receding inflation moving further into the year. The next decision date is 18 March. We do not consider a rate cut likely at that time.

## 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   | Unch.  | ÁJ, RS, TB, ÁÓP, HS |             |              | 7.25%             |
| 18 March 2026 |        |                     |             |              |                   |
| 20 May 2026   |        |                     |             |              |                   |
| 19 Aug 2026   |        |                     |             |              |                   |
| 7 Oct. 2026   |        |                     |             |              |                   |
| 18 Nov. 2026  |        |                     |             |              |                   |

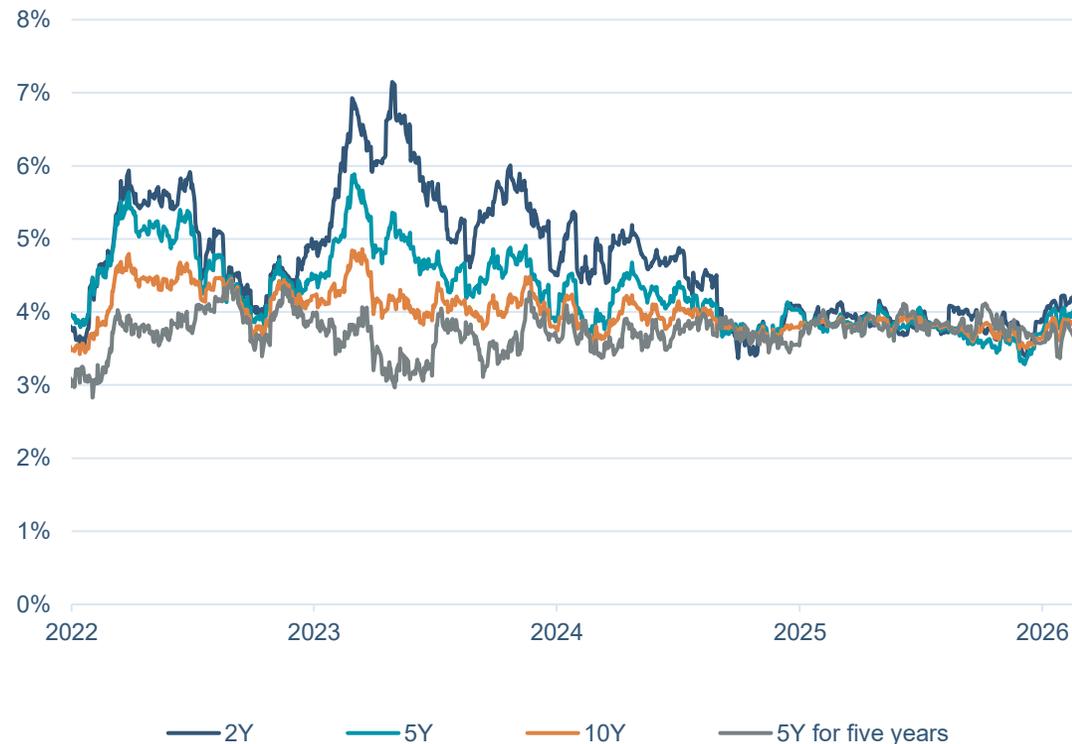
## Key interest rate of the Central Bank of Iceland



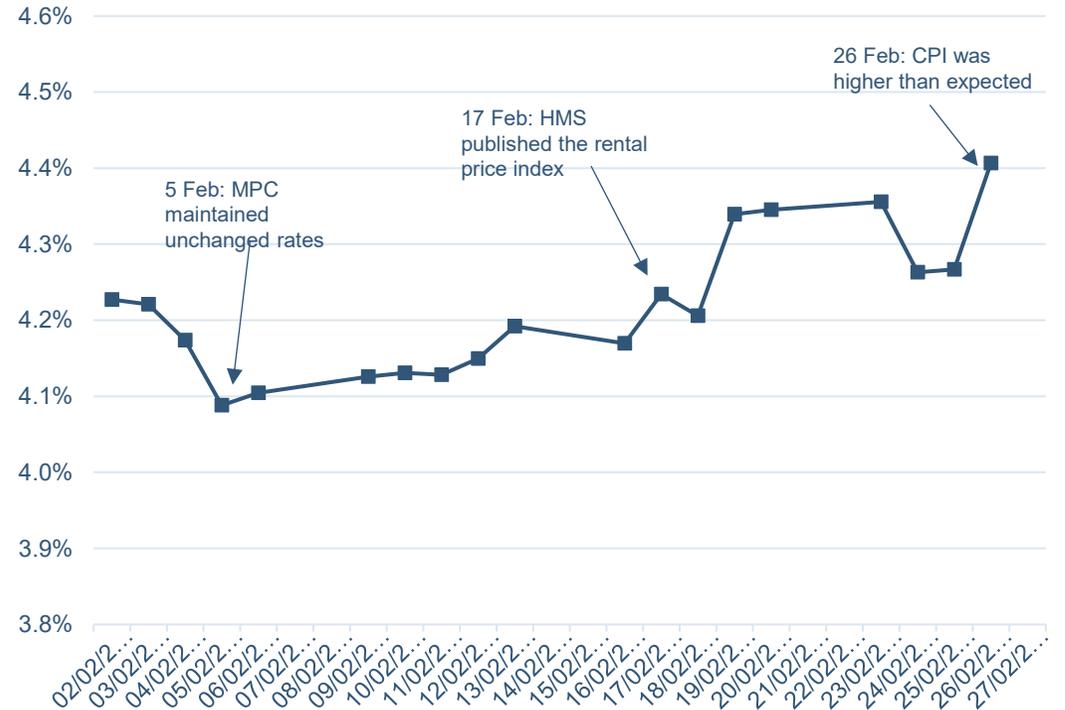
# Inflation premium in the bond market

Inflation risk premiums in the bond market increased over the course of December, whether measured at the two-year horizon (4.4% at month-end, +0.1 pp intramonth), the five-year horizon (4.2% at month-end, +0.1 pp intramonth), or the ten-year horizon (3.8% at month-end, +0.2 pp intramonth).

## Inflation premium in the bond market



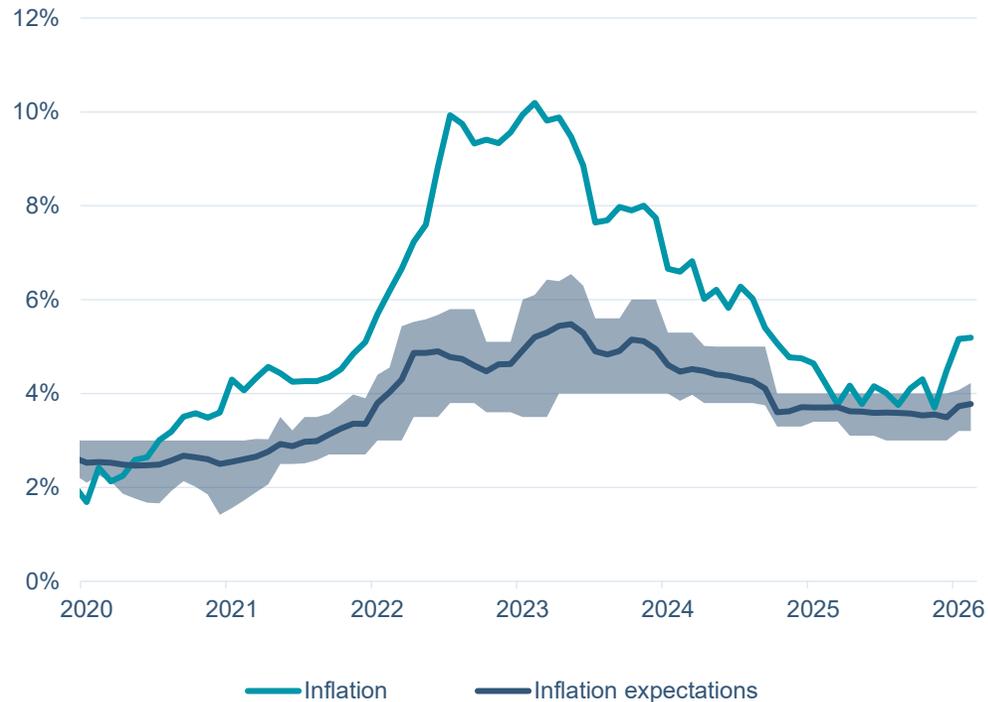
## 2Y inflation premium (break-even rate)



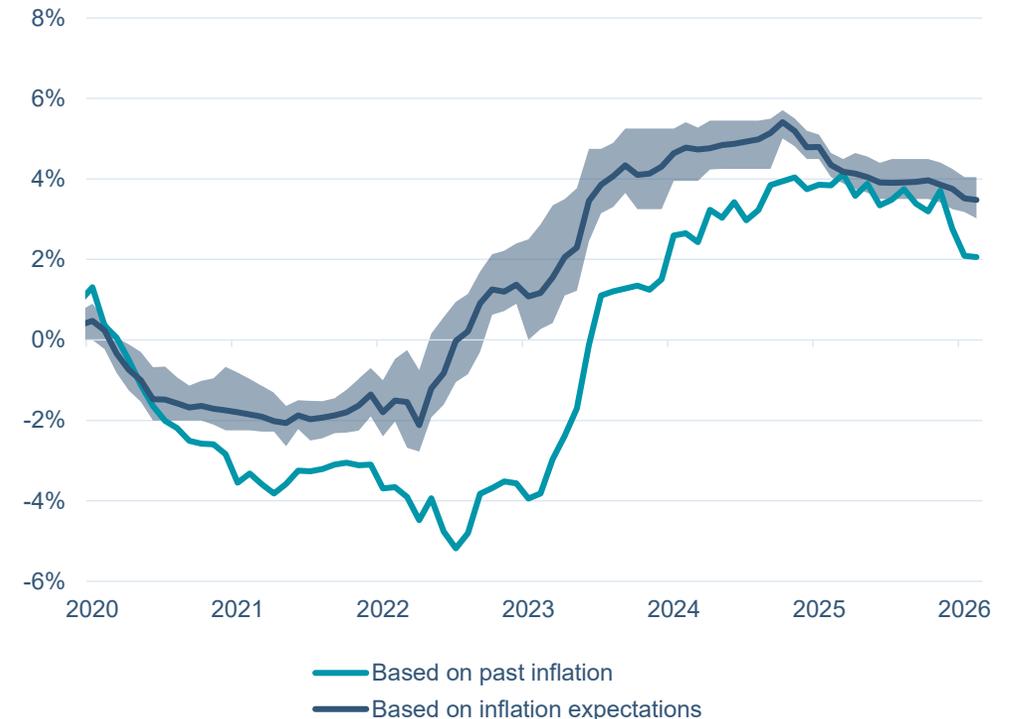
# Inflation, inflation expectations and the real policy rate

The average of the main measures of inflation expectations was 3.8% in February (+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

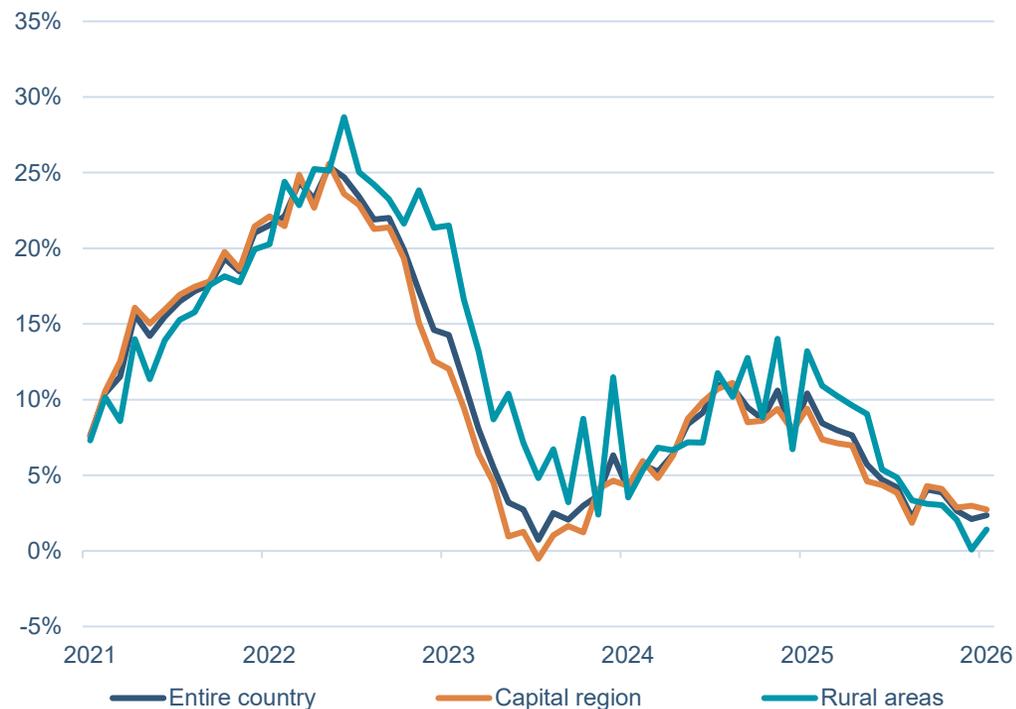


# The real estate market

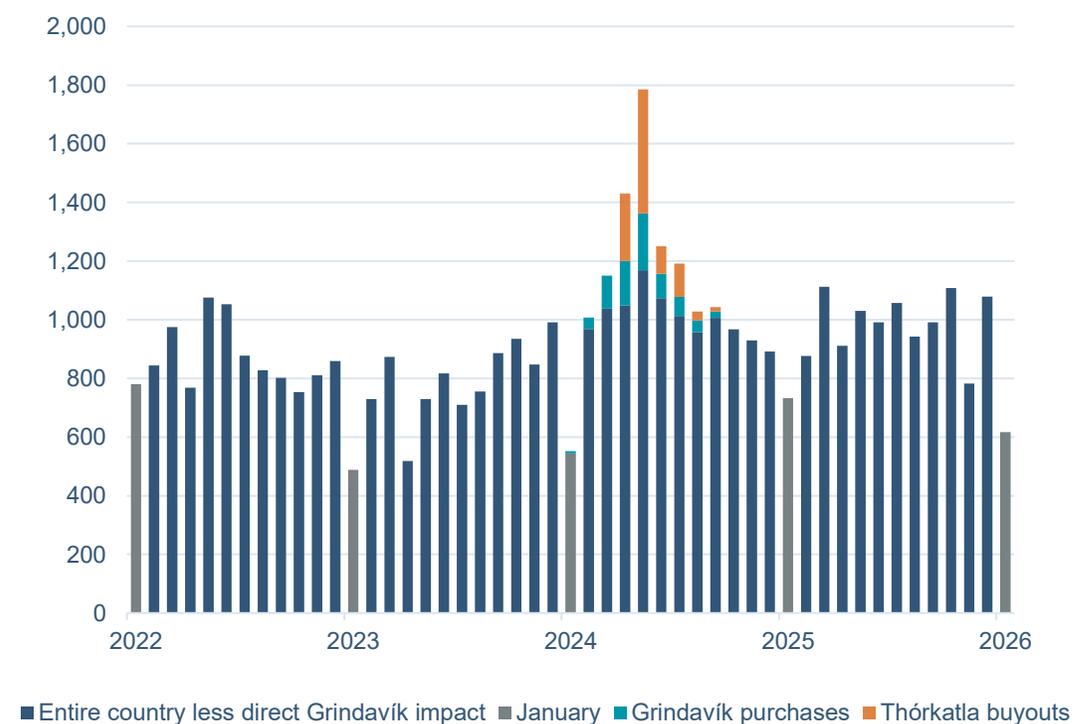
The housing price index rose by 1.7% between months in January, the sharpest increase since February 2024. The increase was driven by single-family dwellings in the capital region, where prices rose by 3.2%, and in addition, single-family dwellings rose by 1.9% in rural areas. Multi-family dwellings in the capital region have remained fairly stable in the last few months, rising by 0.7% in January. The 12-month increase in the index in January measured 2.4%.

## Housing price index

YoY change



## Signed purchase contracts - entire country

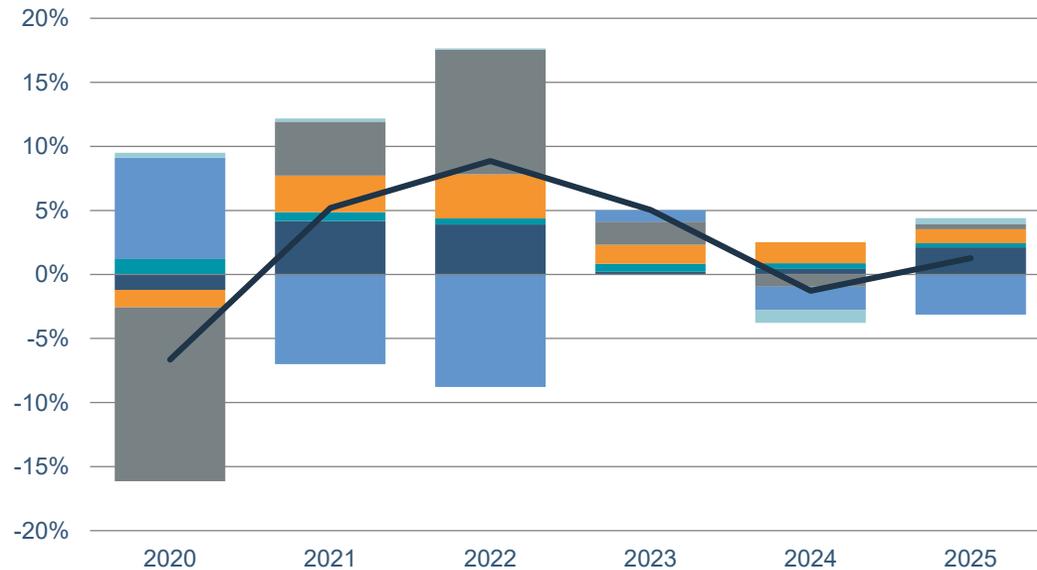


# Gross domestic product

Domestic product increased by 1.3% YoY in real terms last year but contracted by 0.6% in the fourth quarter. Private consumption was very strong, increasing by 4.3% between years in 2025. Investment in data centres last year had a considerable impact on national accounts. Capital formation contracted by 12.5% between years in the fourth quarter as a result of much lower data centre investment compared to the same quarter the previous year. Lower data centre investment is also the reason for less import in the quarter.

## GDP - by year

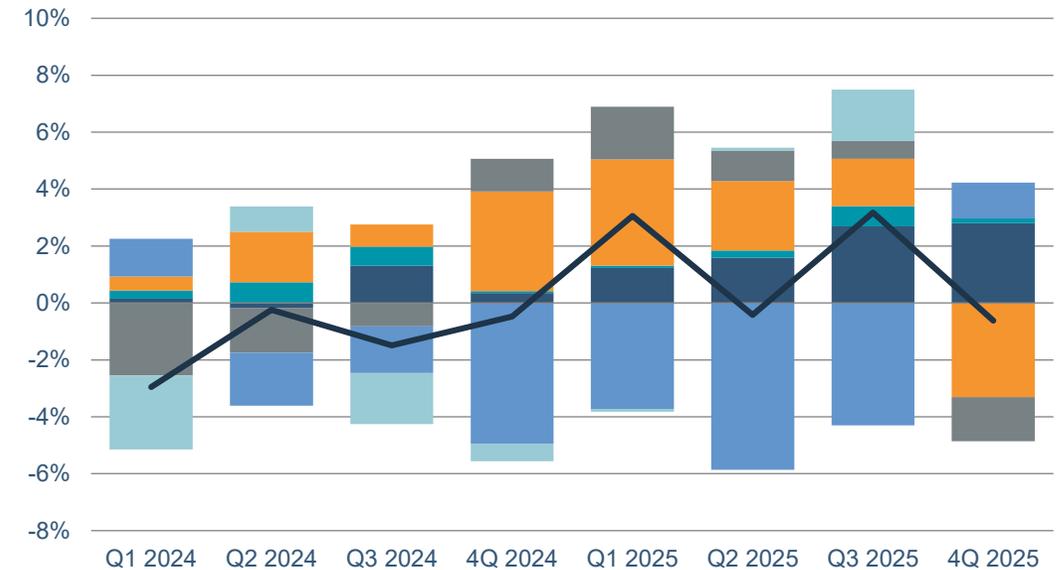
YoY change and weight of components



- Private consumption
- Public consumption
- Capital formation
- Export
- Import
- Stock changes
- GDP

## GDP - by quarter

YoY change and weight of components

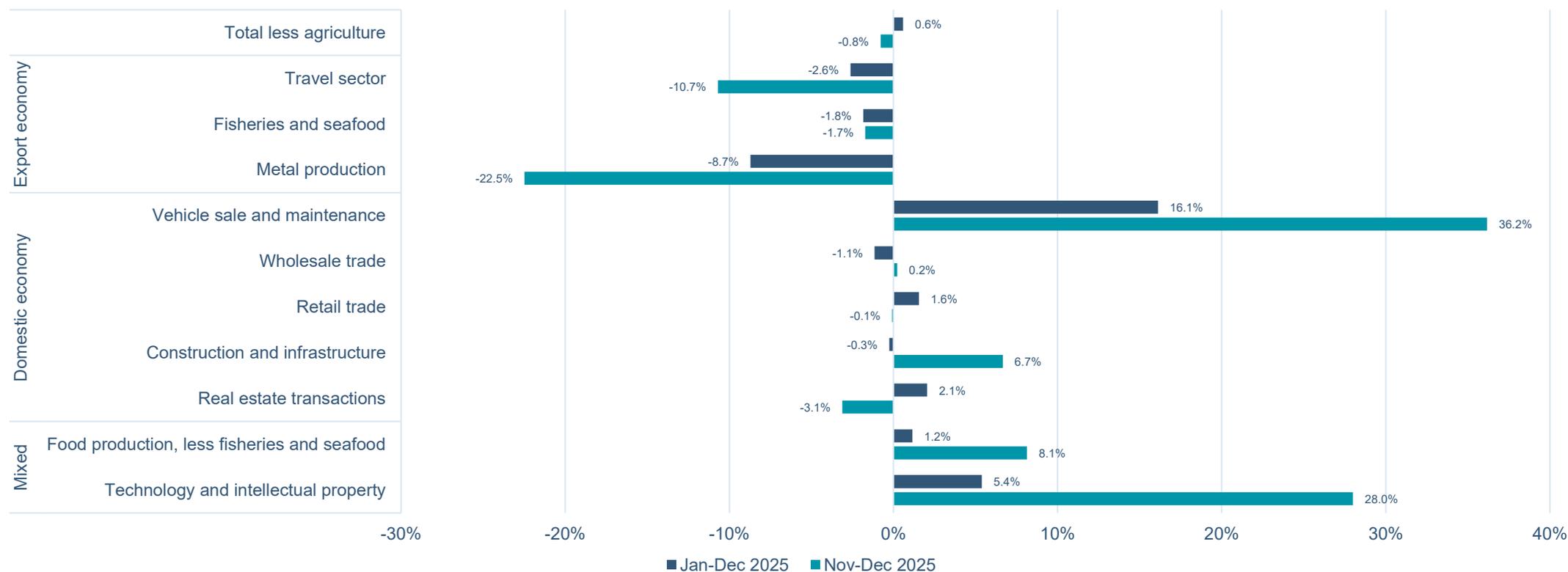


- Private consumption
- Public consumption
- Capital formation
- Export
- Import
- Stock changes
- GDP



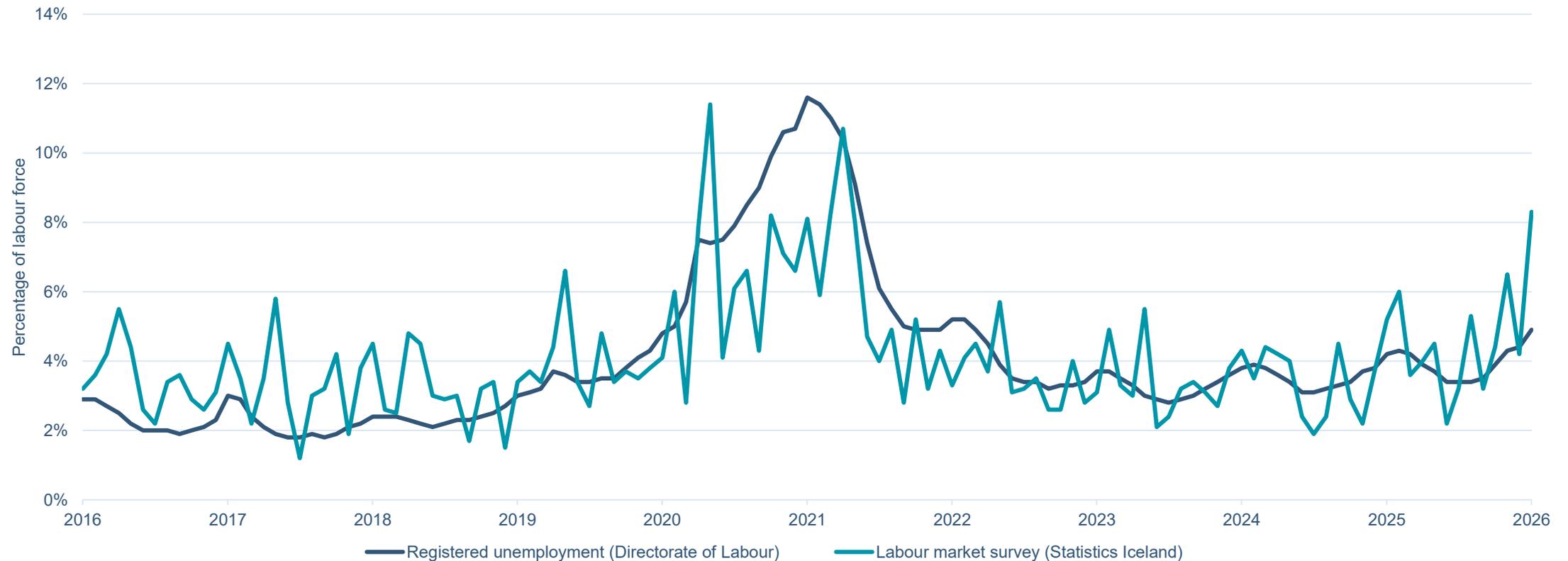
# Turnover based on VAT reports

Turnover contracted in Nov-Dec in all three major export sectors. Turnover contracted in all main subsectors of tourism with the exception of spas. There was a considerable increase in the sale and maintenance of vehicles, with sales of new cars peaking just before the turn of the year, before new tariffs entered into effect. Turnover in wholesale and retail was more or less aligned with prices. An increase in the technology and intellectual property sector is mainly attributable to growth in data centre operation.



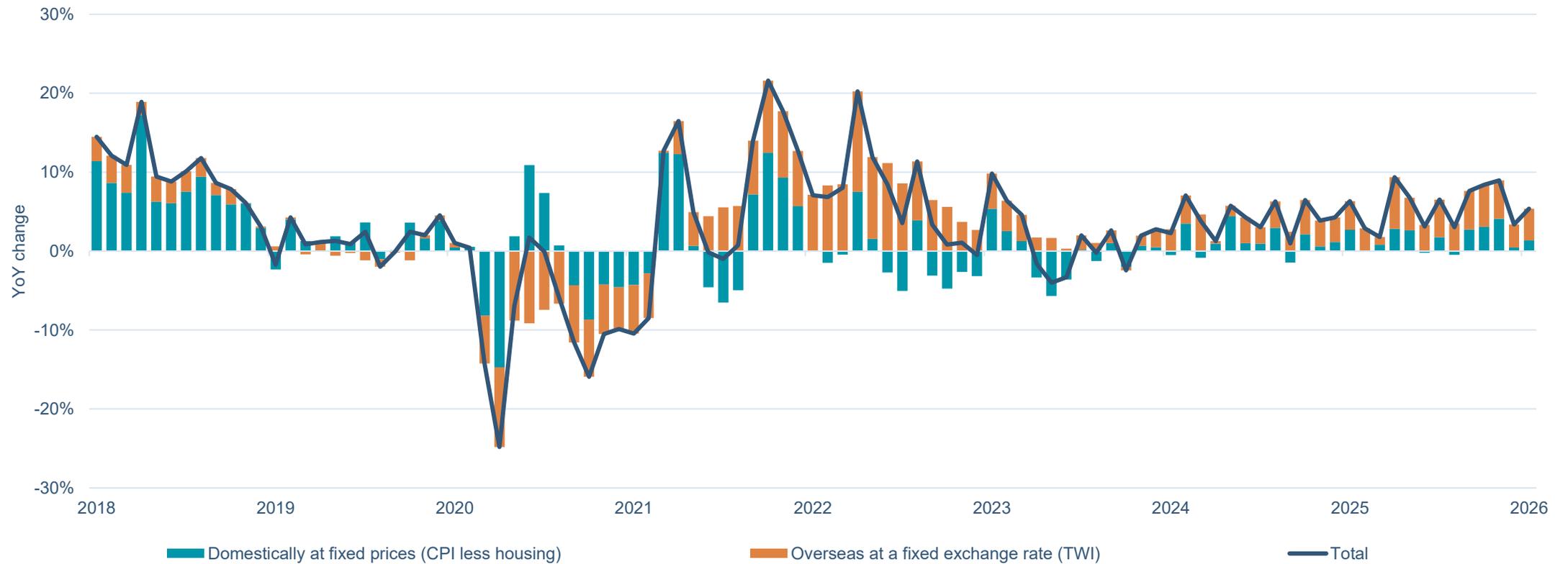
# Unemployment

Registered unemployment was 4.9% in January, 0.7 percentage points higher than last year. Unemployment was 8.3% according to the labour market survey of Statistics Iceland and 7.3% seasonally adjusted. This is a sample survey that can fluctuate considerably between months and individual measurements should be interpreted with that in mind.



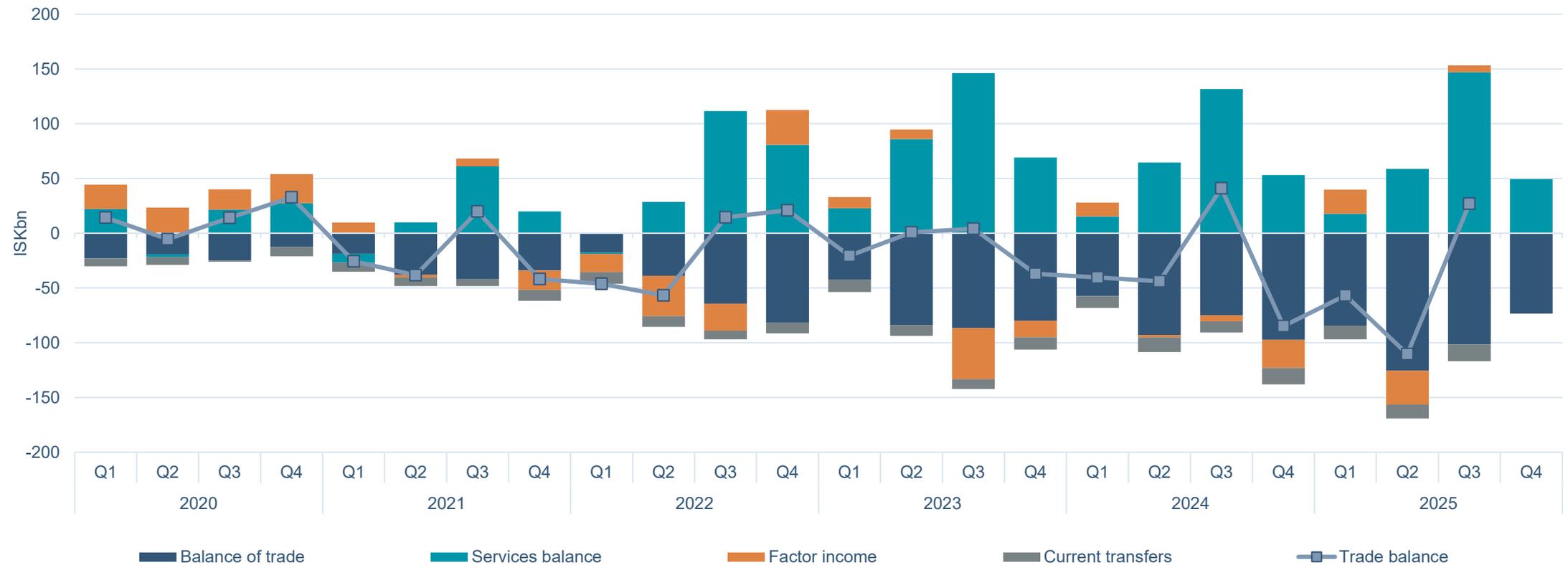
# Payment card turnover of Icelandic households

Card turnover grew by 5.4% between years in January in real terms. It grew by 18.4% overseas and by 1.7% domestically. Icelanders reduced their international travel by 7.6% in January of this year compared to January 2025, indicating that ecommerce was a strong contributor in January.



# Balance of trade

The goods and services balance amounted to ISK 24 billion in the fourth quarter of 2025, according to preliminary figures from Statistics Iceland. The surplus was rather lower than the same time last year, when it amounted to ISK 44 billion. The service balance was positive by ISK 49.4 billion while the goods balance was negative by ISK 73.4 billion.

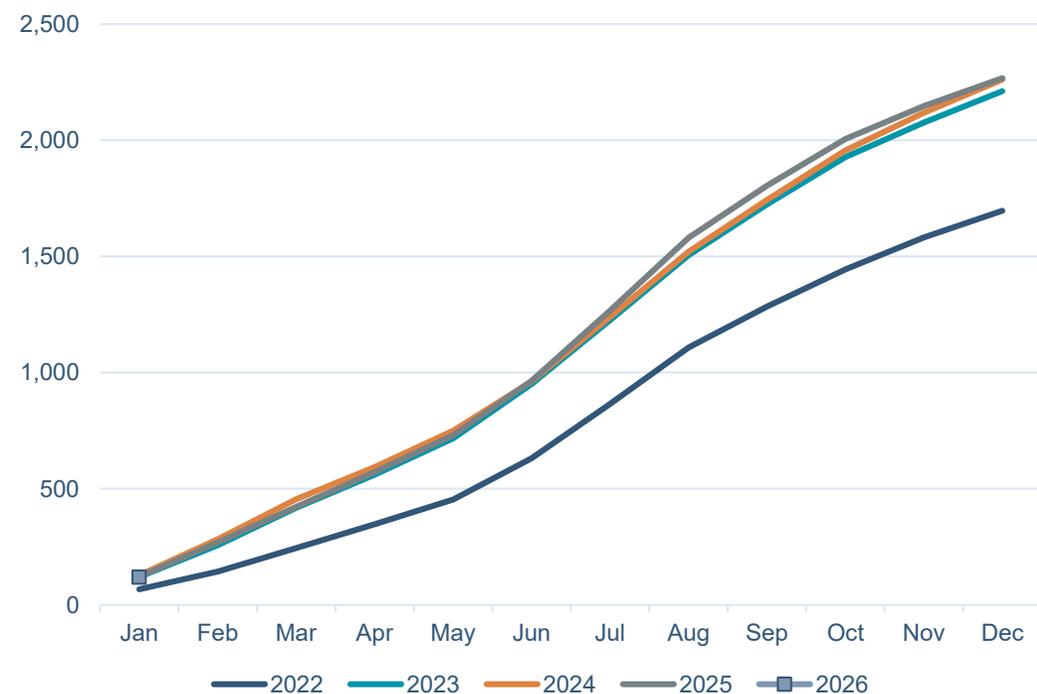


# The travel sector

Around 119,000 foreign travellers passed through Keflavík International Airport in January, a 1.8% decrease from the same month last year. Despite being the lowest figure since 2022, the decrease is insubstantial. Non-domestic payment card turnover contracted by 7.4% between years at fixed prices and by 0.6% at a fixed exchange rate in January while overnight stays in hotels by foreign visitors decreased by 4.3% between years.

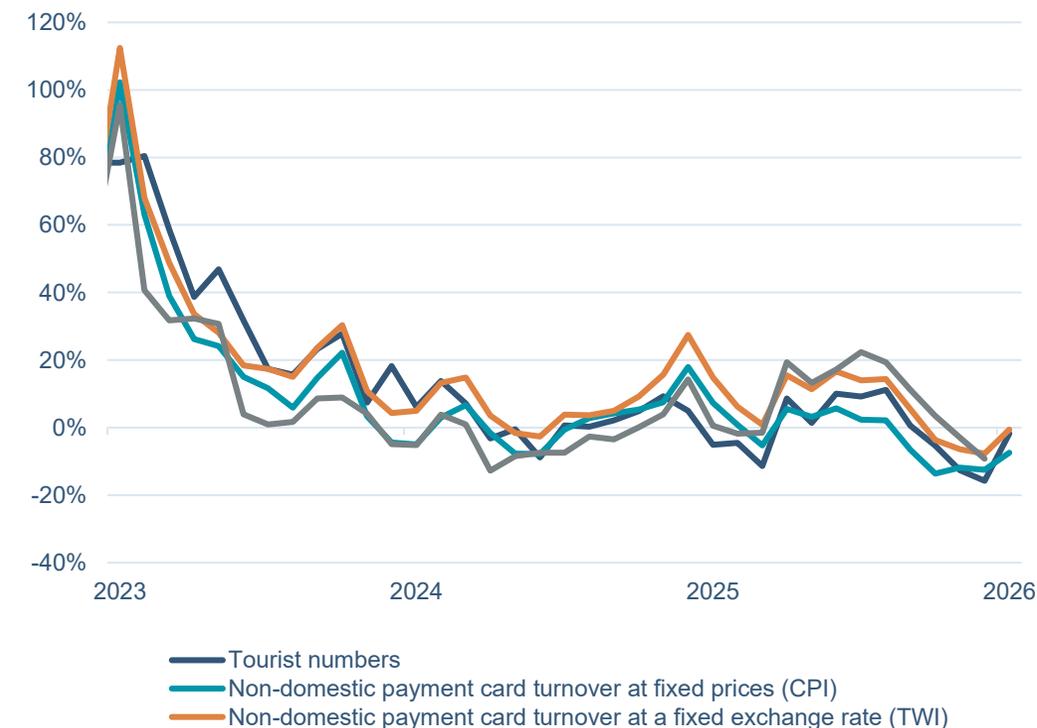
## Acc. tourist numbers

Thousand individuals



## Development of key indicators

YoY change



# ISK exchange rate

The ISK appreciated in February. At the end of the month, the euro stood at 143.5 (-1.7 intramonth). The appreciation is likely linked to news about the tax payment from Kerecis. The ISK depreciated slightly against the US dollar and it stood at ISK 121.6 (-0.3 intramonth) at month end.



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