



Monthly Newsletter

7 April 2026

Landsbankinn Economic Research

Market events - April 2026

Monday	Tuesday	Wednesday	Thursday	Friday
		1 April Minutes of the Monetary Policy Committee (CBI)	2	3 Unemployment in the US
6	7	8	9	10 Departures from Keflavík International Airport (FMST) Registered unemployment in March (VMST) Inflation in the US
13	14	15	16 Íslandsbanki and Ölgæðin publish financial statements	17 Payment mediation in March (CBI)
20	21 Housing price index for March (HMS) Turnover based on VAT reports for Jan-Feb. (HAG) Hagar publish results	22 Wage index in March (HAG) Rental price index in March (HMS) Inflation in the UK	23 Monthly report (HMS)	24
27	28 Icelandair and Síminn publish results	29 CPI in April (HAG) Credit review Q2 (CBI) Overnight stays in March (HAG) Policy rate decision in the US	30 Festi, Landsbankinn, Nova and Sjóvá publish results Policy rate decision in the UK Policy rate decision in the eurozone Inflation in the eurozone	

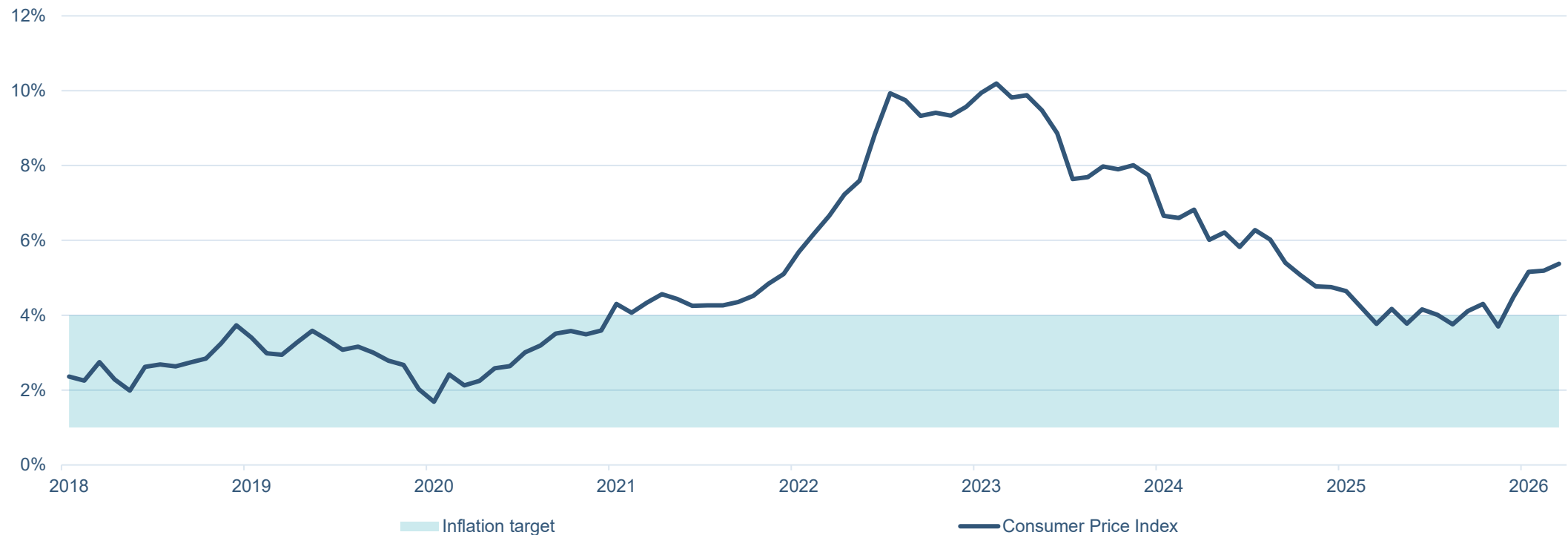


Inflation

The CPI rose by 0.55% between months in March and inflation receded from 5.2% to 5.4%, in line with our forecast. Inflation is thus above the 4% upper tolerance level the fourth month running and has not been this high since September 2024.

Consumer Price Index

YoY change

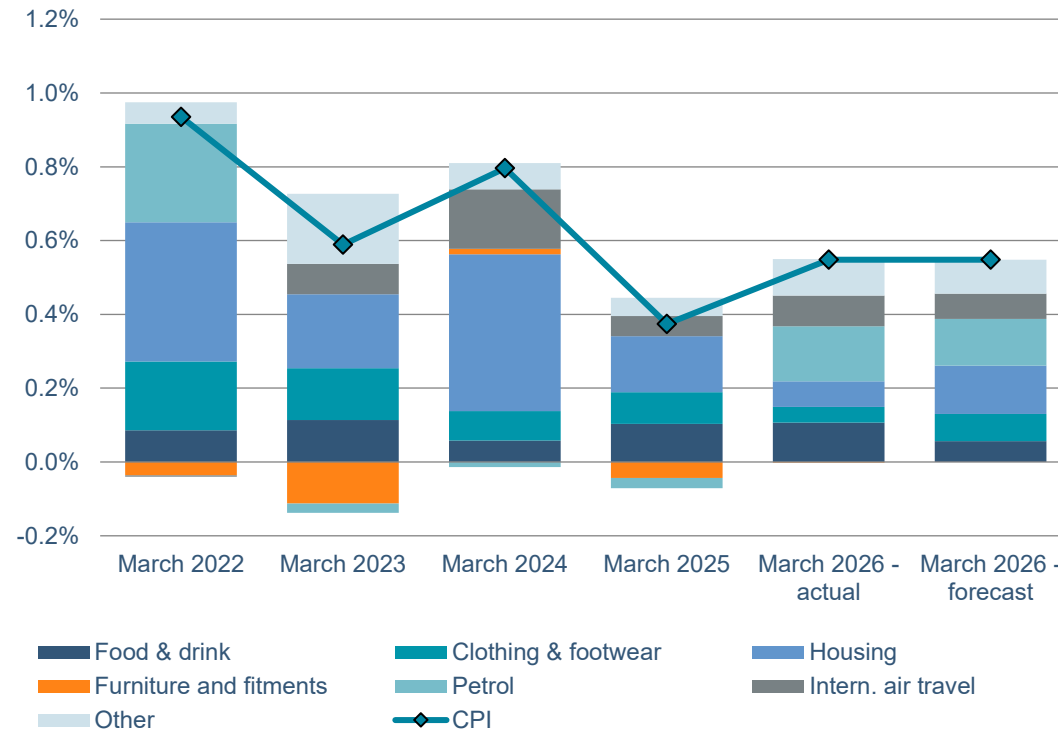


MoM change in the CPI

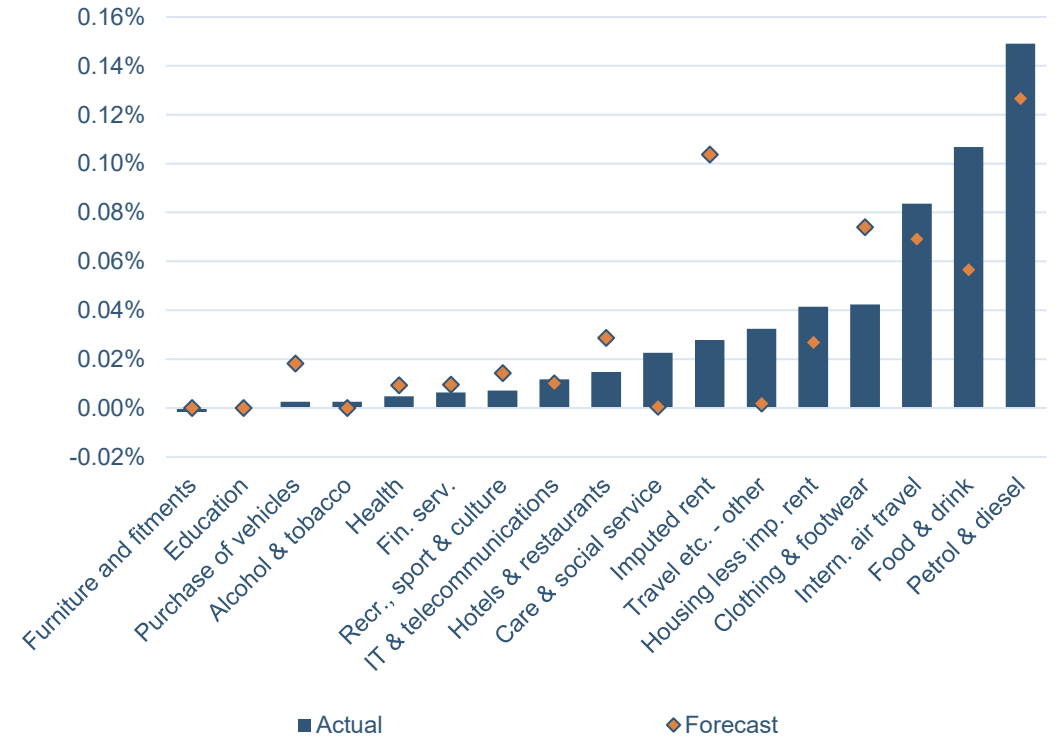
Imputed rent and clothing & footwear increased less than we expected. On the other hand, the food basket, fuel and care & social services increased more than we had forecast. The food basket increased in excess of our expectations for the third month in a row.

March measurement of CPI

MoM change and weight of components



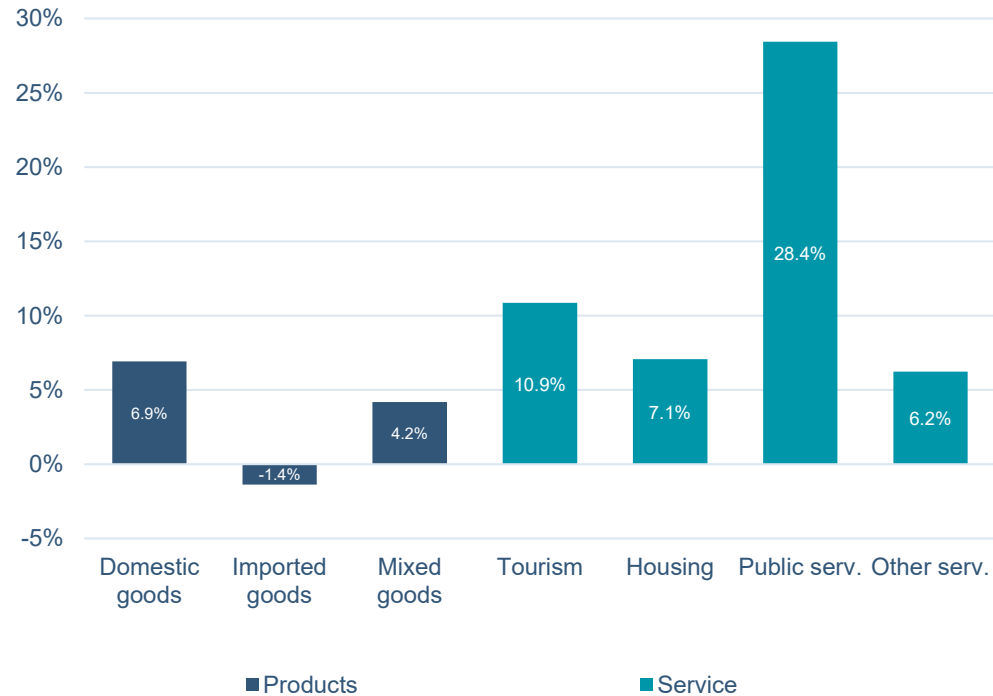
Contribution of components in March



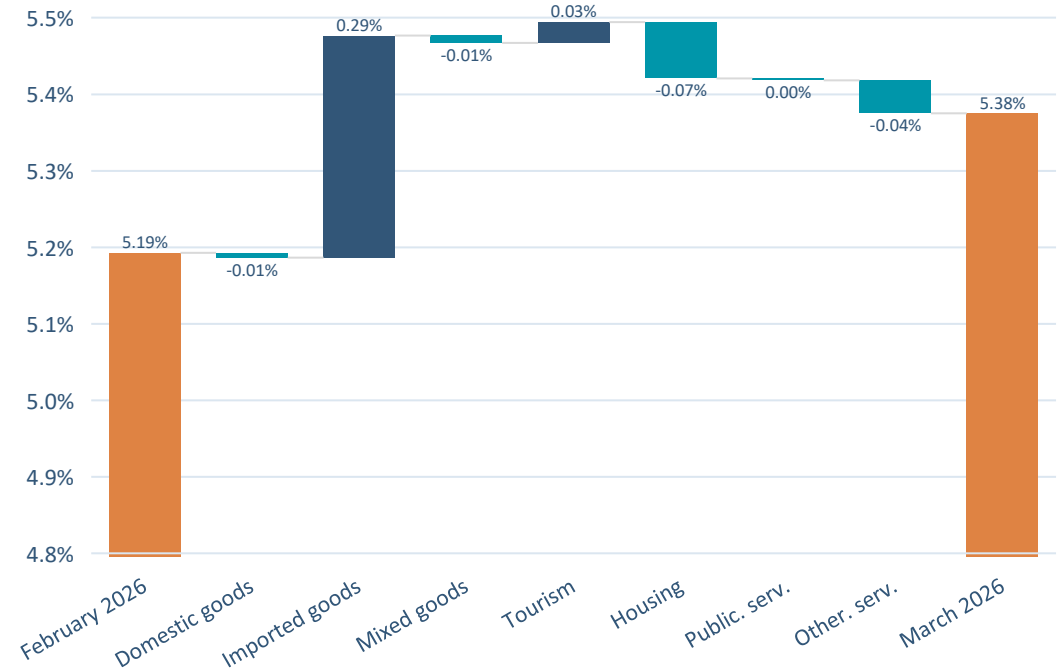
Inflation by type and origin

The weight of imported goods in 12-month inflation grew considerably between months, mainly due to rising fuel prices caused by conflict in the Persian gulf. The weight of housing in 12-month inflation contracted, both as a result of the moderate increase in imputed rent in March and because a month of high increases in imputed rent dropped out of annual inflation calculations.

YoY change



Changes to the composition of 12M inflation

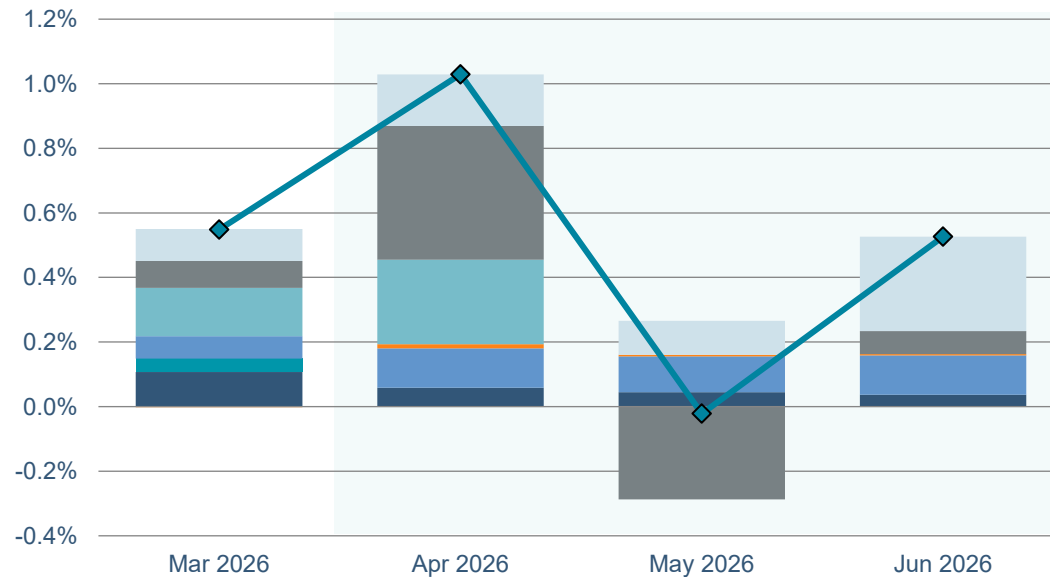


The outlook for the next months

Our forecast for the next months is +1.03% in April, -0.02% in May and -0.53% in June. If the forecast holds, 12-month inflation will be 5.5% in April, 5.2% in May and 5.0% in June.

Inflation forecast

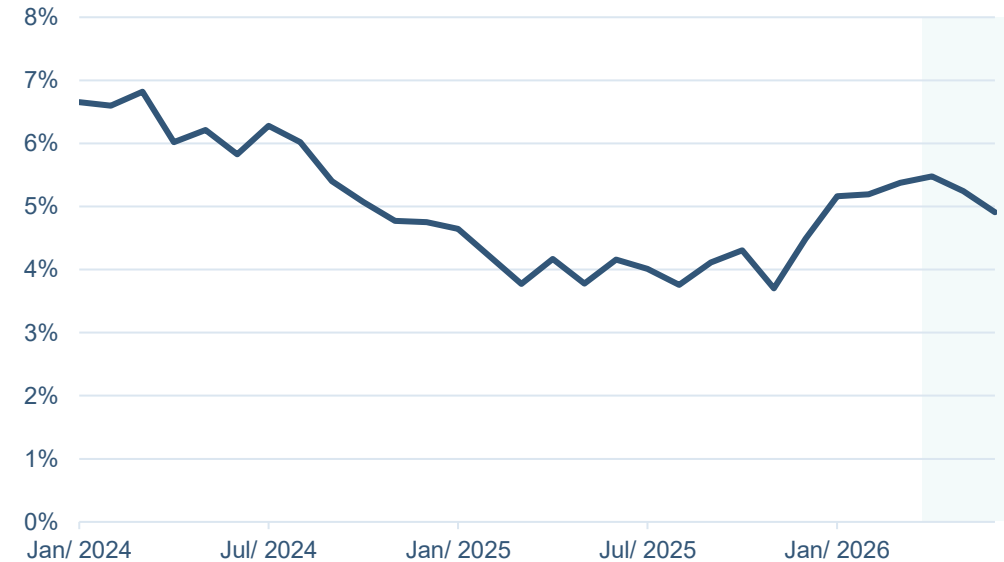
MoM change and weight of components



- 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



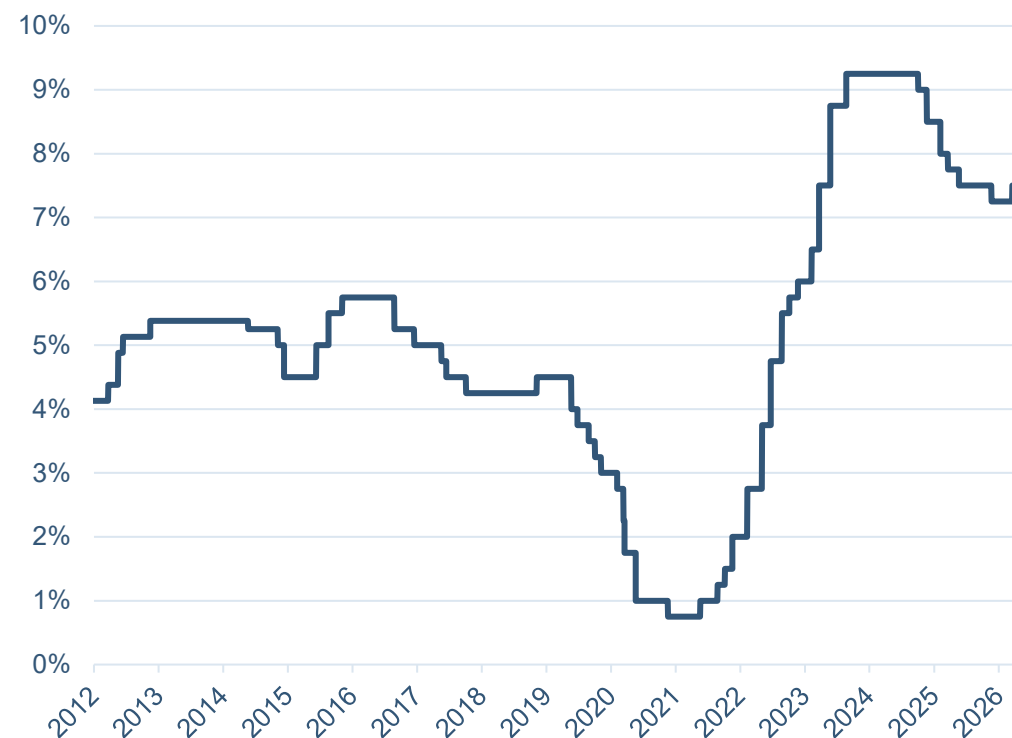
Policy rate

The Monetary Policy Committee lowered the policy rate by 0.25 percentage points on 18 March. Three MPC members supported the decision, with two members preferring other options. The policy rate of the CBI is now 7.50%. It is safe to characterise the tone in the MPC's statement as considerably stricter than in its February statement. Forward guidance is perfectly clear this time around, with the MPC stating that it "is prepared to tighten the monetary stance further to ensure that inflation eases towards the target, even though this could further curtail economic activity".

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	+0.25%	3	2		7.50%
20 May 2026					
19 Aug 2026					
7 Oct. 2026					
18 Nov. 2026					

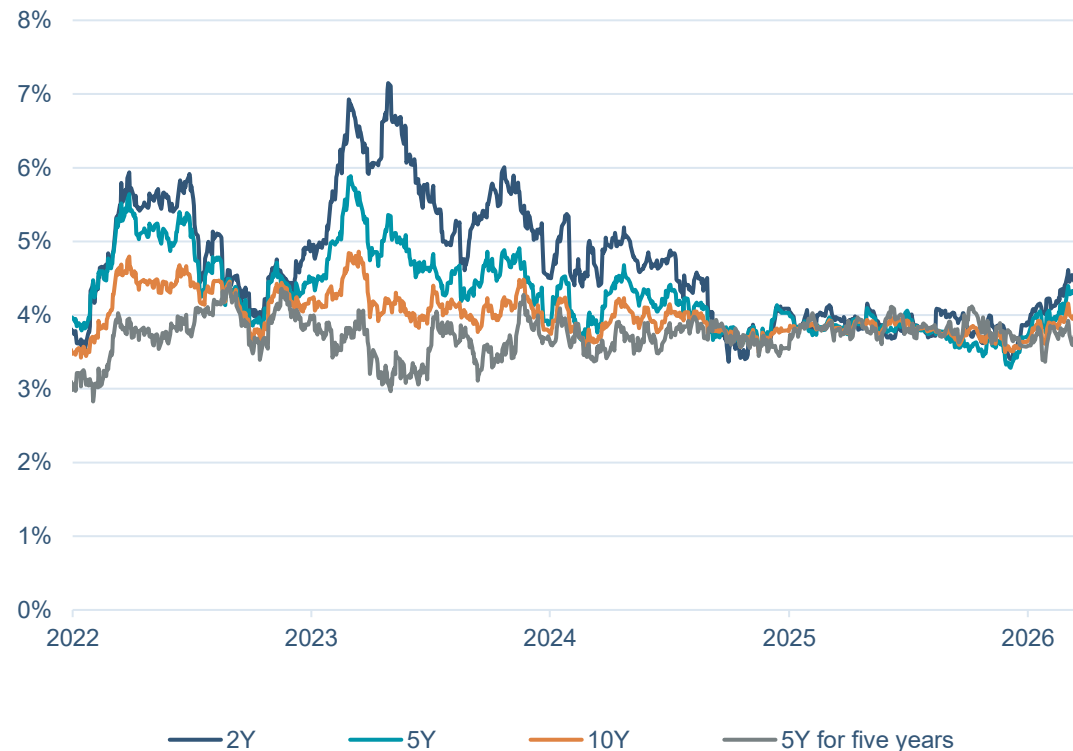
Key interest rate of the Central Bank of Iceland



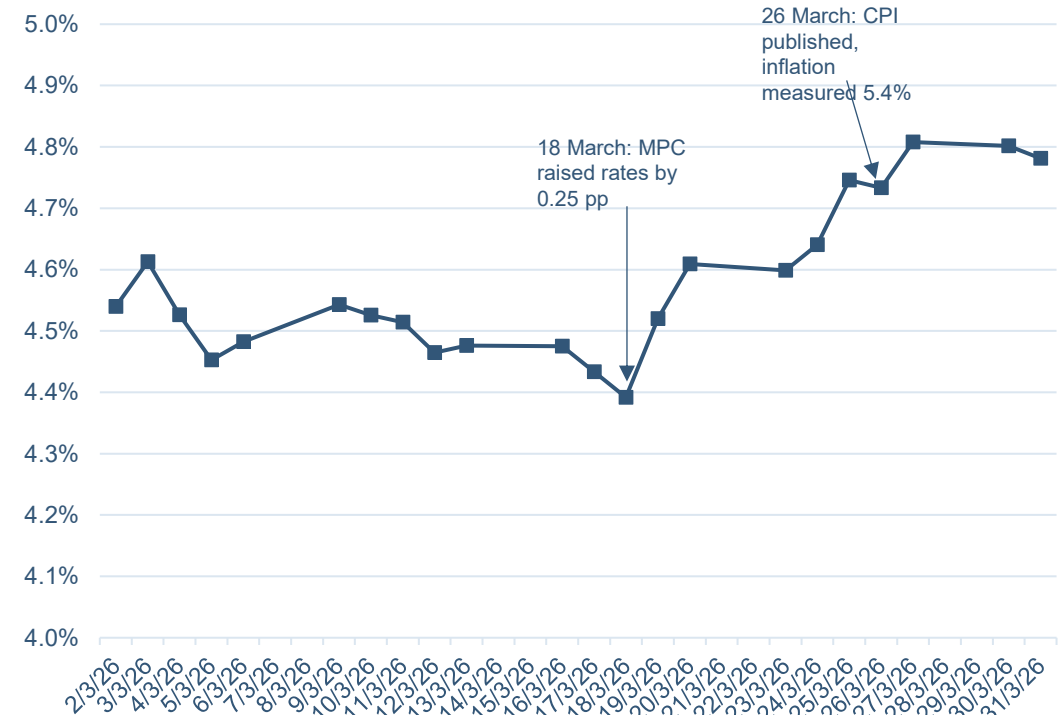
Inflation premium in the bond market

Inflation risk premiums in the bond market increased over the course of March, whether measured at the two-year horizon (4.7% at month-end, +0.3 pp intramonth) or the five-year horizon (4.4% at month-end, +0.3 pp intramonth) but was unchanged at the ten-year horizon (4.0% at month end).

Inflation premium in the bond market



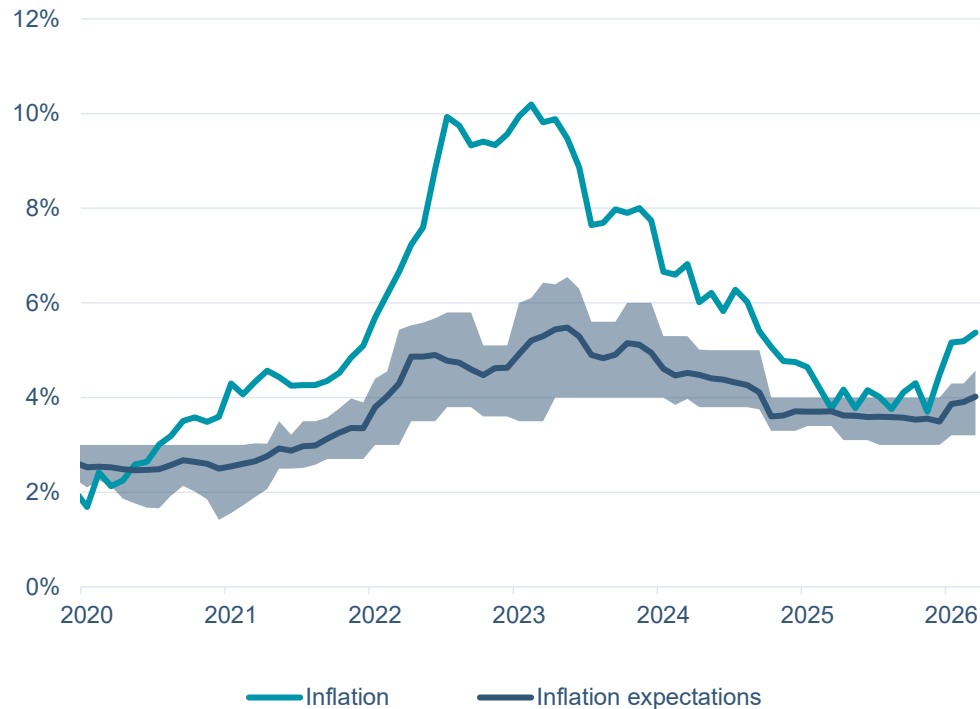
2Y inflation premium (break-even rate)



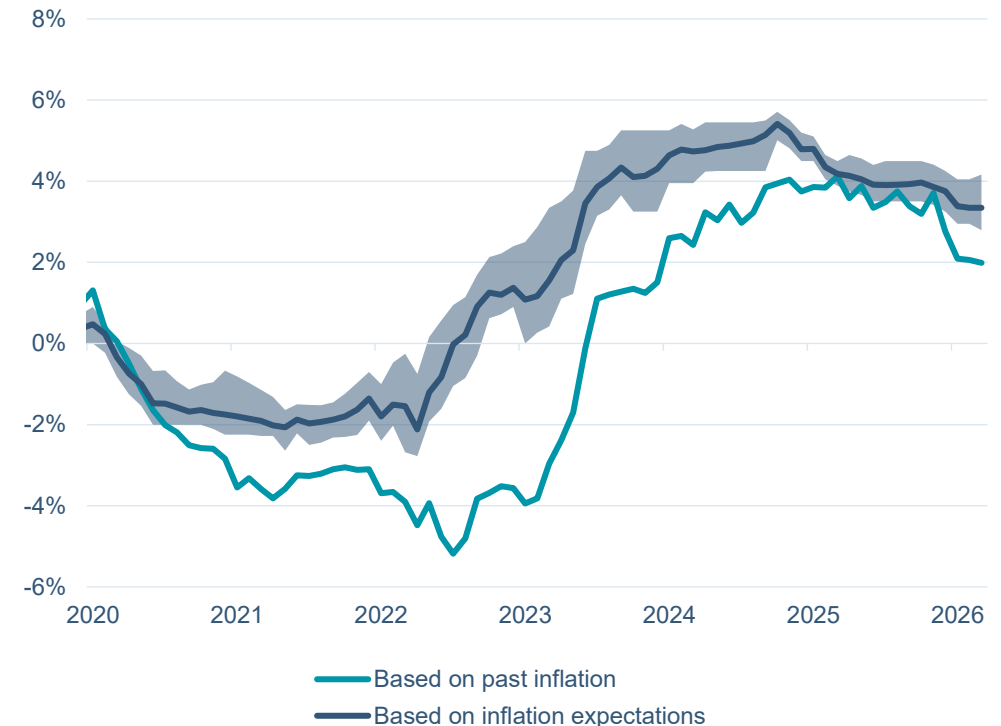
Inflation, inflation expectations and the real policy rate

The average of the main measures of inflation expectations was 4.0% in March (+0.1 pp MoM). The real policy rate compared to past inflation was 2.0% (-0.1 pp MoM) and based on the average of key measures of inflation expectations the real policy rate was 3.3% (unchanged between MoM).

Inflation and inflation expectations



Real policy rate

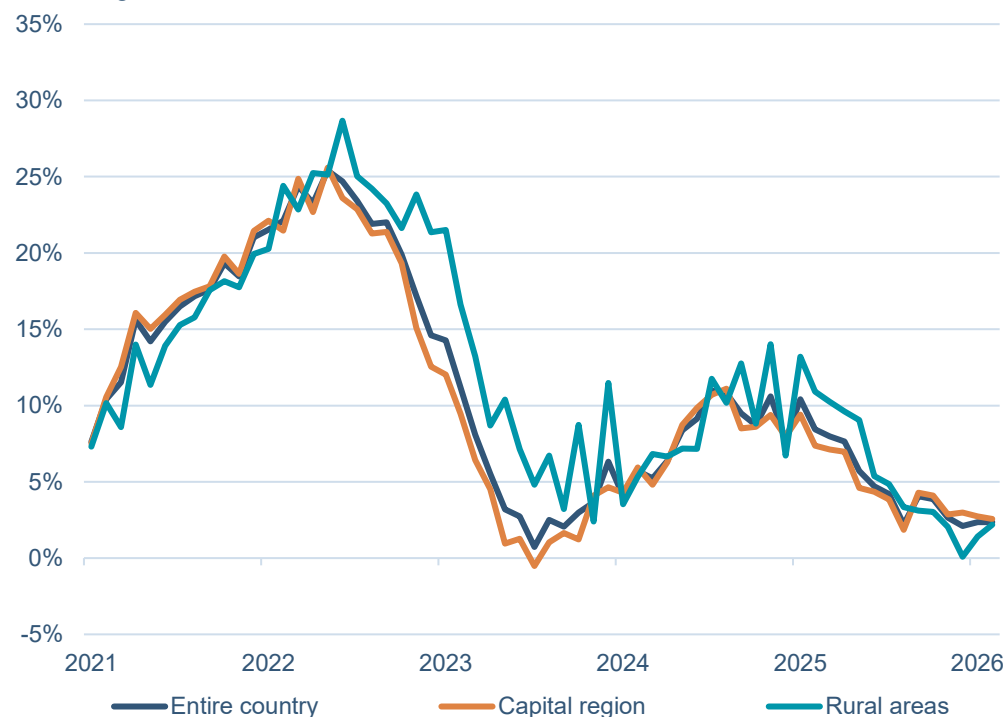


The real estate market

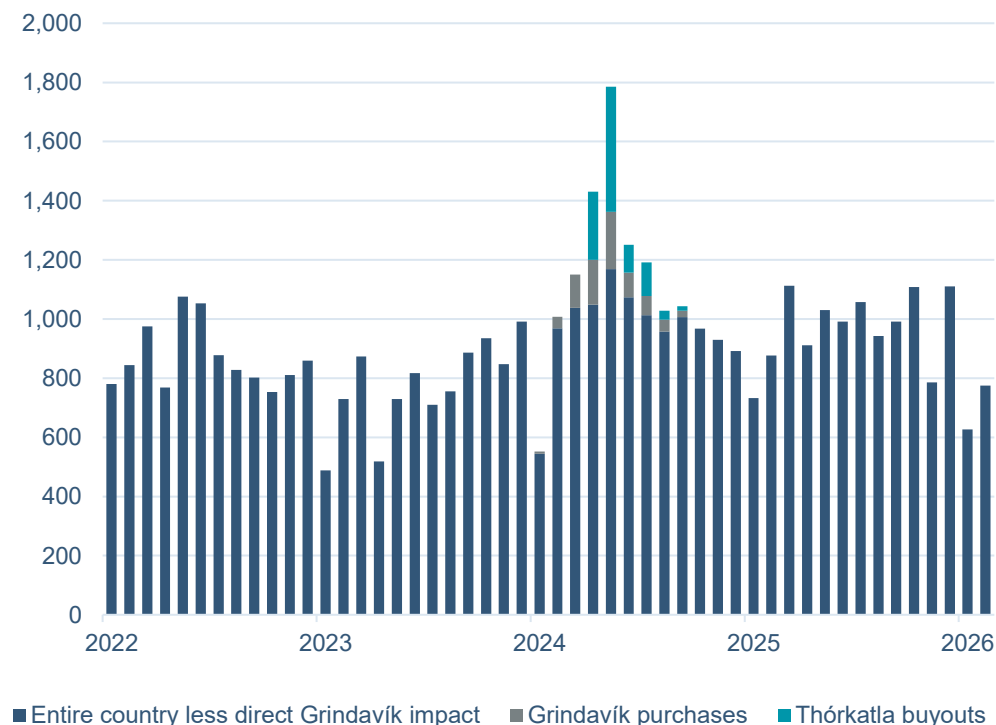
The housing price index rose by 0.09% between months in February after a significant increase in January. The increase was driven by single-family dwellings in rural areas, where prices rose by 1.7%, and in addition, multi-family dwellings rose both in the capital region and in rural areas. The 12-month increase in the index in February measured 2.4% just as in January. In the past four months, annualised housing price increases have been lower than general price level increases. Adjusted for prices, the housing price increase has thus fallen by 2% in the past 12 months.

Housing price index

YoY change

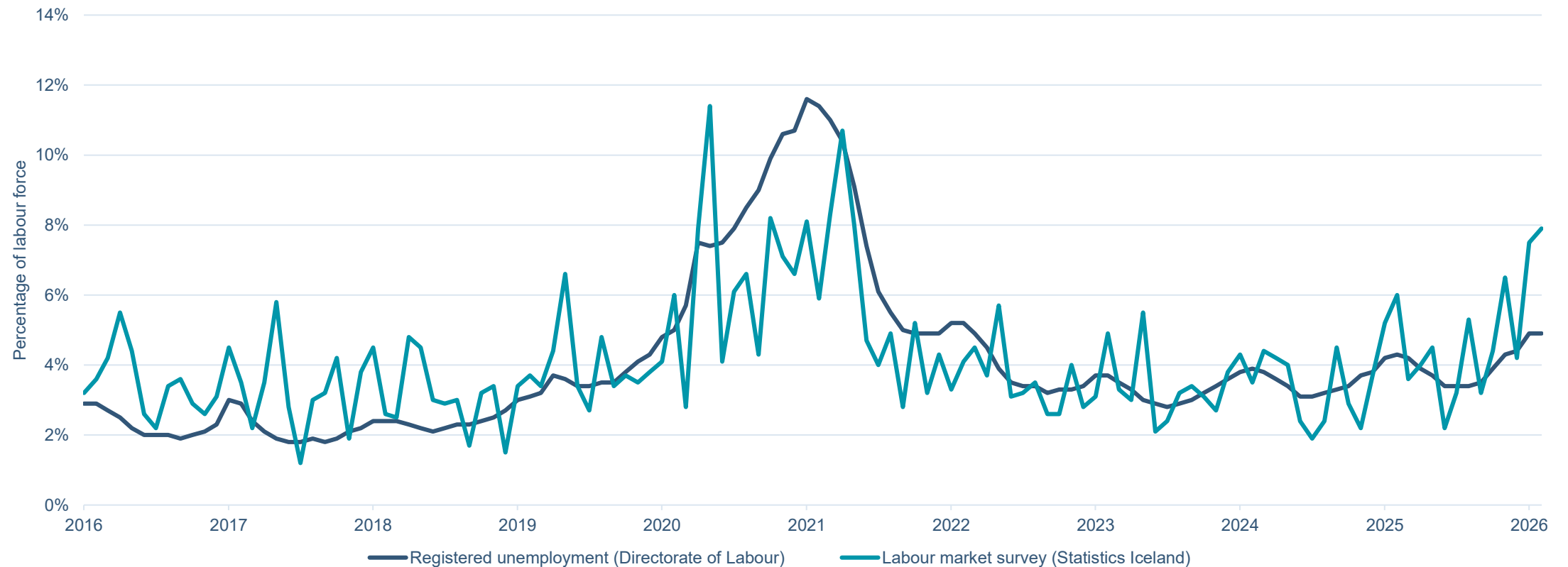


Signed purchase contracts - entire country



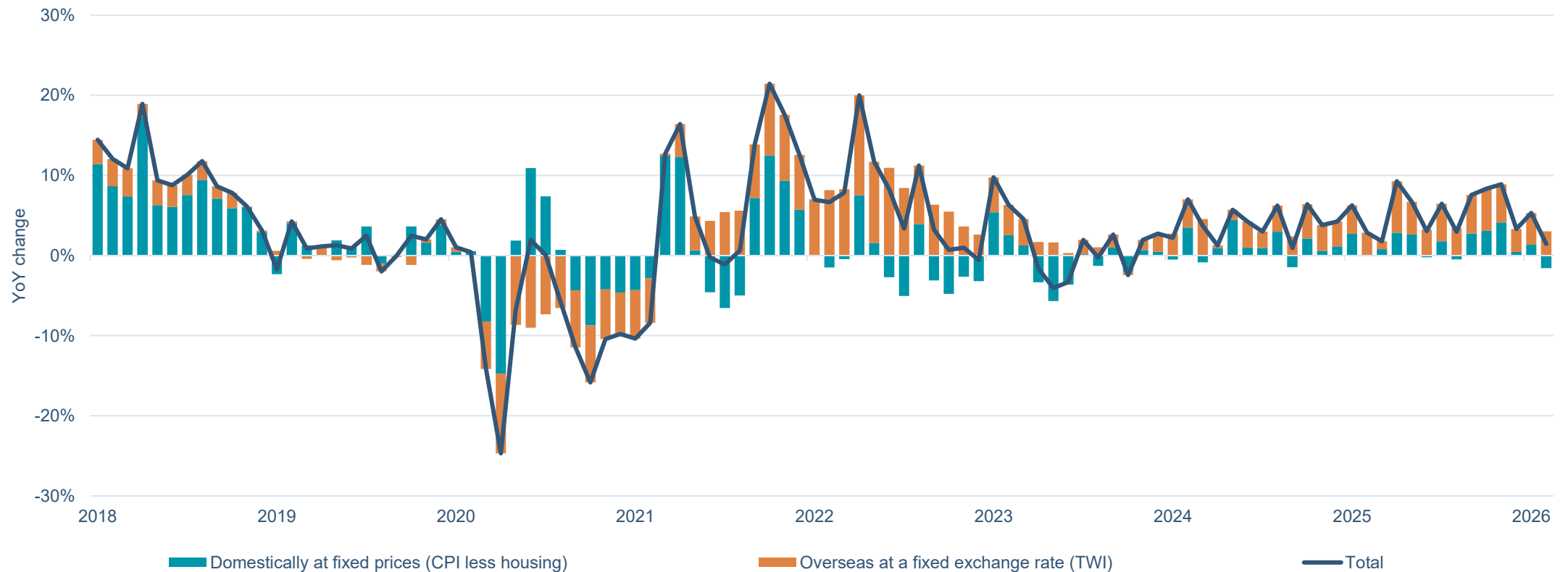
Unemployment

Registered unemployment was 4.9% in February, 0.6% higher than last year. Unemployment was 7.9% according to the labour market survey of Statistics Iceland and 7.1% seasonally adjusted. This is a sample survey that can fluctuate considerably between months. Individual measurements should be interpreted with that in mind.



Payment card turnover of Icelandic households

Card turnover grew by 1.5% between years in February in real terms. It grew by 13.8% overseas and contracted by 2.0% domestically. This is the first time since August of 2025 that domestic card turnover contracts. Icelanders reduced their international travel by 11.4% in February compared to the same month last year, indicating that ecommerce was a strong contributor in February.

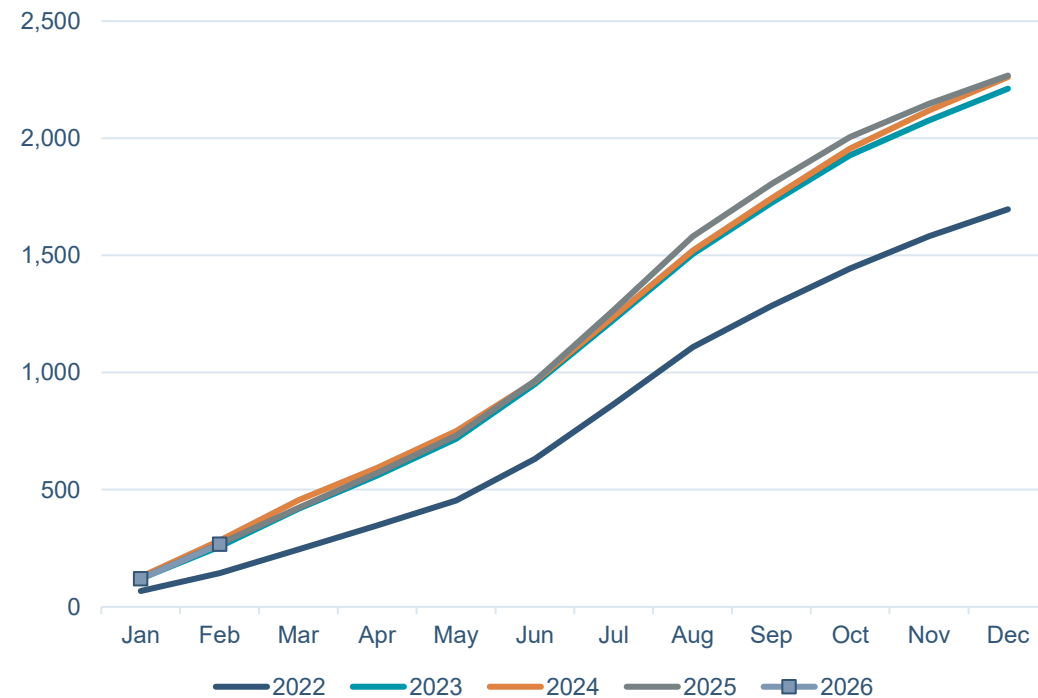


The travel sector

Around 267,000 foreign travellers passed through Keflavík International Airport in February, a 1.3% decrease from the same month last year. Non-domestic payment card turnover contracted by 5.6% between years at fixed prices but grew by 3.2% at a fixed exchange rate in February while overnight stays in hotels by foreign visitors increased by 6.3% between years.

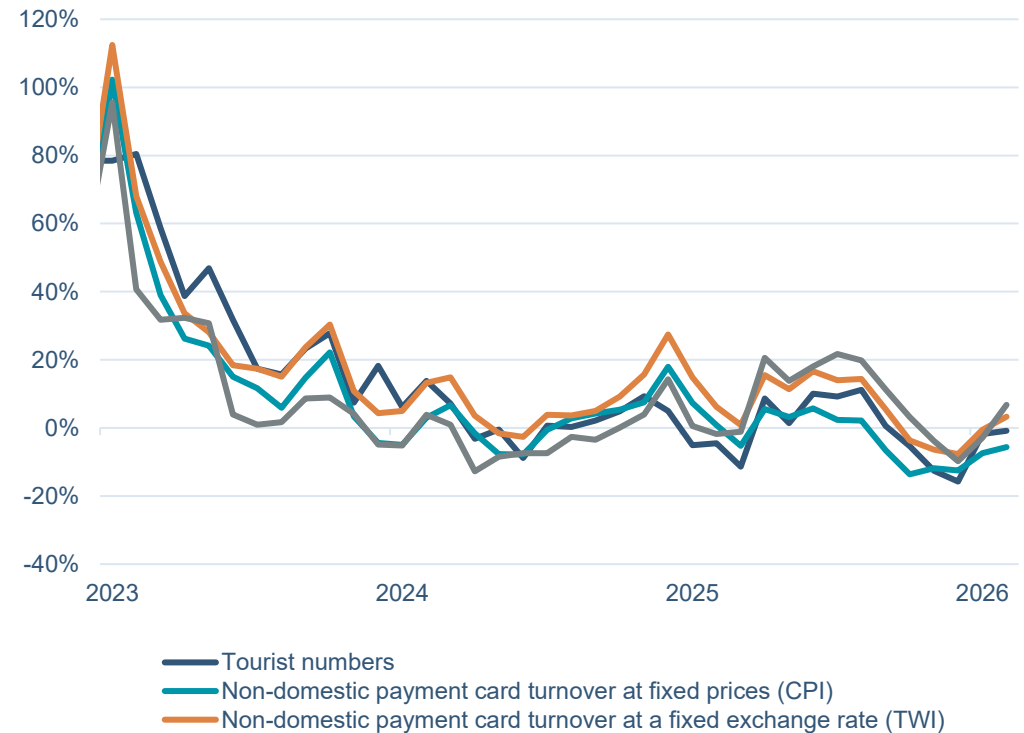
Acc. tourist numbers

Thousand individuals



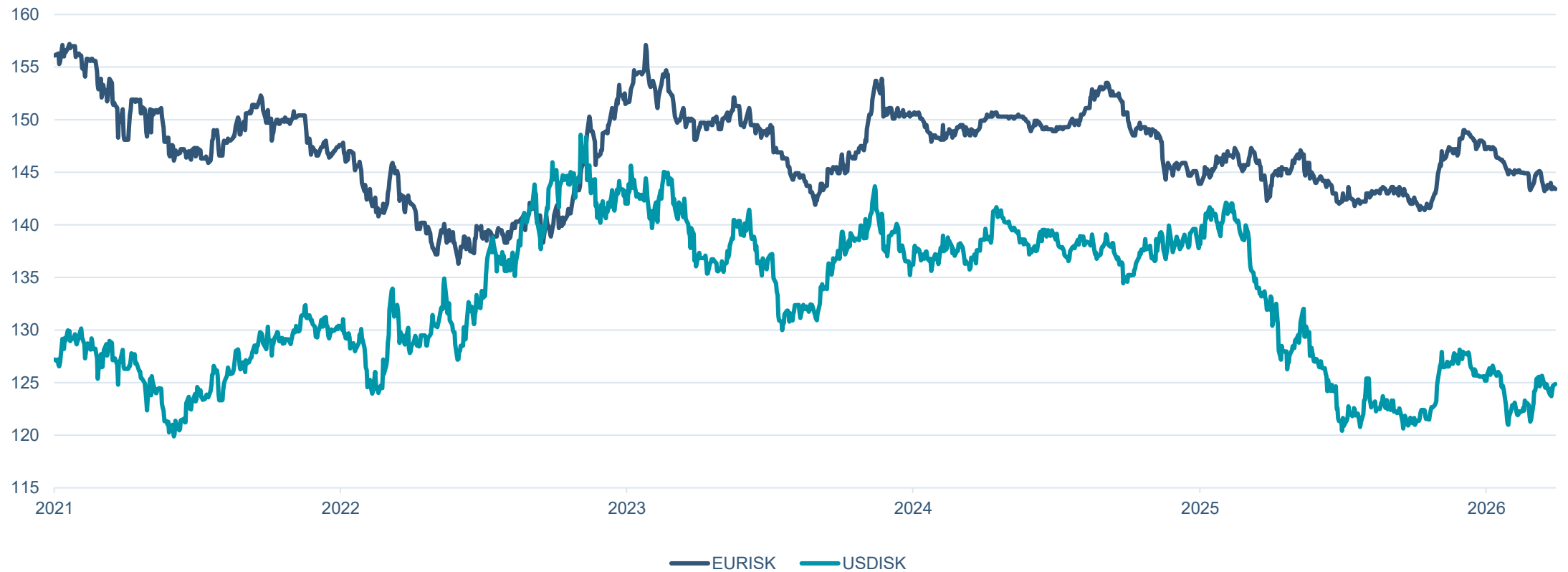
Development of key indicators

YoY change



ISK exchange rate

The ISK appreciated slightly against the EUR in March and stood at 143.4 at month end (-0.1 intramonth). The ISK depreciated against the US dollar and stood at ISK 124.9 (+3.3 intramonth) at month end.



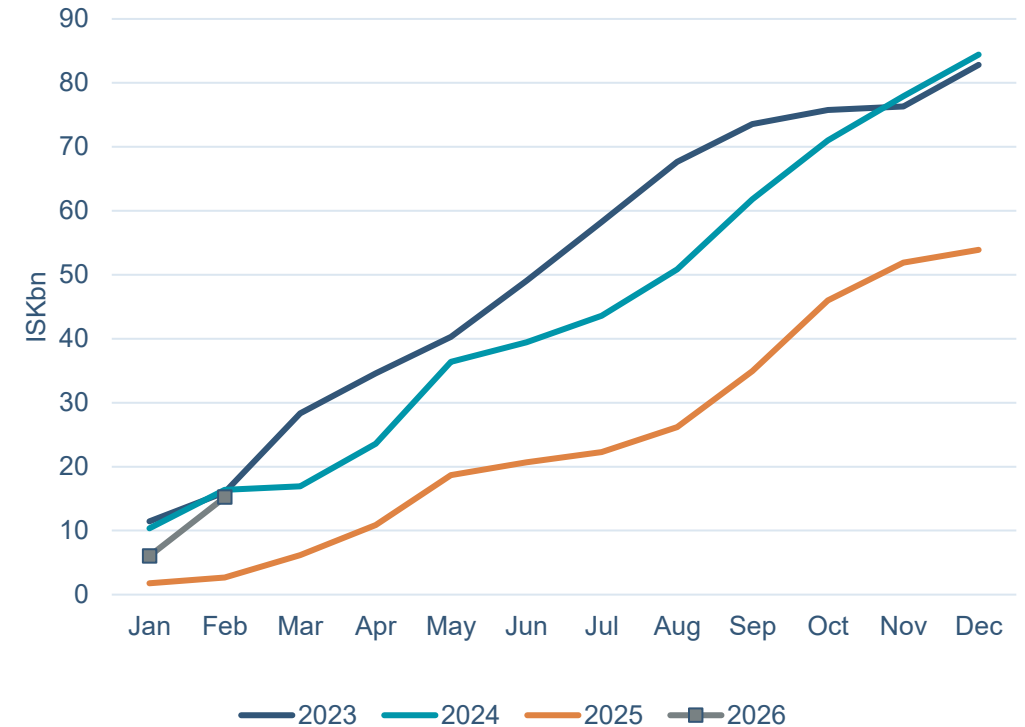
FX trade of the CBI and pension funds

The CBI did not intervene in the FX market in March. In the first 2 months of the year, the pension funds purchased FX for ISK 15 bn, rather less than in the same period in 2023 and 2024.

Activity by the Central Bank of Iceland



Acc. annual FX purchases of pension funds



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