



# Monthly Newsletter

4 May 2026

Landsbankinn Economic Research

# Market events – May 2026

Monday	Tuesday	Wednesday	Thursday	Friday
				1 May
4	5 Eimskip publishes results	6 Reg. workers in March (HAG) Arion Bank and Alvotech publish results	7 Eik, Sýn and Íslandsbanki publish results	8 Unemployment in the US
11 Departures from Keflavík International Airport in April (FMST) Registered unemployment in April (VMST) Oculus and Reitir publish results	12 Heimar and Kvika Bank publish results Inflation in the US	13 Market expectation survey Q2 (CBI) Amaroq publishes results	14	15
18 Kaldalón publishes results	19 Payment mediation in April (CBI) Housing price index in April (HMS)	20 <b>Policy rate decision (CBI)</b> <b>Monetary Bulletin (CBI)</b> Rental price index in April (HMS) Inflation in the UK	21 Monthly report (HMS)	22 Wage index in April (HAG)
25	26	27 Goods and service transactions f. Q1 (HAG) Iceland Seafood publishes results	28 <b>CPI in May (HAG)</b> Overnight stays in April (HAG) Brim, Hampiðjan and Ísfélagið publish results	29 National accounts for Q1 (HAG)

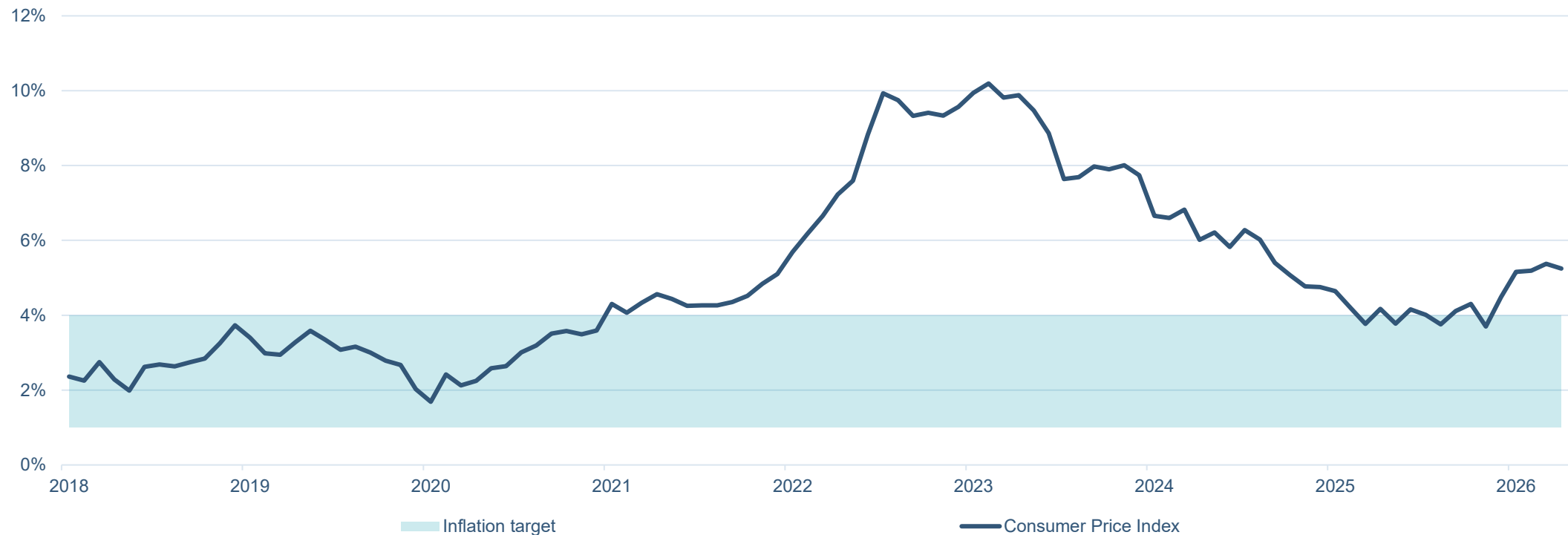


# Inflation

The CPI rose by 0.81% between months in April and inflation receded from 5.4% to 5.2%. We forecast a 1.05% increase in the index between months and that 12-month inflation would rise to 5.5%. April is the fifth month in a row with inflation over the CBI's 4.0% upper tolerance limit.

## Consumer Price Index

YoY change

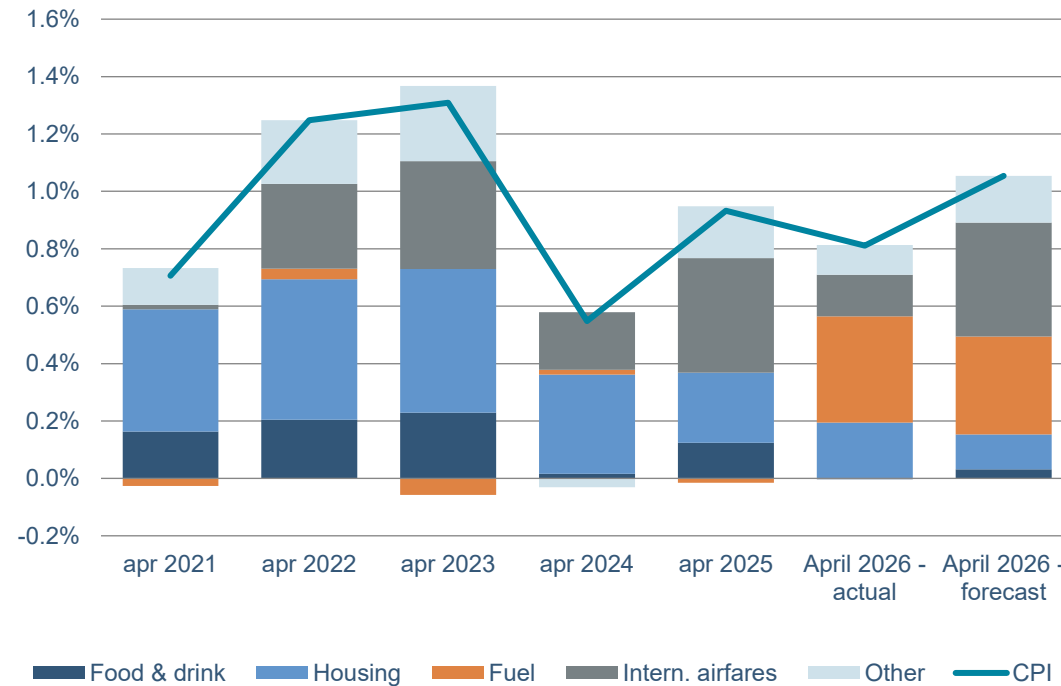


# MoM change in the CPI

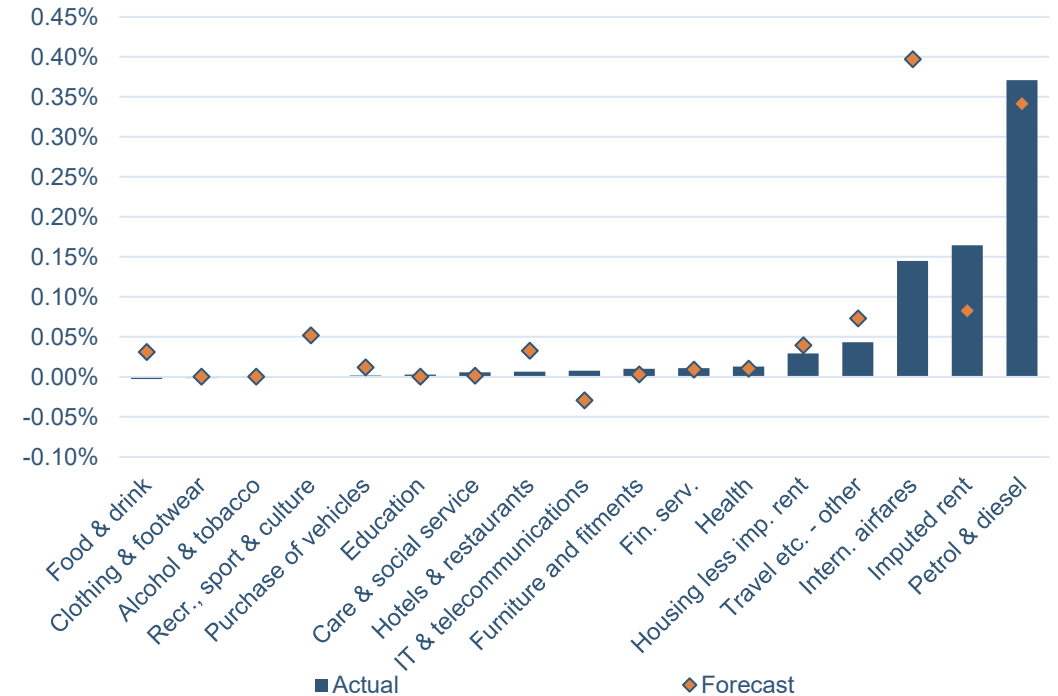
Rising fuel prices drove the increase this month, with gasoline costing 12.1% more and diesel 19.7%. Imputed rent rose by 0.8%, rather less than we expected. International airfares increased by 6%, much less than we expected, accounting for the main difference between our forecast and Statistics Iceland's measurement. The food basket and clothing & footwear dwindled slightly in April.

## April measurement of the CPI

MoM change and weight of components



## Contribution of components in April

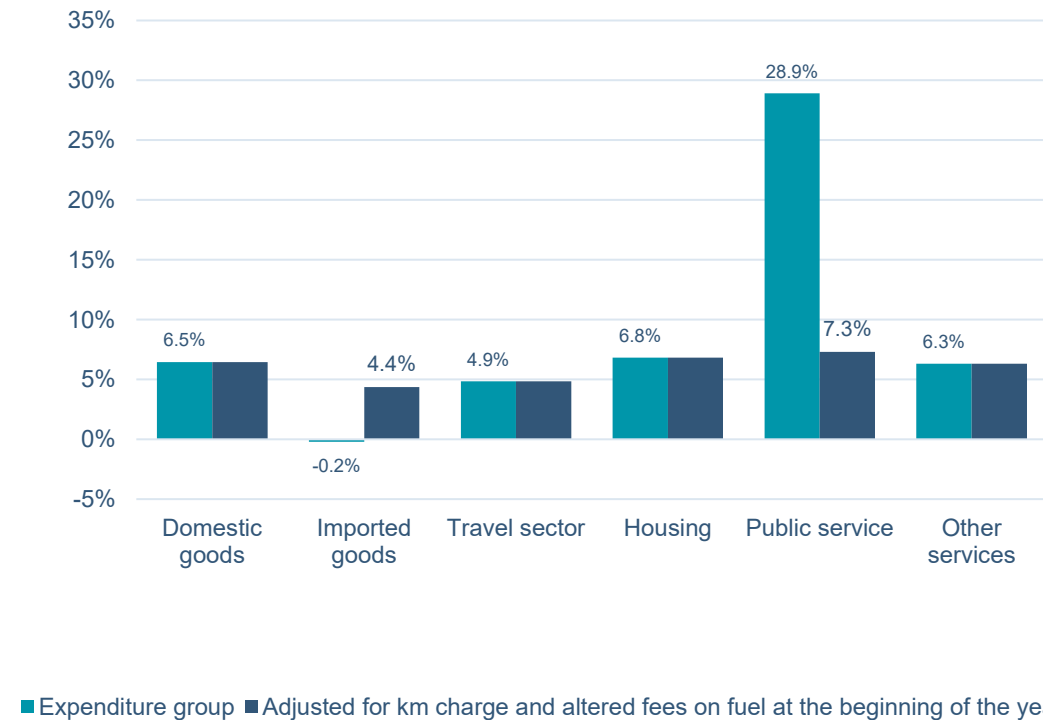


# Inflation by type and origin

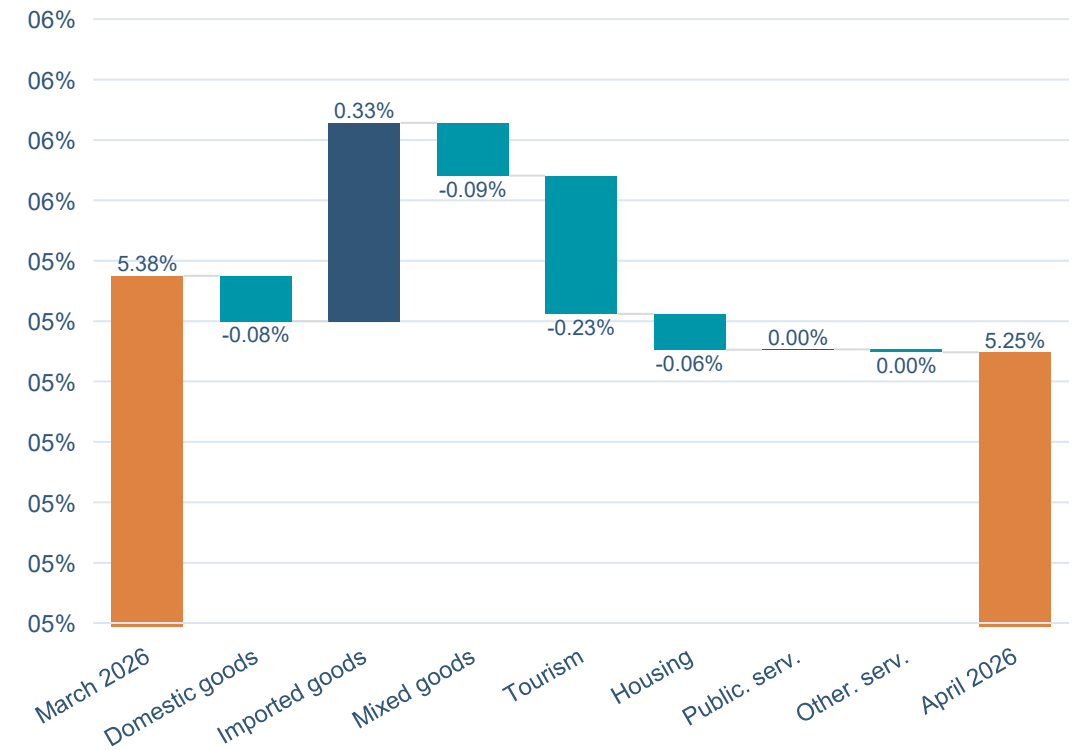
The contribution of imported goods to annualised inflation grew, almost entirely because of rising fuel prices. Other components had a downward contribution. International airfares rose considerably less than last year, most likely because Easter fell outside of Statistics Iceland's price measurement week. While imputed rent increased more than in the past few months, it increased less than in April last year and thus carries a downward contribution in annualised inflation. The contribution of other items was negligible in the month.

## Inflation by type and origin

YoY change



## Changes to the composition of 12M inflation

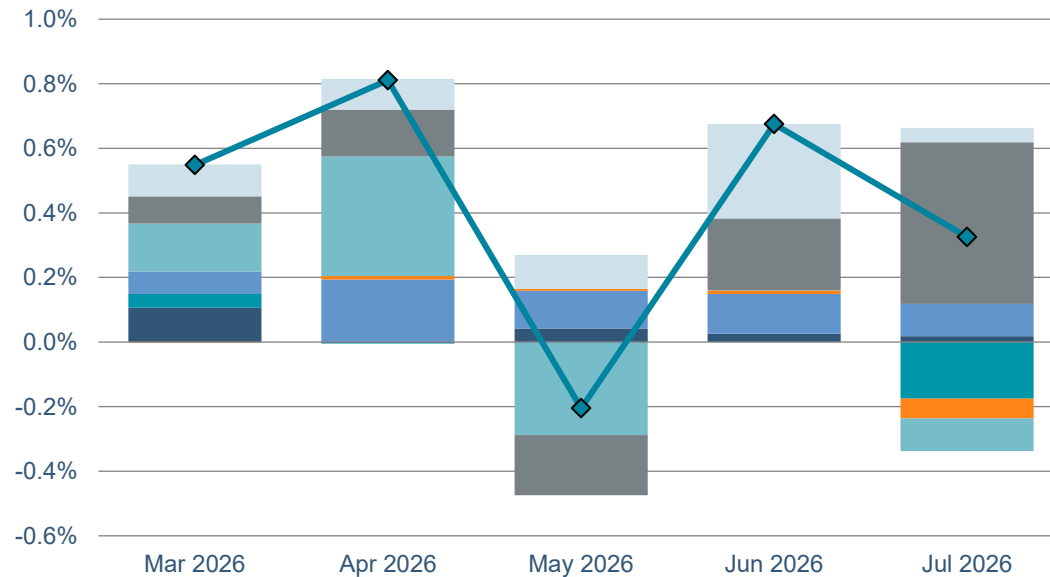


# The outlook for the next months

Our forecast for the next months is -0.21% in May, +0.67% in June and +0.33% in July. If the forecast holds, 12-month inflation will be 4.8% in May, 4.6% in June and 5.0% in July. Despite a lower April measurement than we expected, our forecast for annualised inflation in the next few months changes but little. This is mainly because we have adjusted our fuel price forecast for the coming months upward to reflect rising global oil prices and that we have not amended our forecast for airfares in the coming months, despite a surprising downward April measurement.

## Inflation forecast

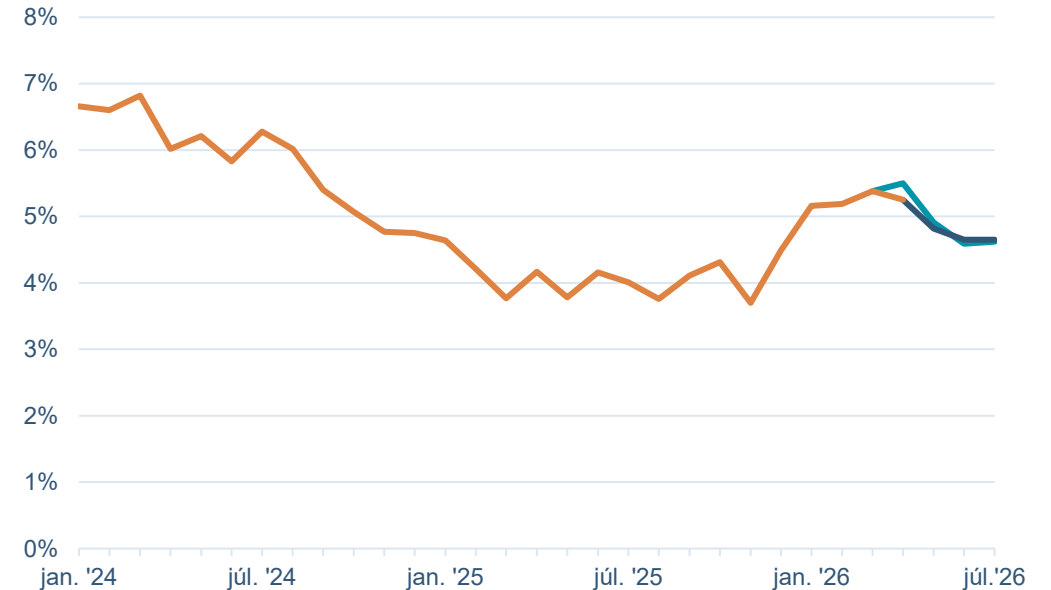
MoM change and weight of components



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

## Inflation forecast

12-month inflation



- Previous forecast (publ. 16 April)
- Current forecast (publ. 29 April)
- Inflation



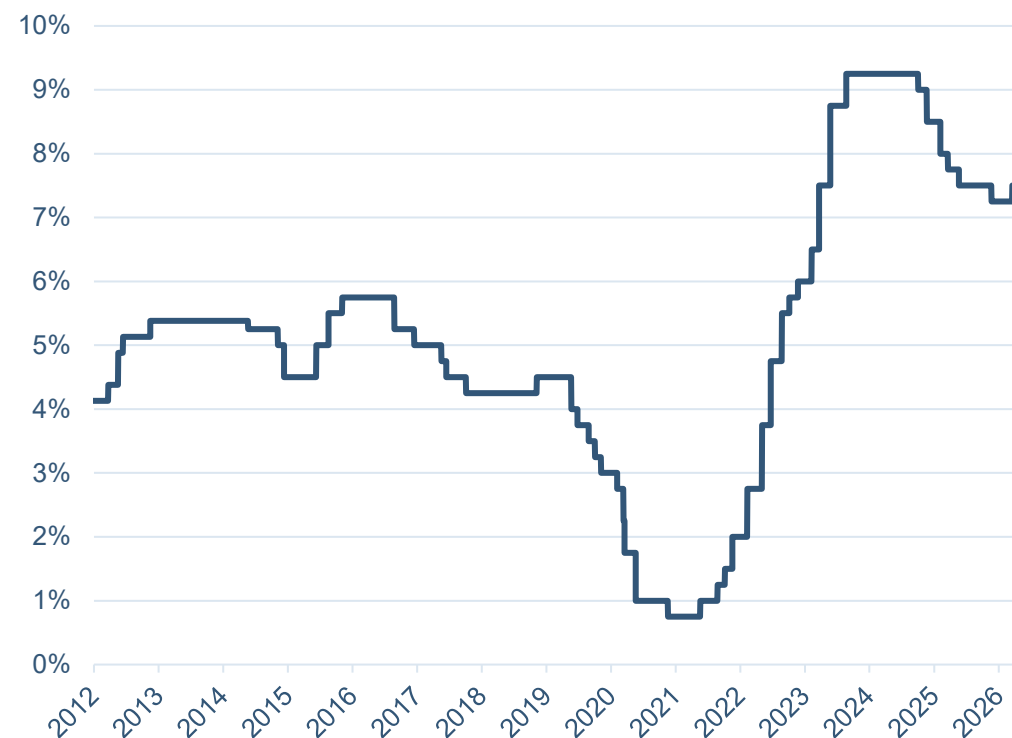
# Policy rate

The Monetary Policy Committee lowered the policy rate by 0.25 percentage points on 18 March. The next decision date is 20 May. We continue to expect a rate hike in May yet the April CPI measurement rather increases the likelihood of a smaller increment.

## 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%
5 August 2024	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%
21 May 2025	-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%	ÁJ, ThGP, TB,	ÁÓP, HS		7.50%
20 May 2026					
19 Aug 2026					
7 Oct. 2026					
18 Nov. 2026					

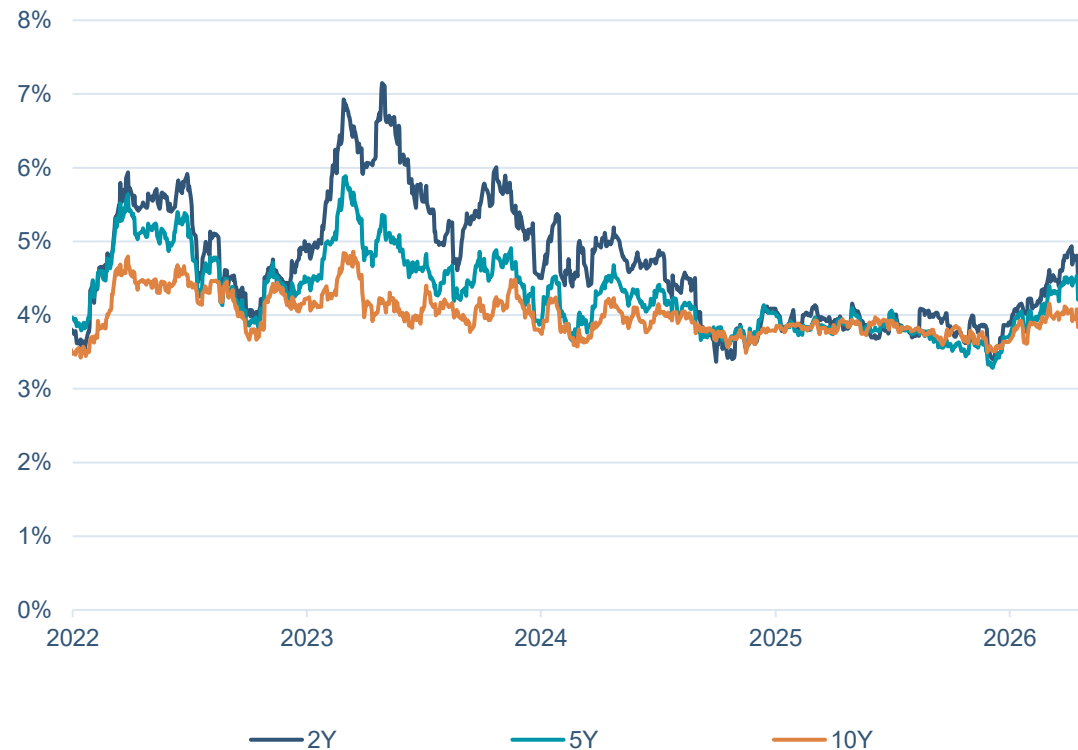
## Key interest rate of the Central Bank of Iceland



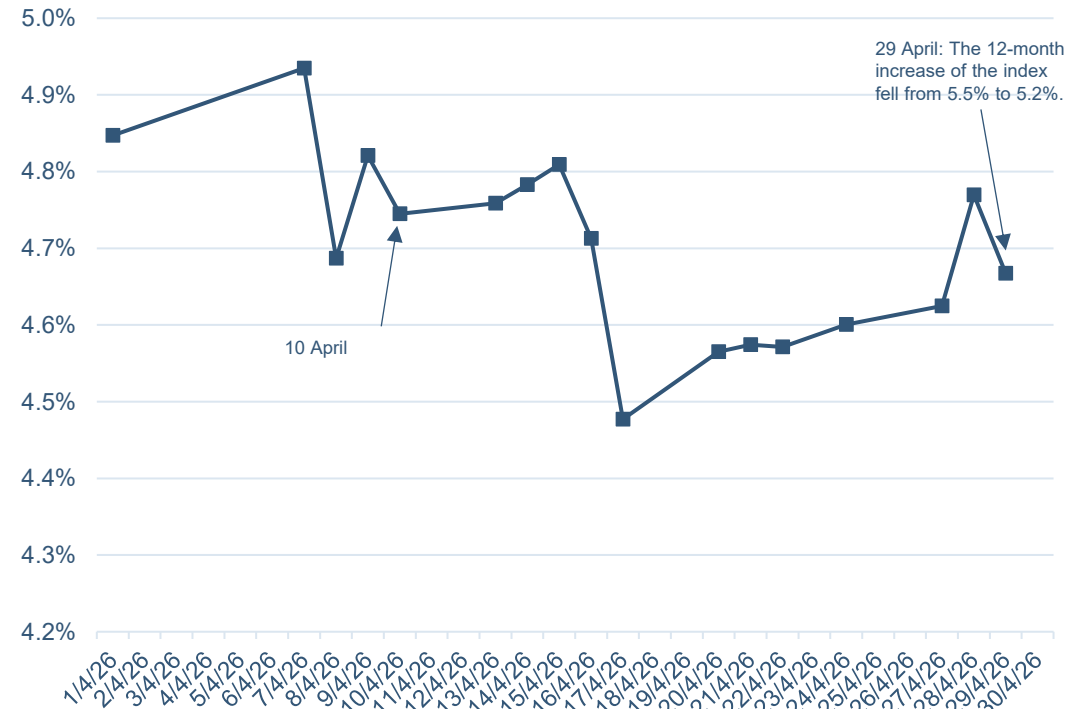
# Inflation premium in the bond market

Inflation risk premiums in the bond market decreased over the course of April, whether measured at the two-year horizon (4.7% at month-end, -0.1 pp intramonth), the five-year horizon (4.4% at month-end, -0.1 pp intramonth), or the ten-year horizon (4.0% at month-end, -0.1 pp intramonth).

## Inflation premium in the bond market



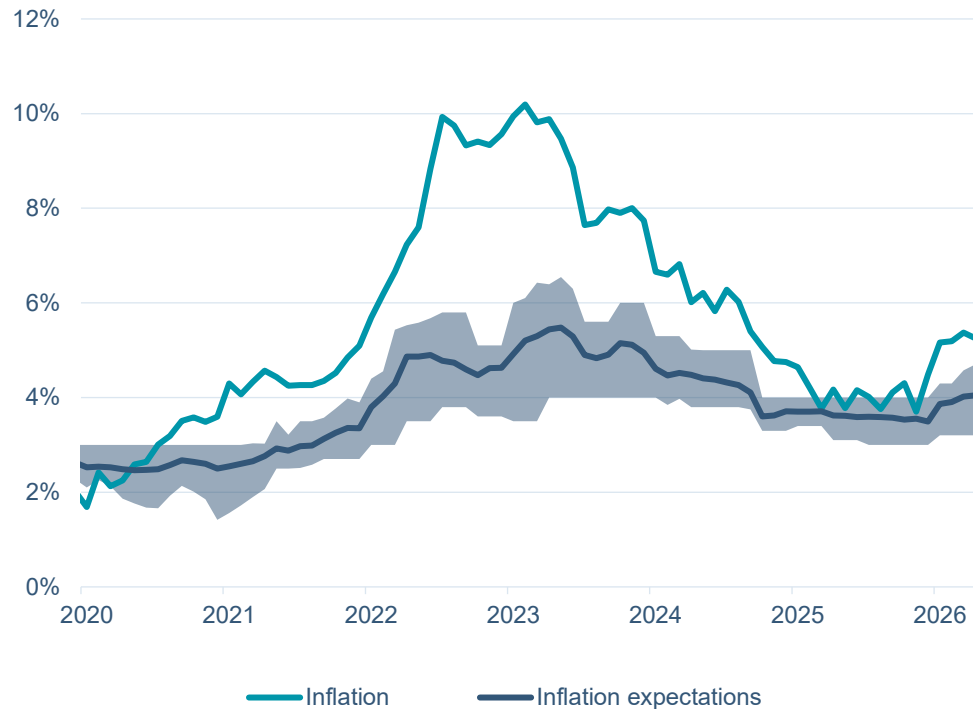
## 2Y inflation premium (break-even rate)



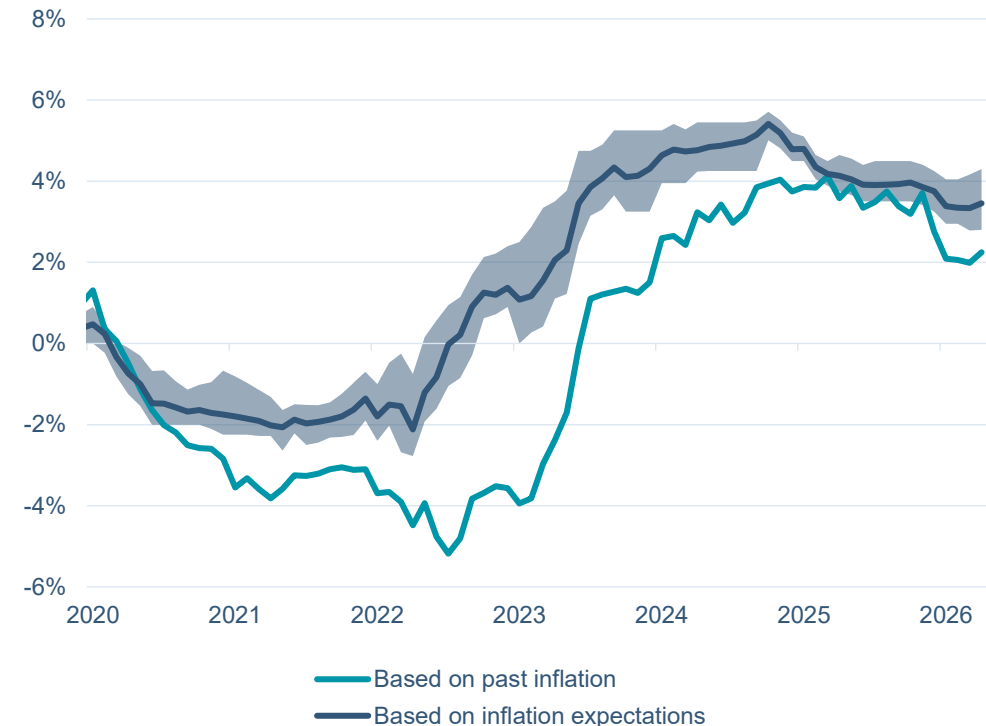
# Inflation, inflation expectations and the real policy rate

The average of the main measures of inflation expectations was 4.0% in March (+0.1 pp MoM). The real policy rate compared to past inflation was 2.3% (+0.3 pp MoM) and based on the average of key measures of inflation expectations the real policy rate was 3.5% (unchanged between MoM).

## Inflation and inflation expectations



## Real policy rate

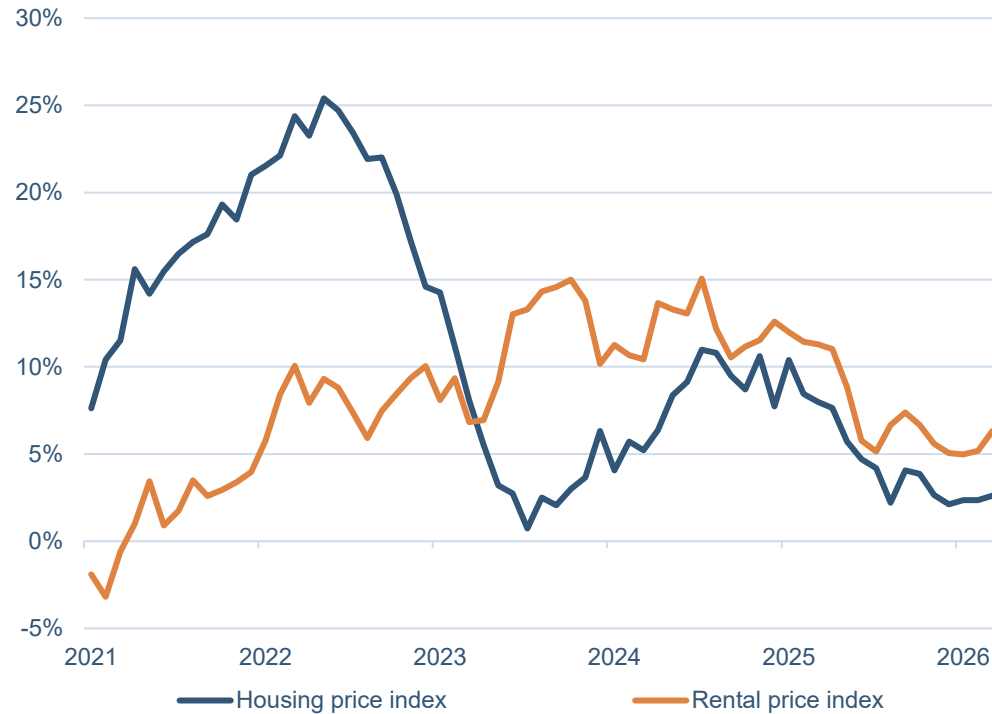


# The real estate market

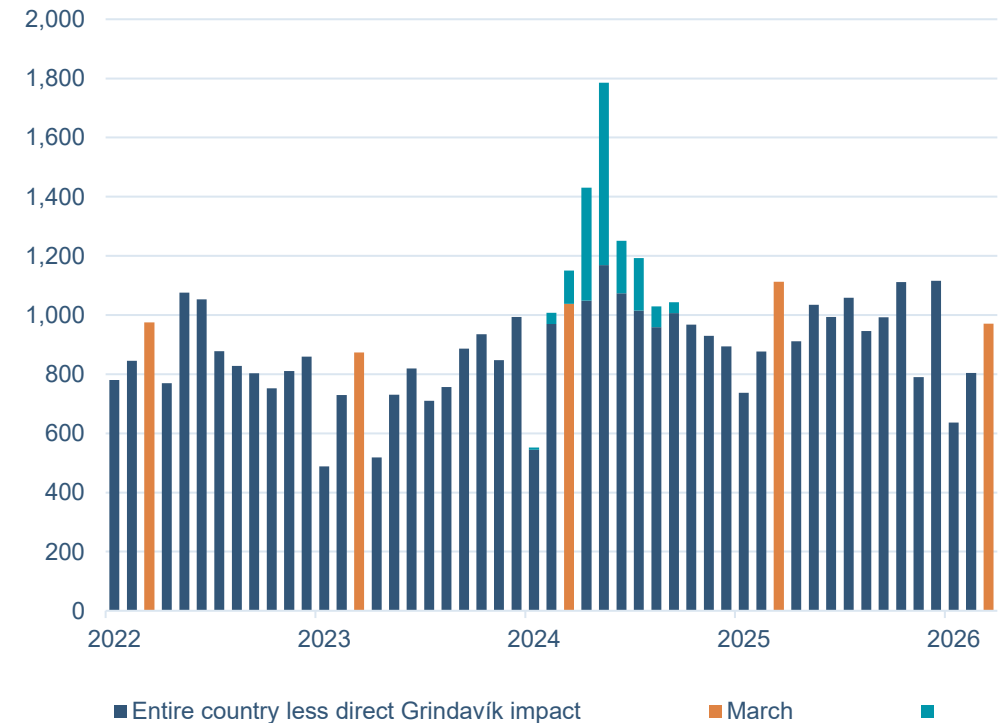
The housing price index rose by 0.6% between months in March. The 12-month increase in the index now measures 2.6%. In the past five months, annualised housing price increases have been lower than general price level increases. This means that the housing price increase has fallen 2.2%, adjusted for prices in the past year. The rental price index rose by 1.5% between months in March. The 12-month increase in the index now measures 6.3%.

## Housing and rental price index

YoY change

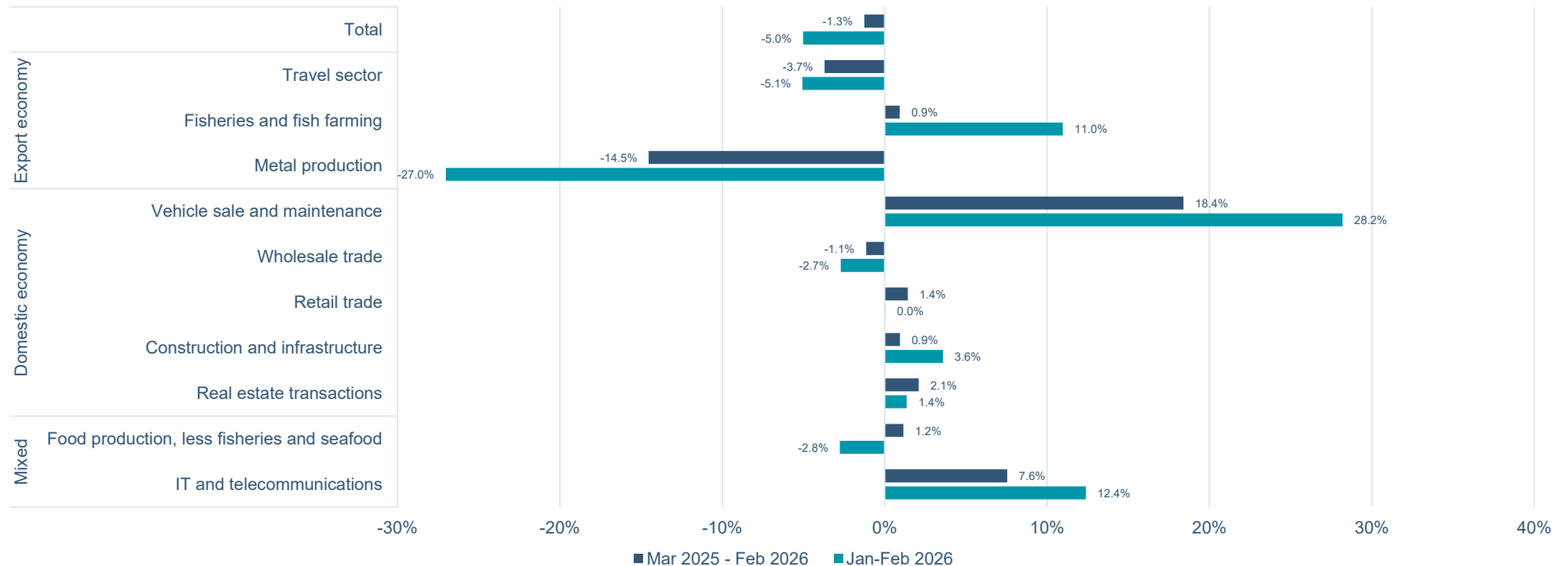


## Signed purchase contracts



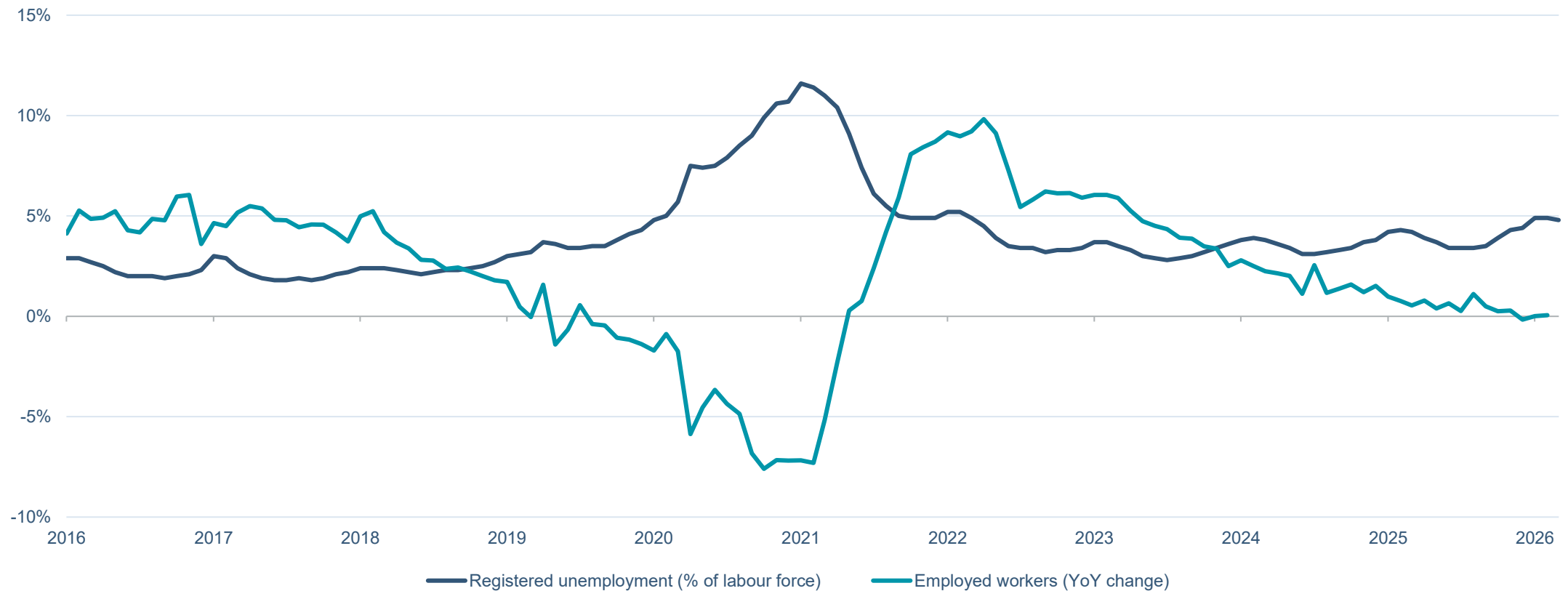
# Turnover based on VAT reports

Turnover contracted by 5.0% between years in real prices during the VAT period January-February. Increased turnover in fisheries and seafood is driven by the capelin catch and growing turnover in aquaculture, with exports of aquaculture products making a robust showing in recent months. Turnover in metal production has contracted considerably because of the failure in the aluminium smelter at Grundartangi in October of last year. Turnover in car sales grew significantly in the first two months of the year, driven by the import of passenger cars before the turn of the year, ahead of rising fees on cars that entered into effect at the beginning of the year. Turnover in IT and telecommunication also grew considerably, mainly from increased turnover in data centres.



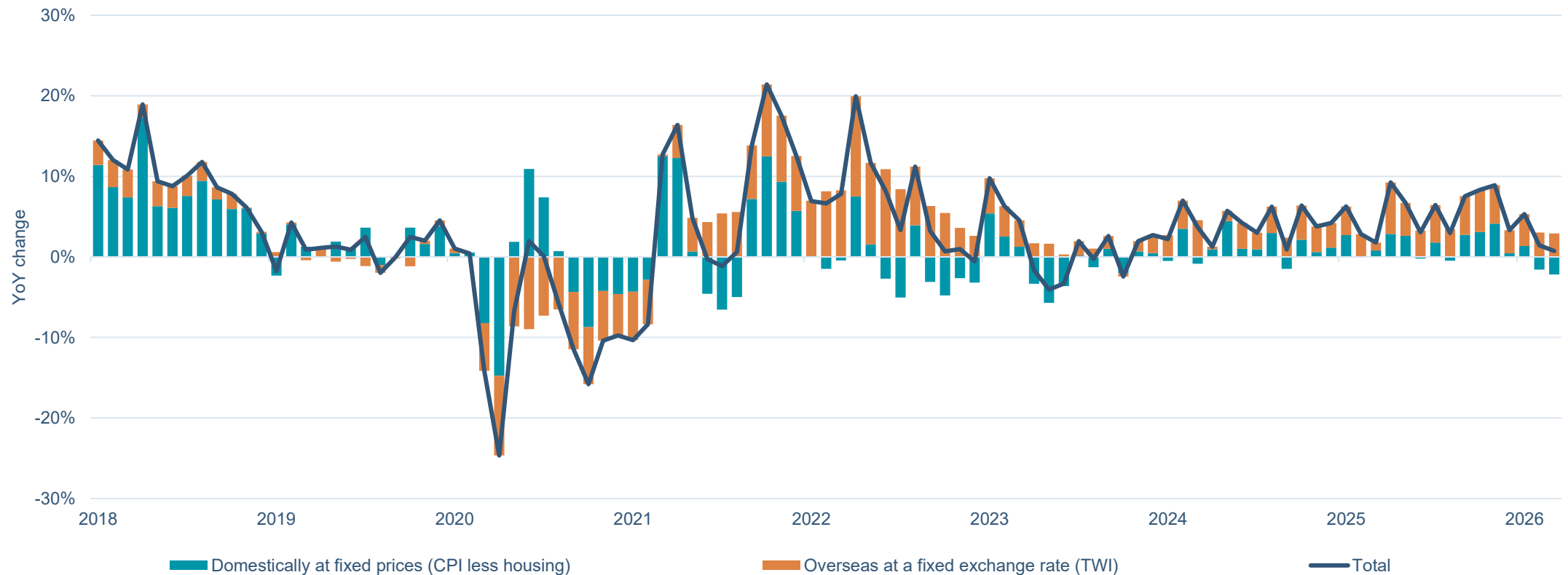
# Unemployment and employed workers

Registered unemployment was 4.8% in March, 0.6 percentage points higher than last year. The number of employed workers in February is unchanged between years.



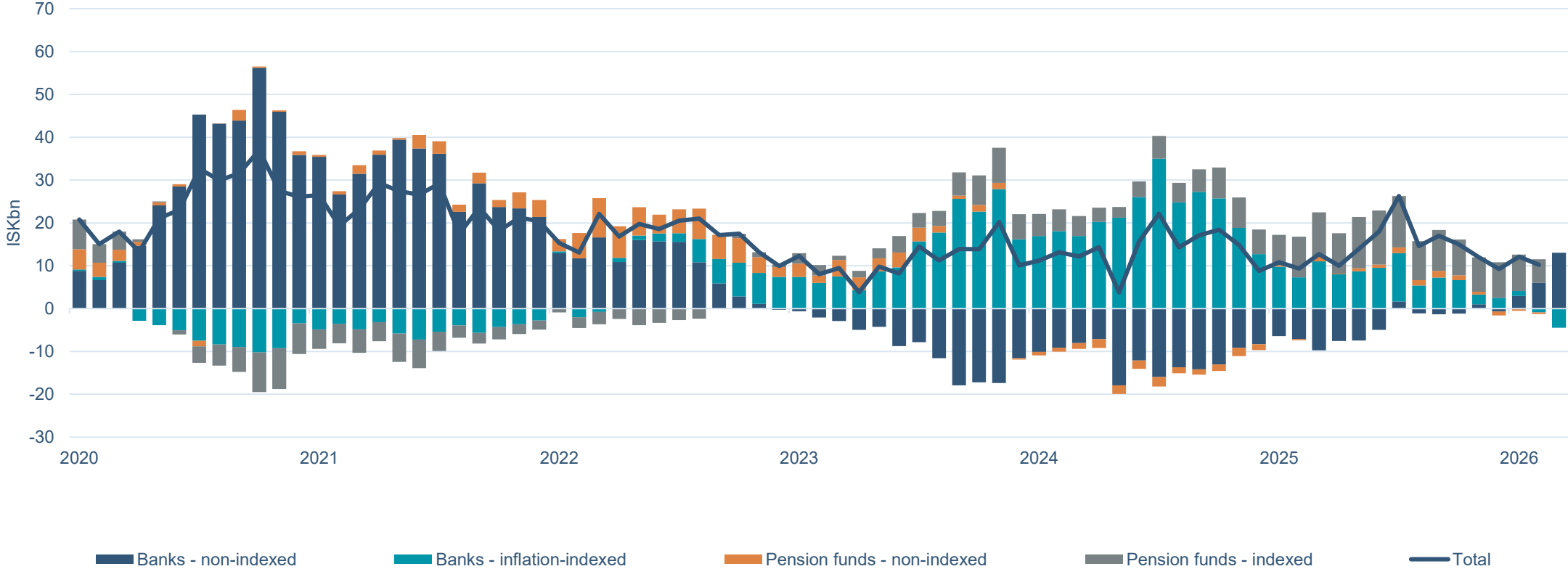
# Payment card turnover of Icelandic households

Card turnover grew by 0.8% between years in March in real terms. It grew by 13.5% overseas and contracted by 2.8% domestically. This is the second month in a row that domestic turnover contracts. Icelanders took 3.6% fewer overseas flights in March of this year than last year. It should be noted that payment card turnover overseas includes online shopping with non-domestic vendors. This is an indication of strong ecommerce activity.



# Net new housing mortgages

Net new mortgages by the commercial banks amounted to ISK 8.5 bn in March, whereof net new non-indexed mortgages were ISK 13.0 bn and net retirement of inflation-indexed mortgages ISK 4.5 bn. March is the third month in a row where household borrowing from commercial banks is mainly non-indexed. Figures for net new lending by pension funds in March will be released on Thursday, 7 May.

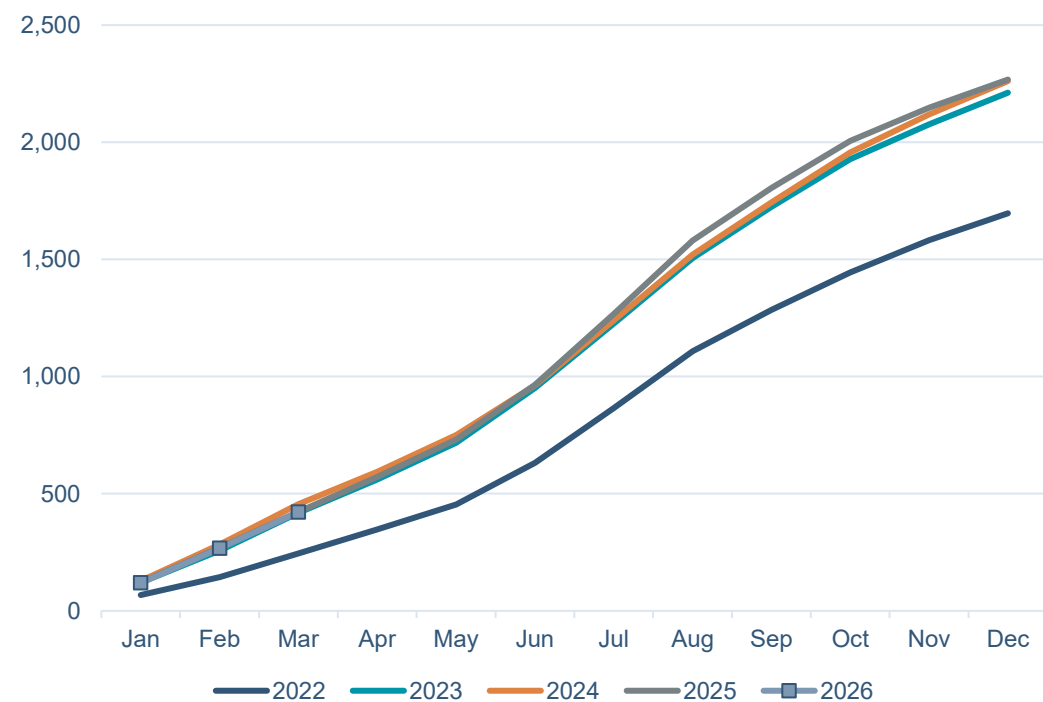


# The travel sector

Around 155 non-domestic travellers passed through Leifsstöð International Airport in March, 1.6% more than in March 2025. Non-domestic payment card turnover contracted by 6.0% between years at fixed prices but increased by 1.1% at a fixed exchange rate in March. Overnight hotel stays by non-domestic travellers grew by 4.9% between years.

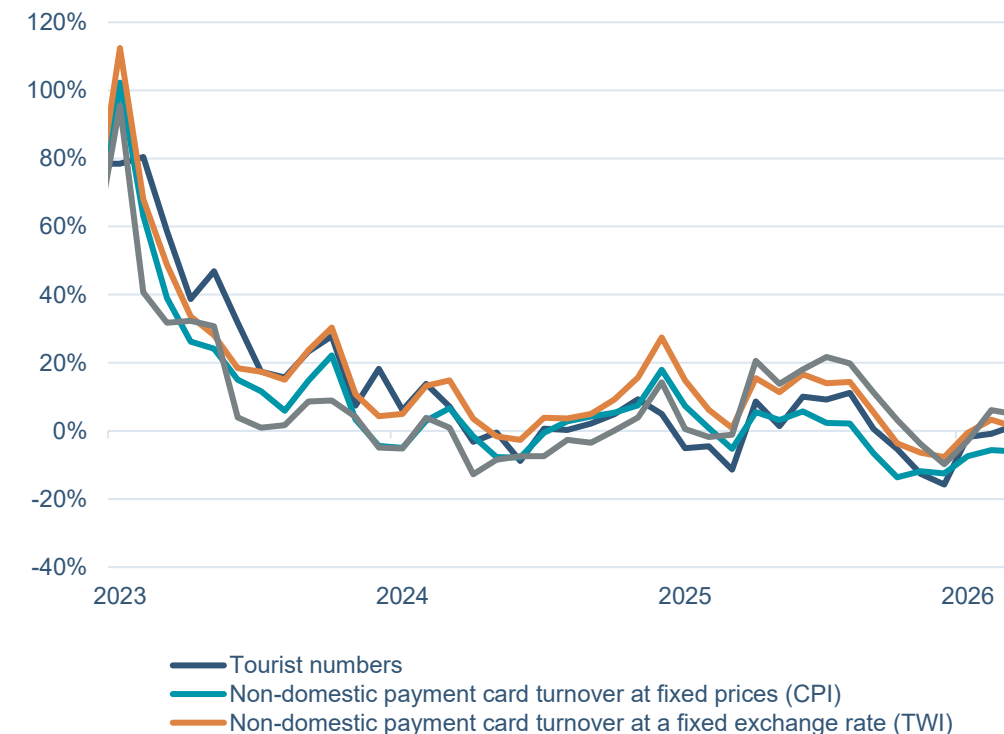
## Acc. tourist numbers

Thousand individuals



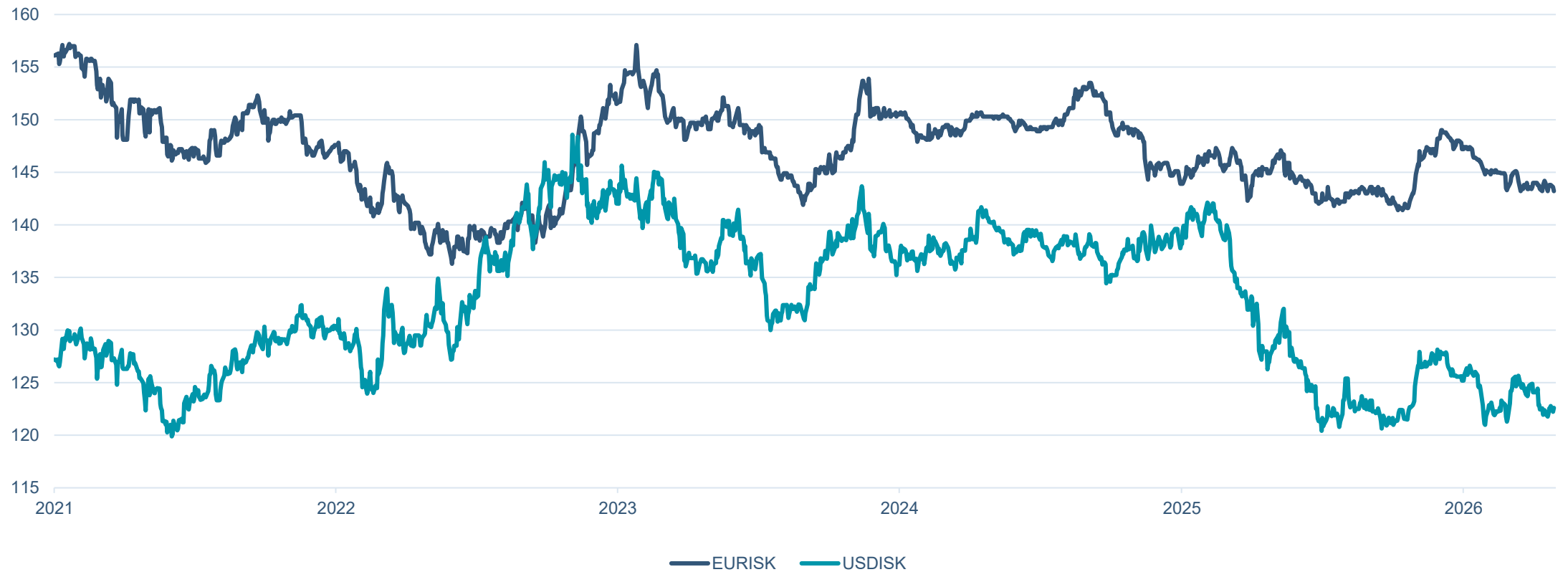
## Development of key indicators

YoY change



# ISK exchange rate

The ISK depreciated slightly against the EUR in April and stood at 144.6 at month end (+0.4 intramonth). The ISK appreciated against the US dollar and stood at ISK 123.1 (-1.8 intramonth) at month end.



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