



# Monthly Newsletter

**3 June 2026**

**Landsbankinn Economic Research**

# Market events – June 2026

Monday	Tuesday	Wednesday	Thursday	Friday
1	2 Real estate valuation for 2027 (HMS) Inflation in the eurozone	3 Minutes of the Monetary Policy Committee (CBI) Statement of the Financial Stability Committee (CBI)	4 Balance of payment in Q1 (CBI)	5 Employed workers in April (HAG) Unemployment in the US
8	9	10 Departures from Keflavík International Airport (FMST) Inflation in the US	11 Registered unemployment (VMST) ECB policy rate decision	12
15	16 Payment mediation in May (CBI) Housing price index in May (HMS)	17 Rental price index in May (HMS) FED policy rate decision Inflation in the UK	18 Monthly report (HMS) Ölgerðin publishes earnings alert Bank of England policy rate decision	19
22	23	24 Wage index (HAG)	25 Turnover based on March-April VAT reports (HAG)	26 CPI in June (HAG) Economic indicators (CBI)
29	30 Overnight stays in May (HAG) Hagar publishes results			

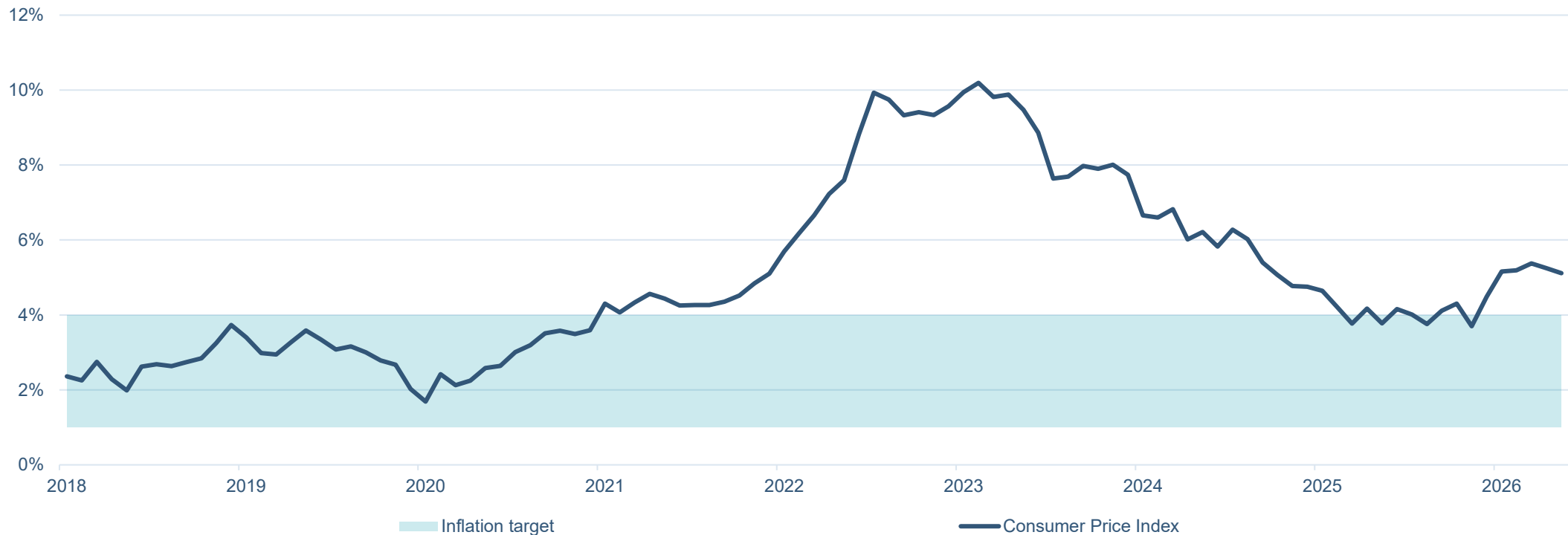


# Inflation

The CPI rose by 0.07% between months in May and inflation receded from 5.2% to 5.1%. We forecast a 0.13% increase in the index between months and that 12-month inflation would dwindle to 4.9%. May is the sixth month in the row with inflation over the CBI's 4.0% upper tolerance limit.

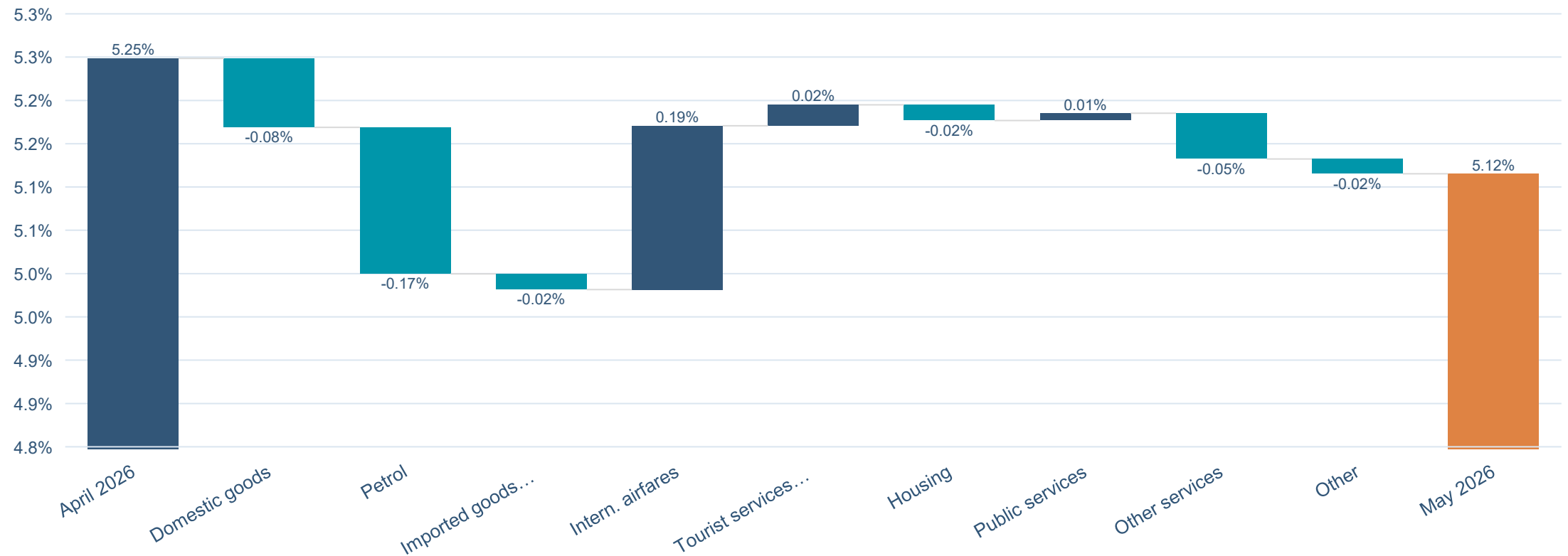
## Consumer Price Index

YoY change



# Changes to the composition of 12M inflation

International airfares weight heaviest in the month-over-month increase in 12-month inflation. The VAT cut on fuel has a lowering effect, with Statistics Iceland estimating that the total impact of changes to VAT on the CPI amounts to -0.32%. This means that without these actions taken by the authorities, 12-month inflation would have risen to 5.5% instead of falling to 5.1%.

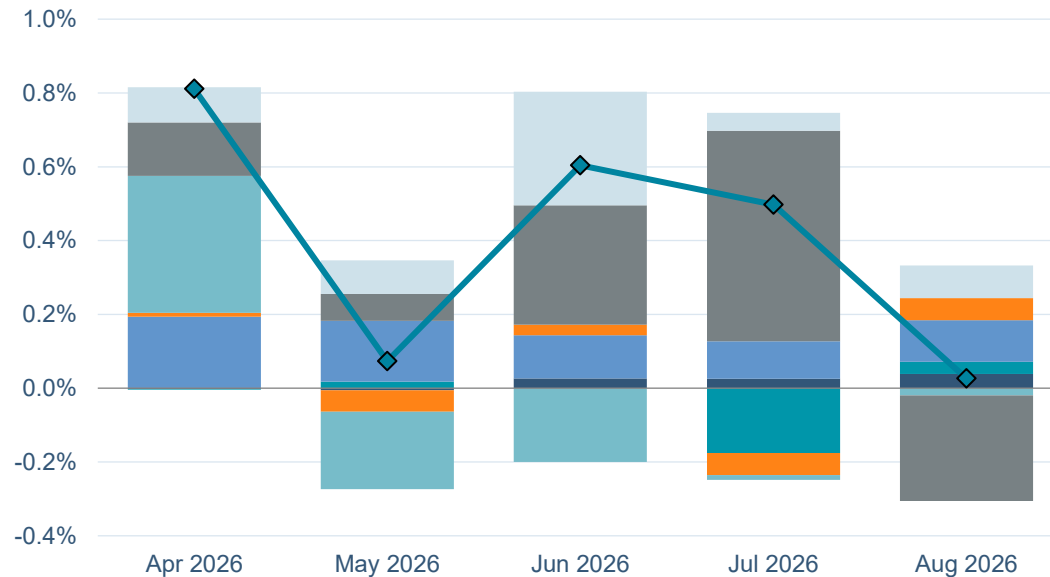


# The outlook for the next months

Our forecast for the next months is an 0.60% increase between months in June, 0.50% in July and 0.03% in August. If the forecast holds, 12-month inflation will be 4.9% in June, 5.0% in July, and 5.2% in August. The main change from our former forecast is that we now expect higher international airfares and imputed rent.

## Inflation forecast

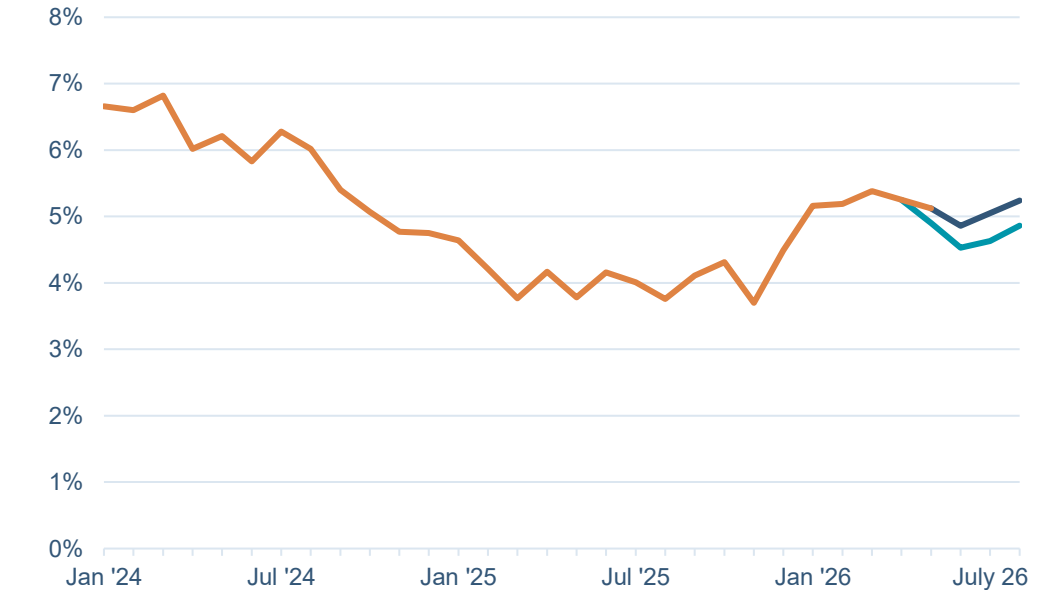
MoM change and weight of components



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

## Inflation forecast

12-month inflation



- Previous forecast (publ. 13 May)
- Current forecast (publ. 28 May)
- Inflation



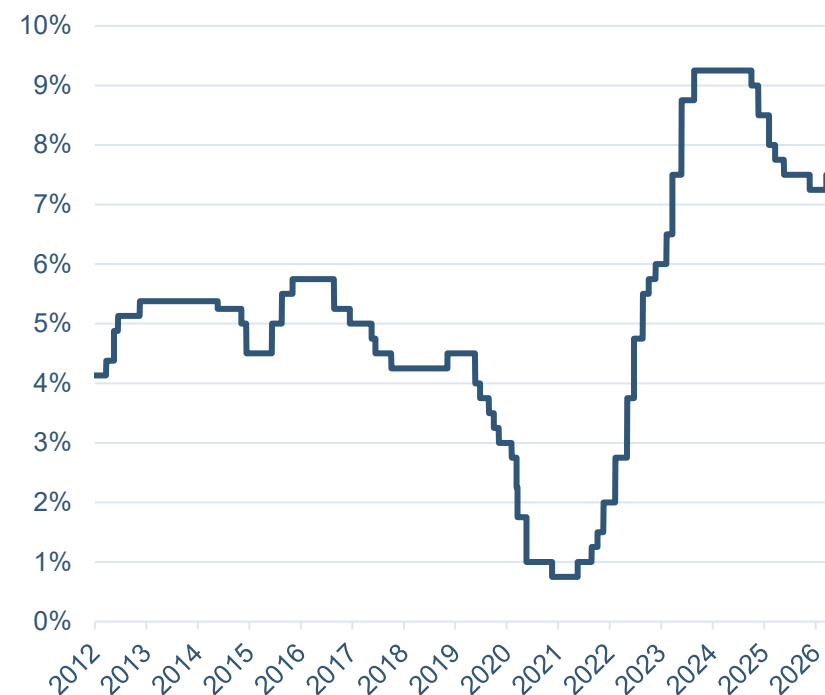
# Policy rate

In May, the Monetary Policy Committee lowered the policy rate by 0.25 percentage points. The decision was in accordance with out expectations and was supported by all MPC members. The MPC indicated quite clearly that it is prepared to raise the rate even further if necessary despite having the effect of cooling the economy even further. The net decision date is 19 August, with 13 weeks between such decisions this time around.

## MPC interest rate decisions

Date	Weeks from previous	Decis.	For	Against	Other option	Key interest rate
7 Feb. 2024	11	Unch.	ÁJ, RS, ÁÓP, HS	GJ (-0.25%)		9.25%
20 March 2024	6	Unch.	ÁJ, RS, ÁÓP, HS	GJ (-0.25%)		9.25%
2024-05-08	7	Unch.	ÁJ, RS, ÁÓP, HS	AS (-0.25%)		9.25%
21 Aug 2024	15	Unch.	ÁJ, RS, TB, ÁÓP, HS			9.25%
2 Oct. 2024	6	-0.25%	ÁJ, RS, TB, ÁÓP, HS		HS (Unch.)	9.00%
20 Nov. 2024	7	-0.50%	ÁJ, RS, TB, ÁÓP, HS			8.50%
5 Feb. 2025	11	-0.50%	ÁJ, RS, TB, ÁÓP, HS			8.00%
19 March 2025	6	-0.25%	ÁJ, RS, TB, ÁÓP, HS			7.75%
2025-05-21	9	-0.25%	ÁJ, ThGP, TB, ÁÓP		HS (Unch.)	7.50%
20 Aug 2025	13	Unch.	ÁJ, RS, TB, ÁÓP, HS			7.50%
8 Oct. 2025	7	Unch.	ÁJ, RS, TB, ÁÓP, HS			7.50%
19 Nov. 2025	6	-0.25%	ÁJ, RS, TB, ÁÓP, HS			7.25%
4 Feb. 2026	11	Unch.	ÁJ, RS, TB, ÁÓP, HS			7.25%
18 March 2026	6	+0.25%	ÁJ, ThGP, TB,	ÁÓP, HS		7.50%
20 May 2026	9	+0.25%	ÁJ, RS, TB, ÁÓP, HS			7.75%
19 Aug 2026	13					
7 Oct. 2026	7					
18 Nov. 2026	6					

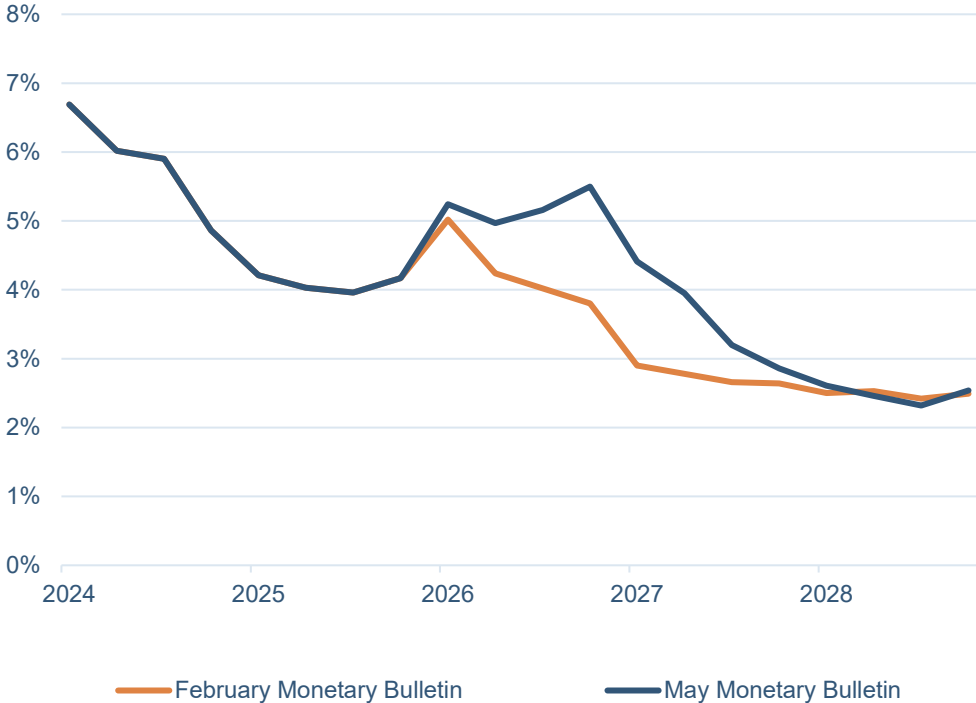
## Key interest rate of the Central Bank of Iceland



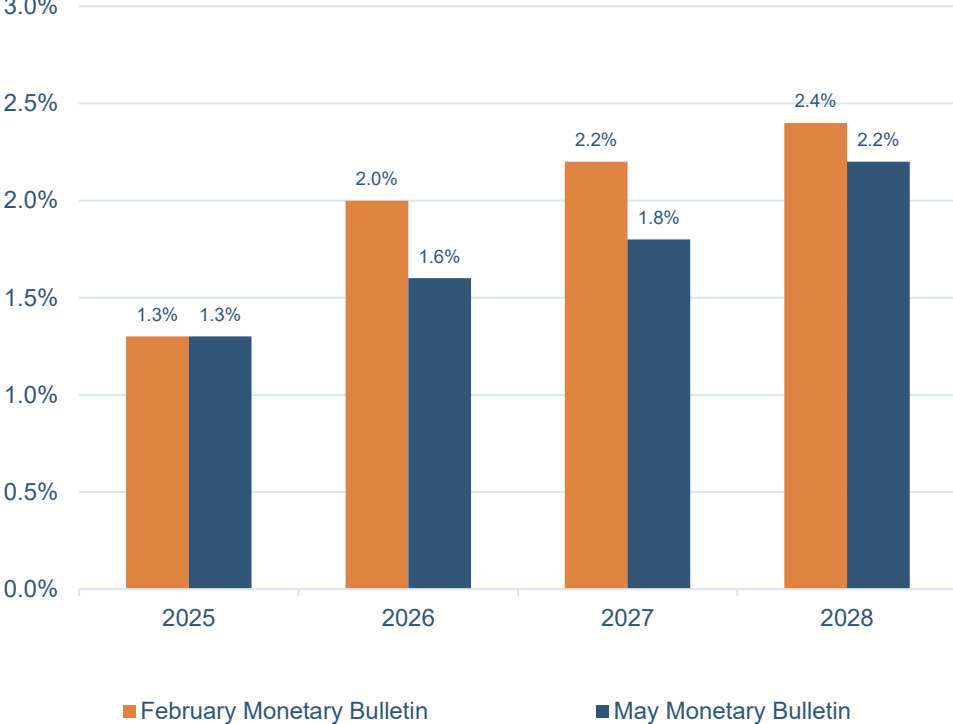
# Monetary Bulletin 2026/2

Alongside the rate decision 20 May, the CBI published its *Monetary Bulletin*, containing a new macroeconomic forecast. The CBI revised its inflation forecast upward by a considerable degree from its February forecast. The CBI now expects similar inflation figures as we do in the second quarter, around 5.0%. The CBI then expects inflation to rise somewhat in the second half of the year, to measure 5.2% in Q3 and 5.5% in Q4. The CBI adjusted its economic growth forecast for the year downward, from 2.0% to 1.6%. The CBI now anticipates rather less private consumption and investment this year but slightly higher exports.

### CBI's inflation forecasts



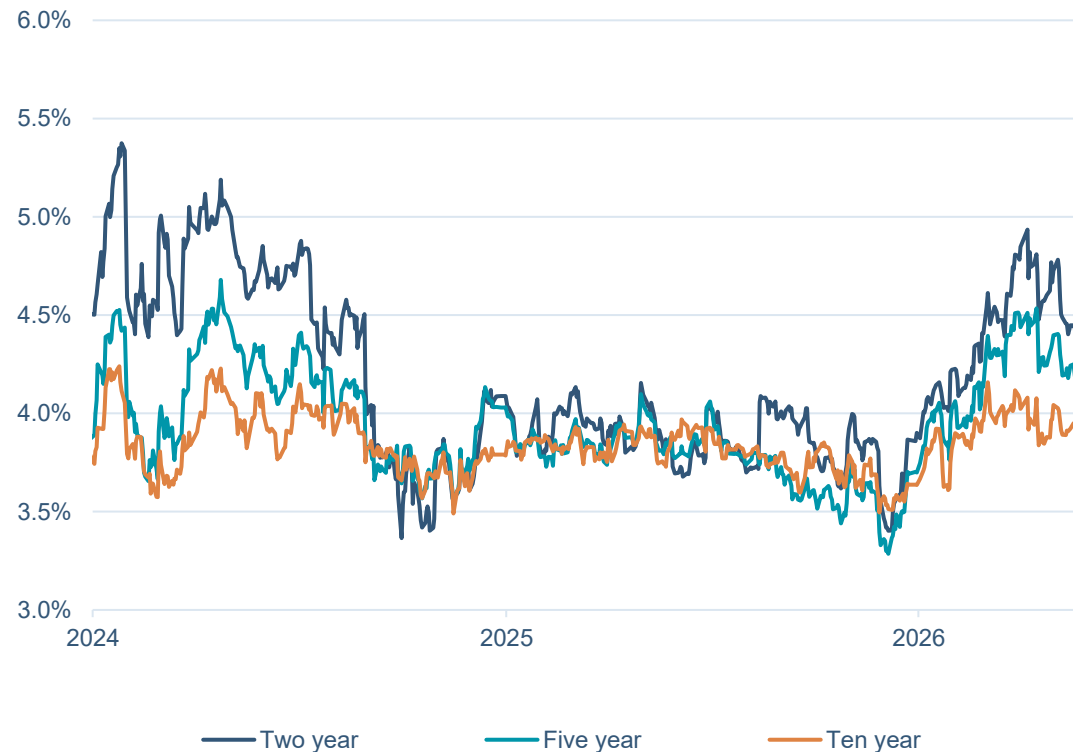
### CBI's economic growth forecasts



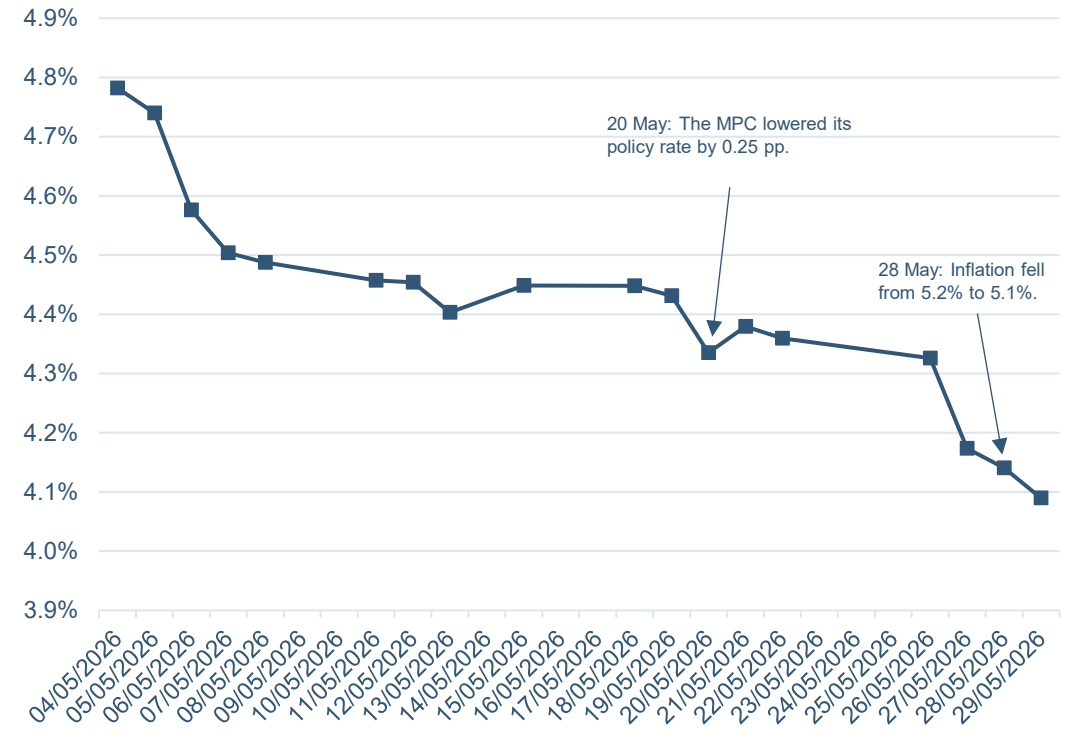
# Inflation premium in the bond market

Inflation risk premiums in the bond market decreased over the course of May, whether measured at the two-year horizon (4.1% at month-end, -0.6 pp intramonth), the five-year horizon (3.8% at month-end, -0.6 pp intramonth), or the ten-year horizon (3.8% at month-end, -0.3 pp intramonth).

## Inflation premium in the bond market



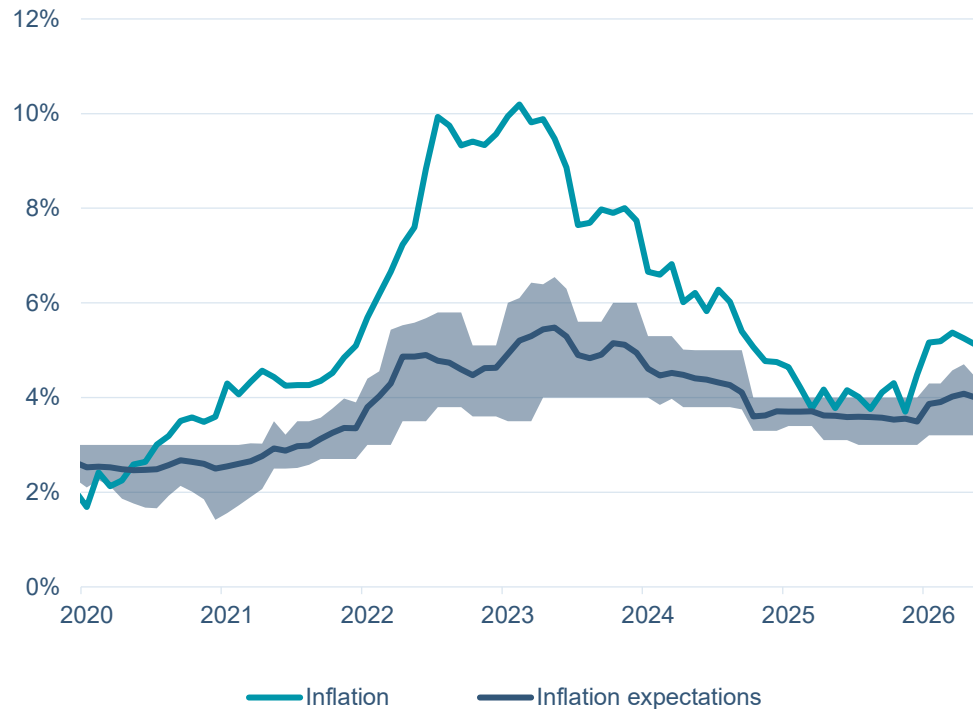
## 2Y inflation premium (break-even rate)



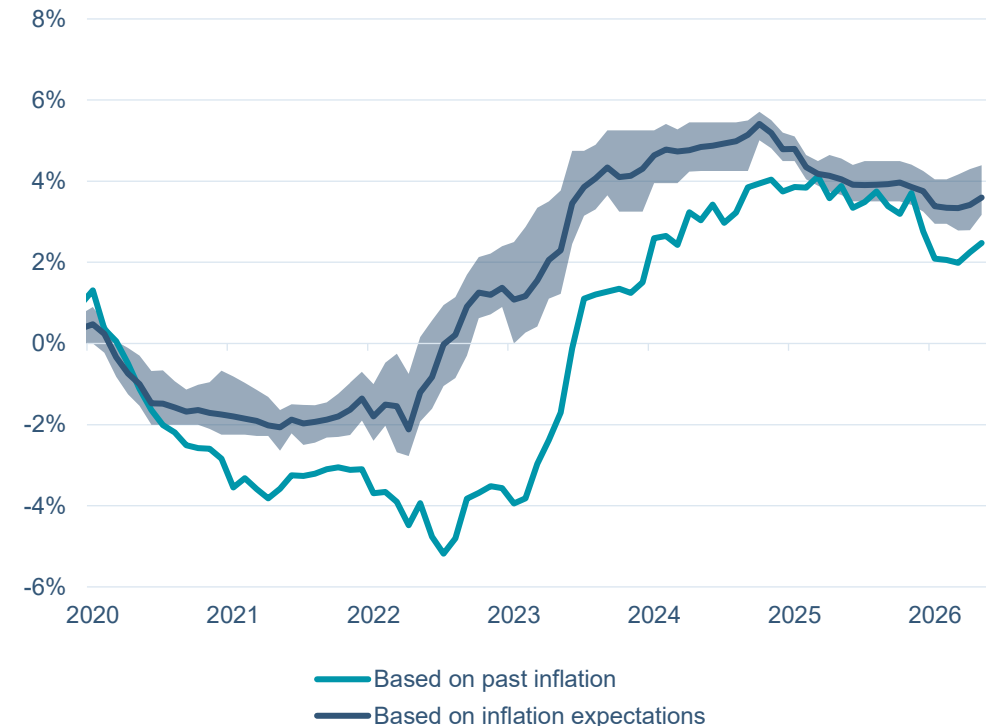
# Inflation, inflation expectations and the real policy rate

The average of the main measures of inflation expectations was 4.0% in May (-0.1 pp MoM). The real policy rate compared to past inflation was 2.5% (+0.2 pp MoM) and based on the average of key measures of inflation expectations the real policy rate was 3.6% (+0.2 pp MoM).

## Inflation and inflation expectations



## Real policy rate

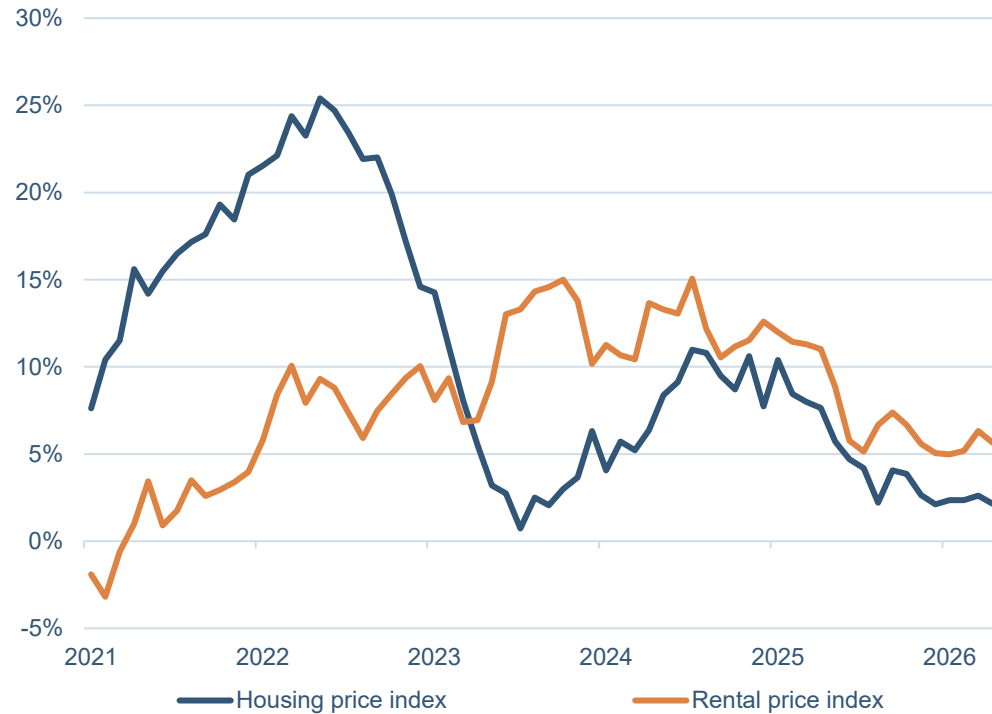


# The real estate market

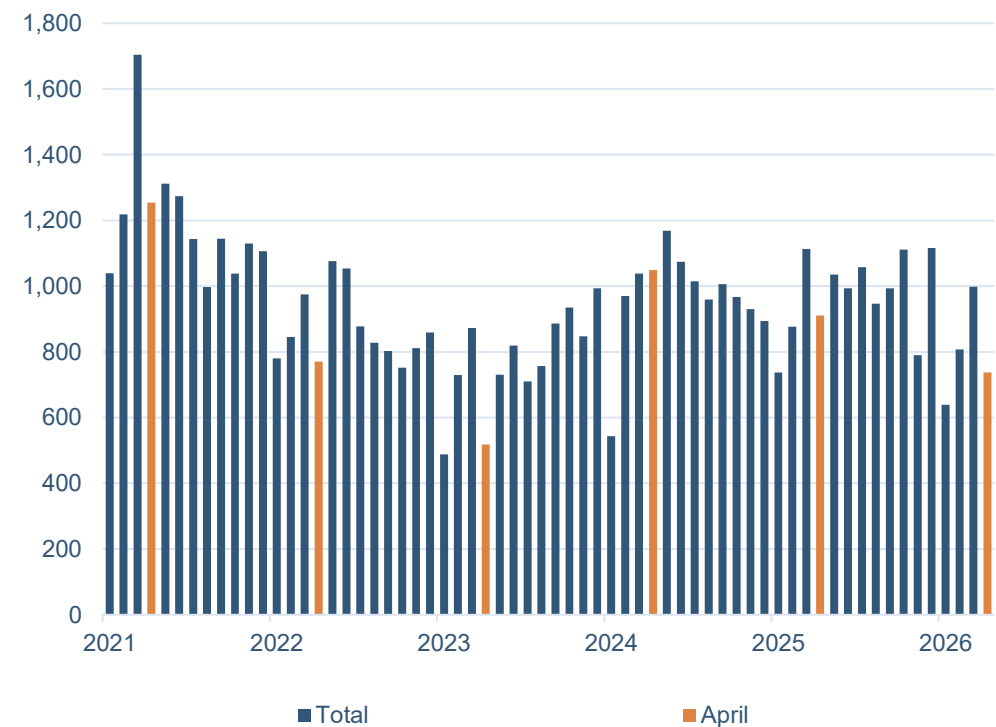
The housing price index was unchanged between months in April and the annualised increase of the index fell from 2.6% to 2.2%. Real housing prices have now decreased six months in a row. If the housing price index is adjusted for general prices (the CPI excl. housing), the decrease in April amounts to 2.5% YoY. A total of 727 real estate purchase contracts were signed in April. This is a considerable decrease between years, or 20% compared with April 2025.

## Housing and rental price index

YoY change



## Signed purchase contracts \*)

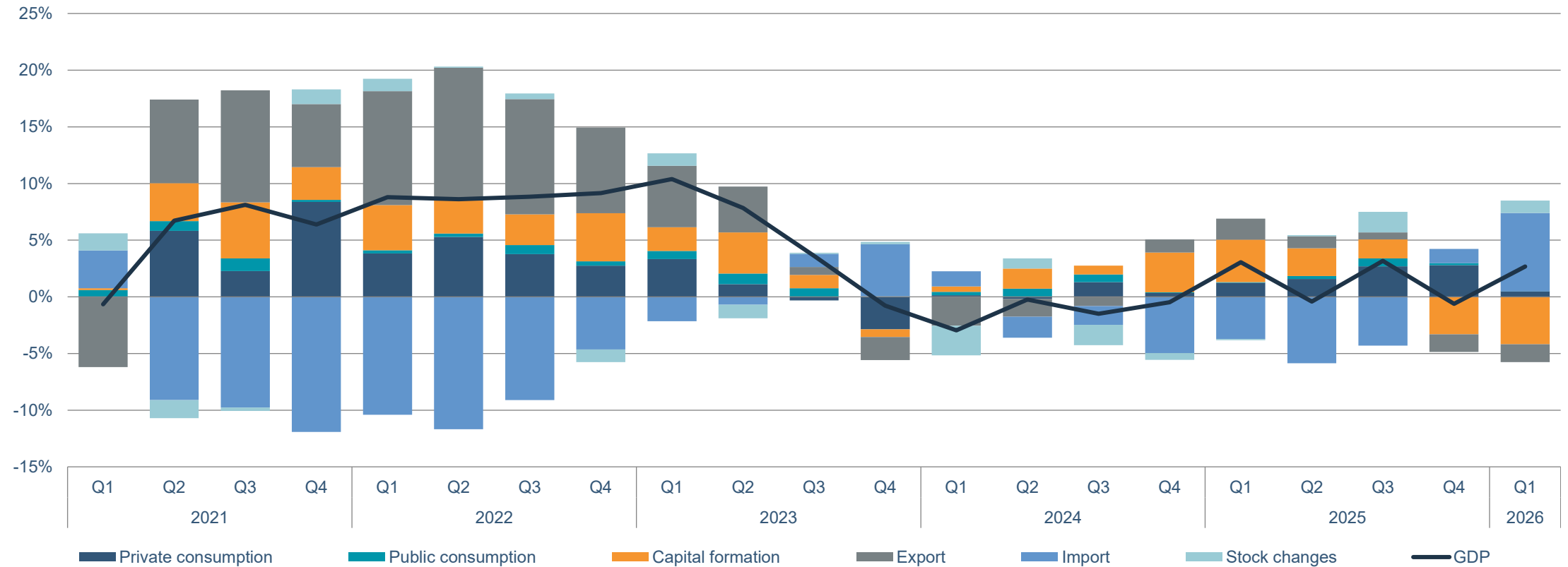


\*) January 2024 to September 2024 is less Thórkatla buy-ups and purchases by the Grindavík populace  
Source: The Housing and Construction Authority



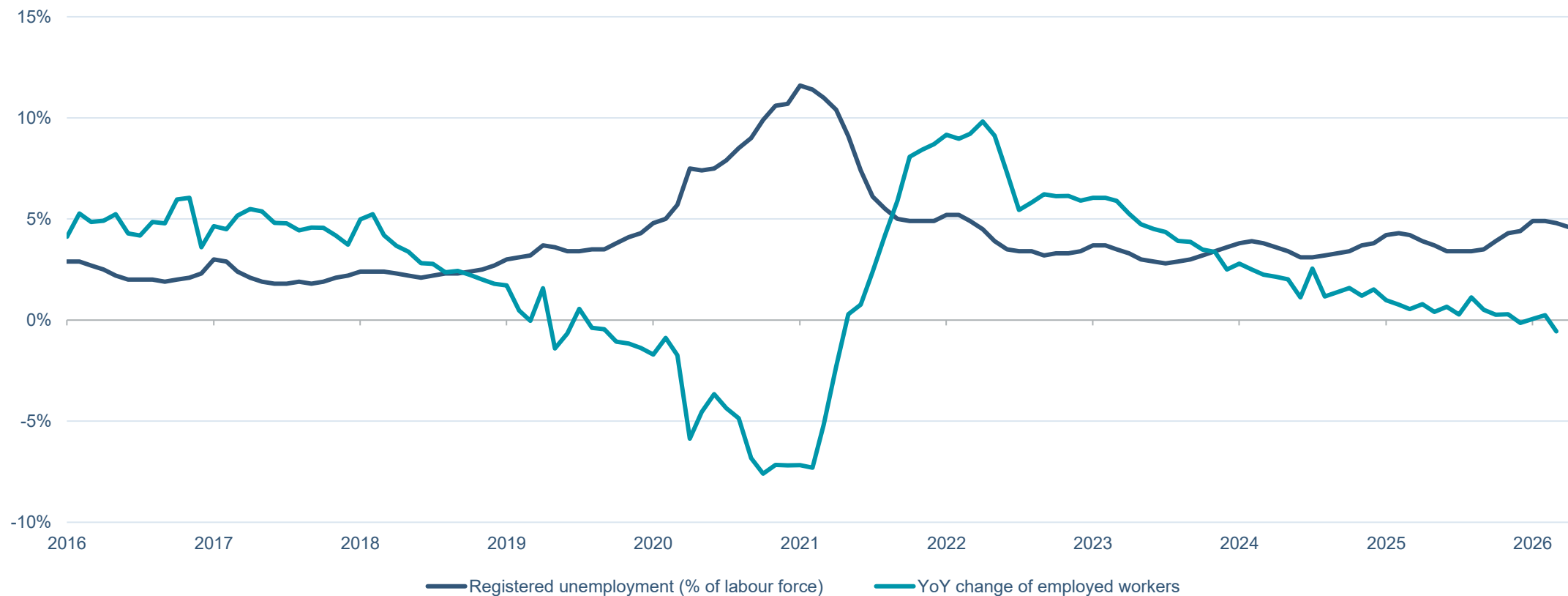
# Gross domestic product

According to preliminary figures from Statistics Iceland, GDP grew by 2.7% in the first quarter. Both private and public consumption grew between years but capital formation contracted severely. All in all, domestic demand contracted. Growth in the quarter is mainly from the positive contribution of foreign trade due to a contraction in imports.



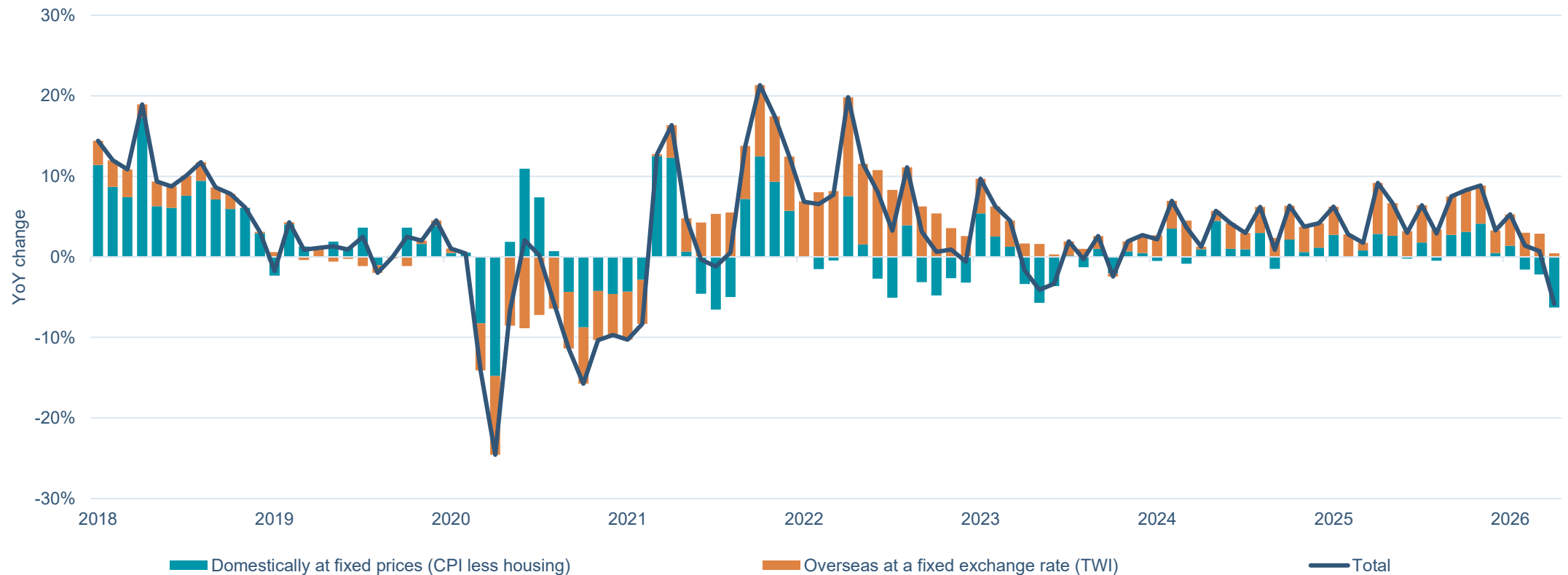
# Unemployment and employed workers

Both figures on unemployment and employed workers based on the withholding tax register indicate that the labour market is slowing down. Registered unemployment was 4.6% in April, 0.7 percentage points higher than the same month last year. Registered employed workers are down by 0.4% between years in March. Statistics Iceland publishes employed workers in April on Friday, 5 June.



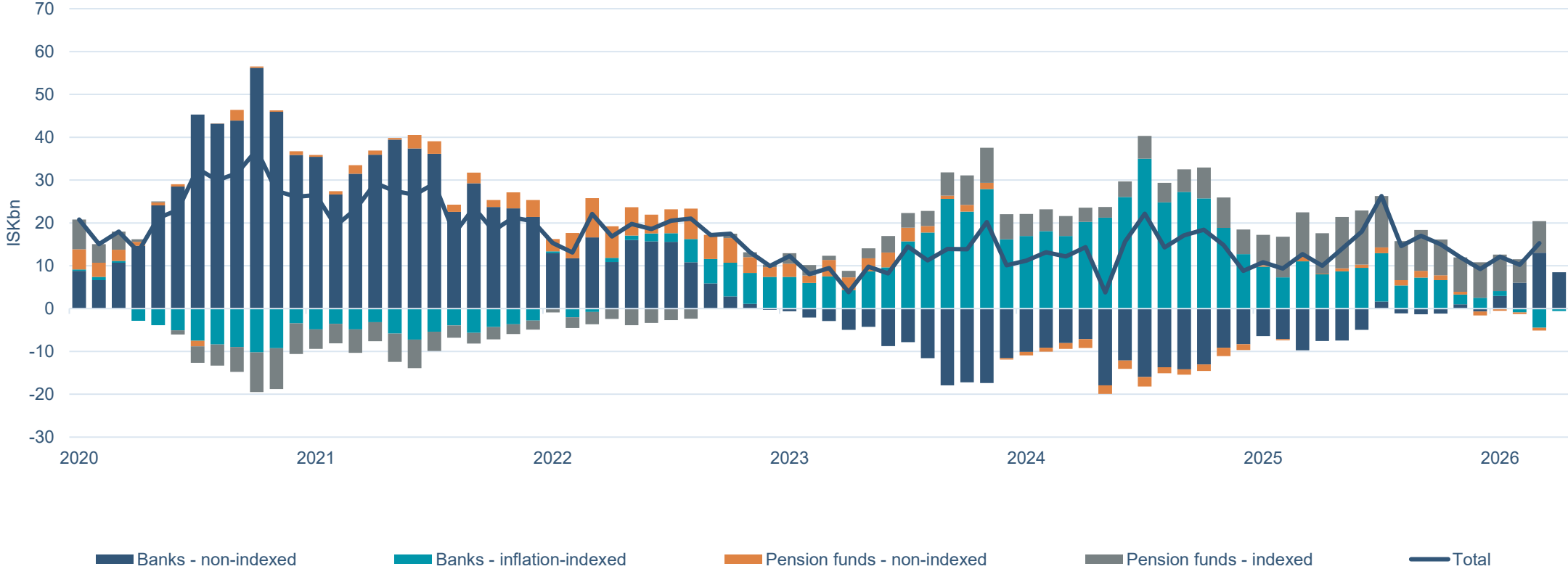
# Payment card turnover of Icelandic households

The total payment card turnover of Icelandic households was ISK 111 bn in April and is down by 5.8% between years, having regard for price and exchange rate changes. This is the greatest decrease since February 2021. Domestic card turnover contracted by 8.2% YoY in April, the greatest contraction since October 2020. This is the third month in a row that shows a contraction in domestic turnover but the contraction now in April was considerably less than in February and March. Overseas turnover grew slightly, or by 2%, which is less than in recent months.



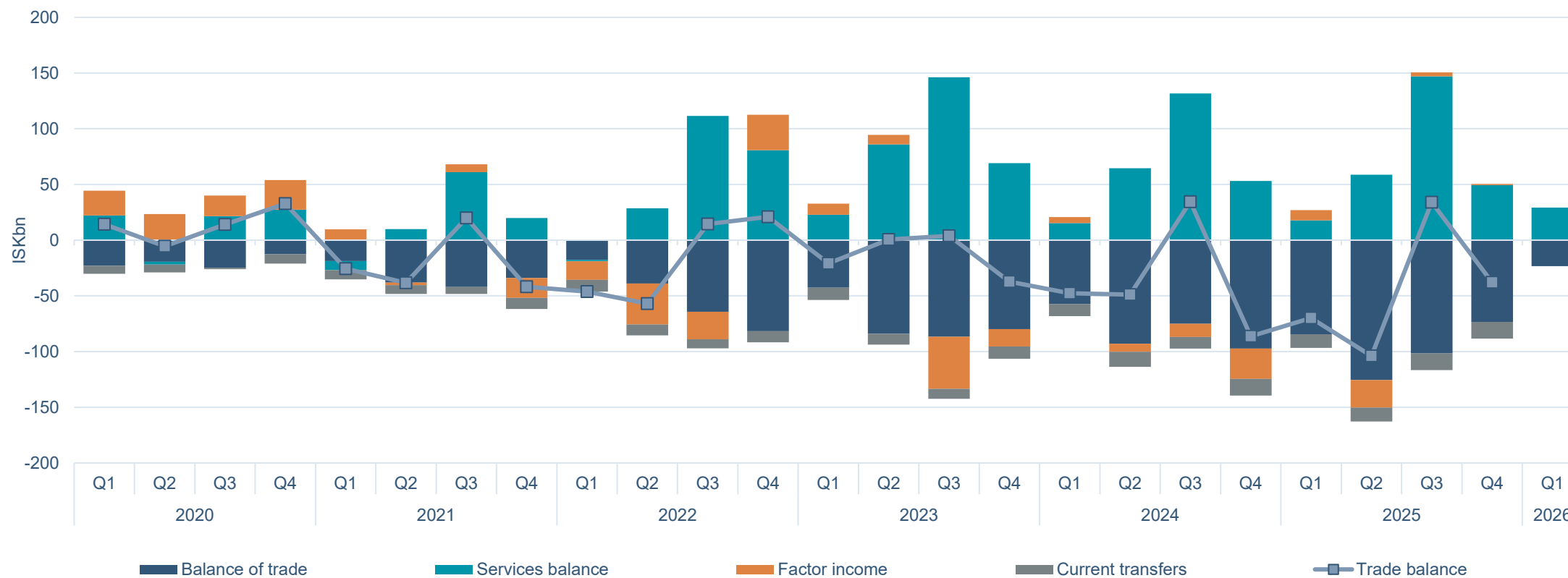
# Net new housing mortgages

Net new mortgages by the commercial banks amounted to ISK 8.0 bn in April, whereof net new non-indexed mortgages were ISK 8.5 bn and net retirement of inflation-indexed mortgages were ISK 0.5 bn. April is the fourth month in a row where household borrowing from commercial banks is mainly non-indexed. Figures for net new lending by pension funds in April will be released on Thursday, 4 June.



# Balance of trade

There was an ISK 29.3 bn surplus on the services balance and ISK 23.4 bn deficit on the trade balance in the first quarter. The surplus on the trade balance was ISK 5.9 bn in the quarter. This is a much more favourable result than the same time last year when there was an ISK 66.5 bn deficit. The turnaround is mainly caused by less import of goods as compared to the first quarter in 2025, when an unusual amount of computer equipment was imported for the construction of data centres.

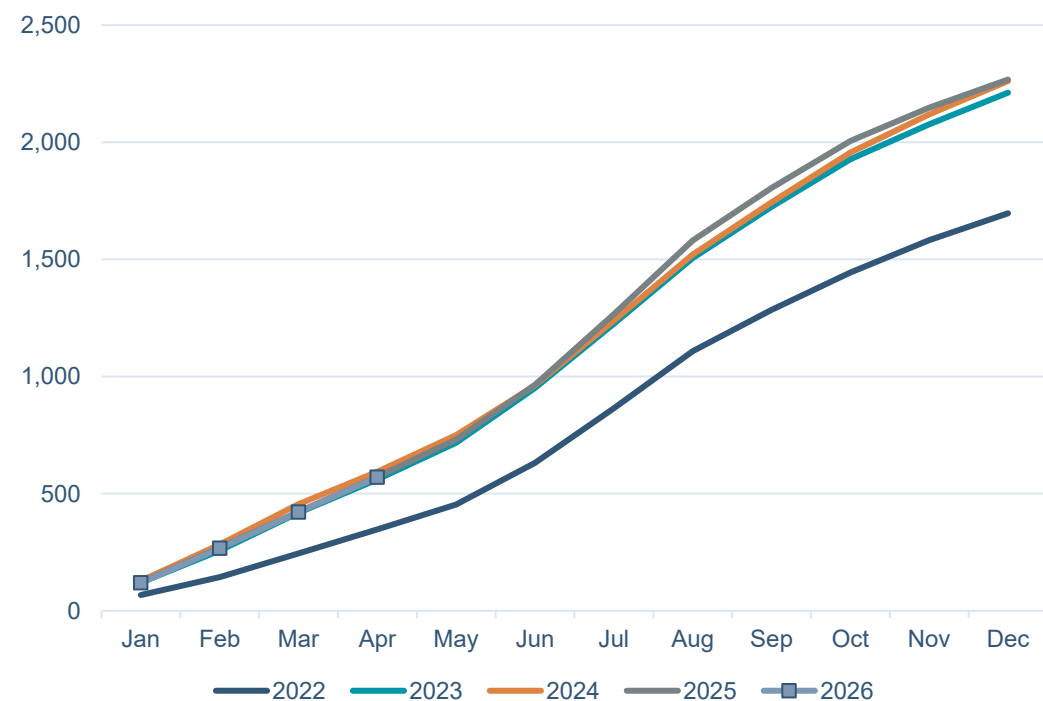


# The travel sector

Around 149.000 foreign travellers passed through Keflavík International Airport in April, more or less the same number as in April 2025. The number of foreign travellers this year to date is almost the same as in the same period last year. Non-domestic payment card turnover contracted by 11.9% between years at fixed prices and by 6.2% at a fixed exchange rate. Overnight hotel stays by non-domestic travellers decreased by 2.4% between years.

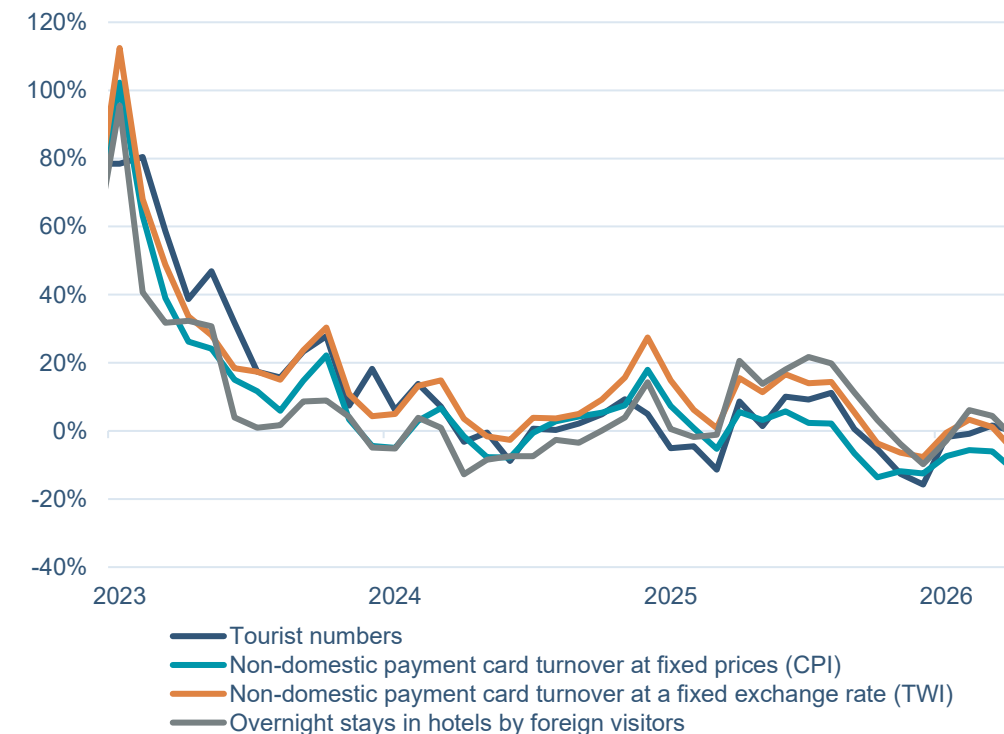
## Acc. tourist numbers

Thousand individuals



## Development of key indicators

YoY change



# ISK exchange rate

The ISK has been stable against the EUR in the past three months but has appreciated against the USD due to movements between the EUR and the USD. The ISK appreciated slightly against the EUR in May and stood at 143.4 (-0.6 intramonth) at month end. The ISK depreciated slightly against the USD and stood at ISK 123.2 (+0.1 intramonth) at month end.



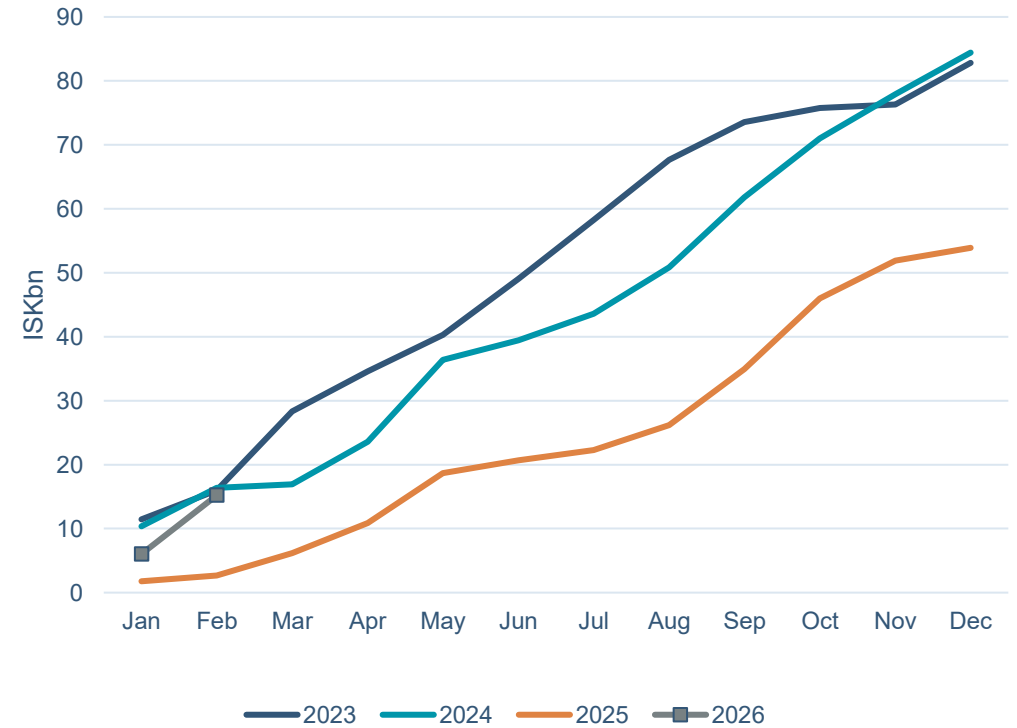
# FX trade of the CBI and pension funds

On 8 May, the CBI announced that it intended to again begin regular FX purchase. The CBI intends to purchase EUR 6 million per week. The transactions will take place on Tuesdays and Thursdays, EUR 3 million each day. The CBI commenced this period of regular purchases on Tuesday 12 May and it is scheduled to end on Thursday, 15 October. Based on this schedule, the CBI is set to purchase EUR 138 million, or the equivalent of ISK 20 billion.

## Activity by the Central Bank of Iceland



## Acc. annual FX purchases of pension funds



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