Monthly Newsletter

4 August 2026

Landsbankinn Economic Research

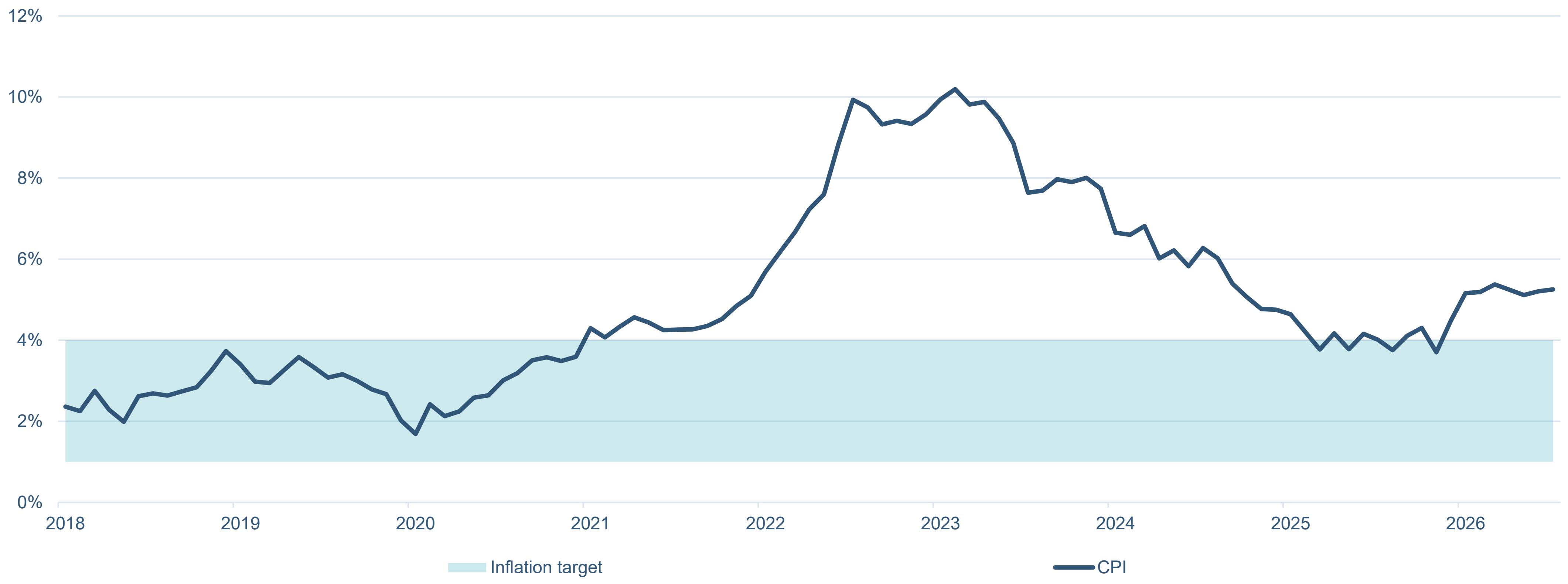
Market events - August 2026

Monday	Tuesday	Wednesday	Thursday	Friday
3 JBT Marel publishes results	4	5	6 Oculis publishes results	7 Unemployment in the US
10 Departures from Keflavík International Airport (FMST)	11 Registered unemployment (VMST)	12 Kvika Bank publishes results Inflation in the US	13 Amaroq and SKEL publish results	14 Market expectation survey (CBI)
17	18 **Housing price index (HMS)** Payment mediation (CBI) Eik and Síminn publish results	19 **Interest rate decision (CBI)** Employed workers (HAG) Rental price index (HMS) Alvotech publishes results Inflation in the UK	20 Monthly report (HMS) Kaldalón publishes results	21 Wage index (HAG)
24 Reitir publishes results	25 Turnover based on VAT reports (HAG) Eimskip and Nóva klúbburinn publish results	26 Iceland Seafood publishes results	27 **CPI (HAG)** Goods and services balance (HAG) Overnight stays (HAG) Brim, Hampiðjan, Heimar, Síldarvinnslan and Sýn publish results	28 Ísfélagið publishes results
31 **National accounts (HAG)**				

(HAG) Statistics Iceland, CBI: Central Bank of Iceland, VMST: Directorate of Labour, FMST: Icelandic Tourist Board, HMS: The Housing and Construction Authority.

Inflation

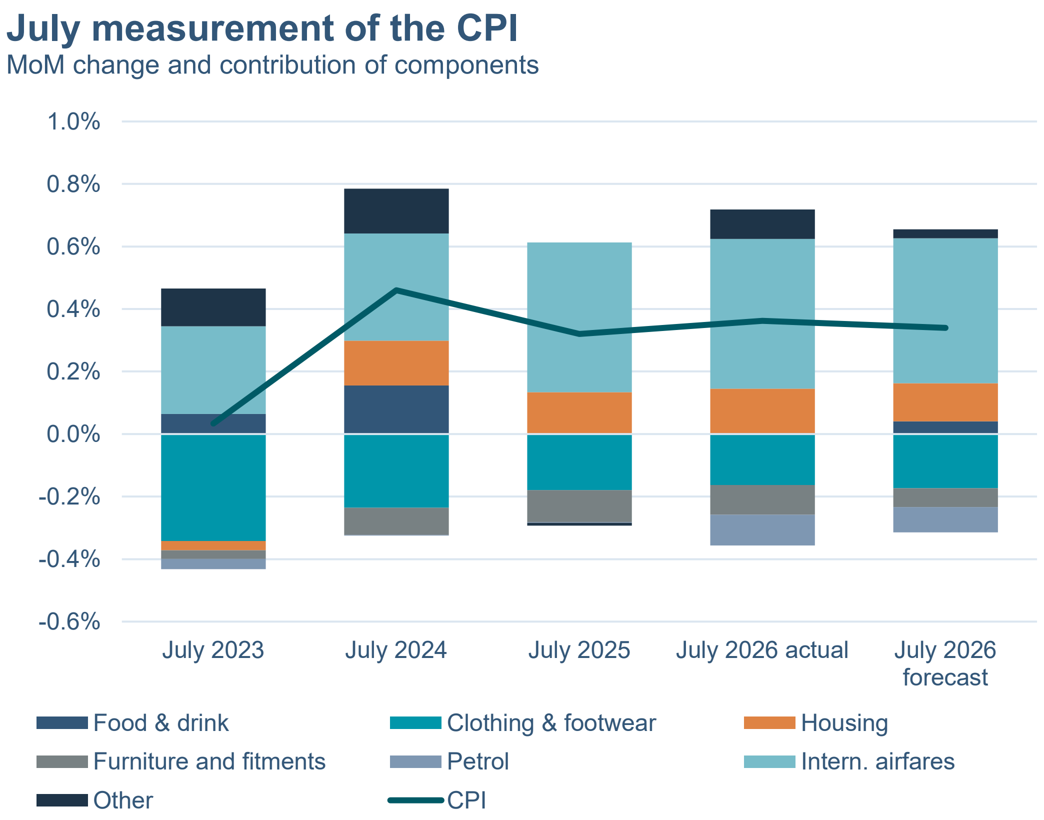
The CPI rose by 0.36% between months in July and inflation increased from 5.2% to 5.3%. We expected the CPI to increase by 0.34% between months and inflation to hold steady at 5.2%. Inflation has hovered over 5% all seven months of the year to date.

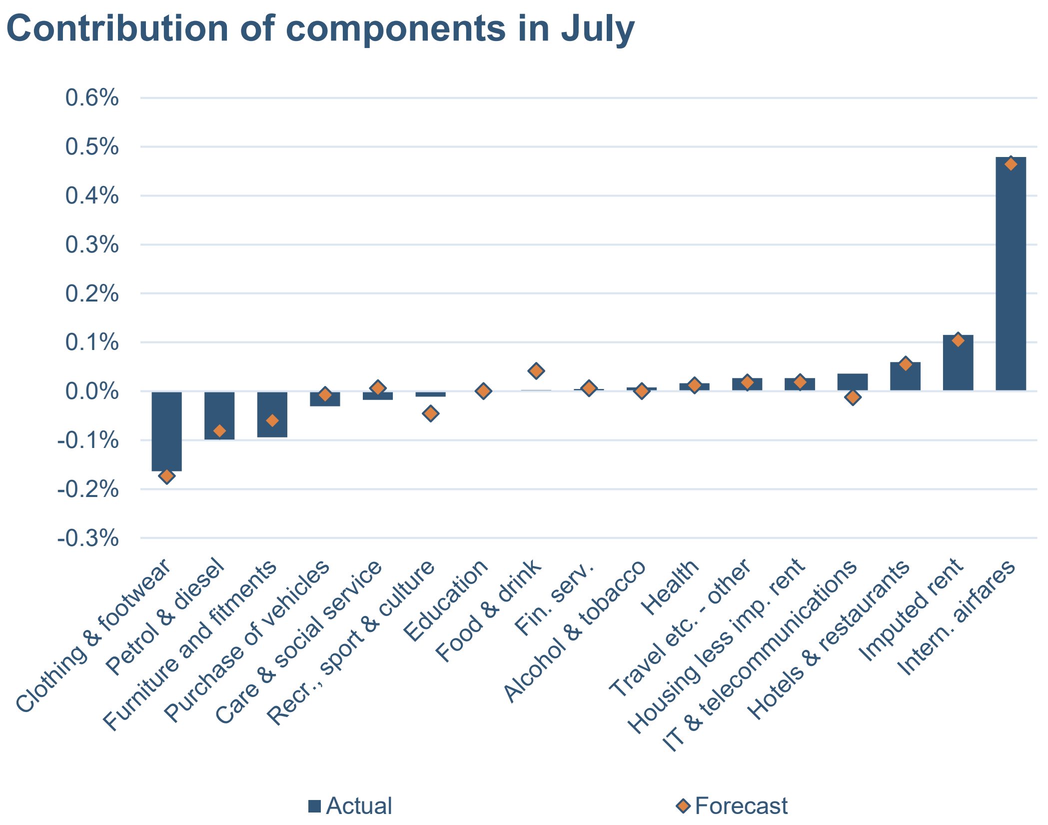


Source: Statistics Iceland

MoM change in the CPI

There was very little difference between our forecast and Statistics Iceland's published figures, and no single CPI component came as a significant surprise. The food basket was virtually unchanged from the previous month. Clothing and footwear prices fell by 4.7% as a result of the July sales, broadly in line with recent years. International airfares increased by 15.7% and are now 23% higher than a year ago. Imputed rent rose by 0.6% as we had expected. Fuel prices declined by 3.6% from the previous month.

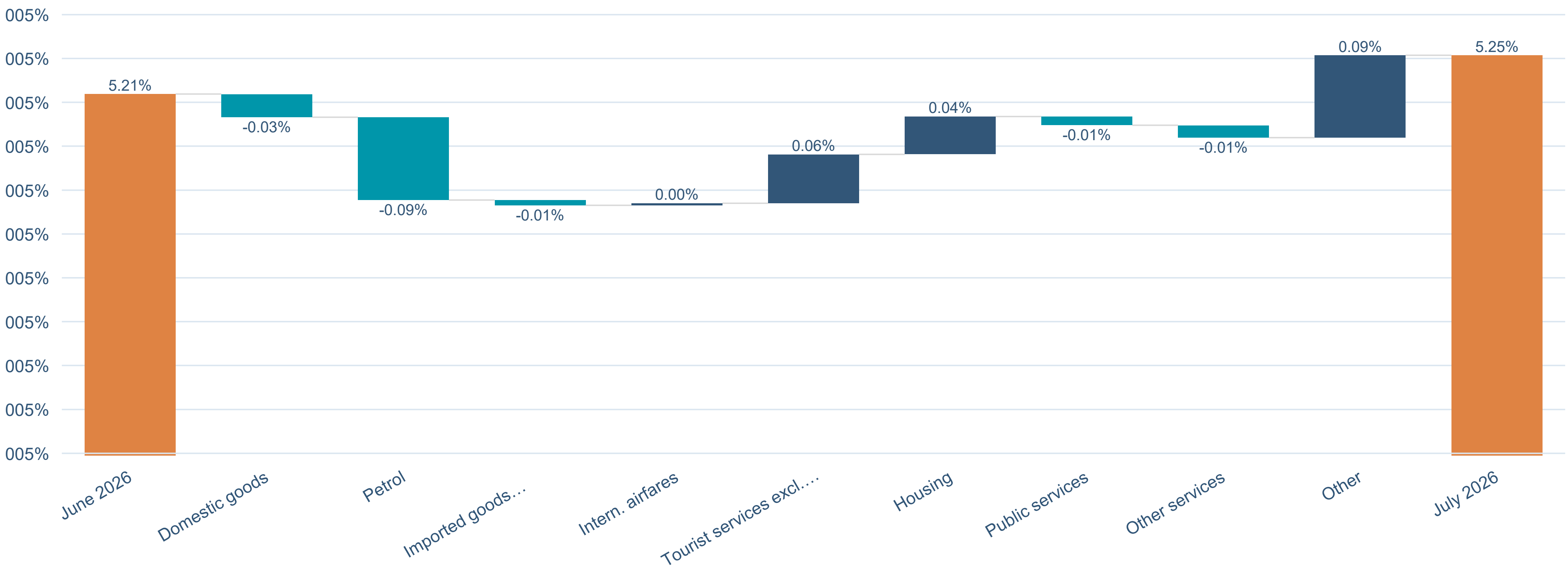




Source: Statistics Iceland, Landsbankinn Economic Research

Changes to the composition of 12M inflation

Looking at the composition of 12-month inflation, the contribution from fuel declined between months. However, global oil prices have risen since the CPI price measurement week, suggesting that this effect is likely to reverse in August. Meanwhile, the contribution from tourism (excl. international airfares) increased, as did the contribution from housing costs.



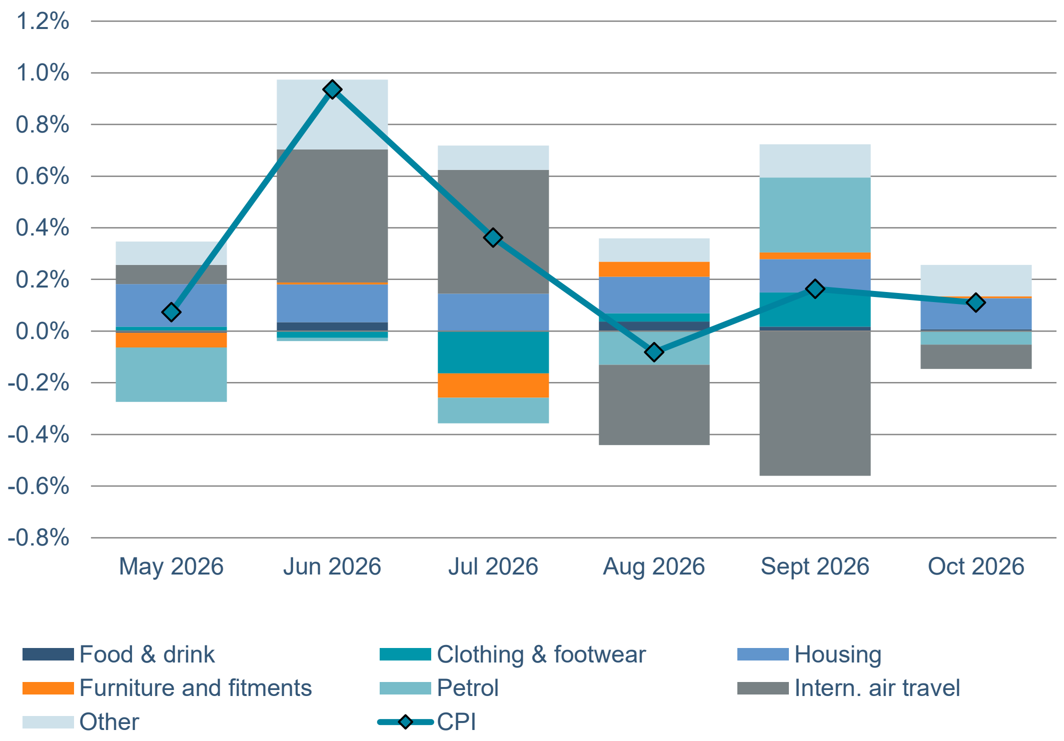
Source: Statistics Iceland, Landsbankinn Economic Research

The outlook for the next months

We now expect the CPI to decrease 0.08% in August, increase 0.16% in September and increase 0.11% in October. If the forecast holds, 12-month inflation will be 5.3% in August, 5.4% in September and 5.0% in October. We made only minor changes to the forecast we published during the CPI price measurement week. We now expect slightly lower 12-month inflation in August, but somewhat higher inflation in September. This revision is explained in part by the fact that payments for primary healthcare visits will increase in September rather than August, as stated in the regulation announced by the Government Offices of Iceland in early July. Global oil prices have also risen significantly since the CPI price measurement week and we therefore expect higher oil prices over the coming months.

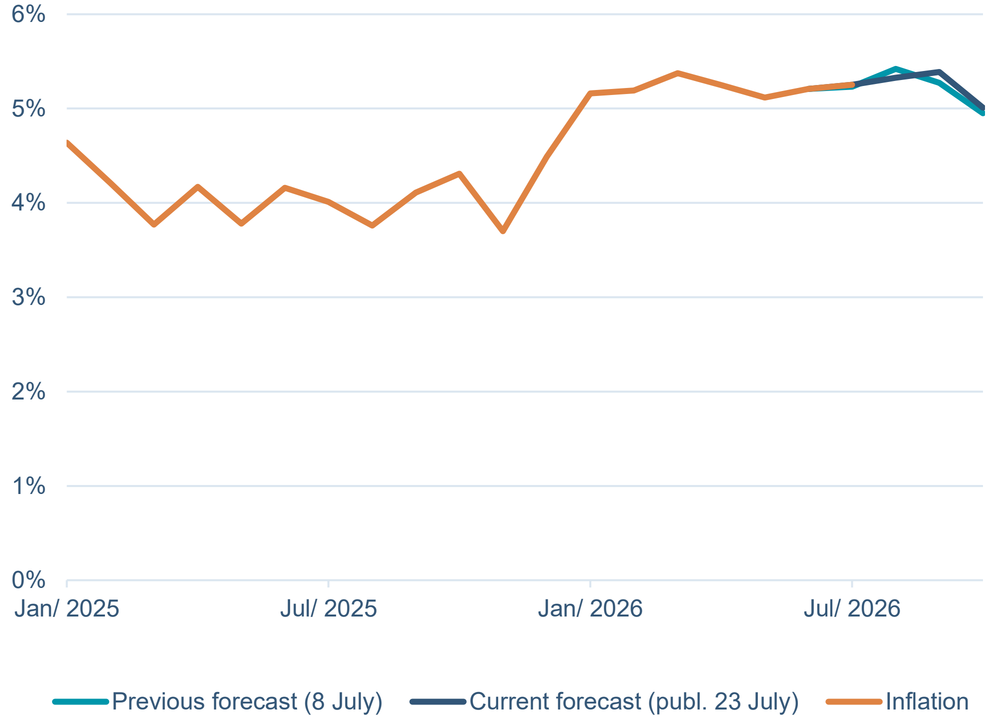
Inflation forecast

MoM change and weight of components



Inflation forecast

12-month inflation



Source: Statistics Iceland, Landsbankinn Economic Research

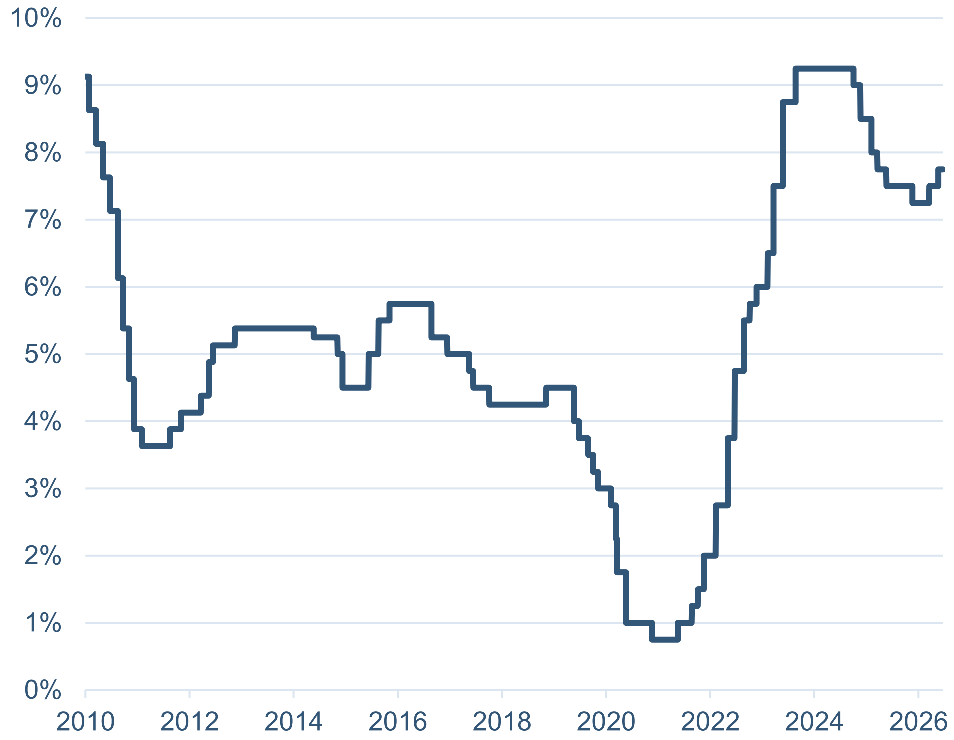
Key interest rate

In May, the Monetary Policy Committee increased the key interest rate by 0.25 percentage points. The decision was in accordance with our expectations and was supported by all MPC members. The MPC indicated quite clearly that it is prepared to raise the rate more if necessary, even though this could further curtail economic activity. The next rate decision date is 19 August and we expect the MPC to raise rates.

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%
8 May 2024	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, ThGP, TB, ÁÓP, HS			8.00%
19 March 2025	6	-0.25%	ÁJ, ThGP, TB, ÁÓP, HS			7.75%
21 May 2025	9	-0.25%	ÁJ, ThGP, TB, ÁÓP		HS (Unch.)	7.50%
20 Aug. 2025	13	Unch.	ÁJ, ThGP, TB, ÁÓP, HS			7.50%
8 Oct. 2025	7	Unch.	ÁJ, ThGP, TB, ÁÓP, HS			7.50%
19 Nov. 2025	6	-0.25%	ÁJ, ThGP, TB, ÁÓP, HS			7.25%
4 Feb. 2026	11	Unch.	ÁJ, ThGP, TB, ÁÓP, HS			7.25%
18 March 2026	6	+0.25%	ÁJ, ThGP, TB,	ÁÓP, HS (+0.50%)		7.50%
20 May 2026	9	+0.25%	ÁJ, ThGP, TB, ÁÓP, HS			7.75%
19 Aug 2026	13					
7 Oct. 2026	7					
18 Nov. 2026	6					

Key interest rate of the CBI

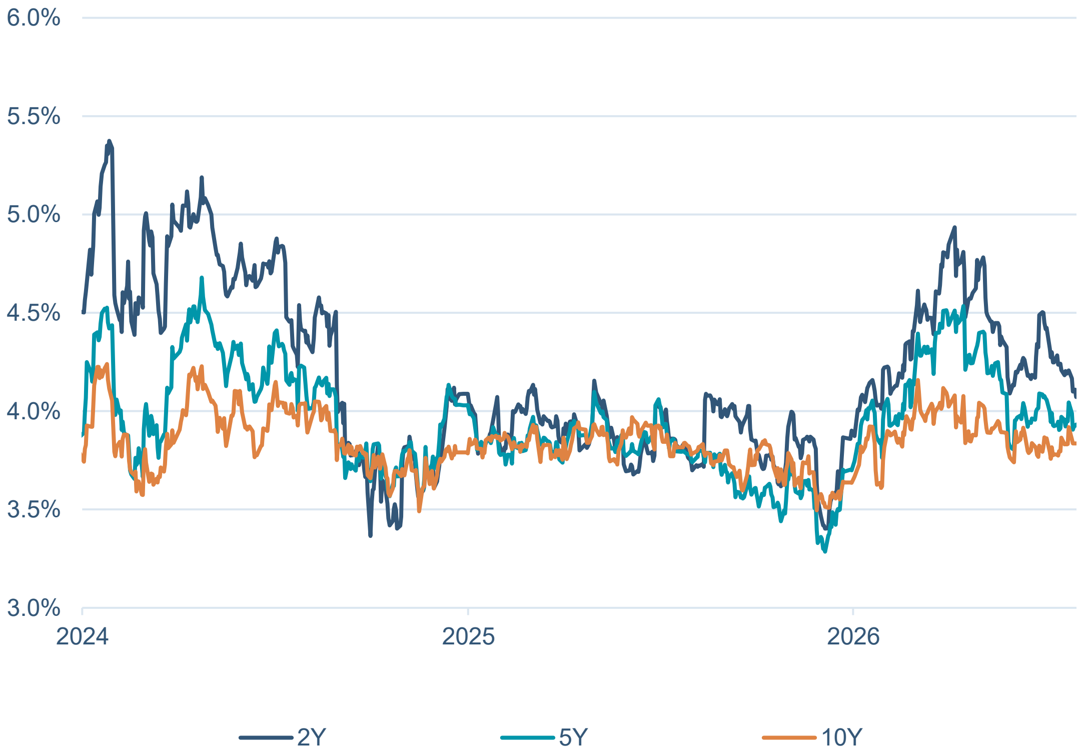


AS: Arnór Sighvatsson, ÁJ: Ásgeir Jónsson, ÁÓP: Ásgerður Ósk Pétursdóttir, GJ: Gunnar Jakobsson, HS: Herdís Steingrímsdóttir, RS: Rannveig Sigurðardóttir, TB: Tómas Brynjólfsson, ThGP: Thórarinn G. Pétursson. Source: Central Bank of Iceland

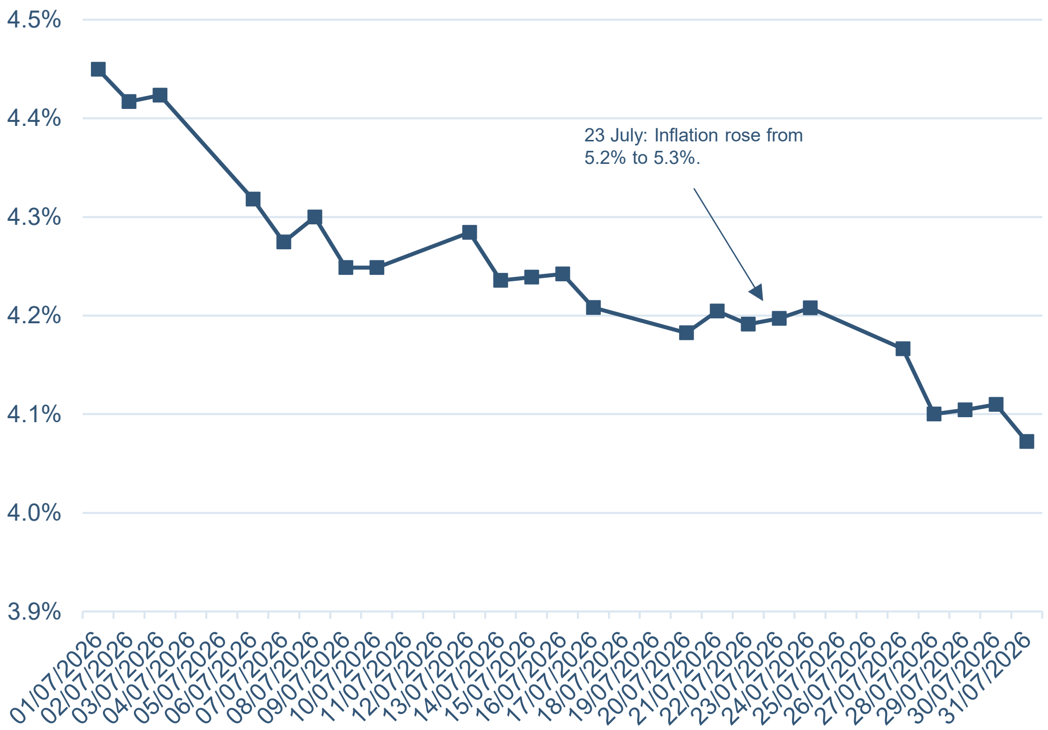
Inflation premium in the bond market

The inflation premium in the bond market increased and stood at 4.1% for the 2-year horizon, 3.9% for the 5-year horizon, and 3.8% for the 10-year horizon at the end of July. Over the course of the month, the 2-year premium declined by 0.4 percentage points, the 5-year fell by 0.1 percentage points, while the 10-year remained unchanged. There was virtually no change in the 2-year premium on the day the July inflation figures were released, as the figures were broadly in line with expectations.

Inflation premium in the bond market



2Y inflation premium (break-even rate)

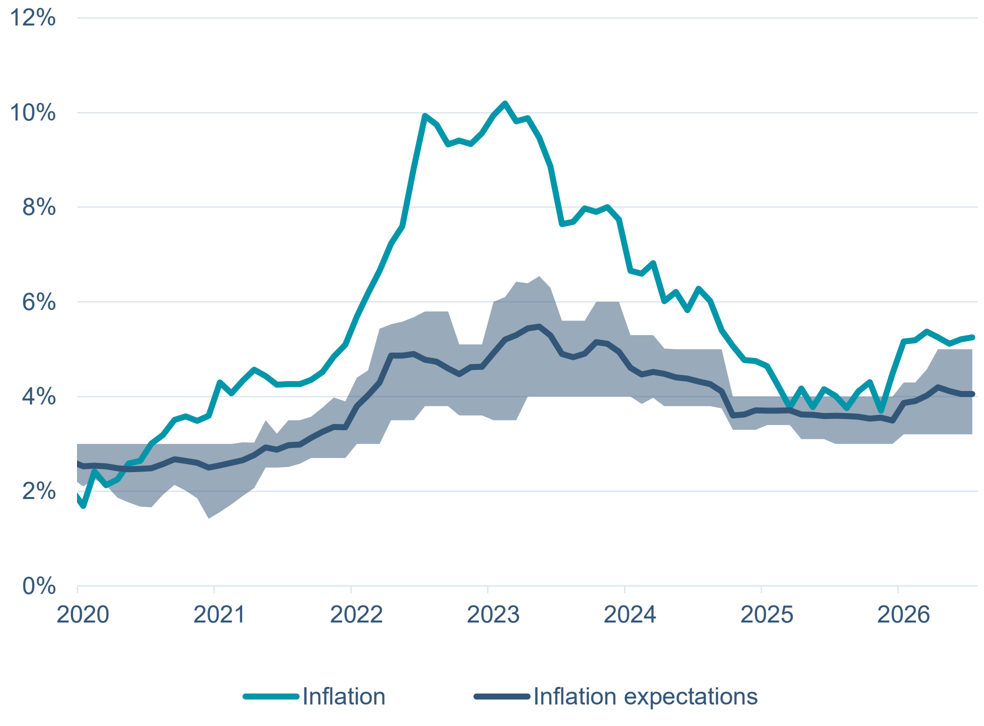


Source: OMX, Landsbankinn's calculations

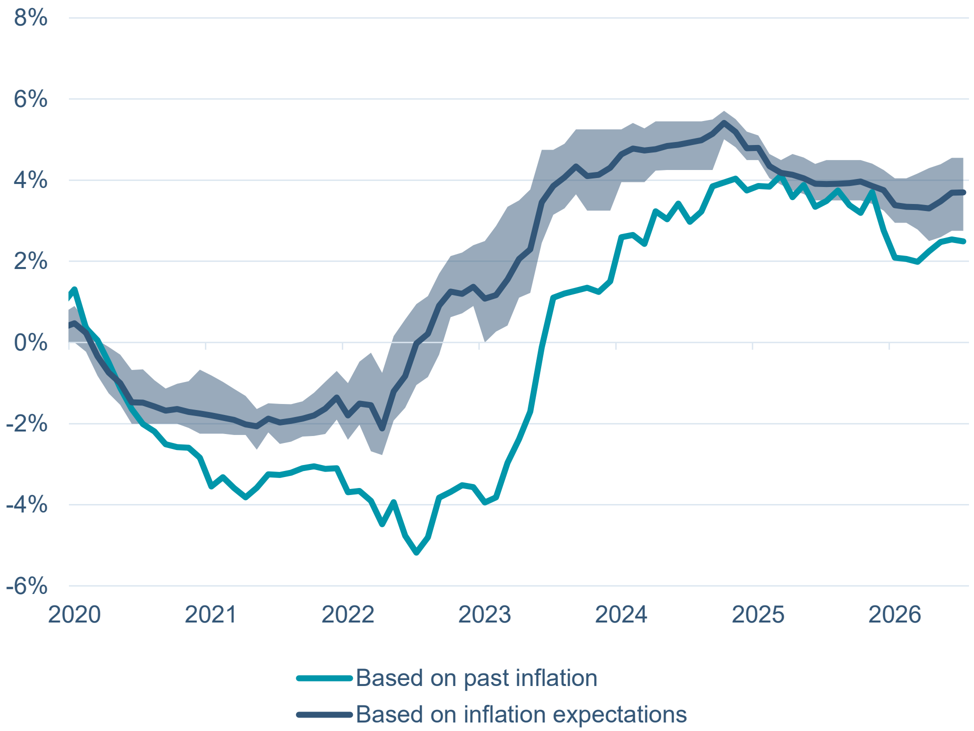
Inflation, inflation expectations and the real key interest rate

The average of the main measures of inflation expectations was 4.1% in July (unchanged MoM). The real key interest rate compared to past inflation was 2.5% (unchanged MoM) and based on the average of key measures of inflation expectations the real key interest rate was 3.7% (unchanged MoM).

Inflation and inflation expectations



Real key interest rate



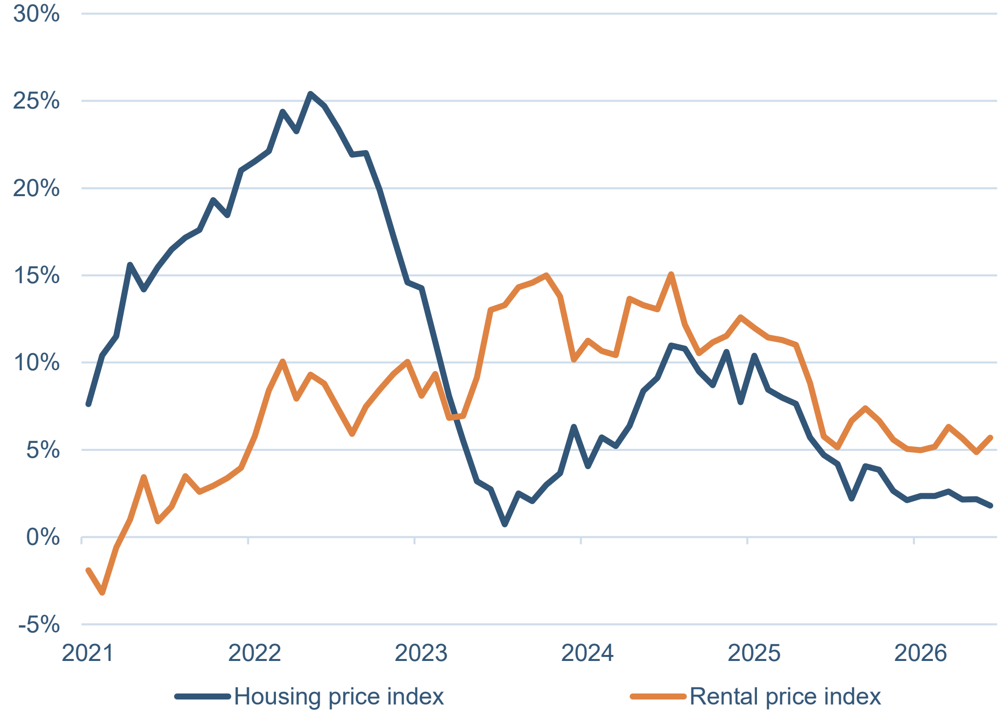
Monthly average. Inflation expectations are the average of the 2Y and 5Y inflation premium on the bond market, the results of a market expectation survey for 1Y and 5Y, household expectations for the next 5Y and companies for the next 5Y. The shaded area shows the highest and lowest values. Source: Central Bank of Iceland, Statistics Iceland, Landsbankinn Economic Research

The real estate market

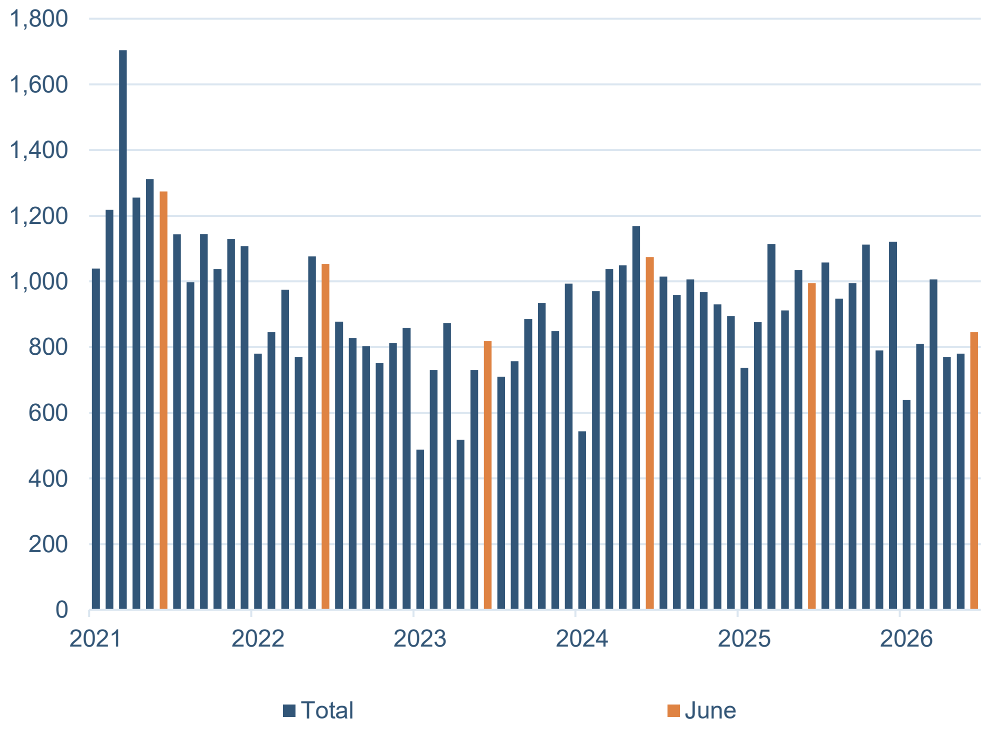
The housing price index rose by 0.09% between months in June and the 12-month change receded from 2.2% to 1.8%. The rental price index rose by 0.39% bringing the 12-month increase 5.7%. A total of 846 purchase contracts for real estate were signed in June, around 15% fewer than in June 2025. June is the eighth consecutive month with fewer concluded purchase contracts as compared to the previous year.

Housing and rental price index

YoY change



Signed purchase contracts *)

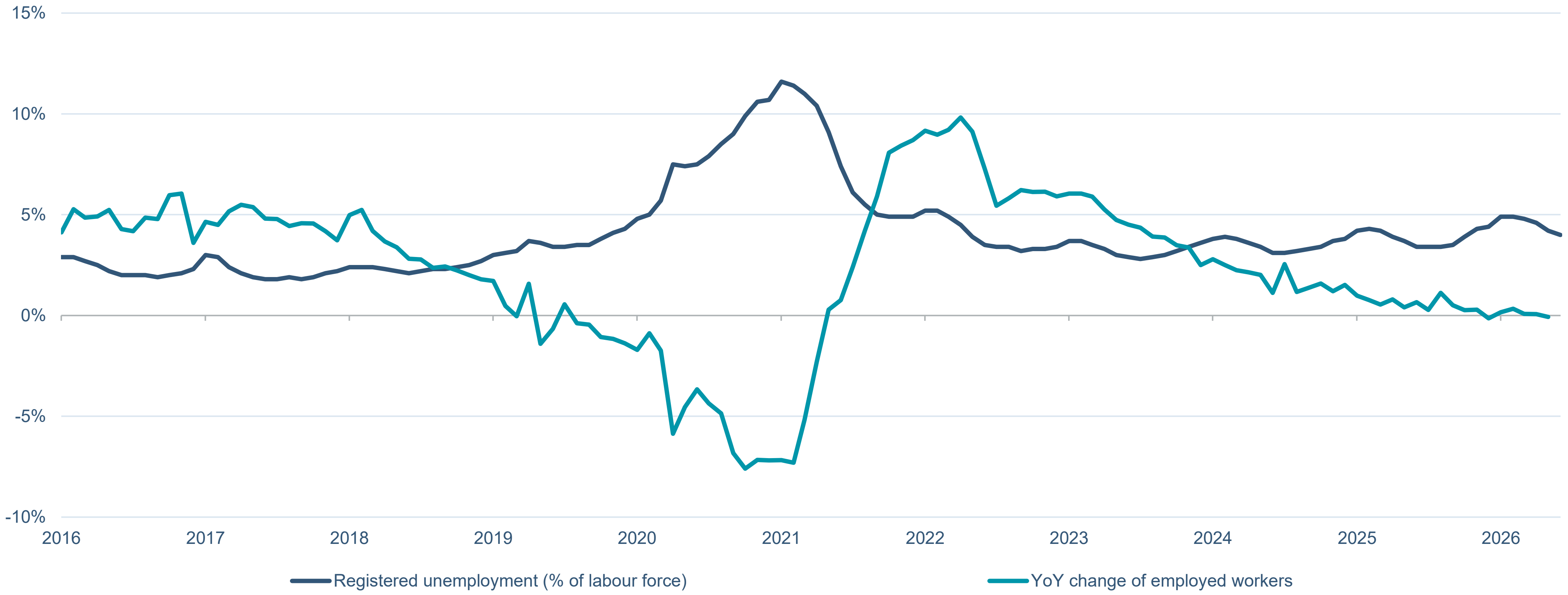


*) January 2024 to September 2024 is less Thórkatla buy-ups and purchases by the Grindavík populace

Source: The Housing and Construction Authority

Unemployment and employed workers

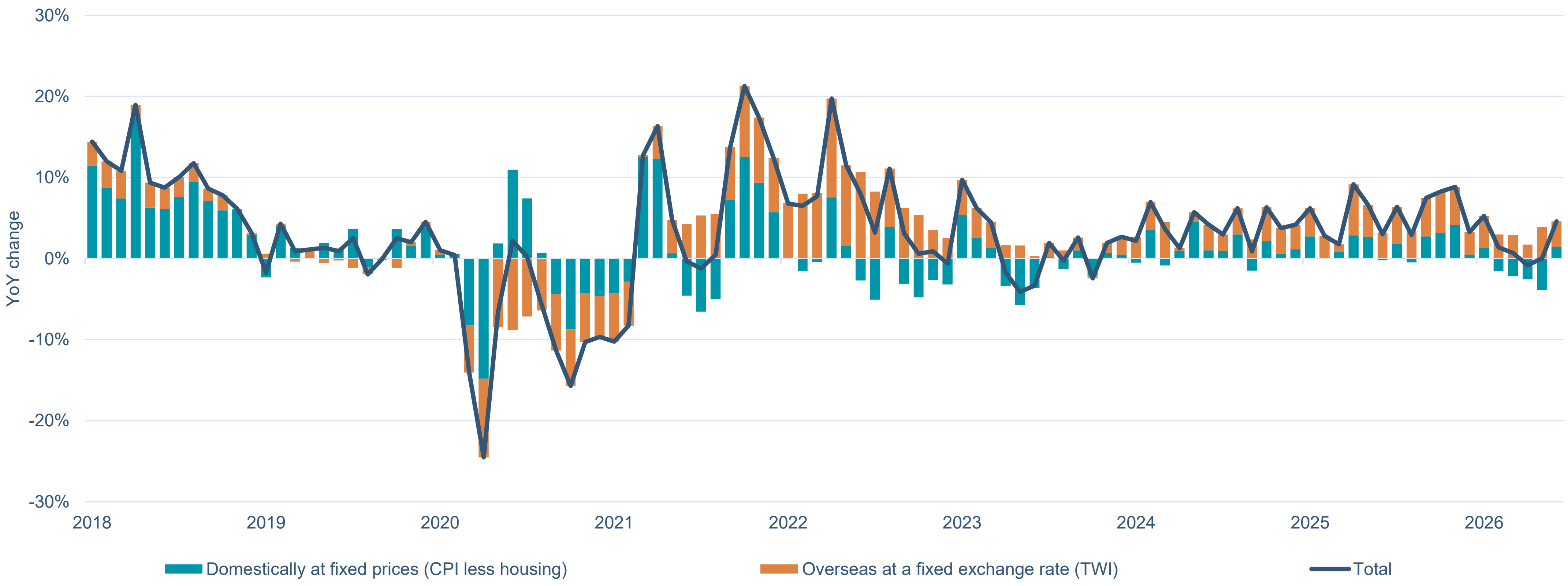
Both figures on registered unemployment and employed workers based on the withholding tax register indicate that the labour market is slowing down. Registered unemployment was 4.0% in June, 0.6 percentage points higher than June last year. Registered employed workers are down by 0.1% between years in May.



Source: Directorate of Labour, Statistics Iceland

Payment card turnover of Icelandic households

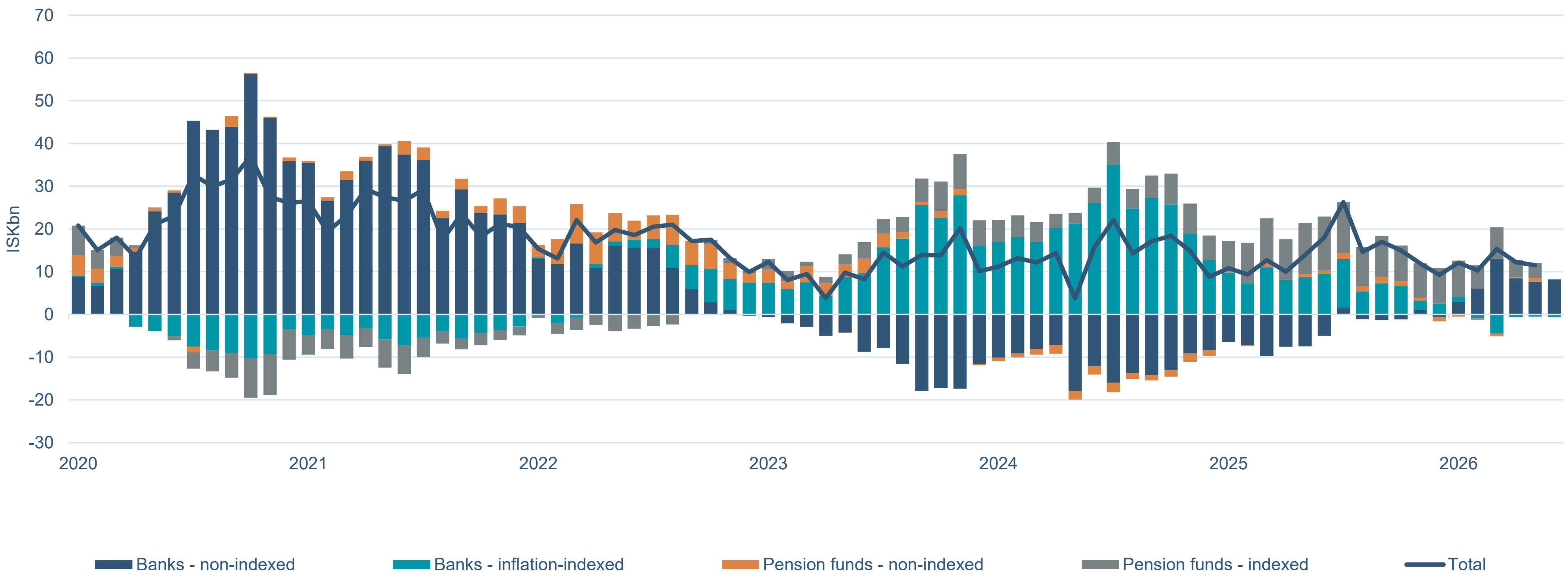
The payment card turnover of Icelandic households grew by 4.6% in real terms between years in June. The increase was 1.9% domestically and 13% overseas.



Source: Statistics Iceland, Central Bank of Iceland

Net new housing mortgages

Net new mortgages by the commercial banks amounted to ISK 7.6 bn in June, whereof net new non-indexed mortgages were ISK 8.2 bn and net retirement of inflation-indexed mortgages ISK 0.6 bn. June is the sixth month in a row where household borrowing from commercial banks is mainly non-indexed.



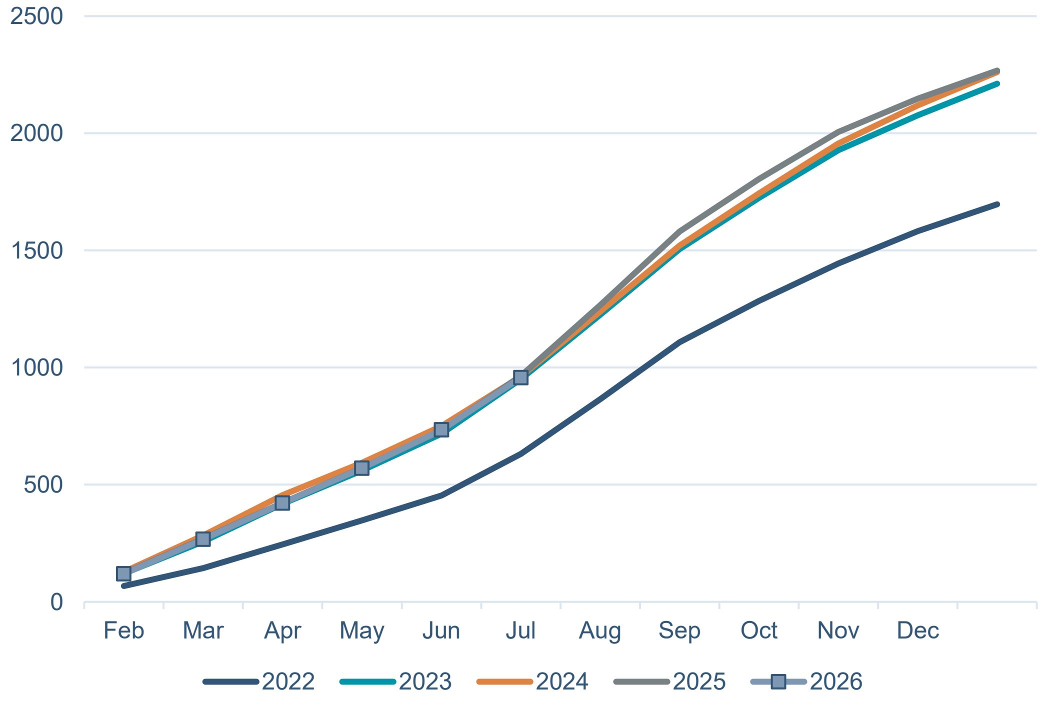
Only banks in March 2026.
Source: Central Bank of Iceland

The travel sector

Around 223,000 non-domestic travellers passed through Leifsstöð International Airport in June, 4.8% fewer than in June 2025. The number of foreign travellers this year to date is almost the same as in the same period last year, or 0.9% higher. Non-domestic payment card turnover contracted by 1.1% between years at fixed prices but increased by 3.2% at a fixed exchange rate in June. Overnight hotel stays by non-domestic travellers decreased by 0.5% between years.

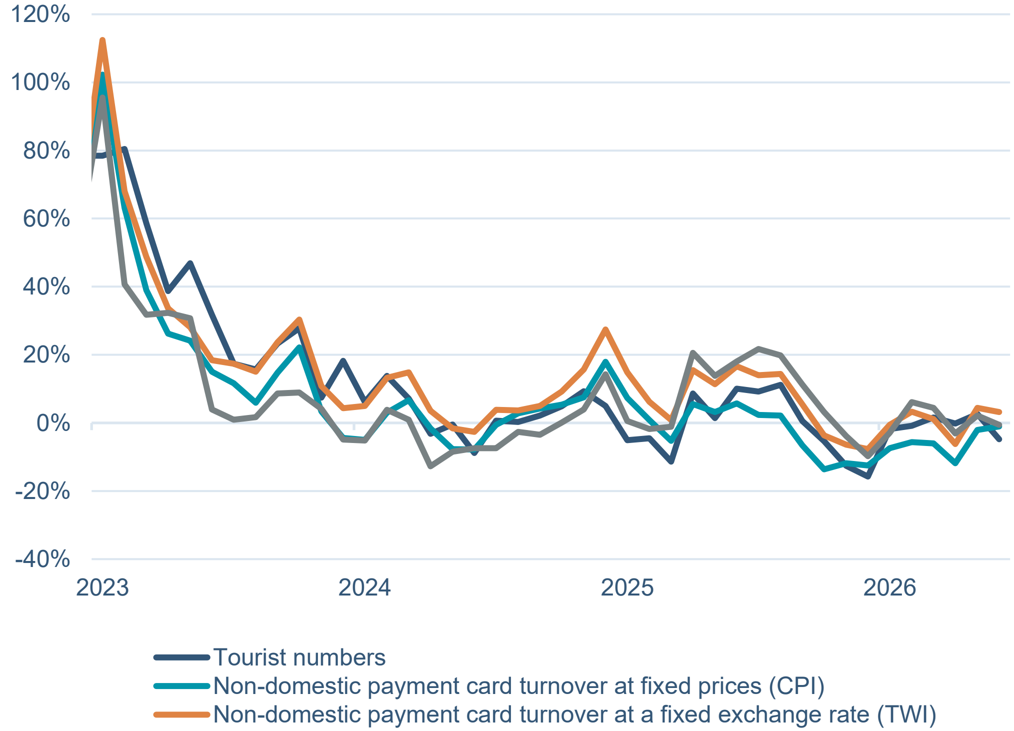
Acc. tourist numbers

Thousand individuals



Development of key indicators

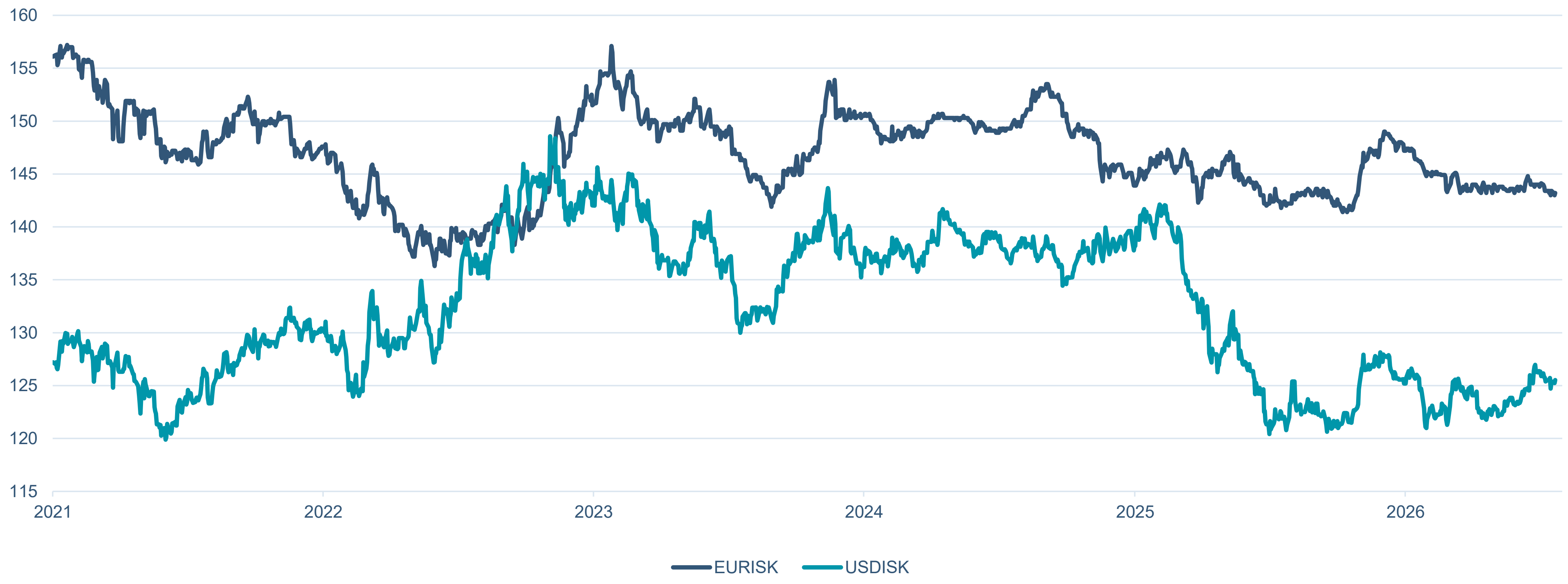
YoY change



Source: The Icelandic Tourist Board, Statistics Iceland, Central Bank of Iceland

ISK exchange rate

The ISK has been very stable against the EUR in the past months. The ISK slightly against the EUR in July and stood at 142.6 (-1.4 intramonth) at month end. The ISK also appreciated against the USD and stood at 124.3 (-2.1 intramonth) at month end.



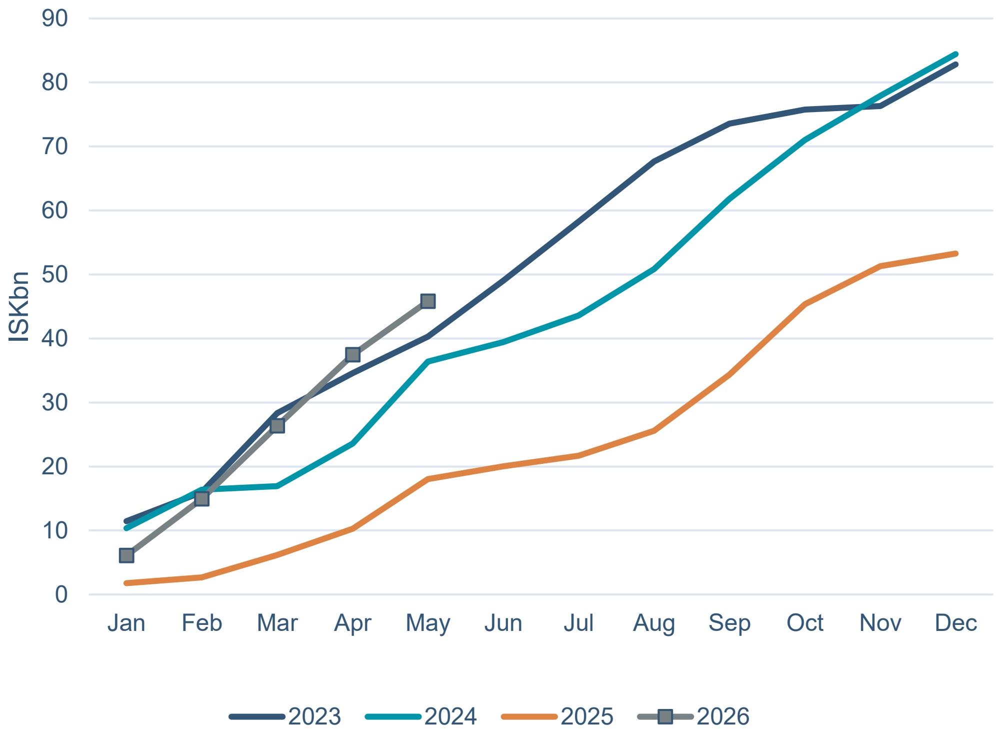
Source: Central Bank of Iceland

FX trade of the CBI and pension funds

With the exception of scheduled purchases, the CBI did not enter the FX market in July. Total FX acquired by the CBI since it began its scheduled purchases in May amounts to ISK 10.4 bn. The pension funds purchased currency for ISK 45.8 bn in the first five months of the year, the highest amount since the same period in 2019.

Activity by the Central Bank of Iceland

Acc. annual FX purchases of pension funds



Data on the CBI's market involvement extends to 27 May.
Source: Central Bank of Iceland

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