



Monthly Newsletter

1 October 2026

Landsbankinn Economic Research

Market events - October 2026

Monday	Tuesday	Wednesday	Thursday	Friday
			1 October	2 Unemployment in the US Inflation in the eurozone
5	6	7 Interest rate decision (CBI) Employed workers (HAG)	8 Bera publishes results	9 Departures from Keflavík International Airport (FMST) Registered unemployment (VMST)
12	13	14	15 Hagar publishes results	16 End of price measurement week (HAG) Payment mediation (CBI)
19	20 Housing price index (HMS)	21 Minutes of the Monetary Policy Committee (CBI) Rental price index (HMS)	22 CPI (HAG) Monthly report (HMS) Icelandair and Sjóvá publish results	23
26	27 Turnover based on VAT reports (HAG) Ásar publishes results	28 Arion Bank, Festi and Skagi publish results	29 Wage index (HAG) Overnight stays (HAG) Íslandsbanki, Landsbankinn and Nova klúbburinn publish results	30

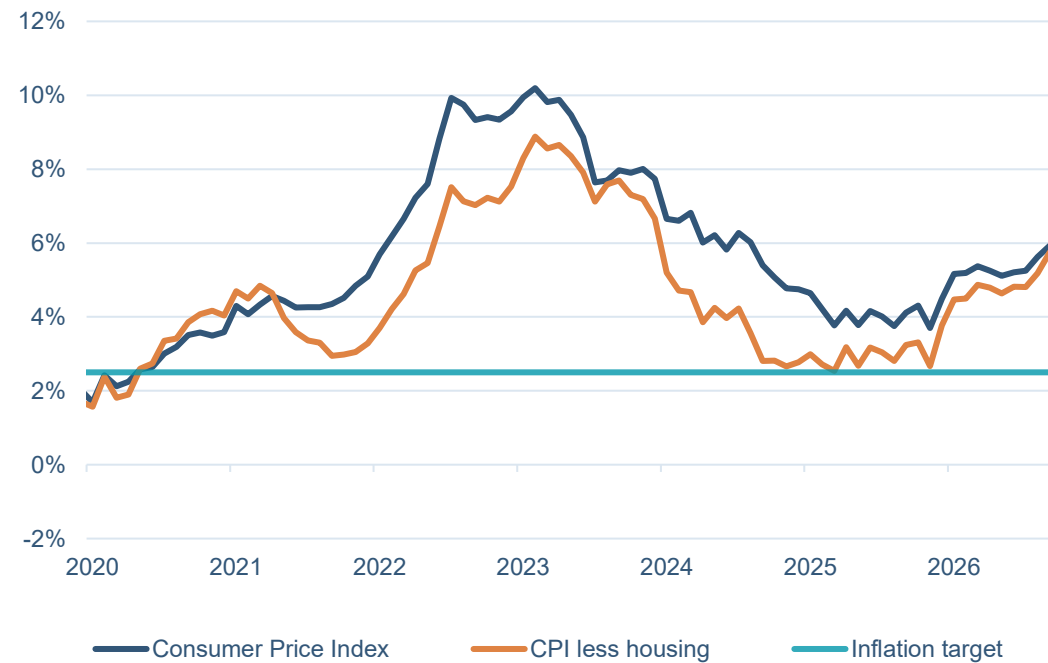


Inflation

The CPI rose by 0.39% between months in September and inflation rose from 5.6% to 5.9%. September is the ninth month in a row in which inflation measures over 5%. Inflation less housing rose rather more than with housing, or from 5.2% to 5.7%.

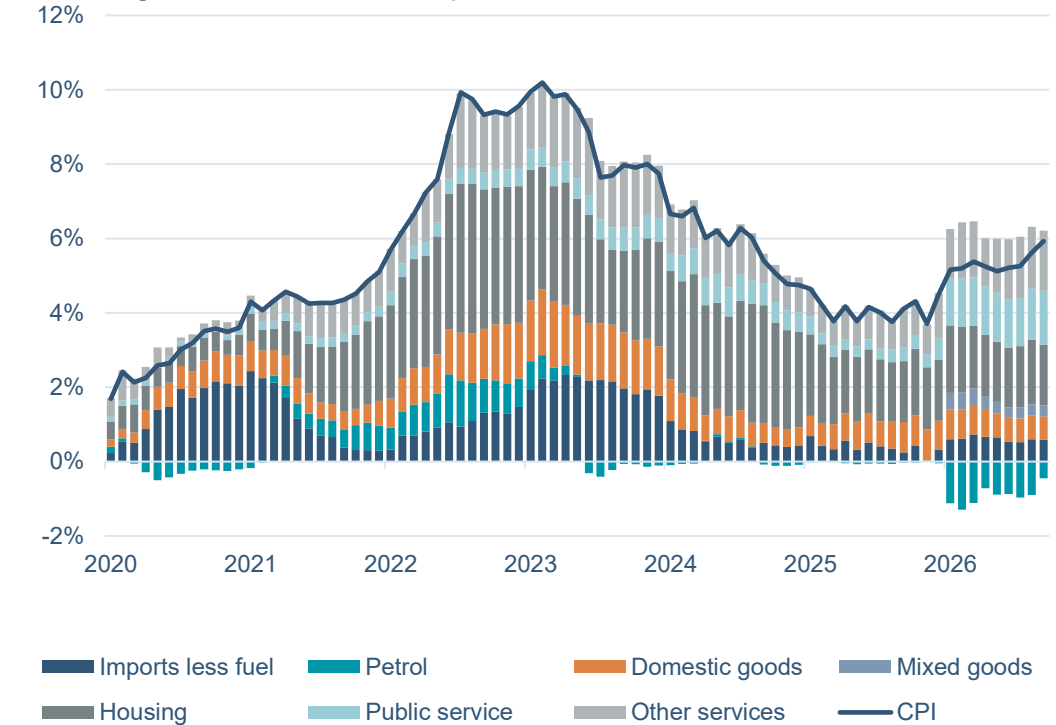
Consumer Price Index

YoY change



Inflation by type and origin

YoY change and contribution of components

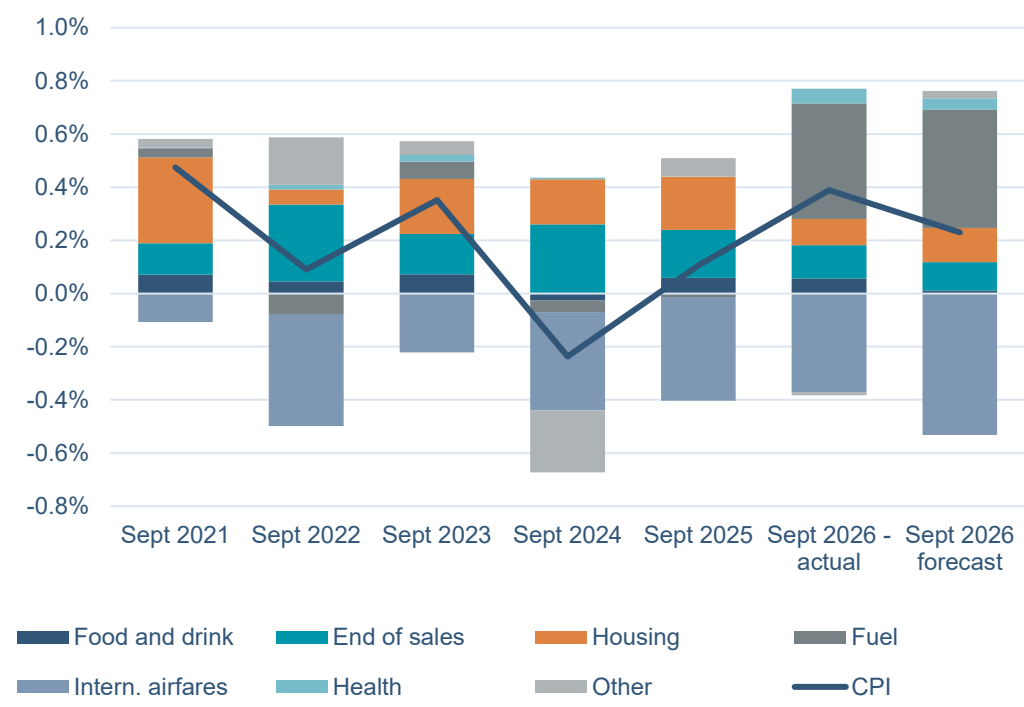


MoM change in the CPI

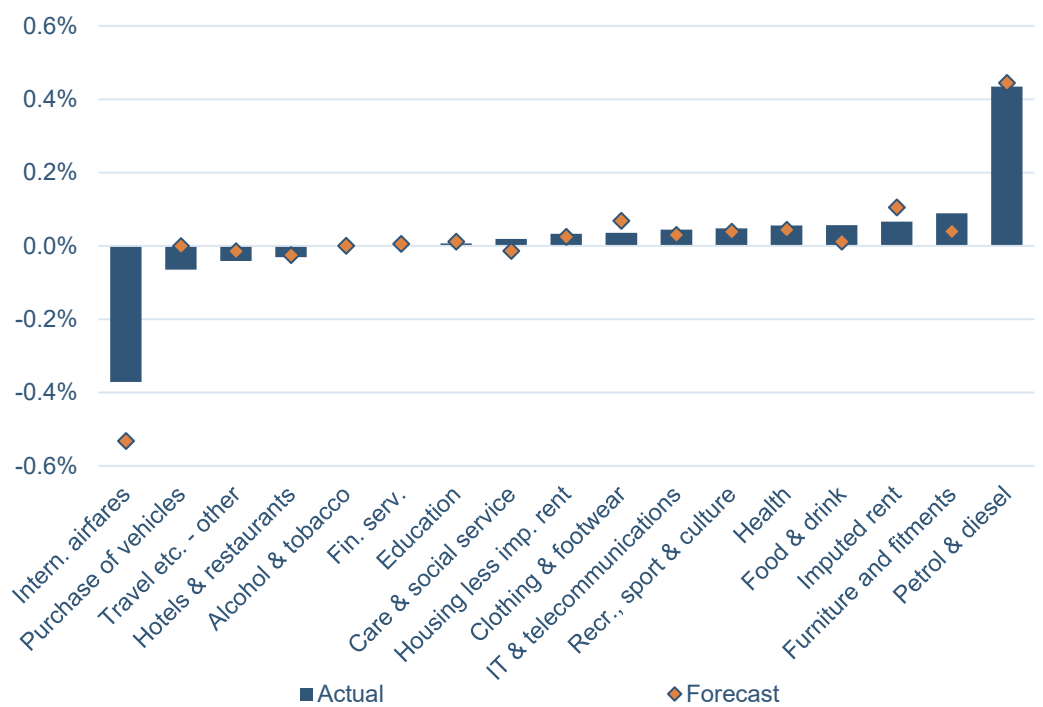
We expected the CPI to increase by 0.23% between months and inflation to be 5.8%. The measurement was broadly in line with our forecast, the main difference being that international airfares fell somewhat less than we had expected. Fuel prices rose sharply in the month, both as a result of the expiry of lower VAT on fuel coming to an end at the beginning of the month as well as rising global oil prices. Higher fees for primary healthcare visits also contributed to the increase, in line with our forecast.

September measurement of the CPI

MoM change and contribution of components



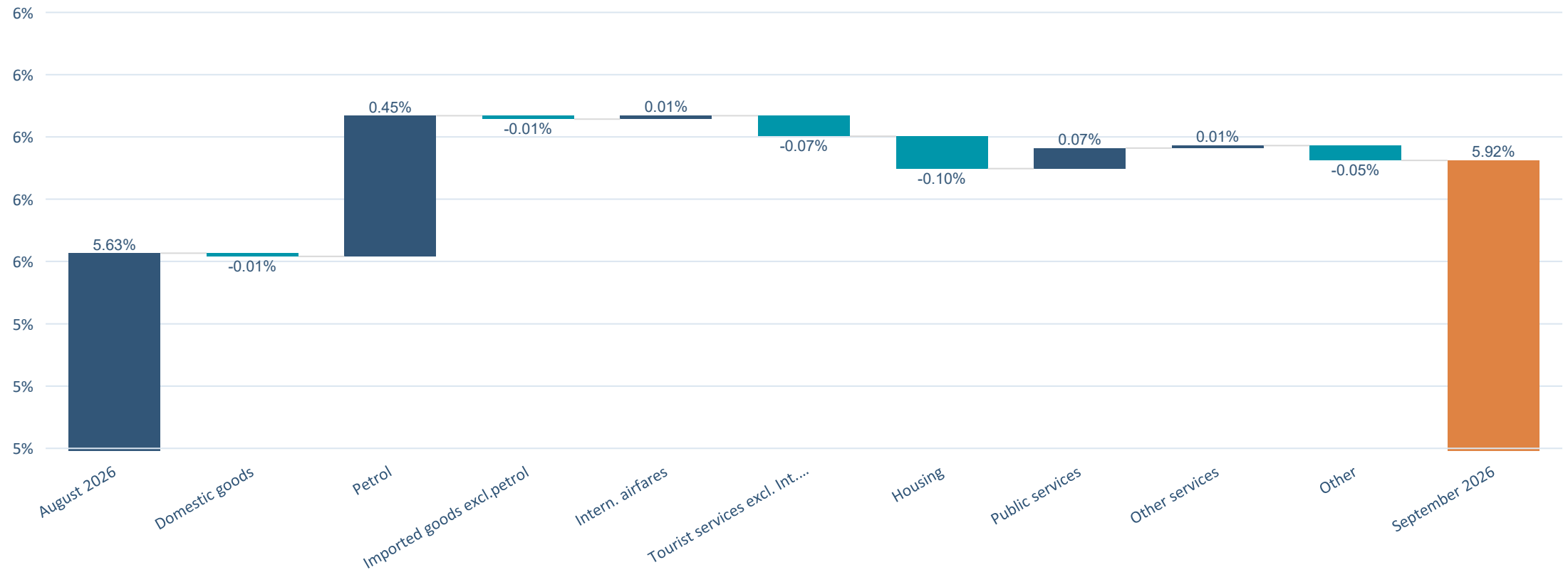
Contribution of components in September



Source: Statistics Iceland, Landsbankinn Economic Research

Changes to the composition of 12M inflation

The increase in annual inflation from 5.6% to 5.9% is explained almost entirely by higher fuel prices. The contribution of fuel price to annual inflation rose by 0.45 percentage points between months in September, of which 0.32 percentage points were due to the expiry of the temporary VAT reduction on fuel at the beginning of the month. Excluding the effects of the VAT changes, the CPI would have risen by 0.06% and annual inflation would have remained unchanged at 5.6%. Housing's contribution declined because imputed rent increased less than in September 2025. The contribution of public services increased due to higher user charges for primary healthcare visits and cancer screening.

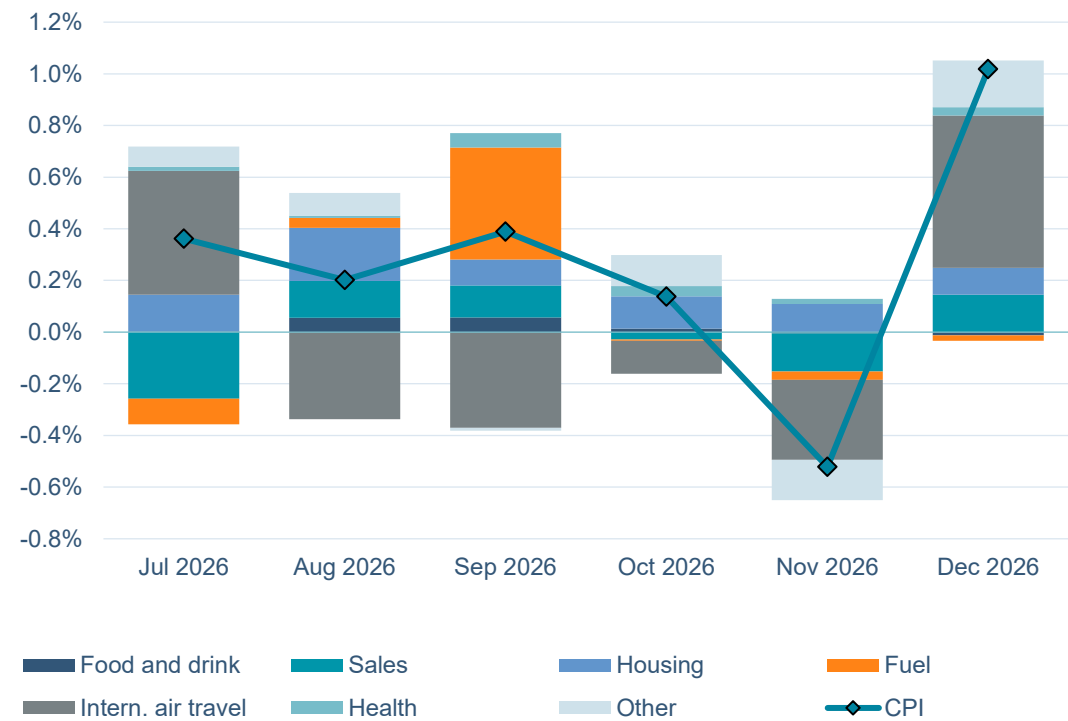


The outlook for the next months

We expect the CPI to increase by 0.14% in October, decrease by 0.52% in November and increase again by 1.02% in December. If the forecast holds, 12-month inflation will be 5.6% in October, 5.5% in November, and 5.4% in December. We made only minor changes to the forecast we published during the CPI price measurement week. The slightly higher forecast now is mainly because we anticipate higher international airfares, yet also a slightly stronger ISK.

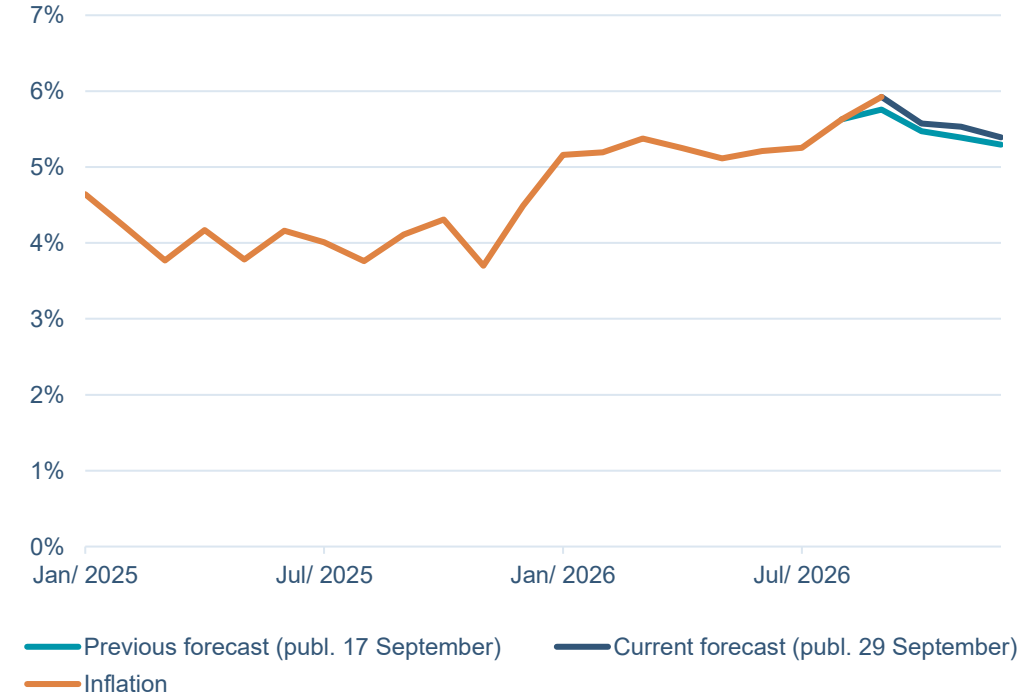
Inflation forecast

MoM change and weight of components



Inflation forecast

12-month inflation



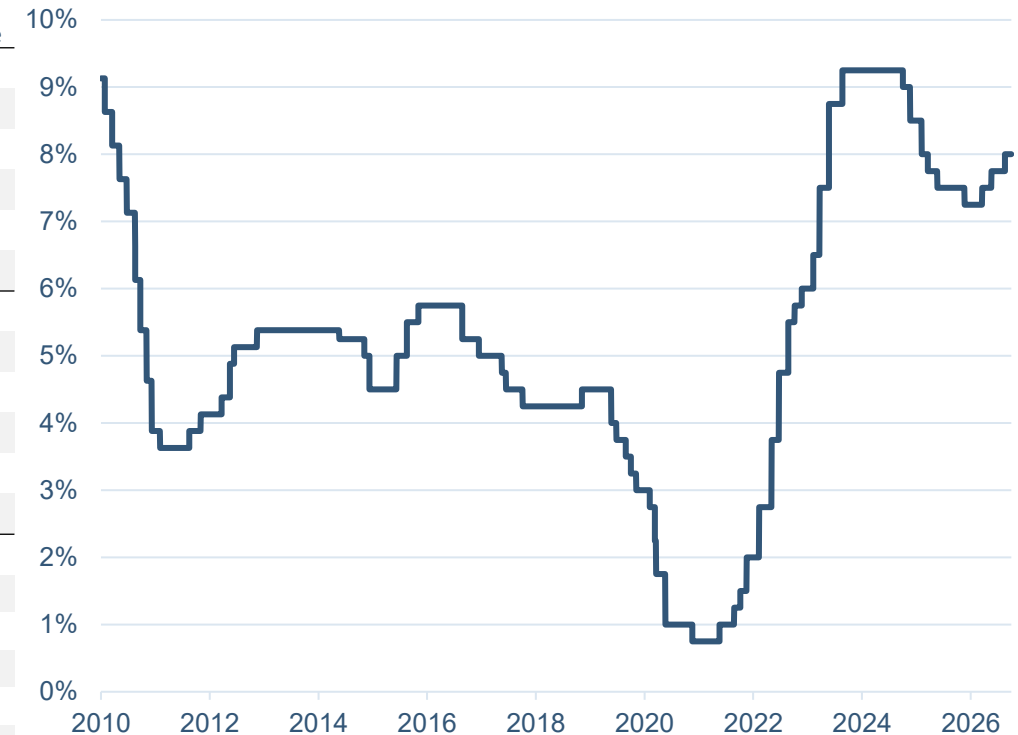
Key interest rate of the Central Bank of Iceland

We expect the Monetary Policy Committee to leave interest rates unchanged at its next decision, on 7 October. At its most recent decision, the MPC indicated fairly clearly that it considered the level of monetary restraint at the time to be sufficient. The increase in inflation since the last meeting is mainly attributable to higher fuel prices, as the VAT discount expired at the beginning of September and global oil prices have also risen. The MPC is likely to set this increase aside, as it does not signal growing demand pressures. Inflation expectations have changed little since the last meeting, while the economy continues to show signs of cooling.

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%
08 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 (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%
21 May 2025	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 (+0.50%)			7.50%
20 May 2026	9	+0.25%	ÁJ, RS, TB, ÁÓP, HS			7.75%
19 Aug 2026	13	+0.25%	ÁJ, RS, TB, ÁÓP, HS	TB (Unch.)		8.00%
7 Oct. 2026	7					
18 Nov. 2026	6					

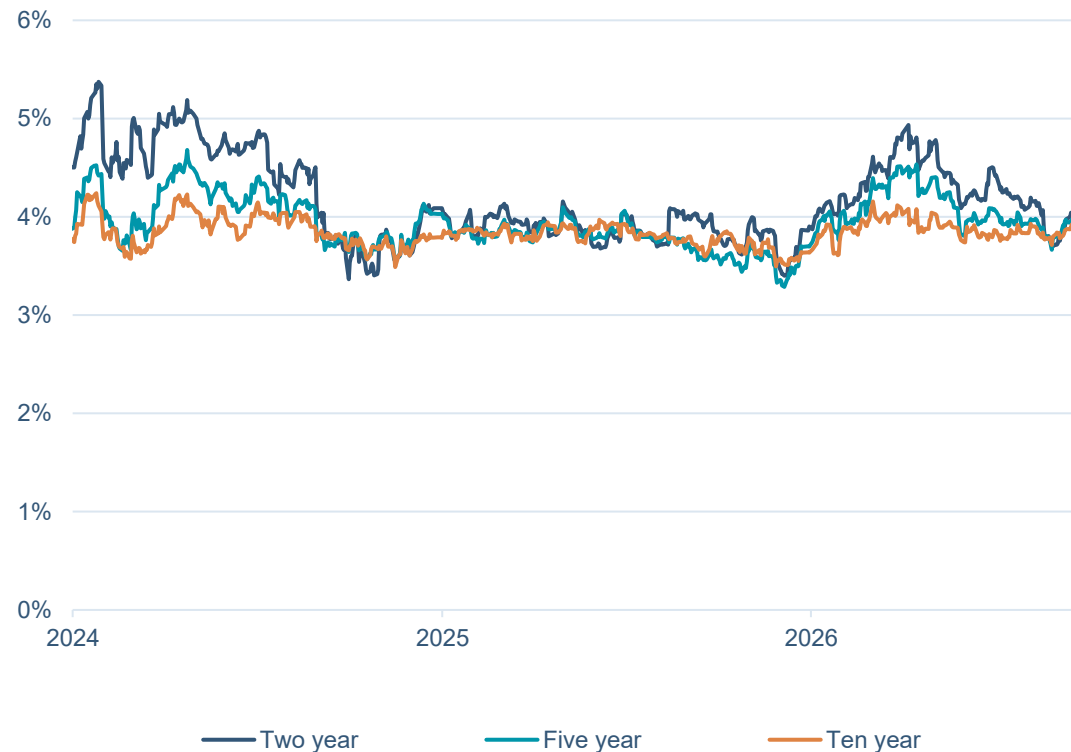
Key interest rate of the Central Bank of Iceland



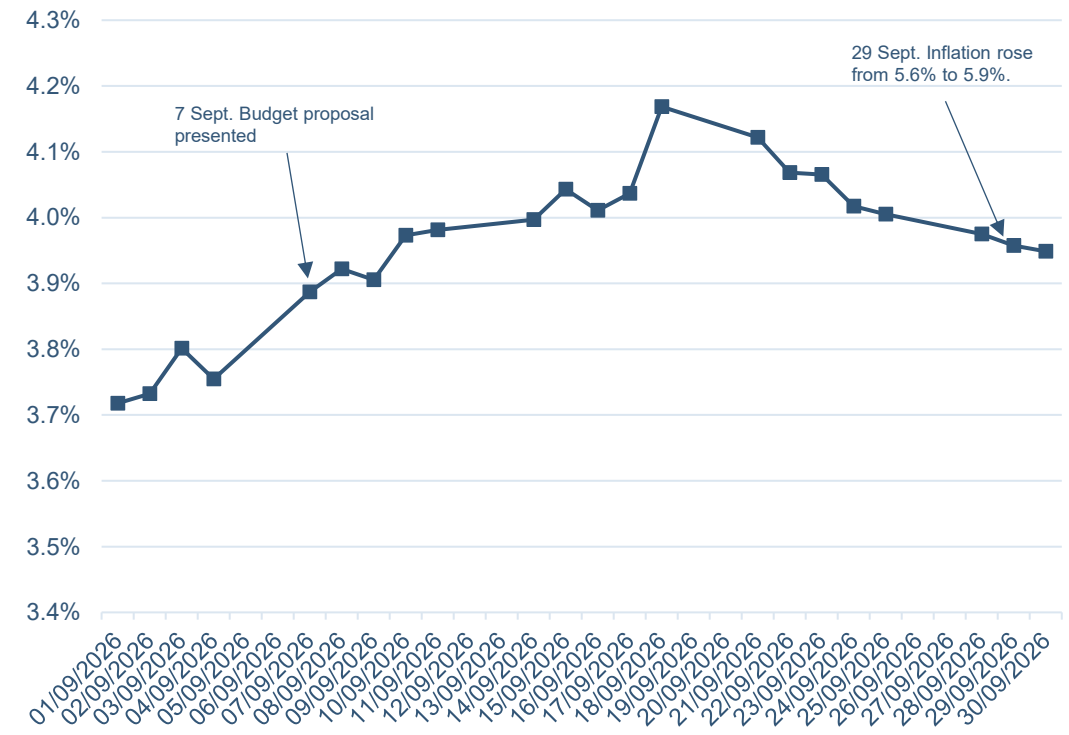
Inflation premium in the bond market

The inflation premium in the bond market was 3.9% for the 2-year horizon and 4.0% for the 5-year and 10-year horizon at the end of September. Inflation premiums fell by 0.2 percentage points over the 2-year, 5-year and 10-year horizon. There was virtually no change in the 2-year premium on the day the September inflation figures were released, as the figures were broadly in line with expectations.

Inflation premium in the bond market



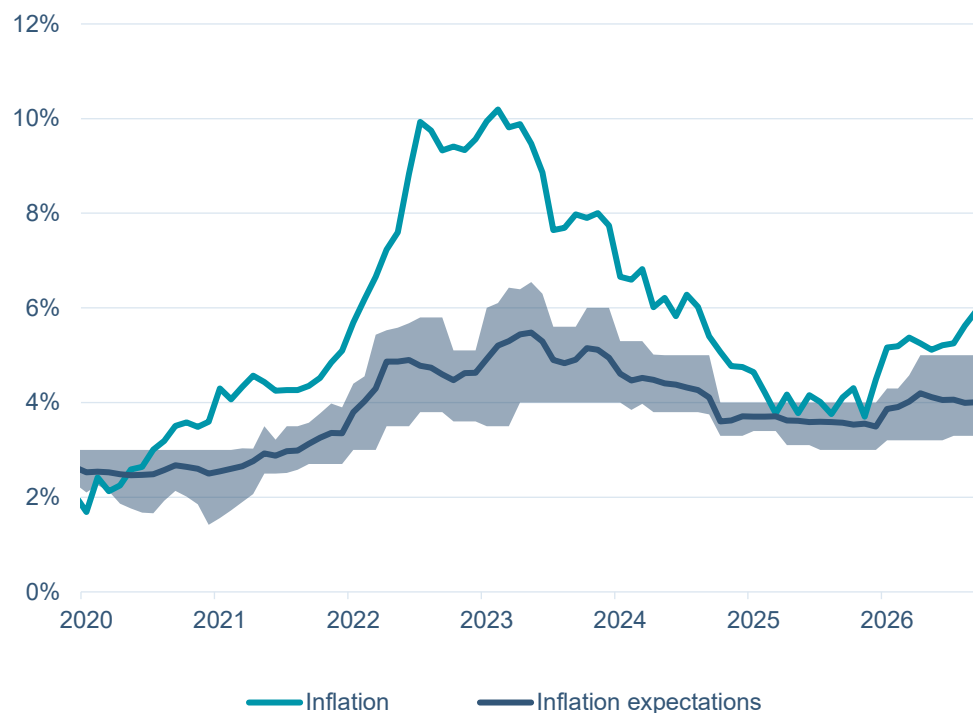
2Y inflation premium (break-even rate)



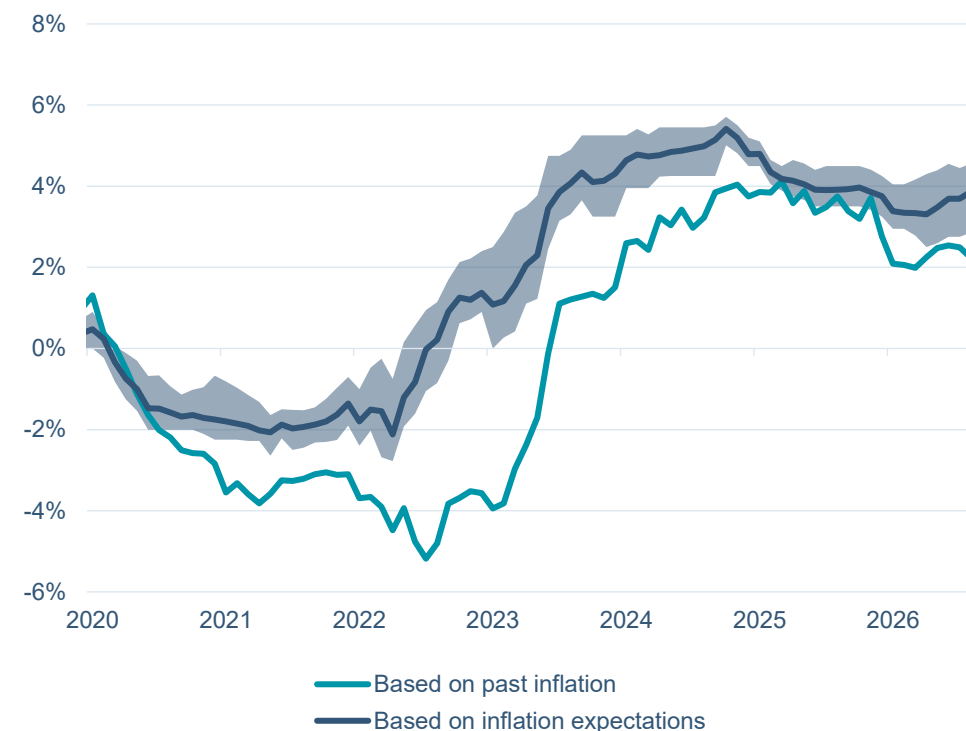
Inflation expectations and real key rates

The average of the main measures of inflation expectations was 4.0% in September, unchanged between months. Real key rates based on past inflation stood at 2.1%, down 0.1 percentage points from the previous month. Based on the average of the main measures of inflation expectations, real key rates were 4.0%, up 0.1 percentage points month-on-month.

Inflation and inflation expectations



Real key interest rate



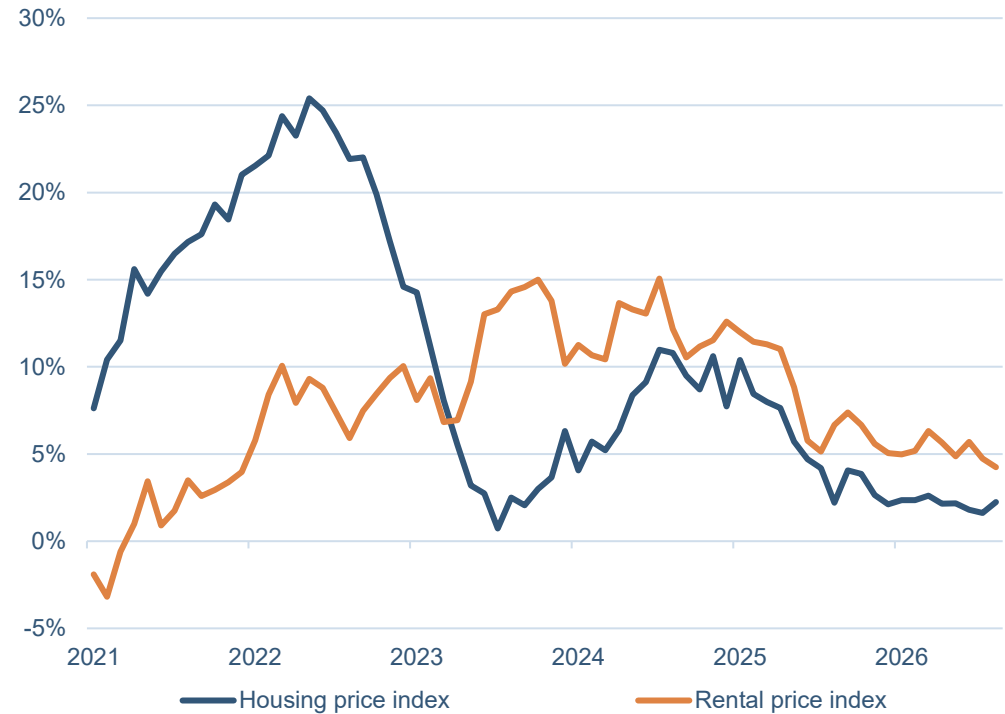
Monthly average. Inflation expectations are the average of the 2Y and 5Y inflation premium on the bond market, the results of a market expectation survey for 1Y and 5Y, household expectations for the next 5Y and companies for the next 5Y. The shaded area shows the highest and lowest values. Source: Central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

The real estate market

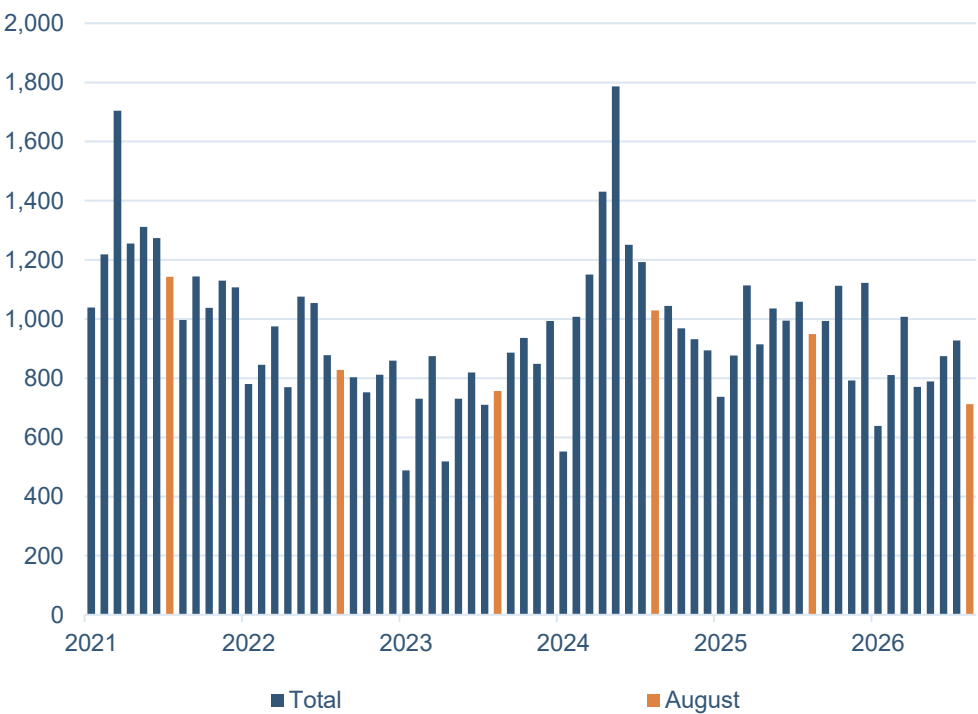
August was the third consecutive month in which the residential property price index increased by 0.09% month-on-month. Its annual rate of change rose from 1.6% to 2.3%, owing to a decline in the same month last year. The rental price index fell by 0.15%, bringing its annual increase to 4.2%. Around 712 purchase agreements for residential properties were signed in August, approximately 25% fewer than in August 2025. So far this year, fewer residential property purchase agreements have been signed than in the corresponding months last year.

Housing and rental price index

YoY change

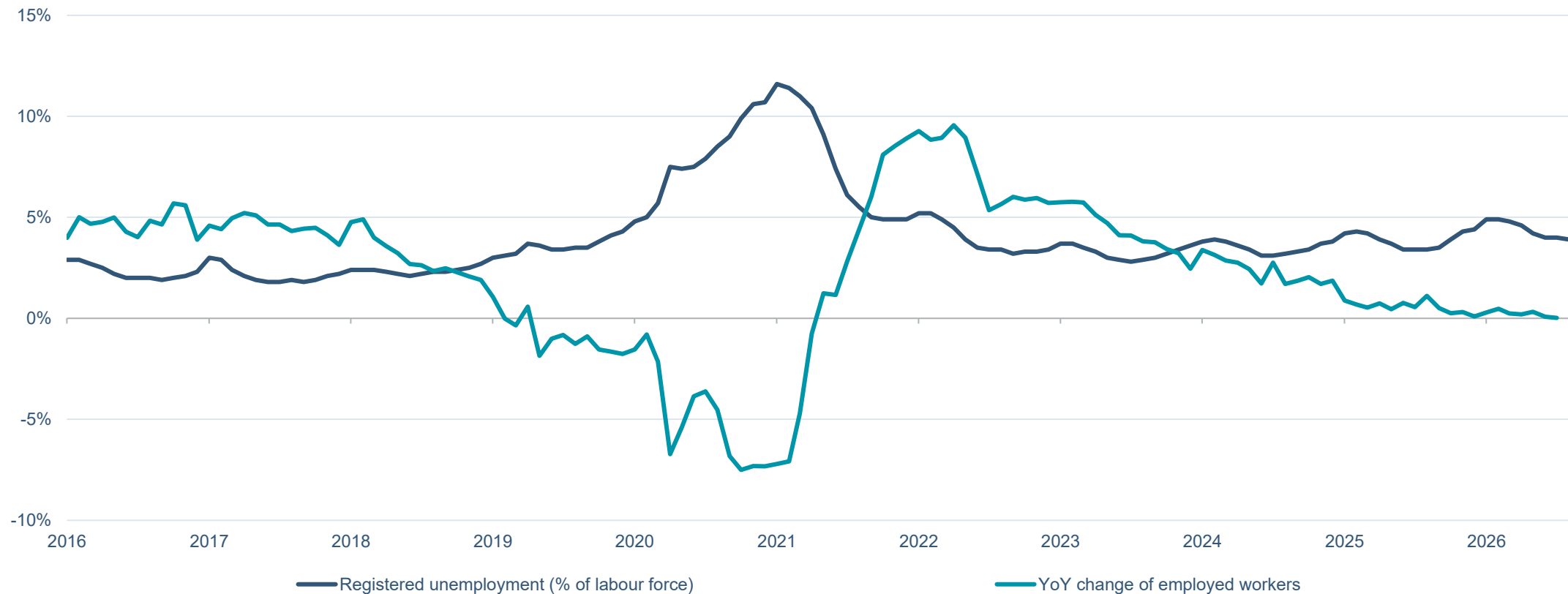


Signed purchase contracts



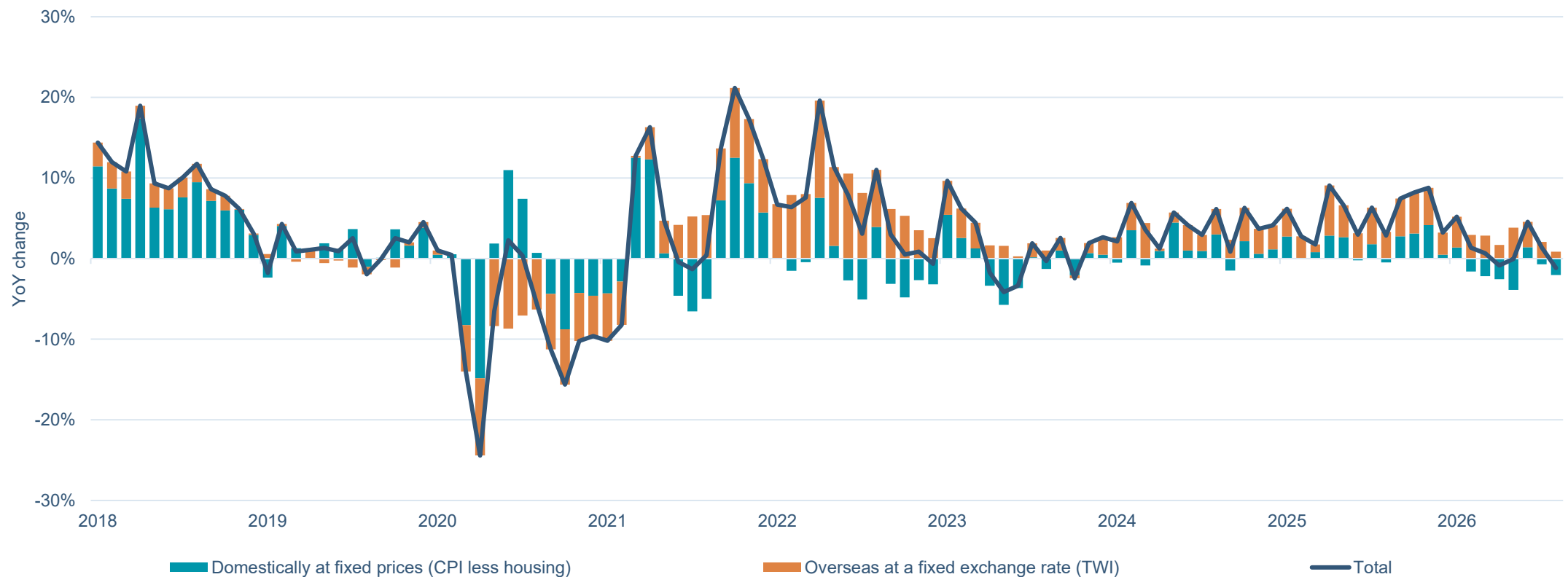
Unemployment and employed workers

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 3.9% in August, 0.5 percentage points higher than the same month last year. Figures on employed workers are unchanged between years in July.



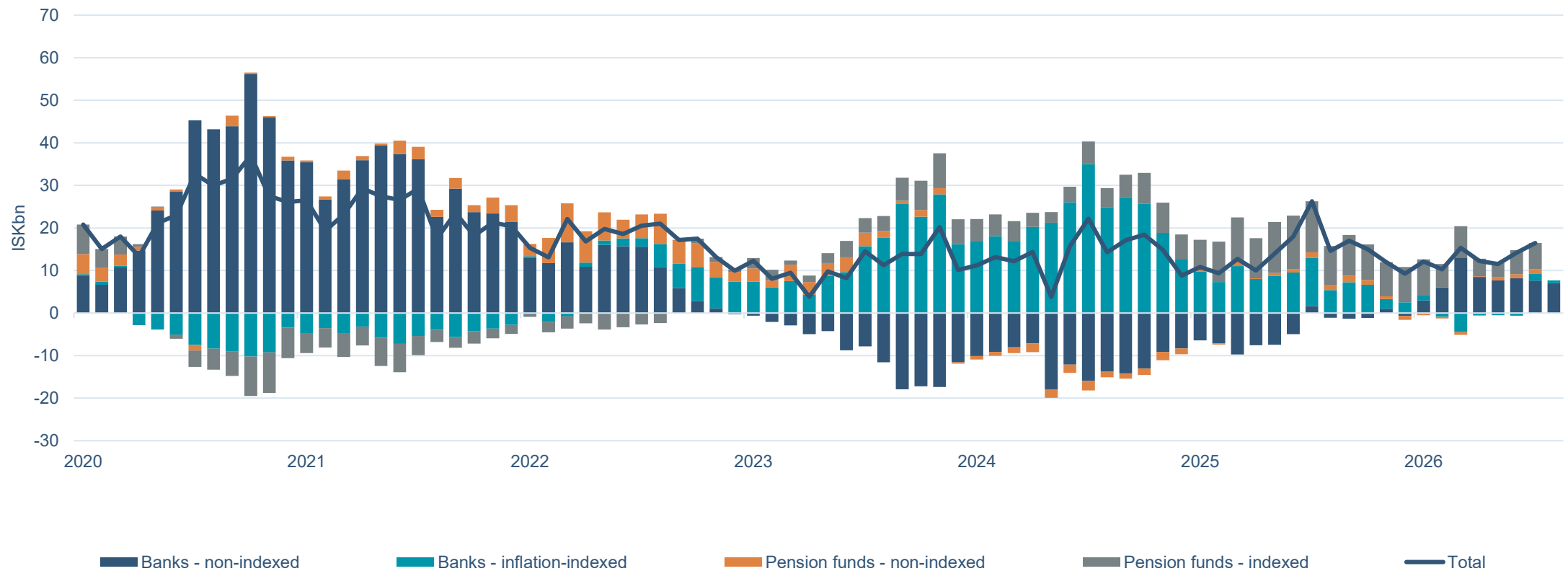
Payment card turnover of Icelandic households

The total payment card turnover of domestic households contracted by 1.2% between years in August, having regard for price and exchange rate changes. This is the highest contraction since October 2023. Icelandic card turnover abroad grew by 3.8% in August, representing the lowest increase since April 2024. Domestic turnover by Icelanders contracted by 2.6% in August, in line with developments in recent months.



Net new housing mortgages

Net new housing mortgages by the commercial banks amounted to just ISK 7.7 bn in August. Of that figure, ISK 7.0 bn represents net new non-indexed loans while net repayment of inflation-indexed loans amounted to ISK 0.7 bn. August is the eighth month in a row where household borrowing from commercial banks is mainly non-indexed.

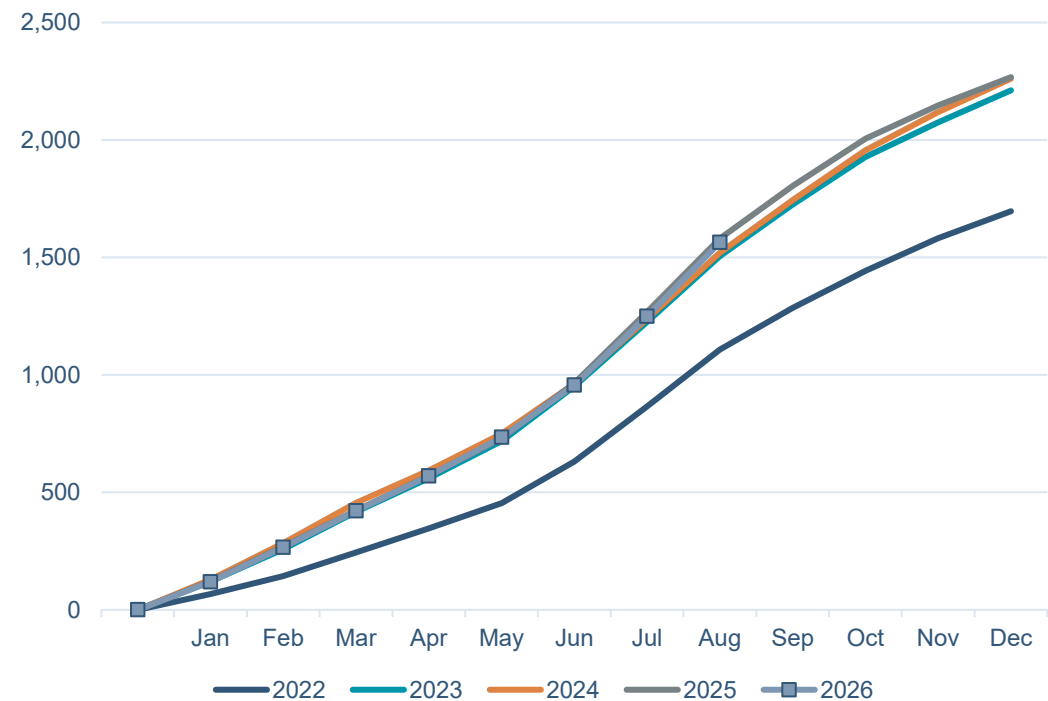


The travel sector

Around 314 non-domestic travellers passed through Leifsstöð International Airport in August, 0.4% more than the same time last year. From the beginning of the year, slightly fewer travellers have visited Iceland than in the same period last year, or 1% fewer. Non-domestic payment card turnover increased by 10% between years at a fixed exchange rate but by only 4.4% at fixed prices in August. Overnight hotel stays by non-domestic travellers decreased by 1.8% between years in August but increased by 6% across all types of registered accommodation types.

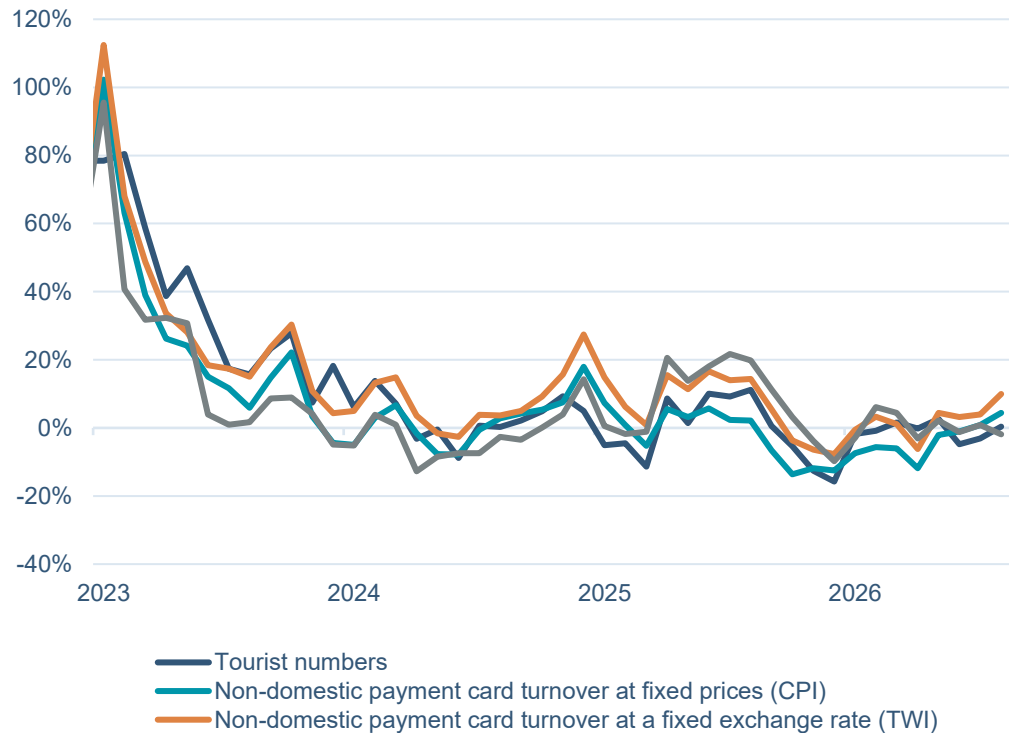
Acc. tourist numbers

Thousand individuals



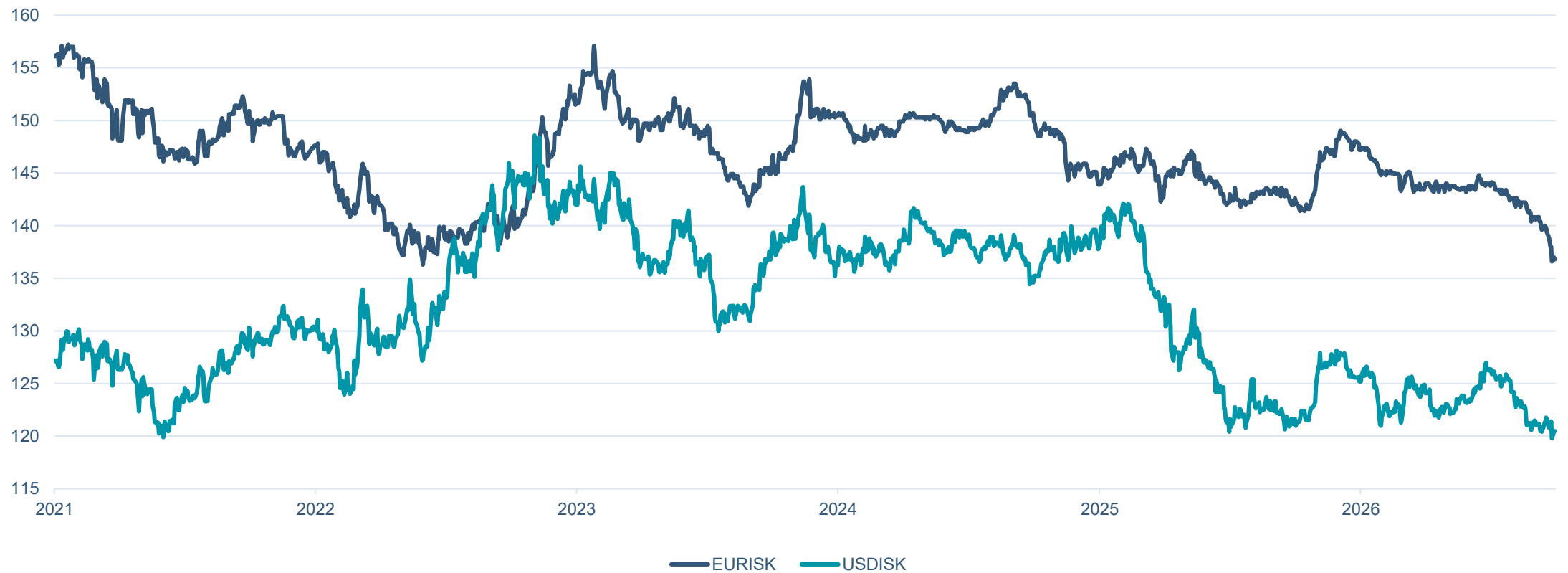
Development of key indicators

YoY change



ISK exchange rate

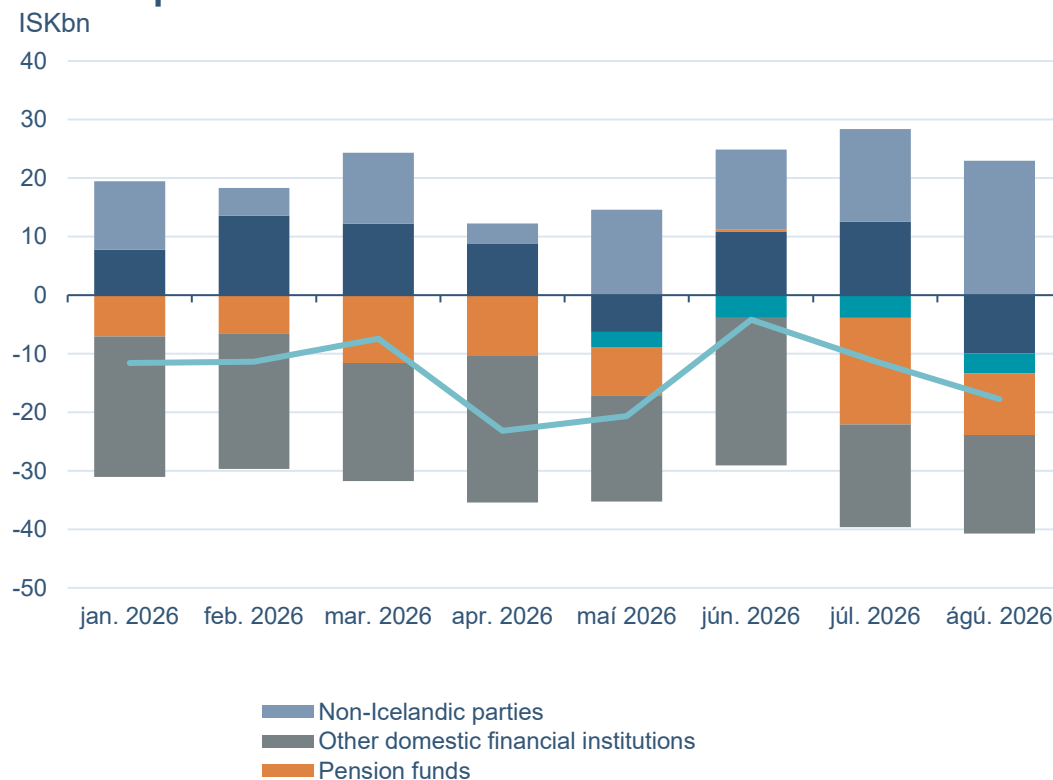
The ISK gained against the euro and the US dollar in September. At the end of the month, the euro stood at 137.0 (-3.8 intra month) and the USD at 120.7 (-0.8 intra month). From the beginning of the year, the ISK has appreciated by 7.7% against the EUR and 3.8% against the USD.



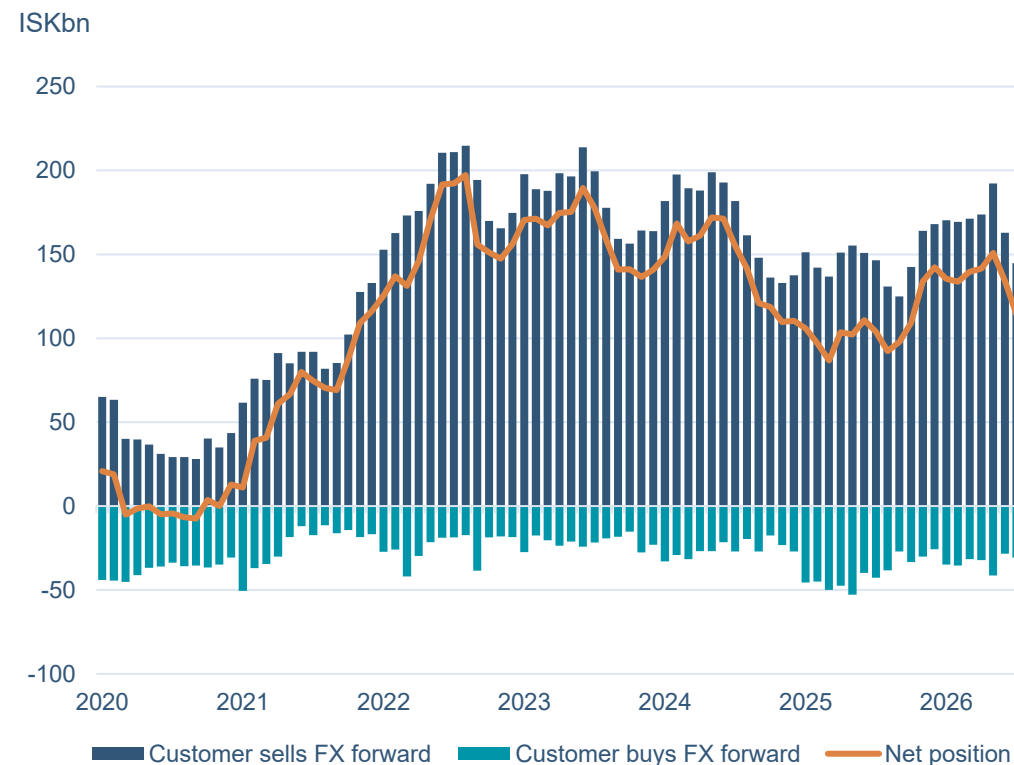
FX transactions

Market makers in the interbank foreign exchange market* sold ISK 18 bn worth of foreign currency to their customers in August. Domestic entities purchased ISK 40 bn in foreign currency from market makers, while foreign entities sold for ISK 23 bn. The net position in forward contracts has decreased by ISK 38 bn since the beginning of the year.

Forex option



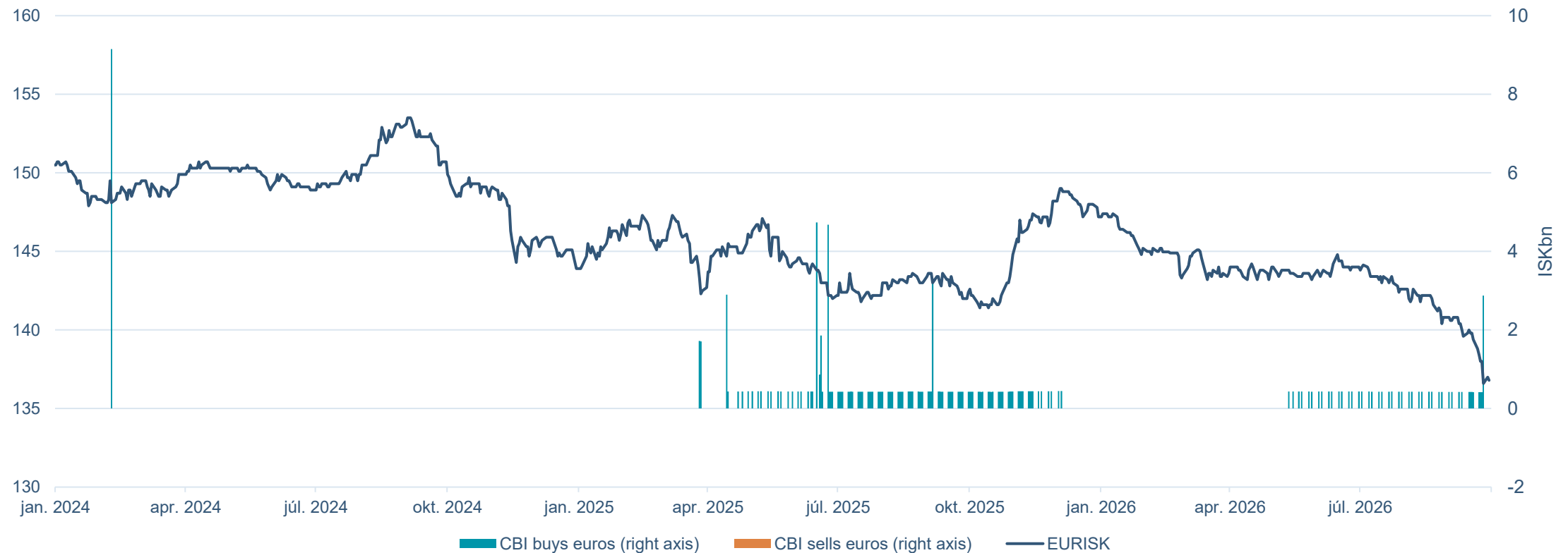
Forward contract in currencies



* Market makers in the FX interbank market are Arion Bank, Íslandsbanki and Landsbankinn. Kvika Bank falls under other domestic financial undertakings.
Source: Central Bank of Iceland

Activity by the Central Bank of Iceland

On 11 September, the CBI announced that it intended to increase its regular purchases from EUR 6 million per week to EUR 12 million. On Friday 25 September, the CBI then intervened in the market, purchasing EUR 18 million (ISK 2.5 billion) on top of its regular purchases.



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