

Monthly Newsletter

2 November 2026
Landsbankinn Economic Research

Market events - November 2026

Monday	Tuesday	Wednesday	Thursday	Friday
2 November Reitir publishes results	3 Eik and Síminn publish results	4 Kvika Bank publishes results Inflation in the eurozone	5 Employed workers (HAG) Heimar and Sýn publish results Policy rate decision in the UK	6 Trade in goods in Oct. (HAG) Unemployment in the US
9	10 Departures from Keflavík International Airport (FMST) Registered unemployment (Directorate of Labour) Eimskip publishes results Inflation in the US	11 Market expectation survey (CBI) Alvotech publishes results	12 Amaroq publishes results	13 End of price measurement week (HAG)
16	17 Payment mediation (CBI) Housing price index (HMS)	18 **Interest rate decision (CBI)** Rental price index (HMS) Iceland Seafood publishes results Inflation in the UK	19 Monthly report (HMS) Brim and Síldarvinnslan publish results	20 Hampiðjan publishes results
23 Wage index (HAG)	24	25	26 **Wage index (HAG)** Overnight stays (HAG) Ísfélagið publishes results	27 Goods and services balance in Q3 (HAG)
30 **National accounts (HAG)**				

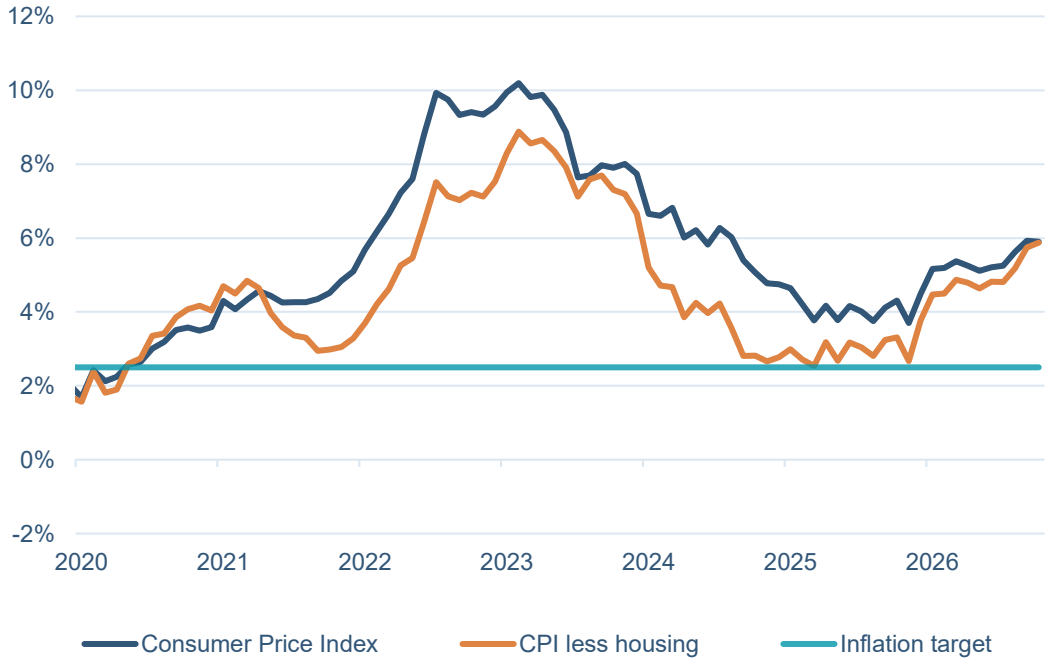
HAG: Statistics Iceland, CBI: Central Bank of Iceland, VMST: Directorate of Labour, FMST: Icelandic Tourist Board, HMS: The Housing and Construction Authority.

Inflation

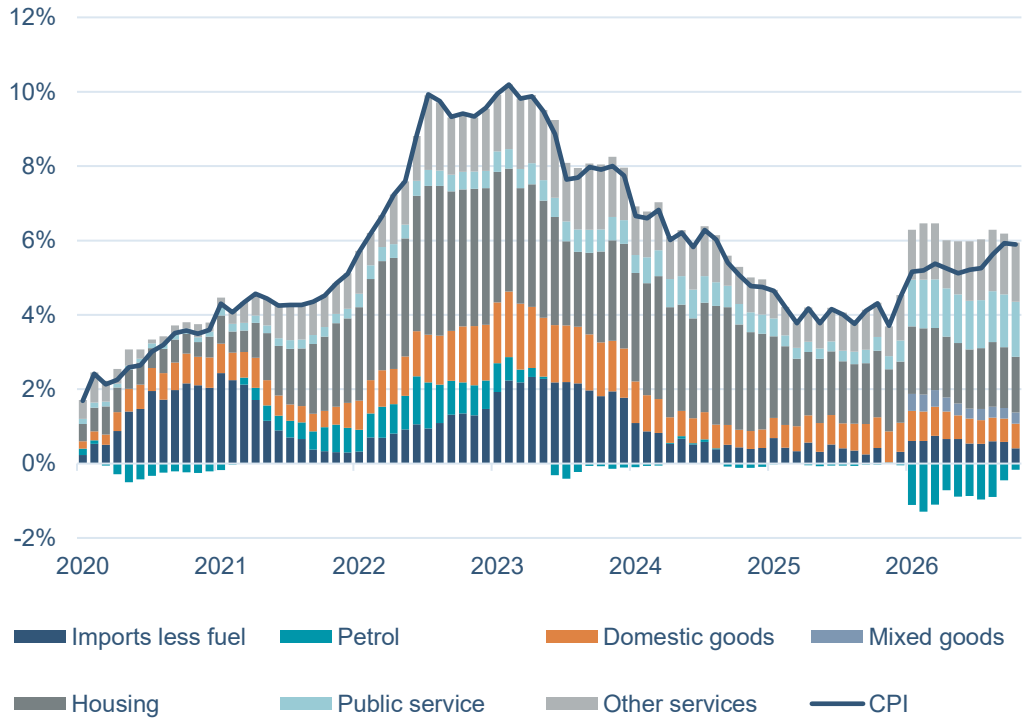
The CPI rose by 0.44% between months in October and inflation was unchanged at 5.9%. October is the tenth month in a row in which inflation measures over 5%. Inflation measures 5.9% both including and excluding housing.

Consumer Price Index

YoY change



Inflation by type and origin



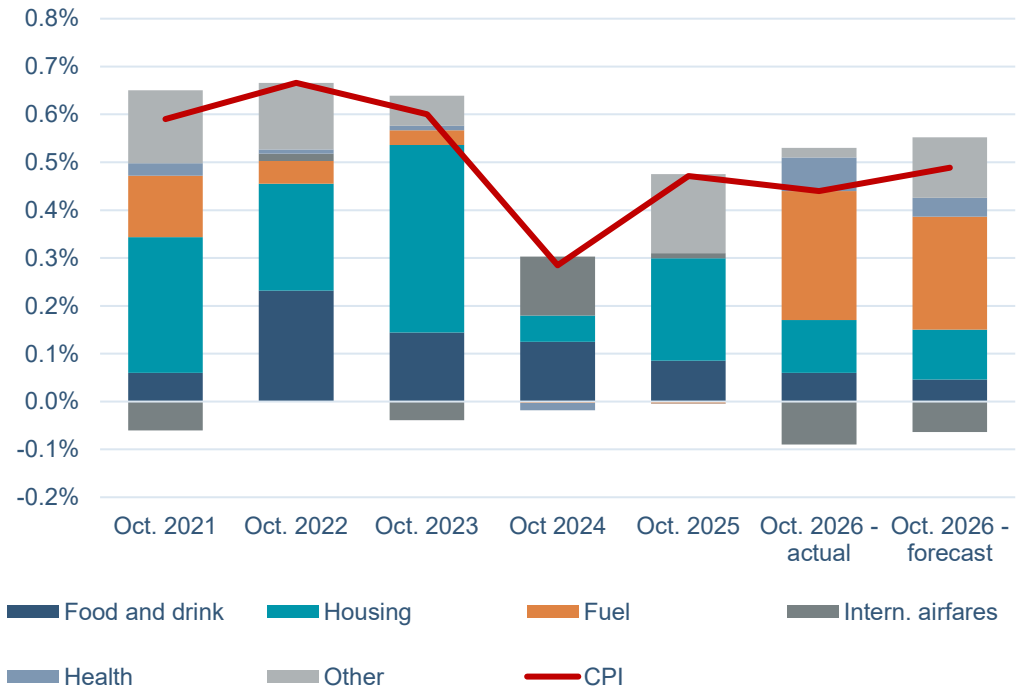
Source: Statistics Iceland

MoM change in the CPI

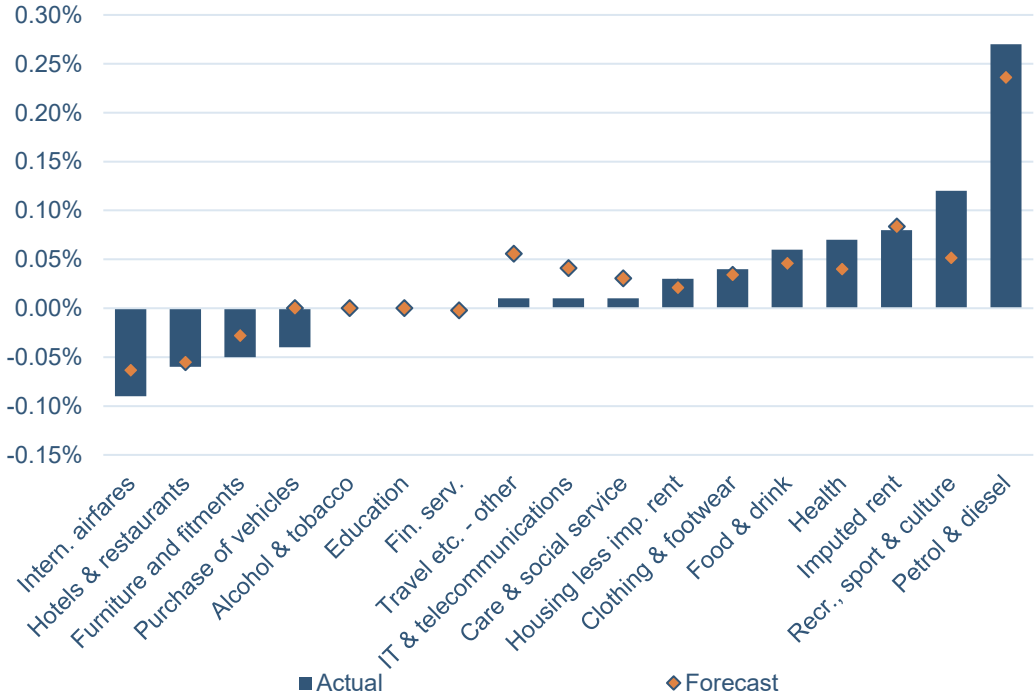
We expected the CPI to increase by 0.48% between months and inflation to remain steady at 5.9%. The measurement was mostly in line with our expectations, although fuel prices rose rather more than we expected and explain the majority of the month-over-month increase. Package tours from Iceland also figure significantly in the increase, which was a surprise. The impact of new primary healthcare fees also had a greater impact than we had anticipated.

October measurement of the CPI and forecast

MoM change and contribution of components



Contribution of components in October

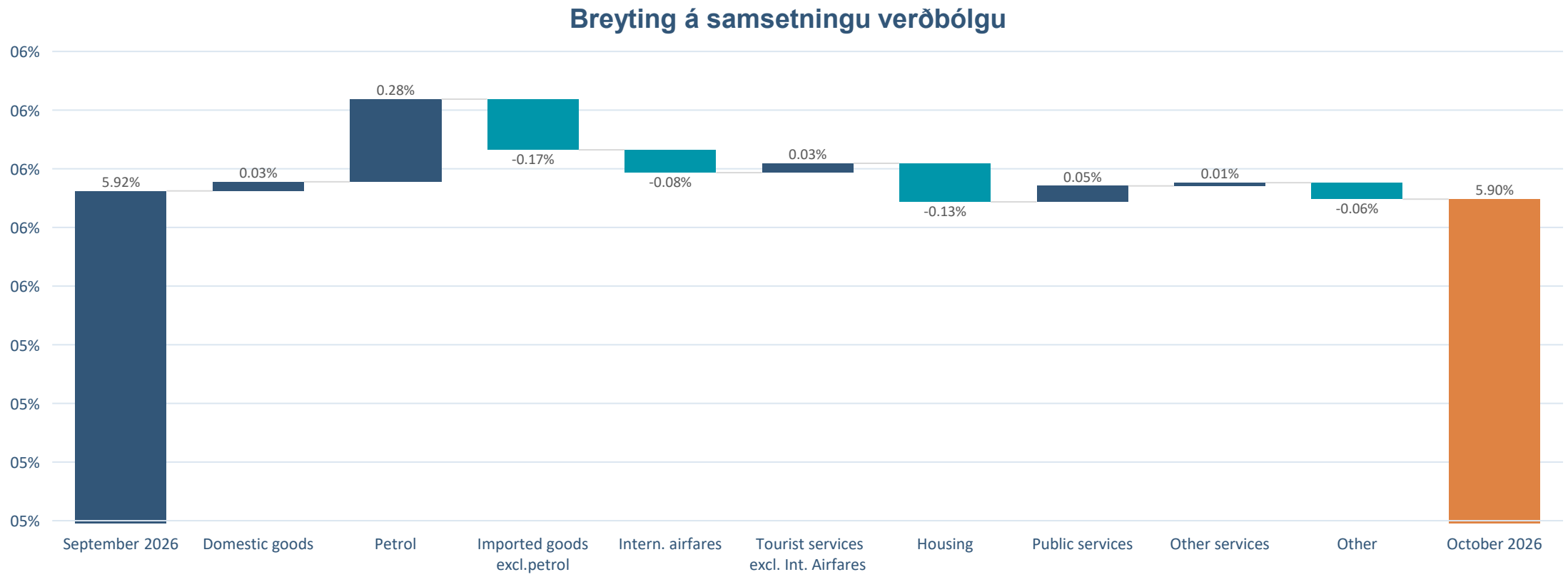


Source: Statistics Iceland, Landsbankinn Economic Research

Source: Statistics Iceland, Landsbankinn Economic Research

Changes to the composition of inflation

The increase in fuel prices is by far the largest contributor to inflation, accounting for 0.28 percentage points. Inflation would therefore currently be around 5.6% if fuel prices had remained unchanged between months. Imported goods, housing and international airfares all contribute to lower inflation. There are clear signs that inflation is easing but as long as oil price increases remain as substantial as they are, inflation will decline only slowly.



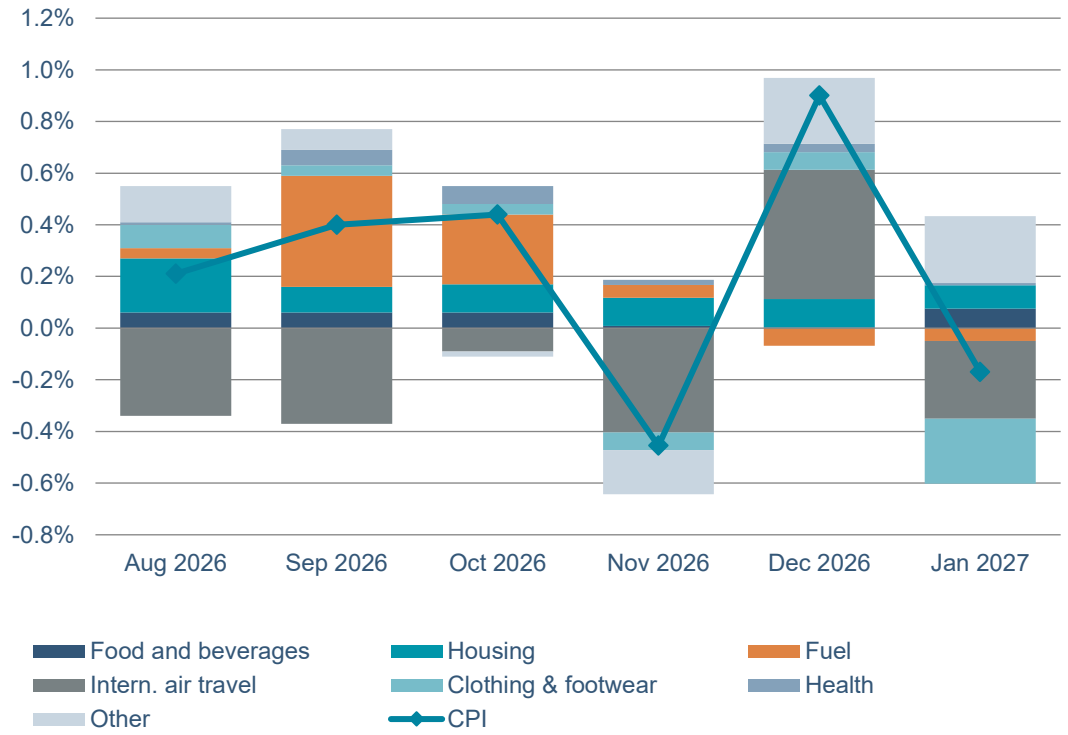
Source: Statistics Iceland, Landsbankinn Economic Research

The outlook for the next months

We now expect the CPI to decrease by 0.46% in November, increase 0.9% in December and to decrease by 0.17% in January. If the forecast holds, 12-month inflation will be 5.9% in November, 5.7% in December and 5.1% in January. The upward revision from the previous forecast is due to our expectation of higher fuel prices. We also expect the year-on-year increase in airfares to be slightly lower than in the previous forecast. In addition, we expect new car prices to rise in November when the reduction in the electric vehicle subsidy takes effect. It should be borne in mind that considerable uncertainty remains regarding the development of fuel prices.

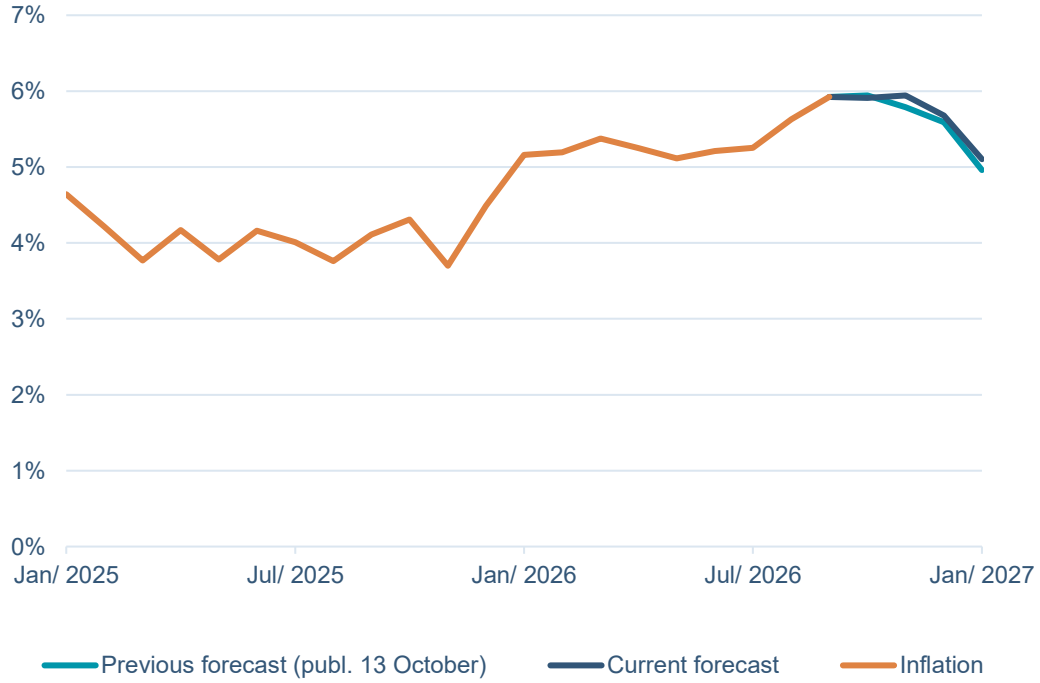
Inflation forecast

MoM change and weight of components



Inflation forecast

12-month inflation



Source: Statistics Iceland, Landsbankinn Economic Research

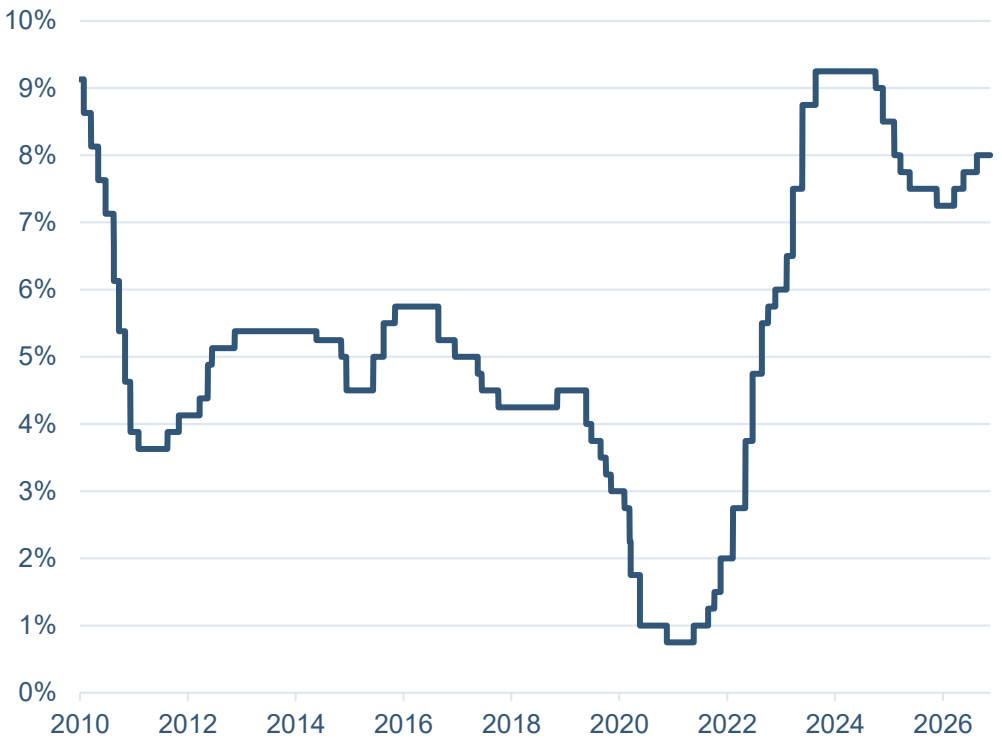
Key interest rate of the Central Bank of Iceland

The Monetary Policy Committee maintained unchanged interest rates, in line with our forecast. The CBI's key interest rate, interest on 7-day term deposits, will remain 8.00%. The MCP was unanimous this time. Its statement was short and mild, in our opinion, supporting the expectation that the rate-raising cycle has come to an end. The next rate decision date is 18 November and our current forecast assumes that the MPC will again keep the rate unchanged.

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	Unch.	ÁJ, RS, TB, ÁÓP, HS			8.00%
18 Nov. 2026	6					

Key interest rate of the Central Bank of Iceland

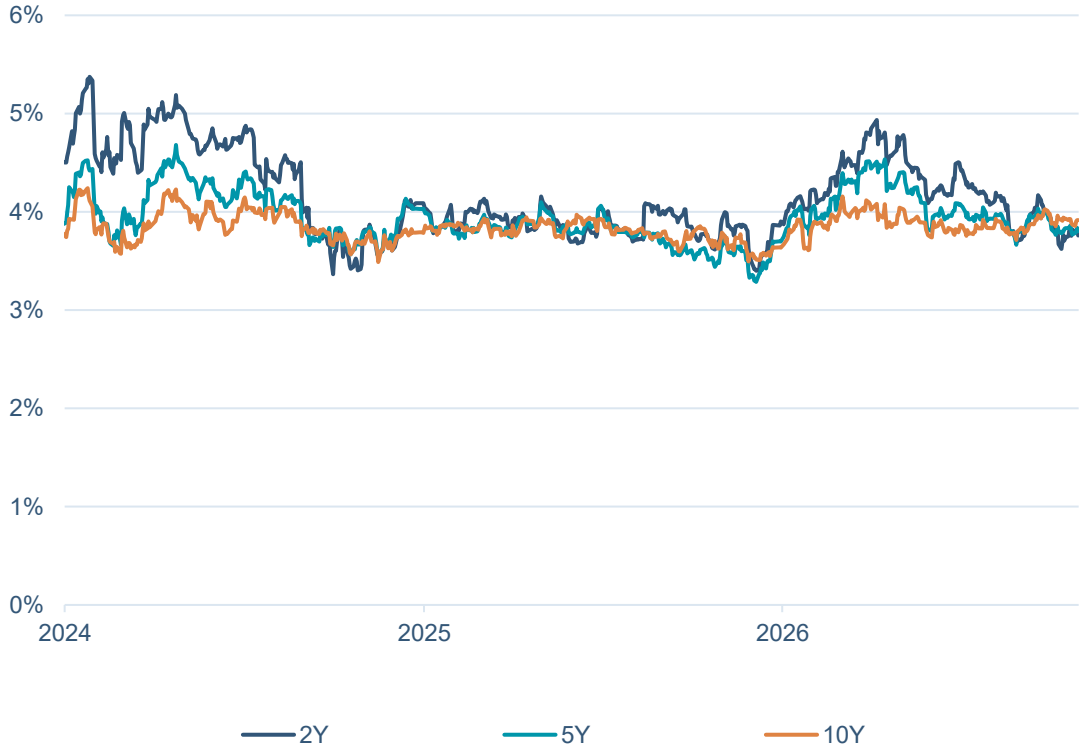


AS: Arnór Sighvatsson, ÁJ: Ásgeir Jónsson, ÁÓP: Ásgerður Ósk Pétursdóttir, GJ: Gunnar Jakobsson, GZ: Herdís Steingrímsdóttir, RS: Rannveig Sigurðardóttir, TB: Tómas Brynjólfsson, ThGP: Thórarinn G. Pétursson. Source: Central Bank of Iceland

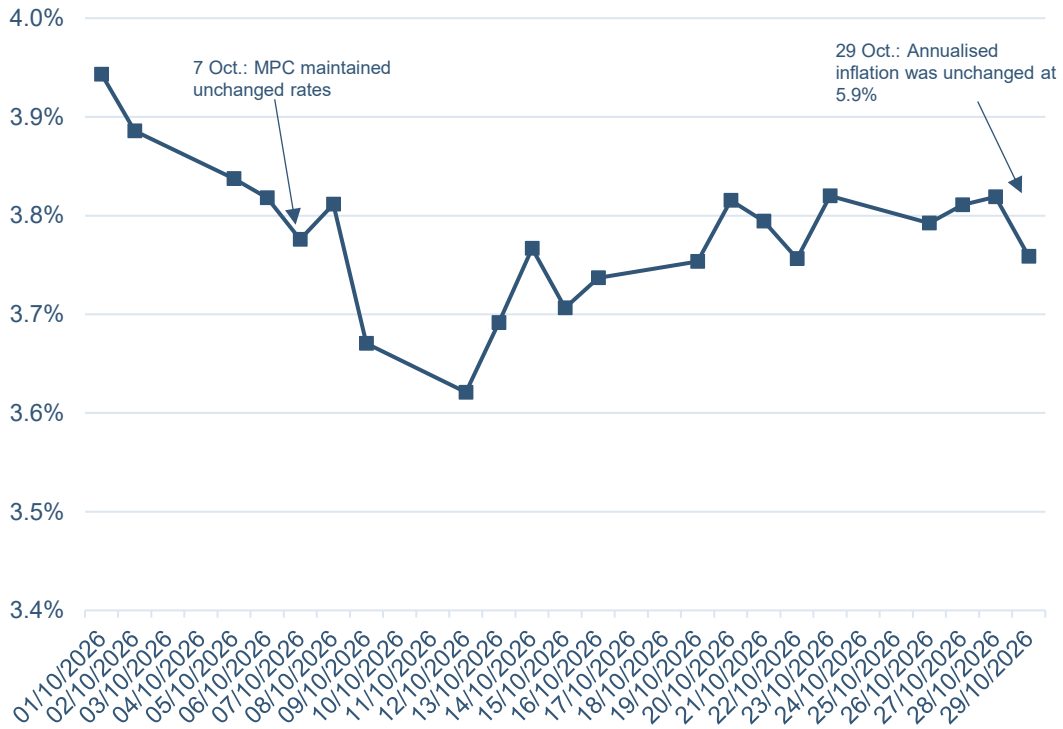
Inflation premium in the bond market

The inflation premium in the bond market stood at 3.8% for the 2 and 5-year horizon, and at 3.9% for the 10-year horizon at the end of the month. The inflation premium fell by 0.2 pp over the 2-year horizon during the month and by 0.1 pp over the 5 and 10-year horizon.

Inflation premium in the bond market



2Y inflation premium (break-even rate)

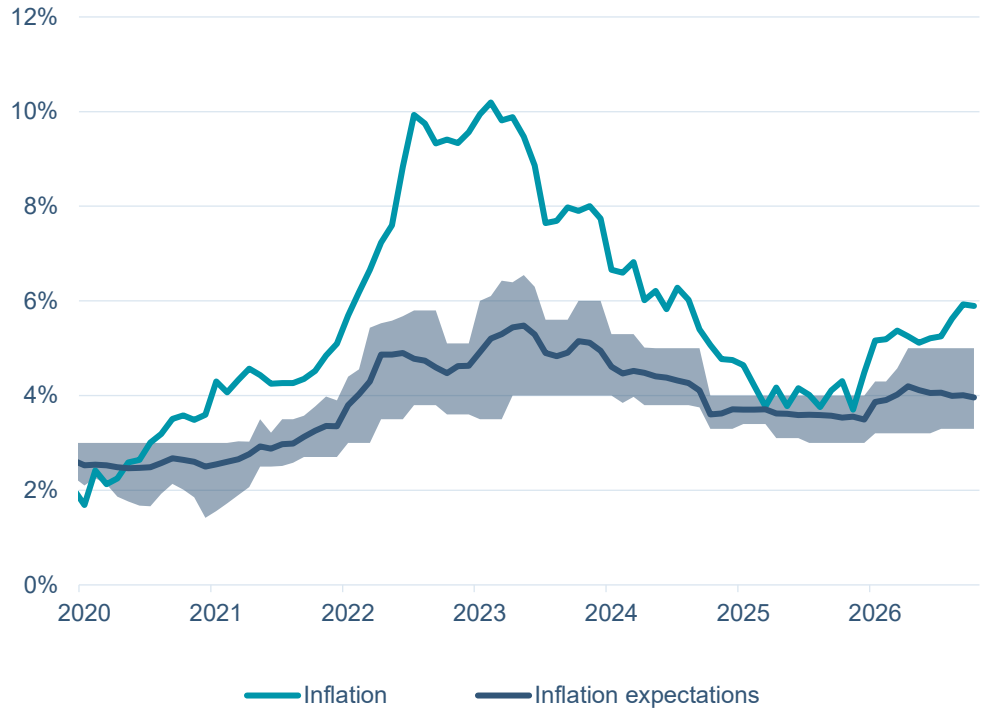


Source: OMX, Landsbankinn's calculations

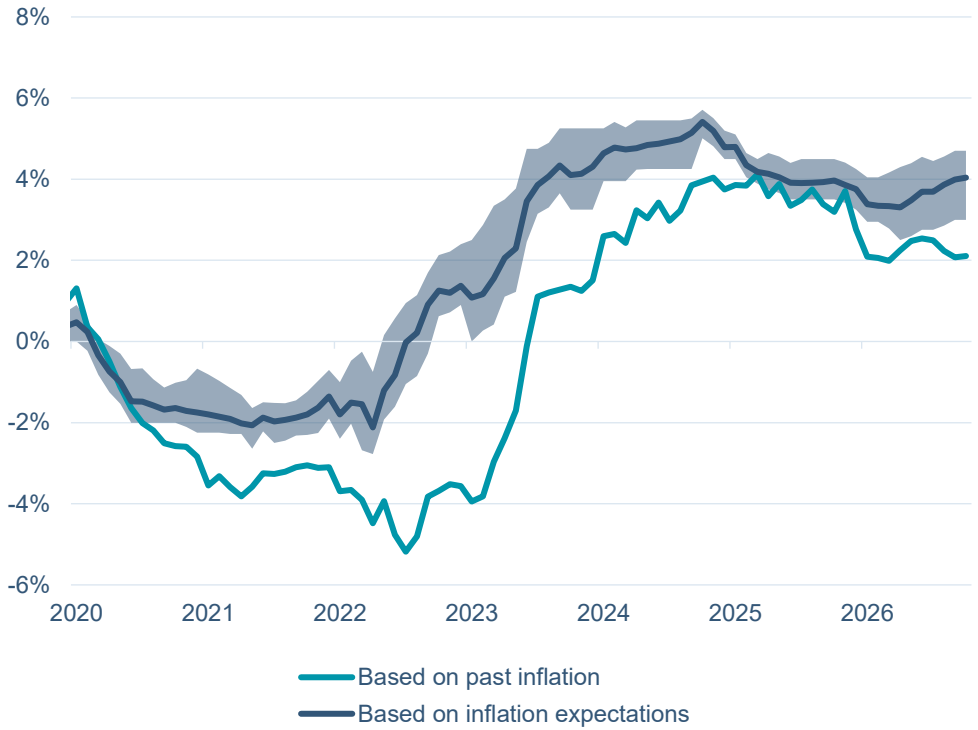
Inflation expectations and monetary policy

The average of the main measures of inflation expectations was 4.0% in October, unchanged between months. The real key interest rate based on past inflation was unchanged between months at 2.1%. Based on the average of key measurements of inflation expectations, the real policy rate was also unchanged between months at 4%.

Inflation and inflation expectations



Real key interest rate



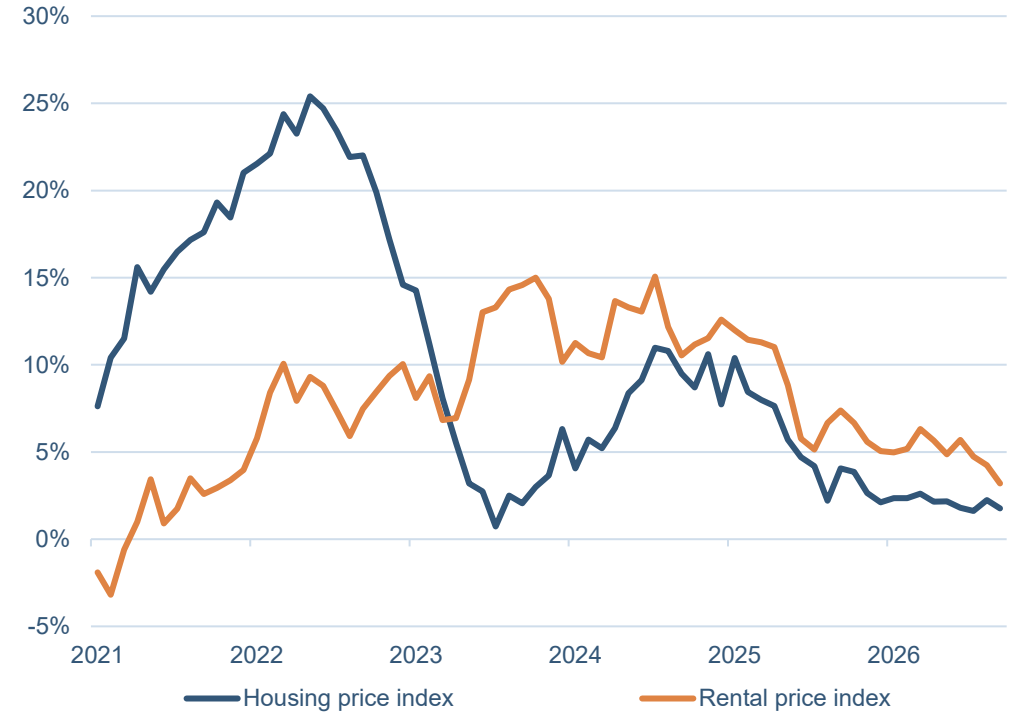
Monthly average. Inflation expectations are the average of the 2Y and 5Y inflation premium on the bond market, the results of a market expectation survey for 1Y and 5Y, household expectations for the next 5Y and companies for the next 5Y. The shaded area shows the highest and lowest values. Source: Central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

The real estate market

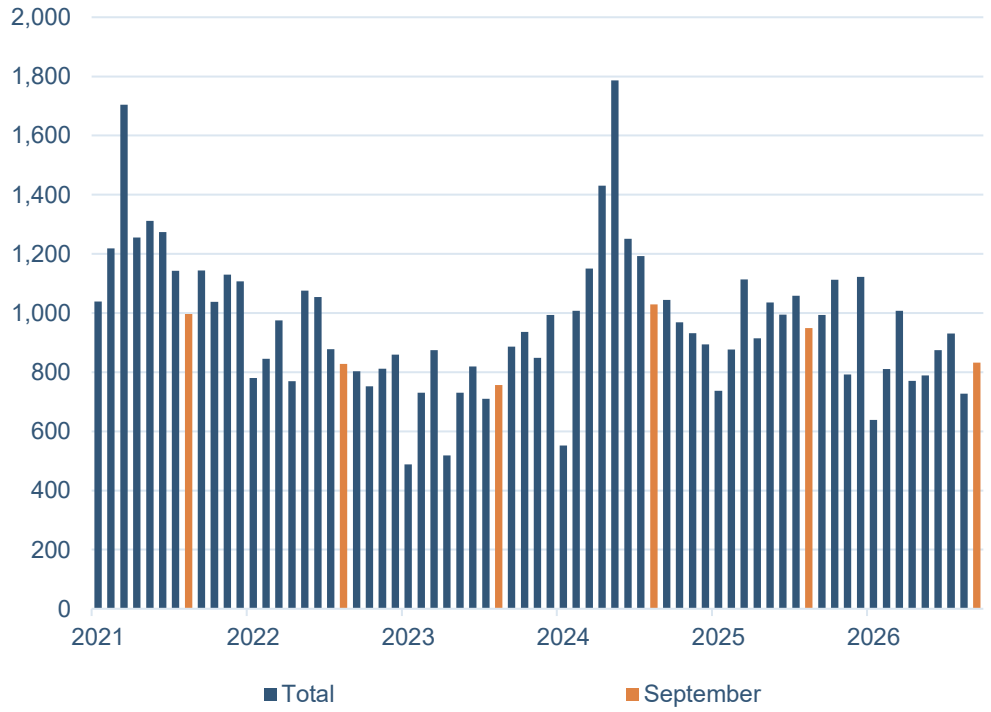
The housing price index rose considerably more in September than in previous months, or by just over 1%. The annualised change dropped from 2.3% to 1.8%, owing to an even bigger increase in the same month last year. The rental price index fell by just under 1%, bringing its annual increase to 1.1%. Around 830 purchase agreements for residential properties were signed in September, approximately 16% fewer than in September 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



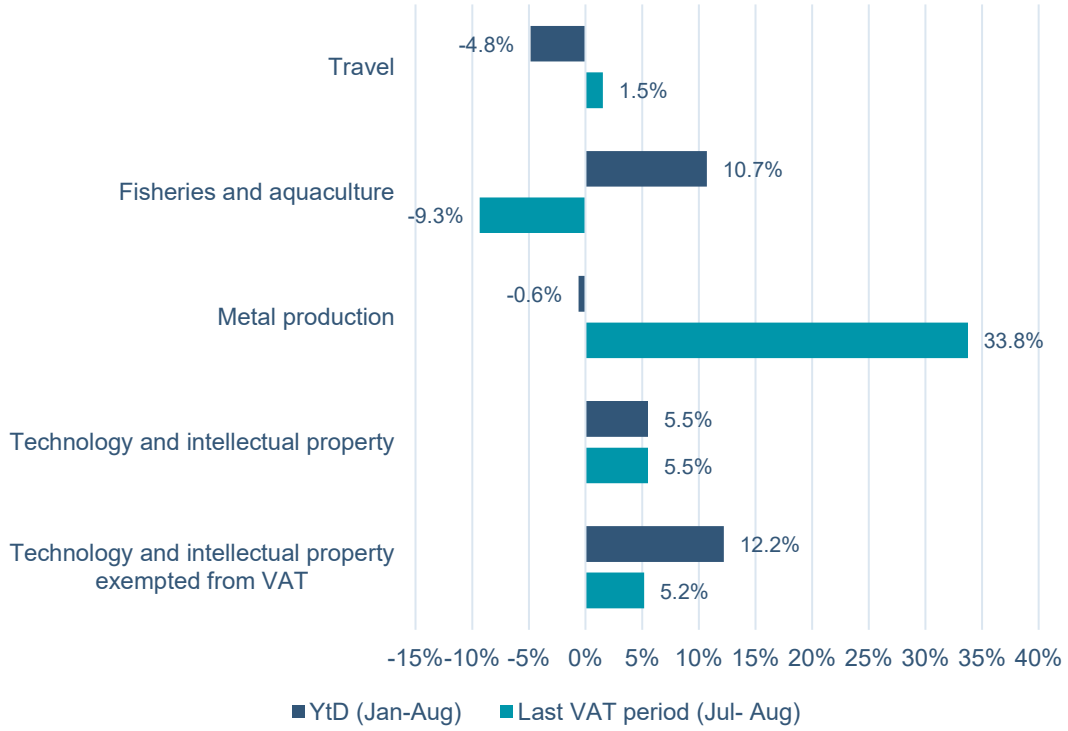
Source: The Housing and Construction Authority

Turnover based on VAT reports

According to VAT reports, turnover grew in most export sectors in July and August, with the exception of fisheries and aquaculture. Not all data had been received from companies in the fisheries sector, however, so turnover was most likely higher than Statistics Iceland's data currently indicate. At the same time, there are signs that the domestic economy is cooling. Retail sales increased, particularly in groceries and pharmaceuticals. Sales at specialist retailers declined, which may indicate that households are curbing more discretionary spending in line with the cooling economy.

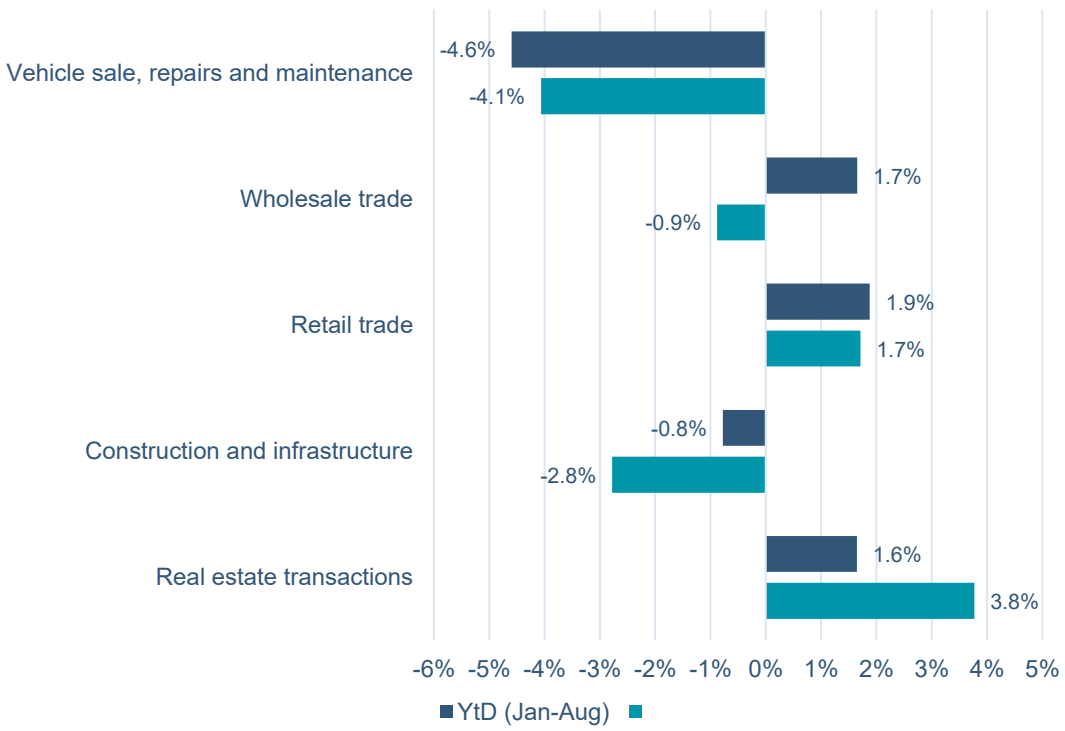
Export economy

YoY change at fixed prices (CPI)



Domestic economy

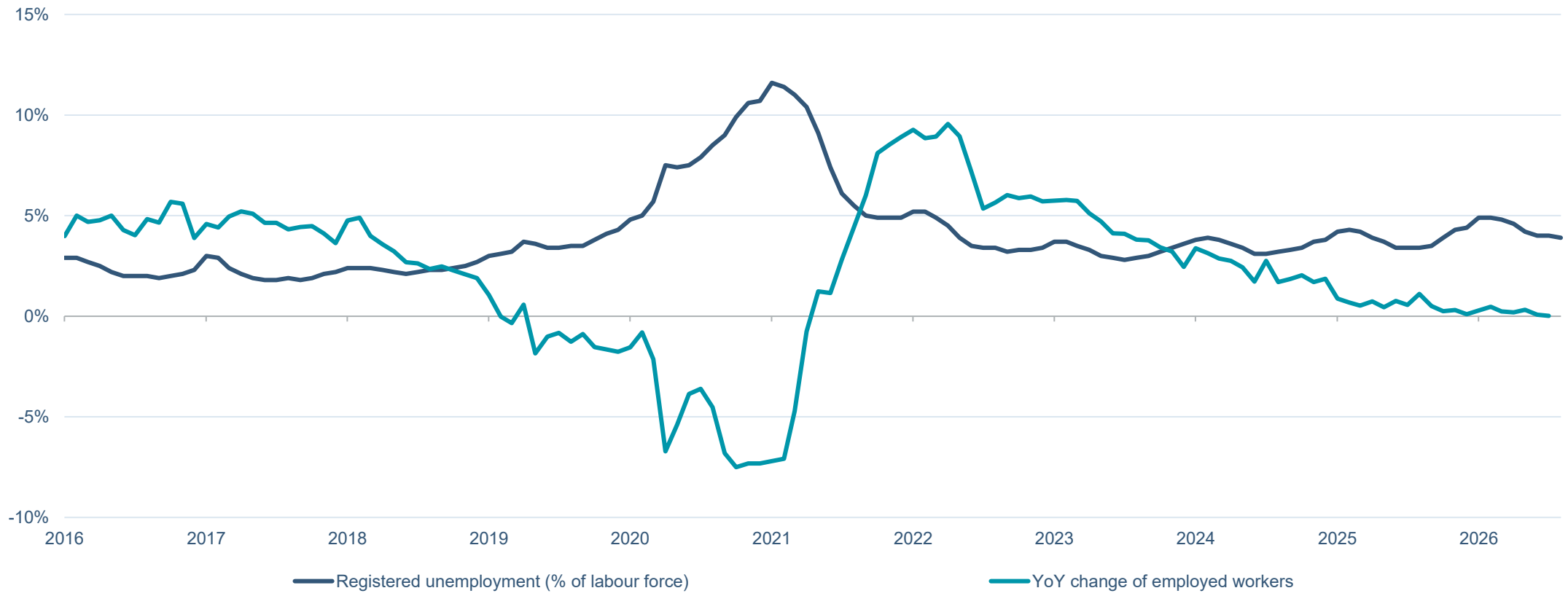
YoY change at fixed prices (CPI)



YoY change at fixed prices (CPI)
Source: Statistics Iceland

Unemployment and employed workers

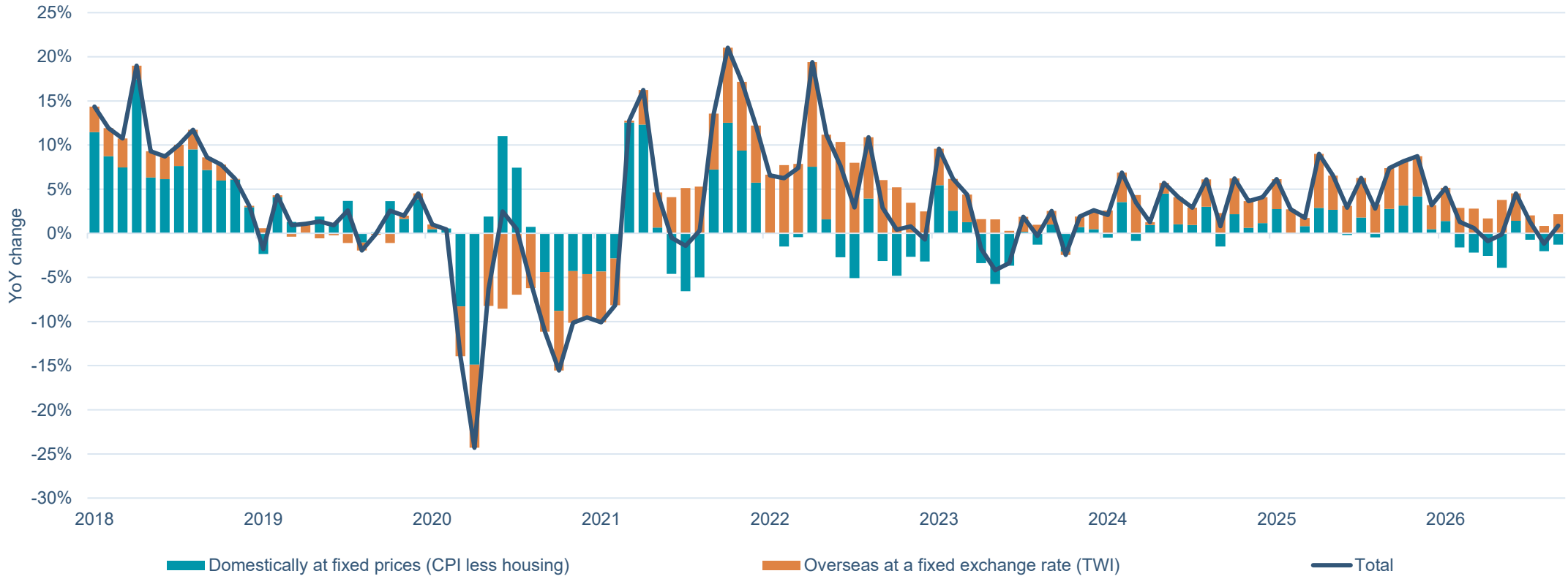
Both figures on registered unemployment and employed workers based on the withholding tax register indicate that the labour market is slowing down. Registered unemployment was 4.0% in September, 0.5 percentage points higher than the same month last year. Figures on employed workers are unchanged between years in August.



Source: Directorate of Labour, Statistics Iceland

Payment card turnover of Icelandic households

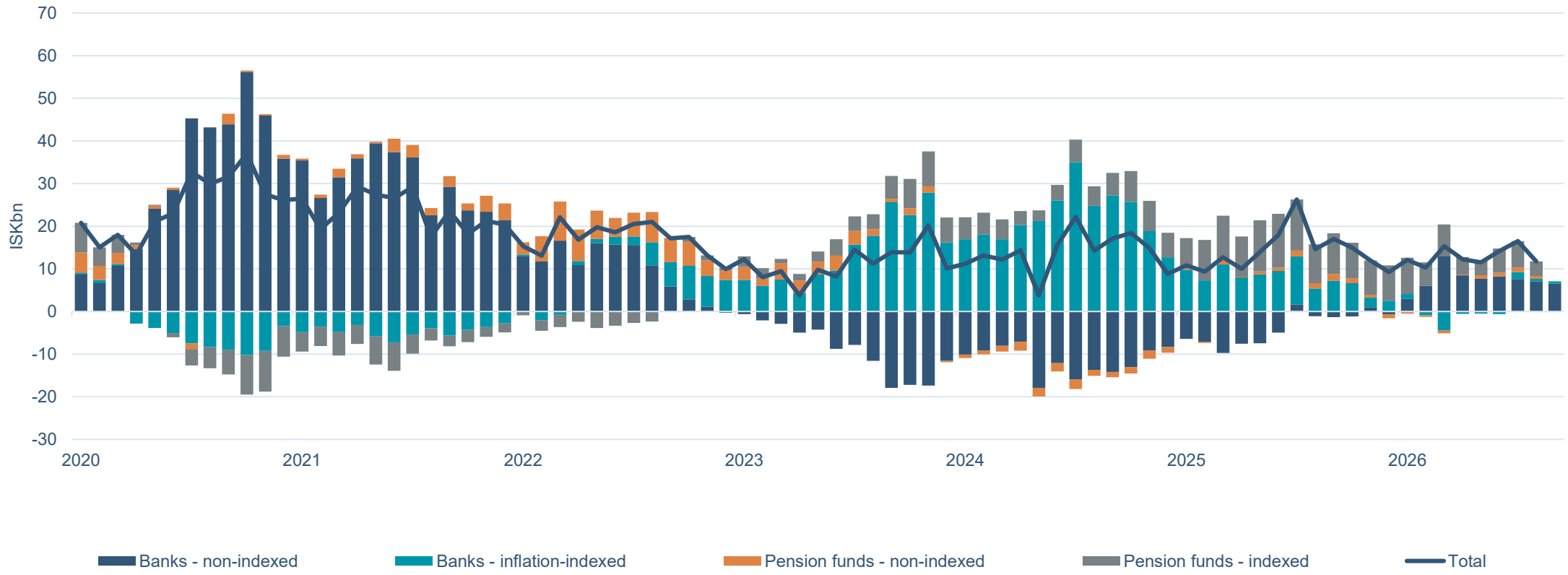
The total payment card turnover of domestic households is up by 0.9% between years in September, having regard for price and exchange rate changes. In August, household card turnover recorded its largest contraction since October 2023. Icelanders' card turnover abroad increased by 9.2% in September, indicating that consumption abroad continues to grow strongly while domestic spending declines. Domestic turnover by Icelanders contracted by 1.7% in September, in line with developments in recent months.



Source: Statistics Iceland, Central Bank of Iceland

Net new housing mortgages

Net new housing mortgages by the commercial banks amounted to ISK 7.1 bn in September. Of that figure, ISK 6.6 bn represents net new non-indexed loans while net repayment of inflation-indexed loans amounted to ISK 0.5 bn. September is the ninth month in a row where household borrowing from commercial banks is mainly non-indexed.



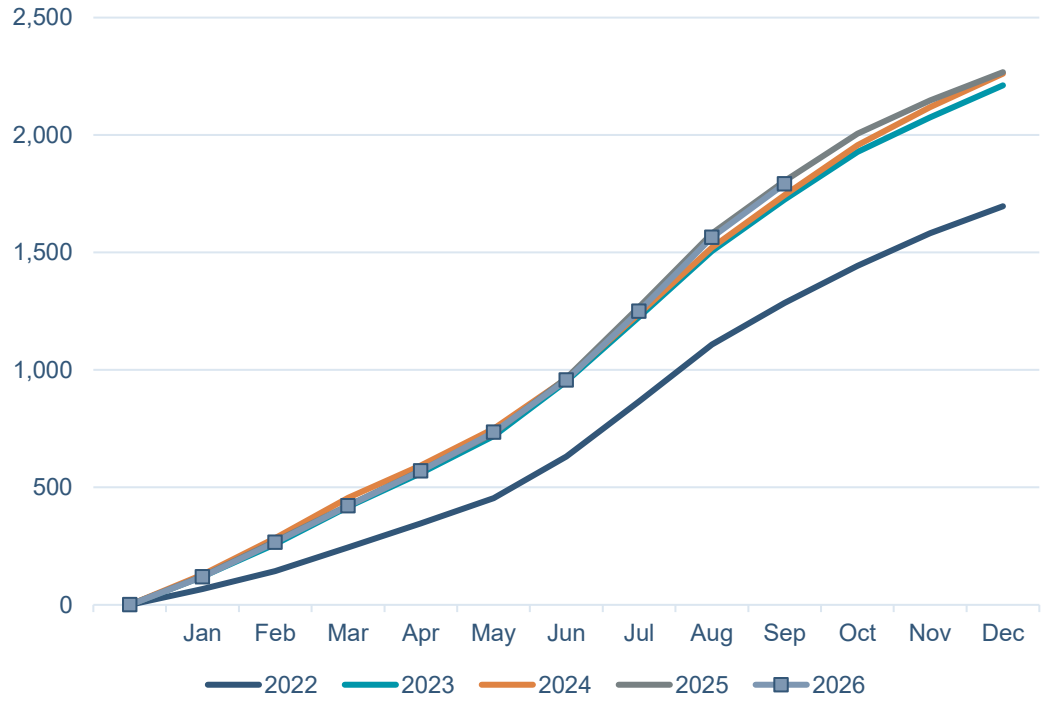
Only banks in September 2026. Information about pension fund lending in September is released 5 November.
Source: Central Bank of Iceland

The travel sector

Around 228 non-domestic travellers passed through Leifsstöð International Airport in September, 1.7% more than in the same month of 2025. From the beginning of the year, slightly fewer travellers have visited Iceland than in the same period last year, or just under 1% fewer. Non-domestic payment card turnover increased by 7.6% between years at a fixed exchange rate but by only 0.3% at fixed prices in September. Overnight hotel stays by non-domestic travellers grew by 3.7% between years.

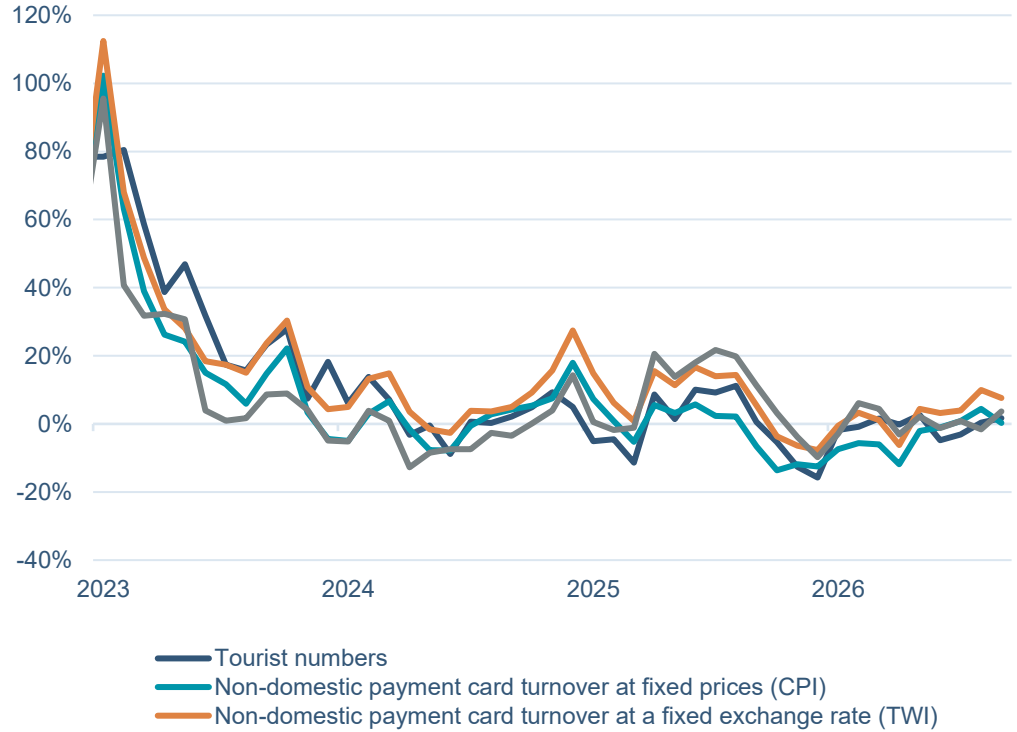
Acc. tourist numbers

Thousand individuals



Development of key indicators

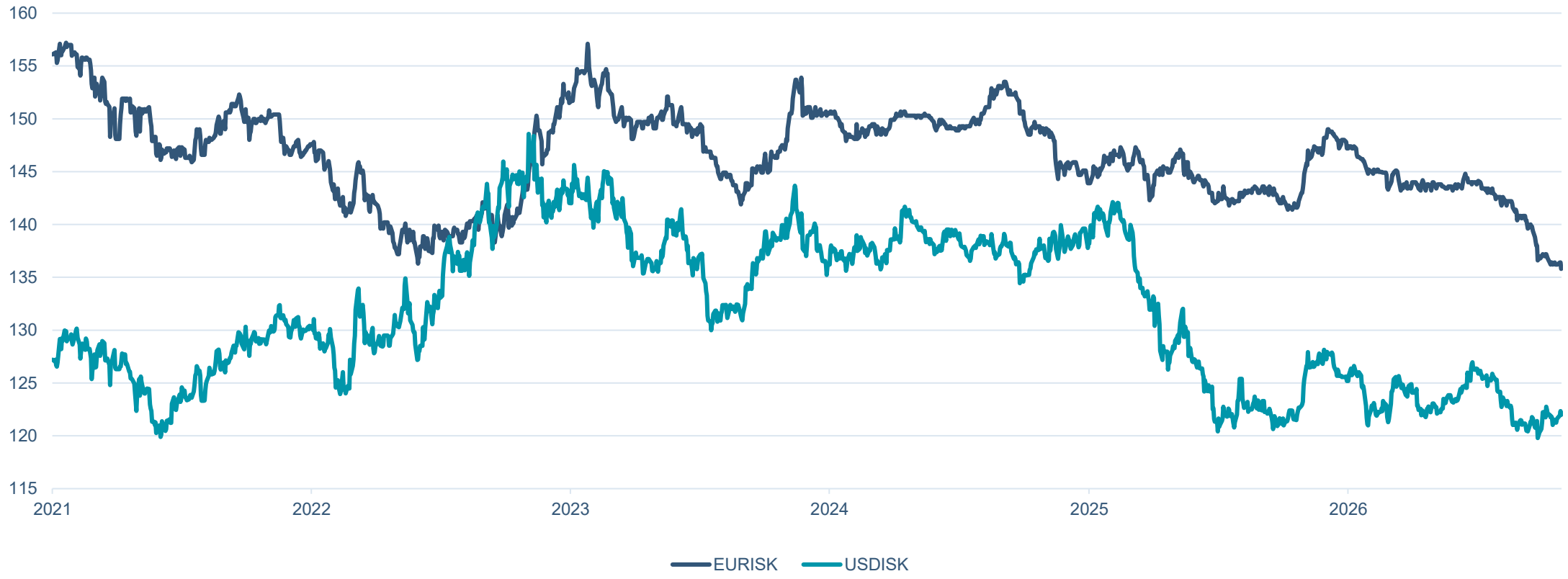
YoY change



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

ISK exchange rate

The ISK appreciated against the euro while depreciating against the US dollar in October. At the end of the month, the euro stood at 135.8 (-1.2 intra month) and the USD at 122 (+1.3 intra month). From the beginning of the year, the ISK has appreciated by 7.7% against the EUR and 2.6% against the USD.



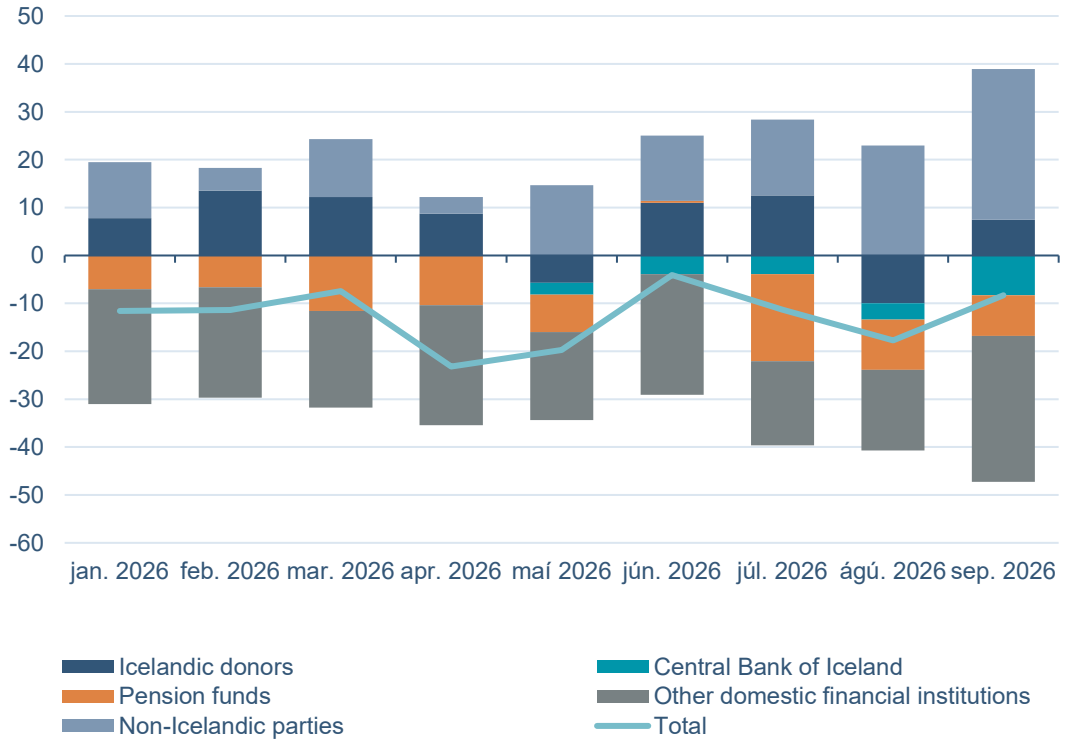
Source: Central Bank of Iceland

FX transactions

Market makers in the interbank foreign exchange market* sold ISK 8 bn worth of foreign currency to their customers in September. Domestic entities, i.e. the Central Bank, pension funds and other domestic financial enterprises, purchased ISK 39 bn in foreign currency from market makers, while foreign entities sold for ISK 31 bn. The net position in forward contracts has decreased by ISK 38 bn since the beginning of the year.

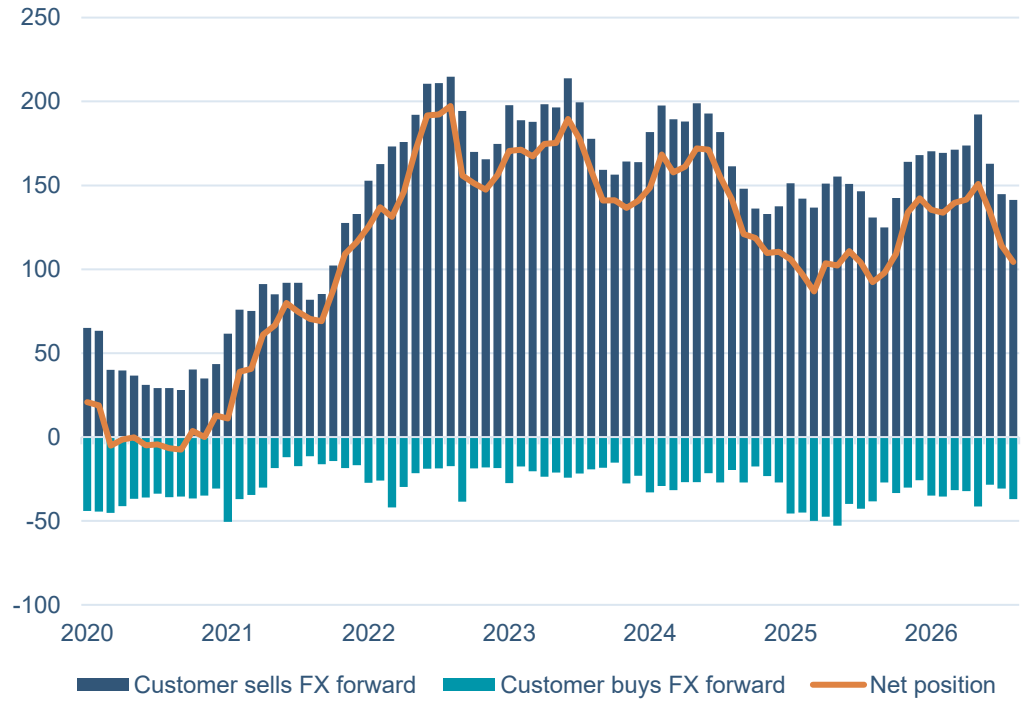
Forex option

ISKbn



Forward contract in currencies

ISKbn



* 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

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