

# Economic Indicators



Central Bank of Iceland  
January 2005

## Overview of economic indicators

|   | Latest period  | Latest value              | Change (%)             |                                 |  | Contribution to 12-mo. inflation (%)       | 12-mo. ch. 1 year ago (%)          |
|---|----------------|---------------------------|------------------------|---------------------------------|--|--|------------------------------------|
|   |                |                           | on prev. month         | over 6 months <sup>2</sup>      | over 12 months                             |  |                                    |
| <i>I Inflation and inflation expectations<sup>1</sup></i>           |                |                           |                        |                                 |  |  |                                    |
| Consumer price index .....  | January '05    | 239.2                     | 0.1                    | 4.0                             | 4.0  | .  | 2.4                                |
| Core index 1 (CPI excl. agric. prod., vegetables, fruit and petrol) | January '05    | 135.3                     | 0.3                    | 4.3                             | 3.9  | 3.6  | 2.7                                |
| Core index 2 (core index 1 excl. public services).....              | January '05    | 135.1                     | -0.1                   | 3.6                             | 4.0  | 3.3  | 2.0                                |
| Domestic goods excl. agricultural products and vegetables.....      | January '05    | 131.0                     | -0.2                   | 2.0                             | 1.8  | 0.2  | 1.5                                |
| Agricultural products and vegetables.....                           | January '05    | 123.8                     | 1.1                    | 7.5                             | 5.1  | 0.3  | -0.1                               |
| Imported goods excl. alcohol and tobacco.....                       | January '05    | 108.8                     | -3.1                   | -3.2                            | 0.1  | 0.0  | 0.3                                |
| - food and beverages .....  | January '05    | 121.4                     | -0.2                   | 0.3                             | -3.8                                       | -0.1                                       | -1.1                               |
| - cars and spare parts.....   | January '05    | 120.5                     | 0.6                    | 2.7                             | 2.2  | 0.1  | 3.5                                |
| - petrol .....  | January '05    | 129.3                     | -5.7                   | -8.3                            | 4.3  | 0.2  | 1.6                                |
| - imported goods excl. food and beverages .....                     | January '05    | 96.9                      | -4.3                   | -4.8                            | -1.0                                       | -0.2                                       | -1.1                               |
| Housing .....   | January '05    | 191.7                     | 1.9                    | 13.4                            | 11.5                                       | 2.1  | 7.9                                |
| Public services.....  | January '05    | 142.3                     | 4.4                    | 9.5                             | 3.6  | 0.3  | 9.1                                |
| Private services.....   | January '05    | 142.2                     | 0.9                    | 2.7                             | 3.6  | 0.8  | 0.7                                |
| Groceries (perishable items) .....                                  | January '05    | 124.0                     | 0.5                    | 3.6                             | -0.2                                       | 0.0  | 0.6                                |
| Weighted import exchange rate index (Dec. 31 1994=100).....         | Dec. 31 '04    | 95.7                      | -4.2                   | -16.2                           | -8.4                                       | .  | -1.4                               |
|   | Latest period  | Expected 12 mo. inflation | Change on prev. survey | Exp. 12-mo inflation 1 year ago | Expected annual inflation over next 2 yrs. | Expected annual inflation over next 3 yrs. | Perceived inflation in past 12 mo. |
| Breakeven inflation rate <sup>3</sup> .....                         | January 21 '05 | 3.6                       | .                      | .                               | 3.7  | 3.7  | .                                  |
| Employers' inflation expectations.....                              | September '04  | 3.6                       | 0.8                    | 2.9                             | 3.2  | .  | .                                  |
| Public's inflation expectations .....                               | November '04   | 3.9                       | -0.1                   | 3.1                             | .  | .  | 3.2                                |

1. Index base periods: Consumer price index: May 1988=100; other price indices: March 1997=100. 2. Annualised inflation. 3. Difference between non-indexed and indexed Treasury bond yields at 2 and 3 years' maturity.

|   | Latest period    | Latest value | Value 1 year ago | % change <sup>1</sup> on |               | From beginn. of year <sup>1</sup> |                          |
|---|------------------|--------------|------------------|--------------------------|---------------|-----------------------------------|--------------------------|
|   |                  |              |                  | previous period          | previous year | Value                             | Change on prev. year (%) |
| <i>II Output and demand</i>                                     |                  |              |                  |                          |               |                                   |                          |
| GDP (b.kr.).....  | 2004/Q3          | 225.8        | 205.0            | .                        | 7.4           | 646.6                             | 5.9                      |
| National expenditure (b.kr.).....                               | 2004/Q3          | 231.3        | 212.1            | .                        | 6.0           | 676.2                             | 7.6                      |
| Private consumption (b.kr.).....                                | 2004/Q3          | 120.9        | 111.1            | .                        | 5.8           | 360.8                             | 6.7                      |
| Public consumption (b.kr.).....                                 | 2004/Q3          | 56.5         | 52.9             | .                        | 2.4           | 167.8                             | 2.2                      |
| Gross fixed investment (b.kr.) .....                            | 2004/Q3          | 54.5         | 48.0             | .                        | 10.0          | 146.9                             | 15.7                     |
| Exports of goods and services (billion kr.).....                | 2004/Q3          | 91.4         | 80.2             | .                        | 11.0          | 240.1                             | 7.5                      |
| Imports of goods and services (billion kr.).....                | 2004/Q3          | -96.9        | -87.4            | .                        | 7.3           | -269.7                            | 11.7                     |
| Domestic turnover according to VAT statements (billion kr.).... | Sept. - Oct. '04 | 175.6        | 159.7            | 3.0                      | 6.2           | 813.7                             | 9.8                      |
| Turnover in groceries stores (b.kr.).....                       | December '04     | 149.4        | 144.7            | 37.2                     | 3.2           | 114.8                             | 3.7                      |
| Credit and debit card turnover (b.kr.) <sup>2</sup> .....       | December '04     | 57.2         | 50.0             | -2.3                     | 12.2          | 573.3                             | 8.9                      |
| Turnover of publicly listed companies on ICEX (b.kr.).....      | Jan.-Sept. '04   | 187.2        | 154.4            | .                        | 21.3          | 187.2                             | 21.3                     |
| Cement sales (thous. tons).....                                 | December '04     | 11.4         | 10.7             | -37.4                    | 7.0           | 197.2                             | 40.8                     |
| Automobile registrations (number).....                          | November '04     | 1,303        | 902              | 3.7                      | 44.5          | 15,153                            | 27.6                     |

1. Change between periods is presented in real terms. 2. Change in seasonally adjusted values.

|  | Latest period | Latest value | Value 1 year ago | % change on     |               | From beginn. of year |                          |
|--|---------------|--------------|------------------|-----------------|---------------|----------------------|--------------------------|
|  |               |              |                  | previous period | previous year | Value                | Change on prev. year (%) |
| <i>III Foreign trade and external economic conditions</i>              |               |              |                  |                 |               |                      |                          |
| Price of marine products in foreign currency (Jan.1999=100)...         | Dec. '04      | 100.1        | 94.8             | 2.3             | 5.5           | 95.6                 | -1.9                     |
| Price of aluminium, LME cash price USD/t.....                          | Dec. '04      | 1,849        | 1,555            | 1.9             | 18.9          | 1,717                | 20.0                     |
| Price of crude oil (Brent) USD/b.....                                  | Dec. '04      | 39.7         | 29.9             | -7.9            | 32.7          | 38.4                 | 33.8                     |
| Groundfish (1,000 tonnes) .....  | Dec. '04      | 36.9         | 35.1             | -24.2           | 5.3           | 524.0                | 4.5                      |
| Pelagics (1,000 tonnes).....   | Dec. '04      | 44.6         | 52.7             | -48.9           | -15.5         | 1,168.8              | -18.4                    |
| Merchandise exports (excl. ships & aircraft, b.kr.) <sup>1</sup> ..... | Nov. '04      | 18.7         | 16.0             | 11.6            | 21.7          | 183.7                | 10.4                     |
| - marine products (b.kr.) <sup>1</sup> .....                           | Nov. '04      | 11.7         | 9.5              | 25.2            | 28.1          | 111.3                | 6.9                      |
| - aluminium (b.kr.) <sup>1</sup> .....                                 | Nov. '04      | 3.0          | 2.6              | -13.4           | 23.3          | 34.2                 | 8.7                      |
| - other industrial products (b.kr.) <sup>1</sup> .....                 | Nov. '04      | 3.3          | 3.2              | 3.9             | 8.2           | 31.2                 | 21.1                     |
| Merchandise imports (excl. ships & aircraft, b.kr.) <sup>1</sup> ..... | Nov. '04      | 21.2         | 16.2             | 6.0             | 36.0          | 212.5                | 19.3                     |
| Merchandise trade balance (excl. ships & aircraft, b.kr.).....         | Nov. '04      | -2.5         | -0.2             | .               | .             | -28.8                | .                        |
| Services exports (b.kr.) <sup>1</sup> .....                            | 2004/Q3       | 41.4         | 35.7             | 48.3            | 19.2          | 91.2                 | 12.5                     |
| Services imports (b.kr.) <sup>1</sup> .....                            | 2004/Q3       | 34.5         | 32.7             | 5.4             | 8.7           | 95.1                 | 12.4                     |
| Real effective exchange rate (relative CPI) (1980=100).....            | 2004/Q4       | 98.6         | 93.3             | 1.6             | 5.7           | 97.0                 | 3.0                      |

Note: In the case of volumes and values, 'From beginning of year' refers to cumulated figures to date, but in the case of prices or indices it refers to the average price or index. 1. Changes are calculated at constant exchange rates.

|  | Latest period | Latest value | Value 1 year ago | Change <sup>1</sup> from previous |               | From beginn. of year <sup>2</sup> |                          |
|--|---------------|--------------|------------------|-----------------------------------|---------------|-----------------------------------|--------------------------|
|  |               |              |                  | period                            | previous year | Average                           | Change on prev. year (%) |
| <i>IV Labour market and wages</i>                              |               |              |                  |                                   |               |                                   |                          |
| Number of unemployed listed at employment agencies.....        | December '04  | 4,088        | 4,728            | 203                               | -640          | 4,564                             | -6.7                     |
| Registered unemployment, s.a. (% of total estim. labour force) | December '04  | 2.8          | 3.2              | -0.1                              | -0.4          | 3.1                               | -0.2                     |
| Unemployment rate, labour force survey (biannual).....         | 2004/Q4       | 2.5          | 2.9              | -0.1                              | -0.4          | 3.1                               | -0.3                     |
| Listed vacancies at employment agencies .....                  | December '04  | 727          | 390              | 9.8                               | 86.4          | 668                               | 45.4                     |
| New work permits issued.....                                   | December '04  | 168          | 68               | 3                                 | 147.1         | 1,581                             | 84.3                     |
| Work permits issued, total.....                                | December '04  | 394          | 278              | 4                                 | 41.7          | 3,750                             | 13.7                     |
| Wage index (december 1988=100).....                            | December '04  | 255.5        | 241.0            | 0.7                               | 6.0           | 250.3                             | 4.7                      |
| Real wages (wage index deflated by CPI).....                   | December '04  | 133.5        | 130.9            | 0.2                               | 2.0           | 133.5                             | 1.5                      |

1. Change from previous period refers to change in the number of unemployed and change in the rate of unemployment; percentage changes otherwise. 2. Average from beginning of year except for work permits where the cumulated number of permits is shown. Change on previous year refers to change in the average number of unemployed and change in the unemployment rate; percentage changes otherwise.

|  | Latest period | Latest value | Value 1 year ago | % change on previous |               | From beginn. of year |                          |
|--|---------------|--------------|------------------|----------------------|---------------|----------------------|--------------------------|
|  |               |              |                  | period               | previous year | Value                | Change on prev. year (%) |
| <i>V Public finances</i>                                   |               |              |                  |                      |               |                      |                          |
| Treasury revenue balance (billion kr.) .....               | November '04  | -0.7         | -1.7             | .                    | .             | -4.2                 | .                        |
| - as % of revenue .....                                    | November '04  | -3.0         | -8.2             | .                    | .             | -1.7                 | .                        |
| Net borrowing requirement (billion kr.) .....              | November '04  | 3.8          | -0.7             | .                    | .             | 17.7                 | .                        |
| - as % of revenue .....                                    | November '04  | 16.0         | -3.3             | .                    | .             | 7.2                  | .                        |
| Treasury revenue (b.kr.).....                              | November '04  | 23.7         | 20.7             | -0.5                 | 10.7          | 247.7                | 10.1                     |
| - from VAT (b. kr.).....                                   | November '04  | 8.0          | 7.2              | -2.2                 | 7.7           | 79.9                 | 9.6                      |
| - from payroll & personal income tax withheld (b.kr.)..... | November '04  | 7.3          | 6.5              | 3.5                  | 8.7           | 80.7                 | 7.7                      |
| - from imports, alcohol, car ownership (b.kr.) .....       | November '04  | 1.8          | 1.6              | -3.2                 | 13.1          | 19.1                 | 15.4                     |
| Treasury expenditures (b.kr.) .....                        | November '04  | 24.5         | 22.4             | 1.2                  | 5.4           | 252.0                | 1.6                      |

Note: First four columns refer to 4 month moving averages of monthly values, the last two to totals for current year to date. All changes are in real terms. Comparing expenditures in 2003 and 2004 is tricky as accounting rules have changed.

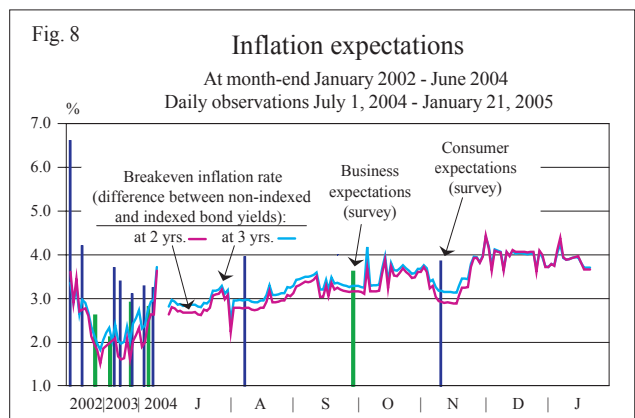
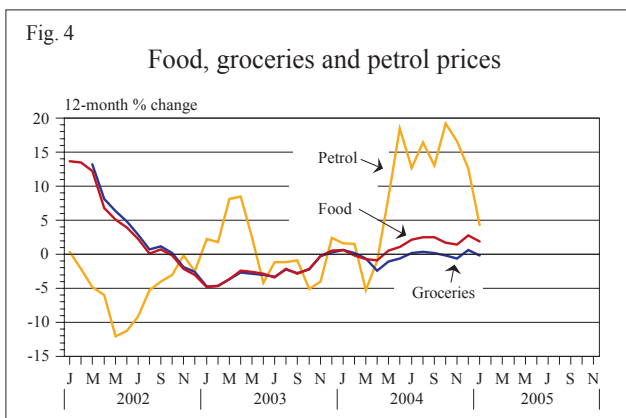
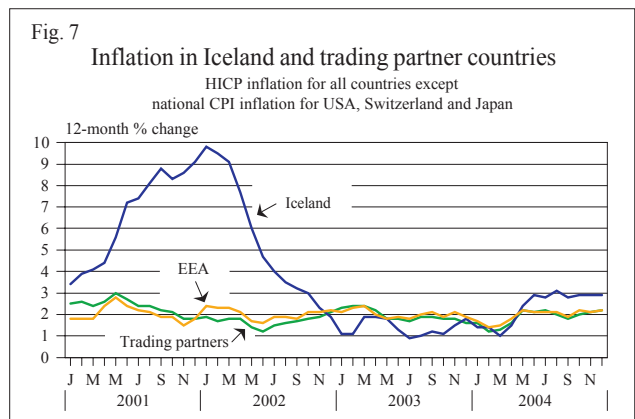
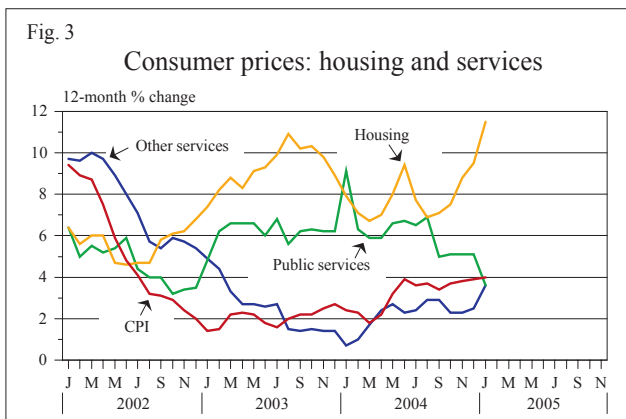
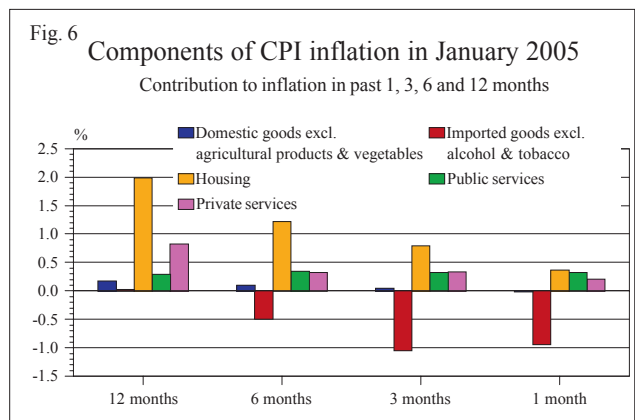
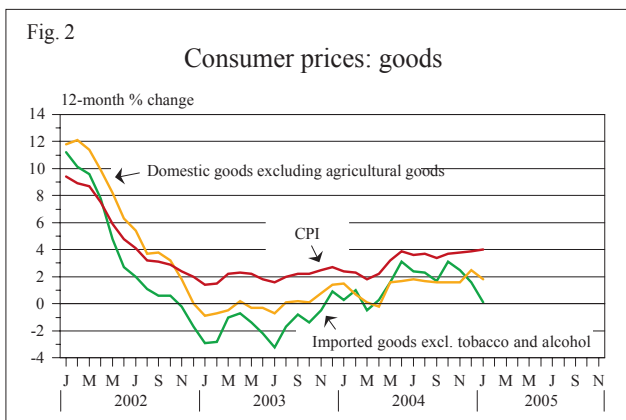
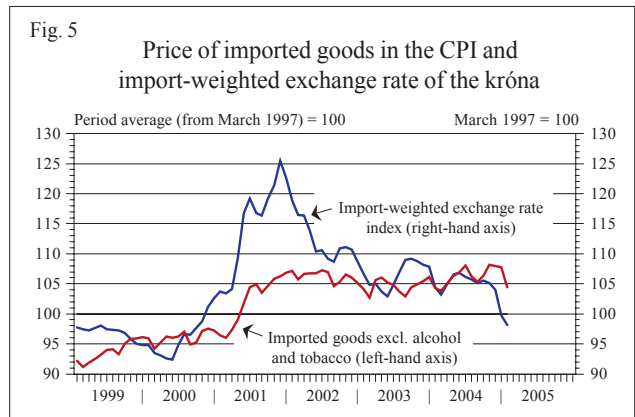
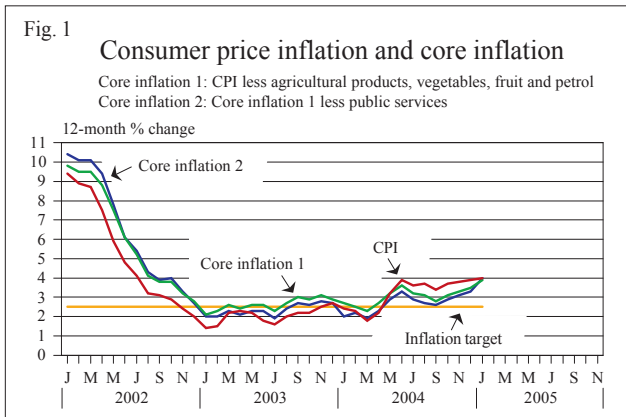
|  | Latest period | Latest value | Value 1 year ago | % change on previous |               | From beginn. of year |                          |
|--|---------------|--------------|------------------|----------------------|---------------|----------------------|--------------------------|
|  |               |              |                  | period               | previous year | Average              | Change on prev. year (%) |
| <i>VI Asset markets</i>  |               |              |                  |                      |               |                      |                          |
| ICEX-15 equity price index <sup>2</sup> (Dec. 1997=1,000).....             | December '04  | 3,380.2      | 2,077.6          | -1.3                 | 62.7          | 2,983.9              | 86.0                     |
| ICEX-Main equity price index <sup>2</sup> (Dec. 1997=1,000) .....          | December '04  | 3,181.5      | 2,040.8          | -1.4                 | 55.9          | 2,841.4              | 73.5                     |
| Equity turnover on ICEX <sup>2</sup> , monthly total.....                  | December '04  | 89.3         | 59.1             | 25.9                 | 51.0          | 721.4                | 30.3                     |
| Residential housing prices, narrow index <sup>3</sup> (Jan. 1994=100)..... | November '04  | 215.8        | 186.2            | 3.5                  | 15.9          | 199.6                | 11.1                     |
| Real residential housing prices, broad index <sup>3</sup> (Jan. 1994=100)  | December '04  | 157.8        | 132.9            | 2.0                  | 18.7          | 144.8                | 9.3                      |
| Price of long-term cod quota (kr./kg.) .....                               | December '04  | 1,175        | 1,250            | 1.3                  | -6.0          | 1,126                | -7.9                     |

1. Except for turnover which is cumulated to date. 2. ICEX = Iceland Stock Exchange. Prices are monthly averages. 3. In Greater Reykjavik Area.

|  | Latest period  | Latest value | Value 1 year ago | % change on previous |               | From beginn. of year |                          |
|--|----------------|--------------|------------------|----------------------|---------------|----------------------|--------------------------|
|  |                |              |                  | period               | previous year | Average              | Change on prev. year (%) |
| <i>VII Financial markets</i>   |                |              |                  |                      |               |                      |                          |
| Bank lending to domestic sector (b.kr.) <sup>1</sup> .....   | December '04   | 1,111.1      | 805.5            | 2.7                  | 37.9          | .                    | .                        |
| - adjusted for estimated indexation effects on inflation-<br>and exchange rate-linked loans (index) <sup>1</sup> ..... | December '04   | 265.5        | 188.4            | 4.1                  | 40.9          | .                    | .                        |
| - in real terms (January 1999=100) <sup>1</sup> .....  | December '04   | 152.5        | 115.0            | 2.6                  | 32.7          | .                    | .                        |
| Credit system total lending (b.kr.) .....  | September '04  | 2,594        | 2,160            | 6.2                  | 20.1          | .                    | .                        |
| M3 (b.kr.) .....   | December '04   | 546.3        | 483.6            | -2.4                 | 13.0          | .                    | .                        |
| Central Bank policy interest rate (%).....   | January 21 '05 | 8.25         | 5.30             | 0.00                 | 2.95          | 8.25                 | 2.95                     |
| Money market yield, 3-mo. (%) <sup>2</sup> .....   | January 21 '05 | 8.6          | 5.2              | 0.2                  | 3.4           | 8.6                  | 3.4                      |
| Treasury bill yield, 3-mo. (%) <sup>2</sup> .....  | January 21 '05 | 7.5          | 5.1              | -0.1                 | 2.5           | 7.5                  | 2.4                      |
| Treasury bill real yield, 3-mo., based on breakeven inflation (%) <sup>2</sup>   | January 21 '05 | 3.5          | 2.7              | 0.0                  | 0.8           | 3.5                  | 0.8                      |
| Yield on Treasury notes (2½ yrs., RIKB 07 0209) (%) <sup>2</sup> .....   | January 21 '05 | 8.2          | 7.4              | 0.0                  | 0.8           | 8.3                  | 0.8                      |
| Yield on Treasury notes (9 yrs., RIKB 13 0517) (%) <sup>2</sup> .....  | January 21 '05 | 7.5          | 7.9              | -0.3                 | -0.5          | 7.5                  | -0.5                     |
| Real yield on housing bonds (25 yrs., IBH 26 0315) (%) <sup>2</sup> .....  | January 21 '05 | 4.6          | 4.7              | 0.0                  | -0.1          | 4.7                  | -0.1                     |
| Real yield on housing bonds (40 yrs., IBH 41 0315) (%) <sup>2</sup> .....  | January 21 '05 | 4.6          | 4.7              | 0.0                  | 0.0           | 4.7                  | 0.0                      |
| Real yield on Treasury bonds (5 yrs., RIKS 05 0410) (%) <sup>2</sup> .....   | January 21 '05 | 3.5          | 3.7              | 0.1                  | -0.2          | 3.5                  | -0.2                     |
| Real yield on Treasury bonds (15 yrs., RIKS 15 1001) (%) <sup>2</sup> .....  | January 21 '05 | 3.5          | 4.3              | -0.2                 | -0.8          | 3.5                  | -0.8                     |
| Average bank lending rate, non-indexed loans (%) <sup>2</sup> .....  | January 21 '05 | 13.8         | 11.7             | 0.5                  | 2.1           | 13.8                 | 2.1                      |
| Average bank lending rate, indexed loans (%) <sup>2</sup> .....  | January 21 '05 | 7.5          | 8.6              | 0.0                  | -1.1          | 7.5                  | -1.1                     |
| Exchange rate index of króna (Dec. 31 1991=100) <sup>2</sup> .....   | January 21 '05 | 113.0        | 121.3            | -1.9                 | -6.8          | 112.9                | -6.7                     |

1. For comparability, financial companies which were reclassified as deposit money banks or moved into that category through mergers are included retrospectively for the entire period. This adjustment is made only for percentage changes and not applied to the original stock figures. 2. All figures except for two last columns are based on 4-week averages.

# I Inflation and inflation expectations



## II Output and demand

Fig. 9

Economic growth and national expenditure

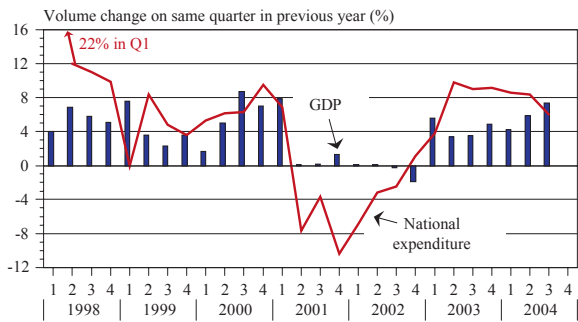


Fig. 13

Turnover based on VAT returns: selected sectors

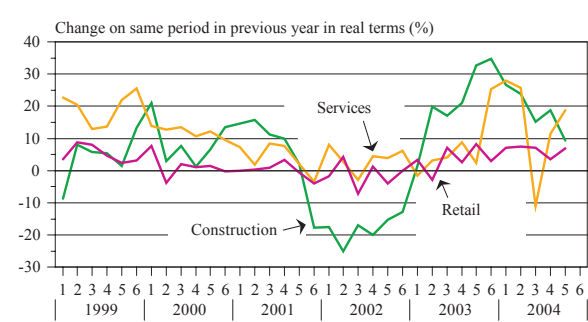


Fig. 10

Consumption and gross fixed capital formation

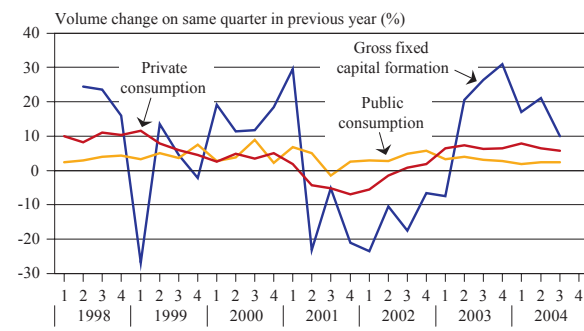


Fig. 14

Groceries turnover

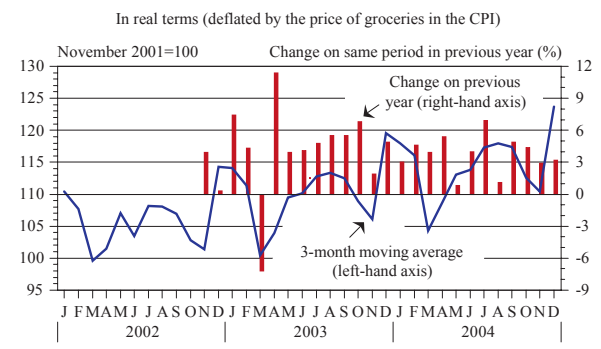


Fig. 11

Exports and imports of goods and services

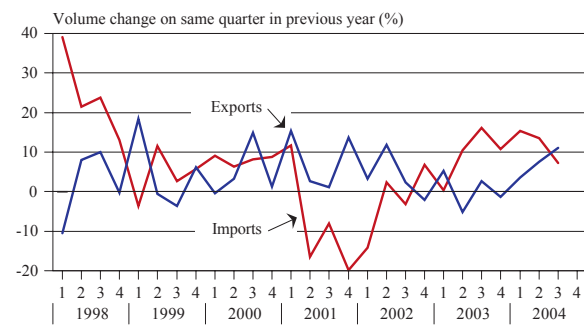


Fig. 15

Credit card and debit card turnover

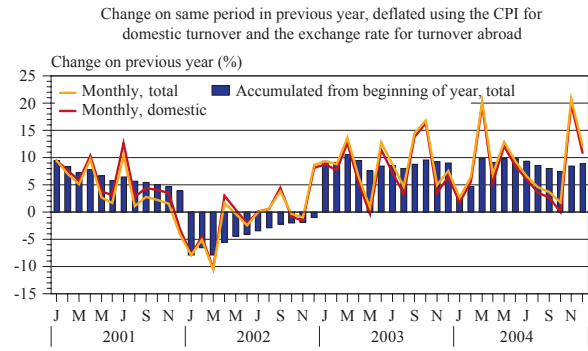


Fig. 12

Turnover based on VAT returns

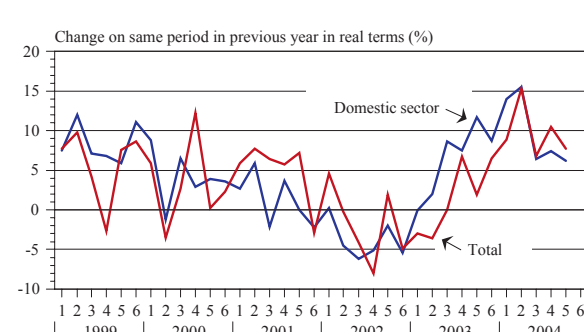
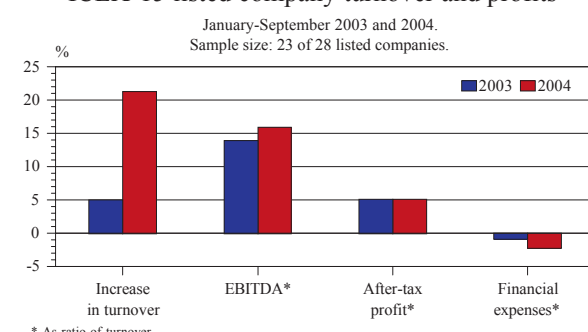


Fig. 16

ICEX-15 listed company turnover and profits



## II Output and demand

Fig. 17

Cement sales and car imports and registrations

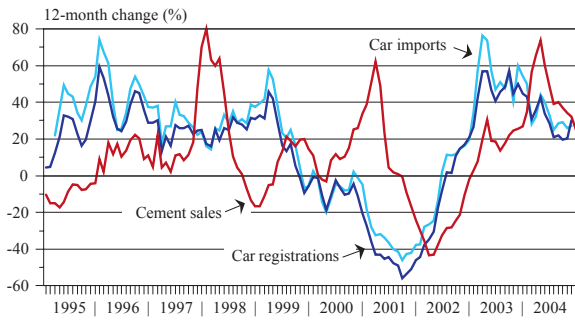


Fig. 19

Value of contracts in public tender and the ratio of value to estimated costs

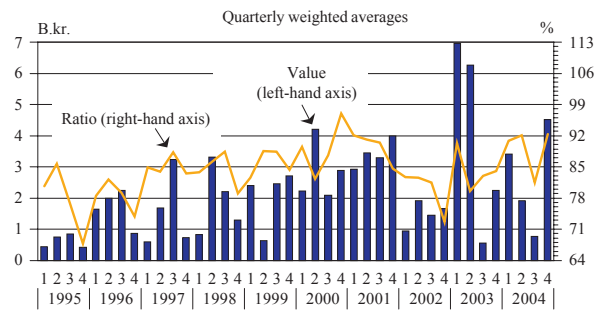


Fig. 18

Electricity sales

Ordinary market consumption (i.e. excl. metals industry and Landsvirkjun's own consumption), seasonally adjusted 3-month moving averages

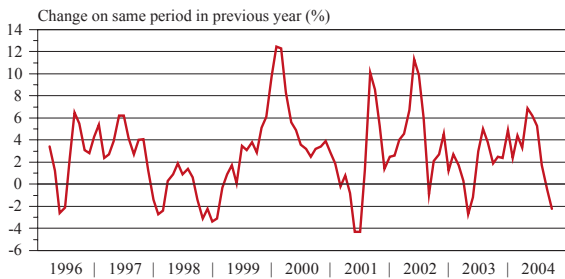
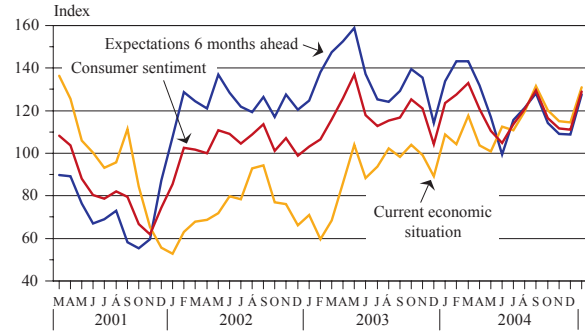


Fig. 20

Consumer sentiment



## III Foreign trade and external economic conditions

Fig. 21

Quarterly current account balance

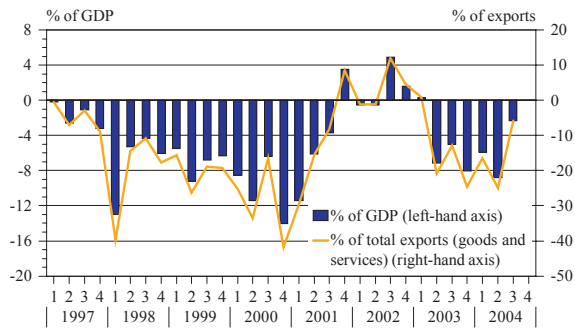


Fig. 23

Merchandise imports and exports

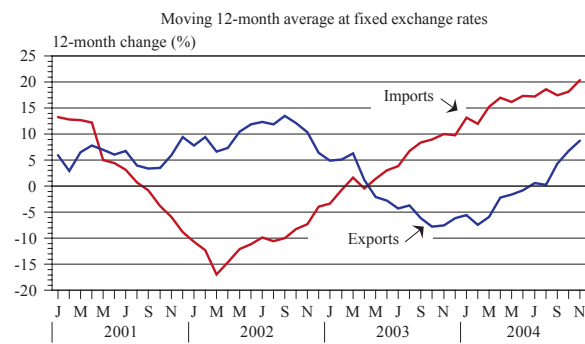


Fig. 22

Merchandise trade balance as % of merchandise exports

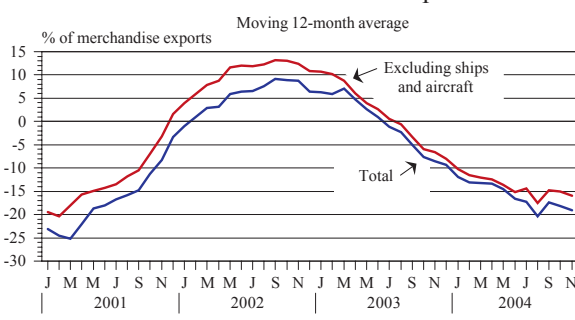
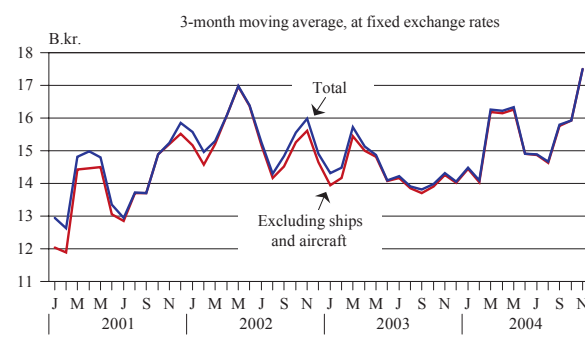
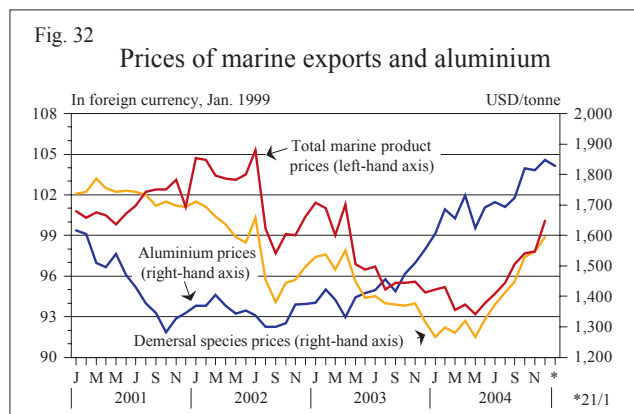
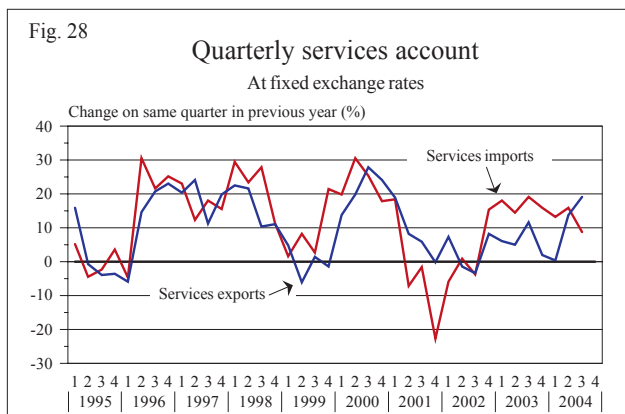
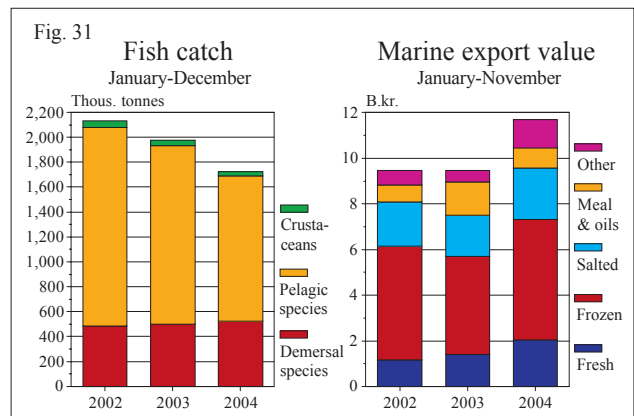
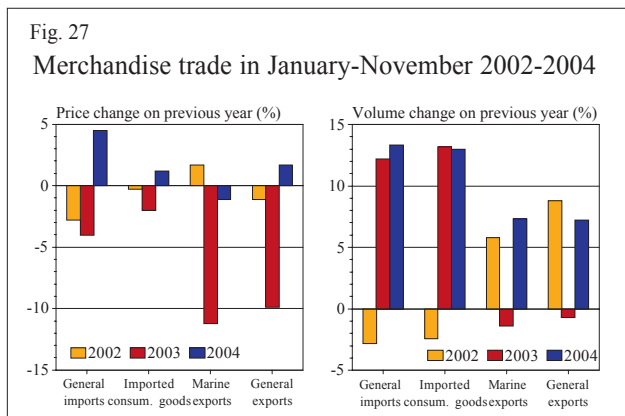
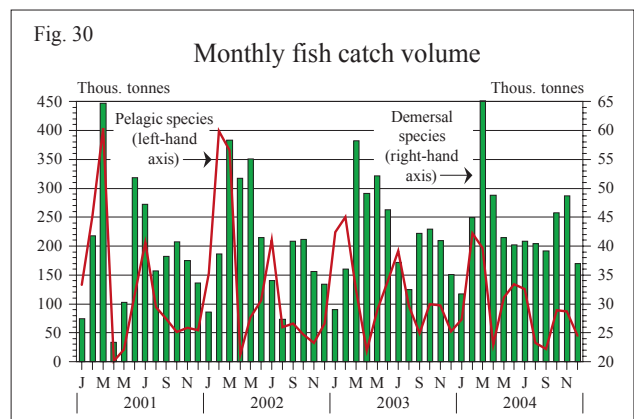
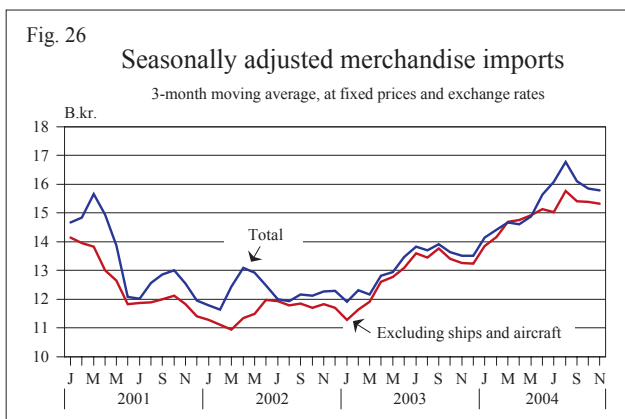
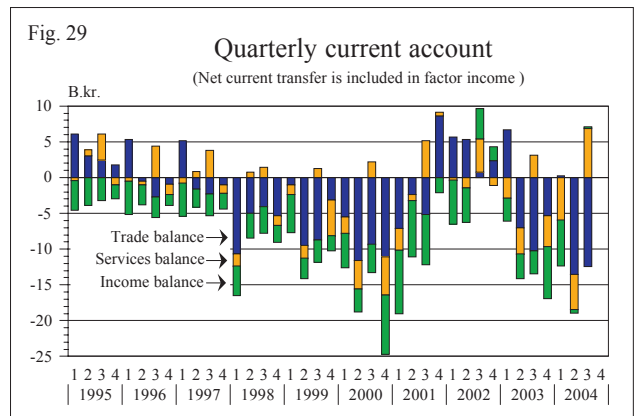
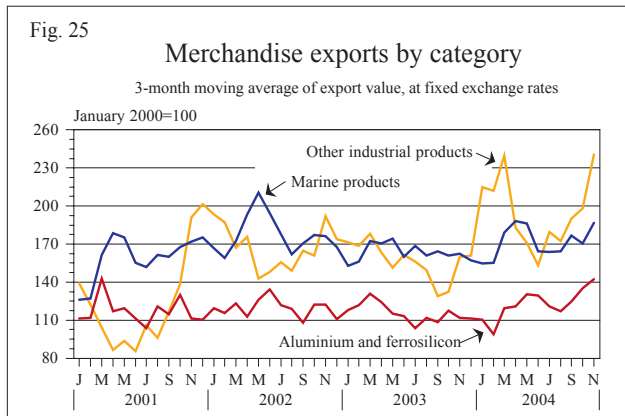


Fig. 24

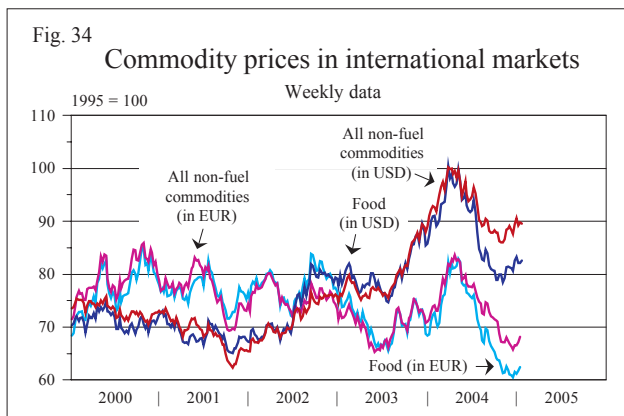
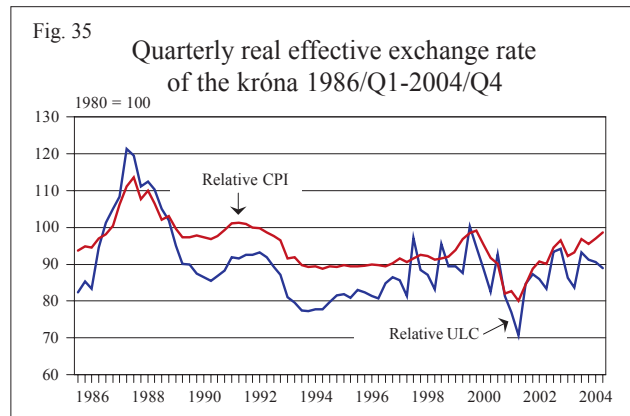
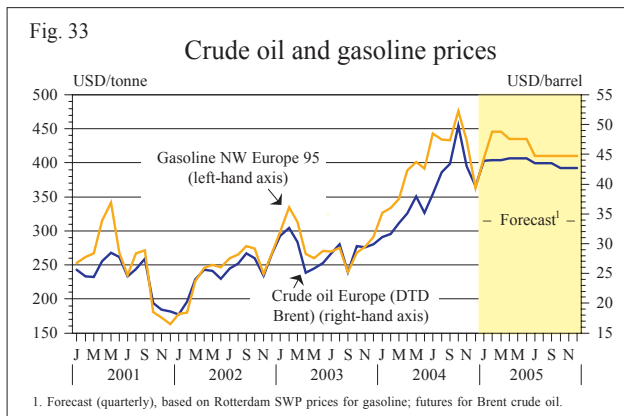
Merchandise exports



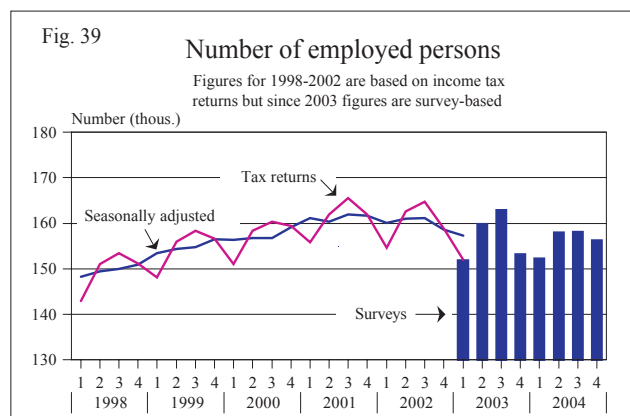
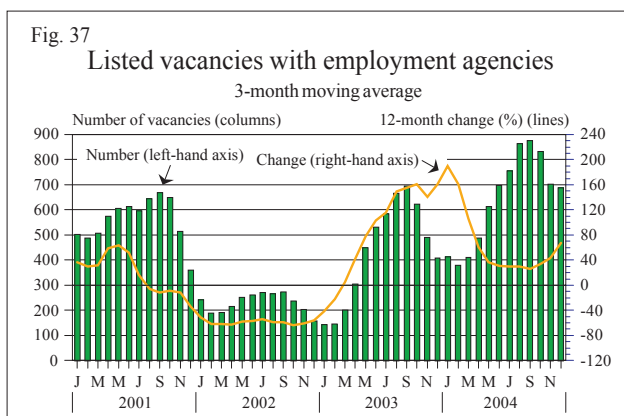
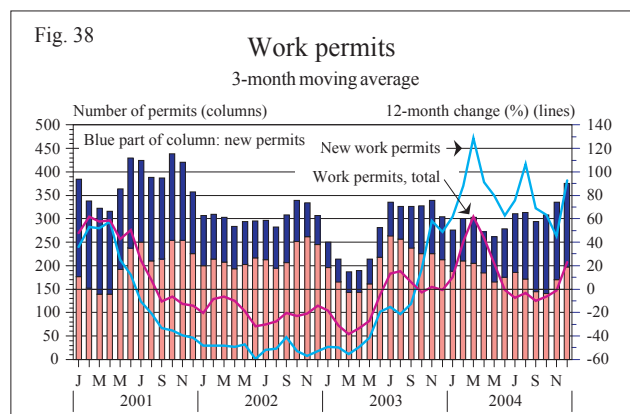
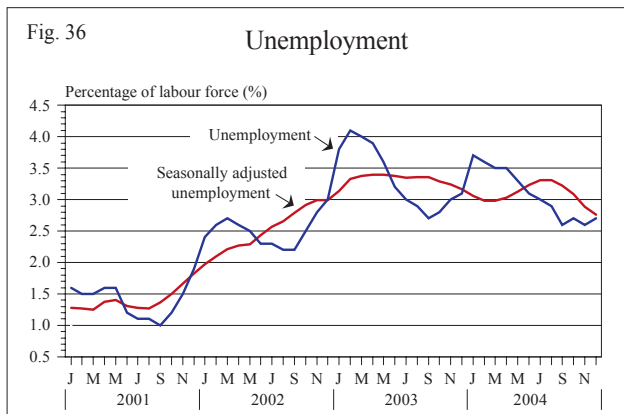
### III Foreign trade and external economic conditions



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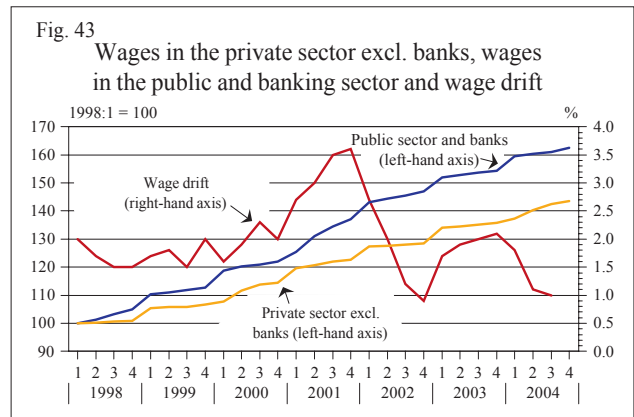
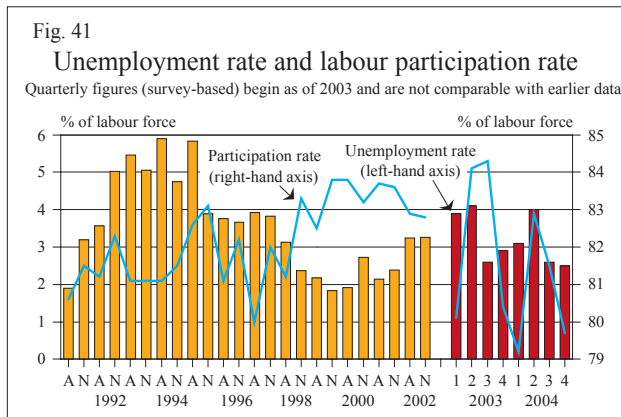
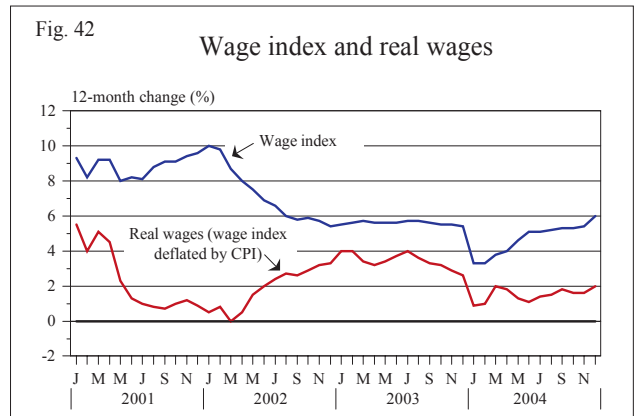
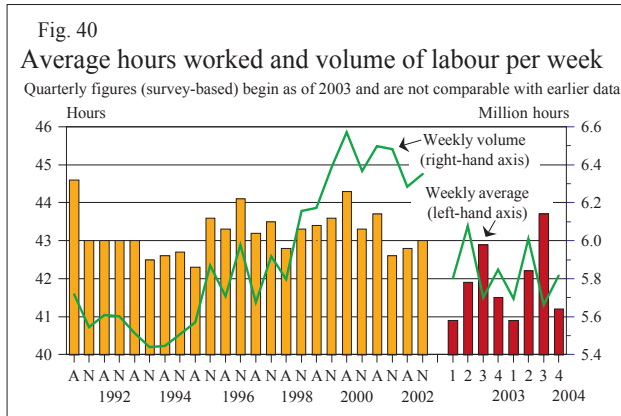


### IV Labour market and wages

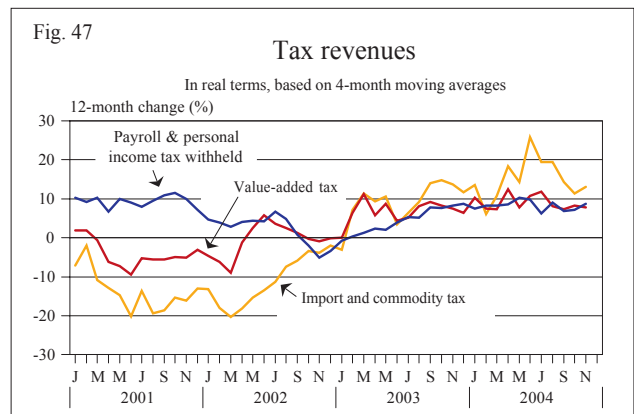
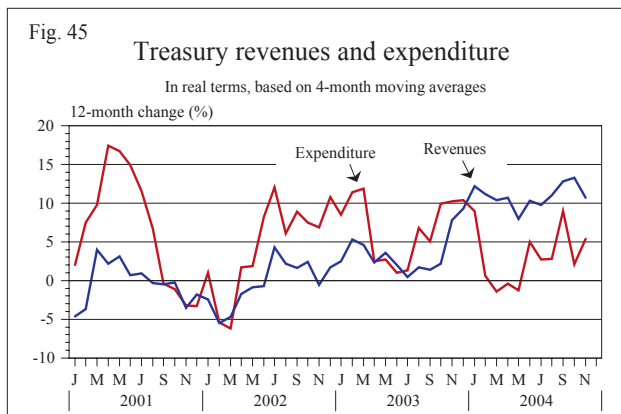
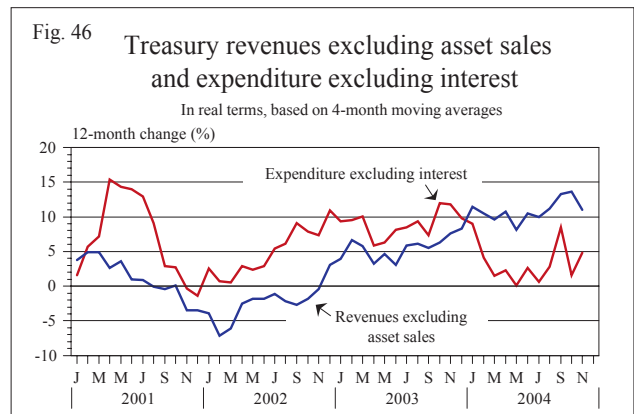
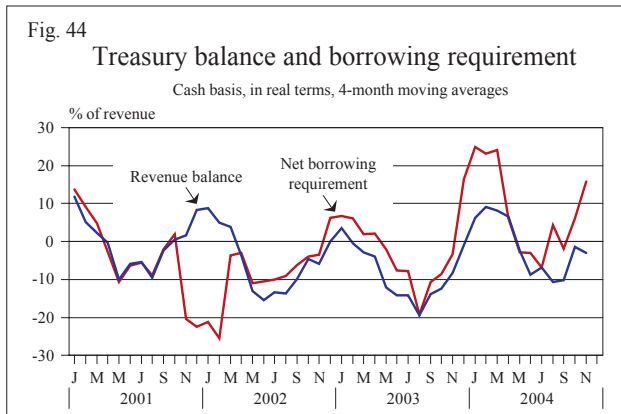




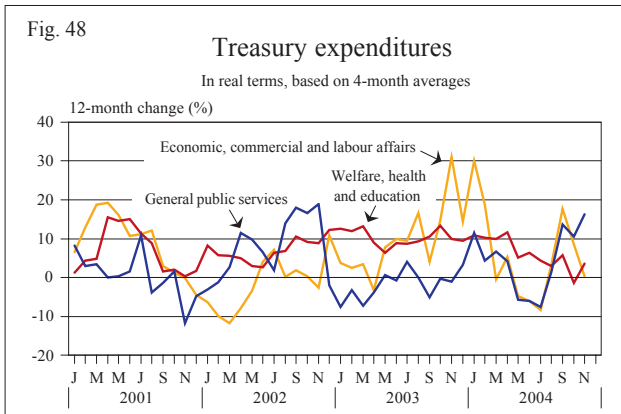
## IV Labour market and wages



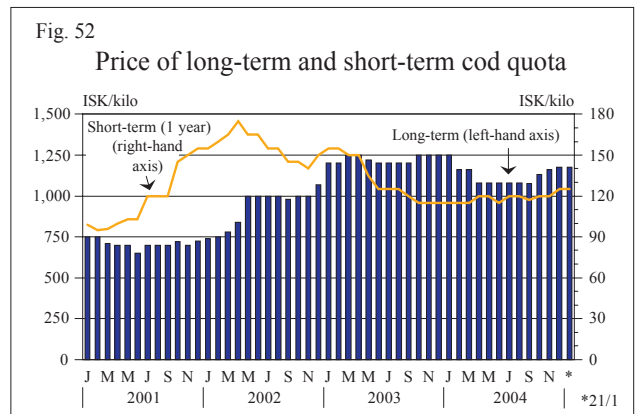
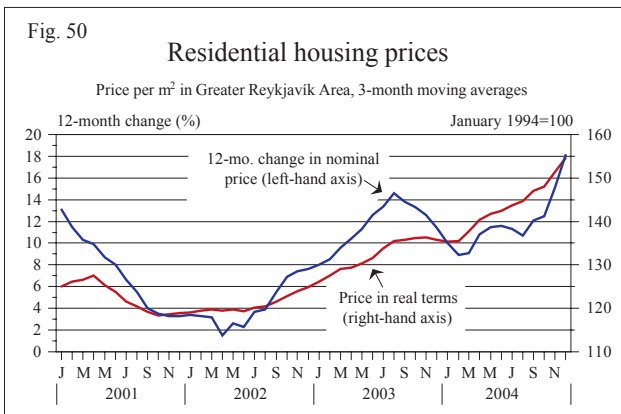
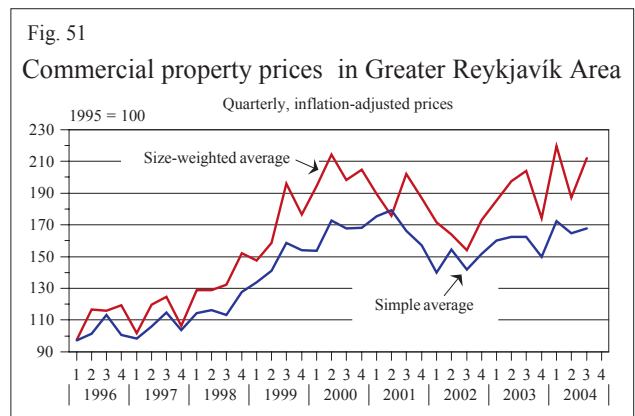
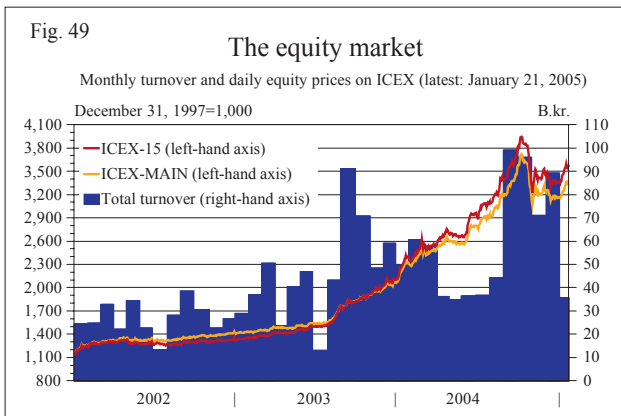
## V Public finances



## V Public finances



## VI Asset markets



## VII Financial markets

Fig. 53

### Quarterly credit system lending growth

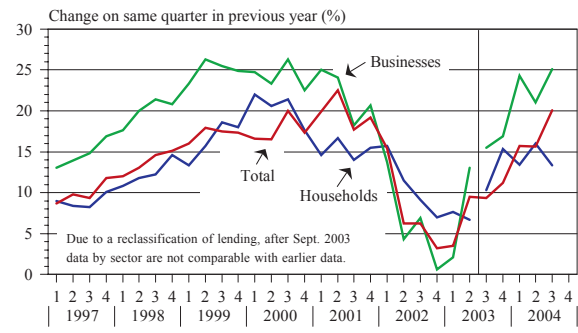


Fig. 57

### Base money and repurchase agreements with the Central Bank

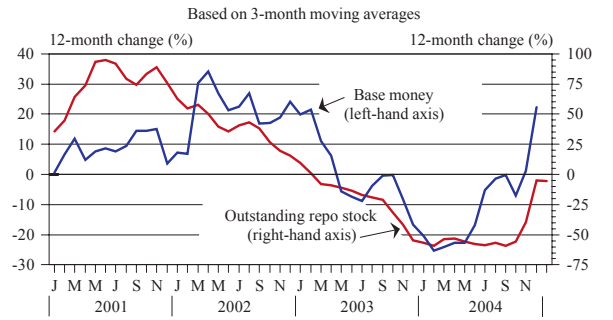


Fig. 54

### Household debt with main credit institutions

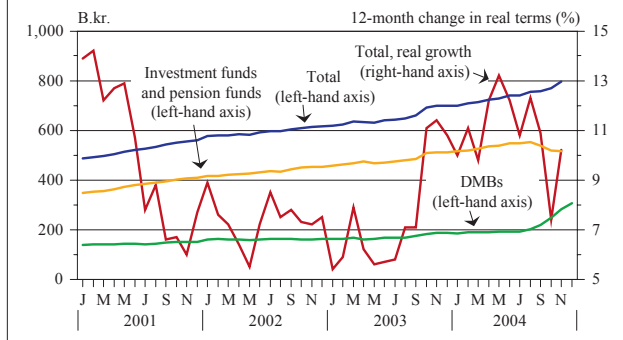


Fig. 58

### The Central Bank repo rate and interbank interest rates

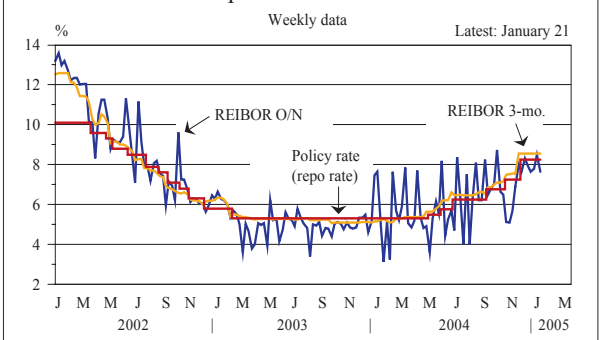


Fig. 55

### Growth of M3 and bank credit

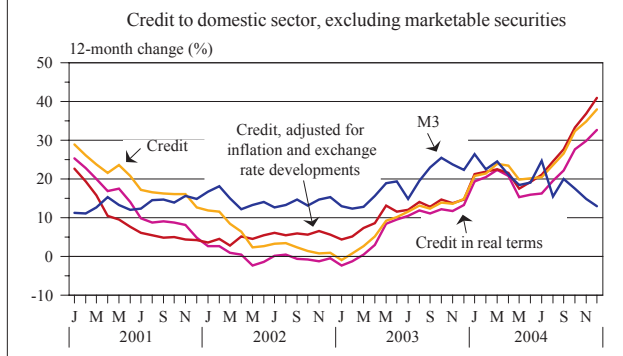


Fig. 59

### Short-term interest rates and interest rate spread

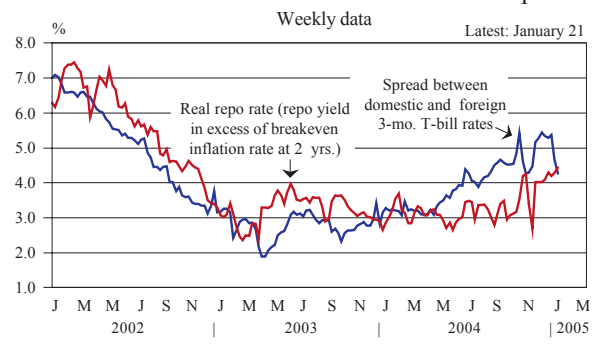


Fig. 56

### Growth of M3 and DMBs' credit to domestic sector

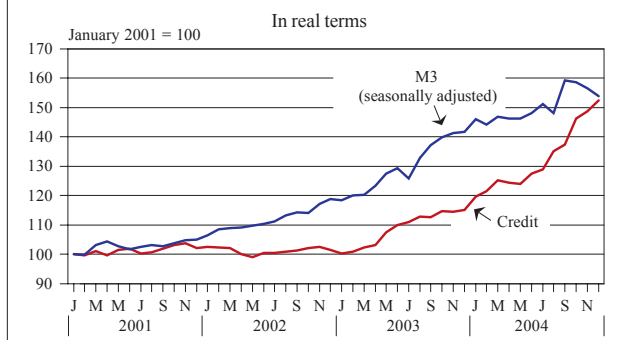
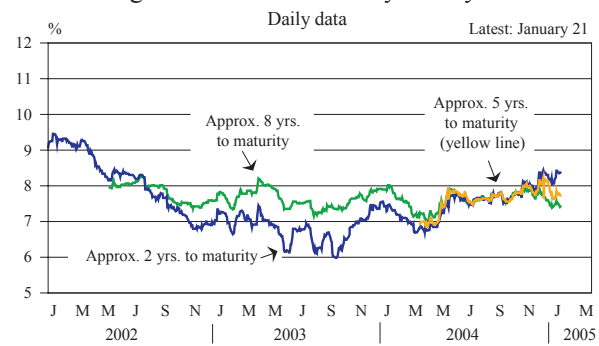


Fig. 60

### Long-term nominal Treasury bond yields



## VII Financial markets

