



2021|1

REPORT

MONETARY POLICY COMMITTEE REPORT TO PARLIAMENT



REPORT

MONETARY POLICY COMMITTEE REPORT
TO PARLIAMENT 2021/1

2 July 2021

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Monetary Policy Committee Report to Parliament 2 July 2021

The Act on the Central Bank of Iceland stipulates that the Monetary Policy Committee (MPC) of the Central Bank of Iceland shall submit to Parliament (Alþingi) a report on its activities twice a year and that the contents of the report shall be discussed in the Parliamentary committee of the Speaker's choosing.

The new Central Bank Act, which entered into force on 1 January 2020, requires that the Monetary Policy Committee meet at least six times each year. Since the last Report was sent to Parliament, the Committee has held three regular meetings, most recently on 19 May 2021. The following report discusses the work of the Committee between January and June 2021.

Monetary policy formulation

According to the Act on the Central Bank of Iceland, the principal objective of monetary policy is to promote price stability. This objective is further described in the joint declaration issued by the Bank and the Icelandic Government on 27 March 2001 as an inflation target of 2½%, based on the consumer price index. By law, the MPC takes decisions on the application of the Bank's monetary policy instruments; furthermore, the MPC's decisions shall be based on a thorough and careful assessment of developments and prospects for the economy, including the assessment published in the Bank's *Monetary Bulletin*. The MPC's statements and minutes, enclosed with this report, contain the arguments for the Committee's decisions in the first half of 2021.

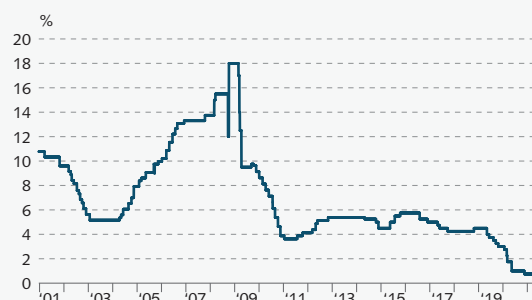
Developments from January to June 2021

At its meetings in February and March, the MPC decided to keep the Bank's interest rates unchanged, even though inflation had risen and was above the

Table 1. Central Bank of Iceland interest rate decisions H1/2021 (%)

| Date | Current accounts | Seven-day term deposits | Collateralised loans | Overnight loans |
|------------|------------------|-------------------------|----------------------|-----------------|
| 3 February | 0.50 | 0.75 | 1.50 | 2.50 |
| 24 March | 0.50 | 0.75 | 1.50 | 2.50 |
| 19 May | 0.75 | 1.00 | 1.75 | 2.75 |

Chart 1
Central Bank of Iceland key interest rate¹
Daily data 3 January 2001 - 30 June 2021



1. The Central Bank's key interest rate is defined as follows: the 7-day collateralised lending rate (until 31 March 2009), the rate on deposit institutions' current accounts with the Central Bank (1 April 2009 - 30 September 2009), the average of the current account rate and the rate on 28-day certificates of deposit (1 October 2009 - 20 May 2014), and the rate on 7-day term deposits (from 21 May 2014 onwards).
Source: Central Bank of Iceland.

upper deviation threshold of the inflation target. The Committee considered this appropriate, as the outlook was for inflation to fall relatively quickly over the course of the year, and a sizeable slack remained in the domestic economy. By the time the new macroeconomic forecast was presented at the May meeting, the economic outlook had improved due to strong domestic demand, and the slack in the economy looked set to close sooner than previously estimated. The inflation outlook had worsened, however, and the forecast assumed that it would take longer to bring inflation back to target than had previously been projected. As a result, the MPC decided to raise interest rates by 0.25 percentage points so as to ensure that inflation expectations would be anchored to the target. The Bank's key rate was therefore 1% at the end of June 2021, or 0.25 percentage points higher than at the beginning of the year, when the Committee sent its last report to Parliament.¹

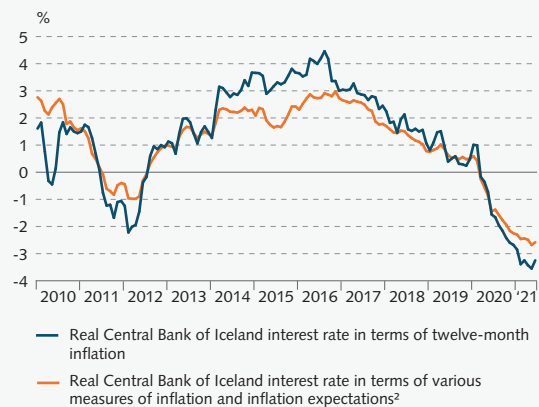
The monetary stance in terms of the Bank's real rate eased at the beginning of the year. In terms of the average of various measures of inflation and one-year inflation expectations, the Bank's real rate was -2.3% at the beginning of the year but measured -2.8% by mid-May. The monetary stance tightened following the Bank's May rate hike, and the real rate was -2.6% at the end of June. The Bank's real rate in terms of twelve-month inflation fell by 0.4 percentage points in the first half of the year, to -3.2% at the end of June.

The nominal Treasury yield curve rose in H1/2021. The yield on ten-year nominal Treasury bonds was 3.6% at the end of June, having risen by 0.4 percentage points since the beginning of the year and by 1.1 percentage points since end-June 2020. Long-term indexed rates have not risen to the same extent during the year. The yield on indexed ten-year Treasury-guaranteed bonds was 0.9% at the end of June, 0.1 percentage points higher than at the beginning of the year. The Bank bought Treasury bonds in the secondary market for 13.3 b.kr. in H1/2021.

Growth in money holdings (M3) has eased in 2021 to date, measuring 8.3% in May, after rising strongly in 2020, when the growth rate peaked at just under 14% in November. Annual growth in lending to households lay in the 9-11% range in H1. Mortgage lending rates were broadly unchanged in the first months of 2021 but rose slightly following the Bank's rate hike in May. The spread between new corporate lending rates and the

1. The key rate is the interest rate that is the most important determinant of short-term market rates and therefore is the best measure of the monetary stance. At present, this is the interest rate on seven-day term deposits with the Central Bank.

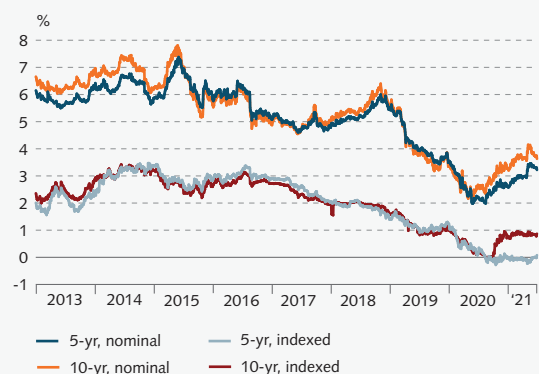
Chart 2
Real Central Bank of Iceland interest rates¹
January 2010 - June 2021



1. From 2010 to May 2014, the nominal policy rate was the average of the current account rate and the maximum rate on 28-day CDs. From May 2014, the policy rate has been the seven-day term deposit rate. 2. Until January 2012, according to twelve-month inflation, one-year business inflation expectations, one-year household inflation expectations, the one-year breakeven inflation rate, and the Central Bank forecast of twelve-month inflation four quarters ahead. From February 2012 onwards, according to the above criteria, plus one-year market inflation expectations based on a quarterly Central Bank survey.

Sources: Gallup, Statistics Iceland, Central Bank of Iceland.

Chart 3
Government-guaranteed bond yields¹
2 January 2013 - 30 June 2021



1. Based on the zero-coupon yield curve, estimated with the Nelson-Siegel method, using money market interest rates and government-guaranteed bonds.

Source: Central Bank of Iceland.

key rate has narrowed during the year, but the corporate credit stock has contracted in 2021 to date.

Capital inflows for new investment totalled 11.4 b.kr. in the first five months of 2021, almost all of that amount due to purchases of listed shares and Treasury bonds. Over the same period, outflows of capital previously imported for new investment totalled 74 b.kr., most of it due to sales of listed shares. Net outflows relating to new investment therefore totalled 63 b.kr. in the first five months of the year, as compared with 49 b.kr. in H2/2020.

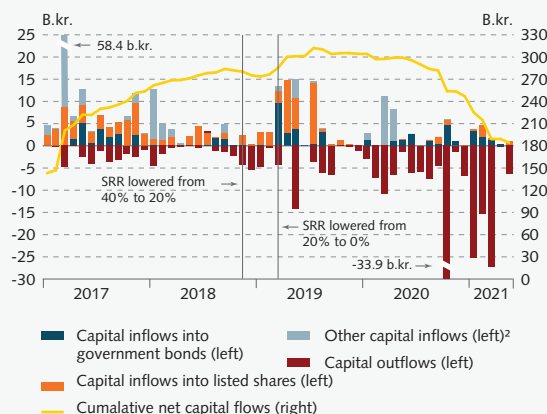
The króna has been under upward pressure year-to-date despite net outflows from non-residents, worsening terms of trade, and unfavourable external trade. Relative to the trading partner average, the exchange rate of the króna has risen by nearly 5% thus far in 2021 but is still roughly 4% lower than in late February 2020, when the COVID-19 pandemic spread to Iceland.

In line with the MPC's decision, the Bank has intervened in the foreign exchange market to mitigate excess short-term exchange rate volatility. Intervention is also applied in case of fluctuations that extend over longer periods than a single day, which could otherwise result in overshooting and subsequent correction. In H1/2021, the Bank sold currency for some 42 b.kr., including 34 b.kr. through its regular sales programme, and bought currency in the amount of just under 23 b.kr. These transactions accounted for approximately 30% of total foreign exchange market turnover for the period. Intervention in the market was considerably smaller in scope in H1/2021 than in H2/2020.

The Bank began selling currency on a regular basis in September 2020, with the objective of deepening the market and improving price formation. From 14 September 2020 through end-March 2021, the Bank sold 3 million euros each business day. In April, the regular sales programme was scaled down to 3 million euros three times a week, and at the beginning of May it was discontinued altogether, as supply and demand in the foreign exchange market appeared to be better balanced than before.

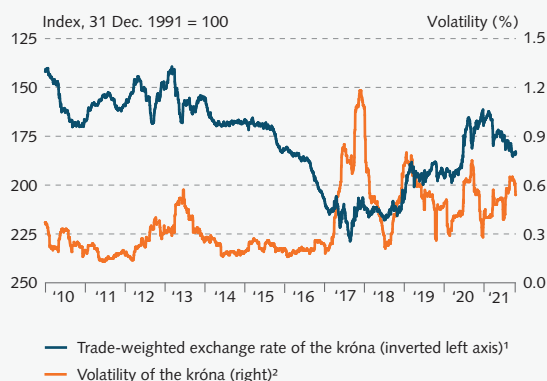
Inflation increased in H2/2020 and averaged 4.2% in Q1/2021. It continued to rise in Q2, measuring 4.3% in June. It has been above the 4% upper deviation threshold of the inflation target for all of 2021 to date, and it has systematically exceeded forecasts since the COVID-19 pandemic struck Iceland. Twelve-month inflation excluding housing has begun to fall, however, measuring 3.6% in June, and is now somewhat below headline inflation (which includes the housing component). Underlying inflation according to the average of vari-

Chart 4
Capital flows due to registered new investments¹
January 2017- May 2021



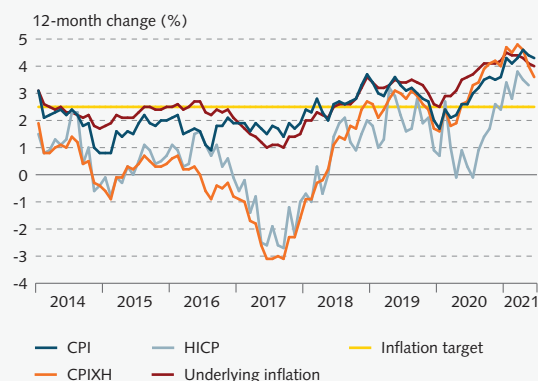
1. Investment commencing after 31 October 2009 and based on new inflows of foreign currency that is converted to domestic currency at a financial institution in Iceland. 2. Other inflows in March 2017 derive almost entirely from non-residents' acquisition of a holding in a domestic commercial bank.
Source: Central Bank of Iceland.

Chart 5
Exchange rate and volatility of the króna
Daily data 4 January 2010 - 30 June 2021



1. Price of foreign currency in terms of the króna. Inverted axis shows a stronger króna as a rise. 2. Volatility is measured by the standard deviation of daily changes in the past 3 months.
Source: Central Bank of Iceland.

Chart 6
Various measures of inflation
January 2014 - June 2021



Sources: Statistics Iceland, Central bank of Iceland.

ous measures was 4% in June and, unlike headline inflation, has declined in recent months. It is still high, however, indicating the presence of relatively widespread inflationary pressures.

In H2/2020, inflation was driven mainly by higher imported goods prices following the depreciation of the króna. This exchange rate pass-through effect still explains almost one-third of twelve-month inflation, although its impact on inflation has weakened since the beginning of the year. The contribution from various components that weigh heavily in the CPI – such as services, housing, and domestic goods prices – has increased, however. The contribution of the housing component to inflation measured 1.3 percentage points in June, as compared with 0.6 percentage points in December 2020. The market price of housing nationwide has risen by 12.6% in the past twelve months, albeit offset by lower real mortgage interest expense.² Furthermore, the COVID-19 pandemic has led to steep hikes in transport costs and the price of various inputs, owing to disruptions in production, value chains, and domestic and cross-border distribution channels. Global oil and commodity prices have also risen sharply in the recent term.

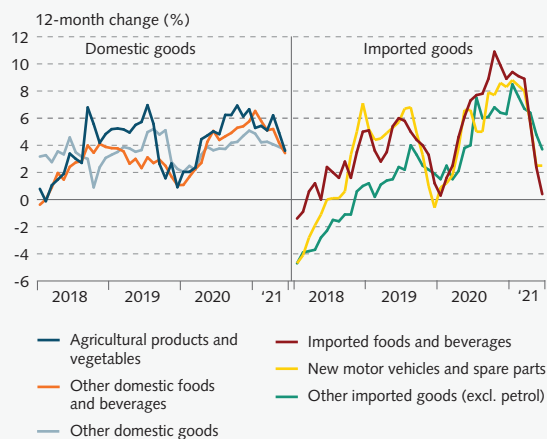
Inflation averaged 4.4% in Q2/2021, as was projected in the *May Monetary Bulletin*. According to that forecast, the outlook is for inflation to fall to 3.8% by Q4 but not reach the target until mid-2022. This is due mainly to higher imported inflation, although the króna is now expected to be stronger than previously projected. Furthermore, the outlook is for an output gap to open up sooner than previously forecast. The inflation outlook is highly uncertain, however, and the risk profile is tilted to the upside.

Inflation expectations, particularly short-term expectations, have risen since the last report was sent to Parliament. By most measures, expectations one and two years ahead lie in the 3-4% range. Households and business executives expect inflation to average 3% in the next five years, and executives' expectations have risen in 2021 to date. Market agents' long-term inflation expectations are still at target, however. The ten-year breakeven inflation rate in the bond market currently measures approximately 3%, up from 2.6% in Q4/2020.

At the MPC's May meeting, the Committee agreed that it was important to respond to the poorer inflation outlook. Members were of the view that lower interest rates and other actions taken by the Bank had supported

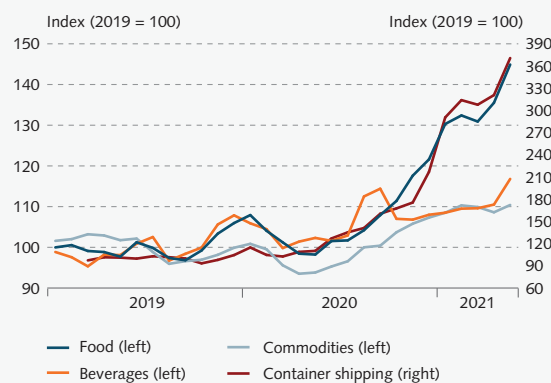
2. Headline twelve-month inflation is lower by an estimated 0.7 percentage points because of the effects of lower real mortgage interest expense.

Chart 7
Domestic and imported goods prices
January 2018 - June 2021



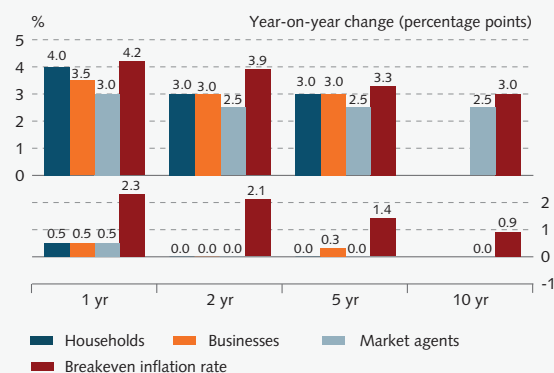
Source: Statistics Iceland.

Chart 8
Global shipping and commodity prices¹
January 2019 – May 2021



1. Food includes various comestible oils, various meal and grains, meat, and fruit. Beverages include cocoa, coffee, and tea. Commodities include timber, cotton, rubber, and tobacco. Container shipping based on the Freightos Global Container Index.
Sources: Freightos Limited, World Bank.

Chart 9
Inflation expectations¹



1. The most recent Gallup surveys of corporate and household inflation expectations were carried out in May/June 2021. The most recent Central Bank survey of market agents' expectations is from the beginning of May 2021. Households and businesses are not asked about ten-year inflation expectations. The breakeven inflation rate is the average of Q2/2021. The lower part of the chart shows the year-on-year change.

Sources: Gallup, Central Bank of Iceland.

the economic recovery and that domestic demand had been stronger than previously expected. It was important to contain increased inflationary pressures by raising rates, but to take smaller steps so as to safeguard the economic recovery at the same time. The MPC will apply the tools at its disposal to ensure that inflation eases back to the target within an acceptable time frame.

On behalf of the Central Bank
of Iceland Monetary Policy Committee,

A handwritten signature in black ink, appearing to read 'Ásgeir Jónsson', written in a cursive style.

Ásgeir Jónsson

*Governor of the Central Bank of Iceland
and Chair of the Monetary Policy Committee*

Statement of the Monetary Policy Committee 3 February 2021

The Monetary Policy Committee (MPC) of the Central Bank of Iceland has decided to keep the Bank's interest rates unchanged. The Bank's key interest rate – the rate on seven-day term deposits – will therefore remain 0.75%.

According to the Bank's new macroeconomic forecast, published in the February *Monetary Bulletin*, domestic demand appears to have been stronger in 2020 than was previously assumed, and the economic contraction therefore smaller than the Bank forecast in November. For 2021, the outlook is also for domestic demand to grow more than previously projected, whereas the outlook for exports has deteriorated. Economic developments will be affected by the path the pandemic takes, however.

Inflation rose in January, measuring 4.3%, as the exchange rate pass-through from the depreciation of the króna still weighs heavily in imported goods prices. At the same time, domestic goods prices have risen as well, to some extent reflecting strong domestic demand. This is compounded by the rise in global oil and commodity prices and unfavourable base effects from January 2020. According to the Bank's forecast, the outlook is for inflation to measure 3.9% in Q1/2021 but then fall relatively quickly over the course of the year, as there is still a sizeable slack in the economy and the króna has appreciated in recent months.

The MPC will apply the tools at its disposal to support the domestic economy and ensure that inflation eases back to the target within an acceptable time frame.

Statement of the Monetary Policy Committee 24 March 2021

The Monetary Policy Committee (MPC) of the Central Bank of Iceland has decided to keep the Bank's interest rates unchanged. The Bank's key interest rate – the rate on seven-day term deposits – will therefore remain 0.75%.

According to newly published national accounts data, GDP contracted by 6.6% in 2020, whereas in the February forecast the Bank had projected a contraction of 7.7%. Economic activity in Q4 turned out stronger than projected, and the contraction in the first three quarters of the year was somewhat smaller than previous figures had indicated. Recent surveys and high-frequency indicators suggest a continuing recovery in 2021 to date. Uncertainty is pronounced, however, and economic developments in Iceland and abroad will depend to a considerable degree on the path the pandemic takes and the progress made in vaccinating the public.

Inflation eased to 4.1% in February. The effects of last year's depreciation of the króna still weigh heavily but have probably begun to subside, as the króna has appreciated somewhat in the recent term. As a result, the outlook is for inflation to start tapering off this spring, although the near-term outlook has probably deteriorated since February. Global oil and commodity prices have risen recently, and there have been cost increases that can be attributed to pandemic-related disruptions in production. Furthermore, inflation expectations have risen slightly, although it is too soon to determine whether they have become less firmly anchored to the Bank's inflation target.

The MPC will apply the tools at its disposal to support the domestic economy and ensure that inflation eases back to the target within an acceptable time frame.

Statement of the Monetary Policy Committee 19 May 2021

The Monetary Policy Committee (MPC) of the Central Bank of Iceland has decided to raise the Bank's interest rates by 0.25 percentage points. The Bank's key interest rate – the rate on seven-day term deposits – will therefore be 1%.

The economic recovery in H2/2020 was stronger than previously assumed. According to the Central Bank's new macroeconomic forecast, published in the May issue of *Monetary Bulletin*, the outlook is for just over 3% GDP growth this year and more than 5% growth in 2022. The outlook has improved since the Bank's last forecast, owing largely to signs of a stronger recovery of domestic demand. Unemployment has eased, although it remains high. The slack in the economy therefore appears to be smaller and looks set to close sooner than previously estimated.

Supply-side disruptions due to the COVID-19 pandemic have pushed production and distribution costs upwards worldwide, and global oil and commodity prices have risen steeply in the recent term, although these increases may prove to be temporary.

Inflation has therefore been higher and more persistent than previously forecast, measuring 4.6% in April. Inflationary pressures appear to be widespread, as underlying inflation is broadly similar to headline inflation. This is due to a number of factors, including the depreciation of the króna in 2020 and steep rises in wages and house prices. As a result, it is necessary to raise the Bank's interest rates in order to ensure that inflation expectations are anchored to the target.

The MPC will apply the tools at its disposal to ensure that inflation eases back to the target within an acceptable time frame.



The Monetary Policy Committee of the Central Bank of Iceland

Minutes of the Monetary Policy Committee meeting

Meeting 1-2 February 2021 (100th meeting)

Published 17 February 2021

The Act on the Central Bank of Iceland stipulates that it is the role of the Monetary Policy Committee (MPC) to set Central Bank interest rates and apply other monetary policy instruments. Furthermore, the Act states that “[m]inutes of meetings of the Monetary Policy Committee shall be made public, and an account given of the Committee’s decisions and the premises upon which they are based.” In accordance with the Act, the MPC has decided to publish the minutes of its meetings two weeks after each decision. The votes of individual Committee members are also included in the minutes.

The following are the minutes of the MPC meeting held on 1 and 2 February 2021, during which the Committee discussed economic and financial market developments, decisions on the application of the Bank’s monetary policy instruments, and the communication of those decisions on 3 February.

I Economic and monetary developments

Before discussing monetary policy decisions, members discussed the domestic financial markets, financial stability, the outlook for the global economy and Iceland’s international trade, the domestic economy, and inflation, with emphasis on information that has emerged since the Committee’s last meeting, on 18 November 2020, and the updated forecast in *Monetary Bulletin 2021/1*, published on 3 February.

Financial markets

Since the November meeting, the króna had appreciated by 3.1% in trade-weighted terms. Between meetings, the Bank sold foreign currency in the amount of 280.5 million euros (43.9 b.kr.), including 159 million euros sold under the regular sales programme. The Bank’s transactions accounted for 47% of total foreign exchange market turnover for the period.

In terms of the Central Bank’s real rate, the monetary stance had eased slightly since the MPC’s November meeting. In terms of the average of various measures of inflation and one-year inflation expectations, the Bank’s real rate was -2.5%, or 0.2 percentage points lower than just after the announcement of the November interest rate decision. In terms of twelve-month inflation, it was -3.4% and had fallen by 0.9 percentage points between meetings.

Interest rates in the interbank market for krónur fell slightly between meetings, and turnover in the market totalled 10 b.kr. during the period. Yields on long-term indexed and nominal Treasury bonds had risen by 0.2 percentage points since the November meeting. Average mortgage lending rates had held broadly unchanged between meetings, however.

In terms of three-month interbank rates, the interest rate differential had narrowed slightly between meetings, to 1.9 percentage points versus the euro area and 1.2 percentage points versus the US. The long-term interest rate spread versus Germany had widened by 0.2 percentage points, to 3.8 percentage points, while the spread versus the US was unchanged at 2.2 percentage points. Measures of the risk premium on the Treasury's foreign obligations were more or less unchanged between meetings. The CDS spread on the Treasury's five-year US dollar obligations was 0.5%, and the spread between the Treasury's eurobonds and comparable bonds issued by Germany was 0.6-0.7 percentage points.

Financial institutions' analysts had projected that the MPC would hold interest rates unchanged. They noted that because inflation had risen and was above the upper deviation threshold of the inflation target, there was no prospect of further rate cuts at present. Stable inflation expectations and the prospect that inflation would fall quickly over the course of the year would give the Bank the scope to keep interest rates unchanged.

According to the Central Bank's quarterly market expectations survey, conducted in January 2021, respondents expected the Bank's key rate to remain unchanged at 0.75% in Q1/2021, followed by either no change or a rate cut of 0.25 percentage points in Q2. This is a lower rate than survey participants expected in November, when they projected that the Bank's key rate would be 1% in 2021. In the survey, about 46% of respondents considered the monetary stance appropriate at present, down from 58% in the previous survey. The share who considered the monetary stance too tight increased to 38%, however, from 31% in the November survey. Roughly 15% of respondents considered the stance too loose, as compared with just under 12% in the Bank's previous survey.

Annual growth in M3 has gained pace as the year has progressed. It is estimated to have measured just over 13% in December. Twelve-month growth in credit system lending to households has measured just over 6% since the beginning of 2020, but by the end of the year it had risen to roughly 8½%, as interest rates have fallen steeply and real estate market activity has been brisk. On the other hand, corporate lending has been virtually flat since the end of 2019.

The Nasdaq OMXI10 index had risen by 14.2% between meetings. Turnover in the Main Market totalled 600 b.kr. in 2020, some ½% less than in 2019.

Global economy and external trade

According to the forecast published by the International Monetary Fund (IMF) in late January, global GDP growth contracted by 3.5% in 2020. This is a 0.9 percentage point smaller contraction than the Fund had projected in October, reflecting stronger economic activity in H2/2020 than had been expected at the time of that forecast. The GDP growth outlook has also improved for 2021, in view of progress made in developing vaccines against the pandemic and additional financial measures announced towards the end of the year in several large economies, particularly the US and Japan. Pulling in the other direction is the weaker near-term outlook due to increased COVID-19 infection numbers and tighter public health measures, particularly in Europe. The IMF forecasts global GDP growth at 5.5% in 2021, some 0.3 percentage points above the October forecast. The GDP growth outlook has improved

particularly in the US, where it is projected at 5.1%, a full 2 percentage points above the October forecast. In Japan, the outlook has improved as well, with GDP growth expected to measure 3.1%, 0.8 percentage points above the October forecast. The outlook has worsened for the eurozone and the UK, however. In both cases, the GDP growth forecasts have been revised downwards by 1-1.4 percentage points since October, to 4.2% for the eurozone and 4.5% for the UK. The outlook for 2022 is unchanged, however, with global GDP growth projected at 4.2%.

Iceland's deficit on goods trade totalled 1.3 b.kr. in December, down from more than 13 b.kr. in December 2019, at constant exchange rates. The deficits for 2020 and 2019 as a whole were 97.5 b.kr. and 128 b.kr., respectively, at constant exchange rates. The smaller deficit in 2020 than in 2019 is due primarily to a larger contraction in import values than in export values. In the last three months of 2020, however, the decline in import values eased. Excluding ships and aircraft, the contraction measured 5% year-on-year, as opposed to 13% just before the MPC's previous meeting. Excluding ships and aircraft, goods export values were down by 7% year-on-year in the final three months of 2020, as opposed to nearly 11% just before the Committee's last meeting. This was due mainly to a contraction in the value of exported industrial goods.

Global aluminium prices had risen slightly since the MPC's November meeting and were just over 19% higher than in early February 2020. Preliminary figures from Statistics Iceland indicate that foreign currency prices of marine products were down 1.9% year-on-year in 2020. Global Brent crude prices were about 57 US dollars per barrel at the time of the February meeting, about a third higher than at the November meeting. The increase reflects expectations that demand for oil will recover more quickly than previously thought, owing to success with the development of COVID-19 vaccines. Reduced production among OPEC countries and other oil producers has also supported prices. Nevertheless, oil prices were still about 13% lower in February than they were before the pandemic struck at the beginning of 2020.

The real exchange rate in terms of relative consumer prices rose by 5.4% month-on-month in December, when it was 2.8% above its 25-year average but 6.8% lower than in December 2019. It fell by 8% year-on-year in 2020, as the nominal exchange rate of the króna fell by 10%, while inflation in Iceland was 2.1 percentage points above the trading partner average.

Domestic economy and inflation

Indicators of private consumption in Q4/2020 suggest a wide difference in household demand within the quarter, which is attributable in large part to the effects of public health measures. High-frequency indicators imply that early in the quarter, after COVID-19 case numbers rose and public health measures were tightened, developments were similar to those in spring 2020, when household spending on various services gave way and traffic declined. At the same time, there was still relatively strong demand for goods such as groceries. Once the public health measures were eased in November, demand for services picked up again, but on the whole, indicators imply that the year-on-year contraction in private consumption was somewhat larger than in Q3.

The Gallup Consumer Confidence Index measured 94.4 points in January, after falling only marginally month-on-month. This could indicate increased consumer optimism relative to the previous autumn, as it is primarily consumer expectations six months ahead that have improved.

According to the results of Gallup's winter survey, conducted in December 2020 among Iceland's 400 largest firms, executives' expectations six months ahead are considerably more positive than they were in the autumn. About 80% of respondents considered the current

situation poor, and just under 18% considered it neither good nor poor. Some 51% of executives are of the view that economic conditions will improve in the next six months, and 24% expect conditions to be neither better nor worse. Just under a fourth of executives expect conditions to deteriorate in the next six months – somewhat fewer than in the autumn. Executives were also more optimistic about domestic and foreign demand than they were in the autumn, particularly those in transport, transit, and tourism and financial services.

According to seasonally adjusted results from Gallup’s winter survey, the employment outlook brightened significantly between surveys. Responses on staffing plans (i.e., firms planning to recruit as compared with those planning redundancies) were broadly in balance in the winter survey, whereas the balance of opinion had been negative by 21 percentage points in the autumn. About 8% of executives considered themselves short-staffed, a slightly higher percentage than in the previous survey but still relatively close to the historical low. In addition, 32% of executives reported that their firms would have difficulty responding to an unexpected increase in demand. This is an increase of 4 percentage points relative to the previous survey.

According to the Statistics Iceland labour force survey (LFS), total hours worked declined by 5.9% year-on-year in Q4/2020, reflecting a 3.6% drop in the number of employed persons and a 2.4% shortening of the average work week. Measurements of the number of employed persons still diverge widely, as data from the pay-as-you-earn (PAYE) register indicate that job numbers fell 7.3% year-on-year in October.

Seasonally adjusted LFS data for Q4/2020 show that the labour participation rate declined between quarters, but the employment rate fell somewhat more. In 2020 as a whole, the participation rate fell by 1.4 percentage points year-on-year, however, and the employment rate fell by 2.9 percentage points over the same period. Unemployment according to the LFS therefore rose by just over 1 percentage point between quarters, to nearly 7%. On the other hand, seasonally adjusted registered employment rose by almost 2 percentage points quarter-on-quarter, to 10.5%. In 2020, unemployment according to the LFS measured 5.5%, but registered unemployment rose to 7.9% – or 10.2%, including recipients of part-time unemployment benefits.

Population growth has slowed markedly since the pandemic struck, although it was positive by 1.2% year-on-year in Q4/2020. Among foreign nationals, net migration was slightly negative in Q4, whereas for Icelandic nationals it was positive for the third quarter in a row.

In Q4/2020, the wage index rose by 1.6% between quarters and by 7.2% year-on-year, and real wages in terms of the index were 3.5% higher during the quarter than at the same time in 2019. The index rose by 6.3% between annual averages in 2020, and real wages grew by 3.4%.

Statistics Iceland’s nationwide house price index, published in late January, rose by 1.2% month-on-month when adjusted for seasonality, but rose 8.9% year-on-year. The capital area house price index, calculated by Registers Iceland, rose by 0.8% month-on-month in December, when adjusted for seasonality, and by 7.7% year-on-year. The number of purchase agreements registered nationwide rose by 14.8% year-on-year in 2020, while the number of contracts for new construction increased by 54% over the same period.

Inflation averaged 2.8% in 2020. The CPI declined by 0.06% month-on-month in January, and twelve-month inflation measured 4.3%. This is the first time since December 2013 that inflation has breached the upper deviation threshold of the inflation target. The rise in inflation between December and January was due in part to unfavourable base effects, as the CPI had fallen

steeply in January 2020. Winter sales affected prices in January, but were smaller in scope than those held a year ago. In addition, the price of housing, food, and petrol rose in January.

The CPI excluding the housing component had risen by 4.7% year-on-year in January. Underlying inflation in terms of the average of various measures was 4.5%, its highest since June 2012. Some measures of underlying inflation exclude the effects of real mortgage interest expense, which has fallen steeply in the recent term. Because of this, twelve-month inflation was an estimated 0.9 percentage points lower than it would have been otherwise.

Gallup's winter surveys indicate that executives expect inflation to measure 3% in one year, while households project it at 4%. Both figures are unchanged from the autumn surveys. According to the winter survey, corporate executives' expectations concerning average inflation over the next five years had fallen to the target. Market agents' short- and long-term inflation expectations are still at target, according to the Central Bank's market expectations survey. The ten-year breakeven inflation rate in the bond market has averaged 2.6% in Q1/2021 to date, roughly the same as in Q4/2020.

According to the forecast published in *Monetary Bulletin* on 3 February, the outlook is for inflation to measure 3.9% in Q1/2021, slightly more than was forecast in November, and then taper off relatively quickly, to 3.3% in Q2. Inflation is expected to align with the target in Q4/2021. The short-term inflation outlook has therefore deteriorated slightly, owing to a weaker initial position, together with the prospect of stronger domestic demand in H1/2021 than was previously forecast. On the other hand, the exchange rate pass-through from last year's depreciation has receded, and the króna is somewhat stronger now than was previously forecast. The inflation outlook for the latter half of the forecast horizon is broadly similar to the November forecast, however. As was projected in November, a relatively stable króna, low global inflation, and a continued slack in the economy will cause inflation to ease in 2022 and be just below the target until the end of the forecast horizon.

Global economic activity rebounded strongly in Q3/2020, after COVID-19 infection rates began to fall, but then softened again in Q4, when case numbers started to rise once more. Despite a weakening outlook for Q1/2021, a robust recovery is expected among Iceland's main trading partners as the year progresses and widespread vaccination is achieved. For Iceland's main trading partners, growth in 2021 is projected at 4.3%, or 0.3 percentage points less than was assumed in November. On the other hand, trading partner growth is expected to be stronger in 2022, while the outlook for 2023 is broadly in line with the November forecast.

The króna began to appreciate in early November, bolstered by positive news about the development of COVID-19 vaccines, but it has been relatively stable since early December. Before then, there had been downward pressure on the króna, as foreign investors had been closing out bond positions and exporting the proceeds. In addition, the pension funds stepped up their foreign currency purchases in August, although some of them also sold currency late in the year. The baseline forecast assumes that the exchange rate will be somewhat lower, on average, in 2022 than in 2021, then rise slightly in the latter half of the forecast horizon and be above the level projected in November throughout the entire period.

In Iceland, GDP grew more strongly in Q3/2020 than had been forecast in the November *Monetary Bulletin*. Nevertheless, it was still 10.4% lower than in Q3/2019. Indicators imply that GDP continued to grow in Q4 and that it contracted by 7.7% in 2020 as a whole, as opposed to the 8.5% contraction forecast in November. The outlook for 2021 has also improved somewhat, with a poorer outlook for exports offset by more favourable prospects for domestic demand.

GDP growth is forecast to measure 2.5% in 2021 as a whole, then rise to 5.1% in 2022 before easing back to 4.1% in 2023.

Total hours worked are expected to fall by just under 1% this year and then begin to rise in 2022. Unemployment is expected to peak in H1 and average just over 7% in 2021 as a whole, according to the Statistics Iceland labour force survey. Unemployment is forecast to start falling in mid-2021 and continue to ease throughout the forecast horizon.

A sizeable slack in output developed in 2020 but is expected to narrow over the course of this year. Nevertheless, it is expected to measure about 2% of potential output by the year-end. This is a larger slack than was assumed in the November forecast, owing to more rapid population growth versus more favourable developments in GDP growth.

To a large extent, economic developments will depend on how successful efforts to control the pandemic prove to be, both in Iceland and elsewhere. Vaccinations began in late 2020 and, as in the Bank's November forecast, it is assumed that a majority of the population in Iceland and trading partner countries will be vaccinated by mid-year. The forecast also assumes that the current public health measures at the border will remain in effect broadly unchanged until then. All of these assumptions are highly uncertain, however, as the pandemic has been spreading strongly in many areas and new variants have been identified. Furthermore, vaccine distribution has been erratic in some places, and there is some uncertainty about participation levels among the general public. As a result, the economic outlook as presented in the baseline forecast could prove to be overly optimistic. On the other hand, the recovery could be swifter and stronger if efforts to control the pandemic are more successful.

II Decisions on the Bank's monetary policy instruments

The MPC discussed the monetary stance in view of economic developments and the fact that the Bank's real rate had fallen marginally since the November meeting. Members discussed whether the monetary stance was appropriate in view of the inflation outlook, as the Committee had decided in November to lower interest rates. At the time of the November meeting, the economic outlook had deteriorated between meetings, owing to a surge in COVID-19 infections and tightened public health measures during the autumn.

Committee members noted that according to the Bank's new macroeconomic forecast, published in the February *Monetary Bulletin*, domestic demand appeared to have been stronger in 2020 than was previously assumed, and the economic contraction therefore smaller than the Bank forecast in November. It emerged that private consumption had rebounded more strongly in recent months and that households had drawn more quickly on their savings than had been assumed at the last meeting. They discussed that according to the forecast, the outlook was for domestic demand to grow more in 2021 than previously projected, whereas the outlook for exports had deteriorated. The Committee stressed that economic developments would nevertheless be affected by the path taken by the pandemic.

The MPC discussed developments in inflation, which rose to 4.3% in January. Members noted that the exchange rate pass-through from the depreciation of the króna still weighed heavily in imported goods prices. It also emerged that at the same time, domestic goods prices had risen as well, to some extent reflecting strong domestic demand. This was compounded by the rise in global oil and commodity prices and unfavourable base effects from January 2020. It emerged in the discussion that pandemic-induced disruptions in production abroad and domestic demand had probably fuelled inflationary pressures as well, which could push prices upwards

in coming months. The Committee considered it likeliest, however, that inflation would fall relatively quickly over the course of the year, as was assumed in the Bank's forecast, as there was a sizeable slack in the economy and the króna had appreciated in recent months.

The MPC discussed the status of the foreign exchange market, as the króna had appreciated between meetings. Members agreed that the Bank's intervention policy had contributed to a better balanced market and mitigated volatility. In addition, the Bank's regular sales of foreign currency had deepened the market and improved price formation. It was pointed out that downward pressure on the króna had eased in the wake of large-scale outflows stemming from the sale of foreign-owned Treasury bonds in Q4/2020. Furthermore, the stock of such foreign-owned assets was now limited. Committee members considered it likely that the króna would appreciate once the tourism industry rebounded, all else being equal, because of increased foreign currency inflows.

All members were of the opinion that the Bank's interest rates should be held unchanged. In recent months, low interest rates had both supported domestic demand and stimulated the real estate market significantly. On the other hand, inflation had risen above the upper deviation threshold of the inflation target, and underlying inflation had continued to rise. The Committee agreed that conditions in the domestic economy were actually split in two, where certain sectors and their employees – the tourism industry, for instance – had been hit hard by the pandemic and public health measures, while activity in other sectors had increased markedly. Household saving had increased, and private consumption that had previously centred on travel and spending abroad, for example, had shifted back into the domestic market. It emerged in the discussion that there was the risk that increased domestic demand would lead to more persistent inflation and that the slack in the economy would actually reduce inflation less than it might otherwise, owing to the extraordinary conditions in the economy. It was also pointed out that there was the risk of excessive fiscal easing in the coming term. On the other hand, MPC members agreed that the short-term economic outlook in trading partner countries had deteriorated, and the economic recovery might therefore turn out weaker than currently assumed.

The Committee discussed the Bank's quantitative easing programme. It emerged that the Bank had been relatively neutral in the bond market recently, intervening only when long-term yields had risen steeply, so as to prevent the disruption of monetary policy transmission. Members also discussed the commercial banks' liquidity position and developments in liquidity ratios, given the rapid growth in lending in H2/2020.

In view of the discussion, the Governor proposed that the Bank's interest rates be held unchanged. The Bank's key rate (the seven-day term deposit rate) would be 0.75%, the current account rate 0.5%, the seven-day collateralised lending rate 1.5%, and the overnight lending rate 2.5%. All Committee members voted in favour of the proposal. Members also agreed to maintain an unchanged policy regarding other monetary policy instruments.

It emerged at the meeting that the MPC would apply the tools at its disposal to support the domestic economy and ensure that inflation eases back to the target within an acceptable time frame.

The following Committee members were in attendance:

Ásgeir Jónsson, Governor and Chair of the Monetary Policy Committee

Rannveig Sigurdardóttir, Deputy Governor for Monetary Policy

Gunnar Jakobsson, Deputy Governor for Financial Stability

Gylfi Zoëga, Professor, external member

Katrín Ólafsdóttir, Associate Professor, external member

The Chief Economist was in attendance for the entire meeting. In addition, a number of Bank staff members attended part of the meeting.

Karen Á. Vignisdóttir wrote the minutes.

The next Statement of the Monetary Policy Committee will be published on Wednesday 24 March 2021.



The Monetary Policy Committee of the Central Bank of Iceland

Minutes of the Monetary Policy Committee meeting

22-23 March 2021 (101st meeting)

Published 7 April 2021

The Act on the Central Bank of Iceland stipulates that it is the role of the Monetary Policy Committee (MPC) to set Central Bank interest rates and apply other monetary policy instruments. Furthermore, the Act states that “[m]inutes of meetings of the Monetary Policy Committee shall be made public, and an account given of the Committee’s decisions and the premises upon which they are based.” In accordance with the Act, the MPC has decided to publish the minutes of its meetings two weeks after each decision. The votes of individual Committee members are also included in the minutes.

The following are the minutes of the MPC meeting held on 22 and 23 March 2021, during which the Committee discussed economic and financial market developments, decisions on the application of the Bank’s monetary policy instruments, and the communication of those decisions on 24 March.

I Economic and monetary developments

Before turning to monetary policy decisions, members discussed the domestic financial markets, financial stability, the outlook for the global economy and Iceland’s international trade, the domestic economy, and inflation, with emphasis on information that has emerged since the Committee’s last meeting, on 3 February 2021.

Financial markets

Since the February meeting, the króna had appreciated by 4.6% in trade-weighted terms. The Bank’s net foreign currency sales totalled 108 million euros (16.6 b.kr.) between meetings. Of that total, purchases under the intervention programme totalled 6 million euros (about 890 m.kr.), sales under the intervention programme totalled 6 million euros (about 938 m.kr.), and regular currency sales amounted to 108 million euros (16.6 b.kr.). The Central Bank’s transactions accounted for about 30% of total turnover in the foreign exchange market.

In terms of the Central Bank’s real rate, the monetary stance had tightened slightly since the MPC’s February meeting. In terms of the average of various measures of inflation and inflation expectations, the Bank’s real rate was -2.4%, or 0.1 percentage points higher than just after the announcement of the February interest rate decision. In terms of twelve-month inflation, it was -3.2% and had risen by 0.2 percentage points between meetings.

Interest rates in the interbank market for krónur were broadly unchanged between meetings, and turnover in the market totalled 12.7 b.kr. during the period. Yields on long-term nominal Treasury bonds had risen by 0.3 percentage points, and yields on long-term indexed Treasury bonds had risen by just under 0.1 percentage points since the February meeting. Average mortgage lending rates had held broadly unchanged between meetings.

In terms of three-month interbank rates, the short-term interest rate differential remained unchanged between meetings, at 1.9 percentage points versus the euro area and 1.2 percentage points versus the US. The long-term interest rate spread versus Germany had widened by 0.1 percentage points, to 3.9 percentage points, while the spread versus the US narrowed to 1.9 percentage points. Measures of the risk premium on the Treasury's foreign obligations were more or less unchanged between meetings. The CDS spread on the Treasury's five-year US dollar obligations was 0.6%, and the spread between the Treasury's eurobonds and comparable bonds issued by Germany was 0.6-0.7 percentage points.

Financial institutions' analysts had projected that the MPC would hold interest rates unchanged, noting that even though inflation was above the upper deviation threshold of the target, the outlook was for it to ease in the coming term as the exchange rate pass-through from the depreciation of the króna subsided. Furthermore, inflation expectations were still firmly anchored to the target, giving the Bank the scope to hold interest rates unchanged.

Annual growth in money holdings (M3) gained considerable momentum in 2020 but there are signs that the pace has begun to ease. It is estimated at just under 11% in January. Annual growth in credit system lending to households is estimated at 9.7% in January and has been broadly steady in recent months. On the other hand, corporate lending has been virtually flat since the end of 2019.

The Nasdaq OMXI10 index had risen by 3.2% between meetings. Turnover in the Main Market totalled 173 b.kr. in the first two months of 2021, some 23% more than over the same period in 2020.

Global economy and external trade

According to the Organisation for Economic Cooperation and Development's (OECD) March forecast, the global economy is set to grow by 5.6% this year, 1.4 percentage points above its December forecast. Furthermore, the OECD projects global GDP growth in 2022 at 4%, or 0.3 percentage points above the December forecast. The change between forecasts reflects increased buoyancy due to stronger-than-expected economic activity in H2/2020, clearer indications of the efficacy of COVID-19 vaccines, and increased stimulus measures from many governments, especially the US. The OECD estimates that the proposed measures there could raise global output by around 1 percentage point in the first full year after they are executed, and it has revised its GDP growth forecast for the US upwards by a full 3.3 percentage points this year, to 6.5%. The economic recovery in India is also forecast to be stronger than previously projected. On the other hand, the OECD expects the largest European countries to see a slower turnaround than many other advanced economies in 2021, owing to stringent public health measures in the early months of the year and weaker government stimulus. Uncertainty about global economic developments remains significant, however, and depends on how persistent the COVID-19 pandemic proves to be. Global GDP growth could turn out as much as 1-1½ percentage points stronger in 2021 and 2022, according to the OECD, if vaccination roll-outs prove more successful and households tap their accumulated savings more quickly. On the other hand, growth could be 1-1¼ percentage points weaker if it takes longer to vaccinate the

population or if the currently available vaccines prove less effective against new variants of the virus.

Preliminary figures suggest a deficit of 17 b.kr. on goods trade in the first two months of 2021, as compared with a deficit of 20 b.kr. at constant exchange rates over the same period in 2020. Excluding ships and aircraft, exported goods values contracted by nearly 3% year-on-year, as marine product export values fell by roughly 8%, whereas industrial export values increased by 3%, partly because of the rise in global aluminium prices in recent months. In the first two months of 2021, imported goods values (excluding ships and aircraft) were about 4% lower, at constant exchange rates, than in the same period in 2020, owing primarily to a more than 40% contraction in fuel imports and a contraction of a third in transport equipment imports. On the other hand, the value of imported investment goods (excluding transport equipment) increased 20% between years and has risen year-on-year for the past four months.

Global aluminium prices had risen by 11% since the MPC's February meeting and were 43% higher than in March 2020. Preliminary figures from Statistics Iceland indicate that foreign currency prices of marine products had continued to fall and were down 10% year-on-year in January. The global price of Brent crude rose further between MPC meetings, to nearly 70 US dollars per barrel by mid-March. This reflects both expectations of increased demand and continued production cuts by OPEC countries and other oil producers. In the days just prior to the March meeting, however, oil prices began to give way again, at least partly because of rising inventories in the US, the appreciation of the US dollar, and fears that demand for oil would rebound more slowly than previously anticipated because of the resurgence of the pandemic and the slow progress of vaccinations in the euro area. Brent crude was selling at just under 61 US dollars per barrel at the time of the March meeting. This is about 6% higher than just before the February meeting but about 8% lower than at the beginning of 2020, before the pandemic struck.

The real exchange rate in terms of relative consumer prices rose by 0.8% month-on-month in February, when it was 1.4% above its 25-year average but 8% lower than at the beginning of 2020. In the first two months of 2021, it was down by 6.6% compared with the same period in 2020, as the nominal exchange rate of the króna was 9.3% lower and inflation in Iceland was about 3 percentage points above the trading partner average.

Domestic economy and inflation

According to preliminary figures published by Statistics Iceland in early March, GDP contracted by 5.1% year-on-year in Q4/2020, somewhat less than was forecast in the February *Monetary Bulletin*. Seasonally adjusted GDP grew by 4.8% between quarters in Q4, the second quarter-on-quarter increase in a row. Because of the steep contraction in H1, however, there was still a contraction between years despite positive growth in the last two quarters. Domestic demand declined by 2% year-on-year but, apart from public sector demand, was stronger than had been forecast. The contribution of net trade to GDP growth was negative by 3.2 percentage points during the quarter, and the lion's share of the contraction in both imports and exports was due to services.

For the year as a whole, GDP contracted by 6.6%, owing largely to the negative contribution from net trade, together with a nearly 2% decline in domestic demand. Figures from Statistics Iceland show that most subcomponents of domestic demand contracted less than had been assumed in the Bank's forecast, whereas on the other hand, public sector demand was weaker than projected. Private consumption contracted by 3.3%, the largest single-year contraction

since 2009, albeit somewhat less than had been forecast. The main difference is that the contraction in investment was almost 5 percentage points less than forecast, or 6.8%. This difference in investment is due in large part to a revision of figures for the first three quarters of 2020. Exports contracted by 30.5% in 2020 as a whole, while the contraction in imports was smaller, at 22%; as a result, the contribution of net trade to output growth was negative by 4.9 percentage points for the year, slightly more negative than had been forecast.

In line with the Bank's forecast, the current account balance was positive in 2020, despite the largest contraction in exports since 1917. The current account surplus measured 1% of GDP, as compared with a surplus of 6.4% of GDP in 2019. The trade deficit for 2020, which measured 0.6% of GDP, stemmed mainly from the contraction in exports, although terms of trade also deteriorated between years. Services exports contracted by 51%, owing mainly to the substantial drop in tourist visits. The contraction in services imports, at 39%, was mainly attributable to the steep decline in Icelanders' overseas travel. The composition of the current account balance changed markedly in 2020 relative to previous years, as the weight of the balance on primary and secondary income increased.

Domestic payment card turnover figures suggest that household demand increased year-on-year in the first two months of 2021. Indicators show signs that household demand is recovering in the consumption categories hit hardest by public health measures, after contracting steeply in 2020. At the same time, growth in household spending on consumer durables was still robust, even though it lost pace slightly.

According to the Gallup Consumer Confidence Index in February, consumer sentiment has improved significantly since Q4/2020, probably because of progress made in COVID-19 vaccinations and reduced infection rates. Among subcomponents of the index, consumers' assessment of the current situation improved the most between months.

According to the results of Gallup's spring survey, conducted in March among Iceland's 400 largest firms, respondents' attitudes towards the current economic situation were more positive than in the winter survey. Their expectations six months ahead are also more positive than in the winter. About 62% of executives expect the economic situation to improve in the next six months, and about 14% expect them to deteriorate, somewhat fewer than in the winter. Executives are also more optimistic about domestic and foreign demand than in the winter survey, particularly those in retail and wholesale trade, manufacturing, and miscellaneous specialised services.

According to the survey, most companies' profit margins have declined since the previous survey. On the whole, however, it appears that executives expect their margins to increase slightly in the next six months, and they expect their profits for 2021 to be about the same as in 2020. Furthermore, the survey suggests that investment will contract between years, albeit somewhat less than it did in 2020.

The seasonally adjusted results of the same survey show that the share of firms planning to add staff exceeds the share planning to downsize by about 4 percentage points. This difference has widened slightly between surveys, after a strong turnaround in last year's winter survey, and is close to its historical average. About 12% of executives considered themselves short-staffed, a slightly higher percentage than in the previous survey. This percentage has risen in the past three surveys but remains well below its historical average. The share of firms operating at close to capacity tells a similar tale, with about 32% of executives reporting that they would have trouble responding to an unexpected increase in demand.

The wage index rose by 0.3% month-on-month in February and by about 10.6% year-on-year, owing both to the effects of contractual wage hikes in January 2021 and April 2020, as well as base effects due to delays in finalising public sector wage agreements during the current round of negotiations. Real wages were 6.2% higher during the month than at the same time in 2020.

According to preliminary figures from Statistics Iceland, the wage share (wages and related expenses relative to gross factor income) was 61% in 2020, or 0.5 percentage points higher than in 2019 and 1.4 percentage points above the twenty-year average. Historical figures for wages and related expenses were also revised slightly, with the largest revisions in 2019 figures. On the whole, however, the trend of the past two years was in line with the forecast in the February *Monetary Bulletin*.

Statistics Iceland's nationwide house price index, published in late February, rose by 0.4% month-on-month when adjusted for seasonality, and by 8.4% year-on-year. The capital area house price index, calculated by Registers Iceland, rose by 0.5% month-on-month in February, when adjusted for seasonality, and by 7.3% year-on-year. The number of purchase agreements registered nationwide rose by 30.8% year-on-year in the first two months of 2021, while the number of contracts for new construction increased by 69.4% over the same period.

The consumer price index (CPI) rose by 0.69% month-on-month in February, lowering twelve-month inflation to 4.1%. The CPI excluding the housing component had risen by 4.5% year-on-year in February. Underlying inflation was 4.4%, according to the average of various measures. Some measures of underlying inflation exclude the effects of real mortgage interest expense, which has fallen steeply in the recent term. Because of this, twelve-month inflation was an estimated 0.9 percentage points lower than it would have been otherwise.

The end of seasonal sales was the main driver of the rise in the CPI during the month, as is typical in February. The rise in the housing component also had some impact, particularly the rise in home maintenance costs. Domestic petrol prices rose for the third month in a row, in the wake of recent global oil price hikes.

Gallup's spring surveys indicate that executives expect inflation to measure 3% in one year, while households project it at 4%. Both figures are unchanged from the winter surveys. On the other hand, households' two-year inflation expectations rose by 1 percentage point between surveys, to 4%. Corporate executives' five-year expectations rose as well, by 0.3 percentage points, to 2.8%. Moreover, the five- and ten-year breakeven inflation rates in the bond market have inched upwards since the February meeting. The five-year breakeven rate was about 3% just before the March meeting, and the ten-year rate was 2.8%.

II Decisions on the Bank's monetary policy instruments

The MPC discussed the monetary stance in view of economic developments and the fact that the Bank's real rate had risen marginally since the February meeting. Members discussed whether the monetary stance was appropriate in view of the inflation outlook, as the Committee had decided in February to hold interest rates unchanged. At that meeting, the outlook was for domestic demand to grow more than previously projected, whereas a weaker outlook for exports pulled in the opposite direction. Inflation had risen above the upper deviation threshold of the inflation target, but the Committee was of the opinion that it would fall relatively quickly as the year progressed.

Committee members discussed the newly published national accounts data, which showed that GDP had contracted by 6.6% in 2020, whereas the Bank's February forecast had assumed a

contraction of 7.7%. It emerged that economic activity in Q4 had turned out stronger than projected, and the contraction in the first three quarters of the year had been somewhat smaller than previous figures from Statistics Iceland had indicated. The MPC also noted that recent surveys and high-frequency indicators suggested a continuing recovery in 2021 to date. It emerged in the discussion that pandemic response measures taken by the Central Bank and the Government had supported domestic demand and that the outcome was more favourable than had been expected. Considerable slack remained in the economy, however. The Committee stressed that uncertainty was nevertheless pronounced, and that economic developments in Iceland and abroad would depend to a considerable degree on the path the pandemic takes and the progress made in vaccinating the public.

The MPC discussed developments in inflation, which had eased to 4.1% in February. Members noted that the effects of last year's depreciation of the króna still weighed heavily but had probably begun to subside, as the króna had appreciated somewhat in the recent term. In their view, the outlook was for inflation to start tapering off this spring, although the near-term outlook had probably deteriorated since February. Global oil and commodity prices had risen recently, and there had been cost increases that could be attributed to pandemic-related disruptions in production. Committee members were concerned about inflation expectations having risen slightly, although it was too soon to determine whether they had become less firmly anchored to the Bank's inflation target.

The MPC discussed the status of the foreign exchange market, as the króna had appreciated between meetings. It emerged in the discussion that the intervention policy and the regular currency sales programme had been successful and had fostered greater stability in the foreign exchange market. It was pointed out that, in view of developments in inflation, the monetary stance had been tightened in this way, as the aforementioned measures had reduced the money supply. It was also noted that if the exchange rate of the króna should trend upwards, it would be possible to stop or reduce regular currency sales, as the programme was a temporary measure.

All members were of the opinion that the Bank's interest rates should be held unchanged. It was clear that inflation was still above the upper deviation threshold of the target and that domestic demand appeared stronger than had been expected. Activity had increased in the economic sectors that had performed well despite the pandemic. It was pointed out that there was the risk that inflation would prove more persistent, given the steep increase in global oil and commodity prices and the rise in inflation expectations. On the other hand, it appeared highly likely that the króna would appreciate and the slack in the economy would lead to a decline in inflation later in the year, as the Bank's previous forecasts had indicated. Furthermore, the Committee agreed that the outlook was cloudy as regarded developments in the pandemic abroad, as public health measures were being tightened once again in many places and there was the risk that the same situation would arise in Iceland. It emerged in the discussion that if the pandemic and the vaccination process dragged on, there would be greater risk of a permanent loss of resources and capacity.

The Committee discussed the Bank's purchases of Treasury bonds in the secondary market. Since inflation was still above target it was inadvisable for the Bank to participate actively in the bond market. Furthermore, the fiscal deficit in 2020 had been smaller than had been expected at the beginning of the pandemic, reducing the need for the Bank's bond purchases. On the other hand, the outlook was for a larger Treasury deficit in 2021, and it would therefore be important to keep close track of developments in the bond market. If inflation fell back to the target, it could create the scope for stronger bond market activity by the Central Bank if

necessary. MPC members also discussed the past few months' rise in nominal Treasury bond yields, particularly at the long end of the yield curve, which was unsurprising in view of increased optimism about the long-term outlook. Price formation in the market was therefore normal.

The committee discussed the status of the commercial banks and their recent earnings reports, which showed that they were relatively well positioned. It was pointed out that demand for corporate loans was limited at present but that lending to households had continued to increase. The Committee was of the view that the banks would be well positioned to support corporate investment once the economic recovery began in earnest.

In view of the discussion, the Governor proposed that the Bank's interest rates be held unchanged. The Bank's key rate (the seven-day term deposit rate) would be 0.75%, the current account rate 0.5%, the seven-day collateralised lending rate 1.5%, and the overnight lending rate 2.5%. All Committee members voted in favour of the proposal. Members also agreed to maintain an unchanged policy regarding other monetary policy instruments.

It emerged at the meeting that the MPC would apply the tools at its disposal to support the domestic economy and ensure that inflation eases back to the target within an acceptable time frame.

The following Committee members were in attendance:

Ásgeir Jónsson, Governor and Chair of the Monetary Policy Committee

Rannveig Sigurdardóttir, Deputy Governor for Monetary Policy

Gunnar Jakobsson, Deputy Governor for Financial Stability

Gylfi Zoëga, Professor, external member

Katrín Ólafsdóttir, Associate Professor, external member

The Chief Economist was in attendance for the entire meeting. In addition, a number of Bank staff members attended part of the meeting.

Karen Á. Vignisdóttir wrote the minutes.

The next Statement of the Monetary Policy Committee will be published on Wednesday 19 May 2021.



The Monetary Policy Committee of the Central Bank of Iceland

Minutes of the Monetary Policy Committee meeting

Meeting held 17-18 May 2021 (102nd meeting)

Published 2 June 2021

The Act on the Central Bank of Iceland stipulates that it is the role of the Monetary Policy Committee (MPC) to set Central Bank interest rates and apply other monetary policy instruments. Furthermore, the Act states that “[m]inutes of meetings of the Monetary Policy Committee shall be made public, and an account given of the Committee’s decisions and the premises upon which they are based.” In accordance with the Act, the MPC has decided to publish the minutes of its meetings two weeks after each decision. The votes of individual Committee members are also included in the minutes.

The following are the minutes of the MPC meeting held on 17 and 18 May 2021, during which the Committee discussed economic and financial market developments, decisions on the application of the Bank’s monetary policy instruments, and the communication of those decisions on 19 May.

I Economic and monetary developments

Before discussing monetary policy decisions, members discussed the domestic financial markets, financial stability, the outlook for the global economy and Iceland’s international trade, the domestic economy, and inflation, with emphasis on information that has emerged since the Committee’s last meeting, on 24 March 2021, as published in the new forecast and analysis of uncertainties in *Monetary Bulletin 2021/2* on 19 May.

Financial markets

Since the March meeting, the króna had depreciated by 1% in trade-weighted terms. The Bank’s net foreign currency sales totalled 53 million euros (8 b.kr.) between meetings. Of that total, purchases under the intervention programme totalled 12 million euros (about 1.8 b.kr.), sales under the intervention programme totalled 14 million euros (about 2.1 b.kr.), and regular currency sales amounted to 51 million euros (7.7 b.kr.). The Central Bank’s transactions accounted for almost 19% of total turnover in the foreign exchange market.

In terms of the Central Bank’s real rate, the monetary stance had eased slightly since the MPC’s March meeting. In terms of the average of various measures of inflation and one-year inflation expectations, the Bank’s real rate was -2.8%, or 0.4 percentage points lower than just after the

publication of the March interest rate decision. In terms of twelve-month inflation, it was -3.7% and had fallen by 0.5 percentage points between meetings.

Interest rates in the interbank market for krónur were broadly unchanged between meetings, and there was no turnover in the market during that period. Yields on long-term nominal Treasury bonds had risen by 0.5 percentage points since the March meeting, whereas yields on long-term indexed Treasury bonds were more or less unchanged. Average mortgage lending rates had held broadly unchanged between meetings.

In terms of three-month interbank rates, the short-term interest rate differential remained unchanged between meetings, at 1.9 percentage points versus the euro area and 1.2 percentage points versus the US. The long-term interest rate spread versus Germany had widened by 0.2 percentage points, to 4.1 percentage points, and the spread versus the US had widened by 0.5 percentage points, to 2.4 percentage points. Measures of the risk premium on the Treasury's foreign obligations had fallen marginally between meetings. The CDS spread on the Treasury's five-year US dollar obligations was 0.5%, and the spread between the Treasury's eurobonds and comparable bonds issued by Germany was 0.5-0.6 percentage points.

Financial institutions' analysts expected the MPC either to raise the Bank's interest rates by 0.25 percentage points or to hold them unchanged. They noted that inflation had proven higher and more persistent in the recent term than had been expected, and that the Bank's real rate had therefore fallen since the effects of the pandemic had peaked. It was also pointed out that in view of the high level of uncertainty, care must be taken not to stand in the way of further economic recovery even though the economic outlook was now improving.

According to the Central Bank's quarterly market expectations survey, conducted in May 2021, respondents expected the Bank's key rate to remain unchanged at 0.75% in Q2/2021, based on the median response, followed by a rate hike of 0.25 percentage points, to 1%, in Q3. Respondents also expected the key rate to be 1.25% at the end of the year. This is a higher rate than survey participants expected in January, when they projected that the Bank's key rate would be 0.75% at the end of 2021. In the survey, about 56% of respondents considered the monetary stance appropriate at present, up from 46% in the previous survey. The share who considered the monetary stance too loose increased, however, from 15% in the January survey to 44% in the May survey. No respondents considered the stance too tight, whereas 38% did so in the Bank's last survey.

Growth in M3 has eased, and annual growth is estimated at just under 6.3% in March. At the same time, annual growth in credit system lending to households is estimated at about 10%, roughly the same as in recent months. Corporate lending contracted by just under 4%, however.

The Nasdaq OMXI10 index had risen by 7.3% between meetings. Turnover in the Main Market totalled 340 b.kr. in the first four months of 2021, some 41% more than over the same period in 2020.

Global economy and external trade

According to the International Monetary Fund's (IMF) April forecast, global GDP growth is projected to measure 6% in 2021, or 0.5 percentage points more than in the Fund's January forecast. Furthermore, global GDP growth is forecast at 4.4% in 2022, or 0.2 percentage points above the IMF's most recent forecasts. World trade is also expected to recover strongly. The change between forecasts reflects the increased fiscal stimulus provided by several large economies and the expectation of a vaccine-driven recovery in H2/2021. Uncertainty about

developments in the global economy remains significant, however, not least as regards the pandemic, vaccination efforts, and whether vaccines will provide satisfactory protection against new variants of the virus. Global GDP growth could therefore turn out 1-1½ percentage points weaker in 2021 and 2022, in the IMF's opinion, if the battle against the pandemic proves to be more protracted than is assumed in the baseline forecast. Conversely, it could be ½-1 percentage points stronger if efforts to control the pandemic are more successful than is currently projected.

Iceland's external goods trade generated a deficit of 23 b.kr. for the first three months of the year, as opposed to a deficit of 26 b.kr. over the same period in 2020 (at constant exchange rates). The value of exported goods excluding ships and aircraft rose by just over 1% year-on-year. The increase is due primarily to exports of agricultural products, particularly farmed fish, whose value rose by nearly one-third between years. On the other hand, marine product export values fell by 3% due to price cuts. In Q1/2021, the value of imported goods excluding ships and aircraft rose year-on-year for the first time since the end of 2018. It increased by 2.5% at constant exchange rates, mainly because of a 22% rise in the value of investment goods, although consumer goods, particularly consumer durables, rose in value by over 12%. Offsetting this was a decline of one-third in the value of imported transport equipment, owing mainly to base effects from the prior year; furthermore, the value of imported petrol is still down considerably.

Global aluminium prices were up 12% since the March meeting. They have risen by a fourth year-to-date and by more than a third since the onset of the pandemic. Preliminary figures from Statistics Iceland indicate that foreign currency prices of marine products had continued to fall and were down 9% year-on-year in March. Global Brent crude prices had risen by 13% between MPC meetings, to around 69 US dollars per barrel by mid-May. Oil prices have nearly doubled since early November, following positive news reports about the development of vaccines, and prices are now roughly at pre-pandemic levels. Other commodity prices have also risen rapidly since spring 2020 and are at their highest in eight years. This is due both to a burst of demand, particularly from China, and supply disruptions that impede the production of many commodities.

The real exchange rate in terms of relative consumer prices rose by 1.2% month-on-month in April, when it was 4.2% above its 25-year average but 5.4% lower than at the beginning of 2020. In the first four months of 2021, it was down by 1.6% compared with the same period in 2020, as the nominal exchange rate of the króna was 4% lower and inflation in Iceland was 2.7 percentage points above the trading partner average.

Domestic economy and inflation

According to the Statistics Iceland labour force survey, total hours worked fell by 3.5% year-on-year in Q1/2021. The decline in total hours stemmed from a 2.4% reduction in the number of employed persons and a 1.1% shortening of the average work week. When adjusted for seasonality, job numbers and total hours worked rose quarter-on-quarter after having declined somewhat in Q4/2020. Data from the pay-as-you-earn register (PAYE) suggest, however, that the number of wage-earners fell between quarters. During the quarter, the labour participation rate was about the same as it was a year earlier, whereas the employment rate was still down by roughly 2.5 percentage points.

Seasonally adjusted unemployment measured 7.6% in Q1, having declined by nearly 1 percentage point between quarters; however, it was still 3.2 percentage points higher than in

Q1/2020. Registered unemployment according to the Directorate of Labour was somewhat higher. It had peaked at 11.6% in January and measured 10.4% in April.

Population growth has slowed markedly since the pandemic struck. The population grew by 1% year-on-year in Q1/2021, which is only 0.4 percentage points more than if no migration had taken place during the quarter.

The wage index rose by 4.3% between quarters in Q1, and by 10.5% year-on-year, and real wages in terms of the index were 6% higher during the quarter than at the same time in 2020.

It appears that private consumption grew again quarter-on-quarter in Q1/2021, after contracting in Q4/2020, and there are signs that strong growth will continue. At the beginning of the year, traffic was back to the pre-pandemic level, there was solid growth in payment card turnover within Iceland, and household spending in contact-intensive sectors began to recover. In spite of more stringent public health measures in March, card turnover continued to increase, and new motor vehicle registrations (excluding car rental agencies) also suggest a robust recovery of private consumption year-to-date.

Households have grown increasingly more optimistic about the economic and employment outlook as the vaccine roll-out has progressed, and the Gallup Consumer Confidence Index reached a four-year high of 134 points in May. All components of the index rose month-on-month, and expectations six months ahead hit an all-time high.

Statistics Iceland's nationwide house price index, published in late April, rose by 2.5% month-on-month when adjusted for seasonality, and by 10.6% year-on-year. The capital area house price index, calculated by Registers Iceland, rose by 3.3% month-on-month in March when adjusted for seasonality, and by 10.7% year-on-year. Detached housing prices were up by 13.6% and condominium prices by 9.5%. The number of purchase agreements registered nationwide rose by 47% year-on-year in the first three months of 2021, while the number of contracts for new construction increased by 73% over the same period.

The CPI rose by 0.71% month-on-month in April, and twelve-month inflation increased to 4.6%. This was the second consecutive monthly rise in inflation, pushing it to its highest since February 2013. Inflation excluding housing tapered off between months, however, but it also measured 4.6%. Underlying inflation also declined between March and April, to 4.3% according to the average of various measures.

The April rise in the CPI was due largely to the steep rise in house prices, although higher food prices, particularly for dairy products, also had some impact. The contribution of housing to inflation has increased in recent months, and the housing component accounts for one-fifth of headline inflation. On the other hand, the contribution of imported goods (excluding petrol) has declined over the same period.

According to the market expectations survey carried out in May, respondents expect inflation to measure 3% in one year's time, whereas in the January survey they expected it to be at the Bank's 2.5% inflation target. Market agents' long-term inflation expectations are still at target, however. The five- and ten-year breakeven inflation rates in the bond market have risen by an average of 0.4 percentage points since the March meeting. The five-year breakeven rate was about 3.5% just before the May meeting, and the ten-year rate was just over 3%.

According to the forecast published in *Monetary Bulletin* on 19 May 2021, the outlook is for inflation to ease more slowly than previously projected. It is forecast to measure 4.4% in Q2 and fall to 3.8% by Q4. Inflation will therefore be considerably more persistent than previously forecast, as the February forecast assumed that it would align with the target by the year-end,

whereas now it is not expected to return to target until mid-2022. This is due mainly to higher imported inflation, although the króna is now expected to be stronger than previously projected. Furthermore, in the latter half of the forecast horizon, the outlook is for inflation to be higher than was assumed in February, as an output gap is now expected to open up earlier than was forecast then.

The trade-weighted exchange rate index (TWI) stood at 200 points in Q1/2021, and the króna was therefore about 1½% stronger, on average, than was forecast in the February *Monetary Bulletin*. Since mid-March, the TWI has fluctuated between 193 and 198. According to the baseline forecast, it will remain broadly in this range throughout the forecast horizon; therefore, the króna will be nearly 5% stronger in 2022 than was projected in February. As a result, the real exchange rate will rise by a full 5% over the forecast period, although at the end of the forecast horizon it will still be more than 12% below its 2017 peak.

GDP growth among Iceland's main trading partners contracted by 5.2% in 2020. Although most advanced economies experienced a downturn in economic activity in Q4, they proved to be generally more resilient than had been assumed in the Bank's February forecast. The continued rapid spread of COVID-19 and tight public health restrictions in the early months of 2021 have constrained the economic recovery in major advanced economies. Overall, the global GDP growth outlook for 2021 has improved, and it appears that economic activity will rebound quickly this summer, once vaccinations are well in hand and public health measures are relaxed again.

In Iceland, the contraction in GDP in 2020 was smaller than anticipated, or 6.6% instead of the 7.7% provided for in the February forecast. Moreover, the outlook for 2021 has improved marginally, and output growth for the year is forecast at 3.1%, owing primarily to indications of strong growth in private consumption. Offsetting this, infection rates are still rising rapidly in many parts of the world, and tourism is now expected to recover more slowly than previously forecast.

The unemployment outlook has improved, although the jobless rate is still expected to taper off slowly and remain somewhat higher than before the pandemic. Unemployment according to the Statistics Iceland labour force survey is forecast to average just under 7% this year and then ease to around 6% near the end of the forecast horizon. Registered unemployment will be higher this year, or slightly over 9%, but will fall faster during the forecast horizon.

The pandemic has caused significant disruption on the supply side of the economy. As a result, growth in potential output is estimated to have fallen well below its historical average in 2020 and is expected to be below average in 2021 as well. The output slack that developed in the economy in the wake of the pandemic is therefore expected to close more rapidly than it would otherwise. It is projected to narrow from 5% of capacity in 2020 to 2% this year, and then flip to a small output gap in H2/2022. This is a smaller slack than was forecast in February and will close more quickly than was assumed then, reflecting both revisions of historical data and a more favourable GDP growth outlook.

If the forecast materialises, GDP will not return to its 2019 level until 2022, and in 2023 it will still be 3% below the level projected in the Bank's last pre-pandemic forecast. It is therefore clear that the economic damage done by the pandemic will be long-lasting, although it will apparently be less severe than was initially feared. This outlook is subject to considerable uncertainty, however, and in *Monetary Bulletin* are alternative scenarios that describe various possible output growth paths, depending on how successfully the pandemic can be brought under control. The economic recovery could be delayed if vaccination proceeds more slowly and if it proves difficult to stop further spread of COVID-19 and new variants of the virus.

Conversely, the recovery could prove stronger if the pandemic recedes more quickly and widespread vaccination is achieved earlier than is assumed in the baseline forecast.

II Decisions on the Bank's monetary policy instruments

The MPC discussed the monetary stance in view of economic developments and the fact that the Bank's real rate had fallen marginally since the March meeting. Members discussed whether the monetary stance was appropriate in view of the inflation outlook, as the Committee had decided in March to hold interest rates unchanged.

In their discussion, Committee members noted that the economic recovery in H2/2020 had been stronger than previously estimated and that according to the new macroeconomic forecast, published in the May issue of *Monetary Bulletin*, the outlook was for GDP growth to measure just over 3% in 2021 and more than 5% in 2022. Members also noted that the outlook had improved since the Bank's last forecast, owing largely to signs of a stronger recovery of domestic demand. They discussed unemployment, which had eased but remained high. Furthermore, according to the forecast, the slack in the economy appeared to be smaller and looked set to close sooner than previously estimated. It emerged in the discussion that the economy – private consumption in particular – had thus far withstood the crisis better than expected. It was pointed out that household sentiment had improved markedly and that on the whole, household saving was above its historical average; as a result, private consumption was likely to continue recovering strongly.

The Committee discussed developments in inflation, which had proven higher and more persistent than previously forecast, measuring 4.6% in April. It was pointed out that inflationary pressures appeared to be widespread, as underlying inflation was broadly similar to headline inflation. It emerged in the discussion that this stemmed from a number of factors: supply-side disruptions due to the pandemic, which had raised production and distribution costs worldwide; rising oil and commodity prices; domestic wage and house price increases; and exchange rate pass-through from the depreciation of the króna in 2020. It also emerged, however, that some of these increases could prove to be temporary. The MPC noted as well that strong demand and a smaller slack in output than previously assumed had led to increased inflationary pressures.

Committee members discussed the housing market, in view of increased activity and rising house prices. They noted that interest rate cuts in the past year had supported demand and enabled more people to enter the housing market, particularly young first-time buyers. They also discussed developments in house prices and mortgage lending, and the various macroprudential tools that the Bank's Financial Stability Committee could apply if signs that imbalances were developing in the housing market should appear.

Members discussed the foreign exchange market and the fact that the króna had been relatively stable in the recent term. In early May, supply and demand in the foreign exchange market appeared better balanced than before; therefore, it had been decided to discontinue the regular currency sales programme, which the Bank had launched in September 2020. It emerged in the discussion that this measure had been successful.

All MPC members agreed that it was necessary to raise the Bank's interest rates now, in order to ensure that inflation expectations are anchored to the target. The Committee discussed whether interest rates should be raised by 0.25 or 0.5 percentage points. The main arguments in favour of a 0.25-point rate hike were that although domestic demand was stronger than previously expected and the economic outlook had improved, unemployment remained high

and the recovery was fragile. Because of this, it was important to proceed with caution. It emerged that, given the uncertainty currently prevailing, the economic turnaround could prove weak. It was also pointed out that part of the spike in inflation could be attributed to temporary factors that would subside in H2/2021 and that long-term inflation expectations were still close to target by several measures. It was important to contain inflationary pressures by raising rates, but to take smaller steps so as to safeguard the economic recovery at the same time. It was also pointed out that a 0.25-point rate hike would send a clear message that the Committee had the tools to bring inflation back to target and would not hesitate to use them.

The main arguments expressed at the meeting in favour of raising rates by 0.5 percentage points were that inflation had increased in the recent term and had been above the upper deviation threshold of the target since the turn of the year. Although uncertainty remained, the economic outlook had improved markedly. In addition, it was clear that domestic demand was stronger than previously estimated, and furthermore, the slack in the economy was smaller and would close sooner than previously expected. It was therefore important to take more decisive action, as unemployment had probably peaked and was beginning to taper off. Furthermore, inflation expectations – short-term expectations in particular – had risen in the recent term, and the long-term breakeven inflation rate was above the target.

In view of the discussion, the Governor proposed that the Bank's interest rates be raised by 0.25 percentage points. The Bank's key rate (the seven-day term deposit rate) would be 1%, the current account rate 0.75%, the seven-day collateralised lending rate 1.75%, and the overnight lending rate 2.75%. All members voted in favour of the Governor's proposal, although Gunnar Jakobsson would have preferred to raise rates by 0.5 percentage points. Members also agreed to maintain an unchanged policy regarding other monetary policy instruments.

It emerged at the meeting that the MPC would apply the tools at its disposal to ensure that inflation eases back to the target within an acceptable time frame.

The following Committee members were in attendance:

Ásgeir Jónsson, Governor and Chair of the Monetary Policy Committee

Rannveig Sigurdardóttir, Deputy Governor for Monetary Policy

Gunnar Jakobsson, Deputy Governor for Financial Stability

Gylfi Zoëga, Professor, external member

Katrín Ólafsdóttir, Associate Professor, external member

The Chief Economist was in attendance for the entire meeting. In addition, a number of Bank staff members attended part of the meeting.

Karen Á. Vignisdóttir wrote the minutes.

The next Statement of the Monetary Policy Committee will be published on Wednesday 25 August 2021.

Viðsýrni ferðþjónustunnar

Hvað tekur við eftir COVID-kreppuna?

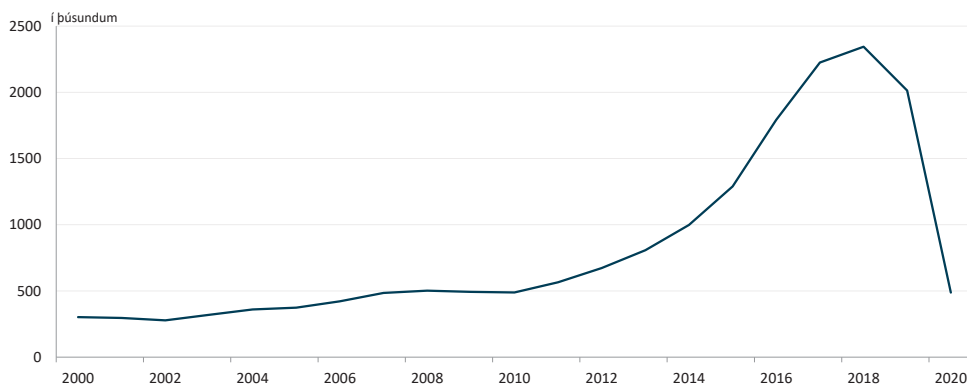


Ásgeir Jónsson
Seðlabankastjóri

Málfundur Ferðaklasans, KPMG og SAF
26.1.2021

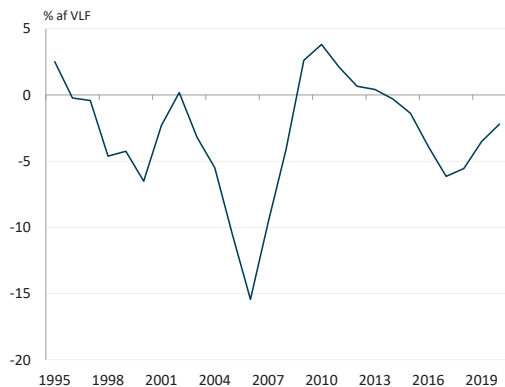
Hvað tekur langan tíma að ná aftur 2 milljóna markinu?

Fjöldi ferðamanna 2000-2020

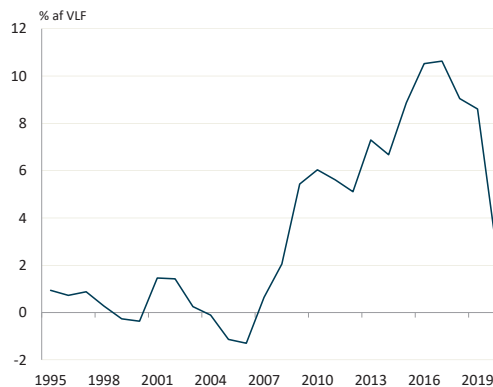


Utanríkisviðskiptin í jafnvægi þrátt fyrir útflutningsáfallið

Vöruskiptajöfnuður 1995-2020



Þjónustujöfnuður 1995-2020

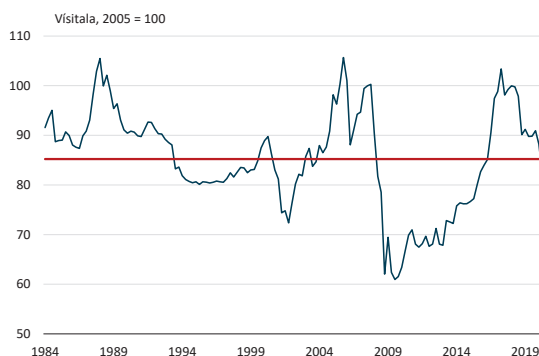


Krónan er nú verðlögð líkt og ferðaþjónustan sé í varanlegri lægð – lágt gengi bætir samkeppnishæfni

Gengi krónu gagnvart evru
1. jan. 2010 - 22. jan. 2021

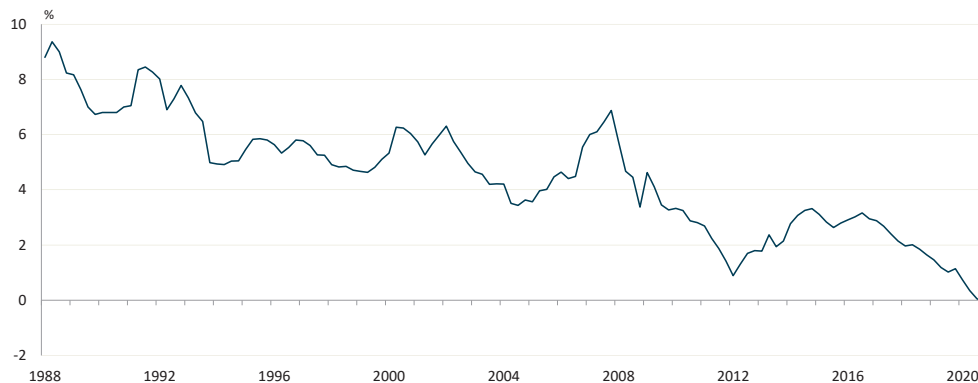


Raugengi
1. ársfj. 1984 - 4. ársfj. 2020



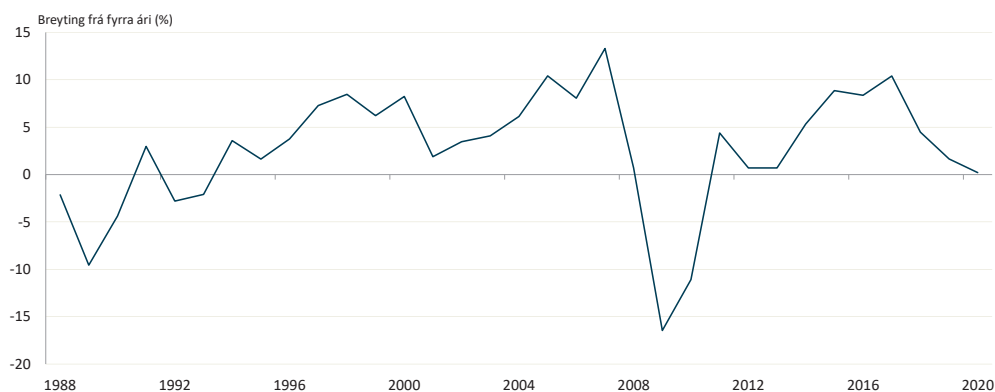
Seðlabankinn hefur brugðist við með lækkun vaxta – sem ætti einnig að gefa nýja viðspyrnu

Langtímaraunvextir 1988-2020



Tekist hefur að halda verðlagi stöðugu og kaupmáttur launa varðveist – þrátt fyrir mikið áfall

Kaupmáttur ráðstöfunartekna 1988-2020



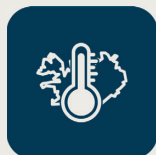
Viðspyrna ferðapjónustunnar



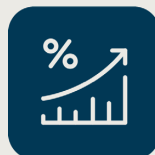
Lágir vextir og lágt gengi skapa samkeppnishæfni



Fjárfesting í innviðum skapar vaxtartækifæri



Lítill verðbólga skapar þjóðhagslegan stöðugleika



Hagræðing innan greinarinnar skapar hagkvæmni

Þjóðhagslegur ábati ferðamennsku



1. Bætt framleiðni vinnuafis:

- Sköpun nýrra starfa í ferðapjónustu gefur fólki tækifæri á hærri tekjum en ella hefði orðið, að gefinni menntun, búsetu og starfsþjálfun. Getur dregið úr staðbundnu atvinnuleysi eða vannýtingu vinnuafis.



2. Bætt framleiðni einkafjármagns:

- Sérhæfing eða nýbreytni af einhverjum toga krefst einhvers lágmarksfjölda af viðskiptavinum til þess að fastur kostnaður dreifist á nægilega margar einingar. Heimsóknir ferðafólks auka eftirspurn eftir vöru og þjónustu á hinum smáa íslenska markaði – og lækka meðalkostnað í framleiðslu. Þá skapast aukið svigrúm fyrir ný verslunar- og þjónustufyrirtæki – sem jafnvel tengjast ekki ferðapjónustu nema óbeint.



3. Bætt framleiðni opinbers fjármagns og innviða:

- Ferðamenn taka þátt í kostnaði vegna innviða og samgöngumannvirkja, með því að greiða bæði bein og óbein gjöld til íslenska ríkisins. Hagræðið kemur einkum fram ef notkun landsmanna sjálfra er fremur lítil og aukinn fjöldi notenda tekur ekki af öðrum. Bensíngjald, virðisaukaskattur, áfengisgjald fela í sér kostnaðarþáttöku ferðafólks.



4. Sterkari grundvöllur fyrir sérhæfingu og fjölbreytni

- Ferðapjónustan skapar ekki aðeins aukna fjölbreytni í störfum, heldur fylgar einnig þeim þjónustumöguleikum sem heimamenn hafa sjálfir úr að spila – svo sem hvað varðar framboð flugsæta frá landinu.

Ferðapjónustan er einn af vaxtarbroddum atvinnulífs á landsbyggðinni

- **Ferðapjónustan á landsbyggðinni byggir á notkun staðbundinna aðfanga sem ekki er hægt að flytja úr stað, s.s. náttúrufergurð.**
 - Búseta á landsbyggðinni var upphaflega grundvölluð á hagræði í nýtingu staðbundinna framleiðsluþátta, s.s. nálægð við fiskimið eða landbúnaðarhéruð.
 - Mikill samdráttur hefur átt sér stað í landbúnaði og vélvæðing, markaðsvæðing og kvótastjórnun hefur breytt nýtingu staðbundinna aðfanga í sjávarútvegi.
 - Fiskimið er hægt að sækja frá mörgum stöðum, lönduðum afla er hægt að aka hvert á land sem er og nálægð við flugvelli og útflutningshafnir getur falið í sér meira hagræði en nálægð við miðin.
- **Ferðapjónustan er einn af vaxtarbroddunum á landsbyggðinni.**
 - Ferðapjónustan er ein af fáum greinum þar sem landsbyggðin hefur enn raunverulega hlutfallslega yfirburði vegna landfræðilegra aðstæðna og hlýtur þess vegna að tengjast byggðastefnu stjórnvalda með afgerandi hætti.
- **Ferðapjónusta styður við uppbyggingu á þjónustu úti á landi.**
 - Á síðustu árum hefur verslun og þjónusta víða á landsbyggðinni látið mikið á sjá, m.a. vegna bættra samgangna við Reykjavík – þörf á nýjum viðskiptavinum. Tækifæri til nýsköpunar, sérhæfingar og fjölbreytni.

Þjóðhagslegur ábati ferðamennsku



Bætt framleiðni vinnuafis



Bætt framleiðni einkafjármagns



Bætt framleiðni opinbers fjármagns og innviða



Sterkari grundvöllur fyrir sérhæfingu og fjölbreytni

- Hinn mikli vöxtur í útflutningstekjum ferðaþjónustunnar á árunum 2014-2018 var forsenda fyrir hinni miklu lífskjarasókn á þessum tíma – útgjöld ferðafólks hér gaf Íslendingum færi á því að kaupa erlendar vörur og þjónustu á hagstæðu verði.
- Veirufaraldurinn var því gríðarlegt áfall fyrir landið – en þrátt fyrir allt hefur heppnast að verja þessi lífskjör með vaxtalækkunum og gjaldeyrisinngripum – og lítilli verðbólgu.
- Lágir vextir og lágt gengi ættu að skapa forsendur fyrir hröðum bata ferðaþjónustunnar – um leið og heimurinn hefur verið bólusettur.
- Bati er eitt – framtíðarvöxtur er annað.
 - Þörf er á innviðafjárfestingu – m.a. í samgöngukerfinu.
 - Þörf er á markmiðum um sjálfbærni og hagkvæma nýtingu – íslensk náttúra er takmörkuð auðlind.
 - Þörf er á hagræðingu innan greinarinnar og áhersla á virði fremur en vöxt.
- Mögulega er ferðaþjónustan á svipuðum stað og sjávarútvegur við hrun þorsstofnsins 1988 – sem varð tilefni til hagræðingar og síðan gríðarlegrar sóknar í greininni í kjölfarið.
- Ferðaþjónusta er án alls efa – framtíðaratvinnugrein

Central Bank to continue regular programme of foreign currency sales

From Monday 1 February 2021 through the end of the month, the Central Bank of Iceland will sell 3 million euros per business day to market makers in the foreign exchange market, for a total of 60 million euros during the month. The transactions will take place soon after the market opens, and no later than 10:00 hrs. The transactions are in accordance with Press Release no. 30/2020, published on 9 September 2020.

The Bank began selling foreign currency to market makers on a regular basis on 14 September 2020. The objectives of the regular sales programme are to deepen the market and improve price formation. The Bank sold a total of 60 million euros (9.4 b.kr.) in this manner during the month of January. Since 14 September 2020, the Bank has sold a total of 291 million euros (46.4 b.kr.) through the regular sales programme.

At the end of each month, the Bank will announce the amount and planned transaction dates for the coming month's currency sales. The amount will be based on market conditions at the time in question. The aim will be to keep the scale of the currency sales consistent with normal market functioning. The Central Bank reserves full right to adjust amounts, frequency, and execution of the sales so as to ensure the efficacy of the measure.

Regular currency sales do not affect the Bank's declared policy of intervening in the foreign exchange market as it deems necessary to mitigate volatility.

Further information can be obtained from Ásgeir Jónsson, Governor of the Central Bank of Iceland, at tel: +354 569-9600.

See press release from 9 September 2020: [Central bank to begin regular programme of foreign currency sales](#).

Press release no. 4/2021
29 January 2021

Viðsýrni ferðapjónustunnar

Hvað tekur við eftir COVID-kreppuna?



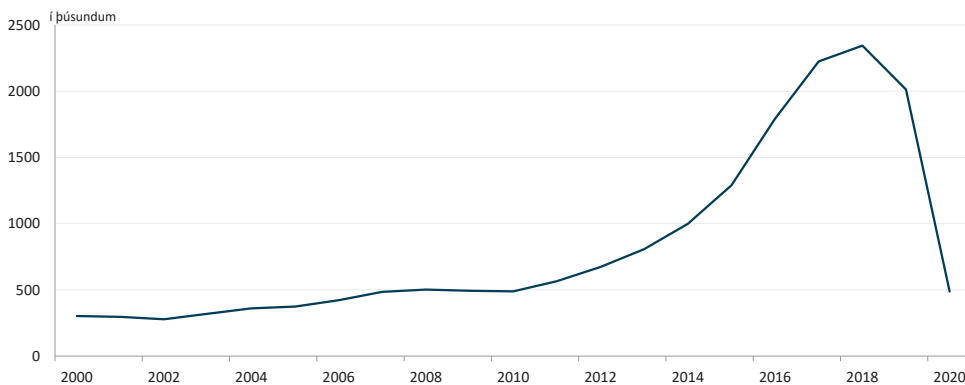
Gunnar Jakobsson
Varaseðlabankastjóri fjármálastöðugleika

Fyrirtæki í hótél- og gistipjónustu
4.2.2021

Hvað tekur langan tíma að ná aftur 2 milljóna markinu?

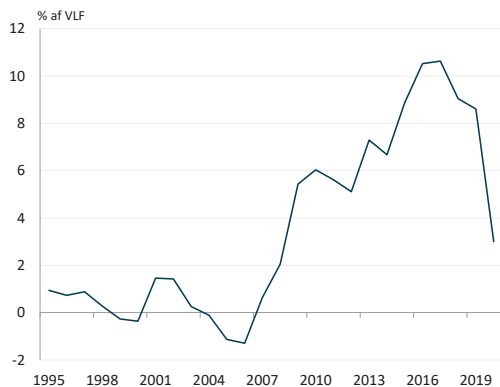


Fjöldi ferðamanna 2000-2020

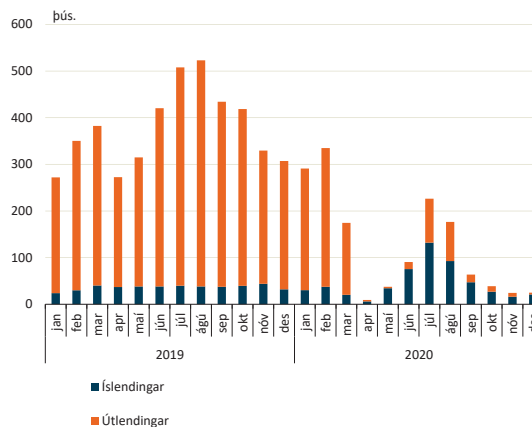


Mikill samdráttur útflutningstekna af ferðapjónustu en á móti vann að Íslendingar ferðuðust innanlands

Þjónustujöfnuður 1995-2020



Fjöldi gistinguáttanna á hótélum



Þrjár sviðsmyndir fyrir viðspyrnu



1. Endurtekning á sumri 2020. Fáir erlendir ferðamenn en Íslendingar ferðast innanlands



2. Íslendingar ferðast erlendis en erlendir ferðamenn skila sér ekki



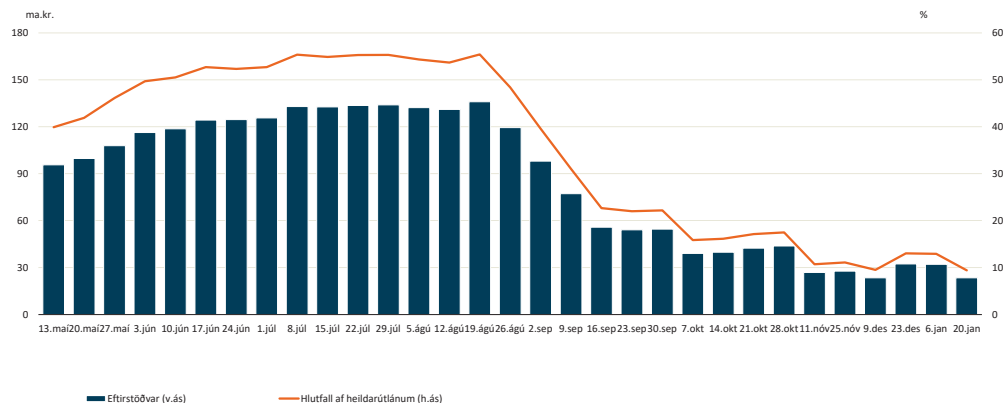
3. Ferðalög Íslendinga og útlendinga aukast í jafnvægi

↑
Versta sviðsmynd

↑
Besta sviðsmynd

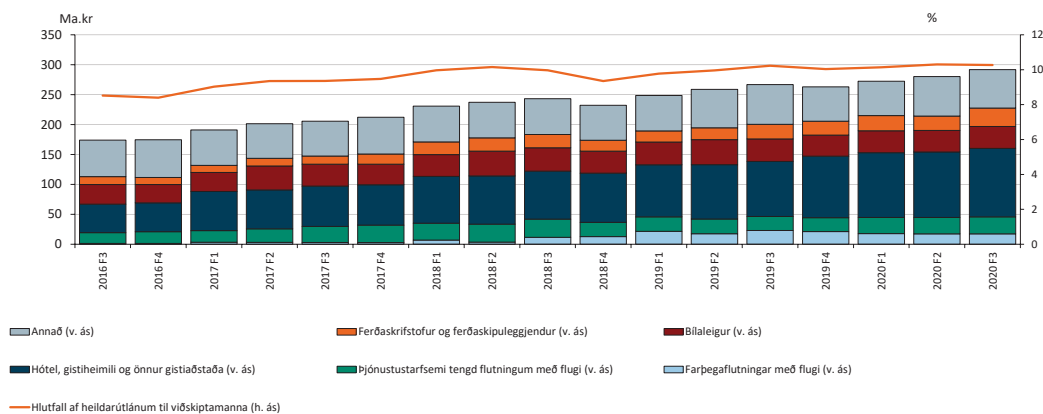
Greiðslufrestunarúrræði hafa hjálpað fyrirtækjum í lausafjárvanda og fækkað gjaldþrotum...

Lán KMB til ferðaþjónustu í greiðsluhléi



... en líkur á að mörg þeirra muni glíma við skuldavanda á næstu misserum

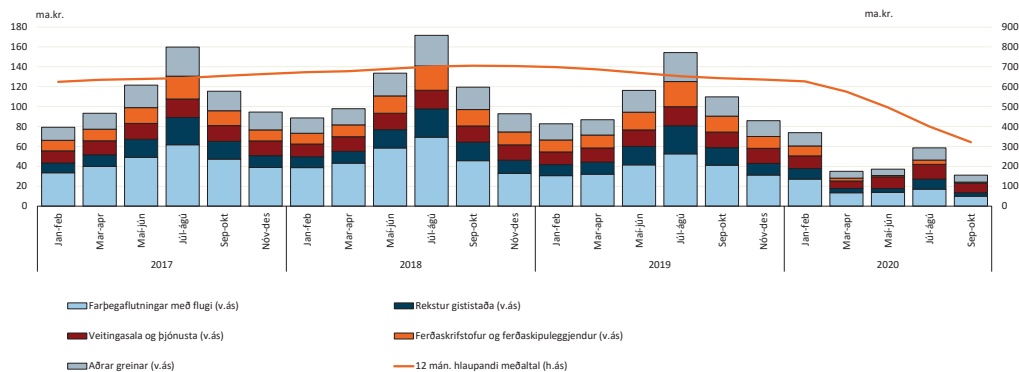
Kröfuvirði útlána KMB til ferðaþjónustu



Heimild: Seðlabanki Íslands.

Velta í ferðapjónustu minnkað frá árinu 2019

Virðisaukaskattskyld velta í einkennandi atvinnugreinum ferðapjónustu¹



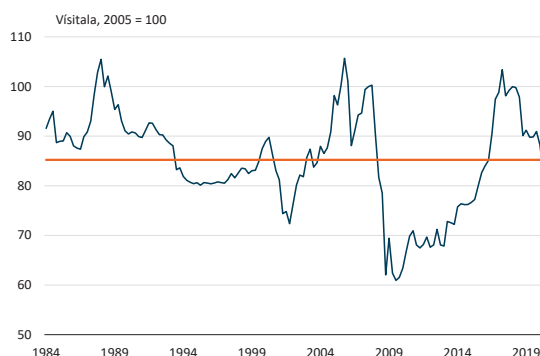
¹ Byggt á staðgreiðslugögnum. Launþegar eru flokkaðir eftir aðalvinnugrein launagreiðenda, skv. ISAT2008.
Heimild: Hagstofa Íslands

Lágt gengi bætir samkeppnishæfni ferðapjónustu

Gengi krónu gagnvart evru
1. jan. 2010 - 29. jan. 2021

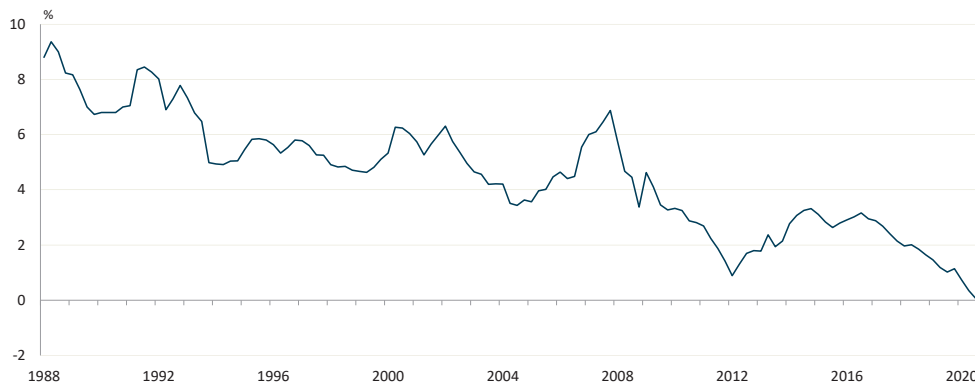


Raugengi
1. ársfj. 1984 - 4. ársfj. 2020



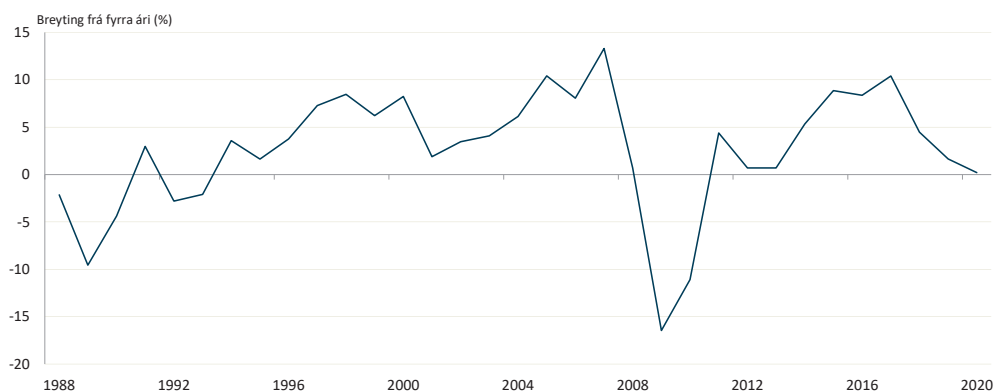
Seðlabankinn hefur brugðist við með lækkun vaxta – sem ætti einnig að gefa nýja viðspyrnu

Langtímaraunvextir 1988-2020



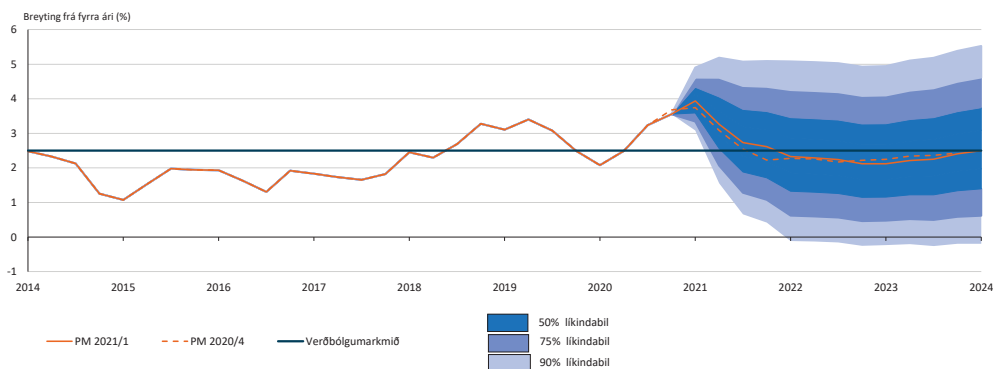
Tekist hefur að halda verðlagi stöðugu og kaupmáttur launa varðveist – þrátt fyrir mikið áfall

Kaupmáttur ráðstöfunartekna 1988-2020



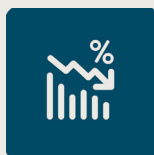
Verðbólguþáttur í kjölfar lækkunar gengis en spáð að hún hjaðni niður í markmið á næsta ári

Mynd 38
Verðbólguþáttur og óvissumat
1. ársfj. 2014 - 1. ársfj. 2024

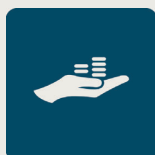


Heimildir: Hagstofa Íslands, Seðlabanki Íslands.

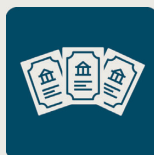
Aðgerðir Seðlabankans



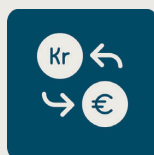
Stýrivextir lækkaðir um tvær prósentur frá upphafi COVID



Lausafjareftirgjöf við fjármálastofnanir, bindiskylda afnumin og sérstök tímabundin veðlán



Kaup á ríkisskuldabréfum



Gjaldeyris-inngrip og regluleg sala gjaldeyris



Sveiflujöfnunarauki afnuminn og ákvörðun um eiginfjárförf tekur mið af aðstæðum



Fjármögnun vegna stuðningslána

Peningamál í hnotskurn



Farsótt í mikilli sókn erlendis og víða hert á sóttvörnum



Horfur á hægari vexti útflutnings og meiri rýrnun viðskiptakjara



Minni samdráttur í fyrra og lítillega meiri hagvöxtur í ár



Atvinnuleysi komið yfir 10% en vísbendingar um viðsnúning á vinnumarkaði



Verðbólga komin yfir 4% en horfur á að hún hjaðni hratt er líður á árið



Mikil óvissa – ekki síst tengd farsótt og framgangi bóluþættingar

Katrín Jakobsdóttir, Prime Minister
Prime Minister's Office
Reykjavík

According to the Statistics Iceland measurement published on 26 January 2021, twelve-month inflation in terms of the consumer price index (CPI) measured 4.3% in January; i.e., 0.3 percentage points above the upper deviation threshold of the 2½% inflation target specified by the Government and the Central Bank in the joint declaration of 27 March 2001. The declaration states that if inflation deviates from the target by more than 1½% in either direction, the Bank is obliged to send a report to the Government, explaining the reasons for the deviation, how the Bank intends to respond, and how long the Bank anticipates that it will take to bring inflation back to the target. The Bank's report shall be made public. Attached is the Central Bank of Iceland's report to the Government.

Since February 2009, decisions on the application of the Bank's monetary policy instruments have been taken by a five-member Monetary Policy Committee comprising the Governor, the Deputy Governor for Monetary Policy, the Deputy Governor for Financial Stability, and two external members. Responses to a breach of the deviation threshold are therefore under the auspices of the Committee. In accordance with the joint declaration from 2001, the attached report is the responsibility of the Central Bank; however, however, the Bank consulted with members of the MPC in preparing it. This letter and the accompanying report will be published on the Central Bank website today, 5 February 2021.

Also attached is the Central Bank's *Monetary Bulletin 2021/1*, released on 3 February 2021, which contains the Bank's new inflation forecast.

Respectfully yours,

Central Bank of Iceland

Ásgeir Jónsson
Governor



5 February 2021

Report to the Government on inflation above the deviation threshold

According to measurements published by Statistics Iceland on 26 January 2020, twelve-month inflation in terms of the consumer price index (CPI) was 4.3%. The Central Bank of Iceland's inflation target is 2½%, according to the declaration issued by the Government and the Central Bank on 27 March 2001, which also specifies a deviation band of 1½% from the target in either direction. Thus, inflation exceeded the 4% upper deviation threshold for the Central Bank's inflation target.

According to the March 2001 declaration, the Central Bank is to send a report to the Government if inflation rises above or falls below the deviation thresholds. The report is to explain the reasons for the deviation, how the Bank intends to respond, and how long the Bank anticipates that it will take to bring inflation back to the target. The report of the Bank shall be made public. The Bank last sent a report on inflation above the upper deviation threshold on 3 January 2014, and on 9 September 2016 it submitted a report when inflation fell below the lower threshold.¹

The January 2021 inflation measurement was slightly above the Bank's forecasts but nevertheless did not come entirely as a surprise. A key factor in this is highly unfavourable base effects, as the CPI fell much more between months in January 2020 than it did in January 2021. This year's winter sales were smaller in scope than those a year ago, perhaps due to some extent to stronger-than-expected domestic demand during the run-up to the Christmas holidays. In addition to the weaker seasonal sale effects, the price of housing, food, and petrol rose, pushing inflation upwards.

The inflation seen over the past twelve months is due in large part to the depreciation of the króna in 2020, and the CPI components that are most sensitive to exchange rate movements have risen the most. For instance, prices of imported goods excluding alcoholic beverages and tobacco

¹ In October 2016, the Bank sent the Minister a letter explaining that, because of an error in Statistics Iceland's measurements, inflation had actually not fallen below the 1% deviation threshold and there had been no need to send the report.

had risen by 7.1% year-on-year in January. In Q4/2020, the króna depreciated by 12.5% year-on-year in trade-weighted terms, but the largest depreciation occurred in Q1. In recent months, the króna has appreciated again, and there are signs that the exchange rate pass-through from the depreciation of the króna to imported goods prices has weakened. The inflationary effect of a lower exchange rate should therefore continue to diminish.

House prices have also risen in the recent term, or by 8.9% over the past twelve months. It is clear that economic policy actions by the Government and interest rate reductions by the Central Bank have stimulated demand in the real estate market. The housing component of the CPI has only risen by 3.6%, however, as rent has risen much less than house prices have, and lower real interest expense has pulled in the opposite direction. Domestic goods prices have risen as well, to some extent reflecting the resilience of domestic demand, which in turn is supported in part by sizeable wage increases, although rising prices of imported inputs also affect the price of domestic goods. Private services prices have not risen substantially in the past year, however, as various services – in the tourism sector, for instance – have suffered as a result of the pandemic and public health measures.

The outlook is for inflation to fall relatively quickly in coming months as the exchange rate pass-through effect from last year's depreciation subsides, especially if the króna remains stable or appreciates. High unemployment and a slack in output should also tend to reduce inflation. According to the Central Bank's most recent forecast, published on 3 February 2021, inflation will peak in Q1/2021 and then taper off relatively quickly over the course of the year, approaching the target by the year-end. According to this, inflation will only be above the 4% deviation threshold for a short time. Inflation expectations have remained relatively stable in the recent term, and long-term inflation expectations are at target by most measures, which is important.

As the Central Bank has stressed repeatedly, the economic outlook – including the inflation outlook – is unusually uncertain at present, owing largely to uncertainty about the COVID-19 pandemic and its impact on global economic activity.

Responses to a breach of the deviation threshold are under the auspices of the Monetary Policy Committee (MPC). The MPC statement of 3 February 2021 specifies that the Committee has decided to keep the

Bank's interest rates unchanged and will apply the tools at its disposal to ensure that inflation eases back to the target within an acceptable time frame.

Það er ljós við enda ganganna En hversu hratt komumst við á leiðarenda?



Kynning fyrir Efnahags- og skattanefnd ASÍ
8. febrúar 2021

Rannveig Sigurðardóttir
Varaseðlabankastjóri peningastefnu



Peningamál í hnotskurn



Farsótt í mikilli sókn erlendis og víða hert á sóttvörnum



Horfur á hægari vexti útflutnings og meiri rýrnun viðskiptakjara



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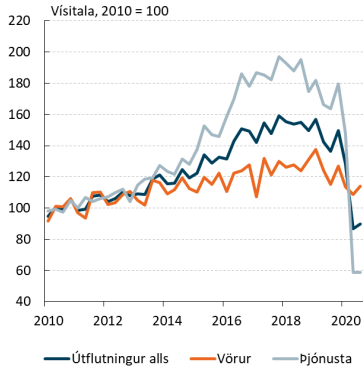


Mikil óvissa – ekki síst tengt farsótt og framgangi bóluþsetningar

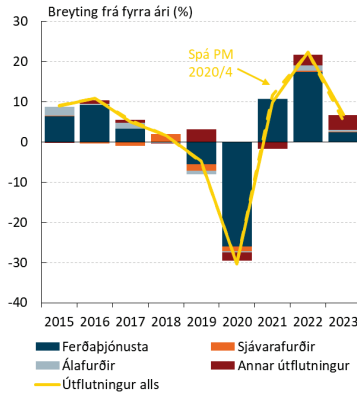
Útflutningsamdráttur og minni viðskiptaafgangur

- Útflutningur vöru og þjónustu jókst lítillega milli fjórðunga á F3 en var 39% minni en á F3/2019 (þjónusta 64% minni)
- Innflutningur vöru og þjónustu jókst um 10% á F3 en var enn 26% minni á F3 en á sama tíma 2019
- Vöru- og þjónustuútflutningur dregst saman 2020 (30%) en vöxtur í ár (10%)
- Spá um viðskiptajöfnuð versnað: endurskoðun á sögulegum tölum og lakari horfur um útflutning og viðskiptakjör í ár

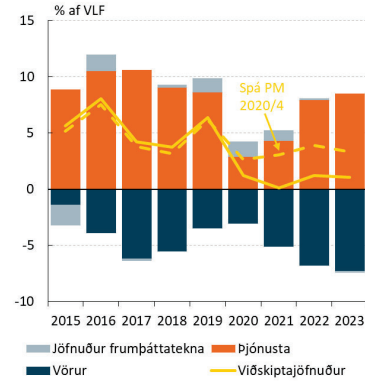
Útflutningur vöru og þjónustu¹
1. ársfj. 2010 - 3. ársfj. 2020



Útflutningur og framlag undirliða 2015-2023²



Viðskiptajöfnuður 2015-2023³



1. Árstíðarleiðréttar magnvísitalur. 2. Vegna keðjutengingar getur verið að summa undirliðanna sé ekki jöfn heildarútflutningi. Ferðabjónusta er samtala á „ferðalögum“ og „farþegaflutningum með flugi“. Áútflutningur skv. skilgreiningu þjóðhagsreikninga. Grunnspá Seðlabankans 2020-2023. Brotalína sýnir spá frá PM 2020/4. 3. Jöfnuður rekstrarframlaga talin með frumþáttajöfnuði. Grunnspá Seðlabankans 2020-2023. Brotalína sýnir spá frá PM 2020/4. Heimildir: Hagstofa Íslands, Seðlabanki Íslands.

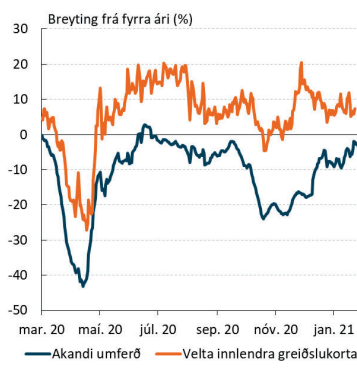
Innlend umsvif sveiflast með smitum og sóttvörnum

- Eftir kröftugan bata í sumar gáfu innlend umsvif (sérstaklega þjónusta sem krefst nálægðar við annað fólk) eftir í haust þegar smitum fjölgaði mikið og hert var á sóttvörnum ...
- ... en þau sóttu í sig veðrið á ný eftir að smitum fækkaði í nóvember og heldur var slakað á sóttvörnum

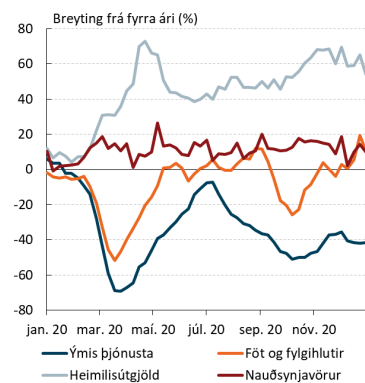
Smit og sóttvarnir¹
1. mars 2020 - 29. janúar 2021



Umferð og kortavelta²
1. mars - 29. janúar 2021



Útgjöld heimila eftir útgjaldaflokkum³
26. janúar 2020 - 24. janúar 2021

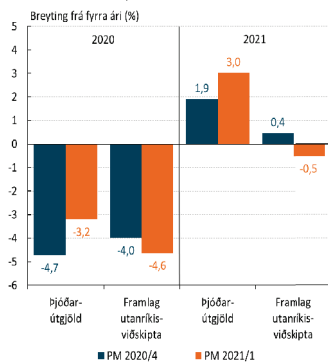


1. Fjöldi staðfesta smita er sjö daga hreyfanlegt meðaltal. Umfang sóttvarna vegur saman ýmsa mælikvarða á hversu hart stjórnvöld ganga fram við að draga úr útbreiðslu COVID-19. 2. Akandi umferð er dagleg umferð um Hafnarfjarðarveg sunnan Kópavogslækjar. Reykjanesbraut við Dalveg í Kópavogi og Vesturlandsveg ofan Ártúnsbrekku. Greiðslukortatölur eru samtala debet- og kreditkort útgefninga af innlendum aðilum. Fjórtán daga hreyfanlegt meðaltal. 3. Ýmis þjónusta á við veitingastaði, leikhús, líkamsræktarstöðvar o.fl. Heimilisútgjöld eiga við kaup á rafþækjum, húsgögnum og í byggingavöruslunum. 4 vikna hreyfanlegt meðaltal. Heimildir: Covid.is, Hagstofa Íslands, Meniga Markaðsvakt, Oxford COVID-19 Government Response Tracker, Vegagerðin, Seðlabanki Íslands.

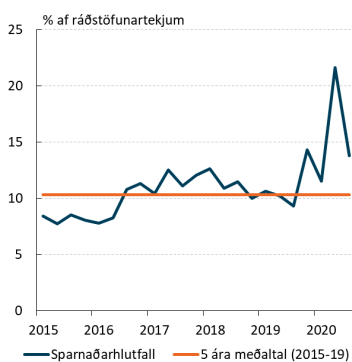
Innlend eftirspurn og utanríkisviðskipti vegast á

- Þjóðarútgjöld virðast hafa dregist minna saman í fyrra en spáð var í PM 20/4 – sérstaklega einkaneysla en einnig fjárfesting ...
- ... heimilin gengið töluvert á sparnað sem byggðist upp sl. vor
- Á móti vega lakari utanríkisviðskipti (ekki bara veikari útflutningur heldur einnig meiri vöruinnflutningur) ... það sama á við í ár
- Spáð 7,7% samdrætti í fyrra (8,5% í nóv), 2,5% hagvexti í ár (2,3%) og 5,1% á næsta ári (5,7%) og um 4% hagvexti 2023

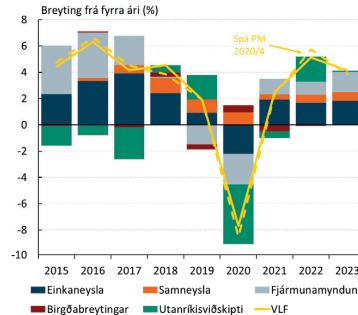
Breyttar horfur um innlenda eftirspurn og utanríkisviðskipti 2020-2021



Sparnaður heimila²
1. ársfj. 2015 - 3. ársfj. 2020



Hagvöxtur og framlag undirliða 2015-2023¹

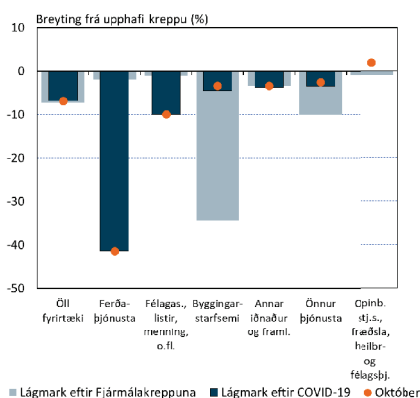


1. Grunnspá Seðlabankans 2020-2023. Brotalína sýnir spá frá PM 2020/4. 2. Nokkur óvissa er um tölur Hagstofunnar um eiginlegt tekjustig heimila þar sem að ráðstöfunartekjuuppgjörið byggist ekki á samstæðuuppgjöri tekju- og efnahagsreiknings. Við útreikning á hlutfalli sparnaðar er miðað við áætlun Seðlabankans um ráðstöfunartekjur þar sem tölur Hagstofunnar eru hækkðar með hliðsjón af áætluðum útgjöldum heimilanna yfir langt tímabil. Árstíðarleiðrétt gögn. Heimildir: Hagstofa Íslands, Seðlabanki Íslands.

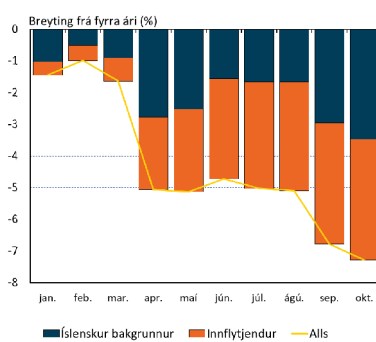
Fækkun starfa mismikil eftir atvinnugrein og ríkisfangi

- Starfandi fólki hefur fækkað um 6,8% frá upphafi kreppu til október
- Þróunin er mismunandi eftir geirum og önnur en var eftir fjármálakreppuna
- Fækkun starfa innflytjenda hlutfallslega meiri en þeirra með íslenskan bakgrunn

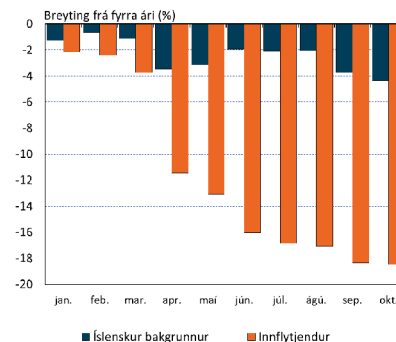
Fækkun starfa í október og fyrstu átta mánuði í kjölfar efnahagsáfalla^{1,2}



Launafólk eftir bakgrunni²
Janúar - október 2020¹



Launafólk eftir bakgrunni²
Janúar - október 2020¹

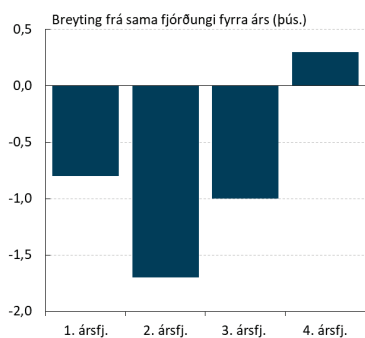


1. Önnur þjónusta eru bákar G-N án þeirra sem teljast til einkennandi greina ferðaþjónustu. Annar iðnaður og framleiðsla eru bákar A-E. Árstíðarleiðréttar tölur. 2. Byggt á staðgreiðsluskrá ríkisskattstjóra. Heimildir: Hagstofa Íslands, Seðlabanki Íslands.

Vísbendingar um viðsnúning ...

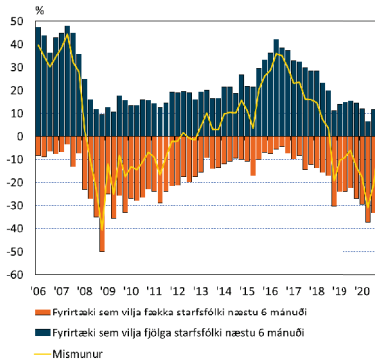
- Lausum störfum fjölgar í F4 eftir mikla fækkun fram eftir ári í fyrra
- Fjöldi fyrirtækja sem íhuga að fjölga starfsfólki næstu 6 mánuði eykst hratt
- Batinn þvert á atvinnugreinar

Laus störf 2020



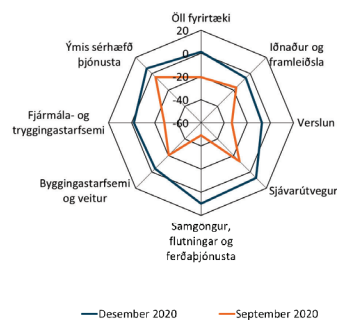
Ráðningaráform fyrirtækja^{1,2}

1. ársfj. 2006 - 4. ársfj. 2020



Fyrirtæki sem vilja fjölga starfsfólki umfram þau sem vilja fækka því á næstu 6 mánuðum¹

Hlutfall fyrirtækja (%)

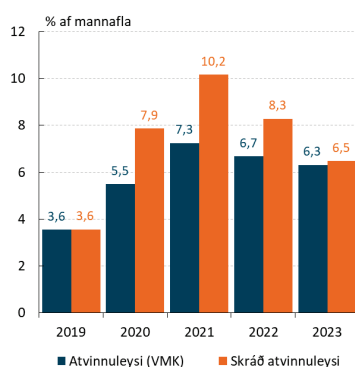


1. Fyrirtæki sem vilja fækka starfsfólki sýnd með neikvæðu formerki. 2. Ráðningaráform fyrirtækja næstu 6 mánuði skv. könnun Gallup frá desember 2020. Fyrirtæki sem vilja fækka starfsfólki höfð með neikvæðu formerki. Árstíðarleiðréttar tölur. Heimildir: Gallup, Seðlabanki Íslands.

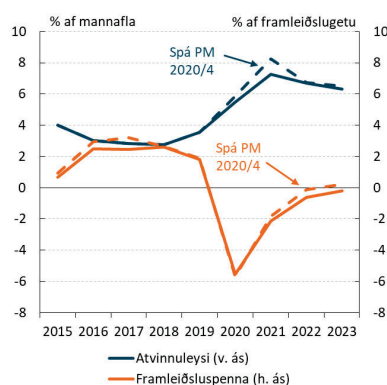
... en atvinnuleysi gæti enn átt eftir að aukast

- Atvinnuleysi hátt og spáð að það aukist frekar
- Skráð atvinnuleysi 10,2% í ár en atvinnuleysi skv. VMK verður töluvert lægra (7,3%)
- Slakinn minnkar úr 5,6% í fyrra í 2,1% í ár

Atvinnuleysi 2019-2023²



Atvinnuleysi og framleiðsluspenna 2015-2023³

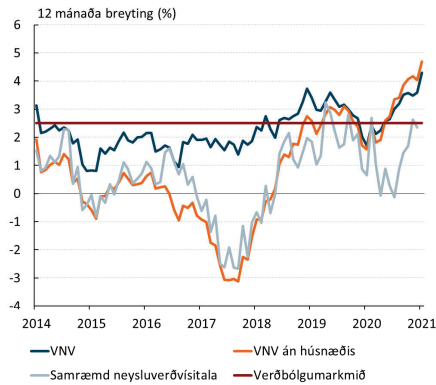


2. Skráð atvinnuleysi án hlutabóta. Grunnspá Seðlabankans. 3. Grunnspá Seðlabankans 2020-2023. Brotalínur sýna spá frá PM 2020/4. Heimildir: Gallup, Hagstofa Íslands, Seðlabanki Íslands.

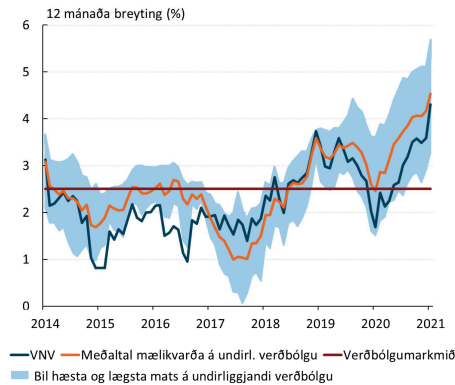
Verðbólga yfir efri mörkum í fyrsta sinn frá 2013

- Verðbólga við markmið á F2 2020 en aukist síðan og mældist 4,3% í janúar
- Mesta verðbólga síðan í ágúst 2013 og efri frávíkismörk verðbólgu markmiðsins rofin í fyrsta sinn síðan í desember 2013
- Undirliggjandi verðbólga aukist og var 4,5% í janúar (mismunandi mælikvarðar á bilinu 3,3-5,7%)

Verðbólga á ýmsa mælikvarða
Janúar 2014 - janúar 2021



Mæld og undirliggjandi verðbólga¹
Janúar 2014 - janúar 2021



1. Undirliggjandi verðbólga er mæld með kjarnavísitölu (áhrif óbeinna skatta, sveiflukenndra matvöruhlúa, bensins, opinberra þjónustu og raunvaxtakostnaðar húsnæðislána eru undanskilin) og tölfræðilegum mælikvörðum (vegíð miðgildi, klippt meðaltal, kvítt þáttalíkan og sameiginlegur þáttur VNV).
Heimildir: Hagstofa Íslands, Seðlabanki Íslands.

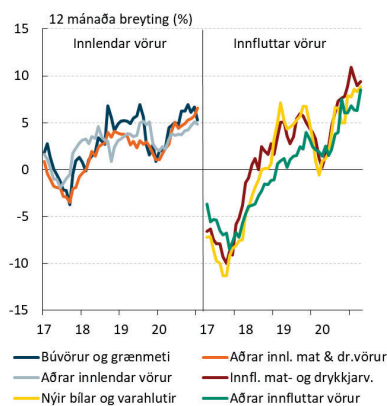
Bæði innlend og innflutt verðbólga hafa aukist ...

- Aukna verðbólgu á H2 2020 má að nokkru leyti rekja til lækkunar á gengi ISK eftir að farsóttin barst til landsins ...
- ... sem hefur hækkað verð innfluttra vara ...
- ... en innlendar vörur og húsnæði hafa einnig hækkað nokkuð í verði ... sem og laun

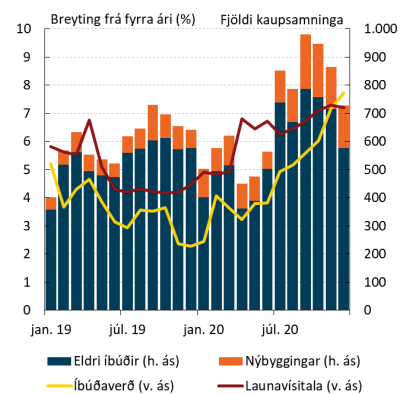
Gengi krónunnar¹
2. jan. 2015 - 29. janúar 2021



Verð innlendar og innfluttrar vöru
Janúar 2017 - janúar 2021



Íbúðaverð, laun og fjöldi kaupsamninga²
Janúar 2019 - desember 2020

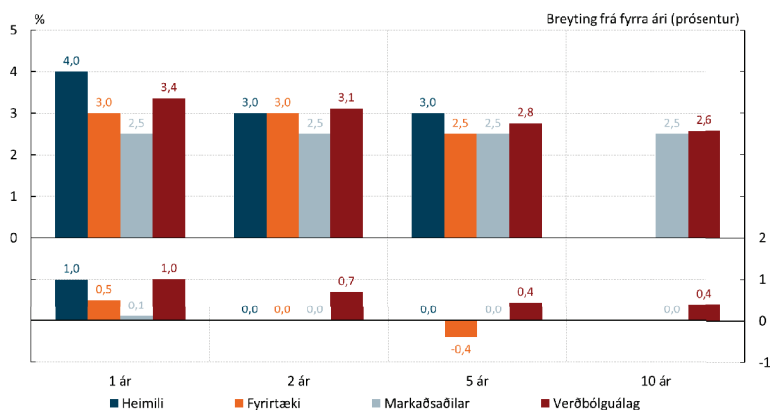


1. Verð erlendra gjaldmiða í krónum (þröng viðskiptavog). 2. Íbúðaverð og fjöldi kaupsamninga (m.v. kaupdag) á höfuðborgarsvæðinu.
Heimildir: Hagstofa Íslands, Þjóðskrár Íslands, Seðlabanki Íslands.

... en verðbólguvæntingar eru enn við markmið ...

- Verðbólguvæntingar til skamms tíma hafa heldur hækkað undanfarið sem endurspeglar nýlega aukningu verðbólgu
- Verðbólguvæntingar til meðallangs og langs tíma hafa hins vegar lítið breyst og eru nálægt markmiði á flesta mælikvarða
- Þrátt fyrir aukna áraun sem rekja má til lækkunar ISK undanfarið virðist kjölfesta verðbólgu markmiðs því enn halda

Verðbólguvæntingar¹



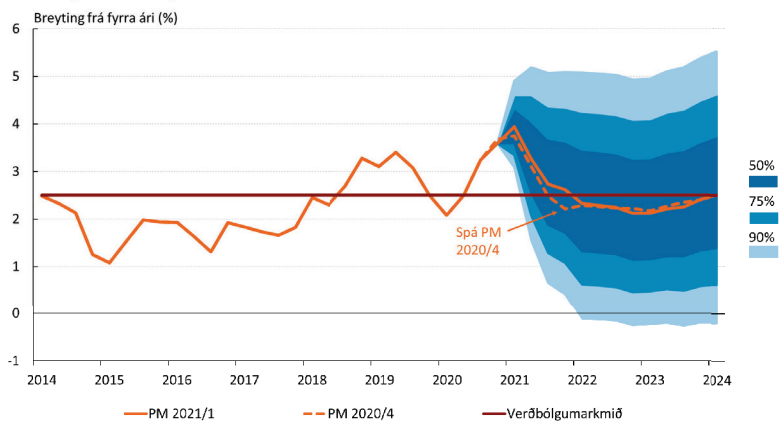
1. Nýjustu kannanir Gallup á verðbólguvæntingum heimila og fyrirtækja frá desember 2020. Nýjasta könnun Seðlabankans á verðbólguvæntingum markaðsaðila er frá miðjum janúar 2021. Ekki er spurt um verðbólguvæntingar heimila og fyrirtækja til 10 ára. Nýjasta gildi verðbólguálags á skuldbréfamarkaði er meðaltal það sem af er 1. ársfj. 2021. Neðri helmingur myndar sýnir breytingu frá samsvarandi mælingum fyrir ári. Heimildir: Gallup, Seðlabanki Íslands.

... og horfur á að verðbólga hjaðni tiltölulega hratt

- Spáð 3,9% verðólgu á F1 en að mikill slaki í þjóðarbuínu togi hana niður í markmið á F4/2021 þegar áhrif lækkunar ISK hafa fjarað út
- Heldur meiri verðbólga í ár en í (verri upphafsstaða, minni slaki á fyrri hluta þessa árs og hærra olíu- og hrávöruverð)
- Horfur frá næsta ári breytast lítið

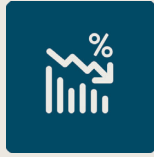
Verðbólguþspá og óvissumat

1. ársfj. 2014 - 1. ársfj. 2024

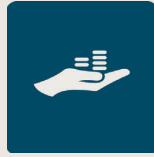


Heimildir: Hagstofa Íslands, Seðlabanki Íslands.

Aðgerðir Seðlabankans



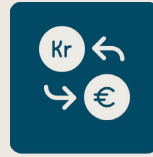
Stýrivextir lækkaðir um tvær prósentur frá upphafi COVID



Aðgangur lánastofnana að lausafé aukin



Kaup á ríkisskuldabréfum



Gjaldeyris-ingrip

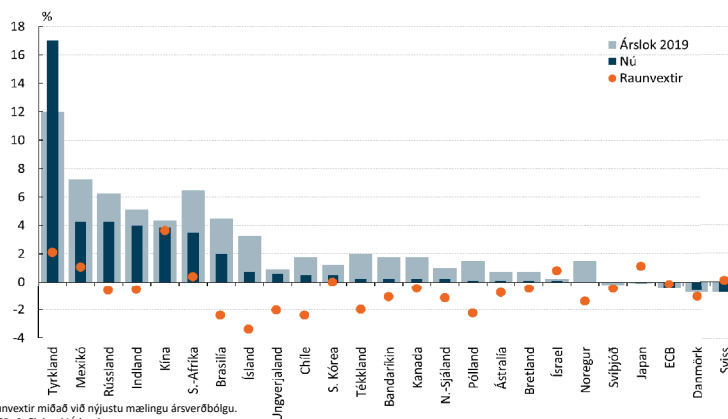


Fjármögnun vegna stuðningslána með 100% ríkisábyrgð

Seðlabankavextir víða í sögulegu lágmarki

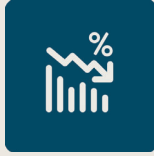
- Vextir Sí eru nú 0,75% og hafa lækkað um 2 pr. frá því að faraldurinn skall á landinu
- Raunvextir -2,5% m.v. meðaltal mismunandi mælikvarða á verðbólgu og verðbólguvæntingar en -3,4% miðað við ársverðbólgu
- Aðrir seðlabankar hafa einnig lækkað vexti mikið – sérstaklega í þeim löndum þar sem svigrúm til lækkana var til staðar
- Vextir aldrei verið eins lágir hér á landi – nafnvextir lítillega hærrí hér en í öðrum iðnríkjum en raunvextir eru þeir lægstu

Seðlabankavextir¹

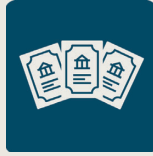


1. Meginvextir ýmissa seðlabanka. Raunvextir miðað við nýjustu mælingu ársverðbólgu. Heimildir: Heimasíður seðlabanka, OECD, Seðlabanki Íslands.

Enn eru til sóknarfæri fyrir peningastefnuna



Enn svigrúm til að lækka meginvexti sem eru 0,75%



Áframhaldandi ríkisskuldabréfakaup í samræmi við þróun framboðs ríkisbréfa og ávöxtunarkröfu



Áframhaldandi gjaldeyrisinngrip til að draga úr óhóflegum sveiflum



Framsýn leiðsögn



Veðlán með útlánahvata

Central Bank to continue regular programme of foreign currency sales

From Monday, 1 March 2021 through the end of the month, the Central Bank of Iceland will sell 3 million euros per business day to market makers in the foreign exchange market, for a total of 69 million euros during the month. The transactions will take place soon after the market opens, and no later than 10:00 hrs. The transactions are in accordance with Press Release no. 30/2020, published on 9 September 2020.

The Bank began selling foreign currency to market makers on a regular basis on 14 September 2020. The objectives of the regular sales programme are to deepen the market and improve price formation. The Bank sold a total of 60 million euros (9.3 b.kr.) in this manner during the month of January. Since 14 September, the Bank has sold a total of 351 million euros (55.7 b.kr.) through the regular sales programme.

At the end of each month, the Bank will announce the amount and planned transaction dates for the coming month's currency sales. The amount will be based on market conditions at the time in question. The aim will be to keep the scale of the currency sales consistent with normal market functioning. The Central Bank reserves full right to adjust amounts, frequency, and execution of the sales so as to ensure the efficacy of the measure.

Regular currency sales do not affect the Bank's declared policy of intervening in the foreign exchange market as it deems necessary to mitigate volatility.

Further information can be obtained from Ásgeir Jónsson, Governor of the Central Bank of Iceland, at tel: +354 569-9600.

See press release from 9 September 2020: [Central bank to begin regular programme of foreign currency sales.](#)

No. 6/2021
26 February 2021

Central Bank to reduce the extent of its regular programme of foreign currency sales

From Wednesday, 7 April 2021 through the end of the month, the Central Bank of Iceland will sell 3 million euros to market makers in the foreign exchange market three business days per week, for a total of 33 million euros during the month. The transactions will take place every Monday, Wednesday and Friday soon after the market opens, and no later than 10:00 hrs. The transactions are in accordance with Press Release no. 30/2020, published on 9 September 2020.

With this decision, the Central Bank reduces the frequency and scope of the regular foreign currency sales programme, which commenced on 14 September 2020. Based on the exchange rate developments of the Icelandic króna in recent weeks and indications of improved equilibrium in the foreign exchange market, the Central Bank considers it appropriate to reduce the extent of the programme. The objectives of the regular sales programme remain the same as before, to deepen the market and improve price formation.

At the end of each month, the Bank will continue to announce the amount and planned transaction dates for the coming month's currency sales. The amount will be based on market conditions at the time in question. The aim will be to keep the scale of the currency sales consistent with normal market functioning. The Central Bank reserves the right to adjust amounts, frequency, and execution of the sales to ensure the efficacy of the measure.

The Central Bank sold a total 69 million euros (10.4 b.kr.) through the regular sales programme during the month of March. Since 14 September, the Bank has sold a total of 420 million euros (66.2 b.kr.) in this manner.

Regular currency sales do not affect the Bank's declared policy of intervening in the foreign exchange market as it deems necessary to mitigate volatility.

Further information can be obtained from Ásgeir Jónsson, Governor of the Central Bank of Iceland, at tel: +354 569-9600.

See press release from 9 September 2020: [Central bank to begin regular programme of foreign currency sales](#).

Press release no. 10/2021
31 March 2021

Announcement concerning Central Bank purchases of Treasury bonds

At the beginning of May 2020, the Central Bank of Iceland began buying Treasury bonds in the secondary market, in accordance with the 23 March 2020 statement by the Monetary Policy Committee. According to that decision, the total amount purchased may range up to 150 b.kr. The Bank will announce the maximum bond purchase amount for each quarter in advance.

For Q2/2021, the Bank's total purchases may range up to 20 b.kr. at market value.* The Bank may buy bonds in all nominal benchmark series denominated in Icelandic krónur.

The Central Bank will purchase the bonds by submitting bids to the Nasdaq Iceland trading system. It is also possible that the Bank will announce purchases by auction.

Any auctions that are held will be announced with one day's advance notice. The announcement will specify the series and the estimated maximum amount to be purchased.

Information on the general terms and conditions for auctions that may be held in connection with the Central Bank's purchase of Treasury bonds in the secondary market can be found [here](#).

The aim is to keep the scale of the purchases consistent with normal market functioning. The Bank will set amounts, frequency, and execution of the purchases so as to ensure the efficacy of the measures.

For Q1, it was announced that the Bank's total purchases could range up to 20 b.kr. market value. The Bank's total purchases in Q1 came to 5.7 b.kr. market value, as follows: RIKB25, 2.1 b.kr., RIKB28 1.8 b.kr., and RIKB31 1.8 b.kr.

A more detailed breakdown of the Bank's bond purchases can be found [here](#).

Further information can be obtained from Sturla Pálsson, Director of the Markets Department of the Central Bank, at tel +354 569-9600.

** The sale price or market value refers to the clean price plus accrued indexation; i.e., with indexation but without accrued interest.*

Press release no. 11/2021
31 March 2021

Central Bank discontinues regular foreign currency sales

Effective Monday 3 May 2021, the Central Bank will discontinue its regular foreign currency sales programme.

The Central Bank began selling foreign currency to market makers on a regular basis on 14 September 2020. At that time, the domestic foreign exchange market had been significantly affected by the COVID-19 pandemic. The króna had depreciated markedly because of a reduction in export revenues and financial transactions, and price formation in the foreign exchange market became inefficient as a result. The Bank's assessment was that, all else being equal, a sustained, increased supply of currency from its international reserves would help to stabilise and deepen the market and improve price formation.

From 14 September 2020 onwards, the Bank sold a total of 453 million euros (71.2 b.kr.) through its regular currency sales programme. Under the programme, the Bank sold 3 million euros per business day to market makers in the foreign exchange market. On 7 April, the Bank reduced the frequency and total amount of the sales by selling currency three days per week instead of five, although the amount sold each time remained the same. Regular sales accounted for 50.8% of the Bank's total foreign exchange market turnover between 14 September 2020 and 30 April 2021, and 22.2% of total market turnover for that same period.

In view of the appreciation of the króna in recent weeks and improved equilibrium in the foreign exchange market, the Central Bank considers it no longer necessary to sell currency on a regular basis. The regular sales programme will therefore be discontinued beginning next week.

As before, the Bank will intervene in the market in order to mitigate volatility when it considers such intervention warranted, in accordance with the Monetary Policy Committee's statement of 17 May 2017.

Further information can be obtained from Ásgeir Jónsson, Governor of the Central Bank of Iceland, at tel: +354 569-9600.

For further information, see the Bank's press releases of [9 September 2020](#) and [31 March 2021](#).

Press release no. 13/2021
30 April 2021

Úr vörn í sókn

Hraði uppsveiflunnar mun ráðast af baráttunni við farsóttina

Erindi um ákvörðun PSN og forsendur hennar
Samiðn 28. maí 2021

Rannveig Sigurðardóttir
Varaseðlabankastjóri peningastefnu



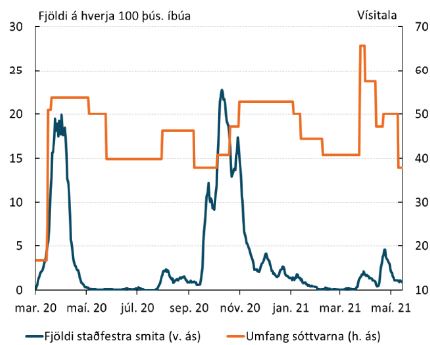
Ytri skilyrði og innlent raunhagkerfi

Umsvif hafa sveiflast með smitum og sóttvörnum

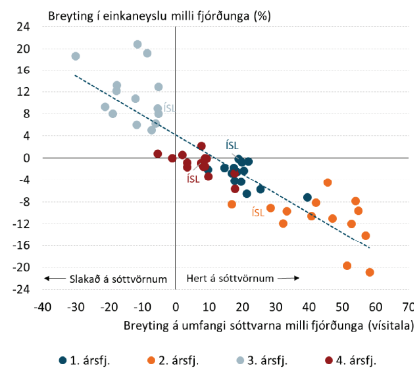
- Eftir mikla aukningu smita í fyrrahaust tók þeim að fækka á ný í nóvember og í byrjun þessa árs var slakað á sóttvörnum á ný ...
- ... en smitum fjölgaði aftur í mars og þá var gripið til hörðustu sóttvarna frá upphafi – en nú hefur verið slakað á þeim aftur
- Þessar sveiflur í smitum og sóttvörnum hafa lítað mjög þróun efnahagsumsvifa – með sama hætti og í öðrum löndum

Smit og sóttvarnir¹

1. mars 2000 - 14. maí 2021



Einkaneysla og umfang sóttvarna 2020²



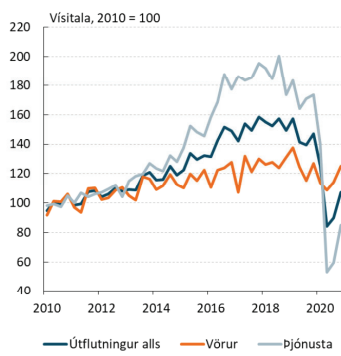
1. Fjöldi staðfesta smita er sjö daga hreyfanlegt meðaltal. Umfang sóttvarna vegur saman ýmsa mælikvarða á hversu hart sóttvöld ganga fram við að draga úr útbreiðslu COVID-19. 2. Löndin eru Bandaríkin, Bretland, Danmörk, Finnland, Frakkland, Ísland, Ítalía, Japan, Noregur, Spánn, Sviss, Svíþjóð og Þýskaland.
Heimildir: Covid.is, Hagstofa Íslands, OECD, Oxford COVID-19 Government Response Tracker.

Útflutningur vex á ný en bati hægur í ferðapjónustu

- Útflutningur jókst á ný á F3/2020 og hélt áfram að aukast á F4 – er þó enn 27% undir því sem hann var F4/2019
- Heldur færri ferðamenn en í febrúarspá – en betri horfur um útflutningsverð sjávarafurða og álverð hefur þegar tekið við sér
- Spáð ríflega 11% útflutningsvexti í ár – bjartari horfur í vöruútflutningi vega á móti hægari bata í ferðapjónustu

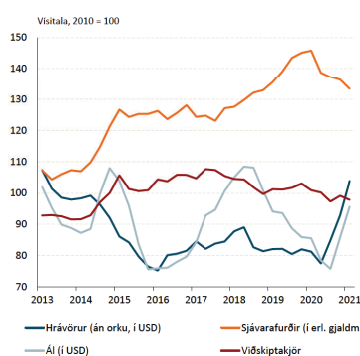
Útflutningur vöru og þjónustu¹

1. ársfj. 2010 - 4. ársfj. 2020

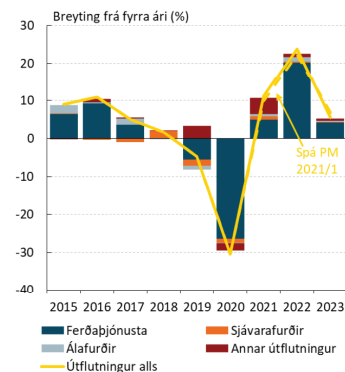


Hrávöruverð og viðskiptakjör²

1. ársfj. 2013 - 1. ársfj. 2021



Útflutningur og framlag undirlíða 2015-2023³

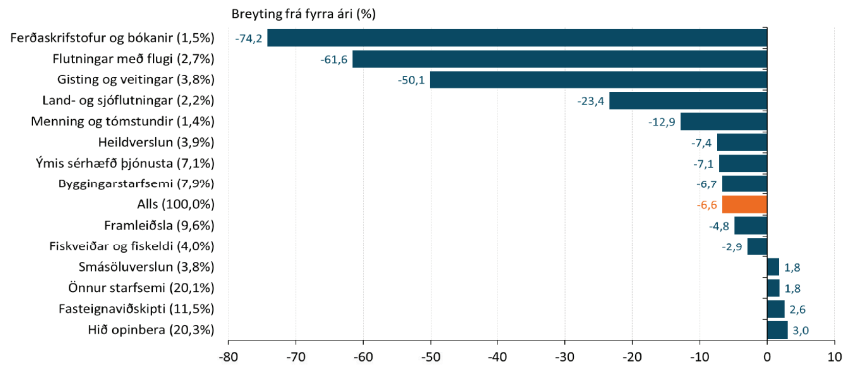


1. Árstíðarleiddar magnvísitalur. 2. Grunnspá Seðlabankans 1. ársfj. 2021 fyrir viðskiptakjör. 3. Vegna keðjutengingar getur verið að summa undirlíðanna sé ekki jöfn heildarútflutningi. Ferðapjónusta er samtala á „ferðalögum“ og „farþegaflutningum með flugi“. Álfútlutningur skv. skilgreiningu þjóðhagsreikninga. Grunnspá Seðlabankans 2021-2023. Brotalína sýnir spá frá PM 2021/1.
Heimildir: Alþjóðabankinn, Hagstofa Íslands, Seðlabanki Íslands.

Yfir 6% samdráttur í fyrra ...

- Þrátt fyrir ágætis bata á seinni hluta síðasta árs nam samdráttur landsframleiðslunnar 6,6% á árinu öllu
- Samdrátturinn náði til næstum helmingis atvinnugreina ... en mest í ýmsum þjónustugreinum – sérstaklega tengt ferðaþjónustu

Samdráttur einstaka atvinnugreina 2020¹

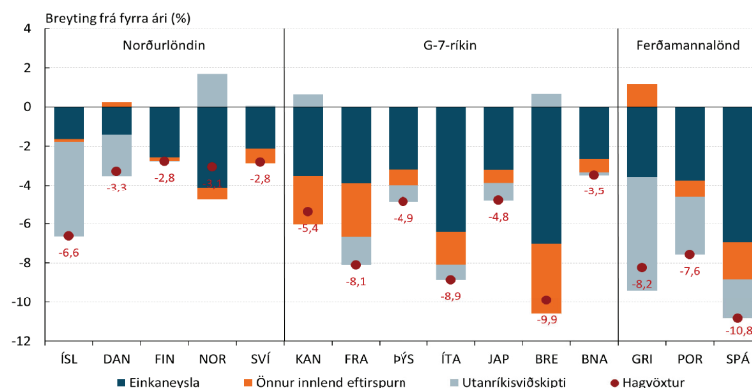


1. Samdráttur vegra þáttatekna (VPT) árið 2020 eftir einstaka atvinnugreinum. VPT mæla tekjur allra aðila sem koma að framleiðslunni og eru jafnar vegri landsframleiðslu (VLF) leiðrétt fyrir óbeinum sköttum og framleiðslustyrkjum. Tölur í svigum sýna hlutdeild atvinnugreina í nafnvirði VPT árið 2019.
Heimild: Hagstofa Íslands.

... en samsetningin önnur en í öðrum iðnríkjum

- Samsetning efnahagssamdráttarinnar 2020 var nokkuð ólík því sem var í öðrum þróuðum ríkjum: um ¼ samdráttarinnar hér á landi má rekja til samdráttar einkaneyslu en ¾ til utanríkisviðskipta ...
- ... í flestum öðrum iðnríkjum vó samdráttur innlendrar eftirspurnar mun þyngra (Grikkland þó með svipaða samsetningu)

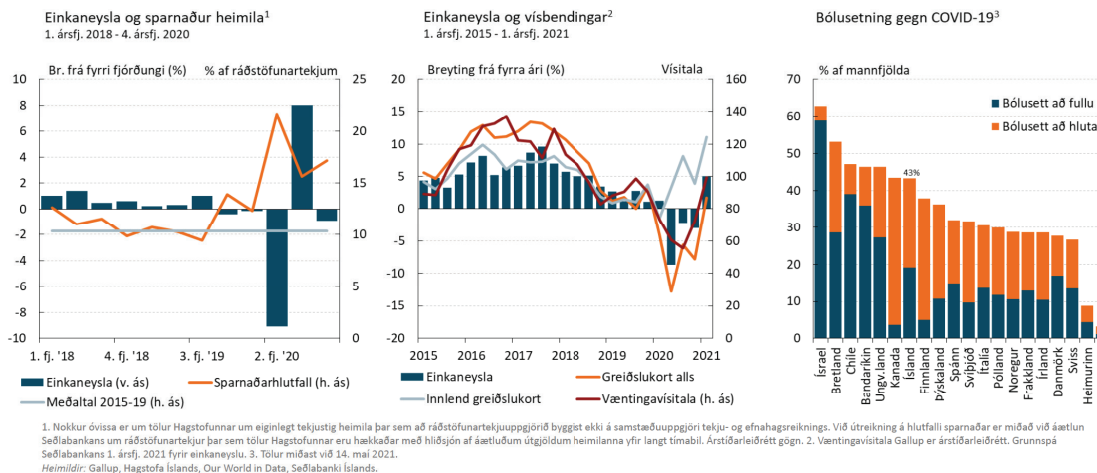
Stærð og samsetning efnahagssamdráttar 2020¹



1. Framlag annarrar innlendrar eftirspurnar er samtala framlags samneyslu, fjármunamyndunar og birgðabreytingar, auk mögulegs skekkjuliðar þar sem samtala framlags undirliða þarf ekki að vera jöfn hagvexti vegna kaðjutengingar þjóðhagsreikninga. Tölur fyrir Noreg eru án vinnslu og flutnings á olíu og gasi.
Heimildir: Hagstofa Íslands, Noregsbanki, OECD.

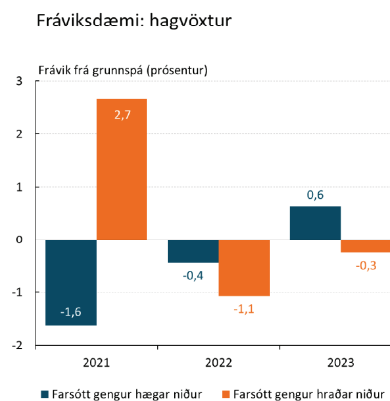
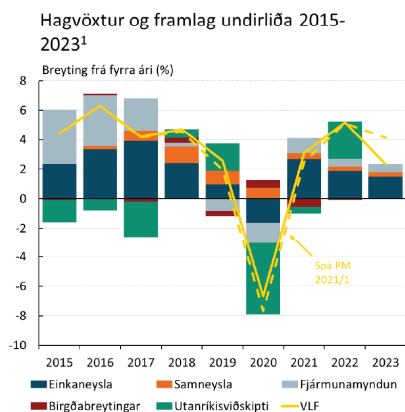
Vísbendingar um aukin umsvif í byrjun árs ...

- Sparnaður heimila sveiflast í takt við farsóttina
- Jókst verulega í kjölfar farsóttar (F2/2020) - minnkaði aftur á F3 - jókst á ný á F4
- Einkaneysla ekki gefið jafn mikið eftir og spáð í febrúar



... og hagvaxtarhorfur batna – en óvissa enn mikil

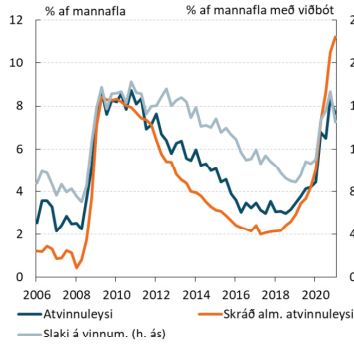
- Talið að árhagvöxtur hafi verið ríflega 2% á F1/2021 – yrði í fyrsta sinn sem VLF vex milli ára frá því að farsóttin skall á landinu
- Hagvöxtur eykst enn frekar frá F2 og verður 3,1% á árinu öllu (2,5%) ... og 5,2% á næsta ári (5,1%)
- Árangur í baráttu við farsótt ræður miklu um horfur: gangi verr gæti hagvöxtur í ár minnkað í 1,5% en farið í 5,8% gangi betur



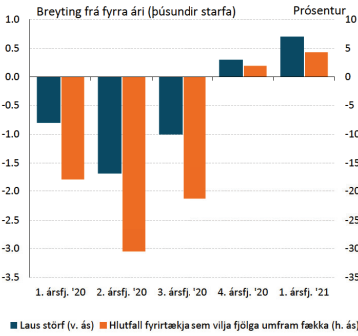
Mikið atvinnuleysi en virðist hafa náð hámarki

- Árstíðarleiðrétt skráð atvinnuleysi var 11,2% á F1/2021 – um 3½ prósentu meira en skv. VMK
- Báðir mælikvarðar benda þó til viðsnúnings enda virðist vinnuafseftirspurn hafa rétt úr kútnum
- Spáð að atvinnuleysi hafi náð hámarki... verði 6,7% í ár m.v. VMK og 9,1% m.v. VMST
- En hjaðni hægt og verði hærra í lok spátíma en fyrir farsótt

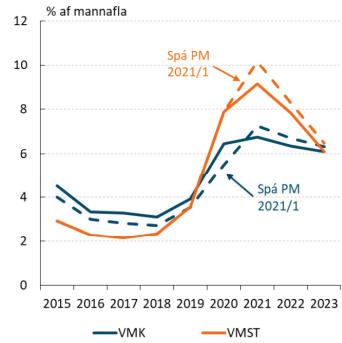
Atvinnuleysi og slaki á vinnumarkaði¹
1. ársfj. 2006 - 1. ársfj. 2021



Hæðningaraform fyrirtækja²
1. ársfj. 2020 - 1. ársfj. 2021



Atvinnuleysi 2015-2023²



1. Slaki á vinnumarkaði eru atvinnulausir, vinnutilitir (aðilar í hlutastarfi sem vilja vinna meira) og möguleg viðbót á vinnumarkað (þeir sem eru tilbúnir að vinna en eru ekki að leita að vinnu og þeir sem eru að leita að vinnu en eru ekki tilbúnir að vinna) sem hlutfall af mannafla með viðbót (mannafla að viðbætti mögulegri viðbót á vinnumarkaði). Skráð almennt atvinnuleysi er skráð atvinnuleysi án fólks á hlutabótum frá og með 1. ársfj. 2020 og er röðin árstíðarleiðrétt af Seðlabankanum. 2. Laus störf skv. fyrirtækjakönnun Hagstofu Íslands og hlutfall fyrirtækja sem vilja fjölga eða fækka starfsfólki næstu 6 mánuði er úr könnun Gallup meðal 400 stærstu fyrirtækja landsins og eru gögnin árstíðarleiðrétt af Seðlabanka Íslands. 3. Atvinnuleysi miðað við vinnumarkaðskönnun Hagstofu Íslands (VMK) og skráð atvinnuleysi Vinnuálastofnunar án hlutabóta (VMST). Grunnspá Seðlabankans 2021-2023. Brotalínur sýna spá frá PM 2021/1.
Heimildir: Gallup, Hagstofa Íslands, Vinnuálastofnun, Seðlabanki Íslands.

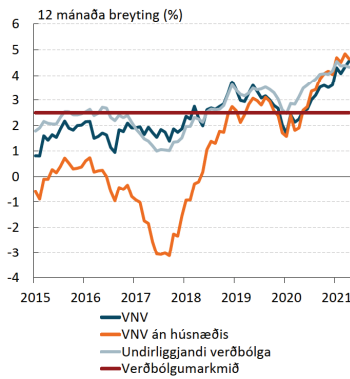


Verðbólga

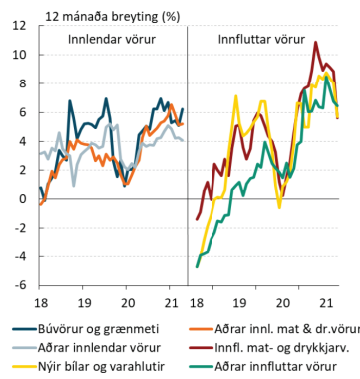
Verðbólga yfir 4% á fyrsta ársfjórðungi

- ISK hefur hækkað um 2,2% frá áramótum og 9% frá því það var lægst í sept. '20 – en er enn 6,3% lægra en í upphafi faraldurs
- Gengislækkunin leiddi til aukinnar verðbólgu: hún var 2,5% á F2/2020 en var komin í 4,2% á F1 í ár og í 4,6% í apríl (4,4% í maí)
- Undirliggjandi verðbólga hjaðnað lítilllega milli mánaða og innflutt verðbólga minnkar nokkuð en innlendir þættir vega á móti

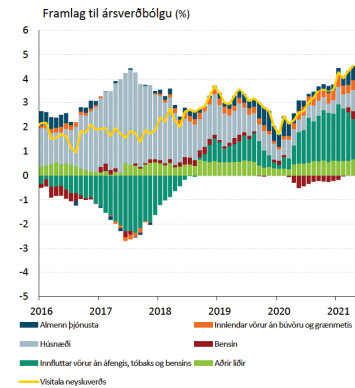
Verðbólga á ýmsa mælikvarða¹
Janúar 2015 - apríl 2021



Verð innlestrar og innfluttar vöru
Janúar 2018 - apríl 2021



Undirliðir verðbólgu
Janúar 2016 - apríl 2021

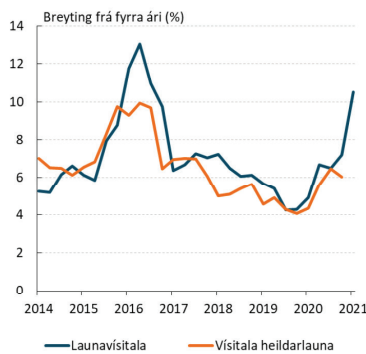


1. Undirliggjandi verðbólga er mæld með kjarnavísitölu (áhrif óbeinna skatta, sveiflukennndra matvöruhlíða, bensins, opinberra þjónustu og raunvaxtakostnaðar húsnæðisliána eru undanskilin) og tólfæðilegum mælikvörðum (vegði mögildi, klípt meðaltal, kvíkt þáttalíkan og sameiginlegur þáttur VNV).
Heimildir: Hagstofa Íslands, Seðlabanki Íslands.

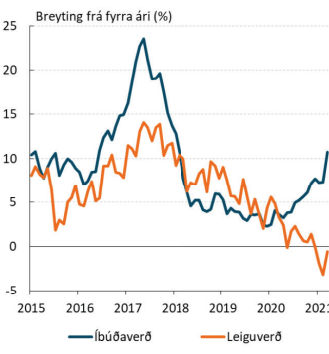
Mikil hækkun launa og húsnæðisverðs undanfarið

- Innlend eftirspurn hefur einnig tekið kröftuglega við sér sem hefur leitt til meiri innlends verðbólguþrýstings
- Sést t.d. á miklum launahækkunum og kröftugum hækkunum húsnæðisverðs (þótt á móti vegi lækkun leiguverðs)
- Hækkun húsnæðisverðs virðist ekki vera úr takti við hagstæða þróun þeirra grunnþátta sem hafa áhrif á húsnæðisverð

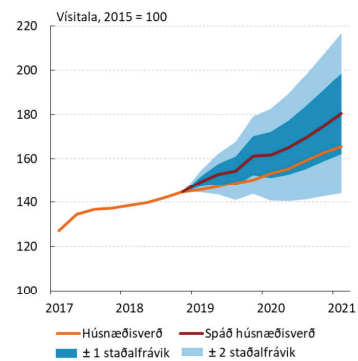
Laun
1. ársfj. 2014 - 1. ársfj. 2021



Húsnæðis- og leiguverð¹
Janúar 2015 - mars 2021



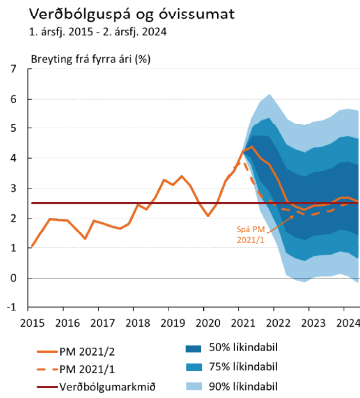
Raunverulegt og spáð húsnæðisverð²
1. ársfj. 2017 - 1. ársfj. 2021



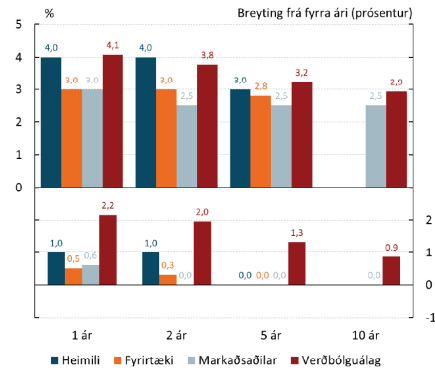
1. Húsnæðis- og leiguverð á höfuðborgarsvæðinu. 2. Spáð húsnæðisverð út frá kvíkri (e. dynamic) spá frá 1. ársfj. 2019 til 1. ársfj. 2021 með húsnæðisverðsjöfnu þjóðhagslíkans Seðlabankans metinni fyrir tímabilið 3. ársfj. 2001 til 4. ársfj. 2017.
Heimildir: Hagstofa Íslands, Þjóðskrár Íslands, Seðlabanki Íslands.

Þrálátari verðbólga og verðbólguvæntingar hækkað

- Verðbólguhorfur versna nokkuð frá því í febrúar: spáð 4,4% (3,3%) verðbólgu á F2 en 3,8% á F4
- Spáð að hún verði komin í markmið um mitt næsta ár en ekki í lok þessa árs eins og spáð var í febrúar
- Verðbólguvæntingar hafa hækkað eftir því sem verðbólga hefur reynst þrálátari



Verðbólguvæntingar¹



1. Nýjstu kannanir Gallup á verðbólguvæntingum heimila og fyrirtækja frá febrúar/mars 2021. Nýjasta könnun Seðlabankans á verðbólguvæntingum markaðsaðila er frá byrjun maí 2021. Ekki er spurt um verðbólguvæntingar heimila og fyrirtækja til 10 ára. Nýjasta gildi verðbólguálags á skuldabréfamarkaði er meðaltal það sem af er 2. ársfj. 2021. Neðri helmingur myndar sýnir breytingu frá samsvarandi mælingum fyrir ári síðan. 2. Breyting ávöxtunarkrófu óverðtryggðra ríkisskuldabréfa og framlag samsvarandi breytinga ávöxtunarkrófu verðtryggðra skuldabréfa og verðbólguálags leiðréttu fyrir áhrifum breytinga á undirliggjandi skuldabréfasafni á útreikning verðtryggðra eingreiðsluferlisins.
Heimild: Seðlabanki Íslands.

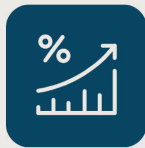
Peningamál í hnotskurn



Bólusetningu miðar áfram en staðan er ólík milli landa



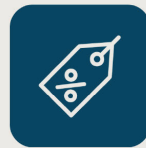
Horfur á bata í ferðabjónustu en hægari en áður var spáð



Minni samdráttur í fyrra og horfur á meiri hagvexti í ár



Atvinnuleysi virðist hafa náð hámarki og lausum störfum fjölgar



Verðbólga reynst meiri og þrálátari en spáð var og horfur versna

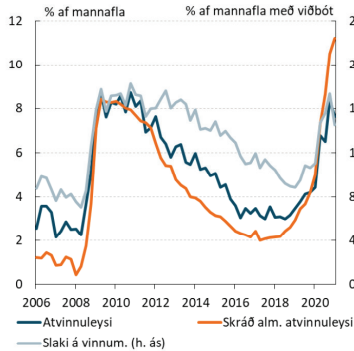


Mikil óvissa – ekki síst tengt farsótt og framgangi bólusetningar

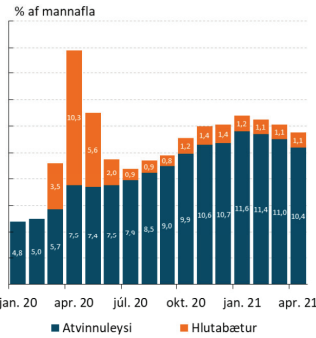
Mikið atvinnuleysi en virðist hafa náð hámarki

- Árstíðarleiðrétt skráð atvinnuleysi var 11,2% á F1/2021 – um 3½ prósentu meira en skv. VMK ... báðir mælikvarðar benda þó til viðsnúnings – einnig þegar tekið er tillit til þeirra sem vilja vinna meira eða eru á jaðri vinnumarkaðarins
- Atvinnuleysi nær hámarki í ár (6,7% m.v. VMK og 9,1% m.v. VMST) ... en hjaðnar hægt og er hærra í lok spátíma en fyrir farsótt
- Vinnuafseftirspurn hefur rétt úr kútnum

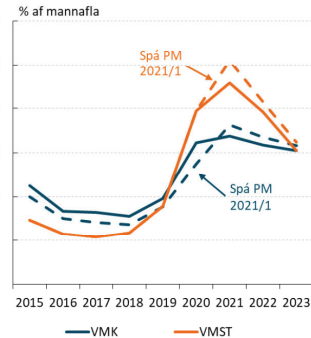
Atvinnuleysi og slaki á vinnumarkaði¹
1. ársfj. 2006 - 1. ársfj. 2021



Skráð atvinnuleysi
Janúar 2020 - apríl 2021



Atvinnuleysi 2015-2023²

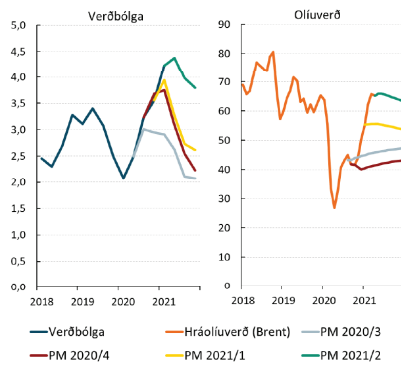


1. Slaki á vinnumarkaði eru atvinnulausir, vinnutiltir (aðilar í hlutastarfi sem vilja vinna meira) og möguleg viðbót á vinnumarkað (þeir sem eru tilbúnir að vinna en eru ekki að leita að vinnu og þeir sem eru að leita að vinnu en eru ekki tilbúnir að vinna) sem hlutfall af mannafla með viðbót (mannafla í viðbætti mögulegrri viðbót á vinnumarkaði). Skráð almenn atvinnuleysi er skráð atvinnuleysi án fólks á hlutabótum frá og með 1. ársfj. 2020 og er röðin árstíðarleiðrétt af Seðlabankanum. 2. Atvinnuleysi miðað við vinnumarkaðskönnun Hagstofu Íslands (VMK) og skráð atvinnuleysi Vinnuárástofnunar án hlutabóta (VMST). Grunnspá Seðlabankans 2021-2023. Brotlínur sýna spá frá PM 2021/1.
Heimildir: Hagstofa Íslands, Vinnuárástofnun, Seðlabanki Íslands.

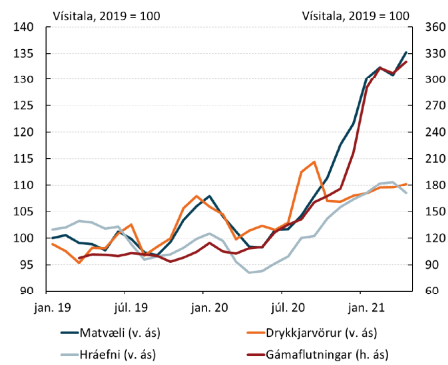
... og hefur reynst meiri og þrálátari en vænst var

- Eftir að farsóttin skall á landinu var talið að verðbólga myndi aukast tímabundið vegna lækkunar ISK en hjaðna tiltölulega hratt
- Hún hefur hins vegar verið þrálátari og áhrif framboðstruflana voru vanmetin: leiguverð á gámum hefur þrefaldast, olíuverð ríflega tvöfaldast og hrávöruverð ekki verið hærra í átta ár – hækkan mat- og drykkjavöru mun meiri í fyrra en spáð hafði verið

Spár um verðbólgu og olíuverð í kjölfar farsóttar¹



Alþjóðlegt flutninga- og hrávöruverð¹
Janúar 2019 - apríl 2021



1. Matvæli eru ýmsar tegundir matarollu, ýmsar mjólk og korntegundir, kjöt og ávextir. Drykkjavörur eru kakó, kaffi og te. Hráefni er timbur, baðmull, gúmmi og tóbak. Verðvisitala gámaflutninga er Freightos Global Container Index.
Heimildir: Alþjóðabankinn, Freightos Limited, Hagstofa Íslands, Refinitiv Datastream, Seðlabanki Íslands.

Peningastefnan er jafnvægislist



Rannveig Sigurðardóttir
varasæðlabankastjóri peningastefnu Seðlabanka Íslands

Meginmarkmið peningastefnu Seðlabanka Íslands er að stuðla að stöðugu verðlagi. Peningastefnunefnd tekur ákvarðanir um beitingu stjórnstækja Seðlabankans í peningamálum og byggja ákvarðanir nefndarinnar á ítarlegu og vönduðu mati á ástandi og horfum í efnahagsmálum. Undanfarnar þrjár vikur hafa hér verið birtar greinar þar sem m.a. var fjallað um nýjustu þjóðhags- og verðbólguþá Seðlabankans sem nefndin tók mið af við ákvörðun sína. Peningastefnunefnd ákvað á fundi sínum 19. maí sl. að hækka vexti bankans um 0,25 prósentur eftir að hafa lækkað þá um 2 prósentur frá því að áhrifa faraldursins fór að gæta hér á landi. Hér verður farið yfir veigamestu þættina að baki ákvörðuninni að mati undirritaðrar en það mat þarf ekki að endurspeglar mat annarra nefndarmanna peningastefnunefndar.

Vaxtalækkunir hafa stutt við þjóðarþúskapinn og vísbendingar eru um að batinn sé hafinn

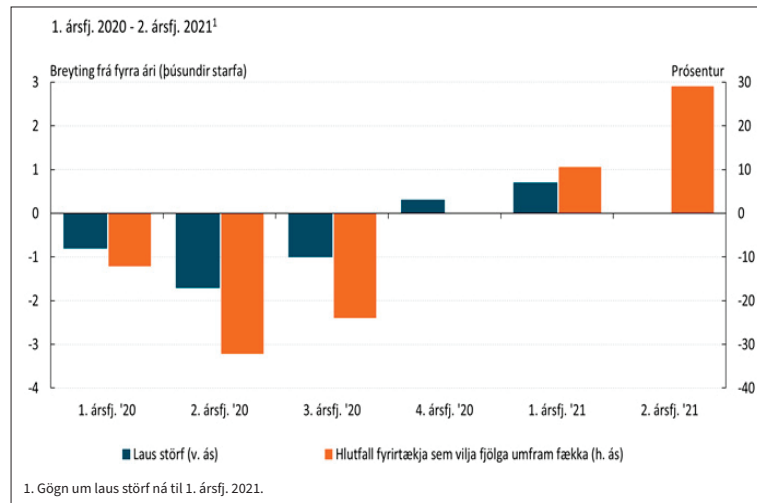
Vaxtalækkunir og aðrar aðgerðir sem Seðlabankinn greip til eftir að heimsfaraldurinn braust út hafa stutt við innlenda eftirspurn og þannig dregið úr neikvæðum áhrifum efnahagsáfallsins. Þjóðarþúsk, sérstaklega einkaneyslan, hefur hingað til staðið áfallið betur af sér en vænst var á fyrri fundum nefndarinnar og reyndist samdráttur ársins 2020 vera um 1 prósentu minni en gert var ráð fyrir í spá bankans sem birt var í febrúar sl.¹ Vísbendingar eru um að efnahagsbati sé hafinn, ekki síst á vinnumarkaði. Atvinnuleysi er tekið að minnka og gert er ráð fyrir að sú þróun haldi áfram. Samkvæmt fyrirtækjakönnun Hagstofunnar hefur lausum störfum fjölgað milli ára tvo ársfjórðunga í röð sem eru töluverð umskipti eftir mikla

1 Sjá grein í *Vísbandingu* 28. maí sl.

2 Sjá grein í *Vísbandingu* 11. júní sl.

3 Sjá nánari umfjöllun í *Vísbandingu* 4. júní sl.

Mynd 1 Ráðningaráform fyrirtækja



1. Gögn um laus störf ná til 1. ársfj. 2021.

Heimild: Seðlabanki Íslands.

fækkun milli ára á öðrum ársfjórðungi í fyrra. Sama má segja um ráðningaáform fyrirtækja en samkvæmt ársfjórðungslegri könnun Gallup á meðal 400 stærstu fyrirtækja landsins vilja 30 prósentum fleiri fyrirtæki frekar fjölga starfsfólki á næstu sex mánuðum en fækka því. Á sama tíma í fyrra var þessu öfugt farið (mynd 1). Fyrirtækjum sem segjast starfa við full afköst eða skortir starfsfólk hefur einnig fjölgað sem bendir til bættrar nýtingar framleiðsluþátta. Því eru skýr merki um bata á vinnumarkaði sem má líklega að nokkru leyti rekja til sérstaks átaksverkefnis stjórnvalda til að fjölga störfum. Hversu hraður batinn verður er líklega að mestu háð því hversu hratt ferðabjónustan tekur við sér og hvort ferðabjónusta og framboðshlið vinnumarkaðarins hafi beðið skaða af faraldrinum.² Aukinnar bjartsýni gæti einnig á meðal heimila um horfur í efnahags- og atvinnumálum eftir því sem bólusetningu landsmanna vindur fram og hafði Væntingavísitala Gallup í maí sl. ekki mælt hærri síðan í desember

árið 2017. Laun hafa hækkað nokkuð og umfangsmiklar aðgerðir stjórnvalda hafa gert það að verkum að ráðstöfunartekjur heimila hafa ekki gefið eftir þrátt fyrir minni atvinnu. Sparnaðarlutfall heimila er einnig nokkuð yfir sögulegu meðaltali og eru efnahagsreikningar þeirra enn traustir. Því eru líkur á áframhaldandi bata einkaneyslu.

Kjölfesta verðbólguvæntinga getur veikst ef verðbólga er þrálát

Á sama tíma og efnahagshorfur hafa batnað eru verðbólguhorfur lakari. Verðbólga hefur verið yfir efri fráviksmörkum verðbólguþá Seðlabankans sem af er ári og undirliggjandi verðbólga er einnig mikil sem bendir til þess að verðbólguþrýstingur sé almennur.³ Þar leggjast bæði innlendir og erlendir þættir á sömu sveif. Framlag innfluttrar vöru til verðbólgu hefur minnkað að undanfögnu en hún skýrir þó enn rúmlega þriðjung ársverðbólgu.

1 Rannveig Sigurðardóttir fer yfir helstu áhrifaþætti vaxtalækkunar Seðlabankans

2 Horfur eru á að peningastefnan verði með hefðbundnara sniði á næstunni

3 Eiríkur Ragnarsson sýnir áhrif neftóbaksskatta á mismunandi tekjuhópa

4 Nýjustu tölur um uppgang í efnahagslífinu bjóða upp á ýmiss konar talnaleikfimi

Þegar faraldurinn hófst var Seðlabankinn í betri stöðu en margir aðrir seðlabankar til að bregðast við með afgerandi hætti

Framlag ýmissa undirþátta sem veða þungt í vísitölu neysluverðs, t.d. þjónustu, húsnæðis og innlendarar vöru, hefur hins vegar aukist. Þótt áhrif sumra þeirra kunni að vera tímabundin þá gætu kröftugri eftirspurn og minni framleiðsluslaski en áður var gert ráð fyrir leitt til frekari verðhækkunar innlendarar vöru og þjónustu. Spá Seðlabankans frá því í maí sl. gerir ráð fyrir því að verðbólga verði komin í markmið um mitt næsta ár, sem er um hálfu ári seinna en búist var við í febrúar sl., og meiri líkur eru á að verðbólga sé vanmetin en að hún sé ofmetin (mynd 2). Þegar verðbólga jókst á seinni hluta síðasta árs í kjölfar gengislækkunar krónunnar í upphafi faraldursins hafði það lítil áhrif á verðbólguvæntingar til meðallangs og langs tíma. Eftir því sem verðbólga hefur reynst þrálátari hafa verðbólguvæntingar á nokkra mælikvarða þokast upp. Verðbólguvæntingar eru lykilákvörðunarþáttur verðbólgu, m.a. í gegnum verðákvörðanir fyrirtækja og launakröfur launafólks. Því meiri verðbólgu sem þessir aðilar vænta því líklegri er að verð og laun hækki meira en samrýmist verðbólgu markmiðinu. Heimili og fyrirtæki hegða sér þannig í takt við eigin verðbólguvæntingar og ef kjölfesta verðbólguvæntinga þeirra veikist getur það skapað viðvarandi verðbólguþrýsting.

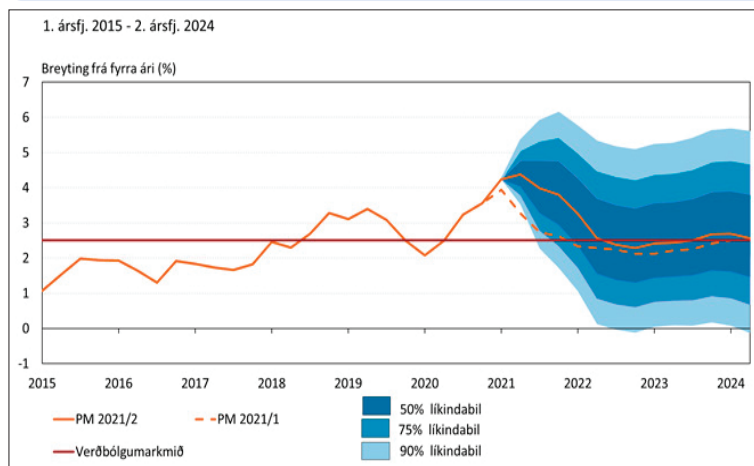
Þeningastefnan er jafnvægislist

Þegar faraldurinn hófst var Seðlabankinn í betri stöðu en margir aðrir seðlabankar til að bregðast við með afgerandi hætti. Vextir voru hærri en í öðrum iðnríkjum og töluvert rými var til að styðja við þjóðarbúskapinn með snarpri lækkun vaxta. Aukinn árangur í viðureigninni við verðbólgu síðastliðinn áratug hafði skilað sér í traustari kjölfestu verðbólguvæntinga í verðbólgu markmiðinu. Því var hægt að lækka vexti þrátt fyrir að horfur væru á tímabundinni aukningu verðbólgu



Ljósmynd: Shutterstock

Mynd 2 Verðbólgu spá og óvissumat



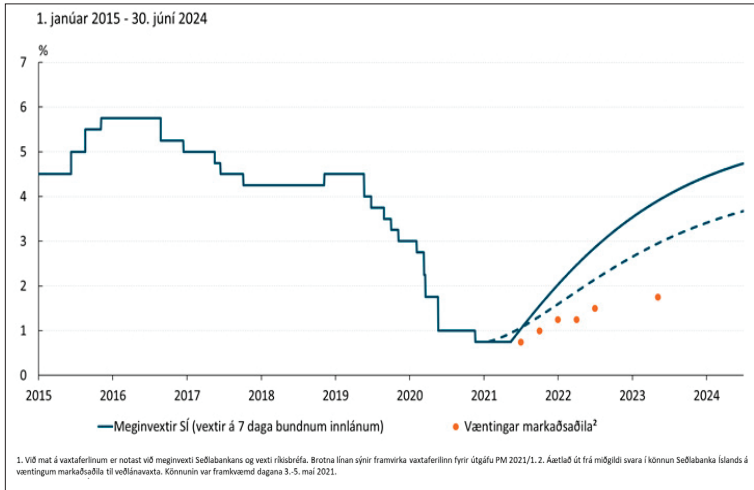
Heimild: Hagstofa Íslands, Seðlabanki Íslands.

í kjölfar gengislækkunar krónunnar. Skorti væntingar slíka kjölfestu verður svigrúm til lækkunar vaxta í líkum aðstæðum og í upphafi faraldursins minna vegna þess að hætta er á að tímabundin gengislækkun hafi langvarandi áhrif á verðbólgu.

Þeningastefnunefnd ákvað á fundi sínum í maí sl. að hækka vexti banksins um 0,25 prósentur. Nefndin taldi að horfur væru á að það tæki lengri tíma að ná verðbólgu í markmið en áður hafði verið gert ráð fyrir en jafnframt voru komin fram skýr merki um að efnahagshorfur hefðu batnað og að slakinn í þjóðarbúskapnum hyrfti fyrir

en áður var talið. Með því að hækka vexti vildi nefndin treysta kjölfestu væntinga og stuðla að því að verðbólga hjaðni aftur í markmið innan ásættanlegs tíma, ekki síst í ljósi þess að það tekur vaxtabreytingar tíma að hafa áhrif á þjóðarbúskapinn. Sé brugðist við of seint eykst hætta á því að hækka þurfi vexti hraðar og meira en ella síðar og þeir gætu þurft að vera háir lengur en ef brugðist er snemma við. Við núverandi aðstæður er sérstaklega mikilvægt að hafa vexti nógu háa til að tryggja að verðbólga leiti að markmiðinu innan ásættanlegs tíma en jafnframt að þeir haldist nógu lágir

Mynd 3 Meginvextir Seðlabanka Íslands¹



Heimild: Seðlabanki Íslands.

til þess að veita þjóðarbúinu stuðning á meðan slaki er enn til staðar. Samkvæmt nýbirtum bráðabirgðatölum Hagstofu Íslands reyndist vöxtur innlendrar eftirspurnar minni á fyrsta ársfjórðungi í ár en búist var við í maíspá Peningamála. Því gæti styrkur efnahagsbatans einnig verið ofmetinn og þarf því að stíga varlega til jarðar.

Taumhald peningastefnunnar

Þótt vextir hafi verið hækkaðir um 0,25 prósentur er taumhald peningastefnunnar ennþá mjög laust. Meginvextir bankans eru nú 1% (mynd 3) en núverandi mat bankans á hlutlausum nafnvöxtum er 3,5% (þ.e. miðað við 1% hlutlausa raunvexti að viðbættu 2,5% verðbólgu markmiði bankans) en til samanburðar er talið að hlutlausir nafnvextir hafi verið 7% hér á landi fyrir fjármálakreppuna.⁴ Þá eru raunvextir bankans -2,6% miðað við meðaltal mismunandi mælikvarða á verðbólgu og verðbólguvæntingar til eins árs og hafa þeir verið neikvæðir frá því í mars í fyrra. Stuðningur peningastefnunnar við þjóðarbúskapinn er því enn mikill en eftir því sem horfur batna eru líkur á að peningastefnan þróist frá því að veita viðnáam gegn neyðaraðstæðum yfir í að vera hefðbundin peningastefna. Samkvæmt ársfjórðungslegri könnun bankans sem framkvæmd var fyrir fund nefndarinnar í maí sl. töldu markaðsaðilar að taumhald peningastefnunnar væri ýmist hæfilegt (56%) eða of laust (44%) en enginn taldi það of þétt. Var það mikil breyting frá fyrri könnun bankans í janúar sl. þegar tæplega 40% töldu það vera of þétt og endurspeglar

Áhrif mikillar verðbólgu eru sambærileg stig-lækkandi skatti að því leyti að þeim mun lægri tekjur þeim mun meiri eru skaðleg áhrif verðbólgu

líklega að mestu leyti breyttar efnahags- og verðbólguhorfur á tímabilinu.

Þróun meginvaxta bankans næstu misseri mun ráðast af þróun verðbólgu, verðbólguvæntinga og efnahagshorfa. Ljóst er þó að almennt vaxtastig hefur lækkað töluvert undanfarið. Síðustu áratugi hafa lýðfræðilegar breytingar og minnkandi framleiðnivöxtur aukið sparnað í heiminum og dregið úr eftirspurn eftir fjármagni sem veldur því að langtíma jafnvægisraunvextir hafa lækkað, bæði hér á landi og alþjóðlega. Þá hefur aukinn trúverðugleiki peningastefnunnar hér á landi valdið því að hægt er að halda verðbólgu við markmið yfir lengri tímabil með lægri raunvöxtum en ella. Jafnframt má gera ráð fyrir því að þær breytingar sem orðið hafa á útlánastofni heimila með aukinni tilfærslu yfir í óverðtryggt lán með breytilegum vöxtum hafi leitt til þess að

áhrif vaxtabreytinga á ráðstöfunartekjur heimila komi fyrr fram en áður. Samkvæmt könnun bankans vænta markaðsaðilar þess að meginvextir verði komnir í 1,75% að tveimur árum liðnum sem er undir jafnvægisvöxtum bankans og má þ.a.l. ætla að þeir telji að þá verði enn slaki fyrir hendi í þjóðarbúinu (mynd 3). Framvirkir vextir gefa hins vegar til kynna að vextir verði 4% að tveimur árum liðnum.⁵

Stöðug og lítil verðbólga stuðlar að velferð

COVID-19-faraldurinn hefur dregið fram mikilvægi trúverðugrar peningastefnu og árangursríkrar hagstjórnar. Þjóðarbúið var vel undir það búíð að takast á við óvænt áföll bæði hvað varðar skuldir heimila og fyrirtækja og svigrúm fyrir hagstjórn þar sem rými til vaxtalækkana var mikið, gjaldreyrivaraförði stór og bankarnir vel fjármagnaðir. Hægt var að bregðast við með afgerandi hætti og milda efnahagsleg áhrif áfallans ásamt því að vernda kaupmátt. Verðbólga hefur aukist en hvergi nærri eins mikið og í kjölfar fjármálakreppunnar með alvarlegum áhrifum á stöðu heimila.

Oft er látið að því liggja að peningastefnan sé einkamálið Seðlabankans en árangursrík peningastefna skilar sér í bættum lífskjörum ekki síst fyrir atvinnulausa og lægstu tekjuhópanna. Áhrif mikillar verðbólgu eru sambærileg stiglækkandi skatti að því leyti að þeim mun lægri tekjur þeim mun meiri eru skaðleg áhrif verðbólgu. Þeir tekjulægri geta síður varið sig gegn neikvæðum áhrifum verðbólgu þar sem laun þeirra eru föst til lengri tíma og sparifé geymt í reiðufé eða á óverðtryggtum bankareikningum. Lítil verðbólga stuðlar einnig að meiri stöðugleika í atvinnu sem eykur möguleika fólks til að tryggja sér tekjur og viðhalda lífskjörum sínum. Lítil og stöðug verðbólga stuðlar einnig að því að draga úr sveiflum í raunvöxtum og raungengi sem dregur úr hagsveiflum og þeim efnahagslega skaða sem þær valda. Árangur peningastefnunnar skiptir því máli fyrir almenna velferð og minnkar óvissu í lífi fólks og rekstri fyrirtækja. Peningastefnunefnd mun áfram standa vörð um þann árangur sem náðst hefur undanfarið ár og telji hún að verðbólguhorfur fari versnandi eða að kjölfesta verðbólguvæntinga veikist áfram hefur nefndin þau tæki sem til þarf að koma verðbólgu í markmið innan ásettanlegs tíma og viljann til að beita þeim. **V**

Greinin var unnin með aðstoð Kolbrúnar Þorfinnsdóttur

⁴ Hlutlausir vextir eru þeir sem að öðru óbreyttu þarf til að halda verðbólgu í markmiði og tryggja fulla nýtingu framleiðsluþátta.
⁵ Framvirkir vextir innihalda þó einnig áhættuþóknun.

