

## Appendix 1

# Forecast tables

Table 1 GDP and its main components<sup>1</sup>

	2015	2016	2017	2018	2019
Private consumption	4.3 (4.3)	6.9 (6.9)	7.1 (6.7)	6.0 (5.8)	3.6 (3.6)
Public consumption	1.0 (1.0)	1.5 (1.5)	1.6 (1.6)	1.6 (1.6)	1.6 (1.6)
Gross capital formation	17.8 (17.8)	22.7 (22.7)	9.2 (8.6)	-0.7 (0.8)	4.9 (2.4)
Business investment	28.8 (28.8)	24.7 (24.7)	4.8 (4.3)	-6.2 (-4.0)	1.7 (-2.0)
Residential investment	-3.1 (-3.1)	33.7 (33.7)	25.3 (24.5)	17.9 (18.0)	12.6 (12.8)
Public investment	-3.0 (-3.0)	2.5 (2.5)	19.0 (19.0)	3.6 (3.6)	8.5 (8.5)
Domestic demand	5.9 (5.9)	8.7 (8.7)	6.5 (5.9)	3.1 (3.5)	3.4 (2.9)
Exports of goods and services	9.2 (9.2)	11.1 (11.1)	8.7 (10.5)	4.3 (4.7)	3.3 (3.8)
Imports of goods and services	13.5 (13.5)	14.7 (14.7)	11.9 (10.2)	3.8 (5.0)	5.5 (5.0)
Gross domestic product (GDP)	4.1 (4.1)	7.2 (7.2)	5.2 (6.3)	3.3 (3.5)	2.5 (2.5)
GDP at current prices (ISK billions)	2,214 (2,214)	2,422 (2,422)	2,555 (2,608)	2,695 (2,746)	2,834 (2,890)
GDP at current prices (growth rate)	10.4 (10.4)	9.4 (9.4)	5.5 (7.7)	5.5 (5.3)	5.1 (5.2)
Total investment (% of GDP)	18.9 (18.9)	21.2 (21.2)	21.2 (21.1)	20.0 (20.1)	20.4 (20.0)
Business investment (% of GDP)	13.5 (13.5)	15.2 (15.2)	14.1 (14.1)	12.3 (12.6)	12.0 (11.8)
Underlying gross national saving (% of GDP) <sup>2</sup>	25.1 (25.2)	29.3 (29.3)	27.3 (27.6)	25.8 (26.2)	25.1 (25.4)
Contribution of net trade to GDP growth (percentage points)	-1.5 (-1.5)	-0.8 (-0.8)	-0.8 (0.8)	0.5 (0.2)	-0.7 (-0.2)

1. Year-on-year change (%) unless otherwise specified (figures in parentheses are from the forecast in *Monetary Bulletin* 2017/2). 2. The sum of investment, inventory changes, and the underlying current account balance.

Sources: Statistics Iceland, Central Bank of Iceland.

Table 2 Global economy, external conditions, and exports<sup>1</sup>

	2015	2016	2017	2018	2019
Marine production for export	0.6 (0.6)	-2.0 (-2.0)	3.0 (3.0)	1.0 (1.0)	2.0 (2.0)
Aluminium production for export <sup>2</sup>	5.3 (5.3)	-3.3 (-3.3)	6.0 (5.7)	1.0 (1.0)	1.5 (1.5)
Foreign currency prices of marine products	10.9 (10.9)	0.2 (0.2)	2.5 (1.5)	1.0 (0.1)	1.0 (1.0)
Aluminium prices in USD <sup>3</sup>	-6.4 (-6.4)	-13.7 (-13.7)	16.0 (12.9)	2.0 (0.3)	-1.0 (1.9)
Fuel prices in USD <sup>4</sup>	-47.2 (-47.2)	-15.7 (-15.7)	16.0 (22.0)	4.0 (4.0)	5.0 (0.0)
Terms of trade for goods and services	6.7 (6.7)	2.4 (2.4)	2.2 (1.0)	0.0 (0.1)	-0.5 (-0.4)
Inflation in main trading partners <sup>5</sup>	0.6 (0.6)	1.0 (1.0)	1.7 (2.0)	1.8 (1.9)	1.9 (1.9)
GDP growth in main trading partners <sup>5</sup>	2.0 (2.0)	1.7 (1.6)	2.1 (1.9)	2.0 (1.8)	2.0 (1.9)
Main trading partners' imports <sup>5</sup>	3.6 (3.4)	2.5 (2.4)	4.1 (3.8)	3.9 (3.8)	3.6 (3.4)
Short-term interest rates in main trading partners (%) <sup>6</sup>	0.2 (0.2)	0.1 (0.2)	0.2 (0.2)	0.4 (0.3)	0.6 (0.6)

1. Year-on-year changes (%) unless otherwise specified (figures in parentheses are from the forecast in *Monetary Bulletin* 2017/2). 2. According to Statistics Iceland's external trade data. 3. Forecast based on aluminium futures and analysts' forecasts. 4. Forecast based on fuel futures and analysts' forecasts. 5. Forecast based on Consensus Forecasts, Global Insight, IMF, and OECD. 6. Forecast based on main trading partners' forward policy rates.

Sources: Bloomberg, Consensus Forecasts, Global Insight, IMF, New York Mercantile Exchange, OECD, Statistics Iceland, Thomson Reuters, Central Bank of Iceland.

Table 3 Current account balance and its subcomponents<sup>1</sup>

	2015	2016	2017	2018	2019
Trade balance	7.5 (7.5)	6.6 (6.6)	6.1 (6.8)	6.2 (6.5)	5.2 (5.9)
Headline balance on primary income <sup>2</sup>	-2.1 (-2.1)	1.4 (1.4)	-0.4 (-0.4)	-0.5 (-0.5)	-0.5 (-0.4)
Underlying balance on primary income <sup>3</sup>	-1.3 (-1.2)	1.4 (1.4)	-0.4 (-0.4)	-0.5 (-0.5)	-0.5 (-0.4)
Headline current account balance <sup>2</sup>	5.4 (5.5)	7.9 (8.0)	5.8 (6.4)	5.8 (6.0)	4.7 (5.4)
Underlying current account balance <sup>3</sup>	6.0 (6.1)	7.9 (8.0)	5.8 (6.4)	5.8 (6.0)	4.7 (5.4)

1. % of GDP (figures in parentheses are from the forecast in *Monetary Bulletin* 2017/2). 2. Calculated according to IMF standards. The sum of primary and secondary income. 3. Adjusted for the calculated revenues and expenses of the failed financial institutions for 2015. The services account balance is also adjusted for the failed financial institutions' financial intermediation services indirectly measured (FISIM).

Sources: Statistics Iceland, Central Bank of Iceland.

Table 4 Labour market and factor utilisation<sup>1</sup>

	2015	2016	2017	2018	2019
Unemployment (% of labour force)	4.0 (4.0)	3.0 (3.0)	2.7 (2.6)	3.0 (3.0)	3.5 (3.5)
Employment rate (% of population aged 16-74)	79.2 (79.2)	81.1 (81.1)	81.4 (82.1)	81.0 (81.4)	80.6 (80.9)
Total hours worked	3.3 (3.3)	3.0 (3.0)	3.6 (4.1)	1.9 (1.7)	1.4 (1.6)
Labour productivity <sup>2</sup>	0.8 (0.8)	4.1 (4.1)	1.6 (2.1)	1.4 (1.7)	1.1 (0.9)
Unit labour costs <sup>3</sup>	6.7 (6.7)	4.9 (4.9)	5.5 (5.0)	4.7 (4.4)	5.1 (5.3)
Wage share (% of gross factor income)	60.7 (60.7)	62.4 (62.4)	65.8 (64.7)	67.4 (66.4)	69.1 (68.1)
Real disposable income	9.9 (9.9)	7.3 (7.3)	11.7 (9.0)	5.3 (5.2)	4.6 (4.7)
Output gap (% potential output)	0.3 (0.2)	2.9 (2.6)	2.8 (3.3)	1.5 (2.2)	0.8 (1.2)

1. Year-on-year change (%) unless otherwise specified (figures in parentheses are from the forecast in *Monetary Bulletin* 2017/2). 2. GDP per total hours worked. 3. Wage costs divided by productivity.

Sources: Statistics Iceland, Central Bank of Iceland.

Table 5 Exchange rate and inflation<sup>1</sup>

	2015	2016	2017	2018	2019
Trade-weighted exchange rate index <sup>2</sup>	201.1 (201.1)	179.9 (179.9)	159.4 (157.0)	154.1 (148.2)	151.9 (147.4)
Real exchange rate (relative consumer prices) <sup>3</sup>	79.0 (79.0)	89.2 (89.1)	100.4 (101.8)	104.7 (108.2)	107.1 (109.9)
Real exchange rate (relative unit labour costs) <sup>3</sup>	75.1 (73.7)	87.1 (85.6)	102.1 (101.1)	109.0 (110.0)	113.7 (114.1)
Inflation (consumer price index, CPI)	1.6 (1.6)	1.7 (1.7)	1.8 (1.9)	2.6 (2.3)	2.8 (2.9)
Inflation (CPI excluding effects of indirect taxes)	1.2 (1.2)	1.7 (1.7)	1.6 (1.7)	2.5 (2.2)	3.3 (3.3)

1. Year-on-year (%) unless otherwise specified (figures in parentheses are from the forecast in *Monetary Bulletin* 2017/2). 2. Narrow trade-weighted basket (index, 31 December 1991 = 100). The index has been recalculated so that on 2 January 2009 it was assigned a value equivalent to that of the now-discontinued Exchange Rate Index. 3. Average 2005 = 100.

Sources: Statistics Iceland, Central Bank of Iceland.

Table 6 Quarterly inflation forecast (%)<sup>1</sup>

Quarter	Inflation (year-on-year change)	Inflation excluding effects of indirect taxes (year-on-year change)		Inflation (annualised quarter-on-quarter change)
		Measured value		
2016:3	1.3 (1.3)	1.3 (1.3)		1.3 (1.3)
2016:4	1.9 (1.9)	1.9 (1.9)		1.9 (1.9)
2017:1	1.8 (1.8)	1.6 (1.6)		0.0 (0.0)
2017:2	1.7 (1.9)	1.5 (1.6)		3.7 (4.3)
Forecasted value				
2017:3	1.8 (1.8)	1.5 (1.6)		1.6 (1.1)
2017:4	2.0 (2.1)	1.8 (1.9)		2.7 (3.2)
2018:1	2.0 (2.0)	1.9 (2.0)		-0.1 (-0.6)
2018:2	2.4 (2.0)	2.3 (1.9)		5.5 (4.3)
2018:3	2.8 (2.4)	2.7 (2.3)		3.1 (2.7)
2018:4	3.2 (2.8)	3.0 (2.7)		4.2 (5.1)
2019:1	2.8 (2.7)	3.3 (3.1)		-1.3 (-1.2)
2019:2	2.9 (3.0)	3.4 (3.4)		5.9 (5.3)
2019:3	2.9 (3.0)	3.4 (3.5)		2.9 (2.8)
2019:4	2.7 (2.9)	3.2 (3.4)		3.4 (4.7)
2020:1	3.1 (3.1)	3.1 (3.1)		0.1 (-0.3)
2020:2	3.0 (2.8)	3.0 (2.8)		5.6 (4.0)
2020:3	2.9	2.9		2.3

1. Figures in parentheses are from forecast in *Monetary Bulletin* 2017/2.

Sources: Statistics Iceland, Central Bank of Iceland.