

## Appendix 1

### Forecast tables

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

	2016	2017	2018	2019	2020
Private consumption	7.1 (7.1)	7.8 (7.5)	6.3 (6.4)	3.8 (4.0)	3.1 (2.9)
Public consumption	2.3 (1.9)	2.6 (2.7)	1.9 (2.3)	2.0 (2.5)	2.1 (2.6)
Gross capital formation	22.5 (22.8)	9.3 (9.0)	6.5 (3.8)	8.9 (5.4)	2.9 (1.2)
Business investment	26.4 (26.4)	4.3 (2.6)	-2.5 (-2.0)	6.7 (3.3)	-0.3 (-3.7)
Residential investment	26.4 (29.4)	21.6 (23.1)	24.7 (21.4)	13.2 (12.0)	11.8 (14.3)
Public investment	-0.1 (-1.0)	23.4 (28.4)	27.2 (8.6)	11.5 (4.8)	3.1 (0.6)
Domestic demand	9.0 (8.9)	6.8 (7.0)	5.2 (4.4)	4.6 (3.9)	2.8 (2.5)
Exports of goods and services	10.9 (10.9)	4.8 (3.2)	3.3 (4.4)	3.2 (4.1)	2.6 (2.3)
Imports of goods and services	14.5 (14.5)	11.9 (11.0)	7.7 (7.4)	6.6 (6.3)	2.9 (1.7)
Gross domestic product (GDP)	7.5 (7.4)	3.6 (3.4)	3.3 (3.2)	3.0 (3.0)	2.7 (2.7)
GDP at current prices (ISK billions)	2,453 (2,449)	2,555 (2,540)	2,719 (2,684)	2,897 (2,847)	3,061 (2,994)
GDP at current prices (growth rate)	9.8 (9.7)	4.1 (3.7)	6.4 (5.7)	6.6 (6.1)	5.7 (5.2)
Total investment (% of GDP)	21.4 (21.3)	22.1 (22.0)	22.9 (22.0)	23.7 (22.3)	23.5 (21.8)
Business investment (% of GDP)	15.5 (15.4)	15.1 (14.7)	14.2 (13.7)	14.3 (13.5)	13.6 (12.5)
Gross national saving (% of GDP) <sup>2</sup>	29.2 (29.2)	25.8 (25.9)	24.2 (23.9)	24.5 (23.7)	24.6 (23.6)
Contribution of net trade to GDP growth (percentage points)	-0.8 (-0.8)	-2.7 (-3.1)	-1.7 (-1.1)	-1.4 (-0.9)	-0.1 (0.3)

1. Year-on-year change (%) unless otherwise specified (figures in parentheses are from the forecast in *Monetary Bulletin* 2018/1). 2. The sum of investment, inventory changes, and the current account balance.

Sources: Statistics Iceland, Central Bank of Iceland.

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

	2016	2017	2018	2019	2020
Marine production for export	-2.0 (-2.0)	-3.9 (-3.8)	4.0 (4.0)	2.0 (2.0)	2.0 (2.0)
Aluminium production for export <sup>2</sup>	-3.0 (-3.0)	4.9 (4.5)	1.0 (0.5)	1.0 (1.0)	1.0 (1.0)
Foreign currency prices of marine products	0.2 (0.2)	-0.8 (-0.9)	3.5 (2.5)	2.7 (2.0)	2.0 (2.0)
Aluminium prices in USD <sup>3</sup>	-13.7 (-13.7)	20.3 (20.1)	13.0 (9.0)	1.7 (1.0)	1.0 (1.0)
Fuel prices in USD <sup>4</sup>	-15.6 (-15.7)	23.3 (23.6)	19.9 (12.8)	-3.1 (0.0)	-2.1 (0.0)
Terms of trade for goods and services	2.4 (2.4)	1.7 (1.6)	-0.4 (0.0)	1.8 (1.0)	0.9 (0.1)
Inflation in main trading partners <sup>5</sup>	1.0 (1.0)	1.7 (1.7)	1.8 (1.7)	1.8 (1.8)	1.9 (1.9)
GDP growth in main trading partners <sup>5</sup>	1.8 (1.8)	2.4 (2.3)	2.4 (2.3)	2.2 (2.1)	2.0 (1.9)
Main trading partners' imports <sup>5</sup>	3.4 (3.4)	4.0 (3.9)	4.4 (4.1)	4.2 (3.9)	3.5 (3.8)
Policy rates in main trading partners (%) <sup>6</sup>	0.1 (0.1)	0.2 (0.2)	0.6 (0.5)	0.8 (0.8)	1.1 (1.0)

1. Year-on-year changes (%) unless otherwise specified (figures in parentheses are from the forecast in *Monetary Bulletin* 2018/1). 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>

	2016	2017	2018	2019	2020
Trade balance	6.3 (6.3)	4.1 (3.7)	2.1 (2.5)	1.4 (2.0)	1.6 (2.2)
Balance on primary income <sup>2</sup>	1.4 (1.4)	-0.5 (-0.2)	-0.8 (-0.6)	-0.7 (-0.5)	-0.6 (-0.4)
Current account balance	7.7 (7.7)	3.7 (3.5)	1.3 (1.9)	0.8 (1.5)	1.0 (1.8)

1. % of GDP (figures in parentheses are from the forecast in *Monetary Bulletin* 2018/1). 2. The sum of primary and secondary income.

Sources: Statistics Iceland, Central Bank of Iceland.

Table 4 Public sector finances<sup>1</sup>

	2016	2017	2018	2019	2020
Overall Treasury balance	12.3 (12.3)	1.2 (0.9)	0.8 (1.4)	0.6 (1.3)	0.5 (1.2)
Primary Treasury balance	15.1 (15.1)	4.0 (3.3)	3.2 (3.9)	2.3 (3.6)	2.1 (3.2)
Primary Treasury balance excluding one-off items <sup>2</sup>	3.3 (3.5)	2.2 (1.7)	1.5 (2.9)	0.9 (2.9)	0.3 (2.8)
Overall general government balance	12.7 (12.7)	1.5 (1.1)	1.0 (1.6)	0.8 (1.5)	0.6 (1.4)
Primary general government balance	15.6 (15.6)	4.5 (3.8)	3.9 (4.6)	2.9 (4.3)	2.7 (3.8)
Total general government debt	53 (53)	42 (45)	40 (39)	37 (37)	37 (37)
Net general government debt <sup>3</sup>	41 (41)	35 (35)	32 (29)	29 (28)	29 (27)

1. % of GDP on an accrual basis (figures in parentheses are from the forecast in *Monetary Bulletin* 2017/4). 2. One-off items are stability contributions, accelerated write-down of indexed mortgage loans, special payment to LSR-A division and dividends in excess of the National Budget 3. Net debt is defined here as total liabilities excluding pension obligations and accounts payable and net of cash and bank deposits.

Sources: Ministry of Finance and Economic Affairs, Statistics Iceland, Central Bank of Iceland.

Table 5 Labour market and factor utilisation<sup>1</sup>

	2016	2017	2018	2019	2020
Unemployment (% of labour force)	3.0 (3.0)	2.8 (2.8)	2.9 (2.8)	3.0 (3.2)	3.4 (3.5)
Employment rate (% of population aged 16-74)	81.1 (81.1)	80.3 (80.3)	79.7 (80.0)	79.5 (79.6)	79.1 (79.2)
Total hours worked	3.0 (3.0)	1.2 (1.2)	2.2 (2.3)	1.6 (1.7)	1.0 (1.2)
Labour productivity <sup>2</sup>	4.4 (4.3)	2.4 (2.2)	1.1 (0.9)	1.4 (1.3)	1.7 (1.5)
Unit labour costs <sup>3</sup>	4.0 (4.6)	5.2 (4.3)	6.7 (5.5)	4.6 (4.9)	2.4 (2.7)
Wage share (% of gross factor income)	61.4 (60.7)	64.3 (63.2)	66.6 (65.1)	67.4 (66.3)	67.0 (66.5)
Real disposable income	9.2 (9.2)	8.0 (7.1)	7.2 (5.9)	4.9 (5.9)	2.3 (2.2)
Output gap (% of potential output)	3.3 (3.4)	2.0 (1.7)	1.2 (1.1)	0.9 (0.8)	0.3 (0.2)

1. Year-on-year change (%) unless otherwise specified (figures in parentheses are from the forecast in *Monetary Bulletin* 2018/1). 2. GDP per total hours worked. 3. Wage costs divided by productivity.

Sources: Statistics Iceland, Central Bank of Iceland.

Table 6 Exchange rate and inflation<sup>1</sup>

	2016	2017	2018	2019	2020
Trade-weighted exchange rate index <sup>2</sup>	179.9 (179.9)	160.3 (160.3)	158.0 (158.9)	154.3 (156.0)	154.3 (154.4)
Real exchange rate (relative consumer prices) <sup>3</sup>	89.1 (89.1)	99.7 (99.7)	101.9 (101.4)	105.1 (103.6)	106.0 (105.6)
Real exchange rate (relative unit labour costs) <sup>3</sup>	85.9 (85.7)	99.9 (98.8)	106.5 (103.5)	112.0 (108.6)	111.9 (109.9)
Inflation (consumer price index, CPI)	1.7 (1.7)	1.8 (1.8)	2.6 (2.6)	2.6 (2.2)	2.8 (2.8)
Inflation (CPI excluding effects of indirect taxes)	1.7 (1.7)	1.5 (1.5)	2.5 (2.5)	2.6 (2.7)	2.8 (2.8)

1. Year-on-year change (%) unless otherwise specified (figures in parentheses are from the forecast in *Monetary Bulletin* 2018/1). 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 7 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)
<i>Measured value</i>			
2017:2	1.7 (1.7)	1.5 (1.5)	3.7 (3.7)
2017:3	1.7 (1.7)	1.4 (1.4)	1.0 (1.0)
2017:4	1.8 (1.8)	1.6 (1.6)	2.5 (2.5)
2018:1	2.5 (2.4)	2.4 (2.3)	2.5 (2.4)
<i>Forecasted value</i>			
2018:2	2.4 (2.5)	2.3 (2.5)	3.4 (4.2)
2018:3	2.7 (2.7)	2.6 (2.6)	2.2 (1.7)
2018:4	2.9 (2.6)	2.8 (2.5)	3.5 (2.2)
2019:1	2.6 (2.2)	2.6 (2.7)	1.5 (0.7)
2019:2	2.5 (2.2)	2.5 (2.7)	2.8 (4.3)
2019:3	2.5 (2.1)	2.5 (2.6)	2.4 (1.4)
2019:4	2.6 (2.2)	2.6 (2.7)	3.5 (2.5)
2020:1	2.8 (2.7)	2.7 (2.7)	2.3 (2.6)
2020:2	2.9 (2.8)	2.9 (2.8)	3.6 (4.9)
2020:3	2.9 (2.8)	2.8 (2.8)	2.0 (1.1)
2020:4	2.8 (2.8)	2.7 (2.8)	3.1 (2.6)
2021:1	2.6 (2.5)	2.5 (2.5)	1.6 (1.6)
2021:2	2.5	2.4	3.2

1. Figures in parentheses are from the forecast in *Monetary Bulletin* 2018/1.

Sources: Statistics Iceland, Central Bank of Iceland.