Gradual growth, growing resilience

Macroeconomic forecast 2026-2028

September 2026

Íslandsbanki Research

Gradual growth, growing resilience

Summary

Modest gains in GDP growth

GDP growth is set to pick up steadily over the forecast horizon, driven by stronger domestic demand and broad-based export growth

1.2% GDP growth in 2026

1.8% GDP growth in 2027

2.3% GDP growth in 2028

GDP growth

External trade on the mend

Traditional export sectors tread water

Intellectual property and land-based aquaculture among key drivers of export growth

Steady export growth throughout the forecast horizon

Current account deficit 3.3% of GDP in 2026

CA deficit roughly 1.0% of GDP in 2027-2028

External trade

Inflation remains persistent

Inflation has been more persistent than previously forecast but is expected to ease gradually over the forecast horizon

Services are the main driver of inflation

Wider slack in the economy and modest pay rises support disinflation

Inflation to average 5.4% in 2026, 4.5% in 2027, and 3.6% in 2028

Inflation

Wider slack in the labour market, but wages keep rising

The slack in the labour market is wider than in recent years, and unemployment will remain elevated early in the forecast period

Unemployment to measure 4.5% in 2026 and 2027 and taper to 3.7% in 2028

Real wage growth to continue during the period, albeit at a slower pace

Wages to rise 6.2% in 2026, 6.0% in 2027, and 4.9% in 2028

Labour market

CBI eases off the brakes, prepares to shift gears

We forecast an unchanged policy rate through 2026

Gradual monetary easing from Q2/2027 until mid-2028

Policy rate roughly 6.0% in the final year of the forecast horizon

The outlook is for ten-year nominal rates of 6.0% and ten-year real rates of 2.5% at the end of the forecast period

Interest rates

ISK strong for now, but expected to weaken later on

FX market in balance despite current account deficit

A smaller underlying CA deficit, the interest rate differential, and inflows via the financial account will support the ISK in the near future

An ISK depreciation grows steadily more likely over the forecast period

A euro could cost about ISK 148 and a US dollar roughly ISK 127 at the end of the horizon

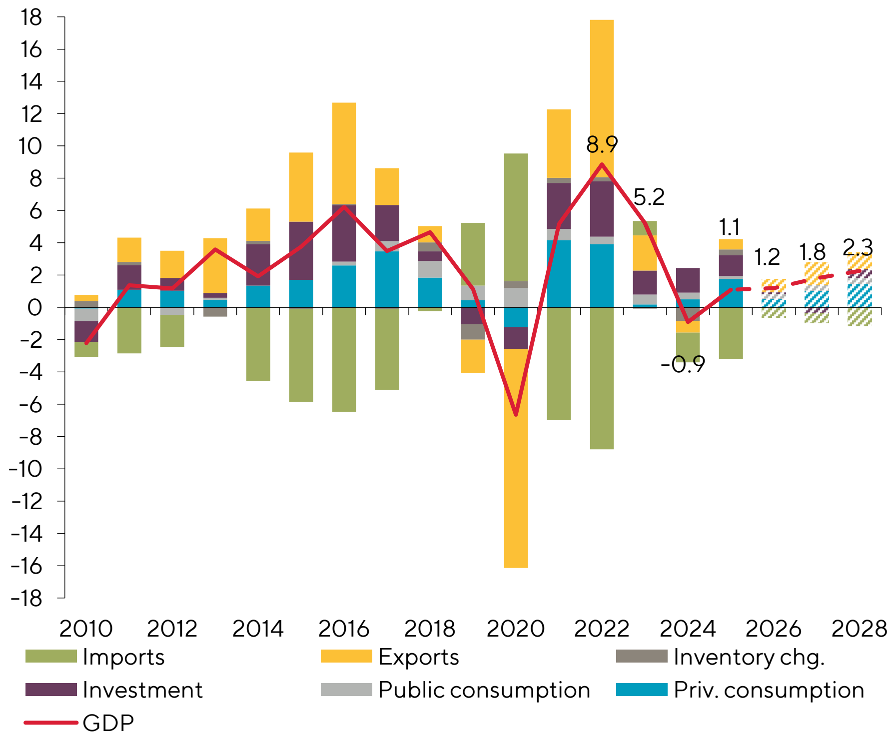
This equates to a depreciation of approximately 4% by the period-end

The ISK

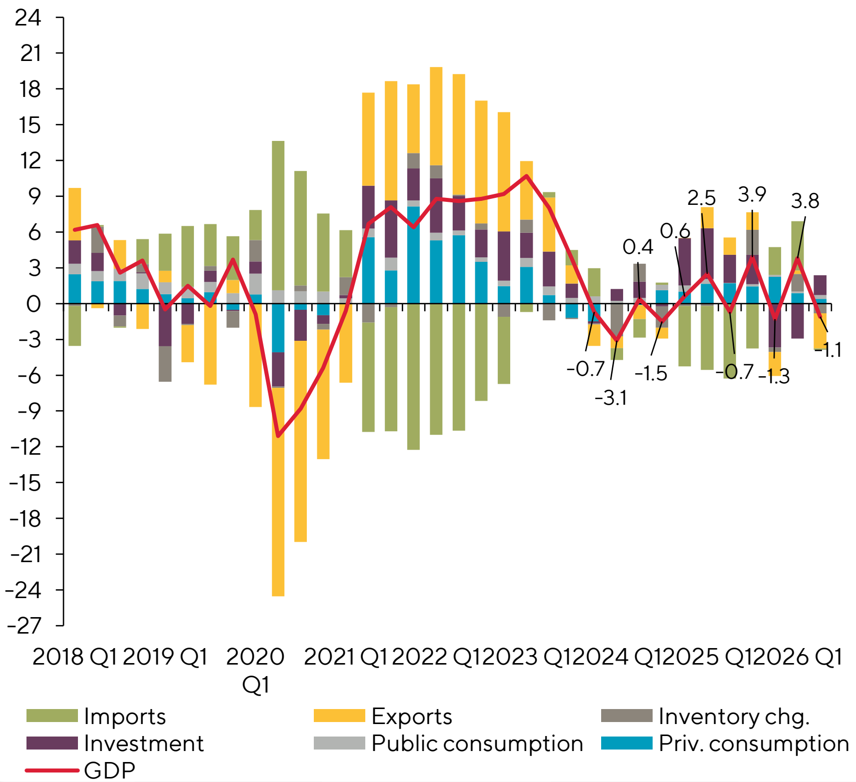
Economic growth to accelerate in coming years

Temporary sluggishness caused mainly by a brief setback in exports and a high real interest rate

GDP and contribution of its subcomponents
Volume change from prior year (%)



GDP and contribution of its subcomponents, by quarter
Volume change from prior year (%)



Sources: Statistics Iceland, ÍSB Research.

After a modest downturn in 2024, with GDP contracting 0.9%, growth resumed in 2025. GDP growth measured 1.1% in 2025, supported by robust private consumption, a continued rise in investment, and modest growth in exports, although imports grew rapidly as well.

The outlook is for a very similar growth rate, or 1.2%, in 2026. The composition of growth will be different than in 2025, however. Domestic demand is set to increase by 1.0%, with modest growth in consumption combined with virtually unchanged investment between years. At the same time, the contribution from net trade is positive: exports will grow by 2.0% and imports by 1.5%, so that external trade will support growth rather than weakening it, in contrast to 2025.

We expect GDP growth to gain pace gradually in the latter half of the forecast horizon, reflecting stronger growth in consumption and a more positive contribution from net trade, offset by a contraction in business investment. In 2028, domestic demand will firm up again, driven not least by stronger private consumption and residential investment. We project output growth at 1.8% in 2027 and 2.3% in 2028.

Economic developments are highly uncertain at present, owing to both domestic and foreign factors.

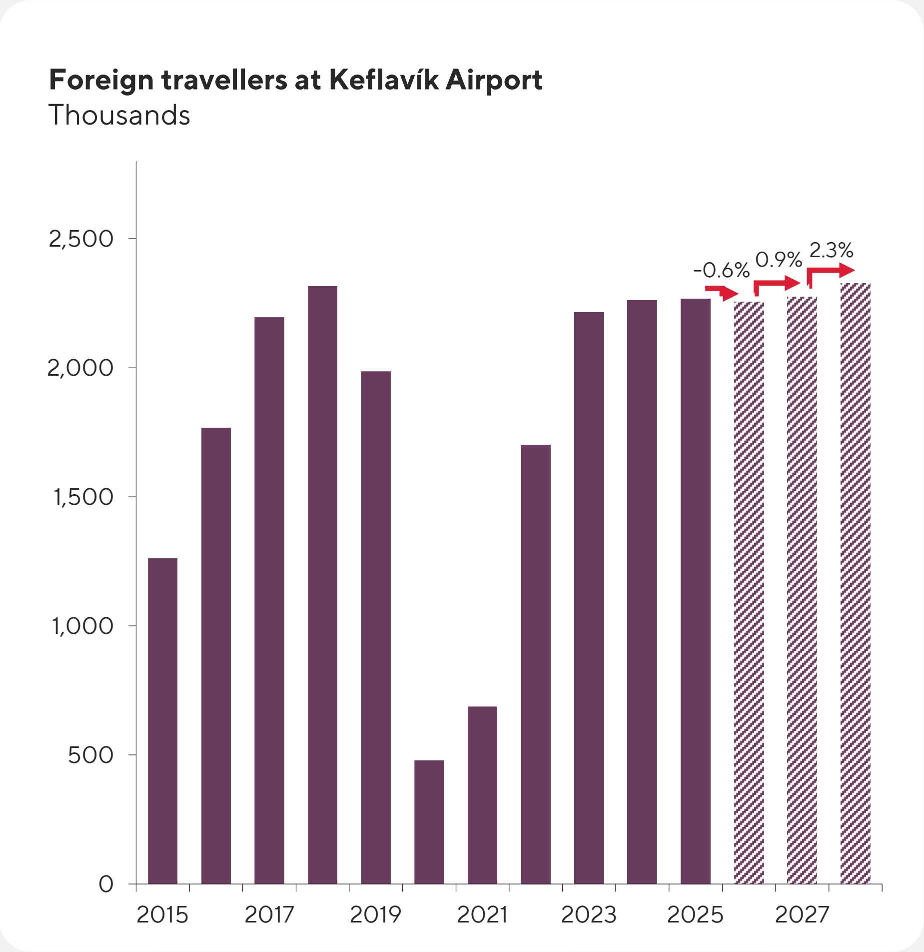
External risks include uncertainty about world trade, movements in energy and commodity prices, and developments in ongoing wars in key conflict zones. Further escalation of trade barriers or new pressures on input prices could delay disinflation and impede growth in key export markets. On the other hand, more favourable developments in commodity prices and stronger GDP growth abroad could support real wages, investment, and demand for Icelandic exports.

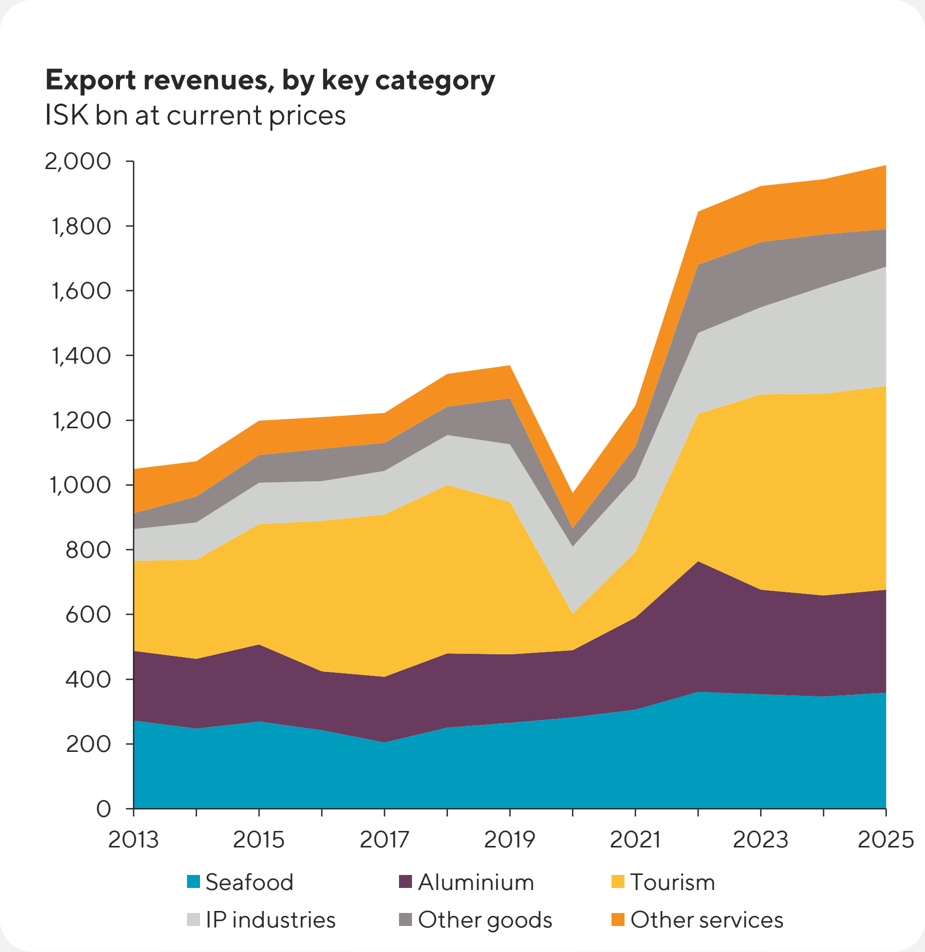
In the domestic economy, the labour market is the chief uncertainty at present, following the activation of the assumptions clause triggering a review of wage agreements. This exacerbates uncertainty about wages, inflation expectations, the policy interest rate path, and stability in the labour market in the first half of the forecast horizon. Furthermore, the seismic activity on the Reykjanes Peninsula and continuing vulnerabilities in the housing market could impede investment and dampen private consumption, with negative wealth effects.

However, productivity growth due to AI utilisation and increases in value added by the intellectual property sector could provide a stronger impetus for sustainable medium-term growth than we project in our forecast.

Traditional pillars of exports growing slowly, while new sectors blossom

Intellectual property and aquaculture take the lead in export growth





The tourism industry has held its ground in recent years despite increasing challenges. The number of visitors grew marginally year-on-year in 2024 and 2025, according to departures from Keflavík Airport.

For 2026, however, the outlook is for an incremental contraction in this leading export sector. Tourist departures via Keflavík Airport were down 1% YoY in the first eight months of 2026, while the number of transit passengers fell markedly. The coming winter is highly uncertain as regards tourist numbers. We expect modest growth in the sector in 2027-2028.

As with the tourism industry, the outlook for 2026 is for a contraction in exports of metals and groundfish, although the latter will be more than offset by a good capelin season and growth in aquaculture, which we classify as "other marine products" in our forecast. In addition, aluminium manufacture is returning to full capacity after last autumn's severe equipment malfunction at one of the smelters.

In addition to aquaculture, the intellectual property sector is growing apace at present. Exports of goods and services falling within the sector totalled ISK 369bn in 2025 and have doubled since the start of the decade.

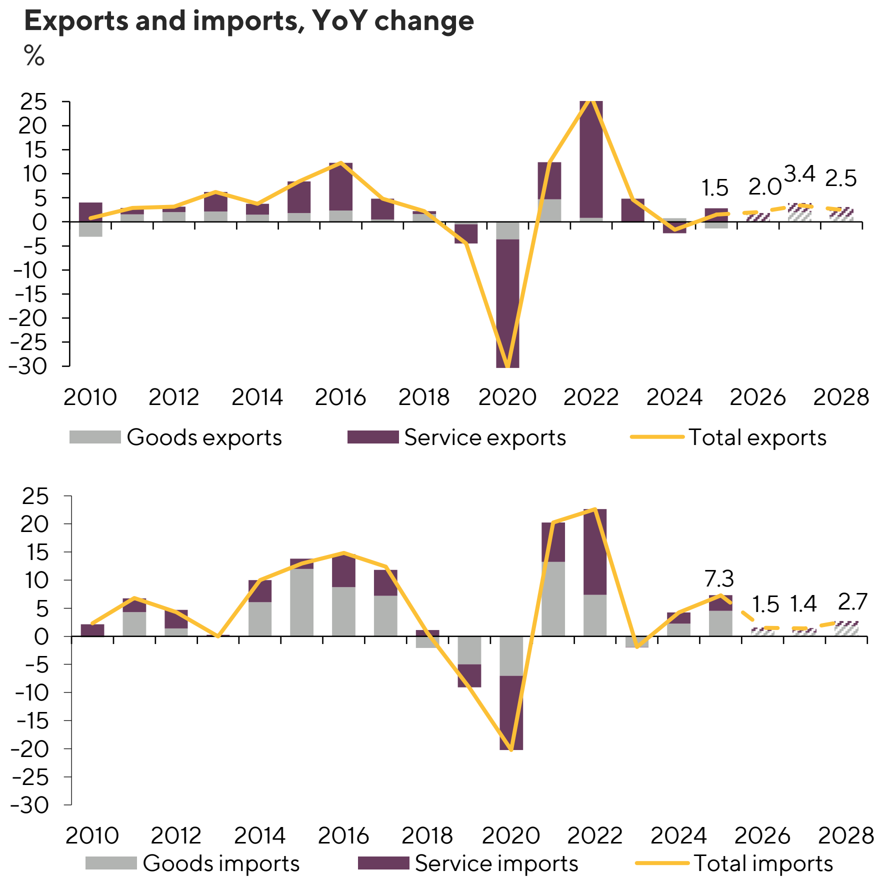
In recent quarters, for instance, revenues from data centres have grown strongly. Export revenues from information and communications technology (ICT) services increased by 65%, to ISK 129bn, in the twelve months to end-June 2026, primarily because of data centres.

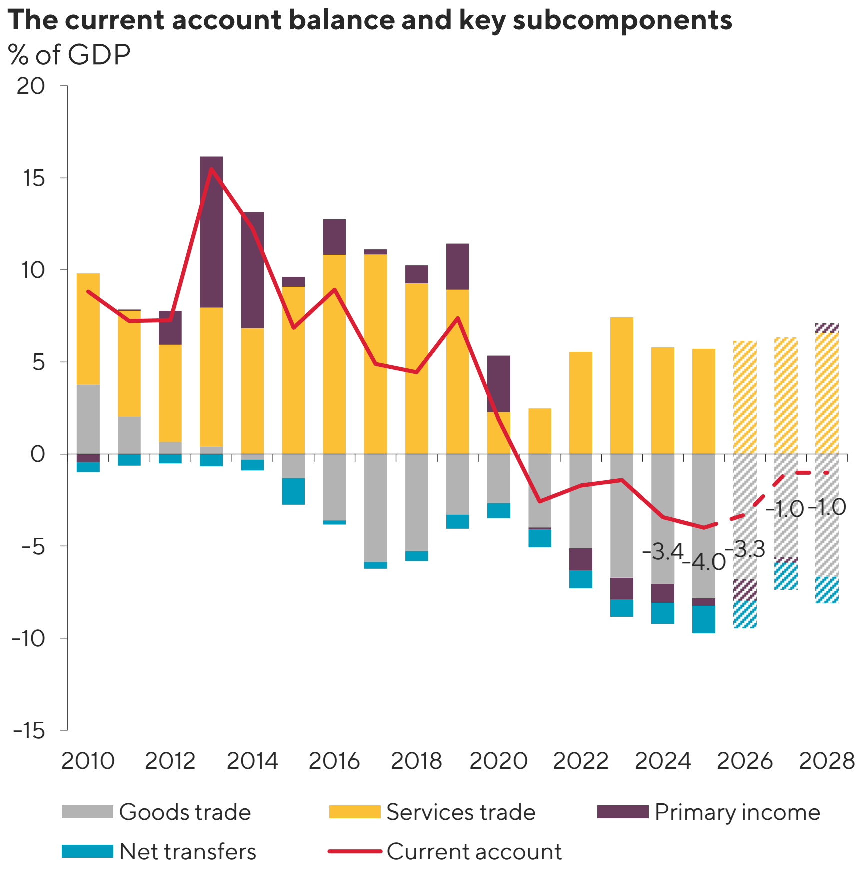
The outlook is still for robust growth in intellectual property exports, due to even stronger data centre activity and continued growth in pharmaceuticals and medical equipment manufacturing, various kinds of recreation, and other sectors.

Sources: Icelandic Tourist Board, Statistics Iceland, ÍSB Research.

External trade moving towards equilibrium

Modest CA deficit in the latter half of the horizon, but the high real exchange rate is a barrier to external equilibrium





After growing by 1.5% in 2025, exports look set to pick up slightly more this year. This year's growth will stem almost entirely from services exports, mostly intellectual property-related services.

Growth will gain further momentum in coming years, with moderate gains in exports of both goods and services. The resolution of manufacturing bottlenecks in the aluminium industry, increased fishing quotas (not least for capelin), and overall growth in intellectual property, land-based aquaculture, and tourism will all contribute.

After strong growth in 2025, imports look set to grow by only 1.5% in 2026, reflecting the slowdown in demand growth. Imports of rental cars and miscellaneous equipment are projected to ease as well.

In the years ahead, imports will regain momentum as economic activity accelerates. The contribution of net trade to output growth will probably be positive in 2026 and 2027 and then be neutral in the final year of the forecast horizon.

After sizeable current account deficits in 2024 and 2025, the outlook is for a better balance in the coming term. It helps that terms of trade have improved, buoyed by high marine product and aluminium prices despite the surge in the price of oil and various imported inputs.

We project the CA deficit at just over 3% of GDP this year and about 1% of GDP per year in 2027 and 2028. This level is sustainable in the sense that, all else being equal, a deficit exceeded by output growth will not cause an increase in the ratio of net external liabilities to GDP.

Nonetheless, a balanced current account is preferable in the long run. The high real exchange rate is an impediment, though, and in the end, the ISK will probably have to give way in order for this balance to be achieved.

Fortunately, Iceland's net international investment position (NIIP) is favourable at present. External assets exceeded external liabilities by nearly 47% of GDP at mid-year 2026. The NIIP has improved recently despite the large CA deficit, as foreign shareholdings have surged in price over the period.

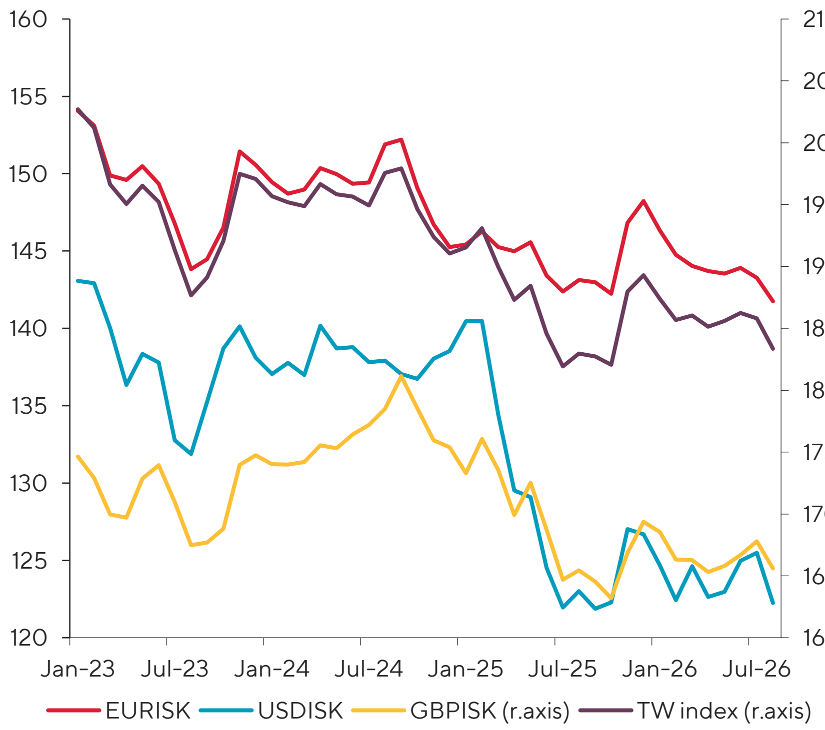
A robust NIIP is very important for exchange rate stability and for foreign entities' confidence in the Icelandic economy. The outlook is for continued solidity in the coming term.

Sources: Statistics Iceland, ÍSB Research.

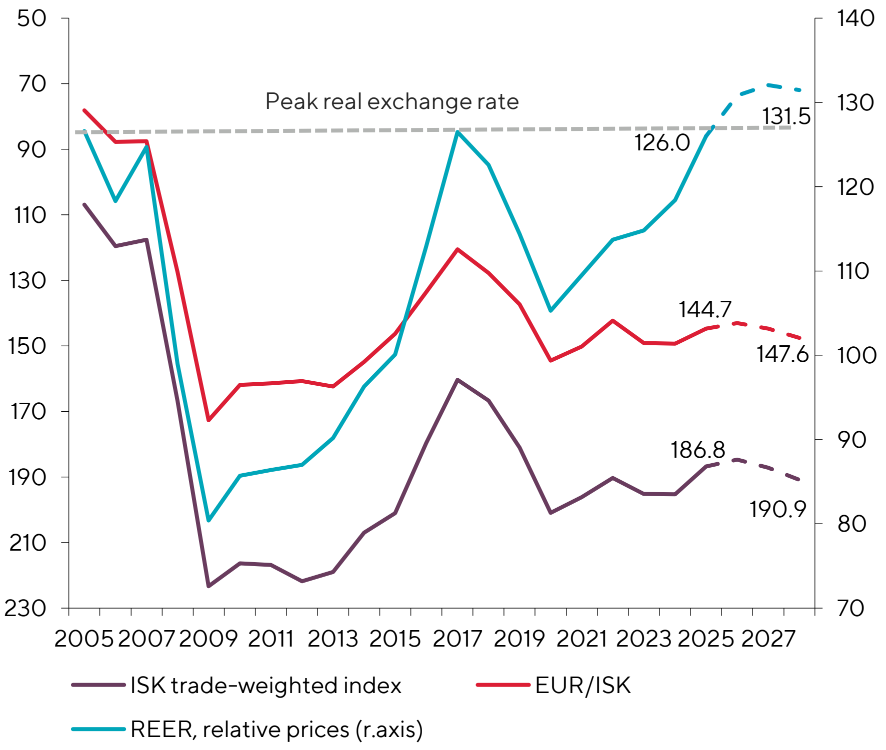
ISK to remain strong at first and then soften over time

A high real exchange rate is a growing challenge for the export sector and puts downward pressure on the nominal exchange rate

ISK exchange rate
Major currencies' exchange rates versus the ISK and index values



Nominal and real ISK exchange rate
Yearly averages, EURISK and indices



After holding remarkably stable in 2023-2024, the ISK appreciated slightly in 2025 and has strengthened even more in 2026 to date. In August, it was more than 3% stronger in terms of the trade-weighted exchange rate index (TWI) than in December 2025.

The stability of the ISK in the face of the past few years' sizeable CA deficit stems from several factors. Trade-related FX flows have been far more favourable than might have been expected at first glance, as a large share of the CA deficit was financed directly by non-residents. In fact, the boom in investment goods imports has been accompanied by FX sales, with the proceeds used to buy services, pay wages, and pay public levies relating to the investments. The peak tourist season also appears to have generated more revenues per tourist, even though tourist numbers have been virtually unchanged between years. FX purchases by the pension funds and the Central Bank (CBI) have pulled in the opposite direction in recent months, however.

As before, the ISK will be supported by a number of factors in the near future. The CA deficit is expected to narrow, the NIIP is strong, Iceland's international reserves are sizeable, the foundations of the economy are solid, and the interest rate differential with abroad will remain fairly wide. The ISK could weaken, however, if this winter's tourist season is sluggish, investment-related inflows of foreign capital contract sharply, or terms of trade worsen materially in coming quarters.

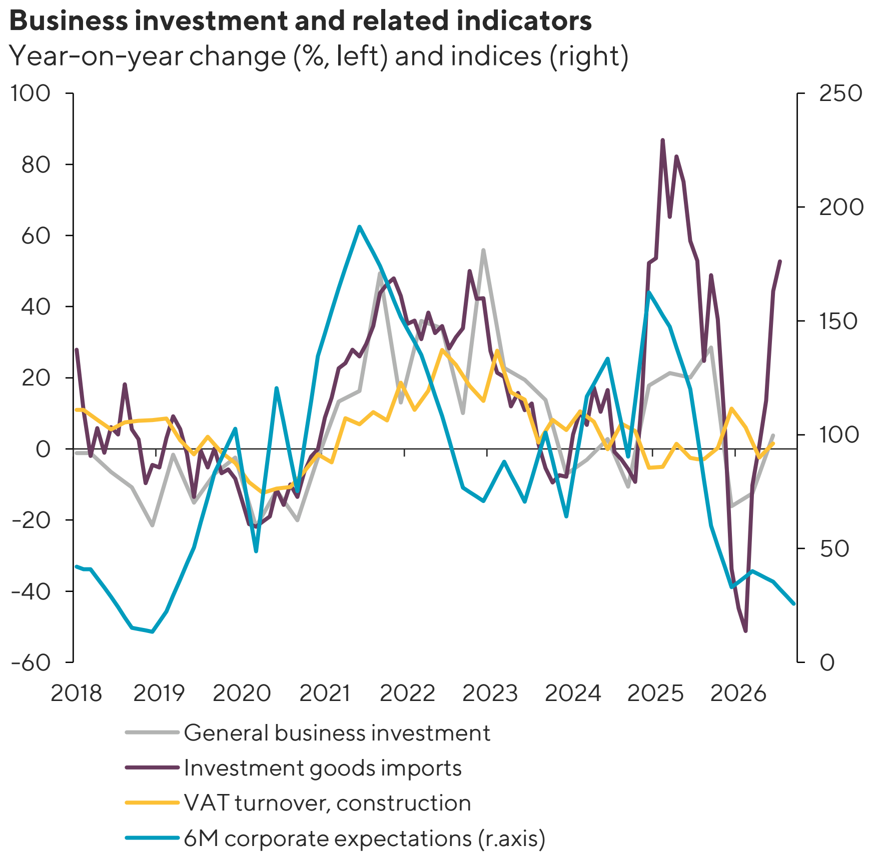
Even so, the real exchange rate is likely to remain historically high, provided that export sectors do not suffer more of a setback than we expect. But because wages and prices rise faster in Iceland than in trading partner countries, the nominal exchange rate will ultimately have to give way, either slowly and steadily or with a steep correction later on.

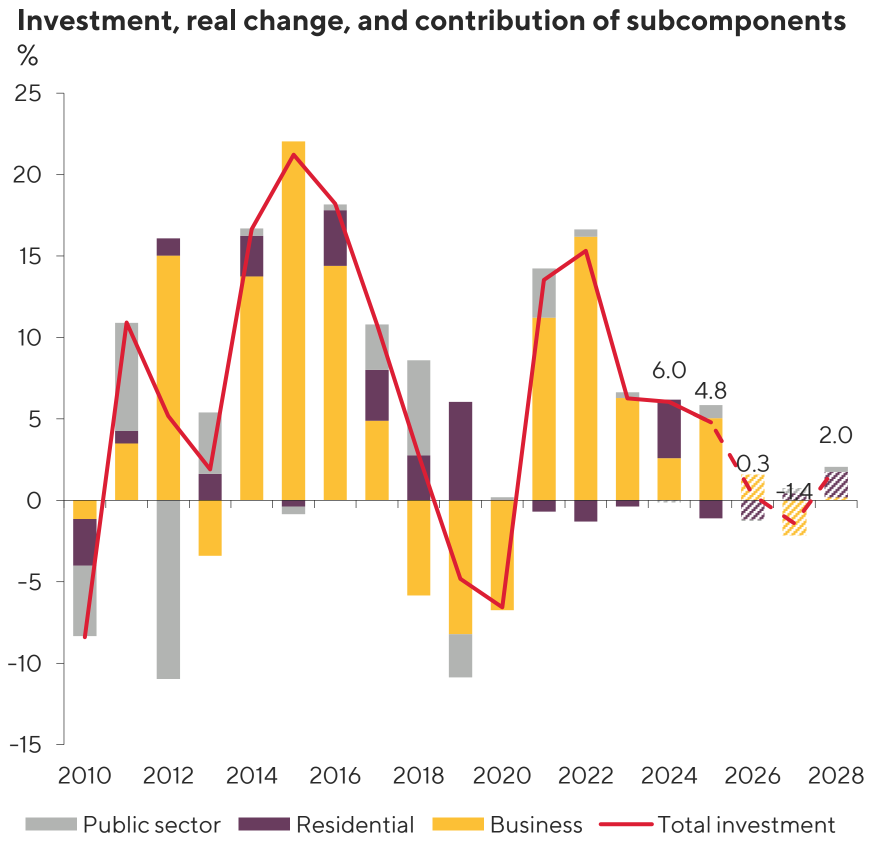
Our exchange rate forecast assumes a gradual depreciation further ahead rather than an abrupt correction. If our assumption holds, the ISK will depreciate gradually, ending the forecast period roughly 4% weaker than at the end of August 2026. This equates to an EURISK exchange rate of 148 and a USDISK exchange rate of approximately 127, based on the two currencies' recent rates. It need hardly be mentioned that this forecast is highly uncertain, as exchange rate forecasts usually are.

Sources: Central Bank of Iceland, Statistics Iceland, ÍSB Research.

Investment set for a moderate dip in 2027

Turning point in data centre development and a demanding environment affect investment in the near term





Investment in the economy has been on the rise over the past five years. Growth has been buoyed up mainly by strong business investment, led by the tourism, fishing, and ICT sectors. Rising real interest rates and greater challenges for exports have slowed the pace of growth in many industries, but this has been offset in the recent past by strong development in sectors such as data centres and aquaculture.

Gross capital formation grew by nearly 5% YoY in 2025, the slowest growth rate since the onset of the pandemic at the start of the decade, and well below its ten-year average of just over 8%. Growth overall was sustained primarily by business investment in 2025, supported by a rise in public investment. Investment in new residential housing contracted markedly in 2025, however, after surging in 2024.

The outlook is for marginal YoY growth in investment in 2026, owing to modest growth in business investment, a continued slowdown in residential investment, and virtually unchanged public investment.

The ongoing growth spurt in data centre development weighs heavily in business investment, as do investments in energy infrastructure and land-based aquaculture. Offsetting this is reduced investment in general commercial property and hotels, plus a downturn in motor vehicle purchases by car rental agencies.

Investment is projected to shrink in 2027, however, not least because of slower data centre development. Pulling in the other direction is continued development in energy infrastructure and land-based aquaculture. Construction of new residential housing will also regain steam in the latter half of the period. Furthermore, public investment will pick up in the final year of the forecast horizon.

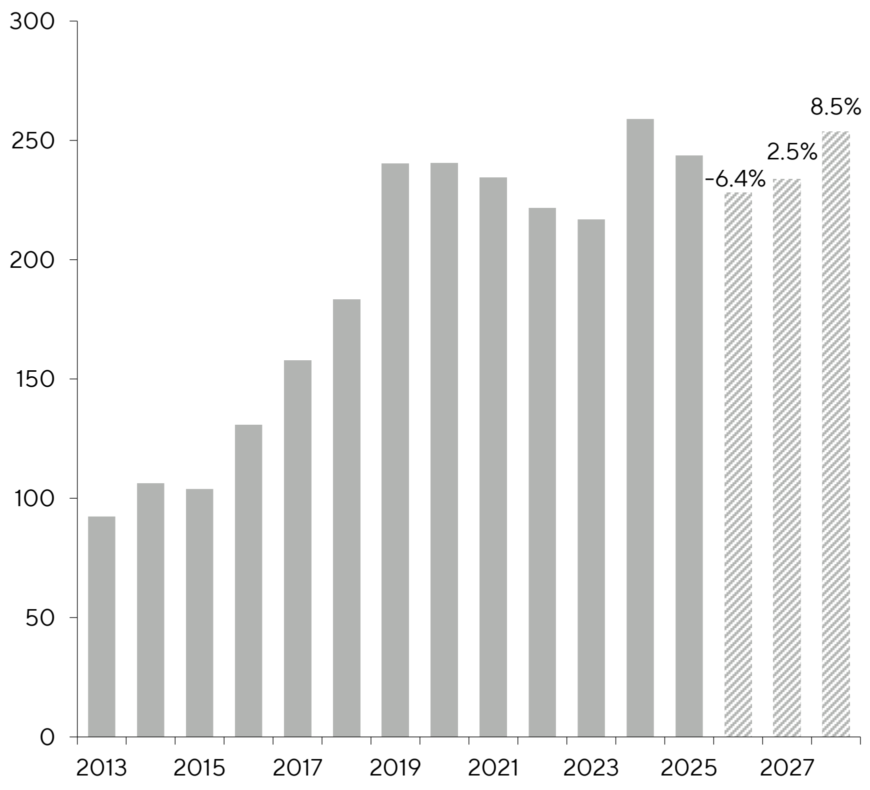
We forecast that investment will contract by 1.4% in 2027 and grow by 2% in 2028. High real interest rates will therefore affect the investment level over much of the forecast horizon. Whether the rebound turns out as strong in 2028 as we project here will depend on factors such as delays in energy procurement and changes in firms' external environment.

Sources: Central Bank of Iceland, Statistics Iceland, ÍSB Research.

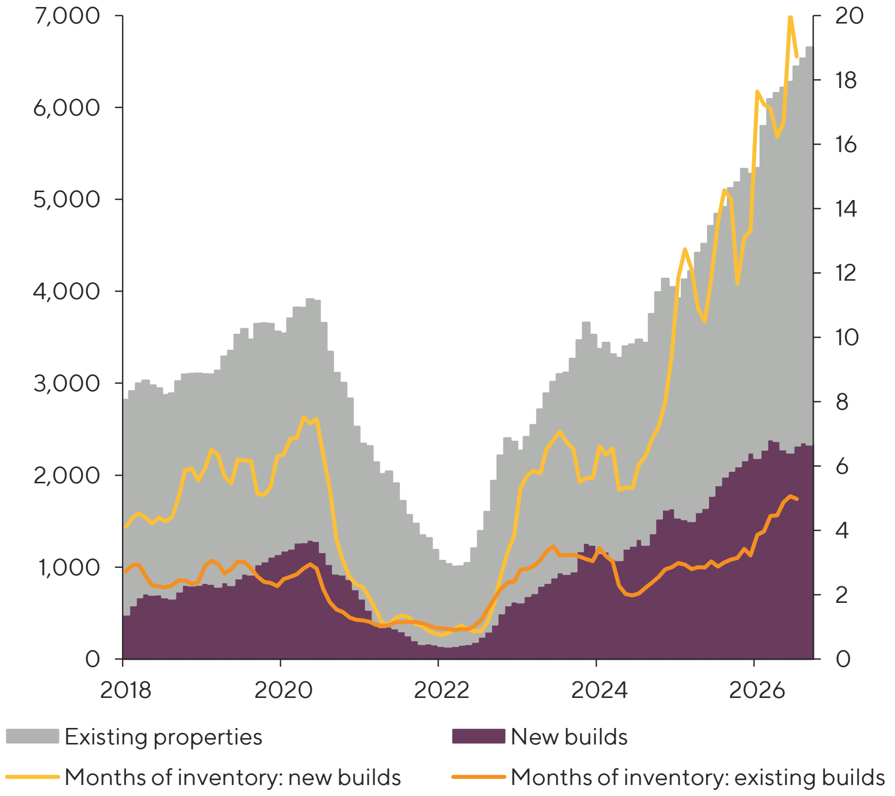
Residential investment shrinks, and new builds accumulate

Slower sales of new builds and larger inventories change the housing market

Residential investment
In ISK bn at 2025 prices



Housing supply
Number of homes for sale nationwide and MOI in the capital area



Residential development has held up quite well despite high interest rates in recent years, but now there are clear signs of a contraction. Sluggish sales of new builds and high financing costs are a burden on construction firms with substantial capital tied up in unsold properties. Residential investment contracted by over 8% in H1/2026, according to preliminary figures from Statistics Iceland (SI). The contraction exceeded our expectations, and we now project a larger contraction than in our last forecast.

We expect a gradual turnaround in residential investment in 2027. Development will pick up again bit by bit over the forecast horizon, and growth will be stronger in the final year, concurrent with increased housing demand.

The Housing, Construction, and Planning Authority's (HMS) September tally shows a marked decline in housing starts. Construction had begun on 772 dwellings since March, just over half the number from the same period in 2025. Furthermore, there are indications that developers are postponing final completion of projects until the selling environment is more favourable. The increased number of homes still at the same stage of construction suggests that progress has slowed, although it does not mean that work on the projects has stopped.

There is already a large supply of fully finished homes available. According to the HMS tally, 1,855 finished properties have not yet been brought into use, nearly twice as many as there were a year ago. This increase is not due solely to recently completed projects; it also indicates that some of the homes in question have been unsold for some time.

This accords with figures on months of inventory (MOI), which have grown considerably in the recent term. According to the CBI, MOI in greater Reykjavík averaged about seven months in July, up from slightly over four months a year earlier. MOI for new builds were far higher, at nearly nineteen months, as compared to five months for resale properties. This shift reflects the current state of the housing market, with substantial supply faced with weaker demand than in previous years.

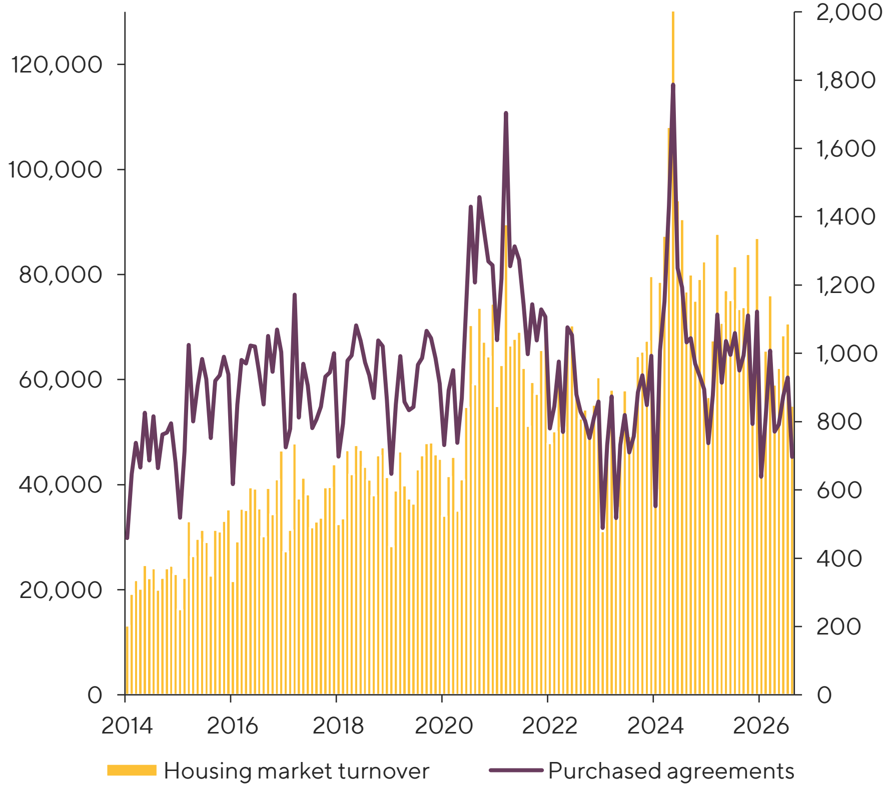
Sources: Central Bank of Iceland; Housing, Construction, and Planning Authority; Statistics Iceland; ÍSB Research.

Housing market at a crossroads

Record-breaking supply eases price pressures, but interest rate cuts could revive the market

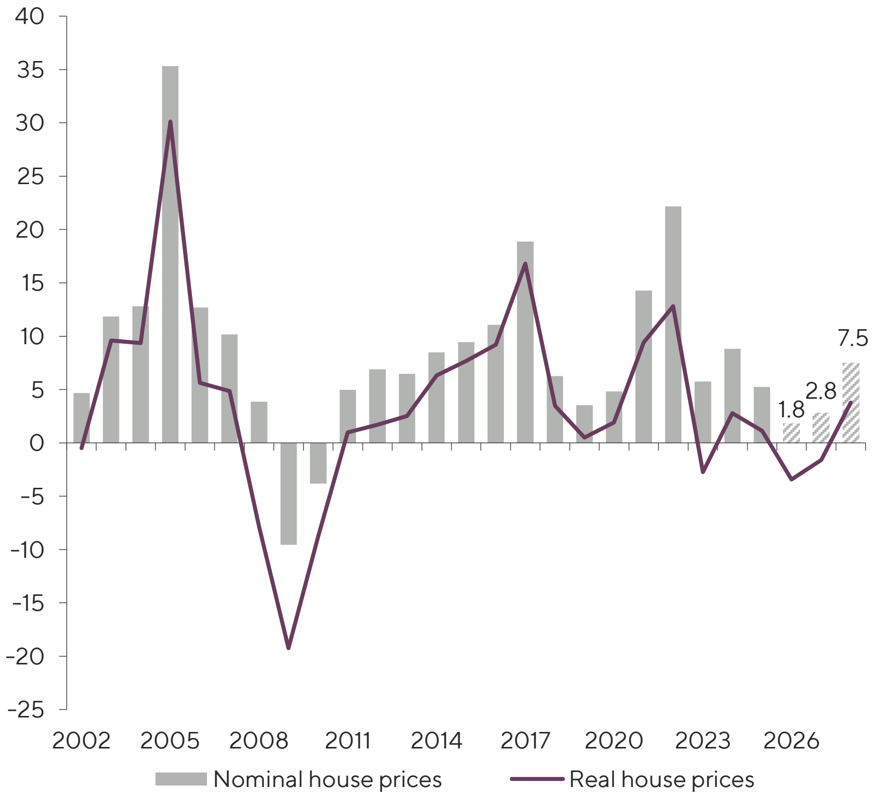
Housing market activity

Turnover in ISK m (left) and number of contracts (right)



Nominal and real house prices

% change



Housing market activity has been on the decline recently, as can be seen in turnover and purchase contract numbers. Contract numbers were down 15% YoY in the first eight months of 2026, and turnover had shrunk by 14%.

High interest rates and tight borrower-based measures have dampened demand for housing. Rules applying to HMS equity loans have been eased and maximum loan-to-value (LTV) ratios for first-time buyers have been increased, giving these buyers readier access to the market. This is probably why the ratio of first-time buyers, at 36% of all buyers in H1/2026, has remained so high.

The housing market is currently at a crossroads. With supply at an all-time high, it can increasingly be characterised as a buyers' rather than a sellers' market. The surge in the number of completed new builds not yet brought into use should dampen price pressures at first, once demand starts to pick up again.

We therefore project that nominal house prices will rise in each year of the forecast horizon. Real prices will fall in 2026 and 2027, however, owing to persistent inflation. We assume that the market will rebound gradually in H2/2027, when interest rate cuts lead to more favourable borrowing terms. Demand will pick up slowly at first but will grow as interest rates fall and economic activity gains pace, and price hikes will be most pronounced in the final year of the forecast horizon.

A number of factors combine to support demand in the market. Households are well positioned financially and still hold sizeable savings, and the outlook is for continued, albeit modest, real wage growth. On the other hand, immigration has slowed, which should ease demand pressures, all else being equal.

Furthermore, rent prices have been rising more slowly in the recent term, although they remain more stubborn than house prices. We project a modest rise in rent over the forecast horizon, alongside improved access to the home purchase market. The imputed rent subcomponent of the CPI could continue to be sticky at first, as a share of rental leases is inflation-indexed, thereby creating a spiral between inflation and rent prices.

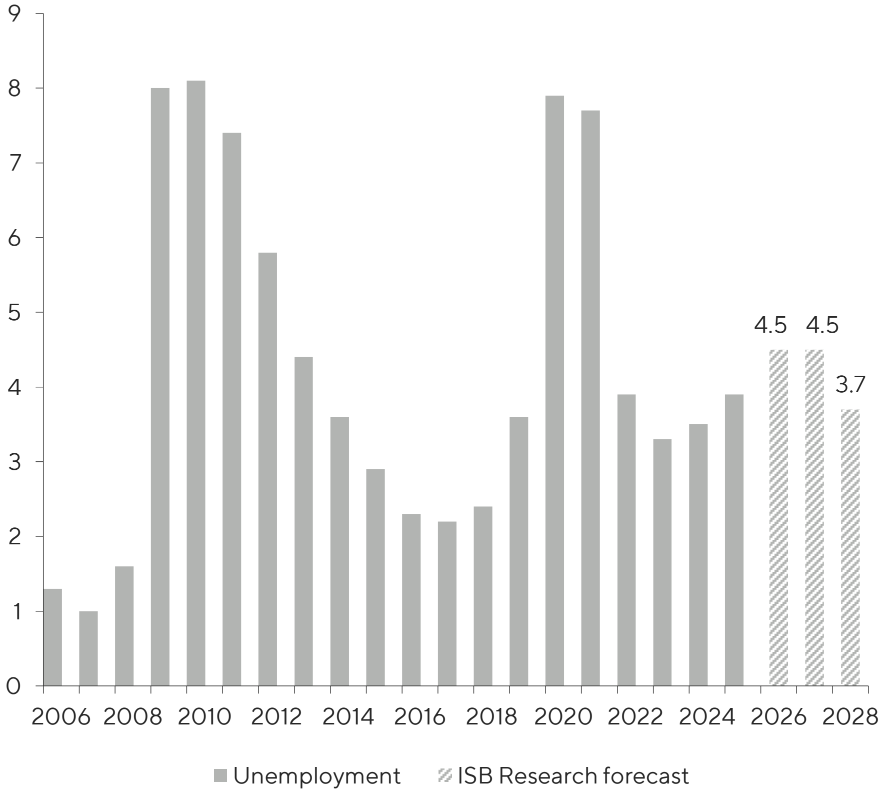
Sources: Central Bank of Iceland; Housing, Construction, and Planning Authority; Statistics Iceland; ÍSB Research.

Labour market chill drags on

Increasing labour market slack eases wage pressures

Nominal and real wages
% change between years

Unemployment as a share of the labour force
%



The labour market is currently characterised by more slack than in recent years. Registered unemployment is at its highest since the effects of the pandemic began to abate. The slack has developed in tandem with a cooling economy and a simultaneous drop in labour demand.

According to the most recent survey, firms planning to hire workers are outnumbered by those planning redundancies, and labour shortages are now at historic lows. Only 15% of executives from Iceland's largest companies now consider their firms understaffed, down from over 50% in 2022. The share of executives planning to take on staff in the next six months has also shrunk, to only 9%.

At the same time, immigration has slowed and unemployment is far higher among foreign nationals than among Icelandic nationals, although the gap between the two groups has narrowed. This suggests that the labour market adjustment takes place partly through reduced labour immigration and increased emigration among those unable to find a job in Iceland.

We expect the current unemployment situation to last well into next year. Iceland's labour market is generally flexible, however, and there is no reason to expect a precipitous rise in unemployment. We expect unemployment to taper off gradually later in the forecast horizon, concurrent with increased economic activity.

At present, wage developments are shaped mainly by long-term wage settlements made in 2024. At the same time, wage drift has subsided considerably as the slack in the labour market has widened. The YoY rise in the wage index has lost pace and is now at its slowest since the start of 2020. Although wages continue to rise, we expect wage inflation to be more moderate than in the past few years.

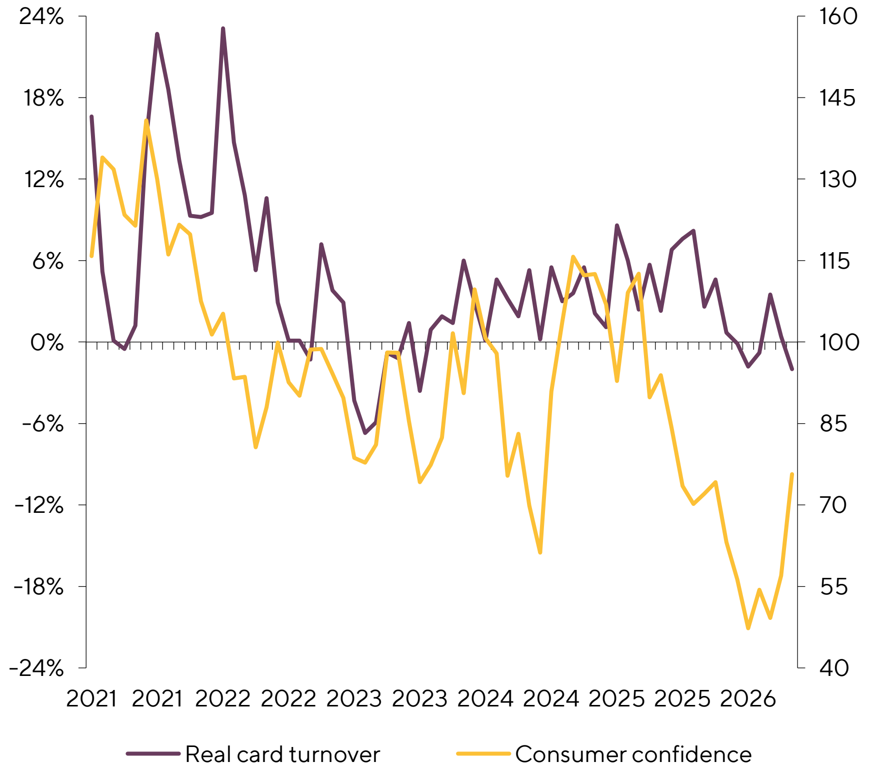
Uncertainties ahead centre mainly on the wage agreements affected by the assumptions clause triggered in September. We expect the contracts to hold, but we assume that wages will rise slightly more in 2027 than is provided for in those contracts. All else being equal, wage agreements will expire in the last year of the forecast horizon, and it is highly uncertain how the situation will look at that time. Despite persistent inflation over the forecast horizon, real wages will hold their ground during the period and rise marginally over time.

Sources: Directorate of Labour, Statistics Iceland, ÍSB Research.

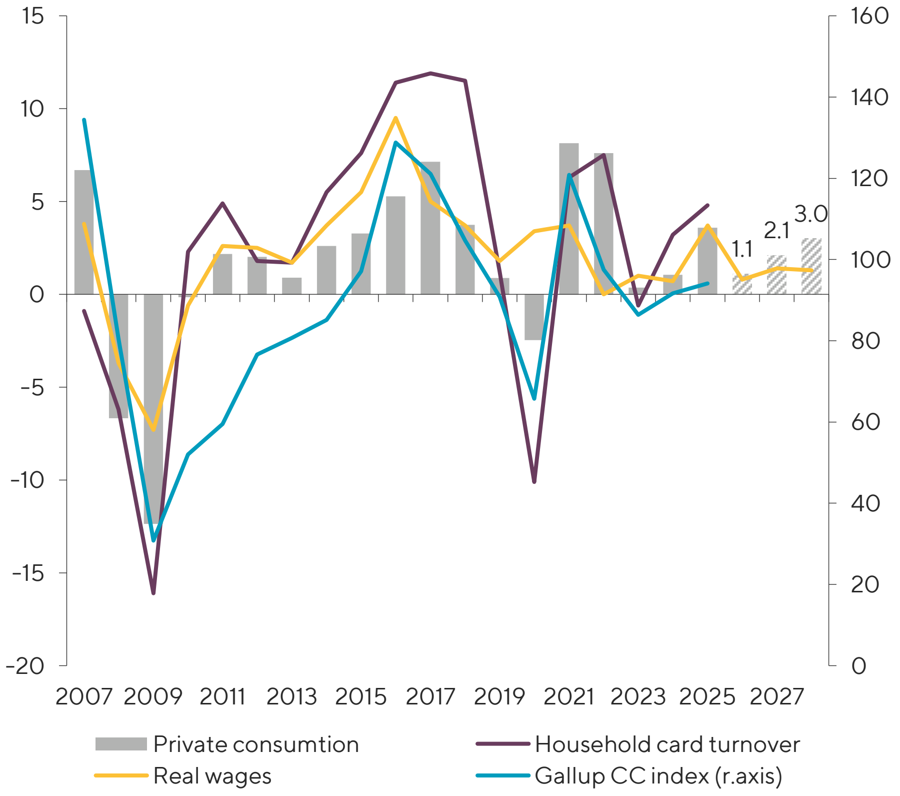
Subdued private consumption growth ahead

Households' strong financial position supports continued private consumption growth

Consumer Confidence Index and payment card turnover
Real card turnover (left) and Gallup CC index (right)



Private consumption and related indicators
% change year-on-year (left) and index value (right)



Private consumption picked up in 2025, growing by 3.6% despite growing labour market slack and a cooling economy. Growth has subsided markedly in 2026 to date, however, and more rapidly than we had anticipated. In H1, private consumption growth measured only 1.3% YoY, and most indicators imply that households have reined in their spending even more in Q3.

Developments in payment card turnover, household sentiment, and overseas travel all point in the same direction. In general, households appear to have cut back on consumption due to persistent inflation, high interest rates, and heightened uncertainty about the economy and labour market. This can be seen clearly in this year's sluggish growth in private consumption.

Even though households are clutching their wallets more tightly, they are well positioned overall, with modest debt and historically low arrears. They still hold sizeable savings from the pandemic era, although they have drawn down their balances since then. Purchasing power has held up over the period and looks set to keep growing during the forecast horizon. These factors should support private consumption in the coming term despite the increased slack in the economy.

Nonetheless, we have lowered our private consumption forecast for 2026 and 2027, mainly because we expect both the chill in the economy and the slack in the labour market to last longer than previously assumed. Even so, we expect private consumption to keep growing each year during the forecast horizon. As inflation, interest rates, and unemployment ease and economic activity regains steam, we expect private consumption growth to pick up speed gradually.

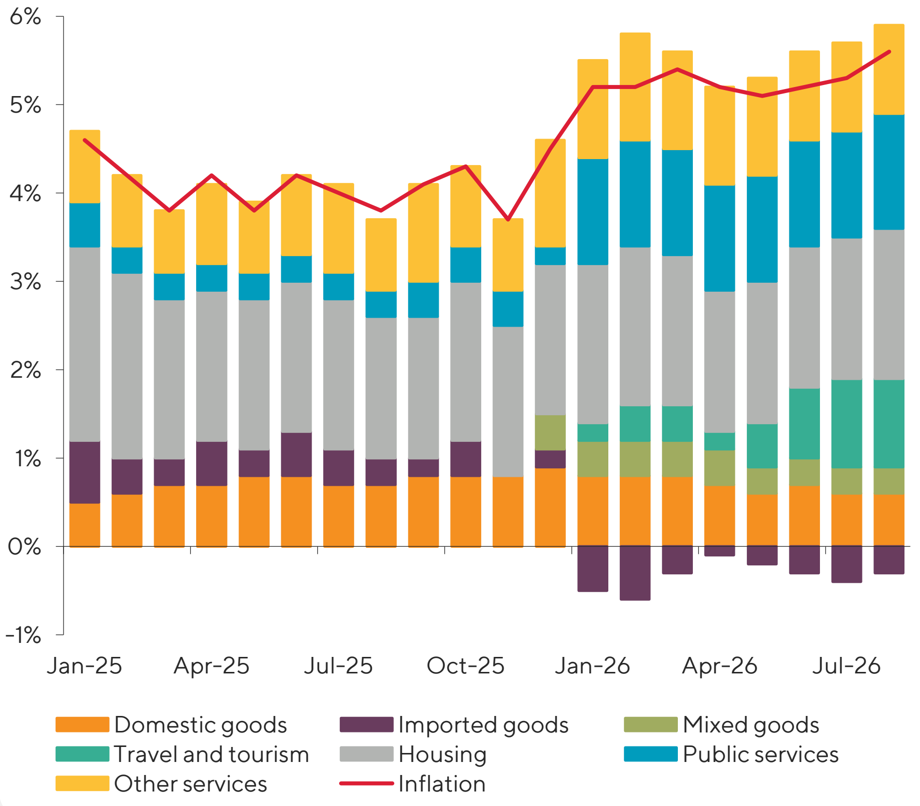
Because GDP growth is largely consumption-driven, more subdued private consumption growth is one of the main reasons we project GDP growth to be weaker in the first half of the forecast horizon than previously assumed.

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

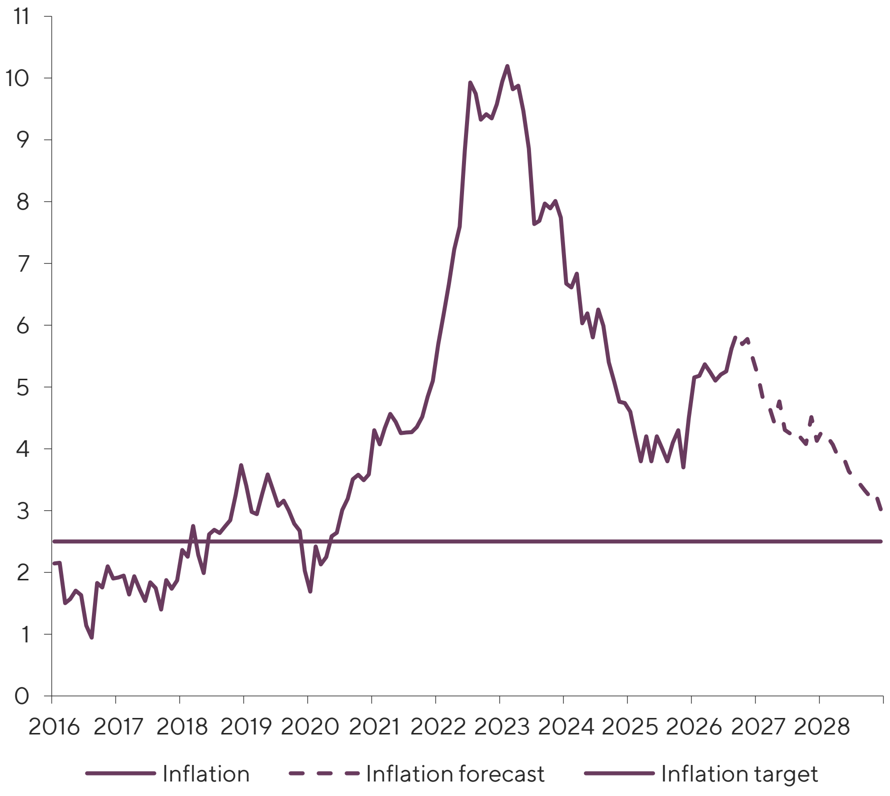
Inflation more stubborn than previously thought

Services inflation a major driver of inflation in the coming term

Composition of inflation
CPI, by nature and origin %



Observed and forecast twelve-month inflation
%



Sources: Central Bank of Iceland, Statistics Iceland, ÍSB Research.

Inflation has turned upwards again in 2026, after having hovered around the 4% upper deviation limit of the target through all of 2025. This year, however, it has approached 6% and is at a two-year high.

At present, most of inflation can be attributed to services. The housing component represents the largest share, at just over 30% of total inflation, down from its peak of more than half of the headline rate. Close on its heels are public services, which represent just under a quarter of inflation, while other services account for just under one-fifth. The composition of inflation has therefore changed markedly since the early-2023 peak.

We now project more persistent inflation than in our previous forecast. The past few months' developments indicate that inflation will be higher in 2026 and 2027 than previously anticipated. We assume, though, that it will subside fairly quickly in 2027 and hold close to the 4% upper deviation limit for most of that year.

In order for inflation to fall back to target, hikes in services prices must give way. We expect the wider slack in the economy and more modest pay rises to contribute to disinflation in the coming term. Inflation will not realign with the CBI's target during the forecast horizon, although it will approach 3% at the end of 2028.

This forecast is subject to significant uncertainty, which is concentrated on the upside. External factors include the situation in the Persian Gulf and movements in oil prices. Oil prices have risen again, and if the increase proves to be a lasting one, it could affect inflation more strongly than is assumed here.

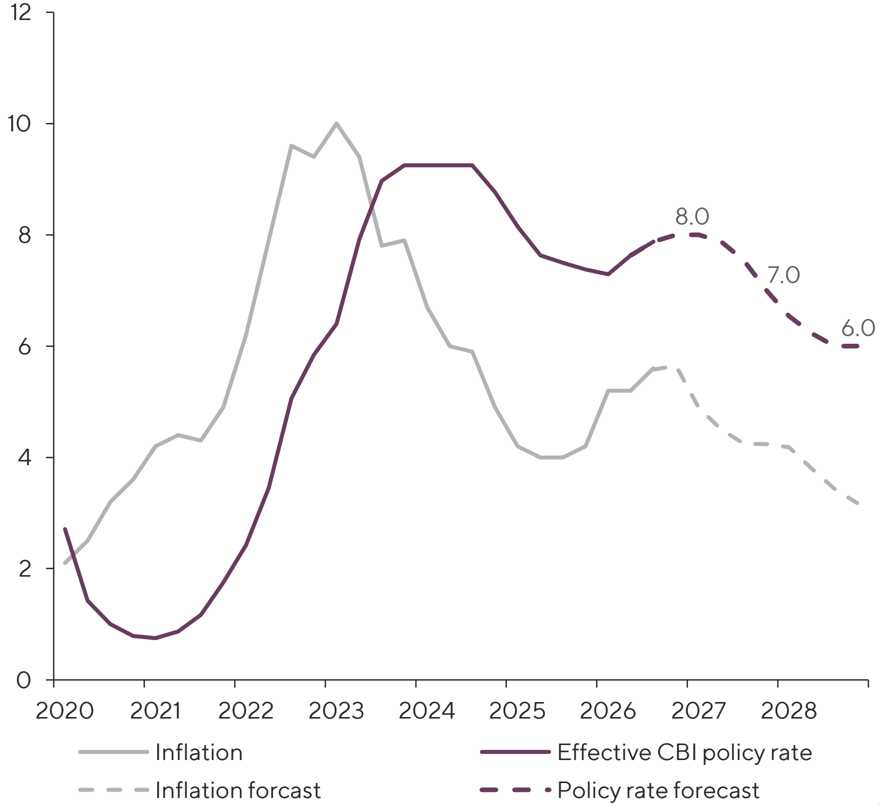
Domestic uncertainties centre mainly on the possibility of labour market disputes that could delay disinflation. The ISK is also an important variable. A weaker-than-expected ISK would exacerbate imported inflationary pressures and cause inflation to be more persistent. On the other hand, tight monetary policy could cause the economy to cool more than is assumed here. If so, inflation could subside faster than is assumed in the forecast.

Central Bank likely to start monetary easing next spring

Policy rate could fall by 2 points during the forecast horizon, paving the way for a drop in long-term rates

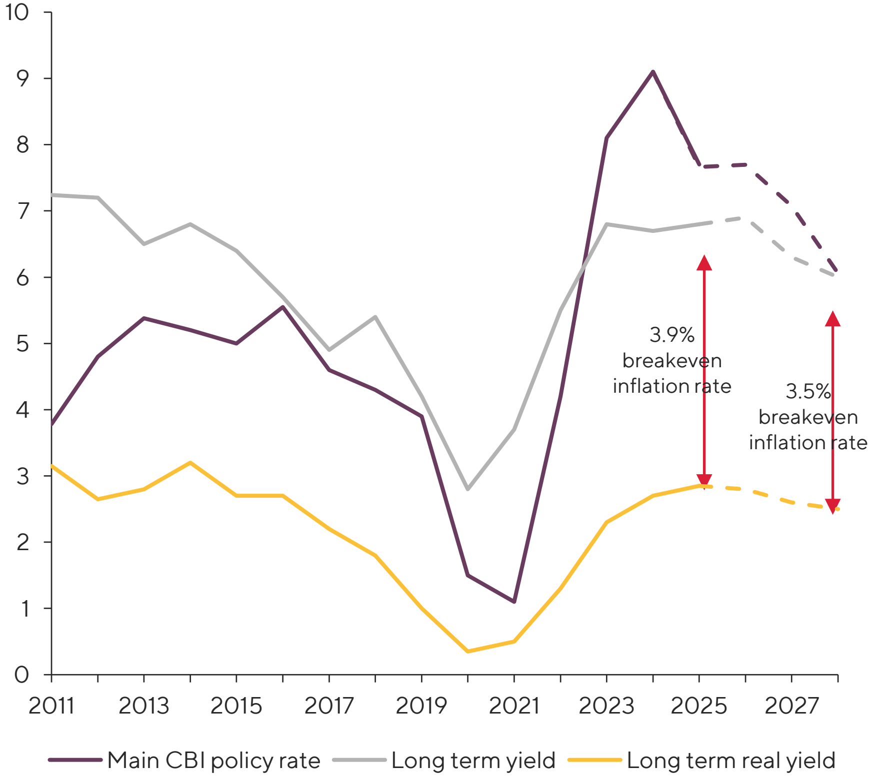
Policy rate and inflation

%, quarterly averages



Interest rates

%. Long-term interest rates are rates on Government bonds with a 10-year average duration



After an uninterrupted unwinding phase lasting from autumn 2024 through end-2025, the CBI was forced to reverse course and start tightening interest rates again in March 2026. It has raised the policy rate by 0.75 percentage points year-to-date, to 8.0%.

However, the tone in the Monetary Policy Committee's (MPC) statement was considerably milder in August than earlier in the year, suggesting that the tightening phase was at an end in spite of the bleak short-term inflation outlook.

We do not expect further policy rate hikes unless inflation pushes even higher than we have projected in the quarters to come. The policy rate will probably be held unchanged until next spring, whereupon the MPC could start on a gradual easing phase lasting until well into 2028. This unwinding could end with a policy rate around 6.0% by H1/2028, provided that economic and inflation developments are in line with our forecasts.

Long-term interest rates are still high and have inched upwards in 2026 to date. Based on Treasury yield curves, nominal ten-year base rates are now around 7.1%, and the corresponding real rate on indexed bonds is 3.0%. Iceland's real interest rate is still quite high by nearly all measures.

We estimate that long-term nominal rates could fall to 6.0% and real rates to 2.5% over the forecast horizon. Accordingly, the long-term breakeven inflation rate would be 3.5%, as compared with the current rate of just under 4.0%. It should be noted, however, that long-term inflation expectations in the market are probably lower than this, as the breakeven rate includes an uncertainty premium.

Yet we believe the equilibrium real interest rate in the economy to be higher than was generally thought in the not-too-distant past. This is in line with developments internationally, but it is also a sign of more persistent inflation and more resilience in the economy than was previously envisioned. We therefore consider the aforementioned forecast for 2028 to be close to equilibrium.

Sources: Central Bank of Iceland, Kodiak, Statistics Iceland, ÍSB Research.

Macroeconomic forecast summarised

GDP and its components

Volume change from prior year %	2025 in ISK m	2024	2025	Forecast 2026	Forecast 2027	Forecast 2028
Private consumption	2,439,647	1.0	3.6	1.1	2.1	3.0
Public consumption	1,284,176	1.6	0.7	1.2	1.4	1.4
Investment	1,327,066	6.0	4.8	0.3	-1.4	2.0
– business investment	875,037	3.9	7.8	2.4	-3.2	0.3
– residential investment	250,001	19.9	-5.4	-6.4	2.5	8.5
– public investment	202,028	-0.7	5.4	-0.2	2.0	2.0
Changes in inventories	-4,304	-0.9	0.4			
Domestic demand, total	5,046,585	1.7	3.6	1.0	1.0	2.3
Exports of goods and services	1,997,388	-1.6	1.5	2.0	3.4	2.5
– marine product exports (including aquaculture products)	403,324	0.4	0.7	5.2	0.5	1.0
– aluminium products	332,124	-3.4	6.2	-6.0	7.9	0.5
– other goods exports	215,507	14.1	-13.1	2.5	2.8	3.0
– services exports	1,046,433	-4.6	5.6	3.2	3.4	3.6
Imports of goods and services	2,102,762	4.2	7.3	1.5	1.4	2.7
– goods imports	1,338,986	3.4	7.1	1.6	1.1	3.0
– services imports	763,776	5.8	7.7	1.3	1.9	2.3
Gross domestic product	**4,941,211**	**-0.9**	**1.1**	**1.2**	**1.8**	**2.3**

Sources: Statistics Iceland, ÍSB Research.

Macroeconomic forecast summarised

Other economic variables

% of GDP	2024	2025	Forecast 2026	Forecast 2027	Forecast 2028
Investment	26.7	26.9	26.2	25.3	25.3
Current account balance	-3.4	-4.0	-3.3	-1.0	-1.0
Trade account balance	-1.3	-2.1	-0.7	0.7	-0.1
Change between annual averages (%)					
Consumer prices	5.9	4.1	5.4	4.5	3.6
Wages and salaries	6.6	7.9	6.2	6.0	4.9
Real wages	0.7	3.7	0.8	1.4	1.3
Real exchange rate in terms of relative consumer prices	3.4	6.0	3.8	0.9	-0.5
House prices	8.1	5.3	1.8	2.8	7.5
Annual average (%)					
Unemployment (Directorate of Labour)	3.5	3.9	4.5	4.5	3.7
Trade-weighted exchange rate index	195.3	186.8	184.7	187.2	190.9
EURISK	149.3	144.7	143.0	144.7	147.6
CBI policy rate (7-day term deposits)	9.1	7.7	7.7	7.6	6.2
Long-term nominal interest rates (10-yr nominal Government bonds)	6.7	6.8	6.9	6.6	6.2
Long-term real interest rates (10-yr indexed Government bonds)	2.7	2.9	2.9	2.8	2.6

Sources: Central Bank of Iceland, Directorate of Labour, Statistics Iceland, ÍSB Research.

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