September 2023

Macroeconomic forecast:

Turbulence gives way to calmer waters

Turbulence gives way to calmer waters

Summary

Considerably slower GDP growth tempo ahead

GDP growth

- GDP growth modest in 2023 but set to gain pace in 2024 and 2025
- 2.2% growth in 2023
- 2.6% growth in 2024
- 3.0% growth in 2025

Current account set to rebalance, deficit to close

External trade

- Tourism plays a key role in export growth
- Exports to grow 6.8% in 2023 and imports by 4.9%
- 0.6% current account surplus in 2023
- Marginal CA surpluses in 2024 and 2025

Inflation to ease over time

Inflation

- Inflation subsiding after recent spike
- Housing market moving towards equilibrium, with house prices tempering inflation
- More stable prices abroad and a gradual appreciation of the ISK foster disinflation
- Inflation to average 8.7% in 2023, 5.4% in 2024, and 3.7% in 2025

Labour market pressures to recede slowly and steadily

Labour market

- Demand for imported labour to remain strong
- Unemployment to average 3.2% in 2023, 3.8% in 2024, and 4.0% in 2025
- Strong labour demand sustains wage pressures, but disinflation will ease them over time
- Wages to rise 9.3% in 2023, 7.8% in 2024, and 6.1% in 2025

Policy rate to remain high in the coming term

Interest rates

- Monetary tightening to conclude by end-2023
- Policy rate likely to peak at 9.5%
- Gradual monetary easing starting in early 2024
- Policy rate 6.0% near the end of the forecast horizon

ISK likely to strenghten further over the forecast horizon

The ISK

- Improving CA balance and investment-related FX inflows support the ISK
- Pension funds' foreign investment and other portfolio outflows will pull in the opposite direction
- The outlook is for the ISK to be 5% stronger at the end of the forecast horizon than in August 2023
- A high real exchange rate will cut into the CA surplus and could put downward pressure on the ISK further ahead

The Icelandic economy has been recovering strongly after a brief but abrupt contraction early in the 2020s. GDP growth measured 7.2% in 2022, its strongest since 2007. Tourism-related export growth was especially strong, and private consumption and business investment were robust as well.

We forecast GDP growth for 2023 at 2.2%, well below our spring forecast, owing mainly to weaker growth in private consumption and investment. Export growth will be the main driver of output growth this year, and the contribution from domestic demand will be much smaller than in 2021 and 2022.

For 2024, we forecast GDP growth to rise to 2.6%, owing mainly to faster growth in consumption. The outlook is for 3.0% GDP growth in 2025, with growing domestic demand outweighing weaker export growth.

Among key global uncertainties is whether and how geopolitical tension between economic blocks will come to the fore in the near future. Global inflation could also prove more persistent than we expect, partly due to the recent rise in energy prices, plus tight labour markets and strong wage pressures in many trading partner countries.

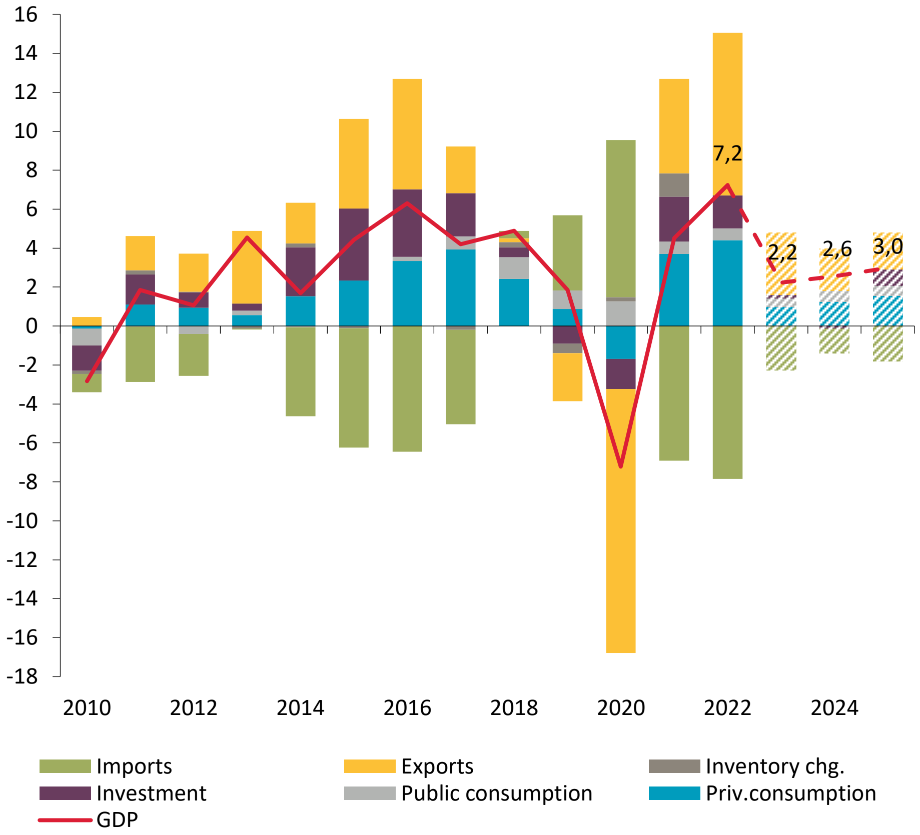
In Iceland, developments further ahead will depend on the results of this winter's wage negotiations and on how strongly severe monetary tightening ultimately affects households and businesses. Changes in many households' mortgage financing could also cause developments to differ from this forecast. About one-third of mortgages bear fixed interest rates and will be subject to interest rate reviews during the forecast horizon. This brings with it considerable uncertainty about near-term developments in the housing market, which will strongly affect inflation, interest rates, investment, and consumption during the horizon.

GDP growth to lose steam in 2023 and then gradually regain strength

Exports set to drive near-term output growth, with domestic demand picking up later in the forecast horizon

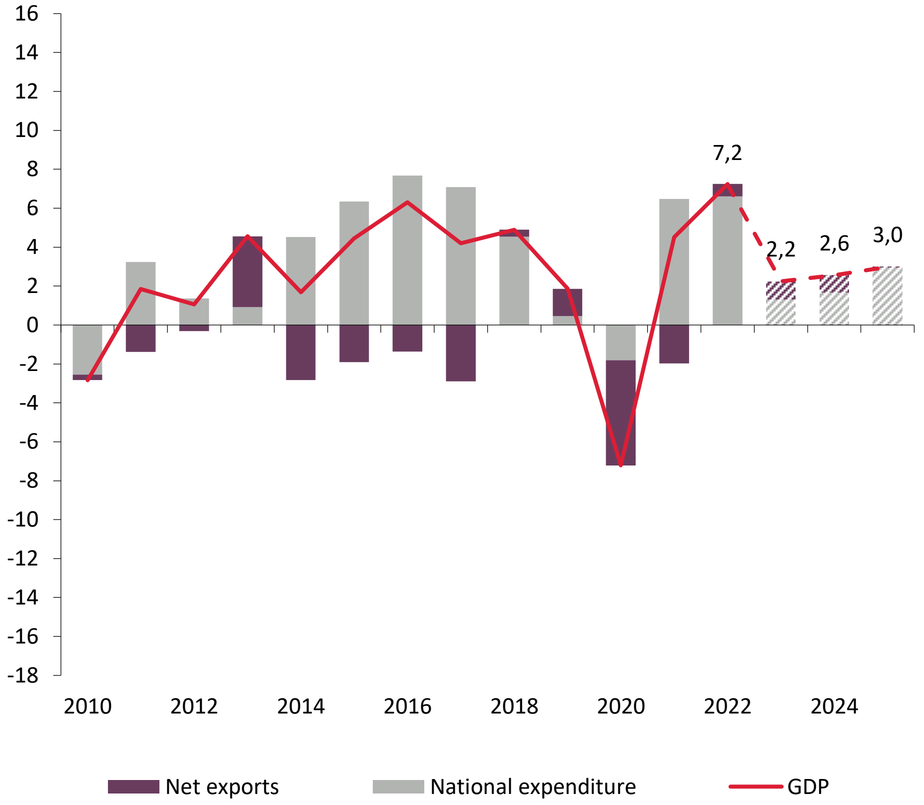
GDP and contribution of its subcomponents

Volume change from prior year (%)



GDP, domestic demand, and external trade

Volume change from prior year (%)



Sources: Statistics Iceland, ÍSB Research.

The tourism industry has recovered rapidly from the body blow it suffered with the onset of the pandemic. Departure figures from Keflavík Airport show that nearly 1.7 million foreign nationals visited Iceland in 2022.

In 2023 to date, tourist numbers are up more than one-third YoY. In all, 1.5 million foreign visitors came to Iceland via Keflavík Airport in the first eight months of this year. Cloudy economic skies in the home countries of many visitors to Iceland appear to have no discernible impact on tourist arrivals.

The outlook for the coming winter is good, and most indicators suggest that next summer will be even busier than this one.

We forecast that a full 2.2 million tourists will arrive via Keflavík Airport this year, potentially making 2023 the second-strongest year to date in terms of visitor numbers. Export revenues from tourism will probably smash the record as soon as this year, however, as they look set to total roughly ISK 600bn.

We expect tourist numbers to exceed 2.4 million in 2024 and 2.5 million in 2025, thereby setting new records if our forecast materialises. It should be noted that the totals forecast here include only departures via Keflavík Airport, not cruise ship passengers, visitors arriving with the Smyril Line ferry, and others.

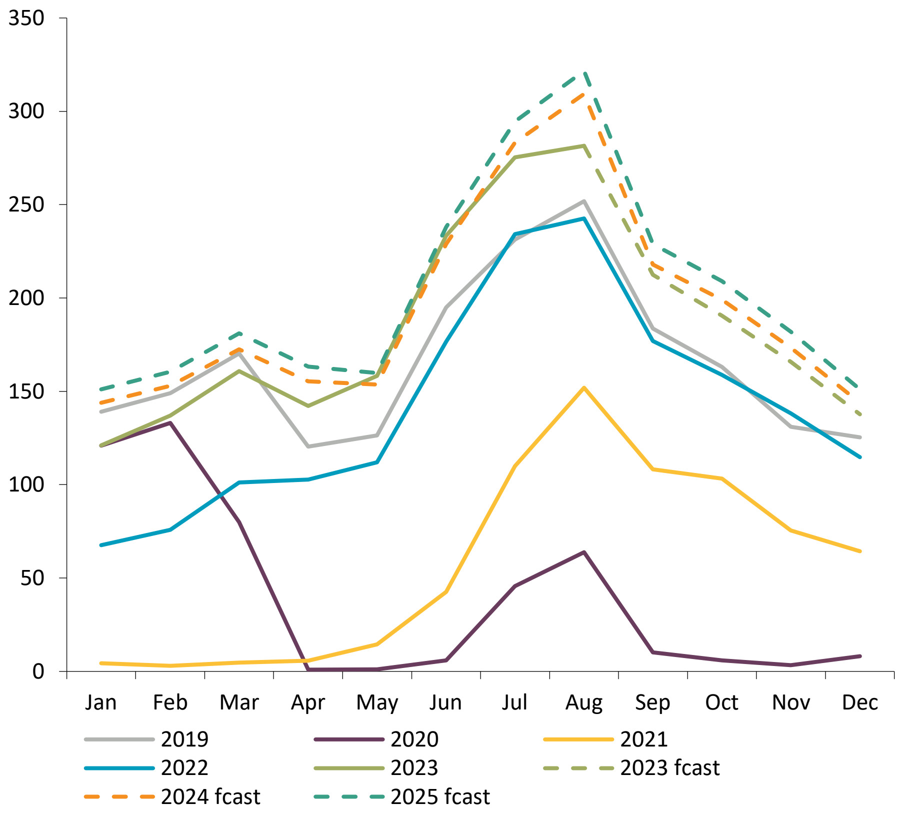
Towards the end of the forecast horizon, visitor numbers will probably be constrained increasingly by a limited supply of accommodation, particularly during the peak season. Furthermore, a rising real exchange rate could dampen tourists' enthusiasm for Iceland, as it will have become quite costly in comparison with other destinations.

Tourism to set new records during the forecast horizon

We forecast just over 2.2 million tourist arrivals in 2023, rising to more than 2.5 million in 2025.

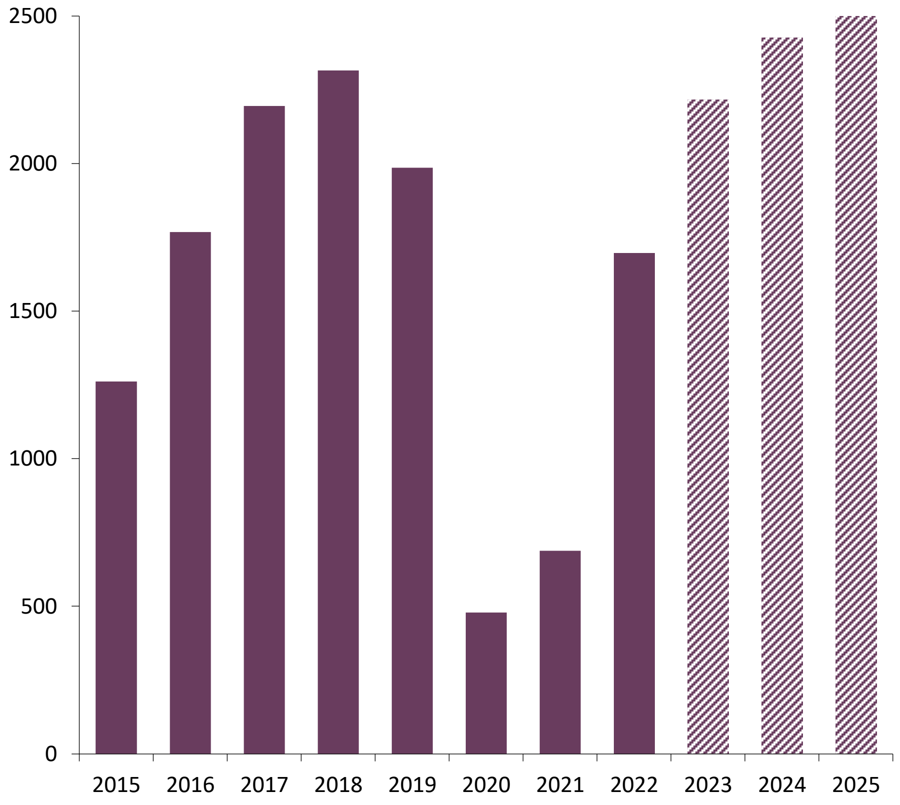
Number of foreign tourists, by month

Thousands



Number of foreign tourists, by year

Thousands



Sources: Icelandic Tourist Board, ÍSB Research

A buoyant tourism sector explains the lion's share of this year's forecasted 6.8% export growth. The outlook is also for robust exports of intellectual property and other services. On the other hand, goods exports look set to remain virtually unchanged YoY, due to the offsetting effects of increased exports of farmed fish and modest exports of manufactured goods, on the one hand, and a contraction in exports of groundfish, particularly cod, on the other.

The continued rise in tourist numbers is also the main driver of export growth in 2024 (forecast at just over 4%) and 2025 (nearly 4%). We also expect brisk growth in exports of farmed fish, marginal growth in exports of aluminium and other industrial goods, and increased revenues from intellectual property exports, to name but a few items.

Imports grew by just under a fifth in 2022, driven by strong imports of investment and consumer goods, plus a surge in importation of inputs for export sectors, especially the tourism industry.

By the same token, reduced growth in demand and exports is reflected in weaker import growth. Added to this is the likelihood that a somewhat smaller share of this year's private consumption and investment will be based on imported inputs than was the case in 2022.

Import growth will slow even more in 2024, concurrent with a contraction in business investment and weaker growth in exports. In the final year of the forecast horizon, import growth will gain modest ground once again.

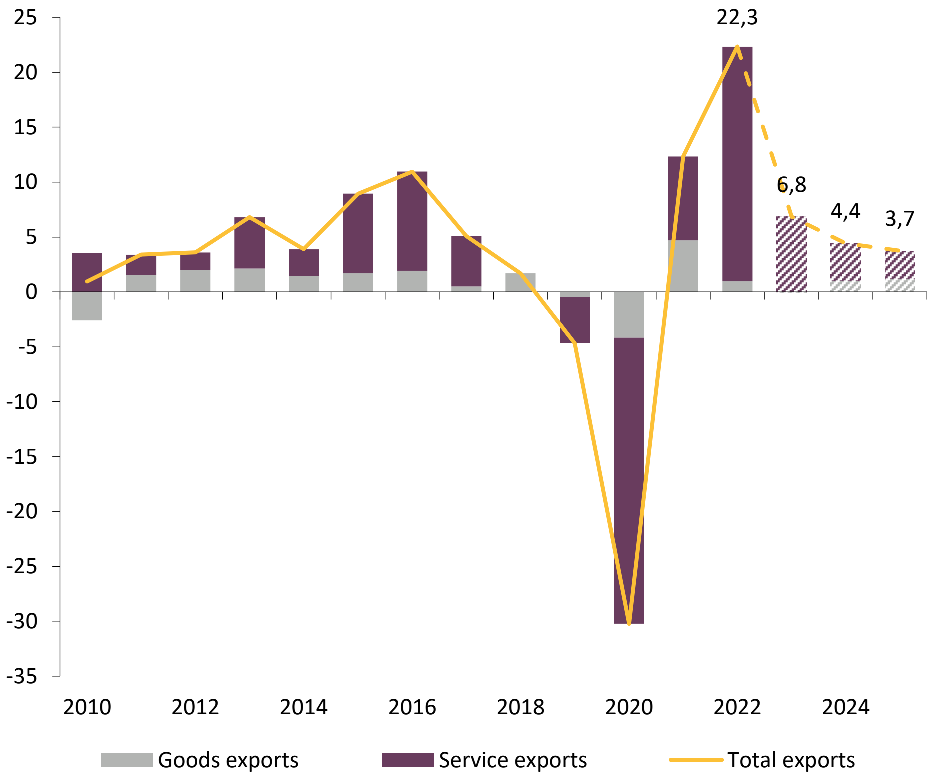
Exports will grow more rapidly than imports, however, and the contribution of net trade to output growth will therefore be positive in 2023 and 2024. In the last year of the horizon, imports and exports will be broadly in balance, however, and the contribution from net trade will be neutral.

Tourism to drive export growth, with assistance from other sectors

Land-based aquaculture and intellectual property are among other export growth sectors, while import growth is set to lose pace.

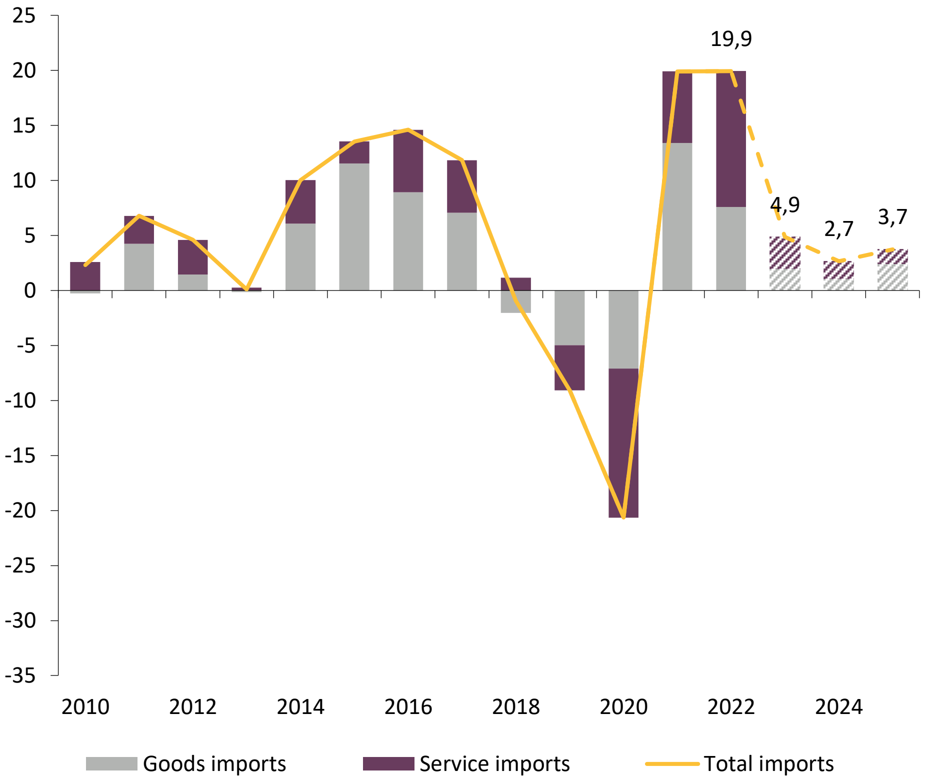
Exports and contributions from subcomponents

%



Imports and contributions from subcomponents

%



Sources: Statistics Iceland, ÍSB Research.

Despite strong growth in tourism-generated revenues, the current account showed a deficit in 2022, owing to a hefty goods account deficit in H2, which in turn stemmed from strong import growth, a deficit on primary income, and worsening terms of trade. The current account deficit came to ISK 76bn, or 2.0% of GDP for the year.

The past two years' CA deficit was a reversal after nearly a decade of uninterrupted surpluses. The deficits were driven by the rapid growth in domestic demand outpacing export growth, worsening terms of trade following Russia's invasion of Ukraine, and a temporary deficit on primary income.

The outlook is for the CA balance to improve markedly in 2023. Export growth will greatly exceed import growth, and the contribution from primary income has been positive again in recent quarters. The CA deficit was negligible in H1, and the peak tourist season will presumably push the balance into positive territory in H2.

The outlook is for a CA surplus measuring 0.6% of GDP this year, followed by modest surpluses in 2024 and 2025. How large these surpluses prove to be will depend not least on developments in the real exchange rate and terms of trade further ahead. The surpluses are unlikely to be anywhere near as large as those in the last decade, however.

Iceland's net external assets currently equal almost 29% of GDP, providing important support for the ISK and the economy as a whole.

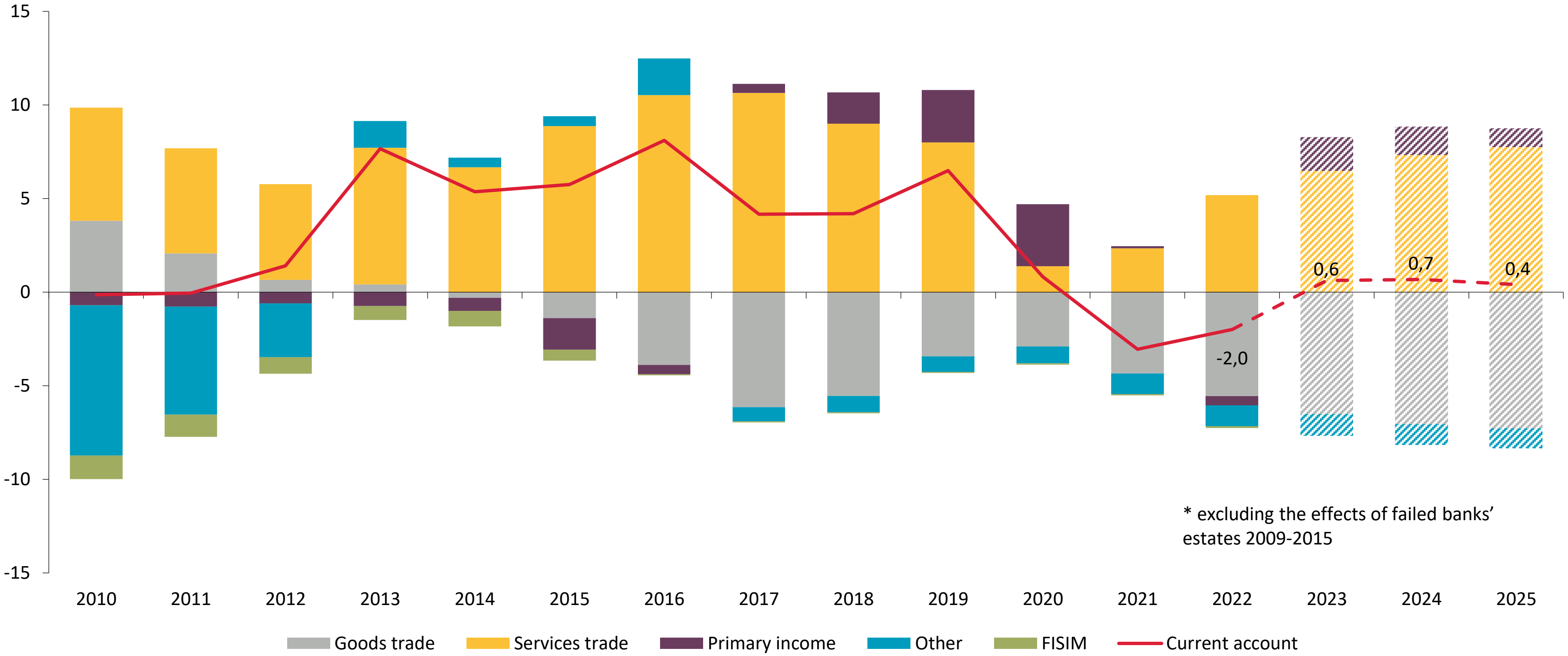
The net asset position eroded markedly in 2022, not least because of falling foreign securities prices. However, the external position has strengthened again in the recent term, buoyed by favourable developments in global equity markets.

Current account broadly in balance in the coming term

Growing exports and weaker domestic demand will generate a CA surplus, and the external asset position has strengthened

The current account balance and its subcomponents

% of GDP*



* excluding the effects of failed banks' estates 2009-2015

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

Investment growth has been robust in the past two years. Growth was led by strong business investment, while residential investment contracted marginally in both years. In all, investment grew by nearly one-fifth from 2020 through 2022.

The outlook for the forecast horizon is for much slower investment growth on average than in the past two years. In fact, investment volumes will more or less stand still in 2023 and 2024.

In 2023, a small contraction in residential and public investment will somewhat offset growth in business investment. Therefore, we forecast that total investment will grow by a scant 1 percentage point this year.

In 2024, residential investment will gain steam, whereas business investment will taper off, as rising interest rates and expectations of a less favourable operating environment will dampen many companies' appetite and capacity for investment.

The contraction in business investment would actually be far sharper in 2024 were it not for strong development in land-based aquaculture and plans for ambitious infrastructure investments, most of which are nevertheless classified as business investment by Statistics Iceland. Total investment is set to contract by just under a percentage point in 2024.

The outlook for 2025 is for over 4% growth in investment, with all subcomponents putting their thumb on the scales. For example, hotel construction is likely to pick up after lying relatively dormant in 2023 and 2024.

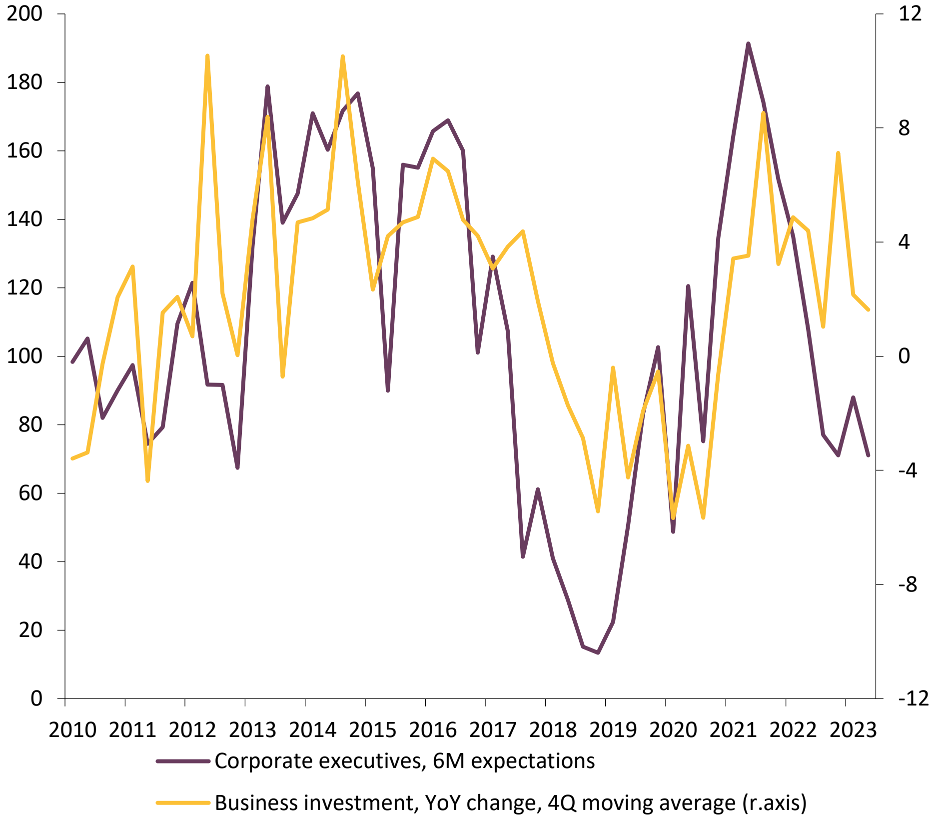
The investment level will ease somewhat over the forecast horizon, but the investment-to-GDP ratio will be acceptable throughout the period.

Investment virtually unchanged early on but set to surge later

Business investment the sole source of growth in 2023, but residential investment will gain momentum in 2024

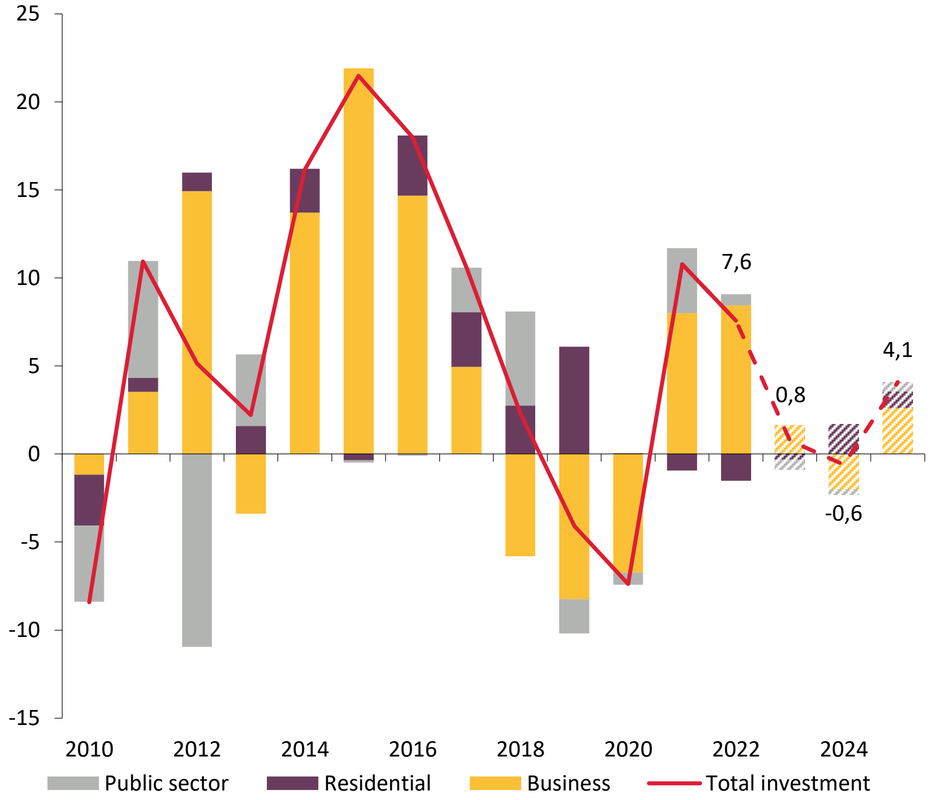
Executives' expectations and business investment

Index (left) and year-on-year change, % (right)



Investment, real change, and contribution of subcomponents

%



Sources: Statistics Iceland, ÍSB Research.

Housing market calm and steady

Market activity set to resemble the pre-pandemic period

House prices skyrocketed in 2020-2022, in the wake of the pandemic, jumping by 50% nationwide over the three-year period. The Central Bank (CBI) had to respond aggressively, with repeated interest rate hikes and tighter consumer loan requirements, in a bid to calm the market.

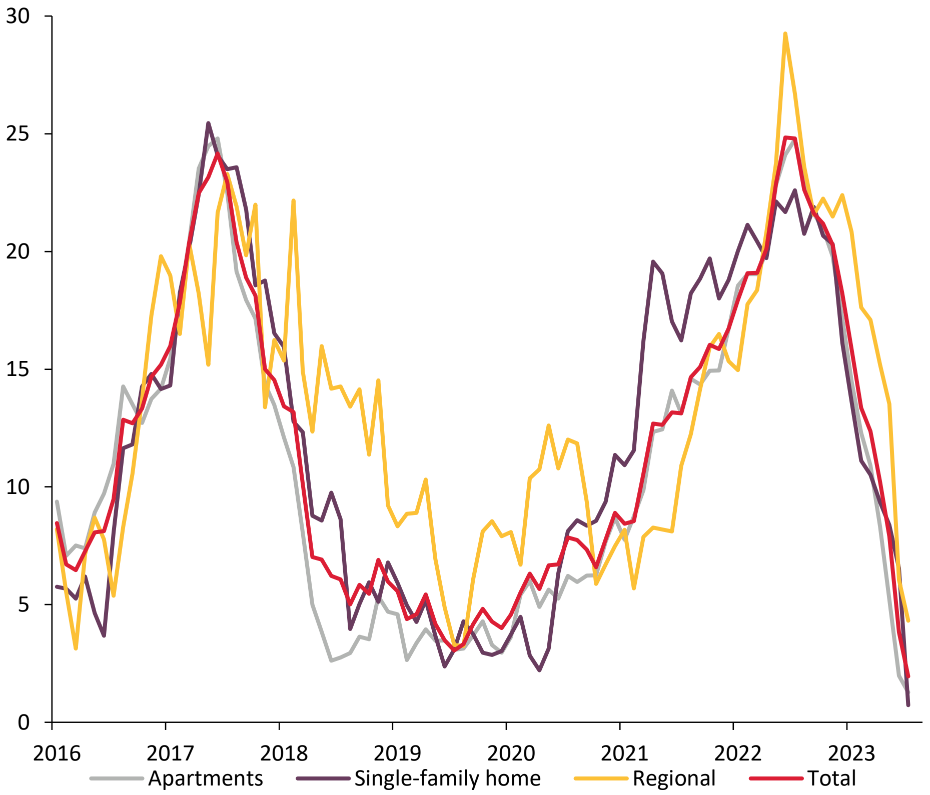
Finally, these actions delivered results. In autumn 2022, twelve-month house price inflation started to taper off rather quickly, after peaking that summer at 25%, the fastest pace in 16 years. As of last August, it measured just under 2%, its slowest since the beginning of 2011. House prices in regional Iceland have risen the most in the past year, or by 4.3%. In greater Reykjavík, condominium prices are up by slightly more than 1.3% in the past year and single-family home prices by 0.7%.

Residential property prices have fluctuated noticeably since last autumn. Single-family home prices in greater Reykjavík have been quite volatile, probably due to the small number of purchase agreements underlying the price calculations for each period. The price of housing in regional Iceland has been volatile as well, while capital area condominium prices have appeared more stable.

Once the housing market started to calm down, market conditions changed swiftly. Market activity has subsided noticeably, with lower turnover than before and fewer contracts finalised each month. The average time-to-sale has lengthened considerably and now measures around six months. At the same time, the number of homes on the market has risen sharply and is roughly back to the pre-pandemic level. This gives a reliable indication that demand has eased significantly. Rapid population growth is one of the main reasons demand persists in the market and will remain present in the coming term.

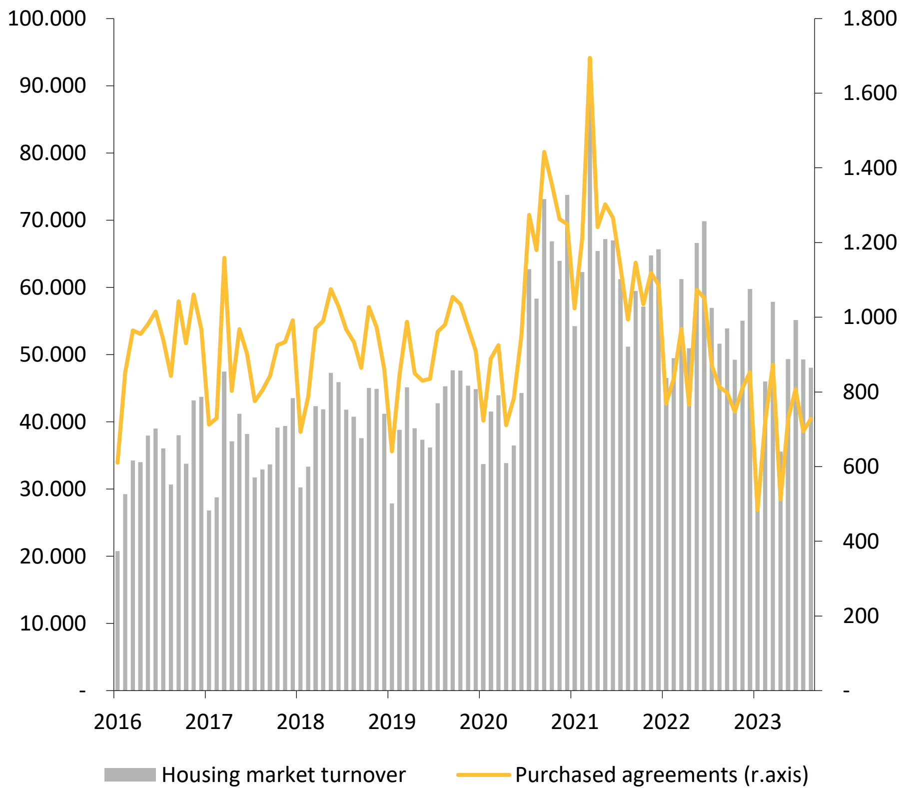
Year-on-year rise in house prices

%



Housing market activity

Turnover (left) and number of contracts (right)



Sources: Central Bank of Iceland, Statistics Iceland.

The current situation suggests that housing supply is adequate to satisfy demand at the moment. Supply has been growing steadily after bottoming out in mid-2022. Some 2,800 homes are currently for sale in the capital area, up from fewer than 500 at the mid-2022 trough.

Newly built homes now account for about 40% of this increase in supply. Nearly 3,000 new properties were put on the market in 2022, followed by another 2,300 in 2023 to date. We expect the total for this year to be slightly below the 2022 figure. As a result, we project that residential investment will contract marginally in 2023 but then start growing again in 2024.

According to the Housing and Construction Authority dashboard, nearly 8,400 homes are being built nationwide, the vast majority of them in the first stages of construction. It therefore appears that over the next two to three years, the new housing supply will be enough to satisfy both pent-up needs and demand due to population growth.

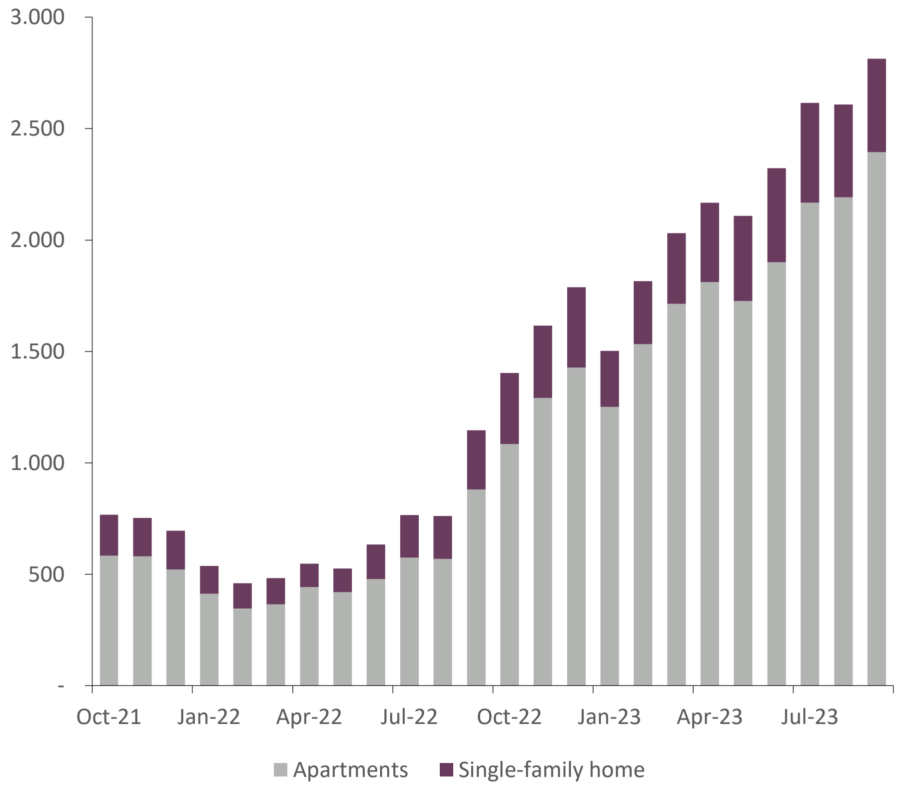
We think a period of greater tranquillity lies ahead and expect the market to rebalance in the next few months. Underlying demand is still in evidence, particularly because of population growth, whereas high interest rates and persistent inflation weigh to dampen demand.

We think nominal house prices will continue to rise, but because inflation will remain high in the coming term, we project that real prices will fall in the next two years, by 1.3% in 2023 and 2.7% in 2024. If this forecast is borne out, it will be the first decline in real house prices since 2013. Real prices will then remain flat in 2025, if our forecast holds.

Supply sufficient to satisfy housing demand

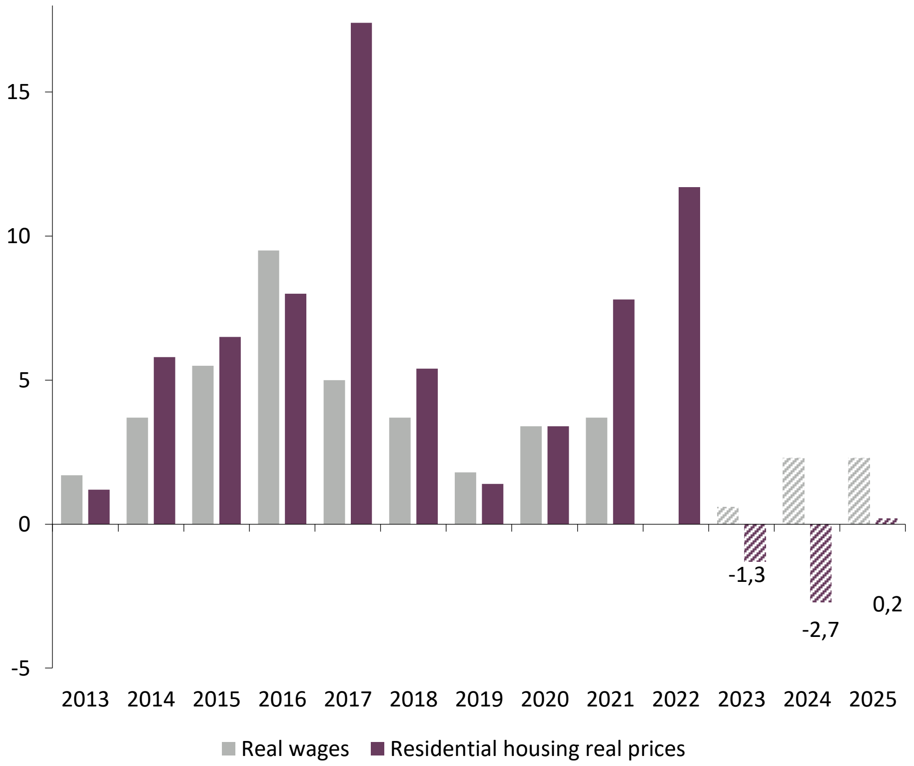
Real house prices to fall over the next two years

Number of homes for sale in greater Reykjavík



Real house prices and real wages

% change between years



Sources: Central Bank of Iceland, ÍSB Research.

The labour market is still tight, and demand for labour is strong. Demand has been met by foreign workers, who currently constitute an all-time high of 23% of the labour market. The massive influx of foreign workers explains most of the recent surge in population, with nearly 3,000 people moving to the country each quarter. If this trend continues, Iceland's population will hit 400,000 quite soon.

With a tight labour market, unemployment has plunged from its pandemic-era peak. In August, it measured 2.9% and looks set to average 3.2% for the year. This implies a marginal increase over the coming winter, which is typical, as unemployment is generally lowest during the summer. In 2024 we expect the jobless rate to rise somewhat as tension in the labour market eases. We forecast average unemployment at 3.8% in 2024 and 4.0% in 2025.

Wages rose by over 8% in 2022, and real wages were flat despite high inflation. The recent one-year contracts covering the entire labour are generally favourable to wage-earners. The outlook is for 9.3% nominal wage growth this year and for real wages to inch upwards by 0.6%. The next set of wage negotiations is just around the corner, and they will probably be contentious, as inflation has not fallen as fast as previously hoped.

We forecast that wages will rise by 7.8% in 2024 and 6.1% in 2025. This, together with declining inflation, translates to a real wage growth rate of 2.3% per year in 2024 and 2025.

Labour market still tight

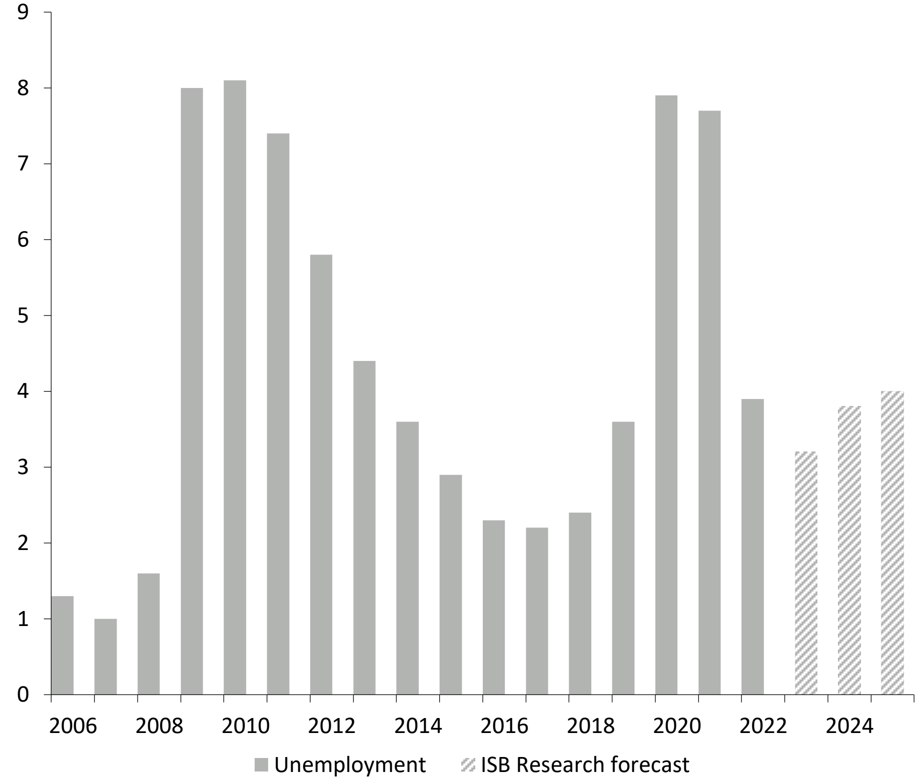
Real wage growth to resume this year

Nominal and real wages

% change between years

Unemployment as a share of the labour force

%



Sources: Central Bank of Iceland, Confederation of Icelandic Employers, Gallup, ÍSB Research.

Private consumption growth far more muted than in the recent past

Icelanders are feeling the pinch from high inflation and interest rates

Private consumption has grown rapidly in the past two years, climbing by 8.5% YoY in real terms in 2022. In H1/2023, however, the pace slowed markedly. Growth measured 2.5% during the period, including a paltry 0.5% in Q2.

Payment card turnover gives a reliable indication of where private consumption is heading, and the most recent data suggest a further slowdown in H2. Clearly, the CBI's frequent policy rate hikes have begun to bite, and Icelanders feel keenly the effects of both high interest rates and inflation.

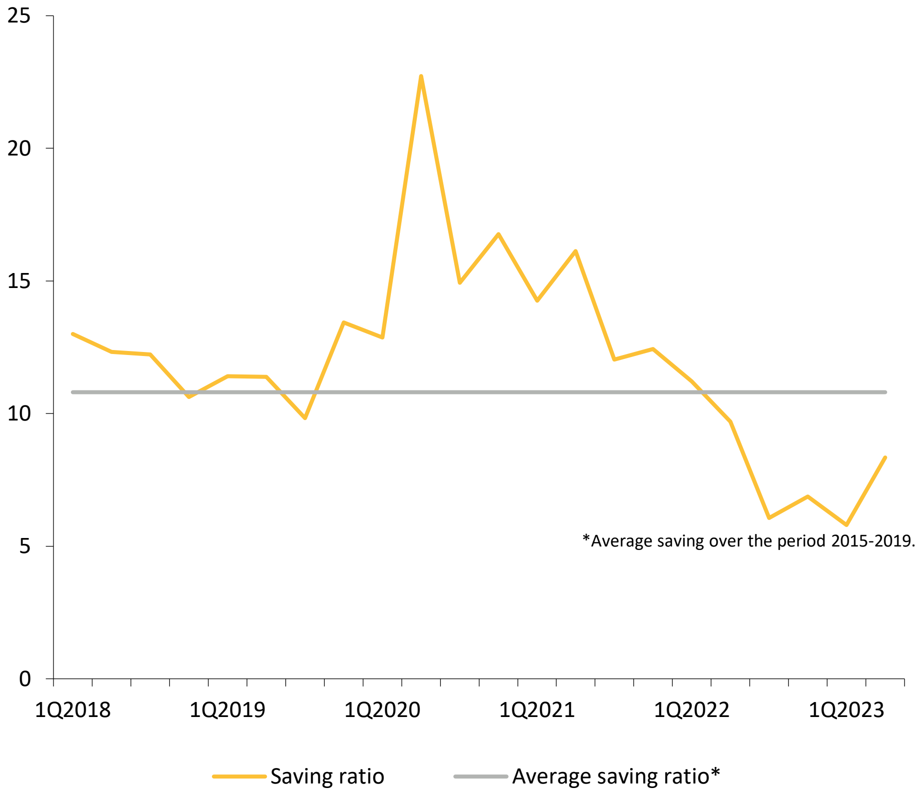
Most other trustworthy indicators of private consumption also indicate slower growth in the near term. Consumer sentiment measures are below equilibrium; real wage growth, while positive, is weak; and the household saving ratio is still well below average.

Based on these factors, we have revised our forecast of year-2023 private consumption growth slightly downwards, to 1.9%, the lowest growth rate during the forecast horizon. Private consumption has been one of the main drivers of GDP growth in the recent term, and weaker private consumption growth accounts for the lion's share of reduced GDP growth in 2023.

For 2024, we project that private consumption will grow by 2.4% as inflation eases, fuelling slightly stronger real wage growth. In 2025, we forecast private consumption growth at 3.0%. By then the economy will be better balanced, and real wage growth will reflect lower inflation offset by slower nominal wage growth.

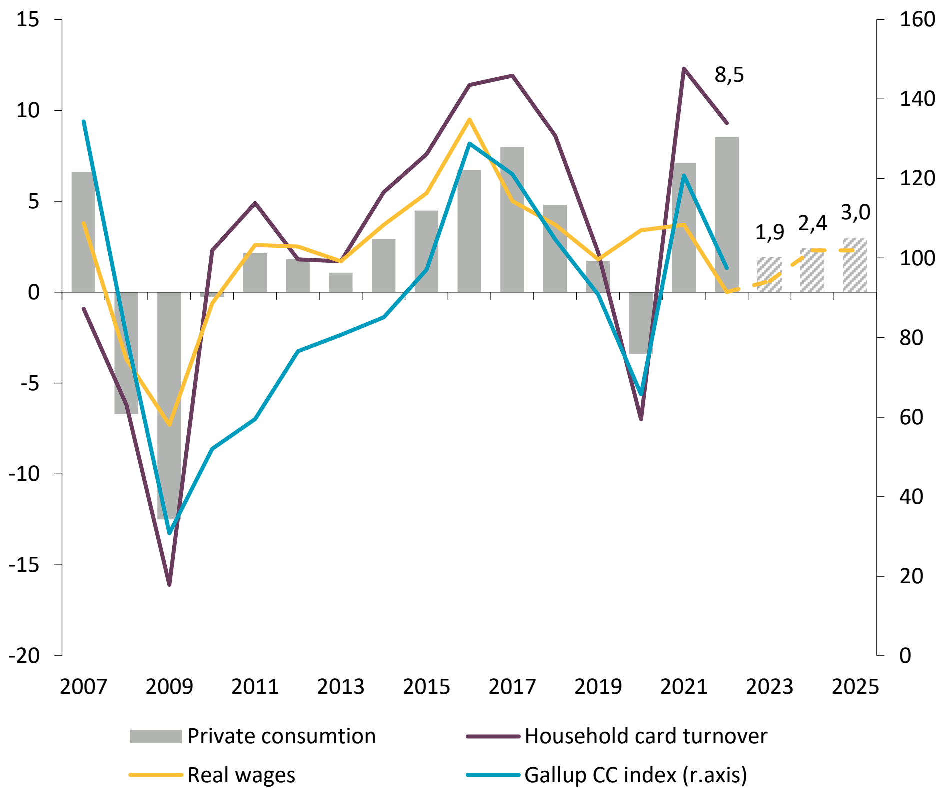
Household saving

% of disposable income



Private consumption and related indicators

% change between years (left) and index value (right)



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

After considerable volatility in the past year, the ISK has been mostly in a strengthening phase year-to-date. In terms of the CBI's exchange rate index, it averaged 6% stronger against foreign currencies in August 2023 than in December 2022.

Near-term prospects for the current account are broadly similar to our May forecast. The outlook is for a small CA surplus, perhaps averaging ISK 25bn per year, in each year of the forecast horizon. It also appears as though the interest rate differential with abroad will remain relatively wide. Iceland's external position is strong, and the stock of foreign-owned securities is low in historical and international context.

Offsetting potential FX inflows are the pension funds' continued foreign investments, which came to a net ISK 68bn over the first eight months of 2023. Other domestic entities could also step up their foreign investment in the future, particularly if the ISK strengthens to any marked degree.

It is impossible to pinpoint the timing of exchange rate movements further ahead, and the magnitude of such movements is highly uncertain as well. According to our forecast, the ISK will be roughly 5% above its August 2023 average by the end of the forecast horizon. This translates to a price of ISK 137 per euro.

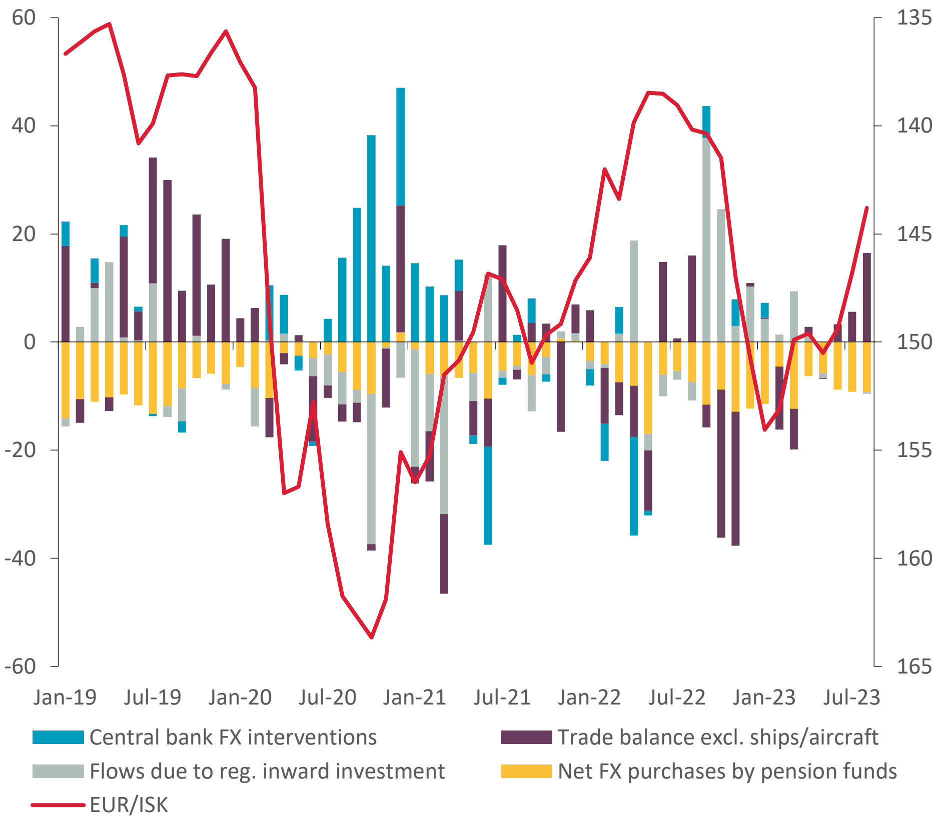
Such an appreciation, together with rapid wage growth and higher inflation than in trading partner countries, will push the real exchange rate sharply upwards. The probability of a further ISK appreciation therefore tapers off over time, and the likelihood of a depreciation increases steadily if domestic wages and prices continue to rise significantly faster than those abroad.

Modest further appreciation of the ISK during the forecast horizon

A high real exchange rate reduces the likelihood of a CA surplus and could put downward pressure on the nominal exchange rate later on

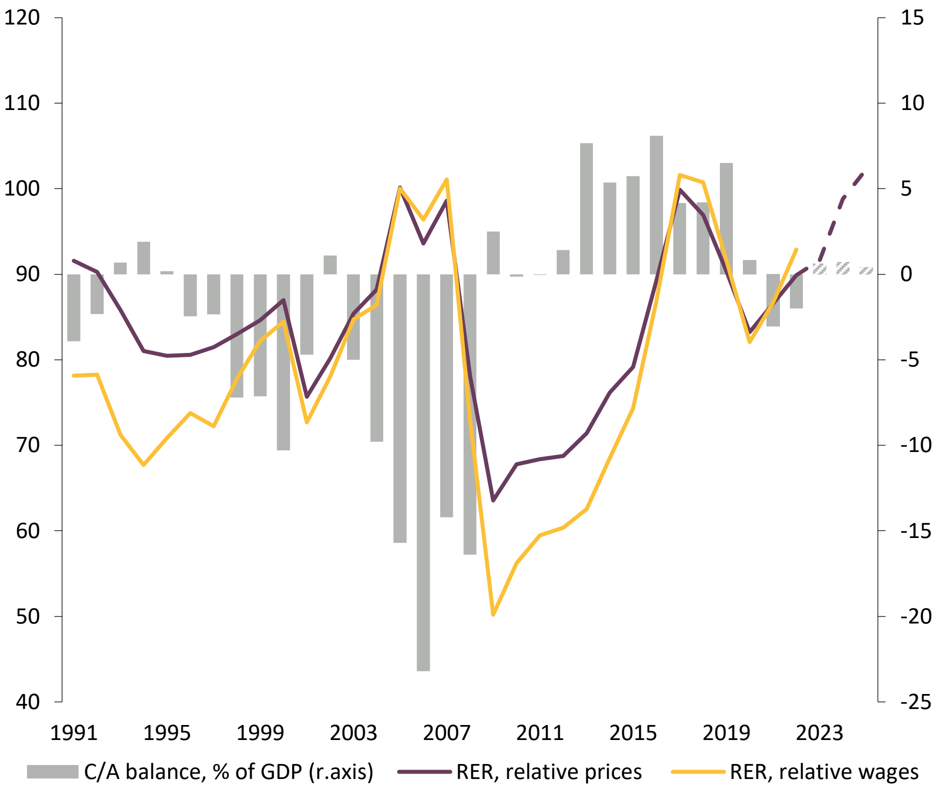
ISK exchange rate and selected determinants

ISK bn (left) and EURISK (right)



Real exchange rate and current account balance

Index and % of GDP



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

Headline inflation measured 7.7% in August, and has tumbled from its February peak of just over 10%. The main reasons for this rapid disinflation are a more tranquil housing market and lower imported inflation. We expect inflation to remain around the current level for the rest of the year and then start falling swiftly in early 2024.

House prices have risen much more slowly in the recent term, which is a positive development, including for inflation. Imported inflation has also tapered off, owing to lower foreign inflation and the appreciation of the ISK during the period. In February, when twelve-month inflation peaked, these two factors accounted for more than 6% of the headline figure, whereas in August they accounted for less than 4%.

We think the weight of these two components of inflation will continue to fall in the coming term, whereupon domestic goods and services (currently just under 4% of total inflation) will contribute increasingly to the headline rate. Inflation stemming from higher domestic costs can prove quite difficult to dislodge.

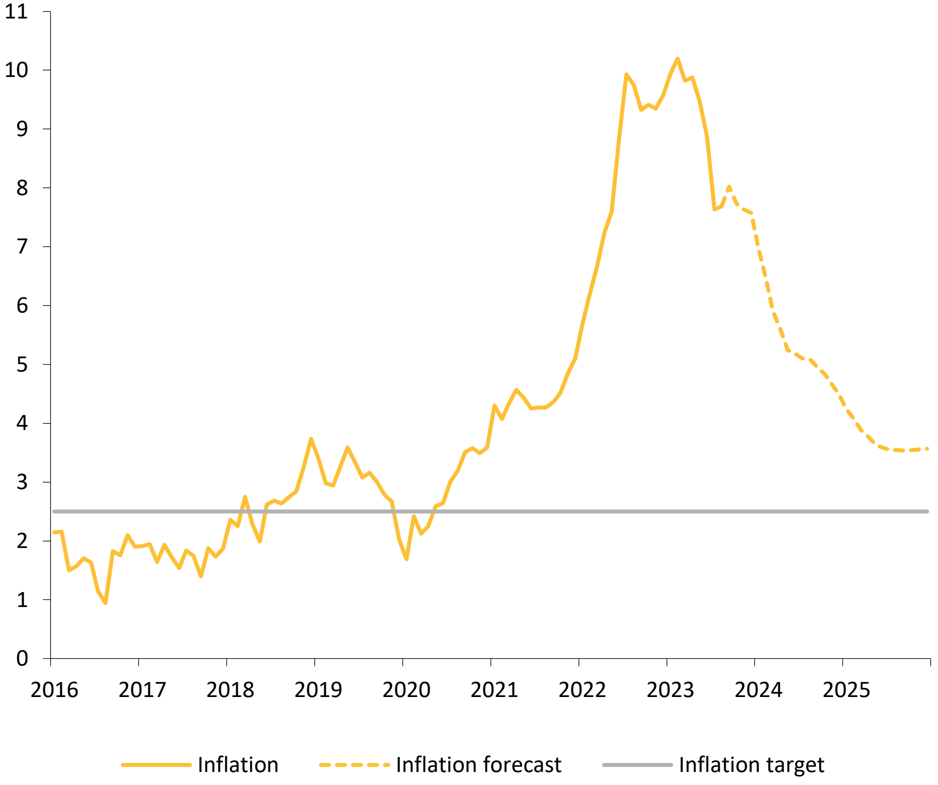
This is the main reason we do not expect inflation to realign with the CBI's 2.5% during the forecast horizon. We do expect it to fall below the upper tolerance limit in 2025, however. We project that inflation will average 5.4% in 2024 and 3.7% in 2025. The main uncertainty in our long-term forecast is wage agreements, which are set to expire one after another in early 2024.

Inflation to ease slowly at first, then fall faster in 2024

Domestic goods and services will account for a larger share of total inflation

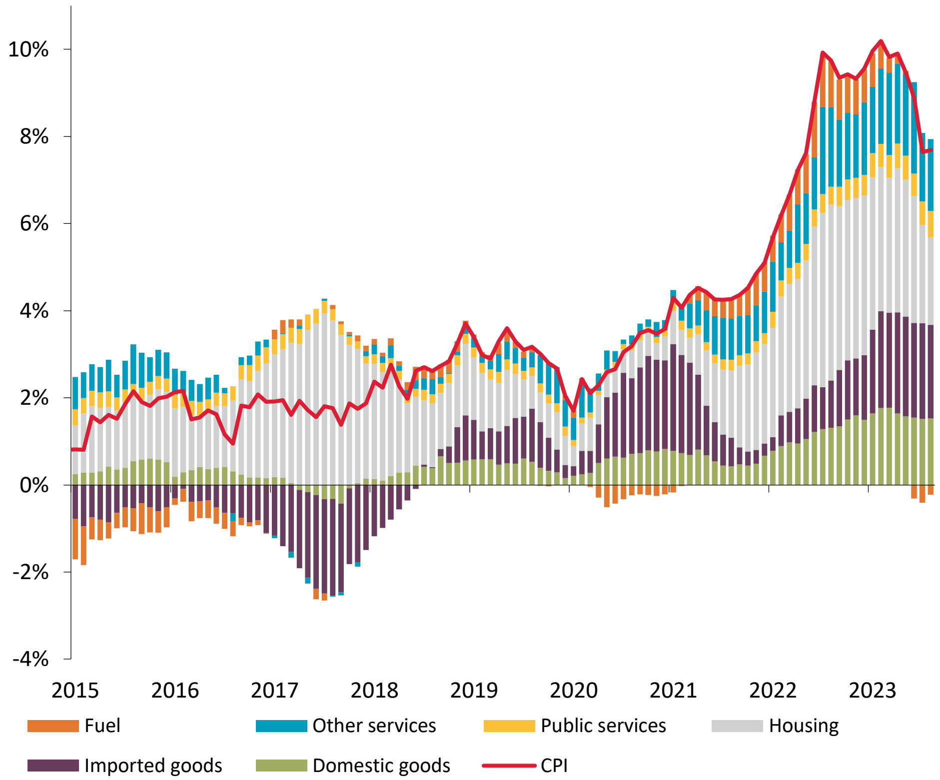
Inflation and the CBI inflation target

%



Inflation by type and source

%



Sources: Statistics Iceland, ÍSB Research.

Monetary tightening phase to conclude by end-2023

Interest rates to fall gradually towards equilibrium as inflation tapers off and demand pressures ease

The CBI's monetary tightening phase dates back to spring 2021. The policy rate measured 9.25% in September, after being raised by 8.5 percentage points in the past two-and-a-half years. The real policy rate has also risen markedly, reflecting the tighter monetary stance.

When the CBI raised the policy rate by 0.5 percentage points in August, the Monetary Policy Committee noted that while the effects of policy rate hikes were emerging more strongly, the labour market was still very tight. The MPC agreed that recent generous wage rises and other factors had driven domestic demand. Furthermore, inflation expectations were largely unchanged, and well above the CBI's 2.5% target.

The CBI's rate hikes are probably in the final stages, and we expect the bank to close out the tightening phase at 9.5% before the year-end.

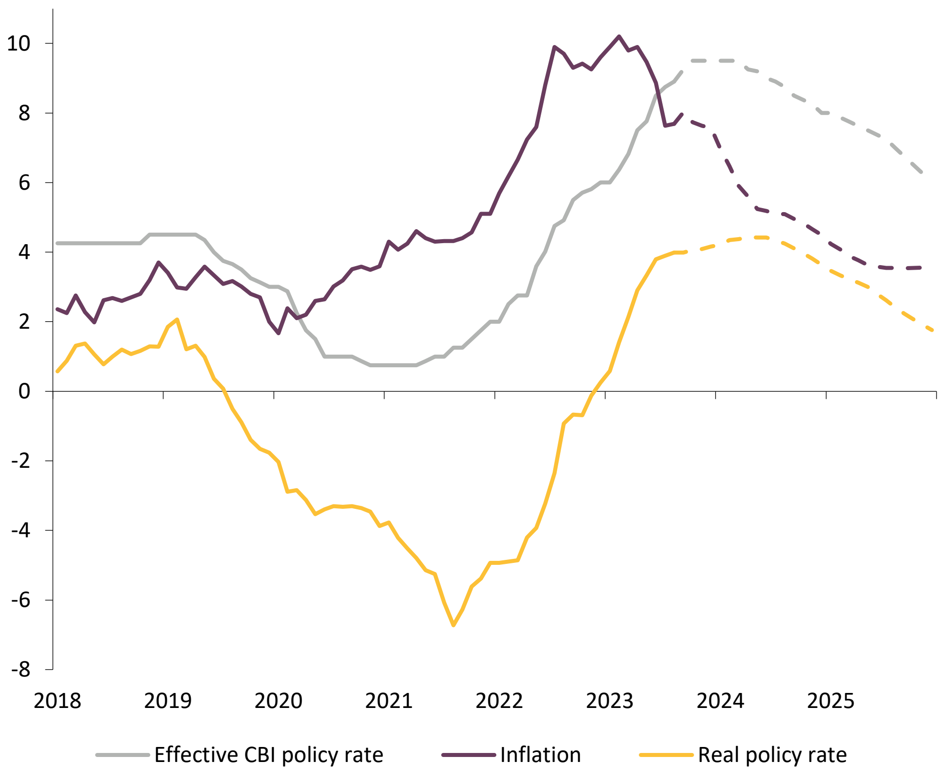
If our forecast of weaker growth in demand and declining inflation in coming quarters materialises, we expect the policy rate to hold steady at 9.5% until Q2/2024. However, if rate hikes are to stop at 9.5%, there is little room for error.

Further ahead, the policy rate will fall again, perhaps starting in spring 2024 – provided that inflation develops in line with our forecast. Thereafter, the policy rate will fall gradually as inflation eases and demand pressures subside. It could therefore be around 6% at the end of the forecast horizon.

Long-term interest rates have fallen markedly in recent quarters. Long-term nominal interest rates have recently measured in the 6.7-7.5% range, while long-term real rates as determined by benchmark Treasury bonds are close to 2.8%. Once a monetary easing phase is in sight, we expect long-term rates to start inching downwards. By the end of the forecast horizon, we expect the policy rate to approach equilibrium, which we estimate at around 5% for nominal rates and somewhere near 2.0% for the real rate.

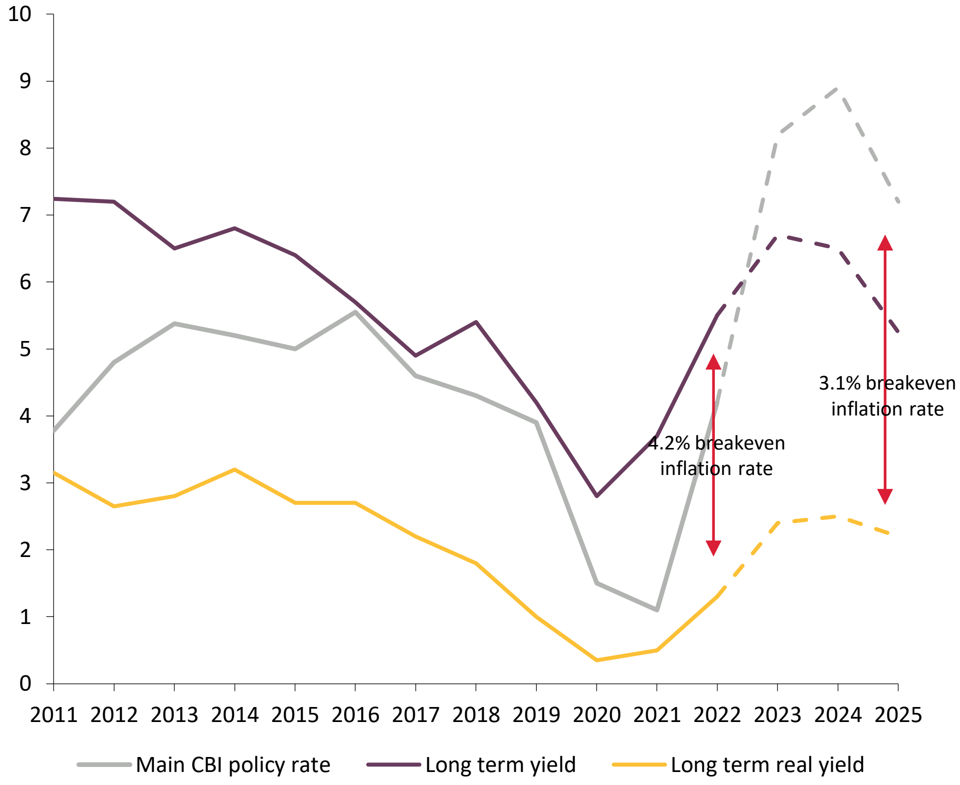
Policy rate and inflation

% real policy rate in terms of expected policy rate and inflation over the coming 12 months



Interest rates

%



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

Macroeconomic forecast summarised

GDP and its components

Volume change from prior year %	2022 in ISK m	2022	Forecast 2023	Forecast 2024	Forecast 2025
Private consumption	1,962,088	8.5	1.9	2.4	3.0
Public consumption	993,870	2.2	1.7	2.2	2.0
Investment	846,203	7.6	0.8	-0.6	4.1
– business investment	506,687	15.0	2.7	-3.3	4.4
– residential investment	183,612	-6,2	-1.5	8.0	4.0
– public investment	155,905	3.4	-3.0	-1.5	3.0
Changes in inventories	9,654	0.0	0.0	0.0	0.0
Domestic demand, total	3,811,816	6.6	1.3	1.7	3.0
Exports of goods and services	1,768,598	22.3	6.8	4.4	3.7
– marine product exports	400,681	0.6	-2.2	2.7	3.8
– aluminium products	403,013	2.3	1.0	1.0	1.0
– other goods exports	205,232	1.4	2.0	2.0	2.0
– services exports	759,673	58.3	16.0	7.4	5.3
Imports of goods and services	1,783,848	19,9	4.9	2.7	3.7
– goods imports	1,220,637	10,7	2.9	1.6	3.7
– services imports	563,211	42,8	9.2	4.8	3.9
Gross domestic product	**3,796,567**	**7.2**	**2.2**	**2.6**	**3.0**

Macroeconomic forecast summarised

Other economic variables

% of GDP	2022	Forecast 2023	Forecast 2024	Forecast 2025
Investment	22.3	21.8	20.5	20.5
Current account balance	-2.0	0.6	0.7	0.4
Trade account balance	-0.4	0.0	0.3	0.5
Change between annual averages (%)				
Consumer prices	8.3	8.7	5.4	3.7
Wages and salaries	8.3	9.3	7.8	6.1
Real wages	0.0	0.6	2.3	2.3
Real exchange rate in terms of relative consumer prices	3.5	1.9	7.8	3.5
House prices	21.0	7.3	2.6	3.9
Annual average (%)				
Unemployment	3.8	3.2	3.8	4.0
Trade-weighted exchange rate index	190.3	192.9	182.7	179.0
EUR/ISK	142.3	148.5	140.6	137.8
CBI policy rate (7-day term deposits)	4.2	8.2	8.9	7.2
Long-term nominal rate (10 year treasury bonds)	5.5	6.7	6.5	5.3
Long-term real rate (10y CPI linked treasury bonds)	1.3	2.4	2.5	2.2

Legal disclaimer

This report is compiled by Islandsbanki Research of Islandsbanki hf.

The information in this report originates in domestic and international information and news networks that are deemed reliable. along with public information. and Islandsbanki Research’s own processing and estimates at each time. The information has not been independently verified by Islandsbanki which therefore does not guarantee that the information is comprehensive and accurate. The views of the authors can change without notice and Islandsbanki holds no obligation to update. modify or amend this publication if assumptions change.

This publication is only published for informational purposes and shall therefore not be viewed as recommendation/advice to make or not make a particular investment or an offer to buy. sell or subscribe to specific financial instruments. Islandsbanki and its employees are not responsible for transactions that may be carried out based on information put forth in the report. Before making an investment decision. recipients are urged to seek expert advice and get well acquainted with the investments market and different investment alternatives. There are always financial risks related to investment activities. including risk due to international investments and fluctuations in the exchange rate of currencies. Investors’ investment objectives and financial position vary. Past performance does not indicate nor guarantee future performance of an investment

The research report and other information received from Islandsbanki are meant for private use only. The materials may not be copied. quote or distributed. in part or in whole. without written permission from Islandsbanki.

This report is a short compilation and should not be considered to contain all available information on the subject it discusses.

Supervisory body: The Financial Supervisory Authority of Iceland (www.fme.is).

UNITED STATES

This report or copies of it must not be distributed in the United States or to recipients who are citizens of the United States against restrictions stated in the United States legislation. Distributing the report in the United States might be seen as a breach of these laws.

CANADA

The information provided in this publication is not intended to be distributed or circulated in any manner in Canada and therefore should not be construed as any kind of financial recommendation or advice provided within the meaning of Canadian securities laws.

OTHER COUNTRIES

Laws and regulations of other countries may also restrict the distribution of this report.

Further information regarding material from Islandsbanki Research can be accessed on the following website: http://www.islandsbanki.is.

Publisher

Islandsbanki Research

greining@islandsbanki.is

Publication date: 26 September 2023