

# Economic Indicators



Central Bank of Iceland  
January 2007

## Overview of economic indicators

### I Inflation and inflation expectations<sup>1</sup>

	Latest period	Latest value	Change (%)			Contribution to 12-mo. inflation (%)	12-mo. ch. 1 year ago (%)
			on prev. month	over 6 months <sup>2</sup>	over 12 months		
Consumer price index.....	January '07	266.9	0.3	2.9	6.9	.	4.4
Core index 1 (CPI excl. agricultural products and petrol).....	January '07	151.0	0.0	4.5	7.1	6.1	4.3
Core index 2 (core index 1 excl. public services).....	January '07	151.5	-0.2	4.2	7.3	5.8	4.5
Domestic goods excl. agricultural products.....	January '07	140.4	0.3	3.0	7.4	0.6	-0.3
Agricultural products.....	January '07	134.8	3.2	6.5	7.7	0.5	1.1
Imported goods excl. alcohol and tobacco.....	January '07	114.7	-1.3	-2.6	6.3	2.0	-0.8
- food and beverages.....	January '07	128.4	1.5	8.6	9.9	0.2	-3.8
- cars and spare parts.....	January '07	130.4	2.0	5.6	13.4	1.0	-4.6
- petrol.....	January '07	151.0	0.0	-20.2	3.5	0.2	12.8
- imported goods excl. food and beverages.....	January '07	97.2	-4.1	0.4	3.2	0.5	-2.8
Housing.....	January '07	246.4	0.0	4.9	9.8	2.2	17.1
Public services.....	January '07	152.0	3.0	8.3	4.1	0.3	2.6
Private services.....	January '07	155.7	0.9	5.5	5.4	1.2	3.8
Groceries (perishables).....	January '07	132.6	1.8	6.1	8.6	1.3	-1.5
Weighted import exchange rate index (Dec. 31 1994=100).....	Dec. 29 '06	109.1	5.2	38.6	22.0	.	-6.1

	Latest period	Expected 12 mo. inflation	Change on prev. survey	Exp. 12-mo inflation 1 year ago	Expected annual inflation over next 2 yrs. 3 yrs.	Perceived inflation in past 12 mo.
Businesses' inflation expectations.....	December '06	2.2	-1.3	3.7	.	.
Household inflation expectations.....	October '06	5.9	-1.3	4.7	.	7.3

1. Index base periods: Consumer price index: May 1988=100; other price indices: March 1997=100. 2. Annualised inflation.

### II Output and demand

	Latest period	Latest value	Value 1 year ago	% change <sup>1</sup> on		Year-to-date <sup>1</sup>	
				previous period	previous year	Value	Change on prev. year (%)
GDP (b.kr.).....	Q3/2006	294.4	265.2	4.7	0.8	832.2	2.4
National expenditure (b.kr.).....	Q3/2006	341.0	299.3	2.6	2.4	974.5	7.7
Private consumption (b.kr.).....	Q3/2006	169.1	151.2	-4.9	2.0	503.4	6.1
Public consumption (b.kr.).....	Q3/2006	70.7	62.9	2.8	2.7	205.4	2.8
Gross fixed investment (b.kr.).....	Q3/2006	92.5	83.1	11.8	-1.6	255.0	12.2
Exports of goods and services (b. kr.).....	Q3/2006	96.4	87.9	-1.5	-13.3	269.7	-9.3
Imports of goods and services (b. kr.).....	Q3/2006	-142.9	-122.0	-4.4	-5.4	-412.0	6.9
Domestic turnover according to VAT statements (b. kr.).....	Sept.-Oct. '06	247.8	203.9	1.3	14.2	1,139.2	14.2
Turnover in groceries stores (b.kr.).....	December '06	172.1	164.8	39.9	4.4	132.5	5.2
Credit and debit card turnover (b.kr.) <sup>2</sup> .....	December '06	60.1	59.2	-4.6	-4.6	663.3	1.8
Turnover of publicly listed companies on ITEX (b.kr.).....	Q1-Q3/2006	607.0	332.0	19.7	82.7	607.0	82.7
Cement sales (thous. tons).....	December '06	17.6	19.2	-30.1	-8.6	302.6	15.8
Automobile registrations (number).....	December '06	1,032	1,791	-26.0	-42.4	23,111	-10.9

1. Change between periods is presented in real terms. 2. Change in seasonally adjusted values.

### III Foreign trade and external economic conditions

	Latest period	Latest value	Value 1 year ago	% change on		Year-to-date	
				previous period	previous year	Value	Change on prev. year (%)
Price of marine products in foreign currency (Jan.1999=100).....	December '06	116.3	108.8	-1.9	6.9	116.3	6.9
Price of aluminium, LME cash price USD/t.....	December '06	2,813	2,247	4.1	25.2	2,481	30.6
Price of crude oil (Brent) USD/b.....	December '06	62.3	55.5	6.5	12.2	65.7	20.8
Demersals (1,000 tonnes).....	December '06	35.0	37.6	-5.7	-6.8	514.7	-0.9
Pelagics (1,000 tonnes).....	December '06	36.8	34.6	-45.8	6.3	787.9	-30.6
Merchandise exports (excl. ships & aircraft, b.kr.) <sup>1</sup> .....	November '06	19.8	16.6	-3.7	-0.8	206.3	7.9
- marine products (b.kr.) <sup>1</sup> .....	November '06	10.6	9.5	-3.3	-7.2	115.7	1.5
- aluminium (b.kr.) <sup>1</sup> .....	November '06	5.0	3.4	-11.2	23.3	51.6	39.9
- other industrial products (b.kr.) <sup>1</sup> .....	November '06	3.1	3.0	2.9	-15.0	31.4	-2.7
Merchandise imports (excl. ships & aircraft, b.kr.) <sup>1</sup> .....	November '06	32.6	27.5	21.8	-1.5	330.0	16.3
Merchandise trade balance (excl. ships & aircraft, b.kr.).....	November '06	-12.8	-10.9	.	.	-123.7	.
Services exports (b.kr.) <sup>1</sup> .....	Q3/2006	37.0	42.3	24.0	-24.7	92.3	-16.5
Services imports (b.kr.) <sup>1</sup> .....	Q3/2006	48.8	43.1	6.3	-2.4	135.1	6.3
Real effective exchange rate (relative CPI) (1980=100).....	Q4/2006	106.9	111.4	5.9	-4.1	103.3	-3.5

Note: In the case of volumes and values, 'Year-to-date' refers to cumulated figures, but in the case of prices or indices it refers to the average price or index. 1. Changes are calculated at constant exchange rates.

#### IV Labour market and wages

	Latest period	Latest value	Value 1 year ago	Change <sup>1</sup> from		Year-to-date <sup>2</sup>	
				previous period	previous year	Average	Change on prev. year (%)
Number of unemployed listed at employment agencies .....	December '06	1,879	2,317	130	-438	2,036	-34.7
Registered unemployment, s.a. (% of total estim. labour force) .....	December '06	1.2	1.5	0.0	-0.3	1.3	-0.7
Unemployment rate, labour force survey.....	Q3/2006	2.5	2.7	-0.1	-0.2	3.0	0.4
Listed vacancies at employment agencies.....	December '06	218	573	-50.2	-62.0	570	-58.7
Work permits issued, total.....	December '06	113	956	-58	-88.2	5,461	-14.2
New permits for new jobs and permit extensions .....	December '06	50	400	-78	-87.5	2,299	20.4
Wage index (December 1988=100) .....	December '06	300.8	273.9	-0.1	9.8	292.7	9.5
Real wages (wage index deflated by CPI).....	December '06	141.1	137.4	-0.1	2.7	140.7	2.7

1. Change from previous period refers to change in the number of unemployed and change in the rate of unemployment; percentage changes otherwise. 2. Average from beginning of year except for work permits where the cumulated number of permits is shown. Change on previous year refers to change in the average number of unemployed and change in the unemployment rate; percentage changes otherwise.

#### V Public finances

	Latest period	Latest value	Value 1 year ago	% change on		Year-to-date	
				previous period	previous year	Value	Change on prev. year (%)
Treasury revenue balance (b.kr.).....	November '06	4.1	19.2	.	.	53.6	.
- as a percentage of revenue.....	November '06	13.3	43.7	.	.	15.8	.
Net borrowing requirement (b. kr.).....	November '06	-3.9	-21.7	.	.	49.6	.
- as percentage of revenue.....	November '06	-12.6	-49.3	.	.	14.7	.
Treasury revenue (b. kr.).....	November '06	30.7	43.9	-2.3	-35.0	338.5	-11.7
- excl. asset sales and irregular items (b. kr.).....	November '06	30.6	27.4	-2.4	3.5	337.6	8.2
- from VAT (b. kr.).....	November '06	10.6	9.6	-7.8	2.5	111.2	7.6
- from payroll & personal income tax withheld (b. kr.) .....	November '06	9.4	8.3	2.8	6.0	103.4	7.0
- from imports (b. kr.) .....	November '06	2.3	2.3	-4.7	-6.8	26.0	1.4
Treasury expenditures (b. kr.).....	November '06	26.7	24.7	0.7	0.2	284.9	-4.5
- excl. irregular items (b. kr.) .....	November '06	26.7	24.4	0.7	1.5	284.9	-2.3

Note: First four columns show 4-month moving averages of monthly values, last two show current year to date.

#### VI Asset markets

	Latest period	Latest value	Value 1 year ago	% change on		Year-to-date	
				previous period	previous year	Average <sup>1</sup>	Change on prev. year (%)
ICEX-15 equity price index <sup>2</sup> (Dec. 1997=1,000).....	December '06	6,382.9	5,319.1	1.9	20.0	5,985.5	39.7
Equity turnover on ICEX, <sup>2</sup> monthly total.....	December '06	357.4	128.1	205.4	179.0	2,102.3	74.9
Residential housing prices, narrow index <sup>3</sup> (Jan. 1994=100) .....	December '06	298.0	286.7	-1.8	3.9	282.6	5.9
Real residential housing prices, broad index <sup>3</sup> (Jan. 1994=100) .....	December '06	194.8	198.4	-0.7	-1.8	193.8	2.9
Price of long-term cod quota (kr./kg.).....	January '07	2,200	1,700	0.0	29.4	1,843	8.4

1. Except for turnover which is cumulated to date. 2. ICEX = Iceland Stock Exchange. Prices are monthly averages. 3. In Greater Reykjavik.

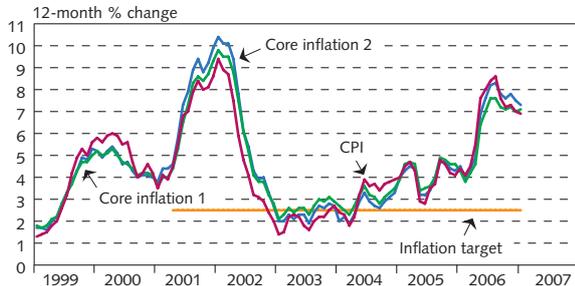
#### VII Financial markets

	Latest period	Latest value	Value 1 year ago	% change on		Year-to-date	
				previous period	previous year	Average	Change on prev. year (%)
Bank lending to domestic sector (b.kr.) <sup>1</sup> .....	December '06	2,406.1	1,701.8	5.7	41.4	.	.
- adjusted for estimated indexation effects on inflation- and exchange rate-linked loans (index) <sup>1</sup> .....	December '06	518.0	405.7	3.5	27.7	.	.
- in real terms (January 2002 = 100) <sup>1</sup> .....	December '06	288.4	218.0	5.5	32.3	.	.
Credit system total lending (b.kr.).....	September '06	4,298.2	3,213.9	2.8	33.7	.	.
M3 (b.kr.).....	December '06	785.2	657.5	3.3	19.4	.	.
Central Bank policy interest rate (%).....	January 19 '07	14.25	10.50	0.3	3.8	14.25	3.75
Money market yield, 3-mo. (%) <sup>2</sup> .....	January 19 '07	15.0	10.2	0.6	4.8	15.1	5.0
Money market yield, 12-mo. (%) <sup>2</sup> .....	January 19 '07	14.2	10.1	0.3	4.1	14.3	4.2
Yield on Treasury notes (RIKB 10 0317) (%) <sup>2</sup> .....	January 19 '07	9.6	8.0	0.1	1.6	9.7	1.7
Yield on Treasury notes (RIKB 13 0517) (%) <sup>2</sup> .....	January 19 '07	8.7	7.8	0.3	0.9	8.8	1.0
Real yield on HFF bonds (HFF150224) (%) <sup>2</sup> .....	January 19 '07	5.2	4.4	0.1	0.8	5.3	.
Real yield on HFF bonds (HFF150234) (%) <sup>2</sup> .....	January 19 '07	4.4	4.2	0.0	0.2	4.4	.
Real yield on HFF bonds (HFF150244) (%) <sup>2</sup> .....	January 19 '07	4.2	4.2	0.0	0.1	4.3	.
Real yield on Treasury bonds (RIKS 15 1001) (%) <sup>2</sup> .....	January 19 '07	4.9	4.2	0.1	0.7	5.0	0.8
Average bank lending rate, non-indexed loans (%) <sup>2</sup> .....	January 19 '07	19.6	16.0	0.1	3.7	19.6	3.7
Average bank lending rate, indexed loans (%) <sup>2</sup> .....	January 19 '07	8.6	6.7	0.6	1.9	8.8	2.1
Exchange rate index of króna (Dec. 31 1991=100) <sup>2</sup> .....	January 19 '07	125.9	104.4	1.3	21.5	126.0	22.3

1. For comparability, financial companies which were reclassified as deposit money banks or moved into that category through mergers are included retrospectively for the entire period. This adjustment is made only for percentage changes and not applied to the original stock figures. 2. All figures except for two last columns are based on 4-week averages.

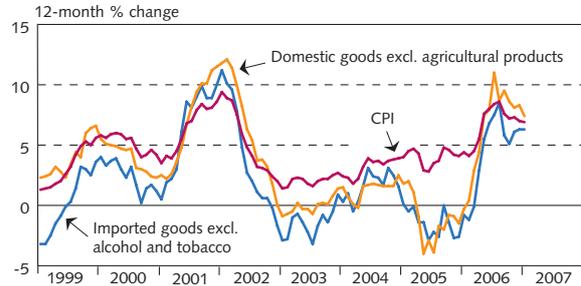
# I Inflation and inflation expectations

I-1 Consumer price inflation and core inflation<sup>1</sup>

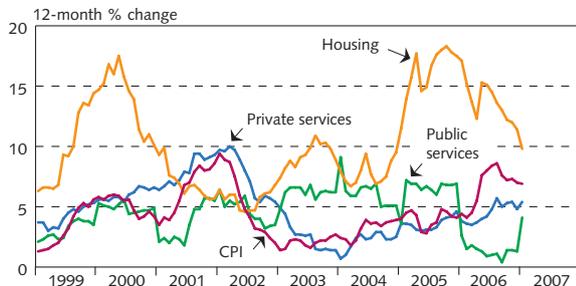


1. Core inflation 1: CPI excl. agricultural products and petrol. Core inflation 2: Core inflation 1 excl. public services.

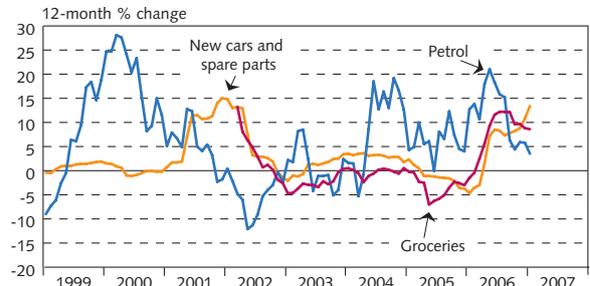
I-2 Consumer prices  
Goods



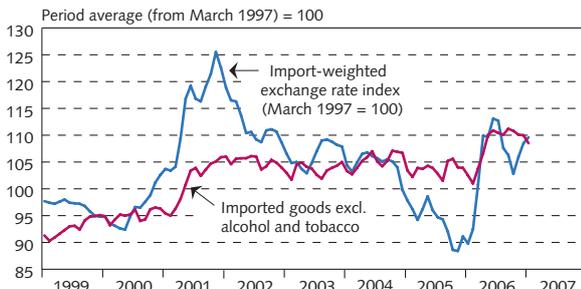
I-3 Consumer prices  
Housing and services



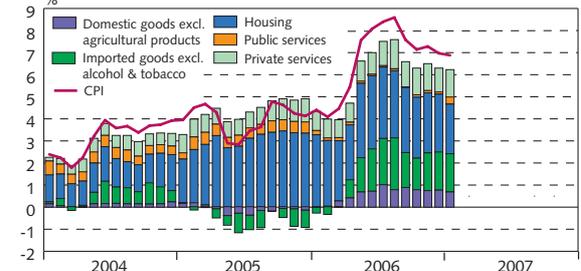
I-4 Consumer prices  
Selected components



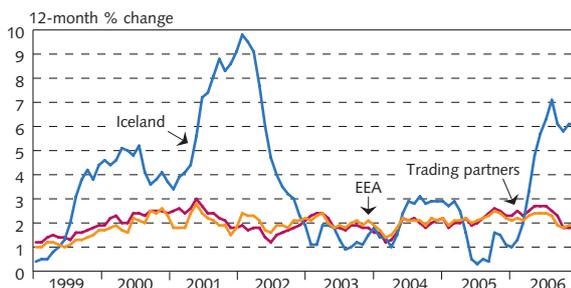
I-5 Prices of imported goods and exchange rate development  
Import-weighted exchange rate of the króna and prices of imported goods in the CPI



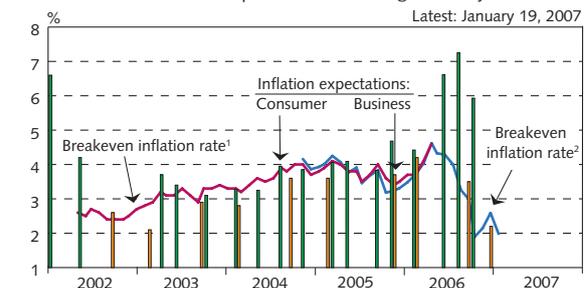
I-6 Components of CPI inflation  
Contribution to inflation in past 12 months



I-7 Inflation in Iceland and trading partner countries  
HICP inflation for all countries except national CPI inflation for USA, Switzerland and Japan



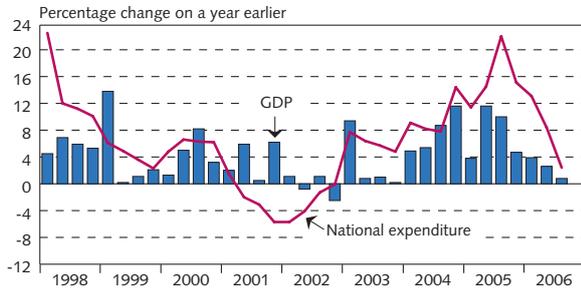
I-8 Inflation expectations  
Breakeven inflation rate at month-end and inflation expectations according to surveys



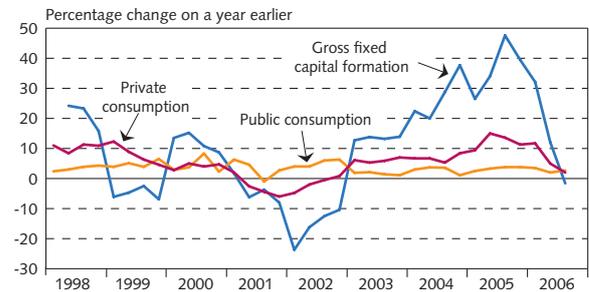
1. Spread between RIKB 13 0517 and RIKS 15 1001.  
2. Spread between RIKB 13 0517 and HFF150914.

## II Output and demand

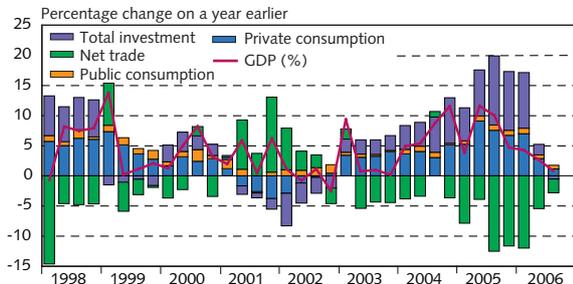
II-1  
Economic growth and national expenditure  
Quarterly data



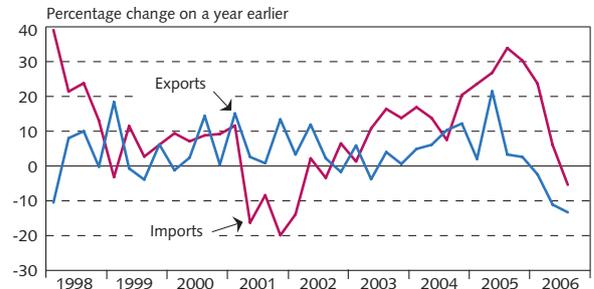
II-2  
Consumption and gross fixed capital formation  
Quarterly data



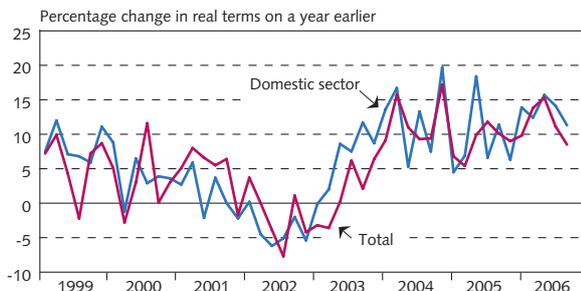
II-3  
Contributions to GDP growth  
Quarterly data



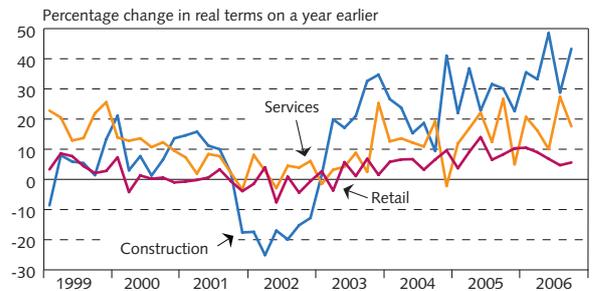
II-4  
Exports and imports of goods and services  
Quarterly data



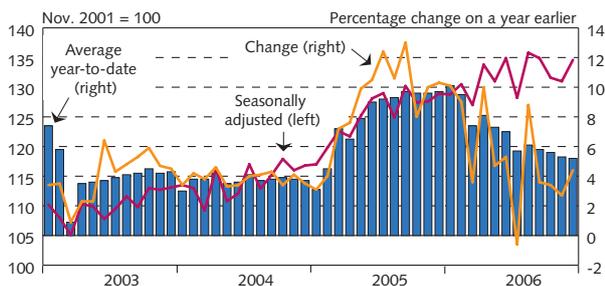
II-5  
Turnover based on VAT returns  
Seasonally adjusted



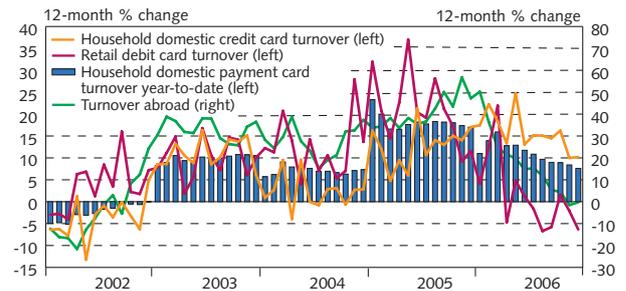
II-6  
Turnover based on VAT returns  
Selected sectors



II-7  
Groceries turnover  
In real terms (deflated by the price of groceries in the CPI)



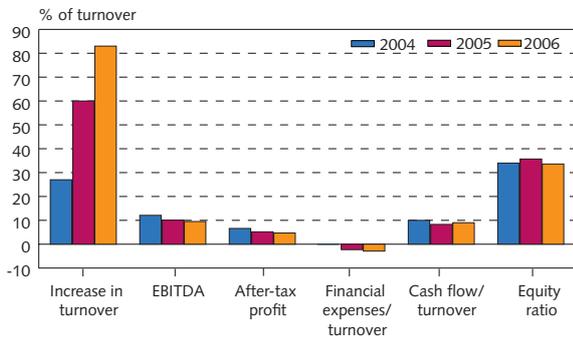
II-8  
Payment card turnover  
Deflated by the CPI for domestic turnover and the exchange rate for turnover abroad



## II Output and demand

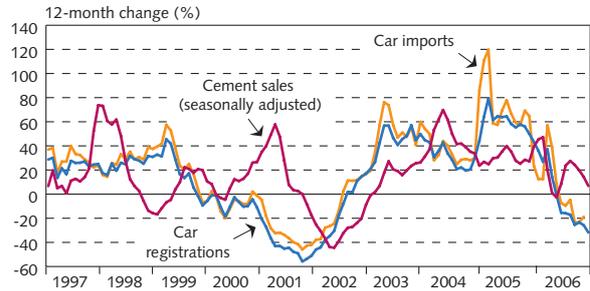
II-9

ICEX-listed company turnover and profits  
2004 and January-September 2005-2006



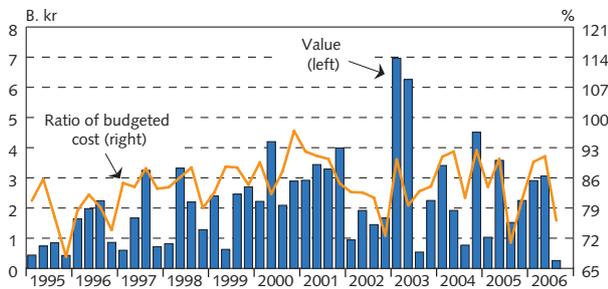
II-10

Car imports and registrations and cement sales  
Monthly data



II-11

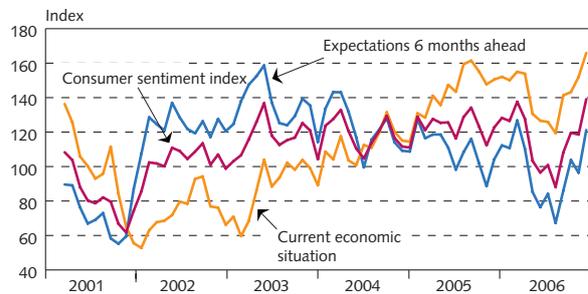
Contracts in public tenders  
Value and as a ratio of budgeted cost



II-12

Consumer sentiment (Gallup)

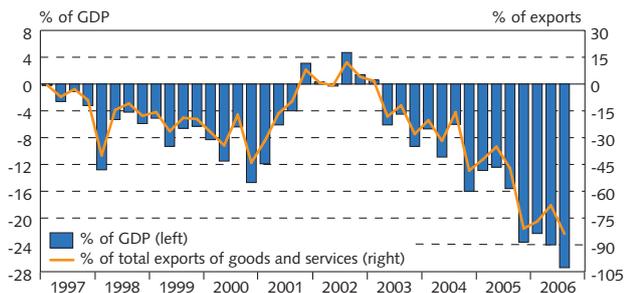
Index, current situation and expectations six months ahead



## III Foreign trade and external economic conditions

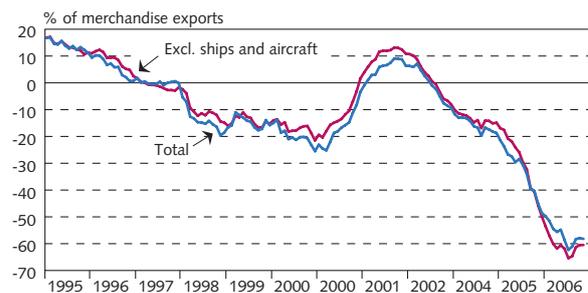
III-1

Current account balance  
Quarterly data



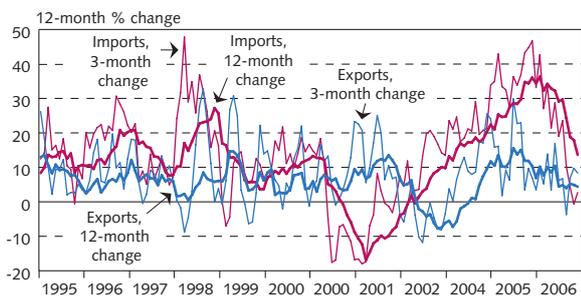
III-2

Merchandise trade balance  
12-month moving averages



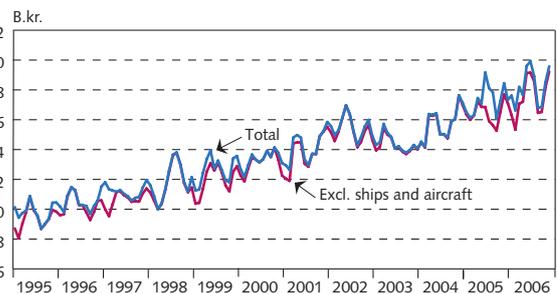
III-3

Merchandise imports and exports  
12- and 3-month moving averages, at fixed exchange rates



III-4

Merchandise exports  
3-month moving averages, at fixed exchange rates

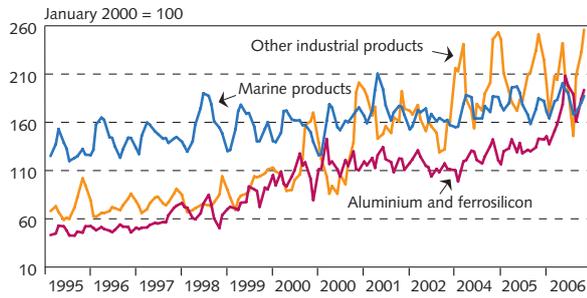


### III Foreign trade and external economic conditions

III-5

#### Merchandise exports by category

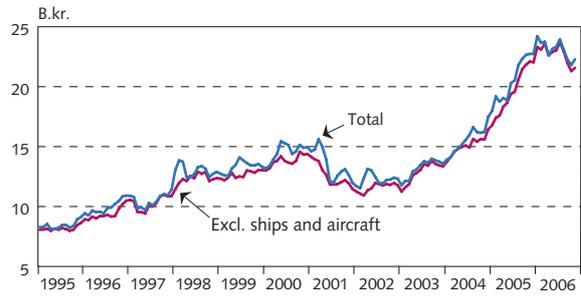
3-month moving averages, export value at fixed exchange rates



III-6

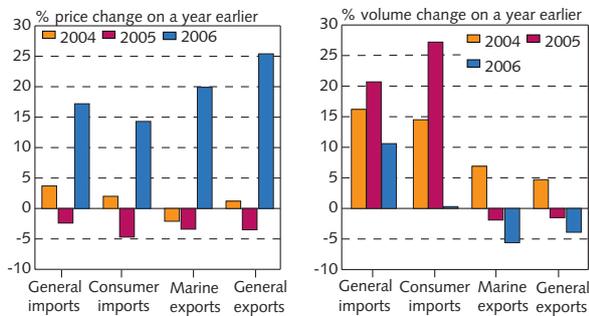
#### Seasonally adjusted merchandise imports

3-month moving averages, at fixed prices and exchange rates



III-7

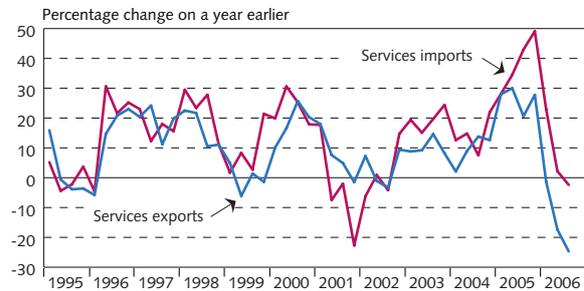
#### Merchandise trade in January - Nov. 2004-2006



III-8

#### Services account

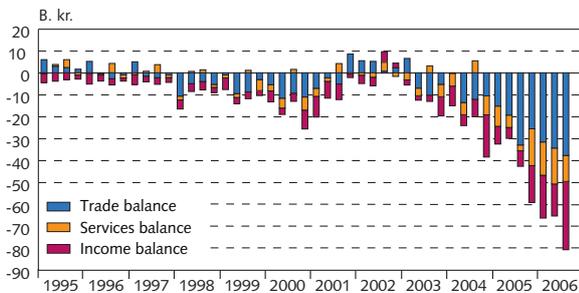
Quarterly data at fixed exchange rate



III-9

#### Components of current account

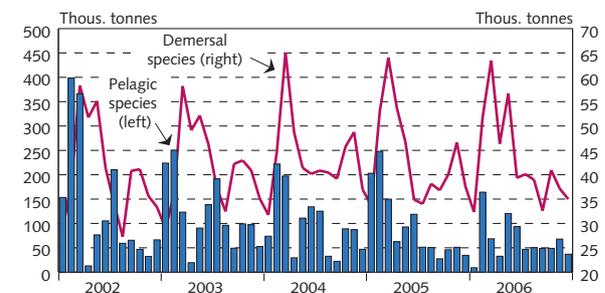
Net current transfer is included in factor income



III-10

#### Fish catch volume

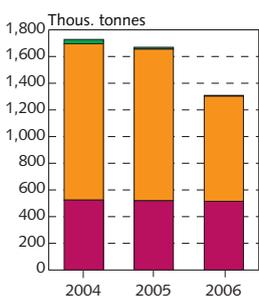
Monthly data



III-11

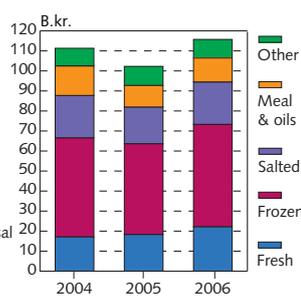
#### Fish catch

January - December



#### Marine export value

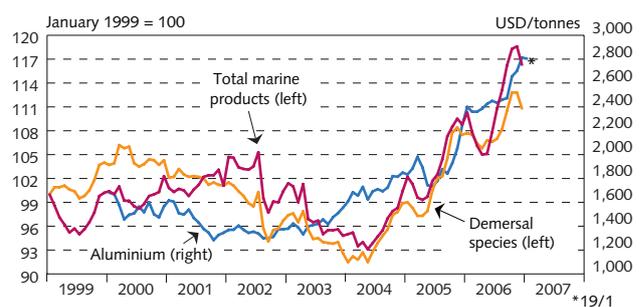
January - November



III-12

#### Export prices

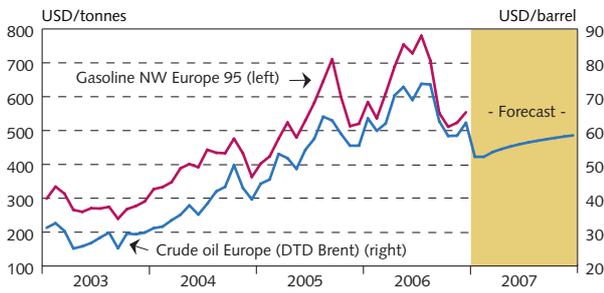
Currency-weighted for marine exports and in USD for aluminium



### III Foreign trade and external economic conditions

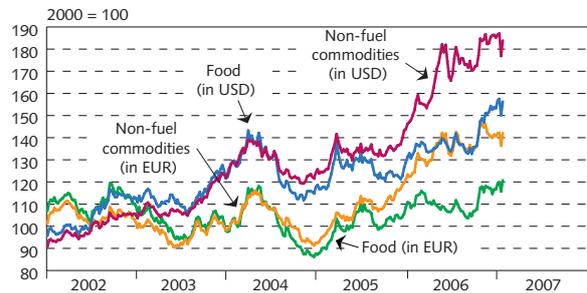
III-13

Crude oil and gasoline prices  
Forecast based on Rotterdam futures prices



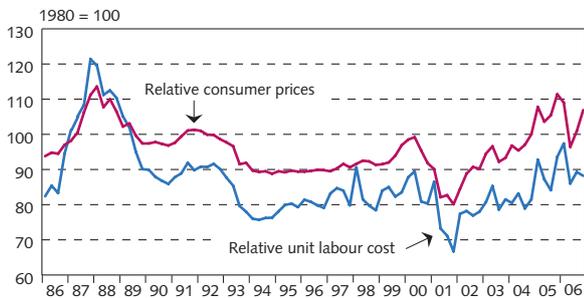
III-14

Commodity prices in international markets  
Weekly data



III-15

Real effective exchange rate of the króna  
Quarterly data



III-16

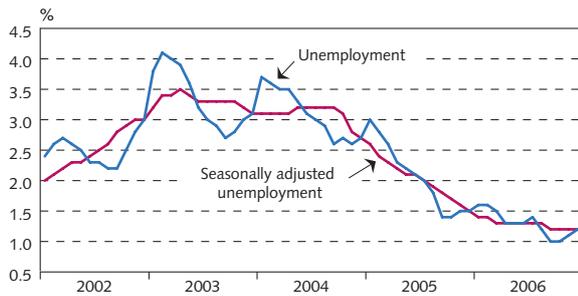
Real effective exchange rate of the króna  
Monthly data



### IV Labour market and wages

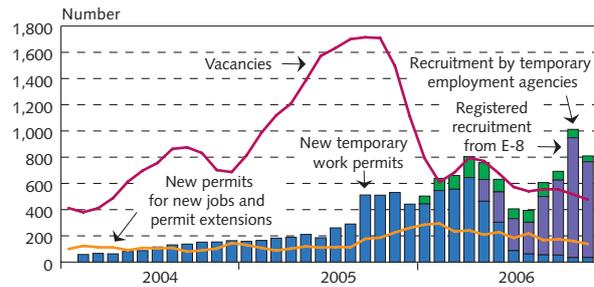
IV-1

Unemployment  
Percentage of labour force



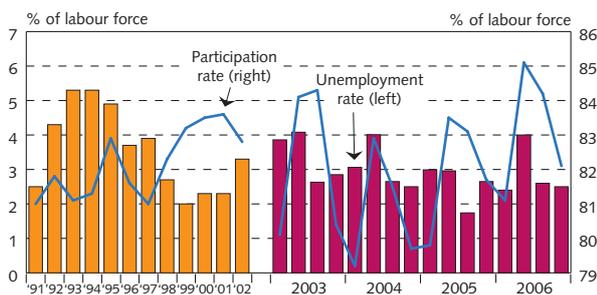
IV-2

Foreign labour  
3-month moving averages



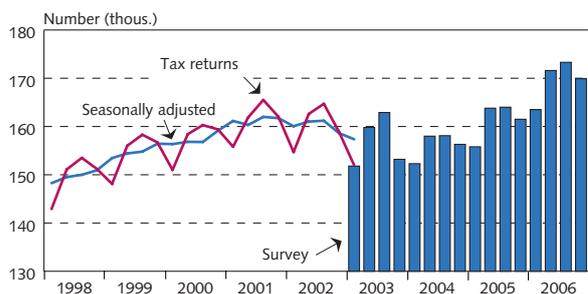
IV-3

Unemployment rate and labour participation rate  
Statistics Iceland labour market survey



IV-4

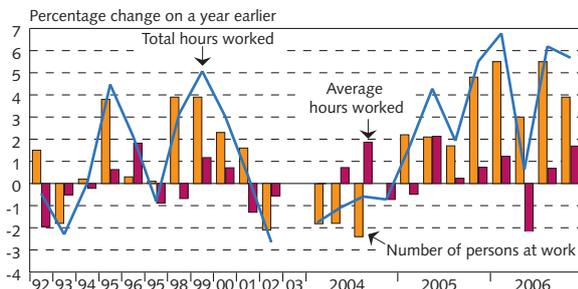
Number of employed persons  
Based on income tax returns for 1988-2002  
and Statistics Iceland labour market surveys since 2003



## IV Labour market and wages

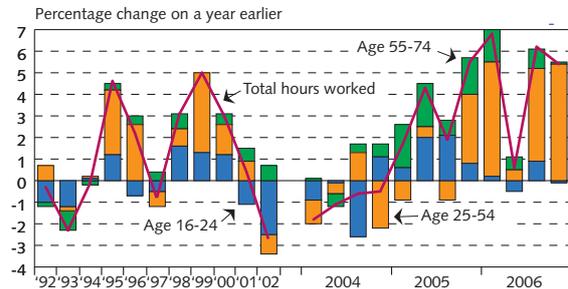
IV-5

Change in labour use  
Survey-based



IV-6

Change in labour use  
Contribution of age groups to total hours worked



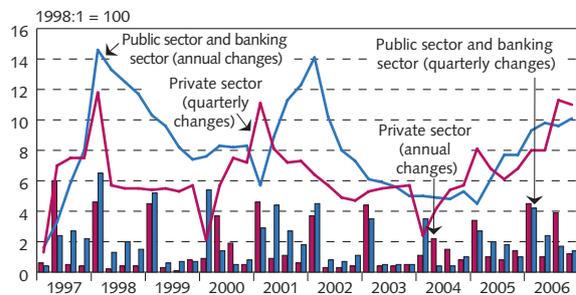
IV-7

Nominal and real wages  
Statistics Iceland wage index



IV-8

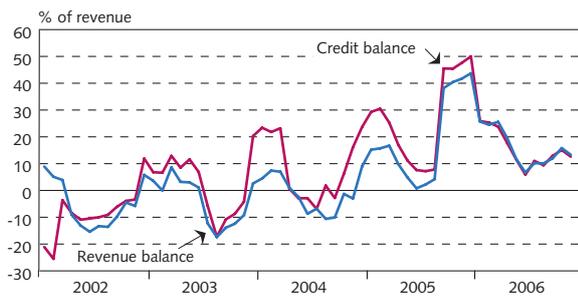
Wage changes by sectors  
Statistics Iceland wage index



## V Public finances

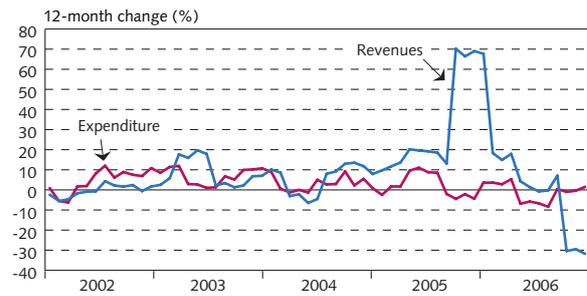
V-1

Treasury balance and net credit balance  
4-month moving averages in real terms



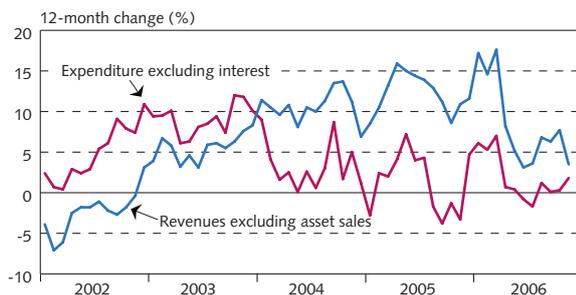
V-2

Regular Treasury revenues and expenditure  
4-month moving averages in real terms



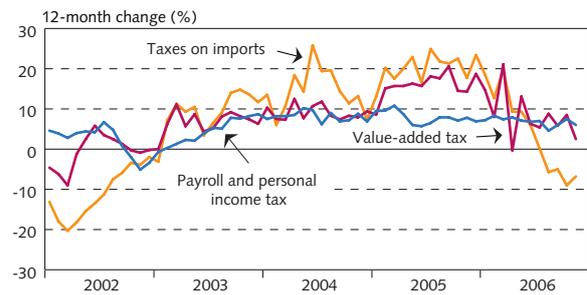
V-3

Regular revenues excluding asset sales,  
regular expenditure excluding interest  
4-month moving averages in real terms



V-4

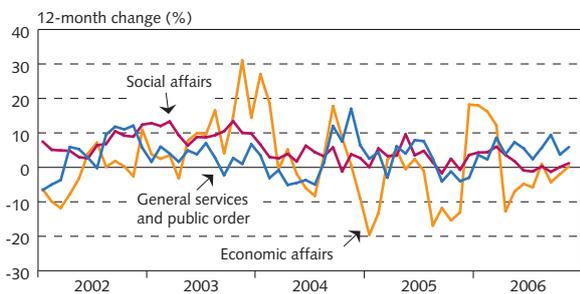
Tax revenues  
4-month moving averages in real terms



## V Public finances

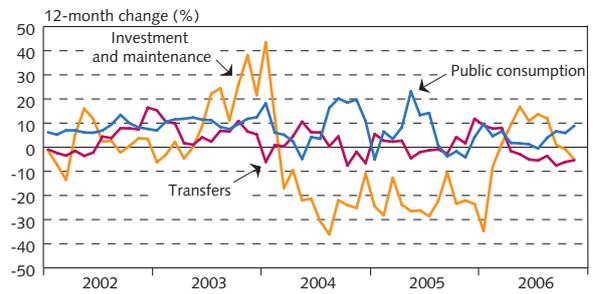
V-5

Treasury expenditures by function  
4-month moving averages in real terms



V-6

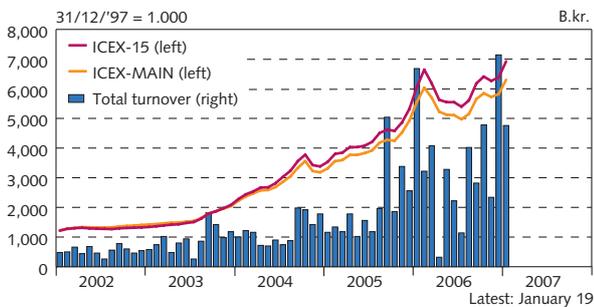
Treasury expenditures by type  
4-month moving averages in real terms



## VI Asset markets

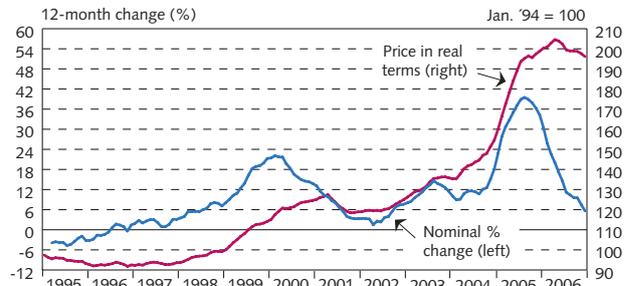
VI-1

ICEX equity market  
Monthly turnover and equity prices



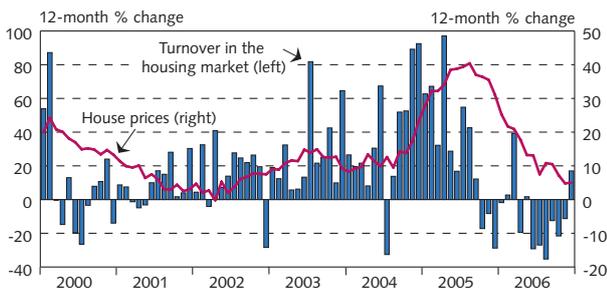
VI-2

Residential housing prices in Greater Reykjavik  
Price per m<sup>2</sup>, 3-month moving averages



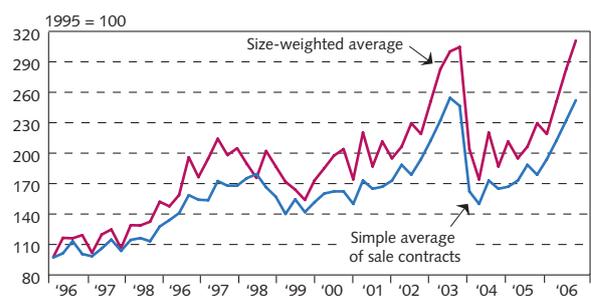
VI-3

House prices in Greater Reykjavik  
Monthly data



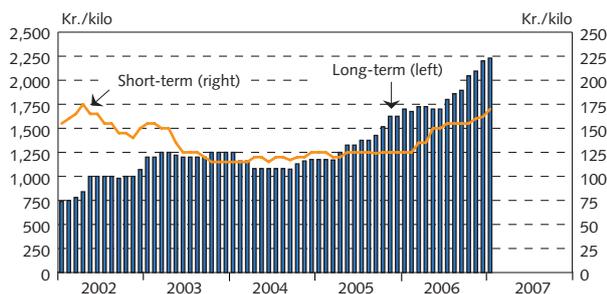
VI-4

Commercial property prices in Greater Reykjavik  
Weighted average of industrial, retail and office premises



VI-5

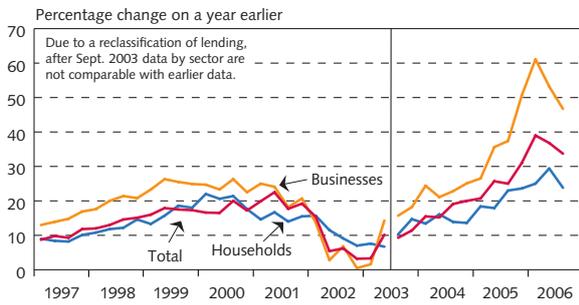
Prices of long-term and short-term cod quota  
Latest: January 22, 2007



# VII Financial markets

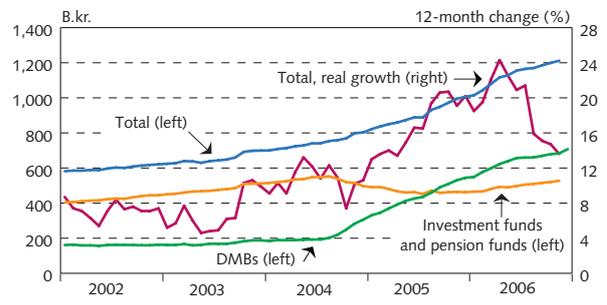
VII-1

**Credit system lending growth**  
Quarterly data



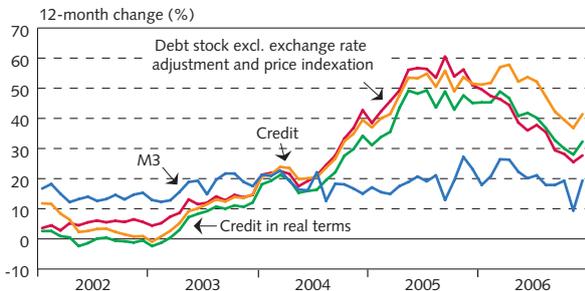
VII-2

**Household debt with main credit institutions**  
Monthly data



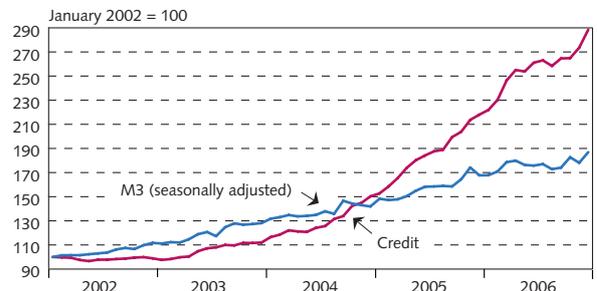
VII-3

**Growth of M3 and bank credit**  
Monthly data



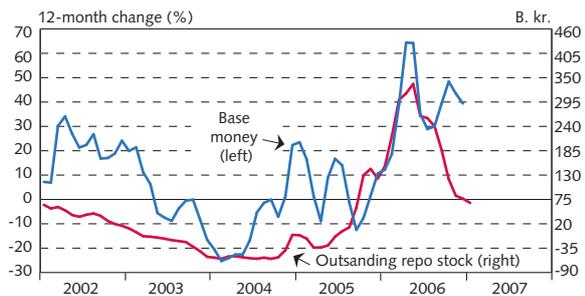
VII-4

**Growth of M3 and DMB's credit to domestic sector**  
Monthly data



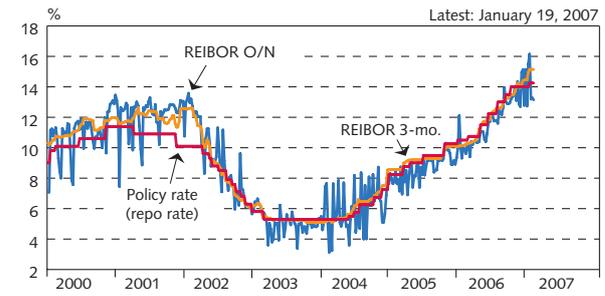
VII-5

**Base money and repurchase agreements with the Central Bank**  
3-month moving averages



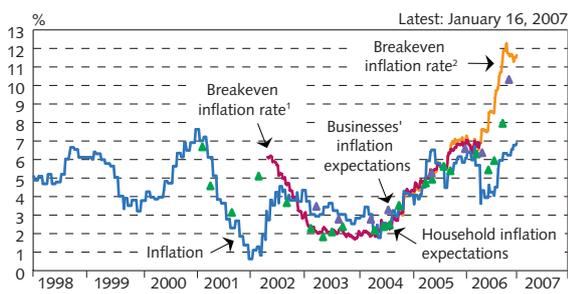
VII-6

**The Central Bank repo rate and interbank interest rates**  
Weekly data



VII-7

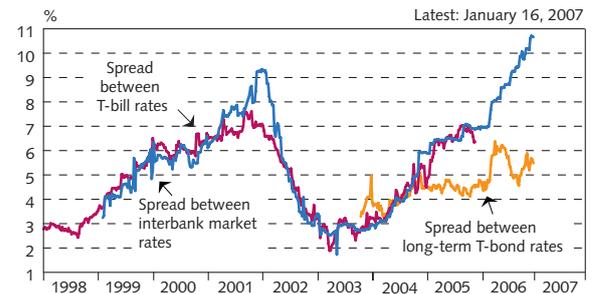
**Central Bank policy interest rate in real terms**  
Weekly data



1. Spread between RIKB 13 0517 and RIKS 15 1001.  
2. Spread between RIKB 13 0517 and HFF150914.

VII-8

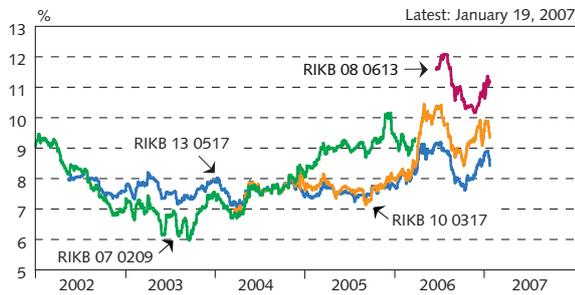
**Interest rate differential with abroad**  
Weekly data



## VII Financial markets

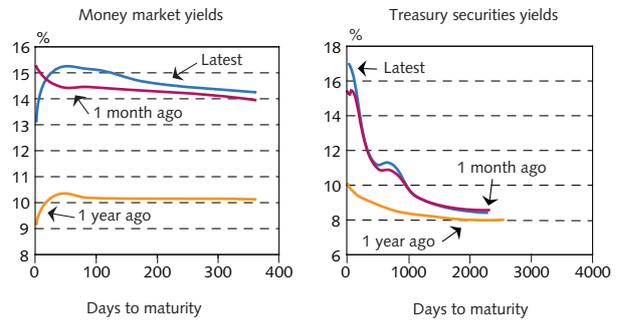
VII-9

Long-term nominal Treasury bond yields  
Daily data



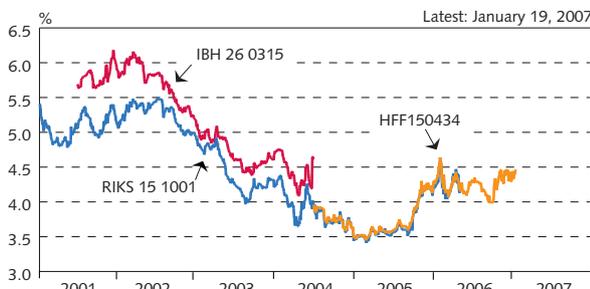
VII-10

Term structure of nominal interest rates Jan. 19, 2007



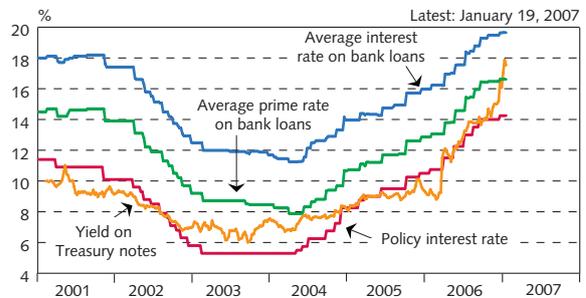
VII-11

Yields on indexed long-term bonds  
Daily data



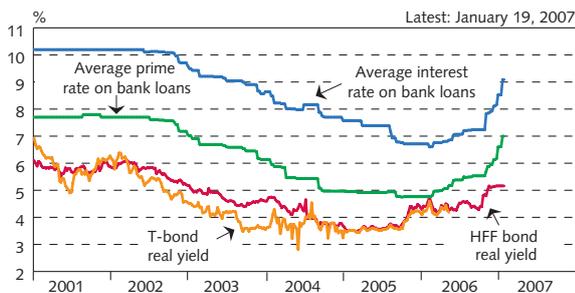
VII-12

Average nominal interest rates  
Bank lending rates, T-note yields and policy interest rate



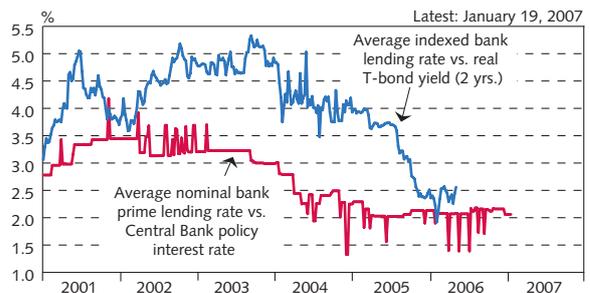
VII-13

Average indexed interest rates  
Bank lending rates and real yield on housing bonds and T-bonds



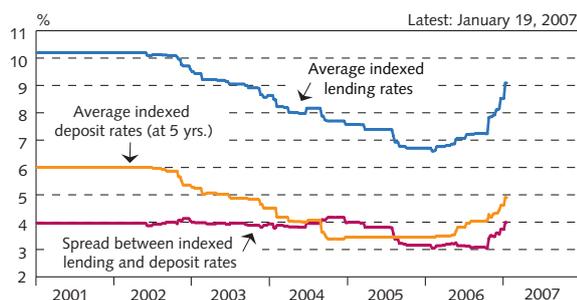
VII-14

Interest rate spreads  
Between nominal bank prime rates and the policy rate;  
between indexed bank lending rates and T-bond yield



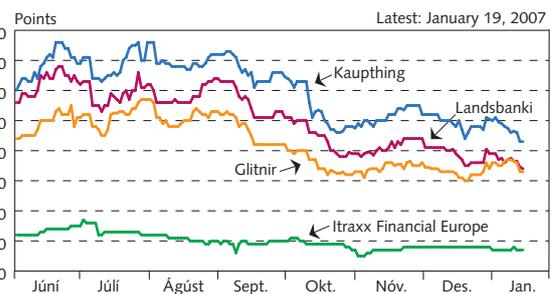
VII-15

Bank lending and deposit rates  
Indexed terms



VII-16

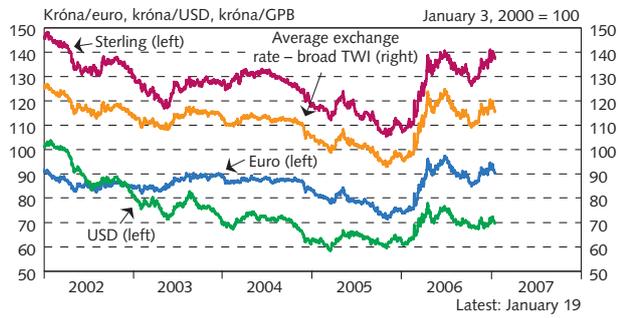
CDSs of Icelandic banks and Itraxx Financial Index  
Daily data



## VII Financial markets

VII-17

Exchange rate of the króna  
Daily data



VII-18

Nominal and real effective  
exchange rate of the króna  
Monthly averages

