

## Appendix 1

### Forecast tables

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

	2014	2015	2016	2017	2018
Private consumption	3.0 (3.1)	4.8 (4.9)	6.0 (5.3)	5.0 (4.2)	3.6 (3.4)
Public consumption	1.7 (1.8)	1.1 (1.5)	1.5 (1.4)	1.8 (1.6)	1.6 (1.5)
Gross capital formation	16.0 (15.4)	18.6 (19.6)	14.1 (12.4)	5.1 (6.1)	0.1 (-2.3)
Business investment	17.3 (16.3)	29.5 (31.5)	19.1 (14.7)	1.9 (2.6)	-3.3 (-8.6)
Residential investment	14.8 (14.8)	-3.1 (3.3)	5.8 (13.9)	22.4 (23.4)	13.3 (17.5)
Public investment	12.5 (12.8)	-1.1 (-5.1)	2.4 (2.7)	5.4 (4.4)	3.1 (3.2)
Domestic demand	5.3 (5.2)	6.3 (7.1)	6.3 (5.2)	4.2 (3.9)	2.4 (1.7)
Exports of goods and services	3.1 (3.1)	8.2 (6.7)	7.6 (6.4)	2.9 (2.1)	4.0 (3.0)
Imports of goods and services	9.8 (9.8)	13.5 (12.8)	11.7 (8.7)	3.1 (3.1)	2.7 (0.5)
Gross domestic product (GDP)	2.0 (1.8)	4.0 (4.1)	4.5 (4.2)	4.0 (3.4)	3.0 (2.9)
GDP at current price level (ISK billions)	2,004 (1,989)	2,205 (2,190)	2,386 (2,368)	2,574 (2,542)	2,749 (2,697)
Annual growth rate of nominal GDP	6.1 (5.9)	10.1 (10.1)	8.2 (8.1)	7.9 (7.4)	6.8 (6.1)
Total investment (% of GDP)	17.3 (16.7)	19.1 (18.7)	19.9 (19.5)	19.9 (19.8)	19.3 (18.8)
Business investment (% of GDP)	11.3 (10.7)	13.6 (13.1)	14.5 (13.6)	14.0 (13.2)	13.0 (11.7)
Underlying gross national saving (% of GDP) <sup>2</sup>	22.4 (21.5)	24.1 (22.8)	24.0 (23.0)	22.8 (22.1)	22.5 (21.7)
Contribution of net trade to GDP growth (percentage points)	-2.9 (-3.0)	-2.0 (-2.5)	-1.3 (-0.6)	0.1 (-0.3)	0.7 (1.3)

1. Year-on-year change (%) unless otherwise specified (figures in parentheses are from the forecast in *Monetary Bulletin* 2016/1). 2. The sum of investment, inventory changes, and the underlying current account balance.

Sources: Statistics Iceland, Central Bank of Iceland.

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

	2014	2015	2016	2017	2018
Marine production for export	-12.1 (-12.1)	0.6 (1.0)	-1.0 (-1.0)	3.0 (2.0)	2.0 (2.0)
Aluminium production for export	1.8 (1.8)	5.3 (3.5)	1.5 (1.6)	1.4 (1.0)	1.3 (1.0)
Foreign currency prices of marine products	7.7 (7.7)	10.9 (10.5)	2.5 (2.4)	-3.0 (-2.9)	-1.0 (-1.0)
Aluminium prices in USD <sup>2</sup>	2.1 (2.1)	-6.4 (-4.9)	-12.7 (-11.2)	1.9 (2.5)	2.3 (1.7)
Fuel prices in USD <sup>3</sup>	-7.5 (-7.5)	-47.2 (-47.2)	-24.0 (-30.3)	25.0 (23.2)	11.0 (10.4)
Terms of trade for goods and services	3.3 (3.2)	6.8 (6.8)	1.8 (2.3)	-1.5 (-1.4)	-0.7 (-1.2)
Inflation in main trading partners <sup>4</sup>	1.1 (1.1)	0.6 (0.6)	0.9 (1.3)	1.8 (1.9)	2.0 (2.0)
GDP growth in main trading partners <sup>4</sup>	1.8 (1.8)	1.8 (1.8)	1.6 (1.9)	2.0 (2.1)	2.0 (2.2)
Main trading partners' imports <sup>4</sup>	3.5 (3.5)	3.6 (3.2)	3.0 (3.5)	3.5 (3.8)	3.3 (3.1)
Short-term interest rates in main trading partners (%) <sup>5</sup>	0.5 (0.5)	0.2 (0.2)	0.2 (0.3)	0.6 (0.7)	1.1 (1.3)

1. Year-on-year change (%) unless otherwise specified (figures in parentheses are from the forecast in *Monetary Bulletin* 2016/1). 2. Forecast based on aluminium futures and analysts' forecasts. 3. Forecast based on fuel futures and analysts' forecasts. 4. Forecast from Consensus Forecasts and Global Insight. 5. OECD forecast for three-month money market rates in Iceland's main trading partner countries.

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

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

	2014	2015	2016	2017	2018
Trade balance	6.2 (6.3)	7.0 (6.7)	5.7 (6.4)	4.8 (5.2)	5.0 (5.6)
Headline balance on primary income <sup>2</sup>	-2.6 (-3.0)	-2.8 (-4.0)	-1.7 (-2.9)	-1.9 (-2.9)	-1.8 (-2.7)
Underlying balance on primary income <sup>3</sup>	-0.7 (-1.1)	-1.9 (-2.8)	-1.7 (-2.9)	-1.9 (-2.9)	-1.8 (-2.7)
Headline current account balance <sup>2</sup>	3.7 (3.3)	4.2 (2.7)	4.0 (3.5)	2.9 (2.3)	3.2 (2.9)
Underlying current account balance <sup>3</sup>	5.0 (4.7)	4.9 (3.7)	4.0 (3.5)	2.9 (2.3)	3.2 (2.9)

1. % of GDP (figures in parentheses are from the forecast in *Monetary Bulletin* 2016/1). 2. Calculated according to IMF standards. The sum of primary and secondary income. 3. Adjusted for the calculated revenues and expenses of the DMBs in winding-up proceedings for 2014-2015. The services account balance is also adjusted for the failed DMBs' financial intermediation services indirectly measured (FISIM). With the recent settlement of the failed banks' estates, as of 2016 there is no longer any difference between measured and underlying current account numbers.

Sources: Statistics Iceland, Central Bank of Iceland.

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

	2014	2015	2016	2017	2018
Overall Treasury balance	0.8 (0.9)	0.0 (0.4)	15.5 (0.3)	0.6 (1.2)	0.9 (0.7)
Primary Treasury balance	4.3 (4.4)	3.4 (3.4)	18.3 (2.7)	3.0 (3.3)	3.2 (2.6)
Overall general government balance	-0.1 (-0.1)	-0.5 (0.0)	15.3 (0.2)	0.4 (0.6)	0.8 (0.4)
Primary general government balance	3.6 (3.6)	3.0 (3.1)	18.2 (2.8)	2.9 (2.8)	3.1 (2.4)
Total general government debt	83 (82)	69 (70)	61 (58)	56 (55)	46 (53)
Net general government debt <sup>2</sup>	56 (56)	50 (52)	44 (38)	40 (35)	36 (35)

1. % of GDP on an accrual basis (figures in parentheses are from the forecast in *Monetary Bulletin* 2015/4). 2. Net debt is defined here as total liabilities excluding pension obligations and accounts payable and net of cash and bank deposits.

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

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

	2014	2015	2016	2017	2018
Unemployment (% of labour force)	5.0 (5.0)	4.0 (4.0)	3.3 (3.7)	3.2 (3.5)	3.4 (3.6)
Employment rate (% of population aged 16-74)	77.4 (77.4)	79.2 (79.2)	80.0 (79.7)	80.7 (79.7)	80.1 (79.5)
Total hours worked	1.9 (1.9)	3.3 (3.3)	3.0 (3.0)	3.4 (2.4)	1.5 (1.7)
Labour productivity <sup>2</sup>	0.1 (-0.1)	0.6 (0.8)	1.5 (1.2)	0.5 (1.0)	1.5 (1.2)
Unit labour costs <sup>3</sup>	5.0 (5.6)	8.4 (9.5)	9.8 (9.3)	5.2 (4.7)	4.7 (5.0)
Wage share (% of gross factor income)	61.4 (62.2)	62.9 (64.5)	66.7 (67.9)	67.7 (68.5)	68.4 (69.7)
Real disposable income	4.7 (4.7)	8.6 (7.6)	8.9 (8.7)	4.5 (4.1)	2.4 (3.7)
Output gap (% of potential output)	-0.1 (-0.3)	0.7 (0.7)	2.4 (2.1)	2.0 (1.6)	1.0 (0.9)

1. Year-on-year change (%) unless otherwise specified (figures in parentheses are from the forecast in *Monetary Bulletin* 2016/1). 2. Output per total hours worked. 3. Wage costs divided by productivity.

Sources: Statistics Iceland, Central Bank of Iceland.

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

	2014	2015	2016	2017	2018
Trade-weighted exchange rate index <sup>2</sup>	206.9 (206.9)	201.1 (201.1)	188.8 (190.5)	188.3 (190.5)	188.3 (190.5)
Inflation (consumer price index, CPI)	2.0 (2.0)	1.6 (1.6)	2.1 (2.3)	4.1 (4.1)	3.8 (3.4)
Inflation (CPI excluding effects of indirect taxes)	2.0 (2.0)	1.2 (1.2)	2.1 (2.2)	4.1 (4.1)	3.8 (3.4)

1. Year-on-year change (%) unless otherwise specified (figures in parentheses are from the forecast in *Monetary Bulletin* 2016/1). 2. Narrow trade basket.

Sources: Statistics Iceland, Central Bank of Iceland.

Table 7 Quarterly inflation forecast (%)<sup>1</sup>

Quarter	Inflation (year-on-year change)	Inflation excluding effects of indirect taxes (year-on-year change)	Inflation (annualised quarter-on-quarter change)
	Measured value		
2015:2	1.5 (1.5)	1.1 (1.1)	5.4 (5.4)
2015:3	2.0 (2.0)	1.6 (1.6)	2.6 (2.6)
2015:4	1.9 (1.9)	1.5 (1.5)	-0.6 (-0.6)
2016:1	1.9 (1.9)	1.9 (1.8)	0.4 (0.3)
Forecasted value			
2016:2	1.6 (1.9)	1.6 (1.9)	4.1 (5.3)
2016:3	1.9 (2.1)	1.9 (2.1)	3.6 (3.6)
2016:4	3.0 (3.1)	3.0 (3.0)	4.0 (3.2)
2017:1	3.6 (3.8)	3.6 (3.8)	2.6 (3.1)
2017:2	4.0 (4.1)	4.0 (4.1)	5.7 (6.7)
2017:3	4.3 (4.1)	4.3 (4.1)	5.0 (3.7)
2017:4	4.6 (4.2)	4.6 (4.2)	4.9 (3.3)
2018:1	4.4 (3.8)	4.4 (3.8)	2.2 (1.5)
2018:2	4.1 (3.5)	4.1 (3.5)	4.4 (5.6)
2018:3	3.6 (3.4)	3.6 (3.4)	2.9 (3.1)
2018:4	3.2 (3.1)	3.2 (3.1)	3.4 (2.1)
2019:1	2.9 (2.9)	2.9 (2.9)	1.1 (0.8)
2019:2	2.8	2.8	3.7

1. Figures in parentheses are from forecast in *Monetary Bulletin* 2016/1.

Sources: Statistics Iceland, Central Bank of Iceland.