

## Appendix 1

# Forecast tables

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

	2018	2019	2020	2021	2022
Private consumption	4.7 (4.7)	2.0 (1.7)	2.4 (2.2)	2.5 (3.3)	3.1 (2.8)
Public consumption	3.5 (3.5)	2.9 (3.2)	2.5 (2.6)	2.4 (2.4)	2.5 (2.5)
Gross capital formation	4.0 (4.0)	-6.9 (-8.4)	0.3 (7.4)	3.0 (3.6)	1.3 (2.7)
Business investment	-4.1 (-4.1)	-17.4 (-16.1)	1.2 (10.2)	-0.3 (1.2)	1.7 (3.5)
Residential investment	16.2 (16.2)	30.1 (13.0)	-4.6 (7.5)	5.3 (5.9)	4.5 (5.1)
Public investment	28.3 (28.3)	-9.7 (-3.7)	4.7 (-1.8)	10.7 (8.7)	-4.6 (-3.6)
Domestic demand	4.6 (4.6)	-0.4 (-0.9)	2.1 (3.7)	2.6 (3.2)	2.5 (2.7)
Exports of goods and services	1.7 (1.7)	-5.8 (-5.8)	-1.4 (0.4)	3.6 (3.6)	3.0 (2.8)
Imports of goods and services	0.8 (0.8)	-8.5 (-7.8)	1.5 (5.0)	4.0 (4.1)	2.8 (2.9)
Gross domestic product (GDP)	4.8 (4.8)	0.6 (-0.2)	0.8 (1.6)	2.4 (2.9)	2.6 (2.7)
GDP at current prices (ISK billions)	2,812 (2,812)	2,961 (2,929)	3,111 (3,078)	3,276 (3,268)	3,450 (3,447)
GDP at current prices (growth rate)	7.6 (7.6)	5.3 (4.1)	5.1 (5.1)	5.3 (6.2)	5.3 (5.5)
Total investment (% of GDP)	22.3 (22.3)	21.1 (20.9)	20.8 (21.8)	20.9 (21.9)	20.6 (21.9)
Business investment (% of GDP)	14.2 (14.2)	12.0 (12.2)	11.9 (12.9)	11.6 (12.7)	11.5 (12.8)
Gross national saving (% of GDP) <sup>2</sup>	25.5 (25.5)	25.7 (24.4)	24.6 (24.4)	24.5 (24.6)	24.3 (24.7)
Contribution of net trade to GDP growth (percentage points)	0.4 (0.4)	1.0 (0.7)	-1.2 (-1.9)	-0.1 (-0.1)	0.2 (0.0)

1. Year-on-year change (%) unless otherwise specified (figures in parentheses are from the forecast in MB 2019/4). 2. The sum of investment, inventory changes, and the current account balance.

Sources: Statistics Iceland, Central Bank of Iceland.

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

	2018	2019	2020	2021	2022
Marine production for export	11.5 (11.5)	-5.9 (-4.5)	-2.6 (-1.0)	3.0 (1.0)	1.0 (1.0)
Aluminium production for export <sup>2</sup>	-1.2 (-1.2)	-6.2 (-2.5)	-1.0 (4.0)	7.0 (1.0)	1.0 (1.0)
Foreign currency prices of marine products	4.7 (4.7)	6.6 (7.0)	3.0 (3.0)	3.0 (3.0)	1.5 (1.5)
Aluminium prices in USD <sup>3</sup>	13.3 (13.3)	-13.1 (-13.0)	3.0 (0.0)	4.0 (4.0)	4.0 (4.0)
Fuel prices in USD <sup>4</sup>	30.4 (30.4)	-10.3 (-11.5)	-3.3 (-9.2)	-6.2 (-2.1)	-2.4 (-0.2)
Terms of trade for goods and services	-3.6 (-3.6)	-0.8 (-0.4)	2.1 (2.2)	0.5 (0.7)	0.2 (0.2)
Inflation in main trading partners <sup>5</sup>	2.0 (2.0)	1.5 (1.5)	1.6 (1.6)	1.7 (1.7)	1.8 (1.8)
GDP growth in main trading partners <sup>5</sup>	2.3 (2.2)	1.7 (1.5)	1.6 (1.5)	1.6 (1.6)	1.6 (1.6)
Main trading partners' imports <sup>5</sup>	2.8 (3.0)	2.2 (1.9)	2.3 (2.8)	2.7 (3.2)	2.7 (3.0)
Policy rates in main trading partners (%) <sup>6</sup>	0.5 (0.5)	0.6 (0.6)	0.5 (0.5)	0.5 (0.5)	0.7 (0.6)

1. Year-on-year change (%) unless otherwise specified (figures in parentheses are from the forecast in MB 2019/4). 2. According to Statistics Iceland's external trade data. 3. Forecast based on aluminium futures and analysts' forecasts. 4. Based on average price of Brent crude oil futures during the period 16-22 January 2020. 5. Forecast based on Consensus Forecast, Global Insight, IMF, and OECD. 6. Forecast based on overnight index swap rates in main trading partner countries during the period 20 December 2019 - 8 January 2020.

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

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

	2018	2019	2020	2021	2022
Trade balance	3.0 (3.0)	3.7 (3.6)	3.3 (2.6)	3.4 (2.7)	3.6 (2.7)
Balance on primary income <sup>2</sup>	-0.2 (-0.2)	1.0 (0.2)	0.4 (0.0)	0.2 (0.0)	0.1 (0.1)
Current account balance	2.8 (2.8)	4.7 (3.7)	3.8 (2.6)	3.6 (2.7)	3.6 (2.8)

1. % of GDP (figures in parentheses are from the forecast in MB 2019/4). 2. The sum of primary and secondary income.

Sources: Statistics Iceland, Central Bank of Iceland.

Table 4 Labour market and factor utilisation<sup>1</sup>

	2018	2019	2020	2021	2022
Unemployment (% of labour force)	2.7 (2.7)	3.6 (3.7)	4.2 (3.8)	4.1 (3.6)	3.7 (3.5)
Employment rate (% of population aged 16-74)	79.4 (79.4)	78.1 (78.0)	77.6 (77.9)	77.7 (78.4)	78.3 (78.8)
Total hours worked	2.4 (2.4)	1.2 (-0.1)	0.7 (0.9)	1.6 (2.3)	1.9 (2.3)
Labour productivity <sup>2</sup>	2.3 (2.3)	-0.6 (-0.1)	0.0 (0.7)	0.8 (0.7)	0.7 (0.4)
Unit labour costs <sup>3</sup>	2.9 (2.9)	6.5 (6.1)	5.4 (4.0)	3.8 (4.3)	3.6 (3.9)
Wage share (% of gross factor income)	63.7 (63.7)	64.8 (64.7)	65.5 (65.1)	66.1 (65.8)	66.7 (66.6)
Real disposable income	4.5 (4.5)	2.6 (2.6)	2.8 (2.5)	3.4 (4.0)	4.0 (4.1)
Output gap (% of potential output)	2.4 (2.3)	0.4 (-0.3)	-0.8 (-0.1)	-0.4 (0.3)	-0.2 (0.1)

1. Year-on-year change (%) unless otherwise specified (figures in parentheses are from the forecast in MB 2019/4). 2. GDP per total hours worked. 3. Wage costs divided by productivity.

Sources: Statistics Iceland, Central Bank of Iceland.

Table 5 Exchange rate and inflation<sup>1</sup>

	2018	2019	2020	2021	2022
Trade-weighted exchange rate index <sup>2</sup>	166.7 (166.7)	181.0 (180.7)	182.9 (181.7)	185.4 (182.5)	185.4 (182.8)
Real exchange rate (relative consumer prices) <sup>3</sup>	96.8 (96.8)	90.4 (90.4)	90.1 (90.6)	89.1 (90.7)	89.5 (91.1)
Real exchange rate (relative unit labour costs) <sup>3</sup>	98.0 (97.8)	93.7 (93.4)	96.0 (94.8)	96.5 (96.3)	97.6 (97.4)
Inflation (consumer price index, CPI)	2.7 (2.7)	3.0 (3.0)	1.9 (2.3)	2.1 (2.2)	2.2 (2.5)
Inflation (CPI excluding effects of indirect taxes)	2.6 (2.6)	2.9 (2.9)	1.8 (2.2)	2.1 (2.2)	2.2 (2.4)

1. Year-on-year change (%) unless otherwise specified (figures in parentheses are from the forecast in MB 2019/4). 2. Narrow trade-weighted basket. The index has been recalculated so that on 2 January 2009 it was assigned a value equivalent to that of the now-discontinued Exchange Rate Index. 3. Average 2005 = 100.

Sources: Statistics Iceland, Central Bank of Iceland.

Table 6 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		
2019:1	3.1 (3.1)	3.0 (3.0)		1.9 (1.9)
2019:2	3.4 (3.4)	3.3 (3.3)		4.3 (4.3)
2019:3	3.1 (3.1)	3.0 (3.0)		1.3 (1.3)
2019:4	2.5 (2.5)	2.4 (2.4)		2.5 (2.6)
Forecasted value				
2020:1	1.9 (2.4)	1.8 (2.3)		-0.4 (1.6)
2020:2	1.9 (2.4)	1.8 (2.3)		4.3 (4.2)
2020:3	1.8 (2.2)	1.7 (2.1)		0.6 (0.6)
2020:4	1.8 (2.2)	1.7 (2.1)		2.6 (2.4)
2021:1	2.1 (2.2)	2.1 (2.1)		0.7 (1.5)
2021:2	2.1 (2.1)	2.1 (2.0)		4.5 (4.0)
2021:3	2.1 (2.2)	2.1 (2.2)		0.7 (1.1)
2021:4	2.2 (2.4)	2.1 (2.3)		2.9 (3.0)
2022:1	2.2 (2.4)	2.2 (2.4)		0.9 (1.7)
2022:2	2.2 (2.5)	2.2 (2.4)		4.5 (4.1)
2022:3	2.2 (2.5)	2.1 (2.4)		0.6 (1.1)
2022:4	2.3 (2.4)	2.2 (2.4)		3.1 (2.9)
2023:1	2.4	2.4		1.2

1. Figures in parentheses are from the forecast in MB 2019/4.

Sources: Statistics Iceland, Central Bank of Iceland.