

Statement of the Monetary Policy Committee 21 August 2024

The Monetary Policy Committee (MPC) of the Central Bank of Iceland has decided to keep the Bank's interest rates unchanged. The Bank's key interest rate – the rate on seven-day term deposits – will therefore remain 9.25%.

Inflation has risen marginally since the MPC's last meeting, after having eased earlier this year. Underlying inflation remains high and price increases are widespread, even though the contribution of the housing component is still significant. Furthermore, inflation expectations are broadly unchanged and have remained above target.

Domestic demand has eased in the past year, in line with a tighter monetary stance. Some demand pressures remain in the domestic economy, however, and they have subsided very little since the MPC's May meeting. It therefore appears that it will take some time to achieve an acceptable rate of disinflation.

The MPC is of the view that the current monetary stance is sufficient to bring inflation back to target, but persistent inflation and strong domestic demand call for caution. As before, monetary policy formulation will be determined by developments in economic activity, inflation, and inflation expectations.