

# Statement of the Monetary Policy Committee 8 May 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 continued to ease and measured 6% in April. Inflation excluding housing has fallen more rapidly, and underlying inflation is down to 5%. Inflation expectations have declined by some measures but remain above target.

Growth in domestic demand has subsided, as the monetary stance is tight and the outlook is for a slowdown in GDP growth this year. The positive output gap is larger than previously estimated, however, and inflation is therefore projected to fall more slowly, according to the Bank's new forecast.

The effects of the recent wage agreements and fiscal measures on demand have not yet come fully to the fore. Although the labour market has eased, demand pressures remain, which could give rise to wage drift, with the associated impact on inflation.

The MPC is of the view that there is an increased probability that the current monetary stance is sufficient to bring inflation back to target within an acceptable time frame. As before, monetary policy formulation will be determined by developments in economic activity, inflation, and inflation expectations.