

# Statement of the Monetary Policy Committee 20 November 2024

The Monetary Policy Committee (MPC) of the Central Bank of Iceland has decided to lower the Bank's interest rates by 0.5 percentage points. The Bank's key interest rate – the rate on seven-day term deposits – will therefore be 8.5%.

Inflation has eased recently, measuring 5.1% in October. The decline in inflation has been broad-based, and underlying inflation has fallen as well. Furthermore, inflation expectations have declined overall, and the real rate has therefore risen.

The effects of a tight monetary stance can still be seen in economic activity, and growth in domestic demand has lost pace. Unemployment continues to inch upwards, and the outlook is for demand pressures in the economy to ease, albeit more slowly than previously assumed.

Persistent inflation and inflation expectations above target call for caution, however. As a result, it is still necessary to maintain an appropriately tight monetary stance in order to bring inflation back to target within an acceptable time frame.

As before, near-term monetary policy formulation will be determined by developments in economic activity, inflation, and inflation expectations.