Economic Indicators

Central Bank of Iceland
September 2007
### Overview of economic indicators

#### I Inflation and inflation expectations\(^1\)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Latest period</th>
<th>Latest value</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer price index</td>
<td>September '07</td>
<td>276.7</td>
<td>1.3</td>
</tr>
<tr>
<td>Core index 1 (CPI excl. agricultural products and petrol)</td>
<td>September '07</td>
<td>157.1</td>
<td>1.3</td>
</tr>
<tr>
<td>Core index 2 (core index 1 excl. public services)</td>
<td>September '07</td>
<td>158.0</td>
<td>1.4</td>
</tr>
<tr>
<td>Domestic goods excl. agricultural products</td>
<td>September '07</td>
<td>133.9</td>
<td>0.6</td>
</tr>
<tr>
<td>Agricultural products</td>
<td>September '07</td>
<td>128.7</td>
<td>0.6</td>
</tr>
<tr>
<td>Imported goods excl. agricultural products</td>
<td>September '07</td>
<td>117.1</td>
<td>2.4</td>
</tr>
<tr>
<td>- food and beverages</td>
<td>September '07</td>
<td>117.1</td>
<td>0.5</td>
</tr>
<tr>
<td>- cars and spare parts</td>
<td>September '07</td>
<td>129.8</td>
<td>0.3</td>
</tr>
<tr>
<td>- petrol</td>
<td>September '07</td>
<td>167.8</td>
<td>3.2</td>
</tr>
<tr>
<td>- imported goods excl. food and beverages</td>
<td>September '07</td>
<td>100.1</td>
<td>3.5</td>
</tr>
<tr>
<td>Housing</td>
<td>September '07</td>
<td>277.0</td>
<td>2.0</td>
</tr>
<tr>
<td>Private services</td>
<td>September '07</td>
<td>152.3</td>
<td>-0.2</td>
</tr>
<tr>
<td>Public services</td>
<td>September '07</td>
<td>161.1</td>
<td>0.1</td>
</tr>
<tr>
<td>Groceries (perishables)</td>
<td>September '07</td>
<td>125.5</td>
<td>0.6</td>
</tr>
<tr>
<td>Private consumption (b.kr.)</td>
<td>August '07</td>
<td>98.7</td>
<td>-9.5</td>
</tr>
</tbody>
</table>

#### II Output and demand

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Latest period</th>
<th>Latest value</th>
<th>Value 1 year ago</th>
<th>% change 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP (b.kr.)</td>
<td>Q2/2007</td>
<td>312.8</td>
<td>289.5</td>
<td>6.2</td>
</tr>
<tr>
<td>National expenditure (b.kr.)</td>
<td>Q2/2007</td>
<td>191.1</td>
<td>176.9</td>
<td>10.5</td>
</tr>
<tr>
<td>Public consumption (b.kr.)</td>
<td>Q2/2007</td>
<td>78.2</td>
<td>71.3</td>
<td>1.6</td>
</tr>
<tr>
<td>Gross fixed investment (b.kr.)</td>
<td>Q2/2007</td>
<td>86.8</td>
<td>94.9</td>
<td>33.8</td>
</tr>
<tr>
<td>Exports of goods and services (b. kr.)</td>
<td>Q2/2007</td>
<td>96.4</td>
<td>102.5</td>
<td>-7.2</td>
</tr>
<tr>
<td>Imports of goods and services (b. kr.)</td>
<td>Q2/2007</td>
<td>-140.9</td>
<td>-156.9</td>
<td>11.9</td>
</tr>
<tr>
<td>Domestic turnover according to VAT statements (b. kr.)</td>
<td>May-June '07</td>
<td>284.8</td>
<td>253.5</td>
<td>3.0</td>
</tr>
<tr>
<td>Turnover in groceries stores (b. kr.)</td>
<td>August '07</td>
<td>143.9</td>
<td>126.1</td>
<td>0.2</td>
</tr>
<tr>
<td>Credit and debit card turnover (b. kr.)(^3)</td>
<td>August '07</td>
<td>66.2</td>
<td>56.8</td>
<td>3.4</td>
</tr>
<tr>
<td>Turnover of publicly listed companies on ICEX (b. kr.)</td>
<td>Q1 '07</td>
<td>192.0</td>
<td>132.0</td>
<td>53.6</td>
</tr>
<tr>
<td>Cement sales (thous. tons)</td>
<td>August '07</td>
<td>26.6</td>
<td>32.0</td>
<td>-21.4</td>
</tr>
<tr>
<td>Automobile registrations (number)</td>
<td>August '07</td>
<td>2,141</td>
<td>1,498</td>
<td>13.1</td>
</tr>
</tbody>
</table>

#### III Foreign trade and external economic conditions

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Latest period</th>
<th>Latest value</th>
<th>Year-to-date(^7)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real effective exchange rate (relative CPI) (2000=100)</td>
<td>Q2 '07</td>
<td>106.1</td>
<td>98.2</td>
</tr>
</tbody>
</table>

1. Index base periods: Consumer price index: May 1988=100; other price indices: March 1997=100. 2. Annualised inflation.

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\(^1\) Change between periods is presented in real terms. 2. Change in seasonally adjusted values.

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Note: In the case of volumes and values, "Year-to-date" refers to cumulated figures, but in the case of prices or indices it refers to the average price or index. 1. Changes are calculated at constant exchange rates.
### IV Labour market and wages

<table>
<thead>
<tr>
<th></th>
<th>Latest value</th>
<th>Latest period</th>
<th>1 year ago</th>
<th>Change 1 from previous period</th>
<th>Change 1 from previous year</th>
<th>Average 2 Change on year (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of unemployed listed at employment agencies</td>
<td>1,476</td>
<td>August '07</td>
<td>1,948</td>
<td>-102</td>
<td>-472</td>
<td>1,782</td>
</tr>
<tr>
<td>Registered unemployment, s.a. (% of total estim. labour force)</td>
<td>0.9</td>
<td>August '07</td>
<td>1.3</td>
<td>0.0</td>
<td>-0.3</td>
<td>1.0</td>
</tr>
<tr>
<td>Unemployment rate, labour force survey</td>
<td>0.2</td>
<td>Q2/2007</td>
<td>4.0</td>
<td>0.0</td>
<td>-1.5</td>
<td>2.6</td>
</tr>
<tr>
<td>Listed vacancies at employment agencies</td>
<td>486</td>
<td>August '07</td>
<td>616</td>
<td>-3.2</td>
<td>-21.1</td>
<td>454</td>
</tr>
<tr>
<td>Work permits issued, total</td>
<td>318</td>
<td>August '07</td>
<td>363</td>
<td>-33</td>
<td>-12.4</td>
<td>2,218</td>
</tr>
<tr>
<td>New permits for new jobs and permit extensions</td>
<td>834</td>
<td>August '07</td>
<td>245</td>
<td>67</td>
<td>240.4</td>
<td>4,239</td>
</tr>
<tr>
<td>Wage index (December 1988=100)</td>
<td>321.1</td>
<td>August '07</td>
<td>297.4</td>
<td>0.4</td>
<td>8.0</td>
<td>316.1</td>
</tr>
<tr>
<td>Real wages (wage index deflated by CPI)</td>
<td>146.9</td>
<td>August '07</td>
<td>140.7</td>
<td>0.4</td>
<td>4.4</td>
<td>146.2</td>
</tr>
</tbody>
</table>

1. Change from previous period refers to change in the number of unemployed and change in the rate of unemployment; percentage changes otherwise.  2. Average from beginning of year except for work permits where the cumulative number of permits is shown. Change on previous year refers to change in the average number of unemployed and change in the unemployment rate; percentage changes otherwise.

### V Public finances

<table>
<thead>
<tr>
<th></th>
<th>Latest value</th>
<th>Latest period</th>
<th>Value % change on Year-to-date</th>
<th>% change on previous period</th>
<th>% change on previous year</th>
<th>Year-to-date 2 Change on prev. year (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Treasury revenue balance (b.kr.)</td>
<td>3.4</td>
<td>July '07</td>
<td>3.0</td>
<td>.</td>
<td>.</td>
<td>48.3</td>
</tr>
<tr>
<td>- as a percentage of revenue</td>
<td>10.4</td>
<td>July '07</td>
<td>10.3</td>
<td>0.0</td>
<td>-0.3</td>
<td>19.2</td>
</tr>
<tr>
<td>Net borrowing requirement (b.kr.)</td>
<td>5.6</td>
<td>July '07</td>
<td>3.2</td>
<td>-2.2</td>
<td>-22.3</td>
<td>-8.9</td>
</tr>
<tr>
<td>- as percentage of revenue</td>
<td>16.9</td>
<td>July '07</td>
<td>-11.1</td>
<td>-10.4</td>
<td>-10.1</td>
<td>-8.9</td>
</tr>
<tr>
<td>Treasury revenue (b.kr.)</td>
<td>33.2</td>
<td>July '07</td>
<td>29.0</td>
<td>1.3</td>
<td>9.8</td>
<td>251.9</td>
</tr>
<tr>
<td>- excl. asset sales and irregular items (b.kr.)</td>
<td>31.6</td>
<td>July '07</td>
<td>28.9</td>
<td>1.4</td>
<td>4.8</td>
<td>245.0</td>
</tr>
<tr>
<td>- from VAT (b.kr.)</td>
<td>10.4</td>
<td>July '07</td>
<td>10.3</td>
<td>3.8</td>
<td>-3.2</td>
<td>76.7</td>
</tr>
<tr>
<td>- from payroll &amp; personal income tax withheld (b.kr.)</td>
<td>9.9</td>
<td>July '07</td>
<td>9.3</td>
<td>-5.9</td>
<td>1.6</td>
<td>72.4</td>
</tr>
<tr>
<td>- from imports (b.kr.)</td>
<td>2.6</td>
<td>July '07</td>
<td>2.6</td>
<td>7.0</td>
<td>-3.0</td>
<td>17.1</td>
</tr>
<tr>
<td>Treasury expenditures (b.kr.)</td>
<td>29.7</td>
<td>July '07</td>
<td>26.0</td>
<td>-0.3</td>
<td>9.6</td>
<td>203.6</td>
</tr>
<tr>
<td>- excl. irregular items (b.kr.)</td>
<td>29.7</td>
<td>July '07</td>
<td>26.0</td>
<td>-0.3</td>
<td>9.6</td>
<td>203.6</td>
</tr>
</tbody>
</table>

Note: First four columns show 4-month moving averages of monthly values, last two show current year to date.

### VI Asset markets

<table>
<thead>
<tr>
<th></th>
<th>Latest value</th>
<th>Latest period</th>
<th>Value % change on Year-to-date</th>
<th>% change on previous period</th>
<th>% change on previous year</th>
<th>Year-to-date 2 Change on prev. year (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ICEX-15 equity price index² (Dec. 1997=1,000)</td>
<td>8,187.0</td>
<td>August '07</td>
<td>5,604.1</td>
<td>-6.2</td>
<td>46.1</td>
<td>7,791.6</td>
</tr>
<tr>
<td>Equity turnover on ICEX², monthly total</td>
<td>256.8</td>
<td>August '07</td>
<td>201.3</td>
<td>-51.3</td>
<td>27.5</td>
<td>2,189.5</td>
</tr>
<tr>
<td>Residential housing prices, narrow index³ (Jan. 1994=100)</td>
<td>335.5</td>
<td>August '07</td>
<td>303.2</td>
<td>1.1</td>
<td>10.6</td>
<td>320.4</td>
</tr>
<tr>
<td>Real residential housing prices, broad index³ (Jan. 1994=100)</td>
<td>213.7</td>
<td>August '07</td>
<td>199.4</td>
<td>0.7</td>
<td>7.1</td>
<td>206.3</td>
</tr>
<tr>
<td>Price of long-term cod quota (kr./kg.)</td>
<td>2,800.0</td>
<td>September '07</td>
<td>1,895.0</td>
<td>0.0</td>
<td>47.8</td>
<td>2,648.0</td>
</tr>
</tbody>
</table>

1. Except for turnover which is cumulated to date.  2. ICEX = Iceland Stock Exchange. Prices are monthly averages.  3. In Greater Reykjavík.

### VII Financial markets

<table>
<thead>
<tr>
<th></th>
<th>Latest value</th>
<th>Latest period</th>
<th>Value % change on Year-to-date</th>
<th>% change on previous period</th>
<th>% change on previous year</th>
<th>Year-to-date 2 Change on prev. year (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank lending to domestic sector (b.kr.)¹</td>
<td>2,610.4</td>
<td>July '07</td>
<td>2,168.7</td>
<td>4.0</td>
<td>26.6</td>
<td>.</td>
</tr>
<tr>
<td>- adjusted for estimated indexation effects on inflation- and exchange rate-linked loans (index)²</td>
<td>588.1</td>
<td>July '07</td>
<td>467.1</td>
<td>4.7</td>
<td>31.9</td>
<td>.</td>
</tr>
<tr>
<td>- in real terms (January 2002 = 100)³</td>
<td>308.2</td>
<td>July '07</td>
<td>262.8</td>
<td>0.0</td>
<td>17.2</td>
<td>.</td>
</tr>
<tr>
<td>Credit system total lending (b.kr.)</td>
<td>5,175.6</td>
<td>June '07</td>
<td>3,213.3</td>
<td>23.3</td>
<td>61.1</td>
<td>.</td>
</tr>
<tr>
<td>M3 (b.kr.)</td>
<td>1,058.2</td>
<td>August '07</td>
<td>730.1</td>
<td>2.0</td>
<td>44.9</td>
<td>.</td>
</tr>
<tr>
<td>Central Bank policy interest rate (%)</td>
<td>13.30</td>
<td>Sept. 21 '07</td>
<td>13.09</td>
<td>0.0</td>
<td>0.2</td>
<td>13.30</td>
</tr>
<tr>
<td>Money market yield, 3-mo. (%)²</td>
<td>14.0</td>
<td>Sept. 21 '07</td>
<td>13.3</td>
<td>0.2</td>
<td>0.7</td>
<td>13.9</td>
</tr>
<tr>
<td>Money market yield, 12-mo. (%)²</td>
<td>13.8</td>
<td>Sept. 21 '07</td>
<td>13.6</td>
<td>0.0</td>
<td>0.2</td>
<td>14.1</td>
</tr>
<tr>
<td>Yield on Treasury notes (RKB 10 0317) (%)²</td>
<td>10.7</td>
<td>Sept. 21 '07</td>
<td>8.9</td>
<td>-1.0</td>
<td>1.8</td>
<td>10.1</td>
</tr>
<tr>
<td>Yield on Treasury notes (RKB 13 0517) (%)²</td>
<td>9.1</td>
<td>Sept. 21 '07</td>
<td>8.0</td>
<td>-0.4</td>
<td>1.1</td>
<td>8.9</td>
</tr>
<tr>
<td>Real yield on HFF bonds (HFF150224) (%)²</td>
<td>5.3</td>
<td>Sept. 21 '07</td>
<td>4.4</td>
<td>-0.3</td>
<td>0.9</td>
<td>5.3</td>
</tr>
<tr>
<td>Real yield on HFF bonds (HFF150434) (%)²</td>
<td>4.6</td>
<td>Sept. 21 '07</td>
<td>4.1</td>
<td>-0.2</td>
<td>0.5</td>
<td>4.6</td>
</tr>
<tr>
<td>Real yield on HFF bonds (HFF150644) (%)²</td>
<td>4.3</td>
<td>Sept. 21 '07</td>
<td>4.0</td>
<td>-0.2</td>
<td>0.3</td>
<td>4.3</td>
</tr>
<tr>
<td>Real yield on Treasury bonds (RIKS 15 1001) (%)²</td>
<td>2.6</td>
<td>Sept. 21 '07</td>
<td>4.2</td>
<td>2.6</td>
<td>-1.6</td>
<td>4.5</td>
</tr>
<tr>
<td>Average bank lending rate, non-indexed loans (%)²</td>
<td>19.2</td>
<td>Sept. 21 '07</td>
<td>18.8</td>
<td>-0.1</td>
<td>0.4</td>
<td>19.3</td>
</tr>
<tr>
<td>Average bank lending rate, indexed loans (%)²</td>
<td>8.4</td>
<td>Sept. 21 '07</td>
<td>7.2</td>
<td>-0.8</td>
<td>1.1</td>
<td>8.4</td>
</tr>
<tr>
<td>Exchange rate index of króna (Dec. 31 1991=100)²</td>
<td>117.3</td>
<td>Sept. 21 '07</td>
<td>123.1</td>
<td>-0.9</td>
<td>-5.8</td>
<td>120.9</td>
</tr>
</tbody>
</table>

1. For comparability, financial companies which were reclassified as deposit money banks or moved into that category through mergers are included retroactively for the entire period.  This adjustment is made only for percentage changes and not applied to the original stock figures.  2. All figures except for two last columns are based on 4-week averages.
I Inflation and inflation expectations

1-1 Consumer price inflation and core inflation

1-2 Consumer prices

1-3 Consumer prices

1-4 Consumer prices

1-5 Prices of imported goods and exchange rate development

1-6 Components of CPI inflation

1-7 Inflation in Iceland and trading partner countries

1-8 Inflation expectations

1. Spread between RIKB 13 0517 and RIKS 15 1001.
2. Spread between RIKB 13 0517 and NKF 150914.
II Output and demand

OMX-listed company turnover and profits

Car imports and registrations and cement sales
Monthly data

Contracts in public tenders
Value and as a ratio of budgeted cost

Consumer sentiment (Gallup)
Index, current situation and expectations six months ahead

Current account balance
Quarterly data

Merchandise trade balance
12-month moving averages

Merchandise imports and exports
12- and 3-month moving averages, at fixed exchange rates

Merchandise exports
3-month moving averages, at fixed exchange rates

III Foreign trade and external economic conditions

1. Preliminary data from Statistics Iceland.
III Foreign trade and external economic conditions

III-5 Merchandise exports by category
3-month moving averages, export value at fixed exchange rates

III-6 Seasonally adjusted merchandise imports
3-month moving averages, at fixed prices and exchange rate

% price change on a year earlier
% volume change on a year earlier

III-8 Services account
Quarterly data at fixed exchange rate

III-9 Components of current account
Net current transfer is included in factor income

III-10 Fish catch volume
Monthly data

III-11 Fish catch
January-August

III-12 Export prices
Currency-weighted for marine exports and in USD for aluminium

January 1999 = 100
III Foreign trade and external economic conditions

III-13
Crude oil and gasoline prices
Forecast based on Rotterdam futures prices

III-14
Commodity prices in international markets
Weekly data

III-15
Real effective exchange rate of the króna
Quarterly data

III-16
Real effective exchange rate of the króna
Monthly data

IV Labour market and wages

IV-1
Unemployment
Percentage of labour force

IV-2
Foreign labour
3-month moving averages

IV-3
Unemployment rate and labour participation rate
Statistics Iceland labour market survey

IV-4
Number of employed persons
Based on income tax returns for 1988-2002 and Statistics Iceland labour market surveys since 2003
IV  Labour market and wages

IV-5
Change in labour use
Survey-based

IV-6
Change in labour use
Contribution of age groups to total hours worked

IV-7
Nominal and real wages
Statistics Iceland wage index

IV-8
Wage changes by sectors
Statistics Iceland wage index

IV-9
Private sector wage index by sector
Percentage change on a year earlier

IV-10
Private sector wage index by occupational group
Change on a year earlier (%)

V  Public finances

V-1
Treasury balance and net credit balance
4-month moving averages in real terms

V-2
Regular Treasury revenues and expenditure
4-month moving averages in real terms
V  Public finances

V-3  Regular revenues excluding asset sales, regular expenditure excluding interest
4-month moving averages in real terms

12-month change (%)

Expenditure excluding interest
Revenues excluding asset sales

V-4  Tax revenues
4-month moving averages in real terms

12-month change (%)

Taxes on imports
Payroll & personal income tax
Value-added tax (adjusted for cut in March 2007)

V-5  Treasury expenditures by function
4-month moving averages in real terms

12-month change (%)

Economic affairs
General services and public order

V-6  Treasury expenditures by type
4-month moving averages in real terms

12-month change (%)

Investment and maintenance
Public consumption
Transfers

VI  Asset markets

VI-1  OMX equity market
Monthly turnover and equity prices

OMX15 (left)
OMXI-MAIN (left)
Total turnover (right)

VI-2  Residential housing prices in Greater Reykjavík
Price per m², 3-month moving averages

12-month change (%)

Price in real terms (right)
Price in nominal terms (left)

VI-3  House prices in Greater Reykjavík
Monthly data

12-month % change

Turnover in the housing market (left)
House price (right)

VI-4  Commercial property prices in Greater Reykjavík
Weighted average of industrial, retail and office premises

1995 = 100

Simple average of sale contracts
VII. Financial markets

VII-1. Credit system lending growth
Quarterly data

Due to reclassification of lending, after Sept. 2003 data by sector are not comparable with earlier data.

VII-2. Household debt with main credit institutions
Monthly data

B.kr. 12-month change (%)

Total, real growth (right)

Total (left)

DMBs (left)

Investment funds and pension funds (left)

VII-3. Growth of M3 and bank credit
Monthly data

12-month change (%)

M3 (seasonally adjusted)

Credit in real terms

VII-4. Growth of M3 and DMB’s credit to domestic sector
Monthly data

January 2002 = 100

VII-5. Base money and repurchase agreements with the Central Bank
3-month moving averages

12-month change (%)

Credit

M3

Credit in real terms

Base money (left)

Outstanding repo stock (right)

VII-6. The Central Bank repo rate and interbank interest rates
Weekly data

18%

REIBOR O/N

Policy rate (repo rate)

Latest: September 21

VII-7. Central Bank policy interest rate in real terms
Weekly data

% Household inflation expectations

Businesses’ inflation expectations

Breakeven inflation rate

Latest: September 18

VII-8. Interest rate differential with abroad
Weekly data

% Spread between 1-bill rates

Spread between T-bill rates

Spread between 5-year T-bond rates (RIKB 13 0517)

Latest: September 21

1. Spread between RIKB 13 0517 and RIKS 15 1001.
2. Spread between RIKB 13 0517 and HFF150914.
VII Financial markets

VII-9
Long-term nominal Treasury bond yields
Daily data

VII-10
Term structure of nominal interest rates Sept. 21, 2007

VII-11
Yields on indexed long-term bonds
Daily data

VII-12
Average nominal interest rates
Bank lending rates, T-note yields and policy interest rate

VII-13
Average indexed interest rates
Bank lending rates and real yield on housing bonds and T-bonds

VII-14
Interest rate spreads
Between nominal bank prime rates and the policy rate; between indexed bank lending rates and T-bond yield

VII-15
Bank lending and deposit rates
Indexed terms

VII-16
CDSs of Icelandic banks and Itraxx Financial Index
Daily data
VII  Financial markets

Exchange rate of the króna
Daily data

Nominal and real effective exchange rate of the króna
Monthly averages