

## Appendix 1

## Baseline macroeconomic and inflation forecast 2014/2

Table 1 Macroeconomic forecast<sup>1</sup>

	B.kr.	Volume change on previous year (%) unless otherwise stated			
		2013	2014	2015	2016
<i>GDP and its main components</i>					
Private consumption	957.4	1.2 (1.6)	4.4 (4.6)	4.3 (4.3)	2.9 (2.9)
Public consumption	455.1	1.3 (1.2)	0.9 (0.6)	0.8 (0.2)	0.8 (0.4)
Gross fixed capital formation	243.3	-3.4 (-4.3)	19.0 (5.4)	15.6 (20.1)	13.2 (14.7)
Business investment	154.0	-10.2 (-11.9)	20.0 (0.8)	17.9 (25.8)	15.3 (17.7)
Residential investment	50.8	10.8 (15.7)	23.9 (20.3)	17.7 (16.6)	16.4 (16.4)
Public investment	38.5	11.7 (8.8)	9.6 (6.1)	1.5 (0.7)	-4.1 (-4.0)
National expenditure	1,654.2	0.1 (0.4)	5.6 (3.6)	5.2 (5.5)	4.2 (4.2)
Exports of goods and services	1,027.6	5.3 (4.7)	2.9 (1.4)	3.0 (1.8)	2.2 (2.4)
Imports of goods and services	895.6	-0.1 (0.3)	6.4 (3.1)	5.5 (5.1)	5.0 (4.6)
Contribution of net trade to growth		3.2 (2.6)	-1.5 (-0.7)	-1.0 (-1.5)	-1.3 (-1.0)
Gross domestic product	1,786.2	3.3 (3.0)	3.7 (2.6)	3.9 (3.7)	2.7 (3.0)
<i>Other key aggregates</i>					
GDP at current prices (in b.kr.)		1,786 (1,789)	1,885 (1,867)	2,025 (1,991)	2,140 (2,104)
Trade account balance (% of GDP)		7.4 (7.4)	5.5 (6.0)	4.8 (4.0)	3.1 (2.3)
Current account balance (% of GDP)		3.9 (3.0)	0.2 (0.8)	-0.6 (-1.0)	-2.2 (-2.8)
Underlying current account balance (% of GDP) <sup>2</sup>		6.2 (5.3)	0.7 (0.8)	-0.6 (-1.0)	-2.2 (-2.8)
Terms of trade (change in average year-on-year)		-2.4 (-1.3)	0.2 (-0.4)	1.1 (-0.7)	-0.5 (-1.2)
Total gross fixed capital formation (% of GDP)		13.6 (13.4)	15.2 (13.6)	16.6 (15.7)	18.2 (17.5)
Business investment (% of GDP)		8.6 (8.4)	9.5 (8.0)	10.6 (9.6)	11.9 (11.1)
Output gap (% of potential output)		-0.5 (-0.8)	0.4 (-0.3)	1.4 (0.8)	1.3 (1.1)
Unit labour costs (change in average year-on-year) <sup>3</sup>		3.2 (4.7)	3.9 (3.7)	3.3 (3.0)	2.5 (2.6)
Real disposable income (change in average year-on-year)		4.3 (4.1)	4.0 (2.7)	2.4 (2.2)	2.3 (2.4)
Unemployment (% of labour force)		4.4 (4.4)	3.5 (3.7)	3.4 (3.7)	3.2 (3.5)
ISK exchange rate against narrow trade-weighted index (31/12 1991 = 100)		218.9 (218.9)	207.4 (210.1)	207.5 (210.1)	207.6 (210.1)
Inflation (annual average, %)		3.9 (3.9)	2.5 (2.7)	3.1 (3.4)	3.3 (3.2)
Inflation excluding tax effects (annual average, %)		3.7 (3.7)	2.4 (2.6)	3.1 (3.4)	3.3 (3.2)

1. Figures in parentheses are from the forecast in *Monetary Bulletin* 2014/1. 2. Adjusted for calculated income and expenses of DMBs in winding-up proceedings and the effects of the settlement of their estates. 3. Based on underlying productivity.

Table 2 Quarterly inflation forecast (%)<sup>1</sup>

Quarter	Inflation (change year-on-year)	Inflation excluding tax effects (change year-on-year)	Inflation (annualised quarter-on-quarter change)
2013:1	4.3 (4.3)	4.2 (4.2)	6.5 (6.5)
2013:2	3.3 (3.3)	3.2 (3.2)	4.1 (4.1)
2013:3	4.0 (4.0)	3.9 (3.9)	1.7 (1.7)
2013:4	3.8 (3.8)	3.7 (3.7)	3.1 (3.1)
2014:1	2.5 (2.7)	2.4 (2.6)	1.1 (2.0)
		Forecasted value	
2014:2	2.4 (2.8)	2.3 (2.7)	3.9 (4.5)
2014:3	2.5 (2.7)	2.4 (2.6)	1.9 (1.3)
2014:4	2.7 (2.6)	2.6 (2.5)	3.8 (2.5)
2015:1	2.9 (3.1)	3.0 (3.1)	2.3 (4.3)
2015:2	3.1 (3.4)	3.1 (3.4)	4.6 (5.5)
2015:3	3.1 (3.6)	3.1 (3.6)	1.9 (2.0)
2015:4	3.1 (3.5)	3.1 (3.5)	3.6 (2.4)
2016:1	3.2 (3.5)	3.2 (3.5)	2.7 (4.2)
2016:2	3.3 (3.2)	3.3 (3.2)	5.1 (4.2)
2016:3	3.4 (3.1)	3.4 (3.1)	2.2 (1.8)
2016:4	3.3 (3.0)	3.3 (3.0)	3.0 (2.0)
2017:1	3.1 (2.9)	3.1 (2.9)	2.1 (3.7)
2017:2	2.8	2.8	4.1

1. Figures in parentheses are from the forecast in *Monetary Bulletin* 2014/1.