

# Statement of the Monetary Policy Committee 22 November 2023

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 fell slightly between months and measured 7.9% in October. Underlying inflation has subsided as well. Indicators continue to suggest a slowdown in private consumption and investment.

According to the Central Bank's new forecast, however, the inflation outlook has deteriorated. The output gap has been larger than previously anticipated, and the króna has depreciated. Inflation expectations have also remained high, and it appears that cost increases have a stronger and more persistent impact on inflation than they did previously.

Although the effects of recent interest rate hikes are coming more clearly to the fore, the poorer inflation outlook suggests that it may prove necessary to tighten the monetary stance still further. In spite of this, the MPC has decided to keep the key interest rate unchanged, owing to uncertainty about the economic impact of seismic activity on the Reykjanes peninsula. As before, near-term monetary policy formulation will be determined by developments in economic activity, inflation, and inflation expectations.