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### Iceland Leading Indicator – CLI unchanged and outlook still for slower growth

The Iceland Composite Leading Indicator (CLI) remained unchanged in May. The development of individual components has become clearer, indicating slower growth or a recession ahead. The preliminary GDP figures for the first quarter of 2024 and the last two quarters of 2023 indicate that the signal of slower growth or a potential contraction ahead is materializing.

Three out of six CLI components fall on the previous month. A contraction in inflation adjusted domestic debit card turnover, a lower growth of tourist arrivals and a contraction of merchandise imports have the largest impact. International political developments continue as a source of considerable uncertainty as does uncertainty regarding global economic developments.

Turning points of the CLI tend to precede turning points in economic activity relative to trend by approximately six months. Economic activity in terms of GDP is measured by Statistics Iceland. The calculation of Analytica's CLI is based on methodology adopted by the OECD.

#### Chart 1. GDP and Analytica's CLI – Trend Adjusted

Long term trend = 100

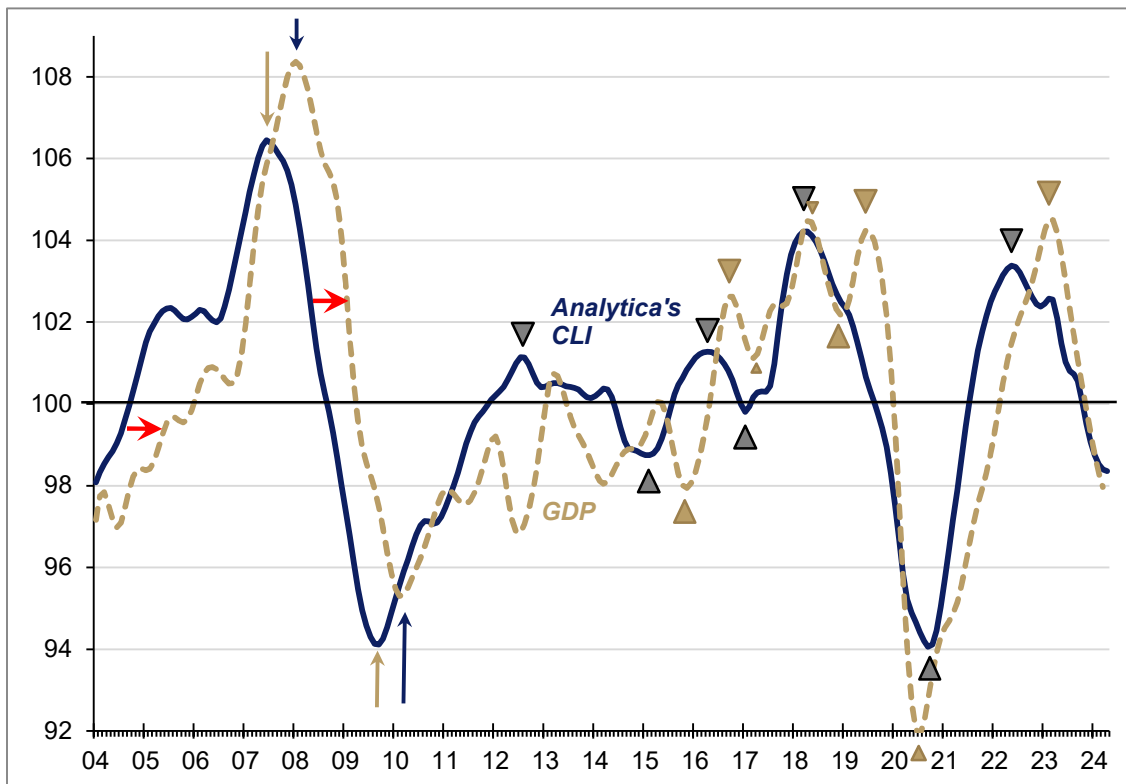
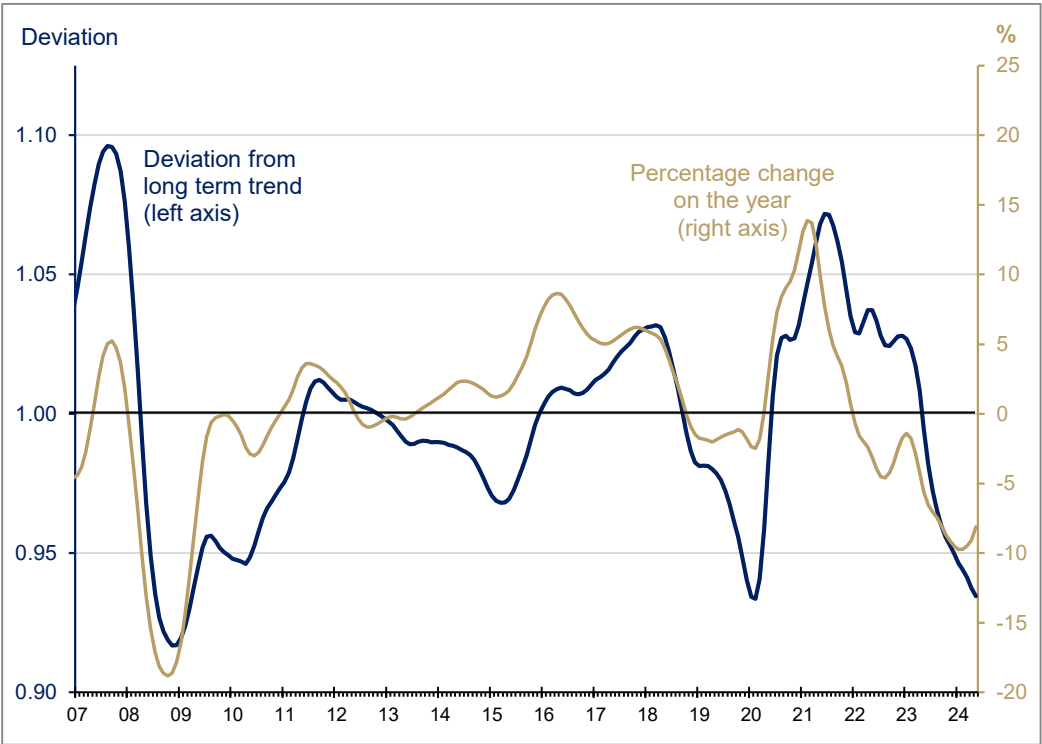


Chart 1 depicts Analytica's CLI together with trend adjusted GDP. The chart shows that the CLI leads GDP on average by around six months.

Chart 2 depicts the development of domestic debit card turnover at domestic retailers for the period 2007-2024. The figures are at fixed prices and seasonally adjusted and smoothed. Debit card turnover is one of the CLI components and empirically it provides an early indication of the business cycle. This means that turning points in debit card turnover tend to appear earlier than the CLI turning points but with less reliability.

The dark blue curve in chart 2 shows the deviation of debit card turnover from the long-term trend whereas the brown curve depicts the debit card turnover year on year change. The sharp decline in real domestic debit card spending seems to be in a reversal on the year. However, the same cannot be said for the continued contraction on the month.

**Chart 2. Debit card turnover – Deviation from long-term trend and YoY %-change**  
Seasonally adjusted and smoothed at fixed prices



The same curves as shown in chart 2 are depicted in the Appendix charts A1 and A2. The purpose of chart 2 is to highlight developments of the index.

There are six components of Analytica’s CLI. These are: Fish catches, inflation adjusted debit card turnover, number of tourists visiting Iceland, the MSCI World equities index, inflation adjusted imports and the Gallup Index of Consumer Confidence. For the month of May, four out of six underlying components decline year on year. However, three out of six components fall on the previous month. See Appendix, Charts A1 and A2.<sup>1</sup>

Some revisions to the CLI values have taken place. This is a result of component revisions and in part a result of the methodology employed, including the long-term trend estimate.

<sup>1</sup> The series in chart A2 are now shown in a standardized form, i.e. all series adjusted for mean=0, standard deviation=1.

Table 1 shows the development of the CLI during the past twelve months. The index for May is unchanged on the month and takes the value of 98.4. This serves as an indicator of economic activity six months into the future, i.e. November 2024. A value of 100 indicates GDP in line with its long-term trend.

**Table 1. Analytica's CLI 2023-2024**

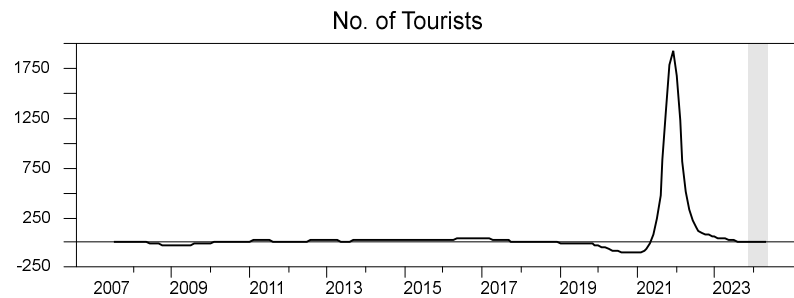
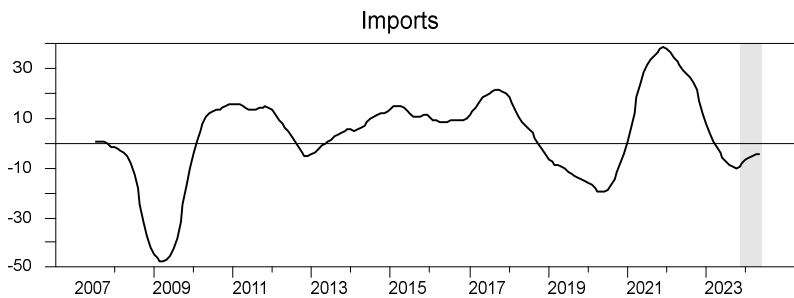
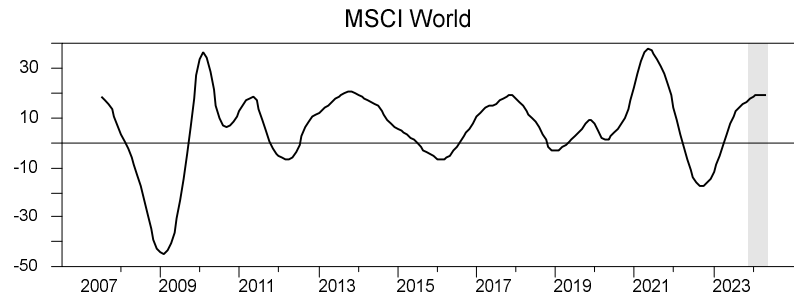
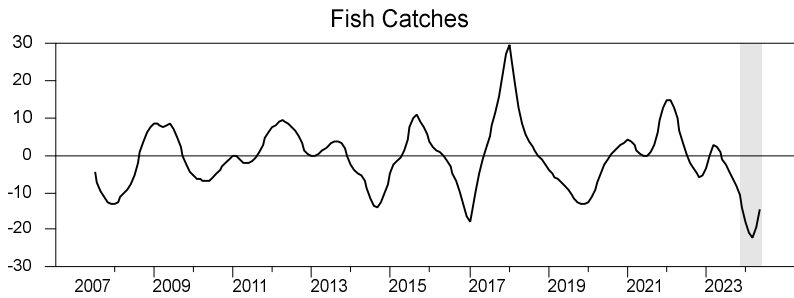
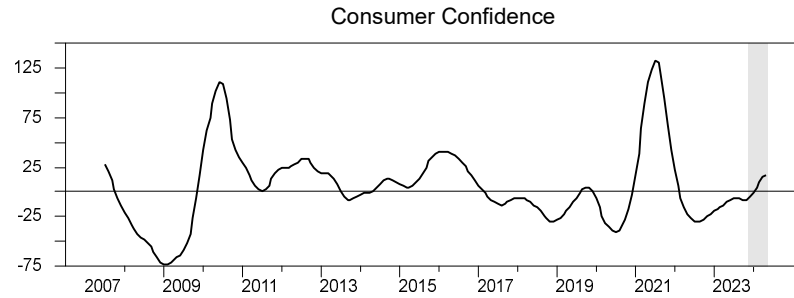
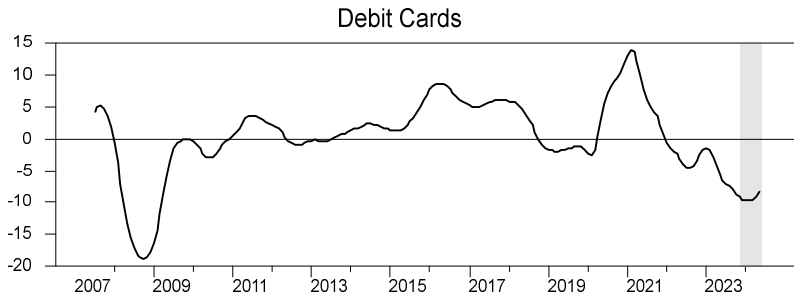
	<u>Index</u>	<u>Change in %</u>		<u>Indication for month</u>
		<u>on month</u>	<u>YOY</u>	
<b>2023</b>				
May	101.5	-0.6%	-1.8%	Nov. 2023
June	101.0	-0.5%	-2.3%	Dec.
July	100.8	-0.2%	-2.3%	Jan. 2024
August	100.7	-0.1%	-2.2%	Feb.
September	100.6	-0.2%	-2.2%	March
October	100.1	-0.5%	-2.5%	April
November	99.5	-0.5%	-2.9%	May
December	99.1	-0.4%	-3.2%	June
<b>2024</b>				
January	98.7	-0.3%	-3.6%	July
February	98.5	-0.2%	-4.0%	August
March	98.4	-0.1%	-4.0%	Sept.
April	98.4	0.0%	-3.7%	Oct.
May	98.4	0.0%	-3.0%	Nov.

The June Composite Leading Indicator is scheduled for release on July 23, 2024.

**Further information is provided by Analytica's CEO, Mr. Yngvi Hardarson  
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**Chart A1 - Analytica's Leading Indicator - Individual Components**

*Per cent Change Year on Year \**



**Notes:**

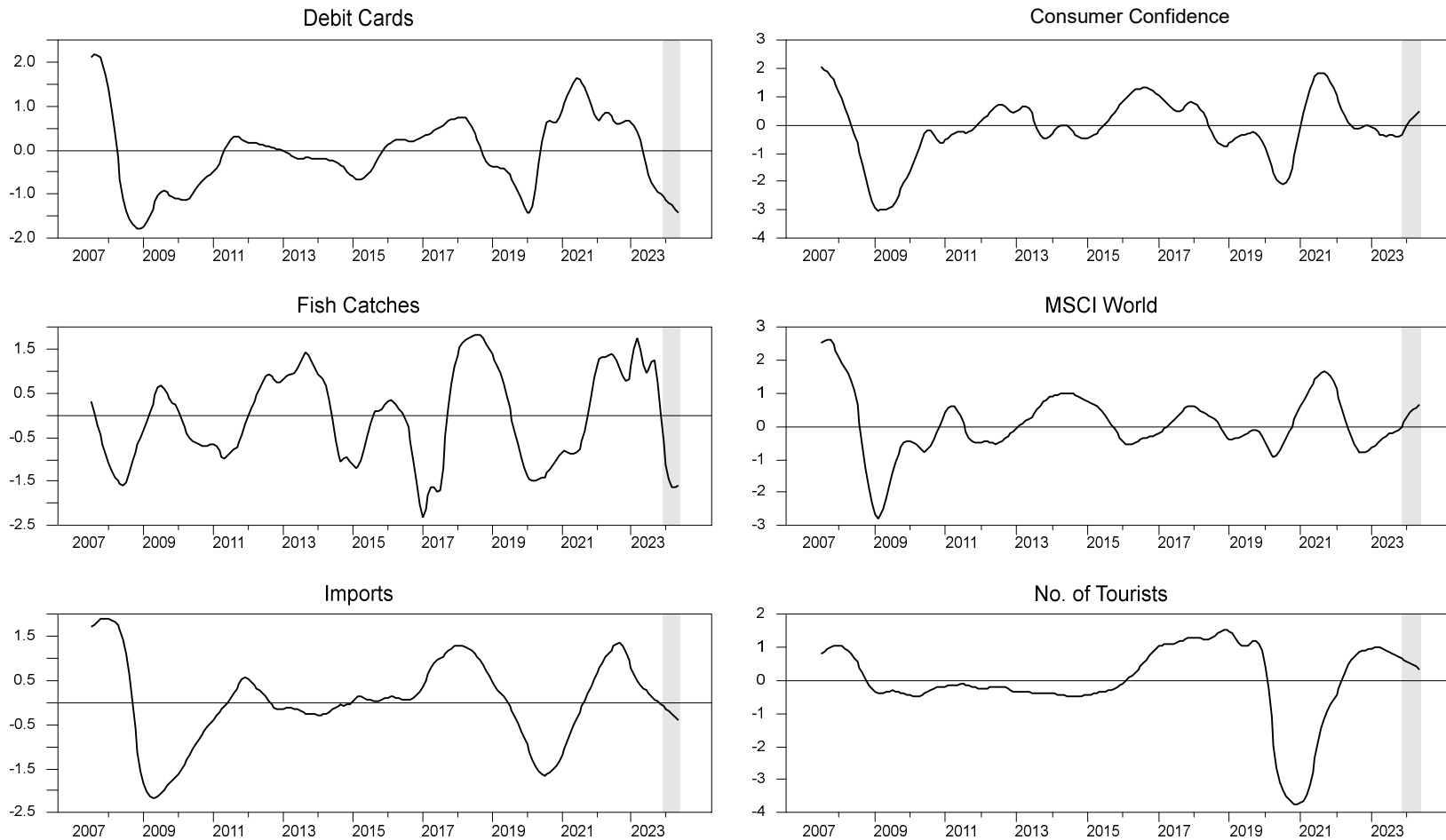
Debit Cards: Domestic debit card turnover, inflation adj. – Fish Catches: Chain linked volume index. – Imports: Inflation adjusted imports. \* Not Trend Adjusted  
 Cons. Confidence: Gallup Index of Consumer Confidence. – MSCI World: MSCI World equities index. – No. of Tourists: No. of passenger arrivals at Keflavik Airport.  
 All figures are seasonally adjusted and smoothed. – Shadow on charts covers latest six months data.

**Sources:**

Gallup Iceland, Statistical Bureau of Iceland, Central Bank of Iceland, MSCI, Analytica's calculations.

**Chart A2 - Analytica's Leading Indicator - Individual Components**

*Trend Adjusted - Trend=1.0*



**Notes:**

Debit Cards: Domestic debit card turnover, inflation adj. – Fish Catches: Chain linked volume index. – Imports: Inflation adjusted imports.  
 Cons. Confidence: Gallup Index of Consumer Confidence. – MSCI World: MSCI World equities index. – No. of Tourists: No. of passenger arrivals at Keflavik Airport.  
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## **About Analytica**

Analytica provides independent and value added financial advisory services. The company specializes in treasury and risk management services provided to qualifying investors. The company's position is based on decades of experience and expertise.

The CEO and founder of Analytica is Mr. Yngvi Hardarson.

Mr. Hardarson was born in 1960 and holds an MA degree in Economics from Queen's University of Kingston Canada, with specialization in Econometrics and Monetary Economics. In addition, he holds a certificate in international trade and resource allocation from the Yrjö Jahnesson Foundation in Helsinki, Finland and a CMT designation by the CMT Association in NY.

Mr. Hardarson started his career as an economist at the National Economic Institute in 1988. In 1990 he became the Chief Economist at the Federation of Icelandic Industries. In 1993 he co-founded Economic Consulting and Forecasting Ltd. In 2007 and until the summer of 2010 Mr. Hardarson was employed as a Managing Director at Askar Capital hf. Investment Bank. In the period 1993-2008 Mr. Hardarson also served as the editor of Gjaldeyrismál (FX-mail), a daily and subsequently weekly newsletter on FX, money markets and global economics.

Further information is provided on Analytica's web page <http://www.analytica.is>