



News release no. 1/2025

2025.01.22

Iceland Leading Indicator – Fourth consecutive rise – Business investment rising?

The Analytica Composite Leading Indicator (CLI) for Iceland rose in December for the fourth consecutive month. Nevertheless, we still cannot conclude that the signs are significant. However, if the development of individual components continues abating then the uncertainty will decrease.

Five out of six CLI components rise on the previous month. On the positive side the Gallup index of consumer confidence improves and so does the volume of fish catches relative to trend. Moreover, merchandise imports volume appears to be increasing, in particular the volume of investment goods. International political developments continue as a source of considerable uncertainty no less than before 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

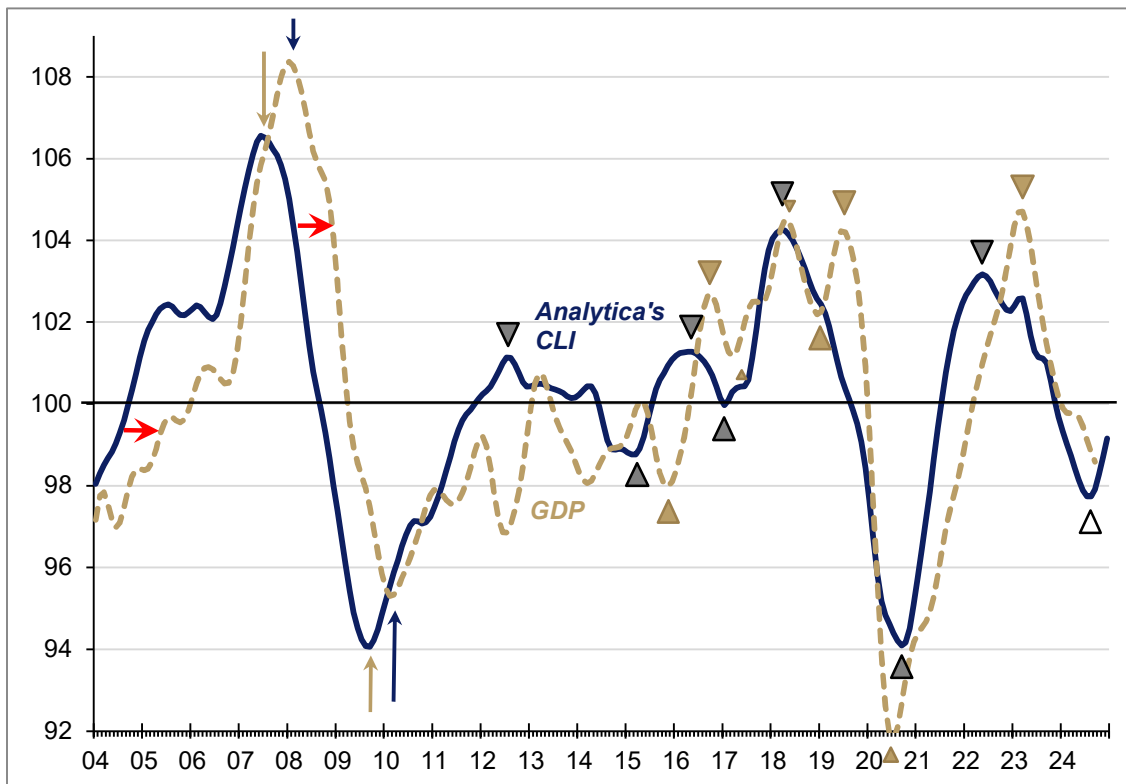
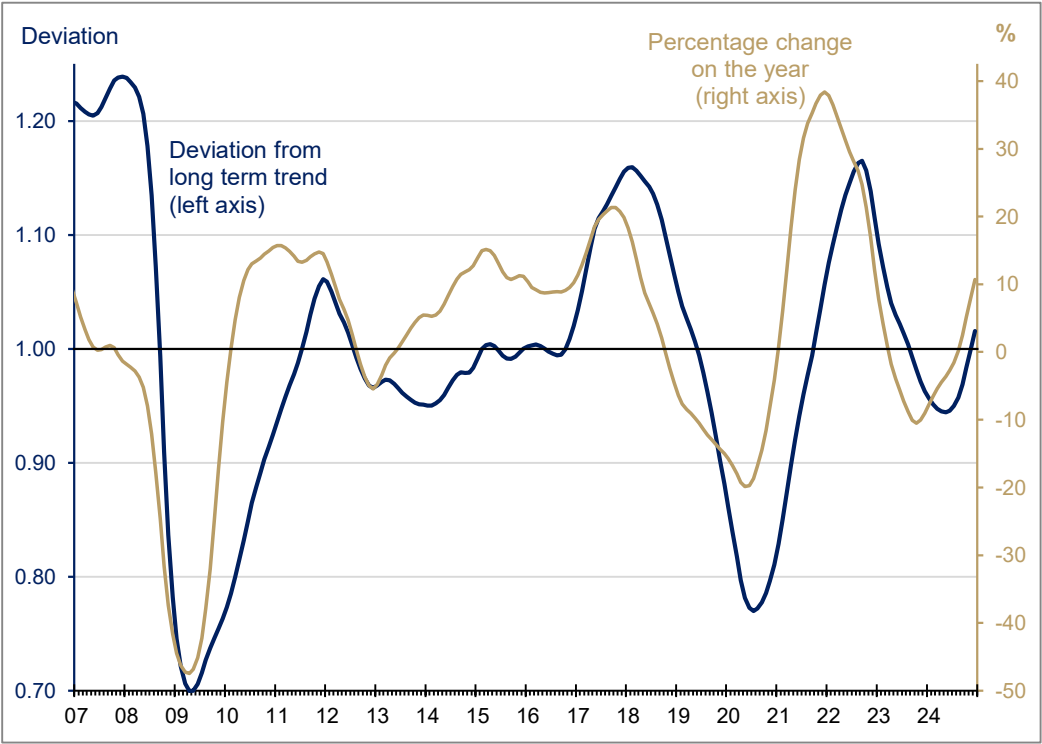


Chart 1 depicts Analytica's CLI together with trend adjusted GDP. The chart shows that the CLI leads GDP on average by around six months.

Chart 2 depicts the developments of inflation adjusted merchandise imports for the period 2007-2024. The figures are seasonally adjusted and smoothed. This is one of the CLI components and empirically it provides an early indication of the business cycle.

The dark blue curve in chart 2 shows the deviation of merchandise imports from the long-term trend whereas the brown curve depicts the year-on-year change. It may be expected that this component will continue to lead in the next months in relation to i.a. activity in the construction sector and in tourism. However, it can also be expected that the impact of foreign price changes will be noted relative to the Icelandic CPI. This CLI component indicates that merchandise imports are now increasing in volume, in particular the volume of investment goods and raw materials.

Chart 2. Merchandise imports – Deviation from long term trend and YoY %-change
Fixed price, basis Icelandic CPI - Seasonally adjusted and smoothed



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 December, four out of six underlying components decline year on year. However, five out of six components rose on the previous month. See Appendix, Charts A1 and A2.¹

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

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.

Table 1 shows the development of the CLI during the past twelve months. The index for December rises slightly on the month and takes the value of 99.2. This serves as an indicator of economic activity six months into the future, i.e. June 2025. A value of 100 indicates GDP in line with its long-term trend.

Table 1. Analytica's CLI 2023-2024

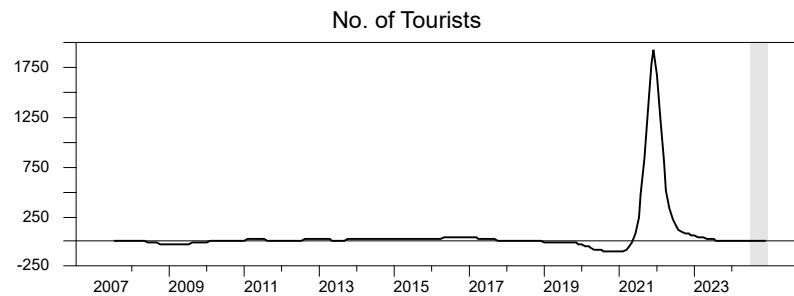
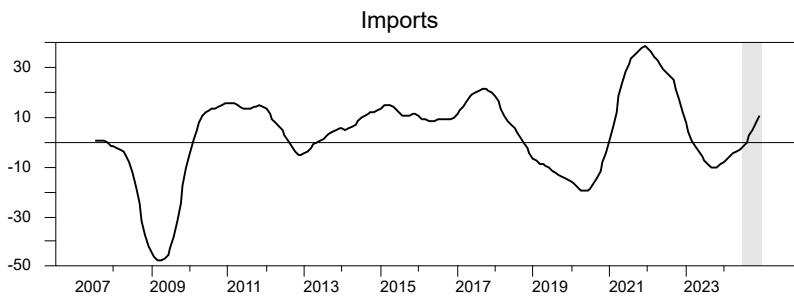
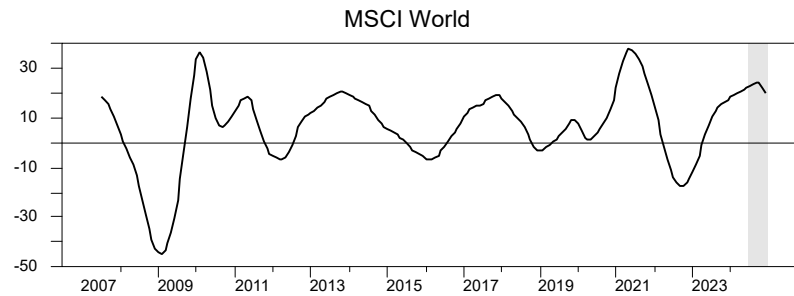
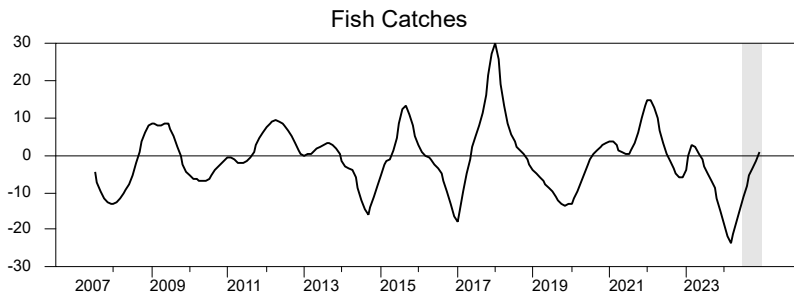
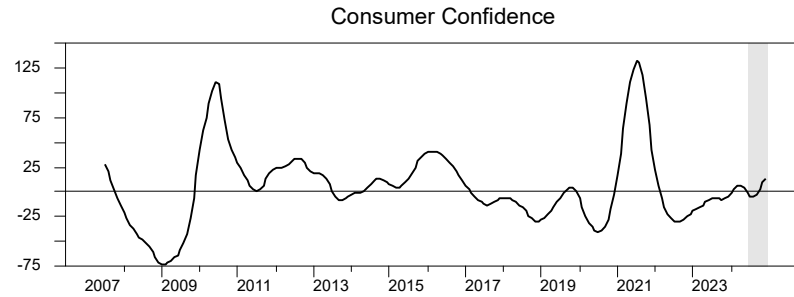
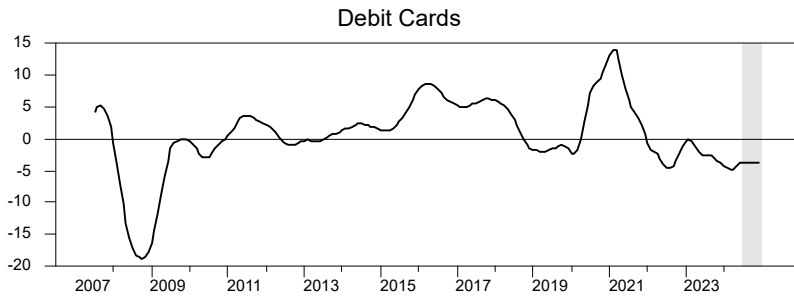
| | Index | Change in % | | Indication for month |
|-------------|-------|-------------|-------|-------------------------|
| | | on month | YOY | |
| 2023 | | | | |
| December | 99.7 | -0.4% | -2.5% | June 2024 |
| 2024 | | | | |
| January | 99.3 | -0.3% | -3.0% | July |
| February | 99.0 | -0.3% | -3.4% | August |
| March | 98.7 | -0.3% | -3.8% | Sept. |
| April | 98.4 | -0.3% | -3.7% | Oct. |
| May | 98.1 | -0.3% | -3.5% | Nov. |
| June | 97.9 | -0.3% | -3.4% | Dec. |
| July | 97.7 | -0.1% | -3.4% | Jan. 2025 |
| August | 97.7 | 0.0% | -3.3% | Feb. |
| September | 97.9 | 0.2% | -3.1% | March |
| October | 98.3 | 0.4% | -2.3% | April |
| November | 98.7 | 0.4% | -1.4% | May |
| December | 99.2 | 0.5% | -0.5% | June |

The January Composite Leading Indicator is scheduled for release on February 19, 2025.

**Further information is provided by Analytica's CEO, Mr. Yngvi Hardarson
Tel. +354 5278890 - email: yngvi@analytica.is**

Chart A1 - Analytica's Leading Indicator - Individual Components

*Per cent Change Year on Year **



Notes:

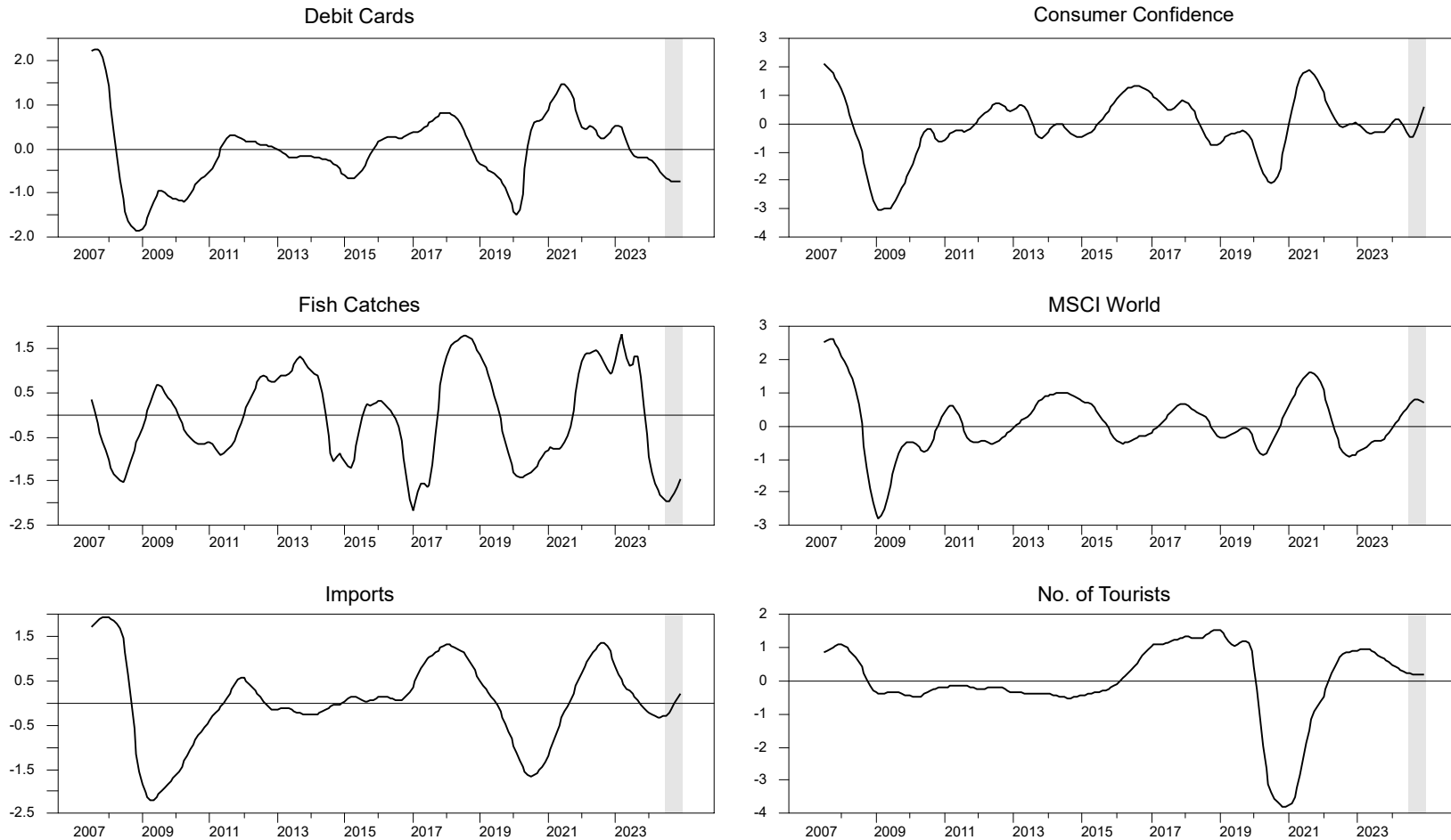
Debit Cards: Domestic debit card turnover, inflation adj. – Fish Catches: Chain linked volume index. – Imports: Inflation adjusted imports. * Not Trend Adjusted
 Cons. Confidence: Gallup Index of Consumer Confidence. – MSCI World: MSCI World equities index. – No. of Tourists: No. of passenger arrivals 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.
 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.

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>