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### **Iceland Leading Indicator – Positive developments but tourist arrivals below trend**

The Analytica Composite Leading Indicator (CLI) for Iceland rose in May for the ninth consecutive month. The Gallup Index of Consumer Confidence, one of the six CLI components, rose sharply in May following a slightly less sharp fall in April.

Four out of six CLI components rise on the previous month. On the positive side the volume of merchandise imports improves and so do domestic debit card turnover and fish catches. However, the number of tourist arrivals seem to be below long term trend in May. 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

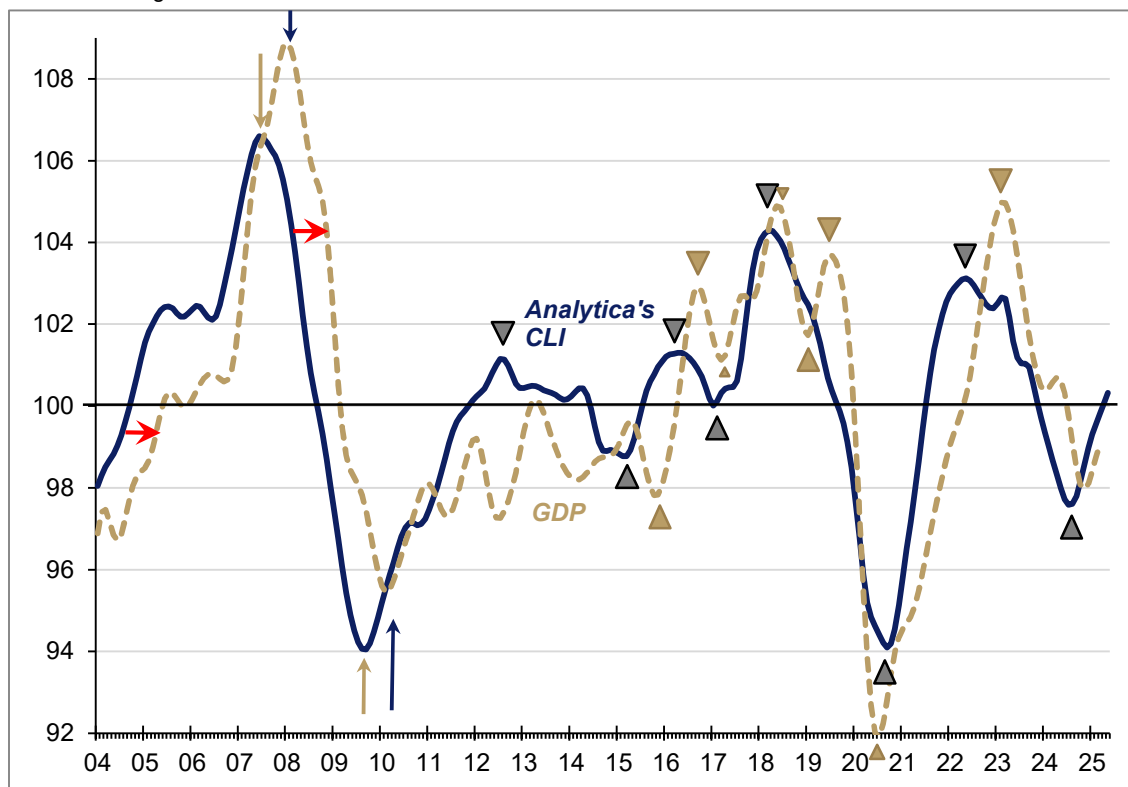
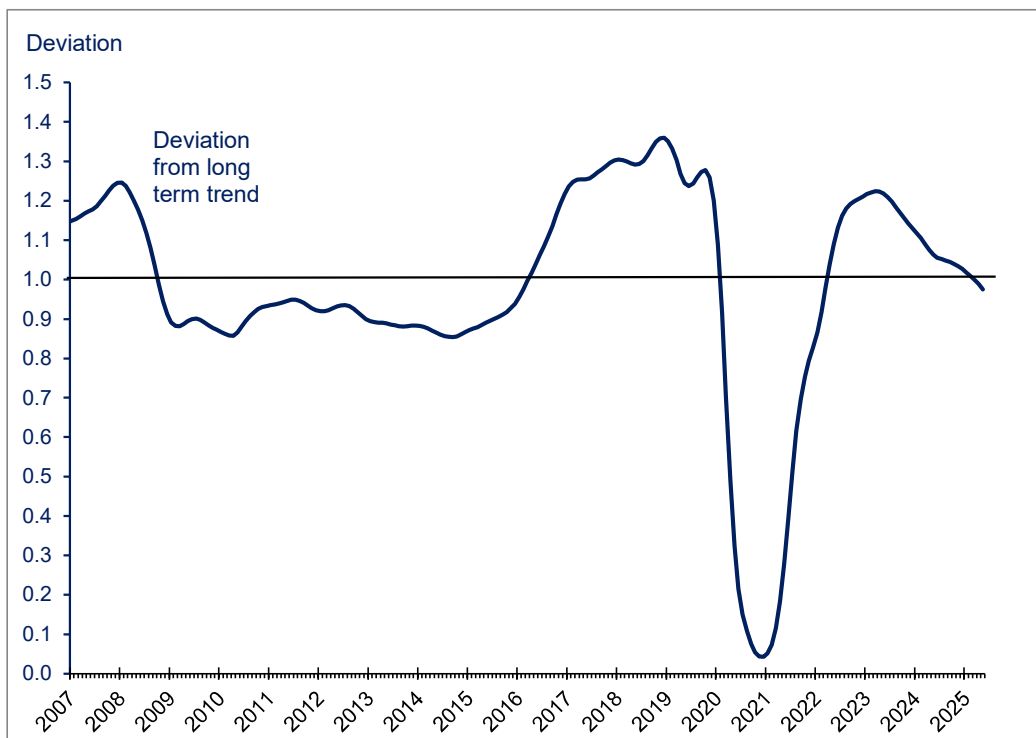


Chart 1 depicts Analytica's CLI together with trend adjusted GDP. The chart shows that the CLI leads GDP on average by around six months.

Chart 2 depicts the developments of tourist arrivals to Keflavík International Airport seasonally adjusted and smoothed for the period 2007-2025. This is one of the least leading CLI components.

The dark blue curve in chart 2 shows the deviation of the number of tourist arrivals from the long-term trend. Seasonally adjusted tourist arrivals have started to decline relative to the long-term trend. This is one of the two components negatively impacting the CLI for the month of May. The decline in this component was initially highlighted back in February 2023 but now the signal is much clearer relative to the turning point in 2023.

**Chart 2. Tourist arrivals at Keflavik Int. Airport – Deviation from long term trend**  
Seasonally adjusted and smoothed



The same curve as shown in chart 2 is depicted in the Appendix chart A2. The purpose of chart 2 is to highlight the developments of tourist arrivals.

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, five out of six underlying components rise year on year. However, four out of six components rose on the month. See Appendix, Charts A1 and A2.<sup>1</sup>

<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.

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 May rises on the month and takes the value of 100.3. This serves as an indicator of economic activity six months into the future, i.e. November 2025. A value of 100 indicates GDP in line with its long-term trend.

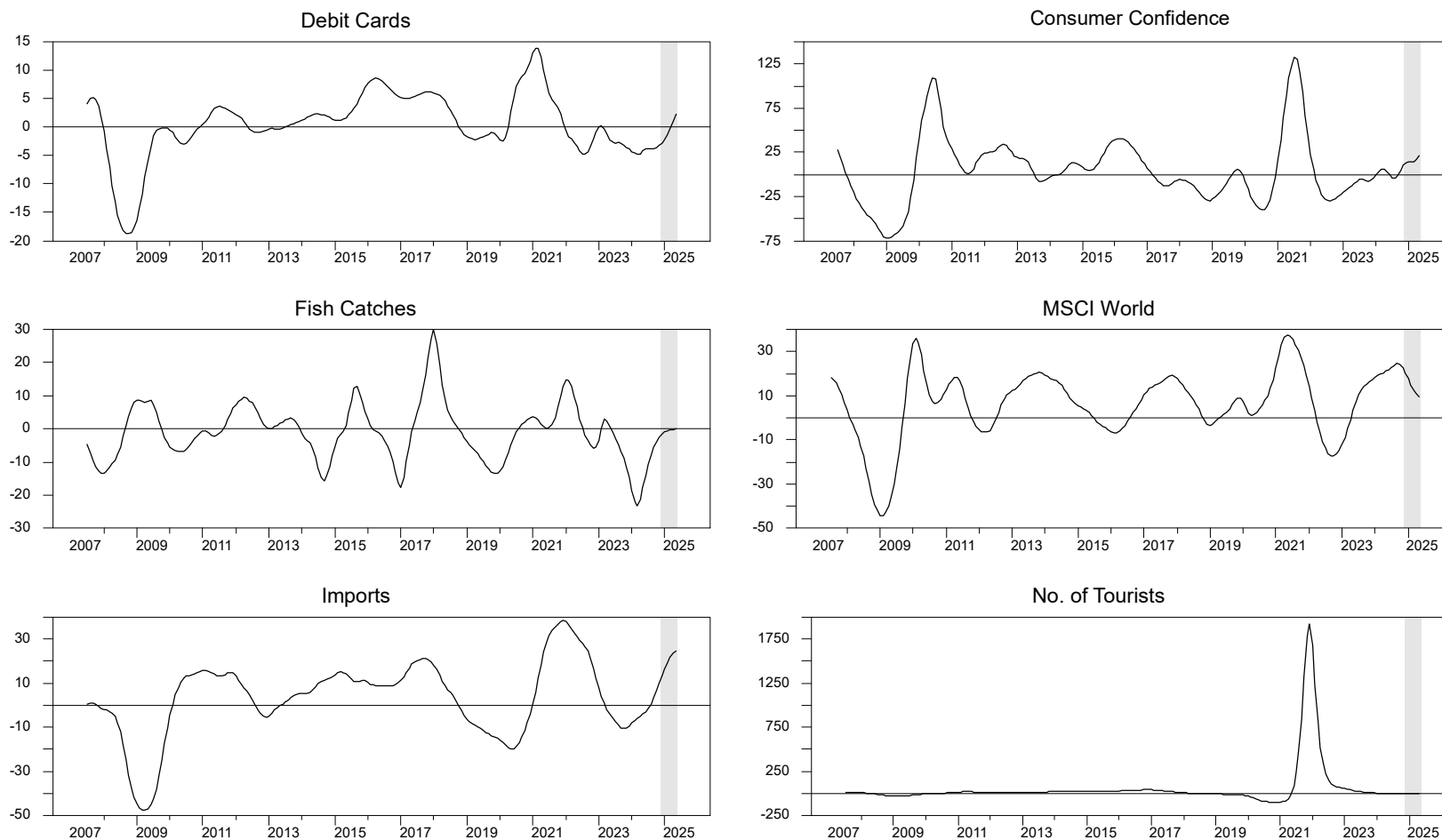
**Table 1. Analytica's CLI 2024-2025**

	<u>Index</u>	<u>Change in %</u>		<u>Indication</u>
		<u>on month</u>	<u>YOY</u>	<u>for month</u>
<b>2024</b>				
May	98.0	-0.3%	-3.5%	Nov.
June	97.7	-0.3%	-3.4%	Dec.
July	97.6	-0.1%	-3.4%	Jan. 2025
August	97.6	0.0%	-3.4%	Feb.
September	97.8	0.2%	-3.1%	March
October	98.2	0.4%	-2.4%	April
November	98.6	0.4%	-1.5%	May
December	99.0	0.4%	-0.8%	June
<b>2025</b>				
January	99.3	0.3%	-0.1%	July
February	99.6	0.3%	0.6%	August
March	99.8	0.2%	1.2%	Sept.
April	100.1	0.2%	1.8%	Oct.
May	100.3	0.3%	2.4%	Nov.

The June Composite Leading Indicator is scheduled for release on July 18, 2025.

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

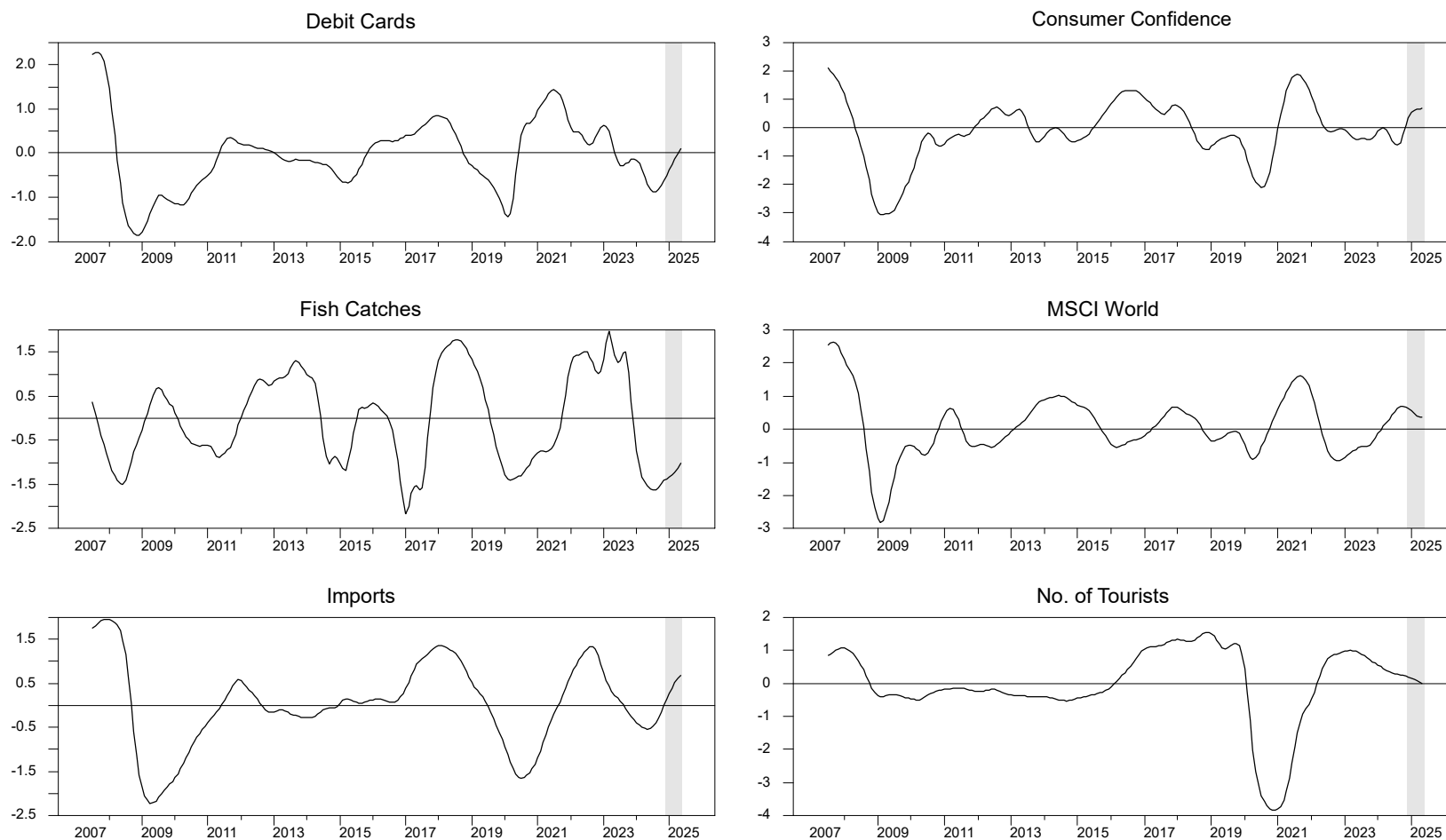
Cons. Confidence: Gallup Index of Consumer Confidence. – MSCI World: MSCI World equities index. – No. of Tourists: No. of passenger arrivals at Keflavik Airport. All figures are seasonally adjusted and smoothed. – Shadow on charts covers latest six months data.

Sources:

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

\* Not Trend Adjusted

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

*Trend Adjusted - Trend=0.0*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 Jahnsson 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>