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Iceland Leading Indicator – Pessimism increases further driving CLI lower

The Analytica Composite Leading Indicator (CLI) for Iceland fell in November. However, the values for the past 3 months were revised slightly upwards. In view of recent adverse events in the export sector it seems safe to interpret the turning point more conclusively.

Three out of six CLI components fall on the previous month. The greatest impact is due to a fall in consumer confidence. Also, there is a contraction in the number of tourist arrivals. International political developments remain 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

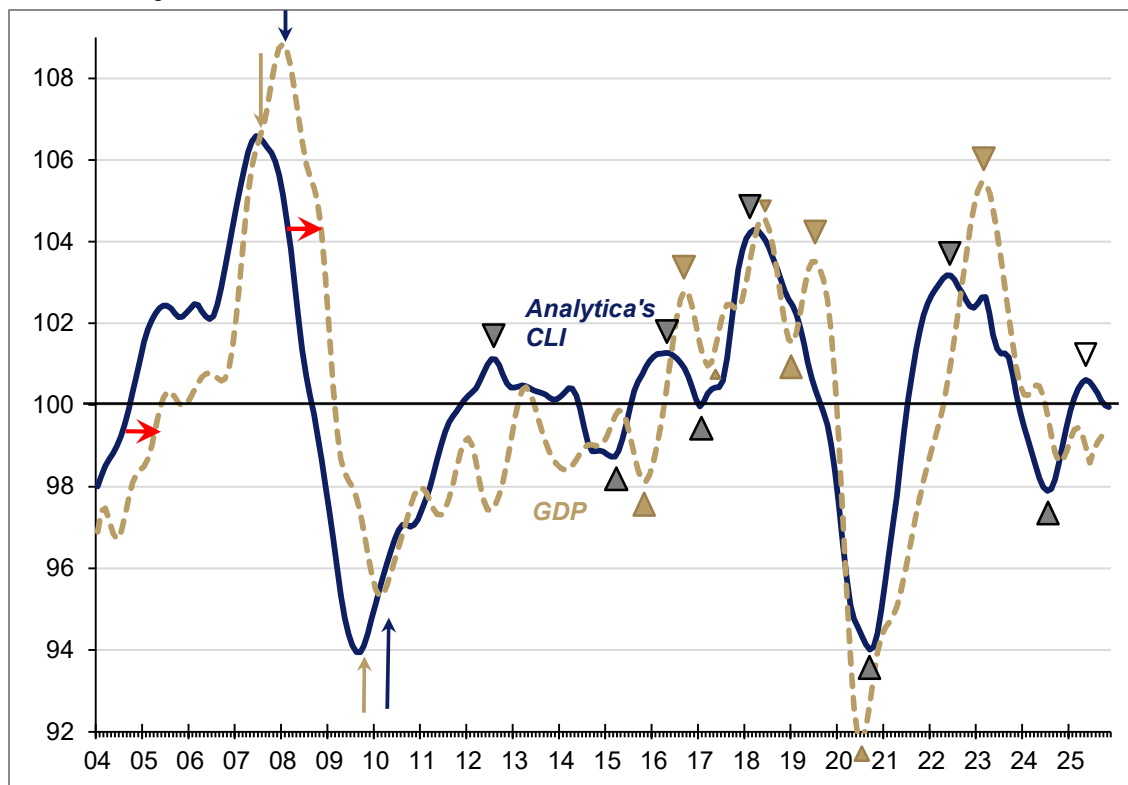


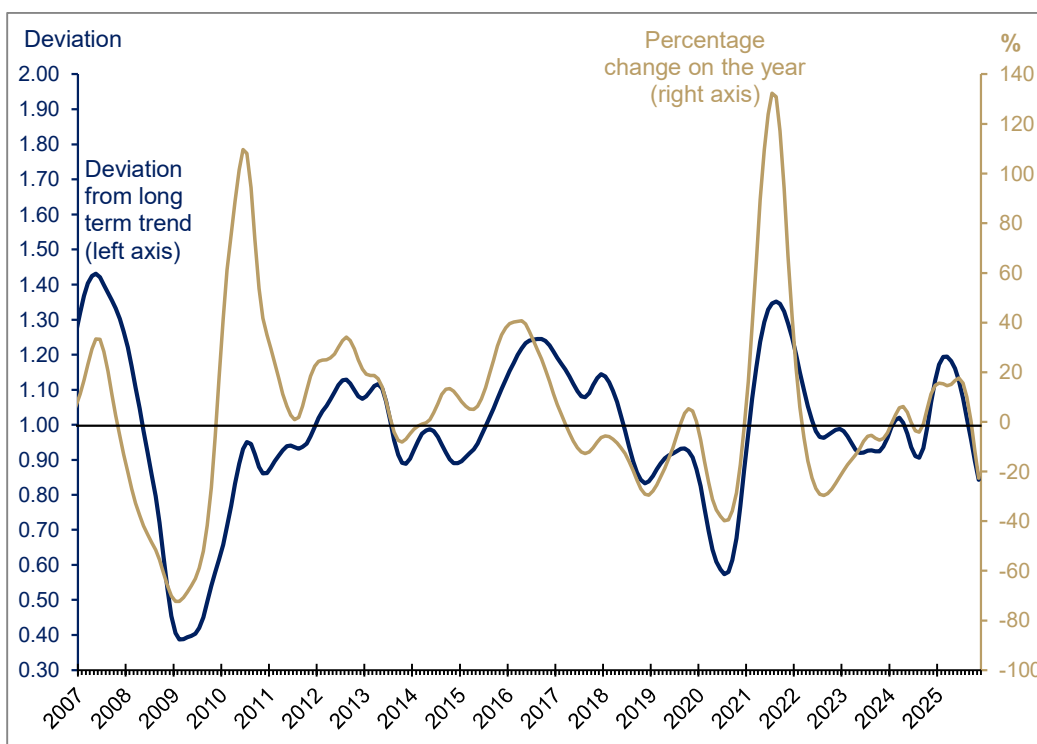
Chart 1 depicts Analytica's CLI together with trend adjusted GDP. The chart shows that the CLI leads GDP on average by around six months.

Chart 2 depicts the developments of the Gallup index of Consumer Confidence seasonally adjusted and smoothed for the period 2007-2025. 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 the Consumer Confidence index from the long-term trend whereas the brown curve depicts the index year on year change. The index started rising last October but during the prior months the developments had been uneventful. Now, however, confidence is deteriorating decisively. This can perhaps be explained by uncertainty regarding the development of various economic factors, both domestic and international, e.g. inflation.

Chart 2. The Gallup Index of Consumer Confidence – Deviation from long term trend and YoY %-change

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 November, four out of six underlying components rise year on year. However, three out of six components fall on the 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 November falls on the month and takes the value of 99.9. This serves as an indicator of economic activity six months into the future, i.e. May 2026. A value of 100 indicates GDP in line with its long-term trend.

Table 1. Analytica's CLI 2024-2025

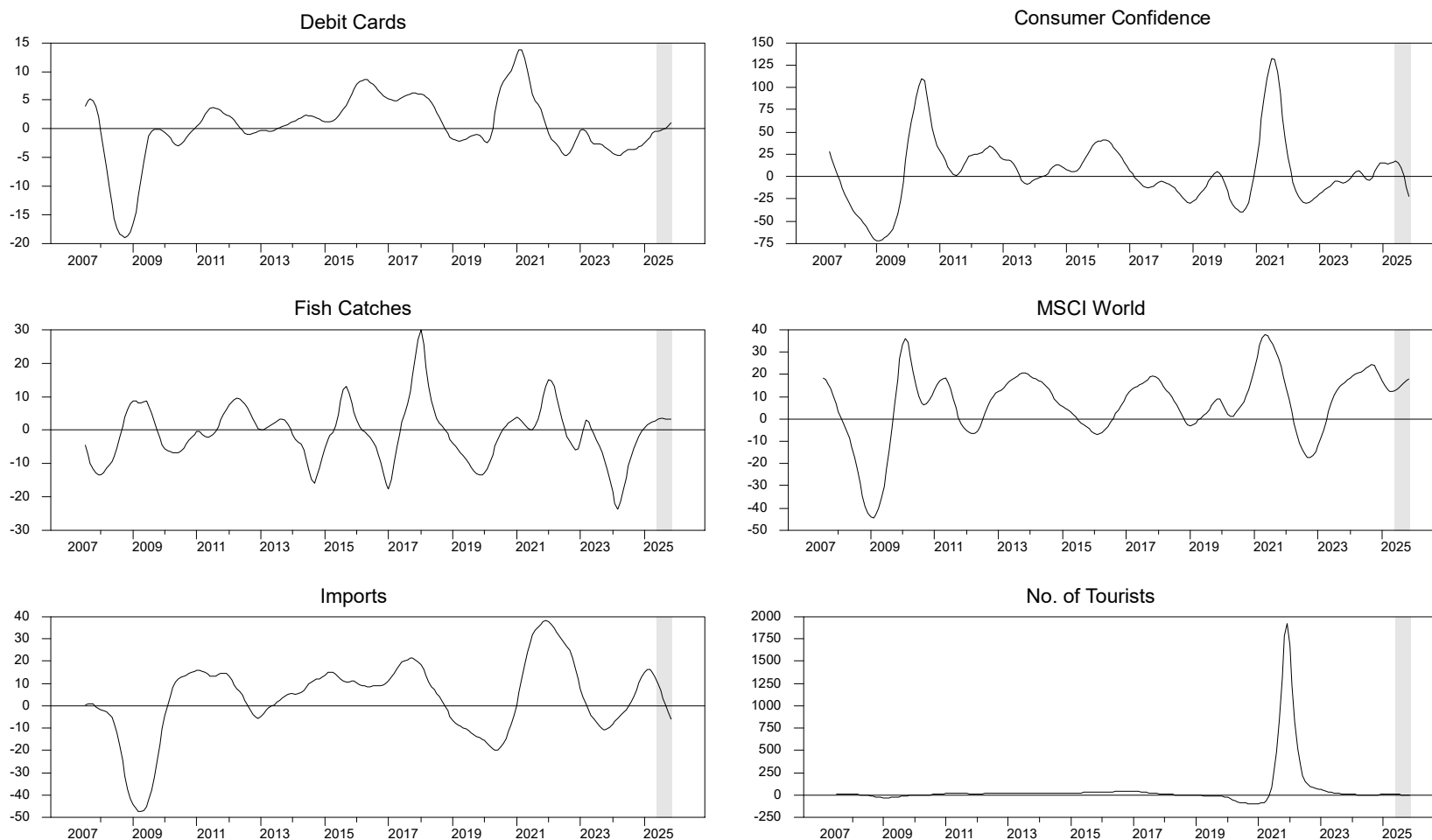
	<u>Index</u>	<u>Change in %</u>		<u>Indication</u>
		<u>on month</u>	<u>YOY</u>	<u>for month</u>
2024				
November	99.0	0.5%	-1.2%	May 2025
December	99.5	0.4%	-0.4%	June
2025				
January	99.9	0.4%	0.4%	July
February	100.2	0.3%	1.0%	August
March	100.4	0.2%	1.6%	Sept.
April	100.6	0.2%	2.1%	Oct.
May	100.6	0.1%	2.4%	Nov.
June	100.6	0.0%	2.6%	Dec.
July	100.4	-0.1%	2.6%	Jan. 2026
August	100.3	-0.2%	2.4%	Feb.
September	100.1	-0.2%	2.0%	March
October	100.0	-0.1%	1.4%	April
November	99.9	0.0%	0.9%	May

The December Composite Leading Indicator is scheduled for release on January 20, 2026.

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:

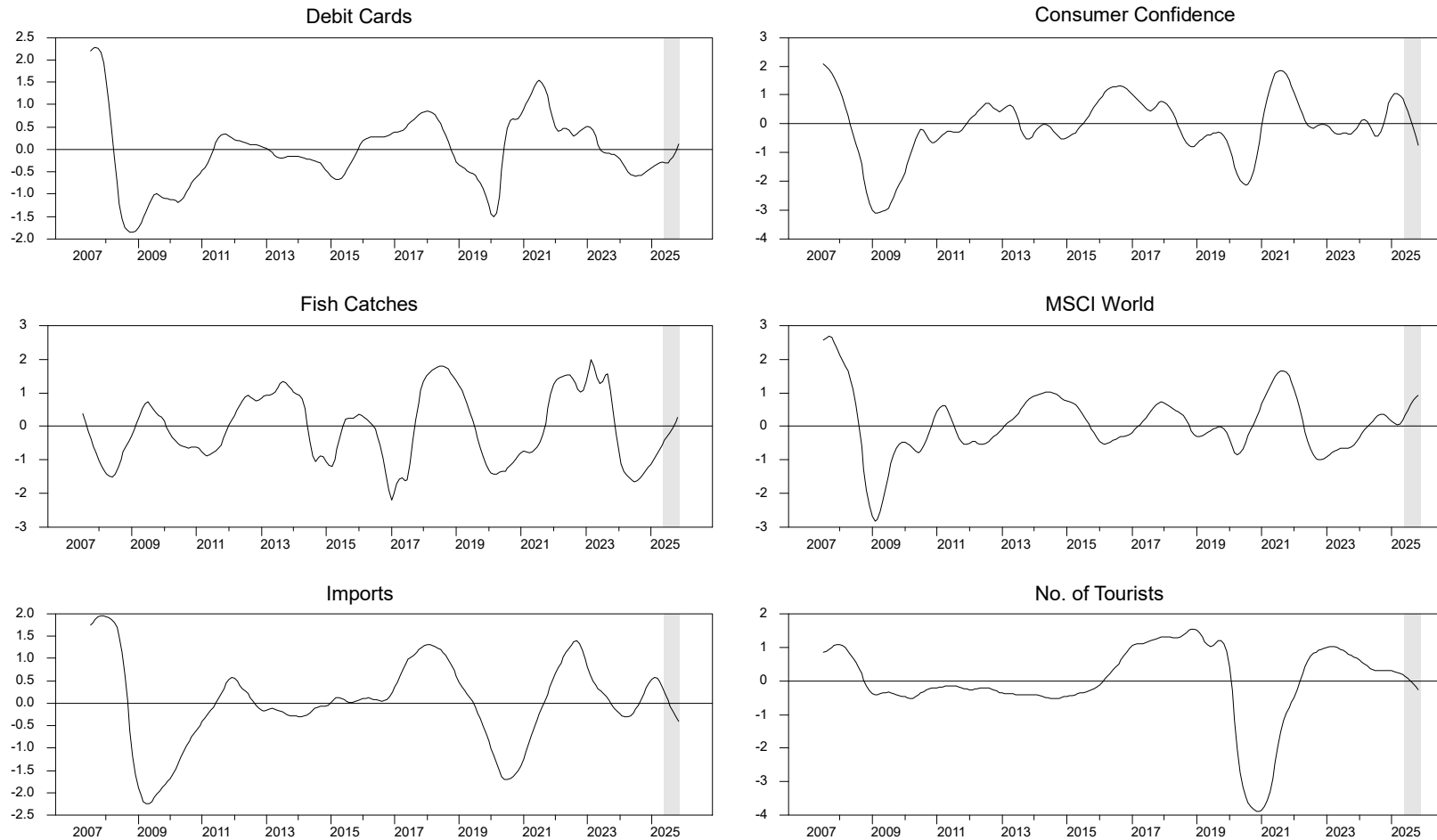
Debit Cards: Domestic debit card turnover, inflation adj. – Fish Catches: Chain linked volume index. – Imports: Inflation adjusted imports. * Not Trend Adjusted
 Cons. Confidence: Gallup Index of Consumer Confidence. – MSCI World: MSCI World equities index. – No. of Tourists: No. of passenger arrivals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