MONETARY BULLETIN

A Quarterly Publication of the Central Bank of Iceland 2001/3

Contents		
	Introduction Reducing inflation is the main objective of monetary policy	1
	Economic and monetary developments and prospects Inflation will slow next year if wage increases are in line with current agreements	3
	Financial markets and Central Bank measures Sharp swings and then calm on the foreign exchange market	24
	New Central Bank Act	31
	Report to the government on the inflation target	47
	The Icelandic foreign exchange market	57
	Ólafur Ísleifsson Iceland's international credit ratings	63
	Hrönn Helgadóttir Exports of software	68
	Monetary policy and instruments	73
	Prudential regulation on liquidity ratio and foreign exchange balance	74
	Chronology of financial markets	75
	Tables and charts	79

Published by:

The Central Bank of Iceland, Kalkofnsvegur 1,

150 Reykjavík, Iceland

Tel: (+354) 569 9600, fax: (+354) 569 9605

E-mail: sedlabanki@sedlabanki.is Website: www.sedlabanki.is

Editorial staff:

Editorial Board: Már Gudmundsson, chairman

Ingimundur Fridriksson Sveinn E. Sigurdsson Tómas Örn Kristinsson Tryggvi Pálsson

Others: Arnór Sighvatsson, secretary

Elín Gudjónsdóttir

The opinions expressed by authors writing under their own names do not necessarily represent the views and policies of the Central Bank of Iceland. Vol. 3 no. 3 August 2001

Printing: Steindórsprent-Gutenberg ehf.

Monetary Bulletin is also published on the Central Bank of Iceland website.

ISSN 1607-6680

Material may be reproduced from the Monetary Bulletin but an acknowledgement of source is kindly requested.

Symbols:

- * Preliminary or estimated data.
- 0 Less than half of the unit used.
- Nil.
- ... Not available.
- Not applicable.