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English summaries

Efnahagsleg áhrif upptöku verðbólguþéttis

The effects of inflation targeting on macroeconomic performance

Thórarinn G. Pétursson

An increasing number of countries have adopted inflation targeting since New Zealand first adopted this framework in early 1990. Currently there are 21 countries using inflation targeting in every continent of the world. This paper discusses the economic effects of inflation targeting. The main conclusion is that inflation targeting has largely been a success. The new framework has made central banks, which previously lacked credibility, able to change the way they conduct monetary policy towards what is commonly considered best practice. In many respects they have even led the way in creating a new benchmark for how to formulate monetary policy.

Keywords: Inflation targeting; monetary policy.

JEL: E42, E52, E58.

Hvernig mælum við verðbólgu?

How do we measure inflation?

Rósmundur Guðnason

The article describes methods used in the calculation of the Icelandic CPI, which is a fixed-base Lowe index that resembles a COLI. Substitution is accounted for by using the geometric mean and by allowing substitution between chains. Chain weights and quality adjustment are the methods used for correction of shopping substitution bias (outlet substitution bias) that increased when inflation rose suddenly in the year 2001. It was corrected in the period December 2001 to May 2003, implying a 0.52 per cent lowering of the CPI. The receipts approach is the precondition for using chain weights which make correction easier when shopping habits change suddenly. Owner-occupied housing is calculated as a simple user cost allowing for depreciation and rigid real interest rate. The prices are measured by the changes in the prices of all properties sold.

Keywords: Consumer price index, cost of living index, household budget surveys, household expenditure survey, shopping substitution bias, outlet substitution bias, quality adjustment, owner-occupied housing, user cost.

JEL: C43, C81, D11, E31.

Nóbelsverðlaunin í hagfræði árið 2003:

Tímaraðgreining:

Samþætting og eiginfylgni í skilyrtu flökki

Time-series Econometrics:

Cointegration and Autoregressive Conditional Heteroskedasticity

An article from the Nobel Foundation's website (www.nobel.se)

Empirical research in economics uses time series data, such as GDP, the price level, interest rates, equity prices, etc. In the 1980s, Economics Nobel Laureates Clive Granger and Robert Engle developed new statistical methods for handling two central properties of many economic time series – non-stationarity, i.e. the apparent tendency of time series not to fluctuate around a constant mean, and time-varying volatility. This article addresses the laureates' contribution and their fundamental influence on the use of econometrics in applied economic and financial research.

Keywords: Time-series econometrics, cointegration, autoregressive conditional heteroskedasticity.

JEL: C22, C32, C5.