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English summaries

Kaupendamáttur á sementsmarkaði

Countervailing power in the Icelandic cement market

Friðrik Már Baldursson, Sigurður Jóhannesson

Abstract: The Icelandic Competition Council recently ruled that a cement supplier with 75% market share is not dominant. The ruling was based on countervailing power of local concrete producers. To test the economic arguments for the ruling, we present a simplified bilateral oligopoly model of the industry where a new supplier enters a market competing with an incumbent. We show that it may be rational for buyers, given that some buying firms have switched to an entrant, to stay with a less efficient incumbent. Contracts negotiated with the incumbent are not as advantageous as those the entrant offers, but better than those that would prevail under monopoly of the entrant. This supports the aforementioned ruling.

Keywords: Bilateral oligopoly, countervailing power, cement industry.

JEL: L13, D43.

Sjávarútvegur sem grunnatvinnuvegur á Íslandi

Base industries and the Icelandic fishing sector

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Abstract: According to conventional wisdom, the fishing industry is Iceland's most important industry. This belief is not confirmed by the national accounts, since the direct contribution of the fishing industry to the gross domestic product was only around 15% on average during the last three decades of the 20th century. The national accounts measures, however, ignore the indirect impacts of the fishing industry that could occur via backward and forward linkages and macroeconomic multiplier effects. This article attempts to obtain estimates of the overall contribution of the fishing industry to the gross domestic product during the second half of the 20th century, using recently developed econometric methods which to our knowledge have not been used for this purpose before. The results of this exercise suggest that this overall contribution and, consequently, the eco-

conomic importance of the fishing industry, is substantially greater than that suggested by the national accounts. Hence, the fishing industry may have been a base industry during the period of study. These results as well as the methodology employed may have implications for judging the national economic importance of natural resource-based industries in general.

Keywords: Fishing industry, base industries, fisheries as a base industry, cointegration, error-correction models.

JEL: N14, N54.

Notkun þvingaðra splæsifalla til að smíða íslenska vaxtarófið

Use of constrained splines to construct the Icelandic term structure of interest rates

Sverrir Ólafsson, Arnar Jónsson

Abstract: In this article we consider some important methods used to construct and analyse the term structure of interest rates. The advantages and disadvantages of different methods are discussed in some detail. Bootstrapping and optimisation methods are used to construct the term structure of interest rates from information provided by the Icelandic bond market. Only nominal bonds are considered. REIBOR interest rates are used to construct the term structure of interest rates for maturities of up to one year.

Due to lack of liquidity in the Icelandic bond market and a limited number of traded bonds, the use of constrained splines provides a valuable method for the construction of a smooth term structure. This approach is particularly valuable to avoid oscillations in the forward rates. Here the challenge is to find the right balance between a term structure which prices correctly traded securities and reduces the oscillations in the implied forward rate term structure.

Keywords: Spot rates, forward rates, term structure of interest rates, bootstrapping, constrained splines.

JEL: C61, C65, C80, G10, G13.