

14 October 2016
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Bjarni Benediktsson
Minister of Finance and Economic Affairs
Ministry of Finance and Economic Affairs
Arnarhvoll, Lindargata
150 Reykjavík

Re: Report to the Government on inflation below deviation limits

According to Statistics Iceland's CPI measurement as published on 26 August 2016, twelve-month inflation was 0.9% in August 2016 and had therefore fallen below 1%, the lower deviation threshold of the inflation target. With reference to the joint declaration of the Government and the Central Bank of Iceland, dated 27 March 2001, the Bank sent the Government a special report on 9 September, explaining the reasons for the deviation.

As the Minister is aware, it was revealed later that there was an error in Statistics Iceland's inflation measurements for the period from March through August 2016. According to the corrected figures, twelve-month CPI inflation was 1.2% in August; therefore, inflation did not fall below the 1% limit in August and it was therefore not necessary to submit the report last month.

Respectfully yours,
Central Bank of Iceland



Már Guðmundsson, Governor

cc:
Prime Minister