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## The Central Bank of Iceland publishes *Peningamál* (Monetary Bulletin)

On July 31, 2003, the Central Bank of Iceland published the August issue of *Peningamál* (Monetary Bulletin), a quarterly publication in Icelandic, including the Bank's quarterly inflation forecast and a macroeconomic forecast. Inflation has remained below the Central Bank's inflation target so far this year and was somewhat lower in Q2/2003 than the Central Bank had forecast in May. Slack in the economy, a strong króna and low global inflation will contribute to a low rate of inflation in the short term, and inflation is expected to remain below the target throughout 2004. Towards the end of the two-year forecast period inflation will approach the target and exceed it in the first half of 2005, given an unchanged policy rate.

An economic recovery has begun and most indications are that the upswing will gain momentum during the coming winter. There is still slack in the economy, but leading indicators such as credit growth and company manpower plans strongly suggest that demand will continue to increase in the near future. No major changes have occurred in the assumptions or results of the macroeconomic forecast since May. Slightly higher GDP growth is expected this year and in 2004, among other things because of large fish catches this year and a weaker exchange rate than assumed in the last forecast. GDP growth is now forecast at 2¾% this year and 3½% next year. As usual an unchanged monetary stance and exchange rate are assumed throughout the forecast period.

The English translation of *Peningamál*, *Monetary Bulletin*, will appear on the Bank's website, each chapter as soon as it becomes available.

**Table 1 Central Bank of Iceland inflation forecast**

*Quarterly changes (%)*

	<i>Annualised quarterly change</i>	<i>Percentage change from one year ago</i>
2003:1	2.9	1.9
2003:2	2.0	2.0
2003:3	1.0	2.0
2003:4	1.5	1.8
2004:1	1.5	1.5
2004:2	2.5	1.6
2004:3	3.0	2.1
2004:4	2.1	2.3
2005:1	2.3	2.5
2005:2	3.7	2.8
2005:3	3.8	3.0

Figures indicate changes between quarterly averages of the consumer price index.  
Shaded area indicates forecast.

*Annual changes (%)*

	<i>Year-on-year</i>	<i>In the course of the year</i>
2000	5.0	3.5
2001	6.7	9.4
2002	4.8	1.4
2003	1.9	1.7
2004	1.9	2.3

Shaded area indicates forecast.