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Supplement to Recommendations Concerning the Method of Calculating the Daily Consumer Price Index (CPI) and Credit Terms Index (CTI)

These Recommendations concern the treatment of indexation in February 2008 and supplement the Recommendations Concerning the Method of Calculating the Daily Consumer Price Index (CPI) and Credit Terms Index published on 31 May 2007. They are a response to a memorandum issued by Statistics Iceland on 12 November 2007, which stated that “the CPI compiled according to the present law will be published for the last time on 14 January 2008”.¹

As explained in the Recommendations, it has been the practice in Iceland to use the Consumer Price Index (CPI) and Credit Terms Index (CTI) published by Statistics Iceland on the 10th-15th day of each month to calculate daily index values for the remaining days of the month in question. Prior to that, or from the first day of each month until the publication of a new index value, market participants have made use of the Central Bank's short-term forecast in determining the daily index.

On 29 January this year, Statistics Iceland will publish the CPI and CTI to be used for indexation as of 1 March. In February, it will therefore be possible to cease the use of forecast values and base the calculation of daily indexes exclusively on actual values known at the beginning of the month, i.e., the index value published on 14 January this year that will apply for 1 February and the index value to be published on 29 January that will apply for 1 March.

OMX Nordic Exchange Iceland recommends that market participants use these actual index values in calculating daily indexes for indexation for the entire month of February, and continue however to use non-linear interpolation as before until the Recommendations Concerning the Method of Calculating Daily CPI and CTI Index Values issued by OMX Iceland on 31 May 2007 take effect as of 1 March 2008.

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¹ The memorandum from Statistics Iceland is available on <http://www.statice.is/lisalib/getfile.aspx?itemid=6999>