Metadata for the real exchange rate

1. General

Title

The real exchange rate of the Icelandic króna

Supervisor of statistics

Central Bank of Iceland Statistics Department and Economics and Monetary Policy Department

Purpose

Data are gathered so as to monitor developments in the real exchange rate of the Icelandic króna. In addition, the Central Bank uses the data in its operations.

Sources

The calculations are based on data from the International Monetary Fund (IMF), the Organisation for Economic Co-operation and Development (OECD), and individual countries' statistical bureaus on developments in price levels and wage costs in trading partner countries. Forecasts are from the OECD. Information on developments in prices and wages in Iceland is from Statistics Iceland and the Central Bank of Iceland. The exchange rate of the Icelandic króna is in accordance with the official exchange rate listings from the Central Bank of Iceland.

Statutory authority

The foundation in law for data collection is in [Act No. 36/2001 on the Central Bank of Iceland, Article 29.](#)

2. Methodology

Processing

Data processing is carried out by the Central Bank of Iceland Economics and Monetary Policy Department, and the methodology is in accordance with the publication of the real exchange rate in the Bank's quarterly macroeconomic model ([QMM](#)).

Terminology and definitions

The **real exchange rate** is defined as relative developments in prices or unit labour costs in the home country, on the one hand, and in trading partner countries, on the other, from a specified base year and measured in the same currency. It is published as an index.

Relative consumer prices are defined as the ratio of consumer prices in Iceland to consumer prices abroad, measured in the same currency.

Relative unit labour costs are defined as the ratio of unit labour costs in Iceland to unit labour costs abroad, measured in the same currency.

3. Integrity of data

The data are based on official exchange rate listings and consumer price indices/unit labour cost indices for Iceland and its main trading partners, in accordance with their weight in external trade (narrow trade basket). The official listing of exchange rate indices and consumer price indices is the final published value, whereas indices of unit labour costs often change retroactively, as national accounts figures for Iceland and trading partner countries are revised. Sometimes data from trading partner countries must be estimated if they have not been received in due time. The most recent figures are therefore provisional estimates.

4. Revision of data

The real exchange rate is recalculated when new data on prices and unit labour costs in trading partner countries are received. Calculations of the real exchange rate are updated monthly so as to take account of changes as they are received by the Bank.

5. Publication

The data are published on the [Statistics page of the Central Bank website](#) at the beginning of each month. The publication timetable can be found [here](#). The real exchange rate is also published quarterly in the Bank's *Monetary Bulletin* and the QMM database and is published annually in the Bank's *Annual Report*.

The base year for calculation of the real exchange rate index is 2005 (2005 average = 100). Real exchange rate indices are based on relative consumer prices, on the one hand, and on relative unit labour costs, on the other. For the real exchange rate in terms of relative consumer prices, monthly, quarterly, and yearly data are published back to 1980. For the real exchange rate in terms of relative unit labour costs, quarterly and yearly data are published back to 1991.

6. Other

On the website under Useful links (cb.is > Statistics > Real exchange rate > Useful links) are links to articles on the real exchange rate of the Icelandic króna that have appeared in Central Bank publications and data on the real exchange rate in terms of relative unit labour costs over the period 1980-1991, calculated according to older methodology using base year 2000.