

# *Chronology of financial markets 1999*

## *January-October 1999*

### **January**

In accordance with legislation adopted by the Icelandic Parliament in June 1998, a new supervisory agency, the Financial Supervisory Authority, was formally established and commenced operations at the beginning of 1999. The new authority takes over the supervisory functions formerly performed by the Central Bank of Iceland and the Insurance Supervisory Authority.

The Housing Financing Fund sold housing bonds for 2.4 billion kr. from two classes, BN20-0101 and BN38-0101.

The US credit rating firm Moody's gave the Icelandic Investment Bank a credit rating of A3/P2 and D for financial strength.

On January 15, the Central Bank presented an inflation forecast projecting a 1.9 percent average increase in consumer prices between 1998 and 1998 and an increase of 2.2 percent in the course of 1999. Prices were projected to rise by 0.6 percent during the first quarter.

On January 28, the IMF published the concluding statement of the Article IV mission to Iceland. The IMF forecast a GDP growth of 5.6% in 1999 and 4.4% in 2000, and an inflation rate of 3.5% and 3.2% in 1999 and 2000 respectively.

### **February**

On February 23, the Central Bank raised its interest rates by 0.4 percentage points and introduced a minimum liquidity requirement on credit institutions. The minimum liquidity requirement is primarily a prudential measure. Nevertheless, in the early

months in which it is in effect it could restrain the capacity of credit institutions to grant new credit. It will also have the effect of reducing the reliance of credit institutions on short-term foreign credit. The regulations became effective on March 21.

### **April**

The Housing Financing Fund sold housing bonds for 2.2 billion kr. from two classes, BN20-0101 and BN38-0101.

On April 21, the Central Bank presented an inflation forecast of a 2.4 percent average increase in consumer prices between 1998 and 1999 and an increase of 2.8 percent in the course of 1999. Prices were projected to rise by 1.0 percent during the second quarter, or 4.2% on an annual basis.

### **June**

On June 21, the Central Bank raised its interest rates by 0.5 percentage points.

On June 25, the currency basket of the exchange rate index was changed following an annual review of the basket, taking into account changes in the composition of external trade in 1998.

The US credit rating firm Moody's gave the Agricultural Bank Ltd a credit rating of A3/P2 and D for financial strength.

### **July**

On July 22, the Central Bank presented an inflation forecast of a 3.0 percent average increase in consumer prices between 1998 and 1998 and an increase

of 4.0 percent in the course of 1999. Prices were projected to rise by 1.0 percent during the third quarter, or 5.2% on an annual basis.

#### **September**

The Housing Financing Fund sold housing bonds for 2.0 billion kr. from two classes, BN20-0101 and BN38-0101.

On September 15, The treasury announced, at the request of the Minister of Finance, its intention of redeeming government securities and reducing the outstanding government benchmark securities.

On September 20 and 21, the Central Bank raised its interest rates by 0.6 percentage points.

#### **October**

On October 25, the Central Bank presented an inflation forecast of a 3.3 percent average increase in consumer prices between 1998 and 1999 and an increase of 4.6 percent in the course of 1999. Prices were projected to rise by 1.0 percent during the fourth quarter, or 4.1% on an annual basis.

