



The Icelandic *króna* depreciated in 2020

The Icelandic króna depreciated somewhat against the currencies of main trading countries last year. The euro was 14.9% dearer at year-end 2020 than at the beginning of the year, the US dollar 5.0% and the British pound 8.9% dearer.

The EUR cost 136 ISK at the beginning of the year. The ISK began depreciating in the wake of the Covid-19 pandemic. This is in line with the experience of other countries, as smaller currencies generally depreciated against larger ones as a result of the pandemic.

Notwithstanding short appreciation spikes in March (following an agreement between the CBI and pension funds to hold FX purchases), May (following loosening of Covid-19 related restrictions), and in September (following the CBI's announcement that it would begin a programme of regular FX sales), the ISK was under near constant pressure until the end of October, when the EUR stood at ISK 165. The ISK appreciated somewhat in November. At year-end, the EUR cost ISK 156, a 14.9% increase from the beginning of the year.

Central Bank active in the currency market

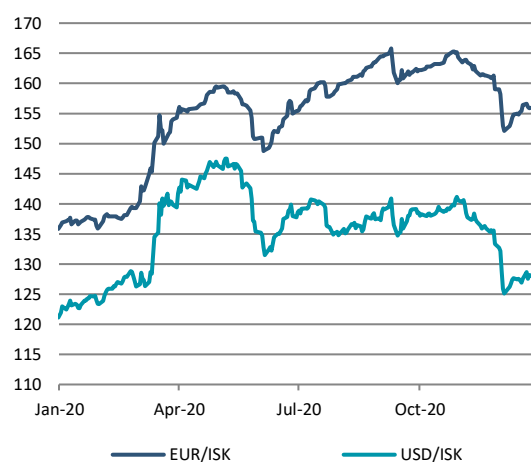
Total turnover on the FX interbank market was ISK 413.6 bn (EUR 2,650 m) in 2020. This is 1.9 times the turnover of 2019 measured in ISK and 2.2 times the turnover of 2019 measured in EUR.

It is safe to describe the CBI as active in the FX interbank market. Its share in the year's total turnover was 37% as compared with 8% in 2019. Net FX sales by the CBI amounted to ISK 133 bn (EUR 825 m). At the beginning of 2020, the gross foreign reserves of the CBI amounted to EUR 6,050 m. The CBI sold around 14% of its reserves during the year.

	31.12.2020	YTD	1M	3M	12M
TWI	200.5	11.6%	-2.2%	-3.8%	11.6%
EUR	156.1	14.9%	-1.8%	-3.8%	14.9%
USD	127.2	5.0%	-4.1%	-8.2%	5.0%
GBP	173.6	8.9%	-1.9%	-2.4%	8.9%
DKK	21.0	15.4%	-1.8%	-3.7%	15.4%
NOK	14.9	8.4%	-0.9%	2.2%	8.4%
SEK	15.6	19.8%	-0.3%	1.5%	19.8%
CHF	144.4	15.4%	-1.6%	-3.8%	15.4%
JPY	1.23	10.6%	-3.1%	-5.8%	10.6%

Source: CBI

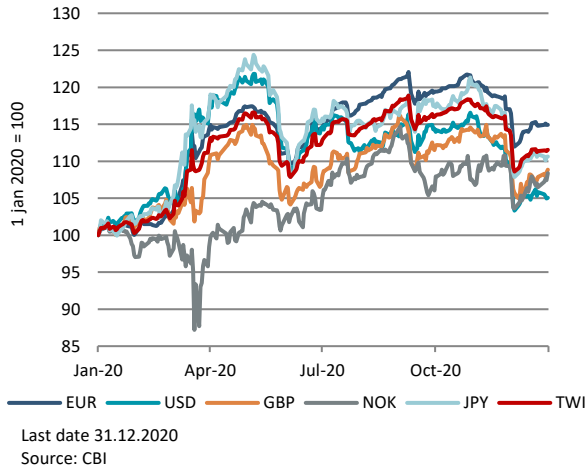
Exchange rate development



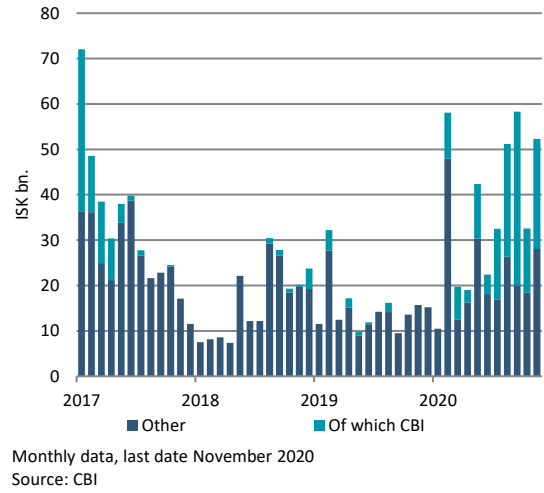
Last date 31.12.2020
Source: CBI



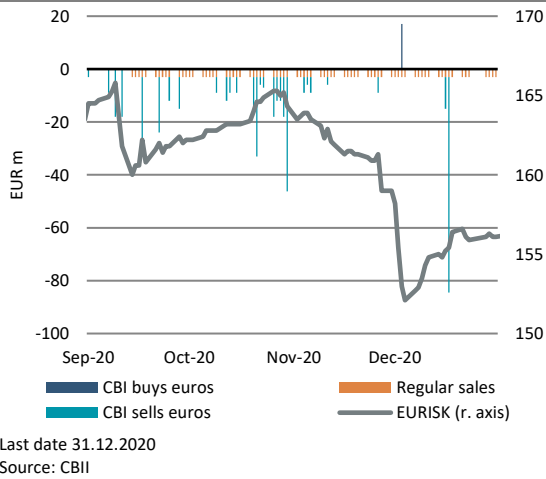
The Icelandic *króna* depreciated against the currencies of Iceland's main trading countries in 2020.



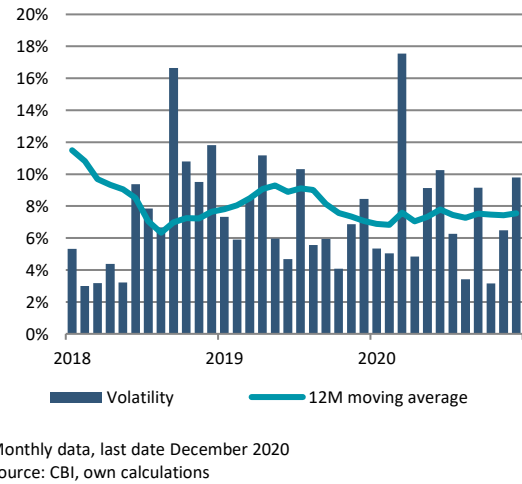
Turnover in the FX market in December totalled ISK 52.3 bn (EUR 337.5 m). The CBI's share was 46%.



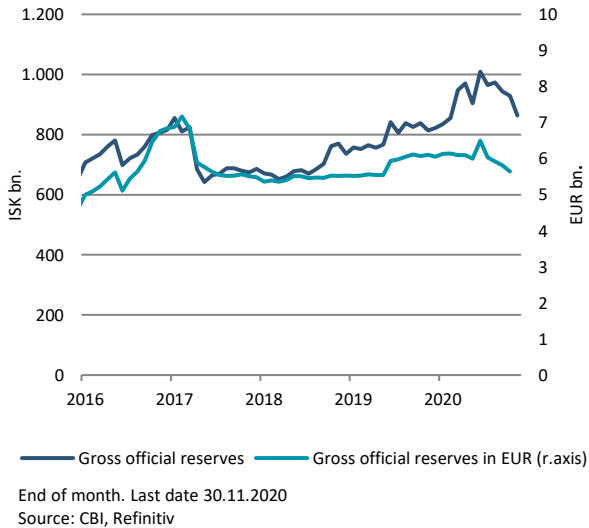
Net FX sales by the CBI in December amounted to ISK 21.7 bn (EUR 139.5m), ISK 13.1 bn (EUR 84.5 m) thereof on 17 December.



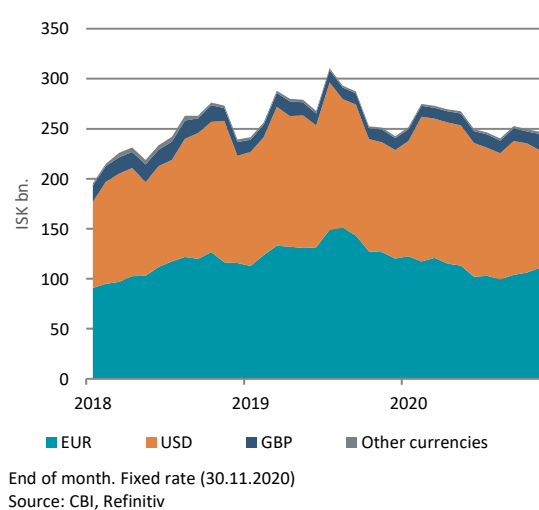
Fluctuations of the ISK against the EUR increased MoM in December.



Measured in EUR, the foreign reserves decreased by EUR 620 m (10.2%) in the first 11 months of 2020.

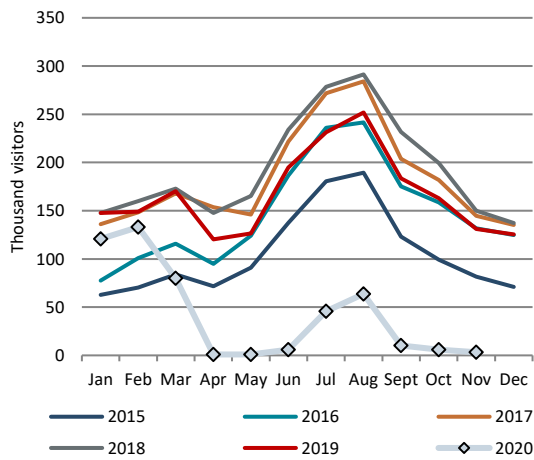


Domestic deposits on FX accounts, measured at a fixed rate, decreased by ISK 3.8 bn (1.4%) in November.



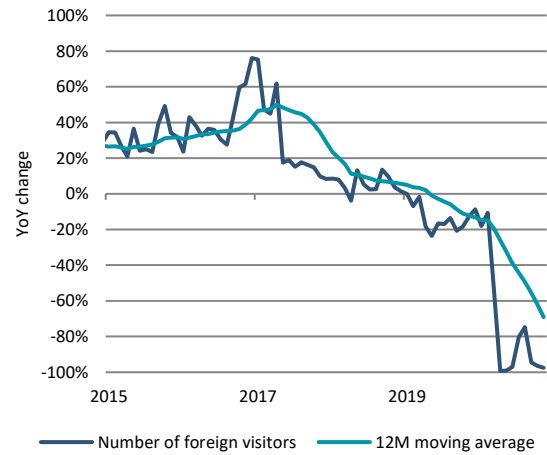


3,300 foreign visitors travelled through Keflavík International Airport in November.



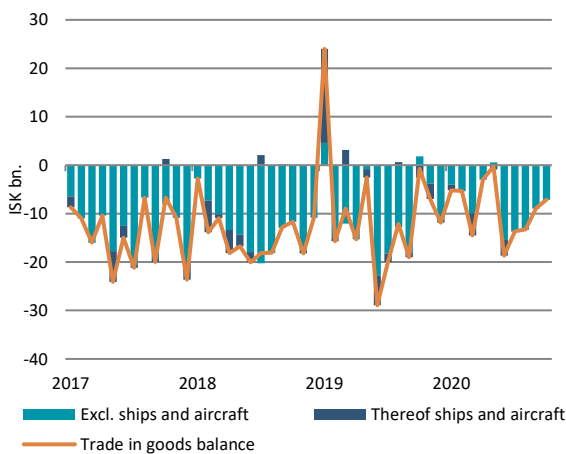
Source: Icelandic Tourist Board

Foreign travellers through Keflavík International Airport decreased by 97.5% YoY.



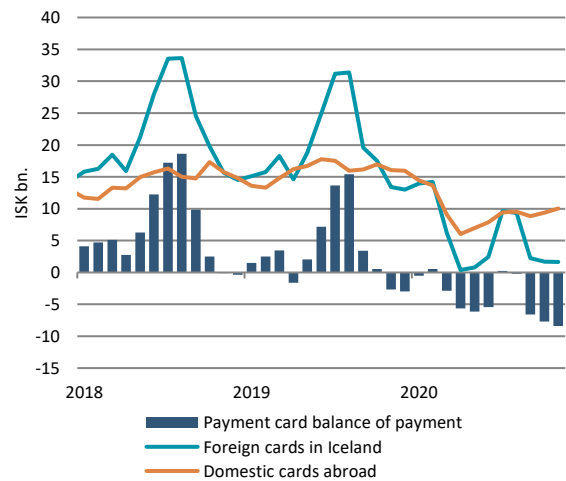
Monthly data, last date October 2020
Source: Icelandic Tourist Board

The foreign trade deficit was ISK 7.1 bn in October, less vessels and aircraft.



Monthly data, last date October 2020
Source: Statistics Iceland

The payment card balance was negative by ISK 8.4 bn in November.



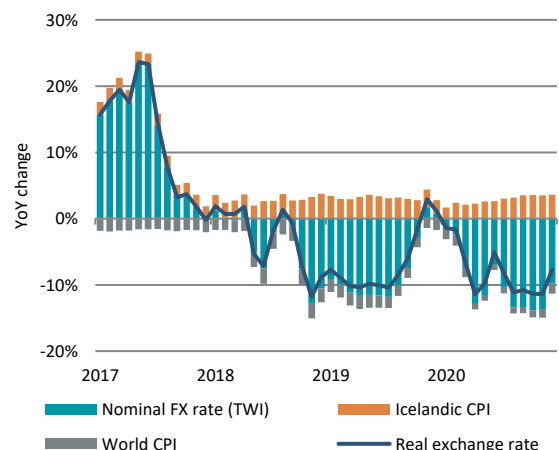
Monthly data, last date November 2020
Source: CBI

The real exchange rate based on price levels was 6.8% lower in December than in the same month of 2019. The nominal exchange rate was 9.8% weaker.



Last date December 2020
Source: CBI, Statistics Iceland, Landsbankinn Economic Research

The change to the real exchange rate in recent years is due mostly to changes to the nominal exchange rate.



Last date December 2020
Source: CBI, Statistics Iceland, Landsbankinn Economic Research



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