



The *króna* appreciated in January, the CBI intervened twice

The Icelandic króna appreciated against the currencies of our main trading partners in January. The Central Bank (CBI) intervened twice in January, buying euros to counteract the appreciation of the króna.

At the end of January, the euro stood at ISK 143.2, compared to ISK 147.6 at the end of December; the US dollar stood at ISK 128.4, compared to ISK 130.4 at the end of December. The trade-weighted index increased (the *króna* appreciated) by 2.6% in January.

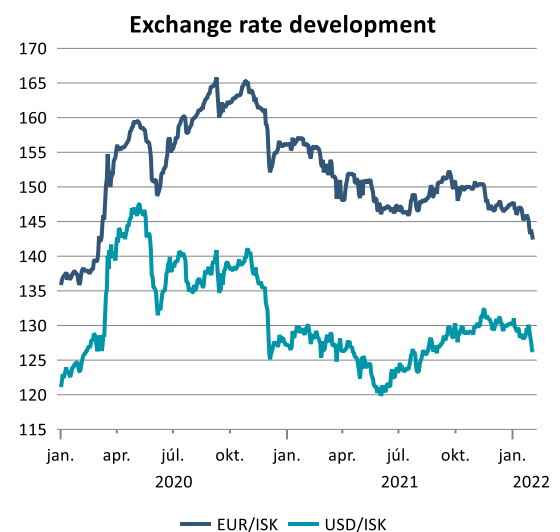
The price of the euro dipped below ISK 145 in January for the first time since March 2020, having stayed between 145 and 155 in recent months. We think that the *króna* is more likely to appreciate further rather than depreciate again in the coming months.

Turnover in the foreign exchange market was ISK 25.2b (EUR 173m) in January and increased somewhat between months. The CBI's share of the month's turnover was ISK 3bn (EUR 21m), or 12% of total turnover.

The CBI intervened twice in January. On Wednesday, 5 January 5, it bought EUR 9m and, on Friday, 28 January, it bought EUR 12m. Both times it was reacting to sharp inter-day appreciation of the *króna*.

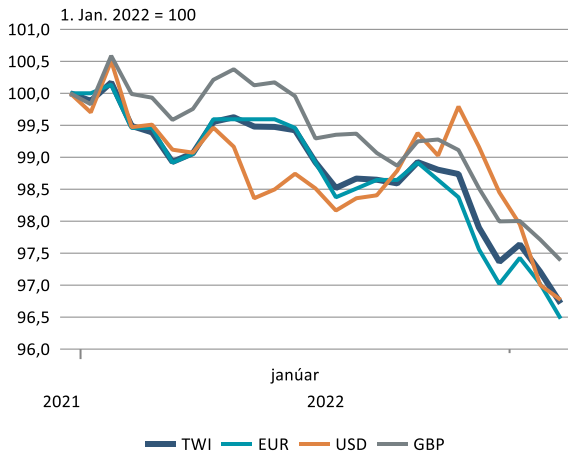
	31/01/2022	YTD	1M	3M	12M
TWI	190.4	-2.6%	-2.6%	-3.6%	-5.6%
EUR	143.2	-3.0%	-3.0%	-4.4%	-8.3%
USD	128.4	-1.5%	-1.5%	-0.2%	-0.2%
GBP	172.2	-2.0%	-2.0%	-2.9%	-2.5%
DKK	19.2	-3.0%	-3.0%	-4.4%	-8.3%
NOK	14.3	-3.1%	-3.1%	-6.8%	-5.2%
SEK	13.7	-5.1%	-5.1%	-9.4%	-11.6%
CHF	137.6	-3.6%	-3.6%	-2.5%	-4.8%
JPY	1.11	-1.8%	-1.8%	-1.6%	-9.5%

Source: Kófiak



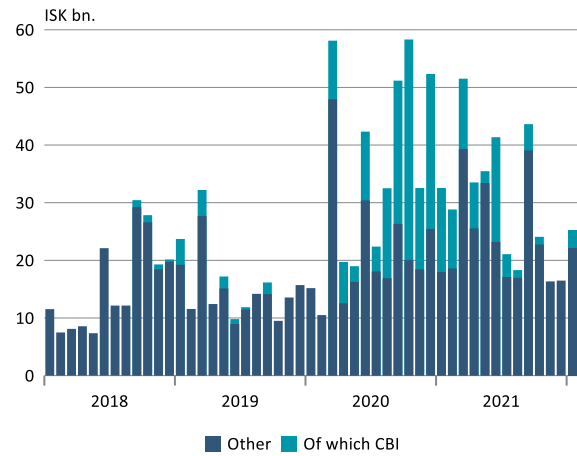
Source: Macrobond

The króna has appreciated YTD.



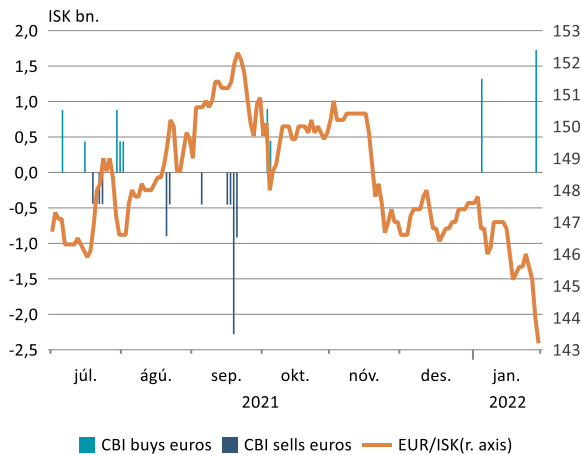
Source: Macrobond

Turnover in the FX market was ISK 25.2bn (EUR 173m) in January. The CBI's share was ISK 3bn (EUR 21m).



Source: Macrobond

The CBI intervened twice in January, buying euros to counteract appreciation of the króna.



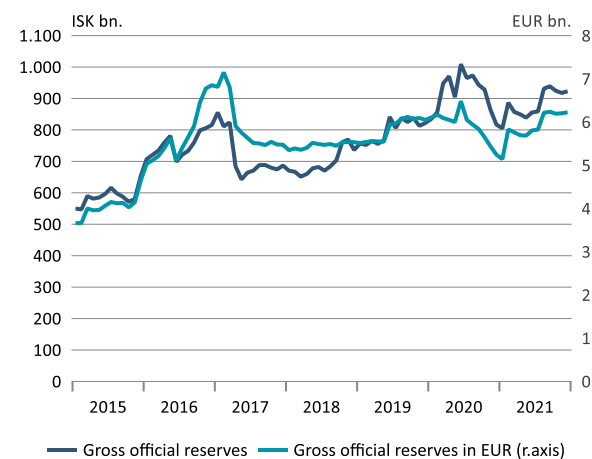
Source: Macrobond

The CBI's net purchase of foreign currency in January amounted to ISK 3bn (EUR 21m).



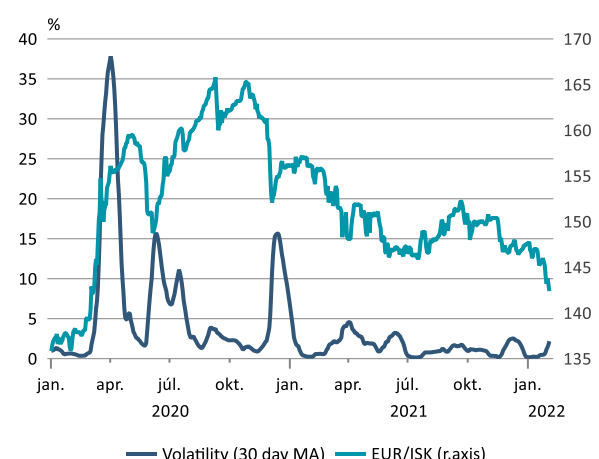
Source: Macrobond

Gross foreign exchange reserves were ISK 923bn (EUR 6.2bn) at the end of December.



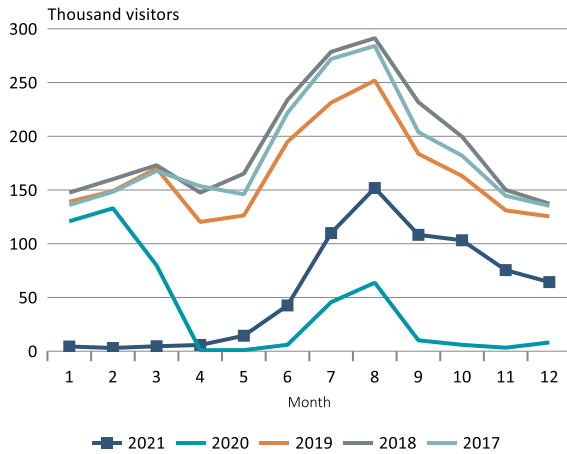
Source: Macrobond

The volatility of the króna against the euro increased in January.



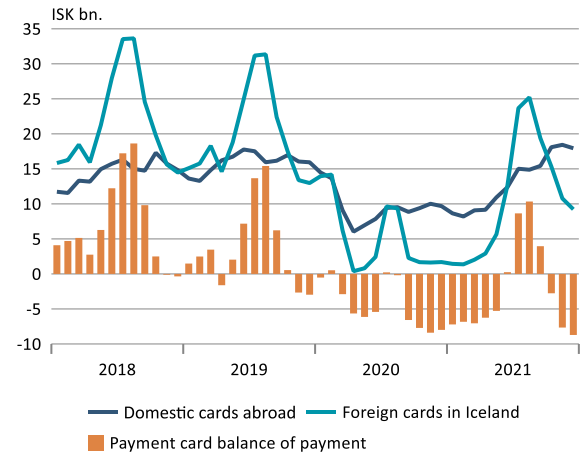
Source: Macrobond

64,300 foreign visitors travelled through Keflavík International Airport in December.



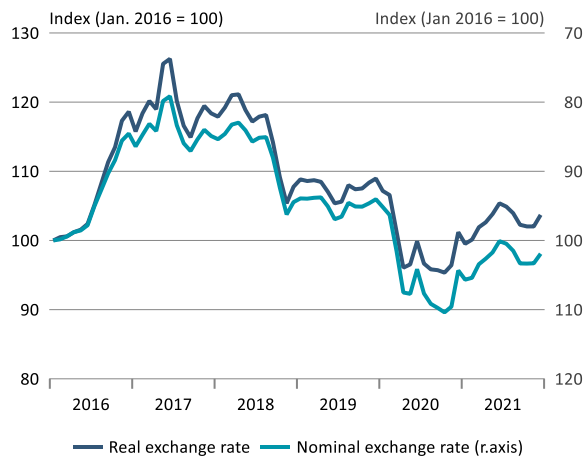
Source: Macrobond

The payment card balance was negative by ISK 8.7bn in December.



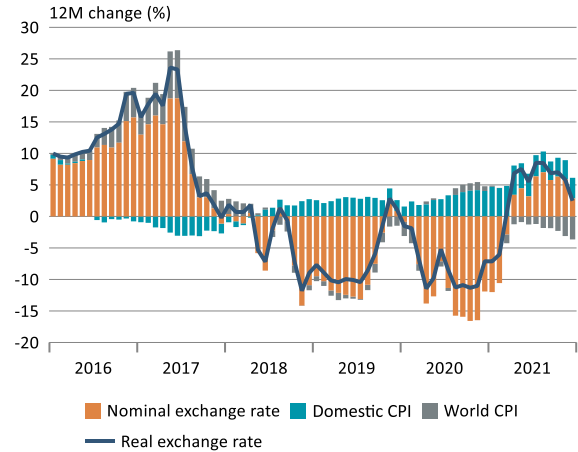
Source: Macrobond

The real exchange rate was 2.5% higher in December 2021 than in December 2020; the nominal exchange rate was 2.8% stronger.



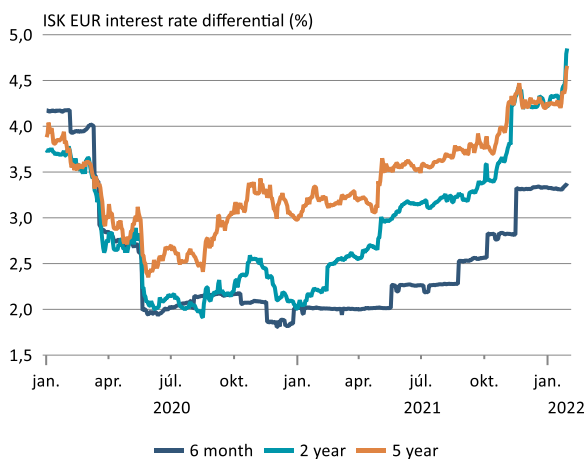
Source: Macrobond

The contribution of domestic inflation to changes in the real exchange rate was +3.3%; the contribution of international inflation was -3.6%.



Source: Macrobond

The interest rate differential with the euro increased in January, especially in the shorter term.



Source: Macrobond



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