



The *króna* appreciated in February, the CBI both sold and bought euros

The Icelandic króna appreciated against the currencies of our main trading partners in February. The Central Bank intervened four times during the month, buying euros three times and selling euros once.

At the end of February, the euro stood at ISK 141.8, compared to ISK 143.2 at the end of January and the US dollar at ISK 126.6, compared with ISK 128.4 at the end of January. The trade-weighted index decreased (the *króna* appreciated) by 1.0% in February.

The *króna* remained mostly between ISK 141 and 144 per EUR during the month. It started the month at just under ISK 144 króna per EUR, then appreciated in the first half of the month, falling to a low of 140.8 ISK per EUR, before depreciating slightly towards the end of the month.

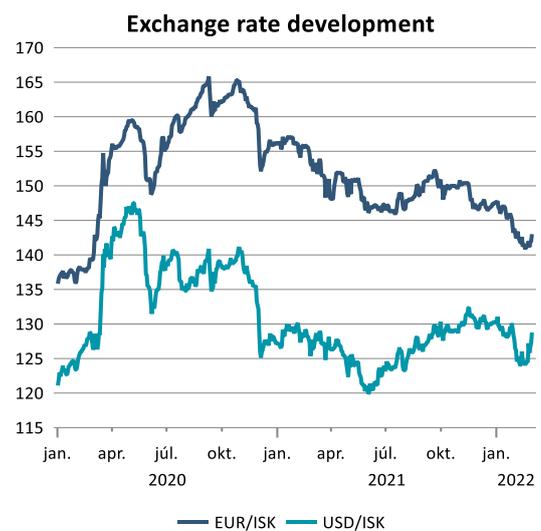
Turnover in the interbank market for foreign exchange was ISK 45.2bn (EUR 318m) in February and increased somewhat between months. The CBI's share of the month's turnover was ISK 9.2b (EUR 64m), 20% of total turnover.

The Central Bank intervened four times in February. In the first half of the month, it intervened three days and bought euros for a total of ISK 8bn (EUR 56m). On 24 February, it then sold euros for ISK 1.1bn (EUR 8m). The CBI's net purchases of foreign currency in the month were ISK 6.8bn (EUR 48m).

We do not expect an increase in outflows in the coming months. The interest rate differential with the euro should also support the *króna* and the currency is as a result more likely to strengthen than weaken in the coming months.

| | 28/02/2022 | YTD | 1M | 3M | 12M |
|-----|------------|-------|-------|-------|--------|
| TWI | 188.5 | -3.6% | -1.0% | -2.7% | -4.7% |
| EUR | 141.8 | -3.9% | -1.0% | -3.5% | -7.3% |
| USD | 126.6 | -2.9% | -1.4% | -2.1% | 0.4% |
| GBP | 169.7 | -3.4% | -1.4% | -1.7% | -3.4% |
| DKK | 19.1 | -4.0% | -1.0% | -3.6% | -7.3% |
| NOK | 14.3 | -3.5% | -0.4% | -0.3% | -3.0% |
| SEK | 13.4 | -7.1% | -2.1% | -6.4% | -11.3% |
| CHF | 137.2 | -3.9% | -0.3% | -2.7% | -1.4% |
| JPY | 1.10 | -3.2% | -1.4% | -4.4% | -7.6% |

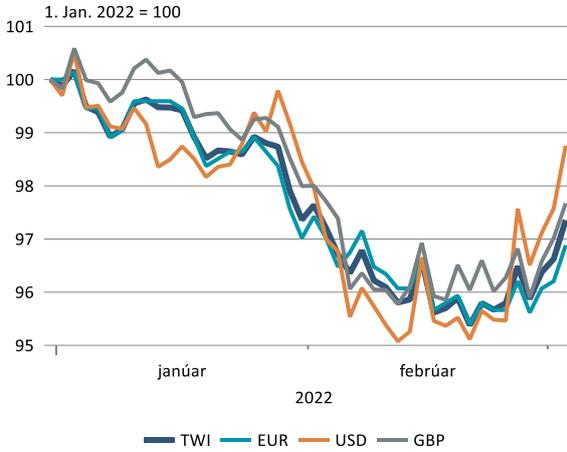
Source: Macrobond



Source: Macrobond

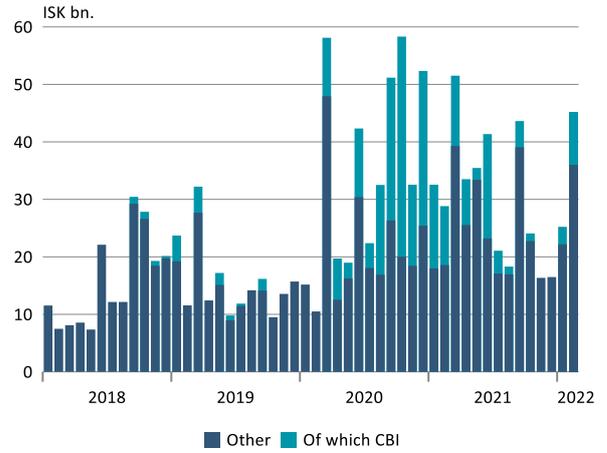


The *króna* has appreciated against the currencies of our main trading partners year-to-date.



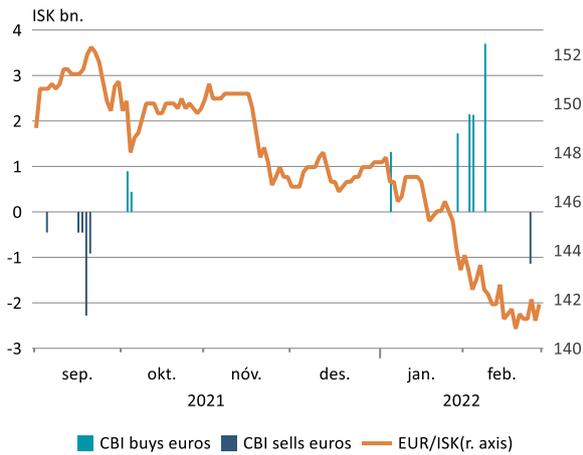
Source: Macrobond

Turnover in the FX market was ISK 45.2bn (EUR 314m) in February. The CBI's share was ISK 9.2bn (EUR 64m).



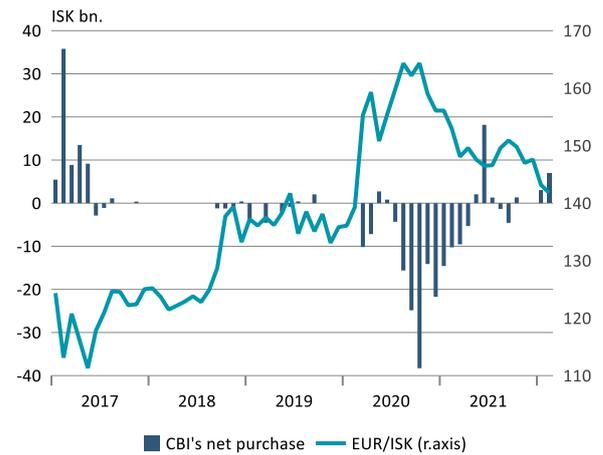
Source: Macrobond

The CBI intervened in the market four times in February. Three days it bought euros, one day it sold euros.



Source: Macrobond

The CBI's net purchase of foreign currency in February amounted to ISK 6.8bn (EUR 48m).



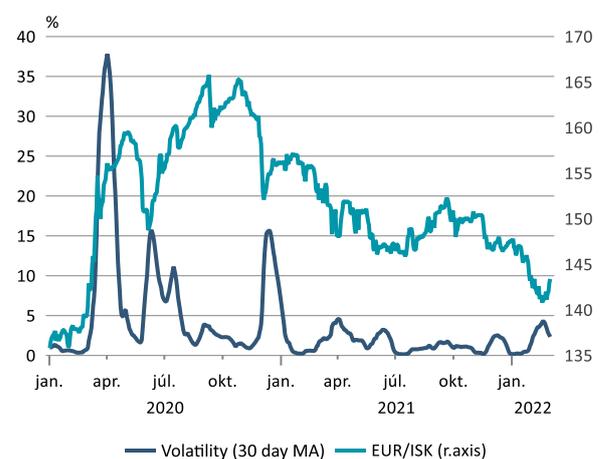
Source: Macrobond

Gross foreign exchange reserves were ISK 897bn (EUR 6.2bn) at the end of January.



Source: Macrobond

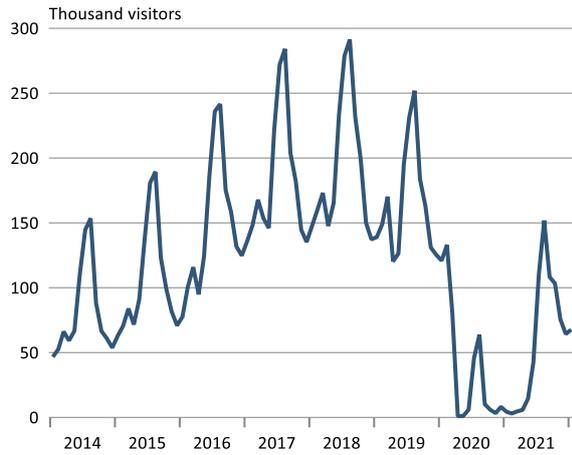
The volatility of the *króna* against the euro increased in February.



Source: Macrobond

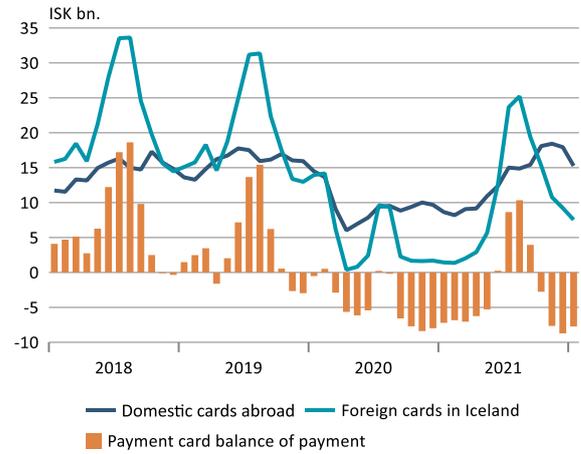


67,700 foreign visitors travelled through Keflavík International Airport in December.



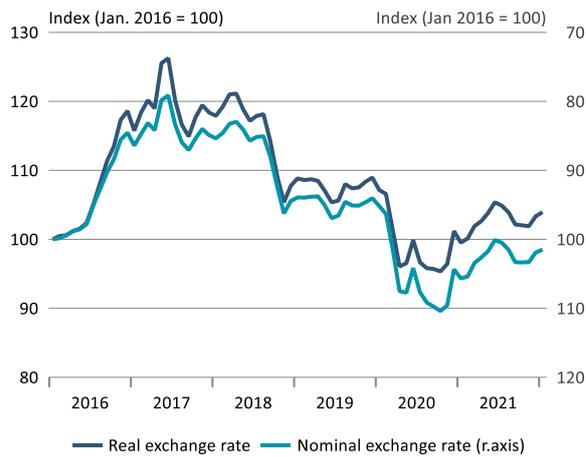
Source: Macrobond

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



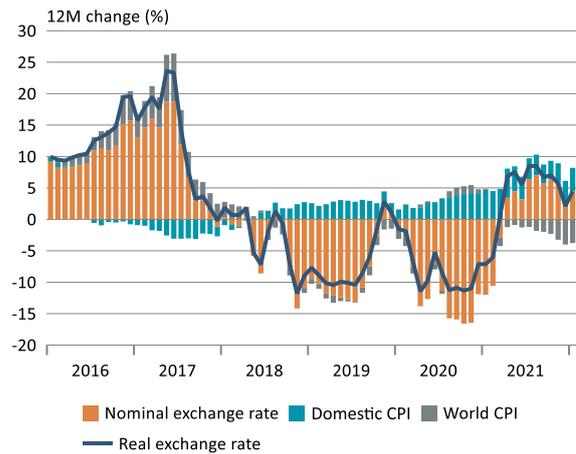
Source: Macrobond

The real exchange rate was 4.4% higher in January 2022 than same month year before; the nominal exchange rate was 4.5% stronger.



Source: Macrobond

The contribution of domestic inflation to changes in the real exchange rate was +3.7%; the contribution of international inflation was -3.8%.



Source: Macrobond

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



Source: Macrobond



The contents and form of this document were produced by employees of Landsbankinn Economic Research (hagfraedideild@landsbankinn.is) and are based on information available to the public when the analysis was compiled. Assessment of this information reflects the views of Economic Research's employees on the analysis date, which may change without notice.

Neither Landsbankinn hf. nor its personnel can be held responsible for transactions based on the information and opinions expressed here as the content is not provided as personal advice on individual transactions.

Attention should be drawn to the fact that Landsbankinn hf. may, at any time, have direct or indirect interests at stake either on its own behalf or through its subsidiaries or customers, for instance as an investor, creditor or service provider. Nonetheless, all