

Treasury finances January-June 2002

Figures for Treasury finances for the first six months of 2002 are now available. They are on a cash basis and therefore not comparable to the Treasury accounts or the fiscal budget, both of which are presented on an accruals basis.

According to these figures, the cash deficit from operations amounted to 7.7 billion krónur, compared to a deficit of 1.6 billion krónur by the end of June 2001. This is 4 billion krónur below estimates which is solely due to increased expenditure. The main items are increased interest expenditures due to redemption of treasury bonds before maturity, specific government measures to retain inflation related to the extension of the general wage agreements, increased healthcare expenditure, payments due to increased pension liabilities and payments into the wage guarantee fund. It should, however, be noted that a significant amount of the increased expenditure only affects the cash flow and will not affect the 2002 budget which is presented on an accruals basis. The net financial balance was negative by 4.3 billion krónur compared to a deficit of 3.7 billion krónur in June 2001.

Treasury finances January-June 2002 ***(Millions of krónur, cash basis)***

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Revenue.....	79,278	90,554	100,720	107,929	113,244
- Asset sales	648	395	0	3	39
Expenditure.....	75,713	81,929	90,079	109,578	120,944
Cash from operations.....	2,917	8,230	10,641	-1,650	-7,739
Financial transactions.....	2,960	-2,702	2,523	-2,018	3,397
Net financial balance.....	5,877	5,529	13,165	-3,669	-4,343
Debt redemption.....	-7,459	-18,063	-20,556	-21,982	-19,484
Domestic.....	-7,267	-8,392	-11,748	-7,229	-9,344
Foreign.....	-192	-9,671	-8,808	-14,753	-10,140
Pension fund prepayments.....	0	-1,084	-3,000	-7,500	-4,500
Gross borrowing requirement.....	-1,582	-13,619	-10,390	-33,152	-28,327
New borrowing.....	8,438	8,646	9,473	31,359	24,892
Domestic.....	13,603	-484	2,100	10,537	6,936
Foreign.....	-5,165	9,130	7,373	20,822	17,956
Overall cash balance.....	6,856	-4,972	-919	-1,792	-3,435

Total revenue amounted to 113 billion krónur, an increase of about 5.3 billion krónur from last year or 5 per cent. Tax revenue increased somewhat less, or by 4½ per cent. In comparison, general price changes amounted to 7 per cent for this period, indicating that the economy is still contracting although the contraction is receding. As evidence of this, revenue from value-added tax for the first six months increased by close to ½ per cent in real terms, compared with a 7 per cent fall in real terms last year.

Treasury revenue January-June 2002
(Millions of krónur, cash basis)

	% increase from previous year						
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Total tax revenue.....	93,815	99,850	104,303	16.7	12.2	6.4	4.5
Taxes on income and profit.....	28,897	34,539	35,990	17.3	20.2	19.5	4.2
Personal income tax.....	20,816	23,671	26,784	12.7	14.5	13.7	13.2
Corporate income tax	4,279	5,981	3,519	46.1	25.7	39.8	-41.2
Other taxes on income and profit.	3,802	4,887	5,687	20.6	55.5	28.5	16.4
Social Security taxes.....	9,218	10,026	11,145	9.3	10.5	8.8	11.2
Net wealth taxes.....	4,462	5,219	5,099	8.6	9.1	17.0	-2.3
Taxes on goods and services	51,008	49,775	51,840	18.7	8.4	-2.4	4.1
Value added tax	32,838	32,559	35,072	20.7	12.3	-0.8	7.7
Other indirect taxes	18,170	17,218	16,766	15.6	2.2	-5.2	-2.6
Of which:							
Excise tax on motor vehicles	2,751	1,718	1,424	38.0	-7.9	-37.5	-17.1
Excise tax on petrol.....	3,743	3,572	3,494	2.4	15.6	-4.6	-2.2
Diesel weight tax.....	1,859	2,079	1,953	10.3	-3.9	11.8	-6.1
Tobacco and liquor taxex....	4,147	3,868	3,945	7.8	3.6	-6.7	2.0
Other indirect taxes.....	5,670	5,981	5,950	22.6	0.9	5.5	-0.5
Other taxes.....	158	294	232	-27.0	88.1	34.8	8.9
Other revenue.....	6,907	8,077	8,941	-2.5	-0.7	16.9	10.7
Total revenue.....	100,720	107,929	113,244	15.0	11.2	7.2	4.9

Total expenditures amounted to 120.9 billion krónur, increasing by close to 11½ billion krónur from last year or 10½ per cent. The main item is a 3.7 billion krónur increase in healthcare payments. Education and cultural affairs account for 1.3 billion krónur increase, administrative costs for 1.8 billion and social security payments for 1.7 billion. Payments to economic affairs increased by 3.6 per cent where increased payments to communications outweigh a decrease in payments to agriculture. Interest expenditure increased by 950 million krónur, or 7.7 per cent from June 2001.

Foreign long-term borrowing increased by 21.6 billion krónur. In the coming months, the share of long-term debt will be increased and short-term loans will decrease. Domestic borrowing amounted to 7 billion krónur. The Treasury remitted 4.5 billion krónur to the Government Employees Pension Fund in order to lower future liabilities of the Treasury. The overall cash balance was negative by 3.4 billion krónur, compared with a 1.8 billion krónur deficit at the end of June last year.

Treasury expenditure January-May 2002
(Millions of krónur, cash basis)

	% increase from last year						
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Administration.....	10,966	11,157	12,973	9.8	19.3	1.7	16.3
General administration.....	6,119	6,056	7,393	11.5	19.6	-1.0	22.1
Justice and law enforcement.....	4,848	5,102	5,579	7.7	19.0	5.2	9.3
Social affairs.....	53,195	64,116	71,858	9.2	5.5	20.5	12.1
Of which: Education and culture...	12,826	14,850	16,609	9.7	7.6	15.8	11.8
Health.....	22,176	26,476	30,141	11.7	6.8	19.4	13.8
Social security.....	15,025	19,144	20,799	5.5	0.8	27.4	8.6
Economic affairs.....	13,467	16,636	17,243	8.1	5.0	23.5	3.6
Of which: Agriculture.....	4,498	5,734	5,564	6.1	1.6	27.5	-3.0
Communications.....	5,223	6,535	7,153	10.3	7.0	25.1	9.5
Interest expenditure.....	8,961	12,341	13,288	0.7	30.4	37.7	7.7
Other expenditure.....	3,487	5,335	5,581	6.2	33.8	53.0	4.6
Total expenditure.....	90,079	109,578	120,944	8.2	9.9	21.6	10.4