

Treasury finances January-September 2002

Figures for Treasury finances for the first nine 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.

The cash deficit from operations amounted to 19.6 billion krónur, compared to a deficit of 6.9 billion krónur at the end of September 2001. This was mostly foreseen in the budget projection, which estimated the cash deficit at 17 billion krónur, the difference being solely accounted for by lower income from sale of assets than estimated. Financial transactions were in surplus by 6.7 billion krónur whereas September 2001 reported a deficit of 1.8 billion krónur. The main difference comes through sale of assets in Landsbanki of 5 billion krónur. Further, incoming repayments of outstanding claims increased by 3 billion krónur compared to September last year.

Total revenue amounted to 168 billion krónur, an increase of about 9.8 billion krónur from last year or 6 per cent. Tax revenue increased less, or by 4 per cent in nominal terms. The difference stems entirely from increased revenue through sale of assets. With price increases amounting to 6 per cent during this period this represents a 2 per cent fall in real terms. Taxes on income and profits increased by 3 per cent on last year. Social security taxes rose by 9½ per cent reflecting i.a. a 7½ per cent increase in wages. Taxes on goods and services rose by 4 per cent in nominal terms, indicating a 2 per cent decline in real terms. Receipts from VAT, however, increased by more than 6 per cent showing, for the first time since early 2001, an increase in real terms.

Total expenditures amounted to 184.3 billion krónur, increasing by close to 10 billion krónur from last year or 11.6 per cent. Expenditures exceeded the budget estimates by 4.7 billions, or 2.6 per cent. Social expenditures amount to 113 billion krónur, accounting for about 60 per cent of total Treasury expenditure. The most significant part is health care with 46 billion krónur increasing by 6 billion from last year. Social security expenditures amount to 36 billion krónur, an increase of 4 billion from last year. Interest payments increase by 1 billion krónur, or 7 per cent from September 2001.

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

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Revenue.....	116,742	135,145	148,440	158,218	168,001
- Asset sales	-648	-389	-38	3	-3,252
Expenditure.....	118,054	127,005	143,572	165,121	184,347
Cash from operations.....	-2,915	7,751	4,830	-6,901	-19,598
Financial transactions.....	2,519	1,016	748	-1,830	6,748
Net financial balance.....	-396	8,767	5,577	-8,731	-12,850
Debt redemption.....	-21,118	-18,846	-28,766	-22,214	-22,697
Domestic.....	-11,305	-9,138	-15,232	-7,410	-10,597
Foreign.....	-9,812	-9,708	-13,534	-14,804	-12,100
Pension fund prepayments.....	0	-1,584	-4,500	-10,625	-6,750
Gross borrowing requirement.....	-21,513	-11,663	-27,686	-41,569	-42,297
New borrowing.....	19,670	8,122	21,441	36,668	50,237
Domestic.....	20,862	-1,234	2,965	11,841	14,626
Foreign.....	-1,192	9,356	18,476	24,827	35,611
Overall cash balance.....	-1,844	-3,540	-6,247	-4,900	7,940

Treasury revenue January-September 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.....	137,789	146,773	152,463	17.2	10.4	6.5	3.9
Taxes on income and profit.....	39,287	47,621	49,036	20.4	17.9	21.2	3.0
Personal income tax.....	29,836	34,896	38,239	17.7	14.1	17.0	9.6
Corporate income tax	5,347	7,295	4,428	38.7	17.7	36.4	-39.3
Other taxes on income and profit	4,104	5,430	6,369	20.3	56.9	32.3	17.3
Social Security taxes.....	14,011	15,508	16,961	8.6	8.5	10.7	9.4
Net wealth taxes.....	6,825	7,499	7,337	5.9	17.0	9.9	-2.2
Taxes on goods and services	77,305	75,717	78,801	18.5	6.8	-2.1	4.1
Value added tax	48,533	48,105	51,123	20.8	9.8	-0.9	6.3
Other indirect taxes	28,773	27,612	27,673	15.0	2.0	-4.0	0.2
Of which:							
Excise tax on motor vehicles	4,068	2,347	2,177	29.5	-11.2	-42.3	-7.2
Excise tax on petrol.....	5,876	5,671	5,591	5.9	6.0	-3.5	-1.4
Diesel weight tax.....	3,491	3,771	3,653	17.4	16.3	8.0	-3.1
Tobacco and liquor taxes....	6,430	6,309	6,375	8.0	3.8	-1.9	1.0
Other indirect taxes.....	8,908	9,514	9,877	19.0	0.3	6.8	3.8
Other taxes.....	361	428	328	46.3	16.1	18.6	-23.4
Other revenue.....	10,652	11,446	15,537	10.5	3.1	7.5	35.7
Total revenue.....	148,440	158,216	168,001	16.7	9.8	6.6	6.2

Treasury borrowing amounted to 50 billion krónur for the first nine months of the year. Thereof foreign long-term borrowing, taken to refinance foreign loans and to increase the weight of long-term loans as proportion of capitalisation of foreign short-term loans, amounted to 34 billion krónur. Domestic borrowing amounted to 15 billion krónur. Against this weigh debt repayments of 23 billion krónur. The Treasury remitted 6.8 billion krónur to the Government Employees Pension Fund in order to lower future liabilities of the Treasury. The overall cash balance was positive by 7.9 billion krónur, compared with a 4.9 billion krónur deficit in 2001.

Treasury expenditure January-September 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.....	15,936	16,619	20,057	13.0	13.7	4.3	20.7
General administration.....	8,912	9,490	11,355	15.6	12.4	6.5	19.7
Justice and law enforcement....	7,026	7,130	8,702	9.8	15.4	1.5	22.0
Social affairs.....	86,548	99,209	112,582	8.3	9.1	14.6	13.5
Of which: Education and culture...	18,561	21,194	23,830	10.2	9.8	14.2	12.4
Health.....	36,353	39,926	46,290	11.7	12.4	9.8	15.9
Social security.....	26,576	32,327	35,916	2.9	3.5	21.6	11.1
Economic affairs.....	22,120	26,277	27,267	8.8	6.0	18.8	3.8
Of which: Agriculture.....	6,530	8,062	8,210	6.4	1.4	23.5	1.8
Communications.....	9,948	11,729	12,315	9.7	8.0	17.9	5.0
Interest expenditure.....	13,872	15,294	16,403	-14.0	54.3	10.3	7.3
Other expenditure.....	5,091	7,737	8,035	37.1	33.8	52.0	3.9
Total expenditure.....	143,573	165,121	184,347	7.6	13.0	15.0	11.6