

### Treasury finances January-August 2002

Figures for Treasury finances for the first eight 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 16.3 billion kronur, compared to a deficit of 6.9 billion kronur at the end of August 2001. This difference is mainly due to the 9.4 billion kronur increase in expenditure in excess of revenue. Financial transactions were in surplus by 7.1 billion kronur whereas August 2001 reported a deficit of 1.3 billion kronur. The main difference comes through the sales of shares in the National Bank of Iceland of 4.8 billion kronur. Further, incoming repayments of outstanding claims increased by 3 billion kronur compared to August last year.

Total revenue amounted to 152½ billion kronur, an increase of about 9.7 billion kronur from last year or 7 per cent. Tax revenue increased somewhat less, by 6 billion kronur, or 4 per cent. This difference stems entirely from increased revenue through sales of assets. In comparison, prices increased by 6½ per cent during this period, and the wage index rose by 8 per cent. Tax revenue for the first eight months indicate a continuing contraction in the economy, although this contraction is decreasing rapidly. Most main revenue items such as the value added tax, social security taxes and the income tax have increased in real terms in recent months, strongly indicating an end to the downturn that began in the early months of 2001.

Total expenditures amounted to 165.8 billion kronur, increasing by close to 16 billion kronur from last year or 10.6 per cent. Social affairs expenditure amount to 101.7 billion kronur, measuring approximately 60 per cent of total Treasury expenditure. The most significant part is health care expenditure of 40.7 billion kronur with a 5 billion kronur increase from August 2001. Equally, social security expenditure measures 33 billion kronur, an increase from last year by 3.2 billion. Furthermore, expenditure on economic affairs is 24 billion kronur which is similar to the results of August 2001. Interest payments increase by 0.8 billion kronur, or 5 per cent from August 2001.

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(Millions of kronur, cash basis)

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Revenue.....	105,694	121,747	134,279	142,945	152,634
- Asset sales	-648	-395	0	3	-3,175
Expenditure.....	106,371	114,451	127,215	149,841	165,774
<b>Cash from operations.....</b>	<b>-1,324</b>	<b>6,902</b>	<b>7,064</b>	<b>-6,893</b>	<b>-16,315</b>
<b>Financial transactions.....</b>	<b>2,363</b>	<b>1,176</b>	<b>1,456</b>	<b>-1,276</b>	<b>7,096</b>
<b>Net financial balance.....</b>	<b>1,040</b>	<b>8,078</b>	<b>8,520</b>	<b>-8,168</b>	<b>-9,221</b>
<b>Debt redemption.....</b>	<b>-17,349</b>	<b>-18,324</b>	<b>-28,471</b>	<b>-22,158</b>	<b>-22,122</b>
Domestic.....	-7,572	-8,653	-14,981	-7,406	-10,068
Foreign.....	-9,776	-9,671	-13,490	-14,753	-12,054
<b>Pension fund prepayments.....</b>	<b>0</b>	<b>-1,084</b>	<b>-4,000</b>	<b>-10,000</b>	<b>-6,000</b>
<b>Gross borrowing requirement.....</b>	<b>-16,309</b>	<b>-11,330</b>	<b>-23,948</b>	<b>-40,326</b>	<b>-37,343</b>
<b>New borrowing.....</b>	<b>17,434</b>	<b>9,915</b>	<b>24,973</b>	<b>36,234</b>	<b>32,171</b>
Domestic.....	18,627	811	2,981	11,406	9,287
Foreign.....	-1,192	9,104	21,992	24,827	22,884
<b>Overall cash balance.....</b>	<b>1,125</b>	<b>-1,414</b>	<b>1,022</b>	<b>-4,093</b>	<b>-5,172</b>

**Treasury revenue January-August 2002**  
(Millions of kronur, 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>
<b>Total tax revenue.....</b>	<b>125,217</b>	<b>132,825</b>	<b>138,709</b>	<b>16.2</b>	<b>11.0</b>	<b>6.1</b>	<b>4.4</b>
<b>Taxes on income and profit.....</b>	<b>34,954</b>	<b>41,911</b>	<b>43,780</b>	<b>20.3</b>	<b>18.6</b>	<b>19.9</b>	<b>4.5</b>
Personal income tax.....	26,120	30,081	33,855	16.0	14.1	15.2	12.5
Corporate income tax	4,902	6,663	3,961	52.2	21.0	35.9	-40.6
Other taxes on income and profit.	3,932	5,167	5,964	20.3	55.5	31.4	15.4
<b>Social Security taxes.....</b>	<b>12,442</b>	<b>13,754</b>	<b>15,137</b>	<b>10.7</b>	<b>7.5</b>	<b>10.5</b>	<b>10.1</b>
<b>Net wealth taxes.....</b>	<b>5,845</b>	<b>6,529</b>	<b>6,346</b>	<b>7.4</b>	<b>12.6</b>	<b>11.7</b>	<b>-2.8</b>
<b>Taxes on goods and services</b>	<b>71,675</b>	<b>70,249</b>	<b>73,153</b>	<b>16.2</b>	<b>8.0</b>	<b>-2.0</b>	<b>4.1</b>
Value added tax	45,512	45,233	48,417	18.3	10.5	-0.6	7.0
Other indirect taxes	26,162	25,017	24,732	12.9	4.0	-4.4	-1.1
Of which:							
Excise tax on motor vehicles	3,688	2,172	1,951	30.7	-11.3	-41.1	-10.2
Excise tax on petrol.....	5,199	4,951	4,802	2.4	10.9	-4.8	-3.0
Diesel weight tax.....	3,294	3,605	3,524	16.6	15.2	9.4	-2.2
Tobacco and liquor taxex....	5,816	5,550	5,654	8.5	5.7	-4.6	1.9
Other indirect taxes.....	8,165	8,739	8,801	13.7	2.6	7.0	0.7
<b>Other taxes.....</b>	<b>301</b>	<b>382</b>	<b>293</b>	<b>45.5</b>	<b>54.4</b>	<b>26.9</b>	<b>-23.3</b>
<b>Other revenue.....</b>	<b>9,061</b>	<b>10,121</b>	<b>13,924</b>	<b>3.1</b>	<b>1.3</b>	<b>11.7</b>	<b>37.6</b>
<b>Total revenue.....</b>	<b>134,279</b>	<b>142,945</b>	<b>152,634</b>	<b>15.2</b>	<b>10.3</b>	<b>6.5</b>	<b>6.8</b>

Foreign long-term borrowing amounted to 32.2 billion kronur in the first eight months. The Treasury remitted 6 billion kronur to the Government Employees Pension Fund in order to lower future liabilities of the Treasury. Domestic borrowing amounted to 9.3 billion kronur. Loan repayments to the amount of 22.1 billion kronur weigh against this, where 12 billion went to repayments of foreign long-term debt. The overall cash balance was negative by 5.2 billion kronur, compared with a 4.1 billion kronur deficit in 2001.

**Treasury expenditure January-August 2002**  
(Millions of kronur, 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>
<b>Administration.....</b>	<b>14,412</b>	<b>14,902</b>	<b>17,882</b>	<b>10.8</b>	<b>14.9</b>	<b>3.4</b>	<b>20.0</b>
General administration.....	8,055	8,669	10,337	13.3	14.4	7.5	19.3
Justice and law enforcement.....	6,358	6,233	7,544	7.7	15.5	-2.0	21.0
<b>Social affairs.....</b>	<b>76,091</b>	<b>89,790</b>	<b>101,101</b>	<b>8.2</b>	<b>6.2</b>	<b>18.0</b>	<b>12.6</b>
Of which: Education and culture...	16,661	19,349	21,665	8.2	8.7	16.1	12.0
Health.....	30,590	35,662	40,659	12.6	6.6	16.6	14.0
Social security.....	24,395	29,695	32,943	3.0	2.8	21.7	10.9
<b>Economic affairs.....</b>	<b>19,203</b>	<b>23,369</b>	<b>23,987</b>	<b>5.9</b>	<b>5.4</b>	<b>21.7</b>	<b>2.6</b>
Of which: Agriculture.....	5,844	7,285	7,212	-0.6	1.7	24.7	-1.0
Communications.....	8,388	10,237	10,860	5.5	8.1	22.0	6.1
<b>Interest expenditure.....</b>	<b>12,946</b>	<b>14,765</b>	<b>15,526</b>	<b>-6.7</b>	<b>50.2</b>	<b>14.1</b>	<b>5.2</b>
<b>Other expenditure.....</b>	<b>4,558</b>	<b>7,023</b>	<b>7,275</b>	<b>44.8</b>	<b>34.3</b>	<b>54.1</b>	<b>3.6</b>
<b>Total expenditure.....</b>	<b>127,215</b>	<b>149,841</b>	<b>165,774</b>	<b>7.6</b>	<b>11.2</b>	<b>17.8</b>	<b>10.6</b>