

**Treasury finances in 2002**

Figures for the cash-based transactions of Treasury finances are now available for the full year 2002. They are not comparable to the fiscal budget or the Treasury accounts, since both are accruals-based and include a number of non-cash transactions.

The full-year figures do to a large extent reflect the assumption incorporated into the 2002 fiscal budget that Treasury finances would weaken in the course of this year in line with the slowdown in domestic demand. If anything, the slowdown in the economy has been more pronounced than predicted in the latest forecasts.

The balance of cash at hand from operations was in deficit by 16.3 billion krónur, compared to a 1½ billion deficit in 2001. The financial balance was however in surplus by 12.2 billion compared to an 24.2 billion deficit the year before. A good part of the difference between the two years is due to a 25 billion loan and increase in equity of the Central Bank in 2001 and an in-payment of 5 billion last June on account of the privatisation sale of the Treasury's share in Landsbanki, the commercial bank. Furthermore, incoming repayments of outstanding Treasury loans increased by 7.3 billion from a year earlier. This sharp turnaround in financial transactions brought the net financial balance down to a deficit of only 4.1 billion in 2002 compared with a deficit of 25.7 billion in 2001.

***Treasury finances January-December 2002***

*(Millions of krónur, cash basis)*

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Revenue.....	167,388	194,993	207,521	220,854	233,762
- Asset sales	-2,081	-6,360	-88	-1,106	-3,252
Expenditure.....	159,652	177,964	195,411	221,305	246,811
<b>Cash from operations.....</b>	<b>5,031</b>	<b>10,667</b>	<b>12,062</b>	<b>-1,557</b>	<b>-16,300</b>
<b>Financial transactions.....</b>	<b>10,629</b>	<b>15,764</b>	<b>3,988</b>	<b>-24,157</b>	<b>12,167</b>
<b>Net financial balance.....</b>	<b>15,660</b>	<b>26,431</b>	<b>16,050</b>	<b>-25,714</b>	<b>-4,133</b>
<b>Debt redemption.....</b>	<b>-28,933</b>	<b>-35,013</b>	<b>-34,544</b>	<b>-22,407</b>	<b>-32,298</b>
Domestic.....	-19,102	-18,214	-21,010	-7,603	-12,217
Foreign.....	-9,831	-16,799	-13,534	-14,804	-20,080
<b>Pension fund prepayments.....</b>	<b>0</b>	<b>-6,000</b>	<b>-7,000</b>	<b>-12,500</b>	<b>-9,000</b>
<b>Gross borrowing requirement.....</b>	<b>-13,273</b>	<b>-14,582</b>	<b>-25,494</b>	<b>-60,620</b>	<b>-45,431</b>
<b>New borrowing.....</b>	<b>18,435</b>	<b>14,321</b>	<b>25,296</b>	<b>61,444</b>	<b>42,914</b>
Domestic.....	19,150	-1,373	3,563	12,747	12,360
Foreign.....	-715	15,694	21,733	48,697	30,553
<b>Overall cash balance.....</b>	<b>5,162</b>	<b>-261</b>	<b>-198</b>	<b>825</b>	<b>-2,518</b>

Total Treasury revenue amounted to 223.7 billion, increasing by 13.1 billion or 5.8 per cent. Tax revenue amounted to 212 billion, increasing by 4.3 per cent over 2001. By comparison, prices increased by 4.8 per cent between the averages of the two years. Taxes on income and profit increased by 4.4 per cent and amounted to 53.4 billion. The personal income tax increased by 3.2 billion or 6.6 per cent. Social security taxes amounted to 22.6 billion, increasing by 1.6 billion or 7.8 per cent. The increase in revenue from the personal income tax and the social security tax reflects the rise in wages which is indicated by a rise in the wage index of 7.1 per cent in 2002. Revenue from the corporate income tax amounted to 6.8 billion in 2002, a decline of 1.9 billion from the year before. Indirect taxes on goods and services rose by 4 billion to 110.8 billion, an increase of about 1 per cent in real terms. The largest item amongst indirect taxes is the value added tax, the revenue from which rose by 3.7 billion, close to ½ per cent in real terms. This is offset by a decline in collections from other indirect taxes, such as excise taxes on motor vehicles and petrol.

**Treasury revenue January-December 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>
<b>Total tax revenue.....</b>	<b>193,031</b>	<b>203,252</b>	<b>212,049</b>	<b>14.8</b>	<b>10.9</b>	<b>5.3</b>	<b>4.3</b>
<b>Taxes on income and profit.....</b>	<b>56,283</b>	<b>64,215</b>	<b>67,060</b>	<b>18.4</b>	<b>17.2</b>	<b>14.1</b>	<b>4.4</b>
Personal income tax.....	42,899	50,065	53,371	17.0	15.8	16.7	6.6
Corporate income tax	8,256	8,655	6,788	23.6	-1.4	4.8	-21.6
Other taxes on income and profit	5,128	5,495	6,901	22.4	95.7	7.2	25.6
<b>Social Security taxes.....</b>	<b>19,100</b>	<b>20,965</b>	<b>22,603</b>	<b>9.5</b>	<b>11.2</b>	<b>9.8</b>	<b>7.8</b>
<b>Net wealth taxes.....</b>	<b>9,848</b>	<b>10,703</b>	<b>11,037</b>	<b>5.3</b>	<b>18.1</b>	<b>9.0</b>	<b>3.1</b>
<b>Taxes on goods and services</b>	<b>107,811</b>	<b>106,752</b>	<b>110,811</b>	<b>14.9</b>	<b>7.2</b>	<b>-1.0</b>	<b>3.8</b>
Value added tax	69,050	69,932	73,646	17.3	9.0	1.3	5.3
Other indirect taxes	38,750	36,820	37,165	11.1	4.1	-5.0	0.9
Of which:							
Excise tax on motor vehicles	5,025	2,994	2,864	20.2	-12.1	-40.4	-4.3
Excise tax on petrol.....	7,558	7,427	7,381	6.7	5.6	-1.7	-0.6
Diesel weight tax.....	4,546	4,811	4,722	15.0	15.4	5.8	-1.8
Tobacco and liquor taxes....	8,927	8,792	8,827	7.6	6.9	-1.5	0.4
Other indirect taxes.....	12,694	12,796	13,371	11.2	5.3	0.8	4.5
<b>Other taxes.....</b>	<b>0</b>	<b>617</b>	<b>539</b>	<b>41.1</b>	<b>6.0</b>	<b>0</b>	<b>-12.6</b>
<b>Other revenue.....</b>	<b>14,490</b>	<b>17,601</b>	<b>21,714</b>	<b>39.0</b>	<b>-29.0</b>	<b>21.4</b>	<b>23.4</b>
<b>Total revenue.....</b>	<b>207,521</b>	<b>220,853</b>	<b>233,762</b>	<b>16.9</b>	<b>7.0</b>	<b>6.4</b>	<b>5.8</b>

Total Treasury expenditure amounted to 246.8 billion, increasing by 25.5 billion or 11½ per cent from the previous year. Total expenditures fell short of appropriations (including the 2002 supplementary budget) by 4.1 billion or 1.6 per cent. Outlays for health and social services amounted to 154.2 billion and accounted for 62.5 per cent of total expenditure, of which health expenditure alone amounted to 65 billion, increasing by 8.5 billion from a year earlier. Payments to the Social Security Institute amounted to 47.6 billion, increasing by 5.4 billion, and expenditures under the “Economic Affairs” category, including agricultural supports, roads, harbours and airports, amounted to 23.4 billion, increasing by 1.2 billion over a year ago. Interest payments increased by 1 billion, to 17.8 billion.

Treasury borrowing amounted to 42.9 billion krónur for the year. Of this amount, 34.1 billion were foreign long-term loans for the refinancing of foreign debt and to meet the short-term financing needs of the Treasury, thus offsetting foreign short-term debt which declined by 3.6 billion. Domestic borrowing amounted to 12.4 billion which is more than offset by repayments of 32.3 billion. A total of 9 billion was remitted to the Government Employees Pension Fund in order to lower future liabilities of the Treasury.

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

					<b>% increase from previous year</b>			
	<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>23,355</b>	<b>24,119</b>	<b>27,119</b>	<b>14.8</b>	<b>15.0</b>	<b>3.3</b>	<b>12.4</b>	
General administration.....	12,916	13,244	14,941	16.1	16.6	2.5	12.9	
Justice and law enforcement.....	10,439	10,875	12,178	13.2	13.0	4.2	11.9	
<b>Social affairs.....</b>	<b>118,066</b>	<b>136,029</b>	<b>154,233</b>	<b>10.1</b>	<b>7.1</b>	<b>15.2</b>	<b>13.4</b>	
Of which: Education and culture...	24,500	29,220	32,588	10.1	5.4	19.3	11.5	
Health.....	51,493	56,453	64,966	14.7	9.1	9.6	15.1	
Social security.....	34,901	42,125	47,566	4.3	4.3	20.7	12.9	
<b>Economic affairs.....</b>	<b>29,816</b>	<b>34,342</b>	<b>36,451</b>	<b>12.0</b>	<b>4.4</b>	<b>15.2</b>	<b>6.1</b>	
Of which: Agriculture.....	8,754	10,441	11,033	6.3	2.1	19.3	5.7	
Communications.....	13,288	15,169	16,078	12.8	9.3	14.2	6.0	
<b>Interest expenditure.....</b>	<b>16,125</b>	<b>16,817</b>	<b>17,789</b>	<b>-10.0</b>	<b>44.4</b>	<b>4.3</b>	<b>5.8</b>	
<b>Other expenditure.....</b>	<b>8,048</b>	<b>10,006</b>	<b>11,216</b>	<b>97.0</b>	<b>4.9</b>	<b>24.3</b>	<b>12.1</b>	
<b>Total expenditure.....</b>	<b>195,411</b>	<b>221,305</b>	<b>246,810</b>	<b>11.5</b>	<b>9.8</b>	<b>13.3</b>	<b>11.5</b>	