

English translation of the Weekly Web Release



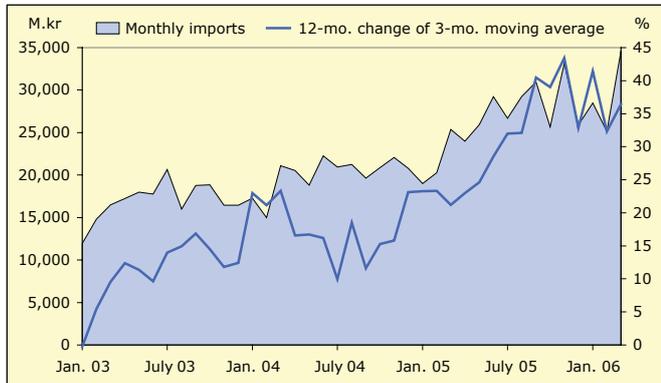
MINISTRY OF FINANCE IN ICELAND

April 6th 2006

Imports in March

Merchandise imports in March amounted to 33.2 billion krónur, according to provisional figures derived from value added tax data. The increase from the previous month was quite sharp; February imports amounted to 22 billion. In constant price terms, the increase is 36.3 per cent on a twelve-month basis. On a three-month average basis, the year-on-year increase is similar, 36.4 per cent.

Merchandise imports in volume, January 2003-March 2006



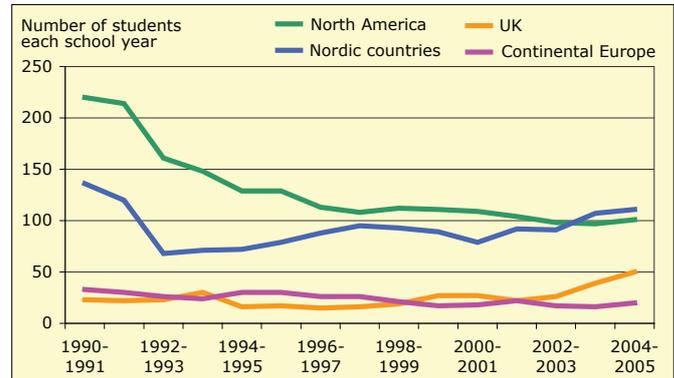
Despite a considerable volume increase the 5% decline in the customs-based exchange rate of the króna had an impact to reduce the import values in March from the previous month. A lower króna makes imports more expensive but also increases export revenue. It will probably take several months before the decline in the exchange rate will have an impact on import volumes. Consumer goods and auto imports are especially sensitive to exchange rate changes. Imports in these categories may be expected to increase less over the next several months.

Fuel imports are an important factor in explaining the increase from the previous month. This item tends to fluctuate from month to month. Fuel imports were quite high in March, both due to the lower exchange rate and rising fuel prices in world markets. Imports of investment goods and intermediate goods were also large as they have been in recent months, mostly on account of investment in power projects and aluminium plants. The lower exchange rate is not expected to have a significant impact upon the volume of imports of investment goods and intermediate goods related to the large-scale investment projects.

Icelanders at the world's top universities

The rector of the University of Iceland has presented an ambitious goal for the university, that it should join the ranks of the one hundred top universities in the world. There are several lists of the top universities, based on different measurement parameters. The one used by the rector comes from the [Shanghai Jiao Tont University](#) in China. According to information from Iceland's Student Loan Fund, it lent money to a total of 1,220 Icelanders for the past ten years, i.e. 1996-2005 for study in the schools that rank amongst the top 100 on this list. These students represent 3.6 per cent of all borrowers during the period and 12.3 per cent of those studying at universities abroad. During this period, Icelandic students studied at 89 of these universities. Copenhagen University was the most popular (in 57th place on the list in 2005) with 242 Icelanders studying there during the period. The University of Edinburgh (in 47th place) follows with 83 students and Lund University (99th) with 76. Oslo University (69th) was in fourth place with 46 students and Seattle University (17th) with 41 students. Harvard is at the top of the list with 100 points, and 24 Icelanders studied there over the past ten years. Cambridge comes in second, with 73.6 points; 27 Icelanders studied there during the period. US universities occupy the next seven places on the list

Icelandic students at the world's top universities 1990-2005



with a total of 79 Icelandic students. It has generally been seen as an strength of the Icelanders the numbers of students going abroad for their university education, not least at the world's top universities.

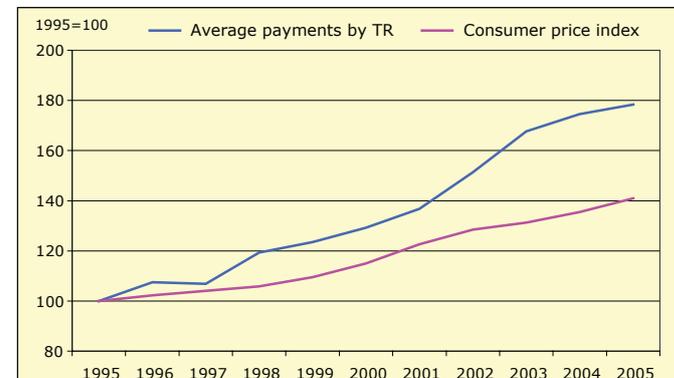
The financial support out of public funds certainly influences the choice of university. The Student Loan Fund stopped lending money for tuition at the basic university level in 1992-1993. This led to a decline in the number of students who went to universities charging tuition. The number of Icelanders borrowing money for study in the 100 best universities was 413 in 1990-1991, declining to 280 in the school year 1992-1993. Since then, the annual figure has been in the range between 233 and 284. The decline was most felt in US universities, from 199 in the 1990-1991 school year to 94 in 2004-2005. Tuition has generally been highest in the United States.

Increased payments to pensioners

According to the 2006 fiscal budget, old-age pensions of the Social Security Institute (TR) amount to 19 billion krónur. Payments per pensioner increased by nearly 80 per cent from 1995 to 2005. The consumer price index rose by 41 per cent at the same time. This took place in spite of the fact that pension funds are increasing their pension payments which should reduce the partly means-tested payments from TR.

As shown in the graph, payments per pensioner increase considerably faster than the consumer price index in the years 2001-2003. A new payment category, the income guarantee supplement, increased payments to many pensioners. The ratio for benefit curtailment due to other income was also reduced from 67 per cent to 45 per cent at the beginning of 2003. A total of 7,700 pensioners currently receive pensions from the income guarantee supplement or part thereof. Pensions from TR have been especially increased. According to law, social security payments shall take account of wage developments and never increase less than prices.

Average payments by TR per pensioner 1995-2005



Treasury revenue January-February		
12 month changes (%)	2004-2005	2005-2006
Total tax revenue	25.6	19.4
Taxes on income & profit	27.9	45.8
Taxes on property	50.7	-15.3
Taxes on goods & services	22.7	1.3
Social contributions	23.0	15.5
Total revenue	24.6	19.0

Treasury expenditure January-February		
12 month changes (%)	2004-2005	2005-2006
General public services	10.3	-14.3
Health	10.9	7.3
Social security & welfare	1.6	10.6
Economic affairs	-1.1	-4.5
Education	14.5	13.4
Total expenditure	6.7	4.3

Treasury finances January-February		
Million krónur	2005	2006
Cash from operations	13,938	23,361
Net financial balance	17,948	20,892
Debt redemption	-11,215	-8,064
Gross borr. requirement	6,233	12,168
Net borrowing	1,016	1,532
Overall cash balance	7,249	13,700

Economic indicators		
12 month changes (%)	2004-2005	2005-2006
Inflation (March '06)	4.7	4.5
Core inflation (March '06)	4.7	4.2
Wage index (Feb. '06)	6.7	8.6
Total turnover (Jan. - Dec. '05)	12.2	8.9
Retail turnover (Jan. - Dec. '05)	5.1	5.5
Unemployment rate (Feb. '06)	2.4	1.2