

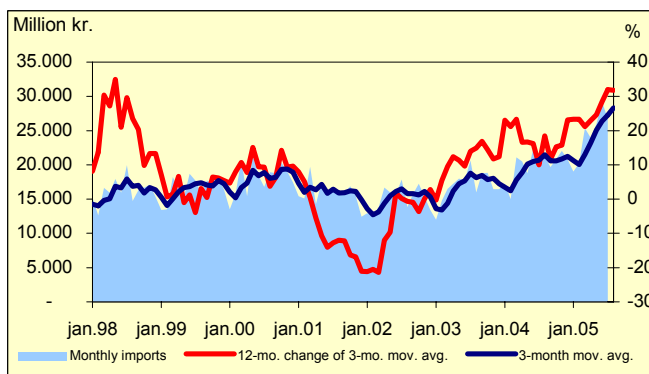
September 8, 2005

Imports in August

According to provisional figures, based on value added tax revenue, merchandise imports amounted to nearly 26 billion krónur in August 2005, excluding ships and aircraft. Should these figures turn out to be close to the final result, this will be the second highest import month of this year, exceeded only in June. The August figures exceed those of August a year ago by 37 per cent in real terms. On a three-month moving average basis, the increase is about one-third.

Compared to August of last year, imports of investment goods nearly doubled. The same applies to raw materials and production inputs as well as to motor vehicles. Imports of oil and other fuels declined in volume.

Merchandise imports



For the first eight months of this year, merchandise imports were one-fifth or 30 billion krónur higher than a year ago. The increase is to be found in all import categories, although it differs between them. About half of the increase is attributable to the importation of investment goods and motor vehicles for private use. Imports of raw materials and production inputs also increased substantially. Consumer-related imports increased sharply, particularly in volume terms and less so in value terms since import prices in krónur terms have tended to decline on account of the appreciation in the exchange rate. Imports of consumer durables have increased by close to 2 billion krónur or 30 per cent.

Merchandise imports amounted to 190 billion in the first eight months of the year. The share of raw materials and production inputs and that of investment goods (excluding transport equipment) each accounted for close to one-fourth of total imports. Imports of motor vehicles, both for private and commercial use, accounted to 17 per cent of imports during this period. Consumer-related imports, such as appliances, apparel, pharmaceuticals and tobacco, accounted for 15 per cent.

The trade deficit amounted to 47.5 billion krónur in the first seven months of the year compared to a deficit of close to 21 billion last year. The value of merchandise exports declined by nearly 4 billion krónur during this period which is attributable to the strong exchange rate, while on a fixed-exchange-rate basis exports increased by 6 per cent. July exports were 9 per cent lower than a year earlier, mainly due to lower fish exports. Fish exports in August are usually low in comparison to other months of the year, since August is the last month of the fisheries year and the remaining fishing quota is exhausted for many species.

If the provisional figure of 26 billion krónur in imports for the month of August is realised in the final numbers, and if exports can be expected to

exceed the July figure by about 1 billion, the August trade deficit may be expected to be slightly higher than in July, exceeding 11 billion krónur. This would bring the trade deficit for the first eight months to 59 billion. Other things constant, it would appear that the current account deficit for 2005 as a whole will be slightly higher than was forecast by the Ministry in April when the deficit was projected at 116.3 billion krónur, or 12.1 per cent of GDP.

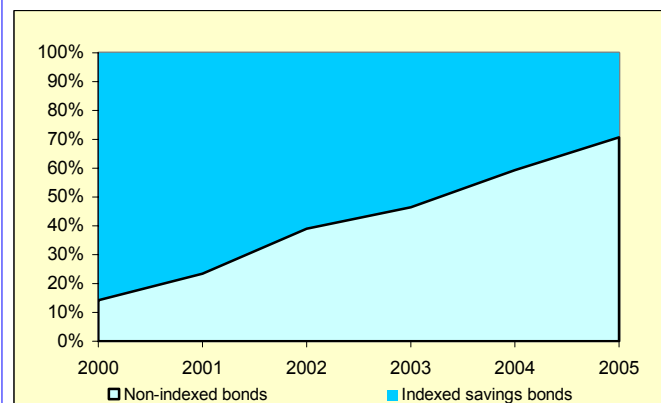
The share of indexed government bonds is declining

In countries with a well-developed financial market, the market in government bonds forms a benchmark for other bonds, since government bonds are essentially seen as risk-free. For years, indexed government savings bonds and non-indexed government bonds have formed a basis for long-term interest rates and Treasury bills for short-term rates. The decision was made five years ago to discontinue, for the time being at least, the issue of indexed government bonds (savings bonds) and concentrate instead on non-indexed bonds. Such bonds were in short supply in the market. Treasury surpluses have reduced the need for maintaining an issue of two kinds of bonds. Furthermore, the Housing Finance Fund issues indexed bonds that at present have the same credit as the Treasury.

The benchmark issues of government savings bonds have gradually declined in number. At present only one such issue is outstanding, maturing in 2015, with an accumulated value of 24 billion krónur. The benchmark note issues are three, maturing in 2007, 2010 and 2013 with an accumulated value of 64 billion krónur. The RB07 issue came out in 2001 with a maturity of 6 years, followed by the RB13 issue that matured after 11 years, the longest maturity offered to date. The RB10 issue of 2004 had a maturity of 6 years. Its appearance on the market served to strengthen the interest rate structure for non-indexed bonds in the domestic market.

The share of non-indexed government bonds in per cent of the outstanding total of indexed government savings bonds and non-indexed bonds has risen from 14 per cent at the end of 2000 to 71 per cent at the end of 2005, as may be seen in the graph below.

The share of indexed government savings bonds and non-indexed bonds



Treasury revenue, January-July		
12-month changes %	2003-2004	2004-2005
Total tax revenue	12.7	18.7
Income taxes	11.7	15.2
Social security taxes	10.5	16.2
Asset taxes	18.4	49.8
Indirect taxes	13.7	19.1
Total revenue	2.0	23.0

Treasury expenditure, January-July		
12-month changes %	2003-2004	2004-2005
Administration	5.9	1.8
Social affairs	15.6	7.8
Economic affairs	4.9	-1.1
Interest	-13.5	58.0
Other	-1.4	13.7
Total expenditure	10.0	9.1

Treasury finances, January-July		
Million krónur	2004	2005
Cash from operations	-16,005	4,596
Net financial balance	-14,165	15,802
Debt redemption	-29,142	-33,343
Gross borrowing requirement	-47,683	-19,790
New borrowing	39,386	13,305
Overall cash balance	-8,296	-6,486

Economic indicators		
12-month changes, %	2004	2005
Inflation - August	3.7	3.7
Core inflation - August	3.0	4.1
Wage index - July	5.1	6.6
Tot. turnov. Jan-April	11.3	7.1
Ret. turnov. Jan-April	5.4	6.9
Unemploy. in % July	3.0	2.2