

Treasury finances. January-June 2003

Data on the transactions of the Treasury for the first half of this year are now at hand. They are on a cash basis and therefore not comparable to the Treasury accounts or the fiscal budget, both of which are on an accrual basis.

Treasury revenue increases by 17 billion krónur from the previous year and expenditure by 7 billion. The revenue side is most influenced by an 11 billion increase in revenue from asset sales, in addition to the impact of increased economic activity on revenue in spite of considerable reductions in income and net wealth taxes on individuals and businesses in 2002 and 2003. The expenditure side is most influenced by rising outlays for health, social security and education, whereas the interest cost of the Treasury is declining. These trends tend to confirm the Ministry's macro-economic forecast of last April where it was predicted that the recent recession was almost over and would be replaced by increasing growth.

The revenue balance showed a surplus of 2.9 billion krónur compared with a deficit of 7.7 billion a year ago. Cash from operations, however, was in deficit by 9.2 billion compared with a deficit of 7.7 billion a year ago. The financial surplus amounted to 17.6 billion, an increase of 14.2 billion over a year ago, the improvement being wholly attributable to sales of the Treasury's shares in the two commercial banks, Landsbanki and Bunadarbanki as well as in the construction firm, Iceland Prime Contractors. These sales have resulted in a net financial surplus of 8.4 billion in the first half of this year compared with a deficit of 4.3 billion at the same time last year.

Treasury finances January-June 2003

(Millions of krónur, cash basis)

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Revenue.....	90.554	100.720	107.929	113.244	130.556
- Asset sales	-395	0	3	-39	-12.059
Expenditure.....	81.929	90.079	109.578	120.944	127.670
Cash from operations.....	8.230	10.641	-1.646	-7.739	-9.172
Financial transactions.....	-2.702	2.523	-2.018	3.395	17.596
Net financial balance.....	5.529	13.165	-3.669	-4.343	8.424
Debt redemption.....	-18.063	-20.556	-21.982	-19.484	-17.952
Domestic.....	-8.392	-11.748	-7.229	-9.344	-5.544
Foreign.....	-9.671	-8.808	-14.753	-10.140	-12.408
Pension fund prepayments.....	-1.084	-3.000	-7.500	-4.500	-3.750
Gross borrowing requirement.....	-13.619	-10.390	-33.152	-28.328	-13.279
New borrowing.....	8.646	9.473	31.359	24.892	14.038
Domestic.....	-484	2.100	10.537	6.937	12.661
Foreign.....	9.130	7.373	20.822	17.955	1.377
Overall cash balance.....	-4.972	-919	-1.792	-3.435	760

Treasury revenue January-June 2003

(Millions of krónur, cash basis)

	<u>2001</u>	<u>2002</u>	<u>2003</u>	% increase from previous year			
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Total tax revenue.....	99.850	104.303	108.589	12.9	5.0	4.5	4.1
Taxes on income and profit.....	34.539	35.990	35.682	21.7	16.4	4.2	-0.9

Personal income tax.....	23.671	26.784	27.772	14.9	13.4	13.2	3.7
Corporate income tax	5.981	3.519	2.157	29.8	19.4	-41.2	-38.7
Other taxes on income and profit	4.887	5.687	5.753	56.4	27.4	16.4	1.2
Social Security taxes.....	10.026	11.059	11.973	7.3	8.1	10.3	8.3
Net wealth taxes.....	5.219	5.099	4.050	13.5	14.3	-2.3	-20.6
Taxes on goods and services	49.775	51.840	56.668	9.0	-3.5	4.1	9.3
Value added tax	32.559	35.072	38.017	11.6	-3.1	7.7	8.4
Other indirect taxes	17.218	16.766	18.983	4.8	-4.1	-2.6	13.2
Of which:							
Excise tax on motor vehicles	1.718	1.424	2.082	-11.4	-34.7	-17.1	46.2
Excise tax on petrol.....	3.572	3.494	3.475	22.8	-7.0	-2.2	-0.5
Diesel weight tax.....	2.079	1.953	1.625	18.2	9.9	-6.1	-16.8
Tobacco and liquor taxes....	3.868	3.945	5.686	5.9	-8.1	2.0	44.1
Other indirect taxes.....	5.981	5.950	6.115	-2.0	9.6	-0.5	2.8
Other taxes.....	291	315	216	71.1	30.8	8.2	-31.4
Other revenue.....	8.077	8.941	21.967	-8.6	24.9	10.7	145.7
Total revenue.....	107.929	113.244	130.556	11.2	6.2	4.9	15.3

Treasury expenditure January-June 2003

(Millions of krónur. cash basis)

	% increase from last year						
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Administration,,,,,,,,,,,,,,,,,,,,,	11,149	12,973	13,301	19.3	1.7	16.4	2.5
General administration,,,,,,,,,,,,,	6,049	7,393	7,343	19.6	-1.1	22.2	-0.7
Justice and law enforcement,,,,,	5,102	5,580	5,958	19.0	5.2	9.3	6.8
Social affairs,,,,,,,,,,,,,,,,,,,,,	64,116	71,858	79,407	5.5	20.5	12.1	10.5
Of which: Education and culture...	14,850	16,609	17,785	7.6	15.8	11.8	7.1
Health,,,,,,,,,,,,,,,,,,,,,	26,476	30,140	33,830	6.8	19.4	13.8	12.2
Social security.....	19,144	20,799	23,200	0.8	27.4	8.6	11.5
Economic affairs,,,,,,,,,,,,,,,,,,,,,	16,636	17,244	18,092	5.0	23.5	3.6	4.9
Of which: Agriculture,,,,,,,,,,,,,	5,734	5,564	5,646	1.6	27.5	-3.0	1.5
Communications,,,,,,,,,,,,,	6,535	7,153	7,680	7.0	25.1	9.5	7.4
Interest expenditure,,,,,,,,,,,,,,,,,,,,,	12,341	13,287	10,365	30.4	37.7	7.7	-22.0
Other expenditure,,,,,,,,,,,,,,,,,,,,,	5,335	5,582	6,504	33.8	53.0	4.6	16.5
Total expenditure,,,,,,,,,,,,,,,,,,,,,	109,578	120,944	127,670	9.9	21.6	10.4	5.6