



Budget Proposal

Highlights

2003

Table of contents:

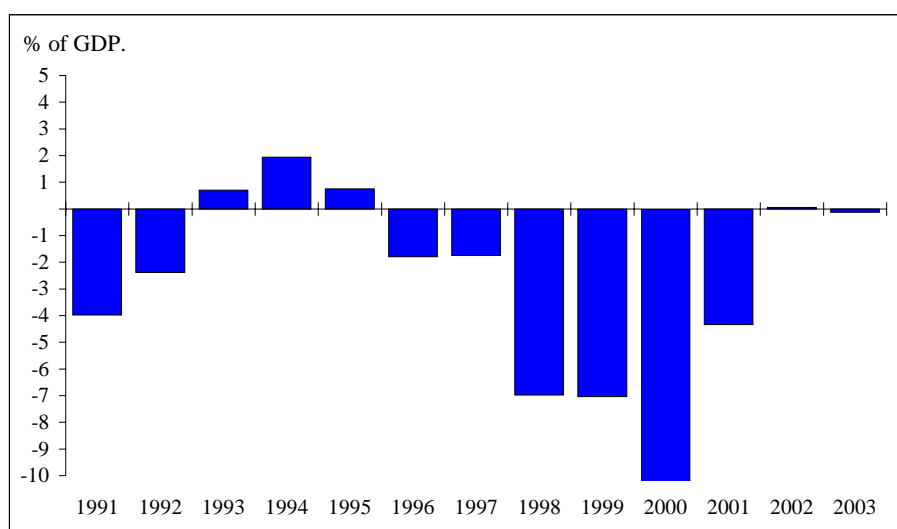
1. Economic and fiscal policy.....	3
2. Fiscal developments.....	8
2.1. Fiscal prospects for 2002.....	8
2.2. The main elements of the 2003 budget.....	9
3. Overview of the economic forecast.....	13
3.1. Main conclusion.....	13
3.2. Economic developments in 2002.....	14
3.3. Overview of the 2003 forecast.....	15
4. Appendix.....	17

1 Economic and fiscal policy

The Icelandic economy is more balanced than it has been in the past few years. Inflation is fast declining and the current account deficit has all but disappeared. Household purchasing power is stronger than ever before, interest rates are declining and the level of consumer and business debt is coming down. The Icelandic economy seems to be recovering after a short downturn and moving into a new period of economic growth. The revised economic forecast projects zero GDP growth in 2002 and a 1½ per cent growth in 2003.

**A more
balanced
economy**

Current account balance 1991-2003



The 2003 fiscal budget reflects a tight fiscal stance, calling for a 10.7 billion krónur revenue surplus, equivalent to 1.3 per cent of GDP, and a 10.1 billion krónur financial surplus. The surplus will be used to reduce Treasury debt and consolidate its position in general. The Treasury's pension obligations have, for example, been reduced considerably. Payments to the Government Employees Pension Fund from 1999 to 2001 amount to 34 billion krónur including interest and close to 50 billion krónur to year-end 2003, one fourth of its total obligations.

**Sound fiscal
finances**

It should be noted that the tight fiscal policy in recent years has played a large role in creating conditions for the substantial tax cuts that were passed into law last year and will come into effect next year, without sacrificing one of the main goals of fiscal policy to run fiscal finances with a surplus.

Revenue and expenditure decline in relation to GDP

Total expenditure and revenue decline in relation to GDP from 2002 and the same applies to tax revenue. Total expenditure increases by 3 per cent between years, or less than 1 per cent in real terms, primarily because public consumption expenditure is budgeted to grow slowly due in part to specific rationalisation measures. Investment remains broadly unchanged and interest payments are expected to decline. Transfer payments, including social security benefits, are budgeted to increase somewhat in real terms. Tax revenue will be broadly unchanged in real terms from last year. This is mainly due to a reduction in the corporate income tax and personal and corporate net wealth taxes.

...combined revenue surplus 47 billion

The cumulative revenue surplus from 1998 through 2003 is estimated at 47 billion krónur while the financial surplus - funds left to reduce debt and strengthen the position with the Central Bank – is estimated at close to 67 billion. Were it not for a special loan taken up abroad last year to strengthen the equity and foreign reserves of the Central Bank, the cumulative financial surplus would amount to more than 90 billion over this period.

A sound fiscal stance throughout the entire business cycle reflects the substantial structural reforms that have been implemented in Iceland in recent years. The main focus has been on improving the operating environment and competitiveness of enterprises and thereby fostering economic growth and a higher standard of living.

Reduced government interference

Government finances play an important role in this respect as the significance of a sound fiscal policy, aiming at a surplus throughout the business cycle and reduce debt, is becoming widely recognised. Furthermore, Government interference in the marketplace has been

reduced systematically by privatising state enterprises. Substantial reforms have also been undertaken in the public sector with the goal of ensuring that financial and management responsibility go hand in hand.

Comprehensive tax reforms have been implemented, the focus of which has been to lower tax rates and broaden the tax base. The personal income tax rate has been lowered along with the corporate income tax, which is now one of the lowest in Europe. This year, new legislation came into effect that calls for more than a 50 per cent reduction in personal and corporate net wealth taxes. The taxation of capital income has also been reformed and the same applies to social security taxes paid by employers. Finally, several changes have been made in various excise taxes, such as on automobiles and household appliances, with the aim of making the tax system more neutral.

Tax reform

The third and last stage in the process of increasing child benefits will come into effect next year when income thresholds and benefits will be increased. These changes will lead to a considerable rise in disposable incomes of families with children.

Increase in child benefits

In recent years, the Government has implemented a number of changes to the social security system which aim to improve the standard of living of the elderly and the disabled. Last year, new legislation came into effect which called for an increase in old-age and disability pensions as well as a relaxation of the income-linkage of the system. These changes have led to an increase in the purchasing power of social security benefits.

Improved standard of living for elderly and the disabled

Comprehensive structural reforms have also been undertaken in the financial market which have strengthened the stock and bond market and contributed to deregulation and liberalisation of the financial and foreign exchange markets. Furthermore, the Government is proceeding with its programme of selling off its stakes in the commercial banks and other financial institutions.

Financial market developments

All these changes have served to strengthen the Icelandic economy and

A stronger economy

business environment and lay the foundations for a strong and highly diversified economy. This shows up in rapid developments in new areas of business, such as the production of medicines and medical equipment and other high-tech equipment. Export revenues from these products have multiplied in recent years and have come to match those of some well-established fish products. This is a welcome development that reflects a thriving business environment.

Development of energy-intensive industry

The same can be said for the development of energy-intensive industry. Following several years of stagnation, a resumption of growth in this area is underway, both through the operation of the Norðurál plant in Hvalfjörður and the extension of the aluminium smelter at Straumsvík. Preparatory talks have taken place on the construction of an aluminium smelter at Reyðarfjörður in the north-eastern part of the country and a further extension of Norðurál. It is expected that these will soon be concluded.

Stability and a favourable business environment

A sound monetary and fiscal policy that ensures economic stability, an open economy and a favourable business environment is an important prerequisite for a vigorous economic development. After a period of economic difficulties in the years 1988–1995, the economy has taken a sharp turn for the better, and the years 1996–2001 represent one of the strongest economic growth periods in Iceland. The disposable income of households grew sharply and energy-intensive industry as well as hydro-power production developed rapidly. Activity in the financial sector flourished following a liberalisation of financial markets and the lowering of the capital income tax.

Current account in balance

A substantial increase in domestic demand contributed to a growing current account deficit, which reached its peak in the year 2000. From then on, consumer and business spending has declined, and the current account deficit has rapidly diminished. The new forecast assumes a balance both in 2002 and 2003. This turnaround reflects the flexibility of the Icelandic economy, not least due to the structural reforms that the Government has implemented in recent years.

It is important to continue on this path. A tight and responsible economic policy emphasising the moderation of expenditure growth, helps to ensure economic stability. It creates the conditions for continuing tax reductions, both for corporations and individuals, and is thus an important prerequisite for continued strengthening of the business environment and a higher standard of living.

**A
responsible
fiscal and
economic
policy**

2 Fiscal developments

2.1 Fiscal prospects for 2002

The 2002 budget estimates

The 2002 fiscal budget was passed with an 18.5 billion krónur surplus. Total revenue was estimated at 257.9 billion and expenditures at 239.4 billion. The financial surplus was estimated at 40.2 billion, which included 20 billion from asset sales last year but asset sales this year were estimated at 20 billion. Revenue and expenditure estimates have now been revised in light of developments this year.

Revenue is increasing

The revenue estimates in the 2002 budget were based on two main premises, the estimate of 2001 revenue and a forecast of the main economic aggregates for 2002. The review estimates revenue at 263.6 billion, 5.7 billion in excess of budget. The increase is primarily due to increased collection of personal and corporate income taxes. The personal income tax is estimated to exceed the budget by 4 billion and the corporate income tax by 1 billion. The social security tax is also estimated to exceed the budget by 600 million. Indirect taxes, including the value-added tax, appear to be progressing in line with budget expectations.

Expenditure reassessed

A review of expenditures concludes that they will total 246.3 billion, some 7 billion above budget. Half of the excess is due to cost overruns of hospitals, nursing homes and the health insurance system. Other factors are due to wage agreements, increased unemployment and a reassessment of contributions to the Municipal Equalisation Fund because of increased tax revenues. Subsidies on domestic vegetables were introduced after the budget was passed and several service charges were rescinded. Several expenditure items will come in under budget because the exchange rate strengthened in the course of the year.

The 2002 surplus will be lower

A revenue surplus of 17.2 billion krónur is projected in the revised budget, 1.3 billion less than in the original budget. The financial surplus is subject to greater changes, since the sale of the government-owned telephone company did not take place as expected before the end of

2001. Proceeds of 21.5 billion krónur from that sale were budgeted into the 2002 budget. The financial surplus is revised accordingly. This is offset by increased incoming repayments of loans extended by the Treasury of 6.7 billion in excess of budget, of which 4.5 billion come from a loan extended to the Central Bank in 2001 and 2.2 billion of the debt of the Keflavík Airport Terminal. Cash at hand from operations is expected to be 3 billion less than in the original budget due to the redemption of government savings bonds before maturity which increases government interest payments by 3.5 billion. This has an impact on the Treasury's cash budget but not on the accruals budget where the accrued interest on savings bonds has been expensed each year. All told, the financial surplus is revised from 38.3 billion to 10.7 billion. Of the surplus, 3.6 billion will go towards debt redemption instead of 25.2 billion in the budget and the Treasury's balance with the Central Bank is projected to improve by 8 billion instead of 4 billion in the budget.

2.2 The main elements of the 2003 budget

The 2003 revenue surplus is projected at 10.7 billion krónur, compared to 17.2 billion in the revised budget for 2002. Two factors explain most of the reduction: Profits from sales of government assets are expected to be 7 billion lower and tax revenue remains unchanged because of a 4 billion tax cut. The reductions have been met by expenditure restraint and are consistent with the Government's fiscal objectives. Excluding profits from asset sales, the revenue surplus is expected to amount to 3.2 billion in 2002 and to 2.7 billion in 2003. Furthermore, the 2003 budget stipulates that 1.2 billion of proceeds from asset sales will be used for road tunnels. Excluding these two items, the revenue surplus is projected at 3.9 billion krónur. The financial surplus is budgeted at 10.1 billion as against a budget of 20.6 billion for 2002. The lower surplus in 2003 stems from less asset sales and lower incoming repayments of outstanding loans.

**Proceeds
from asset
sales are
reduced**

Treasury finances 2001 – 2003

	Account	Budget	Estimate	Budget
Billions of krónur, current prices	2001	2002	2002	2003
Revenue	237.4	257.9	263.6	264.0
Expenditure	228.7	239.4	246.4	253.3
Revenue surplus	8.6	18.5	17.2	10.7
Non-financial current items.....	-8.1	-20.3	-21.7	-14.8
Cash from operations	0.5	-1.8	-4.5	-4.1
Financial transactions.....	-26.5	40.1	25.2	14.2
Net financial balance	-26.0	38.3	20.7	10.1

**Slow
recovery
yields
increased
revenue**

The revenue side of the 2003 budget is based on the main assumptions of the economic forecasts where a gradual pick-up of growth is expected after stagnation this year. Inflation is expected to stay within the limits set out in the Central Bank Act and is forecast at 2¼ per cent for 2003. Real disposable per capita income is expected to increase by 2 per cent. Based on these assumptions, tax revenue is expected to increase by 5.3 billion and amount to 232.5 billion krónur. The increase in tax revenue is in part attributable to increased collection of the personal income tax and a rise in the social security tax. This is in part offset by a cut in the net wealth tax of individuals and corporations as well as the corporate income tax. Furthermore, the proceeds of the Treasury from sales of assets are expected to be lower than in 2002.

**Expenditure
remains
unchanged**

Expenditure appropriations amount to a total of 253.3 billion krónur in the 2003 budget, increasing by 14 billion from this year's original budget and by 7 billion or 3 per cent from the revised budget, indicating that expenditure in real terms will be broadly unchanged between the two years. As a percentage of GDP, expenditure is expected to decline by 0.3 per cent from this year. Administrative expenditures are budgeted to remain unchanged, transfer payments increase by 1.3 per cent, investment and maintenance remain unchanged and interest payments decline, all in real terms.

In drafting the 2003 budget, the Government agreed that each Ministry should reduce its current expenditure by 2 per cent in order to make room for new projects. The main changes from the current year are that appropriations for the handicapped are increased to shorten waiting lists, hospital appropriations are increased as well as those of universities because of an increase in the number of students. Current transfer payments increase by 1.3 per cent in real terms due to higher appropriations to the Childbirth Leave Fund, because the rights of both parents to childbirth leave will be equal next year. The third stage of increasing child benefits and reducing their income-linkage will be implemented in 2003 at a cost of half a billion. As noted earlier, investment and maintenance remain unchanged from 2002 with the stipulation that new tunnel constructions will increase by one-fifth with special financing out of proceeds from asset sales. This is offset by the completion of several large investment projects in the course of this year, such as the office annex to the Althingi, a children's hospital and an extension to the Teachers' College. Finally, interest payments are projected to decline by half a billion from this year.

Operational reforms

Treasury surplus excluding extraordinary items

	Accounts 1999	Accounts 2000	Accounts 2001	Budget 2002	Estimate 2002	Budget 2003
Revenue surplus	23.6	-4.3	8.6	18.5	17.2	10.7
Extraordinary expenditure	19.0	37.6	8.5	8.8	8.8	8.8
Extraordinary revenue	16.0	3.8	1.1	15.5	14.4	8.5
Adjusted revenue surplus	26.6	29.5	16.0	11.8	11.6	11.0

The table shows a summary of Treasury finances on an accruals basis after adjusting for irregular revenue and expenditure items. Irregular revenue includes profits from sales of assets and a reassessment of the value of government agencies entered on the revenue side. Irregular expenditures include the expensing of pension obligations, tax claims written off and the expensing of a take-over of tasks from municipalities

An unchanged outcome

pursuant to an amended division of responsibilities with the central government. By this measure, the revenue surplus excluding irregular items is almost unchanged from this year, although in nominal terms it would shrink slightly from this year's budget.

3 Overview of the economic forecast

3.1 Main conclusions

Economic developments in the course of this year are primarily marked by a rapid adjustment of the economy in wake of several years of rapid expansion. Inflation has rapidly receded in the course of the year and the forecast for next year is that inflation will be less than 2½ per cent. There has been a temporary increase in unemployment which is expected to decline in 2003.

**A rapid
adjustment of
demand**

The sharp reversal in the balance of payments since 2000 demonstrates the flexibility of the Icelandic economy in adjusting to adverse circumstances and sets the stage for a new upswing in the coming years.

The following are the highlights of the new forecast which does not incorporate the impact of new power projects and energy-intensive industrial investment.

- GDP is expected to remain unchanged in 2002, whereas earlier forecasts indicated a decline. For 2003, a growth of 1½ per cent is forecast, and an average of 3 per cent for the period 2004-2007.
- National expenditure is expected to decline by 3 per cent in 2002, due mainly to a fall in investment, particularly in the business sector where a fall of 20 per cent from 2001 is estimated. National expenditure is expected to rise by 1½ per cent in 2003.
- One of the main conclusions of the forecast is that the current account will be in balance in 2002 for the first time since 1995, primarily because of a sharp increase in exports. The same applies to the year 2003.
- Inflation is rapidly declining, both in 2002 and 2003. Consumer prices are expected to increase by 4¾ per cent on average between 2001 and 2002 and by 2¼ per cent between 2002 and 2003.
- Real disposable household income has increased consistently since 1994 and shows no signs of abating. The present forecast is for a 1½ per cent increase in 2002 and a 2 per cent increase in 2003.

- National savings have increased sharply, following a decline in domestic demand. It is expected to amount to 19 per cent of GDP in 2002 and 2003 compared with 14 per cent in 2000.
- The improvement in the external economy has been reflected in the country's net external debt, which has declined in 2002 and is forecast to continue declining in 2003.

3.2. Economic developments in 2002

Zero growth

The forecast projects that real GDP will remain unchanged in 2002 whereas an earlier forecast predicted a 0.8 per cent decline. The change is primarily due to stronger exports, which in turn is expected to bring the current account into balance for the year as a whole.

Improving terms of trade

The external conditions of the economy have been favourable in the course of the year. The terms of trade have improved by close to 1 per cent, mainly because of rising prices for fish exports. This is reflected in the development of gross national income, which is forecast to rise by 1¼ per cent this year.

National expenditure declines...

National expenditure is expected to decline by 3 per cent in 2002 for the second year in a row due to a sharp decline in business sector investment and a sizeable decline in public investment. Residential construction is, however, expected to be roughly unchanged from the previous year. All told, gross investment is estimated to decline by almost 15 per cent, which is similar to what was projected in the previous forecast.

... and private consumption is shrinking

Private consumption has continued to decline in 2002, although not as sharply as in the previous year when it declined by 3 per cent. This year the decline is assessed at close to 1 per cent which represents a considerable reversal from the expansion years 1996-2000 when private consumption rose by an average of 4 per cent a year. The decline in private consumption in 2001 and 2002 is taking place at the same time as real disposable incomes are increasing, indicating that household savings are on the rise. Public consumption, however, is expected to increase by 2¾ per cent in 2002, which is less than in

several previous years.

The decline in national expenditure increases national savings, which are now estimated at close to 19 per cent of GDP in 2002, compared to 14 per cent in 2000. This adjustment has had a favourable impact upon the economy, helping to bring the current account into balance.

3.3 Overview of the 2003 forecast

The 2003 forecast envisages a slow recovery and a growth of about 1½ per cent or about 1 per cent less than in the previous forecast. National expenditure is forecast to rise by some 1½ per cent, half as much as forecast earlier. The reduced growth prospects are primarily due to a downward revision of investment and public consumption. It should also be noted that this forecast does not incorporate the impact of possible energy investment over the next several years.

**Slow
recovery ...**

Private consumption is expected to increase by 1¼ per cent in 2003. The growth in real disposable household income is expected to exceed that of private consumption by a small margin and savings would thereby rise for the third year in a row.

**... and a small
increase in
national
expenditure**

Public consumption is expected to increase by only 1 per cent in 2003, considerably less than in recent years; for 1999-2002 it rose by an average of 3½ per cent.

A close to 2 per cent increase in gross investment is forecast for 2003. Residential construction is expected to decline by 2 per cent, whereas public investment will increase by a small margin, or about ½ per cent. As always, there is great uncertainty about where business sector investment is headed. Improved external conditions, including lower income and net wealth tax rates and an expected decline in real interest rates, give rise to expectations that business investment will increase. This forecast assumes a 3½ per cent increase for 2003. By comparison, the previous 2003 forecast projected a 10 per cent increase in total investment, where residential construction was thought to increase by 7½ per cent, public investment by 2 per cent and business sector investment by close to 14 per cent.

The current account is expected to be roughly in balance in 2003. This is based on the important assumption that the króna exchange rate will be unchanged from its present value, which is equivalent to an exchange rate index of 130 for next year.

Main economic assumptions

	Budget 2002	Estimate 2002	Budget 2003
I. Key economic aggregates, volume changes, p.c.			
Private consumption	-1	-1	1½
Public consumption	2½	2¾	1
Investment	-12	-14¾	1¾
Total national expenditure	-2½	-3	1½
Exports of goods and services	1	5¼	3½
Imports of goods and services	-4¼	-2¾	3
Gross domestic product	-½	0	1½
Current balance, % of GDP	-5	0	0
II. Wages and prices, change in per cent			
Disposable household income per capita	5½	6¼	4¼
Purchasing power of disposable income per capita	-½	1½	2
Consumer price index	6	4¾	2¼
Exchange rate index	3¾	-2½	-1½
Unemployment, per cent of labour force	2	2½	2½

Appendix

Appendix					
Table 1					
Treasury revenue and expenditure					
Accruals basis, millions of krónur	2000	2001	Budget 2002	Estimate ¹ 2002	Budget Proposal 2003
Tax revenue	200.651	211.729	221.348	227.238	232.524
Personal income tax	49.331	58.676	61.125	65.097	70.150
Corporate income tax	9.679	9.551	6.500	7.500	5.250
Social security taxes	19.680	21.909	23.365	23.986	27.744
Net wealth taxes	9.872	10.596	11.320	11.105	6.933
Value added tax	71.903	72.147	76.700	76.792	79.700
Other taxes on goods and services	39.064	37.466	38.881	38.679	39.167
Other taxes	1.121	1.384	3.457	4.079	3.581
Other current revenue	19.030	23.274	20.411	20.977	21.396
Dividends income	2.477	1.917	1.629	2.533	2.437
Interest income	10.698	14.727	13.402	12.444	12.564
Other	5.855	6.630	5.381	6.000	6.395
Revenue from sales of assets	635	1.065	15.520	14.420	8.540
Revenue and cost sharing transfers	1.231	1.288	621	930	1.540
Revaluation of state enterprise assets	3.167				
Total revenue	224.714	237.356	257.900	263.565	264.000
Expenditure					
The Presidency, Althingi and Supreme Court	2.149	2.111	2.546	2.583	2.250
Office of the Prime Minister	1.459	1.146	1.124	1.199	997
Ministry of Education, Science and Culture	22.459	26.803	28.324	28.866	29.957
Ministry for Foreign Affairs	4.807	4.965	5.196	5.144	5.165
Ministry of Agriculture	9.502	11.039	10.821	11.119	11.275
Ministry of Fisheries	2.508	2.813	2.704	2.718	2.712
Ministry of Justice and Church	11.574	12.901	13.620	13.980	14.239
Ministry of Social Affairs	11.266	16.767	17.932	19.199	20.822
Ministry of Health and Social Security	78.479	84.559	90.409	94.336	96.778
Ministry of Finance	48.981	23.706	26.580	26.703	27.275
Ministry of Communications	13.315	15.869	15.938	15.656	17.556
Ministry of Industry	2.631	2.972	2.813	3.041	3.186
Ministry of Commerce	1.404	1.450	1.455	1.501	1.445
Statistics Iceland	378	399	380	511	531
Ministry for the Environment	2.842	3.290	3.129	3.176	3.213
Interest expenditure	15.245	17.923	16.400	16.640	15.900
Total expenditure	229.001	228.713	239.370	246.370	253.300
Revenue balance	-4.287	8.643	18.530	17.195	10.700
¹ Budget plus supplementary budget.					

Appendix					
Table 2		Treasury cash flow and capital transactions			
In billions of krónur	2000	2001	Budget 2002	Estimate ¹ 2002	Budget Proposal 2003
Cash flow from operating activities.....	17,5	0,5	-1,9	-4,6	-4,1
Capital transactions					
Credit transactions, net.....	3,3	-12,5	25,0	10,1	7,6
Revenue from sales of assets and other capital transactions.....	0,0	-11,3	15,2	15,2	6,6
Capital transactions, total.....	3,3	-23,8	40,2	25,3	14,2
Discounts on borrowings.....	2,5	2,7			
Net financial balance (before contribution to GEPP).....	18,2	-26,0	38,3	20,7	10,1
Contrib. to Gov. Employees Pension Fund (GEPP).....	-8,8	-14,3	-9,0	-9,0	-6,0
Net financial balance (after contribution to GEPP).....	9,5	-40,3	29,3	11,7	4,1
Changes in credit transactions.....	-8,2	41,6	-25,2	-3,6	0,0
Cash balance.....	1,3	1,3	4,1	8,1	4,1
Per cent of GDP					
Cash flow from operating activities.....	2,7	0,1	-0,2	-0,6	-0,5
Net financial balance.....	2,8	-3,5	4,9	2,6	1,2
Cash balance.....	0,2	0,2	0,5	1,0	0,5
¹ Budget plus supplementary budget.					

Appendix						
Table 3			Treasury revenue			
			Budget	Budget	Estimate ¹	Budget
Accruals basis, millions of krónur	1999	2000	2001	2002	2002	Proposal 2003
I Tax revenue.....	187.796	200.651	211.729	221.348	227.238	232.524
Taxes on income and profits.....	53.030	59.595	68.896	69.902	75.224	77.500
Individuals.....	42.102	49.331	58.676	61.125	65.097	70.150
Personal income tax.....	36.855	42.853	50.862	55.005	58.218	63.579
Personal income surtax.....	1.132	1.272	1.644	1.120	1.879	1.571
Other taxes on income and profits.....	4.115	5.206	6.170	5.000	5.000	5.000
Corporations.....	9.126	9.679	9.551	6.500	7.500	5.250
Other.....	1.802	585	669	2.277	2.627	2.100
Tax on central gov't capital gains.....	1.232	12	56	1.500	1.850	1.300
Tax for the Nursing Home Constr. F'd.....	570	573	613	777	777	800
Social security taxes.....	17.768	19.681	21.909	23.365	23.986	27.744
Net wealth taxes.....	8.450	9.872	10.596	11.320	11.105	6.933
Taxes on goods and services.....	108.033	110.966	109.614	115.581	115.472	118.867
Value added taxes.....	70.020	71.903	72.147	76.700	76.792	79.700
General excise taxes.....	10.900	11.067	11.161	15.425	15.425	15.132
Excise tax on motor vehicles.....	5.896	4.960	2.853	3.150	3.000	3.200
General excise tax on petrol.....	1.760	2.127	1.981	2.190	2.190	1.995
Special excise tax on petrol.....	5.398	5.430	5.447	5.434	5.434	5.434
Other turnover taxes.....	6.850	7.357	7.468	3.695	3.581	3.950
Motor vehicle tax.....	2.341	2.550	2.628	2.940	2.940	2.975
Diesel weight tax.....	4.050	4.639	4.894	4.964	4.964	5.088
Misc. charges.....	818	932	1.035	1.084	1.146	1.393
Other taxes.....	515	538	714	1.180	1.452	1.481
II Other current revenue.....	17.464	19.030	23.274	20.411	20.977	21.396
Dividends and rental income.....	2.733	2.477	1.917	1.629	2.533	2.437
Interest income and other property income.....	9.269	10.698	14.727	13.402	12.444	12.564
Charges and licences.....	4.845	5.208	5.782	4.682	5.301	5.628
Other.....	617	647	848	699	699	767
III Revenue from sales of assets.....	11.140	634	1.065	15.520	14.420	8.540
IV Capital transactions.....	0	-	-	-	-	-
V Cost sharing transfers.....	1.294	1.231	1.288	621	930	1.540
Revaluation of government assets.....	4938,0	3.167	0	-	-	-
Total revenue, accruals basis.....	222.632	224.713	237.356	257.900	263.565	264.000
Total revenue, cash basis.....	202.041	217.978	224.042	246.600	253.027	252.470

¹ Budget plus supplementary budget.

Appendix						
Table 4 Treasury expenditure by economic activity						
				Budget	Estimate ¹	Budget
Accruals basis, millions of krónur	1999	2000	2001	2002	2002	2003
Current expenditure						
Wage costs.....	51.050	53.958	62.279	72.273	74.850	71.852
Pension fund contributions.....	12.873	24.877	2.612	4.781	4.781	4.755
Other current expenditure	37.033	48.310	43.201	40.754	41.989	51.872
Service charges	-12.337	-13.763	-16.414	-17.027	-17.027	-17.115
Total current expenditure	88.619	113.382	91.678	100.781	104.593	111.363
Interest	15.332	15.245	17.923	16.400	16.640	15.900
Transfer payments						
Old age and disability insurance	17.534	20.090	19.944	22.712	22.327	24.099
Health insurance	9.865	10.873	11.663	11.879	12.818	12.961
Agricultural support payments	6.138	6.200	7.295	6.968	7.238	7.258
Welfare support payments	4.910	5.435	5.823	6.484	6.349	6.859
Municipal Equalisation Fund	4.074	4.200	5.763	5.146	5.468	5.626
Child benefits	3.942	3.702	4.559	4.930	4.930	5.430
Parental Leave Fund	-	-	2.853	4.467	4.467	5.392
Interest cost rebates	3.950	4.309	4.721	4.385	4.385	4.605
Parishes and churchyards	2.031	2.246	2.473	2.427	2.517	2.617
Student Loan Fund	1.780	1.910	2.420	2.550	2.645	2.898
Unemployment Insurance Fund	1.860	1.444	1.592	2.273	2.853	2.858
National Broadcasting Service	1.730	1.777	1.938	2.155	2.155	2.171
Other transfer payments	12.109	18.037	25.063	23.541	24.445	20.453
Total transfer payments	69.924	80.223	96.107	99.915	102.597	103.227
Maintenance						
Public Roads Administration	3.754	4.151	4.187	4.234	4.234	4.327
Other	1.219	1.112	1.492	1.448	1.448	1.519
Total maintenance	4.973	5.263	5.679	5.682	5.682	5.846
Capital expenditure						
Road construction	4.469	4.631	6.067	6.236	5.766	7.573
Universities and higher education	1.023	854	1.308	1.585	1.735	1.920
Hospitals and health centres	2.760	1.010	1.072	1.389	1.459	1.087
Harbour construction	827	486	888	1.331	1.331	1.202
Airfields	457	882	1.072	557	682	693
Other capital expenditure	7.187	7.026	6.919	5.495	5.887	4.489
Total capital expenditure	16.723	14.889	17.326	16.593	16.860	16.964
Total expenditure	195.571	229.002	228.713	239.370	246.372	253.300
¹ Budget plus supplementary budget.						

Appendix										
Table 5										
Central government debt and claims¹										
Stock figures									Estimate	Budget
Millions of krónur, year-end values	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Gross debt.....	213 924	232 585	239 246	241 566	237 764	225 968	228 530	298 314	275 400	276000
Central Bank.....	-	-	-	-	-	-	-	-	-	-
Treasury bonds.....	69 008	74 140	73 889	84 424	82 865	82 618	68 898	64 243	50 400	-
Treasury notes.....	5 563	5 768	8 366	11 258	15 846	11 018	11 430	19 588	28 700	-
Treasury bills.....	14 630	16 406	15 811	12 296	15 209	9 899	5 970	12 003	12 000	-
Other domestic liabilities.....	11 090	9 010	8 962	6 960	6 526	4 297	2 907	4 191	4 200	-
Foreign debt.....	113 633	127 261	132 218	126 628	117 318	118 136	139 325	198 289	180 100	-
Total claims.....	69 066	77 266	71 023	69 309	86 496	107 152	101 172	129 561	125 200	125 000
Long term credit.....	55 469	64 134	63 663	65 278	64 739	69 347	70 919	93 049	81 900	74 000
Indexed to domestic prices.....	36 965	45 176	50 565	52 885	53 215	57 699	59 262	79517,0	-	-
In foreign currency.....	18 504	18 958	13 098	12 393	11 524	11 648	11 657	13532,0	-	-
Taxes outstanding and other short-term claims....	13 597	13 132	7 360	4 031	21 757	37 805	30 253	36 512	43 300	51 000
Net debt.....	144 858	155 319	168 223	172 257	151 268	118 816	127 358	168 753	150 200	151 000
Claims as a percentage of debt.....	32,3	33,2	29,7	28,7	36,4	47,4	44,3	43,4	45,5	45,3
Percentage of GDP										
Gross debt.....	48,5	51,2	49,1	46,9	41,8	36,8	34,5	39,6	34,8	33,6
Of which: foreign debt.....	25,9	28,1	27,3	24,7	20,7	19,5	21,2	26,6	-	-
Total claims.....	12,6	14,1	13,0	12,6	11,3	11,2	10,6	12,1	15,9	15,3
Of which: In foreign currency.....	4,2	4,2	2,7	2,4	2,0	1,9	1,8	1,8	-	-
Short term credit, net.....	3,1	2,9	1,5	0,8	3,8	6,1	4,5	4,7	-	-
Net debt.....	32,9	34,3	34,6	33,5	26,6	19,5	19,3	22,8	19,0	18,4
1) Including accrued interest liabilities.										

