



Ministry of Finance

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Press Release

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Subject: **The Treasury accounts for 2011**

The Treasury accounts for 2011 have now been published. The balance for revenue and expenditure shows that the goals of restraint in fiscal finances have been achieved.

The excess in expenditure is due to irregular items, not to regular operations. The largest overrun is due to SpKef and the loss from previous years of the Regional Development Institute and NSA Ventures. The goals for fiscal finances have been clear during this term of office. Since the middle of 2009, efforts have been made to arrest the fiscal deficit and the accumulation of government debt through improved revenue procurement and a reduction in expenditure. In order to achieve these goals, extensive measures have been taken to reduce Treasury expenditure, reorganise and rationalise in addition to increasing revenue. These measures have been demanding and at times difficult, but the employees and agencies of the government have worked tirelessly towards these goals, and their efforts deserve gratitude.

In broad terms, the economic program has turned out as expected. At this point, a continued progress is important for the credibility of the fiscal policy that the government has pursued. The government has shown much perseverance in the pursuit of its goals and this has led to two very successful government bond issues in international markets in 2011 and 2012. The economic environment in 2011 showed significant signs of recovery as GDP was increasing, and increased demand and income creation in the economy improved Treasury finances. This does not mean that economic policy can be eased up. The effort must continue in order to fully eliminate the deficit as laid out in the economic program.

Treasury finances 2011 and 2010

Million ISK	Accounts 2011	Budget +	Deviation		Accounts 2010
		suppl. budget 2011	Amount Million ISK	%	
Total revenue	486,526	480,856	5,670	1.2	478,697
Total expenditure	575,950	527,248	48,702	9.2	601,982
Net revenue	-89,424	-46,392	-43,032	.	-123,285
Net revenue	-43,204	-1,066	-42,138	.	-84,437
Net borrowing requirement, surplus (+)/deficit (-)	57,747	-51,791	109,538	.	-53,043
Net borrowing	146,783	71,0	75,783	.	155,488
Domestic	62,316	116,076
Foreign	84,467	39,412
Change in cash balances	204,530	19,209	185,321	.	102,445
In per cent of GDP					
Total revenue	29.8	29.5	.	.	31.2
Total expenditure	35.3	32.3	.	.	39.2
Net revenue	-5.5	-2.8	.	.	-8.0
Primary balance	-2.7	-0.1	.	.	-5.5
Net borrowing requirement, surplus (+)/deficit (-)	3.5	-3.2	.	.	-3.5

The Treasury accounts

The 2011 Treasury deficit amounted to 89 billion krónur, compared with a deficit of 46 billion in the fiscal budget, a difference of 43 billion. The deficit amounted to 18 per cent of total revenue for the year and 5.5 per cent of GDP. Revenue exceeded the budget by 6 billion and expenditure by 49 billion. Although the deficit exceeded expectations, it was an improvement on 2010 when the deficit amounted to 123 billion krónur. The primary deficit amounted to 43 billion compared to a deficit of 1 billion estimated in the fiscal budget. This deviation from the budget is mostly due to irregular and non-recurrent items that were not anticipated and are in part due to the settlements following the financial collapse in 2008. The largest item is the expensing of 20 billion due to the SpKef Savings Bank. The claims of the Regional Development Institute were written down by 7 billion and those of NSA Ventures by 5 billion, both being due to losses in previous years. Furthermore, the expense of pension commitments exceeded budget estimates by 5 billion, and tax claims written off by 5 billion.

Treasury revenue

Treasury revenue amounted to 486.5 billion krónur in 2011, equivalent to 29.8 per cent of GDP. This compares with 478.7 billion in 2010, 31.2 per cent of GDP. The increase between years amounted to 7.8 billion or 1.6 per cent and the increase from the budget estimate was 5.7 billion. Individual revenue sources fluctuated considerably between years. Revenue from the personal income tax increased by 3.6 billion, whereas revenue from the capital income tax declined by 12.4 billion. Revenue from the corporate income tax rose on the other hand by 15 billion and by 3.2 billion from the social security tax. The value added tax yielded an increase of 7.4 billion and excise tax revenues rose by 3.5 billion. Finally, interest income declined by 9.9 billion and other monetary income declined by 14.1 billion, corresponding to revenue from the so-called Avens-agreement in 2010.

Treasury expenditure

Treasury expenditure amounted to 575.9 billion krónur, equivalent to 35.3 per cent of GDP. This compares to a total of 602.0 billion in 2010, 39.2 per cent of GDP. The decline between years amounted to 26.0 billion, a decline of 8 per cent in real terms. The total budget limit for the year amounted to 543.7 billion, and expenditure therefore exceeded the limit by 32.2 billion, mostly because of outlays to SpKef and the write-down of equity in the Regional Development Institute and NSA Ventures due to losses in previous years. The largest expenditure item of the Treasury consists of outlays to social security, welfare and health. These items account for 44.9 per cent of total expenditure in 2011. Expenditure on social security and welfare amounted to 143.1 billion and 115.7 billion was spent on health, increasing by 10.7 billion from the previous year. Expenditure on economic affairs and employment amounted to 88.7 billion, including appropriations for various economic sectors and to communications. The expenditures on SpKef and the write-down of equity in government enterprises are also included in this category that increased by a total of 28 billion from the previous year. Expenditure on education and culture amounted to 61.7 billion and declined by 1.7 billion from the previous year. The cost of finance amounted to 65.6 billion, declining by 2.5 billion from a year earlier.

The 2011 Treasury accounts

The 2011 Treasury accounts consist of two parts. On one hand, there is the consolidated account for the A-budget of the Treasury. On the other hand there are individual accounts for A-budget agencies, government enterprises in the B-budget, credit institutions in the C-budget, financial undertakings in the D-budget and limited companies and partnership companies that are more than half-owned by the government in the E-budget. The Treasury accounts will be accessible on the website of the Financial Management Agency where further information can be obtained.

Reykjavík, 18 July 2012