

Treasury outcome for 2019 positive by ISK 42bn

The results of the Government accounts for 2019 have now been published and the accounts sent to Parliament. According to the accounts, the outcome was positive by ISK 42bn, as compared with a surplus of ISK 84bn in 2018. Revenues totalled ISK 838bn and operating expenditures ISK 818bn. Net financial expense was negative in the amount of ISK 57bn, and the share in earnings of Government-owned companies was positive by ISK 78bn.

“2019 saw the end of a nine-year GDP growth phase, the longest in Iceland’s history. The tourism boom played a major part in the upswing. During that time, the authorities demonstrated the foresight to strengthen public finances substantially by pursuing responsible fiscal policy. Treasury debt was reduced rapidly, agreements were reached on the settlement of a sizeable share of the State’s pension obligations, and reorganisation of the public mortgage lending system’s large loan portfolio commenced. Alongside the strong performance of recent years, the authorities also enacted various tax reforms and allocated substantial funding to shoring up Iceland’s infrastructure and social welfare system. The Treasury balance sheet for 2019 shows clearly that the State is well prepared for more challenging times: at the end of the year, the debt-to-GDP ratio was at its lowest since 2008, and well within the limits according to the debt rule in the Act on Public Finances,” says Bjarni Benediktsson, Minister of Finance and Economic Affairs.

Performance for the year according to reporting standards poorer than previously estimated

When the Treasury performance according to the Government accounts is compared with the performance target in the fiscal plan and the fiscal budget, it is done using the GFS standards. On that basis, the overall Treasury outcome for 2019 was negative by ISK 39bn, which is ISK 24bn poorer than was provided for in the revised plan for the year. The 2019 fiscal budget assumed an overall surplus of ISK 28.6bn.

The balance sheet changed significantly at the beginning of 2017, in part because

tangible operational assets were capitalised from then on. The balance sheet now gives a clear overview of the Treasury's assets, liabilities, and equity. Total assets amounted to ISK 2,355bn at the end of 2019, and liabilities were ISK 1,947bn. Equity totalled ISK 408bn, a decline of ISK 205bn, owing primarily to the implementation of changed financial reporting practices.

A strong fiscal position enables the Government to support the foundations of society and put the economy on a secure footing

Signs of coming economic headwinds were already evident in early 2019. The tourism sector, one of the pillars of the domestic economy, sustained a severe blow with the collapse of one of Iceland's two international airlines. A slowdown in growth ensued, and a sizeable decline in tourist visits was in the offing. This quickly gave way to a weakening of economic activity and rising unemployment. Indeed, the Treasury's poorer performance as reflected in the Government accounts for the year is due largely to the direct and indirect impact of this setback."

"One of the biggest challenges facing the authorities at present is to create favourable conditions for the economic recovery and a new growth episode. Emphasis will be placed on profitable investments, education, increased baseline research, and innovation that will enable Iceland to emerge from the temporary hardships currently prevailing. It will also be necessary to improve capital utilisation, boost public sector efficiency and productivity. The Treasury has scope to take on additional debt, which better enables the authorities to protect the foundations of society and put the economy on a secure footing without sacrificing fiscal sustainability" says the Minister about the Government accounts.