



Government accounts 2018 – Robust Treasury position

The results of the Government accounts for 2018 have now been published and the accounts sent to Parliament. The accounts show a surplus of ISK 84bn, as compared with a surplus of ISK 39bn in 2017. The results show clearly Iceland's strong fiscal position. Revenues totalled ISK 828bn and operating expenditures ISK 780bn. Net financial expense was negative in the amount of ISK 56bn, and the share in earnings of Government-owned companies was positive by ISK 91bn.

“The economy is at a turning point after an exceptionally long and strong economic boom with sizeable revenue gains for households, businesses, and the Treasury. The positive Treasury outcome for 2018 reflects the strength of the economy despite the slowdown in the latter half of the year. The past several years have been characterised by some expenditure increases in line with revenue growth and, not least, the Treasury's declining interest burden. With deleveraging and refinancing on more favourable terms, fiscal resilience has been shored up substantially, which will stand us in good stead as GDP growth eases,” said Minister of Finance and Economic Affairs Bjarni Benediktsson about the outcome of the Government accounts.

The Government accounts for 2018 are the second to be published in accordance with provisions in the Act on Public Sector Finances. A three-year plan for the implementation of new financial reporting standards is underway and should be complete by the time the 2019 Government accounts are ready.

Treasury performance ISK 5bn better than was assumed in the fiscal budget

When the outcome of the Government accounts is compared with the overall goals in the fiscal plan and the fiscal budget this is done according to the Government finance statistics (GFS) standards. Based on that standard the overall Treasury performance in 2018 was positive by ISK 38bn, or ISK 5bn better than was assumed in the fiscal budget, highlighting both the strength of the economy during the year and successful adherence to the budget.

The balance sheet changed significantly at the beginning of 2017, when tangible operational assets were capitalised, among other things, with the result that the balance sheet now gives a reliable overall view of Treasury assets, liabilities, and equity. Total assets as of end-2018 were ISK 2,224bn, while liabilities totalled ISK 1,611bn. Equity totalled ISK 613bn, an increase of ISK 117bn.

“It is now clear that economic growth will be weaker in coming years than it has been, owing in particular to the contraction in tourism. In view of this, spending growth will be scaled back, but in addition, the operating surplus will shrink in line with reduced economic growth. The main tasks for the next few years will be to improve public funds and to

enhance efficiency and productivity in the Government. In this way, we will stand guard over important development of infrastructure and public services while strengthening fiscal resilience even further,” said the Minister.