



June 14 2017

## GOVERNMENT ACCOUNTS FOR 2016

The results of Government Accounts for 2016 have now been published and the accounts forwarded to the Althingi. The principal outcome of the 2016 Government Accounts is a revenue surplus of ISK 294.6 billion, compared to a surplus of ISK 20.0 billion for 2015.

The revenue surplus in 2016 is due primarily to stability contributions pursuant to agreements with the insolvent estates of failed financial undertakings, which delivered net revenues of ISK 414.6 billion.

Expenditures exceeded budget appropriations considerably, as the supplementary budget provided greatly increased contributions to cover pension liabilities to settle obligations of Division A of the Pension Fund for State Employees (LSR). A major step towards harmonised universal pension rights was achieved with the adoption of Act No. 127 on 29 December 2016, amending Act No. 1/1997, on the Pension Fund for State Employees. Acquisition of pension entitlements changes from equal annual acquisition to age-related acquisition, while the minimum age for receiving a pension is raised from 65 to 67 years and the state's guarantee with a promise of higher pension contributions is eliminated. The Act preserves the entitlements of older fund members, while altered arrangements will apply to employees commencing employment after 1 June 2017.

The Treasury's primary balance for the year was positive by 14.5% of GDP in 2016, compared to a positive primary balance of 3.8% in 2015. If the stability contributions are excluded the primary balance was negative by 2.7% of GDP. In 2016 the Treasury had a net funding surplus equivalent to 3.9% of GDP, compared to a surplus of 1.9% the previous year. The outcome was more favourable than expected. The budget provided for a net funding surplus of 2.6 % of GDP, and the supplementary budget for net funding requirements of around 2.7%.

"Stability in the economic environment and strong GDP growth have supported a general purchasing power increase and improved the Treasury's performance. Individuals, enterprises and local authorities have concertedly reduced their debt burden since the collapse. It is appropriate and responsible to utilise the economic upswing of recent years with a Treasury surplus and debt reduction. In so doing the state restrains expansion and overheating in the economy while at the same time taking advantage of this leeway to expand infrastructure and reinforce the welfare system," says Minister of Finance and Economic Affairs Benedikt Jóhannesson, regarding the outcome of Government Accounts.

The newly adopted Fiscal Policy Statement provides for further reduction to debt, lowering the Treasury's debt service. "This creates more scope to address various urgent tasks and obligations which will deliver major benefits to the society in the longer term," the Minister continued.

"We need to ensure the continuing responsible and progressive handling of state funds. The Fiscal Strategy Plan and budget should lay the foundation for balance in the economy and stability for corporates and households, as well as for the public sector. By so doing we open up possibilities for improvements and better services for the general public, while at the same time providing stronger



support for the economic upswing and improving living standards,” added the Minister of Finance and Economic Affairs.

### **Electronically endorsed accounts**

The Ministry of Finance and Economic Affairs, the Director General of the Financial Management Authority and the Auditor General endorsed the Government Accounts with electronic signatures, using digital identification.

Government Accounts in their entirety, with the accompanying breakdown and notes, are accessible on the website of the Financial Management Agency [fjs.is](http://fjs.is).