



14 August 2003

Imports increased sharply in July

Provisional figures on revenue from the value added tax indicate that merchandise imports (excluding ships and aircraft) in July were larger than in any month since the first half of 2000, at a time when the previous economic expansion was at its peak. Imports amounted to nearly 20 billion krónur at current prices and 20½ billion at constant 2002-prices. By comparison, monthly imports in the first half of the year amounted to 15-16 billion, depending on whether measured by current or constant prices.

The increase from July 2002 comes to about 15 per cent, compared to close to 10 per cent on average for the first six months of this year, measured at constant prices.

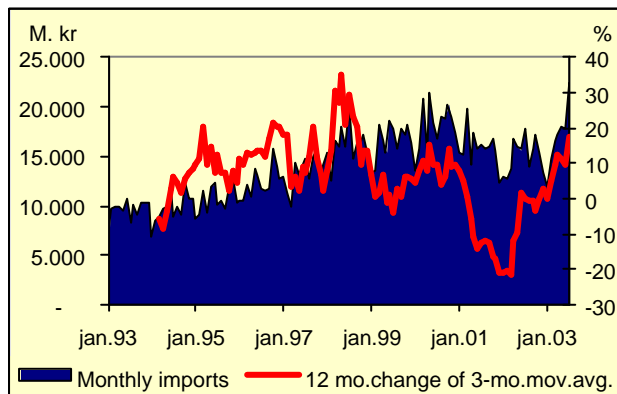
The chart below shows the monthly development of imports, excluding ships and aircraft, as well as the twelve-month percentage increase at a three-month moving average. Both are measured at constant 2002-prices. On this basis, imports have increased steadily so far this year.

As in previous economic upturns, imports of motor vehicles and other consumer durables lead the expansion. Passenger vehicle imports increased by 55 per cent in real terms in the first six months of this year over a year ago. This trend appears to have continued unabated in July. Imports of other consumer durables also increased by 20 per cent at the same time. Imports of investment goods (excluding ships, aircraft and goods for energy-intensive manufacturing) have also increased by 17 per cent in real terms.

These figures indicate that the economy is perhaps expanding more rapidly than had been assumed in the Ministry's semi-annual national economic forecast last April.

Merchandise imports

Excluding ships and aircraft, at constant prices and exchange rates



The income differential between men and women is narrowing; between regions it remains stable

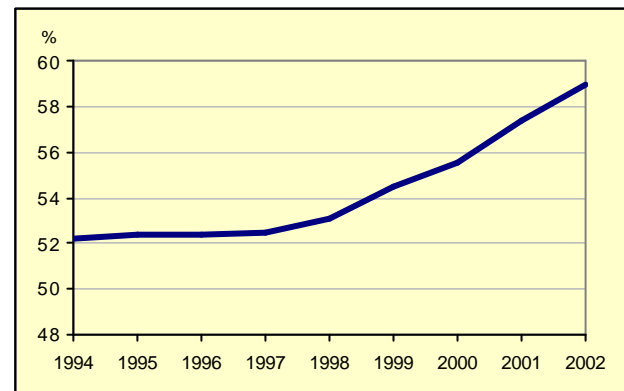
The debate on the equality between men and women tends to gravitate towards the issue of differentials in pay. Tax returns provide important data on the road towards pay equality. The returns do not provide information on working hours or part-time work which tends to be more common among women than men. Labour market surveys indicate however that the work week of women is shorter than that of men, even

if they are employed full-time. Education and seniority is another factor in the explanation of pay differentials. Women are now employed all over the job market: Their hours of work have increased, as has their employment participation, and their education has improved faster than that of men.

The information that may be discerned from tax returns encompasses all these factors. Nonetheless, it shows where developments are heading. The income of women in 2002 amounted to 59 per cent of the income of men. The income differential had narrowed by 1.6 percentage points from the previous year.

The chart below shows that the income of women in per cent of the income of men has increased in recent years. The percentage began to increase in 1998 after having been stable for a number of years. Over the past five years the increase has amounted to 7 percentage points. During this period, the average income of men has increased by 50 per cent and that of women by 68 per cent. Employment income is defined as wages and salaries plus other emoluments such as taxable car benefits and per diem allowances.

The income of women in per cent of the income of men



The pay differential between residents in the capital area and the outer regions has been increasing in recent years up to the year 2000. In that year, the residents of the south-west region (Reykjavík and Reykjanes) had an average income that was 5 per cent higher than the country average, whereas average income in the other regions was below 90 per cent of the country average.

The difference is still substantial although it appears to be declining; in 2002 the latter group averaged 91 per cent of the country average. The difference in economic activity between the south-west area and the rest of the country provides a part of the explanation for the difference. The north-west region stands apart from other parts of the country; income there was close to 15 per cent below the country average, even if the income differential has narrowed in recent years. The same applies to the north-east and the eastern regions: average incomes there have increased in proportion to total incomes in the country. The average income of the electoral districts outside Reykjavík, excluding the north-west, are broadly similar, averaging 90-94 per cent of the total country average.

Treasury revenue, Jan-June		
12-month changes %	2001-2002	2002-2003
Total tax revenue	4.5	4.1
Income taxes	4.2	-0.9
Social security taxes	10.3	8.3
Net wealth taxes	-2.3	-20.6
Indirect taxes	4.1	9.3
Total revenue	4.9	15.3

Treasury expenditure, Jan-June		
12-month changes %	2001-2002	2002-2003
Administration	16.4	2.5
Social affairs	12.1	10.5
Economic affairs	3.6	4.9
Interest	7.7	-22
Other	4.6	16.5
Total expenditure	10.4	5.6

Treasury finances, Jan-June		
Million krónur	2002	2003
Cash from operations	-7,739	-9,172
Net financial balance	-4,343	8,424
Debt redemption	-19,484	-17,952
Gross borrowing requirement	-28,328	-13,279
New borrowing	24,892	14,038
Overall cash balance	-3,435	760

Economic indicators		
12-month changes, %	2002	2003
Inflation - August	3.2	2.0
Core inflation August	4.2	2.7
Wage index - June	6.9	5.6
Total turnover, Jan-April	11	-1.7
Retail turnover, Jan-April	7.8	3.3
Unemployment in % June	2.3	3.2

