

The Fiscal Monitor

A Publication of the Department of Finance

Financial results for July 1996

Deficit declines \$0.5 billion in July 1996

The deficit in July 1996 was estimated at \$1.2 billion, down \$0.5 billion from July 1995.

- The year-over-year improvement in the deficit was primarily attributable to higher revenues.
- Budgetary revenues were up \$0.5 billion, or 5.2 per cent.
 - Higher collections were reported for corporate income tax, the Goods and Services Tax and for non-tax revenues.
 - Personal income taxes were lower than in July 1995, primarily reflecting timing factors.
- Program spending and public debt charges were virtually unchanged, on a year-over-year basis.
 - Within program spending, declines were reported in transfers to other levels of government, Crown corporation expenditures and in defence spending, which were offset by increases in non-defence departmental operating and capital expenditures and certain subsidy and other transfer payments. The increases in program spending were attributable to the timing of payments and not indicative of the final outcome for the year as a whole.
 - Public debt charges were slightly lower in July 1996, reflecting declines in interest rates witnessed since April 1995.

Deficit for April 1996 to July 1996 down by \$4.2 billion

Over the first four months of the fiscal year, the deficit, at \$6.5 billion, was \$4.2 billion lower than in the same period in 1995-96.

- Budgetary revenues were up \$2.4 billion or 6.2 per cent, on a year-over-year basis. This increase in collections reflected strong growth in income taxes (up 7.7 per cent, or \$1.8 billion), higher excise taxes and duties (up 7.7 per cent), and higher non-tax revenues (up 34.5 per cent). Employment insurance contributions declined (down 7.1 per cent), due to lower premium rates in 1996 and the lowering of the applicable earnings base to which premiums are calculated.
- Program spending declined by \$1.5 billion or 4.2 per cent. The decline in program spending primarily reflects the impact of the restraint measures introduced in the 1994 and 1995 budgets.
- Public debt charges were down \$0.3 billion, or 1.7 per cent. This decline reflects the decline in interest rates, especially short-term rates. Fiscal restraint by the federal and provincial governments and continued low inflation have provided the necessary conditions for interest rates to come down.



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Table 1

Summary statement of financial transactions¹

	July		April to July	
	1995	1996	1995-96	1996-97
(in millions of dollars)				
Budgetary transactions				
Revenues	10,581	11,129	38,980	41,405
Program spending	-8,245	-8,288	-33,902	-32,415
Operating balance	2,336	2,841	5,078	8,990
Public debt charges	-4,007	-3,996	-15,706	-15,440
Deficit	-1,671	-1,155	-10,628	-6,450
Non-budgetary transactions	1,860	1,835	86	469
Financial requirements (excluding foreign exchange transactions)	189	680	-10,542	-5,981
Foreign exchange transactions	-1,580	317	-2,206	1,133
Financial requirements	-1,391	997	-12,748	-4,848
Unmatured debt transactions	2,243	1,367	14,003	1,037

Note: Data compiled by the Receiver General of Canada.

¹ (+) indicates a source of funds, while (-) indicates a requirement for funds.

Table 2

Detailed statement of budgetary transactions – Revenues

	July		April to July	
	1995	1996	1995-96	1996-97
(in millions of dollars)				
Income taxes				
Personal income tax	5,269	5,105	19,572	21,004
Corporate income tax	1,092	1,400	3,820	4,165
Other income tax revenue	162	176	504	561
Total income tax	6,523	6,681	23,896	25,730
Employment insurance contributions	1,706	1,587	6,634	6,162
Excise taxes and duties				
Goods and Services Tax	1,150	1,262	3,742	4,118
Customs import duties	223	202	865	682
Sales and excise taxes	615	810	2,314	2,656
Total excise taxes/duties	1,987	2,274	6,921	7,456
Total tax revenues	10,217	10,542	37,451	39,348
Non-tax revenues	364	587	1,529	2,057
Total budgetary revenues	10,581	11,129	38,980	41,405

Table 3

Detailed statement of budgetary transactions – Expenditures

	July		April to July	
	1995	1996	1995-96	1996-97
(in millions of dollars)				
Transfer payments to:				
Persons				
Elderly benefits	1,749	1,760	6,884	7,056
Employment insurance benefits	905	916	4,188	4,181
Other	110	116	470	451
Total	2,773	2,792	11,542	11,688
Other levels of government				
Canada Health and Social Transfer	1,608	1,254	6,641	5,016
Fiscal transfers	798	881	3,454	3,502
Alternative Payments for Standing Programs	-163	-169	-651	-674
Total	2,243	1,966	9,444	7,844
Other				
Agricultural	26	116	55	182
Indians and Inuit	242	274	1,396	1,440
Regional development	17	24	48	62
Science and technology	51	43	356	222
International assistance	93	166	370	440
Other	305	415	1,502	1,503
Total	734	937	3,627	3,749
Total transfers	5,750	5,695	24,613	23,281
Payments to Crown corporations	337	295	1,418	1,347
Operating and capital expenditures				
Defence	785	742	2,828	2,505
All other departmental expenditures	1,373	1,556	5,043	5,282
Total	2,158	2,298	7,871	7,787
Total program spending	8,245	8,288	33,902	32,415
Public debt charges	4,007	3,996	15,706	15,440
Total budgetary expenditures	12,252	12,284	49,608	47,855

Table 4

Non-budgetary transactions

	July		April to July	
	1995	1996	1995-96	1996-97
(in millions of dollars)				
Loans, investments and advances				
Crown corporations	392	387	456	551
Other	-70	-23	-599	-250
Total	322	364	-143	301
Specified purpose accounts				
Canada Pension Plan Account	-476	-506	842	641
Superannuation accounts	-167	-174	1,858	1,930
Other	-5	51	-9	11
Total	-648	-629	2,691	2,582
Other transactions	2,186	2,100	-2,462	-2,414
Total non-budgetary transactions	1,860	1,835	86	469

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Table 5

Foreign exchange and unmatured debt transactions

	July		April to July	
	1995	1996	1995-96	1996-97
	(in millions of dollars)			
Foreign exchange transactions				
Net international reserves	-3,349	118	-2,285	565
Unmatured debt transactions payable in foreign currencies	1,769	199	79	568
Total	-1,580	317	-2,206	1,133
Unmatured debt transactions				
Marketable bonds	7,068	5,400	17,637	12,528
Canada Savings Bonds	-285	-252	-1,551	-1,053
Treasury bills	-3,248	-4,300	499	-11,900
Other	352	564	-3,066	1,455
Subtotal	3,887	1,412	13,519	1,030
<i>Less:</i>				
Government's holding of unmatured debt	125	154	563	575
Unmatured debt transactions payable in foreign currencies	-1,769	-199	-79	-568
Subtotal	-1,644	-45	484	7
Total unmatured debt transactions payable in Canadian dollars	2,243	1,367	14,003	1,037

Table 6

Cash, unmatured debt and debt balances

	at June 30	
	1995	1996
	(in millions of dollars)	
Cash balances at end of period		
In Canadian dollars	3,125	4,731
In foreign currencies	21	6
Total cash balance	3,146	4,734
Unmatured debt balance		
Payable in Canadian dollars		
Marketable bonds	239,355	265,293
Canada Savings Bonds	29,835	30,375
Treasury bills	164,949	154,200
Other	4,265	4,365
Subtotal	438,404	454,233
<i>Less:</i>		
Government's holdings of unmatured debt	428	375
Total	437,976	453,858
Payable in foreign currencies		
Marketable bonds	11,797	9,501
Notes and loans	0	921
Canada bills	5,203	6,943
Subtotal	17,000	17,365
<i>Less:</i>		
Government's holdings of unmatured debt	0	0
Total unmatured debt	454,976	471,223

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