

The Fiscal Monitor

A Publication of the Department of Finance

Financial results for October 1996

Deficit declines \$2.4 billion in October 1996

The deficit in October 1996 was estimated at \$0.5 billion, down \$2.4 billion from October 1995. The year-over-year improvement reflects higher budgetary revenues (up \$2.0 billion). Program spending declined by \$0.5 billion.

- Most of the increase in budgetary revenues was attributable to the gross proceeds (\$1.5 billion) from the sale of the Air Navigation System to NAVCAN, as announced in the February 1995 budget. The net impact of this sale on the 1996-97 deficit will be lower, once the net costs of this transaction are fully taken into account. Corporate income tax collections were up strongly while personal income tax collections were relatively weak, largely due to the slippage of receipts from October 1996 into November 1996. Goods and Services Tax collections were lower on a year-over-year basis, as higher refunds/rebates offset the growth in gross collections. The reclassification of the Air Transport Tax from program spending to budgetary revenues, effective April 1996, accounts for most of the increase in other excise taxes and duties.
- The decline in program spending primarily reflects the impact of the restraint measures introduced in the 1994 and 1995 budgets.
- Public debt charges were virtually unchanged from the October 1995 level, as the impact of lower interest rates was largely offset by adjustments relating to previous months.

Deficit for April 1996 to October 1996 down by \$10.1 billion

Over the April to October period, the deficit, at \$7.5 billion, was \$10.1 billion lower than in the same period in 1995-96.

- Budgetary revenues were up \$5.9 billion or 8.3 per cent, on a year-over-year basis. This increase in collections reflected strong growth in income taxes (up 8.9 per cent, or \$3.7 billion) and higher sales and excise taxes (up 6.9 per cent or \$1.0 billion), and an increase in non-tax revenues (up \$1.9 billion or 61.1 per cent), primarily reflecting the one-time gain related to asset sales. Employment insurance contributions declined (down 6.2 per cent), due to lower premium rates in 1996 and the lowering of the applicable earnings base on which premiums are calculated.
- Program spending declined by \$3.5 billion or 5.7 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 \$0.8 billion, or 2.8 per cent. This 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.

The results to date cannot be used to extrapolate what the deficit outcome will be for the year as a whole, as part of the improvement to date is attributable to developments unique to the first quarter of 1996-97 and the manner in which certain restraint and asset sale measures are being implemented. However, the deficit results clearly suggest that the deficit target for 1996-97 will be met and possibly bettered.



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Table 1

Summary statement of financial transactions¹

	October		April to October	
	1995	1996	1995-96	1996-97
(in millions of dollars)				
Budgetary transactions				
Revenues	10,104	12,080	70,787	76,654
Program spending	-9,197	-8,746	-61,046	-57,561
Operating balance	907	3,334	9,741	19,093
Public debt charges	-3,848	-3,830	-27,359	-26,593
Deficit	-2,941	-496	-17,618	-7,500
Non-budgetary transactions	1,349	344	3,511	3,102
Financial requirements (excluding foreign exchange transactions)	-1,592	-152	-14,107	-4,398
Foreign exchange transactions	3,201	-1,457	623	-1,127
Financial requirements	1,609	-1,609	-13,484	-5,525
Unmatured debt transactions	585	45	21,074	-355

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

	October		April to October	
	1995	1996	1995-96	1996-97
(in millions of dollars)				
Income taxes				
Personal income tax	4,721	4,782	34,665	37,225
Corporate income tax	832	1,191	6,268	7,287
Other income tax revenue	155	143	1,078	1,225
Total income tax	5,708	6,116	42,011	45,737
Employment insurance contributions	1,673	1,594	11,706	10,981
Excise taxes and duties				
Goods and Services Tax	1,471	1,409	8,255	8,832
Customs import duties	257	264	1,684	1,408
Sales and excise taxes	605	721	4,016	4,677
Total excise taxes/duties	2,333	2,394	13,955	14,917
Total tax revenue	9,714	10,104	67,672	71,635
Non-tax revenue	390	1,976	3,115	5,019
Total budgetary revenues	10,104	12,080	70,787	76,654

Table 3

Detailed statement of budgetary transactions – Expenditures

	October		April to October	
	1995	1996	1995-96	1996-97
(in millions of dollars)				
Transfer payments to:				
Persons				
Elderly benefits	1,770	1,811	12,158	12,476
Employment insurance benefits	938	971	7,045	6,919
Other	112	118	817	794
Total	2,820	2,900	20,020	20,189
Other levels of government				
Canada Health and Social Transfer	1,958	1,267	12,116	8,791
Fiscal transfers	949	783	5,983	5,919
Alternative payments for standing programs	-163	-167	-1,141	-1,180
Total	2,744	1,883	16,958	13,530
Other				
Agricultural subsidies	13	69	197	380
Indians and Inuit programs	242	239	2,222	2,222
Regional development	51	43	196	198
Science and Technology	180	130	643	523
International assistance	155	147	844	825
Other	435	419	2,800	2,375
Total	1,076	1,047	6,902	6,523
Total transfers	6,640	5,830	43,880	40,242
Payments to Crown corporations	611	380	2,719	2,323
Operating and capital expenditures				
Defence	841	755	5,327	4,879
All other departmental expenditures	1,105	1,781	9,120	10,117
Total	1,946	2,536	14,447	14,996
Total program expenditures	9,197	8,746	61,046	57,561
Public debt charges	3,848	3,830	27,359	26,593
Total budgetary expenditures	13,045	12,576	88,405	84,154

Table 4

Non-budgetary transactions

	October		April to October	
	1995	1996	1995-96	1996-97
(in millions of dollars)				
Loans, investments and advances				
Crown corporations	75	3	252	760
Other	884	40	1,027	-293
Total	959	43	1,279	467
Specified purpose accounts				
Canada Pension Plan Account	494	152	1,358	971
Superannuation accounts	-178	-137	3,943	4,146
Other	-138	50	-33	140
Total	178	65	5,268	5,257
Other transactions	212	236	-3,306	-2,622
Total non-budgetary transactions	1,349	344	3,511	3,102

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Table 5

Foreign exchange and unmatured debt transactions

	October		April to October	
	1995	1996	1995-96	1996-97
	(in millions of dollars)			
Foreign exchange transactions				
Net international reserves	3,201	-1,457	623	-1,127
Unmatured debt transactions				
Marketable bonds	1,548	1,775	24,206	15,353
Canada Savings Bonds	-424	-345	-2,537	-1,822
Treasury bills		-2,400	3,250	-16,300
Other	-577	952	-4,708	1,561
Subtotal	547	-18	20,211	-1,208
<i>Less:</i>				
Government's holding of unmatured debt	38	63	863	853
Total unmatured debt transactions	585	45	21,074	-355

Note: Unmatured debt payable in foreign currencies is now included as part of unmatured debt transactions and not Foreign exchange transactions. This is consistent with the *Annual Financial Report* for 1995-96.

Table 6

Cash, unmatured debt and debt balances

	at October 31	
	1995	1996
	(in millions of dollars)	
Cash balances at end of period		
In Canadian dollars	9,330	2,662
In foreign currencies	153	2
Total cash balance	9,483	2,664
Unmatured debt balance		
Payable in Canadian dollars		
Marketable bonds	246,030	268,118
Canada Savings Bonds	28,849	29,606
Treasury bills	167,700	149,800
Other	3,548	3,471
Subtotal	446,127	450,995
<i>Less:</i>		
Government's holdings of unmatured debt	131	181
Total	445,996	450,814
Payable in foreign currencies		
Marketable bonds	11,797	9,514
Notes and loans	0	1,878
Canada bills	4,278	6,986
Subtotal	16,075	18,378
<i>Less:</i>		
Government's holdings of unmatured debt	0	0
Total unmatured debt	462,071	469,192

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