

The Fiscal Monitor

A Publication of the Department of Finance

Financial results for November 1996

Deficit Declines \$1.0 billion in November 1996

The deficit in November 1996 was estimated at \$0.6 billion, down \$1.0 billion from November 1995. The year-over-year improvement reflected lower program spending (down \$0.6 billion), lower public debt charges (down \$0.3 billion) and higher budgetary revenues (up \$0.2 billion).

- The decline in program spending primarily reflected the impact of the restraint measures introduced in the 1994 and 1995 budgets.
- The decline in public debt charges was attributable to the impact of lower interest rates.
- Within budgetary revenues, higher personal income tax collections and employment insurance (E.I.) premiums were largely offset by lower Goods and Services Tax (GST) collections. The increase in E.I. premiums reflected developments in November 1995, as recoveries from the E.I. Account due to overpayments relating to taxation year 1994 dampened net collections in that month. The decline in GST collections was due to lower gross receipts and an increase in refunds and rebates. The reclassification of the Air Transport Tax from program spending to budgetary revenues, effective April 1996, accounted for most of the increase in other excise taxes and duties.

Deficit for April 1996 to November 1996 down by \$11.1 billion

Over the April to November period, the deficit, at \$8.1 billion, was \$11.1 billion lower than in the same period in 1995-96.

- Budgetary revenues were up \$6.0 billion or 7.4 per cent, on a year-over-year basis. This increase in collections reflected strong growth in income taxes (up 8.3 per cent, or \$4.0 billion), largely due to higher personal income taxes paid on filing pertaining to the 1995 taxation year and the timing of corporate income tax receipts, and higher non-tax revenues (up \$1.9 billion), primarily reflecting the gross proceeds from the sale of the Air Navigation System. Excise taxes and duties, which include the GST, were up 3.3 per cent or \$0.5 billion. Most of this increase was due to the reclassification of the Air Transport Tax to budgetary revenues. Employment insurance contributions declined (down 3.3 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 \$4.1 billion or 5.8 per cent. The decline in program spending primarily reflected the impact of the restraint measures introduced in the 1994 and 1995 budgets. However, part of the decline to date was also due to timing factors, including the manner in which certain restraint measures are being implemented.
- Public debt charges were down \$1.0 billion, or 3.3 per cent. 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 to date 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

	November		April to November	
	1995	1996	1995-96	1996-97
(in millions of dollars)				
Budgetary transactions				
Revenues	10,828	11,002	81,616	87,656
Program spending	-8,646	-8,056	-69,693	-65,617
Operating balance	2,182	2,946	11,923	22,039
Public debt charges	-3,824	-3,564	-31,182	-30,157
Deficit	-1,642	-618	-19,259	-8,118
Non-budgetary transactions	1,311	1,262	4,821	4,361
Financial requirements (excluding foreign exchange transactions)	-331	644	-14,438	-3,757
Foreign exchange transactions	-791	-2,653	-168	-3,780
Financial requirements	-1,122	-2,009	-14,606	-7,537
Unmatured debt transactions	-187	3,019	20,889	2,665
Change in cash balances	-1,309	1,010	6,283	-4,872

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

	November		April to November	
	1995	1996	1995-96	1996-97
(in millions of dollars)				
Income taxes				
Personal income tax	5,119	5,341	39,784	42,567
Corporate income tax	1,080	1,094	7,348	8,381
Other income tax revenue	177	250	1,256	1,475
Total income tax	6,376	6,685	48,388	52,423
Employment insurance contributions	1,275	1,571	12,981	12,552
Excise taxes and duties				
Goods and Services Tax	1,926	1,415	10,180	10,247
Customs import duties	234	254	1,919	1,663
Sales and excise taxes	607	680	4,622	5,356
Total excise taxes/duties	2,767	2,349	16,721	17,266
Total tax revenues	10,418	10,605	78,090	82,241
Non-tax revenues	410	397	3,526	5,415
Total budgetary revenues	10,828	11,002	81,616	87,656

Table 3

Detailed statement of budgetary transactions – Expenditures

	November		April to November	
	1995	1996	1995-96	1996-97
(in millions of dollars)				
Transfer payments to:				
Persons				
Elderly benefits	1,772	1,852	13,930	14,328
Employment insurance benefits	980	746	8,025	7,665
Other	113	111	929	905
Total	2,865	2,709	22,884	22,898
Other levels of government				
Canada Health and Social Transfer	1,431	1,267	13,547	10,058
Fiscal transfers	781	717	6,763	6,637
Alternative Payments for Standing Programs	-163	-166	-1,304	-1,346
Total	2,049	1,818	19,006	15,349
Other				
Agricultural	24	81	221	461
Indians and Inuit	244	255	2,466	2,477
Regional development	72	29	268	227
Science and technology	86	64	729	587
International assistance	132	140	976	964
Other	412	433	3,212	2,809
Total	970	1,002	7,872	7,525
Total transfers	5,884	5,529	49,762	45,772
Payments to Crown corporations	225	326	2,944	2,649
Operating and capital expenditures				
Defence	856	765	6,183	5,643
All other departmental expenditures	1,681	1,436	10,804	11,553
Total	2,537	2,201	16,987	17,196
Total program spending	8,646	8,056	69,693	65,617
Public debt charges	3,824	3,564	31,182	30,157
Total budgetary expenditures	12,470	11,620	100,875	95,774

Table 4

Non-budgetary transactions

	November		April to November	
	1995	1996	1995-96	1996-97
(in millions of dollars)				
Loans, investments and advances				
Crown corporations	2,376	-64	2,628	696
Other	-1,242	-110	-216	-404
Total	1,134	-174	2,412	292
Specified purpose accounts				
Canada Pension Plan Account	-1,151	-956	207	15
Superannuation accounts	-162	-185	3,781	3,961
Other	190	15	158	155
Total	-1,123	-1,126	4,146	4,131
Other transactions	1,300	2,562	-1,737	-62
Total non-budgetary transactions	1,311	1,262	4,821	4,361

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Table 5

Foreign exchange and unmatured debt transactions

	November		April to November	
	1995	1996	1995-96	1996-97
	(in millions of dollars)			
Foreign exchange transactions				
Net international reserves	-791	-2,653	-168	-3,780
Unmatured debt transactions				
Marketable bonds	900	6,643	25,106	21,996
Canada Savings Bonds	3,680	5,057	1,143	3,235
Treasury bills	-3,800	-7,800	-550	-24,100
Other	379	427	-4,327	1,989
Subtotal	1,159	4,327	21,372	3,120
Less:				
Government's holding of unmatured debt	-1,346	-1,308	-483	-455
Total unmatured debt transactions	-187	3,019	20,889	2,665

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 November 30	
	1995	1996
	(in millions of dollars)	
Cash balances at end of period		
In Canadian dollars	7,205	3,659
In foreign currencies	971	15
Total cash balance	8,176	3,674
Unmatured debt balance		
Payable in Canadian dollars		
Marketable bonds	247,630	272,018
Canada Savings Bonds	32,529	34,663
Treasury bills	163,900	142,000
Other	4,079	3,786
Subtotal	448,138	452,467
Less:		
Government's holdings of unmatured debt	1,477	1,490
Total	446,661	450,977
Payable in foreign currencies		
Marketable bonds	11,097	12,257
Notes and loans	0	2,079
Canada bills	4,127	6,897
Subtotal	15,224	21,233
Less:		
Government's holdings of unmatured debt	0	0
Total unmatured debt	461,885	472,210

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