

The Fiscal Monitor

A Publication of the Department of Finance

Financial results for January 1997

Deficit declines \$0.4 billion in January 1997

The deficit in January 1997 was estimated at \$1.4 billion, down \$0.4 billion from January 1996. The year-over-year improvement reflected higher budgetary revenue (up \$0.3 billion) and lower public debt charges (down \$0.2 billion).

- Most of the increase in budgetary revenues was attributable to higher employment insurance (EI) premiums, reflecting the impact of changes to the base on which premiums are levied – from weekly maximum insurable earnings to annual maximum insurable earnings. This results in a one-time increase in receipts from EI premiums in the final quarter of 1996-97. This change, however, does not affect the annual amount of premiums paid. The decline in personal income tax revenues primarily reflected recoveries, in January 1996, from both EI and Canada Pension Plan accounts for overpayments relating to taxation 1994. There were no such recoveries in January 1997. The decline in goods and service tax (GST) collections was attributable to higher refunds. The increase in other excise taxes and duties was attributable to the timing of receipts, as well as the reclassification of the air transport tax, effective April 1996, to budgetary revenues from an offset to program spending.
- The decline in public debt charges was attributable to the impact of lower interest rates.
- Program spending was up slightly, reflecting the timing of payments and the reclassification of the air transport tax from an offset to program spending to budgetary revenues.

Deficit for April 1996 to January 1997 down by \$13.6 billion

Over the April to January period, the deficit, at \$7.3 billion, was \$13.6 billion lower than in the same period in 1995-96.

- Budgetary revenues were up \$7.6 billion or 7.2 per cent, on a year-over-year basis. This increase in collections reflected higher income taxes (up 6.6 per cent, or \$4.2 billion) and non-tax revenues (up \$1.5 billion), the latter primarily reflecting the gross proceeds from the sale of the Air Navigation System. Excise taxes and duties, which include the GST, were up 5.9 per cent or \$1.2 billion. About half of this increase was due to the reclassification of the air transport tax to budgetary revenues. Employment insurance contributions were up 3.8 per cent, as the acceleration in payments, coupled with the impact of repayments last year more than offset the effect of lower premium rates in 1996 and 1997 and the lowering of the applicable earnings base on which premiums are calculated.
- Program spending declined by \$4.5 billion or 5.1 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. This is especially applicable to the decline in transfers to other levels of government. Under the Canada Health and Social Transfer (CHST), cash payments are being made in equal monthly installments. In 1995-96, cash payments under the programs replaced by the CHST were concentrated in the first nine months of the fiscal year.
- Public debt charges were down \$1.6 billion, or 4.1 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.
- As noted in the February 1997 budget, the deficit for 1996-97 is not expected to be any higher than \$19.0 billion. This is down \$5.3 billion from the original deficit target of \$24.3 billion. The financial results to the end of January 1997 are consistent with this revised deficit outcome.



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Table 1

Summary statement of financial transactions¹

	January		April to January	
	1996	1997	1995-96	1996-97
(in millions of dollars)				
Budgetary transactions				
Revenues	10,854	11,153	105,416	112,983
Program spending	-8,952	-8,982	-87,407	-82,943
Operating balance	1,902	2,171	18,009	30,040
Public debt charges	-3,761	-3,586	-38,978	-37,381
Deficit	-1,859	-1,415	-20,969	-7,341
Non-budgetary transactions	2,140	2,555	5,899	5,549
Financial requirements (excluding foreign exchange transactions)	281	1,140	-15,070	-1,792
Foreign exchange transactions	-3,792	-2,788	-2,504	-4,994
Financial requirements	-3,511	-1,648	-17,574	-6,786
Unmatured debt transactions	-795	-1,431	18,761	319
Change in cash balances	-4,306	-3,079	1,187	-6,467

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

	January		April to January	
	1996	1997	1995-96	1996-97
(in millions of dollars)				
Income taxes				
Personal income tax	5,747	5,257	52,212	54,970
Corporate income tax	1,364	1,334	10,123	11,193
Other income tax revenue	227	301	1,630	2,029
Total income tax	7,338	6,892	63,965	68,192
Employment insurance contributions	1,226	2,038	15,546	16,143
Excise taxes and duties				
Goods and services tax	1,100	924	12,743	13,284
Customs import duties	157	221	2,337	2,095
Sales and excise taxes	523	795	5,823	6,757
Total excise taxes/duties	1,780	1,940	20,903	22,136
Total tax revenues	10,344	10,870	100,414	106,471
Non-tax revenues	510	283	5,002	6,512
Total budgetary revenues	10,854	11,153	105,416	112,983

Table 3

Detailed statement of budgetary transactions – Expenditures

	January		April to January	
	1996	1997	1995-96	1996-97
	(in millions of dollars)			
Transfer payments to:				
Persons				
Elderly benefits	1,765	1,798	17,468	17,935
Employment insurance benefits	1,508	1,446	10,675	10,042
Other	119	119	1,158	1,136
Total	3,392	3,363	29,301	29,113
Other levels of government				
Canada Health and Social Transfer	1,321	1,267	16,209	12,592
Fiscal transfers	761	722	8,329	8,084
Alternative Payments for Standing Programs	-163	-166	-1,630	-1,679
Total	1,919	1,823	22,908	18,997
Other				
Agricultural subsidies	109	117	439	678
Indian and Inuit programs	177	231	2,916	2,997
Regional development	95	68	417	368
Science and technology	57	54	964	822
International assistance	173	151	1,263	1,258
Other	529	611	4,208	3,886
Total	1,140	1,232	10,207	10,009
Total transfers	6,451	6,418	62,416	58,119
Payments to Crown corporations	394	381	3,739	3,395
Operating and capital expenditures				
Defence	811	789	7,742	7,242
All other departmental expenditures	1,296	1,394	13,510	14,187
Total	2,107	2,183	21,252	21,429
Total program expenditures	8,952	8,982	87,407	82,943
Public debt charges	3,761	3,586	38,978	37,381
Total budgetary expenditures	12,713	12,568	126,385	120,324

Table 4

Non-budgetary transactions

	January		April to January	
	1996	1997	1995-96	1996-97
	(in millions of dollars)			
Loans, investments and advances				
Crown corporations	398	-16	3,408	855
Other	28	4	-187	-406
Total	426	-12	3,221	449
Specified purpose accounts				
Canada Pension Plan Account	-655	-445	-814	-858
Superannuation accounts	-150	-183	6,071	6,413
Other	76	93	203	298
Total	-729	-535	5,460	5,853
Other transactions	2,443	3,102	-2,782	-753
Total non-budgetary transactions	2,140	2,555	5,899	5,549

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Table 5

Foreign exchange and unmatured debt transactions

	January		April to January	
	1996	1997	1995-96	1996-97
(in millions of dollars)				
Foreign exchange transactions				
Net international reserves	-3,792	-2,788	-2,504	-4,994
Unmatured debt transactions				
Marketable bonds	2,100	2,700	29,656	30,803
Canada Savings Bonds	-354	-222	619	2,740
Treasury bills	-2,500	-4,050	-6,850	-34,950
Other	-147	-24	-4,489	1,904
Subtotal	-901	-1,596	18,936	497
<i>Less:</i>				
Government's holding of unmatured debt	106	165	-175	-178
Total unmatured debt transactions	-795	-1,431	18,761	319

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 January 31	
	1996	1997
(in millions of dollars)		
Cash balances at end of period		
In Canadian dollars	3,032	2,042
In foreign currencies	47	34
Total cash balance	3,079	2,076
Unmatured debt balance		
Payable in Canadian dollars		
Marketable bonds	252,180	280,825
Canada Savings Bonds	32,005	34,168
Treasury bills	157,600	131,150
Other	4,011	3,785
Subtotal	445,796	449,928
<i>Less:</i>		
Government's holdings of unmatured debt	1,169	1,212
Total	444,627	448,716
Payable in foreign currencies		
Marketable bonds	11,097	12,257
Notes and loans	0	2,099
Canada bills	4,034	6,795
Subtotal	15,131	21,151
<i>Less:</i>		
Government's holdings of unmatured debt	0	0
Total unmatured debt	459,758	469,867

Note: Numbers in this newsletter may not add due to rounding.

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