

The Fiscal Monitor

A Publication of the Department of Finance

Highlights of financial results for April 1997

Deficit declines by \$0.7 billion in April 1997

The deficit in April 1997 was estimated at \$3.4 billion, down \$0.7 billion from April 1996. Most of this year-over-year decline in the deficit was attributable to higher budgetary revenues, up \$0.7 billion. Program spending was marginally lower while public debt charges were up slightly.

The increase in budgetary revenues was primarily due to higher employment insurance premiums (up \$0.4 billion), personal income tax collections (up \$0.3 billion) and corporate income tax collections (up \$0.3 billion). In contrast, excise taxes and duties and non-tax revenues were down on a year-over-year basis.

- The increase in employment insurance premiums was largely attributable to an acceleration in the payment of the premium liability due to changes to the base on which premiums are levied, from weekly maximum insurable earnings to annual maximum insurable earnings, effective January 1, 1997. This change does not affect the amount paid by employees and employers for the calendar year as a whole. However, those earning above the annual maximum insurable earnings will pay more of their premium liability earlier in the calendar year and less at the end.
- Most of the increase in personal income tax collections was due to higher taxes paid on filing and lower refunds, relating to the 1996 taxation year. Higher corporate profits account for the increase in corporate income tax collections.
- The decline in excise taxes and duties was largely due to lower GST collections, offset in part by higher other excise taxes and duties. Net GST collections were a negative \$249 million, down \$233 million from April 1996. Net GST collections are the lowest in April of each year. This is largely due to the fact that most GST collections are due at the end of each month, but are not normally deposited in the government's bank accounts until the first few days of the following month. During the course of the year, these monies are largely reported in the month in which they are received. However, monies remitted with respect to March, but not received until April, are credited to the previous fiscal year as part of the end-of-year accounting adjustments, thereby dampening overall collections in April. In addition, the low-income GST credit is paid in April, thereby further dampening net collections in that month.

Program spending was down slightly in April 1997 compared to April 1996.

- Declines were recorded in major transfers to persons, major transfers to other levels of government, payments to Crown corporations and to defence. These reductions primarily reflect actions taken in previous budgets to control spending and reduce the deficit.
- Dampening the impact of these declines were increases in other transfers and in all other departmental spending – primarily the operating costs of governments. These increases largely reflect timing factors, which should be reversed in coming months. For example, the increase in all other departmental spending was attributable to there being three government employee pay periods in April 1997, whereas there were only two in April 1996. This accounts for more than all of the increase in this component of program spending. In May 1996, there were three pay periods, whereas there were only two in May 1997.

Public debt charges were up slightly, as the impact of lower interest rates was offset by a slight increase in the overall stock of debt.



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Table 1

Summary statement of transactions

	April	
	1996	1997
	(millions of dollars)	
Budgetary transactions		
Revenues	7,653	8,337
Program spending	-7,971	-7,952
Operating balance	-318	385
Public debt charges	-3,741	-3,792
Deficit/surplus	-4,059	-3,407
Non-budgetary transactions	-301	412
Financial requirements/source (excluding foreign exchange transactions)	-4,360	-2,995
Foreign exchange transactions	-1,906	3,589
Total financial requirements	-6,266	594
Unmatured debt transactions	-349	-5,092

Note: Positive numbers indicate net source of funds. Negative numbers indicate net requirement for funds.

Table 2

Budgetary revenues

	April		
	1996	1997	Per cent change
	(millions of dollars)		(%)
Income taxes			
Personal income tax	4,528	4,806	6.1
Corporate income tax	550	811	47.5
Other	204	272	33.1
Total income tax	5,282	5,889	11.5
Employment insurance contributions	1,488	1,844	23.9
Excise taxes and duties			
Goods and services tax	-16	-249	N.A.
Customs import duties	94	22	N.A.
Other excise taxes/duties	298	463	55.9
Total excise taxes and duties	376	237	-36.7
Total tax revenues	7,146	7,970	11.6
Non-tax revenues	507	367	-27.8
Total budgetary revenues	7,653	8,337	8.9

Table 3

Budgetary expenditures

	April		Per cent change
	1996	1997	
	(millions of dollars)		(%)
Transfer payments to:			
Persons			
Elderly benefits	1,705	1,790	5.0
Employment insurance benefits	1,283	1,134	-11.6
Total	2,988	2,924	-2.1
Other levels of government			
Canada Health and Social Transfer	1,254	1,022	-18.5
Fiscal transfers	975	988	1.4
Alternative Payments for Standing Programs	-167	-178	6.6
Total	2,062	1,832	-11.1
Other			
Agriculture		4	N.A.
Foreign Affairs	59	49	-16.9
Human Resources Development	91	52	-42.9
Indian and northern development	707	716	1.3
Industry & regional development	64	83	29.7
Veterans Affairs	109	112	2.9
Other	194	301	55.4
Total	1,224	1,317	7.6
Total transfers	6,274	6,073	-3.2
Payments to Crown corporations			
Canadian Broadcasting Corporation	132	112	-15.2
Canada Mortgage and Housing Corporation	129	139	8.2
Other	138	137	-1.2
Total	399	388	-2.8
Operating and capital expenditures			
Defence	392	355	-9.4
All other departmental expenditures	906	1,136	25.4
Total	1,298	1,491	14.9
Total program expenditures	7,971	7,952	-0.2
Public debt charges	3,741	3,792	1.4
Total budgetary expenditures	11,712	11,744	0.3

Table 4

The deficit and financial requirements

	April	
	1996	1997
	(millions of dollars)	
Deficit/surplus	-4,059	-3,407
Loans, investments and advances		
Crown corporations	58	-253
Other	-37	-43
Total	21	-296
Specified purpose accounts		
Canada Pension Plan Account	532	513
Superannuation accounts	-163	-345
Other	-72	-41
Total	297	127
Other transactions	-619	581
Total non-budgetary transactions	-301	412
Financial requirements (excluding foreign exchange transactions)	-4,360	-2,995
Foreign exchange transactions	-1,906	3,589
Total financial requirements	-6,266	594

Table 5

Financial requirements and unmatured debt transactions

	April	
	1996	1997
	(millions of dollars)	
Total financial requirements/source	-6,266	594
Unmatured debt transactions: payable in Canadian dollars		
Marketable bonds	2,800	—
Canada Savings Bonds	-270	-289
Treasury bills	3,600	-3,700
Other	-1	-1
Less government's holdings	150	143
Total Canadian currency	-921	-3,847
Unmatured debt transactions: payable in foreign currencies		
Marketable bonds	—	—
Notes and loans	—	—
Canada bills	-39	-940
Canada notes	611	-305
Total foreign currencies	572	-1,245
Total unmatured debt transactions	-349	-5,092
Change in cash balance	-6,615	-4,497

Table 6

Cash, unmatured debt and debt balances: at April 30

	1996	1997
	(millions of dollars)	
Cash balances at end of period		
In Canadian dollars	1,896	4,836
In foreign currencies	20	5
Total cash balance	1,916	4,841
Unmatured debt balance		
Payable in Canadian dollars		
Marketable bonds	255,565	282,563
Treasury bills	162,500	131,700
Canada Savings Bonds	31,158	33,204
Other	3,477	3,467
Subtotal	452,700	450,934
Less:		
Government's holdings of unmatured debt	802	815
Total	451,898	450,119
Payable in foreign currencies		
Marketable bonds	9,501	12,460
Notes and loans	0	0
Canada bills	6,947	7,496
Canada notes	611	1,816
Total	17,059	21,772
Total unmatured debt	468,957	471,891

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

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