

# The Fiscal Monitor

A Publication of the Department of Finance

## Financial results for February 1996

### Deficit declines \$0.3 billion in February 1996

The deficit in February 1996 was estimated at \$2.3 billion, down \$0.3 billion from February 1995.

- The year-over-year improvement in the deficit was attributable to continued strength in budgetary revenues.
- Budgetary revenues were up 5.4 per cent, or \$0.5 billion.
  - Personal income tax collections were up \$0.5 billion, primarily reflecting gains in employment.
  - Corporate income tax collections were up \$0.3 billion, reflecting continued strength in corporate profits.
  - Non-tax revenue was up \$0.3 billion, due to repayments related to previous years' spending.
  - In contrast, Goods and Services Tax collections were down \$0.5 billion, due to the timing of the processing of refunds.
- Program spending increased by 1.3 per cent, or \$0.1 billion, due to timing of transfers to provinces and certain Crown corporations, as well as higher elderly benefit payments.
- Public debt charges advanced by only 3.2 per cent, the lowest year-over-year increase this fiscal year, due to the general downward trend in interest rates witnessed since April 1995.

### Deficit for April 1995 to February 1996 down by \$4.6 billion

Over the 11 months of the fiscal year, the deficit, at \$23.3 billion, was \$4.6 billion lower than in the same period in 1994-95.

- Budgetary revenues were up \$6.5 billion or 5.9 per cent, on a year-over-year basis. This increase in collections reflected strong growth in income taxes (up 9.8 per cent), dampened by slight declines in unemployment insurance premiums (down 2.0 per cent) and in excise taxes and duties (down 2.1 per cent).
- Program spending declined by \$2.7 billion or 2.8 per cent, as lower expenditures were reported among all major components with the exception of transfers to other levels of government and payments to Crown corporations.
- Public debt charges were up by \$4.6 billion, or 12.1 per cent. This increase reflects both the increase in the stock of debt and the lagged impact of the higher interest rates over the March 1994 to April 1995 period. However, the year-over-year increase in public debt charges has been moderating in recent months due to the general downward trend in interest rates since April 1995.

As noted in the March 1996 Budget, the deficit target for 1995-96 of \$32.7 billion is expected to be met if not bettered. Final deficit results will be released in the *Annual Financial Report*, scheduled for release in early fall.



# The Fiscal Monitor

Table 1

## Summary statement of financial transactions<sup>1</sup>

	February		April to February	
	1995	1996	1994-95	1995-96
	(in millions of dollars)			
<b>Budgetary transactions</b>				
Revenues	9,969	10,509	109,420	115,925
Program spending	-9,015	-9,134	-99,286	-96,542
Operating balance	954	1,375	10,134	19,383
Public debt charges	-3,573	-3,686	-38,051	-42,664
Deficit	-2,619	-2,311	-27,917	-23,281
<b>Non-budgetary transactions</b>	1,318	2,222	4,210	8,119
<b>Financial requirements (excluding foreign exchange transactions)</b>	-1,301	-89	-23,707	-15,162
<b>Foreign exchange transactions</b>	-1,762	560	3,392	-3,734
<b>Financial requirements</b>	-3,063	471	-20,315	-18,896
<b>Unmatured debt transactions</b>	3,743	1,990	20,421	22,540

Note: Data compiled by the Receiver General of Canada.

<sup>1</sup> (+) indicates a source of funds, while (-) indicates a requirement for funds.

Table 2

## Detailed statement of budgetary transactions – Revenues

	February		April to February	
	1995	1996	1994-95	1995-96
	(in millions of dollars)			
<b>Income taxes</b>				
Personal income tax	4,082	4,573	52,579	56,738
Corporate income tax	1,253	1,566	9,749	11,689
Other income tax revenue	161	149	1,605	1,780
Total income tax	5,496	6,288	63,933	70,207
<b>Unemployment insurance contributions</b>	1,566	1,468	17,361	17,014
<b>Excise taxes and duties</b>				
Goods and Services Tax	1,917	1,454	14,624	14,351
Customs import duties	231	192	3,157	2,528
Sales and excise taxes	537	571	5,986	6,393
Total excise taxes/duties	2,685	2,217	23,767	23,272
<b>Total tax revenues</b>	9,747	9,973	105,061	110,493
<b>Non-tax revenues</b>	222	536	4,359	5,432
<b>Total budgetary revenues</b>	9,969	10,509	109,420	115,925

Table 3

**Detailed statement of budgetary transactions – Expenditures**

	February		April to February	
	1995	1996	1994-95	1995-96
(in millions of dollars)				
<b>Transfer payments to:</b>				
Persons				
Elderly benefits	1,717	1,774	18,783	19,242
Unemployment insurance benefits	1,351	1,363	13,383	12,037
Other	120	113	1,314	1,271
Total	3,188	3,250	33,480	32,550
Other levels of government				
Established Programs Financing	811	831	8,832	8,891
Fiscal transfers	682	835	8,607	9,164
Canada Assistance Plan	314	342	6,925	6,861
Total	1,807	2,008	24,364	24,916
Other				
Agricultural	79	106	745	545
Indians and Inuit	263	210	2,955	3,128
Regional development	60	103	369	520
Science and technology	185	148	1,215	1,113
International assistance	159	242	1,645	1,505
Other	582	491	5,407	4,699
Total	1,328	1,300	12,336	11,510
Total transfers	6,323	6,558	70,180	68,976
<b>Payments to Crown corporations</b>	319	429	3,987	4,167
<b>Operating and capital expenditures</b>				
Defence	845	749	9,002	8,491
All other departmental expenditures	1,528	1,398	16,117	14,908
Total	2,373	2,147	25,119	23,399
<b>Total program spending</b>	9,015	9,134	99,286	96,542
<b>Public debt charges</b>	3,573	3,686	38,051	42,664
<b>Total budgetary expenditures</b>	12,588	12,820	137,337	139,206

Table 4

**Non-budgetary transactions**

	February		April to February	
	1995	1996	1994-95	1995-96
(in millions of dollars)				
<b>Loans, investments and advances</b>				
Crown corporations	-63	48	1,210	3,556
Other	-26	-70	-618	-257
Total	-89	78	592	3,299
<b>Specified purpose accounts</b>				
Canada Pension Plan Account	284	633	267	-181
Superannuation accounts	-184	-236	5,749	5,835
Other	35	94	172	296
Total	135	491	6,188	5,950
<b>Other transactions</b>	1,272	1,653	-2,570	-1,130
<b>Total non-budgetary transactions</b>	1,318	2,222	4,210	8,119

# The Fiscal Monitor

Table 5

## Foreign exchange and unmatured debt transactions

	February		April to February	
	1995	1996	1994-95	1995-96
	(in millions of dollars)			
<b>Foreign exchange transactions</b>				
Net international reserves	-1,496	948	-2,258	-1,556
Unmatured debt transactions payable in foreign currencies	-266	-388	5,650	-2,178
<b>Total</b>	<b>-1,762</b>	<b>560</b>	<b>3,392</b>	<b>-3,734</b>
<b>Unmatured debt transactions</b>				
Marketable bonds	2,163	-1,449	27,793	28,207
Canada Savings Bonds	-987	-309	852	309
Treasury bills	2,450	2,800	-5,300	-4,050
Other	-267	-479	2,869	-4,010
<b>Subtotal</b>	<b>3,359</b>	<b>1,521</b>	<b>26,214</b>	<b>20,456</b>
<i>Less:</i>				
Government's holding of unmatured debt	118	81	-143	-94
Unmatured debt transactions payable in foreign currencies	266	388	-5,650	2,178
<b>Subtotal</b>	<b>384</b>	<b>469</b>	<b>-5,793</b>	<b>2,084</b>
<b>Total unmatured debt transactions payable in Canadian dollars</b>	<b>3,743</b>	<b>1,990</b>	<b>20,421</b>	<b>22,540</b>

Table 6

## Cash, unmatured debt and debt balances

	at February 29	
	1995	1996
	(in millions of dollars)	
<b>Cash balances at end of period</b>		
In Canadian dollars	2,016	5,298
In foreign currencies	226	241
<b>Total cash balance</b>	<b>2,242</b>	<b>5,539</b>
<b>Unmatured debt balance</b>		
Payable in Canadian dollars		
Marketable bonds	228,465	252,062
Canada Savings Bonds	32,183	31,696
Treasury bills	160,700	160,400
Other	3,490	3,479
<b>Subtotal</b>	<b>424,838</b>	<b>447,637</b>
<i>Less:</i>		
Government's holdings of unmatured debt	1,109	1,088
<b>Total</b>	<b>423,729</b>	<b>446,549</b>
Payable in foreign currencies		
Marketable bonds	7,792	9,698
Notes and loans	0	0
Canada bills	8,526	5,045
<b>Subtotal</b>	<b>16,318</b>	<b>14,743</b>
<i>Less:</i>		
Government's holdings of unmatured debt	0	0
<b>Total unmatured debt</b>	<b>440,047</b>	<b>461,292</b>

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