

The Fiscal Monitor

A Publication of the Department of Finance

Financial results for April 1996

Deficit declines \$1.3 billion in April 1996

The deficit in April 1996 was estimated at \$4.1 billion, down \$1.3 billion from April 1995. Most of the year-over-year decline in the deficit was attributable to higher revenues, up \$1.1 billion, or 16.2 per cent. In addition, both program spending and public debt charges were lower than in April 1995.

- The increase in budgetary revenues was primarily due to a \$0.7 billion increase in personal income tax collections. Most of this increase was due to the timing of the receipt of taxes paid relating to taxation year 1995. The filing date for taxation year 1995 was April 30, 1996 whereas for taxation year 1994, it was May 1, 1995.
- Net GST collections were up \$0.3 billion in April 1996 over April 1995. However, net collections in the month were a negative \$16 million. Net 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 normally not 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 reported in the month in which they are received. However, the monies remitted with respect to March, but not received until April, are credited to the previous fiscal year, 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.

- Employment insurance premiums were down by \$0.1 billion, reflecting the decline in premium rates and the maximum earnings base to which premiums are applied.

Program spending declined by \$0.1 billion, or 0.9 per cent. Declines were recorded in transfers to other levels of government, expenditures on Crown corporations and in defence. These reductions reflect actions taken in previous budgets. Dampening the impact of these declines were increased spending on elderly and employment insurance benefits, other transfers and in all other non-defence departmental spending. With the exception of the increase in elderly benefits (due to an increase in the population base and higher average monthly benefits), the increases in the other components primarily reflect timing factors, which should be reversed in coming months.

Public debt charges were down \$0.1 billion, or 3 per cent, in April 1996 compared to April 1995. This decline reflects the impact of lower interest rates, witnessed since April 1995. Sluggish economic growth, low inflation and fiscal restraint by all levels of government have put downward pressure on rates, especially short-term interest rates.



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Table 1

Summary statement of financial transactions¹

| | April | |
|---|--------------------------|--------|
| | 1995 | 1996 |
| | (in millions of dollars) | |
| Budgetary transactions | | |
| Revenues | 6,588 | 7,653 |
| Program spending | -8,045 | -7,971 |
| Operating balance | -1,457 | -318 |
| Public debt charges | -3,855 | -3,741 |
| Deficit | -5,312 | -4,059 |
| Non-budgetary transactions | -255 | -328 |
| Financial requirements (excluding foreign exchange transactions) | -5,567 | -4,387 |
| Foreign exchange transactions | -4,553 | -1,334 |
| Financial requirements | -10,120 | -5,721 |
| Unmatured debt transactions | 8,732 | -921 |

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

| | April | |
|---|--------------------------|-------|
| | 1995 | 1996 |
| | (in millions of dollars) | |
| Income taxes | | |
| Personal income tax | 3,830 | 4,528 |
| Corporate income tax | 503 | 550 |
| Other income tax revenue | 158 | 126 |
| Total income tax | 4,491 | 5,204 |
| Employment insurance contributions | 1,602 | 1,488 |
| Excise taxes and duties | | |
| Goods and Services Tax | -347 | -16 |
| Customs import duties | 174 | 94 |
| Sales and excise taxes | 346 | 375 |
| Total excise taxes/duties | 173 | 453 |
| Total tax revenues | 6,266 | 7,145 |
| Non-tax revenues | 322 | 508 |
| Total budgetary revenues | 6,588 | 7,653 |

Table 3

Detailed statement of budgetary transactions – Expenditures

| | April | |
|--|--------------------------|--------|
| | 1995 | 1996 |
| | (in millions of dollars) | |
| Transfer payments to: | | |
| Persons | | |
| Elderly benefits | 1,655 | 1,705 |
| Employment insurance benefits | 1,137 | 1,283 |
| Other | 112 | 109 |
| Total | 2,904 | 3,097 |
| Other levels of government | | |
| Canada Health and Social Transfer | 1,621 | 1,254 |
| Fiscal transfers | 1,002 | 977 |
| Alternative payments for standing programs | -163 | -167 |
| Total | 2,460 | 2,064 |
| Other | | |
| Agricultural | 9 | |
| Indians and Inuit | 644 | 693 |
| Regional development | | |
| Science and technology | 52 | 50 |
| International assistance | 93 | 82 |
| Other | 225 | 290 |
| Total | 1,023 | 1,115 |
| Total transfers | 6,387 | 6,276 |
| Payments to Crown corporations | 489 | 399 |
| Operating and capital expenditures | | |
| Defence | 398 | 392 |
| All other departmental expenditures | 771 | 904 |
| Total | 1,169 | 1,296 |
| Total program spending | 8,045 | 7,971 |
| Public debt charges | 3,855 | 3,741 |
| Total budgetary expenditures | 11,900 | 11,712 |

Table 4

Non-budgetary transactions

| | April | |
|---|--------------------------|------|
| | 1995 | 1996 |
| | (in millions of dollars) | |
| Loans, investments and advances | | |
| Crown corporations | 18 | 58 |
| Other | -354 | -37 |
| Total | -336 | 21 |
| Specified purpose accounts | | |
| Canada Pension Plan Account | 557 | 532 |
| Superannuation accounts | -143 | -163 |
| Other | 37 | -72 |
| Total | 451 | 297 |
| Other transactions | -370 | -646 |
| Total non-budgetary transactions | -255 | -328 |

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Table 5

Foreign exchange and unmatured debt transactions

| | Avril | |
|--|--------------------------|---------------|
| | 1995 | 1996 |
| | (in millions of dollars) | |
| Foreign exchange transactions | | |
| Net international reserves | -3,092 | -1,906 |
| Unmatured debt transactions payable in foreign currencies | -1,461 | 572 |
| Total | -4,553 | -1,334 |
| Unmatured debt transactions | | |
| Marketable bonds | 3,050 | 2,800 |
| Canada Savings Bonds | -452 | -270 |
| Treasury bills | 6,000 | -3,600 |
| Other | -1,462 | 571 |
| Subtotal | 7,136 | -499 |
| <i>Less:</i> | | |
| Government's holding of unmatured debt | 135 | 150 |
| Unmatured debt transactions payable in foreign currencies | 1,461 | -572 |
| Subtotal | 1,596 | -422 |
| Total unmatured debt transactions payable in Canadian dollars | 8,732 | -921 |

Table 6

Cash, unmatured debt and debt balances

| | at April 30 | |
|---|--------------------------|----------------|
| | 1995 | 1996 |
| | (in millions of dollars) | |
| Cash balances at end of period | | |
| In Canadian dollars | 537 | 1,896 |
| In foreign currencies | 173 | 20 |
| Total cash balance | 710 | 1,916 |
| Unmatured debt balance | | |
| Payable in Canadian dollars | | |
| Marketable bonds | 228,690 | 255,565 |
| Canada Savings Bonds | 31,035 | 31,158 |
| Treasury bills | 170,450 | 162,500 |
| Other | 3,487 | 3,477 |
| Subtotal | 433,662 | 452,700 |
| <i>Less:</i> | | |
| Government's holdings of unmatured debt | 855 | 802 |
| Total | 432,807 | 451,898 |
| Payable in foreign currencies | | |
| Marketable bonds | 7,793 | 9,501 |
| Notes and loans | 0 | 611 |
| Canada bills | 7,585 | 6,947 |
| Subtotal | 15,378 | 17,059 |
| <i>Less:</i> | | |
| Government's holdings of unmatured debt | 0 | 0 |
| Total unmatured debt | 448,185 | 468,957 |

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