

# The Fiscal Monitor

A Publication of the Department of Finance

## Financial results for August 1996

### Deficit declines \$1.2 billion in August 1996

The deficit in August 1996 was estimated at \$1.9 billion, down \$1.2 billion from August 1995.

- The year-over-year improvement in the deficit was primarily attributable to lower program spending.
- Program spending was down \$1.0 billion, or 10.7 per cent.
  - The decline in program spending primarily reflects the impact of the restraint measures announced in the 1994 and 1995 budgets.
- Public debt charges declined \$0.2 billion on a year-over-year basis, reflecting declines in interest rates witnessed since April 1995.
- Budgetary revenues were virtually unchanged in August 1996, compared to August 1995, as higher personal and corporate income tax collections were largely offset by lower Goods and Services Tax (GST) collections.
  - The year-over-year decline in GST collections was due to the timing of receipts, as certain collections due at month-end were remitted in early September. Under GST legislation, some monthly remittances are due on the last day of the month. If that day falls on a weekend or holiday, the remittances are not due until the first business day of the next month. These remittance procedures should have no impact on the collections results for the year as a whole, as adjustments are made at year end to correct for timing differences.

### Deficit for April 1996 to August 1996 down by \$5.4 billion

Over the first five months of the fiscal year, the deficit, at \$8.3 billion, was \$5.4 billion lower than in the same period in 1995-96.

- Budgetary revenues were up \$2.4 billion or 4.8 per cent, on a year-over-year basis. This increase in collections reflected strong growth in income taxes (up 8.6 per cent, or \$2.5 billion) and higher non-tax revenues (up 26.0 per cent or \$0.5 billion). Employment insurance contributions declined (down 6.8 per cent), due to lower premium rates in 1996 and the lowering of the applicable earnings base on which premiums are calculated. Excise taxes and duties were down 0.7 per cent or \$0.1 billion. Declines in GST collections, due to the timing of receipts in August 1996, and in customs import duties more than offset increases in other excise taxes and duties.
- Program spending declined by \$2.5 billion or 5.7 per cent. The decline in program spending primarily reflects the impact of the restraint measures introduced in the 1994 and 1995 budgets.
- Public debt charges were down \$0.5 billion, or 2.6 per cent. This reflects the decline in interest rates, especially short-term rates. 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 measures are being implemented. However, the deficit results to date clearly suggest that the deficit target for 1996-97 will be met.



# The Fiscal Monitor

Table 1

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

	August		April to August	
	1995	1996	1995-96	1996-97
	(in millions of dollars)			
<b>Budgetary transactions</b>				
Revenues	10,046	9,992	49,026	51,398
Program spending	-9,169	-8,187	-43,070	-40,602
Operating balance	877	1,805	5,956	10,796
Public debt charges	-3,935	-3,688	-19,641	-19,128
Deficit	-3,058	-1,883	-13,685	-8,332
<b>Non-budgetary transactions</b>	925	1,257	1,011	1,728
<b>Financial requirements (excluding foreign exchange transactions)</b>	-2,133	-626	-12,674	-6,604
<b>Foreign exchange transactions</b>	-3,289	446	-5,496	1,579
<b>Financial requirements</b>	-5,422	-180	-18,170	-5,025
<b>Unmatured debt transactions</b>	5,110	-317	19,113	720

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

	August		April to August	
	1995	1996	1995-96	1996-97
	(in millions of dollars)			
<b>Income taxes</b>				
Personal income tax	4,044	4,573	23,616	25,577
Corporate income tax	759	873	4,579	5,038
Other income tax revenue	137	136	640	697
Total income tax	4,940	5,582	28,835	31,312
<b>Employment insurance contributions</b>	1,703	1,609	8,336	7,771
<b>Excise taxes and duties</b>				
Goods and Services Tax	1,945	1,323	5,687	5,441
Customs import duties	288	223	1,154	905
Sales and excise taxes	662	743	2,975	3,399
Total excise taxes/duties	2,895	2,289	9,816	9,745
<b>Total tax revenues</b>	9,538	9,480	46,987	48,828
<b>Non-tax revenues</b>	508	512	2,039	2,570
<b>Total budgetary revenues</b>	10,046	9,992	49,026	51,398

Table 3

## Detailed statement of budgetary transactions – Expenditures

	August		April to August	
	1995	1996	1995-96	1996-97
(in millions of dollars)				
<b>Transfer payments to:</b>				
Persons				
Elderly benefits	1,752	1,784	8,637	8,839
Employment insurance benefits	1,040	941	5,228	5,122
Other	118	112	588	563
Total	2,910	2,837	14,453	14,524
Other levels of government				
Canada Health and Social Transfer <sup>1</sup>	1,890	1,254	8,530	6,270
Fiscal transfers	743	830	4,197	4,332
Alternative Payments for Standing Programs	-163	-169	-814	-844
Total	2,470	1,915	11,913	9,758
Other				
Agricultural	20	61	75	243
Indians and Inuit	233	233	1,631	1,574
Regional development	43	36	105	127
Science and technology	132	130	389	352
International assistance	135	111	505	511
Other	573	146	2,059	1,618
Total	1,136	717	4,764	4,465
Total transfers	6,516	5,469	31,130	28,747
<b>Payments to Crown corporations</b>	310	308	1,727	1,655
<b>Operating and capital expenditures</b>				
Defence	839	849	3,667	3,355
All other departmental expenditures	1,504	1,561	6,546	6,845
Total	2,343	2,410	10,213	10,200
<b>Total program spending</b>	9,169	8,187	43,070	40,602
<b>Public debt charges</b>	3,935	3,688	19,641	19,128
<b>Total budgetary expenditures</b>	13,104	11,875	62,711	59,730

<sup>1</sup> Given the manner in which monthly CHST cash is calculated, the current decline is not indicative of the outcome for the year as a whole.

Table 4

## Non-budgetary transactions

	August		April to August	
	1995	1996	1995-96	1996-97
(in millions of dollars)				
<b>Loans, investments and advances</b>				
Crown corporations	-120	58	336	609
Other	-2	1	-602	-249
Total	-122	59	-266	360
<b>Specified purpose accounts</b>				
Canada Pension Plan Account	-150	-305	692	336
Superannuation accounts	-130	-209	1,729	1,721
Other	25	56	16	69
Total	-255	-458	2,437	2,126
<b>Other transactions</b>	1,302	1,656	-1,160	-758
<b>Total non-budgetary transactions</b>	925	1,257	1,011	1,728

# The Fiscal Monitor

Table 5

## Foreign exchange and unmatured debt transactions

	August		April to August	
	1995	1996	1995-96	1996-97
(in millions of dollars)				
<b>Foreign exchange transactions</b>				
Net international reserves	-2,687	556	-4,972	1,121
Unmatured debt transactions payable in foreign currencies	-602	-110	-524	458
<b>Total</b>	<b>-3,289</b>	<b>446</b>	<b>-5,496</b>	<b>1,579</b>
<b>Unmatured debt transactions</b>				
Marketable bonds	3,922	100	21,559	12,628
Canada Savings Bonds	-297	-218	-1,847	-1,271
Treasury bills	1,351	-300	1,850	-12,200
Other	-603	-111	-3,670	1,344
<b>Subtotal</b>	<b>4,373</b>	<b>-529</b>	<b>17,892</b>	<b>501</b>
<i>Less:</i>				
Government's holding of unmatured debt	135	102	697	677
Unmatured debt transactions payable in foreign currencies	602	110	524	-458
<b>Subtotal</b>	<b>737</b>	<b>212</b>	<b>1,221</b>	<b>219</b>
<b>Total unmatured debt transactions payable in Canadian dollars</b>	<b>5,110</b>	<b>-317</b>	<b>19,113</b>	<b>720</b>

Table 6

## Cash, unmatured debt and debt balances

	at August 31	
	1995	1996
(in millions of dollars)		
<b>Cash balances at end of period</b>		
In Canadian dollars	2,692	4,207
In foreign currencies	142	31
<b>Total cash balance</b>	<b>2,834</b>	<b>4,238</b>
<b>Unmatured debt balance</b>		
Payable in Canadian dollars		
Marketable bonds	243,383	265,393
Canada Savings Bonds	29,539	30,157
Treasury bills	166,300	153,900
Other	4,264	4,364
<b>Subtotal</b>	<b>443,486</b>	<b>453,814</b>
<i>Less:</i>		
Government's holdings of unmatured debt	296	357
<b>Total</b>	<b>443,190</b>	<b>453,457</b>
Payable in foreign currencies		
Marketable bonds	11,796	9,514
Notes and loans	0	921
Canada bills	4,601	6,834
<b>Subtotal</b>	<b>16,397</b>	<b>17,269</b>
<i>Less:</i>		
Government's holdings of unmatured debt	0	0
<b>Total unmatured debt</b>	<b>459,587</b>	<b>470,726</b>

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