The Fiscal Monitor

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Highlights of financial results for November 2000

November 2000: budgetary surplus of $0.9 billion

There was a budgetary surplus of $0.9 billion in November 2000, compared to a budgetary deficit of $0.3 billion in November 1999. The year-over-year improvement in the monthly budgetary balance was attributable to higher budgetary revenues, up $1.4 billion, and lower public debt charges, down $0.2 billion. Dampening the impact of these developments on the overall budgetary balance was higher program spending, up $0.4 billion.

Within budgetary revenues, on a year-over-year basis:

- Personal income tax revenues were up marginally, as the impact of the tax relief measures announced in the February 2000 budget and prior-year adjustments virtually offset the effect of higher receipts from monthly deductions from employment income due to the increase in the number of people employed.
- Corporate income tax revenues were up $0.2 billion, or 11.1 per cent, primarily reflecting the growth in corporate profits in 2000. Other income taxes were also up strongly.
- Employment insurance (EI) premium revenues declined slightly, as the reduction in premium rates (the employee rate for 2000 is $2.40 per $100 of insurable earnings compared to $2.55 in 1999) more than offset the impact of the growth in the number of people employed and therefore paying premiums.
- Excise taxes and duties were up $0.8 billion, or 28.0 per cent, with all components registering strong increases. In part, these increases reflected timing of receipts and payment of refunds and rebates.
- Non-tax revenues were also up strongly. However, year-over-year comparisons are misleading as accounting changes now require the monthly recording of receivables, whereas in 1999-2000, such adjustments were made only at year end.

Within program spending, on a year-over-year basis:

- Major transfers to persons were up 3.2 per cent, attributable to higher elderly benefit payments, as EI benefit payments were virtually unchanged.
- Major transfers to other levels of government were up 6.0 per cent, reflecting higher cash transfers under the Canada Health and Social Transfer (CHST) and Equalization programs.
- Direct program spending was up 5.4 per cent, primarily reflecting increases in departmental operating and capital expenditures. In contrast, subsidies and other transfers, and payments to Crown corporations, were lower.

The decline in public debt charges on a year-over-year basis primarily reflected timing adjustments, which impacted negatively on the November 1999 results.

Table 1
Summary statement of transactions

	November		April to November	
	1999	2000	1999-00	2000-01
	($ millions)			
Budgetary transactions				
Revenues	12,327	13,705	103,541	114,117
Program spending	-8,927	-9,358	-68,131	-72,471
Operating surplus	3,400	4,347	35,410	41,646
Public debt charges	-3,683	-3,436	-27,486	-27,539
Budgetary balance (deficit/surplus)	-283	911	7,924	14,107
Non-budgetary transactions	2,321	977	-837	-4,149
Financial requirements/source (excluding foreign exchange transactions)	2,038	1,888	7,087	9,958
Foreign exchange transactions	-3,320	-1,801	-4,183	-471
Net financial balance	-1,282	87	2,904	9,487
Net change in borrowings	6,362	4,906	-555	-9,746
Net change in cash balances	5,080	4,993	2,349	-259

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

Year-to-date: budgetary surplus of $14.1 billion

Over the first eight months of fiscal year 2000-01, the budgetary surplus was estimated at $14.1 billion, up $6.2 billion from the surplus of $7.9 billion reported in the same period of 1999-2000.

These results are in line with the average private sector forecast of the fiscal surplus for 2000-01, as set out in the October 18, 2000, *Economic Statement and Budget Update*.

Budgetary revenues were up $10.6 billion, or 10.2 per cent, on a year-over-year basis. Among the major revenue components:

- Personal income tax collections were up $3.6 billion, or 7.1 per cent, primarily reflecting higher receipts from monthly deductions from employment income, due to increases in the number of people employed. In addition, higher taxes paid on filing and lower refunds, pertaining to the 1999 taxation year, also contributed to the year-over-year increase. Dampening the impact of these factors were the tax relief measures announced in the February 2000 budget and higher transfers to the Canada Pension Plan and EI accounts, reflecting underpayments with respect to the 1999 taxation year. Over the balance of the fiscal year, growth in this component will be further restrained as the full impact of tax reductions announced in the February 2000 budget and October 2000 *Economic Statement and Budget Update* is realized. These include the reduction in the tax rates, the elimination of the 5-per-cent surtax, increases in the thresholds, increases in the Canada Child Tax Benefit and the restoration of full indexation of the personal income tax system.

Table 2

Budgetary revenues

	November		Change	April to November		Change
	1999	2000		1999-00	2000-01	
	($ millions)		(%)	($ millions)		(%)
Income taxes						
Personal income tax	6,070	6,150	1.3	51,362	54,990	7.1
Corporate income tax	1,692	1,879	11.1	11,529	15,080	30.8
Other income tax revenue	189	244	29.1	1,882	2,064	9.7
Total income tax	7,951	8,273	4.0	64,773	72,134	11.4
Employment insurance premium revenues	1,098	1,073	-2.3	12,332	12,622	2.4
Excise taxes and duties						
Goods and services tax	2,102	2,619	24.6	15,707	17,340	10.4
Customs import duties	154	303	96.8	1,533	1,872	22.1
Sales and excise taxes	608	744	22.4	5,518	5,691	3.1
Total excise taxes and duties	2,864	3,666	28.0	22,758	24,903	9.4
Total tax revenues	11,913	13,012	9.2	99,863	109,659	9.8
Non-tax revenues	414	693	67.4	3,678	4,458	21.2
Total budgetary revenues	12,327	13,705	11.2	103,541	114,117	10.2

- Corporate income tax revenues were up $3.6 billion, or 30.8 per cent. Although part of this increase reflects the continued strength in corporate profits, up 17.5 per cent in the first three quarters of 2000 over the same period in 1999, the increase in revenues is also affected by tax instalment procedures. Corporations are required to remit monthly instalments based on either their previous year's actual tax liability or their current year's projected tax liability, with final settlement payments made 30 days following the end of their taxation year. Although corporate profits rebounded strongly in 1999, monthly tax instalments for most of 1999 were based on the tax liability for 1998 – a year in which corporate profits declined – thereby depressing instalment payments in 1999. Since current monthly instalments are being compared to the understated instalments of 1999, the year-over-year changes are likely not an appropriate indicator of the results for the year as a whole.
- EI premium revenues were up $0.3 billion, or 2.4 per cent, as the decline in premium rates for 2000 was more than offset by the impact of prior-year adjustments and the growth in the number of people employed and therefore paying premiums.
- Excise taxes and duties increased by $2.1 billion, or 9.4 per cent. Goods and services tax revenues were up $1.6 billion, or 10.4 per cent, somewhat above the growth in consumer demand, reflecting the timing of receipts and the payment of refunds and rebates. Customs import duties were up strongly, while sales and excise taxes were up marginally.
- Non-tax revenues were up $0.8 billion, or 21.2 per cent, primarily reflecting the change in accounting procedures for receivables.

Table 3

Budgetary expenditures

	November		Change	April to November		Change
	1999	2000		1999-00	2000-01	
	($ millions)		(%)	($ millions)		(%)
Transfer payments to:						
Persons						
Elderly benefits	1,958	2,051	4.7	15,471	16,040	3.7
Employment insurance benefits	911	910	-0.1	6,880	6,716	-2.4
Total	2,869	2,961	3.2	22,351	22,756	1.8
Other levels of government						
Canada Health and Social Transfer	1,042	1,125	8.0	8,333	9,000	8.0
Fiscal transfers	976	1,020	4.5	7,056	7,827	10.9
Alternative Payments for Standing Programs	-188	-206	9.6	-1,501	-1,644	9.5
Total	1,830	1,939	6.0	13,888	15,183	9.3
Direct program spending						
Subsidies and other transfers						
Agriculture	119	23	-80.7	434	286	-34.1
Foreign Affairs	118	125	5.9	939	904	-3.7
Health	64	107	67.2	651	739	13.5
Human Resources Development	120	28	-76.7	986	607	-38.4
Indian and Northern Development	269	316	17.5	2,783	2,962	6.4
Industry and Regional Development	108	90	-16.7	844	821	-2.7
Veterans Affairs	116	117	0.9	921	958	4.0
Other	184	287	56.0	1,330	2,376	78.6
Total	1,098	1,093	-0.5	8,888	9,653	8.6
Payments to Crown corporations						
Canadian Broadcasting Corporation	80	60	-25.0	565	675	19.5
Canada Mortgage and Housing Corporation	150	150	0.0	1,195	1,220	2.1
Other	105	75	-28.6	701	949	35.4
Total	335	285	-14.9	2,461	2,844	15.6
Operating and capital expenditures						
Defence	1,030	1,072	4.1	6,624	6,835	3.2
All other departmental expenditures	1,765	2,008	13.8	13,919	15,200	9.2
Total	2,795	3,080	10.2	20,543	22,035	7.3
Total direct program spending	4,228	4,458	5.4	31,892	34,532	8.3
Total program expenditures	8,927	9,358	4.8	68,131	72,471	6.4
Public debt charges	3,683	3,436	-6.7	27,486	27,539	0.2
Total budgetary expenditures	12,610	12,794	1.5	95,617	100,010	4.6
Memorandum item:						
Total transfers	5,797	5,993	3.4	45,127	47,592	5.5

Program spending increased by $4.3 billion, or 6.4 per cent, in the April to November 2000 period, compared to the same period in 1999. This increase was spread among all major components.

- Major transfers to persons were up 1.8 per cent, as higher elderly benefits more than offset the decline in EI benefit payments. The higher elderly benefits reflect an increase in the number of individuals eligible for benefits and higher average benefits, which are indexed to inflation. The decline in EI benefit payments reflects fewer beneficiaries due to the decline in the number of people unemployed, dampened by the impact of higher average benefit rates and higher transfers to provinces under the labour market agreements.
- Major transfers to other levels of government were up 9.3 per cent, reflecting higher cash transfers under the CHST and Equalization programs. The increase in CHST cash transfers reflected the 1999 budget measure to increase base funding from $12.5 billion in 1999-2000 to $13.5 billion in 2000-01. The increase in Equalization entitlements was attributable to the continued stronger economic growth in Ontario than in the Equalization-receiving provinces.
- Direct program spending, consisting of total program spending less the major transfers to persons and other levels of government, increased by 8.3 per cent. This component includes subsidy and other transfer payments, payments to Crown corporations, and the operating and capital costs of government, including defence. Developments in this component are affected by the timing of payments, the lifting of the wage freeze and the effect of new initiatives, including the $1-billion payment in trust to the provinces and territories for new medical equipment, to support the agreements reached by the First Ministers on health renewal and early childhood development.

Public debt charges were up marginally, reflecting timing factors.

Financial source of $10.0 billion (excluding foreign exchange transactions) for April to November 2000

The budgetary balance is presented on a modified accrual basis of accounting, recording government liabilities when they are incurred, regardless of when the cash payment is made. In addition, the budgetary balance includes only those activities over which the Government has legislative control.

In contrast, financial requirements/source measures the difference between cash coming in to the Government and cash going out. Financial requirements/source differs from the budgetary balance as the former includes transactions in loans, investments and advances, federal employees' pension accounts, other specified purpose accounts, and changes in other financial assets and liabilities. These activities are included as part of non-budgetary transactions. The conversion from accrual to cash is also reflected in non-budgetary transactions.

Non-budgetary transactions resulted in a net requirement of $4.1 billion in the first eight months of 2000-01, compared to a requirement of $0.8 billion in the same period in 1999-2000. This was attributable, in part, to pay equity settlement payments and changes to the financing of the Canada Student Loans Program.

Table 4

The budgetary balance and financial requirements/source

	November		April to November	
	1999	2000	1999-00	2000-01
	($ millions)			
Budgetary balance (deficit/surplus)	-283	911	7,924	14,107
Loans, investments and advances				
Crown corporations	41	52	230	308
Other	13	-91	-61	-869
Total	54	-39	169	-561
Specified purpose accounts				
Canada Pension Plan Account	463	-360	695	-28
Superannuation accounts	395	84	3,171	1,709
Other	2	16	-125	-40
Total	860	-260	3,741	1,641
Other transactions	1,407	1,276	-4,747	-5,229
Total non-budgetary transactions	2,321	977	-837	-4,149
Financial requirements/source (excluding foreign exchange transactions)	2,038	1,888	7,087	9,958
Foreign exchange transactions	-3,320	-1,801	-4,183	-471
Net financial balance	-1,282	87	2,904	9,487

Table 5

Net financial balance and net borrowings

	November		April to November	
	1999	2000	1999-00	2000-01
	($ millions)			
Net financial balance	-1,282	87	2,904	9,487
Net increase (+)/decrease (-) in borrowings				
Payable in Canadian dollars				
Marketable bonds	4,900	5,500	6,867	15,449
Canada Savings Bonds	-33	-243	-720	-1,224
Treasury bills	-400	-400	-4,050	-20,750
Other	-543	-153	-242	38
Total	3,924	4,704	1,855	-6,487
Payable in foreign currencies				
Marketable bonds	2,942	0	2,527	-2,202
Notes and loans				
Canada bills	-504	202	-4,681	-1,021
Canada notes			-256	-36
Total	2,438	202	-2,410	-3,259
Net change in borrowings	6,362	4,906	-555	-9,746
Change in cash balance	5,080	4,993	2,349	-259

Table 6

Condensed statement of assets and liabilities

	March 31, 2000	November 30, 2000	Change
		($ millions)	
Liabilities			
Accounts payable, accruals and allowances	40,748	35,516	-5,232
Interest-bearing debt			
Pension and other accounts			
Public sector pensions	128,346	130,055	1,709
Canada Pension Plan (net of securities)	6,217	6,189	-28
Other pension and other accounts	6,963	6,923	-40
Total pension and other accounts	141,526	143,167	1,641
Unmatured debt			
Payable in Canadian dollars			
Marketable bonds	293,927	309,376	15,449
Treasury bills	99,850	79,100	-20,750
Canada Savings Bonds	26,489	25,265	-1,224
Non-marketable bonds and bills	3,552	3,591	39
Subtotal	423,818	417,332	-6,486
Payable in foreign currencies	32,588	29,331	-3,257
Total unmatured debt	456,406	446,663	-9,743
Total interest-bearing debt	597,932	589,830	-8,102
Total liabilities	638,680	625,346	-13,334
Assets			
Cash and accounts receivable	18,864	18,605	-259
Foreign exchange accounts	41,494	41,965	471
Loans, investments and advances (net of allowances)	13,796	14,357	561
Total assets	74,154	74,927	773
Accumulated deficit (net public debt)	564,526	550,419	-14,107

As a result, with a budgetary surplus of $14.1 billion and a net requirement of $4.1 billion from non-budgetary transactions, there was a financial source (excluding foreign exchange transactions) of $10.0 billion in the April to November 2000 period, compared to a financial source of $7.1 billion in the same period in 1999.

Net financial source of $9.5 billion for April to November 2000

Foreign exchange transactions represent all transactions in international reserves held in the Exchange Fund Account. The purpose of the Exchange Fund Account is to promote order and stability in the foreign exchange market. The buying of Canadian dollars represents a source of funds from exchange fund transactions, while the selling of Canadian dollars represents a requirement. Changes in foreign currency liabilities, which are undertaken to change the level of Canada's foreign exchange reserves, also impact on foreign exchange transactions. Taking all of these factors into account, there was a net requirement of $0.5 billion in the first eight months of 2000-01, compared to a net requirement of $4.2 billion in the same period in 1999-2000.

With a budgetary surplus of $14.1 billion, a net requirement of $4.1 billion from non-budgetary transactions and a net requirement of funds of $0.5 billion from foreign exchange transactions, there was a net financial source of $9.5 billion in the April to November 2000 period, compared to a net source of $2.9 billion in the same period in 1999.

Net borrowings down $9.7 billion for April to November 2000

In November 2000, the Government's holding of market debt increased by $4.9 billion, with the result that, for the first eight months of 2000-01, there was a net retirement of $9.7 billion of market debt. This was financed largely by the net financial source $9.5 billion, as cash balances were only marginally lower. The level of cash balances varies from month to month based on a number of factors including periodic large debt maturities, which can be quite volatile on a monthly basis. At the end of November 2000, cash balances were $12.7 billion.

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