



# The Fiscal Monitor

Table 1

## Summary statement of transactions

	March		April to March	
	2001	2002	2000-01	2001-02
	(\$ millions)			
<b>Budgetary transactions</b>				
Revenues	13,277	12,024	177,006	174,130
Program spending	-12,201	-14,150	-115,542	-125,643
Operating surplus	1,076	-2,126	61,464	48,487
Public debt charges	-3,564	-2,757	-41,412	-38,709
Budgetary balance (deficit/surplus)	-2,488	-4,883	20,052	9,778
<b>Non-budgetary transactions</b>	6,317	7,327	-485	-3,969
<b>Financial requirements/source (excluding foreign exchange transactions)</b>	3,829	2,444	19,567	5,809
<b>Foreign exchange transactions</b>	-4,716	-732	-8,654	-1,849
<b>Net financial balance</b>	-887	1,712	10,913	3,960
<b>Net change in borrowings</b>	582	267	-10,682	-5,189
<b>Net change in cash balances</b>	-305	1,979	231	-1,229
<b>Cash balance at end of period</b>			13,179	11,950

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

### March 2002: budgetary results

Budgetary revenues declined \$1.3 billion, or 9.4 per cent, on a year-over-year basis. All major components recorded declines, with the exception of personal income tax revenues.

- Personal income tax revenues were \$0.1 billion, or 1.8 per cent, higher, primarily reflecting ongoing strength in monthly deductions from employment income, offset in part by higher refunds pertaining to the 2001 taxation year and increased payments under the Canada Child Tax Benefit reflecting previous budget initiatives.
- Corporate income tax revenues were down \$1.1 billion, or 45.8 per cent. Although February is the settlement period for corporations whose taxation year ends December 31, some payments slip into early March. In February and March revenues were down \$2.3 billion compared to the same period last year, reflecting lower corporate profits in 2001 than in 2000.
- EI premium revenues declined 3.5 per cent, reflecting the impact of lower premium rates (the employee rate for 2002 is \$2.20 per \$100 of insurable earnings compared to \$2.25 in 2001).
- Excise taxes and duties declined \$0.1 billion, or 2.5 per cent. This primarily reflects the timing of receipts, as February 2002 revenues were up 17.2 per cent on a year-over-year basis. Declines were reported in all components, with the exception of sales and excise taxes. The increase in this component was attributable to higher federal taxes on tobacco products effective November 2, 2001.
- Non-tax revenues declined 7.1 per cent, again largely due to the timing of receipts, as February 2002 revenues were up 13.3 per cent on a year-over-year basis.

Program spending was up \$1.9 billion, or 16.0 per cent, on a year-over-year basis.

- Transfers to persons increased by \$0.5 billion, or 17.8 per cent. EI benefit payments increased 43.6 per cent, in part due to the timing of payments between February and March.

Table 2

## Budgetary revenues

	March		Change	April to March		Change
	2001	2002		2000-01	2001-02	
	(\$ millions)		(%)	(\$ millions)		(%)
<b>Income taxes</b>						
Personal income tax	4,546	4,628	1.8	81,350	81,760	0.5
Corporate income tax	2,349	1,272	-45.8	27,619	24,637	-10.8
Other income tax revenue	692	655	-5.3	4,216	4,038	-4.2
Total income tax	7,587	6,555	-13.6	113,185	110,435	-2.4
<b>Employment insurance premium revenues</b>	1,839	1,774	-3.5	18,732	17,960	-4.1
<b>Excise taxes and duties</b>						
Goods and services tax	1,619	1,582	-2.3	24,812	25,275	1.9
Customs import duties	274	220	-19.7	2,791	2,979	6.7
Sales and excise taxes	674	700	3.9	8,224	8,641	5.1
Total excise taxes and duties	2,567	2,502	-2.5	35,827	36,895	3.0
<b>Total tax revenues</b>	11,993	10,831	-9.7	167,744	165,290	-1.5
<b>Non-tax revenues</b>	1,284	1,193	-7.1	9,262	8,840	-4.6
<b>Total budgetary revenues</b>	13,277	12,024	-9.4	177,006	174,130	-1.6

In February 2002 benefits were up only 7.3 per cent – the first time the rate of increase had been below double-digit increases since May 2001.

- Transfers to other levels of government were up \$0.1 billion, or 5.3 per cent. The increase in the Canada Health and Social Transfer (CHST) reflects the September 2000 agreement reached by first ministers to increase base funding from \$13.5 billion in 2000-01 to \$17.3 billion in 2001-02.
- Direct program spending, consisting of total program spending less transfers to persons and other levels of government, increased \$1.3 billion, or 17.9 per cent. The increase primarily reflects the impact of the implementation of the Financial Information Strategy, with a larger portion of spending being recorded at the end of the fiscal year than in previous years.

Public debt charges, on a year-over year basis, were down \$0.8 billion, or 22.6 per cent, primarily reflecting adjustments related to previous months.

### April 2001 to March 2002: budgetary results

Over the April 2001 to March 2002 period the budgetary surplus was estimated at \$9.8 billion, down \$10.3 billion from the surplus of \$20.1 billion reported in the same period of 2000-01. Program spending was up \$10.1 billion while budgetary revenues were down \$2.9 billion. Dampening the impact of these factors on the budgetary balance were lower public debt charges, down \$2.7 billion.

Among the major components of budgetary revenues, on a year-over-year basis:

- Personal income tax collections were marginally higher, as higher final tax payments received in April and May 2001 with respect to the 2000 taxation year, prior-year adjustments affecting the October 2000 results, and an increase in assessed income subject to taxation due to higher employment and average wages in 2001 were largely offset by the impact of the tax reduction measures announced in the February 2000 budget, the October 2000 *Economic Statement and Budget Update* and previous budgets.

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Table 3

## Budgetary expenditures

	March		Change	April to March		Change
	2001	2002		2000-01	2001-02	
	(\$ millions)		(%)	(\$ millions)		(%)
<b>Transfer payments to:</b>						
Persons						
Elderly benefits	2,057	2,157	4.9	24,245	25,364	4.6
Employment insurance benefits	1,030	1,479	43.6	10,999	13,852	25.9
Relief for Heating Expenses				1,434		
Total	3,087	3,636	17.8	36,678	39,216	6.9
Other levels of government						
Canada Health and Social Transfer	1,125	1,442	28.2	13,500	17,300	28.1
Fiscal transfers	907	713	-21.4	12,303	12,146	-1.3
Medical Equipment Fund				1,000		
Alternative Payments for Standing Programs	-206	-232	12.6	-2,466	-2,563	3.9
Total	1,826	1,923	5.3	24,337	26,883	10.5
<b>Direct program spending</b>						
Subsidies and other transfers						
Agriculture	633	584	-7.7	1,232	1,298	5.4
Foreign Affairs	291	566	94.5	1,713	2,131	24.4
Health	97	317	226.8	1,107	1,486	34.2
Human Resources Development	363	165	-54.5	1,685	1,711	1.5
Indian and Northern Development	144	345	139.6	3,886	3,944	1.5
Industry and Regional Development	407	836	105.4	1,720	2,157	25.4
Veterans Affairs	125	144	15.2	1,458	1,547	6.1
Other	652	586	-10.1	2,635	3,009	14.2
Total	2,712	3,543	30.6	15,436	17,283	12.0
Payments to Crown corporations						
Canadian Broadcasting Corporation	43	15	-65.1	902	981	8.8
Canada Mortgage and Housing Corporation	320	168	-47.5	1,990	1,923	-3.4
Other	91	188	106.6	1,383	1,667	20.5
Total	454	371	-18.3	4,275	4,571	6.9
Operating and capital expenditures						
Defence	1,436	1,623	13.0	10,992	12,301	11.9
All other departmental expenditures	2,686	3,054	13.7	23,824	25,389	6.6
Total	4,122	4,677	13.5	34,816	37,690	8.3
Total direct program spending	7,288	8,591	17.9	54,527	59,544	9.2
<b>Total program expenditures</b>	12,201	14,150	16.0	115,542	125,643	8.7
<b>Public debt charges</b>	3,564	2,757	-22.6	41,412	38,709	-6.5
<b>Total budgetary expenditures</b>	15,765	16,907	7.2	156,954	164,352	4.7
Memorandum item:						
Total transfers	7,625	9,102	19.4	76,451	83,382	9.1

- Corporate income tax revenues declined \$3.0 billion, or 10.8 per cent, reflecting the impact of both lower corporate profits and reductions in tax rates.
- EI premium revenues were down 4.1 per cent, as prior-year adjustments affecting the October 2000 results and the decline in premium rates more than offset the impact of the growth in the number of people employed and therefore paying premiums.
- Excise taxes and duties increased 3.0 per cent. Goods and services tax revenues were up 1.9 per cent, broadly in line with the increase in domestic demand, customs import duties were up 6.7 per cent and sales and excise taxes increased 5.1 per cent, the latter primarily reflecting the impact of higher tobacco excise taxes.
- Non-tax revenues were down 4.6 per cent, primarily reflecting the impact of lower interest rates.

Among the major components of program spending, on a year-over-year basis:

- Transfers to persons were up 6.9 per cent due to higher elderly and EI benefit payments. The increase in elderly benefit payments reflects an increase in the number of individuals eligible for benefits and higher average benefits, which are indexed to inflation. The increase in EI benefit payments primarily reflects the impact of program enhancements, as well as an increase in the number of beneficiaries. The net impact of these increases was dampened by the Relief for Heating Expenses paid in January 2001.
- Transfers to other levels of government were up 10.5 per cent, reflecting higher cash transfers under the CHST. The increase in the CHST reflects the September 2000 agreement reached by first ministers to increase base funding from \$13.5 billion in 2000-01 to \$17.3 billion in 2001-02. The overall growth in this component was dampened by the special payment of \$1 billion to the Medical Equipment Fund in 2000-01 and by a decline in fiscal transfers due to the recording in 2000-01 of the liability for lifting the equalization ceiling in 1999-2000.

- Direct program spending increased 9.2 per cent. This reflects in large part the initiatives announced in the December 2001 budget, notably the measures to enhance personal and economic security.

The year-over-year decline in public debt charges of \$2.7 billion reflects the impact of declines in both the stock of interest-bearing debt and the average effective interest rate on that debt.

## **Financial source of \$5.8 billion (excluding foreign exchange transactions) for April 2001 to March 2002**

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 \$4.0 billion in the April 2001 to March 2002 period, compared to a net requirement of \$0.5 billion in the same period of 2000-01. The increase to date is largely attributable to transfers of applicable pension assets to those Crown corporations setting up their own pension plans.

As a result, with a budgetary surplus of \$9.8 billion and a net requirement of \$4.0 billion from non-budgetary transactions, there was a financial source (excluding foreign exchange transactions) of \$5.8 billion in the April 2001 to March 2002 period, compared to a source of \$19.6 billion in the same period of 2000-01.

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Table 4

## The budgetary balance and financial requirements/source

	March		April to March	
	2001	2002	2000-01	2001-02
	(\$ millions)			
<b>Budgetary balance (deficit/surplus)</b>	-2,488	-4,883	20,052	9,778
<b>Loans, investments and advances</b>				
Crown corporations	99	371	504	923
Other	-87	-111	-976	-1,268
Total	12	260	-472	-345
<b>Specified purpose accounts</b>				
Canada Pension Plan Account	578	1,053	192	365
Superannuation accounts	-24	-249	1,346	-1,976
Other	8	5	117	201
Total	562	809	1,655	-1,410
<b>Other transactions</b>	5,743	6,258	-1,668	-2,214
<b>Total non-budgetary transactions</b>	6,317	7,327	-485	-3,969
<b>Financial requirements/source (excluding foreign exchange transactions)</b>	3,829	2,444	19,567	5,809
<b>Foreign exchange transactions</b>	-4,716	-732	-8,654	-1,849
<b>Net financial balance</b>	-887	1,712	10,913	3,960

Table 5

## Net financial balance and net borrowings

	March		April to March	
	2001	2002	2000-01	2001-02
	(\$ millions)			
<b>Net financial balance</b>	-887	1,712	10,913	3,960
<b>Net increase (+)/decrease (-) in borrowings</b>				
Payable in Canadian dollars				
Marketable bonds	-9,694	916	700	-1,598
Treasury bills	7,000	-200	-11,150	5,500
Canada Savings Bonds	18	-16	-736	-2,886
Other	-17	-20	-79	-83
Total	-2,693	680	-11,265	933
Payable in foreign currencies				
Marketable bonds	3,003	218	-1,164	-1,358
Notes and loans	-1,385	0	0	-514
Canada bills	1,094	-584	1,220	-3,872
Canada notes	563	-47	527	-378
Total	3,275	-413	583	-6,122
<b>Net change in borrowings</b>	582	267	-10,682	-5,189
<b>Change in cash balance</b>	-305	1,979	231	-1,229

Table 6

**Condensed statement of assets and liabilities**

	March 31, 2001	March 31, 2002	Change
		(\$ millions)	
<b>Liabilities</b>			
Accounts payable, accruals and allowances	43,644	38,270	-5,374
Interest-bearing debt			
Pension and other accounts			
Public sector pensions	129,185	127,209	-1,976
Canada Pension Plan (net of securities)	6,391	6,756	365
Other pension and other accounts	7,253	7,454	201
Total pension and other accounts	142,829	141,419	-1,410
Unmatured debt			
Payable in Canadian dollars			
Marketable bonds	294,973	293,375	-1,598
Treasury bills	88,700	94,200	5,500
Canada Savings Bonds	26,099	23,213	-2,886
Other	3,473	3,391	-82
Subtotal	413,245	414,180	935
Payable in foreign currencies	33,158	27,036	-6,122
Total unmaturred debt	446,403	441,215	-5,188
Total interest-bearing debt	589,232	582,634	-6,598
Total liabilities	632,876	620,904	-11,973
<b>Assets</b>			
Cash and accounts receivable	19,186	14,796	-4,390
Foreign exchange accounts	50,270	52,119	1,849
Loans, investments and advances (net of allowances)	16,042	16,387	345
Total assets	85,498	83,303	-2,196
<b>Accumulated deficit (net public debt)</b>	547,378	537,601	-9,778

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## **Net financial source of \$4.0 billion for April 2001 to March 2002**

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 \$1.8 billion in the April 2001 to March 2002 period, compared to a net requirement of \$8.7 billion in the same period of 2000-01.

With a budgetary surplus of \$9.8 billion, a net requirement of \$4.0 billion from non-budgetary transactions and a net requirement of \$1.8 billion

from foreign exchange transactions, there was a net financial source of \$4.0 billion in the April 2001 to March 2002 period, compared to a net source of \$10.9 billion in the same period of 2000-01.

## **Net borrowings down \$5.2 billion for April 2001 to March 2002**

In 2001-02 the Government reduced its holding of market debt by \$5.2 billion by applying the net financial source of \$4.0 billion and drawing down its cash balances by \$1.2 billion. 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 March 2002 they stood at \$12.0 billion.

