

The Fiscal Monitor

A Publication of the Department of Finance

Financial results for May 1996

Deficit declines \$0.5 billion in May 1996

The deficit in May 1996 was estimated at \$0.6 billion, down \$0.5 billion from May 1995.

- The year-over-year improvement in the deficit was primarily attributable to a decline in program spending.
- Program spending declined 5.3 per cent, or \$0.5 billion.
 - All major components of program spending were lower in May 1996, compared with May 1995, with the exception of payments to Crown corporations. The year-over-year declines reflected the impact of the restraint measures introduced in the 1994 and 1995 budgets. The increase in payments to Crown corporations primarily reflects the timing of payments to the Canada Mortgage and Housing Corporation and to the Canadian Broadcasting Corporation.
- Budgetary revenues were up slightly in May 1996 compared to May 1995 (up 0.1 per cent). This relatively weak increase in revenues, compared to previous months, was due to the filing date for personal income tax returns. As noted in the April 1996 *Fiscal Monitor*, the filing date for taxation year 1995 was April 30, 1996, whereas for taxation year 1994, it was May 1, 1995. As a result, taxes paid on filing were higher in April 1996 than in April 1995 while taxes paid on filing in May 1996 were lower than in May 1995. Over the two-month period – April 1996 and May 1996 – taxes paid on filing were higher than in the same period a year ago.

- For the second consecutive month, public debt charges were lower on a year-over-year basis, due to the decline in interest rates witnessed since April 1995.

Deficit for April 1996 and May 1996 down by \$1.7 billion

Over the first two months of the fiscal year, the deficit, at \$4.6 billion, was \$1.7 billion lower than in the same period in 1995-96.

- Budgetary revenues were up \$1.1 billion or 6.0 per cent, on a year-over-year basis. This increase in collections reflected strong growth in income taxes (up 7.0 per cent, or \$0.8 billion) and higher excise taxes and duties (up 7.2 per cent). Employment insurance contributions declined (down 7.2 per cent), due to lower premium rates in 1996 and the lowering of the applicable earnings base to which premiums are calculated.
- Program spending declined by \$0.5 billion or 3.2 per cent, as lower expenditures were reported among all major components with the exception of transfers to persons. 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 \$0.1 billion, or 1.8 per cent. This reflects declines in interest rates, especially short-term rates. Fiscal restraint by the federal and provincial governments, continued low inflation and moderate wage growth have provided the necessary conditions for interest rates to come down.



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Table 1

Summary statement of financial transactions¹

	May		April to May	
	1995	1996	1995-96	1996-97
	(in millions of dollars)			
Budgetary transactions				
Revenues	11,409	11,424	17,997	19,076
Program spending	-8,600	-8,147	-16,646	-16,118
Operating balance	2,809	3,277	1,351	2,958
Public debt charges	-3,882	-3,859	-7,737	-7,600
Deficit	-1,073	-582	-6,386	-4,642
Non-budgetary transactions	725	661	470	335
Financial requirements (excluding foreign exchange transactions)	-348	79	-5,916	-4,307
Foreign exchange transactions	2,382	954	-2,171	-380
Financial requirements	2,034	1,033	-8,087	-4,687
Unmatured debt transactions	1,048	42	9,780	-880

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

	May		April to May	
	1995	1996	1995-96	1996-97
	(in millions of dollars)			
Income taxes				
Personal income tax	5,680	5,612	9,510	10,140
Corporate income tax	1,009	1,097	1,513	1,647
Other income tax revenue	87	145	245	270
Total income tax	6,776	6,854	11,268	12,057
Employment insurance contributions	1,641	1,521	3,243	3,010
Excise taxes and duties				
Goods and Services Tax	1,601	1,664	1,254	1,648
Customs import duties	228	170	402	264
Sales and excise taxes	748	795	1,093	1,171
Total excise taxes/duties	2,577	2,629	2,749	3,083
Total tax revenues	10,994	11,004	17,260	18,150
Non-tax revenues	415	420	737	926
Total budgetary revenues	11,409	11,424	17,997	19,076

Table 3

Detailed statement of budgetary transactions – Expenditures

	May		April to May	
	1995	1996	1995-96	1996-97
(in millions of dollars)				
Transfer payments to:				
Persons				
Elderly benefits	1,735	1,800	3,390	3,505
Employment insurance benefits	1,188	1,129	2,325	2,412
Other	120	116	232	225
Total	3,043	3,045	5,947	6,142
Other levels of government				
Canada Health and Social Transfer	1,555	1,254	3,174	2,508
Fiscal transfers	551	772	1,553	1,749
Alternative Payments for Standing Programs	-163	-169	-326	-336
Total	1,943	1,857	4,401	3,921
Other				
Agricultural	14	51	23	51
Indians and Inuit	254	196	899	890
Regional development	-	-	-	-
Science and technology	78	32	131	83
International assistance	83	77	176	159
Other	519	434	744	724
Total	948	790	1,973	1,907
Total transfers	5,934	5,692	12,321	11,970
Payments to Crown corporations	247	308	735	707
Operating and capital expenditures				
Defence	837	638	1,235	1,030
All other departmental expenditures	1,582	1,509	2,355	2,411
Total	2,419	2,147	3,590	3,441
Total program spending	8,600	8,147	16,646	16,118
Public debt charges	3,882	3,859	7,737	7,600
Total budgetary expenditures	12,482	12,006	24,383	23,718

Table 4

Non-budgetary transactions

	May		April to May	
	1995	1996	1995-96	1996-97
(in millions of dollars)				
Loans, investments and advances				
Crown corporations	-65	-26	-47	32
Other	3	-72	-351	-110
Total	-62	-98	-398	-78
Specified purpose accounts				
Canada Pension Plan Account	740	754	1,296	1,286
Superannuation accounts	-170	-209	-313	-371
Other	-24	17	14	-53
Total	546	562	997	862
Other transactions	241	197	-129	-449
Total non-budgetary transactions	725	661	470	335

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Table 5

Foreign exchange and unmatured debt transactions

	May		April to May	
	1995	1996	1995-96	1996-97
	(in millions of dollars)			
Foreign exchange transactions				
Net international reserves	4,247	905	1,155	-1,001
Unmatured debt transactions payable in foreign currencies	-1,865	49	-3,326	621
Total	2,382	954	-2,171	-380
Unmatured debt transactions				
Marketable bonds	3,565	500	6,615	3,300
Canada Savings Bonds	-430	-286	-882	-556
Treasury bills	-2,250	-300	3,750	-3,900
Other	-1,866	48	-3,328	619
Subtotal	-981	-38	6,155	-537
<i>Less:</i>				
Government's holding of unmatured debt	164	129	299	278
Unmatured debt transactions payable in foreign currencies	1,865	-49	3,326	-621
Subtotal	2,029	80	3,625	-343
Total unmatured debt transactions payable in Canadian dollars	1,048	42	9,780	-880

Table 6

Cash, unmatured debt and debt balances

	at May 31	
	1995	1996
	(in millions of dollars)	
Cash balances at end of period		
In Canadian dollars	3,563	2,981
In foreign currencies	24	6
Total cash balance	3,587	2,987
Unmatured debt balance		
Payable in Canadian dollars		
Marketable bonds	232,255	256,065
Canada Savings Bonds	30,504	30,872
Treasury bills	168,200	162,200
Other	3,486	3,476
Subtotal	434,445	452,613
<i>Less:</i>		
Government's holdings of unmatured debt	692	672
Total	433,753	451,941
Payable in foreign currencies		
Marketable bonds	7,875	9,501
Notes and loans	0	922
Canada bills	5,720	6,996
Subtotal	13,595	17,419
<i>Less:</i>		
Government's holdings of unmatured debt	0	0
Total unmatured debt	447,348	469,360

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