

The Fiscal Monitor

A Publication of the Department of Finance

Highlights of financial results for April 1998

Budgetary surplus up in April 1998

There was a surplus of \$1.6 billion in April 1998, up \$0.1 billion from the restated estimate for April 1997 (see "Note to users" on next page). Budgetary revenues were up 1.6 per cent, on a year-over-year basis, while public debt charges were down 0.4 per cent. Program spending increased by 1.0 per cent.

The year-over-year increase in budgetary revenues reflected strong advances in personal and corporate income tax collections – the net impact of which was dampened by declines in employment insurance premium revenues and in goods and services tax (GST) collections.

- Personal income tax collections were up 6.4 per cent, or \$0.4 billion, primarily due to strong gains in employment since the beginning of the year and higher taxes paid on filing, related to the 1997 taxation year. The overall increase was dampened by higher tax refunds, up 15.3 per cent, or \$0.6 billion.
- Corporate income tax collections were up 7.4 per cent, or \$0.1 billion.
- Employment insurance premium revenues were down 5.2 per cent, or \$0.1 billion. This was attributable to lower premium rates. The employee premium rate for 1998 is \$2.70 (per \$100 of insurable earnings), compared to a rate of \$2.90 for 1997. The decline in premium rates more than offsets the impact of the increase in the number of employed on overall premium revenues.

- Net GST collections fell 8.9 per cent, or \$0.2 billion, as higher refunds and rebates more than offset a strong growth in gross collections.
- The other components of revenues were relatively unchanged from last year's level.

The increase in program spending was largely attributable to higher subsidies and other transfers related to obligations under the Bretton Woods and Related Agreements and compensation payments related to the ice storm in eastern Canada. Among the other components:

- Major transfers to persons were up slightly as increased elderly benefit payments more than offset a decline in employment insurance benefits.
- Major transfers to other levels of government were down slightly, primarily due to recoveries under Alternative Payments for Standing Programs. Cash transfers under the Canada Health and Social Transfer were unchanged as legislation prevents the annual cash component of this transfer from falling below \$12.5 billion for the period 1997-98 to 2002-03.
- Payments to Crown corporations were unchanged while operating and capital expenditures were lower, reflecting the impact of the 1996 budget restraint measures.

The decline in public debt charges was attributable to a decline in the stock of interest-bearing debt and lower average effective interest rates on that stock.



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Table 1

Summary statement of transactions

	April	
	1997	1998
	(millions of dollars)	
Budgetary transactions		
Revenue	12,302	12,500
Program spending	-7,386	-7,462
Operating surplus	4,916	5,038
Public debt charges	-3,467	-3,454
Deficit/surplus	1,449	1,584
Non-budgetary transactions	-4,444	-3,856
Financial requirements/surplus (excluding foreign exchange transactions)	-2,995	-2,272
Foreign exchange transactions	3,589	1,287
Total financial requirements/surplus	594	-985
Unmatured debt transactions	-5,092	-5,557

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

Total financial requirement up in April 1998

Despite a budgetary surplus of \$1.6 billion, total financial requirements amounted to \$1.0 billion in April 1998, compared to a financial surplus of \$0.6 billion in April 1997. This was attributable to a lower net source of funds from foreign exchange transactions. In April 1998, foreign exchange transactions provided the government with a net source of funds amounting to \$1.3 billion, compared to a net source of \$3.6 billion in April 1997. Non-budgetary transactions resulted in a net requirement of \$3.9 billion in April 1998, down from a net requirement of \$4.4 billion in April 1997.

Market debt lower

The government retired \$5.6 billion of market debt in April 1998 by reducing its cash balances. In total, cash balances were reduced by \$6.5 billion.

Note to users

With this *Fiscal Monitor*, a number of accounting adjustments are being introduced to make the monthly budgetary results more reflective of current developments and to reduce the magnitude of the end-of-year adjustments. The monthly results for 1997-98 are being restated so that year-over-year comparisons can be made. These changes will have no impact on financial requirements/surpluses. The changes largely respond to suggestions made in Chapter 3 of the Auditor General's April 1997 report.

The remittance date for some revenue sources (particularly the GST) is the last day of the month. This means that most of these revenues are not deposited with the government until the first banking day of the following month. If the last remittance day of the month falls on a statutory holiday or on a weekend, these revenues are often not deposited with the government until the second banking day of the following month.

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Table 2

Budgetary revenues

	April		Per cent change
	1997	1998	
	(millions of dollars)		(%)
Income taxes			
Personal income tax	5,835	6,209	6.4
Corporate income tax	1,156	1,241	7.4
Other income tax revenue	297	286	-3.7
Total income tax	7,288	7,736	6.1
Employment insurance premium revenues	1,844	1,748	-5.2
Excise taxes and duties			
Goods and services tax	1,979	1,803	-8.9
Customs import duties	153	174	13.7
Sales and excise taxes	666	621	-6.8
Total excise taxes and duties	2,798	2,598	-7.1
Total tax revenues	11,930	12,082	1.3
Non-tax revenues	372	418	12.4
Total budgetary revenues	12,302	12,500	1.6

Although adjustments are made at year end to allocate such revenues to the appropriate fiscal year, up to now such adjustments were not made on a monthly basis. As a result, the revenue numbers, particularly for April, were significantly understated with adjustments only made at the end of the fiscal year – in the year-end accounting period. In addition, there were often large year-over-year variations in the recording of revenues on a monthly basis due solely to the timing of such remittances, making analysis of the current results difficult. Therefore, the cut-off date for revenues applicable to the current month has been changed from the last day of the month to the end of the second banking day of the next month.

Although budgetary expenditures are on an accrual basis of accounting, a number of adjustments in the past were only made at year end. These included the accrual of wages and salaries and the amortization of actuarial balances in the public service pension accounts, among others. Such adjustments will now be made on a monthly basis, provided reasonable estimates can be made.

These changes will put the monthly results on an accounting basis that more closely approximates that used in the final fiscal year results.

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Table 3

Budgetary expenditures

	April		Per cent change
	1997	1998	
	(millions of dollars)		(%)
Transfer payments to:			
Persons			
Elderly benefits	1,790	1,821	1.7
Employment insurance benefits	1,134	1,114	-1.8
Total	2,924	2,935	0.4
Other levels of government			
Canada Health and Social Transfer	1,042	1,042	0.0
Fiscal transfers	638	642	0.6
Alternative Payments for Standing Programs	-178	-187	5.1
Total	1,502	1,497	-0.3
Subsidies and other transfers			
Agriculture	4	5	25.0
Foreign Affairs	49	100	104.1
Health	68	84	23.5
Human Resources Development	52	58	11.5
Indian and Northern Development	716	778	8.7
Industry and Regional Development	79	72	-8.9
Veterans Affairs	112	114	1.8
Other	200	190	-5.0
Total	1,280	1,401	9.5
Total transfers	5,706	5,833	2.2
Payments to Crown corporations			
Canadian Broadcasting Corporation	112	147	31.3
Canada Mortgage and Housing Corporation	139	125	-10.1
Other	137	116	-15.3
Total	388	388	0.0
Operating and capital expenditures			
Defence	355	346	-2.5
All other departmental expenditures	937	895	-4.5
Total	1,292	1,241	-3.9
Total program expenditures	7,386	7,462	1.0
Public debt charges	3,467	3,454	-0.4
Total budgetary expenditures	10,853	10,916	0.6

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Table 4

The budgetary balance and financial balance

	April	
	1997	1998
	(millions of dollars)	
Deficit (-)/surplus (+)	1,449	1,584
Loans, investments and advances		
Crown corporations	-253	101
Other	22	93
Total	-231	194
Specified purpose accounts		
Canada Pension Plan Account	513	599
Superannuation accounts	406	565
Other	-26	-40
Total	893	1,124
Other transactions	-5,106	-5,174
Total non-budgetary transactions	-4,444	-3,856
Financial requirements/surplus (excluding foreign exchange transactions)	-2,995	-2,272
Foreign exchange transactions	3,589	1,287
Total financial requirements/surplus	594	-985

Table 5

Financial balance and unmatured debt transactions

	April	
	1997	1998
	(millions of dollars)	
Total financial requirements/surplus	594	-985
Unmatured debt transactions		
Payable in Canadian dollars		
Marketable bonds	0	0
Canada Savings Bonds	-289	-629
Treasury bills	-3,700	-4,200
Other	-1	-1
Subtotal	-3,990	-4,830
Less: Government's holdings of unmatured debt	143	90
Total	-3,847	-4,740
Payable in foreign currencies		
Marketable bonds	0	0
Notes and loans	0	0
Canada bills	-940	-817
Canada notes	-305	0
Total	-1,245	-817
Total unmatured debt transactions	-5,092	-5,557
Change in cash balance	-4,498	-6,542

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Table 6

Cash, unmatured debt and debt balances

	March 31, 1998	April 30, 1998
	(millions of dollars)	
Cash balances at end of period		
In Canadian dollars	10,243	3,741
In foreign currencies	49	8
Total cash balance	10,292	3,749
Unmatured debt balance		
Payable in Canadian dollars		
Marketable bonds	294,541	294,541
Treasury bills	112,300	108,100
Canada Savings Bonds	30,593	29,964
Other	3,456	3,455
Subtotal	440,890	436,060
<i>Less: Government's holdings of unmatured debt</i>	846	756
Total	440,044	435,304
Payable in foreign currencies		
Marketable bonds	15,869	15,869
Notes and loans	0	0
Canada bills	9,420	8,603
Canada notes	1,624	1,624
Total	26,913	26,096
Total unmatured debt	466,957	461,400

