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1975

Budget

Government of Canada
Statement of Financial
Transactions
1974-75

Monday, June 23, 1975



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INTRODUCTION

This statement sets out in summary form the financial transactions of the Government of Canada for the fiscal year 1974-75 with comparative figures for the previous four years.

Although the fiscal year of the government ends on March 31, the books remain open for some time to permit payments made up to April 30 in discharge of debts incurred before March 31 to be included in the accounts for the fiscal year. Adjusting entries can also take place well after the fiscal year-end. For this reason, the books are not yet closed for fiscal year 1974-75 and the figures must be regarded as preliminary. The normal publication of the preliminary financial statements will follow later this summer in the Canada Gazette.

The initial "Summary Statement of Transactions" summarizes the transactions in an aggregate form. These transactions are categorized under five main headings: First, the traditional budgetary transactions; second, the non-budgetary transactions; third, the foreign exchange transactions; fourth, unmatured debt transactions; and, fifth, the resulting cash position at the end of the period.

This form of presentation, while consistent with the traditional tables presented in the budget speech and reference table 60 contained in the Economic Review published by the Department of Finance, differs somewhat from the traditional Public Accounts. In the Public Accounts, non-budgetary transactions are defined to include foreign exchange transactions whereas such transactions, with the exception of the advance to the Exchange Fund to remit profits, are shown separately in this presentation. Also in the Public Accounts the unmatured debt transactions are defined to include the change in unmatured debt payable in foreign currency as well as the change in special non-marketable bonds held, at various points in time, by the Unemployment Insurance Commission. Here the change in unmatured debt payable in foreign currency is defined as a foreign exchange transaction and the change in special non-marketable bonds held by the Unemployment Insurance Commission is defined as a non-budgetary transaction.

SUMMARY OF FINANCIAL TRANSACTIONS

Total financial requirements, including foreign exchange transactions, were \$1,558 million in 1974-75. Of this total, \$1,145 million represented the deficit from budgetary transactions. Non-budgetary transactions gave rise to an additional requirement of \$1,180 million, resulting in total budgetary and non-budgetary financial requirements, excluding foreign exchange transactions, of \$2,325 million. These requirements were offset by \$767 million as a result of foreign exchange transactions. Unmatured debt transactions increased by \$3,952 million, resulting in a cash balance of \$3,204 million.

I. BUDGETARY TRANSACTIONS

A. Revenues

Total budgetary revenues in 1974-75 increased by \$5,489 million or 28.3 per cent over fiscal year 1973-74. Most of this increase, \$5,202 million, is accounted for by the growth in tax revenues. Personal and corporate income tax, the oil export charge and customs import duties, accounted for \$4,825 million of the growth in tax revenues.

Reflecting both the large increase in wages and salaries in 1974 and the elasticity of the tax structure, personal income tax revenues increased by \$2,143 million or 27 per cent over the previous fiscal year. Dampening this growth were two structural changes which became effective in the 1974 taxation year: the tax reform provision which lowered the first bracket rate to 12 per cent from 15 on January 1, 1974 and the indexing of personal exemptions and tax brackets by 6.6 per cent as provided for by the February 19, 1973 budget. These two changes in the tax structure reduced 1974-75 personal income tax revenues by more than \$500 million. In addition, the interest income exemption, the registered home ownership savings plan and the tax cuts introduced in the November 18, 1974 budget reduced personal income tax revenues by a further \$415 million.

Over-all corporate profits increased by 27.2 per cent in 1974. This growth in profits resulted in an increase in corporate income tax revenues of \$874 million in 1974-75, or 25.6 per cent over the previous fiscal year.

Revenues from the oil export charge increased by \$1,382 million in 1974-75 over the previous fiscal year. This large growth resulted from the fact

that this was the first full year of the export charge. Customs import duties rose substantially as a result of a 35.8-per-cent increase in merchandise imports and resulted in revenues of \$1,810 million in 1974-75 compared with \$1,384 million in the previous fiscal year.

The increase of \$287 million in non-tax revenues was the result of the growth in returns on investments. The principal increases were: Bank of Canada profits, \$108 million; profits from Exchange Fund operations, \$49 million; and CMHC interest and remitted profits, \$47 million.

B. Expenditures

Budgetary expenditures in 1974-75 increased at a rate of 29.7 per cent over the previous fiscal year. This rate of growth is explained by some specific elements of which the more notable are programs designed to moderate the rate of inflation and programs designed to protect those Canadians least capable of protecting themselves against the adverse effects of inflation. The high rate of inflation itself affected the level of disbursements through, for example, higher wage settlements, rents and cost of equipment purchases.

The oil price stabilization program, the first payments of which were made at the end of the 1973-74 fiscal year, required disbursement of \$1,162 million in 1974-75, compared with \$157 million for the preceding year. These disbursements represent one-sixth of the total 29.7 per cent increase. Prior to taking into account additional equalization and other related amounts, the oil price stabilization program was in a net surplus position of \$396 million in fiscal year 1974-75.

Other subsidies designed to reduce the burden of inflation on Canadians included the consumer subsidy on fluid milk and payments to the railways to compensate for the freight-rate freeze. These two programs resulted in budgetary expenditures of \$189 million in 1974-75 compared with \$92 million in the previous fiscal year. The compensation to railway companies for losses incurred on branch lines and passenger services also gave rise to substantial expenditure increases.

In addition to expenditures intended to restrain price increases, the federal government augmented its transfer payments to individuals. The payment of \$20 per child effective January 1, 1974 and the indexation of these payments effective January 1, 1975 gave rise to family and youth allowances expenditures of \$1,824 million in 1974-75 compared to \$993 million in 1973-74.

Two other major factors contributing to the increase in budgetary expenditures in 1974-75 were the public debt charges and the fiscal transfer payments. Public debt charges increased by 24 per cent or \$622 million in 1974-75 to a level of \$3,214 million. The increase resulted from raising the yield on outstanding Canada Savings Bonds and from a net increase in outstanding debt, especially in the form of Canada Savings Bonds. Fiscal transfer payments increased by \$765 million or 40.8 per cent over 1973-74, largely due to an acceleration of revenue guarantee payments related to 1971 tax reform, the payment of part of the proceeds of the oil export tax to the producing provinces, and an increase in equalization payments. This last increase is attributable mainly to the growth in provincial personal and corporate income taxes and natural resource taxes.

Excluding the increases in the programs enumerated above, federal government budgetary expenditures, including goods and services and capital expenditures, increased at a rate of some 13 per cent in 1974-75 over the previous year.

II. NON-BUDGETARY TRANSACTIONS

A. Loans, Investments and Advances

Loans, investments and advances were up \$546 million or 31.8 per cent over the previous year. Advances to lending institutions, which comprise about one-half of all federal government loans, accounted for some \$391 million of the increase. Of this, \$379 million was attributable to CMHC, and the bulk of the remainder to the Farm Credit Corporation. Other large increases took the form of loans to provide adequate facilities for transportation and communication through loans to CNR and Air Canada. Those loans rose about \$80 million over the previous year.

B. Annuities, Insurance and Pensions

The annuities, insurance and pension accounts provided the federal government with a net source of funds of \$1,286 million in 1974-75 compared with \$438 million in the previous year. The change was due in part to a decrease of \$33 million in the level of the Old Age Security Account in 1974-75 compared to a rundown of \$303 million in 1973-74. The change in the level of the account was minimal in 1974-75 as the deficit was financed through a budgetary appropriation. The decrease in the deficit of the unemployment

insurance account gave rise to a further \$305 million of the increase in the annuities, insurance and pension accounts. The remaining increase is attributable largely to the growth in the net surplus position of the superannuation accounts.

C. Other Transactions

This category includes such items as year-end and administrative accounts and accordingly the movement in these transactions varies widely. In fiscal year 1974-75, these transactions gave rise to a net requirement of \$205 million compared to a net source of \$260 million in the previous fiscal year.

III. FOREIGN EXCHANGE TRANSACTIONS

Foreign exchange transactions reflect mainly the operations of the Exchange Fund Account in maintaining orderly conditions in the exchange markets. In 1974-75, the Exchange Fund sold foreign currencies, which resulted in a source of Canadian dollars. Total foreign exchange transactions gave rise to a net source of \$767 million in 1974-75 compared with \$296 million in 1973-74.

IV. UNMATURED DEBT TRANSACTIONS

Unmatured debt outstanding, payable in Canadian currency, increased by \$3,952 million. The major increase came from the net sale of \$2,509 million of Canada Savings Bonds. Marketable bonds and treasury bills accounted for a further \$1,396 million.

V. LEVEL OF CASH BALANCES AT END OF PERIOD

The increase in receipts as a result of both exchange transactions and unmatured debt transactions amounted to \$4,719 million compared to financial requirements of only \$2,325 million. As a result, cash balances increased by \$2,394 million and stood at \$3,204 million at year-end.

GOVERNMENT OF CANADA
SUMMARY STATEMENT OF TRANSACTIONS

	Fiscal Year Ending March 31st				
	1971	1972	1973	1974	1975*
	(\$ Millions)				
I. Budgetary Transactions					
A. Revenues	12,803	14,227	16,602	19,367	24,856
B. Expenditures	-13,182	-14,841	-16,121	-20,040	-26,001
Surplus or Deficit (-)	- 379	- 614	481	- 673	- 1,145
II. Non-budgetary Transactions					
A. Loans, Investments and Advances	- 1,352	- 1,637	- 1,388	- 1,715	- 2,261
B. Annuity, Insurance and Pension Accounts	605	209	- 770	438	1,286
C. Other Transactions	- 48	504	214	260	- 205
Net Source or Requirement (-)	- 795	- 924	- 1,944	- 1,017	- 1,180
Financial Requirements (Excl. Foreign Exchange**)	- 1,174	- 1,538	- 1,463	- 1,690	- 2,325
III. Foreign Exchange Transactions**	- 1,255	- 506	73	296	767
Total Financial Requirements ⁽¹⁾	- 2,429	- 2,044	- 1,390	- 1,394	- 1,558
IV. Unmatured Debt Transactions***	2,860	2,366	1,789	205	3,952
Change in Cash Balance ⁽²⁾	431	322	399	- 1,189	2,394
V. Level of Cash Balance at End of Period	1,278	1,600	1,999	810	3,204

(1) Cash Requirement (-)

(2) Cash Decrease (-)

* Preliminary Actuals

** Except for advances to the Exchange Fund to remit profits

*** Excluding change in unmatrued debt outstanding payable in foreign currency and change in the special non-marketable bonds held by the Unemployment Insurance Commission.

GOVERNMENT OF CANADA
DETAILED STATEMENT OF TRANSACTIONS

	Fiscal Year Ending March 31st				
	1971	1972	1973	1974	1975*
	(\$ Millions)				
I. Budgetary Transactions					
A. Revenues					
Tax Revenues					
Personal Income Tax	(5,263)	(5,990)	(7,188)	(7,926)	(10,069)
Deductions at Source	4,231	4,777	5,892	6,350	8,251
Other Collections	1,032	1,213	1,296	1,576	1,818
Corporate Income Tax	2,218	2,183	2,654	3,411	4,285
Non-resident Tax	258	288	292	324	427
Sales Tax	1,708	1,985	2,289	2,693	2,906
Other Excise Taxes	403	388	400	408	413
Oil Export Tax	—	—	—	287	1,669
Excise Duties	561	607	638	686	749
Customs Import Duties	815	989	1,182	1,384	1,810
Estate Tax	120	132	61	14	7
Total Tax Revenues	11,346	12,562	14,704	17,133	22,335
Non-Tax Revenues					
Return on Investments					
CMHC — Interest and Remitted Profits	266	321	367	400	447
FCC — Interest	67	72	77	79	90
Exchange Fund — Remitted Profits	176	194	203	220	269
Bank of Canada — Remitted Profits	250	265	301	373	481
Other	241	281	317	417	535
Total Return on Investments	1,000	1,133	1,265	1,489	1,822
Postal Revenues	338	404	470	480	503
Other	119	128	163	265	196
Total Non-Tax Revenues	1,457	1,665	1,898	2,234	2,521
Total Revenues	12,803	14,227	16,602	19,367	24,856

*Preliminary Actuals

GOVERNMENT OF CANADA
DETAILED STATEMENT OF TRANSACTIONS

	Fiscal Year Ending March 31st				
	1971 ⁽¹⁾	1972	1973	1974	1975*
	(\$ Millions)				
<i>I. Budgetary Transactions</i>					
<i>B. Expenditures</i>					
Agriculture	277	295	322	426	664
Energy, Mines and Resources	(149)	(179)	(171)	(342)	(1,366)
Oil Price Stabilization	—	—	—	157	1,162
Other	149	179	171	185	204
Environment	157	211	258	316	380
External Affairs	(282)	(318)	(388)	(439)	(549)
Canadian International Development Agency	210	219	275	300	380
Other	72	99	113	139	169
Finance	(3,238)	(3,670)	(3,948)	(4,617)	(6,014)
Public Debt Charges	1,921	2,137	2,321	2,592	3,214
Fiscal Transfers and Contracting-out Payments	1,229	1,426	1,501	1,874	2,639
Other	88	107	126	151	161
Indian Affairs and Northern Development	350	443	511	595	672
Industry, Trade and Commerce	251	369	412	400	449
Manpower and Immigration	(749)	(826)	(814)	(1,643)	(1,683)
Development and Utilization of Manpower	530	581	715	699	681
Unemployment Insurance Commission	178	172	40	879	922
Other	41	73	59	65	80
National Defence	1,772	1,862	1,932	2,232	2,512
National Health and Welfare	(2,338)	(2,712)	(2,923)	(3,759)	(5,205)
Family and Youth Allowances	616	614	608	993	1,824
Hospital Insurance	734	845	961	1,066	1,307
Medicare	400	576	631	678	762
Canada Assistance Plan	392	457	477	507	660
Old Age Security Plan	—	—	—	235	253
Other	196	220	246	280	399
National Revenue	158	200	237	270	352
Post Office	369	443	496	591	746
Public Works	331	344	374	470	524
Regional Economic Expansion	298	348	360	412	441
Secretary of State	(708)	(842)	(926)	(1,026)	(1,155)
Post-secondary Education	388	450	481	485	504
Canadian Broadcasting Corporation	166	181	205	239	299
Bilingualism Development	53	78	73	96	93
Other	101	133	167	206	259
Solicitor General	221	264	307	350	454
Transport	450	516	599	827	1,302
Veterans Affairs	410	430	452	538	619
Other Departmental Expenditures	674	569	691	787	914
Total Expenditures	13,182	14,841	16,121	20,040	26,001

(1) Contributions to Public Service Superannuation Account are included in Treasury Board Expenditures for 1970-71. For subsequent years the contributions are imputed for each department.

*Preliminary Actuals

GOVERNMENT OF CANADA
DETAILED STATEMENT OF TRANSACTIONS

	Fiscal Year Ending March 31st				
	1971	1972	1973	1974	1975*
(\$ Millions)					
II. Non-budgetary Transactions (Source +/Requirement -)					
A. Loans, Investments and Advances					
Crown Corporations and Agencies					
Lending Institutions	(- 707)	(- 785)	(- 633)	(- 676)	(-1,067)
Central Mortgage and Housing Corporation	- 596	- 656	- 475	- 375	- 754
Export Development Corporation	- 71	- 108	- 124	- 141	- 93
Farm Credit Corporation	- 49	- 30	- 43	- 170	- 231
Municipal Development Loan Board	9	9	9	10	11
All Other Crown Corporations	(- 363)	(- 419)	(- 120)	(- 437)	(- 545)
Air Canada	- 111	- 27	14	-	- 145
Atomic Energy of Canada Limited	- 161	- 112	- 77	- 62	- 87
Canadian National Railways	- 93	- 202	2	- 205	- 143
Other	2	- 78	- 59	- 170	- 170
Other Loans	(- 282)	(- 433)	(- 635)	(- 602)	(- 649)
Finance	38	- 113	- 117	- 100	- 79
Regional Economic Expansion	- 77	- 32	- 64	- 61	- 52
Canada Development Corporation	-	- 25	- 162	- 75	- 50
Loans to Developing Countries	- 114	- 143	- 144	- 183	- 234
Other	- 129	- 120	- 148	- 183	- 234
Total Loans, Investments and Advances	-1,352	-1,637	-1,388	-1,715	-2,261
B. Annuity, Insurance and Pension Accounts					
Old Age Security Fund	7	- 87	- 305	- 303	- 33
Canada Pension Plan	43	25	36	33	44
Unemployment Insurance Account	- 131	- 459	-1,351	- 282	23
Superannuation Accounts	688	728	851	988	1,218
Government Annuities	- 8	- 10	- 13	- 19	- 20
Other	6	12	12	21	54
Total Annuity, Insurance and Pension Accounts	605	209	- 770	438	1,286
C. Other Transactions					
Exchange Fund Profits	- 176	- 194	- 203	- 220	- 269
Interest and Matured Debt	244	324	371	322	441
Accounts Payable and Accrued Salaries	- 15	81	105	444	- 104
Cash in Transit	- 140	74	- 103	- 851	- 26
Outstanding Cheques, Warrants and Money Orders	121	131	16	539	22
Other	- 82	88	28	26	- 269
Total Other Transactions	- 48	504	214	260	- 205
Net Non-budgetary Requirements	- 795	- 924	-1,944	-1,017	-1,180

*Preliminary Actuals

GOVERNMENT OF CANADA
DETAILED STATEMENT OF TRANSACTIONS

	Fiscal Year Ending March 31st				
	1971	1972	1973	1974	1975*
	(\$ Millions)				
III. Foreign Exchange Transactions (Source +/Requirement -)					
Exchange Fund Account**	-1,182	- 744	78	395	942
International Monetary Fund					
Subscriptions	- 349	8	- 51	- 105	44
Notes Payable	271	115	103	137	- 74
Other International Organizations					
Subscriptions, Advances and Loans	- 28	- 51	- 107	- 125	- 138
Notes Payable	- 8	25	52	70	44
Unmatured Debt Outstanding - Payable in Foreign Currency	- 110	- 2	- 2	- 76	- 51
Special Drawing Rights	119	117	-	-	-
Columbia River Treaty	32	26	-	-	-
Total Foreign Exchange Transactions	-1,255	- 506	73	296	767
IV. Unmatured Debt Transactions (Increase +/Decrease -)					
Marketable Bonds	631	363	36	93	671
Treasury Bills	840	95	460	615	725
Canada Savings Bonds	1,226	1,907	1,277	- 583	2,509
Other	12	- 1	22	8	9
Less:					
Unmatured Debt Payable in Foreign Currency	110	2	2	76	51
Securities Investment Account	41	-	- 8	- 4	- 13
Total Unmatured Debt Transactions	2,860	2,366	1,789	205	3,952
V. Level of Cash Balance at End of Period					
In Canadian Dollars	1,256	1,582	1,984	801	3,185
In Foreign Currency	22	18	15	9	19

*Preliminary Actuals

**Net of advance to remit profits

22	100	100	100	100	100
100	100	100	100	100	100
100	100	100	100	100	100
100	100	100	100	100	100

**GOVERNMENT OF CANADA
DETAILED STATEMENT OF TRANSACTIONS**

	Fiscal Year Ending March 31st				
	1971	1972	1973	1974	1975*
	(\$ Millions)				
<i>Old Age Security Fund</i>					
Receipts					
Personal Income Tax	1,132	1,237	1,190	1,300	1,642
Corporate Income Tax	208	213	266	299	551
Sales Tax	574	668	763	898	966
Credit from Appropriation	—	—	—	235	253
Disbursements					
Pensions	-1,634	-1,679	-1,786	-2,275	-2,617
Guaranteed Income Supplement	- 273	- 526	- 738	- 760	- 828
Net	7	- 87	- 305	- 303	- 33

*Preliminary Actuals

**GOVERNMENT OF CANADA
DETAILED STATEMENT OF TRANSACTIONS**

	Fiscal Year Ending March 31st				
	1971	1972	1973	1974	1975*
	(\$ Millions)				
<i>Canada Pension Plan</i>					
Receipts					
Employer and Employee Contributions	813	826	897	1,019	1,239
Investment Income and Other Receipts	211	275	346	424	520
Disbursements					
Pensions	- 92	- 143	- 206	- 279	- 400
Administration Expenses	- 20	- 23	- 23	- 24	- 30
Purchase of Securities					
Provincial or Provincial Guarantee	- 864	- 903	- 971	-1,099	-1,276
Federal	- 5	- 7	- 7	- 8	- 9
Net	43	25	36	33	44

*Preliminary Actuals

GOVERNMENT OF CANADA
DETAILED STATEMENT OF TRANSACTIONS

	Fiscal Year Ending March 31st				
	1971	1972	1973	1974	1975*
	(\$ Millions)				
<i>Unemployment Insurance Account</i>					
Receipts					
Government Contribution	99	92	37	878	920
Employer and Employee Contributions	495	571	763	1,024	1,611
Investment Income	33	27	1	1	1
Disbursements					
Benefits	- 758	-1,123	-2,021	-2,014	-2,326
Interest Payments	-	-	-	28	30
Administration Expenses	-	26	131	143	153
Net	- 131	- 459	-1,351	282	23
Financial Arrangements					
Change in Government Bonds Outstanding	138	315	-	-	-
Change in Government Advances — Interest Bearing	-	-	310	245	170
— Non-Interest Bearing	-	184	981	-	- 107
Change in Bank Balance	- 13	- 64	63	32	- 82
Change in Warrants Outstanding	6	24	- 3	5	42
	131	459	1,351	282	23

*Preliminary Actuals

GOVERNMENT OF CANADA
DETAILED STATEMENT OF TRANSACTIONS

	Fiscal Year Ending March 31st				
	1971	1972	1973	1974	1975*
	(\$ Millions)				
<i>Superannuation Accounts</i>					
<i>Public Service Superannuation Account</i>					
Receipts					
Government Contribution	88	89	105	116	142
Employee Contribution	88	104	115	131	158
Crown Corporations – Employer and Employee Contributions	13	15	17	19	23
Interest	148	164	184	203	227
Actuarial Liability	162	244	160	171	626
Other	–	2	13	5	4
Disbursements					
Annuities	– 95	– 106	– 122	– 139	– 162
Other	– 13	– 13	– 15	– 24	– 23
Change in Unamortized Portion of Actuarial Deficiency	– 28	– 92	20	20	– 362
Net	363	407	477	502	633
<i>Canadian Forces Superannuation Account</i>					
Receipts					
Government Contribution	70	74	79	87	91
Employee Contribution	40	42	44	49	52
Interest	136	147	163	190	218
Actuarial Liability	107	229	213	576	461
Other	–	–	–	–	–
Disbursements					
Annuities	– 82	– 97	– 115	– 130	– 147
Other	– 7	– 5	– 5	– 6	– 8
Change in Unamortized Portion of Actuarial Deficiency	28	– 104	– 46	– 325	– 143
Net	292	286	333	441	524
<i>R.C.M.P. Superannuation Account</i>					
Receipts					
Government Contribution	9	11	13	15	18
Employee Contribution	5	6	8	8	11
Interest	7	8	9	12	14
Actuarial Liability	14	–	18	14	38
Other	–	–	–	–	–
Disbursements					
Annuities	– 1	– 1	– 2	– 2	– 3
Other	–	–	–	– 1	–
Change in Unamortized Portion of Actuarial Deficiency	– 1	11	– 5	– 1	– 17
Net	33	35	41	45	61
Total Superannuation Accounts	688	728	851	988	1,218

*Preliminary Actuals