

Annex 2b Perspective: Long-Term Track Record of Fiscal Forecasting:

Details on Differences by Fiscal Year

This document reviews the evolution of the fiscal and economic forecasts by fiscal year. The forecasts and final outcomes are adjusted to remove the impact of in-year policy initiatives and accounting and other technical adjustments that were not anticipated at the time of the first forecasts. The impact of these adjustments is presented separately in the tables. The current accrual outcomes are shown for information purposes only. For 1994–95 to 1999–2000, both the average of the private sector economic forecasts and the prudent economic forecasts used in preparing the fiscal forecasts are presented.

In the 2003 budget, the Government adopted full accrual accounting (for more details, see Annex 6 of the *The Budget Plan 2003*, "Implementation of Full Accrual Accounting in the Federal Government's Financial Statements") and recast the financial results back to 1983–84. The historical full accrual numbers are presented for information purposes only, where applicable.

Fiscal Year 1994–95

The February 1994 budget forecast a budgetary deficit of \$39.7 billion for 1994–95. The final budgetary deficit, as published in the *Public Accounts of Canada* for that year, was \$37.5 billion, \$2.2 billion lower than the February 1994 budget forecast and \$0.5 billion lower than the updated February 1995 budget estimate. There were no in-year policy initiatives or other adjustments.

The \$2.2-billion difference was more than accounted for by much lower-than-expected employment insurance benefits (down \$3.5 billion). The fiscal savings from the program changes announced in the December 1992 *Economic and Fiscal Statement*, effective April 1993, were larger than originally estimated. In addition, a stronger-than-expected labour market resulted in fewer-than-expected beneficiaries.

Despite the fact that economic growth turned out to be much stronger than estimated in the 1994 budget (nominal income grew by 6 per cent in 1994 compared to the 3.9 per cent used in the 1994 budget), budgetary revenues were somewhat lower than expected. Part of this was attributable to a compositional shift among the income components, resulting in much lower-than-expected personal income tax revenues, offset in part by higher corporate income tax revenues. The lingering impacts of the 1990–1991 recession continued to dampen the average effective tax rates more than had been estimated at the time of the 1994 budget. Public debt charges were \$1.0 billion higher than expected, as short-term interest rates were 100 basis points higher

than those used in the 1994 budget, while long-term rates were 200 basis points higher.

Evolution of Fiscal Forecasts for 1994–95

	Changes						
	February 1994 budget	February 1995 budget	Outcome (modified)	Net	Outcome (modified)	Accrual adjustment	Outcome (accrual)
(billions of dollars)							
Budgetary revenues: status quo							
Income tax							
Personal income tax	59.5	-2.7	-0.5	-3.2	56.3	-1.0	55.3
Corporate income tax	10.3	2.7	-1.4	1.3	11.6	-0.6	11.0
Other income tax	1.8	0.0	0.0	0.0	1.8	-0.1	1.7
Total	71.6	0.0	-1.9	-1.9	69.7	-1.7	68.0
Sales and excise taxes and duties							
Goods and services tax	16.5	0.1	0.2	0.3	16.8	0.3	17.1
Customs import duties	3.8	0.0	-0.2	-0.2	3.6	0.0	3.6
Other excise taxes	6.3	0.4	0.0	0.4	6.7	0.1	6.8
Total	26.6	0.5	0.0	0.5	27.1	0.4	27.5
Other							
Employment insurance premiums	19.3	-0.4	0.0	-0.4	18.9	-0.6	18.3
Other revenues	6.4	1.0	0.2	1.2	7.6	1.1	8.7

	Changes						
	February 1994 budget	February 1995 budget	Outcome (modified)	Net	Outcome (modified)	Accrual adjustment	Outcome (accrual)
Total	25.7	0.6	0.2	0.8	26.5	0.5	27.0
Total budgetary revenues	123.9	1.1	-1.7	-0.6	123.3	-0.8	122.5
Program spending/expenses: status quo							
Major transfers to persons							
Elderly benefits	20.6	0.0	-0.1	-0.1	20.5	-0.4	20.1
Employment insurance benefits	18.3	-3.0	-0.5	-3.5	14.8	0.0	14.8
Total	38.9	-3.0	-0.6	-3.6	35.3	-0.4	35.0
Major transfers to other levels of government							
Canada Health and Social Transfer ¹	17.0	0.3	0.2	0.5	17.5	0.0	17.5
Fiscal arrangements	9.3	0.4	-0.8	-0.4	8.9	0.0	8.9
Total	26.3	0.6	-0.6	0.1	26.4	0.0	26.3
Direct program spending/expenses	57.4	0.7	-1.0	-0.3	57.1	-3.4	53.7
Total program spending/expenses	122.6	-1.7	-2.2	-3.8	118.8	-3.8	114.9
Public debt charges: status quo	41.0	1.0	0.0	1.0	42.0	2.1	44.2
Budgetary surplus: status quo	-39.7	1.8	0.5	2.2	-37.5	0.9	-36.6

Evolution of Economic Forecasts for 1994

	Private sector					
	Average	Prudent				
	(per cent)		(percentage points)			(per cent)
Real GDP growth	3.5	3.0	1.3	0.5	1.8	4.8
GDP inflation	0.9	0.9	-0.3	0.6	0.3	1.2
Nominal GDP growth	4.4	3.9	1.0	1.1	2.1	6.0
Interest rates						
3-month treasury bill rate	4.3	4.5	1.0	0.0	1.0	5.5
10-year government bond rate		6.4	2.0	0.0	2.0	8.4

Note: Totals may not add due to rounding.

¹ Includes Alternative Payments for Standing Programs.

Fiscal Year 1995–96

The February 1995 budget forecast a budgetary deficit of \$30.2 billion for 1995–96. The final audited outcome, as published in the *Public Accounts of Canada* for 1995–96, was \$28.6 billion, an improvement of \$1.7 billion. The February 1996 budget provided an update for 1995–96. While the estimates for most components of the budgetary balance were adjusted, the changes were offsetting with the result that the budgetary balance was unchanged from the 1995 budget forecast. There were no in-year policy initiatives or accounting/technical adjustments.

The improvement in the budgetary balance of \$1.7 billion from the 1995 budget forecast was entirely due to lower expenditures (down \$4.6 billion as program spending was \$2.0 billion lower and public debt charges were \$2.6 billion lower). Budgetary revenues were overestimated by \$2.9 billion.

Lower goods and services tax (GST) revenues (reflecting lower-than-expected consumer demand) and employment insurance premiums (largely attributable to adjustments to recover overpayments relating to previous fiscal years) accounted for the shortfall in budgetary revenues. Other revenues were \$0.7 billion lower than expected, primarily due to lower Exchange Fund Account revenues. In the February 1996 budget, corporate income tax revenues were revised down by \$1.1 billion, consistent with the monthly collections to the end of December 1995. However, final settlement payments, received in February/March 1996, more than offset this downward adjustment with the result that final corporate income revenues were up by \$0.5 billion.

In the 1996 budget, program spending was revised down by \$0.2 billion from the 1995 budget estimate. However, the final outcome lowered the 1996 budget estimate by an additional \$1.8 billion, resulting in an overall overestimation of \$2.0 billion from the 1995 budget estimate. The lower estimate was primarily due to lower employment insurance benefits (down \$0.8 billion, reflecting fewer than expected beneficiaries) and lower direct program spending (down \$0.8 billion), primarily reflecting lower-than-estimated liabilities for the year as a whole. The lower fiscal arrangements entitlements were due to recoveries related to prior fiscal years, based on tax data that became available in the final quarter of 1995–96.

Public debt charges were \$2.6 billion lower than forecast in the 1995 budget, due to lower-than-forecast interest rates. Both short- and long-term rates were 150 basis points lower than the adjusted private sector average forecast of rates used in the 1995 budget. Given the sensitivities of public debt charges to interest rates at that time, this accounts for the lower-than-expected outcome for public debt charges.

Evolution of Fiscal Forecasts for 1995–96

	Changes						
	February 1995 budget	February 1996 budget	Outcome (modified)	Net	Outcome (modified)	Accrual adjustment	Outcome (accrual)
(billions of dollars)							
Budgetary revenues: status quo							
Income tax							
Personal income tax	60.4	0.1	-0.3	-0.2	60.2	-1.3	58.8
Corporate income tax	15.5	-1.1	1.6	0.5	16.0	-0.6	15.4
Other income tax	1.8	0.1	0.2	0.3	2.1	-0.2	1.9
Total	77.7	-0.9	1.4	0.5	78.2	-2.1	76.1
Sales and excise taxes and duties							
Goods and services tax	17.4	-0.2	-0.8	-1.0	16.4	0.5	16.9
Customs import duties	3.3	-0.3	0.0	-0.3	3.0	0.0	3.0
Other excise taxes	7.4	-0.1	0.0	-0.1	7.3	0.1	7.4
Total	28.1	-0.6	-0.9	-1.5	26.6	0.6	27.3
Other							
Employment insurance premiums	19.7	-1.2	0.0	-1.2	18.5	0.6	19.1
Other revenues	7.7	0.0	-0.7	-0.7	7.0	2.0	9.0

	Changes						
	February 1995 budget	February 1996 budget	Outcome (modified)	Net	Outcome (modified)	Accrual adjustment	Outcome (accrual)
	(billions of dollars)						
Total	27.4	-1.2	-0.7	-1.9	25.5	2.6	28.1
Total budgetary revenues	133.2	-2.6	-0.3	-2.9	130.3	1.1	131.4
Program spending/expenses: status quo							
Major transfers to persons							
Elderly benefits	21.2	0.0	-0.2	-0.2	21.0	-0.6	20.4
Employment insurance benefits	14.3	-0.8	0.0	-0.8	13.5	0.0	13.5
Total	35.5	-0.8	-0.2	-1.0	34.5	-0.6	33.9
Major transfers to other levels of government							
Canada Health and Social Transfer ¹	16.4	0.2	0.1	0.3	16.7	0.0	16.7
Fiscal arrangements	9.9	0.1	-0.6	-0.5	9.4	0.0	9.4
Total	26.3	0.3	-0.5	-0.2	26.1	0.0	26.1
Direct program spending/expenses	52.2	0.3	-1.1	-0.8	51.4	0.6	52.0
Total program spending/expenses	114.0	-0.2	-1.8	-2.0	112.0	0.0	112.0
Public debt charges: status quo	49.5	-2.5	-0.1	-2.6	46.9	2.5	49.4
Budgetary surplus: status quo	-30.2	0.0	1.7	1.7	-28.6	-1.4	-30.0

Evolution of Economic Forecasts for 1995

	Private sector					
	Average	Prudent				
	(per cent)		(percentage points)			(per cent)
Real GDP growth	3.9	3.8	-1.6	0.6	-1.0	2.8
GDP Inflation	1.6	1.7	0.1	0.5	0.6	2.3
Nominal GDP growth	5.5	5.5	-1.5	1.1	-0.4	5.1
Interest rates						
3-month treasury bill rate	7.8	8.5	-1.5	0.0	-1.5	7.0
10-year government bond rate	9.0	9.7	-1.5	0.0	-1.5	8.2

Note: Totals may not add due to rounding.

¹ Includes Alternative Payments for Standing Programs.

Fiscal Year 1996–97

The March 1996 budget forecast a budgetary deficit of \$21.8 billion for 1996–97. This was revised down by \$2.8 billion to \$19.0 billion in the February 1997 budget. However, the final audited outcome, as published in the *Public Accounts of Canada* for 1996–97, was a deficit of \$8.9 billion, \$10 billion lower than the 1997 budget estimate and \$12.8 billion lower than the 1996 budget forecast.

However, there were a number of in-year policy initiatives which accounted for \$1.7 billion of the \$12.8-billion improvement in the budgetary balance. These were: an increase in the excise tax on tobacco products effective November 1996; and the sale of the Air Navigation System and the acceleration of employment insurance premiums for those employees earning above the annual maximum insurable earnings (this one-time fiscal impact resulted in more premiums being remitted in the final quarter of 1996–97 than in previous years). The net impact of these revenue-raising initiatives was partially offset by the investment of \$800 million in the Canada Foundation for Innovation, as announced in the 1997 budget. In addition, both budgetary revenues and program spending were adjusted to exclude the impact of the reclassification of the air transport tax from program spending to other excise taxes. This reclassification had no impact on the budgetary balance.

Excluding the impact of the above policy initiatives, the budgetary balance was \$11.1 billion better than forecast in the 1996 budget. Half of this difference was due to lower-than-expected program spending, with the remainder divided about equally between higher budgetary revenues and lower public debt charges.

Within budgetary revenues, the improvement was due to higher corporate and other income tax revenues. This underscores the difficulty in forecasting corporate income tax revenues, given the monthly remittance procedures. Corporate income tax revenues were revised up in the 1997 budget. However, final settlement payments from those corporations with a December taxation year were much higher than expected, given the growth in corporate profits at that time. Other income tax revenues, which primarily include non-resident withholding taxes, are extremely volatile from year to year.

The lower outcome for program spending, from that estimated in the 1996 budget, was largely attributable to lower direct program spending (down \$3.5 billion) and employment insurance benefits (down \$1.4 billion). The lower direct program spending was attributable to both a faster implementation of the three-year Program Review reductions, introduced in the 1995 budget, as well as changes in operating procedures which permitted departments and agencies to carry forward a larger portion of unused but committed funding. The lower-than-forecast employment insurance benefits were again attributable to fewer than expected beneficiaries.

Lower-than-expected short-term interest rates (down 160 basis points from the adjusted private sector average forecast used in the 1996 budget) explain the \$2.8-billion decline in public debt charges.

Evolution of Fiscal Forecasts for 1996–97

	Changes						
	February 1996 budget	February 1997 budget	Outcome (modified)	Net	Outcome (modified)	Accrual adjustment	Outcome (accrual)
(billions of dollars)							
Budgetary revenues: status quo							
Income tax							
Personal income tax	63.5	-0.2	0.0	-0.2	63.3	-0.7	62.6
Corporate income tax	15.1	0.7	1.2	1.9	17.0	-0.8	16.2
Other income tax	1.9	0.2	0.7	0.9	2.8	-0.2	2.7
Total	80.5	0.7	1.9	2.6	83.1	-1.7	81.5
Sales and excise taxes and duties							
Goods and services tax	17.9	-1.0	1.2	0.2	18.1	0.1	18.2
Customs import duties	2.8	-0.5	0.4	-0.1	2.7	0.0	2.7
Other excise taxes ¹	8.3	0.2	-0.2	0.0	8.4	0.0	8.4
Total	29.0	-1.3	1.4	0.1	29.1	0.1	29.2
Other							
Employment insurance premiums	18.8	-0.2	0.2	0.0	18.8	0.1	18.9
Other revenues	7.4	-1.2	1.1	-0.1	7.3	1.4	8.7

	Changes						
	February 1996 budget	February 1997 budget	Outcome (modified)	Net	Outcome (modified)	Accrual adjustment	Outcome (accrual)
	(billions of dollars)						
Total	26.2	-1.4	1.3	-0.1	26.1	1.5	27.7
Program spending/expenses: status quo							
Major transfers to persons							
Elderly benefits	21.9	-0.3	0.0	-0.3	21.6	-0.4	21.2
Employment insurance benefits	13.8	-0.7	-0.7	-1.4	12.4	0.0	12.4
Total	35.7	-1.0	-0.7	-1.7	34.0	-0.4	33.6
Major transfers to other levels of government							
Canada Health and Social Transfer		15.0	-0.1	-0.1	-0.2	14.8	14.8
Fiscal arrangements		9.9	-0.2	0.1	-0.1	9.8	9.4
Alternative Payments for Standing Programs		-2.0	0.0	0.0	0.0	-2.0	-2.0
Total		23.0	-0.3	0.0	-0.3	22.6	22.2
Direct program spending/expenses¹		51.0	0.6	-4.1	-3.5	47.5	45.7
Total program spending/expenses		109.7	-0.8	-4.8	-5.6	104.0	101.5

	Changes							
	February 1996 budget	February 1997 budget	Outcome (modified)	Net	Outcome (modified)	Accrual adjustment	Outcome (accrual)	
	(billions of dollars)							
Public debt charges: status quo		47.8	-2.3	-0.5	-2.8	45.0	2.3	47.3
Budgetary surplus: status quo		-21.8	1.1	10.0	11.1	-10.6	0.1	-10.5
Policy initiatives								
Tobacco tax increase			0.0		0.0	0.0		0.0
Sale of Air Navigation System			1.5		1.5	1.5		1.5
Change in employment insurance premium remittance			1.0		1.0	1.0		1.0
Canada Foundation for Innovation			-0.8		-0.8	-0.8		-0.8
Total			1.7		1.7	1.7		1.7
Budgetary surplus		-21.8	2.8	10.0	12.8	-8.9	0.1	-8.7

Evolution of Economic Forecasts for 1996

	Private sector					
	Average	Prudent				
	(per cent)		(percentage points)			(per cent)
Real GDP growth	1.9	1.8	-0.4	0.2	-0.2	1.6
GDP inflation	1.6	1.5	-0.2	0.3	0.1	1.6
Nominal GDP growth	3.5	3.3	-0.6	0.6	0.0	3.3
Interest rates						
3-month treasury bill rate	5.3	5.8	-1.6	0.0	-1.6	4.2
10-year government bond rate	7.2	7.7	-0.5	0.0	-0.5	7.2

Note: Totals may not add due to rounding.

¹ Adjusted for the reclassification of the air transport tax.

Fiscal Year 1997–98

The February 1997 budget forecast a deficit of \$14 billion for 1997–98. This was reduced to a balanced budget in the February 1998 budget. The final outcome, as published in the *Public Accounts of Canada* for 1997–98, was a surplus of \$3.5 billion. As a result, the final audited outcome was \$17.5 billion better than the 1997 budget forecast.

In-year policy initiatives and accounting/technical adjustments had the net effect of reducing the final budgetary surplus by \$3.3 billion. Policy initiatives included, among others, a reduction in employment insurance premiums, effective January 1, 1998; increased transfers to provinces and territories under the Canada Health and Social Transfer (CHST) program (\$0.2 billion); an investment of \$2.5 billion in the Canada Millennium Scholarship Foundation; and \$350 million to the Aboriginal Healing Foundation, for a total of \$4.2 billion. In addition, the accounting policy for the recognition of liabilities relating to commitments to international financial institutions (IFIs) was changed to recognize the liability when the notes were issued rather than encashed, resulting in a one-time expense of \$1.5 billion. Dampening the impact of these liabilities was a reduction of \$2.5 billion in public debt charges, reflecting a change in accounting for interest costs associated with the Government's obligations to the public service pension plans. These changes in accounting policies were based on recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants, supported by the Auditor General.

Excluding the impact of these adjustments, the surplus on a policy-adjusted basis would have been \$6.8 billion, an improvement of \$20.8 billion from the 1997 budget forecast and \$5.1 billion higher than the 1998 budget estimate. Of the improvement since the 1997 budget forecast, \$14.9 billion was due to higher-than-forecast budgetary revenues, \$3.3 billion to lower-than-forecast program spending and \$2.6 billion due to lower-than-forecast public debt charges.

Part of the higher-than-forecast budgetary revenues was attributable to stronger-than-expected economic growth, up 5.5 per cent compared to the February 1997 budget forecast of 4.7 per cent. However, most of the increase was attributable to an increase in the revenue ratio. In the 1997 budget, it was assumed that the revenue-to-GDP (gross domestic product) ratio would decline from 17.0 per cent in 1996–97 to 16.5 per cent in 1997–98, as the 1996–97 ratio had been inflated due to the one-time revenue-raising measures implemented in 1996–97. This decline did not materialize but instead the ratio increased to 17.9 per cent. There is a cyclical element to this ratio. It tends to decline during economic downturns and to increase during recoveries, reflecting the progressive nature of the personal income tax system and the cyclical nature of corporate profits and capital gains. From a forecasting perspective, it is virtually impossible to predict such turnarounds, given the lags in economic and fiscal data and the behaviour of taxpayers.

Within budgetary revenues, the major sources of differences were in personal and corporate income tax revenues—the two components most affected by cyclical developments. Corporate income tax revenues were \$6.3 billion higher, reflecting strong growth in profits in those sectors with above average effective tax rates. In addition, there was a \$0.6 billion recovery from the Provincial Tax Collection Account with respect to taxation year 1996. The federal government collects corporate income tax revenues on behalf of 6 of the 10 provinces. Estimated

remittances to the provinces are made on a monthly basis with adjustments for previous years made at year-end, when final taxation results become available.

Personal income tax revenues were \$4.3 billion higher than forecast. The growth in personal income tax revenues was more than double the rate of increase in personal income—a proxy for the applicable tax base. This reflected a number of factors including differing rates of growth among the various components of personal income (some of which have a higher average effective tax rate than others); stronger growth in certain components of taxable income that are not included in the Statistics Canada definition of personal income; and the interaction of the personal income tax system with changes in assessed income, reflecting the progressivity of the tax system.

GST revenues were \$2.0 billion higher than forecast in the February 1997 budget, reflecting stronger-than-forecast consumer demand. The \$1.1-billion increase in other revenues was primarily attributable to higher-than-expected Exchange Fund Account profits, reflecting exchange rate developments.

In comparison to the February 1997 budget, program spending was \$3.3 billion lower than forecast, of which \$2.0 billion was attributable to lower direct program spending. Based on the final outcome for 1996–97, direct program spending was lowered by \$2.7 billion in the February 1998 budget, reflecting a new estimate of the potential lapse. However, part of this was offset in the final outcome. Employment insurance benefits were \$1.7 billion lower than the 1997 budget, again reflecting fewer-than-forecast beneficiaries.

Interest rates turned out to be about 100 basis points lower than the prudent forecast used in planning the 1997 budget. This, combined with a lower stock of interest-bearing debt and a change in its composition, accounted for the lower-than-forecast outcome for public debt charges.

Evolution of Fiscal Forecasts for 1997–98

	Changes						
	February 1997 budget	February 1998 budget	Outcome (modified)	Net	Outcome (modified)	Accrual adjustment	Outcome (accrual)
(billions of dollars)							
Budgetary revenues: status quo							
Income tax							
Personal income tax	66.5	1.9	2.4	4.3	70.8	-1.5	69.3
Corporate income tax	16.2	3.8	2.5	6.3	22.5	-1.3	21.2
Other income tax	2.1	0.3	0.6	0.9	3.0	-1.0	2.0
Total	84.8	6.0	5.5	11.5	96.3	-3.8	92.4
Sales and excise taxes and duties							
Goods and services tax	17.5	2.3	-0.3	2.0	19.5	0.3	19.7
Customs import duties	2.1	0.6	0.1	0.7	2.9	-0.1	2.8
Other excise taxes ¹	8.8	0.0	-0.2	-0.2	8.6	0.0	8.7
Total	28.4	2.9	-0.4	2.5	31.0	0.2	31.1
Other							
Employment insurance premiums	19.3	-0.4	0.1	-0.3	19.0	0.4	19.5
Other revenues	6.1	0.7	0.4	1.1	7.2	1.7	9.0

	Changes						
	February 1997 budget	February 1998 budget	Outcome (modified)	Net	Outcome (modified)	Accrual adjustment	Outcome (accrual)
(billions of dollars)							
Total	25.4	0.3	0.5	0.9	26.3	2.2	28.4
Total budgetary revenues	138.5	9.3	5.6	14.9	153.5	-1.5	152.0
Program spending/expenses: status quo							
Major transfers to persons							
Elderly benefits	22.3	-0.1	0.0	-0.1	22.2	-0.5	21.8
Employment insurance benefits	13.5	-1.5	-0.2	-1.7	11.8	0.0	11.8
Total	35.8	-1.5	-0.1	-1.6	34.1	-0.5	33.6
Major transfers to other levels of government							
Canada Health and Social Transfer	12.5	-0.2	0.1	-0.1	12.4	0.0	12.4
Fiscal arrangements	9.4	0.1	0.5	0.6	10.0	0.0	10.0
Alternative Payments for Standing Programs	-2.1	0.0	0.0	0.0	-2.1	0.0	-2.1
Total	19.8	-0.1	0.6	0.5	20.3	0.0	20.3
Direct program spending/expenses¹	50.9	-2.7	0.7	-2.0	48.9	-1.4	47.5
Total program spending/expenses	106.5	-4.4	1.1	-3.3	103.3	-1.9	101.4

	Changes						
	February 1997 budget	February 1998 budget	Outcome (modified)	Net	Outcome (modified)	Accrual adjustment	Outcome (accrual)
	(billions of dollars)						
Public debt charges: status quo	46.0	-2.0	-0.6	-2.6	43.4	2.2	45.6
Budgetary surplus: status quo	-14.0	15.8	5.1	20.8	6.8	-1.8	5.0
Policy initiatives							
Employment insurance premiums		-0.2		-0.2	-0.2		-0.2
Canada Health and Social Transfer		-0.2		-0.2	-0.2		-0.2
Canada Millennium Scholarships		-2.5		-2.5	-2.5		-2.5
Accounting change for IFIs			-1.5	-1.5	-1.5		-1.5
Direct program spending/expenses		-1.3		-1.3	-1.3		-1.3
Public debt charges: accounting change		2.5		2.5	2.5		2.5
Total		-1.8	-1.5	-3.3	-3.3		-3.3
Budgetary surplus	-14.0	14.0	3.6	17.5	3.5	-1.8	1.8
Mutual fund correction ²				0.3	0.3		0.3
Revised budgetary surplus	-14.0	14.0	3.6	17.9	3.9	-1.8	2.1

Evolution of Economic Forecasts for 1997

	Private sector					
	Average		Prudent			
	(per cent)		(percentage points)			(per cent)
Real GDP growth	3.3	3.2	0.6	0.4	1.0	4.2
GDP inflation	1.6	1.5	-0.8	0.5	-0.3	1.2
Nominal GDP growth	4.9	4.7	-0.2	1.0	0.8	5.5
Interest rates						
3-month treasury bill rate	3.2	4.0	-0.8	0.0	-0.8	3.2
10-year government bond rate	6.6	7.1	-1.0	0.0	-1.0	6.1

Note: Totals may not add due to rounding.

¹ Adjusted for the reclassification of the air transport tax.

² On January 2002, the Canada Customs and Revenue Agency announced that there had been overpayments to the provinces relating to the treatment of taxes on mutual funds. Retroactive adjustments to previously stated financial results were made back to 1997–98.

Fiscal Year 1998–99

The February 1998 budget forecast a surplus of \$3.0 billion for 1998–99, which was allocated to the Contingency Reserve to ensure that the balanced budget target for that year would be met, if not exceeded. In the 1999 budget, the surplus was still estimated at \$3.0 billion, with that amount again allocated to the Contingency Reserve. The final audited outcome, as published in the *Public Accounts of Canada* for 1998–99, was a surplus of \$2.9 billion—\$0.1 billion lower than both the 1998 and 1999 budget estimates.

However, in-year policy announcements amounted to \$5.6 billion, resulting in a policy-adjusted surplus of \$8.6 billion. Of this amount, \$3.5 billion represented a liability to the provinces and territories for health care, as announced in the 1999 budget. An additional \$1.0 billion was provided during the year to assist the agricultural and fishing sectors. Incremental funding, totalling \$0.7 billion, was also provided in the 1999 budget for a number of initiatives, including: the Canada Foundation for Innovation (\$200 million), international assistance (\$200 million), and the Canadian Institute for Health Information (\$95 million). Employment insurance premiums for 1999 were lowered to \$2.55 (employee rate) per \$100 of insurable earnings from \$2.70 in 1998.

On a status quo basis, most of the better-than-forecast budgetary outcome, compared to the 1998 budget, was due to higher budgetary revenues (up \$5.0 billion). Public debt charges were \$2.1 billion lower, while program spending was \$1.5 billion higher.

In the 1999 budget, nominal income growth for 1998 was revised down from the planning assumption used in the 1998 budget. Based on sensitivity analysis, this should have resulted in a deterioration in budgetary revenues. However, positive revenue developments in the final quarter of 1997–98, which only became available after the 1998 budget was tabled, carried forward into 1998, as evidenced in the monthly *Fiscal Monitors*. As a result, budgetary revenues were revised up by \$5.8 billion in the 1999 budget. Subsequent upward revisions by Statistics Canada put nominal income growth slightly below the 1998 budget forecast.

The net improvement in budgetary revenues of \$5.0 billion, compared to the 1998 budget forecast, was widespread with four components reporting increases of \$1 billion or more. Only sales and excise taxes and duties were lower than forecast.

In contrast, program spending was \$1.5 billion higher than forecast in the 1998 budget, with all of the higher spending attributable to prior-year adjustments resulting in higher equalization entitlements within fiscal arrangements. Under the equalization program, the federal government transfers funds to the less prosperous provinces so that they can provide reasonably comparable levels of public services to their citizens at reasonably comparable levels of taxation. Taxation data for 1997 indicated much stronger revenue growth in the non-equalization-receiving provinces than in equalization-receiving provinces, thereby resulting in much higher equalization entitlements for the 1997 and subsequent taxation years. Employment insurance benefits were \$0.7 billion lower than the 1998 budget forecast, again reflecting fewer-than-forecast beneficiaries.

Part of the \$2.1-billion lower-than-forecast outcome for public debt charges was attributable to interest rates being lower than assumed for planning purposes in the 1998 budget. Short-term rates were 60 basis lower than the rates used in the 1998

budget, while long-term rates were 110 basis points lower. In addition, the stock of interest-bearing debt was somewhat lower than expected.

Evolution of Fiscal Forecasts for 1998–99

	Changes						
	February 1998 budget	February 1999 budget	Outcome (modified)	Net	Outcome (modified)	Accrual adjustment	Outcome (accrual)
(billions of dollars)							
Budgetary revenues: status quo							
Income tax							
Personal income tax	71.0	2.7	-1.2	1.5	72.5	-0.5	72.0
Corporate income tax	20.5	1.5	-0.4	1.1	21.6	-0.4	21.2
Other income tax	2.3	0.6	0.0	0.6	2.9	-0.7	2.2
Total	93.8	4.7	-1.6	3.1	97.0	-1.6	95.4
Sales and excise taxes and duties							
Goods and services tax	20.9	-0.3	0.1	-0.2	20.7	0.3	20.9
Customs import duties	2.5	0.0	-0.1	-0.1	2.4	0.0	2.4
Other excise taxes	8.6	-0.3	0.1	-0.2	8.4	0.1	8.4
Total	32.0	-0.6	0.0	-0.6	31.4	0.3	31.7
Other							
Employment insurance premiums	18.6	0.9	0.2	1.1	19.7	-0.3	19.4

	Changes						
	February 1998 budget	February 1999 budget	Outcome (modified)	Net	Outcome (modified)	Accrual adjustment	Outcome (accrual)
	(billions of dollars)						
Other revenues	6.7	0.8	0.4	1.2	7.9	1.8	9.8
Total	25.3	1.7	0.6	2.3	27.7	1.5	29.2
Total budgetary revenues	151.0	5.8	-0.8	5.0	156.0	0.2	156.3
Program spending/expenses: status quo							
Major transfers to persons							
Elderly benefits	22.9	-0.1	0.0	-0.1	22.8	-0.5	22.3
Employment insurance benefits	12.6	-0.5	-0.2	-0.7	11.9	0.0	11.9
Total	35.5	-0.5	-0.2	-0.7	34.7	-0.5	34.2
Major transfers to other levels of government							
Canada Health and Social Transfer	12.5	0.0	0.0	0.0	12.5	0.0	12.5
Fiscal arrangements	9.2	2.4	0.0	2.4	11.6	0.0	11.6
Alternative Payments for Standing Programs	-2.2	0.0	0.1	0.1	-2.2	0.0	-2.2
Total	19.5	2.4	0.1	2.5	22.0	0.0	22.0

	Changes						
	February 1998 budget	February 1999 budget	Outcome (modified)	Net	Outcome (modified)	Accrual adjustment	Outcome (accrual)
	(billions of dollars)						
Direct program spending/expenses	49.5	0.5	-0.6	-0.1	49.4	-0.9	48.5
Total program spending/expenses	104.5	2.3	-0.7	1.5	106.0	-1.3	104.7
Public debt charges: status quo	43.5	-2.1	0.0	-2.1	41.4	1.9	43.3
Budgetary surplus: status quo	3.0	5.6	-0.1	5.5	8.6	-0.3	8.3
Policy initiatives							
Employment insurance premium rates		-0.3		-0.3	-0.3		-0.3
Canada Health and Social Transfer		-3.5		-3.5	-3.5		-3.5
Direct program spending/expenses		-1.8		-1.8	-1.8		-1.8
Total		-5.6		-5.6	-5.6		-5.8
Budgetary surplus	3.0	0.0	-0.1	-0.1	2.9	-0.3	2.5
Mutual trust correction ¹					0.2		0.2
Revised budgetary surplus	3.0	0.0	-0.1	-0.1	3.1	-0.3	2.8

Evolution of Economic Forecasts for 1998

	Private sector					
	Average	Prudent	(percentage points)		(per cent)	
Real GDP growth	3.5	3.0	-0.1	1.2	1.1	4.1
GDP inflation	1.2	1.1	-1.6	0.0	-1.6	-0.5
Nominal GDP growth	4.7	4.1	-1.6	1.2	-0.4	3.7
Interest rates						
3-month treasury bill rate	4.6	5.4	-0.6	0.0	-0.6	4.8
10-year government bond rate	5.9	6.4	-1.1	0.0	-1.1	5.3

Note: Totals may not add due to rounding.

¹ On January 2002, the Canada Customs and Revenue Agency announced that there had been overpayments to the provinces relating to the treatment of taxes on mutual funds. Retroactive adjustments to previously stated financial results were made back to 1997–98.

Fiscal Year 1999–2000

The February 1999 budget forecast a budgetary surplus of \$3.0 billion for 1999–2000, which was allocated to the Contingency Reserve. The budgetary surplus for 1999–2000, as published in the *Public Accounts of Canada* for that year, was reported at \$12.3 billion, \$9.3 billion higher than forecast in the 1999 budget. The 1999 budget forecast was updated in the November 1999 *Economic and Fiscal Update*—the first update providing revised fiscal projections. A surplus of \$5.0 billion was estimated at that time.

However, in-year policy initiatives totalling \$6.2 billion were implemented, thereby resulting in a status quo final outcome of \$18.5 billion. The policy initiatives included an incremental \$2.5 billion to provinces and territories for health and \$3.4 billion for direct program spending, including \$900 million to the Canada Foundation for Innovation, \$160 million to Genome Canada, \$661 million for economic adjustment measures (primarily to farmers), \$634 million to defence, with most of the remainder for international assistance and for urgent health and safety issues within government departments and agencies. Employment insurance premiums for 2000 were lowered to \$2.40 (employee rate) per \$100 of insurable earnings from \$2.55 in 1999.

Of the \$15.5 billion improvement in the status quo budgetary surplus since the 1999 budget, \$9.4 billion was attributable to higher budgetary revenues, \$5.2 billion to lower program spending and \$0.9 billion to lower public debt charges.

Most of the \$9.4-billion improvement in budgetary revenues was attributable to higher income tax revenues, especially personal income taxes, due primarily to higher-than-forecast economic growth. In the 1999 budget, the average of the private sector economic forecasts was for nominal growth of 2.7 per cent for 1999. This was adjusted down to 2.5 per cent by the Department of Finance to reflect the impact of adjusting upward the private sector average interest rate forecasts, due to uncertainties of interest rate developments at that time. However, the economy grew much stronger than forecast, with nominal income advancing by 7.4 per cent, 4.9 percentage points higher than the 1999 budget-planning assumptions. Using the sensitivity analysis at the time would account for most of the increase in budgetary revenues. In addition, recoveries relating to prior-year adjustments to the Provincial Tax Collection Account increased personal income tax revenues by an additional \$1 billion.

Lower direct program spending (down \$3.5 billion) and employment insurance benefits (down \$2.1 billion) more than accounted for the \$5.2-billion lower-than-forecast program spending. Higher net profits from enterprise Crown corporations, which were netted from direct program spending, and lower-than-forecast liabilities accounted for the lower direct program spending. Fewer-than-expected beneficiaries, reflecting in part the better-than-expected employment situation, accounted for most of the decline in employment insurance benefits.

Lower-than-forecast interest rates and in the stock of interest-bearing debt contributed to the lower-than-forecast public debt charges.

Evolution of Fiscal Forecasts for 1999–2000

	Changes							
	February 1999 budget	Fall 1999 update	February 2000 budget	Outcome (modified)	Net	Outcome (modified)	Accrual adjustment	Outcome (accrual)
(billions of dollars)								
Budgetary revenues: status quo								
Income tax								
Personal income tax	75.0	-0.2	1.7	2.9	4.4	79.4	-0.7	78.7
Corporate income tax	20.9	0.8	0.8	0.7	2.3	23.2	-1.1	22.1
Other income tax	2.9	0.1	0.3	0.2	0.6	3.5	-0.9	2.6
Total	98.7	0.8	2.8	3.7	7.3	106.0	-2.6	103.4
Sales and excise taxes and duties								
Goods and services tax	21.6	0.4	0.1	0.7	1.2	22.8	0.3	23.1
Customs import duties	2.5	-0.2	-0.1	-0.1	-0.4	2.1	0.0	2.1
Other excise taxes	8.2	0.1	-0.5	0.2	-0.2	8.0	-0.1	7.9
Total	32.2	0.5	-0.7	0.9	0.7	32.9	0.2	33.1
Other								
Employment insurance premiums	18.3	0.5	0.1	-0.1	0.6	18.9	0.1	19.0
Other revenues	7.5	-0.5	0.2	1.1	0.8	8.3	2.1	10.4

	Changes							
	February 1999 budget	Fall 1999 update	February 2000 budget	Outcome (modified)	Net	Outcome (modified)	Accrual adjustment	Outcome (accrual)
(billions of dollars)								
Total	25.8	0.0	0.3	1.0	1.3	27.1	2.2	29.3
Total budgetary revenues	156.7	1.3	2.3	5.7	9.4	166.1	-0.2	165.9
Program spending/expenses: status quo								
Major transfers to persons								
Elderly benefits	23.5	-0.1	-0.1	0.1	-0.1	23.4	-0.6	22.9
Employment insurance benefits	13.4	-1.1	-0.6	-0.4	-2.1	11.3	0.0	11.3
Total	36.9	-1.1	-0.7	-0.3	-2.1	34.7	-0.6	34.2
Major transfers to other levels of government								
Canada Health and Social Transfer	12.5	0.0	0.0	-0.1	-0.1	12.4	0.0	12.4
Fiscal arrangements	10.2	0.8	0.0	-0.2	0.6	10.8	0.0	10.8
Alternative Payments for Standing Programs	-2.3	0.0	-0.1	0.0	-0.1	-2.4	0.0	-2.4
Total	20.4	0.8	-0.1	-0.4	0.3	20.7	0.0	20.7
Direct program spending/expenes	53.9	0.6	-1.0	-3.1	-3.5	50.4	-1.6	48.8
Total program spending/expenses	111.2	0.3	-1.8	-3.7	-5.2	105.9	-2.2	103.7

	Changes							
	February 1999 budget	Fall 1999 update	February 2000 budget	Outcome (modified)	Net	Outcome (modified)	Accrual adjustment	Outcome (accrual)
	(billions of dollars)							
Public debt charges: status quo	42.5	-1.0	0.0	0.1	-0.9	41.6	1.7	43.4
Budgetary surplus: status quo	3.0	2.0	4.2	9.3	15.5	18.5	0.3	18.9
Policy initiatives								
Employment insurance premiums			-0.3		-0.3	-0.3		-0.3
Canada Health and Social Transfer			-2.5		-2.5	-2.5		-2.5
Direct program spending/expenses			-3.4		-3.4	-3.4		-3.4
Total			-6.2		-6.2	-6.2		-6.2
Budgetary surplus	3.0	2.0	-2.0	9.3	9.3	12.3	0.3	12.6
Mutual fund correction ¹						0.4		0.4
Revised budgetary surplus	3.0	2.0	-2.0	9.3	9.3	12.7	0.3	13.1

Evolution of Economic Forecasts for 1999

	Private sector						
	Average	Prudent	(percentage points)		(per cent)		
	(per cent)						(per cent)
Real GDP growth	2	1.8	1.8	0.2	1.7	3.7	5.5
GDP inflation	0.7	0.7	0.8	0.1	0.1	1.0	1.7
Nominal GDP growth	2.7	2.5	2.6	0.3	2.0	4.9	7.4
Interest rates							
3-month treasury bill rate	4.4	5.1	-0.3	-0.1	0.0	-0.4	4.7
10-year government bond rate	5.1	5.6	0.0	-0.1	0.0	-0.1	5.5

Note: Totals may not add due to rounding.

¹ On January 2002, the Canada Customs and Revenue Agency announced that there had been overpayments to the provinces relating to the treatment of taxes on mutual funds. Retroactive adjustments to previously stated financial results were made back to 1997–98.

Fiscal Year 2000-01

The February 2000 budget forecast a budgetary surplus of \$4.0 billion for 2000–01, of which \$3.0 billion was allocated to the Contingency Reserve and \$1.0 billion to economic prudence. This was the first budget to show the economic prudence separately rather than including it in the detailed fiscal projection through adjustments to the average private sector forecasts for economic growth and interest rates.

In October 2000, the Government tabled the *Economic Statement and Budget Update*, which estimated a surplus of \$11.9 billion, of which \$10 billion was earmarked for debt reduction. There was no budget in the final quarter of 2000–01. The final outcome, as presented in the *Public Accounts of Canada* for 2000–01, was a surplus of \$17.2 billion.

In-year policy initiatives totalling \$5.2 billion were implemented during the course of 2000–01. These included personal income tax reductions (\$1.5 billion), effective January 1, 2001, the Relief for Heating Expenses (\$1.5 billion), \$1.0 billion to the Medical Equipment Fund, \$500 million to the Canada Foundation for Innovation, \$500 million for health information technology, and \$300 million for employment insurance benefit enhancements and rate reductions.

As a result, the status quo surplus outcome was \$22.4 billion, an improvement of \$18.4 billion from the 2000 budget forecast and \$5.4 billion better than the *Economic Statement and Budget Update*. In comparison to the 2000 budget, virtually all of the improvement was attributable to higher-than-forecast budgetary revenues. Using the sensitivities at that time, about one-third would be attributable to faster-than-expected economic growth. Most of remaining difference was primarily attributable to an increase in the average effective tax rate. At the time of the 2000 budget, the underlying revenue-to-GDP ratio was expected to be relatively stable. However, the ratio turned out to be about one full percentage point higher. This reflected, among other factors, the progressivity of the personal income tax system and stronger-than-expected corporate profits, which has an higher average effective tax rate than other revenue sources.

Program spending was \$0.3 billion lower than forecast in 2000 budget, as higher fiscal arrangements (up \$1.2 billion), more specifically higher equalization entitlements reflecting prior-year adjustments, were more than offset by lower direct program spending (down \$0.9 billion) and employment insurance benefits (down \$0.6 billion). Public debt charges were \$0.1 billion higher than forecast in the 2000 budget, reflecting slightly higher short-term interest rates.

Evolution of Fiscal Forecasts for 2000–01

	Changes						
	February 2000 budget	Fall 2000 statement	Final outcome	Net	Final outcome (modified)	Accrual adjustment	Final outcome (accrual)
(billions of dollars)							
Budgetary revenues: status quo							
Income tax							
Personal income tax	75.9	7.0	0.9	7.9	83.8	2.6	86.3
Corporate income tax	23.9	4.6	-0.3	4.3	28.2	0.1	28.3
Other income tax	3.5	0.0	0.8	0.8	4.3	-1.3	3.0
Total	103.2	11.7	1.3	13.0	116.3	1.3	117.6
Sales and excise taxes and duties							
Goods and services tax	23.1	1.1	0.8	1.9	25.0	-0.2	24.8
Customs import duties	2.3	-0.2	0.7	0.5	2.8	0.0	2.8
Other excise taxes	8.2	-0.1	0.2	0.1	8.3	-0.1	8.2

	Changes						
	February 2000 budget	Fall 2000 statement	Final outcome	Net	Final outcome (modified)	Accrual adjustment	Final outcome (accrual)
	(billions of dollars)						
Total	33.5	0.8	1.8	2.6	36.1	-0.3	35.9
Other							
Employment insurance premiums	18.2	0.6	0.0	0.6	18.8	-0.1	18.8
Other revenues	7.2	0.0	1.7	1.7	8.9	2.3	11.2
Total	25.4	0.6	1.7	2.3	27.7	2.2	29.9
Total budgetary revenues	162.0	13.3	4.9	18.2	180.2	3.2	183.4
Program spending/expenses: status quo							
Major transfers to persons							
Elderly benefits	24.2	0.1	0.0	0.1	24.3	-0.6	23.7
Employment insurance benefits	11.8	-0.4	-0.2	-0.6	11.2	0.0	11.2
Total	36.0	-0.3	-0.2	-0.5	35.5	-0.6	34.9

	Changes						
	February 2000 budget	Fall 2000 statement	Final outcome	Net	Final outcome (modified)	Accrual adjustment	Final outcome (accrual)
	(billions of dollars)						
Major transfers to other levels of government							
Canada Health and Social Transfer	13.5	0.0	0.0	0.0	13.5	0.0	13.5
Fiscal arrangements	11.5	0.6	0.6	1.2	12.7	0.0	12.7
Alternative Payments for Standing Programs	-2.4	0.0	-0.1	-0.1	-2.5	0.0	-2.5
Total	22.6	0.6	0.5	1.1	23.7	0.0	23.7
Direct program spending/expenses	57.4	-0.1	-0.8	-0.9	56.5	0.2	56.7
Total program spending/expenses	116.0	0.2	-0.5	-0.3	115.7	-0.5	115.2
Public debt charges: status quo	42.0	0.2	-0.1	0.1	42.1	1.8	43.9
Budgetary surplus: status quo	4.0	13.0	5.4	18.4	22.4	1.9	24.3
Policy initiatives							
Personal income tax		-1.5		-1.5	-1.5		-1.5
Employment insurance premium rates		-0.1		-0.1	-0.1		-0.1

	Changes						
	February 2000 budget	Fall 2000 statement	Final outcome	Net	Final outcome (modified)	Accrual adjustment	Final outcome (accrual)
	(billions of dollars)						
Employment insurance benefits		-0.2		-0.2	-0.2		-0.2
Relief for Heating Expenses		-1.3	-0.2	-1.5	-1.5		-1.5
Medical Equipment Fund		-1.0		-1.0	-1.0		-1.0
Direct program spending/expenses		-1.0		-1.0	-1.0		-1.0
Total		-5.1	-0.2	-5.2	-5.2		-5.2
Budgetary surplus	4.0	7.9	5.2	13.2	17.2	1.9	19.1
Mutual fund correction ¹			1.0	1.0	1.0		1.0
Revised budgetary surplus	4.0	7.9	6.2	14.2	18.1	1.9	20.2

Evolution of Economic Forecasts for 2000

	(per cent)	(percentage points)		(per cent)	(per cent)
Real GDP growth	3.5	1.2	0.5	1.7	5.2
GDP inflation	2.1	1.0	1.1	2.1	4.2
Nominal GDP growth	5.7	2.3	1.6	3.9	9.6
Interest rates					
3-month treasury bill rate	5.2	0.3	0.0	0.3	5.5
10-year government bond rate	6.2	-0.2	0.0	-0.2	6.0

Note: Totals may not add due to rounding.

¹ On January 2002, the Canada Customs and Revenue Agency announced that there had been overpayments to the provinces relating to the treatment of taxes on mutual funds. Retroactive adjustments to previously stated financial results were made back to 1997–98.

Fiscal Year 2001–02

As noted above, there was no budget in the final quarter of 2000–01, which would normally provide the forecast of the budgetary balance for the upcoming fiscal year. For the purposes of this exercise, the forecast for 2001–02 as presented in the October 2000 *Economic Statement and Budget Update* is used as the first forecast of the budgetary balance for 2001–02. Given the September 11th terrorist attacks, a budget was tabled on December 10, 2001, with the result that there was no budget in the final quarter of 2001–02.

The October 2000 *Economic Statement and Budget Update* forecast a budgetary surplus of \$8.3 billion for 2001–02. Of this amount, \$3.0 billion was allocated to the Contingency Reserve and \$1.0 billion to economic prudence. In the December 2001 budget, policy initiatives and reduced economic growth in the aftermath of the September 11th terrorist attacks reduced the estimated surplus to only \$1.5 billion, which was earmarked to the Contingency Reserve. The final audited outcome, as presented in the *Public Accounts of Canada* for 2001–02, was a budgetary surplus of \$8.9 billion.

In-year policy initiatives were estimated at \$3.6 billion, most of which was directed at security initiatives. In the December 2001 budget, a monthly instalment deferral measure to assist small businesses was originally estimated to cost \$2 billion in 2001–02. However, the final cost of this initiative was revised to only \$0.3 billion, as most small businesses did not make use of this initiative. There were also two technical adjustments, which were made in the Public Accounts. The Canada Revenue Agency (CRA) collects personal income taxes on behalf of the Government and all provincial and territorial governments except Quebec. On January 2002, the CRA (then known as the Canada Customs and Revenue Agency) announced that it had identified a problem that resulted in overpayments to provinces under the tax collections agreements. This resulted in a recovery of \$1 billion relating to fiscal year 2001–02 and \$1.9 billion related to previous fiscal years (the financial results for those years were restated). In addition, it was discovered that refundable taxes withheld from the federal Retirement Compensation Arrangements Account (RCA Account) had been erroneously credited to other income taxes, whereas they should have been credited to the RCA Account—a non-budgetary account. The net impact of these two adjustments on the 2001–02 results was virtually offsetting.

As a result, the status quo final outcome was a budgetary surplus of \$12.7 billion, compared to the 2000 *Economic Statement and Budget Update* forecast of \$8.3 billion. Of this net improvement of \$4.4 billion, lower public debt charges accounted for \$4.0 billion, of which about half can be attributable to a 200-basis-point reduction in short-term interest rates from that forecast in the 2000 *Economic Statement and Budget Update*, with the remainder due to lower-than-forecast pension liabilities and an interest-accrued adjustment to Canada Pension Plan costs. Budgetary revenues were lower than forecast, but this was more than offset by lower program spending.

Nominal income growth in 2001 was nearly half that forecast at the time of the 2000 *Economic Statement and Budget Update*, largely attributable to the impact of the September 11th terrorist attacks in the United States. This had a significant impact on corporate profits (especially in export-oriented manufacturing industries) and hence corporate income tax revenues, which were \$4.2 billion lower than forecast. Part of this was offset by higher-than-forecast personal income tax revenues (up \$2.2 billion),

primarily reflecting strong growth in capital gains realizations with respect to taxation year 2000, which were received in April/May 2001. Under the accounting rules at that time, these gains were reported in 2001–02, even though they pertained to 2000–01.

Within program spending, direct program spending was \$3.1 billion lower than forecast, primarily reflecting higher lapses on appropriated spending and lower-than-estimated liabilities throughout the year. The higher lapses were partly attributable to delays in implementing the new initiatives announced in previous budgets.

Employment insurance benefits were \$1.5 billion higher than forecast, reflecting the deterioration in labour market conditions following the September 11th terrorist attacks in the United States.

Evolution of Fiscal Forecasts for 2001–02

	Changes				Final outcome (modified)	Accrual adjustment	Final outcome (accrual)
	Fall 2000 statement	December 2001 budget	Final outcome	Net			
(billions of dollars)							
Budgetary revenues: status quo							
Income tax							
Personal income tax	80.6	-0.3	2.5	2.2	82.8	-4.3	78.5
Corporate income tax	28.5	-2.9	-1.3	-4.2	24.3	0.2	24.5
Other income tax	3.6	0.4	0.1	0.5	4.1	-0.1	4.0
Total	112.7	-2.8	1.3	-1.5	111.2	-4.2	107.1
Sales and excise taxes and duties							
Goods and services tax	25.7	0.0	-0.8	-0.8	24.9	0.4	25.3
Customs import duties	2.1	0.8	0.1	0.9	3.0	0.0	3.0
Other excise taxes	8.4	-0.1	0.1	0.0	8.4	0.1	8.5
Total	36.3	0.7	-0.7	0.2	36.5	0.5	36.9
Other							
Employment insurance premiums	18.4	-0.6	0.2	-0.4	18.0	-0.3	17.6

	Changes				Final outcome (modified)	Accrual adjustment	Final outcome (accrual)
	Fall 2000 statement	December 2001 budget	Final outcome	Net			
	(billions of dollars)						
Other revenues ¹	7.2	1.2	-1.2	0.1	7.3	3.0	10.3
Total	25.6	0.6	-1.0	-0.3	25.3	2.6	27.9
Total budgetary revenues	174.5	-1.4	-0.2	-1.6	172.9	-1.1	171.8
Program spending/expenses: status quo							
Major transfers to persons							
Elderly benefits	25.2	0.1	0.1	0.2	25.4	-0.7	24.6
Employment insurance benefits	12.2	1.9	-0.4	1.5	13.7	0.0	13.7
Total	37.4	2.0	-0.3	1.7	39.1	-0.7	38.4
Major transfers to other levels of government							
Canada Health and Social Transfer	17.3	0.0	0.0	0.0	17.3	0.0	17.3
Fiscal arrangements	12.5	-0.3	-0.2	-0.5	12.0	0.0	12.0
Alternative Payments for Standing Programs	-2.5	0.1	-0.3	-0.2	-2.7	0.0	-2.7
Total	27.3	-0.2	-0.5	-0.7	26.6	0.0	26.6
Direct program spending/expenses¹	59.8	0.7	-3.7	-3.1	56.7	-0.2	56.4

	Changes				Final outcome (modified)	Accrual adjustment	Final outcome (accrual)
	Fall 2000 statement	December 2001 budget	Final outcome	Net			
	(billions of dollars)						
Total program spending/expenses	124.6	2.5	-4.5	-2.2	122.4	-1.0	121.4
Public debt charges: status quo	41.7	-2.5	-1.5	-4.0	37.7	1.9	39.7
Budgetary surplus: status quo	8.3	-1.5	5.8	4.4	12.7	-2.0	10.7
Policy initiatives							
Corporate income tax		-2.0	1.7	-0.3	-0.3		-0.3
Tobacco tax increase		0.3		0.3	0.3		0.3
Direct program spending/expenses		-3.6		-3.6	-3.6		-3.6
Total		-5.3	1.7	-3.6	-3.6		-3.6
Budgetary surplus: originally published	8.3	-6.8	7.4	0.6	9.0	-2.0	7.1
Accounting adjustments/corrections							
Mutual fund correction			1.0	1.0	1.0		1.0
RCA Account correction			-1.1	-1.1	-1.1		-1.1
Total			-0.1	-0.1	-0.1		-0.1
Revised budgetary surplus	8.3	-6.8	7.3	0.5	8.9	-2.0	7.0

Evolution of Economic Forecasts for 2001

	(per cent)		(percentage points)		(per cent)
Real GDP growth	3.5	-2.2	0.5	-1.7	1.8
GDP inflation	2.0	-0.7	-0.2	-0.9	1.1
Nominal GDP growth	5.5	-2.9	0.3	-2.6	2.9
Interest rates					
3-month treasury bill rate	5.8	-2.0	0.0	-2.0	3.8
10-year government bond rate	5.9	-0.4	0.0	-0.4	5.5

Note: Totals may not add due to rounding.

¹ Adjusted for the reclassification of refunds from previous years' expenditures.

Fiscal Year 2002–03

The fiscal forecasts presented in the December 2001 budget for 2002–03 were presented on a modified accrual basis of accounting. In the February 2003 budget, the Government announced that the financial statements and fiscal projections in the budget and related documents would be presented on an full accrual basis of accounting. For comparability purposes, the fiscal projections in the December 2001 budget and the October 2002 *Economic and Fiscal Update* have been recast to a full accrual basis, using the estimated impacts presented in the 2003 budget.

On a full accrual basis of accounting, the final audited outcome for 2002–03 as published in the *Public Accounts of Canada* for that year was \$7.0 billion, \$2.0 billion higher than the full accrual forecast of \$5.0 billion in the 2001 budget, unchanged from the October 2002 *Economic and Fiscal Update* forecast, but \$4.0 billion higher than the February 2003 budget estimate.

In-year policy initiatives and technical adjustments amounted to just over \$6 billion in 2002–03. As a result, the status quo budgetary surplus outcome was \$13.0 billion, representing an improvement of about \$10 billion from the 2001 budget forecast. The policy initiatives/technical adjustments included a correction of \$1.0 billion due to overpayments to the provinces relating to the treatment of taxes on mutual funds, which was unknown at the time of the 2001 budget; a \$1.7-billion downward adjustment to the estimated impact of the December 2001 budget initiative to delay monthly corporate income tax remittances from the final quarter of 2000–01 to the first half of 2001–02; \$4.0 billion to provinces and territories for health-related initiatives; and \$3.4 billion in direct program expenses.

On a status quo basis, budgetary revenues were \$1.0 billion higher than forecast in the December 2001 budget, as higher sales and excise taxes and duties and other revenues more than offset lower income tax revenues. GST revenues were \$1.0 billion higher, primarily reflecting strong growth in gross receipts towards the end of the fiscal year, while the associated refunds were not processed until the following fiscal year. Other excise taxes, consisting primarily of taxes and duties on energy, tobacco and alcohol-related products, were \$0.9 billion higher, reflecting an underestimation of demand for these products. Higher profits from the Exchange Fund Account and enterprise Crown corporations explain the increase in other revenues. Personal income tax revenues were \$1.4 billion lower compared to the 2001 budget forecast, reflecting the impact of the losses on capital realizations experienced in 2001 and lower-than-estimated accrual adjustments. The lower corporate income tax revenues reflected the impact of higher-than-expected losses in 2001.

Program expenses were \$8.7 billion lower than forecast in the 2001 budget. Of this amount, \$2.1 billion related to recoveries under the equalization program for overpayments in previous years. Final taxation data for 2001 and preliminary indications for 2002, which became available after the tabling of the 2003 budget, revealed stronger-than-expected economic growth in the equalization-receiving provinces relative to the non-equalization-receiving provinces, and hence a convergence in the estimated provincial fiscal disparities. Direct program expenses were \$5.3 billion lower than forecast in the 2001 budget. Based on the final outcome for 2001–02, direct program expenses were lowered by \$3.1 billion for 2002–03 in the 2002 *Economic and Fiscal Update*, as it was determined that the escalator used to project this component was overstated. Even with this adjustment, actual expenses

were an additional \$2.2 billion lower, reflecting delays in the implementation of new program initiatives and lower provisions related to sovereign loans.

Public debt charges were marginally lower than forecast in the 2001 budget.

Evolution of Fiscal Forecasts for 2002–03

	Changes					Final outcome
	December 2001 budget ¹	Fall 2002 update	February 2003 budget	Final	Net	
(billions of dollars)						
Budgetary revenues: status quo						
Income tax						
Personal income tax	82.1	1.3	-0.2	-2.5	-1.4	80.7
Corporate income tax	22.9	-1.2	0.0	0.3	-0.9	21.9
Other income tax	2.9	-0.4	0.3	0.4	0.4	3.3
Total	107.9	-0.3	0.1	-1.8	-2.0	105.9
Sales and excise taxes and duties						
Goods and services tax	27.3	-0.2	1.6	-0.4	1.0	28.2
Customs import duties	2.9	0.3	0.0	0.1	0.4	3.3
Other excise taxes	8.9	0.5	0.3	0.1	0.9	9.8
Total	39.2	0.6	1.9	-0.2	2.2	41.4
Other						
Employment insurance premiums	17.6	0.6	0.1	-0.4	0.3	17.9

	Changes					Final outcome
	December 2001 budget ¹	Fall 2002 update	February 2003 budget	Final	Net	
	(billions of dollars)					
Other revenues	10.8	-1.0	0.0	1.6	0.6	11.4
Total	28.4	-0.3	0.0	1.1	0.8	29.3
Total budgetary revenues	175.5	0.0	2.0	-0.9	1.0	176.5
Program expenses: status quo						
Major transfers to persons						
Elderly benefits	25.8	0.2	-0.1	-0.1	-0.1	25.7
Employment insurance benefits	15.9	-0.5	-0.3	-0.5	-1.4	14.5
Total	41.7	-0.4	-0.4	-0.6	-1.5	40.2
Major transfers to other levels of government						
Canada Health and Social Transfer	18.6	0.0	0.0	0.0	0.0	18.6
Fiscal arrangements	12.4	0.3	0.0	-2.4	-2.1	10.4
Alternative Payments for Standing Programs	-2.5	0.0	0.0	0.2	0.2	-2.3
Total	28.5	0.3	0.0	-2.1	-1.9	26.6
Direct program expenses	64.7	-3.1	0.0	-2.2	-5.3	59.4

	Changes					Final outcome
	December 2001 budget ¹	Fall 2002 update	February 2003 budget	Final	Net	
	(billions of dollars)					
Total program expenses	134.9	-3.3	-0.4	-5.0	-8.7	126.2
Public debt charges: status quo	37.8	-0.7	0.0	0.1	-0.6	37.3
Budgetary surplus: status quo	3.0	3.7	2.4	4.1	10.1	13.0
Policy initiatives						
Personal income tax: mutual fund correction		1.0			1.0	1.0
Corporate income tax remittance change	2.0	-1.7			-1.7	0.3
Direct program expenses		-1.0	-2.4		-3.4	-3.4
Major transfers to provinces						
Canada Health and Social Transfer			-2.5		-2.5	-2.5
Diagnostic/Medical Equipment Fund			-1.5		-1.5	-1.5
Total	2.0	-1.7	-6.4		-8.1	-6.1
Budgetary surplus	5.0	2.0	-4.0	4.1	2.0	7.0

Evolution of Economic Forecasts for 2002

	(per cent)		(percentage points)			(per cent)
Real GDP growth	1.1	2.3	-0.1	-0.2	2.0	3.1
GDP inflation	0.2	0.9	0.0	0.0	0.9	1.1
Nominal GDP growth	1.3	3.3	-0.2	-0.2	2.9	4.2
Interest rates						
3-month treasury bill rate	2.4	0.2	0.0		0.2	2.6
10-year government bond rate	5.5	-0.2	0.0		-0.2	5.3

Note: Totals may not add due to rounding.

¹ On an accrual basis using February 2003 budget estimates.

Fiscal year 2003–04

The February 2003 budget forecast a budgetary surplus of \$4.0 billion for 2003–04, of which \$3.0 billion was allocated to the Contingency Reserve and \$1.0 billion to economic prudence. A surplus of \$2.3 billion was estimated in the November 2003 *Economic and Fiscal Update*. The decline in the surplus primarily reflected the impact of measures related to the outbreak of severe acute respiratory syndrome (SARS) and bovine spongiform encephalopathy (BSE). In the March 2004 budget, a surplus of only \$1.9 billion was estimated, as the fiscal costs of a number of new initiatives more than offset lower expenses in other areas. The final outcome, as published in the *Public Accounts of Canada* for 2003–04, was a budgetary surplus of \$9.1 billion, \$5.1 billion higher than forecast in the February 2003 budget and \$7.2 billion higher than estimated in the March 2004 budget.

During the course of 2003–04, new policy initiatives totalling \$4.8 billion were introduced. These included \$2.5 billion to the provinces and territories for health care and \$2.2 billion in higher direct program initiatives, including funding to assist in the fight against SARS, to help farmers affected by BSE, and for defence to support Canada's international commitments.

Excluding the impact of the in-year policy initiatives, the status quo surplus for 2003–04 was \$13.8 billion, \$9.8 billion higher than forecast in the 2003 budget and \$7.2 billion higher than the 2004 budget estimate.

Of the \$9.8-billion change since the 2003 budget, \$6.4 billion was due to lower program expenses, of which \$4.0 billion was related to lower fiscal arrangements due to lower equalization entitlements. The latter again was attributable to a narrowing of disparities between the equalization-receiving provinces and the non-equalization-receiving provinces. An adjustment of \$2.1 billion was made in the 2003 *Economic and Fiscal Update*, based on the final 2001 taxation data. An additional adjustment of \$2.3 billion was made in the 2004 budget, following the receipt of final taxation data for 2002 in January 2004. The final results partially offset some of the earlier adjustments, reflecting provisions related to the repayment of these prior-year overpayments. Direct program expenses were \$1.7 billion lower than forecast in the 2003 budget, primarily reflecting lower allowances for sovereign debt, delays in implementing a number of new program initiatives, and lower-than-expected employee health care costs.

Final budgetary revenues were \$1.5 billion higher than forecast in the 2003 budget. However, there were significant adjustments over the course of the year. In the 2003 *Economic and Fiscal Update*, based on final results for 2002–03 and monthly results to the end of September, budgetary revenues, in aggregate, were lowered by \$4.2 billion, largely resulting from a \$3.2-billion reduction in personal income tax revenues. Based on the financial results to the end of December, corporate income tax revenues were revised up by \$2.5 billion in the 2004 budget. However, this impact was largely offset by reductions in other revenue components, especially GST revenues. The final audited results increased budgetary revenues, from the 2003 budget, by \$5.1 billion, with increases spread out over a number of components.

Within budgetary revenues, personal income revenues were \$1.7 billion lower than forecast in the 2003 budget, primarily reflecting lower-than-expected growth in personal income. In contrast, corporate income tax revenues were \$3.1 billion higher, attributable to stronger-than-expected growth in corporate profits and extraordinary

gains by financial institutions with respect to their foreign holdings, primarily related to the increase in the value of the Canadian dollar. GST revenues were \$1.6 billion lower, primarily reflecting lower GST at customs, in part due to the appreciation of the Canadian dollar. In addition, refunds were higher than the growth in gross collections, reflecting timing considerations between 2002–03 and 2003–04. Other revenues were \$1.9 billion higher, primarily attributable to higher-than-forecast net profits of enterprise Crown corporations.

Public debt charges were \$1.8 billion lower than forecast in the 2003 budget, reflecting the impact of lower-than-expected interest rates and changes in the composition of debt.

Evolution of Fiscal Forecasts for 2003–04

	Changes					Final outcome
	February 2003 budget	Fall 2003 update	March 2004 budget	Final Net	Final	
	(billions of dollars)					
Budgetary revenues: status quo						
Income tax						
Personal income tax	86.6	-3.2	0.1	1.4	-1.7	84.9
Corporate income tax	24.3	-0.9	2.5	1.5	3.1	27.4
Other income tax	3.1	0.2	-0.1	-0.1	0.0	3.1
Total	114.1	-3.9	2.5	2.8	1.4	115.5
Sales and excise taxes and duties						
Goods and services tax	30.0	-0.7	-1.5	0.6	-1.6	28.4
Customs import duties	3.3	-0.2	-0.2	0.0	-0.4	2.9
Other excise taxes	9.8	0.1	0.2	0.2	0.4	10.2
Total	43.1	-0.8	-1.4	0.7	-1.4	41.7
Other						
Employment insurance premiums	17.6	-0.1	-0.4	0.4	0.0	17.5
Other revenues	10.0	0.6	-0.1	1.3	1.9	11.8

Changes

February 2003 budget Fall 2003 update March 2004 budget Final Net Final outcome

(billions of dollars)

Total	27.6	0.5	-0.4	1.7	1.8	29.4
Total budgetary revenues	184.7	-4.2	0.6	5.1	1.5	186.2
Program expenses: status quo						
Major transfers to persons						
Elderly benefits	26.8	0.2	0.0	-0.1	0.1	26.9
Employment insurance benefits	15.7	-0.3	0.1	-0.4	-0.7	15.1
Total	42.5	0.0	0.1	-0.6	-0.6	42.0
Major transfers to other levels of government						
Canada Health and social transfer	20.3	0.0	-0.1	0.0	-0.1	20.2
Fiscal arrangements	13.4	-2.4	-2.3	0.6	-4.0	9.4
Alternative Payments for Standing Programs	-2.7	0.3	0.0	-0.3	0.0	-2.7
Total	31.0	-2.1	-2.4	0.4	-4.1	26.9
Direct program expenses	69.5	0.0	0.2	-1.9	-1.7	67.8
Total program expenses	143.0	-2.1	-2.1	-2.1	-6.4	136.7

	Changes					Final outcome
	February 2003 budget	Fall 2003 update	March 2004 budget	Final Net	Final	
						(billions of dollars)
Public debt charges: status quo	37.6	-1.4	-0.4	0.0	-1.8	35.8
Budgetary surplus: status quo	4.0	-0.5	3.1	7.2	9.8	13.8
Policy initiatives						
Goods and Services Tax			-0.1	-0.1		-0.1
Canada Health and Social Transfer			-2.5	-2.5		-2.5
Direct program expenses		-1.2	-1.0	-2.2		-2.2
Total		-1.2	-3.6	0.0	-4.8	-4.8
Budgetary surplus	4.0	-1.6	-0.5	7.2	5.1	9.1

Evoution of Economic Forecasts for 2003

	(per cent)		(percentage points)			(per cent)
Real GDP growth	3.2	-1.3	-0.2	0.3	-1.2	2.0
GDP inflation	2.2	1.1	0.1	0.0	1.2	3.4
Nominal GDP growth	5.4	-0.1	-0.1	0.2	0.0	5.4
Interest rates						
3-month treasury bill rate	3.3	-0.4	0.0	0.0	-0.4	2.9
10-year government bond rate	5.4	-0.6	0.0	0.0	-0.6	4.8

Note: Totals may not add due to rounding.

Fiscal Year 2004–05

The March 2004 budget forecast a budgetary surplus of \$4.0 billion for 2004–05, of which \$3.0 billion was allocated to the Contingency Reserve and \$1.0 billion to economic prudence. A surplus of \$8.9 billion was estimated in the November 2004 *Economic and Fiscal Update*, of which \$3.0 billion was allocated to the Contingency Reserve. The increase in the surplus reflected the impact of much stronger-than-expected economic growth (nominal GDP was revised up from 4.1 per cent to 6.1 per cent). In the February 2005 budget, a surplus of \$3.0 billion was estimated, which in turn was allocated to the Contingency Reserve. The lower estimate reflected the cost of a number of new policy initiatives. The final outcome, as published in the *Public Accounts of Canada* for 2003–04, was a budgetary surplus of \$1.6 billion, \$2.4 billion lower than forecast in the March 2004 budget and \$1.4 billion lower than estimated in the February 2005 budget.

During the course of 2004–05, new policy initiatives totalling \$14.8 billion were introduced. Of this amount, \$10.7 billion was to provinces and territories for health care, early childhood development, equalization and the Offshore Revenues Accords with the provinces of Nova Scotia and Newfoundland and Labrador. In the February 2005 budget, the Government had booked the agreements with these two provinces as a prepayment in 2005–06, based on the information at that time. However, following further discussions with the Office of the Auditor General during the closing of the books for 2004–05, it was decided that this liability should be expensed in 2004–05, given the non-recoverable nature of this transfer. An additional \$4.1 billion was allocated to direct program initiatives, including funding to assist farmers affected by BSE and to support Canada's international commitments, among others.

Excluding the impact of the in-year policy initiatives and increased provisions, the status quo surplus for 2004–05 was \$16.3 billion, \$12.3 billion higher than forecast in the 2004 budget and \$2.3 billion higher than the 2005 budget estimate.

Of the \$12.4-billion change since the 2004 budget, \$11.2 billion was due to higher budgetary revenues, especially personal income tax revenues (up \$2.9 billion), corporate income tax revenues (up \$3.7 billion), GST revenues (up \$1.2 billion) and other revenues (up \$2.8 billion).

The higher-than-expected outcomes for personal and corporate income tax revenues and GST revenues reflected two main factors. First, final results for 2003–04 were released in the fall of 2004 and showed that budgetary revenues were \$5.1 billion higher than estimated in the 2003 budget. Second, economic growth for 2004 was much stronger than forecast in the 2004 budget. Based on the survey of private sector forecasters, nominal GDP growth was revised up to 6.1 per cent in September 2004, compared to the 4.1 per cent expected at the time of the March 2004 budget. This stronger growth was reflected in the monthly financial results for the first six months on 2004–05. As a result, budgetary revenues were revised up by \$6.8 billion in the fall 2004 *Economic and Fiscal Update*. Further upward adjustments were made in the February 2005 budget, based on the *Fiscal Monitor* results to the end of December 2004. However, in the final quarter of 2004–05, corporate income tax revenues were much stronger than expected, reflecting final settlement payments from those corporations with a December 31 taxation year, resulting in an incremental \$1.5 billion from that expected in the February 2005 budget.

Other revenues, which consist primarily of net gains from Crown corporations and sales of goods and services, were up \$2.8 billion. In the fall 2004 update, an adjustment of \$1.2 billion had been made to this component, reflecting the higher-than-forecast outcome for 2003–04 and a higher net gain from the sale of the Government's holdings in Petro-Canada, offset in part by lower Exchange Fund Account earnings. Final results reflected further gains from enterprise Crown corporations.

Program expenses were virtually unchanged from the March 2004 budget forecast, although there were changes among the components. Employment insurance benefits were \$1.0 billion lower than forecast in the 2004 budget, reflecting the better-than-expected labour market situation due to the stronger-than-expected economic growth. However, this improvement was offset by lower fiscal transfers (up \$0.6 billion due to changes in the prepayment schedules relating to recoveries for overpayments in previous fiscal years) and higher direct program expenses (up \$0.5 billion due to increased provisions for liabilities).

Public debt charges were \$1.3 billion lower than forecast in the 2004 budget due to lower-than-expected interest payments on foreign currency debt, reflecting changes in the composition of interest-bearing debt. Interest rates were only marginally changed from those forecast in the 2004 budget.

Evolution of Fiscal Forecasts for 2004–05

	Changes					Final outcome
	March 2004 budget	Fall 2004 update	February 2005 budget	Final	Net	
(billions of dollars)						
Budgetary revenues: status quo						
Income tax						
Personal income tax	86.9	2.3	0.3	0.2	2.9	89.8
Corporate income tax	26.2	1.8	0.4	1.5	3.7	30.0
Other income tax	3.3	0.2	0.0	0.0	0.3	3.6
Total	116.5	4.3	0.8	1.8	6.9	123.3
Sales and excise taxes and duties						
Goods and services tax	28.5	1.0	0.7	-0.5	1.2	29.8
Customs import duties	3.0	-0.2	0.2	0.1	0.1	3.1
Other excise taxes	10.1	0.4	-0.3	-0.1	-0.1	10.0
Total	41.7	1.2	0.6	-0.6	1.3	42.8
Other						
Employment insurance premiums	17.0	0.2	-0.1	0.2	0.3	17.3

	Changes					Final outcome
	March 2004 budget	Fall 2004 update	February 2005 budget	Final	Net	
	(billions of dollars)					
Other revenues	12.1	1.2	0.5	1.2	2.8	14.9
Total	29.1	1.4	0.4	1.4	3.1	32.2
Total budgetary revenues	187.2	6.8	1.8	2.6	11.2	198.4
Program expenses: status quo						
Major transfers to persons						
Elderly benefits	27.9	-0.1	0.2	-0.1	-0.1	27.9
Employment insurance benefits	15.7	-0.7	0.3	-0.5	-1.0	14.7
Total	43.6	-0.8	0.4	-0.6	-1.0	42.6
Major transfers to other levels of government						
Canada Health and Social Transfer	22.1	0.0	0.0	0.0	0.1	22.1
Fiscal arrangements	11.2	-0.4	0.9	0.2	0.7	11.9
Alternative Payments for Standing Programs	-2.6	0.0	-0.1	0.0	-0.1	-2.7
Total	30.6	-0.5	0.9	0.2	0.6	31.2
Direct program expenses	73.6	0.0	-0.8	1.3	0.5	74.1

	Changes					Final outcome
	March 2004 budget	Fall 2004 update	February 2005 budget	Final	Net	
	(billions of dollars)					
Total program expenses	147.9	-1.3	0.6	0.9	0.1	148.0
Public debt charges	35.4	-0.7	0.0	-0.6	-1.3	34.1
Budgetary surplus: status quo	4.0	8.9	1.2	2.3	12.3	16.3
Policy initiatives						
Canada Health and Social Transfer		-2.1	-4.3		-6.4	-6.4
Fiscal arrangements		-1.5	-0.2	-2.7	-4.3	-4.3
Direct program expenses		-0.4	-2.6	-1.0	-4.0	-4.0
Total		-3.9	-7.1	-3.7	-14.7	-14.7
Budgetary surplus	4.0	4.9	-5.9	-1.4	-2.3	1.6

Evolution of Economic Forecasts for 2004

	(per cent)	(percentage points)				(per cent)
Real GDP growth	2.7	0.3	-0.3	0.2	0.2	2.9
GDP inflation	1.4	1.7	0.2	-0.3	1.6	3.0
Nominal GDP growth	4.1	2.1	-0.1	0.0	2.0	6.1
Interst rates						
3-month treasury bill rate	2.2	-0.1	0.1	0.0	0.0	2.2
10-year government bond rate	4.8	-0.1	-0.1	0.0	-0.2	4.6

Note: Totals may not add due to rounding.