



MONTHLY BUDGET REVIEW

Fiscal Year 1998

A Congressional Budget Office Analysis

Based on the Monthly Treasury Statement for February and the Daily Treasury Statements for March

April 6, 1998

With an estimated deficit of \$15 billion for March, the cumulative deficit for the first half of fiscal year 1998 will be \$40 billion lower than for the same period in 1997. Revenues through March are up 10 percent from last year, while outlays are up 3.7 percent.

FEBRUARY RESULTS AND CBO ESTIMATES FOR MARCH

(In billions of dollars)

	February Actual	March Estimate	Estimated Change
Receipts	98.0	118.4	20.4
Outlays	139.7	133.4	-6.3
Deficit (-)	-41.8	-15.0	26.8

SOURCE: Department of the Treasury and Congressional Budget Office.

The February deficit of \$41.8 billion was \$1.2 billion below CBO's estimate for the month, within the expected \$2 billion error range for monthly estimates.

More individual income tax refunds reported in the daily Treasury statements during February were classified as earned income tax credit outlays than anticipated, raising both receipts and outlays by \$2.1 billion over CBO estimates for the month. Other outlays were slightly lower than expected.

Receipts in March are estimated to be about \$118 billion, while outlays are estimated to be about \$133 billion. The resulting deficit of \$15 billion is \$6 billion less than the \$21 billion deficit in March a year ago.

COMPARISON WITH LAST YEAR

(By fiscal year, in billions of dollars)

	October-March 1997	October-March 1998	Estimated Change
Receipts	695.1	765.3	70.3
Outlays	806.2	836.4	30.1
Deficit (-)	-111.2	-71.1	40.1

SOURCE: Department of the Treasury and Congressional Budget Office.

Receipts for the first six months of the fiscal year are up 10 percent over the amount collected last year for the same period, while outlays are up 3.7 percent.

The cumulative deficit through March is estimated to be about \$40 billion below the comparable level recorded a year ago. If the cumulative surplus for April through September matches last year's performance, the fiscal year will end with an \$18 billion surplus.

RECEIPTS THROUGH MARCH

(By fiscal year, in billions of dollars)

Major Source	October-March 1997	October-March 1998	Percentage Change
Individual Income	320.4	356.4	11.3
Corporate Income	67.9	74.8	10.2
Social Insurance	251.5	269.9	7.3
Other	55.3	64.1	16.0
Total	695.1	765.3	10.1

SOURCE: Department of the Treasury and Congressional Budget Office.

Estimated March receipts of \$118 billion are up \$10 billion from last year's level, in part because there was one additional working day in the month this year. The extra collection day added about \$3.5 billion to March receipts.

Although receipt growth remains strong, there are some signs of a slowdown. Net corporate income tax receipts in the January-March quarter are estimated to be about 8 percent lower than a year ago, as refunds exceed last year's pace. Withheld income and employment taxes in March, excluding the extra collection day this year, were up 7 percent over last year, compared to 8.8 percent growth for October through February.

April remains the critical month for assessing the accuracy of the CBO revenue estimate for the fiscal year.

OUTLAYS THROUGH MARCH
(By fiscal year, in billions of dollars)

Major Category	October-March		Percentage Change
	1997	1998	
Defense-Military	127.0	126.7	-0.2
Social Security Benefits	177.3	184.2	3.9
Medicare and Medicaid	150.0	156.7	4.4
Net Interest on the			
Public Debt	124.8	125.4	0.5
Other	<u>227.1</u>	<u>243.4</u>	<u>7.2</u>
Total	806.2	836.4	3.7

SOURCE: Department of the Treasury and Congressional Budget Office.

March outlays of \$133 billion were about \$6 billion lower than February's level, largely because March 1 was a nonworking day and roughly \$8 billion in payments for that day were made at the end of February. The calendar affected March outlays in a similar fashion last year. Relative to last year, estimated outlays in March are up \$4 billion, or about 3 percent.

Estimated outlays through March of \$836 billion are consistent with CBO's latest outlay estimate for the fiscal year. Outlays for the second half of the year are expected to equal the cumulative level for the first half.

FISCAL YEAR 1998 PROJECTIONS
(In billions of dollars)

	OMB February	CBO January	CBO March
Receipts	1,658	1,665	1,680
Outlays	1,668	1,670	1,672
Deficit (-)/ Surplus	-10	-5	8

SOURCE: Congressional Budget Office.

The estimated March results continue to point towards a surplus for fiscal year 1998. The results for April will be particularly important for assessing the magnitude of the surplus.