



# MONTHLY BUDGET REVIEW

## Fiscal Year 1998

### A Congressional Budget Office Analysis

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

March 6, 1998

A deficit of \$43 billion is estimated for February, close to the \$44 billion deficit posted a year ago. Revenue growth continues to be strong, and CBO has revised its projected \$5 billion deficit for fiscal year 1998 to an \$8 billion surplus.

#### JANUARY RESULTS AND CBO ESTIMATES FOR FEBRUARY

(In billions of dollars)

	January Actual	February Estimate	Estimated Change
Receipts	162.6	95.6	-67.0
Outlays	137.2	138.6	1.4
Deficit (-)/Surplus	25.4	-43.0	-68.4

Source: Department of the Treasury and Congressional Budget Office.

- The January surplus of \$25.4 billion was \$3.4 billion higher than CBO's estimate of \$22.0 billion for the month. Receipts were \$1.6 billion more than expected and outlays were \$1.8 billion less than estimated.
- Receipts in February are expected to be about \$95.6 billion while outlays are estimated to be about \$138.6 billion. The resulting deficit of \$43 billion is close to the \$44 billion deficit in February a year ago.
- The range of error around the CBO estimates of a monthly deficit or surplus is about \$2 billion, based on past experience. This means that the actual February deficit that the Treasury will report later in March should be somewhere between \$41 billion and \$45 billion.

#### COMPARISON WITH LAST YEAR

(By fiscal year, in billions of dollars)

	October-February		Estimated Change
	1997	1998	
Receipts	587.0	644.6	57.6
Outlays	676.8	701.9	25.0
Deficit (-)	-89.8	-57.3	-32.5

Source: Department of the Treasury and Congressional Budget Office.

- Receipts for the first five months of the fiscal year are estimated to be up 9.8 percent over the amount collected last year for the same period, while outlays are up 3.7 percent.
- The cumulative deficit through February is estimated to be \$32.5 billion below the level recorded a year ago.

#### RECEIPTS THROUGH FEBRUARY

(By fiscal year, in billions of dollars)

Major Source	October-February		Percent Change
	1997	1998	
Individual Income	283.9	312.5	10.1
Corporate Income	49.2	55.9	13.6
Social Insurance	207.3	223.0	7.6
Other	46.5	53.2	14.2
<b>Total</b>	<b>587.0</b>	<b>644.6</b>	<b>9.8</b>

Source: Department of the Treasury and Congressional Budget Office.

- Estimated total receipts in February are about 6 percent above net collections for the month a year ago, significantly below the 10.5 percent growth rate posted for the first four months of the fiscal year.
- Withheld income and employment taxes in February are expected to be up by 10 percent from a year ago, but individual refunds are up over 20 percent from February refunds last year.
- Growth in receipts for the remainder of the fiscal year is expected to average 4.3 percent over last year, as growth in wages and profits slow and the tax cuts enacted in 1997 take effect.

## OUTLAYS THROUGH FEBRUARY

(By fiscal year, in billions of dollars)

Major Category	October-February		Percent Change
	FY 1997	FY 1998	
Defense-Military	108.0	108.0	--
Social Security Benefits	147.3	153.3	4.0
Medicare and Medicaid	126.6	131.9	4.2
Net Interest on the Public Debt	103.5	103.8	0.3
Other	<u>191.5</u>	<u>205.0</u>	<u>7.0</u>
Total	676.8	701.9	3.7

Source: Department of the Treasury and Congressional Budget Office.

- February was essentially unaffected by calendar quirks as both February 1 and March 1 were on weekends. Consequently, although \$8 billion in payments due on February 1 were made at the end of January, a similar amount due on March 1 was paid at the end of February.
- Medicare and Medicaid outlays through February are estimated to be up 4.2 percent above last year's pace, somewhat below CBO's estimate of 4.9 percent growth for the fiscal year. The growth in Medicare outlays so far is over a percentage point lower than expected for the year, while the growth in Medicaid outlays through February is about a percentage point greater than projected by CBO.
- Growth in total outlays is expected to pick up during the remaining seven months of the fiscal year to about 5.0 percent over last year, resulting in 4.4 percent growth for the fiscal year as a whole.

## FY 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.

- CBO has raised its estimate of total receipts for 1998 by \$15 billion, reflecting more rapid collections than anticipated during the early part of the fiscal year. Receipt growth for the year is now estimated to be 6.4 percent, up one percentage point from CBO's January projection.
- Estimated outlays for 1998 have been raised only slightly, so that a surplus of \$8 billion is now projected for the year instead of a \$5 billion deficit estimated by CBO in January. This would be the first federal budget surplus since fiscal year 1969.
- The Office of Management and Budget estimated a deficit of \$10 billion for 1998 in the President's budget submitted to Congress in February. Estimates by private forecasters at this point range widely from deficits greater than \$10 billion to surpluses exceeding \$20 billion.

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