

The Fiscal Monitor

A Publication of the Department of Finance

Highlights

October 2010: budgetary deficit of \$4.1 billion

There was a budgetary deficit of \$4.1 billion in October 2010, compared to a deficit of \$3.3 billion in October 2009.

Revenues increased by \$0.1 billion, or 0.4 per cent, reflecting increases in personal and non-resident income tax revenues, partially offset by declines in corporate income tax and Goods and Services Tax (GST) revenues. Program expenses were up \$0.8 billion, or 4.4 per cent, largely reflecting an increase in transfer payments. Public debt charges increased by \$0.1 billion.

April to October 2010: budgetary deficit of \$21.5 billion

For the first seven months of the 2010–11 fiscal year, the budgetary deficit stood at \$21.5 billion, compared to a deficit of \$31.9 billion reported in the same period of 2009–10. Over \$10 billion of the \$21.5-billion deficit was attributable to actions taken under Canada's Economic Action Plan, including tax reductions, Employment Insurance (EI) related measures and infrastructure funding. Revenues were up \$7.9 billion, or 6.6 per cent, primarily reflecting higher GST and personal and corporate income tax revenues. Program expenses were down \$2.9 billion, or 2.2 per cent, largely reflecting one-time support provided to the automotive industry in 2009–10, partially offset by increased transfers to other levels of government in 2010–11. Public debt charges were up \$0.4 billion on a year-over-year basis.

October 2010

There was a budgetary deficit of \$4.1 billion in October 2010, compared to a \$3.3-billion deficit in October 2009.

Revenues increased by \$0.1 billion, or 0.4 per cent, to \$17.6 billion.

- Personal income tax revenues were up \$0.5 billion, or 5.6 per cent.
- Corporate income tax revenues were down \$0.2 billion, or 11.4 per cent, primarily reflecting an increase in refunds relative to October 2009.
- Non-resident income tax revenues were up \$0.1 billion, or 33.3 per cent.

- Excise taxes and duties were down \$0.3 billion, or 8.9 per cent, driven by lower GST revenues. Following growth of 12.0 per cent in September, GST revenues were down \$0.2 billion, or 9.3 per cent, in October. As a value-added tax, the GST can yield volatile net collections on a month-to-month basis due to timing differences between the significant volumes of GST owed to the Government and credits claimed for GST paid on inputs. Energy taxes were down \$26 million. Customs import duties were down \$0.1 billion, or 31.1 per cent, due primarily to the remission of \$0.1 billion

Note: Unless otherwise noted, changes in financial results are presented on a year-over-year basis.



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in duties to BC Ferries announced on October 1, 2010, consistent with the tariff framework for ships announced on the same day. Other excise taxes and duties were up \$15 million.

- EI premium revenues were up \$17 million, or 1.9 per cent.
- Other revenues, consisting of net profits from enterprise Crown corporations, revenues of consolidated Crown corporations, revenues from sales of goods and services, returns on investments, net foreign exchange revenues and miscellaneous revenues, were down \$0.1 billion, or 3.9 per cent.

Program expenses in October 2010 were \$19.2 billion, up \$0.8 billion, or 4.4 per cent, from October 2009, largely reflecting higher transfer payments.

Transfer payments increased by \$0.7 billion, or 5.5 per cent.

- Major transfers to persons, consisting of elderly, EI and children's benefits, increased by \$0.2 billion, or 4.2 per cent. Elderly benefits increased by \$0.1 billion, or 3.4 per cent. EI benefit payments increased by \$0.1 billion, or 7.5 per cent, primarily reflecting the inclusion of one additional large processing day in October 2010 compared to October 2009. Children's benefits, which consist of the Canada Child Tax Benefit and the Universal Child Care Benefit, increased by \$21 million, or 2.0 per cent.
- Major transfers to other levels of government, consisting of federal transfers in support of health and other social programs (Canada Health Transfer and Canada Social Transfer), fiscal transfers, transfers to provinces on behalf of Canada's cities and communities, and Alternative Payments for Standing Programs, increased by \$0.2 billion, or 4.8 per cent, reflecting legislated growth in the Canada Health Transfer, Canada Social Transfer and Equalization transfer.
- Other transfer payments were up \$0.2 billion.

Other program expenses consist of operating expenses of Crown corporations, departments and agencies, including National Defence, and also reflect the ongoing assessment of the Government's liabilities. These expenses increased by \$0.2 billion, or 2.3 per cent, over the previous year.

Public debt charges increased by \$0.1 billion.

April to October 2010

For the first seven months of the 2010–11 fiscal year, there was a budgetary deficit of \$21.5 billion, compared to a deficit of \$31.9 billion reported during the same period of 2009–10. Over \$10 billion of the \$21.5-billion deficit was attributable to actions taken under Canada's Economic Action Plan.

Revenues increased by \$7.9 billion, or 6.6 per cent, to \$127.7 billion.

- Personal income tax revenues were up \$2.5 billion, or 4.1 per cent.
- Corporate income tax revenues were up \$1.4 billion, or 12.2 per cent, reflecting a decline in receipts of about 6 per cent, which was more than offset by a decrease of roughly 23 per cent in refunds of taxes paid.
- Non-resident income tax revenues were down \$0.1 billion, or 4.7 per cent.
- Excise taxes and duties were up \$3.0 billion, or 13.8 per cent. GST revenues were up \$2.6 billion, or 19.2 per cent. Energy taxes were up \$0.1 billion, customs import duties were down \$0.1 billion, and other excise taxes and duties were up \$0.4 billion.
- EI premium revenues were up \$0.5 billion, or 5.3 per cent, broadly in line with growth in insurable earnings. The premium rate was kept stable at \$1.73 per \$100 of insurable earnings for 2009 and 2010.
- Other revenues were up \$0.7 billion, or 4.7 per cent.

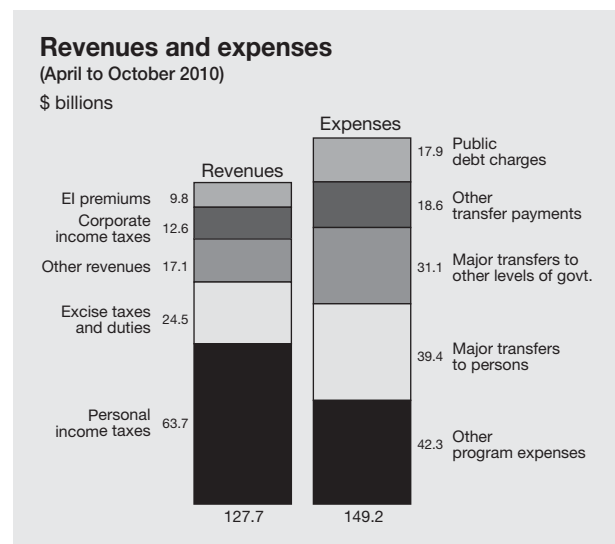
Program expenses for April to October 2010 were \$131.4 billion, down \$2.9 billion, or 2.2 per cent, from the same period the previous year, primarily reflecting lower transfer payments.

Transfer payments for April to October 2010 decreased by \$3.1 billion, or 3.3 per cent, from the same period the previous year.

- Major transfers to persons were up \$0.1 billion, or 0.3 per cent. Elderly benefits increased by \$0.5 billion, or 2.6 per cent, in line with growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. EI benefit payments decreased by \$0.7 billion, or 5.5 per cent, reflecting a decrease in regular benefits. Children's benefits were up \$0.2 billion, reflecting in part enhancements to the National Child Benefit Supplement and the Canada Child Tax Benefit which took effect in July 2009 as part of Canada's Economic Action Plan.
- Major transfers to other levels of government were up \$1.4 billion, or 4.6 per cent, largely reflecting legislated growth in the Canada Health Transfer and one-time transfer protection payments to provinces in August 2010 to prevent declines in the Canada Health Transfer, the Canada Social Transfer and Equalization transfers between 2009–10 and 2010–11.
- Other transfer payments were down \$4.5 billion, primarily reflecting one-time assistance to the automotive industry in 2009–10.

Other program expenses increased by \$0.2 billion, or 0.4 per cent, from the previous year's level.

Public debt charges increased by \$0.4 billion, or 2.1 per cent.



Financial requirement of \$40.8 billion for April to October 2010

The budgetary balance is presented on an accrual basis of accounting, recording government revenues and expenses when they are earned or incurred, regardless of when the cash is received or paid. In contrast, the financial source/requirement measures the difference between cash coming in to the Government and cash going out. This measure is affected not only by changes in the budgetary balance but also by the cash source/requirement resulting from the Government's investing activities through its acquisition of capital assets and its loans, financial investments and advances, as well as from other activities, including payment of accounts payable and collection of accounts receivable, foreign exchange activities, and the amortization of its tangible capital assets. The difference between the budgetary balance and financial source/requirement is recorded in non-budgetary transactions.

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With a budgetary deficit of \$21.5 billion and a requirement of \$19.3 billion from non-budgetary transactions, there was a financial requirement of \$40.8 billion in the April to October period of 2010–11, compared to a financial requirement of \$58.3 billion in the same period of 2009–10. The decrease in the financial requirement in 2010–11 reflects the improvement in the budgetary balance, a reduction in the financing requirements of Canada Mortgage and Housing Corporation under the Insured Mortgage Purchase Program (IMPP) due to the winding down in March 2010 of purchases of insured mortgage pools under the IMPP, as well as one-time assistance provided to the automotive industry in 2009–10.

Net financing activities up \$21.0 billion

The Government financed this financial requirement of \$40.8 billion by increasing market debt by \$21.0 billion and reducing cash balances by \$19.8 billion. The increase in market debt was achieved primarily through the issuance of marketable bonds. The level of cash balances varies from month to month based on a number of factors including periodic large debt maturities, which can be quite volatile on a monthly basis. Cash balances at the end of October 2010 stood at \$5.8 billion, down \$15.6 billion from their level at the end of October 2009.

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Table 1

Summary statement of transactions

	October		April to October	
	2009	2010	2009–10	2010–11
	(\$ millions)			
Budgetary transactions				
Revenues	17,534	17,597	119,831	127,705
Expenses				
Program expenses	-18,400	-19,204	-134,279	-131,384
Public debt charges	-2,438	-2,501	-17,498	-17,865
Budgetary balance (deficit/surplus)	-3,304	-4,108	-31,946	-21,544
Non-budgetary transactions	705	2,119	-26,329	-19,304
Financial source/requirement	-2,599	-1,989	-58,275	-40,848
Net change in financing activities	3,930	2,030	34,642	21,028
Net change in cash balances	1,331	41	-23,633	-19,820
Cash balance at end of period			21,395	5,804

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

Table 2

Revenues

	October			April to October		
	2009	2010	Change	2009–10	2010–11	Change
	(\$ millions)		(%)	(\$ millions)		(%)
Tax revenues						
Income taxes						
Personal income tax	9,090	9,600	5.6	61,220	63,733	4.1
Corporate income tax	1,665	1,476	-11.4	11,246	12,616	12.2
Non-resident income tax	327	436	33.3	2,657	2,533	-4.7
Total income tax	11,082	11,512	3.9	75,123	78,882	5.0
Excise taxes and duties						
Goods and Services Tax	2,131	1,933	-9.3	13,442	16,020	19.2
Energy taxes	519	493	-5.0	3,020	3,083	2.1
Customs import duties	289	199	-31.1	2,120	2,026	-4.4
Other excise taxes and duties	434	449	3.5	2,930	3,348	14.3
Total excise taxes and duties	3,373	3,074	-8.9	21,512	24,477	13.8
Total tax revenues	14,455	14,586	0.9	96,635	103,359	7.0
Employment Insurance premiums	891	908	1.9	9,299	9,795	5.3
Other revenues	2,188	2,103	-3.9	13,897	14,551	4.7
Total revenues	17,534	17,597	0.4	119,831	127,705	6.6

Note: Totals may not add due to rounding.

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Table 3

Expenses

	October			April to October		
	2009	2010	Change	2009–10	2010–11	Change
	(\$ millions)		(%)	(\$ millions)		(%)
Transfer payments						
Major transfers to persons						
Elderly benefits	2,897	2,995	3.4	20,075	20,596	2.6
Employment Insurance benefits	1,460	1,570	7.5	12,042	11,376	-5.5
Children's benefits	1,046	1,067	2.0	7,198	7,444	3.4
Total	5,403	5,632	4.2	39,315	39,416	0.3
Major transfers to other levels of government						
Support for health and other social programs						
Canada Health Transfer	2,081	2,198	5.6	14,444	15,159	5.0
Canada Social Transfer	905	932	3.0	6,335	6,521	2.9
Total	2,986	3,130	4.8	20,779	21,680	4.3
Fiscal transfers	1,280	1,325	3.5	9,631	10,286	6.8
Canada's cities and communities	0	0	n/a	957	858	-10.3
Alternative Payments for Standing Programs	-236	-231	-2.1	-1,614	-1,706	5.7
Total	4,030	4,224	4.8	29,753	31,118	4.6
Other transfer payments						
Agriculture and Agri-Food	231	156	-32.5	859	998	16.2
Foreign Affairs and International Trade	176	146	-17.0	1,566	1,788	14.2
Health	171	151	-11.7	1,461	1,467	0.4
Human Resources and Skills Development	232	239	3.0	1,716	2,039	18.8
Indian Affairs and Northern Development	494	648	31.2	3,047	3,332	9.4
Industry	310	286	-7.7	1,370	1,538	12.3
Other	747	965	29.2	13,080	7,395	-43.5
Total	2,361	2,591	9.7	23,099	18,557	-19.7
Total transfer payments	11,794	12,447	5.5	92,167	89,091	-3.3
Other program expenses						
Crown corporations	925	993	7.4	5,784	6,105	5.5
Defence	1,667	1,847	10.8	11,059	10,582	-4.3
All other departments and agencies	4,014	3,917	-2.4	25,269	25,606	1.3
Total other program expenses	6,606	6,757	2.3	42,112	42,293	0.4
Total program expenses	18,400	19,204	4.4	134,279	131,384	-2.2
Public debt charges	2,438	2,501	2.6	17,498	17,865	2.1
Total expenses	20,838	21,705	4.2	151,777	149,249	-1.7

Note: Totals may not add due to rounding.

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Table 4

The budgetary balance and financial source/requirement

	October		April to October	
	2009	2010	2009–10	2010–11
	(\$ millions)			
Budgetary balance (deficit/surplus)	-3,304	-4,108	-31,946	-21,544
Non-budgetary transactions				
Capital investing activities	-522	-189	-1,765	-2,518
Other investing activities	-1,724	-412	-18,476	-1,680
Pension and other accounts	462	486	4,102	3,164
Other activities				
Accounts payable, receivables, accruals and allowances	661	782	-15,079	-20,140
Foreign exchange activities	1,534	931	2,943	-745
Amortization of tangible capital assets	294	521	1,946	2,615
Total other activities	2,489	2,234	-10,190	-18,270
Total non-budgetary transactions	705	2,119	-26,329	-19,304
Financial source/requirement	-2,599	-1,989	-58,275	-40,848

Note: Totals may not add due to rounding.

Table 5

Financial source/requirement and net financing activities

	October		April to October	
	2009	2010	2009–10	2010–11
	(\$ millions)			
Financial source/requirement	-2,599	-1,989	-58,275	-40,848
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	3,751	3,004	40,822	26,650
Treasury bills	400	-900	1,100	-6,100
Retail debt	-48	-30	-108	-367
Other	0	0	-67	-390
Total	4,103	2,074	41,747	19,793
Foreign currency borrowings	-600	-175	-2,712	36
Total	3,503	1,899	39,035	19,829
Cross-currency swap revaluation	537	-1	-3,934	668
Unamortized discounts and premiums on market debt	-126	134	-389	612
Obligations related to capital leases	16	-2	-70	-81
Net change in financing activities	3,930	2,030	34,642	21,028
Change in cash balance	1,331	41	-23,633	-19,820

Note: Totals may not add due to rounding.

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Table 6

Condensed statement of assets and liabilities

	March 31, 2010	October 31, 2010	Change
	(\$ millions)		
Liabilities			
Accounts payable and accrued liabilities	120,525	101,102	-19,423
Interest-bearing debt			
Unmatured debt			
Payable in Canadian currency			
Marketable bonds	367,962	394,612	26,650
Treasury bills	175,849	169,749	-6,100
Retail debt	11,855	11,488	-367
Other	452	62	-390
Subtotal	556,118	575,911	19,793
Payable in foreign currencies	8,243	8,279	36
Cross-currency swap revaluation	-4,233	-3,565	668
Unamortized discounts and premiums on market debt	-5,092	-4,480	612
Obligations related to capital leases	4,090	4,009	-81
Total unmaturred debt	559,126	580,154	21,028
Pension and other liabilities			
Public sector pensions	142,843	144,572	1,729
Other employee and veteran future benefits	54,227	55,831	1,604
Other liabilities	6,587	6,418	-169
Total pension and other liabilities	203,657	206,821	3,164
Total interest-bearing debt	762,783	786,975	24,192
Total liabilities	883,308	888,077	4,769
Financial assets			
Cash and accounts receivable	101,205	82,102	-19,103
Foreign exchange accounts	46,950	47,695	745
Loans, investments, and advances (net of allowances) ¹	152,681	154,877	2,196
Total financial assets	300,836	284,674	-16,162
Net debt	582,472	603,403	20,931
Non-financial assets	63,375	63,278	-97
Federal debt (accumulated deficit)	519,097	540,125	21,028

Note: Totals may not add due to rounding.

¹ Includes \$516 million in other comprehensive income reported by enterprise Crown corporations and other government business enterprises in 2010–11.