

# The Fiscal Monitor

## A publication of the Department of Finance

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### Highlights

#### **October 2014: budgetary deficit of \$3.2 billion**

There was a budgetary deficit of \$3.2 billion in October 2014, compared to a deficit of \$2.5 billion in October 2013. The October 2014 results include a \$1.6-billion adjustment to revenues to include the year-to-date costs of personal income tax measures announced in October 2014 and effective for the 2014 taxation year. These measures consist of the introduction of the Family Tax Cut and the doubling of the Children's Fitness Tax Credit. Absent this adjustment, there would have been a deficit of \$1.6 billion in October 2014.

Revenues decreased by \$0.2 billion, or 0.9 per cent, as the impact of the year-to-date costs of the Family Tax Cut and the doubling of the Children's Fitness Tax Credit was partially offset by gains in corporate income tax revenues. Program expenses increased by \$0.6 billion, or 3.1 per cent, reflecting increases in transfers to persons and other levels of government and direct program expenses. Public debt charges decreased by \$0.1 billion, or 3.4 per cent.

#### **April to October 2014: budgetary deficit of \$4.0 billion**

For the April to October 2014 period of the 2014–15 fiscal year, the Government posted a budgetary deficit of \$4.0 billion, compared to a deficit of \$12.8 billion reported in the same period of 2013–14. Revenues were up \$5.3 billion, or 3.7 per cent, reflecting increases in all revenue sources with the exception of other revenues. Program expenses were down \$3.2 billion, or 2.3 per cent, reflecting a decrease in direct program expenses, offset in part by increases in major transfers to persons and other levels of government. Public debt charges were down \$0.3 billion, or 2.0 per cent.

### October 2014

There was a budgetary deficit of \$3.2 billion in October 2014, compared to a deficit of \$2.5 billion in October 2013.

Revenues in October 2014 totalled \$19.8 billion, down \$0.2 billion, or 0.9 per cent, from October 2013.

- Personal income tax revenues were down \$1.2 billion, or 11.6 per cent, reflecting the year-to-date costs of the introduction of the Family Tax Cut and the doubling of the Children's Fitness Tax Credit.
- Corporate income tax revenues were up \$0.8 billion.
- Non-resident income tax revenues were up \$0.1 billion.
- Excise taxes and duties were up \$0.1 billion, or 4.2 per cent. Goods and Services Tax (GST) revenues increased by \$0.1 billion, customs import duties by \$15 million, and other excise taxes and duties by \$34 million, while energy taxes remained unchanged.
- Employment Insurance (EI) premium revenues were up \$39 million, or 3.4 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 3.1 per cent.

Program expenses in October 2014 were \$20.8 billion, up \$0.6 billion, or 3.1 per cent, from October 2013.

- Major transfers to persons, consisting of elderly, EI and children's benefits, increased by \$0.2 billion, or 2.9 per cent. Elderly benefits increased by \$0.1 billion, or 4.0 per cent, due to growth in the elderly population

and changes in consumer prices, to which benefits are fully indexed. EI benefit payments increased by \$0.1 billion, or 6.8 per cent. Children's benefits, which consist of the Canada Child Tax Benefit and the Universal Child Care Benefit, decreased by \$0.1 billion, or 4.7 per cent.

- Major transfers to other levels of government consist of federal transfers in support of health and other social programs (primarily the Canada Health Transfer and the Canada Social Transfer), fiscal arrangements and other transfers (Equalization, transfers to the territories, as well as a number of smaller transfer programs), transfers to provinces on behalf of Canada's cities and communities, and the Quebec Abatement. Major transfers to other levels of government increased by \$0.3 billion, or 6.1 per cent, reflecting legislated growth in the Canada Health Transfer, the Canada Social Transfer, Equalization transfers and transfers to the territories, as well as an increase in transfers to Canada's cities and communities.
- Direct program expenses include transfer payments to individuals and other organizations not included in major transfers to persons and other levels of government, and other direct program expenses, which consist of operating expenses of National Defence, other departments and agencies, and expenses of Crown corporations. Direct program expenses were up \$0.1 billion, or 1.6 per cent, from the previous year. Within direct program expenses:
  - Transfer payments increased by \$0.1 billion, or 4.4 per cent.
  - Other direct program expenses increased by \$16 million, or 0.3 per cent.

Public debt charges decreased by \$0.1 billion, or 3.4 per cent.

## April to October 2014

For the April to October 2014 period of the 2014–15 fiscal year, there was a budgetary deficit of \$4.0 billion, compared to a deficit of \$12.8 billion reported during the same period of 2013–14.

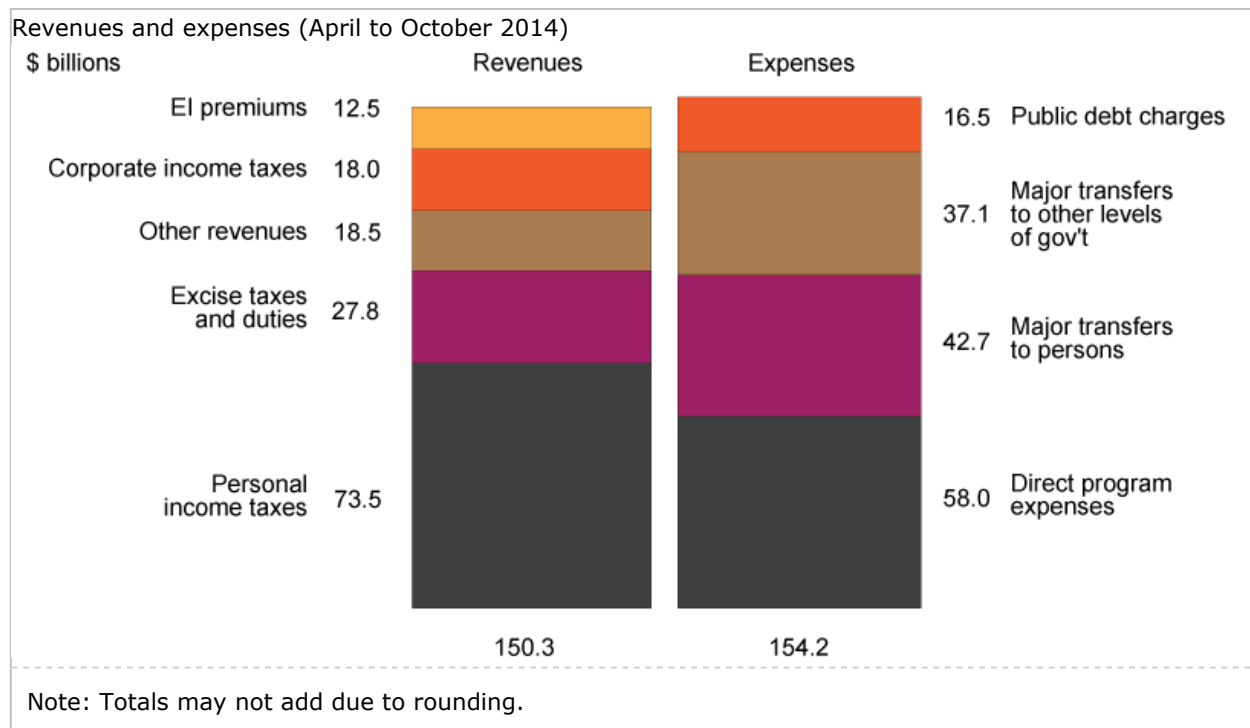
Revenues increased by \$5.3 billion, or 3.7 per cent, to \$150.3 billion.

- Personal income tax revenues were up \$1.2 billion, or 1.7 per cent.
- Corporate income tax revenues were up \$2.4 billion, or 15.3 per cent.
- Non-resident income tax revenues were up \$0.2 billion, or 7.7 per cent.
- Excise taxes and duties were up \$1.3 billion, or 5.0 per cent. GST revenues increased by \$0.7 billion or 3.9 per cent, energy taxes by \$0.1 billion, customs import duties by \$0.2 billion, and other excise taxes and duties by \$0.4 billion.
- EI premium revenues were up \$0.5 billion, or 3.9 per cent, reflecting growth in earnings.
- Other revenues were down \$0.3 billion, or 2.0 per cent.

For the April to October 2014 period, program expenses were \$137.7 billion, down \$3.2 billion, or 2.3 per cent, from the same period the previous year.

- Major transfers to persons were up \$1.2 billion, or 2.9 per cent. Elderly benefits increased by \$1.0 billion, or 4.1 per cent, reflecting growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. EI benefit payments increased by \$0.4 billion, or 4.0 per cent, and children's benefits were down \$0.2 billion, or 2.3 per cent.
- Major transfers to other levels of government were up \$1.5 billion, or 4.2 per cent, largely reflecting legislated growth in the Canada Health Transfer, the Canada Social Transfer, Equalization transfers and transfers to the territories.
- Direct program expenses were down \$5.9 billion, or 9.2 per cent. Within direct program expenses:
  - Transfer payments decreased by \$3.7 billion, or 17.6 per cent, largely reflecting the accrual in 2013–14 of a liability for disaster assistance related to the 2013 flood in Alberta, as well as a decrease in expenses associated with the revaluation of the Government's liability to Ontario for the province's one-third participation in the value of the Government's equity holdings in General Motors.
  - Other direct program expenses decreased by \$2.2 billion, or 5.2 per cent, due in large part to a decrease in pension and benefit costs based on the Government's latest actuarial valuations.

Public debt charges decreased by \$0.3 billion, or 2.0 per cent.



## Financial requirement of \$0.5 billion for April to October 2014

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.

With a budgetary deficit of \$4.0 billion and a financial source of \$3.5 billion from non-budgetary transactions, there was a financial requirement of \$0.5 billion for the April to October 2014 period, compared to a financial requirement of \$7.4 billion for the same period the previous year.

## Net financing activities up \$6.7 billion

The Government financed this financial requirement of \$0.5 billion and increased cash balances by \$6.2 billion by increasing unmatured debt by \$6.7 billion. The increase in unmatured 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 2014 stood at \$32.3 billion, up \$0.3 billion from their level at the end of October 2013.

Table 1  
Summary statement of transactions  
\$ millions

	October		April to October	
	2013 <sup>1</sup>	2014	2013-14 <sup>1</sup>	2014-15
<b>Budgetary transactions</b>				
Revenues	19,962	19,792	144,926	150,266
Expenses				
Program expenses	-20,174	-20,804	-140,886	-137,688
Public debt charges	-2,272	-2,195	-16,871	-16,529
Budgetary balance (deficit/surplus)	-2,484	-3,207	-12,831	-3,951
<b>Non-budgetary transactions</b>	13,507	4,715	5,463	3,458
<b>Financial source/requirement</b>	11,023	1,508	-7,368	-493
<b>Net change in financing activities</b>	-8,059	735	14,975	6,674
<b>Net change in cash balances</b>	2,964	2,243	7,607	6,181
<b>Cash balance at end of period</b>			31,919	32,255

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

<sup>1</sup> Certain comparative figures have been restated to reflect a change in the Government's accounting policy for bond buyback operations as reported in the *Annual Financial Report of the Government of Canada* for 2013-14.

Table 2  
Revenues

	October			April to October		
	2013 (\$ millions)	2014 (\$ millions)	Change (%)	2013-14 (\$ millions)	2014-15 (\$ millions)	Change (%)
<b>Tax revenues</b>						
Income taxes						
Personal income tax	10,668	9,431	-11.6	72,232	73,475	1.7
Corporate income tax	2,002	2,817	40.7	15,576	17,956	15.3
Non-resident income tax	421	564	34.0	2,952	3,180	7.7
Total income tax	13,091	12,812	-2.1	90,760	94,611	4.2
Excise taxes and duties						
Goods and Services Tax	2,097	2,191	4.5	17,636	18,323	3.9
Energy taxes	485	485	0.0	3,151	3,205	1.7
Customs import duties	379	394	4.0	2,516	2,723	8.2
Other excise taxes and duties	433	467	7.9	3,135	3,515	12.1
Total excise taxes and duties	3,394	3,537	4.2	26,438	27,766	5.0
Total tax revenues	16,485	16,349	-0.8	117,198	122,377	4.4
<b>Employment Insurance premiums</b>	1,141	1,180	3.4	12,050	12,523	3.9
<b>Other revenues</b>	2,336	2,263	-3.1	15,678	15,366	-2.0
<b>Total revenues</b>	19,962	19,792	-0.9	144,926	150,266	3.7

Note: Totals may not add due to rounding.

Table 3  
Expenses

	October			April to October		
	2013	2014	Change	2013-14	2014-15	Change
	(\$ millions)	(\$ millions)	(%)	(\$ millions)	(\$ millions)	(%)
<b>Major transfers to persons</b>						
Elderly benefits	3,535	3,676	4.0	24,194	25,177	4.1
Employment Insurance benefits	1,106	1,181	6.8	9,581	9,965	4.0
Children's benefits	1,113	1,061	-4.7	7,708	7,533	-2.3
Total	5,754	5,918	2.9	41,483	42,675	2.9
<b>Major transfers to other levels of government</b>						
Support for health and other social programs						
Canada Health Transfer	2,554	2,676	4.8	17,821	18,733	5.1
Canada Social Transfer	1,018	1,048	2.9	7,126	7,339	3.0
Total	3,572	3,724	4.3	24,947	26,072	4.5
Fiscal arrangements and other transfers	1,568	1,626	3.7	11,639	12,032	3.4
Canada's cities and communities	472	602	27.5	1,487	1,589	6.9
Quebec Abatement	-359	-376	4.7	-2,513	-2,631	4.7
Total	5,253	5,576	6.1	35,560	37,062	4.2
<b>Direct program expenses</b>						
Transfer payments						
Aboriginal Affairs and Northern Development	619	771	24.6	3,333	3,604	8.1
Agriculture and Agri-Food	80	43	-46.3	473	345	-27.1
Employment and Social Development	477	453	-5.0	3,068	2,951	-3.8
Foreign Affairs, Trade and Development	177	240	35.6	1,431	1,175	-17.9
Health	165	189	14.5	1,703	1,782	4.6
Industry	261	261	0.0	1,425	1,325	-7.0
Other	1,089	1,038	-4.7	9,447	6,030	-36.2
Total	2,868	2,995	4.4	20,880	17,212	-17.6
Other direct program expenses						
Crown corporations	728	724	-0.5	4,540	4,110	-9.5
National Defence	1,327	1,790	34.9	11,452	11,544	0.8
All other departments and agencies	4,244	3,801	-10.4	26,971	25,085	-7.0
Total other direct program expenses	6,299	6,315	0.3	42,963	40,739	-5.2
Total direct program expenses	9,167	9,310	1.6	63,843	57,951	-9.2

<b>Total program expenses</b>	20,174	20,804	3.1	140,886	137,688	-2.3
<b>Public debt charges<sup>1</sup></b>	2,272	2,195	-3.4	16,871	16,529	-2.0
<b>Total expenses</b>	22,446	22,999	2.5	157,757	154,217	-2.2

Note: Totals may not add due to rounding.

<sup>1</sup> Comparative figures have been restated to reflect a change in the Government's accounting policy for bond buyback operations as reported in the *Annual Financial Report of the Government of Canada* for 2013–14.

Table 4  
The budgetary balance and financial source/requirement  
\$ millions

	October		April to October	
	2013	2014	2013-14	2014-15
<b>Budgetary balance (deficit/surplus)</b>	-2,484	-3,207	-12,831	-3,951
<b>Non-budgetary transactions</b>				
Capital investment activities	-798	-400	-2,561	-1,999
Other investing activities	12,116	996	14,284	3,898
Pension and other accounts	195	213	2,747	901
Other activities				
Accounts payable, receivables, accruals and allowances	2,487	4,139	-7,617	-3,068
Foreign exchange activities	-689	-560	-3,811	1,381
Amortization of tangible capital assets	196	327	2,421	2,345
Total other activities	1,994	3,906	-9,007	658
Total non-budgetary transactions	13,507	4,715	5,463	3,458
<b>Financial source/requirement</b>	11,023	1,508	-7,368	-493

Note: Totals may not add due to rounding.



Table 5  
Financial source/requirement and net financing activities  
\$ millions

	October		April to October	
	2013	2014	2013-14	2014-15
<b>Financial source/requirement</b>	11,023	1,508	-7,368	-493
<b>Net increase (+)/decrease (-) in financing activities</b>				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	6,725	9,398	12,961	18,033
Treasury bills	-15,500	-8,700	-300	-8,500
Retail debt	-38	-53	-244	-218
Other	0	0	0	0
<b>Total</b>	<b>-8,813</b>	<b>645</b>	<b>12,417</b>	<b>9,315</b>
Foreign currency borrowings	99	-200	471	-2,211
<b>Total</b>	<b>-8,714</b>	<b>445</b>	<b>12,888</b>	<b>7,104</b>
Cross-currency swap revaluation	641	198	2,384	-189
Unamortized discounts and premiums on market debt <sup>1</sup>	9	107	-304	72
Obligations related to capital leases and other unmatured debt	5	-15	7	-313
<b>Net change in financing activities</b>	<b>-8,059</b>	<b>735</b>	<b>14,975</b>	<b>6,674</b>
<b>Change in cash balance</b>	<b>2,964</b>	<b>2,243</b>	<b>7,607</b>	<b>6,181</b>

Note: Totals may not add due to rounding.

<sup>1</sup> Comparative figures have been restated to reflect a change in the Government's accounting policy for bond buyback operations as reported in the *Annual Financial Report of the Government of Canada* for 2013-14.

Table 6  
Condensed statement of assets and liabilities  
\$ millions

	<b>March 31, 2014</b>	<b>October 31, 2014</b>	<b>Change</b>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	111,421	106,388	-5,033
Interest-bearing debt			
Unmatured debt			
Payable in Canadian currency			
Marketable bonds	473,319	491,352	18,033
Treasury bills	152,990	144,490	-8,500
Retail debt	6,327	6,109	-218
Subtotal	632,636	641,951	9,315
Payable in foreign currencies	16,030	13,819	-2,211
Cross-currency swap revaluation	2,326	2,137	-189
Unamortized discounts and premiums on market debt	3,184	3,256	72
Obligations related to capital leases and other unmaturred debt	4,782	4,469	-313
Total unmaturred debt	658,958	665,632	6,674
Pension and other liabilities			
Public sector pensions	153,083	152,702	-381
Other employee and veteran future benefits	71,409	72,722	1,313
Other liabilities	5,914	5,883	-31
Total pension and other liabilities	230,406	231,307	901
Total interest-bearing debt	889,364	896,939	7,575
<b>Total liabilities</b>	<b>1,000,785</b>	<b>1,003,327</b>	<b>2,542</b>
<b>Financial assets</b>			
Cash and accounts receivable	128,574	132,790	4,216
Foreign exchange accounts	72,262	70,881	-1,381
Loans, investments, and advances (net of allowances) <sup>1</sup>	117,635	112,209	-5,426
Total financial assets	318,471	315,880	-2,591
<b>Net debt</b>	<b>682,314</b>	<b>687,447</b>	<b>5,133</b>
<b>Non-financial assets</b>	<b>70,433</b>	<b>70,087</b>	<b>-346</b>
<b>Federal debt (accumulated deficit)</b>	<b>611,881</b>	<b>617,360</b>	<b>5,479</b>

Note: Totals may not add due to rounding.

<sup>1</sup> October 31, 2014 amount includes \$1.5 billion in other comprehensive losses from enterprise Crown corporations and other government business enterprises for the April to October 2014 period.

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

For inquiries about this publication, contact Glenn Purves at 613-369-5655.

December 2014

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