

The Fiscal Monitor

A publication of the Department of Finance

Highlights

August 2014: budgetary deficit of \$0.3 billion

There was a budgetary deficit of \$0.3 billion in August 2014, compared to a deficit of \$2.0 billion in August 2013. Revenues decreased by \$7 million, as increases in personal income tax and Goods and Services Tax (GST) revenues were offset by a decrease in corporate income tax revenues. Program expenses decreased by \$1.6 billion, or 8.4 per cent, largely reflecting a decrease in direct program expenses. Public debt charges decreased by \$0.1 billion, or 4.9 per cent.

April to August 2014: budgetary deficit of \$1.1 billion

For the April to August 2014 period of the 2014–15 fiscal year, the Government posted a budgetary deficit of \$1.1 billion, compared to a deficit of \$6.6 billion reported in the same period of 2013–14.

Revenues were up \$4.4 billion, or 4.2 per cent, reflecting increases in tax revenues and Employment Insurance (EI) premium revenues, which were partially offset by lower other revenues. Program expenses were down \$1.0 billion, or 1.0 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 \$0.1 billion, or 1.1 per cent.

August 2014

There was a budgetary deficit of \$0.3 billion in August 2014, compared to a deficit of \$2.0 billion in August 2013.

Revenues in August 2014 totalled \$19.4 billion, down \$7 million from August 2013.

- Personal income tax revenues were up \$0.7 billion, or 7.0 per cent.
- Corporate income tax revenues were down \$1.2 billion after increasing by \$1.6 billion in July, reflecting monthly volatility.
- Non-resident income tax revenues were up \$23 million, or 5.3 per cent.
- Excise taxes and duties were up \$0.5 billion, or 14.3 per cent. This increase is mostly due to a \$0.4-billion, or 19.0-per-cent, increase in GST revenues. Energy taxes were up \$2 million, customs import duties were up \$7 million, and other excise taxes and duties were up \$0.1 billion.
- EI premium revenues were up \$0.1 billion, or 3.5 per cent, reflecting growth in earnings.
- 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 3.4 per cent.

Program expenses in August 2014 were \$17.7 billion, down \$1.6 billion, or 8.4 per cent, from August 2013.

- Major transfers to persons, consisting of elderly, EI and children's benefits, increased by \$0.1 billion, or 2.4 per cent. Elderly benefits increased by \$0.1 billion, or 3.8 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 \$40 million, or 2.9 per cent. Children's benefits, which consist of the Canada Child Tax Benefit and the Universal Child Care Benefit, decreased by \$28 million, or 2.5 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 \$0.2 billion, or 4.3 per cent, reflecting legislated growth in the Canada Health Transfer, the Canada Social Transfer, Equalization transfers and transfers to the territories.

- 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 down \$2.0 billion, or 23.0 per cent, from the previous year. Within direct program expenses:
 - Transfer payments decreased by \$0.2 billion, or 9.5 per cent.
 - Other direct program expenses decreased by \$1.8 billion, or 28.0 per cent, largely reflecting a one-time adjustment in August 2014 to reflect an updated accrual estimate of pension and other employee and veteran future benefit costs.

Public debt charges decreased by \$0.1 billion, or 4.9 per cent.

April to August 2014

For the April to August 2014 period of the 2014–15 fiscal year, there was a budgetary deficit of \$1.1 billion, compared to a deficit of \$6.6 billion reported during the same period of 2013–14.

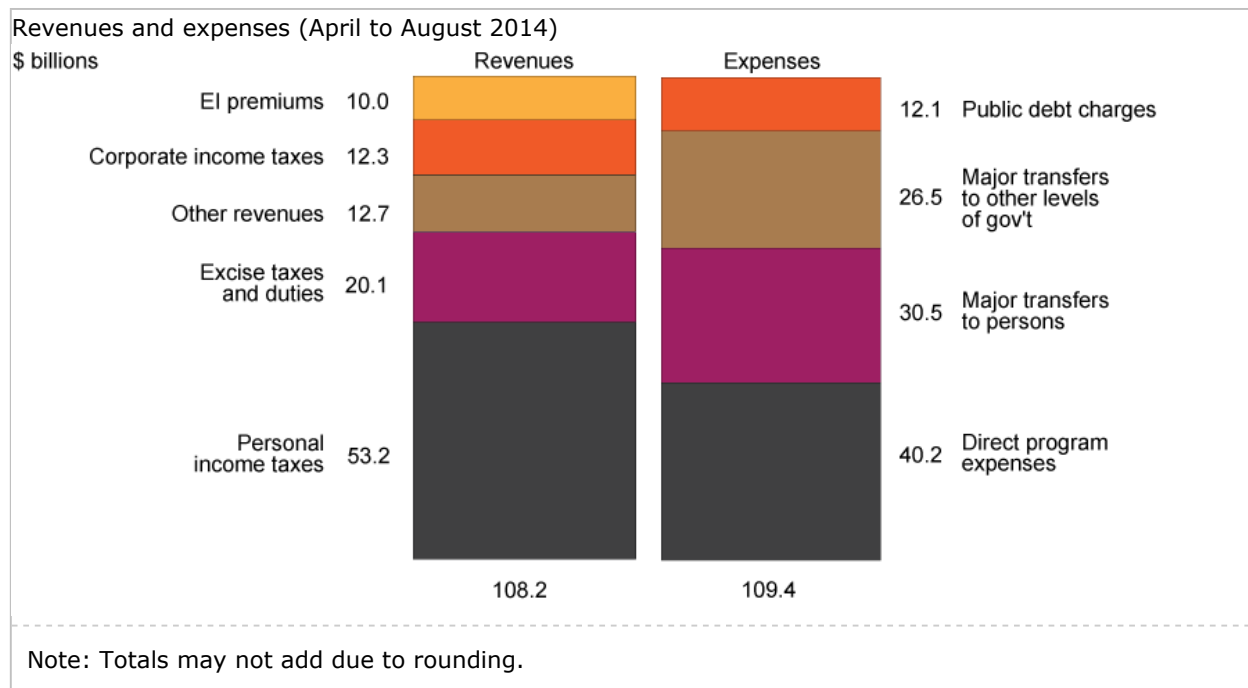
Revenues increased by \$4.4 billion, or 4.2 per cent, to \$108.2 billion.

- Personal income tax revenues were up \$2.2 billion, or 4.3 per cent.
- Corporate income tax revenues were up \$0.9 billion, or 7.7 per cent.
- Non-resident income tax revenues were up \$9 million, or 0.4 per cent.
- Excise taxes and duties were up \$1.1 billion, or 5.9 per cent. GST revenues were up \$0.6 billion, or 4.5 per cent. Energy taxes were up \$0.1 billion, customs import duties were up \$0.2 billion, and other excise taxes and duties were up \$0.3 billion.
- EI premium revenues were up \$0.4 billion, or 4.0 per cent, reflecting growth in earnings.
- Other revenues were down \$0.2 billion, or 2.2 per cent.

For the April to August 2014 period, program expenses were \$97.2 billion, down \$1.0 billion, or 1.0 per cent, from the same period the previous year.

- Major transfers to persons were up \$0.8 billion, or 2.6 per cent. Elderly benefits increased by \$0.7 billion, or 3.9 per cent, reflecting growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. EI benefit payments increased by \$0.2 billion, or 3.1 per cent, and children's benefits were down \$0.1 billion, or 2.2 per cent.
- Major transfers to other levels of government were up \$1.0 billion, or 3.8 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 \$2.7 billion, or 6.3 per cent. Within direct program expenses:
 - Transfer payments decreased by \$1.0 billion, or 8.1 per cent, reflecting year-over-year timing differences 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 \$1.7 billion, or 5.5 per cent, largely reflecting a one-time adjustment in August 2014 to reflect an updated accrual estimate of pension and other employee and veteran future benefit costs.

Public debt charges decreased by \$0.1 billion, or 1.1 per cent.



Financial requirement of \$3.9 billion for April to August 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 \$1.1 billion and a requirement of \$2.8 billion from non-budgetary transactions, there was a financial requirement of \$3.9 billion for the April to August 2014 period, compared to a financial requirement of \$21.6 billion for the same period the previous year.

Net financing activities up \$7.7 billion

The Government financed this financial requirement of \$3.9 billion and increased cash balances by \$3.9 billion by increasing unmatured debt by \$7.7 billion. The increase in unmatured debt was achieved primarily through the issuance of marketable bonds and treasury bills.

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 August 2014 stood at \$29.9 billion, virtually unchanged from their level at the end of August 2013.

Table 1
Summary statement of transactions
\$ millions

	August		April to August	
	2013^{1,2}	2014	2013–14^{1,2}	2014–15²
Budgetary transactions				
Revenues	19,361	19,354	103,884	108,247
Expenses				
Program expenses	-19,283	-17,657	-98,195	-97,245
Public debt charges	-2,117	-2,013	-12,264	-12,125
Budgetary balance (deficit/surplus)	-2,039	-316	-6,575	-1,123
Non-budgetary transactions	-1,296	2,990	-14,999	-2,765
Financial source/requirement	-3,335	2,674	-21,574	-3,888
Net change in financing activities	-880	-6,304	27,177	7,746
Net change in cash balances	-4,215	-3,630	5,603	3,858
Cash balance at end of period			29,916	29,932

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

¹Certain comparative figures have been restated to conform with the presentation in the *Annual Financial Report of the Government of Canada* for 2013–14.

²Certain comparative figures and year-to-date amounts for 2014–15 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

	August			April to August		
	2013 (\$ millions)	2014 (\$ millions)	Change (%)	2013-14 (\$ millions)	2014-15 (\$ millions)	Change (%)
Tax revenues						
Income taxes						
Personal income tax	10,185	10,903	7.0	50,967	53,171	4.3
Corporate income tax	1,702	481	-71.7	11,437	12,317	7.7
Non-resident income tax	437	460	5.3	2,208	2,217	0.4
Total income tax	12,324	11,844	-3.9	64,612	67,705	4.8
Excise taxes and duties						
Goods and Services Tax	2,147	2,554	19.0	12,821	13,402	4.5
Energy taxes	463	465	0.4	2,167	2,218	2.4
Customs import duties	397	404	1.8	1,770	1,938	9.5
Other excise taxes and duties	452	529	17.0	2,206	2,527	14.6
Total excise taxes and duties	3,459	3,952	14.3	18,964	20,085	5.9
Total tax revenues	15,783	15,796	0.1	83,576	87,790	5.0
Employment Insurance premiums	1,459	1,510	3.5	9,616	10,004	4.0
Other revenues¹	2,119	2,048	-3.4	10,692	10,453	-2.2
Total revenues	19,361	19,354	0.0	103,884	108,247	4.2

Note: Totals may not add due to rounding.

¹Comparative figures have been restated to reflect the reclassification of interest owed to taxpayers from other revenues to other direct program expenses of departments and agencies.

Table 3
Expenses

	August			April to August		
	2013	2014	Change	2013-14	2014-15	Change
	(\$ millions)	(\$ millions)	(%)	(\$ millions)	(\$ millions)	(%)
Major transfers to persons						
Elderly benefits	3,445	3,575	3.8	17,179	17,848	3.9
Employment Insurance benefits	1,391	1,431	2.9	7,078	7,300	3.1
Children's benefits	1,117	1,089	-2.5	5,483	5,364	-2.2
Total	5,953	6,095	2.4	29,740	30,512	2.6
Major transfers to other levels of government						
Support for health and other social programs						
Canada Health Transfer	2,544	2,676	5.2	12,722	13,381	5.2
Canada Social Transfer	1,018	1,048	2.9	5,090	5,242	3.0
Total	3,562	3,724	4.5	17,812	18,623	4.6
Fiscal arrangements and other transfers	1,566	1,626	3.8	8,505	8,781	3.2
Canada's cities and communities	0	0	n/a	1,015	987	-2.8
Quebec Abatement	-359	-376	4.7	-1,795	-1,879	4.7
Total	4,769	4,974	4.3	25,537	26,512	3.8
Direct program expenses						
Transfer payments						
Aboriginal Affairs and Northern Development	470	427	-9.1	2,316	2,480	7.1
Agriculture and Agri-Food	133	61	-54.1	324	186	-42.6
Employment and Social Development	487	405	-16.8	2,146	1,914	-10.8
Foreign Affairs, Trade and Development	245	193	-21.2	1,098	820	-25.3
Health	113	96	-15.0	1,141	1,261	10.5
Industry	220	216	-1.8	921	907	-1.5
Other	634	686	8.2	4,751	4,097	-13.8
Total	2,302	2,084	-9.5	12,697	11,665	-8.1
Other direct program expenses						
Crown corporations	599	499	-16.7	3,346	2,828	-15.5
National Defence	1,550	1,677	8.2	8,052	8,116	0.8
All other departments and agencies ¹	4,110	2,328	-43.4	18,823	17,612	-6.4
Total other direct program expenses	6,259	4,504	-28.0	30,221	28,556	-5.5
Total direct program expenses	8,561	6,588	-23.0	42,918	40,221	-6.3

Total program expenses	19,283	17,657	-8.4	98,195	97,245	-1.0
Public debt charges²	2,117	2,013	-4.9	12,264	12,125	-1.1
Total expenses	21,400	19,670	-8.1	110,459	109,370	-1.0

Note: Totals may not add due to rounding.

¹Comparative figures have been restated to reflect the reclassification of interest owed to taxpayers from other revenues to other direct program expenses of departments and agencies.

²Comparative figures and year-to-date amounts for 2014–15 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

	August		April to August	
	2013	2014	2013-14	2014-15
Budgetary balance (deficit/surplus)	-2,039	-316	-6,575	-1,123
Non-budgetary transactions				
Capital investment activities	-500	-173	-1,351	-1,269
Other investing activities	624	232	2,184	4,469
Pension and other accounts	-211	-789	1,275	440
Other activities				
Accounts payable, receivables, accruals and allowances	551	3,202	-15,513	-10,507
Foreign exchange activities	-2,102	185	-3,421	2,364
Amortization of tangible capital assets	342	333	1,827	1,738
Total other activities	-1,209	3,720	-17,107	-6,405
Total non-budgetary transactions	-1,296	2,990	-14,999	-2,765
Financial source/requirement	-3,335	2,674	-21,574	-3,888

Note: Totals may not add due to rounding.

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

	August		April to August	
	2013	2014	2013-14	2014-15
Financial source/requirement	-3,335	2,674	-21,574	-3,888
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	-883	-268	9,706	5,576
Treasury bills	-800	-5,300	14,700	4,200
Retail debt	-26	-21	-189	-143
Other	0	0	0	0
Total	-1,709	-5,589	24,217	9,633
Foreign currency borrowings	314	117	696	-223
Total	-1,395	-5,472	24,913	9,410
Cross-currency swap revaluation	1,103	-409	2,479	-1,379
Unamortized discounts and premiums on market debt ¹	-591	-110	-210	-4
Obligations related to capital leases and other unmatured debt	3	-313	-5	-281
Net change in financing activities	-880	-6,304	27,177	7,746
Change in cash balance	-4,215	-3,630	5,603	3,858

Note: Totals may not add due to rounding.

¹Comparative figures and year-to-date amounts for 2014-15 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.

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

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