

The Fiscal Monitor

A Publication of the Department of Finance

Highlights

January 2010: budgetary deficit of \$0.3 billion

There was a budgetary deficit of \$0.3 billion in January 2010, compared to a surplus of \$0.1 billion in January 2009. The January 2010 deficit reflects the impact of the weaker economy on the Government's finances, as well as measures introduced under Canada's Economic Action Plan. Revenues were up \$1.7 billion from January 2009, driven by increases in corporate and non-resident income tax revenues. Program expenses increased by \$1.8 billion compared to January 2009, reflecting increased transfer payments and higher operating expenses of departments and agencies. Public debt charges increased by \$0.2 billion compared to January 2009.

April 2009 to January 2010: budgetary deficit of \$39.6 billion

For the first 10 months of the 2009–10 fiscal year, the budgetary deficit was \$39.6 billion, compared to a surplus of \$0.5 billion reported in the same period of 2008–09. Roughly \$17 billion of the \$39.6-billion deficit was attributable to actions taken under Canada's Economic Action Plan. Revenues were down \$17.7 billion, or 9.1 per cent, reflecting declines across most revenue streams. Program expenses were up \$23.9 billion, or 14.4 per cent, mainly reflecting higher Employment Insurance (EI) benefit payments, higher transfers to other levels of government and support for the automotive industry. Public debt charges were down \$1.4 billion on a year-over-year basis, reflecting lower interest rates.

January 2010

There was a budgetary deficit of \$0.3 billion in January 2010, compared to a \$0.1-billion surplus in January 2009.

Revenues increased by \$1.7 billion, or 8.6 per cent, to \$21.3 billion in January 2010.

- Personal income tax revenues increased by \$0.1 billion, or 0.9 per cent.
- Corporate income tax revenues were up \$1.4 billion, or 73.7 per cent, reflecting stronger year-end settlement payments than in January 2009.
- Non-resident income tax revenues were up \$0.5 billion, or 61.0 per cent, due in part to a large assessment related to prior tax years.

- Excise taxes and duties were virtually unchanged, declining by \$11 million, or 0.3 per cent. Goods and Services Tax (GST) revenues were up \$12 million, or 0.6 per cent, following an increase of 13.1 per cent in December 2009. As a value-added tax, GST revenues represent the difference between total GST owed to the Government and credits claimed for GST paid on inputs. For example, GST revenues of \$25.7 billion in 2008–09 were derived from total GST assessed of about \$167.0 billion, less \$141.3 billion of input tax credits, rebates and credits to persons. As a result, timing differences between the much larger value of GST owed to the Government and credits claimed for GST paid on inputs can yield volatile net collections on a monthly basis.

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



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Energy taxes were virtually unchanged, customs import duties were down \$46 million, and other excise taxes and duties were up \$27 million.

- EI premium revenues were up \$0.1 billion, or 2.6 per cent.
- Other revenues, consisting of net profits from enterprise Crown corporations, revenues of consolidated Crown corporations, proceeds from the sale of goods and services, returns on investments, foreign exchange net revenues and miscellaneous revenues, were down \$0.3 billion, or 15.0 per cent.

Program expenses in January 2010 were \$19.0 billion, up \$1.8 billion, or 10.8 per cent, from January 2009, reflecting increases in transfer payments and other program expenses.

In January 2010, transfer payments were up \$1.3 billion, or 10.7 per cent, from January 2009.

- Major transfers to persons, consisting of elderly, EI and children's benefits, increased by \$0.4 billion, or 7.0 per cent. Elderly benefits increased by \$0.1 billion, or 2.8 per cent. EI benefit payments increased by \$0.3 billion, or 15.4 per cent, reflecting increased regular benefits due to higher unemployment, as well as benefit enhancement measures announced as part of Canada's Economic Action Plan. Children's benefits, which consist of the Canada Child Tax Benefit and the Universal Child Care Benefit, increased by \$0.1 billion, or 5.0 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, were up \$0.5 billion, largely reflecting legislated growth in the Canada Health Transfer and an adjustment to Alternative Payments for Standing Programs in 2009–10 to reflect a decrease in the estimated year-to-date value.

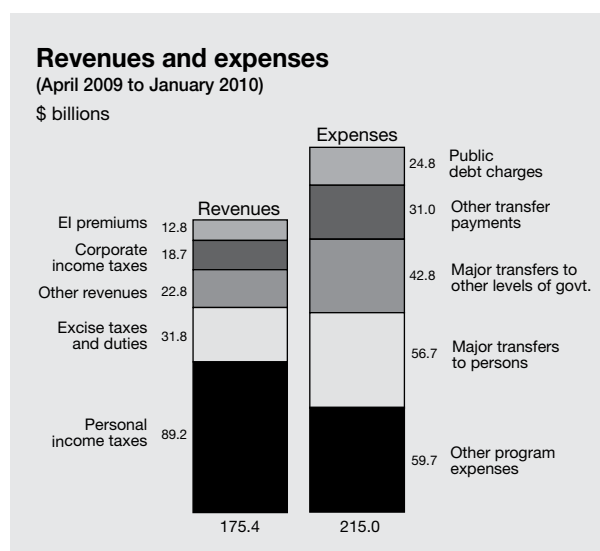
- Other transfer payments were up \$0.4 billion, largely reflecting support provided to international organizations.

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 \$0.6 billion, or 11.0 per cent, over last year, reflecting increases in operating expenses across a number of departments.

Public debt charges increased by \$0.2 billion compared to January 2009 due to an increased stock of interest-bearing debt.

April 2009 to January 2010

Through the first 10 months of the 2009–10 fiscal year, there was a budgetary deficit of \$39.6 billion, compared to a surplus of \$0.5 billion reported during the same period of 2008–09. Roughly \$17 billion of the \$39.6-billion deficit was attributable to actions taken under Canada's Economic Action Plan, including tax reductions, enhanced EI benefits and support provided to the automotive industry.



Revenues declined by \$17.7 billion, or 9.1 per cent, to \$175.4 billion.

- Personal income tax revenues were down \$6.6 billion, or 6.9 per cent, reflecting lower employment and the impact of tax relief measures. These tax reductions included increases in the basic personal amount and personal income tax bracket thresholds, an enhancement of the Working Income Tax Benefit, as well as the Home Renovation Tax Credit.
- Corporate income tax revenues were down \$5.6 billion, or 22.9 per cent, reflecting an increase of roughly 39 per cent in refunds of taxes paid and a decline of about 4 per cent in receipts.
- Non-resident income tax revenues were down \$0.7 billion, or 12.3 per cent.
- Excise taxes and duties were down \$2.5 billion, or 7.2 per cent, primarily due to a \$2.0-billion, or 9.0-per-cent, decline in GST revenues. GST revenues are projected to continue to strengthen over the remainder of the fiscal year, reflecting the unwinding of timing impacts that dampened GST revenues early in the fiscal year and the projected recovery over the remainder of the fiscal year in spending on items that are subject to the GST. Energy taxes were up \$40 million, customs import duties were down \$0.5 billion, and other excise taxes and duties were virtually unchanged.
- EI premium revenues were down 1.2 per cent. The premium rate was kept stable at \$1.73 per \$100 of insurable earnings for 2009 and 2010.
- Other revenues were down \$2.2 billion, or 11.0 per cent, due in part to a decline in receipts under the Atlantic Offshore Revenue Accounts. This revenue is transferred to Newfoundland and Labrador and Nova Scotia under the Atlantic Offshore Accords, such that there is no net impact on the budgetary balance.

Program expenses for April 2009 to January 2010 were \$190.2 billion, up \$23.9 billion, or 14.4 per cent, from the same period last year, reflecting increased transfer payments and higher operating expenses of Crown corporations, departments and agencies.

Transfer payments for April 2009 to January 2010 were up \$20.0 billion, or 18.1 per cent, from the same period last year.

- Major transfers to persons were up \$6.7 billion, or 13.3 per cent. Elderly benefits increased by \$1.2 billion, or 4.3 per cent, in line with growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. EI benefit payments increased by \$5.1 billion, or 41.4 per cent, reflecting higher unemployment and benefit enhancements introduced as part of Canada's Economic Action Plan. Children's benefits were up \$0.3 billion.
- Major transfers to other levels of government were up \$3.7 billion, or 9.5 per cent, primarily reflecting legislated growth in the Canada Health Transfer, the Canada Social Transfer and Equalization, as well as the previously announced doubling of the gas tax transfer to provinces and municipalities, as of April 1, 2009.
- Other transfer payments were up \$9.6 billion, largely reflecting support for the automotive industry and increased infrastructure funding, as well as increased assistance for workers and students. These increases were partially offset by a decrease in transfers to Newfoundland and Labrador and Nova Scotia under the Atlantic Offshore Accords.

Other program expenses increased by \$3.9 billion, or 7.0 per cent, from last year's level.

Public debt charges decreased by \$1.4 billion, or 5.4 per cent, as the increase in the stock of interest-bearing debt was more than offset by lower average effective interest rates on that stock.

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Financial requirement of \$63.3 billion for April 2009 to January 2010

The budgetary balance is presented on an accrual basis of accounting, recording government assets and liabilities when they are receivable 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 \$39.6 billion and a requirement of \$23.7 billion from non-budgetary transactions, there was a financial requirement of \$63.3 billion in the April to January period of 2009–10, compared to a financial requirement of \$67.5 billion in the same period of 2008–09. The deterioration in the budgetary balance in 2009–10 was more than offset by a decrease in financing requirements under the Insured Mortgage Purchase Program and a financial source arising from the Government's foreign exchange activities.

Net financing activities up \$38.4 billion

The Government financed this financial requirement of \$63.3 billion by increasing market debt by \$38.4 billion and reducing cash balances by \$24.9 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 January 2010 stood at \$20.1 billion, down \$16.3 billion from their level at the end of January 2009.

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Table 1

Summary statement of transactions

	January		April to January	
	2009	2010	2008–09	2009–10
	(\$ millions)			
Budgetary transactions				
Revenues	19,635	21,333	193,038	175,380
Expenses				
Program expenses	-17,152	-19,001	-166,317	-190,196
Public debt charges	-2,365	-2,597	-26,230	-24,808
Budgetary balance (deficit/surplus)	118	-265	491	-39,624
Non-budgetary transactions	-17,441	-2,095	-68,024	-23,690
Financial source/requirement	-17,323	-2,360	-67,533	-63,314
Net change in financing activities	18,782	4,589	92,749	38,413
Net change in cash balances	1,459	2,229	25,216	-24,901
Cash balance at end of period			36,458	20,129

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

Table 2

Revenues

	January			April to January		
	2009	2010	Change	2008–09	2009–10	Change
	(\$ millions)			(\$ millions)		
			(%)			(%)
Tax revenues						
Income taxes						
Personal income tax	9,868	9,961	0.9	95,828	89,234	-6.9
Corporate income tax	1,899	3,299	73.7	24,249	18,697	-22.9
Non-resident income tax	757	1,219	61.0	5,385	4,725	-12.3
Total income tax	12,524	14,479	15.6	125,462	112,656	-10.2
Excise taxes and duties						
Goods and Services Tax	2,079	2,091	0.6	22,398	20,392	-9.0
Energy taxes	429	425	-0.9	4,298	4,338	0.9
Customs import duties	339	293	-13.6	3,393	2,890	-14.8
Other excise taxes and duties	358	385	7.5	4,211	4,211	0.0
Total excise taxes and duties	3,205	3,194	-0.3	34,300	31,831	-7.2
Total tax revenues	15,729	17,673	12.4	159,762	144,487	-9.6
Employment Insurance premiums	1,936	1,986	2.6	12,939	12,783	-1.2
Other revenues	1,970	1,674	-15.0	20,337	18,110	-11.0
Total revenues	19,635	21,333	8.6	193,038	175,380	-9.1

Note: Totals may not add due to rounding.

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Table 3
Expenses

	January			April to January		
	2009 (\$ millions)	2010	Change (%)	2008–09 (\$ millions)	2009–10	Change (%)
Transfer payments						
Major transfers to persons						
Elderly benefits	2,836	2,914	2.8	27,606	28,786	4.3
Employment Insurance benefits	1,697	1,958	15.4	12,401	17,541	41.4
Children's benefits	1,007	1,057	5.0	10,002	10,341	3.4
Total	5,540	5,929	7.0	50,009	56,668	13.3
Major transfers to other levels of government						
Support for health and other social programs						
Canada Health Transfer	1,886	2,084	10.5	18,858	20,676	9.6
Canada Social Transfer	880	904	2.7	8,798	9,049	2.9
Total	2,766	2,988	8.0	27,656	29,725	7.5
Fiscal transfers	1,307	1,368	4.7	13,044	13,591	4.2
Canada's cities and communities	26	0	n/a	856	1,675	95.7
Alternative Payments for Standing Programs	-277	-62	-77.6	-2,506	-2,240	-10.6
Total	3,822	4,294	12.3	39,050	42,751	9.5
Other transfer payments						
Agriculture and Agri-Food	112	138	23.2	1,429	1,418	-0.8
Foreign Affairs and International Trade	352	270	-23.3	2,447	2,411	-1.5
Health	229	272	18.8	1,872	2,134	14.0
Human Resources and Skills Development	385	495	28.6	2,002	2,752	37.5
Indian Affairs and Northern Development	477	391	-18.0	4,189	4,321	3.2
Industry	206	230	11.7	1,765	2,180	23.5
Other	689	1,056	53.3	7,713	15,822	105.1
Total	2,450	2,852	16.4	21,417	31,038	44.9
Total transfer payments	11,812	13,075	10.7	110,476	130,457	18.1
Other program expenses						
Crown corporations	621	725	16.7	6,414	7,180	11.9
Defence	1,514	1,603	5.9	15,268	16,025	5.0
All other departments and agencies	3,205	3,598	12.3	34,159	36,534	7.0
Total other program expenses	5,340	5,926	11.0	55,841	59,739	7.0
Total program expenses	17,152	19,001	10.8	166,317	190,196	14.4
Public debt charges	2,365	2,597	9.8	26,230	24,808	-5.4
Total expenses	19,517	21,598	10.7	192,547	215,004	11.7

Note: Totals may not add due to rounding.

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Table 4

The budgetary balance and financial source/requirement

	January		April to January	
	2009	2010	2008–09	2009–10
	(\$ millions)			
Budgetary balance (deficit/surplus)	118	-265	491	-39,624
Non-budgetary transactions				
Capital investment activities	-281	-282	-2,932	-2,990
Other investing activities	-17,194	-1,841	-58,743	-21,786
Pension and other accounts	125	857	3,849	6,188
Other activities				
Accounts payable, receivables, accruals and allowances	-764	2,202	-5,762	-10,346
Foreign exchange activities	450	-3,322	-7,186	2,479
Amortization of tangible capital assets	223	291	2,750	2,765
Total other activities	-91	-829	-10,198	-5,102
Total non-budgetary transactions	-17,441	-2,095	-68,024	-23,690
Financial source/requirement	-17,323	-2,360	-67,533	-63,314

Note: Totals may not add due to rounding.

Table 5

Financial source/requirement and net financing activities

	January		April to January	
	2009	2010	2008–09	2009–10
	(\$ millions)			
Financial source/requirement	-17,323	-2,360	-67,533	-63,314
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	9,073	4,844	19,767	58,525
Treasury bills	10,000	-3,500	69,800	-13,000
Retail debt	89	-48	-590	-532
Other	0	0	-519	-69
Total	19,162	1,296	88,458	44,924
Foreign currency borrowings	785	3,140	628	-777
Total	19,947	4,436	89,086	44,147
Cross-currency swap revaluation	-1,298	104	3,222	-5,490
Unamortized discounts on debt issues	136	48	549	-157
Obligations related to capital leases	-3	1	-108	-87
Net change in financing activities	18,782	4,589	92,749	38,413
Change in cash balance	1,459	2,229	25,216	-24,901

Note: Totals may not add due to rounding.

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Table 6

Condensed statement of assets and liabilities

	March 31, 2009	January 31, 2010	Change
		(\$ millions)	
Liabilities			
Accounts payable and accrued liabilities	113,999	102,002	-11,997
Interest-bearing debt			
Unmatured debt			
Payable in Canadian currency			
Marketable bonds	295,186	353,711	58,525
Treasury bills	192,275	179,275	-13,000
Retail debt	12,532	12,000	-532
Other	523	454	-69
Subtotal	500,516	545,440	44,924
Payable in foreign currencies	10,381	9,604	-777
Cross-currency swap revaluation account	3,690	-1,800	-5,490
Unamortized discounts and premiums on market debt	-4,751	-4,908	-157
Obligations related to capital leases	4,184	4,097	-87
Total unamatured debt	514,020	552,433	38,413
Pension and other liabilities			
Public sector pensions	139,909	142,655	2,746
Other employee and veteran future benefits	50,311	53,539	3,228
Other liabilities	5,923	6,137	214
Total pension and other liabilities	196,143	202,331	6,188
Total interest-bearing debt	710,163	754,764	44,601
Total liabilities	824,162	856,766	32,604
Financial assets			
Cash and accounts receivable	122,147	95,595	-26,552
Foreign exchange accounts	51,709	49,230	-2,479
Loans, investments, and advances (net of allowances)	125,093	146,879	21,786
Total financial assets	298,949	291,704	-7,245
Net debt	525,213	565,062	39,849
Non-financial assets	61,503	61,728	225
Federal debt (accumulated deficit)	463,710	503,334	39,624

Note: Totals may not add due to rounding.