

The Fiscal Monitor

A Publication of the Department of Finance

Highlights

April and May 2010: budgetary deficit of \$4.4 billion

For the first two months of the 2010–11 fiscal year (April and May), there was a budgetary deficit of \$4.4 billion, compared to a deficit of \$7.5 billion reported in the same period last year. Close to \$1.8 billion of the \$4.4-billion deficit was attributable to actions taken under Canada's Economic Action Plan. By month, there was a deficit of \$2.4 billion in April and a deficit of \$2.0 billion in May.

For the two months together, revenues increased by \$2.4 billion, or 7.0 per cent. This gain reflected higher goods and services tax (GST) revenues, personal income tax revenues and other revenues, partially offset by lower corporate and non-resident income tax revenues. Program expenses were down \$0.5 billion, or 1.4 per cent, mainly reflecting lower transfer payments. Public debt charges declined by \$0.2 billion due to a decrease in the average effective interest rate on the stock of interest bearing debt.

April and May 2010 budgetary results

There was a budgetary deficit of \$4.4 billion in the April to May 2010 period, compared to a \$7.5-billion deficit in the previous year.

Revenues increased by \$2.4 billion, or 7.0 per cent, to \$36.9 billion.

- Personal income tax revenues increased by \$0.7 billion, or 4.2 per cent, reflecting higher employment.
- Corporate income tax revenues were down \$0.6 billion, or 13.5 per cent, reflecting a decrease in receipts of roughly 10 per cent, partially offset by a decline in refunds of about 3 per cent.
- Non-resident income tax revenues were down \$0.3 billion, or 26.9 per cent.
- Excise taxes and duties were up \$2.1 billion, or 48.8 per cent, driven by higher GST revenues. GST revenues were up \$2.0 billion, or 87.1 per cent. This sharp gain reflects the pattern of GST revenues recorded last year, which declined significantly year-over-year through the first half of the year before recording gains during the latter 5 months, particularly in February and March. Energy taxes were up \$38 million, customs import duties were down \$15 million, and other excise taxes and duties were up \$0.1 billion.
- Employment insurance (EI) premium revenues were up \$44 million, or 1.3 per cent.
- Other revenues, consisting of net profits from enterprise Crown corporations, revenues of consolidated Crown corporations, sales of goods and services, returns on investments, foreign exchange net revenues and miscellaneous revenues, were up \$0.4 billion, or 9.7 per cent, due in part to a civil settlement with tobacco companies announced on April 13, 2010.

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



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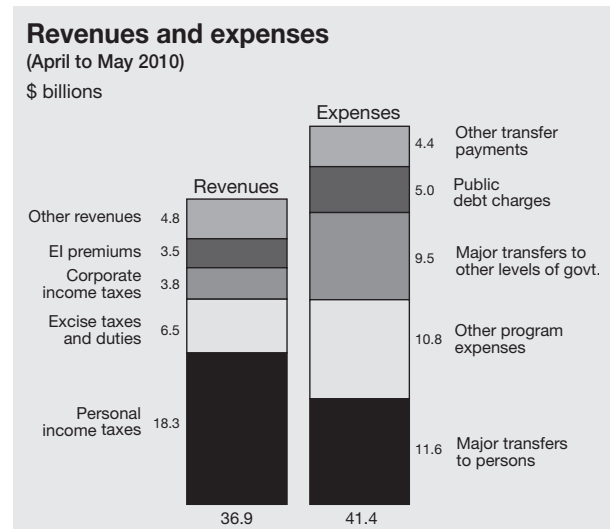
Total program expenses in the April to May 2010 period were \$36.4 billion, down \$0.5 billion, or 1.4 per cent, from the prior year. This decrease largely reflects lower transfer payments, which was partly offset by an increase in operating expenses of Crown corporations, departments and agencies.

Transfer payments decreased \$0.8 billion, or 3.0 per cent.

- Major transfers to persons, consisting of elderly benefits, EI benefits and children's benefits, increased \$0.1 billion, or 1.1 per cent. Elderly benefits increased \$0.1 billion, or 2.5 per cent. EI benefit payments decreased \$0.1 billion, or 3.3 per cent. Children's benefits, which consist of the Canada Child Tax Benefit and the Universal Child Care Benefit (UCCB), increased by \$0.1 billion, or 5.3 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 down \$35 million. Legislated growth in transfer programs was more than offset by a decrease in the Canada's cities and communities transfer. The timing of the cities and communities transfer varies from year to year.
- Other transfer payments were down \$0.9 billion from the prior year, largely reflecting the timing of assistance to the auto industry last year.

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 \$0.3 billion, or 2.6 per cent, over the prior year.

Public debt charges decreased \$0.2 billion, as the increase in the stock of interest bearing debt was more than offset by lower average effective interest rates on that stock.



Financial requirement of \$13.4 billion for April and May 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 \$4.4 billion and a requirement of \$9.0 billion from non-budgetary transactions, there was a financial requirement of \$13.4 billion in the April to May 2010 period, compared to a financial requirement of \$13.1 billion from the same period the previous year.

Net financing activities up \$11.1 billion

The government financed this financial requirement of \$13.4 billion by increasing market debt by \$11.1 billion and reducing cash balances by \$2.3 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 May 2010 stood at \$23.3 billion, down \$0.3 billion from their level at the end of May 2009.

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Table 1

Summary statement of transactions

	April		May		April to May	
	2009	2010	2009	2010	2009–10	2010–11
	(\$ millions)					
Budgetary transactions						
Revenues	17,453	18,487	17,088	18,461	34,541	36,948
Expenses						
Program expenses	-18,779	-18,373	-18,138	-18,027	-36,917	-36,400
Public debt charges	-2,660	-2,554	-2,494	-2,423	-5,154	-4,977
Budgetary balance (deficit/surplus)	-3,986	-2,440	-3,544	-1,989	-7,530	-4,429
Non-budgetary transactions	-5,244	-6,591	-318	-2,388	-5,562	-8,979
Financial source/requirement	-9,230	-9,031	-3,862	-4,377	-13,092	-13,408
Net change in financing activities	-11,398	1,154	3,053	9,975	-8,345	11,129
Net change in cash balances	-20,628	-7,877	-809	5,598	-21,437	-2,279
Cash balance at end of period					23,595	23,342

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

Table 2

Revenues

	April		May		April to May		Change (%)
	2009	2010	2009	2010	2009–10	2010–11	
	(\$ millions)						
Tax revenues							
Income taxes							
Personal income tax	9,022	9,421	8,569	8,904	17,591	18,325	4.2
Corporate income tax	2,367	1,693	1,996	2,082	4,363	3,775	-13.5
Non-resident income tax	529	288	480	450	1,009	738	-26.9
Total income tax	11,918	11,402	11,045	11,436	22,963	22,838	-0.5
Excise taxes and duties							
Goods and Services Tax	1,033	2,069	1,255	2,212	2,288	4,281	87.1
Energy taxes	372	389	388	407	760	796	5.0
Customs import duties	275	259	243	244	518	503	-2.9
Other excise taxes and duties	368	387	424	517	792	904	14.1
Total excise taxes and duties	2,048	3,104	2,310	3,380	4,358	6,484	48.8
Total tax revenues	13,966	14,506	13,355	14,816	27,321	29,322	7.3
Employment Insurance premiums	1,804	1,826	1,696	1,718	3,500	3,544	1.3
Other revenues	1,683	2,155	2,037	1,927	3,720	4,082	9.7
Total revenues	17,453	18,487	17,088	18,461	34,541	36,948	7.0

Note: Totals may not add due to rounding.

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Table 3

Expenses

	April		May		April to May		Change (%)
	2009	2010	2009	2010	2008-09	2009-10	
	(\$ millions)						
Transfer payments							
Major transfers to persons							
Elderly benefits	2,836	2,908	2,864	2,937	5,700	5,845	2.5
Employment Insurance benefits	1,868	2,051	1,867	1,559	3,735	3,610	-3.3
Children's benefits	1,029	1,082	1,019	1,074	2,048	2,156	5.3
Total	5,733	6,041	5,750	5,570	11,483	11,611	1.1
Major transfers to other levels of government							
Support for health and other social programs							
Canada Health Transfer	2,040	2,158	2,039	2,157	4,079	4,315	5.8
Canada Social Transfer	905	932	905	931	1,810	1,863	2.9
Total	2,945	3,090	2,944	3,088	5,889	6,178	4.9
Fiscal transfers	1,626	1,571	1,551	1,657	3,177	3,228	1.6
Canada's cities and communities	957	626	0	0	957	626	-34.6
Alternative Payments for Standing Programs	-224	-246	-224	-246	-448	-492	9.8
Total	5,304	5,041	4,271	4,499	9,575	9,540	-0.4
Other transfer payments							
Agriculture and Agri-Food	88	81	83	60	171	141	-17.5
Foreign Affairs and International Trade	131	49	457	484	588	533	-9.4
Health	195	218	235	231	430	449	4.4
Human Resources and Skills Development	137	159	92	254	229	413	80.3
Indian Affairs and Northern Development	688	709	305	375	993	1,084	9.2
Industry	141	172	50	78	191	250	30.9
Other	1,142	769	1,566	790	2,708	1,559	-42.4
Total	2,522	2,157	2,788	2,272	5,310	4,429	-16.6
Total transfer payments	13,559	13,239	12,809	12,341	26,368	25,580	-3.0
Other program expenses							
Crown corporations	799	790	615	662	1,414	1,452	2.7
Defence	1,302	1,356	1,407	1,296	2,709	2,652	-2.1
All other departments and agencies	3,119	2,988	3,307	3,728	6,426	6,716	4.5
Total other program expenses	5,220	5,134	5,329	5,686	10,549	10,820	2.6
Total program expenses	18,779	18,373	18,138	18,027	36,917	36,400	-1.4
Public debt charges	2,660	2,554	2,494	2,423	5,154	4,977	-3.4
Total expenses	21,439	20,927	20,632	20,450	42,071	41,377	-1.6

Note: Totals may not add due to rounding.

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Table 4

The budgetary balance and financial source/requirement

	April		May		April to May	
	2009	2010	2009	2010	2009–10	2010–11
			(\$ millions)			
Budgetary balance (deficit/surplus)	-3,986	-2,440	-3,544	-1,989	-7,530	-4,429
Non-budgetary transactions						
Capital investing activities	168	-383	10	97	178	-286
Other investing activities	-2,278	2	-1,271	219	-3,549	221
Pension and other accounts	349	260	485	795	834	1,055
Other activities						
Accounts payable, receivables, accruals and allowances	-7,322	-6,768	-1,375	-3,711	-8,697	-10,479
Foreign exchange activities	3,533	-15	1,533	-126	5,066	-141
Amortization of tangible capital assets	306	313	300	338	606	651
Total other activities	-3,483	-6,470	458	-3,499	-3,025	-9,969
Total non-budgetary transactions	-5,244	-6,591	-318	-2,388	-5,562	-8,979
Net financial source/requirement	-9,230	-9,031	-3,862	-4,377	-13,092	-13,408

Note: Totals may not add due to rounding.

Table 5

Financial source/requirement and net financing activities

	April		May		April to May	
	2009	2010	2009	2010	2009–10	2010–11
			(\$ millions)			
Financial source/requirement	-9,230	-9,031	-3,862	-4,377	-13,092	-13,408
Net increase (+)/decrease (-) in financing activities						
Unmatured debt transactions						
Canadian currency borrowings						
Marketable bonds	1,495	4,764	7,859	10,300	9,354	15,064
Treasury bills	-8,300	-3,300	-2,200	-100	-10,500	-3,400
Canada Savings Bonds	73	-67	-12	-48	61	-115
Other	-2	-3	-4	-4	-6	-7
Total	-6,734	1,394	5,643	10,148	-1,091	11,542
Foreign currency borrowings	-2,365	86	-532	-2	-2,897	84
Total	-9,099	1,480	5,111	10,146	-3,988	11,626
Cross-currency swap revaluation	-2,274	-229	-2,184	-202	-4,458	-431
Unamortized discounts on debt issues	-12	-63	154	36	142	-27
Obligations related to capital leases	-13	-34	-28	-5	-41	-39
Net change in financing activities	-11,398	1,154	3,053	9,975	-8,345	11,129
Change in cash balance	-20,628	-7,877	-809	5,598	-21,437	-2,279

Note: Totals may not add due to rounding.

For inquiries about this publication, contact Doug Nevison at 613-995-6391.

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