

The Fiscal Monitor

A Publication of the Department of Finance

Highlights

June 2010: budgetary deficit of \$2.8 billion

There was a budgetary deficit of \$2.8 billion in June 2010, compared to a deficit of \$5.0 billion in June 2009.

Revenues decreased by \$0.5 billion, or 2.5 per cent, reflecting lower personal and corporate income tax revenues and other revenues, partially offset by higher Goods and Services Tax (GST) revenues. Program expenses were down \$2.7 billion, or 12.9 per cent, reflecting lower transfer payments. Public debt charges increased by \$36 million.

April to June 2010: budgetary deficit of \$7.2 billion

For the first three months of the 2010–11 fiscal year, the budgetary deficit stood at \$7.2 billion, compared to a deficit of \$12.5 billion reported in the same period of 2009–10. Over \$3 billion of the \$7.2-billion deficit was attributable to actions taken under Canada's Economic Action Plan, including tax reductions, enhanced Employment Insurance (EI) benefits, and infrastructure funding. Revenues were up \$1.9 billion, or 3.7 per cent, mainly reflecting increases in GST revenues and, to a lesser extent, personal income tax revenues. Program expenses were down \$3.2 billion, or 5.5 per cent, largely reflecting support provided to the automotive industry in 2009–10. Public debt charges were down \$0.1 billion, reflecting a lower average effective interest rate on the stock of interest-bearing debt.

On balance, the deficit of \$7.2 billion through the first three months of the 2010–11 fiscal year is broadly consistent with the projected deficit of \$49.2 billion for 2010–11 set out in Budget 2010.

Since Budget 2010, the outlook for nominal gross domestic product, the broadest single measure of the tax base, has been revised up based on the June survey of private sector economic forecasters. However, there remains considerable uncertainty with respect to the strength of the global economic recovery. Overall, three months of fiscal information is not sufficient to draw any firm conclusions about the outlook for the year as a whole. A comprehensive update of the fiscal outlook for this year and beyond will be provided in the fall.

June 2010

There was a budgetary deficit of \$2.8 billion in June 2010, compared to a \$5.0-billion deficit in June 2009.

Revenues decreased by \$0.5 billion, or 2.5 per cent, to \$17.8 billion.

- Personal income tax revenues decreased by \$0.3 billion, or 3.4 per cent.
- Corporate income tax revenues were down \$0.1 billion, or 5.1 per cent, reflecting a decrease of roughly 13 per cent in receipts, partially offset by a decline of about 25 per cent in refunds.
- Non-resident income tax revenues were down \$9 million, or 3.0 per cent.

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



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- Excise taxes and duties were up \$0.2 billion, or 7.8 per cent, driven by higher GST revenues. GST revenues were up \$0.3 billion, or 13.1 per cent. Energy taxes were down \$21 million, customs import duties were up \$7 million, and other excise taxes and duties were up \$6 million.
- EI premium revenues were up \$11 million, or 0.7 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, net foreign exchange revenues and miscellaneous revenues, were down \$0.3 billion, or 14.9 per cent.

Program expenses in June 2010 were \$18.0 billion, down \$2.7 billion, or 12.9 per cent, from June 2009, reflecting lower transfer payments.

Transfer payments decreased by \$2.7 billion, or 18.7 per cent.

- Major transfers to persons, consisting of elderly, EI and children's benefits, decreased by \$0.1 billion, or 1.9 per cent. Elderly benefits increased by \$0.1 billion, or 2.0 per cent. EI benefit payments decreased by \$0.2 billion, or 13.5 per cent, reflecting a decrease in regular benefits. Children's benefits, which consist of the Canada Child Tax Benefit and the Universal Child Care Benefit, increased by \$0.1 billion, or 5.2 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 \$41 million.
- Other transfer payments were down \$2.7 billion, largely reflecting assistance provided to the automotive industry in 2009–10.

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 \$0.1 billion, or 1.0 per cent, over the previous year.

Public debt charges increased by \$36 million, or 1.4 per cent.

April to June 2010

For the first three months of the 2010–11 fiscal year, there was a budgetary deficit of \$7.2 billion, compared to a deficit of \$12.5 billion reported during the same period of 2009–10. Over \$3 billion of the \$7.2-billion deficit was attributable to actions taken under Canada's Economic Action Plan.

Revenues increased by \$1.9 billion, or 3.7 per cent, to \$54.7 billion.

- Personal income tax revenues were up \$0.4 billion, or 1.6 per cent.
- Corporate income tax revenues were down \$0.7 billion, or 10.5 per cent, reflecting a decline of about 11 per cent in receipts, partially offset by a decrease of roughly 13 per cent in refunds.
- Non-resident income tax revenues were down \$0.3 billion, or 21.5 per cent.
- Excise taxes and duties were up \$2.4 billion, or 31.6 per cent, primarily due to a \$2.2-billion, or 53.3-per-cent, increase in GST revenues. Energy taxes were up \$16 million while other excise taxes and duties were up \$0.1 billion. Customs import duties were down \$8 million.
- EI premium revenues were up \$55 million. The premium rate was kept stable at \$1.73 per \$100 of insurable earnings for 2009 and 2010.
- Other revenues were up \$0.1 billion, or 1.5 per cent.

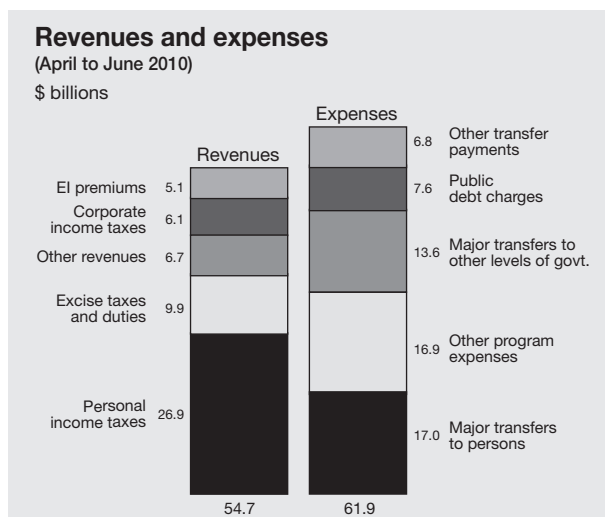
Program expenses for April to June 2010 were \$54.4 billion, down \$3.2 billion, or 5.5 per cent, from the same period the previous year, reflecting lower transfer payments.

Transfer payments for April to June 2010 were down \$3.5 billion, or 8.6 per cent, from the same period the previous year.

- Major transfers to persons were up \$22 billion, or 0.1 per cent. Elderly benefits increased by \$0.2 billion, or 2.4 per cent, in line with growth in the elderly population. EI benefit payments decreased by \$0.3 billion, or 6.4 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 introduced as part of Canada's Economic Action Plan.
- Major transfers to other levels of government were up \$6 billion, as increases due to legislated growth in transfers were largely offset by a decrease in transfers to Canada's cities and communities. The timing of transfers to Canada's cities and communities varies from year to year.
- Other transfer payments were down \$3.6 billion, primarily reflecting assistance provided to the automotive industry in 2009–10.

Other program expenses increased by \$0.3 billion, or 2.0 per cent, from the previous year's level.

Public debt charges decreased by \$0.1 billion, or 1.8 per cent, reflecting a lower average effective interest rate on the stock of interest-bearing debt.



Financial requirement of \$22.8 billion for April to June 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 \$7.2 billion and a requirement of \$15.6 billion from non-budgetary transactions, there was a financial requirement of \$22.8 billion in the April to June period of 2010–11, compared to a financial requirement of \$33.0 billion in the same period of 2009–10. The decrease in the financial requirement in 2010–11 reflects the improvement in the budgetary balance as well as assistance provided to the automotive industry in 2009–10.

Net financing activities up \$3.8 billion

The Government financed this financial requirement of \$22.8 billion by increasing market debt by \$3.8 billion and reducing cash balances by \$19.0 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 June 2010 stood at \$6.6 billion, down \$13.4 billion from their level at the end of June 2009.

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Table 1

Summary statement of transactions

	June		April to June	
	2009	2010	2009–10	2010–11
	(\$ millions)			
Budgetary transactions				
Revenues	18,222	17,761	52,763	54,709
Expenses				
Program expenses	-20,659	-17,984	-57,576	-54,384
Public debt charges	-2,542	-2,578	-7,696	-7,555
Budgetary balance (deficit/surplus)	-4,979	-2,801	-12,509	-7,230
Non-budgetary transactions	-14,885	-6,584	-20,447	-15,563
Financial source/requirement	-19,864	-9,385	-32,956	-22,793
Net change in financing activities	16,221	-7,373	7,876	3,756
Net change in cash balances	-3,643	-16,758	-25,080	-19,037
Cash balance at end of period			19,951	6,585

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

Table 2

Revenues

	June			April to June		
	2009	2010	Change	2009–10	2010–11	Change
	(\$ millions)		(%)	(\$ millions)		(%)
Tax revenues						
Income taxes						
Personal income tax	8,906	8,600	-3.4	26,497	26,925	1.6
Corporate income tax	2,440	2,315	-5.1	6,803	6,090	-10.5
Non-resident income tax	296	287	-3.0	1,305	1,025	-21.5
Total income tax	11,642	11,202	-3.8	34,605	34,040	-1.6
Excise taxes and duties						
Goods and Services Tax	1,925	2,178	13.1	4,213	6,459	53.3
Energy taxes	445	424	-4.7	1,205	1,221	1.3
Customs import duties	315	322	2.2	833	825	-1.0
Other excise taxes and duties	455	461	1.3	1,247	1,364	9.4
Total excise taxes and duties	3,140	3,385	7.8	7,498	9,869	31.6
Total tax revenues	14,782	14,587	-1.3	42,103	43,909	4.3
Employment Insurance premiums	1,582	1,593	0.7	5,082	5,137	1.1
Other revenues	1,858	1,581	-14.9	5,578	5,663	1.5
Total revenues	18,222	17,761	-2.5	52,763	54,709	3.7

Note: Totals may not add due to rounding.

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Table 3

Expenses

	June			April to June		
	2009	2010	Change	2009–10	2010–11	Change
	(\$ millions)		(%)	(\$ millions)		(%)
Transfer payments						
Major transfers to persons						
Elderly benefits	2,888	2,945	2.0	8,588	8,790	2.4
Employment Insurance benefits	1,596	1,381	-13.5	5,331	4,991	-6.4
Children's benefits	1,004	1,056	5.2	3,052	3,212	5.2
Total	5,488	5,382	-1.9	16,971	16,993	0.1
Major transfers to other levels of government						
Support for health and other social programs						
Canada Health Transfer	2,040	2,158	5.8	6,119	6,473	5.8
Canada Social Transfer	905	932	3.0	2,715	2,795	2.9
Total	2,945	3,090	4.9	8,834	9,268	4.9
Fiscal transfers	1,320	1,237	-6.3	4,497	4,465	-0.7
Canada's cities and communities	0	0	n/a	957	626	-34.6
Alternative Payments for Standing Programs	-224	-245	9.4	-672	-737	9.7
Total	4,041	4,082	1.0	13,616	13,622	0.0
Other transfer payments						
Agriculture and Agri-Food	103	87	-15.5	274	228	-16.8
Foreign Affairs and International Trade	132	186	40.9	720	719	-0.1
Health	266	143	-46.2	696	592	-14.9
Human Resources and Skills Development	509	368	-27.7	738	781	5.8
Indian Affairs and Northern Development	492	371	-24.6	1,485	1,455	-2.0
Industry	199	103	-48.2	390	353	-9.5
Other	3,382	1,152	-65.9	6,090	2,711	-55.5
Total	5,083	2,410	-52.6	10,393	6,839	-34.2
Total transfer payments	14,612	11,874	-18.7	40,980	37,454	-8.6
Other program expenses						
Crown corporations	653	740	13.3	2,067	2,192	6.0
Defence	1,555	1,491	-4.1	4,264	4,143	-2.8
All other departments and agencies	3,839	3,879	1.0	10,265	10,595	3.2
Total other program expenses	6,047	6,110	1.0	16,596	16,930	2.0
Total program expenses	20,659	17,984	-12.9	57,576	54,384	-5.5
Public debt charges	2,542	2,578	1.4	7,696	7,555	-1.8
Total expenses	23,201	20,562	-11.4	65,272	61,939	-5.1

Note: Totals may not add due to rounding.

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Table 4

The budgetary balance and financial source/requirement

	June		April to June	
	2009	2010	2009-10	2010-11
	(\$ millions)			
Budgetary balance (deficit/surplus)	-4,979	-2,801	-12,509	-7,230
Non-budgetary transactions				
Capital investing activities	-397	-613	-219	-899
Other investing activities	-4,913	314	-8,462	535
Pension and other accounts	916	446	1,750	1,501
Other activities				
Accounts payable, receivables, accruals and allowances	-5,191	-6,925	-13,888	-17,404
Foreign exchange activities	-5,604	-133	-538	-274
Amortization of tangible capital assets	304	327	910	978
Total other activities	-10,491	-6,731	-13,516	-16,700
Total non-budgetary transactions	-14,885	-6,584	-20,447	-15,563
Net financial source/requirement	-19,864	-9,385	-32,956	-22,793

Note: Totals may not add due to rounding.

Table 5

Financial source/requirement and net financing activities

	June		April to June	
	2009	2010	2009-10	2010-11
	(\$ millions)			
Financial source/requirement	-19,864	-9,385	-32,956	-22,793
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	2,200	-338	11,554	14,726
Treasury bills	9,500	-7,600	-1,000	-11,000
Retail debt	99	-85	160	-200
Other	-58	-380	-64	-387
Total	11,741	-8,403	10,650	3,139
Foreign currency borrowings	1,882	150	-1,015	234
Total	13,623	-8,253	9,635	3,373
Cross-currency swap revaluation	2,512	789	-1,946	358
Unamortized discounts on debt issues	97	101	239	74
Obligations related to capital leases	-11	-10	-52	-49
Net change in financing activities	16,221	-7,373	7,876	3,756
Change in cash balance	-3,643	-16,758	-25,080	-19,037

Note: Totals may not add due to rounding.

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

Ce document est également offert en français.

August 2010