

The Fiscal Monitor

A Publication of the Department of Finance

Highlights

July 2010: budgetary deficit of \$0.5 billion

There was a budgetary deficit of \$0.5 billion in July 2010, compared to a deficit of \$5.8 billion in July 2009.

Revenues increased by \$1.9 billion, or 10.5 per cent, largely reflecting higher personal and corporate income tax revenues. Program expenses were down \$3.6 billion, or 16.6 per cent, primarily reflecting one-time support provided to the automotive industry in 2009–10, as well as lower operating expenses of departments and agencies, including National Defence. Public debt charges increased by \$0.2 billion.

April to July 2010: budgetary deficit of \$7.7 billion

For the first four months of the 2010–11 fiscal year, the budgetary deficit stood at \$7.7 billion, compared to a budgetary deficit of \$18.3 billion reported in the same period of 2009–10. About \$5 billion of the \$7.7-billion deficit was attributable to actions taken under Canada's Economic Action Plan, including tax reductions, Employment Insurance (EI) related measures, and infrastructure funding. Revenues were up \$3.9 billion, or 5.5 per cent, reflecting higher Goods and Services Tax (GST) and personal income tax revenues. Program expenses were down \$6.8 billion, or 8.6 per cent, largely reflecting one-time support provided to the automotive industry in 2009–10. Public debt charges were up \$0.1 billion on a year-over-year basis.

July 2010

There was a budgetary deficit of \$0.5 billion in July 2010, compared to a \$5.8-billion deficit in July 2009.

Revenues increased by \$1.9 billion, or 10.5 per cent, to \$20.4 billion.

- Personal income tax revenues increased by \$0.7 billion, or 7.6 per cent.
- Corporate income tax revenues were up \$0.9 billion, or 52.0 per cent, reflecting a decline in refunds relative to July 2009.
- Non-resident income tax revenues were up \$0.1 billion, or 17.9 per cent.
- Excise taxes and duties were up \$0.3 billion, or 6.4 per cent. GST revenues were up \$0.1 billion, or 5.1 per cent. Energy taxes were up \$0.1 billion, customs import duties were down \$20 million, and other excise taxes and duties were up \$0.1 billion.
- EI premium revenues were virtually unchanged, increasing \$6 million, or 0.4 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 up \$0.1 billion, or 2.8 per cent.

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



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Program expenses in July 2010 were \$18.2 billion, down \$3.6 billion, or 16.6 per cent, from July 2009, reflecting both lower transfer payments and lower operating expenses.

Transfer payments decreased by \$2.6 billion, or 16.8 per cent.

- Major transfers to persons, consisting of elderly, EI and children's benefits, decreased by \$0.1 billion, or 1.7 per cent. Elderly benefits increased by \$0.1 billion, or 1.9 per cent. EI benefit payments decreased by \$0.2 billion, or 10.3 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 \$18 million, or 1.7 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 \$0.4 billion, or 9.0 per cent, primarily reflecting legislated growth in the Canada Health Transfer and increased gas tax 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 \$2.9 billion, largely reflecting one-time 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 decreased by \$1.0 billion, or 15.9 per cent, over the prior year, primarily reflecting an inventory adjustment recorded by National Defence in July 2010, as well as a one-time adjustment in July 2010 to reflect an over-accrual of employee future benefit costs in prior months based on an updated estimate of benefit costs for the 2010–11 fiscal year. Public debt charges increased by \$0.2 billion, or 8.5 per cent.

April to July 2010

For the first four months of the 2010–11 fiscal year, there was a budgetary deficit of \$7.7 billion, compared to a deficit of \$18.3 billion reported during the same period of 2009–10. About \$5 billion of the \$7.7-billion deficit was attributable to actions taken under Canada's Economic Action Plan.

Revenues increased by \$3.9 billion, or 5.5 per cent, to \$75.1 billion.

- Personal income tax revenues were up \$1.1 billion, or 3.2 per cent.
- Corporate income tax revenues were up \$0.1 billion, or 1.7 per cent, reflecting a decline in receipts of about 10 per cent, which was more than offset by a decrease of roughly 24 per cent in refunds of taxes paid.
- Non-resident income tax revenues were down \$0.2 billion, or 12.3 per cent.
- Excise taxes and duties were up \$2.6 billion, or 22.7 per cent, primarily due to a \$2.4-billion, or 33.7-per-cent, increase in GST revenues. Energy taxes were up \$0.1 billion while other excise taxes and duties were up \$0.2 billion. Customs import duties were down \$28 million.
- EI premium revenues were up \$61 million, or 0.9 per cent. 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 1.8 per cent.

Program expenses for April to July 2010 were \$72.6 billion, down \$6.8 billion, or 8.6 per cent, from the same period the previous year, primarily reflecting lower transfer payments.

Transfer payments for April to July 2010 were down \$6.1 billion, or 10.9 per cent, from the same period the previous year.

- Major transfers to persons were down \$0.1 billion, or 0.3 per cent. Elderly benefits increased by \$0.3 billion, or 2.3 per cent, in line with growth in the elderly population. EI benefit payments were down \$0.5 billion, or 7.3 per cent, reflecting a decrease in regular benefits, consistent with a decrease in the

unemployment rate. Children's benefits were up \$0.2 billion, reflecting in part enhancements to the National Child Benefit Supplement and the Canada Child Tax Benefit which took effect in July 2009 as part of Canada's Economic Action Plan.

- Major transfers to other levels of government were up \$0.4 billion, or 2.1 per cent, largely reflecting legislated growth in the Canada Health Transfer.
- Other transfer payments were down \$6.4 billion, primarily reflecting one-time assistance provided to the automotive industry in 2009–10.

Other program expenses decreased by \$0.7 billion, or 2.9 per cent, from the previous year's level, due in large part to the inventory adjustment recorded by National Defence.

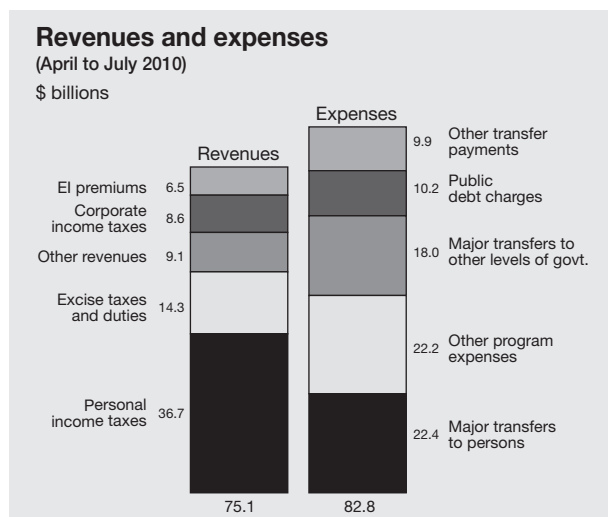
Public debt charges increased by \$0.1 billion, or 0.7 per cent.

Financial requirement of \$29.5 billion for April to July 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 \$7.7 billion and a requirement of \$21.8 billion from non-budgetary transactions, there was a financial requirement of \$29.5 billion in the April to July period of 2010–11, compared to a financial requirement of \$40.2 billion in the same period of 2009–10. The decrease in the financial requirement in 2010–11 reflects the improvement in the budgetary balance, a reduction in the financing requirements of Canada Mortgage and Housing Corporation under the Insured Mortgage Purchase Program (IMPP) due to the winding down in March 2010 of purchases of insured mortgage pools under the IMPP, as well as one-time assistance provided to the automotive industry in 2009–10.



Net financing activities up \$9.2 billion

The Government financed this financial requirement of \$29.5 billion by increasing market debt by \$9.2 billion and reducing cash balances by \$20.3 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 July 2010 stood at \$5.3 billion, down \$19.3 billion from their level at the end of July 2009.

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Table 1

Summary statement of transactions

	July		April to July	
	2009	2010	2009–10	2010–11
	(\$ millions)			
Budgetary transactions				
Revenues	18,441	20,386	71,204	75,095
Expenses				
Program expenses	-21,801	-18,192	-79,377	-72,576
Public debt charges	-2,457	-2,667	-10,153	-10,222
Budgetary balance (deficit/surplus)	-5,817	-473	-18,326	-7,703
Non-budgetary transactions	-1,460	-6,249	-21,907	-21,812
Financial source/requirement	-7,277	-6,722	-40,233	-29,515
Net change in financing activities	11,920	5,464	19,796	9,220
Net change in cash balances	4,643	-1,258	-20,437	-20,295
Cash balance at end of period			24,592	5,328

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

Table 2

Revenues

	July			April to July		
	2009	2010	Change	2009–10	2010–11	Change
	(\$ millions)		(%)	(\$ millions)		(%)
Tax revenues						
Income taxes						
Personal income tax	9,070	9,763	7.6	35,567	36,688	3.2
Corporate income tax	1,657	2,518	52.0	8,460	8,608	1.7
Non-resident income tax	397	468	17.9	1,702	1,493	-12.3
Total income tax	11,124	12,749	14.6	45,729	46,789	2.3
Excise taxes and duties						
Goods and Services Tax	2,891	3,038	5.1	7,104	9,497	33.7
Energy taxes	390	440	12.8	1,594	1,661	4.2
Customs import duties	366	346	-5.5	1,199	1,171	-2.3
Other excise taxes and duties	472	558	18.2	1,720	1,922	11.7
Total excise taxes and duties	4,119	4,382	6.4	11,617	14,251	22.7
Total tax revenues	15,243	17,131	12.4	57,346	61,040	6.4
Employment Insurance premiums	1,350	1,356	0.4	6,432	6,493	0.9
Other revenues	1,848	1,899	2.8	7,426	7,562	1.8
Total revenues	18,441	20,386	10.5	71,204	75,095	5.5

Note: Totals may not add due to rounding.

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Table 3

Expenses

	July			April to July		
	2009	2010	Change	2009–10	2010–11	Change
	(\$ millions)		(%)	(\$ millions)		(%)
Transfer payments						
Major transfers to persons						
Elderly benefits	2,822	2,877	1.9	11,410	11,667	2.3
Employment Insurance benefits	1,643	1,474	-10.3	6,974	6,465	-7.3
Children's benefits	1,082	1,100	1.7	4,134	4,312	4.3
Total	5,547	5,451	-1.7	22,518	22,444	-0.3
Major transfers to other levels of government						
Support for health and other social programs						
Canada Health Transfer	2,040	2,157	5.7	8,159	8,630	5.8
Canada Social Transfer	979	931	-4.9	3,694	3,726	0.9
Total	3,019	3,088	2.3	11,853	12,356	4.2
Fiscal transfers	1,262	1,338	6.0	5,759	5,803	0.8
Canada's cities and communities	0	232	n/a	957	858	-10.3
Alternative Payments for Standing Programs	-235	-246	4.7	-907	-983	8.4
Total	4,046	4,412	9.0	17,662	18,034	2.1
Other transfer payments						
Agriculture and Agri-Food	73	93	27.4	347	321	-7.5
Foreign Affairs and International Trade	282	365	29.4	1,002	1,084	8.2
Health	276	321	16.3	972	913	-6.1
Human Resources and Skills Development	324	435	34.3	1,062	1,216	14.5
Indian Affairs and Northern Development	335	429	28.1	1,820	1,884	3.5
Industry	212	300	41.5	602	653	8.5
Other	4,389	1,073	-75.6	10,479	3,784	-63.9
Total	5,891	3,016	-48.8	16,284	9,855	-39.5
Total transfer payments	15,484	12,879	-16.8	56,464	50,333	-10.9
Other program expenses						
Crown corporations	720	805	11.8	2,787	2,997	7.5
Defence	1,791	1,048	-41.5	6,055	5,191	-14.3
All other departments and agencies	3,806	3,460	-9.1	14,071	14,055	-0.1
Total other program expenses	6,317	5,313	-15.9	22,913	22,243	-2.9
Total program expenses	21,801	18,192	-16.6	79,377	72,576	-8.6
Public debt charges	2,457	2,667	8.5	10,153	10,222	0.7
Total expenses	24,258	20,859	-14.0	89,530	82,798	-7.5

Note: Totals may not add due to rounding.

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Table 4

The budgetary balance and financial source/requirement

	July		April to July	
	2009	2010	2009–10	2010–11
	(\$ millions)			
Budgetary balance (deficit/surplus)	-5,817	-473	-18,326	-7,703
Non-budgetary transactions				
Capital investing activities	-112	-1,017	-331	-1,916
Other investing activities	-4,489	-541	-12,951	-6
Pension and other accounts	693	708	2,443	2,209
Other activities				
Accounts payable, receivables, accruals and allowances	-3,760	-5,873	-17,648	-23,277
Foreign exchange activities	6,077	154	5,539	-120
Amortization of tangible capital assets	131	320	1,041	1,298
Total other activities	2,448	-5,399	-11,068	-22,099
Total non-budgetary transactions	-1,460	-6,249	-21,907	-21,812
Net financial source/requirement	-7,277	-6,722	-40,233	-29,515

Note: Totals may not add due to rounding.

Table 5

Financial source/requirement and net financing activities

	July		April to July	
	2009	2010	2009–10	2010–11
	(\$ millions)			
Financial source/requirement	-7,277	-6,722	-40,233	-29,515
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	9,231	4,658	20,785	19,384
Treasury bills	8,900	1,600	7,900	-9,400
Retail debt	-175	-45	-15	-245
Other	-2	-3	-66	-390
Total	17,954	6,210	28,604	9,349
Foreign currency borrowings	-2,775	-386	-3,790	-152
Total	15,179	5,824	24,814	9,197
Cross-currency swap revaluation	-2,798	-394	-4,744	-36
Unamortized discounts on debt issues	-449	46	-210	120
Obligations related to capital leases	-12	-12	-64	-61
Net change in financing activities	11,920	5,464	19,796	9,220
Change in cash balance	4,643	-1,258	-20,437	-20,295

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.

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