

The Fiscal Monitor

A Publication of the Department of Finance

Highlights

August 2010: budgetary deficit of \$5.8 billion

There was a budgetary deficit of \$5.8 billion in August 2010, compared to a deficit of \$5.3 billion in August 2009.

Revenues increased by \$1.9 billion, or 12.5 per cent, reflecting growth in most revenue streams. Program expenses were up \$2.5 billion, or 14.2 per cent, primarily reflecting increased transfers to other levels of government, higher transfers to First Nations and increased infrastructure funding. Public debt charges decreased by \$0.2 billion.

April to August 2010: budgetary deficit of \$13.5 billion

For the first five months of the 2010–11 fiscal year, the budgetary deficit stood at \$13.5 billion, compared to a deficit of \$23.7 billion reported in the same period of 2009–10. Over \$7 billion of the \$13.5-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 \$5.8 billion, or 6.7 per cent, primarily reflecting higher Goods and Services Tax (GST) and personal and corporate income tax revenues. Program expenses were down \$4.3 billion, or 4.3 per cent, largely reflecting one-time support provided to the automotive industry in 2009–10, partially offset by increased transfers to other levels of government in 2010–11. Public debt charges were down \$0.1 billion on a year-over-year basis.

August 2010

There was a budgetary deficit of \$5.8 billion in August 2010, compared to a \$5.3-billion deficit in August 2009.

Revenues increased by \$1.9 billion, or 12.5 per cent, to \$17.2 billion.

- Personal income tax revenues increased by \$0.6 billion, or 7.0 per cent.
- Corporate income tax revenues were up \$0.9 billion.
- Non-resident income tax revenues were down \$47 million, or 12.8 per cent.
- Excise taxes and duties were up \$0.3 billion, or 8.0 per cent. GST revenues were up \$0.1 billion, or 5.7 per cent. Energy taxes were

up \$13 million, customs import duties were up \$37 million, and other excise taxes and duties were up \$0.1 billion.

- EI premium revenues were up \$0.2 billion, or 19.9 per cent, reflecting a one-time \$0.2-billion downward adjustment in August 2009. Absent the adjustment last year, EI premium revenues would have been virtually unchanged.
- 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 \$24 million, or 1.2 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 August 2010 were \$20.5 billion, up \$2.5 billion, or 14.2 per cent, from August 2009, reflecting both higher transfer payments and higher other program expenses.

Transfer payments increased by \$2.0 billion, or 16.8 per cent.

- Major transfers to persons, consisting of elderly, EI and children's benefits, increased by \$40 million, or 0.7 per cent. Elderly benefits increased by \$0.1 billion, or 3.5 per cent. EI benefit payments decreased by \$0.1 billion, or 4.1 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 \$21 million, or 2.1 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 \$0.7 billion, or 16.5 per cent, primarily reflecting legislated growth in the Canada Health Transfer and one-time transfer protection payments to provinces to prevent declines in the Canada Health Transfer, the Canada Social Transfer and Equalization transfers between 2009–10 and 2010–11.
- Other transfer payments were up \$1.3 billion, largely reflecting increased transfers to First Nations and Inuit organizations and increased infrastructure funding.

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 \$0.5 billion, or 8.8 per cent, over the prior year.

Public debt charges decreased by \$0.2 billion, or 6.1 per cent.

April to August 2010

For the first five months of the 2010–11 fiscal year, there was a budgetary deficit of \$13.5 billion, compared to a deficit of \$23.7 billion reported during the same period of 2009–10. Over \$7 billion of the \$13.5-billion deficit was attributable to actions taken under Canada's Economic Action Plan.

Revenues increased by \$5.8 billion, or 6.7 per cent, to \$92.8 billion.

- Personal income tax revenues were up \$1.7 billion, or 3.9 per cent.
- Corporate income tax revenues were up \$1.0 billion, or 12.0 per cent, reflecting a decline in receipts of about 7 per cent, which was more than offset by a decrease of roughly 26 per cent in refunds of taxes paid.
- Non-resident income tax revenues were down \$0.3 billion, or 12.4 per cent.
- Excise taxes and duties were up \$2.9 billion, or 19.5 per cent, primarily due to a \$2.5-billion, or 27.7-per-cent increase in GST revenues. Energy taxes were up \$0.1 billion, customs import duties were up \$9 million, and other excise taxes and duties were up \$0.3 billion.
- EI premium revenues were up \$0.3 billion, or 3.4 per cent. The premium rate was kept stable at \$1.73 per \$100 of insurable earnings for 2009 and 2010.
- Other revenues were up \$0.2 billion, or 1.6 per cent. Other revenues and Crown corporation expenses for the April to July period of 2009–10 and 2010–11 have been restated to reflect the reclassification of the Canadian Commercial Corporation from an enterprise Crown corporation to a consolidated Crown corporation. This reclassification has resulted in increases to both Crown corporation revenues and Crown corporation expenses, with no overall impact on the budgetary balance.

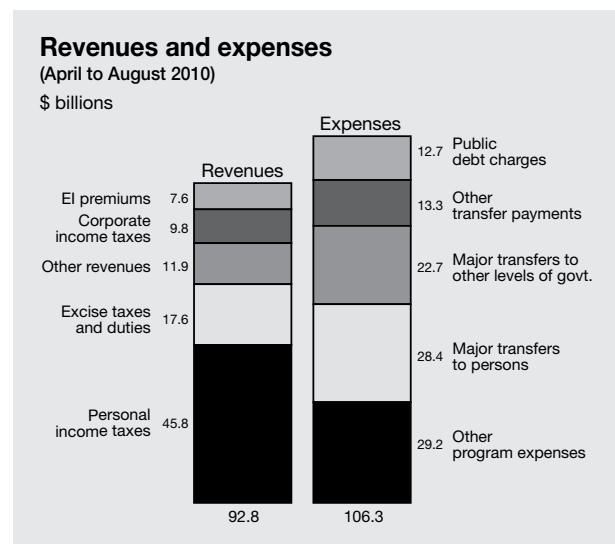
Program expenses for April to August 2010 were \$93.6 billion, down \$4.3 billion, or 4.3 per cent, from the same period the previous year, primarily reflecting lower transfer payments.

Transfer payments for April to August 2010 were down \$4.1 billion, or 6.0 per cent, from the same period the previous year.

- Major transfers to persons were down \$34 million, or 0.1 per cent. Elderly benefits increased by \$0.4 billion, or 2.5 per cent, in line with growth in the elderly population. EI benefit payments decreased by \$0.6 billion, or 6.6 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 which took effect in July 2009 as part of Canada's Economic Action Plan.
- Major transfers to other levels of government were up \$1.0 billion, or 4.8 per cent, largely reflecting legislated growth in the Canada Health Transfer and one-time transfer protection payments to provinces in August 2010 to prevent declines in the Canada Health Transfer, the Canada Social Transfer and Equalization transfers between 2009–10 and 2010–11.
- Other transfer payments were down \$5.1 billion, primarily reflecting one-time assistance to the automotive industry in 2009–10, partially offset by increased transfers to First Nations and Inuit organizations and increased infrastructure funding in 2010–11.

Other program expenses decreased by \$0.2 billion, or 0.5 per cent, from the previous year's level.

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



Financial requirement of \$35.3 billion for April to August 2010

The budgetary balance is presented on an accrual basis of accounting, recording government revenues and expenses 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 \$13.5 billion and a requirement of \$21.8 billion from non-budgetary transactions, there was a financial requirement of \$35.3 billion in the April to August period of 2010–11, compared to a financial requirement of \$45.5 billion in the same period of 2009–10.

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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. These decreases were partially offset by a financial requirement in 2010–11 arising from the Government's foreign exchange activities, compared to a financial source in 2009–10.

Net financing activities up \$19.7 billion

The Government financed this financial requirement of \$35.3 billion by increasing market debt by \$19.7 billion and reducing cash balances by \$15.6 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 August 2010 stood at \$10.0 billion, down \$14.5 billion from their level at the end of August 2009.

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Table 1

Summary statement of transactions

	August		April to August	
	2009	2010	2009–10	2010–11
	(\$ millions)			
Budgetary transactions				
Revenues	15,287	17,203	86,991	92,798
Expenses				
Program expenses	-17,970	-20,517	-97,847	-93,593
Public debt charges	-2,659	-2,496	-12,812	-12,718
Budgetary balance (deficit/surplus)	-5,342	-5,810	-23,668	-13,513
Non-budgetary transactions	62	48	-21,845	-21,764
Financial source/requirement	-5,280	-5,762	-45,513	-35,277
Net change in financing activities	5,219	10,435	25,015	19,655
Net change in cash balances	-61	4,673	-20,498	-15,622
Cash balance at end of period			24,533	10,001

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

Table 2

Revenues

	August			April to August		
	2009	2010	Change	2009–10	2010–11	Change
	(\$ millions)		(%)	(\$ millions)		(%)
Tax revenues						
Income taxes						
Personal income tax	8,544	9,143	7.0	44,111	45,831	3.9
Corporate income tax	273	1,171	328.9	8,733	9,779	12.0
Non-resident income tax	366	319	-12.8	2,068	1,812	-12.4
Total income tax	9,183	10,633	15.8	54,912	57,422	4.6
Excise taxes and duties						
Goods and Services Tax	1,955	2,067	5.7	9,059	11,564	27.7
Energy taxes	442	455	2.9	2,037	2,115	3.8
Customs import duties	313	350	11.8	1,512	1,521	0.6
Other excise taxes and duties	428	516	20.6	2,147	2,439	13.6
Total excise taxes and duties	3,138	3,388	8.0	14,755	17,639	19.5
Total tax revenues	12,321	14,021	13.8	69,667	75,061	7.7
Employment Insurance premiums	964	1,156	19.9	7,396	7,649	3.4
Other revenues	2,002	2,026	1.2	9,928	10,088	1.6
Total revenues	15,287	17,203	12.5	86,991	92,798	6.7

Note: Totals may not add due to rounding.

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Table 3

Expenses

	August			April to August		
	2009	2010	Change	2009–10	2010–11	Change
	(\$ millions)		(%)	(\$ millions)		(%)
Transfer payments						
Major transfers to persons						
Elderly benefits	2,874	2,975	3.5	14,284	14,642	2.5
Employment Insurance benefits	2,010	1,928	-4.1	8,984	8,393	-6.6
Children's benefits	993	1,014	2.1	5,127	5,326	3.9
Total	5,877	5,917	0.7	28,395	28,361	-0.1
Major transfers to other levels of government						
Support for health and other social programs						
Canada Health Transfer	2,039	2,173	6.6	10,198	10,803	5.9
Canada Social Transfer	906	932	2.9	4,600	4,658	1.3
Total	2,945	3,105	5.4	14,798	15,461	4.5
Fiscal transfers	1,320	1,833	38.9	7,079	7,636	7.9
Canada's cities and communities	0	0	n/a	957	858	-10.3
Alternative Payments for Standing Programs	-236	-246	4.2	-1,143	-1,229	7.5
Total	4,029	4,692	16.5	21,691	22,726	4.8
Other transfer payments						
Agriculture and Agri-Food	216	355	64.4	563	676	20.1
Foreign Affairs and International Trade	218	285	30.7	1,220	1,369	12.2
Health	77	191	148.1	1,049	1,104	5.2
Human Resources and Skills Development	178	153	-14.0	1,240	1,369	10.4
Indian Affairs and Northern Development	330	736	123.0	2,150	2,620	21.9
Industry	287	330	15.0	889	983	10.6
Other	831	1,411	69.8	11,310	5,195	-54.1
Total	2,137	3,461	62.0	18,421	13,316	-27.7
Total transfer payments	12,043	14,070	16.8	68,507	64,403	-6.0
Other program expenses						
Crown corporations	704	863	22.6	3,991	4,360	9.2
Defence	1,618	1,792	10.8	7,673	6,983	-9.0
All other departments and agencies	3,605	3,792	5.2	17,676	17,847	1.0
Total other program expenses	5,927	6,447	8.8	29,340	29,190	-0.5
Total program expenses	17,970	20,517	14.2	97,847	93,593	-4.3
Public debt charges	2,659	2,496	-6.1	12,812	12,718	-0.7
Total expenses	20,629	23,013	11.6	110,659	106,311	-3.9

Note: Totals may not add due to rounding.

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Table 4

The budgetary balance and financial source/requirement

	August		April to August	
	2009	2010	2009–10	2010–11
	(\$ millions)			
Budgetary balance (deficit/surplus)	-5,342	-5,810	-23,668	-13,513
Non-budgetary transactions				
Capital investing activities	-435	-130	-766	-2,046
Other investing activities	-457	-26	-13,408	-32
Pension and other accounts	919	0	3,362	2,209
Other activities				
Accounts payable, receivables, accruals and allowances	1,103	1,552	-16,545	-21,725
Foreign exchange activities	-1,367	-1,815	4,172	-1,935
Amortization of tangible capital assets	299	467	1,340	1,765
Total other activities	35	204	-11,033	-21,895
Total non-budgetary transactions	62	48	-21,845	-21,764
Net financial source/requirement	-5,280	-5,762	-45,513	-35,277

Note: Totals may not add due to rounding.

Table 5

Financial source/requirement and net financing activities

	August		April to August	
	2009	2010	2009–10	2010–11
	(\$ millions)			
Financial source/requirement	-5,280	-5,762	-45,513	-35,277
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	14,493	7,816	35,278	27,200
Treasury bills	-9,500	900	-1,600	-8,500
Retail debt	-28	-46	-43	-291
Other	-1	0	-67	-390
Total	4,964	8,670	33,568	18,019
Foreign currency borrowings	-542	508	-4,332	356
Total	4,422	9,178	29,236	18,375
Cross-currency swap revaluation	765	1,002	-3,979	966
Unamortized discounts on debt issues	43	262	-167	382
Obligations related to capital leases	-11	-7	-75	-68
Net change in financing activities	5,219	10,435	25,015	19,655
Change in cash balance	-61	4,673	-20,498	-15,622

Note: Totals may not add due to rounding.