

# The Fiscal Monitor

A Publication of the Department of Finance

## Highlights

### September 2010: budgetary deficit of \$3.9 billion

There was a budgetary deficit of \$3.9 billion in September 2010, compared to a deficit of \$5.0 billion in September 2009.

Revenues increased by \$2.0 billion, or 13.1 per cent, reflecting growth in most revenue streams. Program expenses were up \$0.6 billion, or 3.1 per cent, reflecting both higher transfer payments and higher other program expenses. Public debt charges increased by \$0.4 billion.

### April to September 2010: budgetary deficit of \$17.4 billion

For the first six months of the 2010–11 fiscal year, the budgetary deficit stood at \$17.4 billion, compared to a deficit of \$28.6 billion reported in the same period of 2009–10. Roughly \$9 billion of the \$17.4-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 \$7.8 billion, or 7.6 per cent, primarily reflecting higher Goods and Services Tax (GST) and personal and corporate income tax revenues. Program expenses were down \$3.7 billion, or 3.2 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 up \$0.3 billion on a year-over-year basis.

## September 2010

There was a budgetary deficit of \$3.9 billion in September 2010, compared to a \$5.0-billion deficit in September 2009.

Revenues increased by \$2.0 billion, or 13.1 per cent, to \$17.3 billion.

- Personal income tax revenues were up \$0.3 billion, or 3.5 per cent, dampened by a one-time downward adjustment of \$0.2 billion to reflect new economic information incorporated in the October 2010 Update of Economic and Fiscal Projections. Absent this adjustment, personal income tax revenues would have increased by 6.4 per cent.
- Corporate income tax revenues were up \$0.5 billion, or 60.5 per cent, primarily reflecting a decline in refunds relative to September 2009.
- Non-resident income tax revenues were up \$23 million, or 8.8 per cent.
- Excise taxes and duties were up \$0.4 billion, or 11.2 per cent. GST revenues were up \$0.3 billion, or 12.0 per cent. Energy taxes were up \$10 million, customs import duties were down \$13 million, and other excise taxes and duties were up \$0.1 billion.
- EI premium revenues were up \$0.2 billion, or 22.3 per cent, reflecting a one-time \$0.2-billion upward adjustment to reflect new economic information incorporated in the October 2010 Update of Economic and Fiscal Projections. Absent this adjustment, EI premium revenues would have increased by 1.9 per cent.

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



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- Other revenues, consisting of net profits from enterprise Crown corporations, revenues of consolidated Crown corporations, revenues from sales of goods and services, returns on investments, net foreign exchange revenues and miscellaneous revenues, were up \$0.6 billion.

Program expenses in September 2010 were \$18.6 billion, up \$0.6 billion, or 3.1 per cent, from September 2009, reflecting both higher transfer payments and higher other program expenses.

Transfer payments increased by \$0.4 billion, or 3.2 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 2.2 per cent. EI benefit payments decreased by \$0.2 billion, or 11.6 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 \$26 million, or 2.5 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 \$0.1 billion, or 3.4 per cent.
- Other transfer payments were up \$0.3 billion.

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 \$0.2 billion, or 2.9 per cent, over the prior year.

Public debt charges increased by \$0.4 billion.

## April to September 2010

For the first six months of the 2010–11 fiscal year, there was a budgetary deficit of \$17.4 billion, compared to a deficit of \$28.6 billion reported during the same period of 2009–10. Roughly \$9 billion of the \$17.4-billion deficit was attributable to actions taken under Canada's Economic Action Plan.

Revenues increased by \$7.8 billion, or 7.6 per cent, to \$110.1 billion.

- Personal income tax revenues were up \$2.0 billion, or 3.8 per cent.
- Corporate income tax revenues were up \$1.6 billion, or 16.3 per cent, reflecting a decline in receipts of about 6 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 \$0.2 billion, or 10.0 per cent.
- Excise taxes and duties were up \$3.3 billion, or 18.0 per cent. GST revenues were up \$2.8 billion, or 24.5 per cent. Energy taxes were up \$0.1 billion, customs import duties were down \$4 million, and other excise taxes and duties were up \$0.4 billion.
- EI premium revenues were up \$0.5 billion, or 5.7 per cent, broadly in line with growth in insurable earnings. The premium rate was kept stable at \$1.73 per \$100 of insurable earnings for 2009 and 2010.
- Other revenues were up \$0.7 billion, or 6.3 per cent.

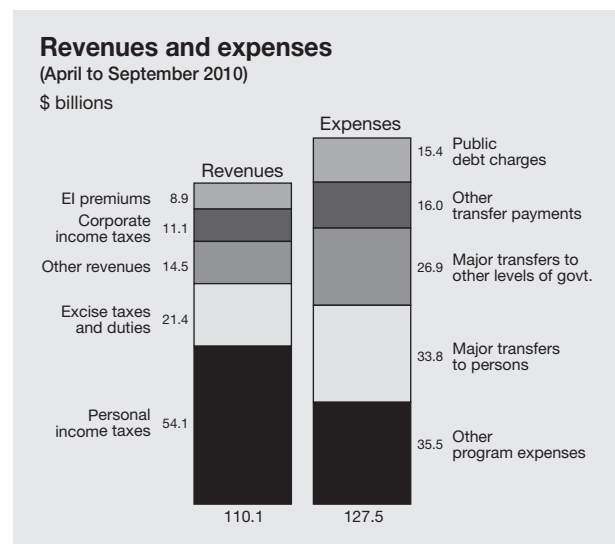
Program expenses for April to September 2010 were \$112.2 billion, down \$3.7 billion, or 3.2 per cent, from the same period the previous year, primarily reflecting lower transfer payments.

Transfer payments for April to September 2010 were down \$3.7 billion, or 4.6 per cent, from the same period the previous year.

- Major transfers to persons were down \$0.1 billion, or 0.4 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 \$0.8 billion, or 7.3 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 \$1.2 billion, or 4.6 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 \$4.8 billion, primarily reflecting one-time assistance to the automotive industry in 2009–10, partially offset by increased transfers across various departments.

Other program expenses increased by \$30 million, or 0.1 per cent, from the previous year's level.

Public debt charges increased by \$0.3 billion, or 2.0 per cent.



## Financial requirement of \$38.9 billion for April to September 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.

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With a budgetary deficit of \$17.4 billion and a requirement of \$21.4 billion from non-budgetary transactions, there was a financial requirement of \$38.9 billion in the April to September period of 2010–11, compared to a financial requirement of \$55.7 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 \$19.0 billion**

The Government financed this financial requirement of \$38.9 billion by increasing market debt by \$19.0 billion and reducing cash balances by \$19.9 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 September 2010 stood at \$5.8 billion, down \$14.3 billion from their level at the end of September 2009.

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Table 1

## Summary statement of transactions

	September		April to September	
	2009	2010	2009–10	2010–11
	(\$ millions)			
<b>Budgetary transactions</b>				
Revenues	15,306	17,310	102,297	110,108
Expenses				
Program expenses	-18,032	-18,587	-115,879	-112,180
Public debt charges	-2,248	-2,646	-15,060	-15,364
Budgetary balance (deficit/surplus)	-4,974	-3,923	-28,642	-17,436
<b>Non-budgetary transactions</b>	-5,189	341	-27,034	-21,423
<b>Financial source/requirement</b>	-10,163	-3,582	-55,676	-38,859
<b>Net change in financing activities</b>	5,697	-657	30,712	18,998
<b>Net change in cash balances</b>	-4,466	-4,239	-24,964	-19,861
<b>Cash balance at end of period</b>			20,068	5,763

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

Table 2

## Revenues

	September			April to September		
	2009	2010	Change	2009–10	2010–11	Change
	(\$ millions)		(%)	(\$ millions)		(%)
<b>Tax revenues</b>						
Income taxes						
Personal income tax	8,019	8,302	3.5	52,130	54,133	3.8
Corporate income tax	848	1,361	60.5	9,581	11,140	16.3
Non-resident income tax	262	285	8.8	2,330	2,097	-10.0
Total income tax	9,129	9,948	9.0	64,041	67,370	5.2
Excise taxes and duties						
Goods and Services Tax	2,252	2,523	12.0	11,311	14,087	24.5
Energy taxes	465	475	2.2	2,502	2,590	3.5
Customs import duties	319	306	-4.1	1,831	1,827	-0.2
Other excise taxes and duties	348	460	32.2	2,495	2,899	16.2
Total excise taxes and duties	3,384	3,764	11.2	18,139	21,403	18.0
Total tax revenues	12,513	13,712	9.6	82,180	88,773	8.0
<b>Employment Insurance premiums</b>	1,012	1,238	22.3	8,408	8,887	5.7
<b>Other revenues</b>	1,781	2,360	32.5	11,709	12,448	6.3
<b>Total revenues</b>	15,306	17,310	13.1	102,297	110,108	7.6

Note: Totals may not add due to rounding.

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Table 3

## Expenses

	September			April to September		
	2009	2010	Change	2009–10	2010–11	Change
	(\$ millions)		(%)	(\$ millions)		(%)
<b>Transfer payments</b>						
Major transfers to persons						
Elderly benefits	2,894	2,959	2.2	17,178	17,601	2.5
Employment Insurance benefits	1,598	1,413	-11.6	10,582	9,806	-7.3
Children's benefits	1,025	1,051	2.5	6,152	6,377	3.7
Total	5,517	5,423	-1.7	33,912	33,784	-0.4
Major transfers to other levels of government						
Support for health and other social programs						
Canada Health Transfer	2,165	2,158	-0.3	12,363	12,961	4.8
Canada Social Transfer	830	931	12.2	5,430	5,589	2.9
Total	2,995	3,089	3.1	17,793	18,550	4.3
Fiscal transfers	1,272	1,325	4.2	8,351	8,961	7.3
Canada's cities and communities	0	0	n/a	957	858	-10.3
Alternative Payments for Standing Programs	-235	-246	4.7	-1,378	-1,475	7.0
Total	4,032	4,168	3.4	25,723	26,894	4.6
Other transfer payments						
Agriculture and Agri-Food	65	166	155.4	628	842	34.1
Foreign Affairs and International Trade	170	273	60.6	1,390	1,642	18.1
Health	241	212	-12.0	1,290	1,316	2.0
Human Resources and Skills Development	244	431	76.6	1,484	1,800	21.3
Indian Affairs and Northern Development	403	64	-84.1	2,553	2,684	5.1
Industry	171	269	57.3	1,060	1,252	18.1
Other	1,023	1,235	20.7	12,333	6,430	-47.9
Total	2,317	2,650	14.4	20,738	15,966	-23.0
Total transfer payments	11,866	12,241	3.2	80,373	76,644	-4.6
<b>Other program expenses</b>						
Crown corporations	868	752	-13.4	4,859	5,112	5.2
Defence	1,719	1,752	1.9	9,392	8,735	-7.0
All other departments and agencies	3,579	3,842	7.3	21,255	21,689	2.0
Total other program expenses	6,166	6,346	2.9	35,506	35,536	0.1
<b>Total program expenses</b>	18,032	18,587	3.1	115,879	112,180	-3.2
<b>Public debt charges</b>	2,248	2,646	17.7	15,060	15,364	2.0
<b>Total expenses</b>	20,280	21,233	4.7	130,939	127,544	-2.6

Note: Totals may not add due to rounding.

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Table 4

## The budgetary balance and financial source/requirement

	September		April to September	
	2009	2010	2009-10	2010-11
	(\$ millions)			
<b>Budgetary balance (deficit/surplus)</b>	-4,974	-3,923	-28,642	-17,436
<b>Non-budgetary transactions</b>				
Capital investing activities	-477	-283	-1,243	-2,329
Other investing activities	-3,344	-1,236	-16,752	-1,268
Pension and other accounts	278	469	3,640	2,678
Other activities				
Accounts payable, receivables, accruals and allowances	805	803	-15,740	-20,922
Foreign exchange activities	-2,763	259	1,409	-1,676
Amortization of tangible capital assets	312	329	1,652	2,094
Total other activities	-1,646	1,391	-12,679	-20,504
Total non-budgetary transactions	-5,189	341	-27,034	-21,423
<b>Financial source/requirement</b>	-10,163	-3,582	-55,676	-38,859

Note: Totals may not add due to rounding.

Table 5

## Financial source/requirement and net financing activities

	September		April to September	
	2009	2010	2009-10	2010-11
	(\$ millions)			
<b>Financial source/requirement</b>	-10,163	-3,582	-55,676	-38,859
<b>Net increase (+)/decrease (-) in financing activities</b>				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	1,793	-3,554	37,071	23,646
Treasury bills	2,300	3,300	700	-5,200
Retail debt	-17	-46	-60	-337
Other	0	0	-67	-390
Total	4,076	-300	37,644	17,719
Foreign currency borrowings	2,220	-145	-2,112	211
Total	6,296	-445	35,532	17,930
Cross-currency swap revaluation	-492	-297	-4,471	669
Unamortized discounts and premiums on market debt	-96	96	-263	478
Obligations related to capital leases	-11	-11	-86	-79
Net change in financing activities	5,697	-657	30,712	18,998
<b>Change in cash balance</b>	-4,466	-4,239	-24,964	-19,861

Note: Totals may not add due to rounding.

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Table 6

## Condensed statement of assets and liabilities

	March 31, 2010	September 30, 2010	Change
		(\$ millions)	
<b>Liabilities</b>			
Accounts payable and accrued liabilities	120,525	97,662	-22,863
Interest-bearing debt			
Unmatured debt			
Payable in Canadian currency			
Marketable bonds	367,962	391,608	23,646
Treasury bills	175,849	170,649	-5,200
Retail debt	11,855	11,518	-337
Other	452	62	-390
Subtotal	556,118	573,837	17,719
Payable in foreign currencies	8,243	8,454	211
Cross-currency swap revaluation	-4,233	-3,564	669
Unamortized discounts and premiums on market debt	-5,092	-4,614	478
Obligations related to capital leases	4,090	4,011	-79
Total unamatured debt	559,126	578,124	18,998
Pension and other liabilities			
Public sector pensions	142,843	144,392	1,549
Other employee and veteran future benefits	54,227	55,592	1,365
Other liabilities	6,587	6,351	-236
Total pension and other liabilities	203,657	206,335	2,678
Total interest-bearing debt	762,783	784,459	21,676
<b>Total liabilities</b>	883,308	882,121	-1,187
<b>Financial assets</b>			
Cash and accounts receivable	101,205	79,403	-21,802
Foreign exchange accounts	46,950	48,626	1,676
Loans, investments, and advances (net of allowances) <sup>1</sup>	152,681	154,480	1,799
<b>Total financial assets</b>	300,836	282,509	-18,327
<b>Net debt</b>	582,472	599,612	17,140
<b>Non-financial assets</b>	63,375	63,610	235
<b>Federal debt (accumulated deficit)</b>	519,097	536,002	16,905

Note: Totals may not add due to rounding.

<sup>1</sup> Includes \$531 million in other comprehensive income reported by enterprise Crown corporations and other government business enterprises in 2010–11.