

# The Fiscal Monitor

A Publication of the Department of Finance

## Highlights

### December 2010: budgetary deficit of \$1.4 billion

There was a budgetary deficit of \$1.4 billion in December 2010, compared to a deficit of \$3.1 billion in December 2009.

Revenues increased by \$1.6 billion, or 8.4 per cent, reflecting increases in personal and corporate income tax revenues and other revenues. Program expenses were down \$0.5 billion, or 2.5 per cent. Public debt charges increased by \$0.3 billion.

### April to December 2010: budgetary deficit of \$27.4 billion

For the first nine months of the 2010–11 fiscal year, the budgetary deficit stood at \$27.4 billion, compared to a deficit of \$39.4 billion reported in the same period of 2009–10. About \$12 billion of the \$27.4-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 \$12.0 billion, or 7.7 per cent, primarily reflecting higher personal and corporate income tax revenues, Goods and Services Tax (GST) revenues and other revenues. Program expenses were down \$1.0 billion, or 0.6 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 \$1.0 billion on a year-over-year basis.

## December 2010

There was a budgetary deficit of \$1.4 billion in December 2010, compared to a \$3.1-billion deficit in December 2009.

Revenues increased by \$1.6 billion, or 8.4 per cent, to \$20.1 billion.

- Personal income tax revenues were up \$0.8 billion, or 8.4 per cent.
- Corporate income tax revenues were up \$0.6 billion, or 21.3 per cent.
- Non-resident income tax revenues were up \$7 million, or 1.5 per cent.
- Excise taxes and duties were down \$0.1 billion, or 2.4 per cent. GST revenues were down \$0.1 billion, or 3.0 per cent. The decline reflects the pattern of GST revenues recorded last year, which declined year-over-year through the first half of the year before recording gains during the latter five months. Energy taxes were up \$22 million, customs import duties were down \$2 million, and other excise taxes and duties were down \$37 million.
- EI premium revenues were up \$15 million, or 2.1 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 \$0.2 billion, or 11.5 per cent.

Program expenses in December 2010 were \$18.8 billion, down \$0.5 billion, or 2.5 per cent, from December 2009, largely reflecting lower transfer payments.

Transfer payments decreased by \$0.3 billion, or 2.7 per cent.

- Major transfers to persons, consisting of elderly, EI and children's benefits, decreased by \$0.1 billion, or 1.4 per cent. Elderly benefits increased by \$0.1 billion, or 3.4 per cent. EI benefit payments decreased by \$0.2 billion, or 11.2 per cent, primarily 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 \$0.2 billion, or 4.2 per cent, reflecting legislated growth in transfers.
- Other transfer payments were down \$0.4 billion, or 14.6 per cent.

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 \$0.1 billion, or 2.1 per cent, over the prior year.

Public debt charges increased by \$0.3 billion.

## April to December 2010

For the first nine months of the 2010–11 fiscal year, there was a budgetary deficit of \$27.4 billion, compared to a deficit of \$39.4 billion reported during the same period of 2009–10. About \$12 billion of the \$27.4-billion deficit was attributable to actions taken under Canada's Economic Action Plan.

Revenues increased by \$12.0 billion, or 7.7 per cent, to \$167.2 billion.

- Personal income tax revenues were up \$4.5 billion, or 5.7 per cent.
- Corporate income tax revenues were up \$2.2 billion, or 14.4 per cent, reflecting a decline in receipts of about 2 per cent, which was more than offset by a decrease of roughly 20 per cent in refunds of taxes paid.
- Non-resident income tax revenues were down \$0.1 billion, or 3.2 per cent.
- Excise taxes and duties were up \$2.7 billion, or 9.5 per cent. GST revenues were up \$2.3 billion, or 12.3 per cent. Energy taxes were up \$0.1 billion, customs import duties were down \$17 million, and other excise taxes and duties were up \$0.4 billion.
- EI premium revenues were up \$0.5 billion, or 4.9 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 \$2.1 billion, or 12.1 per cent, largely reflecting an increase in the net profits of enterprise Crown corporations, as well as gains realized on the Government's sale of common shares in General Motors.

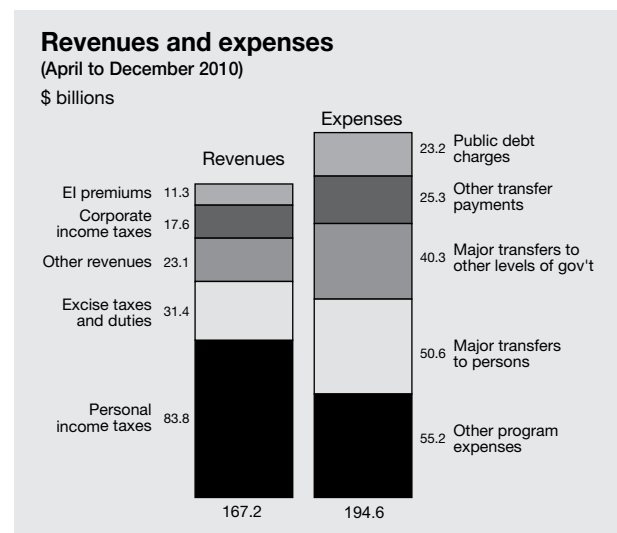
Program expenses from April to December 2010 were \$171.4 billion, down \$1.0 billion, or 0.6 per cent, from the same period the previous year.

Transfer payments for April to December 2010 decreased by \$1.2 billion, or 1.0 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 \$0.7 billion, or 2.8 per cent, in line with growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. EI benefit payments decreased by \$1.2 billion, or 7.4 per cent, reflecting a decrease in regular benefits. Children's benefits were up \$0.3 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 \$1.8 billion, or 4.7 per cent, largely reflecting legislated growth in transfers as well as 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 \$2.9 billion, or 10.2 per cent, primarily reflecting one-time assistance to the automotive industry in 2009–10, partially offset by the impact of the revaluation of the Government's liability to Ontario for the province's one third participation in the value of the Government's common shares in General Motors in 2010–11.

Other program expenses increased by \$0.3 billion, or 0.5 per cent, from the previous year's level.

Public debt charges increased by \$1.0 billion, or 4.4 per cent, reflecting a higher stock of interest-bearing debt.



## Financial requirement of \$44.9 billion for April to December 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 \$27.4 billion and a requirement of \$17.5 billion from non-budgetary transactions, there was a financial requirement of \$44.9 billion in the April to December period of 2010–11, compared to a financial requirement of \$61.0 billion in the same period of 2009–10. The decrease in the financial requirement in 2010–11 reflects the improvement in the budgetary balance, 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 \$26.6 billion**

The Government financed this financial requirement of \$44.9 billion by increasing market debt by \$26.6 billion and reducing cash balances by \$18.3 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 December 2010 stood at \$7.3 billion, down \$10.6 billion from their level at the end of December 2009.

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Table 1

## Summary statement of transactions

	December		April to December	
	2009	2010	2009–10	2010–11
	(\$millions)			
<b>Budgetary transactions</b>				
Revenues	18,539	20,096	155,172	167,196
Expenses				
Program expenses	-19,247	-18,763	-172,320	-171,368
Public debt charges	-2,348	-2,685	-22,211	-23,195
Budgetary balance (deficit/surplus)	-3,056	-1,352	-39,359	-27,367
<b>Non-budgetary transactions</b>	591	-2,466	-21,595	-17,496
<b>Financial source/requirement</b>	-2,465	-3,818	-60,954	-44,863
<b>Net change in financing activities</b>	-4,686	-4,249	33,824	26,562
<b>Net change in cash balances</b>	-7,151	-8,067	-27,130	-18,301
<b>Cash balance at end of period</b>			17,903	7,322

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

Table 2

## Revenues

	December			April to December		
	2009	2010	Change	2009–10	2010–11	Change
	(\$ millions)		(%)	(\$ millions)		(%)
<b>Tax revenues</b>						
Income taxes						
Personal income tax	9,685	10,501	8.4	79,273	83,819	5.7
Corporate income tax	2,676	3,245	21.3	15,398	17,608	14.4
Non-resident income tax	467	474	1.5	3,506	3,395	-3.2
Total income tax	12,828	14,220	10.9	98,177	104,822	6.8
Excise taxes and duties						
Goods and Services Tax	1,902	1,845	-3.0	18,301	20,556	12.3
Energy taxes	438	460	5.0	3,912	4,004	2.4
Customs import duties	247	245	-0.8	2,597	2,580	-0.7
Other excise taxes and duties	470	433	-7.9	3,827	4,221	10.3
Total excise taxes and duties	3,057	2,983	-2.4	28,637	31,361	9.5
Total tax revenues	15,885	17,203	8.3	126,814	136,183	7.4
<b>Employment Insurance premiums</b>	711	726	2.1	10,797	11,323	4.9
<b>Other revenues</b>	1,943	2,167	11.5	17,561	19,690	12.1
<b>Total revenues</b>	18,539	20,096	8.4	155,172	167,196	7.7

Note: Totals may not add due to rounding.

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Table 3

## Expenses

	December			April to December		
	2009	2010	Change	2009–10	2010–11	Change
	(\$ millions)			(\$ millions)		
		(%)		(%)		
<b>Transfer payments</b>						
Major transfers to persons						
Elderly benefits	2,895	2,992	3.4	25,872	26,595	2.8
Employment Insurance benefits	1,796	1,594	-11.2	15,583	14,430	-7.4
Children's benefits	1,043	1,069	2.5	9,284	9,567	3.0
Total	5,734	5,655	-1.4	50,739	50,592	-0.3
Major transfers to other levels of government						
Support for health and other social programs						
Canada Health Transfer	2,084	2,181	4.7	18,592	19,522	5.0
Canada Social Transfer	923	931	0.9	8,145	8,384	2.9
Total	3,007	3,112	3.5	26,737	27,906	4.4
Fiscal transfers	1,271	1,319	3.8	12,223	12,933	5.8
Canada's cities and communities	13	17	30.8	1,675	1,619	-3.3
Alternative Payments for Standing Programs	-301	-292	-3.0	-2,178	-2,197	0.9
Total	3,990	4,156	4.2	38,457	40,261	4.7
Other transfer payments						
Agriculture and Agri-Food	156	304	94.9	1,280	1,472	15.0
Foreign Affairs and International Trade	429	338	-21.2	2,141	2,261	5.6
Health	154	152	-1.3	1,862	1,877	0.8
Human Resources and Skills Development	325	373	14.8	2,257	2,625	16.3
Indian Affairs and Northern Development	477	172	-63.9	3,930	4,060	3.3
Industry	448	281	-37.3	1,950	2,196	12.6
Other	970	907	-6.5	14,765	10,823	-26.7
Total	2,959	2,527	-14.6	28,185	25,314	-10.2
Total transfer payments	12,683	12,338	-2.7	117,381	116,167	-1.0
<b>Other program expenses</b>						
Crown corporations	1,035	1,052	1.6	7,580	7,903	4.3
Defence	1,680	1,548	-7.9	14,422	13,988	-3.0
All other departments and agencies	3,849	3,825	-0.6	32,937	33,310	1.1
Total other program expenses	6,564	6,425	-2.1	54,939	55,201	0.5
<b>Total program expenses</b>	19,247	18,763	-2.5	172,320	171,368	-0.6
<b>Public debt charges</b>	2,348	2,685	14.4	22,211	23,195	4.4
<b>Total expenses</b>	21,595	21,448	-0.7	194,531	194,563	0.0

Note: Totals may not add due to rounding.

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Table 4

## The budgetary balance and financial source/requirement

	December		April to December	
	2009	2010	2009–10	2010–11
	(\$ millions)			
<b>Budgetary balance (deficit/surplus)</b>	-3,056	-1,352	-39,359	-27,367
<b>Non-budgetary transactions</b>				
Capital investing activities	-522	-924	-2,708	-3,548
Other investing activities	-421	-342	-19,945	-2,283
Pension and other accounts	526	486	5,331	4,265
Other activities				
Accounts payable, receivables, accruals and allowances	-537	-2,360	-12,548	-20,184
Foreign exchange activities	1,313	290	5,801	886
Amortization of tangible capital assets	232	384	2,474	3,368
Total other activities	1,008	-1,686	-4,273	-15,930
Total non-budgetary transactions	591	-2,466	-21,595	-17,496
<b>Financial source/requirement</b>	-2,465	-3,818	-60,954	-44,863

Note: Totals may not add due to rounding.

Table 5

## Financial source/requirement and net financing activities

	December		April to December	
	2009	2010	2009–10	2010–11
	(\$ millions)			
<b>Financial source/requirement</b>	-2,465	-3,818	-60,954	-44,863
<b>Net increase (+)/decrease (-) in financing activities</b>				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	3,371	-1,637	53,681	32,235
Treasury bills	-6,900	-2,100	-9,500	-3,200
Retail debt	-72	34	-484	-1,530
Other	0	-13	-69	-425
Total	-3,601	-3,716	43,628	27,080
Foreign currency borrowings	-177	87	-3,917	-402
Total	-3,778	-3,629	39,711	26,678
Cross-currency swap revaluation	-1,077	-746	-5,594	-845
Unamortized discounts and premiums on market debt	176	138	-205	830
Obligations related to capital leases	-7	-12	-88	-101
Net change in financing activities	-4,686	-4,249	33,824	26,562
<b>Change in cash balance</b>	-7,151	-8,067	-27,130	-18,301

Note: Totals may not add due to rounding.

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Table 6

## Condensed statement of assets and liabilities

	March 31, 2010	December 31, 2010	Change
	(\$ millions)		
<b>Liabilities</b>			
Accounts payable and accrued liabilities	120,525	101,569	-18,956
Interest-bearing debt			
Unmatured debt			
Payable in Canadian currency			
Marketable bonds	367,962	400,197	32,235
Treasury bills	175,849	172,649	-3,200
Retail debt	11,855	10,325	-1,530
Other	452	27	-425
Subtotal	556,118	583,198	27,080
Payable in foreign currencies	8,243	7,841	-402
Cross-currency swap revaluation	-4,233	-5,078	-845
Unamortized discounts and premiums on market debt	-5,092	-4,262	830
Obligations related to capital leases	4,090	3,989	-101
Total unamatured debt	559,126	585,688	26,562
Pension and other liabilities			
Public sector pensions	142,843	145,251	2,408
Other employee and veteran future benefits	54,227	56,307	2,080
Other liabilities	6,587	6,364	-223
Total pension and other liabilities	203,657	207,922	4,265
Total interest-bearing debt	762,783	793,610	30,827
<b>Total liabilities</b>	883,308	895,179	11,871
<b>Financial assets</b>			
Cash and accounts receivable	101,205	84,132	-17,073
Foreign exchange accounts	46,950	46,064	-886
Loans, investments, and advances (net of allowances) <sup>1</sup>	152,681	158,387	5,706
<b>Total financial assets</b>	300,836	288,583	-12,253
<b>Net debt</b>	582,472	606,596	24,124
<b>Non-financial assets</b>	63,375	63,555	180
<b>Federal debt (accumulated deficit)</b>	519,097	543,041	23,944

Note: Totals may not add due to rounding.

<sup>1</sup> Includes \$3,423 million in other comprehensive income reported by enterprise Crown corporations and other government business enterprises in 2010–11.