

The Fiscal Monitor

A Publication of the Department of Finance

Highlights

January 2011: budgetary deficit of \$0.3 billion

There was a budgetary deficit of \$301 million in January 2011, compared to a deficit of \$265 million in January 2010.

Revenues increased by \$0.1 billion, or 0.6 per cent, reflecting an increase in personal income tax revenues and other revenues, which was largely offset by a decrease in corporate income tax revenues. Program expenses were up \$0.1 billion, or 0.8 per cent. Public debt charges increased by \$21 million.

April 2010 to January 2011: budgetary deficit of \$27.7 billion

For the first 10 months of the 2010–11 fiscal year, the budgetary deficit stood at \$27.7 billion, compared to a budgetary deficit of \$39.6 billion reported in the same period of 2009–10. Over \$13 billion of the \$27.7-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 \$12.2 billion, or 6.9 per cent, primarily reflecting higher personal and corporate income tax revenues, Goods and Services Tax (GST) revenues and other revenues. Program expenses were down \$0.8 billion, or 0.4 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.

January 2011

There was a budgetary deficit of \$301 million in January 2011, compared to a \$265-million deficit in January 2010.

Revenues increased by \$0.1 billion, or 0.6 per cent, to \$21.6 billion.

- Personal income tax revenues were up \$0.8 billion, or 8.3 per cent.
- Corporate income tax revenues were down \$1.1 billion, or 31.8 per cent, largely as a result of one-time factors which increased corporate income tax revenues in the prior year.

- Non-resident income tax revenues were down \$0.2 billion, or 13.4 per cent, reflecting a large assessment related to prior tax years which raised January 2010 revenues.
- Excise taxes and duties were down \$34 million, or 1.1 per cent. GST revenues were down \$0.1 billion, or 6.5 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 \$19 million, customs import duties were up \$2 million, and other excise taxes and duties were up \$0.1 billion.

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



The Fiscal Monitor

- EI premium revenues were up \$0.2 billion, or 10.2 per cent, consistent with the Government's actions on September 30, 2010, to support the economic recovery by limiting the increase in the EI premium rate to 5 cents per \$100 of insurable earnings in 2011. Under this new limit, the premium rate for 2011 is \$1.78 per \$100 of insurable earnings.
- 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 \$0.4 billion, or 19.5 per cent, largely reflecting an increase in net profits of enterprise Crown corporations.

Program expenses in January 2011 were \$19.3 billion, up \$0.1 billion, or 0.8 per cent, from January 2010.

Transfer payments increased by \$0.3 billion, or 2.3 per cent.

- Major transfers to persons, consisting of elderly, EI and children's benefits, increased by \$0.3 billion, or 4.7 per cent. Elderly benefits increased by \$0.1 billion, or 3.6 per cent. EI benefit payments increased by \$0.1 billion, or 7.3 per cent. Children's benefits, which consist of the Canada Child Tax Benefit and the Universal Child Care Benefit, increased by \$32 million, or 3.0 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, decreased by \$0.1 billion, or 3.3 per cent, reflecting an increase in recoveries under Alternative Payments for Standing Programs.
- Other transfer payments were up \$0.2 billion, or 5.9 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 \$0.2 billion, or 2.7 per cent, from the previous year.

Public debt charges increased by \$21 million.

April 2010 to January 2011

For the first 10 months of the 2010–11 fiscal year, there was a budgetary deficit of \$27.7 billion, compared to a deficit of \$39.6 billion reported during the same period of 2009–10. Over \$13 billion of the \$27.7-billion deficit was attributable to actions taken under Canada's Economic Action Plan.

Revenues increased by \$12.2 billion, or 6.9 per cent, to \$188.8 billion.

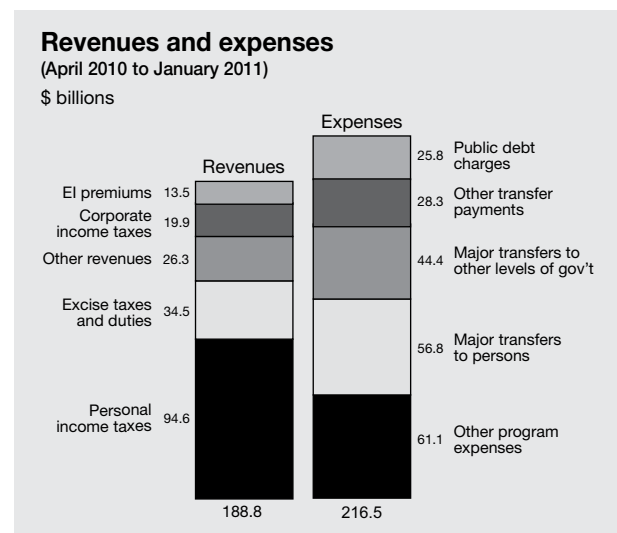
- Personal income tax revenues were up \$5.4 billion, or 6.0 per cent.
- Corporate income tax revenues were up \$1.2 billion, or 6.2 per cent, reflecting a decline in receipts of about 6 per cent, which was more than offset by a decrease of roughly 21 per cent in refunds of taxes paid.
- Non-resident income tax revenues were down \$0.3 billion, or 5.8 per cent.
- Excise taxes and duties were up \$2.7 billion, or 8.5 per cent. GST revenues were up \$2.1 billion, or 10.4 per cent. Energy taxes were up \$0.1 billion, customs import duties were down \$15 million, and other excise taxes and duties were up \$0.5 billion.
- EI premium revenues were up \$0.7 billion, or 5.7 per cent, broadly in line with growth in insurable earnings.
- Other revenues were up \$2.5 billion, or 12.8 per cent, 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 for April 2010 to January 2011 were \$190.6 billion, down \$0.8 billion, or 0.4 per cent, from the same period the previous year.

Transfer payments for April 2010 to January 2011 decreased by \$0.9 billion, or 0.7 per cent, from the same period the previous year.

- Major transfers to persons were up \$0.1 billion, or 0.2 per cent. Elderly benefits increased by \$0.8 billion, or 2.9 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 \$1.0 billion, or 5.8 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 \$1.7 billion, or 3.9 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 \$2.7 billion, or 8.7 per cent, primarily reflecting one-time assistance to the automotive industry in 2009–10, partially offset by increases in transfers across a number of departments and 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 \$0.1 billion, or 0.2 per cent, from the previous year's level.



Public debt charges increased by \$1.0 billion, or 4.1 per cent, reflecting a higher stock of interest-bearing debt.

Financial requirement of \$43.6 billion for April 2010 to January 2011

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.

The Fiscal Monitor

With a budgetary deficit of \$27.7 billion and a requirement of \$15.9 billion from non-budgetary transactions, there was a financial requirement of \$43.6 billion in the April to January period of 2010–11, compared to a financial requirement of \$63.3 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 \$24.2 billion

The Government financed this financial requirement of \$43.6 billion by increasing market debt by \$24.2 billion and reducing cash balances by \$19.4 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 January 2011 stood at \$6.2 billion, down \$13.9 billion from their level at the end of January 2010.

The Fiscal Monitor

Table 1

Summary statement of transactions

	January		April to January	
	2010	2011	2009–10	2010–11
	(\$ millions)			
Budgetary transactions				
Revenues	21,458	21,588	176,630	188,784
Expenses				
Program expenses	-19,126	-19,271	-191,446	-190,639
Public debt charges	-2,597	-2,618	-24,808	-25,813
Budgetary balance (deficit/surplus)	-265	-301	-39,624	-27,668
Non-budgetary transactions	-2,095	1,549	-23,690	-15,947
Financial source/requirement	-2,360	1,248	-63,314	-43,615
Net change in financing activities	4,589	-2,370	38,413	24,192
Net change in cash balances	2,229	-1,122	-24,901	-19,423
Cash balance at end of period			20,129	6,202

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

Table 2

Revenues

	January			April to January		
	2010	2011	Change	2009–10	2010–11	Change
	(\$ millions)		(%)	(\$ millions)		(%)
Tax revenues						
Income taxes						
Personal income tax	9,961	10,785	8.3	89,234	94,604	6.0
Corporate income tax	3,299	2,249	-31.8	18,697	19,857	6.2
Non-resident income tax	1,219	1,056	-13.4	4,725	4,451	-5.8
Total income tax	14,479	14,090	-2.7	112,656	118,912	5.6
Excise taxes and duties						
Goods and Services Tax	2,091	1,955	-6.5	20,392	22,511	10.4
Energy taxes	426	445	4.5	4,338	4,449	2.6
Customs import duties	293	295	0.7	2,890	2,875	-0.5
Other excise taxes and duties	384	465	21.1	4,211	4,686	11.3
Total excise taxes and duties	3,194	3,160	-1.1	31,831	34,521	8.5
Total tax revenues	17,673	17,250	-2.4	144,487	153,433	6.2
Employment Insurance premiums	1,986	2,188	10.2	12,783	13,511	5.7
Other revenues	1,799	2,150	19.5	19,360	21,840	12.8
Total revenues	21,458	21,588	0.6	176,630	188,784	6.9

Note: Totals may not add due to rounding.

The Fiscal Monitor

Table 3

Expenses

	January			April to January		
	2010	2011	Change	2009–10	2010–11	Change
	(\$ millions)			(\$ millions)		
			(%)			(%)
Transfer payments						
Major transfers to persons						
Elderly benefits	2,914	3,020	3.6	28,786	29,615	2.9
Employment Insurance benefits	1,958	2,100	7.3	17,541	16,530	-5.8
Children's benefits	1,057	1,089	3.0	10,341	10,656	3.0
Total	5,929	6,209	4.7	56,668	56,801	0.2
Major transfers to other levels of government						
Support for health and other social programs						
Canada Health Transfer	2,084	2,181	4.7	20,676	21,703	5.0
Canada Social Transfer	904	932	3.1	9,049	9,316	3.0
Total	2,988	3,113	4.2	29,725	31,019	4.4
Fiscal transfers	1,368	1,331	-2.7	13,591	14,264	5.0
Canada's cities and communities	0	0	n/a	1,675	1,619	-3.3
Alternative Payments for Standing Programs	-62	-292	371.0	-2,240	-2,489	11.1
Total	4,294	4,152	-3.3	42,751	44,413	3.9
Other transfer payments						
Agriculture and Agri-Food	138	319	131.2	1,418	1,791	26.3
Foreign Affairs and International Trade	270	351	30.0	2,411	2,612	8.3
Health	272	271	-0.4	2,134	2,148	0.7
Human Resources and Skills Development	495	445	-10.1	2,752	3,070	11.6
Indian Affairs and Northern Development	391	474	21.2	4,321	4,534	4.9
Industry	230	519	125.7	2,180	2,715	24.5
Other	1,058	643	-39.2	15,823	11,466	-27.5
Total	2,854	3,022	5.9	31,039	28,336	-8.7
Total transfer payments	13,077	13,383	2.3	130,458	129,550	-0.7
Other program expenses						
Crown corporations	850	954	12.2	8,430	8,857	5.1
Defence	1,603	1,617	0.9	16,025	15,605	-2.6
All other departments and agencies	3,596	3,317	-7.8	36,533	36,627	0.3
Total other program expenses	6,049	5,888	-2.7	60,988	61,089	0.2
Total program expenses	19,126	19,271	0.8	191,446	190,639	-0.4
Public debt charges	2,597	2,618	0.8	24,808	25,813	4.1
Total expenses	21,723	21,889	0.8	216,254	216,452	0.1

Note: Totals may not add due to rounding.

The Fiscal Monitor

Table 4

The budgetary balance and financial source/requirement

	January		April to January	
	2010	2011	2009–10	2010–11
	(\$ millions)			
Budgetary balance (deficit/surplus)	-265	-301	-39,624	-27,668
Non-budgetary transactions				
Capital investing activities	-282	-449	-2,990	-3,997
Other investing activities	-1,841	-62	-21,786	-2,345
Pension and other accounts	857	517	6,188	4,782
Other activities				
Accounts payable, receivables, accruals and allowances	2,202	3,133	-10,346	-17,051
Foreign exchange activities	-3,322	-1,982	2,479	-1,096
Amortization of tangible capital assets	291	392	2,765	3,760
Total other activities	-829	1,543	-5,102	-14,387
Total non-budgetary transactions	-2,095	1,549	-23,690	-15,947
Financial source/requirement	-2,360	1,248	-63,314	-43,615

Note: Totals may not add due to rounding.

Table 5

Financial source/requirement and net financing activities

	January		April to January	
	2010	2011	2009–10	2010–11
	(\$ millions)			
Financial source/requirement	-2,360	1,248	-63,314	-43,615
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	4,844	4,805	58,525	37,040
Treasury bills	-3,500	-7,700	-13,000	-10,900
Retail debt	-48	2	-532	-1,528
Other	0	0	-69	-425
Total	1,296	-2,893	44,924	24,187
Foreign currency borrowings	3,140	-37	-777	-439
Total	4,436	-2,930	44,147	23,748
Cross-currency swap revaluation	104	578	-5,490	-267
Unamortized discounts and premiums on market debt	48	-14	-157	816
Obligations related to capital leases	1	-4	-87	-105
Net change in financing activities	4,589	-2,370	38,413	24,192
Change in cash balance	2,229	-1,122	-24,901	-19,423

Note: Totals may not add due to rounding.

