

# The Fiscal Monitor

A Publication of the Department of Finance

## Highlights

### February 2011: budgetary deficit of \$0.6 billion

There was a budgetary deficit of \$0.6 billion in February 2011, compared to a deficit of \$0.9 billion in February 2010.

Revenues increased by \$1.0 billion, or 4.7 per cent, reflecting higher personal and corporate income tax revenues, Employment Insurance (EI) premium revenues and other revenues. Program expenses were up \$0.4 billion, or 2.0 per cent, largely reflecting an increase in the Government's estimated liabilities, partially offset by a decrease in EI benefit payments. Public debt charges increased by \$0.3 billion.

### April 2010 to February 2011: budgetary deficit of \$28.3 billion

For the first 11 months of the 2010–11 fiscal year, the budgetary deficit stood at \$28.3 billion, compared to a deficit of \$40.5 billion reported in the same period of 2009–10. Over \$14 billion of the \$28.3-billion deficit was attributable to actions taken under Canada's Economic Action Plan, including tax reductions, EI related measures and infrastructure funding.

Revenues were up \$13.1 billion, or 6.6 per cent, primarily reflecting higher personal and corporate income tax revenues, Goods and Services Tax (GST) revenues and other revenues. Program expenses were down \$0.4 billion, or 0.2 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, the revaluation of the Government's liability to Ontario for the province's one-third interest in the value of the Government's common shares in General Motors, and an increase in the Government's estimated liabilities. Public debt charges were up \$1.3 billion on a year-over-year basis, reflecting a higher stock of interest-bearing debt.

### February 2011

There was a budgetary deficit of \$0.6 billion in February 2011, compared to a \$0.9-billion deficit in February 2010.

Revenues increased by \$1.0 billion, or 4.7 per cent, to \$21.5 billion.

- Personal income tax revenues were up \$0.3 billion, or 3.2 per cent.
- Corporate income tax revenues were up \$0.3 billion, or 6.0 per cent.
- Non-resident income tax revenues were down \$43 million, or 12.2 per cent.
- Excise taxes and duties were down \$0.1 billion, or 2.7 per cent. GST revenues were down \$0.1 billion, or 6.8 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 \$18 million, customs import duties were up \$12 million, and other excise taxes and duties were up \$30 million.
- EI premium revenues were up \$0.2 billion, or 10.1 per cent, consistent with the 2011 premium rate of \$1.78 per \$100 of insurable earnings.

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 \$0.4 billion, or 20.0 per cent, largely reflecting an increase in net profits of enterprise Crown corporations.

Program expenses in February 2011 were \$19.5 billion, up \$0.4 billion, or 2.0 per cent, from February 2010.

Transfer payments decreased by \$0.5 billion, or 3.5 per cent.

- Major transfers to persons, consisting of elderly, EI and children's benefits, decreased by \$0.5 billion, or 7.2 per cent. Elderly benefits increased by \$0.1 billion, or 3.9 per cent. EI benefit payments decreased by \$0.6 billion, or 24.4 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, were virtually unchanged.
- 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 \$23 million, or 0.5 per cent.
- Other transfer payments were down \$17 million, or 0.7 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 increased by \$0.8 billion, or 13.4 per cent, from the previous year, largely due to an increase in the Government's estimated liabilities.

Public debt charges increased by \$0.3 billion, reflecting higher effective interest rates and a higher stock of interest-bearing debt.

## April 2010 to February 2011

For the first 11 months of the 2010–11 fiscal year, there was a budgetary deficit of \$28.3 billion, compared to a deficit of \$40.5 billion reported during the same period of 2009–10. Over \$14 billion of the \$28.3-billion deficit was attributable to actions taken under Canada's Economic Action Plan.

Revenues increased by \$13.1 billion, or 6.6 per cent, to \$210.3 billion.

- Personal income tax revenues were up \$5.7 billion, or 5.8 per cent.
- Corporate income tax revenues were up \$1.4 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 22 per cent in refunds of taxes paid.
- Non-resident income tax revenues were down \$0.3 billion, or 6.2 per cent.
- Excise taxes and duties were up \$2.6 billion, or 7.4 per cent. GST revenues were up \$2.0 billion, or 8.7 per cent. Energy taxes were up \$0.1 billion, customs import duties were down \$3 million, and other excise taxes and duties were up \$0.5 billion.
- EI premium revenues were up \$0.9 billion, or 6.3 per cent, reflecting growth in insurable earnings and the 2011 premium rate of \$1.78 per \$100 of insurable earnings.
- Other revenues were up \$2.8 billion, or 13.4 per cent, reflecting an increase in net profits of enterprise Crown corporations, as well as gains realized on the Government's sale of common shares in General Motors.

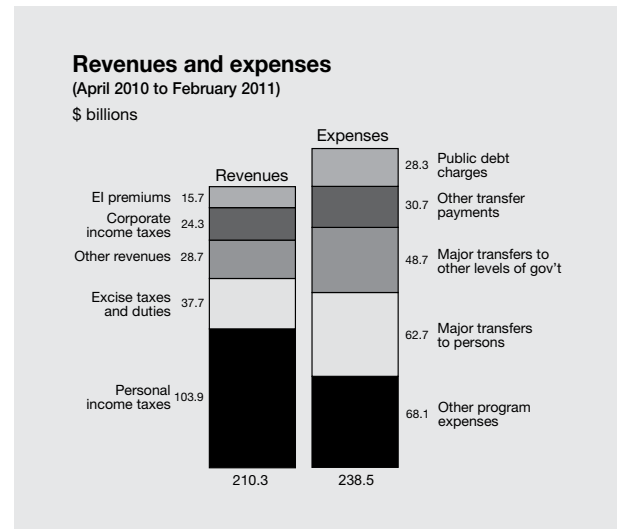
For the first 11 months of 2010–11, program expenses were \$210.2 billion, down \$0.4 billion, or 0.2 per cent, from the same period of 2009–10. Program expenses include transfer payments and other program expenses.

Transfer payments decreased by \$1.4 billion, or 0.9 per cent, from the same period the previous year.

- Major transfers to persons were down \$0.3 billion, or 0.5 per cent. Elderly benefits increased by \$0.9 billion, or 3.0 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 \$1.6 billion, or 8.0 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 3.6 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 8.1 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.

Other program expenses increased by \$0.9 billion, or 1.4 per cent, from the previous year's level, largely reflecting an increase in the Government's estimated liabilities.

Public debt charges increased by \$1.3 billion, or 4.7 per cent, reflecting a higher stock of interest-bearing debt.



## Financial requirement of \$46.8 billion for April 2010 to February 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.

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With a budgetary deficit of \$28.3 billion and a requirement of \$18.5 billion from non-budgetary transactions, there was a financial requirement of \$46.8 billion in the April to February period of 2010–11, compared to a financial requirement of \$66.2 billion in the same period of 2009–10. The decrease in the financial requirement 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 \$26.0 billion**

The Government financed this financial requirement of \$46.8 billion by increasing market debt by \$26.0 billion and reducing cash balances by \$20.8 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 February 2011 stood at \$4.9 billion, down \$11.6 billion from their level at the end of February 2010.

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Table 1

## Summary statement of transactions

	February		April to February	
	2010	2011	2009–10	2010–11
	(\$ millions)			
<b>Budgetary transactions</b>				
Revenues	20,513	21,468	197,143	210,252
Expenses				
Program expenses	-19,159	-19,543	-210,605	-210,182
Public debt charges	-2,256	-2,517	-27,064	-28,330
Budgetary balance (deficit/surplus)	-902	-592	-40,526	-28,260
<b>Non-budgetary transactions</b>	-1,959	-2,600	-25,649	-18,547
<b>Financial source/requirement</b>	-2,861	-3,192	-66,175	-46,807
<b>Net change in financing activities</b>	-782	1,856	37,631	26,048
<b>Net change in cash balances</b>	-3,643	-1,336	-28,544	-20,759
<b>Cash balance at end of period</b>			16,487	4,864

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

Table 2

## Revenues

	February			April to February		
	2010	2011	Change	2009–10	2010–11	Change
	(\$ millions)		(%)	(\$ millions)		(%)
<b>Tax revenues</b>						
Income taxes						
Personal income tax	8,982	9,269	3.2	98,216	103,873	5.8
Corporate income tax	4,172	4,422	6.0	22,869	24,279	6.2
Non-resident income tax	352	309	-12.2	5,077	4,760	-6.2
Total income tax	13,506	14,000	3.7	126,162	132,912	5.4
Excise taxes and duties						
Goods and Services Tax	2,192	2,044	-6.8	22,584	24,555	8.7
Energy taxes	432	450	4.2	4,770	4,899	2.7
Customs import duties	297	309	4.0	3,187	3,184	-0.1
Other excise taxes and duties	370	400	8.1	4,581	5,086	11.0
Total excise taxes and duties	3,291	3,203	-2.7	35,122	37,724	7.4
Total tax revenues	16,797	17,203	2.4	161,284	170,636	5.8
<b>Employment Insurance premiums</b>	1,956	2,153	10.1	14,739	15,664	6.3
<b>Other revenues</b>	1,760	2,112	20.0	21,120	23,952	13.4
<b>Total revenues</b>	20,513	21,468	4.7	197,143	210,252	6.6

Note: Totals may not add due to rounding.

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Table 3

## Expenses

	February			April to February		
	2010	2011	Change	2009–10	2010–11	Change
	(\$ millions)			(\$ millions)		
			(%)			(%)
<b>Transfer payments</b>						
Major transfers to persons						
Elderly benefits	2,942	3,057	3.9	31,728	32,672	3.0
Employment Insurance benefits	2,341	1,770	-24.4	19,882	18,300	-8.0
Children's benefits	1,031	1,030	-0.1	11,372	11,686	2.8
Total	6,314	5,857	-7.2	62,982	62,658	-0.5
Major transfers to other levels of government						
Support for health and other social programs						
Canada Health Transfer	2,084	2,182	4.7	22,760	23,885	4.9
Canada Social Transfer	905	931	2.9	9,954	10,247	2.9
Total	2,989	3,113	4.1	32,714	34,132	4.3
Fiscal transfers	1,301	1,319	1.4	14,892	15,583	4.6
Canada's cities and communities	166	108	-34.9	1,841	1,727	-6.2
Alternative Payments for Standing Programs	-231	-292	26.4	-2,471	-2,781	12.5
Total	4,225	4,248	0.5	46,976	48,661	3.6
Other transfer payments						
Agriculture and Agri-Food	-10	21	-310.0	1,408	1,812	28.7
Foreign Affairs and International Trade	467	346	-25.9	2,878	2,958	2.8
Health	156	129	-17.3	2,290	2,277	-0.6
Human Resources and Skills Development	214	246	15.0	2,966	3,316	11.8
Indian Affairs and Northern Development	396	385	-2.8	4,717	4,919	4.3
Industry	528	272	-48.5	2,708	2,987	10.3
Other	644	979	52.0	16,467	12,445	-24.4
Total	2,395	2,378	-0.7	33,434	30,714	-8.1
Total transfer payments	12,934	12,483	-3.5	143,392	142,033	-0.9
<b>Other program expenses</b>						
Crown corporations	1,015	874	-13.9	9,445	9,731	3.0
Defence	1,591	1,650	3.7	17,616	17,255	-2.0
All other departments and agencies	3,619	4,536	25.3	40,152	41,163	2.5
Total other program expenses	6,225	7,060	13.4	67,213	68,149	1.4
<b>Total program expenses</b>	19,159	19,543	2.0	210,605	210,182	-0.2
<b>Public debt charges</b>	2,256	2,517	11.6	27,064	28,330	4.7
<b>Total expenses</b>	21,415	22,060	3.0	237,669	238,512	0.4

Note: Totals may not add due to rounding.

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Table 4

## The budgetary balance and financial source/requirement

	February		April to February	
	2010	2011	2009–10	2010–11
	(\$ millions)			
<b>Budgetary balance (deficit/surplus)</b>	-902	-592	-40,526	-28,260
<b>Non-budgetary transactions</b>				
Capital investing activities	-540	-360	-3,530	-4,357
Other investing activities	-1,581	-73	-23,367	-2,418
Pension and other accounts	500	356	6,688	5,138
Other activities				
Accounts payable, receivables, accruals and allowances	-1,084	-2,782	-11,430	-19,833
Foreign exchange activities	443	-129	2,922	-1,225
Amortization of tangible capital assets	303	388	3,068	4,148
Total other activities	-338	-2,523	-5,440	-16,910
Total non-budgetary transactions	-1,959	-2,600	-25,649	-18,547
<b>Financial source/requirement</b>	-2,861	-3,192	-66,175	-46,807

Note: Totals may not add due to rounding.

Table 5

## Financial source/requirement and net financing activities

	February		April to February	
	2010	2011	2009–10	2010–11
	(\$ millions)			
<b>Financial source/requirement</b>	-2,861	-3,192	-66,175	-46,807
<b>Net increase (+)/decrease (-) in financing activities</b>				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	6,100	4,664	64,625	41,704
Treasury bills	-5,600	-1,400	-18,600	-12,300
Retail debt	-77	-224	-609	-1,752
Other	0	0	-69	-425
Total	423	3,040	45,347	27,227
Foreign currency borrowings	-395	-110	-1,172	-549
Total	28	2,930	44,175	26,678
Cross-currency swap revaluation	-917	-1,083	-6,407	-1,350
Unamortized discounts and premiums on market debt	44	19	-113	835
Obligations related to capital leases	63	-10	-24	-115
Net change in financing activities	-782	1,856	37,631	26,048
<b>Change in cash balance</b>	-3,643	-1,336	-28,544	-20,759

Note: Totals may not add due to rounding.

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Table 6

## Condensed statement of assets and liabilities

	March 31, 2010	February 28, 2011	Change
		(\$ millions)	
<b>Liabilities</b>			
Accounts payable and accrued liabilities	120,525	109,890	-10,635
Interest-bearing debt			
Unmatured debt			
Payable in Canadian currency			
Marketable bonds	367,962	409,666	41,704
Treasury bills	175,849	163,549	-12,300
Retail debt	11,855	10,103	-1,752
Other	452	27	-425
Subtotal	556,118	583,345	27,227
Payable in foreign currencies	8,243	7,694	-549
Cross-currency swap revaluation	-4,233	-5,583	-1,350
Unamortized discounts and premiums on market debt	-5,092	-4,257	835
Obligations related to capital leases	4,090	3,975	-115
Total unamatured debt	559,126	585,174	26,048
Pension and other liabilities			
Public sector pensions	142,843	145,594	2,751
Other employee and veteran future benefits	54,227	56,722	2,495
Other liabilities	6,587	6,479	-108
Total pension and other liabilities	203,657	208,795	5,138
Total interest-bearing debt	762,783	793,969	31,186
<b>Total liabilities</b>	883,308	903,859	20,551
<b>Financial assets</b>			
Cash and accounts receivable	101,205	89,644	-11,561
Foreign exchange accounts	46,950	48,175	1,225
Loans, investments, and advances (net of allowances) <sup>1</sup>	152,681	157,651	4,970
<b>Total financial assets</b>	300,836	295,470	-5,366
<b>Net debt</b>	582,472	608,389	25,917
<b>Non-financial assets</b>	63,375	63,584	209
<b>Federal debt (accumulated deficit)</b>	519,097	544,805	25,708

Note: Totals may not add due to rounding.

<sup>1</sup> Includes \$2,552 million in other comprehensive income reported by enterprise Crown corporations and other government business enterprises in 2010–11.