

# The Fiscal Monitor

A Publication of the Department of Finance

## Highlights

### March 2011: budgetary deficit of \$6.2 billion

There was a budgetary deficit of \$6.2 billion in March 2011, compared to a deficit of \$6.4 billion in March 2010.

Revenues decreased by \$0.2 billion, or 0.7 per cent, reflecting lower corporate income tax, non-resident income tax and Goods and Services Tax (GST) revenues. Program expenses were down \$0.5 billion, or 2.0 per cent. Public debt charges increased by \$0.1 billion.

### April 2010 to March 2011: budgetary deficit of \$34.4 billion

For the April 2010 to March 2011 period, the budgetary deficit stood at \$34.4 billion, compared to a budgetary deficit of \$47.0 billion reported in the same period of 2009–10. Roughly \$17 billion of the \$34.4-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 \$12.9 billion, or 5.9 per cent, primarily reflecting higher personal and corporate income tax, GST and other revenues. Program expenses were down \$1.0 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 and an increase in the Government's provisions for liabilities, including 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. Public debt charges were up \$1.4 billion on a year-over-year basis, reflecting a higher stock of interest-bearing debt.

The April 2010 to March 2011 monthly results are not the final results for the year as a whole. The final year-end results will also reflect end-of-year adjustments that will be made once further information becomes available, including the accrual of tax revenues reflecting assessments of tax returns and valuation adjustments for assets and liabilities. We expect these end-of-year adjustments to increase the deficit from the \$34.4 billion amount reported above.

However, based on the results to date, the final 2010–11 deficit is expected to be lower than \$40.5 billion as projected in the March 22 budget, largely due to lower program expenses. A further update will be provided in the upcoming budget to be presented on June 6.

The Government will release the final audited outcome for 2010–11 in the *Annual Financial Report of the Government of Canada* in the fall.

### March 2011

There was a budgetary deficit of \$6.2 billion in March 2011, compared to a \$6.4-billion deficit in March 2010.

Revenues decreased by \$0.2 billion, or 0.7 per cent, to \$22.9 billion.

- Personal income tax revenues were up \$0.5 billion, or 4.5 per cent.
- Corporate income tax revenues were down \$0.8 billion, or 14.1 per cent.
- Non-resident income tax revenues were down \$0.3 billion, or 59.0 per cent.

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



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- Excise taxes and duties were down \$0.3 billion, or 7.9 per cent. GST revenues were down \$0.5 billion, or 18.0 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 \$2 million, customs import duties were up \$0.1 billion, and other excise taxes and duties were up \$0.1 billion.
- EI premium revenues were up \$45 million, or 2.3 per cent, consistent with the 2011 premium rate of \$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 \$0.7 billion, or 41.8 per cent, reflecting an increase in net profits of enterprise Crown corporations and a year-over-year change in foreign exchange gains and losses.

Program expenses in March 2011 were \$26.5 billion, down \$0.5 billion, or 2.0 per cent, from March 2010. Program expenses include transfer payments and other program expenses.

Transfer payments increased by \$0.9 billion, or 5.8 per cent.

- Major transfers to persons, consisting of elderly, EI and children's benefits, decreased by \$11 million, or 0.2 per cent. Elderly benefits increased by \$0.1 billion, or 4.7 per cent. EI benefit payments decreased by \$0.2 billion, or 9.9 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 \$41 million.

- 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 \$0.2 billion, or 4.3 per cent.
- Other transfer payments were up \$1.1 billion, or 21.2 per cent, largely reflecting an increase in infrastructure transfers as well as increases in a number of other transfer payments recorded by departments.

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 \$1.4 billion, or 12.1 per cent, from the previous year, due to year-end accrual adjustments.

Public debt charges increased by \$0.1 billion, or 5.1 per cent.

## April 2010 to March 2011

For the April 2010 to March 2011 period, there was a budgetary deficit of \$34.4 billion, compared to a deficit of \$47.0 billion reported during the same period of 2009–10. Roughly \$17 billion of the \$34.4-billion deficit was attributable to actions taken under Canada's Economic Action Plan.

Revenues increased by \$12.9 billion, or 5.9 per cent, to \$233.1 billion.

- Personal income tax revenues were up \$6.1 billion, or 5.6 per cent.
- Corporate income tax revenues were up \$0.6 billion, or 2.3 per cent, reflecting a decline in receipts of about 7 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 \$0.6 billion, or 10.8 per cent.
- Excise taxes and duties were up \$2.3 billion, or 6.0 per cent. GST revenues were up \$1.5 billion, or 6.0 per cent. Energy taxes were up \$0.1 billion, customs import duties were up \$0.1 billion, and other excise taxes and duties were up \$0.6 billion.
- EI premium revenues were up \$1.0 billion, or 5.8 per cent, reflecting growth in insurable earnings and the 2011 premium rate of \$1.78 per \$100 of insurable earnings.
- Other revenues were up \$3.5 billion, or 15.4 per cent, reflecting an increase in the net profits of enterprise Crown corporations, gains realized on the Government's sale of common shares in General Motors, and a year-over-year change in foreign exchange gains and losses.

For the April 2010 to March 2011 period, program expenses were \$236.7 billion, down \$1.0 billion, or 0.4 per cent, from the same period of 2009–10.

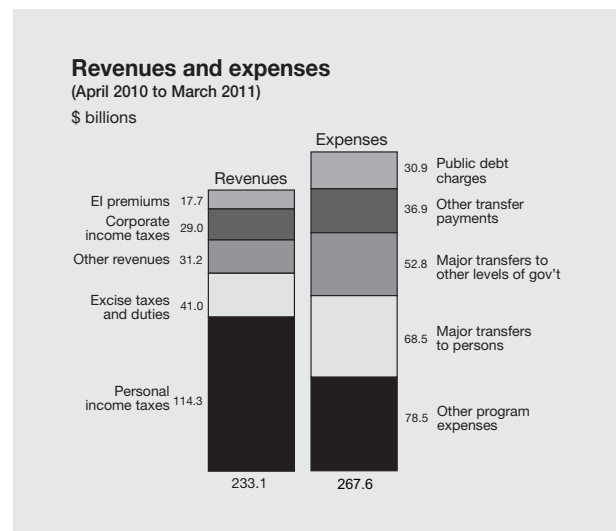
Transfer payments decreased by \$0.5 billion, or 0.3 per cent, from the same period the previous year.

- Major transfers to persons were down \$0.3 billion, or 0.5 per cent. Elderly benefits increased by \$1.1 billion, or 3.1 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 \$1.8 billion, or 8.1 per cent, reflecting a decrease in regular benefits. Children's benefits were up \$0.4 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 \$1.5 billion, or 2.9 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 \$1.6 billion, or 4.3 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 decreased by \$0.5 billion, or 0.6 per cent, from the previous year's level.

Public debt charges increased by \$1.4 billion, or 4.7 per cent, reflecting a higher stock of interest-bearing debt.



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## **Financial requirement of \$47.2 billion for April 2010 to March 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.

With a budgetary deficit of \$34.4 billion and a requirement of \$12.7 billion from non-budgetary transactions, there was a financial requirement of \$47.2 billion for the April 2010 to March 2011 period, compared to a financial requirement of \$64.5 billion for the same period the previous year. 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 \$31.7 billion**

The Government financed this financial requirement of \$47.2 billion by increasing market debt by \$31.7 billion and reducing cash balances by \$15.5 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 March 2011 stood at \$10.2 billion, down \$15.3 billion from their level at the end of March 2010.

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Table 1

## Summary statement of transactions

	March		April to March	
	2010	2011	2009–10	2010–11
	(\$ millions)			
<b>Budgetary transactions</b>				
Revenues	23,051	22,881	220,194	233,133
Expenses				
Program expenses	-27,043	-26,500	-237,648	-236,682
Public debt charges	-2,438	-2,562	-29,502	-30,892
Budgetary balance (deficit/surplus)	-6,430	-6,181	-46,956	-34,441
<b>Non-budgetary transactions</b>	8,146	5,801	-17,503	-12,746
<b>Financial source/requirement</b>	1,716	-380	-64,459	-47,187
<b>Net change in financing activities</b>	7,293	5,671	44,924	31,719
<b>Net change in cash balances</b>	9,009	5,291	-19,535	-15,468
<b>Cash balance at end of period</b>			25,501	10,157

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

Table 2

## Revenues

	March			April to March		
	2010	2011	Change	2009–10	2010–11	Change
	(\$ millions)		(%)	(\$ millions)		(%)
<b>Tax revenues</b>						
Income taxes						
Personal income tax	9,966	10,416	4.5	108,182	114,289	5.6
Corporate income tax	5,455	4,686	-14.1	28,324	28,965	2.3
Non-resident income tax	485	199	-59.0	5,562	4,959	-10.8
Total income tax	15,906	15,301	-3.8	142,068	148,213	4.3
Excise taxes and duties						
Goods and Services Tax	2,555	2,094	-18.0	25,139	26,649	6.0
Energy taxes	411	413	0.5	5,181	5,312	2.5
Customs import duties	283	377	33.2	3,470	3,561	2.6
Other excise taxes and duties	325	407	25.2	4,906	5,493	12.0
Total excise taxes and duties	3,574	3,291	-7.9	38,696	41,015	6.0
Total tax revenues	19,480	18,592	-4.6	180,764	189,228	4.7
<b>Employment Insurance premiums</b>	1,962	2,007	2.3	16,701	17,671	5.8
<b>Other revenues</b>	1,609	2,282	41.8	22,729	26,234	15.4
<b>Total revenues</b>	23,051	22,881	-0.7	220,194	233,133	5.9

Note: Totals may not add due to rounding.

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Table 3

## Expenses

	March			April to March		
	2010	2011	Change	2009–10	2010–11	Change
	(\$ millions)			(\$ millions)		
			(%)			(%)
<b>Transfer payments</b>						
Major transfers to persons						
Elderly benefits	2,918	3,054	4.7	34,646	35,726	3.1
Employment Insurance benefits	1,890	1,702	-9.9	21,772	20,002	-8.1
Children's benefits	1,058	1,099	3.9	12,430	12,785	2.9
Total	5,866	5,855	-0.2	68,848	68,513	-0.5
Major transfers to other levels of government						
Support for health and other social programs						
Canada Health Transfer	2,060	2,147	4.2	24,820	26,032	4.9
Canada Social Transfer	904	932	3.1	10,858	11,179	3.0
Total	2,964	3,079	3.9	35,678	37,211	4.3
Fiscal transfers	1,551	1,317	-15.1	16,443	16,900	2.8
Canada's cities and communities	31	24	-22.6	1,872	1,751	-6.5
Alternative Payments for Standing Programs	-232	-292	25.9	-2,703	-3,073	13.7
Total	4,314	4,128	-4.3	51,290	52,789	2.9
Other transfer payments						
Agriculture and Agri-Food	372	166	-55.4	1,780	1,978	11.1
Foreign Affairs and International Trade	1,611	1,258	-21.9	4,489	4,216	-6.1
Health	805	342	-57.5	3,095	2,619	-15.4
Human Resources and Skills Development	494	584	18.2	3,460	3,900	12.7
Indian Affairs and Northern Development	945	927	-1.9	5,662	5,846	3.2
Industry	72	392	444.4	2,780	3,379	21.5
Other	799	2,511	214.3	17,266	14,956	-13.4
Total	5,098	6,180	21.2	38,532	36,894	-4.3
Total transfer payments	15,278	16,163	5.8	158,670	158,196	-0.3
<b>Other program expenses</b>						
Crown corporations	1,301	1,086	-16.5	10,746	10,817	0.7
Defence	2,946	2,464	-16.4	20,562	19,719	-4.1
All other departments and agencies	7,518	6,787	-9.7	47,670	47,950	0.6
Total other program expenses	11,765	10,337	-12.1	78,978	78,486	-0.6
<b>Total program expenses</b>	27,043	26,500	-2.0	237,648	236,682	-0.4
<b>Public debt charges</b>	2,438	2,562	5.1	29,502	30,892	4.7
<b>Total expenses</b>	29,481	29,062	-1.4	267,150	267,574	0.2

Note: Totals may not add due to rounding.

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Table 4

## The budgetary balance and financial source/requirement

	March		April to March	
	2010	2011	2009–10	2010–11
	(\$ millions)			
<b>Budgetary balance (deficit/surplus)</b>	-6,430	-6,181	-46,956	-34,441
<b>Non-budgetary transactions</b>				
Capital investing activities	-2,258	-692	-5,788	-5,049
Other investing activities	-3,071	-504	-26,438	-2,922
Pension and other accounts	865	-168	7,553	4,970
Other activities				
Accounts payable, receivables, accruals and allowances	10,263	8,304	-1,167	-11,529
Foreign exchange activities	2,173	-332	5,095	-1,557
Amortization of tangible capital assets	174	-807	3,242	3,341
Total other activities	12,610	7,165	7,170	-9,745
Total non-budgetary transactions	8,146	5,801	-17,503	-12,746
<b>Financial source/requirement</b>	1,716	-380	-64,459	-47,187

Note: Totals may not add due to rounding.

Table 5

## Financial source/requirement and net financing activities

	March		April to March	
	2010	2011	2009–10	2010–11
	(\$ millions)			
<b>Financial source/requirement</b>	1,716	-380	-64,459	-47,187
<b>Net increase (+)/decrease (-) in financing activities</b>				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	8,066	6,119	72,691	47,823
Treasury bills	2,000	-600	-16,600	-12,900
Retail debt	-63	-2	-672	-1,754
Other	-2	0	-71	-425
Total	10,001	5,517	55,348	32,744
Foreign currency borrowings	-967	-65	-2,139	-614
Total	9,034	5,452	53,209	32,130
Cross-currency swap revaluation	-1,516	493	-7,923	-857
Unamortized discounts and premiums on market debt	-228	-228	-341	607
Obligations related to capital leases	3	-46	-21	-161
Net change in financing activities	7,293	5,671	44,924	31,719
<b>Change in cash balance</b>	9,009	5,291	-19,535	-15,468

Note: Totals may not add due to rounding.



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Table 6

## Condensed statement of assets and liabilities

	March 31, 2010	March 31, 2011	Change
		(\$ millions)	
<b>Liabilities</b>			
Accounts payable and accrued liabilities	120,525	113,245	-7,280
Interest-bearing debt			
Unmatured debt			
Payable in Canadian currency			
Marketable bonds	367,962	415,785	47,823
Treasury bills	175,849	162,949	-12,900
Retail debt	11,855	10,101	-1,754
Other	452	27	-425
Subtotal	556,118	588,862	32,744
Payable in foreign currencies	8,243	7,629	-614
Cross-currency swap revaluation	-4,233	-5,090	-857
Unamortized discounts and premiums on market debt	-5,092	-4,485	607
Obligations related to capital leases	4,090	3,929	-161
Total unamatured debt	559,126	590,845	31,719
Pension and other liabilities			
Public sector pensions	142,843	145,835	2,992
Other employee and veteran future benefits	54,227	56,922	2,695
Other liabilities	6,587	5,870	-717
Total pension and other liabilities	203,657	208,627	4,970
Total interest-bearing debt	762,783	799,472	36,689
<b>Total liabilities</b>	883,308	912,717	29,409
<b>Financial assets</b>			
Cash and accounts receivable	101,205	89,986	-11,219
Foreign exchange accounts	46,950	48,507	1,557
Loans, investments, and advances (net of allowances) <sup>1</sup>	152,681	157,761	5,080
<b>Total financial assets</b>	300,836	296,254	-4,582
<b>Net debt</b>	582,472	616,463	33,991
<b>Non-financial assets</b>	63,375	65,083	1,708
<b>Federal debt (accumulated deficit)</b>	519,097	551,380	32,283

Note: Totals may not add due to rounding.

<sup>1</sup> Includes \$2,158 million in other comprehensive income reported by enterprise Crown corporations and other government business enterprises in 2010–11.