

The Fiscal Monitor

A Publication of the Department of Finance

Highlights

April and May 2011: budgetary deficit of \$3.3 billion

For the first two months of the 2011–12 fiscal year (April and May), there was a budgetary deficit of \$3.3 billion, compared to a deficit of \$4.4 billion reported in the same period last year. By month, there was a deficit of \$0.4 billion in April and a deficit of \$2.9 billion in May.

For the two months combined, revenues increased by \$1.1 billion, or 2.9 per cent. This gain reflects higher personal income tax revenues, corporate income tax revenues and Employment Insurance (EI) premiums, partially offset by lower Goods and Services Tax (GST) revenues and other revenues. Program expenses were down \$0.7 billion, or 2.0 per cent, mainly reflecting lower transfer payments. Public debt charges increased by \$0.7 billion reflecting Consumer Price Index adjustments on real return bonds and a higher stock of interest-bearing debt.

April and May 2011 budgetary results

There was a budgetary deficit of \$3.3 billion in the April to May 2011 period, compared to a \$4.4-billion deficit for the same period in the previous year.

Revenues increased by \$1.1 billion, or 2.9 per cent, to \$38.3 billion.

- Personal income tax revenues were up \$1.4 billion, or 7.8 per cent.
- Corporate income tax revenues were up \$0.4 billion, or 10.0 per cent, reflecting an increase in receipts of roughly 6 per cent and a decline in refunds of about 1 per cent.
- Non-resident income tax revenues were up \$0.1 billion, or 7.0 per cent.
- Excise taxes and duties were down \$0.8 billion, or 11.8 per cent, driven almost entirely by lower GST revenues which were down 17.6 per cent. This is a result of timing differences between large values of GST owed to the government and credits claimed for GST paid on inputs, which can cause high volatility in net collections on a monthly basis. Energy taxes were up \$30 million, customs import duties were up \$15 million, and other excise taxes and duties were down \$0.1 billion.

- Employment Insurance premium revenues were up \$0.3 billion, or 8.5 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, sales of goods and services, returns on investments, foreign exchange net revenues and miscellaneous revenues, were down \$0.3 billion, or 7.3 per cent.

Total program expenses in the April to May 2011 period were \$35.9 billion, down \$0.7 billion, or 2.0 per cent, from the prior year. This decrease reflects lower transfer payments.

Transfer payments decreased by \$0.9 billion, or 3.4 per cent.

- Major transfers to persons, consisting of elderly benefits, EI benefits and children's benefits, decreased by \$36 million, or 0.3 per cent. Elderly benefits increased by \$0.3 billion, or 4.8 per cent. EI benefit payments decreased by \$0.4 billion, or 9.7 per cent. Children's benefits, which consist of the Canada Child Tax Benefit and the Universal Child Care Benefit (UCCB), increased by \$32 million, or 1.5 per cent.

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



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The Fiscal Monitor

- 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, were down \$0.3 billion. Legislated growth in transfer programs was more than offset by a decrease in the Canada's cities and communities transfer. The timing of the cities and communities transfer varies from year to year.
- Other transfer payments were down \$0.6 billion, or 12.5 per cent, from the prior year, reflecting a decline in infrastructure transfers, consistent with the wind-down of Canada's Economic Action Plan.

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 1.4 per cent, over the prior year.

Public debt charges increased by \$0.7 billion reflecting Consumer Price Index adjustments on real return bonds and a higher stock of interest-bearing debt.

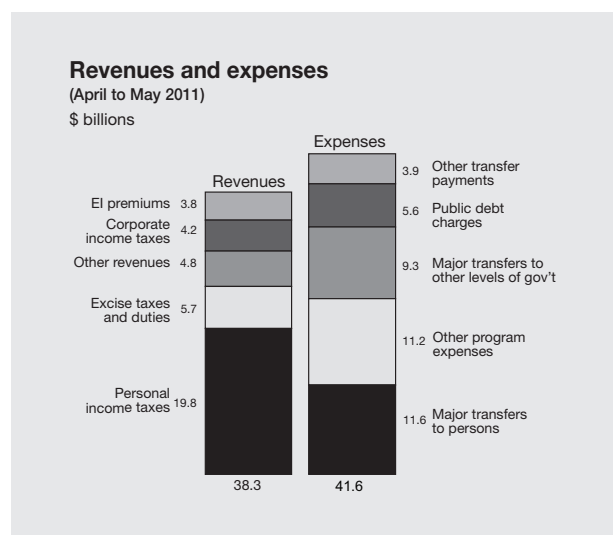
Financial requirement of \$10.1 billion for April and May 2011

The budgetary balance is presented on an accrual basis of accounting, recording government assets and liabilities 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 \$3.3 billion and a requirement of \$6.8 billion from non-budgetary transactions, there was a financial requirement of \$10.1 billion in the April to May 2011 period, compared to a financial requirement of \$13.4 billion from the same period the previous year.

Net financing activities up \$19.8 billion

The government financed this financial requirement of \$10.1 billion and increased cash balances by \$9.7 billion by increasing market debt by \$19.8 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 May 2011 stood at \$19.9 billion, down \$3.5 billion from their level at the end of May 2010.



The Fiscal Monitor

Table 1

Summary statement of transactions

	April		May		April to May	
	2010	2011	2010	2011	2010–11	2011–12
	(\$ millions)					
Budgetary transactions						
Revenues	18,612	20,000	18,586	18,281	37,198	38,281
Expenses						
Program expenses	-18,498	-17,793	-18,152	-18,140	-36,650	-35,933
Public debt charges	-2,554	-2,649	-2,423	-3,000	-4,977	-5,649
Budgetary balance (deficit/surplus)	-2,440	-442	-1,989	-2,859	-4,429	-3,301
Non-budgetary transactions	-6,591	-7,572	-2,388	783	-8,979	-6,789
Financial source/requirement	-9,031	-8,014	-4,377	-2,076	-13,408	-10,090
Net change in financing activities	1,154	4,601	9,975	15,198	11,129	19,799
Net change in cash balances	-7,877	-3,413	5,598	13,122	-2,279	9,709
Cash balance at end of period					23,342	19,860

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

Table 2

Revenues

	April		May		April to May		
	2010	2011	2010	2011	2010–11	2011–12	Change
	(\$ millions)						(%)
Tax revenues							
Income taxes							
Personal income tax	9,421	11,208	8,904	8,553	18,325	19,761	7.8
Corporate income tax	1,693	1,834	2,082	2,318	3,775	4,152	10.0
Non-resident income tax	288	459	450	331	738	790	7.0
Total income tax	11,402	13,501	11,436	11,202	22,838	24,703	8.2
Excise taxes and duties							
Goods and Services Tax	2,069	1,433	2,212	2,094	4,281	3,527	-17.6
Energy taxes	389	392	407	434	796	826	3.8
Customs import duties	259	273	244	245	503	518	3.0
Other excise taxes and duties	387	437	517	410	904	847	-6.3
Total excise taxes and duties	3,104	2,535	3,380	3,183	6,484	5,718	-11.8
Total tax revenues	14,506	16,036	14,816	14,385	29,322	30,421	3.7
Employment Insurance premiums	1,826	1,989	1,718	1,856	3,544	3,845	8.5
Other revenues	2,280	1,975	2,052	2,040	4,332	4,015	-7.3
Total revenues	18,612	20,000	18,586	18,281	37,198	38,281	2.9

Note: Totals may not add due to rounding.

The Fiscal Monitor

Table 3

Expenses

	April		May		April to May		
	2010	2011	2010	2011	2010–11	2011–12	Change
			(\$ millions)				(%)
Transfer payments							
Major transfers to persons							
Elderly benefits	2,908	3,054	2,937	3,073	5,845	6,127	4.8
Employment Insurance benefits	2,051	1,507	1,559	1,753	3,610	3,260	-9.7
Children's benefits	1,082	1,066	1,074	1,122	2,156	2,188	1.5
Total	6,041	5,627	5,570	5,948	11,611	11,575	-0.3
Major transfers to other levels of government							
Support for health and other social programs							
Canada Health Transfer	2,158	2,267	2,157	2,267	4,315	4,534	5.1
Canada Social Transfer	932	960	931	959	1,863	1,919	3.0
Total	3,090	3,227	3,088	3,226	6,178	6,453	4.5
Fiscal transfers	1,571	1,665	1,657	1,663	3,228	3,328	3.1
Canada's cities and communities	626	0	0	0	626	0	-100.0
Alternative Payments for Standing Programs	-246	-262	-246	-263	-492	-525	6.7
Total	5,041	4,630	4,499	4,626	9,540	9,256	-3.0
Other transfer payments							
Agriculture and Agri-Food	81	55	60	64	141	119	-15.6
Foreign Affairs and International Trade	49	244	484	188	533	432	-18.9
Health	218	179	231	295	449	474	5.6
Human Resources and Skills Development	159	156	254	182	413	338	-18.2
Indian Affairs and Northern Development	709	800	375	329	1,084	1,129	4.2
Industry	172	236	78	55	250	291	16.4
Other	769	586	790	508	1,559	1,094	-29.8
Total	2,157	2,256	2,272	1,621	4,429	3,877	-12.5
Total transfer payments	13,239	12,513	12,341	12,195	25,580	24,708	-3.4
Other program expenses							
Crown corporations	915	827	787	939	1,702	1,766	3.8
Defence	1,356	1,238	1,296	1,447	2,652	2,685	1.2
All other departments and agencies	2,988	3,215	3,728	3,559	6,716	6,774	0.9
Total other program expenses	5,259	5,280	5,811	5,945	11,070	11,225	1.4
Total program expenses	18,498	17,793	18,152	18,140	36,650	35,933	-2.0
Public debt charges	2,554	2,649	2,423	3,000	4,977	5,649	13.5
Total expenses	21,052	20,442	20,575	21,140	41,627	41,582	-0.1

Note: Totals may not add due to rounding.

The Fiscal Monitor

Table 4

The budgetary balance and financial source/requirement

	April		May		April to May	
	2010	2011	2010	2011	2010–11	2011–12
	(\$ millions)					
Budgetary balance (deficit/surplus)	-2,440	-442	-1,989	-2,859	-4,429	-3,301
Non-budgetary transactions						
Capital investing activities	-383	235	97	-303	-286	-68
Other investing activities	2	-158	219	129	221	-29
Pension and other accounts	260	455	795	440	1,055	895
Other activities						
Accounts payable, receivables, accruals and allowances	-6,768	-7,810	-3,711	1,998	-10,479	-5,812
Foreign exchange activities	-15	-646	-126	-1,825	-141	-2,471
Amortization of tangible capital assets	313	352	338	344	651	696
Total other activities	-6,470	-8,104	-3,499	517	-9,969	-7,587
Total non-budgetary transactions	-6,591	-7,572	-2,388	783	-8,979	-6,789
Financial source/requirement	-9,031	-8,014	-4,377	-2,076	-13,408	-10,090

Note: Totals may not add due to rounding.

Table 5

Financial source/requirement and net financing activities

	April		May		April to May	
	2010	2011	2010	2011	2010–11	2011–12
	(\$ millions)					
Financial source/requirement	-9,031	-8,014	-4,377	-2,076	-13,408	-10,090
Net increase (+)/decrease (-) in financing activities						
Unmatured debt transactions						
Canadian currency borrowings						
Marketable bonds	4,764	4,457	10,300	13,782	15,064	18,239
Treasury bills	-3,300	500	-100	700	-3,400	1,200
Retail debt	-67	-106	-48	-27	-115	-133
Other	-3	-4	-4	-4	-7	-8
Total	1,394	4,847	10,148	14,451	11,542	19,298
Foreign currency borrowings	86	26	-2	302	84	328
Total	1,480	4,873	10,146	14,753	11,626	19,626
Cross-currency swap revaluation	-229	-318	-202	515	-431	197
Unamortized discounts and premiums on market debt	-63	76	36	-58	-27	18
Obligations related to capital leases	-34	-30	-5	-12	-39	-42
Net change in financing activities	1,154	4,601	9,975	15,198	11,129	19,799
Change in cash balance	-7,877	-3,413	5,598	13,122	-2,279	9,709

Note: Totals may not add due to rounding.

For inquiries about this publication, contact Doug Nevison at 613-995-6391.

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