

# The Fiscal Monitor

A Publication of the Department of Finance

## Highlights

### June 2011: budgetary deficit of \$2.2 billion

There was a budgetary deficit of \$2.2 billion in June 2011, compared to a deficit of \$2.8 billion in June 2010.

Revenues increased by \$1.6 billion, or 8.7 per cent, reflecting increases in most revenue streams. Program expenses were up \$0.9 billion, or 5.1 per cent. Public debt charges increased by \$32 million.

### April to June 2011: budgetary deficit of \$5.5 billion

For the first three months of the 2011–12 fiscal year, the budgetary deficit stood at \$5.5 billion, compared to a deficit of \$7.2 billion reported in the same period of 2010–11.

Revenues were up \$2.6 billion, or 4.8 per cent, primarily reflecting higher income tax revenues, which were partially offset by lower Goods and Services Tax (GST) revenues. Program expenses were up \$0.2 billion, or 0.4 per cent. Public debt charges were up \$0.7 billion.

High-frequency indicators suggest that economic growth has slowed recently. However, the financial results through the first three months of the 2011–12 fiscal year are broadly consistent with those projected for 2011–12 in Budget 2011. An update of the economic and fiscal outlook for this year and beyond will be provided in the *Update of Economic and Fiscal Projections*.

## June 2011

There was a budgetary deficit of \$2.2 billion in June 2011, compared to a \$2.8-billion deficit in June 2010.

Revenues increased by \$1.6 billion, or 8.7 per cent, to \$19.4 billion.

- Personal income tax revenues were up \$0.6 billion, or 7.5 per cent.
- Corporate income tax revenues were up \$0.2 billion, or 8.2 per cent.
- Non-resident income tax revenues were up \$0.2 billion, or 63.4 per cent.
- Excise taxes and duties were up \$22 million, or 0.6 per cent. GST revenues were up \$24 million, or 1.1 per cent. Energy taxes

were down \$14 million, customs import duties were up \$11 million, and other excise taxes and duties were up \$1 million.

- Employment Insurance (EI) premium revenues were up \$0.1 billion, or 7.5 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, revenues from sales of goods and services, returns on investments, net foreign exchange revenues and miscellaneous revenues, were up \$0.4 billion, or 23.4 per cent, reflecting, in part, an increase in net profits from enterprise Crown corporations.

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



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Program expenses in June 2011 were \$19.0 billion, up \$0.9 billion, or 5.1 per cent, from June 2010. Program expenses include transfer payments and other program expenses.

Transfer payments increased by \$0.9 billion, or 7.7 per cent.

- Major transfers to persons, consisting of elderly, EI and children's benefits, increased by \$76 million, or 1.4 per cent. Elderly benefits increased by \$0.2 billion, or 5.1 per cent. EI benefit payments decreased by \$0.1 billion, or 6.1 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 \$10 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, increased by \$1.2 billion, or 28.4 per cent, reflecting legislated growth in transfer programs as well as an increase 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 \$0.3 billion, or 13.2 per cent, largely 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 decreased by \$3 million from the previous year.

Public debt charges increased by \$32 million, or 1.2 per cent.

## April to June 2011

For the first three months of the 2011–12 fiscal year, there was a budgetary deficit of \$5.5 billion, compared to a deficit of \$7.2 billion reported during the same period of 2010–11.

Revenues increased by \$2.6 billion, or 4.8 per cent, to \$57.7 billion.

- Personal income tax revenues were up \$2.1 billion, or 7.7 per cent.
- Corporate income tax revenues were up \$0.6 billion, or 9.3 per cent, reflecting an increase in receipts of about 3.6 per cent and a decrease of roughly 7.1 per cent in refunds of taxes paid.
- Non-resident income tax revenues were up \$0.2 billion, or 22.8 per cent.
- Excise taxes and duties were down \$0.7 billion, or 7.5 per cent, mainly reflecting a decrease in GST revenues of about \$0.7 billion, or 11.3 per cent. Energy taxes were up \$15 million, customs import duties were up \$26 million, and other excise taxes and duties were down \$55 million.
- EI premium revenues were up \$0.4 billion, or 8.2 per cent, reflecting growth in insurable earnings and the 2011 premium rate of \$1.78 per \$100 of insurable earnings.
- Other revenues were up \$0.1 billion, or 1.4 per cent.

For the April to June 2011 period, program expenses were \$55.0 billion, up \$0.2 billion, or 0.4 per cent, from the same period the previous year.

Transfer payments increased by \$47 million, or 0.1 per cent.

- Major transfers to persons were up \$40 million, or 0.2 per cent. Elderly benefits increased by \$0.4 billion, or 4.9 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 \$0.4 billion, or 8.7 per cent, reflecting a decrease in regular benefits. Children's benefits were up \$42 million.

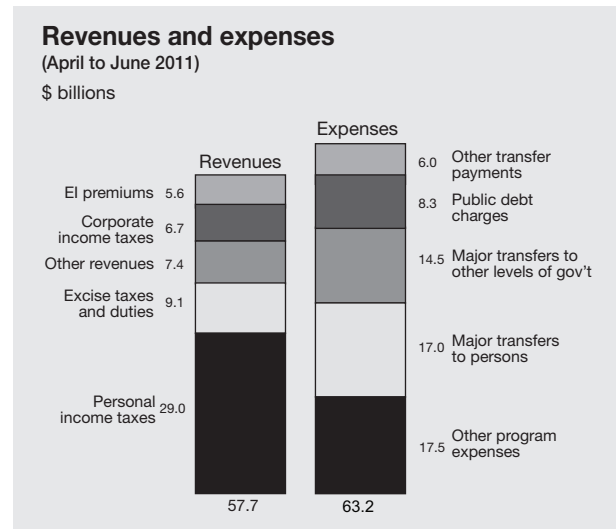
- Major transfers to other levels of government were up \$0.9 billion, or 6.4 per cent, largely reflecting legislated growth in transfers.
- Other transfer payments were down \$0.9 billion, or 12.7 per cent, reflecting a decline in infrastructure transfers, consistent with the wind-down of Canada's Economic Action Plan.

Other program expenses increased by \$0.2 billion, or 0.9 per cent, from the previous year's level.

Public debt charges increased by \$0.7 billion, or 9.3 per cent, reflecting Consumer Price Index adjustments on real return bonds and a higher stock of interest-bearing debt.

## Financial requirement of \$15.8 billion for April to June 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 \$5.5 billion and a requirement of \$10.3 billion from non-budgetary transactions, there was a financial requirement of \$15.8 billion for the April to June 2011 period, compared to a financial requirement of \$22.8 billion for the same period the previous year.

## Net financing activities up \$13.0 billion

The Government financed this financial requirement of \$15.8 billion by increasing market debt by \$13.0 billion and reducing cash balances by \$2.8 billion. The increase in market debt was achieved primarily through the issuance of marketable bonds and treasury bills. 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 June 2011 stood at \$7.4 billion, up \$0.8 billion from their level at the end of June 2010.

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Table 1

## Summary statement of transactions

	June		April to June	
	2010	2011	2010–11	2011–12
	(\$ millions)			
<b>Budgetary transactions</b>				
Revenues	17,886	19,442	55,084	57,723
Expenses				
Program expenses	-18,109	-19,025	-54,759	-54,958
Public debt charges	-2,578	-2,610	-7,555	-8,259
Budgetary balance (deficit/surplus)	-2,801	-2,193	-7,230	-5,494
<b>Non-budgetary transactions</b>	-6,584	-3,475	-15,563	-10,264
<b>Financial source/requirement</b>	-9,385	-5,668	-22,793	-15,758
<b>Net change in financing activities</b>	-7,373	-6,840	3,756	12,959
<b>Net change in cash balances</b>	-16,758	-12,508	-19,037	-2,799
<b>Cash balance at end of period</b>			6,585	7,355

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

Table 2

## Revenues

	June			April to June		
	2010	2011	Change	2010–11	2011–12	Change
	(\$ millions)		(%)	(\$ millions)		(%)
<b>Tax revenues</b>						
Income taxes						
Personal income tax	8,600	9,244	7.5	26,925	29,005	7.7
Corporate income tax	2,315	2,505	8.2	6,090	6,657	9.3
Non-resident income tax	287	469	63.4	1,025	1,259	22.8
Total income tax	11,202	12,218	9.1	34,040	36,921	8.5
Excise taxes and duties						
Goods and Services Tax	2,178	2,202	1.1	6,459	5,729	-11.3
Energy taxes	424	410	-3.3	1,221	1,236	1.2
Customs import duties	322	333	3.4	825	851	3.2
Other excise taxes and duties	461	462	0.2	1,364	1,309	-4.0
Total excise taxes and duties	3,385	3,407	0.6	9,869	9,125	-7.5
Total tax revenues	14,587	15,625	7.1	43,909	46,046	4.9
<b>Employment Insurance premiums</b>	1,593	1,712	7.5	5,137	5,557	8.2
<b>Other revenues</b>	1,706	2,105	23.4	6,038	6,120	1.4
<b>Total revenues</b>	17,886	19,442	8.7	55,084	57,723	4.8

Note: Totals may not add due to rounding.

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Table 3

## Expenses

	June			April to June		
	2010	2011	Change	2010–11	2011–12	Change
	(\$ millions)			(\$ millions)		
			(%)			(%)
<b>Transfer payments</b>						
Major transfers to persons						
Elderly benefits	2,945	3,095	5.1	8,790	9,222	4.9
Employment Insurance benefits	1,381	1,297	-6.1	4,991	4,557	-8.7
Children's benefits	1,056	1,066	0.9	3,212	3,254	1.3
Total	5,382	5,458	1.4	16,993	17,033	0.2
Major transfers to other levels of government						
Support for health and other social programs						
Canada Health Transfer	2,158	2,266	5.0	6,473	6,800	5.1
Canada Social Transfer	932	960	3.0	2,795	2,879	3.0
Total	3,090	3,226	4.4	9,268	9,679	4.4
Fiscal transfers	1,237	1,405	13.6	4,465	4,733	6.0
Canada's cities and communities	0	873	n/a	626	873	39.5
Alternative Payments for Standing Programs	-245	-262	6.9	-737	-787	6.8
Total	4,082	5,242	28.4	13,622	14,498	6.4
Other transfer payments						
Agriculture and Agri-Food	87	64	-26.4	228	183	-19.7
Foreign Affairs and International Trade	186	187	0.5	719	619	-13.9
Health	143	160	11.9	592	634	7.1
Human Resources and Skills Development	368	432	17.4	781	770	-1.4
Indian Affairs and Northern Development	371	368	-0.8	1,455	1,497	2.9
Industry	103	139	35.0	353	430	21.8
Other	1,152	743	-35.5	2,711	1,837	-32.2
Total	2,410	2,093	-13.2	6,839	5,970	-12.7
Total transfer payments	11,874	12,793	7.7	37,454	37,501	0.1
<b>Other program expenses</b>						
Crown corporations	865	761	-12.0	2,567	2,527	-1.6
Defence	1,491	1,673	12.2	4,143	4,358	5.2
All other departments and agencies	3,879	3,798	-2.1	10,595	10,572	-0.2
Total other program expenses	6,235	6,232	0.0	17,305	17,457	0.9
<b>Total program expenses</b>	18,109	19,025	5.1	54,759	54,958	0.4
<b>Public debt charges</b>	2,578	2,610	1.2	7,555	8,259	9.3
<b>Total expenses</b>	20,687	21,635	4.6	62,314	63,217	1.4

Note: Totals may not add due to rounding.

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Table 4

## The budgetary balance and financial source/requirement

	June		April to June	
	2010	2011	2010-11	2011-12
	(\$ millions)			
<b>Budgetary balance (deficit/surplus)</b>	-2,801	-2,193	-7,230	-5,494
<b>Non-budgetary transactions</b>				
Capital investing activities	-613	-175	-899	-243
Other investing activities	314	685	535	656
Pension and other accounts	446	365	1,501	1,260
Other activities				
Accounts payable, receivables, accruals and allowances	-6,925	-6,266	-17,404	-12,078
Foreign exchange activities	-133	1,546	-274	-925
Amortization of tangible capital assets	327	370	978	1,066
Total other activities	-6,731	-4,350	-16,700	-11,937
Total non-budgetary transactions	-6,584	-3,475	-15,563	-10,264
<b>Financial source/requirement</b>	-9,385	-5,668	-22,793	-15,758

Note: Totals may not add due to rounding.

Table 5

## Financial source/requirement and net financing activities

	June		April to June	
	2010	2011	2010-11	2011-12
	(\$ millions)			
<b>Financial source/requirement</b>	-9,385	-5,668	-22,793	-15,758
<b>Net increase (+)/decrease (-) in financing activities</b>				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	-338	-10,298	14,726	7,941
Treasury bills	-7,600	3,200	-11,000	4,400
Retail debt	-85	-49	-200	-182
Other	-380	-5	-387	-13
Total	-8,403	-7,152	3,139	12,146
Foreign currency borrowings	150	57	234	385
Total	-8,253	-7,095	3,373	12,531
Cross-currency swap revaluation	789	324	358	521
Unamortized discounts and premiums on market debt	101	-57	74	-39
Obligations related to capital leases	-10	-12	-49	-54
<b>Net change in financing activities</b>	-7,373	-6,840	3,756	12,959
<b>Change in cash balance</b>	-16,758	-12,508	-19,037	-2,799

Note: Totals may not add due to rounding.

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

Ce document est également offert en français.

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