

Department of Finance Canada

The Fiscal Monitor

A publication of the Department of Finance

Highlights

October 2013: budgetary deficit of \$2.5 billion

There was a budgetary deficit of \$2.5 billion in October 2013, in line with the deficit of \$2.5 billion in October 2012.

Revenues decreased by \$0.1 billion, or 0.7 per cent, as increases in personal income tax and other revenues were offset by decreases in corporate income tax and Goods and Services Tax (GST) revenues. Program expenses increased by \$0.1 billion, or 0.4 per cent. Public debt charges decreased by \$0.2 billion, or 8.0 per cent.

April to October 2013: budgetary deficit of \$13.2 billion

For the April to October 2013 period of the 2013–14 fiscal year, the budgetary deficit stood at \$13.2 billion, compared to a deficit of \$11.9 billion reported in the same period of 2012–13. Absent the impact of the 2013 Alberta flood and the gain realized on the sale of General Motors common stock, the deficit for the April to October 2013 period would have been \$11.1 billion.

Revenues were up \$4.1 billion, or 2.9 per cent, reflecting increases in personal income tax, GST, Employment Insurance (EI) premium and other revenues. Program expenses were up \$5.4 billion, or 4.0 per cent, reflecting increases in major transfers to persons and other levels of government and direct program expenses. Public debt charges were down \$42 million, or 0.2 per cent.

October 2013

There was a budgetary deficit of \$2.5 billion in October 2013, in line with the deficit of \$2.5 billion in October 2012.

Revenues decreased by \$0.1 billion, or 0.7 per cent, to \$20.0 billion.

- Personal income tax revenues were up \$0.4 billion, or 3.8 per cent.
- Corporate income tax revenues were down \$0.4 billion, or 16.4 per cent.
- Non-resident income tax revenues were down \$0.1 billion, or 17.9 per cent.
- Excise taxes and duties were down \$0.5 billion, or 12.9 per cent. GST revenues were down \$0.4 billion, or 17.3 per cent, following a large increase in the previous month. Energy taxes were down \$32 million, customs import duties were up \$28 million, and other excise taxes and duties were down \$0.1 billion.
- EI premium revenues were up \$0.1 billion, or 11.0 per cent, consistent with the 2013 premium rate of \$1.88 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 \$0.3 billion, or 16.8 per cent.

Program expenses in October 2013 were \$20.2 billion, up \$0.1 billion, or 0.4 per cent, from October 2012.

- Major transfers to persons, consisting of elderly, EI and children's benefits, increased by \$0.1 billion, or 2.1 per cent.

Elderly benefits increased by \$0.1 billion, or 4.2 per cent, due to growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. EI benefit payments decreased by \$36 million, or 3.2 per cent. Children's benefits, which consist of the Canada Child Tax Benefit and the Universal Child Care Benefit, increased by \$14 million, or 1.3 per cent.

- Major transfers to other levels of government consist of federal transfers in support of health and other social programs (primarily the Canada Health Transfer and the Canada Social Transfer), fiscal arrangements and other transfers (Equalization, transfers to the territories, as well as a number of smaller transfer programs), transfers to provinces on behalf of Canada's cities and communities, and the Quebec Abatement. Major transfers to other levels of government increased by \$0.4 billion, or 8.6 per cent, due to legislated growth in the Canada Health Transfer, the Canada Social Transfer, Equalization transfers and transfers to the territories, as well as an increase in transfers to Canada's cities and communities.
- Direct program expenses include transfer payments to individuals and other organizations not included in major transfers to persons and other levels of government, and other direct program expenses, which consist of operating expenses of National Defence, other departments and agencies, and expenses of Crown corporations. Direct program expenses were down \$0.4 billion, or 4.6 per cent, from the previous year. Within direct program expenses:
 - Transfer payments decreased by \$4 million, or 0.1 per cent.
 - Other direct program expenses decreased by \$0.4 billion, or 6.6 per cent, largely reflecting a decrease in operating expenses of National Defence.

Public debt charges decreased by \$0.2 billion, or 8.0 per cent.

April to October 2013

For the April to October 2013 period of the 2013–14 fiscal year, there was a budgetary deficit of \$13.2 billion, compared to a deficit of \$11.9 billion reported during the same period of 2012–13.

Revenues increased by \$4.1 billion, or 2.9 per cent, to \$144.9 billion.

- Personal income tax revenues were up \$2.2 billion, or 3.1 per cent.
- Corporate income tax revenues were down \$1.0 billion, or 5.8 per cent.
- Non-resident income tax revenues were up \$0.2 billion, or 7.8 per cent.
- Excise taxes and duties were up \$0.3 billion, or 1.2 per cent, largely reflecting a \$0.4-billion increase in GST revenues. Energy taxes decreased by \$30 million, customs import duties increased by \$0.1 billion, and other excise taxes and duties decreased by \$0.2 billion.
- EI premium revenues were up \$1.0 billion, or 9.2 per cent, reflecting growth in insurable earnings and the 2013 premium rate of \$1.88 per \$100 of insurable earnings.
- Other revenues were up \$1.4 billion, or 9.7 per cent, largely reflecting the gain realized on the sale of General Motors common shares in September 2013 as well as an increase in interest and penalties on taxes receivable.

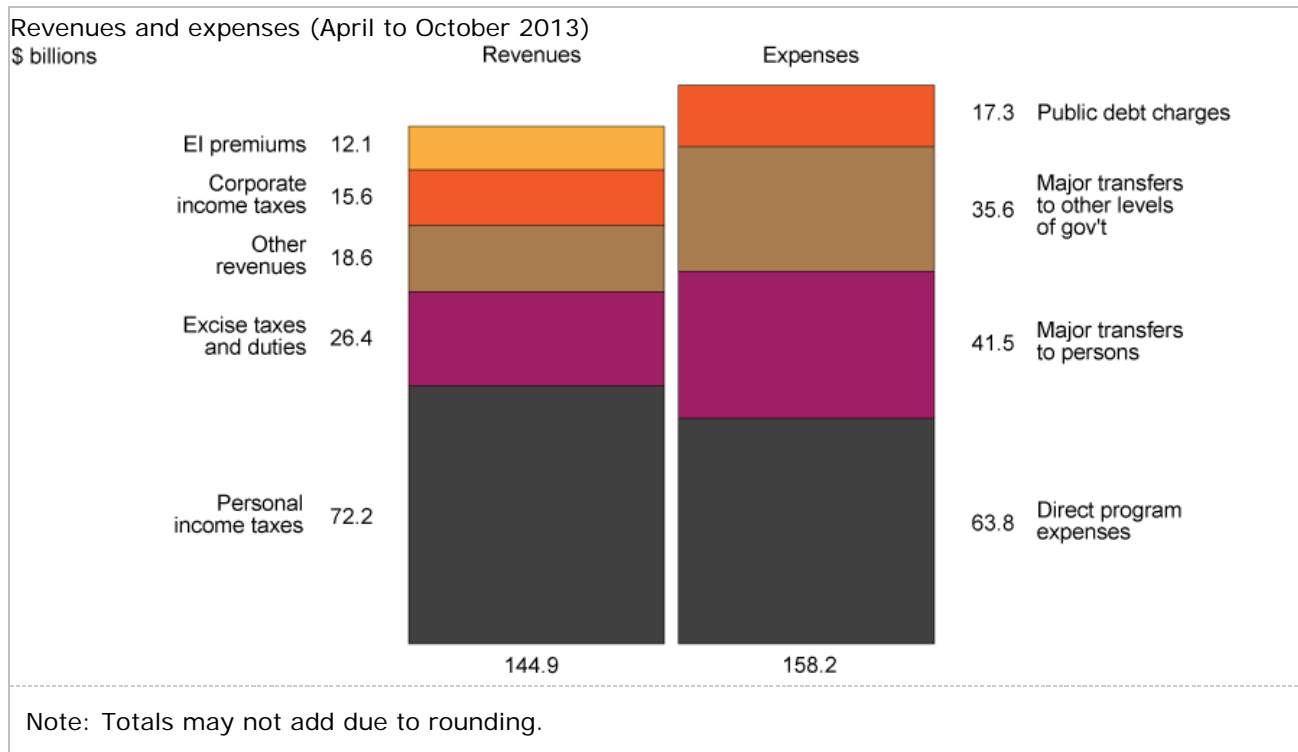
For the April to October 2013 period, program expenses were \$140.9 billion, up \$5.4 billion, or 4.0 per cent, from the same period the previous year.

- Major transfers to persons were up \$1.0 billion, or 2.4 per cent. Elderly benefits increased by \$0.9 billion, or 4.0 per cent, reflecting growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. EI benefit payments decreased by \$0.1 billion, or 0.6 per cent, and children's benefits were up \$0.1 billion, or 1.3 per cent.
- Major transfers to other levels of government were up \$1.2 billion, or 3.4 per cent, reflecting legislated growth in the Canada Health Transfer, the Canada Social Transfer, Equalization transfers and transfers to the territories, offset in part by a decrease in total transfer protection payments.
- Direct program expenses were up \$3.3 billion, or 5.4 per cent. Within direct program expenses:
 - Transfer payments increased by \$3.4 billion, or 19.2 per cent, largely reflecting the accrual of a liability for disaster assistance related to the 2013 flood in Alberta and an increase in expenses associated with the revaluation of the Government's liability to Ontario for the province's one-third participation in the value of the Government's

equity holdings in General Motors.

- o Other direct program expenses decreased by \$0.1 billion, or 0.1 per cent.

Public debt charges decreased by \$42 million, or 0.2 per cent.



Financial requirement of \$7.8 billion for April to October 2013

The budgetary balance is presented on an accrual basis of accounting, recording government revenues and expenses when they are earned 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 \$13.2 billion and a source of \$5.5 billion from non-budgetary transactions, there was a financial requirement of \$7.8 billion for the April to October 2013 period, compared to a financial requirement of \$22.3 billion for the same period the previous year.

Net financing activities up \$15.4 billion

The Government financed this financial requirement of \$7.8 billion and increased cash balances by \$7.6 billion by increasing market debt by \$15.4 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 October 2013 stood at \$31.9 billion, up \$15.6 billion from their level at the end of October 2012, largely reflecting increased deposits held with the Bank of Canada under the Government's prudential liquidity plan.

Table 1
 Summary statement of transactions
 \$ millions

	October		April to October	
	2012 ¹	2013	2012–13 ¹	2013–14
Budgetary transactions				
Revenues	20,107	19,962	140,817	144,926
Expenses				
Program expenses	-20,085	-20,174	-135,447	-140,886
Public debt charges	-2,538	-2,336	-17,315	-17,273
Budgetary balance (deficit/surplus)	-2,516	-2,548	-11,945	-13,233
Non-budgetary transactions	1,853	13,506	-10,376	5,463
Financial source/requirement	-663	10,958	-22,321	-7,770
Net change in financing activities	-1,221	-7,995	25,323	15,377
Net change in cash balances	-1,884	2,963	3,002	7,607
Cash balance at end of period			16,336	31,919

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

¹ Comparative figures have been restated to reflect accounting changes in 2013–14 and to conform with the presentation in the *Public Accounts of Canada 2013*.

Table 2
Revenues

	October			April to October		
	2012 (\$ millions)	2013 (\$ millions)	Change (%)	2012-13 (\$ millions)	2013-14 (\$ millions)	Change (%)
Tax revenues						
Income taxes						
Personal income tax ¹	10,273	10,668	3.8	70,080	72,232	3.1
Corporate income tax ²	2,396	2,002	-16.4	16,542	15,576	-5.8
Non-resident income tax ³	513	421	-17.9	2,739	2,952	7.8
Total income tax	13,182	13,091	-0.7	89,361	90,760	1.6
Excise taxes and duties						
Goods and Services Tax	2,536	2,097	-17.3	17,267	17,636	2.1
Energy taxes	517	485	-6.2	3,181	3,151	-0.9
Customs import duties	351	379	8.0	2,393	2,516	5.1
Other excise taxes and duties	493	433	-12.2	3,289	3,135	-4.7
Total excise taxes and duties	3,897	3,394	-12.9	26,130	26,438	1.2
Total tax revenues	17,079	16,485	-3.5	115,491	117,198	1.5
Employment Insurance premiums	1,028	1,141	11.0	11,030	12,050	9.2
Other revenues⁴	2,000	2,336	16.8	14,296	15,678	9.7
Total revenues	20,107	19,962	-0.7	140,817	144,926	2.9

Note: Totals may not add due to rounding.

¹ Comparative figures have been restated to reflect a change in methodology for reporting monthly personal income tax revenue.

² Comparative figures have been restated to reflect a change in methodology for reporting monthly corporate income tax revenue.

³ Comparative figures have been restated to reflect a change in methodology for reporting monthly non-resident income tax revenue.

⁴ Comparative figures have been restated to reflect the reclassification of interest owed to taxpayers from other revenues to other direct program expenses of departments and agencies.

Table 3
Expenses

	October			April to October		
	2012 (\$ millions)	2013 (\$ millions)	Change (%)	2012-13 (\$ millions)	2013-14 (\$ millions)	Change (%)
Major transfers to persons						
Elderly benefits	3,393	3,535	4.2	23,256	24,194	4.0
Employment Insurance benefits	1,142	1,106	-3.2	9,640	9,581	-0.6
Children's benefits	1,099	1,113	1.3	7,606	7,708	1.3
Total	5,634	5,754	2.1	40,502	41,483	2.4
Major transfers to other levels of government						
Support for health and other social programs						
Canada Health Transfer	2,402	2,554	6.3	16,811	17,821	6.0
Canada Social Transfer	988	1,018	3.0	6,918	7,126	3.0
Total	3,390	3,572	5.4	23,729	24,947	5.1
Fiscal arrangements and other transfers	1,497	1,568	4.7	11,746	11,639	-0.9
Canada's cities and communities	295	472	60.0	1,330	1,487	11.8
Quebec Abatement	-344	-359	4.4	-2,404	-2,513	4.5
Total	4,838	5,253	8.6	34,401	35,560	3.4
Direct program expenses						
Transfer payments ¹						
Aboriginal Affairs and Northern Development	777	619	-20.3	3,438	3,333	-3.1
Agriculture and Agri-Food	73	80	9.6	591	473	-20.0
Foreign Affairs and International Trade	142	177	24.6	1,248	1,431	14.7
Health	183	165	-9.8	1,476	1,703	15.4
Human Resources and Skills Development	302	477	57.9	3,149	3,068	-2.6
Industry	271	261	-3.7	1,255	1,425	13.5
Other	1,124	1,089	-3.1	6,361	9,447	48.5
Total	2,872	2,868	-0.1	17,518	20,880	19.2
Other direct program expenses						
Crown corporations	676	728	7.7	4,551	4,540	-0.2
National Defence	2,158	1,327	-38.5	11,875	11,452	-3.6
All other departments and agencies ²	3,907	4,244	8.6	26,600	26,971	1.4
Total other direct program expenses	6,741	6,299	-6.6	43,026	42,963	-0.1

Total direct program expenses	9,613	9,167	-4.6	60,544	63,843	5.4
Total program expenses	20,085	20,174	0.4	135,447	140,886	4.0
Public debt charges	2,538	2,336	-8.0	17,315	17,273	-0.2
Total expenses	22,623	22,510	-0.5	152,762	158,159	3.5

Note: Totals may not add due to rounding.

¹ Year to date amounts for 2013–14 have been reclassified to reflect changes in ministerial portfolios in 2013–14.

² Comparative figures have been restated to reflect the reclassification of interest owed to taxpayers from other revenues to other direct program expenses of departments and agencies.

Table 4
The budgetary balance and financial source/requirement
\$ millions

	October		April to October	
	2012	2013	2012–13	2013–14
Budgetary balance (deficit/surplus)	-2,516	-2,548	-11,945	-13,233
Non-budgetary transactions				
Capital investment activities	-223	-798	-1,304	-2,561
Other investing activities	-561	12,116	-3,010	14,284
Pension and other accounts	290	195	3,572	2,747
Other activities				
Accounts payable, receivables, accruals and allowances ¹	2,983	2,486	-13,879	-7,617
Foreign exchange activities	-942	-689	1,857	-3,811
Amortization of tangible capital assets	306	196	2,388	2,421
Total other activities	2,347	1,993	-9,634	-9,007
Total non-budgetary transactions	1,853	13,506	-10,376	5,463
Financial source/requirement	-663	10,958	-22,321	-7,770

Note: Totals may not add due to rounding.

¹ Comparative figures have been restated to reflect a change in methodology for reporting monthly personal, corporate and non-resident income tax revenues.

Table 5
Financial source/requirement and net financing activities
\$ millions

	October		April to October	
	2012	2013	2012–13	2013–14
Financial source/requirement	-663	10,958	-22,321	-7,770
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	2,915	6,725	9,024	12,961
Treasury bills	-4,900	-15,500	14,900	-300
Retail debt	-51	-38	-243	-244
Other	0	0	-11	0
Total	-2,036	-8,813	23,670	12,417
Foreign currency borrowings	102	99	-10	471
Total	-1,934	-8,714	23,660	12,888
Cross-currency swap revaluation	786	641	459	2,384
Unamortized discounts and premiums on market debt	-63	73	1,307	98
Obligations related to capital leases and other unmaturing debt	-10	5	-103	7
Net change in financing activities	-1,221	-7,995	25,323	15,377
Change in cash balance	-1,884	2,963	3,002	7,607

Note: Totals may not add due to rounding.

Table 6
Condensed statement of assets and liabilities
\$ millions

	March 31, 2013	October 31, 2013	Change
Liabilities			
Accounts payable and accrued liabilities	118,744	107,441	-11,303
Interest-bearing debt			
Unmatured debt			
Payable in Canadian currency			
Marketable bonds	469,039	482,000	12,961
Treasury bills	180,689	180,389	-300
Retail debt	7,481	7,237	-244
Subtotal	657,209	669,626	12,417
Payable in foreign currencies	10,802	11,273	471
Cross-currency swap revaluation	-3,419	-1,035	2,384
Unamortized discounts and premiums on market debt	-2,156	-2,058	98
Obligations related to capital leases and other unamortized debt	4,564	4,571	7
Total unamortized debt	667,000	682,377	15,377
Pension and other liabilities			
Public sector pensions	151,667	151,962	295
Other employee and veteran future benefits	67,301	69,858	2,557
Other liabilities	6,046	5,941	-105
Total pension and other liabilities	225,014	227,761	2,747
Total interest-bearing debt	892,014	910,138	18,124
Total liabilities	1,010,758	1,017,579	6,821
Financial assets			
Cash and accounts receivable	124,154	128,075	3,921
Foreign exchange accounts	58,759	62,570	3,811
Loans, investments, and advances (net of allowances) ¹	156,482	144,987	-11,495
Total financial assets	339,395	335,632	-3,763
Net debt	671,363	681,947	10,584
Non-financial assets	68,922	69,062	140
Federal debt (accumulated deficit)	602,441	612,885	10,444

Note: Totals may not add due to rounding.

¹ October 31, 2013 amount includes \$2.8 billion in other comprehensive income reported by enterprise Crown corporations and other government business enterprises for the April to October 2013 period.

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

For inquiries about this publication, contact Nicholas Leswick at 613-995-6391.

December 2013

Date modified: 2013-12-23