

Department of Finance Canada

The Fiscal Monitor

A publication of the Department of Finance

Highlights

August 2013: budgetary deficit of \$2.3 billion

There was a budgetary deficit of \$2.3 billion in August 2013, compared to a deficit of \$3.0 billion in August 2012.

Revenues increased by \$0.1 billion, or 0.6 per cent, as increases in income tax revenues, Employment Insurance (EI) premium revenues and other revenues were offset by decreases in Goods and Services Tax (GST) revenues and other excise taxes and duties. Program expenses decreased by \$0.8 billion, or 3.8 per cent, as increases in major transfers to persons and other levels of government were more than offset by a decrease in direct program expenses. Public debt charges increased by \$0.1 billion, or 6.4 per cent.

April to August 2013: budgetary deficit of \$6.8 billion

For the April to August 2013 period of the 2013–14 fiscal year, the budgetary deficit stood at \$6.8 billion, compared to a deficit of \$7.2 billion reported in the same period of 2012–13.

Revenues were up \$2.3 billion, or 2.2 per cent, reflecting increases in personal income tax revenues, EI premium revenues and other revenues. Program expenses were up \$1.8 billion, or 1.9 per cent, reflecting increases in major transfers to persons and other levels of government and direct program expenses. Public debt charges were up \$0.1 billion, or 0.6 per cent.

August 2013

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There was a budgetary deficit of \$2.3 billion in August 2013, compared to a deficit of \$3.0 billion in August 2012.

Revenues increased by \$0.1 billion, or 0.6 per cent, to \$19.3 billion.

- Personal income tax revenues were up \$0.3 billion, or 2.6 per cent.
- Corporate income tax revenues were up \$0.2 billion, or 13.8 per cent.
- Non-resident income tax revenues were up \$0.1 billion, or 17.2 per cent.
- Excise taxes and duties were down \$0.6 billion, or 15.2 per cent. GST revenues were down \$0.6 billion, or 22.0 per cent. Energy taxes were up \$6 million, customs import duties were up \$4 million, and other excise taxes and duties were down \$25 million.
- EI premium revenues were up \$0.1 billion, or 10.1 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 \$0.1 billion, or 3.8 per cent.

Program expenses in August 2013 were \$19.3 billion, down \$0.8 billion, or 3.8 per cent, from August 2012.

- Major transfers to persons, consisting of elderly, EI and children's benefits, increased by \$0.2 billion, or 3.0 per cent. Elderly benefits increased by \$0.1 billion, or 3.9 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 \$27 million, or 1.9 per cent. Children's benefits, which consist of the Canada Child Tax Benefit and the Universal Child Care Benefit, increased by \$0.1 billion, or 7.1 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 \$0.2 billion, or 5.0 per cent, due to legislated growth in the Canada Health Transfer, the Canada Social Transfer, Equalization transfers and transfers to the territories.
- 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 \$1.2 billion, or 12.0 per cent, from the previous year. Within direct program expenses:
 - Transfer payments decreased by \$2 million, or 0.1 per cent.
 - Other direct program expenses decreased by \$1.2 billion, or 15.6 per cent, compared to August 2012, largely reflecting a one-time adjustment recorded at that time to reflect an updated accrual estimate of employee and veteran future benefit costs.

Public debt charges increased by \$0.1 billion, or 6.4 per cent.

April to August 2013

For the April to August 2013 period of the 2013–14 fiscal year, there was a budgetary deficit of \$6.8 billion, compared to a deficit of \$7.2 billion reported during the same period of 2012–13.

Revenues increased by \$2.3 billion, or 2.2 per cent, to \$103.7 billion.

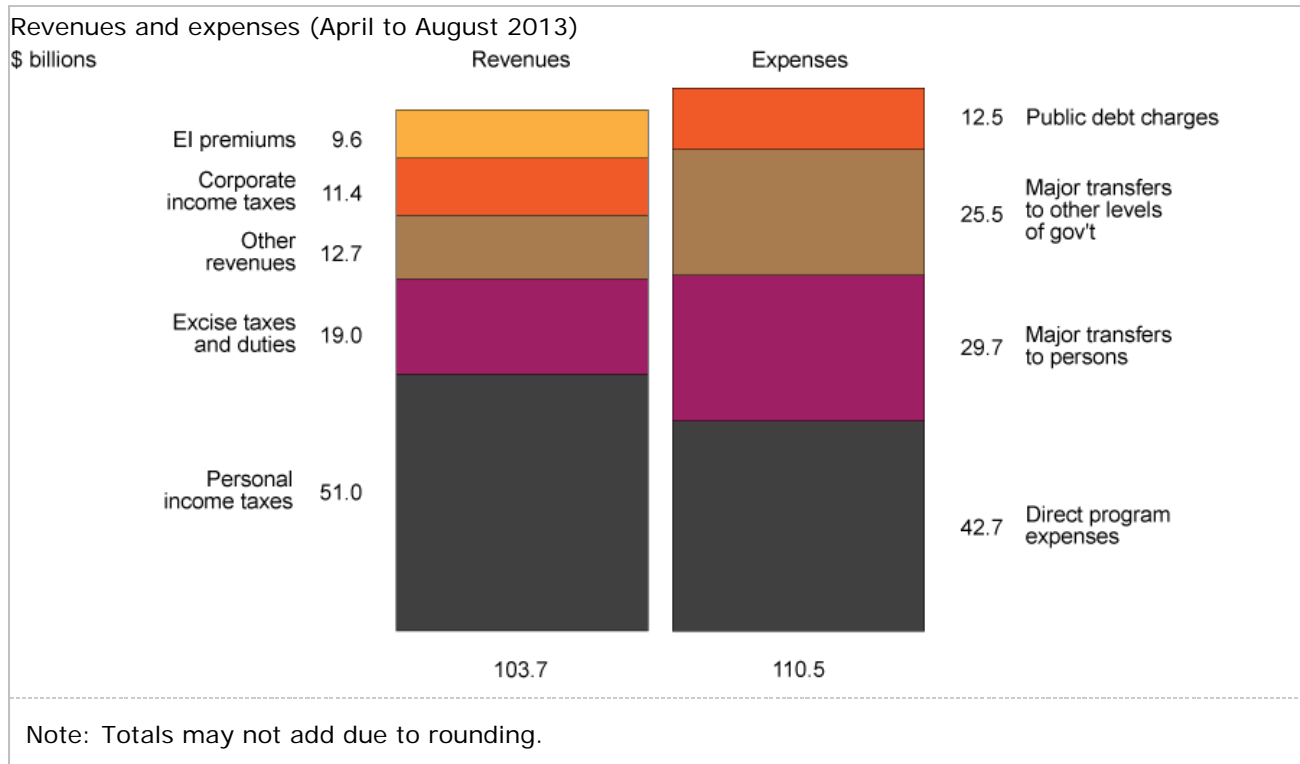
- Personal income tax revenues were up \$1.2 billion, or 2.3 per cent.
- Corporate income tax revenues were down \$0.3 billion, or 2.4 per cent.
- Non-resident income tax revenues were up \$0.3 billion, or 12.8 per cent.
- Excise taxes and duties were down \$0.1 billion, or 0.7 per cent, largely reflecting a \$0.1-billion decrease in revenues from other excise taxes and duties. GST revenues decreased by \$12 million, energy taxes decreased by \$26 million and customs import duties increased by \$40 million.
- EI premium revenues were up \$0.8 billion, or 8.9 per cent, reflecting growth in insurable earnings and the 2013 premium rate of \$1.88 per \$100 of insurable earnings.
- Other revenues were up \$0.5 billion, or 4.7 per cent.

For the April to August 2013 period, program expenses were \$98.0 billion, up \$1.8 billion, or 1.9 per cent, from the same period the previous year.

- Major transfers to persons were up \$0.7 billion, or 2.3 per cent. Elderly benefits increased by \$0.7 billion, or 4.1 per cent, reflecting growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. EI benefit payments decreased by \$44 million, or 0.6 per cent, and children's benefits were up \$0.1 billion, or 0.9 per cent.
- Major transfers to other levels of government were up \$0.5 billion, or 2.1 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 \$0.6 billion, or 1.5 per cent. Within direct program expenses:
 - Transfer payments increased by \$0.7 billion, or 5.7 per cent, largely reflecting 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.
 - Other direct program expenses decreased by \$0.1 billion, or 0.2 per cent.

Public debt charges increased by \$0.1 billion, or 0.6 per cent.



Financial requirement of \$21.8 billion for April to August 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 \$6.8 billion and a requirement of \$15.0 billion from non-budgetary transactions, there was a financial requirement of \$21.8 billion for the April to August 2013 period, compared to a financial requirement of \$20.9 billion for the same period the previous year.

Net financing activities up \$27.4 billion

The Government financed this financial requirement of \$21.8 billion and increased cash balances by \$5.6 billion by increasing market debt by \$27.4 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 August 2013 stood at \$29.9 billion, up \$9.8 billion from their level at the end of August 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

	August		April to August	
	2012 ¹	2013	2012–13 ¹	2013–14
Budgetary transactions				
Revenues	19,219	19,339	101,434	103,694
Expenses				
Program expenses	-20,019	-19,260	-96,181	-98,004
Public debt charges	-2,241	-2,384	-12,457	-12,531
Budgetary balance (deficit/surplus)	-3,041	-2,305	-7,204	-6,841
Non-budgetary transactions	-5,414	-1,296	-13,745	-14,999
Financial source/requirement	-8,455	-3,601	-20,949	-21,840
Net change in financing activities	11,469	-613	27,722	27,444
Net change in cash balances	3,014	-4,214	6,773	5,604
Cash balance at end of period			20,104	29,916

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.

Table 2
Revenues

	August			April to August		
	2012 (\$ millions)	2013 (\$ millions)	Change (%)	2012-13 (\$ millions)	2013-14 (\$ millions)	Change (%)
Tax revenues						
Income taxes						
Personal income tax ¹	9,926	10,185	2.6	49,799	50,967	2.3
Corporate income tax ²	1,495	1,702	13.8	11,720	11,437	-2.4
Non-resident income tax ³	373	437	17.2	1,957	2,208	12.8
Total income tax	11,794	12,324	4.5	63,476	64,612	1.8
Excise taxes and duties						
Goods and Services Tax	2,752	2,147	-22.0	12,833	12,821	-0.1
Energy taxes	457	463	1.3	2,193	2,167	-1.2
Customs import duties	393	397	1.0	1,730	1,770	2.3
Other excise taxes and duties	477	452	-5.2	2,343	2,206	-5.8
Total excise taxes and duties	4,079	3,459	-15.2	19,099	18,964	-0.7
Total tax revenues	15,873	15,783	-0.6	82,575	83,576	1.2
Employment Insurance premiums	1,325	1,459	10.1	8,827	9,616	8.9
Other revenues	2,021	2,097	3.8	10,032	10,502	4.7
Total revenues	19,219	19,339	0.6	101,434	103,694	2.2

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.

Table 3
Expenses

	August		Change (%)	April to August		Change (%)
	2012 (\$ millions)	2013 (\$ millions)		2012-13 (\$ millions)	2013-14 (\$ millions)	
Major transfers to persons						
Elderly benefits	3,317	3,445	3.9	16,510	17,179	4.1
Employment Insurance benefits	1,418	1,391	-1.9	7,122	7,078	-0.6
Children's benefits	1,043	1,117	7.1	5,432	5,483	0.9
Total	5,778	5,953	3.0	29,064	29,740	2.3
Major transfers to other levels of government						
Support for health and other social programs						
Canada Health Transfer	2,402	2,544	5.9	12,008	12,722	5.9
Canada Social Transfer	988	1,018	3.0	4,941	5,090	3.0
Total	3,390	3,562	5.1	16,949	17,812	5.1
Fiscal arrangements and other transfers	1,498	1,566	4.5	8,752	8,505	-2.8
Canada's cities and communities	0	0	n/a	1,035	1,015	-1.9
Quebec Abatement	-344	-359	4.4	-1,717	-1,795	4.5
Total	4,544	4,769	5.0	25,019	25,537	2.1
Direct program expenses						
Transfer payments						
Aboriginal Affairs and Northern Development	438	470	7.3	2,219	2,316	4.4
Agriculture and Agri-Food	105	133	26.7	398	324	-18.6
Foreign Affairs and International Trade	188	245	30.3	975	1,098	12.6
Health	118	113	-4.2	1,063	1,141	7.3
Human Resources and Skills Development	354	487	37.6	2,164	2,146	-0.8
Industry	208	220	5.8	824	921	11.8
Other	893	634	-29.0	4,372	4,751	8.7
Total	2,304	2,302	-0.1	12,015	12,697	5.7
Other direct program expenses						
Crown corporations	621	599	-3.5	3,353	3,346	-0.2
National Defence	2,079	1,550	-25.4	8,085	8,052	-0.4
All other departments and agencies	4,693	4,087	-12.9	18,645	18,632	-0.1
Total other direct program expenses	7,393	6,236	-15.6	30,083	30,030	-0.2

Total direct program expenses	9,697	8,538	-12.0	42,098	42,727	1.5
Total program expenses	20,019	19,260	-3.8	96,181	98,004	1.9
Public debt charges	2,241	2,384	6.4	12,457	12,531	0.6
Total expenses	22,260	21,644	-2.8	108,638	110,535	1.7

Note: Totals may not add due to rounding.

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

	August		April to August	
	2012	2013	2012–13	2013–14
Budgetary balance (deficit/surplus)	-3,041	-2,305	-7,204	-6,841
Non-budgetary transactions				
Capital investment activities	-311	-500	-851	-1,351
Other investing activities	-84	628	-1,827	2,150
Pension and other accounts	1,380	-211	2,680	1,275
Other activities				
Accounts payable, receivables, accruals and allowances ¹	-6,898	547	-19,035	-15,479
Foreign exchange activities	128	-2,102	3,551	-3,421
Amortization of tangible capital assets	371	342	1,737	1,827
Total other activities	-6,399	-1,213	-13,747	-17,073
Total non-budgetary transactions	-5,414	-1,296	-13,745	-14,999
Financial source/requirement	-8,455	-3,601	-20,949	-21,840

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 revenue.

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

	August		April to August	
	2012	2013	2012–13	2013–14
Financial source/requirement	-8,455	-3,601	-20,949	-21,840
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	6,432	-883	12,052	9,706
Treasury bills	5,700	-800	15,800	14,700
Retail debt	-33	-26	-173	-189
Other	0	0	-11	0
Total	12,099	-1,709	27,668	24,217
Foreign currency borrowings	-145	314	-244	696
Total	11,954	-1,395	27,424	24,913
Cross-currency swap revaluation	-426	1,103	-513	2,479
Unamortized discounts and premiums on market debt	-44	-324	893	57
Obligations related to capital leases and other unmaturing debt	-15	3	-82	-5
Net change in financing activities	11,469	-613	27,722	27,444
Change in cash balance	3,014	-4,214	6,773	5,604

Note: Totals may not add due to rounding.

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

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