

The Fiscal Monitor

A publication of the Department of Finance

Highlights

September 2013: budgetary deficit of \$3.8 billion

There was a budgetary deficit of \$3.8 billion in September 2013, compared to a deficit of \$2.2 billion in September 2012. The September 2013 results reflect two significant one-time transactions that occurred during the month: the recording of a \$2.8-billion liability for disaster assistance for the 2013 flood in Alberta, and a \$0.7-billion gain realized on the sale of 30 million shares of General Motors common stock. Absent the impact of these two one-time factors, the deficit for September 2013 would have been \$1.7 billion.

Revenues increased by \$2.1 billion, or 10.8 per cent, as increases in personal income tax, Goods and Services Tax (GST) and other revenues were partially offset by a decrease in corporate income tax revenues. Program expenses increased by \$3.6 billion, or 19.0 per cent, largely reflecting the accrual of a liability for disaster assistance related to the 2013 Alberta flood. Public debt charges increased by \$0.1 billion, or 3.7 per cent.

April to September 2013: budgetary deficit of \$10.7 billion

For the April to September 2013 period of the 2013–14 fiscal year, the budgetary deficit stood at \$10.7 billion, compared to a deficit of \$9.4 billion reported in the same period of 2012–13. Absent the impact of the two one-time factors discussed above related to disaster assistance for the 2013 Alberta flood and the gain realized on the sale of General Motors common stock, the deficit for the April to September 2013 period would have been \$8.6 billion.

Revenues were up \$4.3 billion, or 3.5 per cent, reflecting increases in personal income tax, GST, Employment Insurance (EI) premium and other revenues. Program expenses were up \$5.4 billion, or 4.6 per cent, reflecting increases in major transfers to persons and other levels of government and direct program expenses. Public debt charges were up \$0.2 billion, or 1.1 per cent.

September 2013

There was a budgetary deficit of \$3.8 billion in September 2013, compared to a deficit of \$2.2 billion in September 2012.

Revenues increased by \$2.1 billion, or 10.8 per cent, to \$21.1 billion.

- Personal income tax revenues were up \$0.6 billion, or 5.9 per cent.
- Corporate income tax revenues were down \$0.3 billion, or 11.9 per cent.
- Non-resident income tax revenues were up \$0.1 billion, or 20.1 per cent.
- Excise taxes and duties were up \$0.9 billion, or 30.2 per cent. GST revenues were up \$0.8 billion, or 43.2 per cent, following a large decrease in the previous month. Energy taxes were up \$29 million, customs import duties were up \$0.1 billion, and other excise taxes and duties were up \$42 million.

- EI premium revenues were up \$0.1 billion, or 10.0 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 \$0.6 billion, or 31.6 per cent. The increase was primarily due to a \$0.7-billion net gain realized on the Government's sale of 30 million shares of General Motors common stock in September 2013.

Total program expenses in September 2013 were \$22.5 billion, up \$3.6 billion, or 19.0 per cent, from September 2012.

- Major transfers to persons, consisting of elderly, EI and children's benefits, increased by \$0.2 billion, or 3.2 per cent. Elderly benefits increased by \$0.1 billion, or 3.8 per cent, due to growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. EI benefit payments increased by \$21 million, or 1.5 per cent. Children's benefits, which consist of the Canada Child Tax Benefit and the Universal Child Care Benefit, increased by \$37 million, or 3.4 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 up \$3.2 billion, or 37.0 per cent, from the previous year. Within direct program expenses:
 - Transfer payments increased by \$2.7 billion, or 102.0 per cent, reflecting the accrual of a \$2.8-billion liability for disaster assistance related to the 2013 flood in Alberta.
 - Other direct program expenses increased by \$0.5 billion, or 8.3 per cent, compared to September 2012, mainly due to a one-time adjustment in September 2013 to reflect an updated accrual estimate of employee and veteran future benefit costs.

Public debt charges increased by \$0.1 billion, or 3.7 per cent

April to September 2013

For the April to September 2013 period of the 2013–14 fiscal year, there was a budgetary deficit of \$10.7 billion, compared to a deficit of \$9.4 billion reported during the same period of 2012–13.

Revenues increased by \$4.3 billion, or 3.5 per cent, to \$125.0 billion.

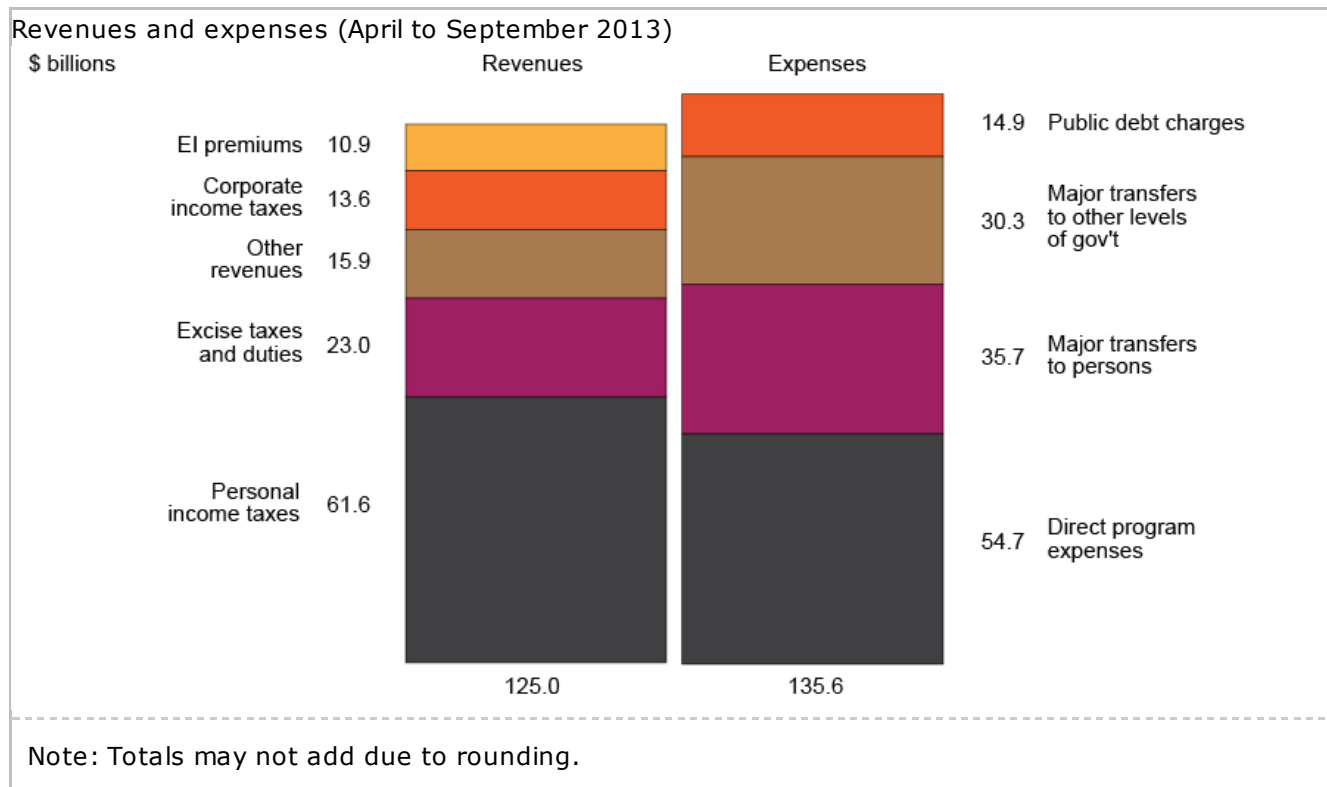
- Personal income tax revenues were up \$1.8 billion, or 2.9 per cent.
- Corporate income tax revenues were down \$0.6 billion, or 4.0 per cent.
- Non-resident income tax revenues were up \$0.3 billion, or 13.7 per cent.
- Excise taxes and duties were up \$0.8 billion, or 3.6 per cent, largely reflecting a \$0.8-billion increase in GST revenues. Energy taxes increased by \$4 million and customs import duties increased by \$0.1 billion, while other excise taxes and duties decreased by \$0.1 billion.
- EI premium revenues were up \$0.9 billion, or 9.1 per cent, reflecting growth in insurable earnings and the 2013 premium rate of \$1.88 per \$100 of insurable earnings.

- Other revenues were up \$1.0 billion, or 8.5 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 September 2013 period, program expenses were \$120.7 billion, up \$5.4 billion, or 4.6 per cent, from the same period the previous year.

- Major transfers to persons were up \$0.9 billion, or 2.5 per cent. Elderly benefits increased by \$0.8 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 \$23 million, or 0.3 per cent, and children’s benefits were up \$0.1 billion, or 1.4 per cent.
- Major transfers to other levels of government were up \$0.7 billion, or 2.5 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 \$3.7 billion, or 7.4 per cent. Within direct program expenses:
 - Transfer payments increased by \$3.4 billion, or 23.0 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.
 - Other direct program expenses increased by \$0.4 billion, or 1.0 per cent.

Public debt charges increased by \$0.2 billion, or 1.1 per cent.



Financial requirement of \$18.7 billion for April to September 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 \$10.7 billion and a requirement of \$8.0 billion from non-budgetary transactions, there was a financial requirement of \$18.7 billion for the April to September 2013 period, compared to a financial requirement of \$21.7 billion for the same period the previous year.

Net financing activities up \$23.4 billion

The Government financed this financial requirement of \$18.7 billion and increased cash balances by \$4.6 billion by increasing market debt by \$23.4 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 September 2013 stood at \$29.0 billion, up \$10.7 billion from their level at the end of September 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

	September		April to September	
	2012 ¹	2013	2012-13 ¹	2013-14
Budgetary transactions				
Revenues	19,025	21,080	120,710	124,964
Expenses				
Program expenses	-18,930	-22,518	-115,362	-120,712
Public debt charges	-2,320	-2,406	-14,777	-14,937
Budgetary balance (deficit/surplus)	-2,225	-3,844	-9,429	-10,685
Non-budgetary transactions	1,516	6,956	-12,229	-8,043
Financial source/requirement	-709	3,112	-21,658	-18,728
Net change in financing activities	-1,178	-4,072	26,544	23,372
Net change in cash balances	-1,887	-960	4,886	4,644
Cash balance at end of period			18,219	28,957

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

	September			April to September		
	2012 (\$ millions)	2013 (\$ millions)	Change (%)	2012-13 (\$ millions)	2013-14 (\$ millions)	Change (%)
Tax revenues						
Income taxes						
Personal income tax ¹	10,008	10,597	5.9	59,807	61,564	2.9
Corporate income tax ²	2,426	2,137	-11.9	14,146	13,574	-4.0
Non-resident income tax ³	269	323	20.1	2,226	2,531	13.7
Total income tax	12,703	13,057	2.8	76,179	77,669	2.0
Excise taxes and duties						
Goods and Services Tax	1,898	2,718	43.2	14,731	15,539	5.5
Energy taxes	471	500	6.2	2,663	2,667	0.2
Customs import duties	312	367	17.6	2,042	2,137	4.7
Other excise taxes and duties	453	495	9.3	2,797	2,701	-3.4
Total excise taxes and duties	3,134	4,080	30.2	22,233	23,044	3.6
Total tax revenues	15,837	17,137	8.2	98,412	100,713	2.3
Employment Insurance premiums	1,175	1,293	10.0	10,002	10,909	9.1
Other revenues⁴	2,013	2,650	31.6	12,296	13,342	8.5
Total revenues	19,025	21,080	10.8	120,710	124,964	3.5

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

	September			April to September		
	2012 (\$ millions)	2013 (\$ millions)	Change (%)	2012-13 (\$ millions)	2013-14 (\$ millions)	Change (%)
Major transfers to persons						
Elderly benefits	3,353	3,480	3.8	19,863	20,659	4.0
Employment Insurance benefits	1,376	1,397	1.5	8,498	8,475	-0.3
Children's benefits	1,075	1,112	3.4	6,507	6,595	1.4
Total	5,804	5,989	3.2	34,868	35,729	2.5
Major transfers to other levels of government						
Support for health and other social programs						
Canada Health Transfer	2,401	2,545	6.0	14,409	15,267	6.0
Canada Social Transfer	989	1,018	2.9	5,930	6,108	3.0
Total	3,390	3,563	5.1	20,339	21,375	5.1
Fiscal arrangements and other transfers	1,497	1,566	4.6	10,249	10,071	-1.7
Canada's cities and communities	0	0	n/a	1,035	1,015	-1.9
Quebec Abatement	-343	-359	4.7	-2,060	-2,154	4.6
Total	4,544	4,770	5.0	29,563	30,307	2.5
Direct program expenses						
Transfer payments						
Aboriginal Affairs and Northern Development	442	398	-10.0	2,661	2,714	2.0
Agriculture and Agri-Food	120	95	-20.8	518	419	-19.1
Foreign Affairs and International Trade	131	156	19.1	1,106	1,254	13.4
Health	230	371	61.3	1,293	1,512	16.9
Human Resources and Skills Development	683	445	-34.8	2,847	2,591	-9.0
Industry	160	196	22.5	984	1,117	13.5
Other	865	3,654	322.4	5,237	8,405	60.5
Total	2,631	5,315	102.0	14,646	18,012	23.0
Other direct program expenses						
Crown corporations	522	466	-10.7	3,875	3,812	-1.6
National Defence	1,632	2,073	27.0	9,717	10,125	4.2

All other departments and agencies ¹	3,797	3,905	2.8	22,693	22,727	0.1
Total other direct program expenses	5,951	6,444	8.3	36,285	36,664	1.0
Total direct program expenses	8,582	11,759	37.0	50,931	54,676	7.4
Total program expenses	18,930	22,518	19.0	115,362	120,712	4.6
Public debt charges	2,320	2,406	3.7	14,777	14,937	1.1
Total expenses	21,250	24,924	17.3	130,139	135,649	4.2

Note: Totals may not add due to rounding.

¹ 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

	September		April to September	
	2012	2013	2012-13	2013-14
Budgetary balance (deficit/surplus)	-2,225	-3,844	-9,429	-10,685
Non-budgetary transactions				
Capital investment activities	-230	-412	-1,081	-1,763
Other investing activities	-622	-16	-2,449	2,168
Pension and other accounts	602	1,277	3,282	2,552
Other activities				
Accounts payable, receivables, accruals and allowances ¹	2,173	5,410	-16,862	-10,103
Foreign exchange activities	-752	299	2,799	-3,122
Amortization of tangible capital assets	345	398	2,082	2,225
Total other activities	1,766	6,107	-11,981	-11,000
Total non-budgetary transactions	1,516	6,956	-12,229	-8,043
Financial source/requirement	-709	3,112	-21,658	-18,728

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

	September		April to September	
	2012	2013	2012-13	2013-14
Financial source/requirement	-709	3,112	-21,658	-18,728
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	-5,943	-3,470	6,109	6,236
Treasury bills	4,000	500	19,800	15,200
Retail debt	-19	-17	-192	-206
Other	0	0	-11	0
Total	-1,962	-2,987	25,706	21,230
Foreign currency borrowings	132	-324	-112	372
Total	-1,830	-3,311	25,594	21,602
Cross-currency swap revaluation	186	-736	-327	1,743
Unamortized discounts and premiums on market debt	477	-32	1,370	25
Obligations related to capital leases and other unamatured debt	-11	7	-93	2
Net change in financing activities	-1,178	-4,072	26,544	23,372
Change in cash balance	-1,887	-960	4,886	4,644

Note: Totals may not add due to rounding.

Table 6
Condensed statement of assets and liabilities
\$ millions

	March 31, 2013	September 30, 2013	Change
Liabilities			
Accounts payable and accrued liabilities	118,744	104,661	-14,083
Interest-bearing debt			
Unmatured debt			
Payable in Canadian currency			
Marketable bonds	469,039	475,275	6,236
Treasury bills	180,689	195,889	15,200
Retail debt	7,481	7,275	-206
Subtotal	657,209	678,439	21,230
Payable in foreign currencies	10,802	11,174	372
Cross-currency swap revaluation	-3,419	-1,676	1,743
Unamortized discounts and premiums on market debt	-2,156	-2,131	25
Obligations related to capital leases and other unamatured debt	4,564	4,566	2
Total unamatured debt	667,000	690,372	23,372
Pension and other liabilities			
Public sector pensions	151,667	151,793	126
Other employee and veteran future benefits	67,301	69,451	2,150
Other liabilities	6,046	6,322	276
Total pension and other liabilities	225,014	227,566	2,552
Total interest-bearing debt	892,014	917,938	25,924
Total liabilities	1,010,758	1,022,599	11,841
Financial assets			
Cash and accounts receivable	124,154	124,818	664
Foreign exchange accounts	58,759	61,881	3,122
Loans, investments, and advances (net of allowances) ¹	156,482	156,787	305
Total financial assets	339,395	343,486	4,091
Net debt	671,363	679,113	7,750
Non-financial assets	68,922	68,460	-462
Federal debt (accumulated deficit)	602,441	610,653	8,212

Note: Totals may not add due to rounding.

¹ September 30, 2013 amount includes \$2.5 billion in other comprehensive income reported by enterprise Crown corporations and other government business enterprises for the April to September 2013 period.

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

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