

Department of Finance Canada

The Fiscal Monitor

A publication of the Department of Finance

Highlights

December 2013: budgetary surplus of \$1.1 billion

There was a budgetary surplus of \$1.1 billion in December 2013, compared to a deficit of \$0.7 billion in December 2012.

Revenues increased by \$1.7 billion, or 7.9 per cent, reflecting increases in most revenue streams. Program expenses increased by \$0.1 billion, or 0.5 per cent, while public debt charges decreased by \$0.2 billion.

April to December 2013: budgetary deficit of \$12.7 billion

For the April to December 2013 period of the 2013–14 fiscal year, the budgetary deficit stood at \$12.7 billion, compared to a deficit of \$14.4 billion reported in the same period of 2012–13.

Revenues were up \$7.5 billion, or 4.1 per cent, reflecting increases in personal income tax, non-resident income tax, Goods and Services Tax (GST), Employment Insurance (EI) premium and other revenues. Program expenses were up \$6.2 billion, or 3.5 per cent, reflecting increases in major transfers to persons and other levels of government and direct program expenses. Public debt charges were down \$0.3 billion, or 1.5 per cent.

December 2013

There was a budgetary surplus of \$1.1 billion in December 2013, compared to a deficit of \$0.7 billion in December 2012.

Revenues increased by \$1.7 billion, or 7.9 per cent, to \$23.8 billion.

- Personal income tax revenues were up \$0.3 billion, or 2.4 per cent.
- Corporate income tax revenues were up \$0.2 billion, or 7.1 per cent.
- Non-resident income tax revenues were up \$0.2 billion, or 76.8 per cent.
- Excise taxes and duties were up \$0.5 billion, or 13.6 per cent. GST revenues were up \$0.4 billion, or 19.2 per cent. Energy taxes increased by \$9 million, customs import duties increased by \$0.1 billion, and other excise taxes and duties decreased by \$21 million.
- EI premium revenues were up \$0.1 billion, or 13.1 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 \$0.4 billion, or 19.7 per cent.

Program expenses in December 2013 were \$20.5 billion, up \$0.1 billion, or 0.5 per cent, from December

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 3.2 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 \$25 million, or 1.5 per cent. Children's benefits, which consist of the Canada Child Tax Benefit and the Universal Child Care Benefit, decreased by \$2 million, or 0.2 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 decreased by \$0.1 billion, or 1.2 per cent, as legislated growth in the Canada Health Transfer, the Canada Social Transfer, Equalization transfers and transfers to the territories was more than offset by lower 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 up \$28 million, or 0.3 per cent, from the prior year. Within direct program expenses:
 - Transfer payments decreased by \$0.1 billion, or 4.4 per cent.
 - Other direct program expenses increased by \$0.2 billion, or 2.7 per cent.

Public debt charges decreased by \$0.2 billion, or 9.6 per cent, largely reflecting a lower inflation adjustment on Real Return Bonds.

April to December 2013

For the April to December 2013 period of the 2013–14 fiscal year, there was a budgetary deficit of \$12.7 billion, compared to a deficit of \$14.4 billion reported during the same period of 2012–13.

Revenues increased by \$7.5 billion, or 4.1 per cent, to \$190.5 billion.

- Personal income tax revenues were up \$3.2 billion, or 3.5 per cent.
- Corporate income tax revenues were down \$0.6 billion, or 2.8 per cent.
- Non-resident income tax revenues were up \$0.5 billion, or 14.9 per cent.
- Excise taxes and duties were up \$1.4 billion, or 4.2 per cent, largely reflecting a \$1.4-billion increase in GST revenues. Energy taxes decreased by \$7 million, customs import duties increased by \$0.2 billion, and other excise taxes and duties decreased by \$0.2 billion.
- EI premium revenues were up \$1.2 billion, or 9.6 per cent, reflecting growth in insurable earnings and the 2013 premium rate of \$1.88 per \$100 of insurable earnings.
- Other revenues were up \$1.7 billion, or 9.5 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.

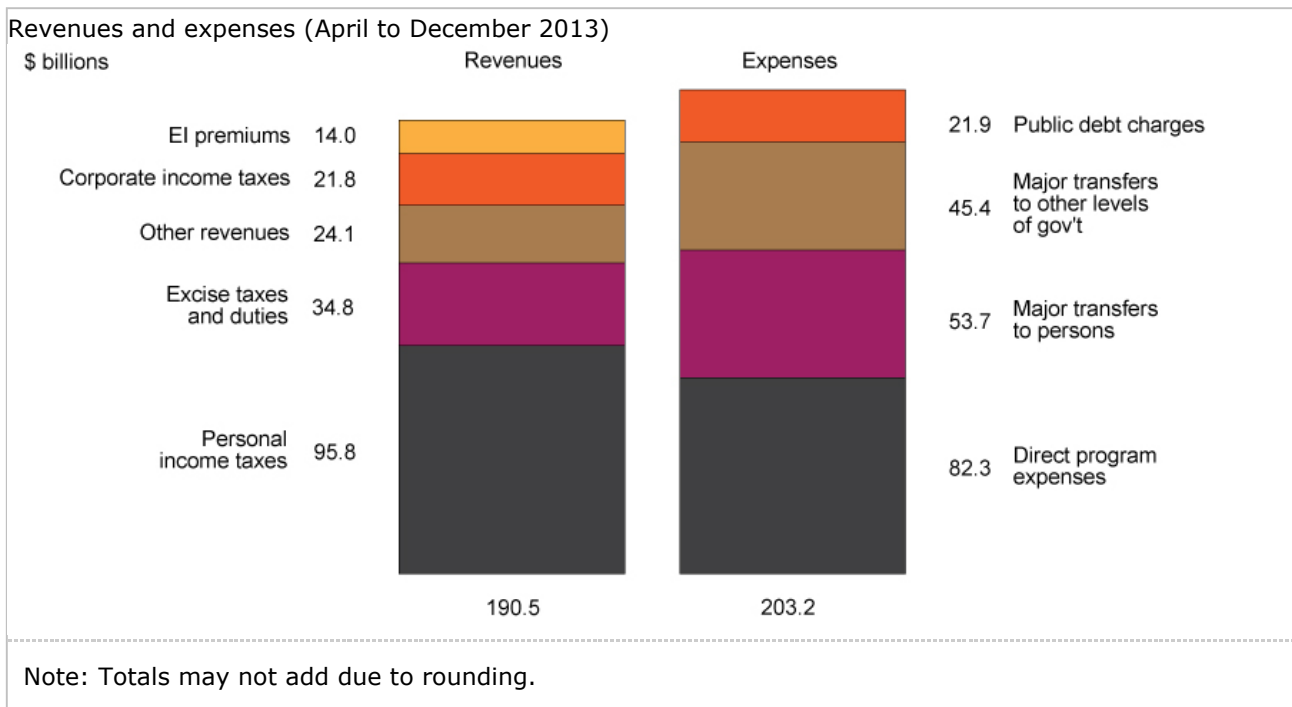
For the April to December 2013 period, program expenses were \$181.3 billion, up \$6.2 billion, or 3.5 per cent, from the same period the previous year.

- Major transfers to persons were up \$1.3 billion, or 2.4 per cent. Elderly benefits increased by \$1.2 billion, or 3.9 per cent, reflecting growth in the elderly population and changes in consumer prices,

to which benefits are fully indexed. EI benefit payments decreased by \$10 million, or 0.1 per cent, and children's benefits were up \$0.1 billion, or 1.1 per cent.

- Major transfers to other levels of government were up \$1.3 billion, or 3.0 per cent, due to 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 and lower transfers to Canada's cities and communities.
- Direct program expenses were up \$3.6 billion, or 4.6 per cent. Within direct program expenses:
 - Transfer payments increased by \$3.5 billion, or 15.3 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 \$0.1 billion, or 0.1 per cent.

Public debt charges decreased by \$0.3 billion, or 1.5 per cent, reflecting a lower average effective interest rate on the stock of interest-bearing debt.



Financial requirement of \$2.3 billion for April to December 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 \$12.7 billion and a source of \$10.4 billion from non-budgetary transactions, there was a financial requirement of \$2.3 billion for the April to December 2013 period, compared to a

financial requirement of \$22.3 billion for the same period the previous year. The decrease in the financial requirement over the previous year mainly reflects the repayment of principal on assets maturing under the Insured Mortgage Purchase Program.

Net financing activities up \$4.5 billion

The Government financed this financial requirement of \$2.3 billion and increased cash balances by \$2.2 billion by increasing market debt by \$4.5 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 December 2013 stood at \$26.5 billion, up \$6.1 billion from their level at the end of December 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

	December		April to December	
	2012 ¹	2013	2012-13 ¹	2013-14
Budgetary transactions				
Revenues	22,068	23,813	183,031	190,540
Expenses				
Program expenses	-20,352	-20,451	-175,156	-181,339
Public debt charges	-2,448	-2,214	-22,226	-21,900
Budgetary balance (deficit/surplus)	-732	1,148	-14,351	-12,699
Non-budgetary transactions	303	-1,417	-7,915	10,431
Financial source/requirement	-429	-269	-22,266	-2,268
Net change in financing activities	-4,298	-3,806	29,321	4,463
Net change in cash balances	-4,727	-4,075	7,055	2,195
Cash balance at end of period			20,389	26,508

Note: Positive numbers indicate a net source of funds. Negative numbers indicate a 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

	December			April to December		
	2012 (\$ millions)	2013 (\$ millions)	Change (%)	2012-13 (\$ millions)	2013-14 (\$ millions)	Change (%)
Tax revenues						
Income taxes						
Personal income tax ¹	12,084	12,378	2.4	92,559	95,806	3.5
Corporate income tax ²	3,339	3,575	7.1	22,465	21,843	-2.8
Non-resident income tax ³	302	534	76.8	3,499	4,020	14.9
Total income tax	15,725	16,487	4.8	118,523	121,669	2.7
Excise taxes and duties						
Goods and Services Tax	2,249	2,681	19.2	22,071	23,436	6.2
Energy taxes	458	467	2.0	4,081	4,074	-0.2
Customs import duties	260	319	22.7	2,963	3,166	6.9
Other excise taxes and duties	547	526	-3.8	4,268	4,105	-3.8
Total excise taxes and duties	3,514	3,993	13.6	33,383	34,781	4.2
Total tax revenues	19,239	20,480	6.5	151,906	156,450	3.0
Employment Insurance premiums	809	915	13.1	12,742	13,962	9.6
Other revenues⁴	2,020	2,418	19.7	18,383	20,128	9.5
Total revenues	22,068	23,813	7.9	183,031	190,540	4.1

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

	December			April to December		
	2012 (\$ millions)	2013 (\$ millions)	Change (%)	2012-13 (\$ millions)	2013-14 (\$ millions)	Change (%)
Major transfers to persons						
Elderly benefits	3,400	3,508	3.2	30,049	31,219	3.9
Employment Insurance benefits	1,643	1,668	1.5	12,532	12,522	-0.1
Children's benefits	1,091	1,089	-0.2	9,818	9,923	1.1
Total	6,134	6,265	2.1	52,399	53,664	2.4
Major transfers to other levels of government						
Support for health and other social programs						
Canada Health Transfer	2,425	2,545	4.9	21,661	22,910	5.8
Canada Social Transfer	989	1,017	2.8	8,895	9,161	3.0
Total	3,414	3,562	4.3	30,556	32,071	5.0
Fiscal arrangements and other transfers	1,497	1,566	4.6	14,765	14,770	0.0
Canada's cities and communities	347	75	-78.4	1,858	1,736	-6.6
Quebec Abatement	-343	-348	1.5	-3,090	-3,170	2.6
Total	4,915	4,855	-1.2	44,089	45,407	3.0
Direct program expenses						
Transfer payments						
Aboriginal Affairs and Northern Development	781	514	-34.2	4,638	4,530	-2.3
Agriculture and Agri-Food	271	166	-38.7	976	850	-12.9
Employment and Social Development	327	412	26.0	4,011	4,061	1.2
Foreign Affairs, Trade and Development	368	341	-7.3	1,814	1,962	8.2
Health	158	240	51.9	1,879	2,145	14.2
Industry	200	314	57.0	1,601	1,883	17.6
Other	1,041	1,021	-1.9	8,285	11,313	36.5
Total	3,146	3,008	-4.4	23,204	26,744	15.3
Other direct program expenses						
Crown corporations	549	543	-1.1	5,660	5,587	-1.3
National Defence	1,824	1,806	-1.0	15,259	14,974	-1.9
All other departments and agencies ¹	3,784	3,974	5.0	34,545	34,963	1.2
Total	6,157	6,323	2.7	55,464	55,524	0.1

Total other direct program expenses						
Total direct program expenses	9,303	9,331	0.3	78,668	82,268	4.6
Total program expenses	20,352	20,451	0.5	175,156	181,339	3.5
Public debt charges	2,448	2,214	-9.6	22,226	21,900	-1.5
Total expenses	22,800	22,665	-0.6	197,382	203,239	3.0

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

	December		April to December	
	2012	2013	2012-13	2013-14
Budgetary balance (deficit/surplus)	-732	1,148	-14,351	-12,699
Non-budgetary transactions				
Capital investment activities	4	-553	-1,980	-3,069
Other investing activities	208	287	-3,213	21,434
Pension and other accounts	450	677	4,268	4,013
Other activities				
Accounts payable, receivables, accruals and allowances ¹	5	-1,860	-11,445	-8,520
Foreign exchange activities	-444	-495	1,639	-6,220
Amortization of tangible capital assets	80	527	2,816	2,793
Total other activities	-359	-1,828	-6,990	-11,947
Total non-budgetary transactions	303	-1,417	-7,915	10,431
Financial source/requirement	-429	-269	-22,266	-2,268

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

	December		April to December	
	2012	2013	2012-13	2013-14
Financial source/requirement	-429	-269	-22,266	-2,268
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	-1,258	594	11,536	10,254
Treasury bills	-4,400	-5,100	16,600	-9,600
Retail debt	287	284	-1,372	-1,059
Other	0	0	-11	0
Total	-5,371	-4,222	26,753	-405
Foreign currency borrowings	98	81	60	953
Total	-5,273	-4,141	26,813	548
Cross-currency swap revaluation	230	277	505	3,576
Unamortized discounts and premiums on market debt	753	125	2,096	391
Obligations related to capital leases and other unamatured debt	-8	-67	-93	-52
Net change in financing activities	-4,298	-3,806	29,321	4,463
Change in cash balance	-4,727	-4,075	7,055	2,195

Note: Totals may not add due to rounding.

Table 6
Condensed statement of assets and liabilities
\$ millions

	March 31, 2013	December 31, 2013	Change
Liabilities			
Accounts payable and accrued liabilities	118,744	111,336	-7,408
Interest-bearing debt			
Unmatured debt			
Payable in Canadian currency			
Marketable bonds	469,039	479,293	10,254
Treasury bills	180,689	171,089	-9,600
Retail debt	7,481	6,422	-1,059
Subtotal	657,209	656,804	-405
Payable in foreign currencies	10,802	11,755	953
Cross-currency swap revaluation	-3,419	157	3,576
Unamortized discounts and premiums on market debt	-2,156	-1,765	391
Obligations related to capital leases and other unmatured debt	4,564	4,512	-52
Total unmatured debt	667,000	671,463	4,463
Pension and other liabilities			
Public sector pensions	151,667	152,358	691
Other employee and veteran future benefits	67,301	70,688	3,387
Other liabilities	6,046	5,981	-65
Total pension and other liabilities	225,014	229,027	4,013
Total interest-bearing debt	892,014	900,490	8,476
Total liabilities	1,010,758	1,011,826	1,068
Financial assets			
Cash and accounts receivable	124,154	127,461	3,307
Foreign exchange accounts	58,759	64,979	6,220
Loans, investments, and advances (net of allowances) ¹	156,482	138,480	-18,002
Total financial assets	339,395	330,920	-8,475
Net debt	671,363	680,906	9,543
Non-financial assets	68,922	69,198	276
Federal debt (accumulated deficit)	602,441	611,708	9,267

Note: Totals may not add due to rounding.

¹ December 31, 2013 amount includes \$3.4 billion in other comprehensive income from enterprise Crown corporations and other government business enterprises for the April 2013 to December 2013 period.

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

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