

The Fiscal Monitor

A publication of the Department of Finance

Highlights

January 2014: budgetary surplus of \$2.2 billion

There was a budgetary surplus of \$2.2 billion in January 2014, compared to a surplus of \$0.5 billion in January 2013.

Revenues increased by \$1.2 billion, or 5.1 per cent, reflecting increases in most revenue streams. Program expenses decreased by \$0.6 billion, or 2.6 per cent, while public debt charges increased by \$0.1 billion, or 3.6 per cent.

April 2013 to January 2014: budgetary deficit of \$10.5 billion

For the April 2013 to January 2014 period of the 2013–14 fiscal year, the budgetary deficit stood at \$10.5 billion, compared to a deficit of \$13.9 billion reported in the same period of 2012–13.

Revenues were up \$8.7 billion, or 4.2 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 \$5.6 billion, or 2.9 per cent, reflecting increases in major transfers to persons and other levels of government and direct program expenses. Public debt charges were down \$0.2 billion, or 1.0 per cent.

January 2014

There was a budgetary surplus of \$2.2 billion in January 2014, compared to a surplus of \$0.5 billion in January 2013.

Revenues increased by \$1.2 billion, or 5.1 per cent, to \$25.0 billion.

- Personal income tax revenues were up \$0.1 billion, or 0.7 per cent.
- Corporate income tax revenues were up \$0.1 billion, or 2.2 per cent.
- Non-resident income tax revenues were up \$0.5 billion, or 48.9 per cent.
- Excise taxes and duties were up \$0.3 billion, or 9.8 per cent. GST revenues were up \$0.4 billion, or 16.6 per cent. Energy taxes increased by \$10 million, customs import duties increased by \$21 million, and other excise taxes and duties decreased by \$0.1 billion.
- EI premium revenues were up \$0.1 billion, or 4.4 per cent.
- 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 6.2 per cent.

Program expenses were \$20.5 billion, down \$0.6 billion, or 2.6 per cent, from the previous year.

- Major transfers to persons, consisting of elderly, EI and children's benefits, increased by \$29 million, or 0.5 per cent. Elderly benefits increased by \$0.1 billion, or 2.7 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 \$12 million, or 0.7 per cent. Children's benefits, which consist of the Canada Child Tax Benefit and the Universal Child Care Benefit, decreased by \$0.1 billion, or 4.7 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 9.4 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 and other departments and agencies and expenses of Crown corporations. Direct program expenses were down \$1.0 billion, or 9.9 per cent, from the previous year. Within direct program expenses:
 - Transfer payments decreased by \$0.3 billion, or 10.2 per cent, due mainly to year-over-year differences in the timing of payments.
 - Other direct program expenses decreased by \$0.7 billion, or 9.8 per cent, largely reflecting a decrease in claims expenses.

Public debt charges increased by \$0.1 billion, or 3.6 per cent.

April 2013 to January 2014

For the April 2013 to January 2014 period of the 2013–14 fiscal year, there was a budgetary deficit of \$10.5 billion, compared to a deficit of \$13.9 billion reported during the same period of 2012–13.

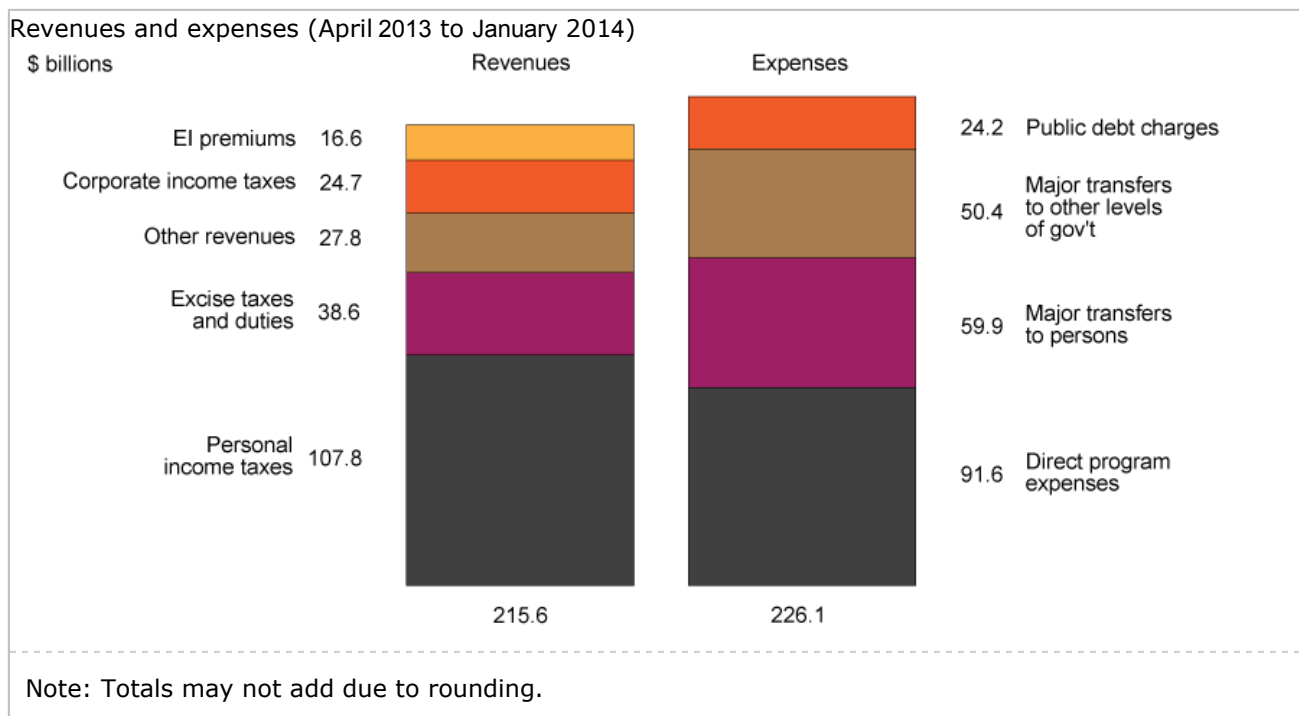
Revenues increased by \$8.7 billion, or 4.2 per cent, to \$215.6 billion.

- Personal income tax revenues were up \$3.3 billion, or 3.2 per cent.
- Corporate income tax revenues were down \$0.6 billion, or 2.2 per cent.
- Non-resident income tax revenues were up \$1.0 billion, or 22.2 per cent.
- Excise taxes and duties were up \$1.7 billion, or 4.7 per cent, largely reflecting a \$1.7-billion increase in GST revenues. Energy taxes increased by \$3 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 \$1.3 billion, or 8.7 per cent, reflecting growth in insurable earnings and the EI premium rate of \$1.88 per \$100 of insurable earnings for 2013 and 2014.
- Other revenues were up \$1.9 billion, or 9.2 per cent, reflecting in part the gain realized on the sale of General Motors common shares in September 2013.

Program expenses were \$201.9 billion, up \$5.6 billion, or 2.9 per cent, from the same period the previous year.

- Major transfers to persons were up \$1.3 billion, or 2.2 per cent. Elderly benefits increased by \$1.3 billion, or 3.8 per cent, reflecting growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. EI benefit payments decreased by \$22 million, or 0.2 per cent, and children's benefits were up \$0.1 billion, or 0.5 per cent.
- Major transfers to other levels of government were up \$1.8 billion, or 3.6 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.
- Direct program expenses were up \$2.6 billion, or 2.9 per cent. Within direct program expenses:
 - Transfer payments increased by \$3.2 billion, or 12.2 per cent, largely reflecting the accrual of a liability for disaster assistance related to the 2013 flood in Alberta.
 - Other direct program expenses decreased by \$0.6 billion, or 1.0 per cent.

Public debt charges decreased by \$0.2 billion, or 1.0 per cent.



Financial source of \$3.4 billion for April 2013 to January 2014

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 \$10.5 billion and a source of \$14.0 billion from non-budgetary transactions, there was a financial source of \$3.4 billion for the April 2013 to January 2014 period, compared to a financial requirement of \$22.6 billion for the same period the previous year. The change in the financial source/requirement over the previous year mainly reflects the repayment of principal on assets maturing under the Insured Mortgage Purchase Program.

Net financing activities up \$4.3 billion

The Government used this financial source of \$3.4 billion combined with an increase in market debt of \$4.3 billion to increase cash balances by \$7.7 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 January 2014 stood at \$32.0 billion, up \$14.1 billion from their level at the end of January 2013, largely reflecting increased deposits held with the Bank of Canada under the Government's prudential liquidity plan.

Table 1
Summary statement of transactions
\$ millions

	January		April to January	
	2013 ¹	2014	2012-13 ¹	2013-14
Budgetary transactions				
Revenues	23,841	25,046	206,872	215,586
Expenses				
Program expenses	-21,098	-20,542	-196,254	-201,881
Public debt charges	-2,263	-2,345	-24,489	-24,245
Budgetary balance (deficit/surplus)	480	2,159	-13,871	-10,540
Non-budgetary transactions	-781	3,543	-8,696	13,974
Financial source/requirement	-301	5,702	-22,567	3,434
Net change in financing activities	-2,218	-210	27,103	4,253
Net change in cash balances	-2,519	5,492	4,536	7,687
Cash balance at end of period			17,872	32,002

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

	January			April to January		
	2013 (\$ millions)	2014 (\$ millions)	Change (%)	2012-13 (\$ millions)	2013-14 (\$ millions)	Change (%)
Tax revenues						
Income taxes						
Personal income tax ¹	11,913	11,999	0.7	104,472	107,805	3.2
Corporate income tax ²	2,824	2,885	2.2	25,289	24,728	-2.2
Non-resident income tax ³	963	1,434	48.9	4,462	5,454	22.2
Total income tax	15,700	16,318	3.9	134,223	137,987	2.8
Excise taxes and duties						
Goods and Services Tax	2,232	2,602	16.6	24,303	26,038	7.1
Energy taxes	453	463	2.2	4,533	4,536	0.1
Customs import duties	368	389	5.7	3,331	3,555	6.7
Other excise taxes and duties	449	392	-12.7	4,718	4,498	-4.7
Total excise taxes and duties	3,502	3,846	9.8	36,885	38,627	4.7
Total tax revenues	19,202	20,164	5.0	171,108	176,614	3.2
Employment Insurance premiums	2,507	2,617	4.4	15,249	16,579	8.7
Other revenues⁴	2,132	2,265	6.2	20,515	22,393	9.2
Total revenues	23,841	25,046	5.1	206,872	215,586	4.2

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.

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

	January			April to January		
	2013 (\$ millions)	2014 (\$ millions)	Change (%)	2012-13 (\$ millions)	2013-14 (\$ millions)	Change (%)
Major transfers to persons						
Elderly benefits	3,426	3,519	2.7	33,475	34,738	3.8
Employment Insurance benefits	1,663	1,651	-0.7	14,195	14,173	-0.2
Children's benefits	1,110	1,058	-4.7	10,928	10,981	0.5
Total	6,199	6,228	0.5	58,598	59,892	2.2
Major transfers to other levels of government						
Support for health and other social programs						
Canada Health Transfer	2,425	2,544	4.9	24,086	25,454	5.7
Canada Social Transfer	988	1,018	3.0	9,883	10,179	3.0
Total	3,413	3,562	4.4	33,969	35,633	4.9
Fiscal arrangements and other transfers	1,525	1,582	3.7	16,290	16,352	0.4
Canada's cities and communities	0	232	n/a	1,858	1,968	5.9
Quebec Abatement	-344	-348	1.2	-3,434	-3,518	2.4
Total	4,594	5,028	9.4	48,683	50,435	3.6
Direct program expenses						
Transfer payments						
Aboriginal Affairs and Northern Development	118	187	58.5	4,756	4,717	-0.8
Agriculture and Agri-Food	259	98	-62.2	1,235	948	-23.2
Employment and Social Development	719	736	2.4	4,730	4,797	1.4
Foreign Affairs, Trade and Development	415	273	-34.2	2,229	2,235	0.3
Health	265	244	-7.9	2,144	2,389	11.4
Industry	165	144	-12.7	1,766	2,027	14.8
Other	1,267	1,199	-5.4	9,552	12,512	31.0
Total	3,208	2,881	-10.2	26,412	29,625	12.2
Other direct program expenses						
Crown corporations	899	647	-28.0	6,559	6,234	-5.0
National Defence	1,464	1,840	25.7	16,723	16,814	0.5
All other departments and agencies ¹	4,734	3,918	-17.2	39,279	38,881	-1.0
Total other direct program expenses	7,097	6,405	-9.8	62,561	61,929	-1.0

Total direct program expenses	10,305	9,286	-9.9	88,973	91,554	2.9
Total program expenses	21,098	20,542	-2.6	196,254	201,881	2.9
Public debt charges	2,263	2,345	3.6	24,489	24,245	-1.0
Total expenses	23,361	22,887	-2.0	220,743	226,126	2.4

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

	January		April to January	
	2013	2014	2012-13	2013-14
Budgetary balance (deficit/surplus)	480	2,159	-13,871	-10,540
Non-budgetary transactions				
Capital investment activities	-715	-335	-2,695	-3,404
Other investing activities	92	7,689	-3,121	29,123
Pension and other accounts	596	366	4,864	4,379
Other activities				
Accounts payable, receivables, accruals and allowances ¹	-311	-951	-11,756	-9,471
Foreign exchange activities	-968	-3,565	671	-9,785
Amortization of tangible capital assets	525	339	3,341	3,132
Total other activities	-754	-4,177	-7,744	-16,124
Total non-budgetary transactions	-781	3,543	-8,696	13,974
Financial source/requirement	-301	5,702	-22,567	3,434

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

	January		April to January	
	2013	2014	2012-13	2013-14
Financial source/requirement	-301	5,702	-22,567	3,434
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	3,391	6,092	14,927	16,346
Treasury bills	-6,200	-9,200	10,400	-18,800
Retail debt	22	-17	-1,350	-1,076
Other	0	0	-11	0
Total	-2,787	-3,125	23,966	-3,530
Foreign currency borrowings	129	764	189	1,717
Total	-2,658	-2,361	24,155	-1,813
Cross-currency swap revaluation	524	2,100	1,029	5,676
Unamortized discounts and premiums on market debt	-23	38	2,073	429
Obligations related to capital leases and other unmaturred debt	-61	13	-154	-39
Net change in financing activities	-2,218	-210	27,103	4,253
Change in cash balance	-2,519	5,492	4,536	7,687

Note: Totals may not add due to rounding.

Table 6
Condensed statement of assets and liabilities
\$ millions

	March 31, 2013	January 31, 2014	Change
Liabilities			
Accounts payable and accrued liabilities	118,744	114,010	-4,734
Interest-bearing debt			
Unmatured debt			
Payable in Canadian currency			
Marketable bonds	469,039	485,385	16,346
Treasury bills	180,689	161,889	-18,800
Retail debt	7,481	6,405	-1,076
Subtotal	657,209	653,679	-3,530
Payable in foreign currencies	10,802	12,519	1,717
Cross-currency swap revaluation	-3,419	2,257	5,676
Unamortized discounts and premiums on market debt	-2,156	-1,727	429
Obligations related to capital leases and other unmatured debt	4,564	4,525	-39
Total unmatured debt	667,000	671,253	4,253
Pension and other liabilities			
Public sector pensions	151,667	152,412	745
Other employee and veteran future benefits	67,301	71,076	3,775
Other liabilities	6,046	5,905	-141
Total pension and other liabilities	225,014	229,393	4,379
Total interest-bearing debt	892,014	900,646	8,632
Total liabilities	1,010,758	1,014,656	3,898
Financial assets			
Cash and accounts receivable	124,154	136,578	12,424
Foreign exchange accounts	58,759	68,544	9,785
Loans, investments, and advances (net of allowances) ¹	156,482	130,470	-26,012
Total financial assets	339,395	335,592	-3,803
Net debt	671,363	679,064	7,701
Non-financial assets	68,922	69,194	272
Federal debt (accumulated deficit)	602,441	609,870	7,429

Note: Totals may not add due to rounding.

¹ January 31, 2014 amount includes \$3.1 billion in other comprehensive income from enterprise Crown corporations and other government business enterprises for the April 2013 to January 2014 period.

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

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March 2014

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