

The Fiscal Monitor

A publication of the Department of Finance

Highlights

March 2014: budgetary deficit of \$6.7 billion

There was a budgetary deficit of \$6.7 billion in March 2014, compared to a deficit of \$8.0 billion in March 2013.

Revenues increased by \$2.4 billion, or 10.7 per cent, reflecting increases in most revenue streams. Program expenses increased by \$1.1 billion, or 3.9 per cent, while public debt charges decreased by \$1 million.

April 2013 to March 2014: budgetary deficit of \$12.1 billion

For the April 2013 to March 2014 period of the 2013–14 fiscal year, the budgetary deficit stood at \$12.1 billion, compared to a deficit of \$18.7 billion for the same period of 2012–13.

Revenues were up \$13.2 billion, or 5.2 per cent, reflecting increases in most revenue streams. Program expenses were up \$6.8 billion, or 2.8 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 0.6 per cent.

March 2014

There was a budgetary deficit of \$6.7 billion in March 2014, compared to a deficit of \$8.0 billion in March 2013.

Revenues increased by \$2.4 billion, or 10.7 per cent, to \$24.5 billion.

- Personal income tax revenues were up \$0.6 billion, or 5.6 per cent.
- Corporate income tax revenues were up \$0.2 billion, or 7.9 per cent.
- Non-resident income tax revenues were up \$0.3 billion, or 91.7 per cent.
- Excise taxes and duties were up \$0.4 billion, or 14.7 per cent. Goods and Services Tax (GST) revenues were up \$0.3 billion, or 17.7 per cent. Energy taxes increased by \$11 million, customs import duties increased by \$20 million, and other excise taxes and duties increased by \$0.1 billion.
- Employment Insurance (EI) premium revenues were down \$0.1 billion, or 4.6 per cent, due mainly to a one-time adjustment in March 2013 that increased revenues.
- 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 \$1.0 billion, or 30.9 per cent, in large part due to the \$0.6-billion gain on the March 27, 2014 sale of Macdonald House, a Canadian High Commission property in London. This sale was undertaken as part of the Government's plan to consolidate the Canadian High Commission's diplomatic activities in the United Kingdom at Canada House on Trafalgar Square in London.

Program expenses were \$28.9 billion, up \$1.1 billion, or 3.9 per cent, from the previous year.

- Major transfers to persons, consisting of elderly, EI and children's benefits, increased by \$0.4 billion, or 6.9 per cent. Elderly benefits increased by \$0.1 billion, or 3.7 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 \$0.1 billion, or 4.6 per cent. Children's benefits, which consist of the Canada Child Tax Benefit and the Universal Child Care Benefit, increased by \$0.2 billion, or 19.7 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 \$0.2 billion, or 4.3 per cent, largely reflecting legislated growth in the Canada Health Transfer and the Canada Social Transfer, 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 up \$0.4 billion, or 2.6 per cent, from the previous year. Within direct program expenses:
 - Transfer payments increased by \$0.1 billion, or 2.2 per cent.
 - Other direct program expenses increased by \$0.3 billion, or 2.9 per cent.

Public debt charges decreased by \$1 million.

April 2013 to March 2014

For the April 2013 to March 2014 period of the 2013–14 fiscal year, there was a budgetary deficit of \$12.1 billion, compared to a deficit of \$18.7 billion for the same period of 2012–13.

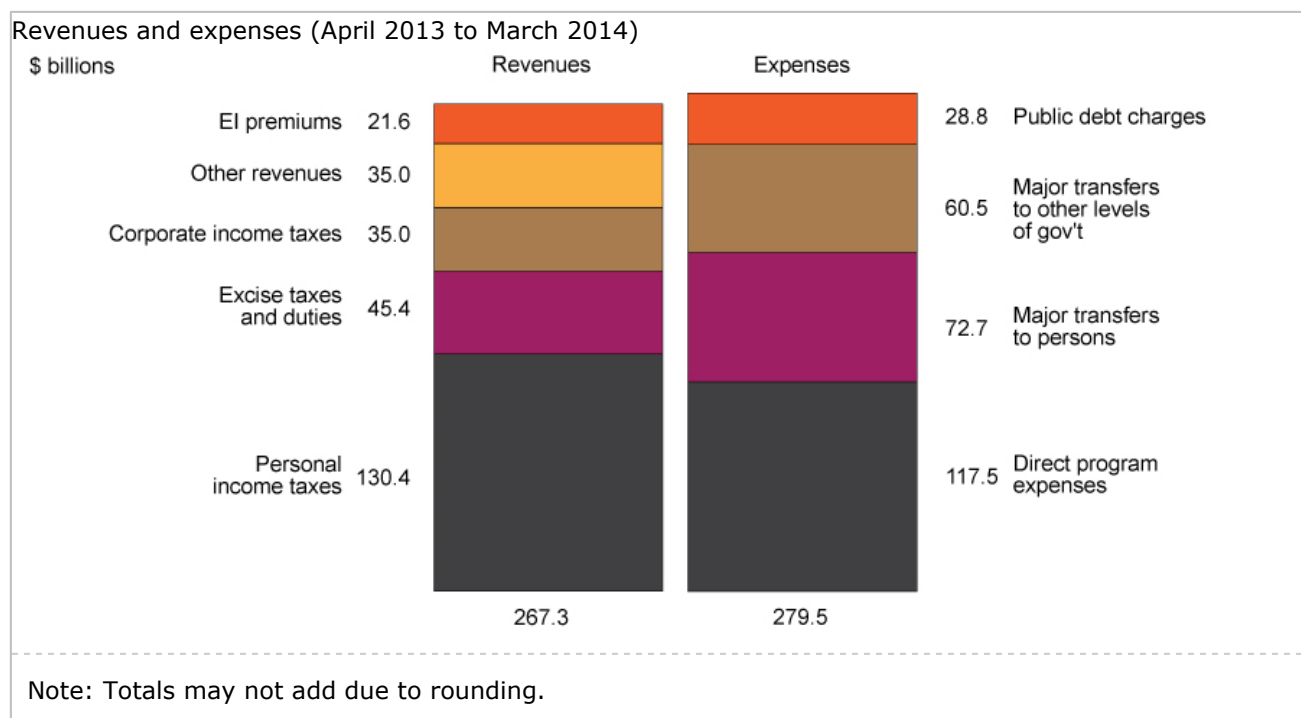
Revenues increased by \$13.2 billion, or 5.2 per cent, to \$267.3 billion.

- Personal income tax revenues were up \$5.0 billion, or 4.0 per cent.
- Corporate income tax revenues were up \$0.4 billion, or 1.0 per cent.
- Non-resident income tax revenues were up \$1.3 billion, or 25.4 per cent.
- Excise taxes and duties were up \$2.3 billion, or 5.4 per cent, largely reflecting a \$2.2-billion increase in GST revenues. Energy taxes increased by \$29 million, customs import duties increased by \$0.3 billion, and other excise taxes and duties decreased by \$0.1 billion.
- EI premium revenues were up \$1.3 billion, or 6.6 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 \$2.9 billion, or 11.3 per cent, reflecting in part the gains realized on the sale of General Motors common shares and Macdonald House during the year.

Program expenses were \$250.6 billion, up \$6.8 billion, or 2.8 per cent, from the same period the previous year.

- Major transfers to persons were up \$1.9 billion or 2.7 per cent. Elderly benefits increased by \$1.5 billion, or 3.7 per cent, reflecting growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. EI benefit payments increased by \$0.1 billion, or 0.7 per cent, and children's benefits were up \$0.3 billion, or 2.4 per cent.
- Major transfers to other levels of government were up \$2.1 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 \$2.8 billion, or 2.4 per cent. Within direct program expenses:
 - Transfer payments increased by \$3.3 billion, or 9.5 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 0.7 per cent.

Public debt charges decreased by \$0.2 billion, or 0.6 per cent.



Financial source of \$14.8 billion for April 2013 to March 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 \$12.1 billion and a source of \$26.9 billion from non-budgetary transactions, there was a financial source of \$14.8 billion for the April 2013 to March 2014 period, compared to a financial requirement of \$29.4 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 down \$13.0 billion

The Government used this financial source of \$14.8 billion to reduce its unmatured debt by \$13.0 billion and increase its cash balances by \$1.8 billion. The reduction in unmatured debt was achieved primarily through a decrease in 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 March 2014 stood at \$26.1 billion, up \$1.8 billion from their level at the end of March 2013.

Table 1
Summary statement of transactions
\$ millions

	March		April to March	
	2013 ¹	2014	2012-13 ¹	2013-14
Budgetary transactions				
Revenues	22,164	24,530	254,148	267,347
Expenses				
Program expenses	-27,810	-28,888	-243,848	-250,644
Public debt charges	-2,366	-2,365	-28,993	-28,817
Budgetary balance (deficit/surplus)	-8,012	-6,723	-18,693	-12,114
Non-budgetary transactions	5,274	13,480	-10,690	26,889
Financial source/requirement	-2,738	6,757	-29,383	14,775
Net change in financing activities	951	-10,928	40,366	-13,018
Net change in cash balances	-1,787	-4,171	10,983	1,757
Cash balance at end of period			24,316	26,072

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

	March			April to March		
	2013 (\$ millions)	2014 (\$ millions)	Change (%)	2012-13 (\$ millions)	2013-14 (\$ millions)	Change (%)
Tax revenues						
Income taxes						
Personal income tax ¹	10,347	10,924	5.6	125,405	130,364	4.0
Corporate income tax ²	3,052	3,294	7.9	34,604	34,967	1.0
Non-resident income tax ³	314	602	91.7	5,216	6,543	25.4
Total income tax	13,713	14,820	8.1	165,225	171,874	4.0
Excise taxes and duties						
Goods and Services Tax	1,761	2,072	17.7	28,304	30,461	7.6
Energy taxes	431	442	2.6	5,407	5,436	0.5
Customs import duties	290	310	6.9	3,952	4,210	6.5
Other excise taxes and duties	299	365	22.1	5,379	5,271	-2.0
Total excise taxes and duties	2,781	3,189	14.7	43,042	45,378	5.4
Total tax revenues	16,494	18,009	9.2	208,267	217,252	4.3
Employment Insurance premiums	2,544	2,428	-4.6	20,272	21,601	6.6
Other revenues⁴	3,126	4,093	30.9	25,609	28,494	11.3
Total revenues	22,164	24,530	10.7	254,148	267,347	5.2

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

	March			April to March		
	2013 (\$ millions)	2014 (\$ millions)	Change (%)	2012-13 (\$ millions)	2013-14 (\$ millions)	Change (%)
Major transfers to persons						
Elderly benefits	3,464	3,591	3.7	40,369	41,862	3.7
Employment Insurance benefits	1,498	1,567	4.6	17,303	17,425	0.7
Children's benefits	1,126	1,348	19.7	13,101	13,421	2.4
Total	6,088	6,506	6.9	70,773	72,708	2.7
Major transfers to other levels of government						
Support for health and other social programs						
Canada Health Transfer	2,401	2,544	6.0	28,912	30,543	5.6
Canada Social Transfer	988	1,018	3.0	11,859	12,215	3.0
Total	3,389	3,562	5.1	40,771	42,758	4.9
Fiscal arrangements and other transfers	1,941	1,916	-1.3	19,728	19,833	0.5
Canada's cities and communities	0	110	n/a	1,964	2,107	7.3
Quebec Abatement	-317	-357	12.6	-4,094	-4,223	3.2
Total	5,013	5,231	4.3	58,369	60,475	3.6
Direct program expenses						
Transfer payments						
Aboriginal Affairs and Northern Development	1,088	1,051	-3.4	6,268	6,160	-1.7
Agriculture and Agri-Food	546	317	-41.9	1,927	1,539	-20.1
Employment and Social Development	807	857	6.2	5,952	6,128	3.0
Foreign Affairs, Trade and Development	1,401	1,323	-5.6	3,911	3,872	-1.0
Health	367	340	-7.4	2,651	2,830	6.8
Industry	297	582	96.0	2,255	2,803	24.3
Other	1,652	1,825	10.5	12,158	15,125	24.4
Total	6,158	6,295	2.2	35,122	38,457	9.5
Other direct program expenses						
Crown corporations	576	632	9.7	7,685	7,445	-3.1
National Defence	3,387	4,051	19.6	22,123	22,626	2.3
All other departments and agencies ¹	6,588	6,173	-6.3	49,776	48,933	-1.7
Total other direct program expenses	10,551	10,856	2.9	79,584	79,004	-0.7

Total direct program expenses	16,709	17,151	2.6	114,706	117,461	2.4
Total program expenses	27,810	28,888	3.9	243,848	250,644	2.8
Public debt charges	2,366	2,365	0.0	28,993	28,817	-0.6
Total expenses	30,176	31,253	3.6	272,841	279,461	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

	March		April to March	
	2013	2014	2012-13	2013-14
Budgetary balance (deficit/surplus)	-8,012	-6,723	-18,693	-12,114
Non-budgetary transactions				
Capital investment activities	-688	-195	-4,143	-3,847
Other investing activities	752	3,861	-2,372	40,670
Pension and other accounts	929	727	5,391	5,485
Other activities				
Accounts payable, receivables, accruals and allowances ¹	3,837	8,301	-11,905	-5,457
Foreign exchange activities	-28	644	-1,761	-13,513
Amortization of tangible capital assets	472	142	4,100	3,551
Total other activities	4,281	9,087	-9,566	-15,419
Total non-budgetary transactions	5,274	13,480	-10,690	26,889
Financial source/requirement	-2,738	6,757	-29,383	14,775

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

	March		April to March	
	2013	2014	2012-13	2013-14
Financial source/requirement	-2,738	6,757	-29,383	14,775
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	-1,668	-8,864	20,877	4,273
Treasury bills	3,400	-1,800	17,300	-27,700
Retail debt	-99	-55	-1,514	-1,191
Other	0	0	-11	0
Total	1,633	-10,719	36,652	-24,618
Foreign currency borrowings	-292	-242	87	5,227
Total	1,341	-10,961	36,739	-19,391
Cross-currency swap revaluation	-946	20	1,029	5,745
Unamortized discounts and premiums on market debt	366	-8	2,139	639
Obligations related to capital leases and other unmatrued debt	190	21	459	-11
Net change in financing activities	951	-10,928	40,366	-13,018
Change in cash balance	-1,787	-4,171	10,983	1,757

Note: Totals may not add due to rounding.

Table 6
Condensed statement of assets and liabilities
\$ millions

	March 31, 2013	March 31, 2014	Change
Liabilities			
Accounts payable and accrued liabilities	118,744	120,071	1,327
Interest-bearing debt			
Unmatured debt			
Payable in Canadian currency			
Marketable bonds	469,039	473,312	4,273
Treasury bills	180,689	152,989	-27,700
Retail debt	7,481	6,290	-1,191
Subtotal	657,209	632,591	-24,618
Payable in foreign currencies	10,802	16,029	5,227
Cross-currency swap revaluation	-3,419	2,326	5,745
Unamortized discounts and premiums on market debt	-2,156	-1,517	639
Obligations related to capital leases and other unmatured debt	4,564	4,553	-11
Total unmatured debt	667,000	653,982	-13,018
Pension and other liabilities			
Public sector pensions	151,667	152,972	1,305
Other employee and veteran future benefits	67,301	71,725	4,424
Other liabilities	6,046	5,802	-244
Total pension and other liabilities	225,014	230,499	5,485
Total interest-bearing debt	892,014	884,481	-7,533
Total liabilities	1,010,758	1,004,552	-6,206
Financial assets			
Cash and accounts receivable	124,154	132,695	8,541
Foreign exchange accounts	58,759	72,272	13,513
Loans, investments, and advances (net of allowances) ¹	156,482	118,196	-38,286
Total financial assets	339,395	323,163	-16,232
Net debt	671,363	681,389	10,026
Non-financial assets	68,922	69,218	296
Federal debt (accumulated deficit)	602,441	612,171	9,730

Note: Totals may not add due to rounding.

¹ March 31, 2014 amount includes \$2.4 billion in other comprehensive income from enterprise Crown corporations and other government business enterprises for the April 2013 to March 2014 period.

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

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