

# The Fiscal Monitor

## A publication of the Department of Finance

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### Highlights

#### **April and May 2014: budgetary deficit of \$1.1 billion**

For the first two months of the 2014–15 fiscal year (April and May), there was a budgetary deficit of \$1.1 billion, compared to a deficit of \$2.7 billion reported in the same period last year. By month, there was a deficit of \$1.4 billion in April and a surplus of \$0.3 billion in May.

For the two months combined, revenues increased by \$1.6 billion, or 3.8 per cent, largely reflecting increases in income tax revenues and excise taxes and duties. Program expenses were up \$0.2 billion, or 0.6 per cent, as increases in major transfers to persons and other levels of government were largely offset by a decrease in direct program expenses. Public debt charges decreased by \$0.2 billion, or 3.1 per cent, reflecting a lower stock of market debt as a result of assets maturing under the Insured Mortgage Purchase Program in 2013–14, as well as a lower average effective interest rate on bonds.

### April and May 2014 budgetary results

There was a budgetary deficit of \$1.1 billion in the April to May 2014 period, compared to a \$2.7-billion deficit for the same period in the previous year.

Revenues increased by \$1.6 billion, or 3.8 per cent, to \$43.5 billion.

- Personal income tax revenues were up \$0.8 billion, or 3.9 per cent.
- Corporate income tax revenues were up \$0.6 billion, or 12.1 per cent.
- Non-resident income tax revenues were down \$0.1 billion, or 13.3 per cent.
- Excise taxes and duties were up \$0.4 billion, or 5.5 per cent. Within this component, Goods and Services Tax (GST) revenues were up \$0.2 billion, or 4.1 per cent. Energy taxes were down \$28 million, and customs import duties and other excise taxes and duties were each up \$0.1 billion.
- Employment Insurance (EI) premium revenues were up \$0.2 billion, or 4.1 per cent, reflecting the growth in earnings and the EI premium rate freeze at \$1.88 per \$100 of insurable earnings for 2014.
- 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 down \$0.2 billion, or 5.3 per cent.

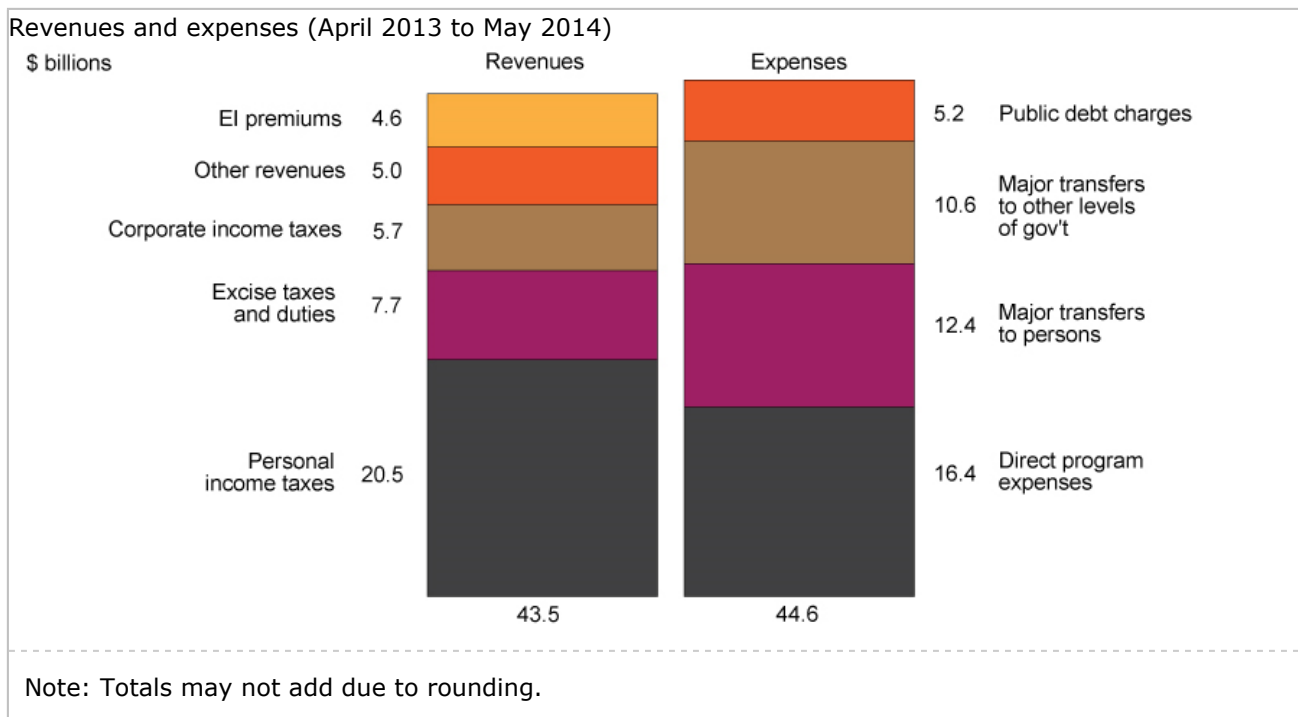
Total program expenses in the April to May 2014 period were \$39.5 billion, up \$0.2 billion, or 0.6 per cent, from the prior year. This increase mainly reflects higher transfer payments to persons and other levels of government, offset in part by a decrease in direct program expenses.

- Major transfers to persons, consisting of elderly benefits, EI benefits and children's benefits, increased by \$0.3 billion, or 2.7 per cent. Elderly benefits increased by \$0.3 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 increased by \$0.1 billion, or 4.4 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 3.3 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 in the April to May period, or 3.8 per cent, from the prior year, primarily reflecting legislated growth in the Canada Health Transfer, the Canada Social Transfer and the Equalization and Territorial Formula Financing transfers.
- 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 departments and agencies, and expenses of Crown corporations. Direct program expenses in the April to May period were down \$0.5 billion, or 2.9 per cent, from the prior year.
  - Transfer payments decreased by \$0.2 billion, or 4.5 per cent, largely reflecting a decrease 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 \$0.3 billion, or 2.2 per cent.

Public debt charges decreased by \$0.2 billion, or 3.1 per cent, reflecting a lower stock of market debt as a result of assets maturing under the Insured Mortgage Purchase Program in 2013–14, as well as a lower average effective interest rate on domestic marketable bonds.



## Financial requirement of \$3.6 billion for April and May 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 \$1.1 billion and a requirement of \$2.4 billion from non-budgetary transactions, there was a financial requirement of \$3.6 billion for April to May 2014 period, compared to a financial requirement of \$11.8 billion from the same period the previous year.

## Net financing activities up \$17.4 billion

The government financed this financial requirement of \$3.6 billion and increased cash balances by \$13.9 billion by increasing unmatured debt by \$17.4 billion. The increase in unmatured 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 May 2014 stood at \$39.9 billion, down \$0.4 billion from their level at the end of May 2013.

Table 1  
**Summary statement of transactions**  
**(\$ millions)**

	April		May		April - May	
	2013	2014	2013	2014	2013-14	2014-15
<b>Budgetary transactions</b>						
Revenues	22,507	21,586	19,383	21,916	41,890	43,502
Expenses						
Program expenses	-19,936	-20,364	-19,298	-19,086	-39,234	-39,450
Public debt charges	-2,854	-2,636	-2,512	-2,563	-5,366	-5,199
Budgetary balance (deficit/surplus)	-283	-1,414	-2,427	267	-2,710	-1,147
<b>Non-budgetary transactions</b>	-5,764	-434	-3,318	-2,004	-9,082	-2,438
<b>Financial source/requirement</b>	-6,047	-1,848	-5,745	-1,737	-11,792	-3,585
<b>Net change in financing activities</b>	10,732	11,510	17,083	5,926	27,815	17,436
<b>Net change in cash balances</b>	4,685	9,662	11,338	4,189	16,023	13,851
<b>Cash balance at end of period</b>					40,337	39,923

Notes: Positive numbers indicate net source of funds. Negative numbers indicate net requirement for funds.

Table 2  
Revenues

	April		May		April - May		Change (%)
	2013	2014	2013	2014	2013-14	2014-15	
	(\$ millions)						
<b>Tax revenues</b>							
Income taxes							
Personal income tax	10,119	10,462	9,578	10,013	19,697	20,475	3.9
Corporate income tax	3,635	2,826	1,462	2,886	5,097	5,712	12.1
Non-resident income tax	442	451	565	422	1,007	873	-13.3
<b>Total income tax</b>	<b>14,196</b>	<b>13,739</b>	<b>11,605</b>	<b>13,321</b>	<b>25,801</b>	<b>27,060</b>	<b>4.9</b>
Excise taxes and duties							
Goods and Services Tax	2,568	2,305	2,320	2,781	4,888	5,086	4.1
Energy taxes	383	416	504	443	887	859	-3.2
Customs import duties	339	364	283	353	622	717	15.3
Other excise taxes and duties	463	419	391	571	854	990	15.9
<b>Total excise taxes and duties</b>	<b>3,753</b>	<b>3,504</b>	<b>3,498</b>	<b>4,148</b>	<b>7,251</b>	<b>7,652</b>	<b>5.5</b>
<b>Total tax revenues</b>	<b>17,949</b>	<b>17,243</b>	<b>15,103</b>	<b>17,469</b>	<b>33,052</b>	<b>34,712</b>	<b>5.0</b>
<b>Employment Insurance premiums</b>	2,286	2,377	2,165	2,257	4,451	4,634	4.1
<b>Other revenues<sup>1</sup></b>	2,272	1,966	2,115	2,190	4,387	4,156	-5.3
<b>Total revenues</b>	<b>22,507</b>	<b>21,586</b>	<b>19,383</b>	<b>21,916</b>	<b>41,890</b>	<b>43,502</b>	<b>3.8</b>

Note: Totals may not add due to rounding.

<sup>(1)</sup> 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

	April		May		April - May		Change (%)
	2013	2014	2013	2014	2013-14	2014-15	
	(\$ millions)						
<b>Major transfers to persons</b>							
Elderly benefits	3,410	3,553	3,451	3,573	6,861	7,126	3.9
Employment Insurance benefits	1,804	1,893	1,227	1,271	3,031	3,164	4.4
Children's benefits	1,136	1,100	1,097	1,059	2,233	2,159	-3.3
<b>Total</b>	<b>6,350</b>	<b>6,546</b>	<b>5,775</b>	<b>5,903</b>	<b>12,125</b>	<b>12,449</b>	<b>2.7</b>
<b>Major transfers to other levels of government</b>							
Support for health and other social programs							
Canada Health Transfer	2,544	2,676	2,545	2,676	5,089	5,352	5.2
Canada Social Transfer	1,018	1,048	1,018	1,049	2,036	2,097	3.0
<b>Total</b>	<b>3,562</b>	<b>3,724</b>	<b>3,563</b>	<b>3,725</b>	<b>7,125</b>	<b>7,449</b>	<b>4.5</b>
Fiscal arrangements and other transfers	1,869	1,945	1,868	1,944	3,737	3,889	4.1
Canada's cities and communities	0	0	58	0	58	0	-100.0
Quebec Abatement	-359	-376	-359	-376	-718	-752	4.7
<b>Total</b>	<b>5,072</b>	<b>5,293</b>	<b>5,130</b>	<b>5,293</b>	<b>10,202</b>	<b>10,586</b>	<b>3.8</b>
<b>Direct program expenses</b>							
Transfer payments							
Aboriginal Affairs and Northern Development	860	960	362	332	1,222	1,292	5.7
Agriculture and Agri-Food	51	16	53	26	104	42	-59.6
Employment and Social Development	305	340	332	334	637	674	5.8
Foreign Affairs, Trade and Development	197	61	144	305	341	366	7.3
Health	260	414	265	260	525	674	28.4
Industry	283	220	70	132	353	352	-0.3
Other	949	785	968	682	1,917	1,467	-23.5
<b>Total</b>	<b>2,905</b>	<b>2,796</b>	<b>2,194</b>	<b>2,071</b>	<b>5,099</b>	<b>4,867</b>	<b>-4.5</b>
Other direct program expenses							
Crown corporations	718	702	567	485	1,285	1,187	-7.6
National Defence	1,451	1,506	1,712	1,567	3,163	3,073	-2.8

All other departments and agencies	3,440	3,521	3,920	3,767	7,360	7,288	-1.0
Total other direct program expenses <sup>1</sup>	5,609	5,729	6,199	5,819	11,808	11,548	-2.2
Total direct program expenses	8,514	8,525	8,393	7,890	16,907	16,415	-2.9
<b>Total program expenses</b>	19,936	20,364	19,298	19,086	39,234	39,450	0.6
<b>Public debt charges</b>	2,854	2,636	2,512	2,563	5,366	5,199	-3.1
<b>Total expenses</b>	22,790	23,000	21,810	21,649	44,600	44,649	0.1

Note: Totals may not add due to rounding.

<sup>(1)</sup> 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)**

	April		May		April - May	
	2013	2014	2013	2014	2013	2014
					-14	-15
<b>Budgetary balance (deficit/surplus)</b>	-283	-1,414	-2,427	267	-2,710	-1,147
<b>Non-budgetary transactions</b>						
Capital investment activities	22	-83	-5	-120	17	-203
Other investing activities	104	1,443	-417	1,079	-313	2,522
Pension and other accounts	-96	169	221	189	125	358
Other activities						
Accounts payable, receivables, accruals and allowances	-5,462	-2,231	-1,903	-3,847	-7,365	-6,078
Foreign exchange activities	-666	-139	-1,600	357	-2,266	218
Amortization of tangible capital assets	334	407	386	338	720	745
Total other activities	-5,794	-1,963	-3,117	-3,152	-8,911	-5,115
Total non-budgetary transactions	-5,764	-434	-3,318	-2,004	-9,082	-2,438
<b>Financial source/requirement</b>	-6,047	-1,848	-5,745	-1,737	-11,792	-3,585

Note: Totals may not add due to rounding.



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

	April		May		April - May	
	2013	2014	2013	2014	2013 -14	2014 -15
<b>Financial source/requirement</b>	-6,047	-1,848	-5,745	-1,737	-11,792	-3,585
<b>Net increase (+)/decrease (-) in financing activities</b>						
Unmatured debt transactions						
Canadian currency borrowings						
Marketable bonds	8,496	5,096	7,606	3,794	16,102	8,890
Treasury bills	1,900	6,900	8,100	3,000	10,000	9,900
Retail debt	-108	-60	0	-6	-108	-66
Other	0	0	0	0	0	0
<b>Total</b>	<b>10,288</b>	<b>11,936</b>	<b>15,706</b>	<b>6,788</b>	<b>25,994</b>	<b>18,724</b>
Foreign currency borrowings	496	-93	-17	66	479	-27
<b>Total</b>	<b>10,784</b>	<b>11,843</b>	<b>15,689</b>	<b>6,854</b>	<b>26,473</b>	<b>18,697</b>
Cross-currency swap revaluation	5	-350	1,152	-866	1,157	-1,216
Unamortized discounts and premiums on market debt	-22	51	255	-47	233	4
Obligations related to capital leases and other unamatured debt	-35	-34	-13	-15	-48	-49
<b>Net change in financing activities</b>	<b>10,732</b>	<b>11,510</b>	<b>17,083</b>	<b>5,926</b>	<b>27,815</b>	<b>17,436</b>
<b>Change in cash balance</b>	<b>4,685</b>	<b>9,662</b>	<b>11,338</b>	<b>4,189</b>	<b>16,023</b>	<b>13,851</b>

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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