

# The Fiscal Monitor

## A publication of the Department of Finance

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### Highlights

#### **July 2014: budgetary deficit of \$1.2 billion**

There was a budgetary deficit of \$1.2 billion in July 2014, compared to a deficit of \$2.0 billion in July 2013. Revenues increased by \$1.9 billion, or 9.5 per cent, due mainly to higher personal and corporate income tax revenues. Program expenses increased by \$1.1 billion, or 5.8 per cent, largely reflecting increases in major transfers to other levels of government and direct program expenses. Public debt charges increased by \$14 million, or 0.6 per cent.

#### **April to July 2014: budgetary deficit of \$0.8 billion**

For the April to July 2014 period of the 2014–15 fiscal year, the Government posted a budgetary deficit of \$0.8 billion, compared to a deficit of \$4.5 billion reported in the same period of 2013–14.

Revenues were up \$4.4 billion, or 5.2 per cent, reflecting increases in tax revenues and Employment Insurance (EI) premium revenues, which were partially offset by lower other revenues. Program expenses were up \$0.7 billion, or 0.9 per cent, reflecting increases in major transfers to persons and other levels of government, offset in part by a decrease in direct program expenses. Public debt charges were down \$35 million, or 0.3 per cent.

### July 2014

There was a budgetary deficit of \$1.2 billion in July 2014, compared to a deficit of \$2.0 billion in July 2013.

Revenues increased by \$1.9 billion, or 9.5 per cent, to \$21.7 billion.

- Personal income tax revenues were up \$0.6 billion, or 6.1 per cent.
- Corporate income tax (CIT) revenues were up \$1.6 billion, reflecting timing issues which lowered July 2013 CIT revenues.
- Non-resident income tax revenues were down \$31 million, or 6.4 per cent.
- Excise taxes and duties were down \$0.4 billion, or 8.0 per cent. This decline is mostly due to a \$0.5-billion, or 16.0-per-cent, decrease in Goods and Services Tax (GST) revenues, reflecting timing issues which increased July 2013 GST revenues. Energy taxes were down \$3 million, customs import duties were up \$25 million, and other excise taxes and duties were up \$0.1 billion.
- EI premium revenues were up \$0.1 billion, or 3.8 per cent, reflecting growth in 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 down \$20 million, or 1.0 per cent.

Program expenses in July 2014 were \$20.5 billion, up \$1.1 billion, or 5.8 per cent, from July 2013.

- Major transfers to persons, consisting of elderly, EI and children's benefits, decreased by \$37 million, or 0.6 per cent. Elderly benefits increased by \$0.2 billion, or 4.6 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 \$0.2 billion, or 13.2 per cent. Children's benefits, which consist of the Canada Child Tax Benefit and the Universal Child Care Benefit, were unchanged from the previous year.
- 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 \$0.5 billion, or 10.5 per cent, reflecting 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, offset in part by a decrease in total transfer protection payments.

- 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 \$0.6 billion, or 7.6 per cent, from the previous year. Within direct program expenses:
  - Transfer payments increased by \$0.1 billion, or 4.4 per cent.
  - Other direct program expenses increased by \$0.5 billion, or 8.8 per cent, largely reflecting an increase in claims expenses.

Public debt charges increased by \$14 million, or 0.6 per cent.

## April to July 2014

For the April to July 2014 period of the 2014–15 fiscal year, there was a budgetary deficit of \$0.8 billion, compared to a deficit of \$4.5 billion reported during the same period of 2013–14.

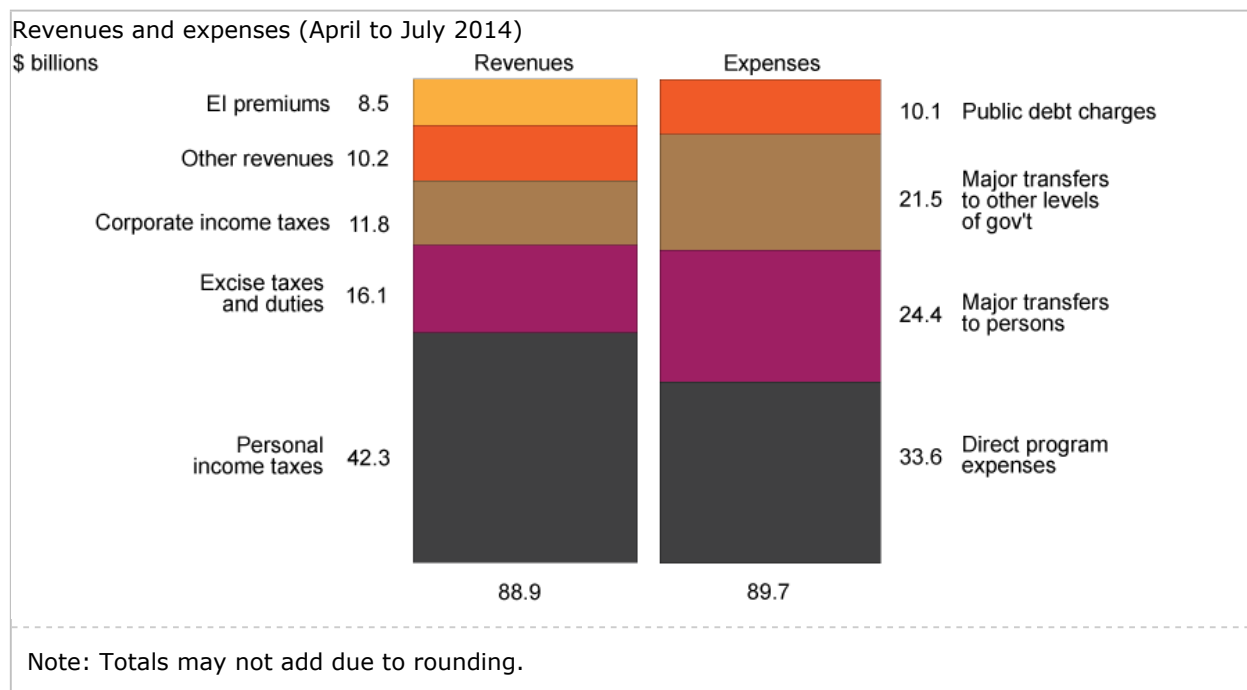
Revenues increased by \$4.4 billion, or 5.2 per cent, to \$88.9 billion.

- Personal income tax revenues were up \$1.5 billion, or 3.6 per cent.
- Corporate income tax revenues were up \$2.1 billion, or 21.6 per cent.
- Non-resident income tax revenues were down \$14 million, or 0.8 per cent.
- Excise taxes and duties were up \$0.6 billion, or 4.1 per cent. GST revenues, customs import duties and other excise taxes and duties each increased by \$0.2 billion. Energy taxes increased by \$49 million.
- EI premium revenues were up \$0.3 billion, or 4.1 per cent, reflecting growth in earnings.
- Other revenues were down \$0.2 billion, or 2.0 per cent.

For the April to July 2014 period, program expenses were \$79.6 billion, up \$0.7 billion, or 0.9 per cent, from the same period the previous year.

- Major transfers to persons were up \$0.6 billion, or 2.6 per cent. Elderly benefits increased by \$0.5 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 increased by \$0.2 billion, or 3.2 per cent, and children's benefits were down \$0.1 billion, or 2.1 per cent.
- Major transfers to other levels of government were up \$0.8 billion, or 3.7 per cent, largely reflecting legislated growth in the Canada Health Transfer, the Canada Social Transfer, Equalization transfers and transfers to the territories.
- Direct program expenses were down \$0.7 billion, or 2.1 per cent. Within direct program expenses:
  - Transfer payments decreased by \$0.8 billion, or 7.8 per cent, reflecting year-over-year timing differences as well as 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 increased by \$0.1 billion, or 0.4 per cent.

Public debt charges decreased by \$35 million, or 0.3 per cent



## Financial requirement of \$6.6 billion for April to July 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 \$0.8 billion and a requirement of \$5.8 billion from non-budgetary transactions, there was a financial requirement of \$6.6 billion for the April to July 2014 period, compared to a financial requirement of \$18.2 billion for the same period the previous year.

## Net financing activities up \$14.1 billion

The Government financed this financial requirement of \$6.6 billion and increased cash balances by \$7.5 billion through an increase in unmatured debt of \$14.1 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 July 2014 stood at \$33.6 billion, down \$0.6 billion from their level at the end of July 2013.

Table 1  
Summary statement of transactions  
\$ millions

	July		April to July	
	2013 <sup>1</sup>	2014	2013-14 <sup>1</sup>	2014-15
<b>Budgetary transactions</b>				
Revenues	19,854	21,736	84,523	88,893
Expenses				
Program expenses	-19,360	-20,476	-78,912	-79,588
Public debt charges	-2,477	-2,491	-10,147	-10,112
Budgetary balance (deficit/surplus)	-1,983	-1,231	-4,536	-807
<b>Non-budgetary transactions</b>	1,907	-4,279	-13,703	-5,755
<b>Financial source/requirement</b>	-76	-5,510	-18,239	-6,562
<b>Net change in financing activities</b>	8,940	7,352	28,057	14,050
<b>Net change in cash balances</b>	8,864	1,842	9,818	7,488
<b>Cash balance at end of period</b>			34,134	33,563

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

<sup>1</sup> Comparative figures have been restated to conform with the presentation in the *Public Accounts of Canada 2013*.

Table 2  
Revenues

	July			April to July		
	2013 (\$ millions)	2014 (\$ millions)	Change (%)	2013-14 (\$ millions)	2014-15 (\$ millions)	Change (%)
<b>Tax revenues</b>						
Income taxes						
Personal income tax	10,478	11,121	6.1	40,782	42,268	3.6
Corporate income tax	454	2,048	351.1	9,735	11,836	21.6
Non-resident income tax	484	453	-6.4	1,771	1,757	-0.8
Total income tax	11,416	13,622	19.3	52,288	55,861	6.8
Excise taxes and duties						
Goods and Services Tax	3,367	2,829	-16.0	10,674	10,848	1.6
Energy taxes	472	469	-0.6	1,704	1,753	2.9
Customs import duties	422	447	5.9	1,373	1,534	11.7
Other excise taxes and duties	368	515	39.9	1,754	1,998	13.9
Total excise taxes and duties	4,629	4,260	-8.0	15,505	16,133	4.1
Total tax revenues	16,045	17,882	11.4	67,793	71,994	6.2
<b>Employment Insurance premiums</b>	1,708	1,773	3.8	8,157	8,494	4.1
<b>Other revenues<sup>1</sup></b>	2,101	2,081	-1.0	8,573	8,405	-2.0
<b>Total revenues</b>	19,854	21,736	9.5	84,523	88,893	5.2

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

	July			April to July		
	2013 (\$ millions)	2014 (\$ millions)	Change (%)	2013-14 (\$ millions)	2014-15 (\$ millions)	Change (%)
<b>Major transfers to persons</b>						
Elderly benefits	3,445	3,604	4.6	13,734	14,273	3.9
Employment Insurance benefits	1,482	1,286	-13.2	5,687	5,869	3.2
Children's benefits	1,060	1,060	0.0	4,366	4,275	-2.1
<b>Total</b>	<b>5,987</b>	<b>5,950</b>	<b>-0.6</b>	<b>23,787</b>	<b>24,417</b>	<b>2.6</b>
<b>Major transfers to other levels of government</b>						
Support for health and other social programs						
Canada Health Transfer	2,545	2,676	5.1	10,178	10,705	5.2
Canada Social Transfer	1,018	1,049	3.0	4,072	4,194	3.0
<b>Total</b>	<b>3,563</b>	<b>3,725</b>	<b>4.5</b>	<b>14,250</b>	<b>14,899</b>	<b>4.6</b>
Fiscal arrangements and other transfers	1,636	1,641	0.3	6,939	7,155	3.1
Canada's cities and communities	0	357	n/a	1,015	987	-2.8
Quebec Abatement	-359	-375	4.5	-1,436	-1,503	4.7
<b>Total</b>	<b>4,840</b>	<b>5,348</b>	<b>10.5</b>	<b>20,768</b>	<b>21,538</b>	<b>3.7</b>
<b>Direct program expenses</b>						
Transfer payments						
Aboriginal Affairs and Northern Development	253	443	75.1	1,846	2,053	11.2
Agriculture and Agri-Food	61	46	-24.6	191	125	-34.6
Employment and Social Development	408	509	24.8	1,659	1,509	-9.0
Foreign Affairs, Trade and Development	209	157	-24.9	853	627	-26.5
Health	253	219	-13.4	1,028	1,165	13.3
Industry	183	168	-8.2	701	691	-1.4
Other	1,041	971	-6.7	4,117	3,411	-17.1
<b>Total</b>	<b>2,408</b>	<b>2,513</b>	<b>4.4</b>	<b>10,395</b>	<b>9,581</b>	<b>-7.8</b>
Other direct program expenses						
Crown corporations	870	754	-13.3	2,747	2,329	-15.2
National Defence	1,622	1,848	13.9	6,502	6,439	-1.0
All other departments and agencies <sup>1</sup>	3,633	4,063	11.8	14,713	15,284	3.9
<b>Total other direct program expenses</b>	<b>6,125</b>	<b>6,665</b>	<b>8.8</b>	<b>23,962</b>	<b>24,052</b>	<b>0.4</b>
<b>Total direct program expenses</b>	<b>8,533</b>	<b>9,178</b>	<b>7.6</b>	<b>34,357</b>	<b>33,633</b>	<b>-2.1</b>

<b>Total program expenses</b>	19,360	20,476	5.8	78,912	79,588	0.9
<b>Public debt charges</b>	2,477	2,491	0.6	10,147	10,112	-0.3
<b>Total expenses</b>	21,837	22,967	5.2	89,059	89,700	0.7

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

	July		April to July	
	2013	2014	2013-14	2014-15
<b>Budgetary balance (deficit/surplus)</b>	-1,983	-1,231	-4,536	-807
<b>Non-budgetary transactions</b>				
Capital investment activities	-637	-451	-851	-1,096
Other investing activities	1,449	1,946	1,560	4,237
Pension and other accounts	802	354	1,486	1,229
Other activities				
Accounts payable, receivables, accruals and allowances	-730	-5,112	-16,064	-13,709
Foreign exchange activities	642	-1,328	-1,319	2,179
Amortization of tangible capital assets	381	312	1,485	1,405
<b>Total other activities</b>	<b>293</b>	<b>-6,128</b>	<b>-15,898</b>	<b>-10,125</b>
<b>Total non-budgetary transactions</b>	<b>1,907</b>	<b>-4,279</b>	<b>-13,703</b>	<b>-5,755</b>
<b>Financial source/requirement</b>	<b>-76</b>	<b>-5,510</b>	<b>-18,239</b>	<b>-6,562</b>

Note: Totals may not add due to rounding.



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

	July		April to July	
	2013	2014	2013-14	2014-15
<b>Financial source/requirement</b>	-76	-5,510	-18,239	-6,562
<b>Net increase (+)/decrease (-) in financing activities</b>				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	6,619	4,592	10,589	5,844
Treasury bills	3,400	2,100	15,500	9,500
Retail debt	-35	-42	-163	-122
Other	0	0	0	0
<b>Total</b>	<b>9,984</b>	<b>6,650</b>	<b>25,926</b>	<b>15,222</b>
Foreign currency borrowings	-242	-120	382	-340
<b>Total</b>	<b>9,742</b>	<b>6,530</b>	<b>26,308</b>	<b>14,882</b>
Cross-currency swap revaluation	-780	796	1,376	-970
Unamortized discounts and premiums on market debt	-96	7	381	106
Obligations related to capital leases and other unamatured debt	74	19	-8	32
<b>Net change in financing activities</b>	<b>8,940</b>	<b>7,352</b>	<b>28,057</b>	<b>14,050</b>
<b>Change in cash balance</b>	<b>8,864</b>	<b>1,842</b>	<b>9,818</b>	<b>7,488</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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