

# The Fiscal Monitor

## A publication of the Department of Finance

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### Highlights

#### **November 2014: budgetary surplus of \$0.6 billion**

There was a budgetary surplus of \$0.6 billion in November 2014, compared to a deficit of \$0.6 billion in November 2013. Revenues increased by \$1.0 billion, or 4.5 per cent, as increases in personal income tax revenues and other revenues were partially offset by a decrease in corporate income tax revenues. Program expenses decreased by \$0.1 billion, or 0.4 per cent, as a decrease in direct program expenses was largely offset by increases in major transfers to persons and other levels of government. Public debt charges decreased by \$0.1 billion, or 5.5 per cent.

#### **April to November 2014: budgetary deficit of \$3.3 billion**

For the April to November 2014 period of the 2014–15 fiscal year, the Government posted a budgetary deficit of \$3.3 billion, compared to a deficit of \$13.4 billion reported in the same period of 2013–14. Revenues were up \$6.3 billion, or 3.8 per cent, reflecting increases in all revenue sources, except other revenues. Program expenses were down \$3.3 billion, or 2.0 per cent, reflecting a decrease in direct program expenses, offset in part by increases in major transfers to persons and other levels of government. Public debt charges were down \$0.5 billion, or 2.5 per cent, largely reflecting a lower average effective interest rate on bonds.

### November 2014

There was a budgetary surplus of \$0.6 billion in November 2014, compared to a deficit of \$0.6 billion in November 2013.

Revenues in November 2014 totalled \$22.8 billion, up \$1.0 billion, or 4.5 per cent, from November 2013.

- Personal income tax revenues were up \$1.0 billion, or 8.7 per cent.
- Corporate income tax revenues were down \$0.4 billion.
- Non-resident income tax revenues were down \$0.1 billion.
- Excise taxes and duties were up \$0.2 billion, or 3.7 per cent. Goods and Services Tax (GST) revenues increased by \$0.1 billion, energy taxes by \$22 million, customs import duties by \$5 million, and other excise taxes and duties by \$34 million.
- Employment Insurance (EI) premium revenues were up \$39 million, or 3.9 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 \$0.2 billion, or 11.0 per cent.

Program expenses in November 2014 were \$19.9 billion, down \$0.1 billion, or 0.4 per cent, from November 2013.

- Major transfers to persons, consisting of elderly, EI and children's benefits, increased by \$0.3 billion, or 5.5 per cent. Elderly benefits increased by \$0.1 billion, or 4.0 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 \$0.2 billion, or 14.5 per cent. Children's benefits, which consist of the Canada Child Tax Benefit and the Universal Child Care Benefit, decreased by \$3 million, or 0.3 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 \$0.3 billion, or 5.1 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.

- Direct program expenses include transfer payments to individuals and 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 down \$0.7 billion, or 7.2 per cent. Within direct program expenses:
  - Transfer payments decreased by \$0.3 billion, or 10.6 per cent.
  - Other direct program expenses decreased by \$0.4 billion, or 5.6 per cent.

Public debt charges decreased by \$0.1 billion, or 5.5 per cent.

## April to November 2014

For the April to November 2014 period of the 2014–15 fiscal year, there was a budgetary deficit of \$3.3 billion, compared to a deficit of \$13.4 billion reported during the same period of 2013–14.

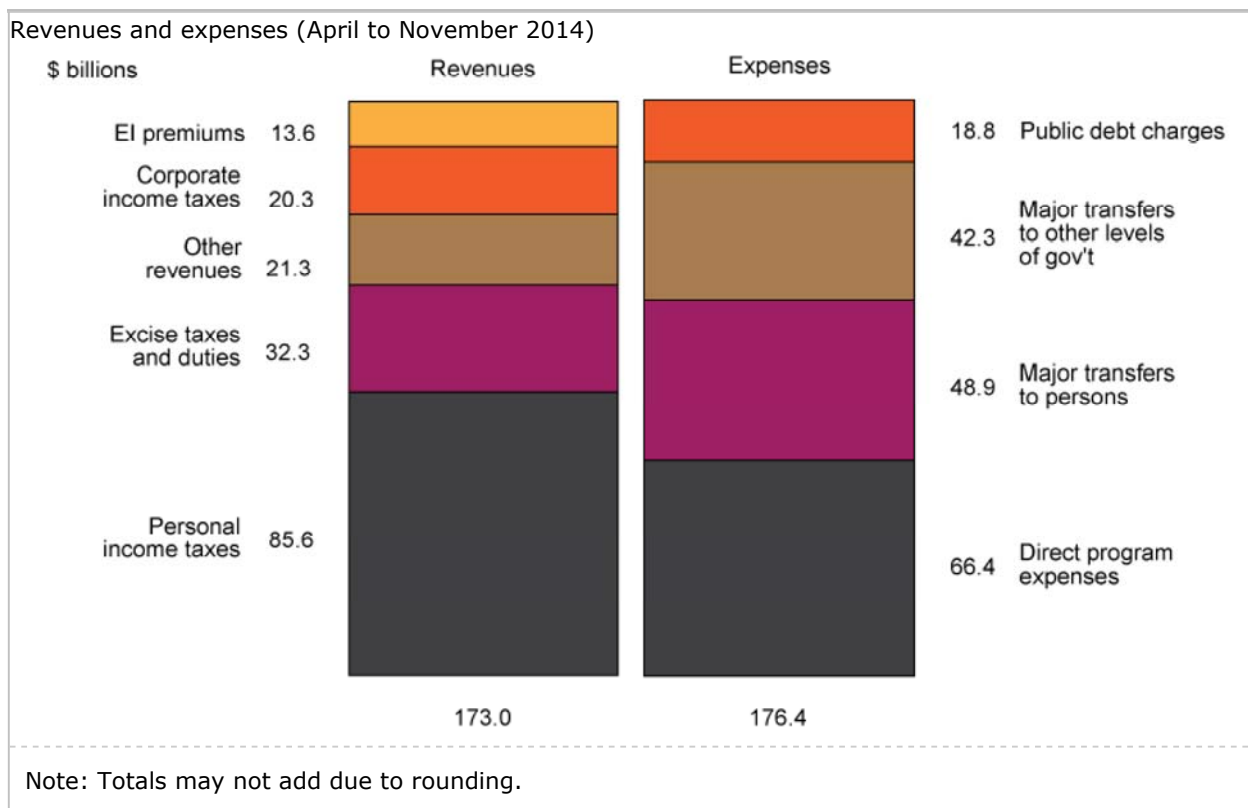
Revenues increased by \$6.3 billion, or 3.8 per cent, to \$173.0 billion.

- Personal income tax revenues were up \$2.2 billion, or 2.7 per cent.
- Corporate income tax revenues were up \$2.0 billion, or 11.0 per cent.
- Non-resident income tax revenues were up \$0.2 billion, or 4.6 per cent.
- Excise taxes and duties were up \$1.5 billion, or 4.8 per cent. GST revenues increased by \$0.8 billion, or 3.8 per cent, energy taxes by \$0.1 billion, customs import duties by \$0.2 billion, and other excise taxes and duties by \$0.4 billion.
- EI premium revenues were up \$0.5 billion, or 3.9 per cent, reflecting growth in earnings.
- Other revenues were down \$0.1 billion, or 0.5 per cent.

For the April to November 2014 period, program expenses were \$157.6 billion, down \$3.3 billion, or 2.0 per cent, from the same period the previous year.

- Major transfers to persons were up \$1.5 billion, or 3.2 per cent. Elderly benefits increased by \$1.1 billion, or 4.1 per cent, reflecting growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. EI benefit payments increased by \$0.6 billion, or 5.2 per cent, and children's benefits were down \$0.2 billion, or 2.0 per cent.
- Major transfers to other levels of government were up \$1.8 billion, or 4.3 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 \$6.5 billion, or 9.0 per cent. Within direct program expenses:
  - Transfer payments decreased by \$4.0 billion, or 16.7 per cent, largely reflecting the accrual in 2013–14 of a liability for disaster assistance related to the 2013 flood in Alberta, 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 decreased by \$2.6 billion, or 5.2 per cent, due in large part to a decrease in pension and benefit costs based on the Government's latest actuarial valuations.

Public debt charges decreased by \$0.5 billion, or 2.5 per cent, largely reflecting a lower average effective interest rate on bonds.



## Financial source of \$0.3 billion for April to November 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 \$3.3 billion and a financial source of \$3.7 billion from non-budgetary transactions, there was a financial source of \$0.3 billion for the April to November 2014 period, compared to a financial requirement of \$1.5 billion for the same period the previous year.

## Net financing activities up \$7.4 billion

The Government used the financial source of \$0.3 billion along with an increase in unmatured debt of \$7.4 billion to increase cash balances by \$7.7 billion. The increase in unmatured 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 November 2014 stood at \$33.8 billion, up \$3.2 billion from their level at the end of November 2013.

Table 1  
Summary statement of transactions  
\$ millions

	November		April to November	
	2013 <sup>1</sup>	2014	2013-14 <sup>1</sup>	2014-15
<b>Budgetary transactions</b>				
Revenues	21,801	22,772	166,727	173,038
Expenses				
Program expenses	-20,002	-19,927	-160,888	-157,615
Public debt charges	-2,353	-2,223	-19,224	-18,752
Budgetary balance (deficit/surplus)	-554	622	-13,385	-3,329
<b>Non-budgetary transactions</b>	6,385	198	11,848	3,656
<b>Financial source/requirement</b>	5,831	820	-1,537	327
<b>Net change in financing activities</b>	-7,168	685	7,807	7,359
<b>Net change in cash balances</b>	-1,337	1,505	6,270	7,686
<b>Cash balance at end of period</b>			30,582	33,759

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

<sup>1</sup> Certain comparative figures have been restated to reflect a change in the Government's accounting policy for bond buyback operations as reported in the *Annual Financial Report of the Government of Canada* for 2013-14.

Table 2  
Revenues

	November			April to November		
	2013 (\$ millions)	2014 (\$ millions)	Change (%)	2013-14 (\$ millions)	2014-15 (\$ millions)	Change (%)
<b>Tax revenues</b>						
Income taxes						
Personal income tax	11,196	12,174	8.7	83,428	85,649	2.7
Corporate income tax	2,692	2,329	-13.5	18,268	20,285	11.0
Non-resident income tax	534	466	-12.7	3,486	3,646	4.6
Total income tax	14,422	14,969	3.8	105,182	109,580	4.2
Excise taxes and duties						
Goods and Services Tax	3,119	3,219	3.2	20,755	21,542	3.8
Energy taxes	455	477	4.8	3,607	3,682	2.1
Customs import duties	331	336	1.5	2,847	3,059	7.4
Other excise taxes and duties	445	479	7.6	3,579	3,994	11.6
Total excise taxes and duties	4,350	4,511	3.7	30,788	32,277	4.8
Total tax revenues	18,772	19,480	3.8	135,970	141,857	4.3
<b>Employment Insurance premiums</b>	997	1,036	3.9	13,047	13,559	3.9
<b>Other revenues</b>	2,032	2,256	11.0	17,710	17,622	-0.5
<b>Total revenues</b>	21,801	22,772	4.5	166,727	173,038	3.8

Note: Totals may not add due to rounding.

Table 3  
Expenses

	November			April to November		
	2013 (\$ millions)	2014 (\$ millions)	Change (%)	2013-14 (\$ millions)	2014-15 (\$ millions)	Change (%)
<b>Major transfers to persons</b>						
Elderly benefits	3,517	3,659	4.0	27,711	28,836	4.1
Employment Insurance benefits	1,273	1,457	14.5	10,854	11,422	5.2
Children's benefits	1,126	1,123	-0.3	8,834	8,656	-2.0
<b>Total</b>	<b>5,916</b>	<b>6,239</b>	<b>5.5</b>	<b>47,399</b>	<b>48,914</b>	<b>3.2</b>
<b>Major transfers to other levels of government</b>						
Support for health and other social programs						
Canada Health Transfer	2,544	2,676	5.2	20,365	21,409	5.1
Canada Social Transfer	1,018	1,049	3.0	8,144	8,388	3.0
<b>Total</b>	<b>3,562</b>	<b>3,725</b>	<b>4.6</b>	<b>28,509</b>	<b>29,797</b>	<b>4.5</b>
Fiscal arrangements and other transfers	1,565	1,625	3.8	13,204	13,657	3.4
Canada's cities and communities	174	260	49.4	1,661	1,849	11.3
Quebec Abatement	-309	-363	17.5	-2,822	-2,994	6.1
<b>Total</b>	<b>4,992</b>	<b>5,247</b>	<b>5.1</b>	<b>40,552</b>	<b>42,309</b>	<b>4.3</b>
<b>Direct program expenses</b>						
Transfer payments						
Aboriginal Affairs and Northern Development	683	440	-35.6	4,016	4,044	0.7
Agriculture and Agri-Food	211	216	2.4	684	561	-18.0
Employment and Social Development	581	638	9.8	3,649	3,589	-1.6
Foreign Affairs, Trade and Development	190	185	-2.6	1,621	1,360	-16.1
Health	202	195	-3.5	1,905	1,977	3.8
Industry	144	111	-22.9	1,569	1,436	-8.5
Other	845	768	-9.1	10,292	6,798	-33.9
<b>Total</b>	<b>2,856</b>	<b>2,553</b>	<b>-10.6</b>	<b>23,736</b>	<b>19,765</b>	<b>-16.7</b>
Other direct program expenses						
Crown corporations	504	743	47.4	5,044	4,853	-3.8
National Defence	1,716	1,660	-3.3	13,168	13,204	0.3
All other departments and agencies	4,018	3,485	-13.3	30,989	28,570	-7.8
<b>Total other direct program expenses</b>	<b>6,238</b>	<b>5,888</b>	<b>-5.6</b>	<b>49,201</b>	<b>46,627</b>	<b>-5.2</b>
<b>Total direct program expenses</b>	<b>9,094</b>	<b>8,441</b>	<b>-7.2</b>	<b>72,937</b>	<b>66,392</b>	<b>-9.0</b>

<b>Total program expenses</b>	20,002	19,927	-0.4	160,888	157,615	-2.0
<b>Public debt charges<sup>1</sup></b>	2,353	2,223	-5.5	19,224	18,752	-2.5
<b>Total expenses</b>	22,355	22,150	-0.9	180,112	176,367	-2.1

Note: Totals may not add due to rounding.

<sup>1</sup> Comparative figures have been restated to reflect a change in the Government's accounting policy for bond buyback operations as reported in the *Annual Financial Report of the Government of Canada* for 2013-14.

Table 4  
The budgetary balance and financial source/requirement  
\$ millions

	November		April to November	
	2013	2014	2013-14	2014-15
<b>Budgetary balance (deficit/surplus)</b>	-554	622	-13,385	-3,329
<b>Non-budgetary transactions</b>				
Capital investment activities	45	-259	-2,516	-2,258
Other investing activities	6,863	-709	21,147	3,189
Pension and other accounts	589	240	3,336	1,141
Other activities				
Accounts payable, receivables, accruals and allowances	957	1,924	-6,660	-1,144
Foreign exchange activities	-1,914	-1,243	-5,725	138
Amortization of tangible capital assets	-155	245	2,266	2,590
<b>Total other activities</b>	<b>-1,112</b>	<b>926</b>	<b>-10,119</b>	<b>1,584</b>
<b>Total non-budgetary transactions</b>	<b>6,385</b>	<b>198</b>	<b>11,848</b>	<b>3,656</b>
<b>Financial source/requirement</b>	<b>5,831</b>	<b>820</b>	<b>-1,537</b>	<b>327</b>

Note: Totals may not add due to rounding.



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

	November		April to November	
	2013	2014	2013-14	2014-15
<b>Financial source/requirement</b>	5,831	820	-1,537	327
<b>Net increase (+)/decrease (-) in financing activities</b>				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	-3,301	-2,258	9,660	15,775
Treasury bills	-4,200	2,600	-4,500	-5,900
Retail debt	-1,099	-570	-1,343	-788
Other	0	0	0	0
<b>Total</b>	<b>-8,600</b>	<b>-228</b>	<b>3,817</b>	<b>9,087</b>
Foreign currency borrowings	401	146	872	-2,065
<b>Total</b>	<b>-8,199</b>	<b>-82</b>	<b>4,689</b>	<b>7,022</b>
Cross-currency swap revaluation	915	658	3,299	469
Unamortized discounts and premiums on market debt <sup>1</sup>	108	123	-196	195
Obligations related to capital leases and other unamatured debt	8	-14	15	-327
<b>Net change in financing activities</b>	<b>-7,168</b>	<b>685</b>	<b>7,807</b>	<b>7,359</b>
<b>Change in cash balance</b>	<b>-1,337</b>	<b>1,505</b>	<b>6,270</b>	<b>7,686</b>

Note: Totals may not add due to rounding.

<sup>1</sup> Comparative figures have been restated to reflect a change in the Government's accounting policy for bond buyback operations as reported in the *Annual Financial Report of the Government of Canada* for 2013-14.

Table 6  
Condensed statement of assets and liabilities  
\$ millions

	<b>March 31, 2014</b>	<b>November 30, 2014</b>	<b>Change</b>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	111,421	112,961	1,540
Interest-bearing debt			
Unmatured debt			
Payable in Canadian currency			
Marketable bonds	473,319	489,094	15,775
Treasury bills	152,990	147,090	-5,900
Retail debt	6,327	5,539	-788
Subtotal	632,636	641,723	9,087
Payable in foreign currencies	16,030	13,965	-2,065
Cross-currency swap revaluation	2,326	2,795	469
Unamortized discounts and premiums on market debt	3,184	3,379	195
Obligations related to capital leases and other unmatured debt	4,782	4,455	-327
Total unamatured debt	658,958	666,317	7,359
Pension and other liabilities			
Public sector pensions	153,083	152,745	-338
Other employee and veteran future benefits	71,409	72,985	1,576
Other liabilities	5,914	5,817	-97
Total pension and other liabilities	230,406	231,547	1,141
Total interest-bearing debt	889,364	897,864	8,500
<b>Total liabilities</b>	<b>1,000,785</b>	<b>1,010,825</b>	<b>10,040</b>
<b>Financial assets</b>			
Cash and accounts receivable	128,574	138,944	10,370
Foreign exchange accounts	72,262	72,124	-138
Loans, investments, and advances (net of allowances) <sup>1</sup>	117,635	113,233	-4,402
Total financial assets	318,471	324,301	5,830
<b>Net debt</b>	<b>682,314</b>	<b>686,524</b>	<b>4,210</b>
<b>Non-financial assets</b>	<b>70,433</b>	<b>70,101</b>	<b>-332</b>
<b>Federal debt (accumulated deficit)</b>	<b>611,881</b>	<b>616,423</b>	<b>4,542</b>

Note: Totals may not add due to rounding.

<sup>1</sup> November 30, 2014 amount includes \$1.2 billion in other comprehensive losses from enterprise Crown corporations and other government business enterprises for the April to November 2014 period.

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

For inquiries about this publication, contact Glenn Purves at 613-369-5655.

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