

The Fiscal Monitor

A publication of the Department of Finance

Highlights

December 2014: budgetary surplus of \$2.4 billion

There was a budgetary surplus of \$2.4 billion in December 2014, compared to a surplus of \$1.2 billion in December 2013. Revenues increased by \$1.0 billion, or 4.3 per cent, as increases in corporate income tax revenues and other revenues were partially offset by a decrease in personal income tax revenues. Program expenses decreased by \$0.2 billion, or 1.2 per cent, largely reflecting a decrease in direct program expenses, offset in part by an increase in major transfers to other levels of government. Public debt charges increased by \$32 million, or 1.5 per cent.

April to December 2014: budgetary deficit of \$0.9 billion

For the April to December 2014 period of the 2014–15 fiscal year, the Government posted a budgetary deficit of \$0.9 billion, compared to a deficit of \$12.2 billion reported in the same period of 2013–14. Revenues were up \$7.3 billion, or 3.8 per cent, reflecting increases in all revenue sources. Program expenses were down \$3.5 billion, or 1.9 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 \$0.4 billion, or 2.1 per cent, largely reflecting a lower average effective interest rate on bonds.

December 2014

There was a budgetary surplus of \$2.4 billion in December 2014, compared to a surplus of \$1.2 billion in December 2013.

Revenues in December 2014 totalled \$24.8 billion, up \$1.0 billion, or 4.3 per cent, from December 2013.

- Personal income tax revenues were down \$0.2 billion, or 1.9 per cent.
- Corporate income tax revenues were up \$0.3 billion, or 8.3 per cent.
- Non-resident income tax revenues were up \$0.1 billion, or 10.5 per cent.
- Excise taxes and duties were down \$32 million, or 0.8 per cent. Goods and Services Tax (GST) revenues decreased by \$0.1 billion, energy taxes increased by \$1 million, customs import duties increased by \$40 million, and other excise taxes and duties decreased by \$10 million.
- Employment Insurance (EI) premium revenues were up \$28 million, or 3.1 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 \$0.9 billion or 37.4 per cent, largely reflecting the gain realized on the transfer to Ontario of the province's one-third portion of the Government's holdings of General Motors common shares.

Program expenses in December 2014 were \$20.2 billion, down \$0.2 billion, or 1.2 per cent, from December 2013.

- Major transfers to persons, consisting of elderly, EI and children's benefits, increased by \$7 million, or 0.1 per cent. Elderly benefits increased by \$0.2 billion, or 5.5 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 11.9 per cent. Children's benefits, which consist of the Canada Child Tax Benefit and the Universal Child Care Benefit, increased by \$13 million, or 1.2 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 3.3 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 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 \$0.4 billion, or 4.4 per cent, from the previous year. Within direct program expenses:
 - Transfer payments decreased by \$0.6 billion, or 18.4 per cent, reflecting decreases across a number of departments.
 - Other direct program expenses increased by \$0.1 billion, or 2.3 per cent.

Public debt charges increased by \$32 million, or 1.5 per cent.

Impact of Transfer of General Motors Common Shares to Ontario

In 2008 and 2009, the Government entered into agreements with Ontario to provide financial assistance to the automotive sector whereby Ontario contributed one-third of the financial assistance and participates with the Government in any future economic benefit or loss resulting from these transactions. Through subsequent financial assistance agreements with General Motors, the Government acquired common and preferred shares in a restructured General Motors. In recognition of its agreements with Ontario, the Government recorded a liability to the Province to reflect Ontario's one-third participation in the value of these shares.

Following General Motors' initial public offering in November 2010, the value of the Government's holdings of General Motors common shares and the liability to Ontario have been adjusted to reflect changes in the market value of the common shares. Unrealized gains and losses due to changes in the value of the Government's holdings of the shares have been recorded as part of other comprehensive income. Other comprehensive income is excluded from the calculation of the Government's budgetary balance and is instead recorded directly as a component of the federal debt, or accumulated deficit. Changes in the value of the liability to Ontario have been expensed and reflected in the budgetary balance.

On December 22, 2014, at the request of the Province, the Governments of Canada and Ontario agreed to transfer one-third of the remaining General Motors common shares to Ontario. In accordance with generally accepted accounting standards for the Canadian public sector, this transfer has resulted in \$0.9 billion in cumulative unrealized gains on Ontario's portion of the shares moving out of other comprehensive income and flowing through other revenues and the budgetary balance. These gains offset previously recorded expenses associated with the revaluation of the liability to Ontario, with no overall impact on the federal debt.

April to December 2014

For the April to December 2014 period of the 2014-15 fiscal year, there was a budgetary deficit of \$0.9 billion, compared to a deficit of \$12.2 billion reported during the same period of 2013-14.

Revenues increased by \$7.3 billion, or 3.8 per cent, to \$197.9 billion.

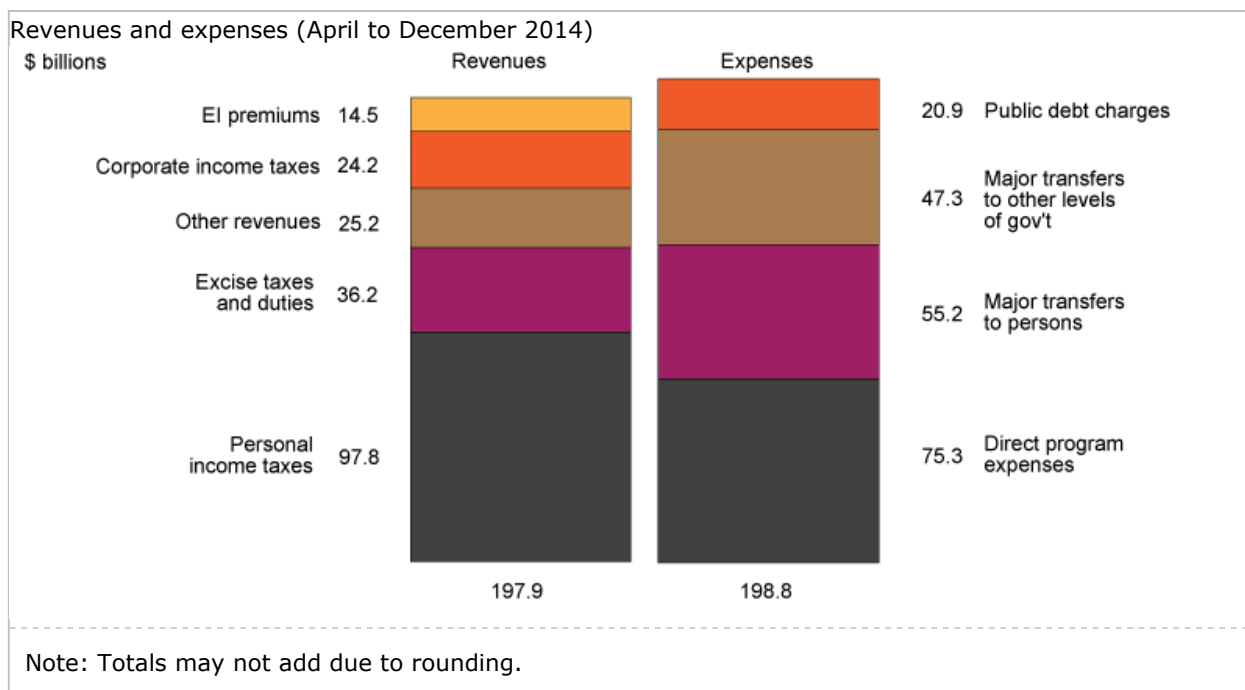
- Personal income tax revenues were up \$2.0 billion, or 2.1 per cent.
- Corporate income tax revenues were up \$2.3 billion, or 10.6 per cent.
- Non-resident income tax revenues were up \$0.2 billion, or 5.4 per cent.
- Excise taxes and duties were up \$1.5 billion, or 4.2 per cent. GST revenues increased by \$0.7 billion, or 3.1 per cent, energy taxes by \$0.1 billion, customs import duties by \$0.3 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 up \$0.8 billion, or 4.1 per cent.

For the April to December 2014 period, program expenses were \$177.8 billion, down \$3.5 billion, or 1.9 per cent, from the same period the previous year.

- Major transfers to persons were up \$1.5 billion, or 2.8 per cent. Elderly benefits increased by \$1.3 billion, or 4.2 per cent, reflecting growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. EI benefit payments increased by \$0.4 billion, or 3.0 per cent, and children's benefits were down \$0.2 billion, or 1.7 per cent.
- Major transfers to other levels of government were up \$1.9 billion, or 4.2 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 \$7.0 billion, or 8.5 per cent. Within direct program expenses:
 - Transfer payments decreased by \$4.5 billion, or 16.9 per cent, reflecting decreases across a number of departments, including 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 \$2.4 billion, or 4.4 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 \$0.4 billion, or 2.1 per cent, largely reflecting a lower average effective interest rate on bonds.



Financial source of \$0.7 billion for April to December 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 \$0.9 billion and a financial source of \$1.6 billion from non-budgetary transactions, there was a financial source of \$0.7 billion for the April to December 2014 period, compared to a financial requirement of \$1.8 billion for the same period the previous year.

Net financing activities up \$1.4 billion

The Government used the financial source of \$0.7 billion along with an increase in unmatured debt of \$1.4 billion to increase cash balances by \$2.1 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 December 2014 stood at \$28.1 billion, up \$1.6 billion from their level at the end of December 2013.

Table 1
Summary statement of transactions
\$ millions

	December		April to December	
	2013 ¹	2014	2013-14 ¹	2014-15
Budgetary transactions				
Revenues	23,813	24,828	190,540	197,866
Expenses				
Program expenses	-20,452	-20,211	-181,340	-177,826
Public debt charges	-2,158	-2,190	-21,382	-20,942
Budgetary balance (deficit/surplus)	1,203	2,427	-12,182	-902
Non-budgetary transactions	-1,417	-2,053	10,431	1,603
Financial source/requirement	-214	374	-1,751	701
Net change in financing activities	-3,862	-5,997	3,945	1,362
Net change in cash balances	-4,076	-5,623	2,194	2,063
Cash balance at end of period			26,508	28,133

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

¹ 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

	December			April to December		
	2013 (\$ millions)	2014 (\$ millions)	Change (%)	2013-14 (\$ millions)	2014-15 (\$ millions)	Change (%)
Tax revenues						
Income taxes						
Personal income tax	12,378	12,140	-1.9	95,806	97,789	2.1
Corporate income tax	3,575	3,871	8.3	21,843	24,156	10.6
Non-resident income tax	534	590	10.5	4,020	4,236	5.4
Total income tax	16,487	16,601	0.7	121,669	126,181	3.7
Excise taxes and duties						
Goods and Services Tax	2,681	2,618	-2.3	23,436	24,160	3.1
Energy taxes	467	468	0.2	4,074	4,150	1.9
Customs import duties	319	359	12.5	3,166	3,418	8.0
Other excise taxes and duties	526	516	-1.9	4,105	4,510	9.9
Total excise taxes and duties	3,993	3,961	-0.8	34,781	36,238	4.2
Total tax revenues	20,480	20,562	0.4	156,450	162,419	3.8
Employment Insurance premiums	915	943	3.1	13,962	14,502	3.9
Other revenues	2,418	3,323	37.4	20,128	20,945	4.1
Total revenues	23,813	24,828	4.3	190,540	197,866	3.8

Note: Totals may not add due to rounding.

Table 3
Expenses

	December			April to December		
	2013 (\$ millions)	2014 (\$ millions)	Change (%)	2013-14 (\$ millions)	2014-15 (\$ millions)	Change (%)
Major transfers to persons						
Elderly benefits	3,508	3,700	5.5	31,219	32,536	4.2
Employment Insurance benefits	1,668	1,470	-11.9	12,522	12,892	3.0
Children's benefits	1,089	1,102	1.2	9,923	9,758	-1.7
Total	6,265	6,272	0.1	53,664	55,186	2.8
Major transfers to other levels of government						
Support for health and other social programs						
Canada Health Transfer	2,545	2,677	5.2	22,910	24,086	5.1
Canada Social Transfer	1,017	1,048	3.0	9,161	9,436	3.0
Total	3,562	3,725	4.6	32,071	33,522	4.5
Fiscal arrangements and other transfers	1,566	1,625	3.8	14,770	15,282	3.5
Canada's cities and communities	75	54	-28.0	1,736	1,903	9.6
Quebec Abatement	-348	-389	11.8	-3,170	-3,383	6.7
Total	4,855	5,015	3.3	45,407	47,324	4.2
Direct program expenses						
Transfer payments						
Aboriginal Affairs and Northern Development	514	435	-15.4	4,530	4,479	-1.1
Agriculture and Agri-Food	166	107	-35.5	850	668	-21.4
Employment and Social Development	412	384	-6.8	4,061	3,973	-2.2
Foreign Affairs, Trade and Development	341	248	-27.3	1,962	1,608	-18.0
Health	240	255	6.3	2,145	2,232	4.1
Industry	314	234	-25.5	1,883	1,670	-11.3
Other	1,021	792	-22.4	11,313	7,590	-32.9
Total	3,008	2,455	-18.4	26,744	22,220	-16.9
Other direct program expenses						
Crown corporations	543	633	16.6	5,587	5,486	-1.8
National Defence	1,806	1,871	3.6	14,974	15,075	0.7
All other departments and agencies	3,975	3,965	-0.3	34,964	32,535	-6.9
Total other direct program expenses	6,324	6,469	2.3	55,525	53,096	-4.4
Total direct program expenses	9,332	8,924	-4.4	82,269	75,316	-8.5

Total program expenses	20,452	20,211	-1.2	181,340	177,826	-1.9
Public debt charges¹	2,158	2,190	1.5	21,382	20,942	-2.1
Total expenses	22,610	22,401	-0.9	202,722	198,768	-2.0

Note: Totals may not add due to rounding.

¹ 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

	December		April to December	
	2013	2014	2013-14	2014-15
Budgetary balance (deficit/surplus)	1,203	2,427	-12,182	-902
Non-budgetary transactions				
Capital investment activities	-553	-355	-3,069	-2,613
Other investing activities	287	586	21,434	3,775
Pension and other accounts	677	344	4,013	1,485
Other activities				
Accounts payable, receivables, accruals and allowances	-1,860	-1,069	-8,520	-2,213
Foreign exchange activities	-495	-1,912	-6,220	-1,774
Amortization of tangible capital assets	527	353	2,793	2,943
Total other activities	-1,828	-2,628	-11,947	-1,044
Total non-budgetary transactions	-1,417	-2,053	10,431	1,603
Financial source/requirement	-214	374	-1,751	701

Note: Totals may not add due to rounding.

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

	December		April to December	
	2013	2014	2013-14	2014-15
Financial source/requirement	-214	374	-1,751	701
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	594	-6,527	10,254	9,248
Treasury bills	-5,100	-600	-9,600	-6,500
Retail debt	284	150	-1,059	-638
Other	0	0	0	0
Total	-4,222	-6,977	-405	2,110
Foreign currency borrowings	81	542	953	-1,523
Total	-4,141	-6,435	548	587
Cross-currency swap revaluation	277	394	3,576	863
Unamortized discounts and premiums on market debt ¹	69	84	-127	279
Obligations related to capital leases and other unamortized debt	-67	-40	-52	-367
Net change in financing activities	-3,862	-5,997	3,945	1,362
Change in cash balance	-4,076	-5,623	2,194	2,063

Note: Totals may not add due to rounding.

¹ 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

	March 31, 2014	December 31, 2014	Change
Liabilities			
Accounts payable and accrued liabilities	111,421	109,926	-1,495
Interest-bearing debt			
Unmatured debt			
Payable in Canadian currency			
Marketable bonds	473,319	482,567	9,248
Treasury bills	152,990	146,490	-6,500
Retail debt	6,327	5,689	-638
Subtotal	632,636	634,746	2,110
Payable in foreign currencies	16,030	14,507	-1,523
Cross-currency swap revaluation	2,326	3,189	863
Unamortized discounts and premiums on market debt	3,184	3,463	279
Obligations related to capital leases and other unmatured debt	4,782	4,415	-367
Total unmatured debt	658,958	660,320	1,362
Pension and other liabilities			
Public sector pensions	153,083	152,746	-337
Other employee and veteran future benefits	71,409	73,246	1,837
Other liabilities	5,914	5,899	-15
Total pension and other liabilities	230,406	231,891	1,485
Total interest-bearing debt	889,364	892,211	2,847
Total liabilities	1,000,785	1,002,137	1,352
Financial assets			
Cash and accounts receivable	128,574	131,355	2,781
Foreign exchange accounts	72,262	74,036	1,774
Loans, investments, and advances (net of allowances) ¹	117,635	111,628	-6,007
Total financial assets	318,471	317,019	-1,452
Net debt	682,314	685,118	2,804
Non-financial assets	70,433	70,103	-330
Federal debt (accumulated deficit)	611,881	615,015	3,134

Note: Totals may not add due to rounding.

¹ December 31, 2014 amount includes \$2.2 billion in other comprehensive losses from enterprise Crown corporations and other government business enterprises for the April to December 2014 period.

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

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