

The Fiscal Monitor

A publication of the Department of Finance

Highlights

September 2014: budgetary surplus of \$0.4 billion

There was a budgetary surplus of \$0.4 billion in September 2014, compared to a deficit of \$3.8 billion in September 2013. Revenues increased by \$1.1 billion, or 5.4 per cent, primarily reflecting increased personal and corporate income tax revenues. Program expenses decreased by \$2.9 billion, or 12.8 per cent, largely due to a decrease in direct program expenses, reflecting the recording in September 2013 of a liability for disaster assistance related to the 2013 flood in Alberta. Public debt charges decreased by \$0.1 billion, or 5.4 per cent.

April to September 2014: budgetary deficit of \$0.7 billion

For the April to September 2014 period of the 2014–15 fiscal year, the Government posted a budgetary deficit of \$0.7 billion, compared to a deficit of \$10.3 billion reported in the same period of 2013–14.

Revenues were up \$5.5 billion, or 4.4 per cent, primarily reflecting increased personal and corporate income tax revenues. Program expenses were down \$3.8 billion, or 3.2 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 \$0.3 billion, or 1.8 per cent.

September 2014

There was a budgetary surplus of \$0.4 billion in September 2014, compared to a deficit of \$3.8 billion in September 2013.

Revenues in September 2014 totalled \$22.2 billion, up \$1.1 billion, or 5.4 per cent, from September 2013.

- Personal income tax revenues were up \$0.3 billion, or 2.6 per cent.
- Corporate income tax revenues were up \$0.7 billion after being down \$1.2 billion in August, reflecting monthly volatility.
- Non-resident income tax revenues were up \$0.1 billion, or 23.5 per cent.
- Excise taxes and duties were up \$0.1 billion, or 1.6 per cent. Goods and Services Tax (GST) revenues increased by \$12 million, energy taxes by \$2 million, customs import duties by \$24 million, and other excise taxes and duties by \$26 million.
- Employment Insurance (EI) premium revenues were up \$46 million, or 3.6 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 unchanged at \$2.7 billion.

Program expenses in September 2014 were \$19.6 billion, down \$2.9 billion, or 12.8 per cent, from September 2013.

- Major transfers to persons, consisting of elderly, EI and children's benefits, increased by \$0.3 billion, or 4.3 per cent. Elderly benefits increased by \$0.2 billion, or 5.0 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 \$0.1 billion, or 6.2 per cent. Children's benefits, which consist of the Canada Child Tax Benefit and the Universal Child Care Benefit, decreased by \$4 million, or 0.4 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, 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 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 down \$3.3 billion, or 28.4 per cent, from the previous year. Within direct program expenses:
 - Transfer payments decreased by \$2.8 billion, or 52.0 per cent, reflecting the recording in September 2013 of a \$2.8-billion liability for disaster assistance related to the 2013 flood in Alberta.
 - Other direct program expenses decreased by \$0.6 billion, or 8.9 per cent.

Public debt charges decreased by \$0.1 billion, or 5.4 per cent.

April to September 2014

For the April to September 2014 period of the 2014–15 fiscal year, there was a budgetary deficit of \$0.7 billion, compared to a deficit of \$10.3 billion reported during the same period of 2013–14.

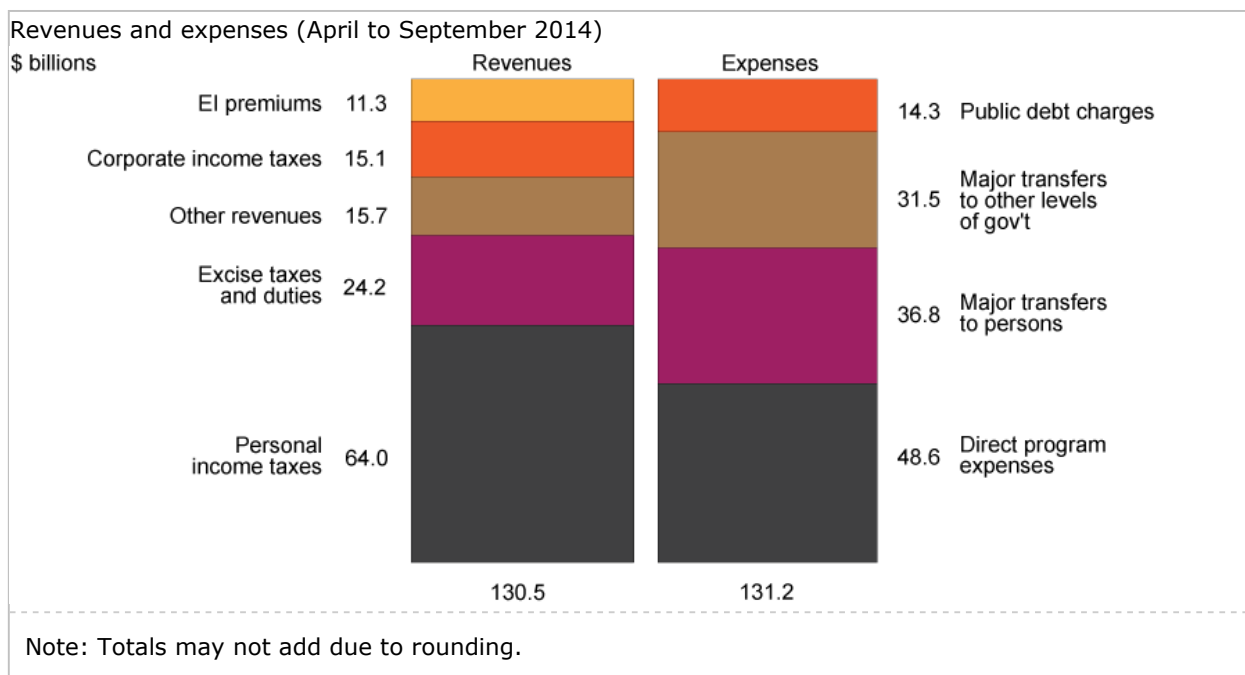
Revenues increased by \$5.5 billion, or 4.4 per cent, to \$130.5 billion.

- Personal income tax revenues were up \$2.5 billion, or 4.0 per cent.
- Corporate income tax revenues were up \$1.6 billion, or 11.5 per cent.
- Non-resident income tax revenues were up \$0.1 billion, or 3.4 per cent.
- Excise taxes and duties were up \$1.2 billion, or 5.1 per cent. GST revenues were up \$0.6 billion or 3.8 per cent. Energy taxes were up \$0.1 billion, customs import duties were up \$0.2 billion, and other excise taxes and duties were up \$0.3 billion.
- EI premium revenues were up \$0.4 billion, or 4.0 per cent, reflecting growth in earnings.
- Other revenues were down \$0.2 billion, or 1.8 per cent.

For the April to September 2014 period, program expenses were \$116.9 billion, down \$3.8 billion, or 3.2 per cent, from the same period the previous year.

- Major transfers to persons were up \$1.0 billion, or 2.9 per cent. Elderly benefits increased by \$0.8 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 \$0.3 billion, or 3.6 per cent, and children's benefits were down \$0.1 billion, or 1.9 per cent.
- Major transfers to other levels of government were up \$1.2 billion, or 3.9 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 \$6.0 billion, or 11.0 per cent. Within direct program expenses:
 - Transfer payments decreased by \$3.8 billion, or 21.1 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 \$2.2 billion, or 6.1 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 \$0.3 billion, or 1.8 per cent.



Financial requirement of \$2.0 billion for April to September 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 \$0.7 billion and a requirement of \$1.3 billion from non-budgetary transactions, there was a financial requirement of \$2.0 billion for the April to September 2014 period, compared to a financial requirement of \$18.4 billion for the same period the previous year.

Net financing activities up \$5.9 billion

The Government financed this financial requirement of \$2.0 billion and increased cash balances by \$3.9 billion by increasing unmatured debt by \$5.9 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 September 2014 stood at \$30.0 billion, up \$1.1 billion from their level at the end of September 2013.

Table 1
Summary statement of transactions
\$ millions

	September		April to September	
	2013 ¹	2014	2013-14 ¹	2014-15
Budgetary transactions				
Revenues	21,080	22,227	124,964	130,474
Expenses				
Program expenses	-22,517	-19,639	-120,712	-116,884
Public debt charges	-2,335	-2,209	-14,599	-14,334
Budgetary balance (deficit/surplus)	-3,772	379	-10,347	-744
Non-budgetary transactions	6,955	1,508	-8,044	-1,257
Financial source/requirement	3,183	1,887	-18,391	-2,001
Net change in financing activities	-4,143	-1,807	23,034	5,939
Net change in cash balances	-960	80	4,643	3,938
Cash balance at end of period			28,957	30,011

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

	September			April to September		
	2013 (\$ millions)	2014 (\$ millions)	Change (%)	2013-14 (\$ millions)	2014-15 (\$ millions)	Change (%)
Tax revenues						
Income taxes						
Personal income tax	10,597	10,873	2.6	61,564	64,044	4.0
Corporate income tax	2,137	2,822	32.1	13,574	15,139	11.5
Non-resident income tax	323	399	23.5	2,531	2,616	3.4
Total income tax	13,057	14,094	7.9	77,669	81,799	5.3
Excise taxes and duties						
Goods and Services Tax	2,718	2,730	0.4	15,539	16,132	3.8
Energy taxes	500	502	0.4	2,667	2,720	2.0
Customs import duties	367	391	6.5	2,137	2,329	9.0
Other excise taxes and duties	495	521	5.3	2,701	3,048	12.8
Total excise taxes and duties	4,080	4,144	1.6	23,044	24,229	5.1
Total tax revenues	17,137	18,238	6.4	100,713	106,028	5.3
Employment Insurance premiums	1,293	1,339	3.6	10,909	11,343	4.0
Other revenues	2,650	2,650	0.0	13,342	13,103	-1.8
Total revenues	21,080	22,227	5.4	124,964	130,474	4.4

Note: Totals may not add due to rounding.

Table 3
Expenses

	September			April to September		
	2013 (\$ millions)	2014 (\$ millions)	Change (%)	2013-14 (\$ millions)	2014-15 (\$ millions)	Change (%)
Major transfers to persons						
Elderly benefits	3,480	3,653	5.0	20,659	21,501	4.1
Employment Insurance benefits	1,397	1,484	6.2	8,475	8,784	3.6
Children's benefits	1,112	1,108	-0.4	6,595	6,472	-1.9
Total	5,989	6,245	4.3	35,729	36,757	2.9
Major transfers to other levels of government						
Support for health and other social programs						
Canada Health Transfer	2,545	2,676	5.1	15,267	16,057	5.2
Canada Social Transfer	1,018	1,049	3.0	6,108	6,291	3.0
Total	3,563	3,725	4.5	21,375	22,348	4.6
Fiscal arrangements and other transfers	1,566	1,625	3.8	10,071	10,406	3.3
Canada's cities and communities	0	0	n/a	1,015	987	-2.8
Quebec Abatement	-359	-376	4.7	-2,154	-2,255	4.7
Total	4,770	4,974	4.3	30,307	31,486	3.9
Direct program expenses						
Transfer payments						
Aboriginal Affairs and Northern Development	398	353	-11.3	2,714	2,833	4.4
Agriculture and Agri-Food	95	116	22.1	419	302	-27.9
Employment and Social Development	445	584	31.2	2,591	2,498	-3.6
Foreign Affairs, Trade and Development	156	115	-26.3	1,254	935	-25.4
Health	371	332	-10.5	1,512	1,593	5.4
Industry	196	157	-19.9	1,117	1,064	-4.7
Other	3,654	895	-75.5	8,405	4,992	-40.6
Total	5,315	2,552	-52.0	18,012	14,217	-21.1
Other direct program expenses						
Crown corporations	466	558	19.7	3,812	3,386	-11.2
National Defence	2,073	1,638	-21.0	10,125	9,754	-3.7
All other departments and agencies	3,904	3,672	-5.9	22,727	21,284	-6.3
Total other direct program expenses	6,443	5,868	-8.9	36,664	34,424	-6.1
Total direct program expenses	11,758	8,420	-28.4	54,676	48,641	-11.0

Total program expenses	22,517	19,639	-12.8	120,712	116,884	-3.2
Public debt charges¹	2,335	2,209	-5.4	14,599	14,334	-1.8
Total expenses	24,852	21,848	-12.1	135,311	131,218	-3.0

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

	September		April to September	
	2013	2014	2013-14	2014-15
Budgetary balance (deficit/surplus)	-3,772	379	-10,347	-744
Non-budgetary transactions				
Capital investment activities	-412	-330	-1,763	-1,599
Other investing activities	-16	-1,567	2,168	2,902
Pension and other accounts	1,277	248	2,552	688
Other activities				
Accounts payable, receivables, accruals and allowances	5,409	3,300	-10,104	-7,207
Foreign exchange activities	299	-423	-3,122	1,941
Amortization of tangible capital assets	398	280	2,225	2,018
Total other activities	6,106	3,157	-11,001	-3,248
Total non-budgetary transactions	6,955	1,508	-8,044	-1,257
Financial source/requirement	3,183	1,887	-18,391	-2,001

Note: Totals may not add due to rounding.

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

	September		April to September	
	2013	2014	2013-14	2014-15
Financial source/requirement	3,183	1,887	-18,391	-2,001
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	-3,470	3,059	6,236	8,635
Treasury bills	500	-4,000	15,200	200
Retail debt	-17	-22	-206	-165
Other	0	0	0	0
Total	-2,987	-963	21,230	8,670
Foreign currency borrowings	-324	-1,788	372	-2,011
Total	-3,311	-2,751	21,602	6,659
Cross-currency swap revaluation	-736	992	1,743	-387
Unamortized discounts and premiums on market debt ¹	-103	-31	-313	-35
Obligations related to capital leases and other unamortized debt	7	-17	2	-298
Net change in financing activities	-4,143	-1,807	23,034	5,939
Change in cash balance	-960	80	4,643	3,938

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	September 30, 2014	Change
Liabilities			
Accounts payable and accrued liabilities	111,421	100,453	-10,968
Interest-bearing debt			
Unmatured debt			
Payable in Canadian currency			
Marketable bonds	473,319	481,954	8,635
Treasury bills	152,990	153,190	200
Retail debt	6,327	6,162	-165
Subtotal	632,636	641,306	8,670
Payable in foreign currencies	16,030	14,019	-2,011
Cross-currency swap revaluation	2,326	1,939	-387
Unamortized discounts and premiums on market debt	3,184	3,149	-35
Obligations related to capital leases and other unmatured debt	4,782	4,484	-298
Total unmatured debt	658,958	664,897	5,939
Pension and other liabilities			
Public sector pensions	153,083	152,659	-424
Other employee and veteran future benefits	71,409	72,475	1,066
Other liabilities	5,914	5,960	46
Total pension and other liabilities	230,406	231,094	688
Total interest-bearing debt	889,364	895,991	6,627
Total liabilities	1,000,785	996,444	-4,341
Financial assets			
Cash and accounts receivable	128,574	128,751	177
Foreign exchange accounts	72,262	70,321	-1,941
Loans, investments, and advances (net of allowances) ¹	117,635	113,740	-3,895
Total financial assets	318,471	312,812	-5,659
Net debt	682,314	683,632	1,318
Non-financial assets	70,433	70,014	-419
Federal debt (accumulated deficit)	611,881	613,618	1,737

Note: Totals may not add due to rounding.

¹ September 30, 2014 amount includes \$1.0 billion in other comprehensive losses from enterprise Crown corporations and other government business enterprises for the April to September 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.

November 2014

© Her Majesty the Queen in Right of Canada (2014)

All rights reserved

All requests for permission to reproduce this document or any part thereof shall be addressed to the Department of Finance Canada.

Cette publication est également disponible en français.

Cat. No.: F12-4E-PDF

ISSN: 1487-0134