



## Department of Finance Canada



# The Fiscal Monitor

## A publication of the Department of Finance

### Highlights

#### **July 2015: budgetary surplus of \$0.2 billion**

There was a budgetary surplus of \$0.2 billion in July 2015, compared to a deficit of \$1.2 billion in July 2014. Revenues increased by \$2.1 billion, or 9.8 per cent, reflecting higher corporate income tax and Goods and Services Tax (GST) revenues. Program expenses increased by \$0.9 billion, or 4.2 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 decreased by \$0.1 billion, or 4.8 per cent.

#### **April to July 2015: budgetary surplus of \$5.2 billion**

For the April to July 2015 period of the 2015–16 fiscal year, the Government posted a budgetary surplus of \$5.2 billion, compared to a deficit of \$0.8 billion reported in the same period of 2014–15. Revenues were up \$8.3 billion, or 9.3 per cent, reflecting increases in all revenue streams. Program expenses were up \$3.0 billion, or 3.8 per cent, due mainly to increases in major transfers to persons and other levels of government. Public debt charges were down \$0.7 billion, or 7.2 per cent, reflecting a lower average effective interest rate on the stock of interest-bearing debt.

### July 2015

There was a budgetary surplus of \$0.2 billion in July 2015, compared to a deficit of \$1.2 billion in July 2014.

Revenues increased by \$2.1 billion, or 9.8 per cent, to \$23.9 billion.

- Personal income tax revenues were up \$0.3 billion, or 3.1 per cent.
- Corporate income tax revenues were up \$0.8 billion, or 38.7 per cent.
- Non-resident income tax revenues were up \$0.1 billion, or 12.1 per cent.
- Excise taxes and duties were up \$0.5 billion, or 11.4 per cent. This rise is mostly due to a \$0.4-billion, or 14.8-per-cent, increase in GST revenues. Energy taxes were up \$7 million, customs import duties were up \$0.1 billion, and other excise taxes and duties were down \$20 million.
- Employment Insurance (EI) premium revenues were up \$0.1 billion, or 3.7 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 up \$0.4 billion, or 18.1 per cent.

Program expenses in July 2015 were \$21.3 billion, up \$0.9 billion, or 4.2 per cent, from July 2014.

- Major transfers to persons, consisting of elderly, EI and children's benefits, increased by \$0.7 billion, or 11.2 per cent. Elderly benefits increased by \$0.1 billion, or 3.0 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 4.9 per cent. Children's benefits

increased by \$0.5 billion, or 46.6 per cent, due mainly to the enhancement and expansion of the Universal Child Care Benefit (UCCB) effective January 2015.

- 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 \$0.9 billion, or 16.2 per cent, due to 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, reflecting timing factors.
- 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 \$0.7 billion, or 7.3 per cent. Within direct program expenses:
  - Transfer payments decreased by \$0.3 billion, or 11.7 per cent.
  - Other direct program expenses decreased by \$0.4 billion, or 5.7 per cent.

Public debt charges decreased by \$0.1 billion, or 4.8 per cent, reflecting a lower average effective interest rate on the stock of interest-bearing debt.

## April to July 2015

For the April to July 2015 period of the 2015–16 fiscal year, there was a budgetary surplus of \$5.2 billion, compared to a deficit of \$0.8 billion reported during the same period of 2014–15.

Revenues increased by \$8.3 billion, or 9.3 per cent, to \$97.2 billion.

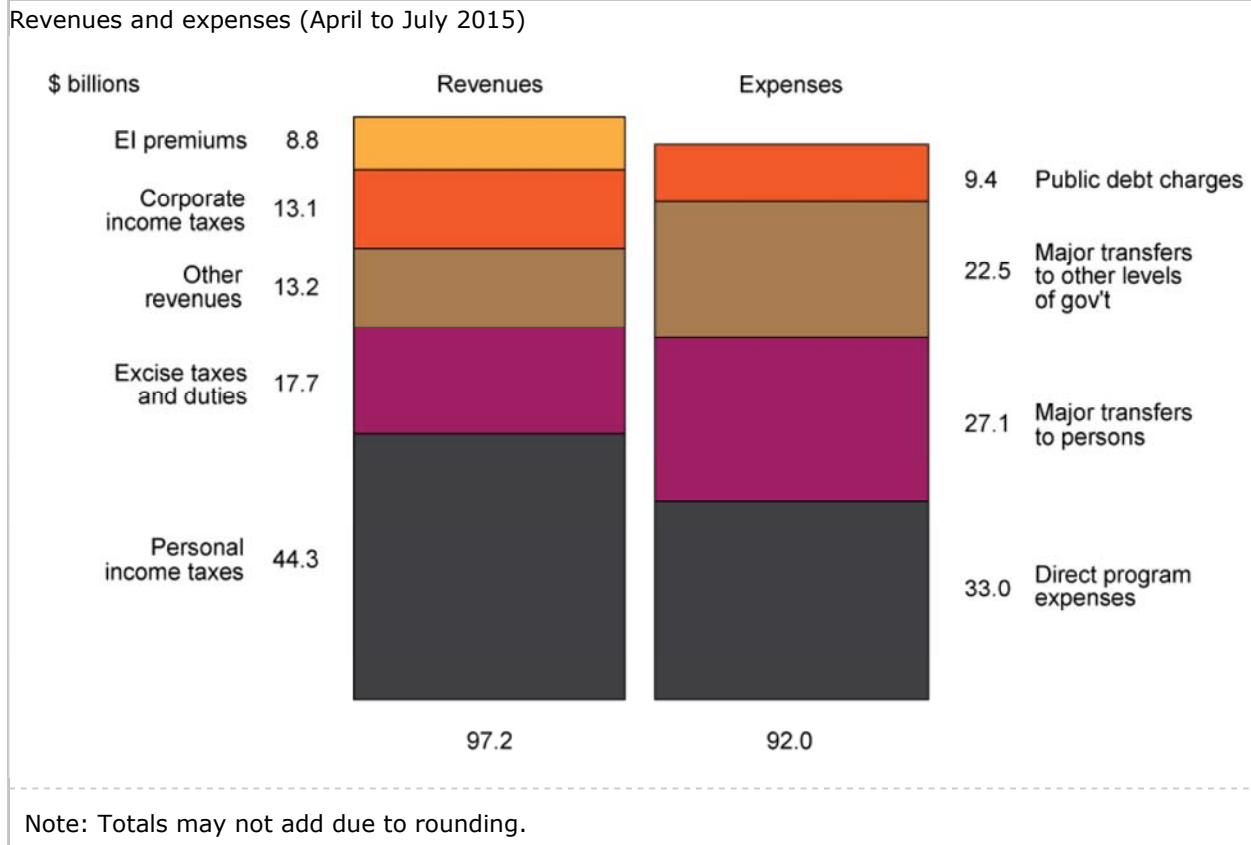
- Personal income tax revenues were up \$2.0 billion, or 4.8 per cent.
- Corporate income tax revenues were up \$1.3 billion, or 11.0 per cent.
- Non-resident income tax revenues were up \$0.1 billion, or 6.9 per cent.
- Excise taxes and duties were up \$1.6 billion, or 9.9 per cent. This rise is mostly due to a \$1.3-billion, or 11.5-per-cent, increase in GST revenues. Energy taxes were up \$0.1 billion, customs import duties were up \$0.2 billion, and other excise taxes and duties were up \$45 million.
- EI premium revenues were up \$0.3 billion, or 3.7 per cent, reflecting growth in earnings.
- Other revenues were up \$2.9 billion, or 34.4 per cent, primarily reflecting the gain realized on the sale of the Government's remaining holdings of General Motors common shares in April 2015.

For the April to July 2015 period, program expenses were \$82.6 billion, up \$3.0 billion, or 3.8 per cent, from the same period the previous year.

- Major transfers to persons were up \$2.7 billion, or 11.0 per cent. Elderly benefits increased by \$0.7 billion, or 4.9 per cent, reflecting growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. EI benefit payments increased by \$0.3 billion, or 5.0 per cent. Children's benefits were up \$1.7 billion, or 39.6 per cent, largely reflecting increased benefits related to the expansion and enhancement of the UCCB.
- Major transfers to other levels of government were up \$1.0 billion, or 4.6 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 \$0.6 billion, or 1.9 per cent. Within direct program expenses:
  - Transfer payments increased by \$0.1 billion, or 0.8 per cent.
  - Other direct program expenses decreased by \$0.7 billion, or 2.9 per cent, due in large part to a decrease in pension and benefit costs, offset in part by an increase in operating expenses of Crown corporations.

Public debt charges decreased by \$0.7 billion, or 7.2 per cent, reflecting a lower average effective interest rate on the stock of interest-bearing debt.



## Financial requirement of \$14.2 billion for April to July 2015

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 surplus of \$5.2 billion and a requirement of \$19.4 billion from non-budgetary transactions, there was a financial requirement of \$14.2 billion for the April to July 2015 period, compared to a financial requirement of \$6.6 billion for the same period the previous year.

## Net financing activities up \$24.5 billion

The Government financed this financial requirement of \$14.2 billion and increased cash balances by \$10.3 billion by increasing unmatured debt by \$24.5 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 2015 stood at \$38.2 billion, up \$4.7 billion from their level at the end of July 2014.

Table 1  
Summary statement of transactions  
\$ millions

|                                                                                                               | <b>July</b> |         | <b>April to July</b> |                |
|---------------------------------------------------------------------------------------------------------------|-------------|---------|----------------------|----------------|
|                                                                                                               |             |         | <b>2014</b>          | <b>2015</b>    |
|                                                                                                               |             |         | <b>2014–15</b>       | <b>2015–16</b> |
| <b>Budgetary transactions</b>                                                                                 |             |         |                      |                |
| Revenues                                                                                                      | 21,736      | 23,856  | 88,893               | 97,171         |
| Expenses                                                                                                      |             |         |                      |                |
| Program expenses                                                                                              | -20,476     | -21,334 | -79,588              | -82,630        |
| Public debt charges                                                                                           | -2,491      | -2,372  | -10,112              | -9,380         |
| Budgetary balance (deficit/surplus)                                                                           | -1,231      | 150     | -807                 | 5,161          |
| <b>Non-budgetary transactions</b>                                                                             |             |         |                      |                |
|                                                                                                               | -4,279      | -9,138  | -5,755               | -19,401        |
| Financial source/requirement                                                                                  | -5,510      | -8,988  | -6,562               | -14,240        |
| <b>Net change in financing activities</b>                                                                     | 7,352       | 19,214  | 14,050               | 24,515         |
| <b>Net change in cash balances</b>                                                                            | 1,842       | 10,226  | 7,488                | 10,275         |
| <b>Cash balance at end of period</b>                                                                          |             |         | 33,563               | 38,226         |
| Note: Positive numbers indicate a net source of funds. Negative numbers indicate a net requirement for funds. |             |         |                      |                |

Table 2  
Revenues

|                                      | <b>July</b>                  |                              |                      | <b>April to July</b>            |                                 |                      |
|--------------------------------------|------------------------------|------------------------------|----------------------|---------------------------------|---------------------------------|----------------------|
|                                      | <b>2014</b><br>(\$ millions) | <b>2015</b><br>(\$ millions) | <b>Change</b><br>(%) | <b>2014–15</b><br>(\$ millions) | <b>2015–16</b><br>(\$ millions) | <b>Change</b><br>(%) |
| <b>Tax revenues</b>                  |                              |                              |                      |                                 |                                 |                      |
| Income taxes                         |                              |                              |                      |                                 |                                 |                      |
| Personal income tax                  | 11,121                       | 11,466                       | 3.1                  | 42,268                          | 44,317                          | 4.8                  |
| Corporate income tax                 | 2,048                        | 2,840                        | 38.7                 | 11,836                          | 13,138                          | 11.0                 |
| Non-resident income tax              | 453                          | 508                          | 12.1                 | 1,757                           | 1,878                           | 6.9                  |
| Total income tax                     | 13,622                       | 14,814                       | 8.8                  | 55,861                          | 59,333                          | 6.2                  |
| Excise taxes and duties              |                              |                              |                      |                                 |                                 |                      |
| Goods and Services Tax               | 2,829                        | 3,249                        | 14.8                 | 10,848                          | 12,100                          | 11.5                 |
| Energy taxes                         | 469                          | 476                          | 1.5                  | 1,753                           | 1,852                           | 5.6                  |
| Customs import duties                | 447                          | 526                          | 17.7                 | 1,534                           | 1,733                           | 13.0                 |
| Other excise taxes and duties        | 515                          | 495                          | -3.9                 | 1,998                           | 2,043                           | 2.3                  |
| Total excise taxes and duties        | 4,260                        | 4,746                        | 11.4                 | 16,133                          | 17,728                          | 9.9                  |
| Total tax revenues                   | 17,882                       | 19,560                       | 9.4                  | 71,994                          | 77,061                          | 7.0                  |
| <b>Employment Insurance premiums</b> | 1,773                        | 1,839                        | 3.7                  | 8,494                           | 8,810                           | 3.7                  |
| <b>Other revenues</b>                | 2,081                        | 2,457                        | 18.1                 | 8,405                           | 11,300                          | 34.4                 |
| <b>Total revenues</b>                | 21,736                       | 23,856                       | 9.8                  | 88,893                          | 97,171                          | 9.3                  |

Note: Totals may not add due to rounding.

Table 3  
Expenses

|                                                      | <b>July</b>                  |                              | <b>April to July</b> |                                 |                                 |                      |
|------------------------------------------------------|------------------------------|------------------------------|----------------------|---------------------------------|---------------------------------|----------------------|
|                                                      | <b>2014</b><br>(\$ millions) | <b>2015</b><br>(\$ millions) |                      | <b>2014–15</b><br>(\$ millions) | <b>2015–16</b><br>(\$ millions) | <b>Change</b><br>(%) |
| <b>Major transfers to persons</b>                    |                              |                              |                      |                                 |                                 |                      |
| Elderly benefits                                     | 3,604                        | 3,712                        | 3.0                  | 14,273                          | 14,971                          | 4.9                  |
| Employment Insurance benefits                        | 1,286                        | 1,349                        | 4.9                  | 5,869                           | 6,165                           | 5.0                  |
| Children's benefits                                  | 1,060                        | 1,554                        | 46.6                 | 4,275                           | 5,968                           | 39.6                 |
| Total                                                | 5,950                        | 6,615                        | 11.2                 | 24,417                          | 27,104                          | 11.0                 |
| <b>Major transfers to other levels of government</b> |                              |                              |                      |                                 |                                 |                      |
| Support for health and other social programs         |                              |                              |                      |                                 |                                 |                      |
| Canada Health Transfer                               | 2,676                        | 2,835                        | 5.9                  | 10,705                          | 11,342                          | 6.0                  |
| Canada Social Transfer                               | 1,049                        | 1,080                        | 3.0                  | 4,194                           | 4,320                           | 3.0                  |
| Total                                                | 3,725                        | 3,915                        | 5.1                  | 14,899                          | 15,662                          | 5.1                  |
| Fiscal arrangements and other transfers              | 1,641                        | 1,703                        | 3.8                  | 7,155                           | 7,421                           | 3.7                  |
| Canada's cities and communities                      | 357                          | 979                          | 174.2                | 987                             | 979                             | -0.8                 |
| Quebec Abatement                                     | -375                         | -385                         | 2.7                  | -1,503                          | -1,538                          | 2.3                  |
| Total                                                | 5,348                        | 6,212                        | 16.2                 | 21,538                          | 22,524                          | 4.6                  |
| <b>Direct program expenses</b>                       |                              |                              |                      |                                 |                                 |                      |
| Transfer payments                                    |                              |                              |                      |                                 |                                 |                      |
| Aboriginal Affairs and Northern Development          | 443                          | 546                          | 23.3                 | 2,053                           | 2,143                           | 4.4                  |
| Agriculture and Agri-Food                            | 46                           | 72                           | 56.5                 | 125                             | 247                             | 97.6                 |

|                                        |               |               |             |               |               |             |
|----------------------------------------|---------------|---------------|-------------|---------------|---------------|-------------|
| Employment and Social Development      | 509           | 424           | -16.7       | 1,509         | 1,798         | 19.2        |
| Foreign Affairs, Trade and Development | 157           | 132           | -15.9       | 627           | 662           | 5.6         |
| Health                                 | 219           | 318           | 45.2        | 1,165         | 1,179         | 1.2         |
| Industry                               | 168           | 176           | 4.8         | 691           | 707           | 2.3         |
| Other                                  | 971           | 552           | -43.2       | 3,411         | 2,919         | -14.4       |
|                                        |               |               |             |               |               |             |
| Total                                  | 2,513         | 2,220         | -11.7       | 9,581         | 9,655         | 0.8         |
| Other direct program expenses          |               |               |             |               |               |             |
| Crown corporations                     | 754           | 616           | -18.3       | 2,329         | 2,646         | 13.6        |
| National Defence                       | 1,848         | 1,728         | -6.5        | 6,439         | 6,349         | -1.4        |
| All other departments and agencies     | 4,063         | 3,943         | -3.0        | 15,284        | 14,352        | -6.1        |
|                                        |               |               |             |               |               |             |
| Total other direct program expenses    | 6,665         | 6,287         | -5.7        | 24,052        | 23,347        | -2.9        |
|                                        |               |               |             |               |               |             |
| Total direct program expenses          | 9,178         | 8,507         | -7.3        | 33,633        | 33,002        | -1.9        |
|                                        |               |               |             |               |               |             |
| <b>Total program expenses</b>          | <b>20,476</b> | <b>21,334</b> | <b>4.2</b>  | <b>79,588</b> | <b>82,630</b> | <b>3.8</b>  |
| <b>Public debt charges</b>             | <b>2,491</b>  | <b>2,372</b>  | <b>-4.8</b> | <b>10,112</b> | <b>9,380</b>  | <b>-7.2</b> |
|                                        |               |               |             |               |               |             |
| <b>Total expenses</b>                  | <b>22,967</b> | <b>23,706</b> | <b>3.2</b>  | <b>89,700</b> | <b>92,010</b> | <b>2.6</b>  |

Note: Totals may not add due to rounding.

Table 4

The budgetary balance and financial source/requirement  
\$ millions

|                                                        | <b>July</b> |             | <b>April to July</b> |                |
|--------------------------------------------------------|-------------|-------------|----------------------|----------------|
|                                                        |             |             |                      |                |
|                                                        | <b>2014</b> | <b>2015</b> | <b>2014–15</b>       | <b>2015–16</b> |
| <b>Budgetary balance (deficit/surplus)</b>             | -1,231      | 150         | -807                 | 5,161          |
| <b>Non-budgetary transactions</b>                      |             |             |                      |                |
| Capital investment activities                          | -451        | -378        | -1,096               | -1,100         |
| Other investing activities                             | 1,946       | -594        | 4,237                | -895           |
| Pension and other accounts                             | 354         | 93          | 1,229                | 346            |
| Other activities                                       |             |             |                      |                |
| Accounts payable, receivables, accruals and allowances | -5,112      | -3,889      | -13,709              | -16,847        |
| Foreign exchange activities                            | -1,328      | -4,679      | 2,179                | -2,395         |
| Amortization of tangible capital assets                | 312         | 309         | 1,405                | 1,490          |
| Total other activities                                 | -6,128      | -8,259      | -10,125              | -17,752        |
| Total non-budgetary transactions                       | -4,279      | -9,138      | -5,755               | -19,401        |
| <b>Financial source/requirement</b>                    | -5,510      | -8,988      | -6,562               | -14,240        |

Note: Totals may not add due to rounding.

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

|                                                                | <b>July</b> |             | <b>April to July</b> |                |
|----------------------------------------------------------------|-------------|-------------|----------------------|----------------|
|                                                                | <b>2014</b> | <b>2015</b> | <b>2014–15</b>       | <b>2015–16</b> |
| <b>Financial source/requirement</b>                            | -5,510      | -8,988      | -6,562               | -14,240        |
| <b>Net increase (+)/decrease (-) in financing activities</b>   |             |             |                      |                |
| Unmatured debt transactions                                    |             |             |                      |                |
| Canadian currency borrowings                                   |             |             |                      |                |
| Marketable bonds                                               | 4,592       | 8,751       | 5,844                | 7,763          |
| Treasury bills                                                 | 2,100       | 6,000       | 9,500                | 11,200         |
| Retail debt                                                    | -42         | -21         | -122                 | -79            |
| Other                                                          | 0           | 0           | 0                    | 0              |
| Total                                                          | 6,650       | 14,730      | 15,222               | 18,884         |
| Foreign currency borrowings                                    | -120        | 1,894       | -340                 | 2,954          |
| Total                                                          | 6,530       | 16,624      | 14,882               | 21,838         |
| Cross-currency swap revaluation                                | 796         | 2,625       | -970                 | 2,410          |
| Unamortized discounts and premiums on market debt              | 7           | -21         | 106                  | 372            |
| Obligations related to capital leases and other unmatured debt | 19          | -14         | 32                   | -105           |
| <b>Net change in financing activities</b>                      | 7,352       | 19,214      | 14,050               | 24,515         |
| <b>Change in cash balance</b>                                  | 1,842       | 10,226      | 7,488                | 10,275         |

Note: Totals may not add due to rounding.

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.

September 2015

**© Her Majesty the Queen in Right of Canada (2015)**

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