

The Fiscal Monitor

A publication of the Department of Finance

Highlights

June 2014: budgetary surplus of \$1.6 billion

There was a budgetary surplus of \$1.6 billion in June 2014, compared to a surplus of \$0.2 billion in June 2013. Revenues increased by \$0.9 billion, or 3.8 per cent, due mainly to higher revenues from non-resident income tax, excise taxes and duties, and Employment Insurance (EI) premiums. Program expenses decreased by \$0.7 billion, or 3.2 per cent, largely reflecting a decrease in direct program expenses. Public debt charges increased by \$0.1 billion, or 5.1 per cent.

April to June 2014: budgetary surplus of \$0.4 billion

For the April to June 2014 period of the 2014–15 fiscal year, the Government posted a budgetary surplus of \$0.4 billion, compared to a deficit of \$2.6 billion reported in the same period of 2013–14.

Revenues were up \$2.5 billion, or 3.8 per cent, largely reflecting increased revenues from income taxes, the Goods and Services Tax (GST) and EI premiums. Program expenses were down \$0.4 billion, or 0.7 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 \$49 million, or 0.6 per cent.

Quarterly update of the fiscal outlook

In accordance with the Government's commitment made in the *Federal Accountability Action Plan* to update government fiscal forecasts for the current fiscal year on a quarterly basis, the June 2014 *Fiscal Monitor* provides an update of the fiscal outlook for 2014–15.

The financial results for the first three months of the fiscal year provide limited information with respect to the outlook for the year as a whole. That being said, the financial results through the April to June 2014 period and economic developments since Budget 2014 suggest that the fiscal projection for 2014–15 presented in the budget is on track. An update of the economic and fiscal outlook for this year and beyond will be provided in the fall in the *Update of Economic and Fiscal Projections*.

June 2014

There was a budgetary surplus of \$1.6 billion in June 2014, compared to a surplus of \$0.2 billion in June 2013.

Revenues increased by \$0.9 billion, or 3.8 per cent, to \$23.7 billion.

- Personal income tax revenues were up \$0.1 billion, or 0.6 per cent.
- Corporate income tax revenues were down \$0.1 billion, or 2.6 per cent.
- Non-resident income tax revenues were up \$0.2 billion, or 53.9 per cent.
- Excise taxes and duties were up \$0.6 billion, or 16.4 per cent, driven mainly by a \$0.5-billion, or 21.2-per-cent, increase in GST revenues. Energy taxes were up \$0.1 billion, customs import duties were up \$41 million, and other excise taxes and duties were down \$40 million.
- EI premium revenues were up \$0.1 billion, or 4.5 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 \$0.1 billion, or 4.0 per cent.

Program expenses in June 2014 were \$19.7 billion, down \$0.7 billion, or 3.2 per cent, from June 2013.

- Major transfers to persons, consisting of elderly, EI and children's benefits, increased by \$0.3 billion, or 6.0 per cent. Elderly benefits increased by \$0.1 billion, or 3.4 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 20.9 per cent. Children's benefits, which consist of the Canada Child Tax Benefit and the Universal Child Care Benefit, decreased by \$17 million.
- 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 decreased by \$0.1 billion, or 2.1 per cent, as legislated growth in the Canada Health Transfer, the Canada Social Transfer, Equalization transfers and transfers to the territories was offset by a decrease in transfers to Canada's cities and communities.
- 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 \$0.9 billion, or 9.8 per cent, from the previous year. Within direct program expenses:
 - Transfer payments decreased by \$0.7 billion, or 23.8 per cent, largely reflecting year-over-year differences in the timing of transfers across several departments.
 - Other direct program expenses decreased by \$0.2 billion, or 3.2 per cent.

Public debt charges increased by \$0.1 billion, or 5.1 per cent, reflecting higher consumer price adjustments on Real Return Bonds.

April to June 2014

For the April to June 2014 period of the 2014–15 fiscal year, there was a budgetary surplus of \$0.4 billion, compared to a deficit of \$2.6 billion reported during the same period of 2013–14.

Revenues increased by \$2.5 billion, or 3.8 per cent, to \$67.2 billion.

- Personal income tax revenues were up \$0.8 billion, or 2.8 per cent.
- Corporate income tax revenues were up \$0.5 billion, or 5.5 per cent.
- Non-resident income tax revenues were up \$17 million, or 1.3 per cent.
- Excise taxes and duties were up \$1.0 billion, or 9.2 per cent, largely reflecting an increase in GST revenues of \$0.7 billion, or 9.7 per cent. Energy taxes, customs import duties and other excise taxes and duties each increased by \$0.1 billion.
- EI premium revenues were up \$0.3 billion, or 4.2 per cent, reflecting growth in earnings and the EI premium rate freeze at \$1.88 per \$100 of insurable earnings for 2014.
- Other revenues were down \$0.1 billion, or 2.3 per cent.

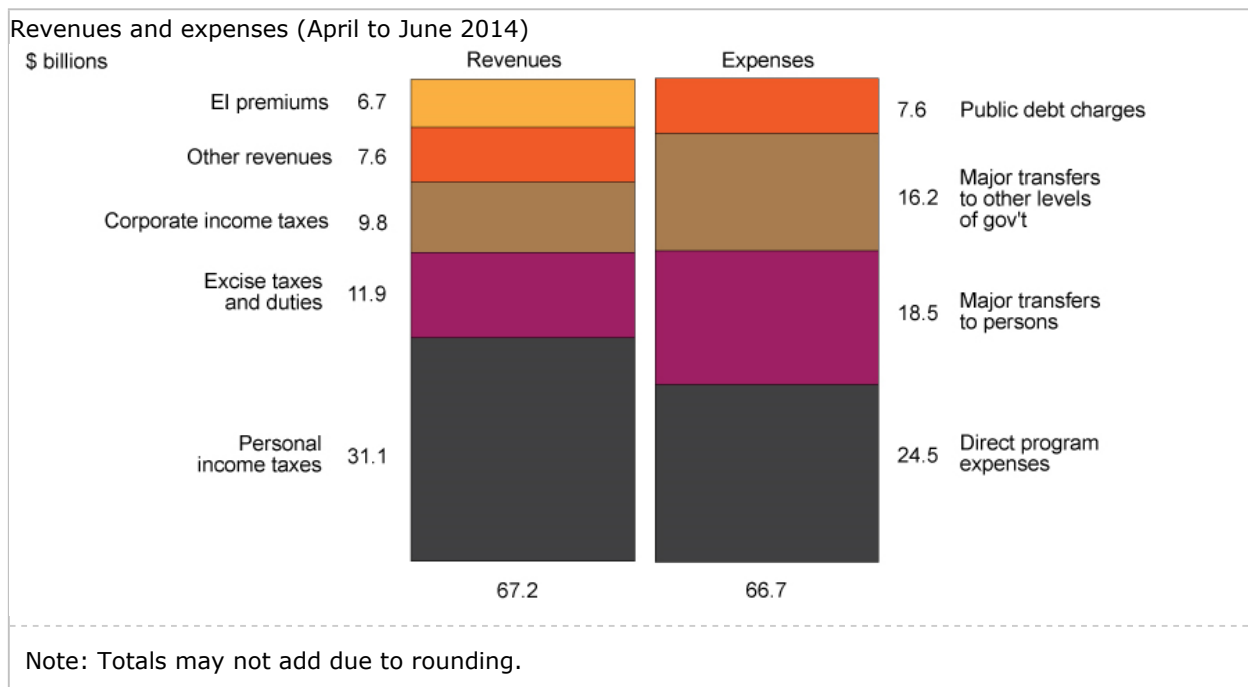
For the April to June 2014 period, program expenses were \$59.1 billion, down \$0.4 billion, or 0.7 per cent, from the same period the previous year.

- Major transfers to persons were up \$0.7 billion, or 3.7 per cent. Elderly benefits increased by \$0.4 billion, or 3.7 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 9.0 per cent, and children's benefits were down \$0.1 billion, or 2.8 per cent.
- Major transfers to other levels of government were up \$0.3 billion, or 1.6 per cent, reflecting legislated growth in the Canada Health Transfer, the Canada Social Transfer, Equalization transfers and transfers to the territories, offset in part by a decrease in transfers to Canada's cities and communities.
- Direct program expenses were down \$1.4 billion, or 5.3 per cent. Within direct program expenses:
 - Transfer payments decreased by \$0.9 billion, or 11.5 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 decreased by \$0.5 billion, or 2.5 per cent, largely reflecting decreases in operating expenses of Crown corporations and National Defence.

Public debt charges decreased by \$49 million, or 0.6 per cent.



Financial requirement of \$1.1 billion for April to June 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 surplus of \$0.4 billion and a requirement of \$1.5 billion from non-budgetary transactions, there was a financial requirement of \$1.1 billion for the April to June 2014 period, compared to a financial requirement of \$18.2 billion for the same period the previous year.

Net financing activities up \$6.7 billion

The Government financed this financial requirement of \$1.1 billion and increased cash balances by \$5.6 billion by increasing unmatured debt by \$6.7 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 June 2014 stood at \$31.7 billion, up \$6.4 billion from their level at the end of June 2013.

Table 1
Summary statement of transactions
\$ millions

	June		April to June	
	2013 ¹	2014	2013-14 ¹	2014-15
Budgetary transactions				
Revenues	22,779	23,655	64,669	67,157
Expenses				
Program expenses	-20,318	-19,662	-59,552	-59,112
Public debt charges	-2,304	-2,422	-7,670	-7,621
Budgetary balance (deficit/surplus)	157	1,571	-2,553	424
Non-budgetary transactions	-6,528	962	-15,610	-1,476
Financial source/requirement	-6,371	2,533	-18,163	-1,052
Net change in financing activities	-8,698	-10,738	19,117	6,698
Net change in cash balances	-15,069	-8,205	954	5,646
Cash balance at end of period			25,271	31,718

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

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

Table 2
Revenues

	June			April to June		
	2013 (\$ millions)	2014 (\$ millions)	Change (%)	2013-14 (\$ millions)	2014-15 (\$ millions)	Change (%)
Tax revenues						
Income taxes						
Personal income tax	10,607	10,672	0.6	30,304	31,147	2.8
Corporate income tax	4,184	4,076	-2.6	9,281	9,788	5.5
Non-resident income tax	280	431	53.9	1,287	1,304	1.3
Total income tax	15,071	15,179	0.7	40,872	42,239	3.3
Excise taxes and duties						
Goods and Services Tax	2,419	2,933	21.2	7,307	8,019	9.7
Energy taxes	344	425	23.5	1,232	1,284	4.2
Customs import duties	329	370	12.5	951	1,087	14.3
Other excise taxes and duties	533	493	-7.5	1,386	1,483	7.0
Total excise taxes and duties	3,625	4,221	16.4	10,876	11,873	9.2
Total tax revenues	18,696	19,400	3.8	51,748	54,112	4.6
Employment Insurance premiums	1,998	2,087	4.5	6,449	6,721	4.2
Other revenues¹	2,085	2,168	4.0	6,472	6,324	-2.3
Total revenues	22,779	23,655	3.8	64,669	67,157	3.8

Note: Totals may not add due to rounding.

¹Comparative 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

	June			April to June		
	2013 (\$ millions)	2014 (\$ millions)	Change (%)	2013-14 (\$ millions)	2014-15 (\$ millions)	Change (%)
Major transfers to persons						
Elderly benefits	3,428	3,543	3.4	10,289	10,669	3.7
Employment Insurance benefits	1,174	1,419	20.9	4,205	4,583	9.0
Children's benefits	1,073	1,056	-1.6	3,306	3,215	-2.8
Total	5,675	6,018	6.0	17,800	18,467	3.7
Major transfers to other levels of government						
Support for health and other social programs						
Canada Health Transfer	2,544	2,677	5.2	7,633	8,029	5.2
Canada Social Transfer	1,018	1,048	2.9	3,054	3,145	3.0
Total	3,562	3,725	4.6	10,687	11,174	4.6
Fiscal arrangements and other transfers	1,566	1,625	3.8	5,303	5,514	4.0
Canada's cities and communities	957	630	-34.2	1,015	630	-37.9
Quebec Abatement	-359	-376	4.7	-1,077	-1,128	4.7
Total	5,726	5,604	-2.1	15,928	16,190	1.6
Direct program expenses						
Transfer payments						
Aboriginal Affairs and Northern Development	371	318	-14.3	1,593	1,610	1.1
Agriculture and Agri-Food	26	37	42.3	130	79	-39.2
Employment and Social Development	614	326	-46.9	1,251	1,000	-20.1
Foreign Affairs, Trade and Development	303	104	-65.7	644	470	-27.0
Health	250	272	8.8	775	946	22.1
Industry	165	171	3.6	518	523	1.0
Other	1,159	973	-16.0	3,076	2,440	-20.7
Total	2,888	2,201	-23.8	7,987	7,068	-11.5
Other direct program expenses						
Crown corporations	592	388	-34.5	1,877	1,575	-16.1
National Defence	1,717	1,518	-11.6	4,880	4,591	-5.9
All other departments and agencies ¹	3,720	3,933	5.7	11,080	11,221	1.3
Total other direct program expenses	6,029	5,839	-3.2	17,837	17,387	-2.5
Total direct program expenses	8,917	8,040	-9.8	25,824	24,455	-5.3

Total program expenses	20,318	19,662	-3.2	59,552	59,112	-0.7
Public debt charges	2,304	2,422	5.1	7,670	7,621	-0.6
Total expenses	22,622	22,084	-2.4	67,222	66,733	-0.7

Note: Totals may not add due to rounding.

¹ 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

	June		April to June	
	2013	2014	2013-14	2014-15
Budgetary balance (deficit/surplus)	157	1,571	-2,553	424
Non-budgetary transactions				
Capital investment activities	-231	-442	-214	-645
Other investing activities	424	-231	111	2,291
Pension and other accounts	559	517	684	875
Other activities				
Accounts payable, receivables, accruals and allowances	-7,969	-2,519	-15,334	-8,597
Foreign exchange activities	305	3,289	-1,961	3,507
Amortization of tangible capital assets	384	348	1,104	1,093
Total other activities	-7,280	1,118	-16,191	-3,997
Total non-budgetary transactions	-6,528	962	-15,610	-1,476
Financial source/requirement	-6,371	2,533	-18,163	-1,052

Note: Totals may not add due to rounding.

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

	June		April to June	
	2013	2014	2013-14	2014-15
Financial source/requirement	-6,371	2,533	-18,163	-1,052
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	-12,132	-7,638	3,970	1,252
Treasury bills	2,100	-2,500	12,100	7,400
Retail debt	-20	-14	-128	-80
Other	0	0	0	0
Total	-10,052	-10,152	15,942	8,572
Foreign currency borrowings	145	-193	624	-220
Total	-9,907	-10,345	16,566	8,352
Cross-currency swap revaluation	999	-550	2,156	-1,766
Unamortized discounts and premiums on market debt	244	95	477	99
Obligations related to capital leases and other unamatured debt	-34	62	-82	13
Net change in financing activities	-8,698	-10,738	19,117	6,698
Change in cash balance	-15,069	-8,205	954	5,646

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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