

# The Fiscal Monitor

A Publication of the Department of Finance

## Highlights

### April 2004: budgetary surplus of \$788 million

There was a budgetary surplus of \$788 million in April 2004, down \$205 million from the restated surplus of \$993 million in April 2003. On a year-over-year basis, budgetary revenues were up \$0.2 billion while program expenses were up \$0.4 billion. Public debt charges were essentially unchanged.

### April 2004: budgetary results

The April 2004 budgetary surplus of \$788 million was \$205 million lower than the surplus reported in April 2003. The April 2003 surplus was restated from \$424 million to \$993 million due to revisions to the monthly accrual methodology.

On a year-over-year basis, budgetary revenues, at \$15.2 billion, were up \$0.2 billion, or 1.6 per cent.

- Personal income tax revenues were up \$0.7 billion, or 10.4 per cent, primarily reflecting strong growth in source deductions from employment income.
- Corporate income tax revenues fell by \$0.4 billion, or 20.9 per cent, reflecting strong increases in refunds. Monthly installments were slightly higher.
- Excise taxes and duties increased by \$0.1 billion, or 2.2 per cent. Goods and services tax (GST) revenues advanced by 2.2 per cent, as a strong gain in gross GST receipts from domestic sales and lower refunds and rebates were partly offset by the weakness in GST collected on imported goods. Sales and excise taxes were up 5.7 per cent due in large part to increases in tobacco duties. Customs import duties were down 3.3 per cent, primarily reflecting the impact of the appreciation of the Canadian dollar.

- Employment insurance (EI) premiums were down 4.2 per cent, as the reduction in premium rates (the employee rate for 2004 is \$1.98 per \$100 of insurable earnings compared to \$2.10 in 2003) more than offset the increase in employment and thus the number of people paying premiums.
- Other revenues, consisting of revenues from Crown corporations, sales of goods and services and foreign exchange revenues, were up marginally.

On a year-over-year basis, program expenses in April 2004 were \$11.6 billion, up \$0.4 billion, or 4.0 per cent, from April 2003, primarily due to higher transfer payments.

Transfer payments were up \$0.3 billion due in large part to increased federal support to the provinces and territories for health and other social programs.

- Major transfers to persons, consisting of elderly and EI benefits, were up 1.1 per cent on a year-over-year basis. Elderly benefits increased 3.6 per cent due to both higher average benefits, which are indexed quarterly to changes in consumer prices, and an increase in the number of individuals eligible for benefits. EI benefit payments were down 2.9 per cent, primarily reflecting lower labour market adjustment payments to provinces.

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- Major transfers to other levels of government consist of support for health and other social programs, fiscal transfers and Alternative Payments for Standing Programs. Starting in April 2004, the former Canada Health and Social Transfer has been divided into the Canada Health Transfer, Canada Social Transfer and Health Reform Transfer. Total payments were up \$147 million as a result of the February 2003 First Ministers' Accord on Health Care Renewal. The increase in fiscal transfers, which consist of equalization, payments to the territorial governments, statutory subsidies and recoveries under the Youth Allowance Recovery Program, was largely offset by higher recoveries under Alternative Payments for Standing Programs.
- Subsidies and other transfers increased \$106 million, or 8.0 per cent, reflecting the impact of previous budget measures.

Other program expenses consist of transfers to Crown corporations and operating expenses for departments and agencies, including defence. Transfers to Crown corporations were virtually unchanged. Defence expenses declined 4.7 per cent, while expenses in all other departments and agencies were up 7.3 per cent, due mainly to increased operating expenses and policy initiatives announced in previous budgets.

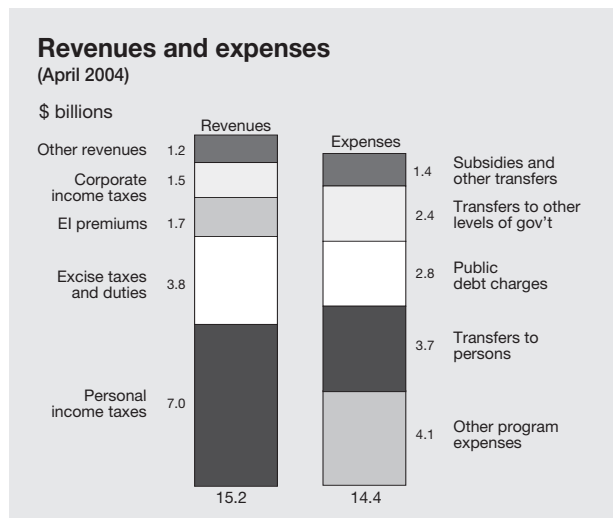
Public debt charges were essentially unchanged.

## Financial requirement of \$4.1 billion for April 2004

The budgetary balance is presented on a full accrual basis of accounting, recording government assets and liabilities when they are receivable 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, pensions and other accounts, and the amortization of its tangible capital assets. The difference between the budgetary balance and financial source/requirement is recorded in non-budgetary transactions.

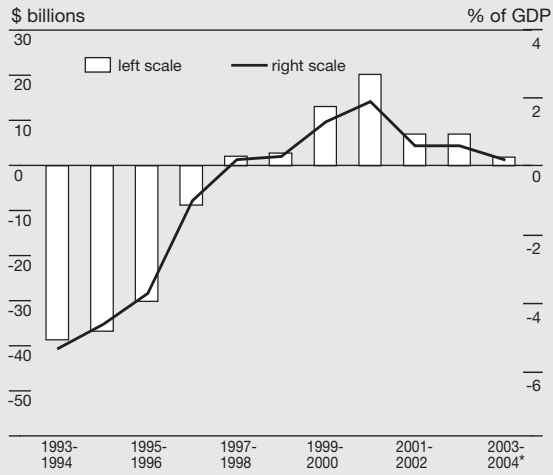
Non-budgetary transactions resulted in a net requirement of \$4.9 billion in April 2004, down \$0.6 billion from the requirement in April 2003 as higher requirements related to capital acquisitions and pensions and other accounts were more than offset by increased sources of funds from foreign exchange activities and a lower requirement from accounts payable, receivables, accruals and allowances.

With a budgetary surplus of \$0.8 billion and a net requirement of \$4.9 billion from non-budgetary transactions, there was a financial requirement of \$4.1 billion in April 2004. This is down from the financial requirement of \$4.5 billion recorded in the same period last year, as the deterioration in the year-over-year budgetary surplus was more than offset by the reduction in the requirement for non-budgetary transactions.



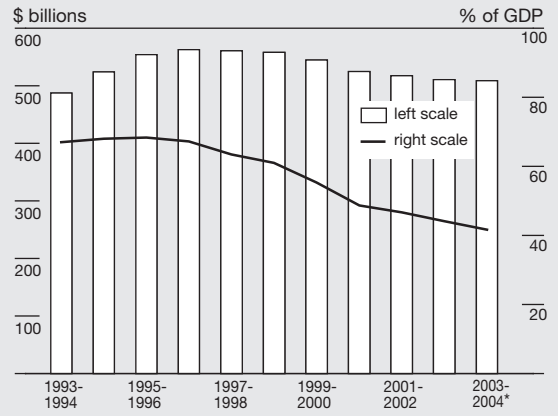
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## Budgetary balance



\* 2004 budget estimate.  
Sources: Department of Finance and Statistics Canada.

## Federal debt (accumulated deficit)



\* 2004 budget estimate.  
Sources: Department of Finance and Statistics Canada.

## Net financing activities down \$7.9 billion

With this financial requirement of \$4.1 billion, the Government reduced its net financing activities by \$7.9 billion and its cash balances by \$12.0 billion. 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 April stood at \$5.3 billion.

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Table 1

## Summary statement of transactions

	April	
	2003	2004
	(\$ millions)	
<b>Budgetary transactions</b>		
Revenues	14,954	15,191
Expenses		
Program expenses	-11,139	-11,584
Public debt charges	-2,822	-2,819
Budgetary balance (deficit/surplus)	993	788
<b>Non-budgetary transactions</b>	-5,450	-4,868
<b>Financial source/requirement</b>	-4,457	-4,080
<b>Net change in financing activities</b>	-4,699	-7,901
<b>Net change in cash balances</b>	-9,156	-11,981
<b>Cash balance at end of period</b>	5,543	5,298

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

Table 2

## Budgetary revenues

	April		Change (%)
	2003	2004	
	(\$ millions)		
<b>Tax revenues</b>			
Income taxes			
Personal income tax	6,336	6,992	10.4
Corporate income tax	1,873	1,481	-20.9
Other income tax revenue	288	247	-14.2
Total income tax	8,497	8,720	2.6
Excise taxes and duties			
Goods and services tax	2,728	2,787	2.2
Customs import duties	243	235	-3.3
Sales and excise taxes	733	775	5.7
Air Travellers Security Charge	45	34	-24.4
Total excise taxes and duties	3,749	3,831	2.2
Total tax revenues	12,246	12,551	2.5
<b>Employment insurance premiums</b>	1,771	1,697	-4.2
<b>Other revenues</b>	937	943	0.6
<b>Total budgetary revenues</b>	14,954	15,191	1.6

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Table 3

## Budgetary expenses

	April		Change (%)
	2003	2004	
	(\$ millions)		
<b>Transfer payments</b>			
Transfers to persons			
Elderly benefits	2,201	2,281	3.6
Employment insurance benefits	1,431	1,390	-2.9
Total	3,632	3,671	1.1
Transfers to other levels of government			
Support for health and other social programs			
Canada Health Transfer		1,054	
Canada Social Transfer		652	
Health Reform Transfer		125	
Canada Health and Social Transfer	1,692	8	
Total	1,692	1,839	8.7
Fiscal transfers	748	815	9.0
Alternative Payments for Standing Programs	-191	-253	32.5
Total	2,249	2,401	6.8
Subsidies and other transfers			
Agriculture	4	12	200.0
Foreign Affairs	199	171	-14.1
Health	95	128	34.7
Human Resources Development	132	148	12.1
Indian and Northern Development	600	630	5.0
Industry and Regional Development	89	118	32.6
Other	200	218	9.0
Total	1,319	1,425	8.0
Total transfer payments	7,200	7,497	4.1
<b>Other program expenses</b>			
Crown corporation expenses			
Canadian Broadcasting Corporation	178	214	20.2
Canada Mortgage and Housing Corporation	205	144	-29.8
Other	257	283	10.1
Total	640	641	0.2
Defence	786	749	-4.7
All other departments and agencies	2,513	2,697	7.3
Total other program expenses	3,939	4,087	3.8
<b>Total program expenses</b>	11,139	11,584	4.0
<b>Public debt charges</b>	2,822	2,819	-0.1
<b>Total budgetary expenses</b>	13,961	14,403	3.2

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Table 4

## Budgetary balance and financial source/requirement

	April	
	2003	2004
	(\$ millions)	
<b>Budgetary balance (deficit/surplus)</b>	993	788
<b>Non-budgetary transactions</b>		
Capital investing activities	-45	-148
Amortization of tangible capital assets	349	272
Other investing activities	-313	145
Pensions and other accounts	402	-578
Accounts payable, receivables, accruals and allowances	-5,737	-5,169
Foreign exchange activities	-106	610
<b>Total non-budgetary transactions</b>	-5,450	-4,868
<b>Net financial source/requirement</b>	-4,457	-4,080

Table 5

## Financial source/requirement and net financing activities

	April	
	2003	2004
	(\$ millions)	
<b>Net financial source/requirement</b>	-4,457	-4,080
<b>Net increase (+)/decrease (-) in financing activities</b>		
Canadian currency borrowings		
Marketable bonds	-1,054	-2,818
Treasury bills	-3,500	-3,800
Canada Savings Bonds	-94	-9
Other	0	-25
Total	-4,648	-6,652
Foreign currency borrowings	-51	-1,249
<b>Net change in financing activities</b>	-4,699	-7,901
<b>Change in cash balance</b>	-9,156	-11,981

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