

Final Budgetary Figures Released for 2008-09

The federal Department of Finance has issued the May 2009 issue of the Fiscal Monitor, which details budgetary revenue and expenditure figures for the month of March 2009 and, more important, for the 2008-09 fiscal year as a whole.

Overall the fiscal year ended on March 31, 2009, with a budgetary deficit of \$2.2 billion. That deficit looks miniscule when compared to the \$50 billion deficit that was recently forecast by the Minister of Finance for the current (2009-2010) fiscal year. It's even more startling to realize that just 14 months ago, the federal government posted an \$11.4 billion surplus for the fiscal year that ended March 31, 2008.

A closer examination of the revenue and expenditure figures for 2008-09 gives some insight into the reasons behind the federal government's growing deficit. For that fiscal year, budgetary revenues decreased by \$9.2 billion. Most significantly, revenue from corporate taxation dropped by more than one-quarter (27.2%), or \$11.1 billion. Goods and services tax revenues were down by 15, or \$4.4 billion, owing to the two-step GST rate reduction, from 7% to 5%. The effect of the downturn in corporate tax and GST revenues was offset somewhat by increases in personal tax revenue (\$2.6 billion, or 2.4%) and in other income tax revenues (\$0.5 billion, or 8.1%).

On the expenditure side, program expenses rose by \$6.8 billion, or 3.5%, on a year-over-year basis. The major component of the increase was a rise in the cost of what are termed "major transfers to persons", which include benefits paid to the elderly, employment insurance benefits, and children's benefits. Of the three, employment insurance benefits saw the largest increase, rising by \$2 billion, or 13.9%. Transfers to other levels of government also rose, largely reflecting legislated growth in the Canada Health Transfer, Canada Social Transfer, and equalization payments. Some relief on the expenditure side was provided by a drop in the cost of interest charges on the public debt, which decreased by \$2.3 billion, or 6.8%, reflecting lower interest rates during the year.

The May 2009 issue, in which these figures are outlined, can be found on the Department of Finance Web site at <http://www.fin.gc.ca/fiscmon-revfin/2009-03-eng.asp>. The July 2009 issue of the Fiscal Monitor, which will detail federal budgetary results for April and May 2009, the first two months of the 2009-2010 fiscal year, will be released during the week of July 20.