

Finance Releases The Fiscal Monitor for February

The Department of Finance recently released the April issue of The Fiscal Monitor, detailing the federal government's financial picture for February 2009 and for the 2008-09 fiscal year to date. Notwithstanding the recession and the steady flow of bad economic news, the federal government remains in a surplus position for both periods.

For the fiscal year to date (April 1, 2008 to February 28, 2009), the federal government ran a surplus of \$1.3 billion. While that amount doesn't compare well to the surplus posted for the same period of fiscal 2007-08, which stood at \$12.6 billion, the government at least remains in the black.

The largest single source of the overall decline in revenues was corporate income tax, which dropped by \$9 billion, or 24.8%, over the period. While some of that decline resulted from reductions in corporate tax rates, the overall weaker profit picture was also to blame. Not surprisingly, revenues from goods and services tax also declined, by \$4.2 billion, or 14.9%, reflecting the January 1, 2008, reduction in the GST rate. However, revenues from personal income tax rose over the period by \$3.9 billion, or 3.9%.

On the expenditure side, program expenses were up overall by \$7.4 billion, or 4.2%. Given the steady rise in the rate of unemployment over the past several months, it wasn't surprising that the cost of employment insurance benefits rose by 9.6%. That rise in EI benefits contributed to an overall increase of \$2.6 billion in the cost of what Finance terms "major transfers to persons", which would include benefits paid to the elderly and children's benefits. Major transfers to other levels of government also increased, as did payments made for support for labour market training and transfers made under the Atlantic Offshore Accords.

More details of the federal government's financial picture for February and for the year-to-date can be found in the full Fiscal Monitor publication, available on the Department of Finance Web site at <http://www.fin.gc.ca/fiscmon-revfin/2009-02-eng.asp>. The next issue of The Fiscal Monitor, which will summarize federal government financial results for the 2008-09 fiscal year as a whole, will be released by May 29, 2009.