

The Fiscal Monitor

A publication of the Department of Finance

Highlights

September 2016: budgetary deficit of \$2.4 billion

There was a budgetary deficit of \$2.4 billion in September 2016, compared to a deficit of \$1.2 billion in September 2015. Revenues decreased by \$0.3 billion, or 1.5 per cent, as decreases in revenues from corporate income tax, non-resident income tax and excise taxes and duties were only partially offset by increases in other revenue streams. Program expenses were up \$1.0 billion, or 4.8 per cent, due to increases in major transfers to persons and other levels of government. Public debt charges decreased by \$0.2 billion, or 11.3 per cent, reflecting lower consumer price adjustments on Real Return Bonds and a lower average effective interest rate on the stock of interest-bearing debt.

April to September 2016: budgetary deficit of \$7.8 billion

For the April to September 2016 period of the 2016–17 fiscal year, the Government posted a budgetary deficit of \$7.8 billion, compared to a surplus of \$1.6 billion reported in the same period of 2015–16. Revenues were down \$1.9 billion, or 1.3 per cent, largely as a result of decreases in other revenues and excise taxes and duties. Program expenses were up \$8.9 billion, or 7.0 per cent, reflecting increases in major transfers to persons and other levels of government and direct program expenses. Public debt charges were down \$1.4 billion, or 9.8 per cent, largely due to a lower average effective interest rate on the stock of interest-bearing debt.

September 2016

There was a budgetary deficit of \$2.4 billion in September 2016, compared to a deficit of \$1.2 billion in September 2015.

Revenues in September 2016 totalled \$21.7 billion, down \$0.3 billion, or 1.5 per cent, from September 2015.

- Personal income tax revenues were up \$0.3 billion, or 2.7 per cent.
- Corporate income tax revenues were down \$0.4 billion, or 11.7 per cent.
- Non-resident income tax revenues were down \$0.2 billion, or 31.1 per cent.
- Excise taxes and duties were down \$0.1 billion, or 2.2 per cent. Goods and Services Tax (GST) revenues decreased by \$12 million. Energy taxes decreased by \$3 million, customs import duties decreased by \$24 million, and other excise taxes and duties decreased by \$0.1 billion.
- Employment Insurance (EI) premium revenues were up \$16 million, or 1.2 per cent.
- 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 2.4 per cent.

Program expenses in September 2016 were \$22.2 billion, up \$1.0 billion, or 4.8 per cent, from September 2015.

- Major transfers to persons, consisting of elderly, EI and children's benefits, increased by \$0.9 billion, or 14.1 per cent. Elderly benefits increased by \$0.3 billion, or 6.9 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 14.1 per cent. Children's benefits increased by \$0.5 billion, or

31.9 per cent, reflecting the new Canada Child Benefit, which has replaced the Canada Child Tax Benefit and the Universal Child Care Benefit as of July 2016.

- 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 \$0.2 billion, or 2.9 per cent, reflecting legislated growth in the Canada Health Transfer, the Canada Social Transfer, Equalization transfers and transfers to the territories.
- 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 consolidated Crown corporations. Direct program expenses were down \$0.1 billion, or 0.7 per cent. Within direct program expenses:
 - Transfer payments decreased by \$0.6 billion, or 19.2 per cent, largely reflecting a decrease in the Government's liability for disaster assistance in the current year based on revised cost estimates.
 - Other direct program expenses increased by \$0.5 billion, or 7.9 per cent, due mainly to an increase in pension and other employee and veteran future benefit expenses based on the Government's latest actuarial valuations, as well as an increase in operating expenses of Crown corporations.

Public debt charges decreased by \$0.2 billion, or 11.3 per cent, reflecting lower consumer price adjustments on Real Return Bonds and a lower average effective interest rate on the stock of interest-bearing debt.

April to September 2016

For the April to September 2016 period of the 2016–17 fiscal year, there was a budgetary deficit of \$7.8 billion, compared to a surplus of \$1.6 billion reported in the same period of 2015–16.

Revenues decreased by \$1.9 billion, or 1.3 per cent, to \$139.4 billion.

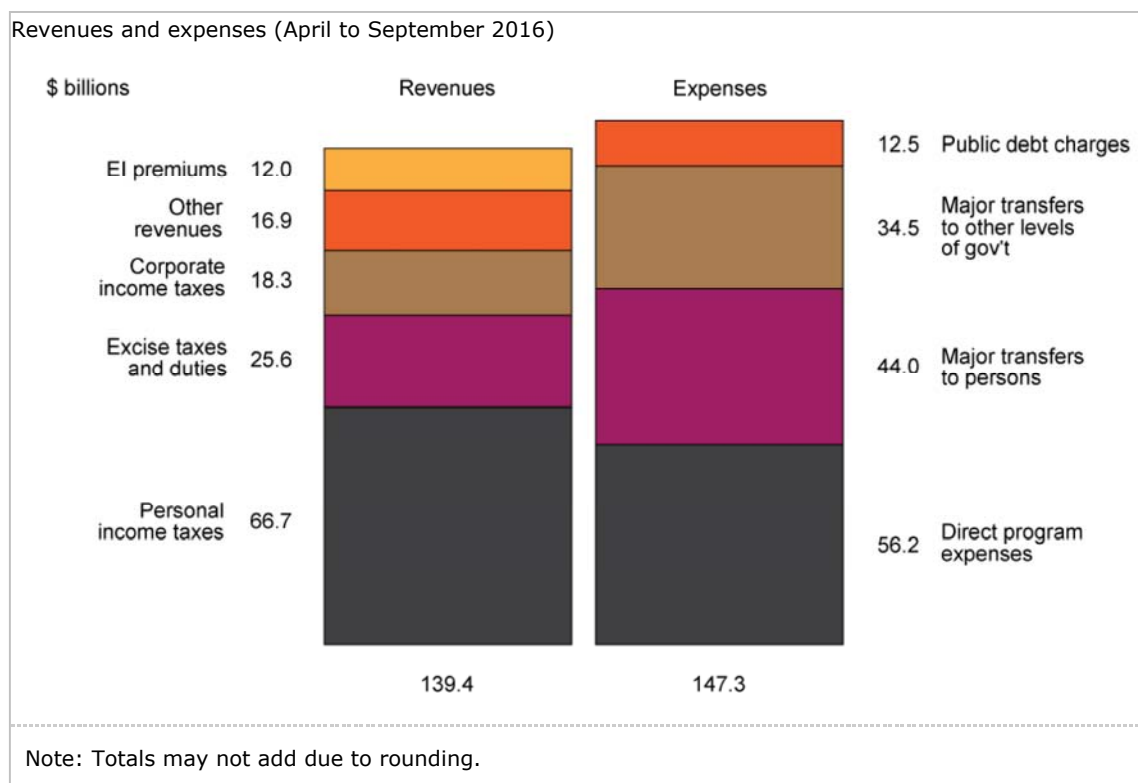
- Personal income tax revenues were up \$0.5 billion, or 0.7 per cent.
- Corporate income tax revenues were down \$0.1 billion, or 0.6 per cent.
- Non-resident income tax revenues were down \$0.3 billion, or 8.9 per cent.
- Excise taxes and duties were down \$0.7 billion, or 2.8 per cent. GST revenues were down \$0.5 billion, or 3.0 per cent. Customs import duties were down \$14 million, and energy taxes and other excise taxes and duties were each down \$0.1 billion.
- EI premium revenues were up \$0.2 billion, or 1.6 per cent, reflecting growth in earnings.
- Other revenues were down \$1.4 billion, or 9.1 per cent. This decline largely reflects the \$2.1-billion gain realized on the sale of the Government's remaining holdings of General Motors common shares in April 2015, offset in part by growth in other components in the current year, including interest and penalties revenues.

For the April to September 2016 period, program expenses were \$134.7 billion, up \$8.9 billion, or 7.0 per cent, from the same period the previous year.

- Major transfers to persons were up \$3.2 billion, or 7.9 per cent. Elderly benefits increased by \$1.2 billion, or 5.3 per cent, reflecting growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. EI benefit payments increased by \$0.7 billion, or 7.0 per cent. Children's benefits were up \$1.4 billion, or 15.4 per cent, largely reflecting the new Canada Child Benefit.

- Major transfers to other levels of government were up \$1.5 billion, or 4.7 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 up \$4.1 billion, or 7.8 per cent. Within direct program expenses:
 - Transfer payments increased by \$1.6 billion, or 10.6 per cent, reflecting increases across several departments, including the accrual of liabilities for disaster assistance, claims expenses and increased funding of new and existing programs.
 - Other direct program expenses increased by \$2.5 billion, or 6.7 per cent, due in large part to an increase in pension and other employee and veteran future benefit expenses based on the Government's latest actuarial valuations, as well as an increase in operating expenses of Crown corporations.

Public debt charges were down \$1.4 billion, or 9.8 per cent, largely reflecting a lower average effective interest rate on the stock of interest-bearing debt.



Financial requirement of \$20.4 billion for April to September 2016

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 deficit of \$7.8 billion and a requirement of \$12.6 billion from non-budgetary transactions, there was a financial requirement of \$20.4 billion for the April to September 2016 period, compared to a financial requirement of \$15.3 billion for the same period the previous year.

Net financing activities up \$24.2 billion

The Government financed this financial requirement of \$20.4 billion and increased cash balances by \$3.7 billion by increasing unmatured debt by \$24.2 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 September 2016 stood at \$41.6 billion, up \$3.1 billion from their level at the end of September 2015.

Table 1 Summary statement of transactions \$ millions				
	September		April to September	
	2015	2016	2015-16	2016-17
Budgetary transactions				
Revenues	21,981	21,658	141,336	139,446
Expenses				
Program expenses	-21,218	-22,239	-125,883	-134,738
Public debt charges	-2,012	-1,785	-13,879	-12,519
Budgetary balance (deficit/surplus)	-1,249	-2,366	1,574	-7,811
Non-budgetary transactions	-477	1,019	-16,847	-12,636
Financial source/requirement	-1,726	-1,347	-15,273	-20,447
Net change in financing activities	3,389	-520	25,743	24,155
Net change in cash balances	1,663	-1,867	10,470	3,708
Cash balance at end of period			38,420	41,553
Note: Positive numbers indicate a net source of funds. Negative numbers indicate a net requirement for funds.				

Table 2 Revenues						
	September			April to September		
	2015 (\$ millions)	2016 (\$ millions)	Change (%)	2015-16 (\$ millions)	2016-17 (\$ millions)	Change (%)
Tax revenues						
Income taxes						
Personal income tax	10,280	10,554	2.7	66,250	66,703	0.7
Corporate income tax	3,180	2,809	-11.7	18,407	18,295	-0.6
Non-resident income tax	639	440	-31.1	3,085	2,811	-8.9
Total income tax	14,099	13,803	-2.1	87,742	87,809	0.1
Excise taxes and duties						
Goods and Services Tax	2,786	2,774	-0.4	17,640	17,115	-3.0
Energy taxes	509	506	-0.6	2,845	2,751	-3.3
Customs import duties	499	475	-4.8	2,726	2,712	-0.5
Other excise taxes and duties	551	496	-10.0	3,131	3,031	-3.2
Total excise taxes and duties	4,345	4,251	-2.2	26,342	25,609	-2.8
Total tax revenues	18,444	18,054	-2.1	114,084	113,418	-0.6
Employment Insurance premiums	1,384	1,400	1.2	11,763	11,950	1.6
Other revenues	2,153	2,204	2.4	15,489	14,078	-9.1
Total revenues	21,981	21,658	-1.5	141,336	139,446	-1.3

Note: Totals may not add due to rounding.

Table 3 Expenses						
	September			April to September		
	2015 (\$ millions)	2016 (\$ millions)	Change (%)	2015-16 (\$ millions)	2016-17 (\$ millions)	Change (%)
Major transfers to persons						
Elderly benefits	3,748	4,008	6.9	22,418	23,615	5.3
Employment Insurance benefits	1,363	1,555	14.1	9,376	10,032	7.0
Children's benefits	1,509	1,990	31.9	8,963	10,346	15.4
Total	6,620	7,553	14.1	40,757	43,993	7.9
Major transfers to other levels of government						
Support for health and other social programs						
Canada Health Transfer	2,836	3,006	6.0	17,013	18,034	6.0
Canada Social Transfer	1,080	1,112	3.0	6,480	6,674	3.0
Total	3,916	4,118	5.2	23,493	24,708	5.2
Fiscal arrangements and other transfers	1,688	1,731	2.5	10,796	11,148	3.3
Canada's cities and communities	0	0	n/a	979	1,036	5.8
Quebec Abatement	-386	-481	24.6	-2,308	-2,388	3.5
Total	5,218	5,368	2.9	32,960	34,504	4.7
Direct program expenses						
Transfer payments						
Agriculture and Agri-Food Canada	189	70	-63.0	543	372	-31.5
Employment and Social Development Canada	476	696	46.2	2,615	2,930	12.0
Global Affairs Canada	461	155	-66.4	1,262	1,282	1.6
Health Canada	334	365	9.3	1,594	1,711	7.3
Indigenous and Northern Affairs Canada	417	565	35.5	3,105	3,507	12.9
Innovation, Science and Economic Development Canada	208	168	-19.2	1,161	1,289	11.0

Other	875	372	-57.5	4,521	5,276	16.7
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Total	2,960	2,391	-19.2	14,801	16,367	10.6
Other direct program expenses						
Crown corporations	721	867	20.2	4,074	4,590	12.7
National Defence	1,965	2,030	3.3	10,774	11,563	7.3
All other departments and agencies	3,734	4,030	7.9	22,517	23,721	5.3
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Total other direct program expenses	6,420	6,927	7.9	37,365	39,874	6.7
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Total direct program expenses	9,380	9,318	-0.7	52,166	56,241	7.8
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Total program expenses	21,218	22,239	4.8	125,883	134,738	7.0
Public debt charges	2,012	1,785	-11.3	13,879	12,519	-9.8
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Total expenses	23,230	24,024	3.4	139,762	147,257	5.4
Note: Totals may not add due to rounding.						

Table 4 The budgetary balance and financial source/requirement \$ millions				
	September		April to September	
	2015	2016	2015-16	2016-17
Budgetary balance (deficit/surplus)	-1,249	-2,366	1,574	-7,811
Non-budgetary transactions				
Capital investment activities	-428	-488	-1,803	-1,670
Other investing activities	-1,872	-2,035	-3,028	-5,247
Pension and other accounts	709	603	2,571	3,488
Other activities				
Accounts payable, receivables, accruals and allowances	2,583	3,337	-10,827	-7,100
Foreign exchange activities	-1,836	-771	-5,983	-4,035
Amortization of tangible capital assets	367	373	2,223	1,928
Total other activities	1,114	2,939	-14,587	-9,207
Total non-budgetary transactions	-477	1,019	-16,847	-12,636
Financial source/requirement	-1,726	-1,347	-15,273	-20,447
Note: Totals may not add due to rounding.				

Table 5 Financial source/requirement and net financing activities \$ millions				
	September		April to September	
	2015	2016	2015-16	2016-17
Financial source/requirement	-1,726	-1,347	-15,273	-20,447
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	855	-2,216	5,140	9,063
Treasury bills	2,200	1,900	13,600	13,900
Retail debt	-7	36	-108	139
Total	3,048	-280	18,632	23,102
Foreign currency borrowings	-546	-281	2,937	812
Total	2,502	-561	21,569	23,914
Cross-currency swap revaluation	812	-15	3,835	-269
Unamortized discounts and premiums on market debt	61	70	445	646
Obligations related to capital leases and other unmatured debt	14	-14	-106	-136
Net change in financing activities	3,389	-520	25,743	24,155
Change in cash balance	1,663	-1,867	10,470	3,708
Note: Totals may not add due to rounding.				

Table 6 Condensed statement of assets and liabilities \$ millions			
	March 31, 2016	September 30, 2016	Change
Liabilities			
Accounts payable and accrued liabilities	127,853	112,723	-15,130
Interest-bearing debt			
Unmatured debt			
Payable in Canadian currency			
Marketable bonds	504,068	513,131	9,063
Treasury bills	138,100	152,000	13,900
Retail debt	5,076	5,215	139
Subtotal	647,244	670,346	23,102
Payable in foreign currencies	22,482	23,294	812
Cross-currency swap revaluation	8,391	8,122	-269
Unamortized discounts and premiums on market debt	5,047	5,693	646
Obligations related to capital leases and other unamortized debt	5,047	4,911	-136
Total unamortized debt	688,211	712,366	24,155
Pension and other liabilities			
Public sector pensions	152,227	151,806	-421
Other employee and veteran future benefits	85,681	89,532	3,851
Other liabilities	5,602	5,660	58
Total pension and other liabilities	243,510	246,998	3,488
Total interest-bearing debt	931,721	959,364	27,643
Total liabilities	1,059,574	1,072,087	12,513
Financial assets			

Cash and accounts receivable	154,688	150,366	-4,322
Foreign exchange accounts	93,539	97,574	4,035
Loans, investments, and advances (net of allowances) ¹	115,957	119,974	4,017
Public sector pension assets	1,639	1,639	0
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Total financial assets	365,823	369,553	3,730
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Net debt	693,751	702,534	8,783
Non-financial assets	77,765	77,507	-258
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Federal debt (accumulated deficit)	615,986	625,027	9,041
Note: Totals may not add due to rounding.			
¹ September 30, 2016 amount includes \$1.2 billion in other comprehensive losses from enterprise Crown corporations and other government business enterprises for the April to September 2016 period.			

Note: Unless otherwise noted, changes in financial results are presented on a year-over-year basis.

For inquiries about this publication, contact Bradley Recker at 613-369-5667.

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