

The Fiscal Monitor

A publication of the Department of Finance

Highlights

December 2016: budgetary deficit of \$1.3 billion

There was a budgetary deficit of \$1.3 billion in December 2016, compared to a surplus of \$2.2 billion in December 2015. Revenues decreased by \$0.8 billion, or 3.0 per cent, reflecting decreases in personal income tax revenues and other revenues. Program expenses increased by \$2.7 billion, or 13.0 per cent, largely reflecting increases in major transfers to persons and direct program expenses. Public debt charges increased by \$49 million, or 2.5 per cent.

April to December 2016: budgetary deficit of \$14.0 billion

For the April to December 2016 period of the 2016–17 fiscal year, the Government posted a budgetary deficit of \$14.0 billion, compared to a surplus of \$3.2 billion reported in the same period of 2015–16. Revenues were down \$1.9 billion, or 0.9 per cent, reflecting decreases in income tax revenues, excise taxes and duties, and other revenues. Program expenses were up \$16.7 billion, or 8.8 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 7.0 per cent, largely reflecting lower average effective interest rates on the stock of interest-bearing debt.

December 2016

There was a budgetary deficit of \$1.3 billion in December 2016, compared to a surplus of \$2.2 billion in December 2015.

Revenues in December 2016 totalled \$24.1 billion, down \$0.8 billion, or 3.0 per cent, from December 2015.

- Personal income tax revenues were down \$1.0 billion, or 7.1 per cent.
- Corporate income tax revenues were up \$0.7 billion, or 21.4 per cent.
- Non-resident income tax revenues were up \$0.1 billion, or 19.2 per cent.
- Excise taxes and duties were up \$19 million, or 0.5 per cent. Within this category, Goods and Services Tax (GST) revenues increased by \$0.1 billion, energy taxes decreased by \$26 million, customs import duties increased by \$12 million, and other excise taxes and duties decreased by \$41 million.
- Employment Insurance (EI) premium revenues were up \$8 million, or 0.8 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, decreased by \$0.6 billion, or 28.7 per cent.

Program expenses in December 2016 were \$23.4 billion, up \$2.7 billion, or 13.0 per cent, from December 2015.

- Major transfers to persons, consisting of elderly, EI and children's benefits, increased by \$0.9 billion, or 12.8 per cent. Elderly benefits increased by \$0.3 billion, or 8.5 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 \$0.1 billion, or 4.3 per cent. Children's benefits increased by \$0.5 billion, or 33.2 per cent, reflecting the new Canada Child Benefit, which 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 \$25 million, or 0.5 per cent, as legislated growth in the Canada Health Transfer, the Canada Social Transfer, Equalization transfers and transfers to the territories was partially offset by a decrease in transfers to Canada's cities and communities, reflecting year-over-year timing differences.

- Direct program expenses include transfer payments to individuals and organizations not included in major transfers to persons and other levels of government, and other direct program expenses, which consist of the operating expenses of National Defence, other departments and agencies, and expenses of Crown corporations. Direct program expenses were up \$1.8 billion, or 21.3 per cent. Within direct program expenses:
 - Transfer payments increased by \$2.0 billion, or 150.7 per cent, primarily reflecting the accelerated repayment of contributions by Pratt & Whitney Canada in December 2015, which decreased transfer payments in that month, as well as increases in transfers across several departments in the current year, including claims expenses and infrastructure funding.
 - Other direct program expenses decreased by \$0.2 billion, or 2.4 per cent.

Public debt charges increased by \$49 million, or 2.5 per cent.

April to December 2016

For the April to December 2016 period of the 2016–17 fiscal year, there was a budgetary deficit of \$14.0 billion, compared to a surplus of \$3.2 billion reported during the same period of 2015–16.

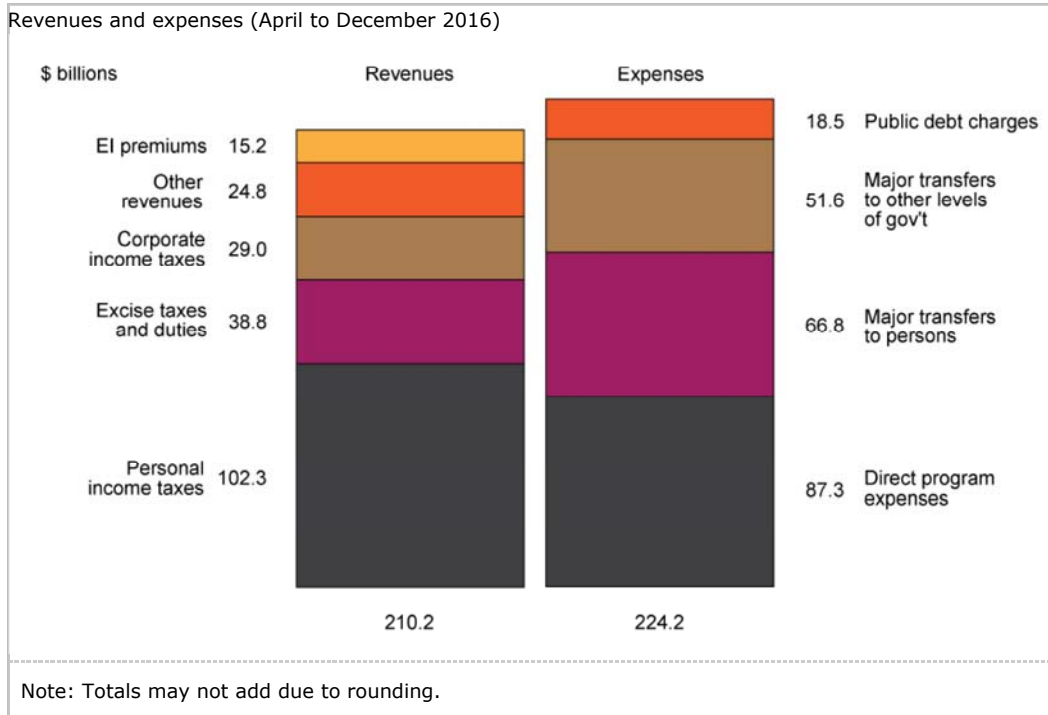
Revenues decreased by \$1.9 billion, or 0.9 per cent, to \$210.2 billion.

- Personal income tax revenues were down \$1.0 billion, or 0.9 per cent.
- Corporate income tax revenues were up \$0.6 billion, or 2.1 per cent.
- Non-resident income tax revenues were up \$0.2 billion, or 4.2 per cent.
- Excise taxes and duties were down \$32 million, or 0.1 per cent. GST revenues and customs import duties were each up \$0.1 billion, while energy taxes and other excise taxes and duties each decreased by \$0.1 billion.
- EI premium revenues were up \$0.2 billion, or 1.5 per cent, reflecting growth in earnings.
- Other revenues were down \$1.9 billion, or 8.6 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.

For the April to December 2016 period, program expenses were \$205.7 billion, up \$16.7 billion, or 8.8 per cent, from the same period the previous year.

- Major transfers to persons were up \$5.7 billion, or 9.3 per cent. Elderly benefits increased by \$2.0 billion, or 5.9 per cent, reflecting growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. EI benefit payments increased by \$0.9 billion, or 6.6 per cent. Children's benefits were up \$2.8 billion, or 20.5 per cent, largely reflecting the new Canada Child Benefit.
- Major transfers to other levels of government were up \$2.2 billion, or 4.4 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 \$8.9 billion, or 11.3 per cent. Within direct program expenses:
 - Transfer payments increased by \$5.3 billion, or 25.3 per cent, reflecting a number of factors including the accelerated repayment of contributions by Pratt & Whitney Canada in 2015–16, which decreased transfer payments in that year, as well as increased transfers in the current year related to claims and infrastructure funding.
 - Other direct program expenses increased by \$3.5 billion, or 6.1 per cent, largely reflecting increases in pension and other future benefit expenses based on the Government's latest actuarial valuations, operating expenses of National Defence, and Crown corporation expenses.

Public debt charges decreased by \$1.4 billion, or 7.0 per cent, largely reflecting lower average effective interest rates on the stock of interest-bearing debt.



Financial requirement of \$26.0 billion for April to December 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 \$14.0 billion and a financial requirement of \$12.0 billion from non-budgetary transactions, there was a financial requirement of \$26.0 billion for the April to December 2016 period, compared to a financial requirement of \$17.7 billion for the same period the previous year.

Net financing activities up \$26.9 billion

The Government financed this financial requirement of \$26.0 billion and increased cash balances by \$0.9 billion by increasing unmatured debt by \$26.9 billion. The increase in unmatured debt was achieved primarily through the issuance of marketable bonds.

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 December 2016 stood at \$38.7 billion, down \$0.3 billion from their level at the end of December 2015.

Table 1 Summary statement of transactions \$ millions				
	December		April to December	
	2015	2016	2015-16	2016-17
Budgetary transactions				
Revenues	24,860	24,105	212,063	210,182
Expenses				
Program expenses	-20,731	-23,428	-189,031	-205,724
Public debt charges	-1,956	-2,005	-19,833	-18,450
Budgetary balance (deficit/surplus)	2,173	-1,328	3,199	-13,992
Non-budgetary transactions	-7,170	-524	-20,910	-12,026
Financial source/requirement	-4,997	-1,852	-17,711	-26,018
Net change in financing activities	-3,503	-725	28,714	26,870
Net change in cash balances	-8,500	-2,577	11,003	852
Cash balance at end of period			38,953	38,695
Note: Positive numbers indicate a net source of funds. Negative numbers indicate a net requirement for funds.				

Table 2 Revenues						
	December			April to December		
	2015 (\$ millions)	2016 (\$ millions)	Change (%)	2015-16 (\$ millions)	2016-17 (\$ millions)	Change (%)
Tax revenues						
Income taxes						
Personal income tax	13,839	12,856	-7.1	103,299	102,334	-0.9
Corporate income tax	3,460	4,200	21.4	28,423	29,026	2.1
Non-resident income tax	510	608	19.2	4,438	4,626	4.2
Total income tax	17,809	17,664	-0.8	136,160	135,986	-0.1
Excise taxes and duties						
Goods and Services Tax	2,437	2,511	3.0	25,876	25,967	0.4
Energy taxes	498	472	-5.2	4,301	4,217	-2.0
Customs import duties	388	400	3.1	4,007	4,065	1.4
Other excise taxes and duties	532	491	-7.7	4,645	4,548	-2.1
Total excise taxes and duties	3,855	3,874	0.5	38,829	38,797	-0.1
Total tax revenues	21,664	21,538	-0.6	174,989	174,783	-0.1
Employment Insurance premiums	975	983	0.8	15,021	15,244	1.5
Other revenues	2,221	1,584	-28.7	22,053	20,155	-8.6
Total revenues	24,860	24,105	-3.0	212,063	210,182	-0.9

Note: Totals may not add due to rounding.

Table 3 Expenses						
	December			April to December		
	2015 (\$ millions)	2016 (\$ millions)	Change (%)	2015-16 (\$ millions)	2016-17 (\$ millions)	Change (%)
Major transfers to persons						
Elderly benefits	3,754	4,072	8.5	33,841	35,847	5.9
Employment Insurance benefits	1,579	1,647	4.3	13,853	14,764	6.6
Children's benefits	1,472	1,960	33.2	13,449	16,203	20.5
Total	6,805	7,679	12.8	61,143	66,814	9.3
Major transfers to other levels of government						
Support for health and other social programs						
Canada Health Transfer	2,836	3,006	6.0	25,518	27,051	6.0
Canada Social Transfer	1,080	1,112	3.0	9,719	10,011	3.0
Total	3,916	4,118	5.2	35,237	37,062	5.2
Fiscal arrangements and other transfers	1,687	1,731	2.6	15,859	16,340	3.0
Canada's cities and communities	285	66	-76.8	1,882	1,766	-6.2
Quebec Abatement	-396	-398	0.5	-3,562	-3,581	0.5
Total	5,492	5,517	0.5	49,416	51,587	4.4
Direct program expenses						
Transfer payments						
Agriculture and Agri-Food Canada	45	376	735.6	847	916	8.1
Employment and Social Development Canada	365	525	43.8	3,968	4,652	17.2
Global Affairs Canada	361	308	-14.7	2,007	2,237	11.5
Health Canada	245	220	-10.2	2,263	2,369	4.7
Indigenous and Northern Affairs Canada	450	662	47.1	4,674	6,020	28.8
Innovation, Science and Economic Development Canada	-968	288	-129.8	584	2,376	306.8
Other	808	895	10.8	6,743	7,856	16.5

Total	1,306	3,274	150.7	21,086	26,426	25.3
Other direct program expenses						
Crown corporations	968	840	-13.2	6,417	6,992	9.0
National Defence	2,090	2,024	-3.2	16,855	17,868	6.0
All other departments and agencies	4,070	4,094	0.6	34,114	36,037	5.6
Total other direct program expenses	7,128	6,958	-2.4	57,386	60,897	6.1
Total direct program expenses	8,434	10,232	21.3	78,472	87,323	11.3
Total program expenses	20,731	23,428	13.0	189,031	205,724	8.8
Public debt charges	1,956	2,005	2.5	19,833	18,450	-7.0
Total expenses	22,687	25,433	12.1	208,864	224,174	7.3
Note: Totals may not add due to rounding.						

Table 4 The budgetary balance and financial source/requirement \$ millions				
	December		April to December	
	2015	2016	2015-16	2016-17
Budgetary balance (deficit/surplus)	2,173	-1,328	3,199	-13,992
Non-budgetary transactions				
Capital investment activities	-350	-678	-3,032	-3,226
Other investing activities	-1,802	-266	-6,147	-7,140
Pension and other accounts	311	1,363	3,477	5,719
Other activities				
Accounts payable, receivables, accruals and allowances	94	-1,840	-6,171	-3,796
Foreign exchange activities	-5,741	547	-12,263	-6,495
Amortization of tangible capital assets	318	350	3,226	2,912
Total other activities	-5,329	-943	-15,208	-7,379
Total non-budgetary transactions	-7,170	-524	-20,910	-12,026
Financial source/requirement	-4,997	-1,852	-17,711	-26,018
Note: Totals may not add due to rounding.				

Table 5 Financial source/requirement and net financing activities \$ millions				
	December		April to December	
	2015	2016	2015-16	2016-17
Financial source/requirement	-4,997	-1,852	-17,711	-26,018
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	-5,397	4,907	8,087	26,517
Treasury bills	-1,900	-5,300	11,600	-1,000
Retail debt	427	581	-617	249
Total	-6,870	188	19,070	25,766
Foreign currency borrowings	461	-677	3,416	617
Total	-6,409	-489	22,486	26,383
Cross-currency swap revaluation	2,823	-239	5,802	-42
Unamortized discounts and premiums on market debt	129	47	616	783
Obligations related to capital leases and other unamatured debt	-46	-44	-190	-254
Net change in financing activities	-3,503	-725	28,714	26,870
Change in cash balance	-8,500	-2,577	11,003	852
Note: Totals may not add due to rounding.				

Table 6 Condensed statement of assets and liabilities \$ millions			
	March 31, 2016	December 31, 2016	Change
Liabilities			
Accounts payable and accrued liabilities	127,853	121,720	-6,133
Interest-bearing debt			
Unmatured debt			
Payable in Canadian currency			
Marketable bonds	504,068	530,585	26,517
Treasury bills	138,100	137,100	-1,000
Retail debt	5,076	5,325	249
Subtotal	647,244	673,010	25,766
Payable in foreign currencies	22,482	23,099	617
Cross-currency swap revaluation	8,391	8,349	-42
Unamortized discounts and premiums on market debt	5,047	5,830	783
Obligations related to capital leases and other unamatured debt	5,047	4,793	-254
Total unamatured debt	688,211	715,081	26,870
Pension and other liabilities			
Public sector pensions	152,227	151,869	-358
Other employee and veteran future benefits	85,681	91,473	5,792
Other liabilities	5,602	5,887	285
Total pension and other liabilities	243,510	249,229	5,719
Total interest-bearing debt	931,721	964,310	32,589
Total liabilities	1,059,574	1,086,030	26,456
Financial assets			
Cash and accounts receivable	154,688	153,203	-1,485

Foreign exchange accounts	93,539	100,034	6,495
Loans, investments, and advances (net of allowances) ¹	115,957	122,070	6,113
Public sector pension assets	1,639	1,639	0
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Total financial assets	365,823	376,946	11,123
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Net debt	693,751	709,084	15,333
Non-financial assets	77,765	78,079	314
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Federal debt (accumulated deficit)	615,986	631,005	15,019
Note: Totals may not add due to rounding.			
¹ December 31, 2016 amount includes \$1.0 billion in other comprehensive losses from enterprise Crown corporations and other government business enterprises for the April to December 2016 period.			

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

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