

The Fiscal Monitor

A publication of the Department of Finance

Highlights

July 2017: budgetary deficit of \$0.2 billion

There was a budgetary deficit of \$0.2 billion in July 2017, compared to a deficit of \$1.8 billion in July 2016. Revenues increased by \$3.0 billion, or 12.8 per cent, as an increase in tax revenues was partially offset by decreases in Employment Insurance (EI) premium revenues and other revenues. Program expenses increased by \$1.6 billion, or 7.0 per cent, primarily reflecting increases in major transfers to persons and direct program expenses. Public debt charges decreased by \$0.2 billion, or 9.7 per cent, largely reflecting lower Consumer Price Index adjustments on Real Return Bonds and a lower average effective interest rate on the stock of interest-bearing debt.

April to July 2017: budgetary deficit of \$0.1 billion

For the April to July 2017 period of the 2017–18 fiscal year, the Government posted a budgetary deficit of \$0.1 billion, compared to a deficit of \$2.8 billion reported in the same period of 2016–17. Revenues were up \$6.4 billion, or 6.8 per cent, as increases in tax revenues and other revenues were partially offset by a decrease in EI premium revenues. Program expenses were up \$4.3 billion, or 4.8 per cent, due to increases in major transfers to persons and other levels of government and direct program expenses. Public debt charges were down \$0.5 billion, or 5.6 per cent, largely reflecting a lower average effective interest rate on the stock of interest-bearing debt.

July 2017

There was a budgetary deficit of \$0.2 billion in July 2017, compared to a deficit of \$1.8 billion in July 2016.

Revenues increased by \$3.0 billion, or 12.8 per cent, to \$26.1 billion.

- Personal income tax revenues were up \$0.8 billion, or 6.8 per cent.
- Corporate income tax revenues were up \$1.3 billion, or 59.4 per cent.
- Non-resident income tax revenues were up \$0.3 billion, or 66.3 per cent.
- Excise taxes and duties were up \$0.8 billion, or 18.5 per cent. This increase is mostly due to a \$0.7-billion, or 23.6-per-cent, increase in Goods and Services Tax (GST) revenues. Energy taxes and customs import duties were each up \$0.1 billion, while other excise taxes and duties were down \$42 million.
- EI premium revenues were down \$0.2 billion, or 11.8 per cent, due to a reduction in the EI premium rate for 2017.
- 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 down \$0.1 billion, or 2.3 per cent.

Program expenses in July 2017 were \$24.3 billion, up \$1.6 billion, or 7.0 per cent, from July 2016.

- Major transfers to persons, consisting of elderly, EI and children's benefits, increased by \$0.5 billion, or 6.5 per cent. Elderly benefits increased by \$0.3 billion, or 6.6 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 14.9 per cent. Children's benefits decreased by \$6 million, or 0.3 per cent.
- 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 \$0.1 billion, or 2.3 per cent, mainly due to legislated growth in the Canada Health Transfer, the Canada Social Transfer and Equalization transfers.

- 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 up \$1.0 billion, or 10.8 per cent.
 - Transfer payments increased by \$0.3 billion, or 13.8 per cent, reflecting year-over-year differences in the timing of payments.
 - Other direct program expenses increased by \$0.6 billion, or 9.7 per cent, largely reflecting increases in operating expenses of consolidated Crown corporations and pension and benefit costs based on the Government's latest actuarial valuations.

Public debt charges decreased by \$0.2 billion, or 9.7 per cent, largely reflecting lower Consumer Price Index adjustments on Real Return Bonds and a lower average effective interest rate on the stock of interest-bearing debt.

April to July 2017

For the April to July 2017 period of the 2017–18 fiscal year, there was a budgetary deficit of \$0.1 billion, compared to a deficit of \$2.8 billion reported during the same period of 2016–17.

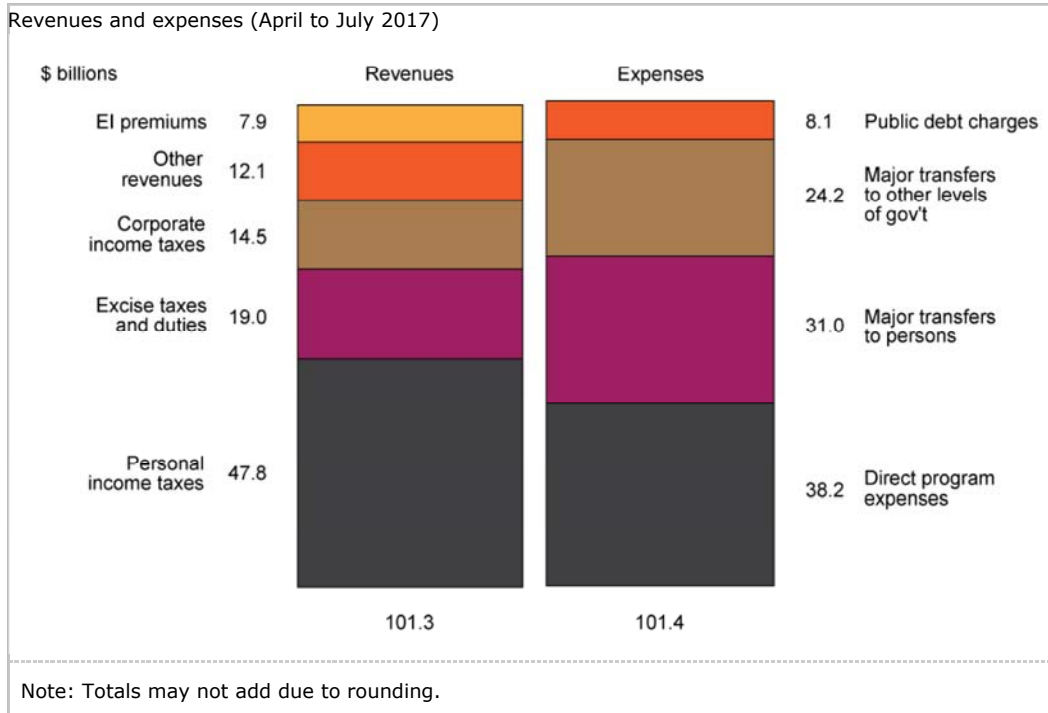
Revenues increased by \$6.4 billion, or 6.8 per cent, to \$101.3 billion.

- Personal income tax revenues were up \$2.6 billion, or 5.7 per cent.
- Corporate income tax revenues were up \$1.9 billion, or 14.8 per cent.
- Non-resident income tax revenues were up \$0.6 billion, or 35.2 per cent.
- Excise taxes and duties were up \$2.2 billion, or 12.8 per cent. This increase is mostly due to a \$1.9-billion, or 16.1-per-cent, increase in GST revenues. Energy taxes were up \$0.1 billion and customs import duties were up \$0.2 billion. Other excise taxes and duties were down \$38 million.
- EI premium revenues were down \$1.0 billion, or 11.3 per cent, due to a reduction in the EI premium rate for 2017.
- Other revenues were up \$0.2 billion, or 2.0 per cent.

For the April to July 2017 period, program expenses were \$93.4 billion, up \$4.3 billion, or 4.8 per cent, from the same period the previous year.

- Major transfers to persons were up \$2.4 billion, or 8.5 per cent. Elderly benefits increased by \$0.9 billion, or 6.0 per cent, reflecting growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. EI benefit payments increased by \$0.2 billion, or 2.7 per cent. Children's benefits were up \$1.3 billion, or 20.2 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 were up \$0.6 billion, or 2.5 per cent, mainly due to legislated growth in the Canada Health Transfer, the Canada Social Transfer, Equalization transfers and transfers to the territories.
- Direct program expenses were up \$1.2 billion, or 3.4 per cent.
 - Transfer payments decreased by \$0.4 billion, or 3.4 per cent, due mainly to a year-over-year decrease in transfers for disaster assistance.
 - Other direct program expenses increased by \$1.6 billion, or 6.5 per cent, due in large part to an increase in pension and benefit costs based on the Government's latest actuarial valuations, as well as an increase in operating expenses of consolidated Crown corporations.

Public debt charges decreased by \$0.5 billion, or 5.6 per cent, largely reflecting a lower average effective interest rate on the stock of interest-bearing debt.



Financial requirement of \$11.8 billion for April to July 2017

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 \$0.1 billion and a requirement of \$11.7 billion from non-budgetary transactions, there was a financial requirement of \$11.8 billion for the April to July 2017 period, compared to a financial requirement of \$17.4 billion for the same period the previous year.

Net financing activities up \$16.6 billion

The Government financed this financial requirement of \$11.8 billion and increased cash balances by \$4.8 billion by increasing unmatured debt by \$16.6 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 July 2017 stood at \$41.7 billion, down \$5.6 billion from their level at the end of July 2016.

Table 1 Summary statement of transactions \$ millions				
	July		April to July	
	2016	2017	2016-17	2017-18
Budgetary transactions				
Revenues	23,105	26,058	94,890	101,328
Expenses				
Program expenses	-22,716	-24,306	-89,112	-93,374
Public debt charges	-2,153	-1,945	-8,537	-8,063
Budgetary balance (deficit/surplus)	-1,764	-193	-2,759	-109
Non-budgetary transactions	-2,020	4,744	-14,601	-11,717
Financial source/requirement	-3,784	4,551	-17,360	-11,826
Net change in financing activities	12,567	-5,322	26,818	16,623
Net change in cash balances	8,783	-771	9,458	4,797
Cash balance at end of period			47,303	41,698
Note: Positive numbers indicate a net source of funds. Negative numbers indicate a net requirement for funds.				

Table 2 Revenues						
	July			April to July		
	2016 (\$ millions)	2017 (\$ millions)	Change (%)	2016-17 (\$ millions)	2017-18 (\$ millions)	Change (%)
Tax revenues						
Income taxes						
Personal income tax	11,946	12,762	6.8	45,188	47,786	5.7
Corporate income tax	2,143	3,417	59.4	12,621	14,487	14.8
Non-resident income tax	511	850	66.3	1,820	2,461	35.2
Total income tax	14,600	17,029	16.6	59,629	64,734	8.6
Excise taxes and duties						
Goods and Services Tax	2,888	3,570	23.6	11,546	13,408	16.1
Energy taxes	395	472	19.5	1,574	1,701	8.1
Customs import duties	470	550	17.0	1,724	1,933	12.1
Other excise taxes and duties	548	506	-7.7	2,008	1,970	-1.9
Total excise taxes and duties	4,301	5,098	18.5	16,852	19,012	12.8
Total tax revenues	18,901	22,127	17.1	76,481	83,746	9.5
Employment Insurance premiums	1,871	1,651	-11.8	8,952	7,937	-11.3
Other revenues	2,333	2,280	-2.3	9,457	9,645	2.0
Total revenues	23,105	26,058	12.8	94,890	101,328	6.8

Note: Totals may not add due to rounding.

Table 3 Expenses						
	July			April to July		
	2016 (\$ millions)	2017 (\$ millions)	Change (%)	2016-17 (\$ millions)	2017-18 (\$ millions)	Change (%)
Major transfers to persons						
Elderly benefits	3,947	4,208	6.6	15,666	16,612	6.0
Employment Insurance benefits	1,470	1,689	14.9	6,469	6,643	2.7
Children's benefits	1,839	1,833	-0.3	6,430	7,728	20.2
Total	7,256	7,730	6.5	28,565	30,983	8.5
Major transfers to other levels of government						
Support for health and other social programs						
Canada Health Transfer	3,006	3,096	3.0	12,023	12,383	3.0
Canada Social Transfer	1,112	1,146	3.1	4,449	4,583	3.0
Total	4,118	4,242	3.0	16,472	16,966	3.0
Fiscal arrangements and other transfers	1,750	1,791	2.3	7,620	7,784	2.2
Canada's cities and communities	1,036	1,036	0.0	1,036	1,036	0.0
Quebec Abatement	-381	-397	4.2	-1,526	-1,587	4.0
Total	6,523	6,672	2.3	23,602	24,199	2.5
Direct program expenses						
Transfer payments						
Agriculture and Agri-Food Canada	65	71	9.2	205	203	-1.0
Employment and Social Development Canada	388	491	26.5	1,781	2,049	15.0
Global Affairs Canada	310	302	-2.6	952	846	-11.1
Health Canada	297	339	14.1	1,282	1,396	8.9
Indigenous and Northern Affairs Canada	601	687	14.3	2,383	2,568	7.8
Innovation, Science and Economic Development Canada	302	238	-21.2	836	1,146	37.1
Other	500	676	35.2	4,240	3,079	-27.4

Total	2,463	2,804	13.8	11,679	11,287	-3.4
Other direct program expenses						
Consolidated Crown corporations	740	938	26.8	3,055	3,521	15.3
National Defence	1,990	2,189	10.0	7,164	7,677	7.2
All other departments and agencies	3,744	3,973	6.1	15,047	15,707	4.4
	<hr/>			<hr/>		
Total other direct program expenses	6,474	7,100	9.7	25,266	26,905	6.5
	<hr/>			<hr/>		
Total direct program expenses	8,937	9,904	10.8	36,945	38,192	3.4
	<hr/>			<hr/>		
Total program expenses	22,716	24,306	7.0	89,112	93,374	4.8
Public debt charges	2,153	1,945	-9.7	8,537	8,063	-5.6
	<hr/>			<hr/>		
Total expenses	24,869	26,251	5.6	97,649	101,437	3.9
Note: Totals may not add due to rounding.						

Table 4 The budgetary balance and financial source/requirement \$ millions				
	July		April to July	
	2016	2017	2016-17	2017-18
Budgetary balance (deficit/surplus)	-1,764	-193	-2,759	-109
Non-budgetary transactions				
Capital investment activities	-330	329	-761	-406
Other investing activities	-845	-514	-2,748	1,102
Pension and other accounts	508	651	1,430	1,186
Other activities				
Accounts payable, receivables, accruals and allowances	-1,287	1,246	-12,349	-17,673
Foreign exchange activities	-351	3,628	-1,386	3,568
Amortization of tangible capital assets	285	-596	1,213	506
Total other activities	-1,353	4,278	-12,522	-13,599
Total non-budgetary transactions	-2,020	4,744	-14,601	-11,717
Financial source/requirement	-3,784	4,551	-17,360	-11,826

Note: Totals may not add due to rounding.

Table 5 Financial source/requirement and net financing activities \$ millions				
	July		April to July	
	2016	2017	2016-17	2017-18
Financial source/requirement	-3,784	4,551	-17,360	-11,826
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	13,065	7,247	13,234	16,949
Treasury bills	-900	-9,200	13,100	4,600
Retail debt	20	-155	89	-230
Total	12,185	-2,108	26,423	21,319
Foreign currency borrowings	-631	-788	458	-756
Total	11,554	-2,896	26,881	20,563
Cross-currency swap revaluation	900	-2,390	-499	-3,425
Unamortized discounts and premiums on market debt	126	-220	544	-595
Obligations related to capital leases and other unamatured debt	-13	184	-108	80
Net change in financing activities	12,567	-5,322	26,818	16,623
Change in cash balance	8,783	-771	9,458	4,797

Note: Totals may not add due to rounding.

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.

September 2017

© Her Majesty the Queen in Right of Canada (2017)

All rights reserved

All requests for permission to reproduce this document or any part thereof shall be addressed to the Department of Finance Canada.

Cette publication est également disponible en français.

Cat. No.: F12-4E-PDF
ISSN: 1487-0134

