

# The Fiscal Monitor

## A publication of the Department of Finance

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### Highlights

#### **September 2017: budgetary deficit of \$3.2 billion**

There was a budgetary deficit of \$3.2 billion in September 2017, compared to a deficit of \$2.4 billion in September 2016. Revenues increased by \$0.6 billion, or 2.7 per cent, as increases in revenues from personal income tax and non-resident income tax were partially offset by decreases in corporate income tax revenues, excise taxes and duties, Employment Insurance (EI) premium revenues and other revenues. Program expenses were up \$1.4 billion, or 6.5 per cent, primarily reflecting increases in major transfers to other levels of government and direct program expenses. Public debt charges increased by \$20 million, or 1.1 per cent.

#### **April to September 2017: budgetary deficit of \$5.9 billion**

For the April to September 2017 period of the 2017–18 fiscal year, the Government posted a budgetary deficit of \$5.9 billion, compared to a deficit of \$7.8 billion reported in the same period of 2016–17.

Revenues were up \$6.9 billion, or 4.9 per cent, reflecting an increase in tax revenues, offset in part by decreases in EI premium revenues and other revenues. Program expenses were up \$5.7 billion, or 4.2 per cent, reflecting increases in major transfers to persons, major transfers to other levels of government and direct program expenses. Public debt charges were down \$0.6 billion, or 5.1 per cent, largely due to a lower average effective interest rate on the stock of interest-bearing debt.

### September 2017

There was a budgetary deficit of \$3.2 billion in September 2017, compared to a deficit of \$2.4 billion in September 2016.

Revenues in September 2017 totalled \$22.3 billion, up \$0.6 billion, or 2.7 per cent, from September 2016.

- Personal income tax revenues were up \$1.4 billion, or 13.6 per cent.
- Corporate income tax revenues were down \$0.5 billion, or 16.3 per cent.
- Non-resident income tax revenues were up \$0.1 billion, or 15.2 per cent.
- Excise taxes and duties were down \$0.2 billion, or 4.3 per cent. Goods and Services Tax (GST) revenues decreased by \$0.2 billion, or 7.6 per cent. Energy taxes increased by \$31 million, customs import duties decreased by \$4 million, and other excise taxes and duties increased by \$2 million.
- EI premium revenues were down \$0.2 billion, or 12.5 per cent, reflecting a decline in the premium rate as a result of the seven-year break-even mechanism introduced in 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 4.2 per cent.

Program expenses in September 2017 totalled \$23.7 billion, up \$1.4 billion, or 6.5 per cent, from September 2016.

- Major transfers to persons, consisting of elderly, EI and children's benefits, increased by \$9 million, or 0.1 per cent. Elderly benefits increased by \$0.2 billion, or 4.8 per cent, due to growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. EI benefit payments decreased by \$0.2 billion, or 10.7 per cent. Children's benefits decreased by \$18 million, or 0.9 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, the Canada Social Transfer and the new home care and mental health transfers announced in Budget 2017), 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 \$0.3 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 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 \$1.2 billion, or 12.7 per cent. Within direct program expenses:
  - Transfer payments increased by \$0.9 billion, or 38.0 per cent, reflecting increases across a number of departments.
  - Other direct program expenses increased by \$0.3 billion, or 3.9 per cent.

Public debt charges increased by \$20 million, or 1.1 per cent.

## April to September 2017

For the April to September 2017 period of the 2017–18 fiscal year, there was a budgetary deficit of \$5.9 billion, compared to a deficit of \$7.8 billion reported in the same period of 2016–17.

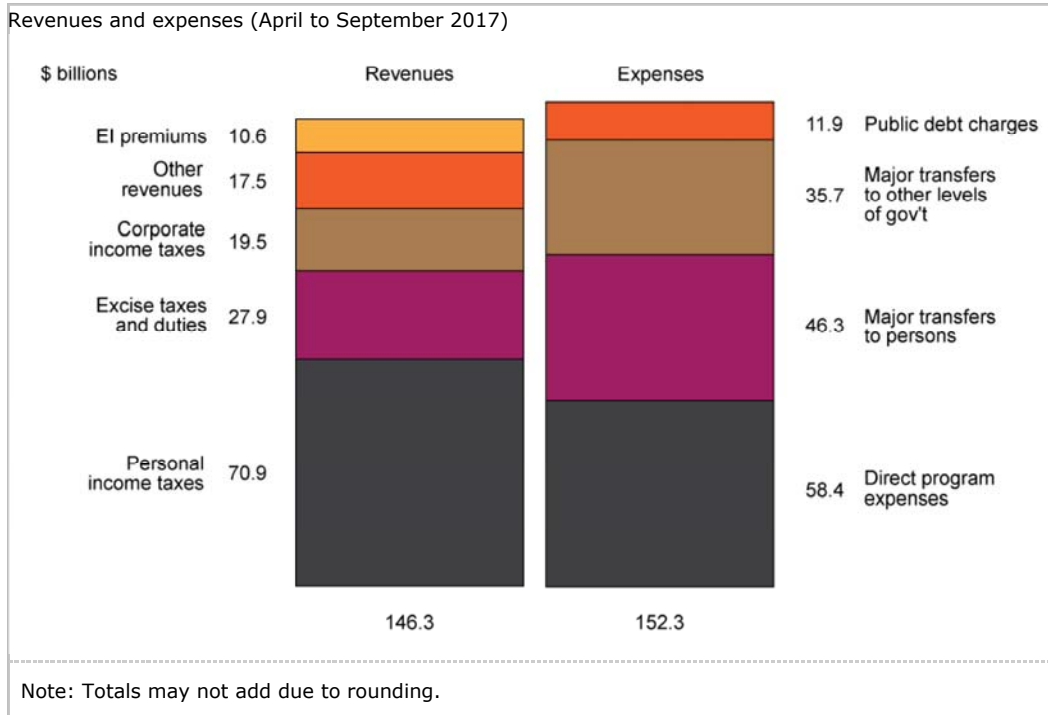
Revenues increased by \$6.9 billion, or 4.9 per cent, to \$146.3 billion.

- Personal income tax revenues were up \$4.2 billion, or 6.2 per cent.
- Corporate income tax revenues were up \$1.2 billion, or 6.8 per cent.
- Non-resident income tax revenues were up \$0.7 billion, or 25.2 per cent.
- Excise taxes and duties were up \$2.3 billion, or 8.9 per cent. GST revenues were up \$2.0 billion, or 11.5 per cent. Energy taxes were up \$0.1 billion, customs import duties were up \$0.2 billion, and other excise taxes and duties were up \$22 million.
- EI premium revenues were down \$1.4 billion, or 11.6 per cent, reflecting a decline in the premium rate as a result of the seven-year break-even mechanism introduced in 2017.
- Other revenues were down \$0.1 billion, or 0.8 per cent.

For the April to September 2017 period, program expenses were \$140.4 billion, up \$5.7 billion, or 4.2 per cent, from the same period the previous year.

- Major transfers to persons were up \$2.3 billion, or 5.3 per cent. Elderly benefits increased by \$1.4 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 decreased by \$0.3 billion, or 3.4 per cent. Children's benefits were up \$1.3 billion, or 12.2 per cent, largely 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 \$1.2 billion, or 3.4 per cent, largely reflecting legislated growth in the Canada Health Transfer, the Canada Social Transfer, Equalization transfers and transfers to the territories, as well as payments under the new home care and mental health transfers.
- Direct program expenses were up \$2.2 billion, or 3.8 per cent. Within direct program expenses:
  - Transfer payments increased by \$0.6 billion, or 3.8 per cent.
  - Other direct program expenses increased by \$1.5 billion, or 3.9 per cent, reflecting increases in the operating expenses of consolidated Crown corporations and National Defence.

Public debt charges were down \$0.6 billion, or 5.1 per cent, largely reflecting a lower average effective interest rate on the stock of interest-bearing debt.



### Financial requirement of \$12.5 billion for April to September 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 \$5.9 billion and a requirement of \$6.6 billion from non-budgetary transactions, there was a financial requirement of \$12.5 billion for the April to September 2017 period, compared to a financial requirement of \$20.4 billion for the same period the previous year.

### Net financing activities up \$12.8 billion

The Government financed this financial requirement of \$12.5 billion and increased cash balances by \$0.3 billion by increasing unmatured debt by \$12.8 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 September 2017 stood at \$37.2 billion, down \$4.4 billion from their level at the end of September 2016.

Table 1 Summary statement of transactions \$ millions				
	September		April to September	
	2016	2017	2016-17	2017-18
<b>Budgetary transactions</b>				
Revenues	21,658	22,252	139,446	146,342
Expenses				
Program expenses	-22,239	-23,680	-134,738	-140,388
Public debt charges	-1,785	-1,805	-12,519	-11,882
Budgetary balance (deficit/surplus)	-2,366	-3,233	-7,811	-5,928
<b>Non-budgetary transactions</b>	1,019	3,261	-12,636	-6,575
<b>Financial source/requirement</b>	-1,347	28	-20,447	-12,503
<b>Net change in financing activities</b>	-520	-1,082	24,155	12,756
<b>Net change in cash balances</b>	-1,867	-1,054	3,708	253
<b>Cash balance at end of period</b>			41,553	37,154
Note: Positive numbers indicate a net source of funds. Negative numbers indicate a net requirement for funds.				

Table 2 Revenues						
	September			April to September		
	2016 (\$ millions)	2017 (\$ millions)	Change (%)	2016-17 (\$ millions)	2017-18 (\$ millions)	Change (%)
<b>Tax revenues</b>						
Income taxes						
Personal income tax	10,554	11,989	13.6	66,703	70,871	6.2
Corporate income tax	2,809	2,350	-16.3	18,295	19,544	6.8
Non-resident income tax	440	507	15.2	2,811	3,520	25.2
Total income tax	13,803	14,846	7.6	87,809	93,935	7.0
Excise taxes and duties						
Goods and Services Tax	2,774	2,564	-7.6	17,115	19,081	11.5
Energy taxes	506	537	6.1	2,751	2,831	2.9
Customs import duties	475	471	-0.8	2,712	2,924	7.8
Other excise taxes and duties	496	498	0.4	3,031	3,053	0.7
Total excise taxes and duties	4,251	4,070	-4.3	25,609	27,889	8.9
Total tax revenues	18,054	18,916	4.8	113,418	121,824	7.4
<b>Employment Insurance premiums</b>	1,400	1,225	-12.5	11,950	10,558	-11.6
<b>Other revenues</b>	2,204	2,111	-4.2	14,078	13,960	-0.8
<b>Total revenues</b>	21,658	22,252	2.7	139,446	146,342	4.9
Note: Totals may not add due to rounding.						

Table 3 Expenses						
	September			April to September		
	2016 (\$ millions)	2017 (\$ millions)	Change (%)	2016-17 (\$ millions)	2017-18 (\$ millions)	Change (%)
<b>Major transfers to persons</b>						
Elderly benefits	4,008	4,202	4.8	23,615	25,014	5.9
Employment Insurance benefits	1,555	1,388	-10.7	10,032	9,688	-3.4
Children's benefits	1,990	1,972	-0.9	10,346	11,605	12.2
<b>Total</b>	<b>7,553</b>	<b>7,562</b>	<b>0.1</b>	<b>43,993</b>	<b>46,307</b>	<b>5.3</b>
<b>Major transfers to other levels of government</b>						
Support for health and other social programs						
Canada Health Transfer	3,006	3,096	3.0	18,034	18,575	3.0
Canada Social Transfer	1,112	1,146	3.1	6,674	6,874	3.0
Home care and mental health	n/a	11	n/a	n/a	300	n/a
<b>Total</b>	<b>4,118</b>	<b>4,253</b>	<b>3.3</b>	<b>24,708</b>	<b>25,749</b>	<b>4.2</b>
Fiscal arrangements and other transfers	1,731	1,772	2.4	11,148	11,328	1.6
Canada's cities and communities	0	0	n/a	1,036	1,036	0.0
Quebec Abatement	-481	-406	-15.6	-2,388	-2,436	2.0
<b>Total</b>	<b>5,368</b>	<b>5,619</b>	<b>4.7</b>	<b>34,504</b>	<b>35,677</b>	<b>3.4</b>
<b>Direct program expenses</b>						
Transfer payments						
Agriculture and Agri-Food Canada	70	89	27.1	372	397	6.7
Employment and Social Development Canada	696	830	19.3	2,930	3,338	13.9
Global Affairs Canada	155	403	160.0	1,282	1,684	31.4
Health Canada	365	350	-4.1	1,711	1,825	6.7
Indigenous and Northern Affairs Canada	565	619	9.6	3,507	3,768	7.4
Innovation, Science and Economic Development Canada	168	301	79.2	1,289	1,872	45.2
Other	372	707	90.1	5,276	4,100	-22.3

Total	2,391	3,299	38.0	16,367	16,984	3.8
Other direct program expenses						
Consolidated Crown corporations	867	885	2.1	4,590	5,180	12.9
National Defence	2,030	2,271	11.9	11,563	12,391	7.2
All other departments and agencies	4,030	4,044	0.3	23,721	23,849	0.5
Total other direct program expenses	6,927	7,200	3.9	39,874	41,420	3.9
Total direct program expenses	9,318	10,499	12.7	56,241	58,404	3.8
<b>Total program expenses</b>	22,239	23,680	6.5	134,738	140,388	4.2
<b>Public debt charges</b>	1,785	1,805	1.1	12,519	11,882	-5.1
<b>Total expenses</b>	24,024	25,485	6.1	147,257	152,270	3.4
Note: Totals may not add due to rounding.						

Table 4 The budgetary balance and financial source/requirement \$ millions				
	September		April to September	
	2016	2017	2016-17	2017-18
<b>Budgetary balance (deficit/surplus)</b>	-2,366	-3,233	-7,811	-5,928
<b>Non-budgetary transactions</b>				
Capital investment activities	-488	-375	-1,670	-1,168
Other investing activities	-2,035	-1,985	-5,247	-1,725
Pension and other accounts	603	745	3,488	2,621
Other activities				
Accounts payable, receivables, accruals and allowances	3,337	4,110	-7,100	-11,525
Foreign exchange activities	-771	445	-4,035	4,065
Amortization of tangible capital assets	373	321	1,928	1,157
Total other activities	2,939	4,876	-9,207	-6,303
Total non-budgetary transactions	1,019	3,261	-12,636	-6,575
<b>Financial source/requirement</b>	-1,347	28	-20,447	-12,503
Note: Totals may not add due to rounding.				



Table 5 Financial source/requirement and net financing activities \$ millions				
	September		April to September	
	2016	2017	2016-17	2017-18
<b>Financial source/requirement</b>	-1,347	28	-20,447	-12,503
<b>Net increase (+)/decrease (-) in financing activities</b>				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	-2,216	1,911	9,063	20,128
Treasury bills	1,900	-2,800	13,900	-2,500
Retail debt	36	-76	139	-333
Total	-280	-965	23,102	17,295
Foreign currency borrowings	-281	-159	812	-592
Total	-561	-1,124	23,914	16,703
Cross-currency swap revaluation	-15	106	-269	-3,309
Unamortized discounts and premiums on market debt	70	-47	646	-682
Obligations related to capital leases and other unamatured debt	-14	-17	-136	44
<b>Net change in financing activities</b>	-520	-1,082	24,155	12,756
<b>Change in cash balance</b>	-1,867	-1,054	3,708	253
Note: Totals may not add due to rounding.				

Table 6 Condensed statement of assets and liabilities \$ millions			
	<b>March 31, 2017</b>	<b>September 30, 2017</b>	<b>Change</b>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	132,519	131,822	-697
Interest-bearing debt			
Unmatured debt			
Payable in Canadian currency			
Marketable bonds	536,280	556,408	20,128
Treasury bills	136,700	134,200	-2,500
Retail debt	4,533	4,200	-333
Subtotal	677,513	694,808	17,295
Payable in foreign currencies	17,609	17,017	-592
Cross-currency swap revaluation	7,764	4,455	-3,309
Unamortized discounts and premiums on market debt	5,322	4,640	-682
Obligations related to capital leases and other unamatured debt	5,425	5,469	44
Total unamatured debt	713,633	726,389	12,756
Pension and other liabilities			
Public sector pensions	151,806	151,311	-495
Other employee and veteran future benefits	93,568	96,616	3,048
Other liabilities	5,689	5,757	68
Total pension and other liabilities	251,063	253,684	2,621
Total interest-bearing debt	964,696	980,073	15,377
<b>Total liabilities</b>	<b>1,097,215</b>	<b>1,111,895</b>	<b>14,680</b>
<b>Financial assets</b>			
Cash and accounts receivable	158,055	169,136	11,081
Foreign exchange accounts	98,797	94,732	-4,065

Loans, investments, and advances (net of allowances) <sup>1</sup>	124,006	125,934	1,928
Public sector pension assets	1,900	1,900	0
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Total financial assets	382,758	391,702	8,944
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<b>Net debt</b>	714,457	720,193	5,736
<b>Non-financial assets</b>	82,558	82,569	11
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<b>Federal debt (accumulated deficit)</b>	631,899	637,624	5,725
Note: Totals may not add due to rounding.			
<sup>1</sup> September 30, 2017 amount includes \$0.2 billion in other comprehensive income from enterprise Crown corporations and other government business enterprises for the April to September 2017 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.

November 2017

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