

The Fiscal Monitor

A publication of the Department of Finance

Highlights

October 2017: budgetary deficit of \$0.3 billion

There was a budgetary deficit of \$0.3 billion in October 2017, compared to a deficit of \$1.5 billion in October 2016. Revenues increased by \$1.0 billion, or 4.0 per cent, largely reflecting an increase in tax revenues. Program expenses decreased by \$0.2 billion, or 0.9 per cent, as an increase in major transfers to persons was more than offset by decreases in major transfers to other levels of government and direct program expenses. Public debt charges increased by \$39 million, or 2.0 per cent.

April to October 2017: budgetary deficit of \$6.3 billion

For the April to October 2017 period of the 2017–18 fiscal year, the Government posted a budgetary deficit of \$6.3 billion, compared to a deficit of \$9.3 billion reported in the same period of 2016–17. Revenues were up \$7.9 billion, or 4.8 per cent, as an increase in tax revenues was partially offset by decreases in Employment Insurance (EI) premium revenues and other revenues. Program expenses were up \$5.4 billion, or 3.4 per cent, reflecting increases in major transfers to persons and other levels of government and direct program expenses. Public debt charges were down \$0.6 billion, or 4.1 per cent, largely due to a lower average effective interest rate on the stock of interest-bearing debt.

October 2017

There was a budgetary deficit of \$0.3 billion in October 2017, compared to a deficit of \$1.5 billion in October 2016.

Revenues in October 2017 totalled \$25.5 billion, up \$1.0 billion, or 4.0 per cent, from October 2016.

- Personal income tax revenues were up \$40 million, or 0.3 per cent.
- Corporate income tax revenues were up \$0.6 billion, or 18.8 per cent.
- Non-resident income tax revenues were up \$0.1 billion, or 15.4 per cent.
- Excise taxes and duties were up \$0.5 billion, or 10.9 per cent, largely due to a \$0.6-billion increase in Goods and Services Tax (GST) revenues. Customs import duties and other excise taxes and duties decreased by \$37 million and \$7 million respectively, while energy taxes increased by \$14 million.
- EI premium revenues were down \$0.2 billion, or 13.4 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 \$0.2 billion, or 6.3 per cent.

Program expenses in October 2017 were \$23.8 billion, down \$0.2 billion, or 0.9 per cent, from October 2016.

- Major transfers to persons, consisting of elderly, EI and children's benefits, increased by \$0.2 billion, or 2.4 per cent. Elderly benefits increased by \$0.2 billion, or 5.2 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 \$49 million, or 3.1 per cent. Children's benefits increased by \$22 million, or 1.1 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 decreased by \$0.3 billion, or 4.4 per cent, as legislated growth in the Canada Health Transfer, the Canada Social Transfer, Equalization transfers and transfers to the territories was more than offset by a decrease in transfers to Canada's cities and communities due to a year-over-year difference in the timing of payments.

- 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 \$0.2 billion, or 1.5 per cent. Within direct program expenses:
 - Transfer payments decreased by \$0.7 billion, or 19.5 per cent, due to year-over-year differences in the timing of payments and decreases in transfers across several departments, including claims expenses and infrastructure funding.
 - Other direct program expenses increased by \$0.6 billion, or 8.2 per cent.

Public debt charges were up \$39 million, or 2.0 per cent.

April to October 2017

For the April to October 2017 period of the 2017–18 fiscal year, there was a budgetary deficit of \$6.3 billion, compared to a deficit of \$9.3 billion reported during the same period of 2016–17.

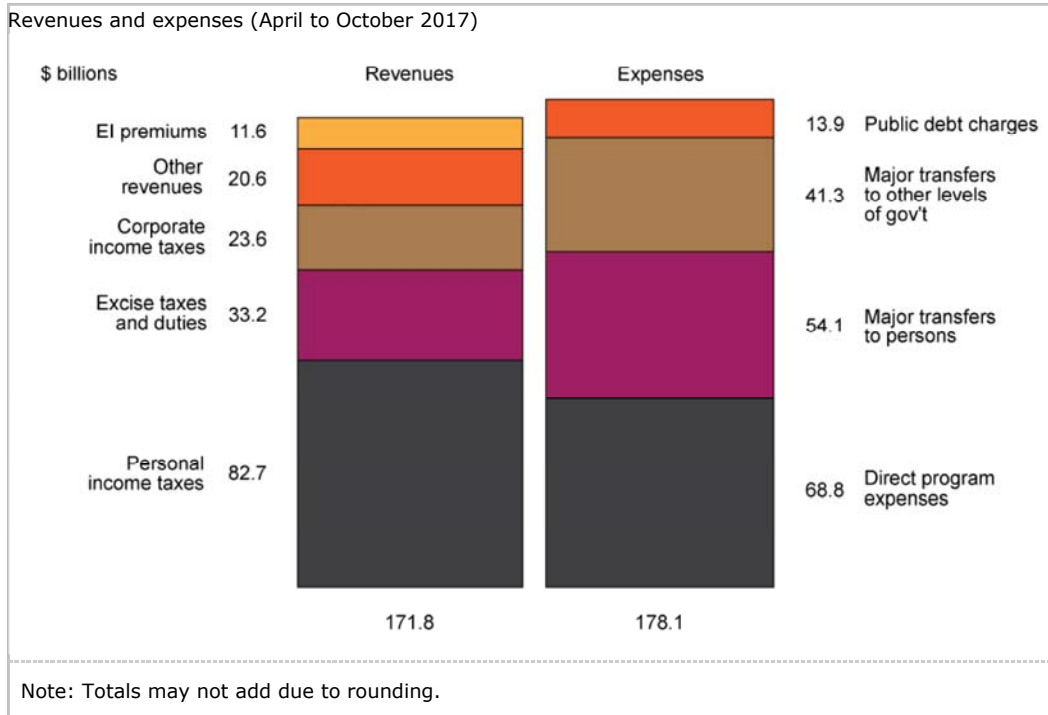
Revenues increased by \$7.9 billion, or 4.8 per cent, to \$171.8 billion.

- Personal income tax revenues were up \$4.2 billion, or 5.4 per cent.
- Corporate income tax revenues were up \$1.9 billion, or 8.7 per cent.
- Non-resident income tax revenues were up \$0.8 billion, or 23.3 per cent.
- Excise taxes and duties were up \$2.8 billion, or 9.2 per cent. GST revenues were up \$2.5 billion, or 12.3 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 \$16 million.
- EI premium revenues were down \$1.6 billion, or 11.8 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 \$0.3 billion, or 1.7 per cent.

For the April to October 2017 period, program expenses were \$164.2 billion, up \$5.4 billion, or 3.4 per cent, from the same period the previous year.

- Major transfers to persons were up \$2.5 billion, or 4.8 per cent. Elderly benefits increased by \$1.6 billion, or 5.8 per cent, reflecting growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. EI benefit payments decreased by \$0.4 billion, or 3.4 per cent. Children's benefits were up \$1.3 billion, or 10.5 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 \$0.9 billion, or 2.3 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 \$2.0 billion, or 3.0 per cent. Within direct program expenses:
 - Transfer payments decreased by \$0.1 billion, or 0.5 per cent.
 - Other direct program expenses increased by \$2.1 billion, or 4.5 per cent, reflecting increases in the operating expenses of consolidated Crown corporations and National Defence.

Public debt charges decreased by \$0.6 billion, or 4.1 per cent, largely reflecting a lower average effective interest rate on the stock of interest-bearing debt.



Financial requirement of \$13.7 billion for April to October 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 \$6.3 billion and a requirement of \$7.4 billion from non-budgetary transactions, there was a financial requirement of \$13.7 billion for the April to October 2017 period, compared to a financial requirement of \$22.3 billion for the same period the previous year.

Net financing activities up \$18.6 billion

The Government financed this financial requirement of \$13.7 billion and increased cash balances by \$5.0 billion by increasing unmatured debt by \$18.6 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 October 2017 stood at \$41.9 billion, down \$1.4 billion from their level at the end of October 2016.

Table 1 Summary statement of transactions \$ millions				
	October		April to October	
	2016	2017	2016-17	2017-18
Budgetary transactions				
Revenues	24,475	25,466	163,921	171,808
Expenses				
Program expenses	-24,012	-23,784	-158,750	-164,173
Public debt charges	-1,992	-2,031	-14,511	-13,912
Budgetary balance (deficit/surplus)	-1,529	-349	-9,340	-6,277
Non-budgetary transactions	-359	-824	-12,996	-7,400
Financial source/requirement	-1,888	-1,173	-22,336	-13,677
Net change in financing activities	3,603	5,876	27,758	18,632
Net change in cash balances	1,715	4,703	5,422	4,955
Cash balance at end of period			43,267	41,856

Note: Positive numbers indicate a net source of funds. Negative numbers indicate a net requirement for funds.

Table 2 Revenues						
	October			April to October		
	2016 (\$ millions)	2017 (\$ millions)	Change (%)	2016-17 (\$ millions)	2017-18 (\$ millions)	Change (%)
Tax revenues						
Income taxes						
Personal income tax	11,823	11,863	0.3	78,526	82,734	5.4
Corporate income tax	3,413	4,054	18.8	21,709	23,598	8.7
Non-resident income tax	689	795	15.4	3,500	4,315	23.3
Total income tax	15,925	16,712	4.9	103,735	110,647	6.7
Excise taxes and duties						
Goods and Services Tax	3,373	3,929	16.5	20,488	23,010	12.3
Energy taxes	490	504	2.9	3,242	3,335	2.9
Customs import duties	469	432	-7.9	3,181	3,356	5.5
Other excise taxes and duties	489	482	-1.4	3,520	3,536	0.5
Total excise taxes and duties	4,821	5,347	10.9	30,431	33,237	9.2
Total tax revenues	20,746	22,059	6.3	134,166	143,884	7.2
Employment Insurance premiums	1,232	1,067	-13.4	13,182	11,625	-11.8
Other revenues	2,497	2,340	-6.3	16,573	16,299	-1.7
Total revenues	24,475	25,466	4.0	163,921	171,808	4.8

Note: Totals may not add due to rounding.

Table 3 Expenses						
	October			April to October		
	2016 (\$ millions)	2017 (\$ millions)	Change (%)	2016-17 (\$ millions)	2017-18 (\$ millions)	Change (%)
Major transfers to persons						
Elderly benefits	4,079	4,290	5.2	27,694	29,303	5.8
Employment Insurance benefits	1,576	1,527	-3.1	11,608	11,215	-3.4
Children's benefits	1,929	1,951	1.1	12,274	13,557	10.5
Total	7,584	7,768	2.4	51,576	54,075	4.8
Major transfers to other levels of government						
Support for health and other social programs						
Canada Health Transfer	3,006	3,096	3.0	21,039	21,671	3.0
Canada Social Transfer	1,112	1,146	3.1	7,786	8,020	3.0
Home care and mental health	n/a	0	n/a	n/a	300	n/a
Total	4,118	4,242	3.0	28,825	29,991	4.0
Fiscal arrangements and other transfers	1,732	1,773	2.4	12,879	13,100	1.7
Canada's cities and communities	414	0	n/a	1,450	1,036	-28.6
Quebec Abatement	-398	-406	2.0	-2,785	-2,842	2.0
Total	5,866	5,609	-4.4	40,369	41,285	2.3
Direct program expenses						
Transfer payments						
Agriculture and Agri-Food Canada	77	37	-51.9	448	434	-3.1
Employment and Social Development Canada	603	606	0.5	3,533	3,944	11.6
Global Affairs Canada	169	199	17.8	1,452	1,883	29.7
Health Canada	191	241	26.2	1,903	2,066	8.6
Indigenous and Northern Affairs Canada	1,254	795	-36.6	4,761	4,563	-4.2
Innovation, Science and Economic Development Canada	471	315	-33.1	1,760	2,187	24.3
Other	921	775	-15.9	6,197	4,875	-21.3

Total	3,686	2,968	-19.5	20,054	19,952	-0.5
Other direct program expenses						
Consolidated Crown corporations	761	735	-3.4	5,350	5,915	10.6
National Defence	2,046	2,381	16.4	13,609	14,772	8.5
All other departments and agencies	4,069	4,323	6.2	27,792	28,174	1.4
Total other direct program expenses	6,876	7,439	8.2	46,751	48,861	4.5
Total direct program expenses	10,562	10,407	-1.5	66,805	68,813	3.0
Total program expenses	24,012	23,784	-0.9	158,750	164,173	3.4
Public debt charges	1,992	2,031	2.0	14,511	13,912	-4.1
Total expenses	26,004	25,815	-0.7	173,261	178,085	2.8
Note: Totals may not add due to rounding.						

Table 4 The budgetary balance and financial source/requirement \$ millions				
	October		April to October	
	2016	2017	2016-17	2017-18
Budgetary balance (deficit/surplus)	-1,529	-349	-9,340	-6,277
Non-budgetary transactions				
Capital investment activities	-502	31	-2,172	-1,137
Other investing activities	-997	-184	-6,245	-1,909
Pension and other accounts	641	908	4,129	3,529
Other activities				
Accounts payable, receivables, accruals and allowances	2,223	678	-4,877	-10,848
Foreign exchange activities	-2,073	-2,095	-6,108	1,970
Amortization of tangible capital assets	349	-162	2,277	995
Total other activities	499	-1,579	-8,708	-7,883
Total non-budgetary transactions	-359	-824	-12,996	-7,400
Financial source/requirement	-1,888	-1,173	-22,336	-13,677
Note: Totals may not add due to rounding.				

Table 5 Financial source/requirement and net financing activities \$ millions				
	October		April to October	
	2016	2017	2016-17	2017-18
Financial source/requirement	-1,888	-1,173	-22,336	-13,677
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	11,196	10,317	20,261	30,445
Treasury bills	-8,300	-6,200	5,600	-8,700
Retail debt	40	-141	179	-474
Total	2,936	3,976	26,040	21,271
Foreign currency borrowings	-112	10	699	-582
Total	2,824	3,986	26,739	20,689
Cross-currency swap revaluation	898	2,213	628	-1,097
Unamortized discounts and premiums on market debt	-99	-306	547	-987
Obligations related to capital leases and other unamatured debt	-20	-17	-156	27
Net change in financing activities	3,603	5,876	27,758	18,632
Change in cash balance	1,715	4,703	5,422	4,955
Note: Totals may not add due to rounding.				

Table 6 Condensed statement of assets and liabilities \$ millions			
	March 31, 2017	October 31, 2017	Change
Liabilities			
Accounts payable and accrued liabilities	132,519	136,410	3,891
Interest-bearing debt			
Unmatured debt			
Payable in Canadian currency			
Marketable bonds	536,280	566,725	30,445
Treasury bills	136,700	128,000	-8,700
Retail debt	4,533	4,059	-474
Subtotal	677,513	698,784	21,271
Payable in foreign currencies	17,609	17,027	-582
Cross-currency swap revaluation	7,764	6,667	-1,097
Unamortized discounts and premiums on market debt	5,322	4,335	-987
Obligations related to capital leases and other unamatured debt	5,425	5,452	27
Total unamatured debt	713,633	732,265	18,632
Pension and other liabilities			
Public sector pensions	151,806	151,256	-550
Other employee and veteran future benefits	93,568	97,259	3,691
Other liabilities	5,689	6,077	388
Total pension and other liabilities	251,063	254,592	3,529
Total interest-bearing debt	964,696	986,857	22,161
Total liabilities	1,097,215	1,123,267	26,052
Financial assets			
Cash and accounts receivable	158,055	177,749	19,694
Foreign exchange accounts	98,797	96,827	-1,970

Loans, investments, and advances (net of allowances) ¹	124,006	126,074	2,068
Public sector pension assets	1,900	1,900	0
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Total financial assets	382,758	402,550	19,792
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Net debt	714,457	720,717	6,260
Non-financial assets	82,558	82,700	142
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Federal debt (accumulated deficit)	631,899	638,017	6,118
Note: Totals may not add due to rounding.			
¹ October 31, 2017 amount includes \$0.2 billion in other comprehensive income from enterprise Crown corporations and other government business enterprises for the April to October 2017 period.			

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

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