

The Fiscal Monitor

A publication of the Department of Finance

Highlights

November 2017: budgetary deficit of \$2.8 billion

There was a budgetary deficit of \$2.8 billion in November 2017, compared to a deficit of \$3.3 billion in November 2016. Revenues increased by \$1.0 billion, or 4.3 per cent, largely reflecting increases in tax revenues and other revenues. Program expenses increased by \$0.4 billion, or 1.5 per cent, reflecting increases in major transfers to persons and other levels of government, offset in part by a decrease in direct program expenses. Public debt charges increased by \$0.1 billion, or 5.7 per cent, due to higher Consumer Price Index adjustments on Real Return Bonds.

April to November 2017: budgetary deficit of \$9.1 billion

For the April to November 2017 period of the 2017–18 fiscal year, the Government posted a budgetary deficit of \$9.1 billion, compared to a deficit of \$12.7 billion reported in the same period of 2016–17. Revenues were up \$8.8 billion, or 4.8 per cent, as an increase in tax revenues was partially offset by a decrease in Employment Insurance (EI) premium revenues. Program expenses were up \$5.8 billion, or 3.2 per cent, reflecting increases in major transfers to persons and other levels of government and direct program expenses. Public debt charges were down \$0.5 billion, or 3.0 per cent, largely due to a lower average effective interest rate on the stock of interest-bearing debt.

November 2017

There was a budgetary deficit of \$2.8 billion in November 2017, compared to a deficit of \$3.3 billion in November 2016.

Revenues in November 2017 totalled \$23.1 billion, up \$1.0 billion, or 4.3 per cent, from November 2016.

- Personal income tax revenues were up \$0.9 billion, or 8.5 per cent.
- Corporate income tax revenues were down \$39 million, or 1.3 per cent.
- Non-resident income tax revenues were up \$0.1 billion, or 27.2 per cent.
- Excise taxes and duties were down \$0.3 billion, or 5.6 per cent. Goods and Services Tax (GST) revenues decreased by \$0.1 billion. Customs import duties and other excise taxes and duties both decreased by \$0.1 billion while energy taxes increased by \$1 million.
- EI premium revenues were down \$0.1 billion, or 13.1 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 up \$0.3 billion, or 16.0 per cent.

Program expenses in November 2017 were \$23.9 billion, up \$0.4 billion, or 1.5 per cent, from November 2016.

- Major transfers to persons, consisting of elderly, EI and children's benefits, increased by \$0.1 billion, or 1.5 per cent. Elderly benefits increased by \$0.2 billion, or 4.6 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 \$0.1 billion, or 7.2 per cent. Children's benefits increased by \$37 million, or 1.9 per cent.
- Major transfers to other levels of government consist of federal transfers in support of health and other social programs (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 \$0.5 billion, or 8.1 per cent, reflecting legislated growth in the Canada Health Transfer, the Canada Social Transfer, Equalization transfers and transfers to the territories, as well as an increase 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 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 2.1 per cent. Within direct program expenses:
 - Transfer payments decreased by \$0.4 billion, or 11.6 per cent, largely due to year-over-year differences in the timing of payments.
 - Other direct program expenses increased by \$0.1 billion, or 2.0 per cent.

Public debt charges increased by \$0.1 billion, or 5.7 per cent, due to higher Consumer Price Index adjustments on Real Return Bonds.

April to November 2017

For the April to November 2017 period of the 2017–18 fiscal year, there was a budgetary deficit of \$9.1 billion, compared to a deficit of \$12.7 billion reported during the same period of 2016–17.

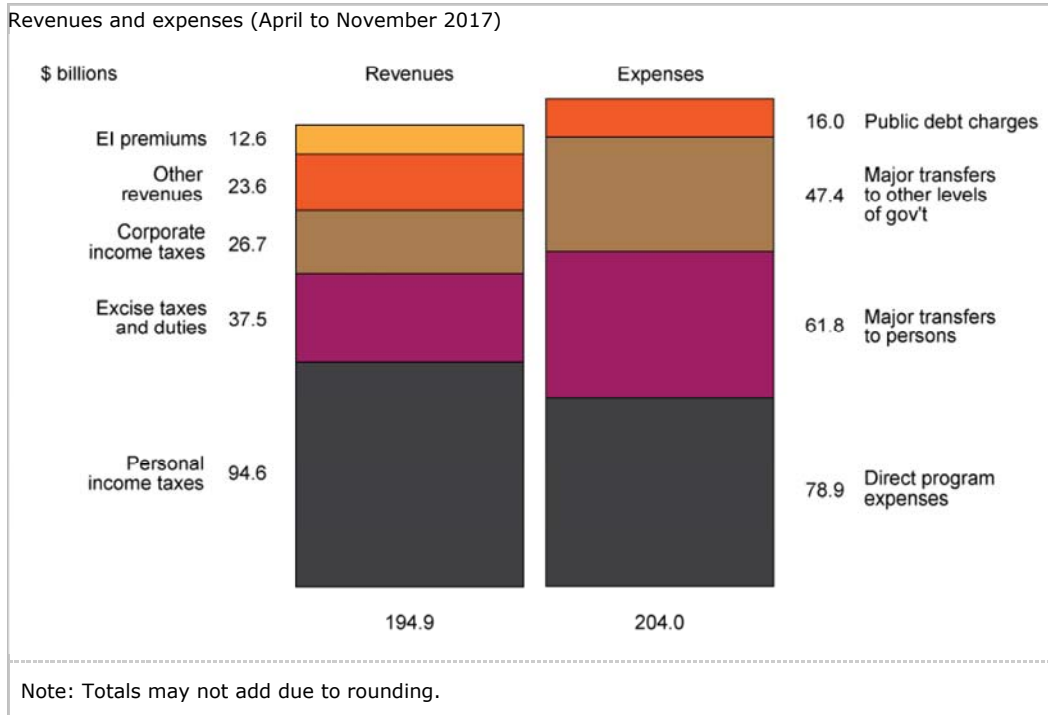
Revenues increased by \$8.8 billion, or 4.8 per cent, to \$194.9 billion.

- Personal income tax revenues were up \$5.1 billion, or 5.7 per cent.
- Corporate income tax revenues were up \$1.9 billion, or 7.5 per cent.
- Non-resident income tax revenues were up \$1.0 billion, or 23.8 per cent.
- Excise taxes and duties were up \$2.6 billion, or 7.3 per cent. GST revenues increased by \$2.4 billion, or 10.2 per cent. Energy taxes and customs import duties both increased by \$0.1 billion while other excise taxes and duties decreased by \$45 million.
- EI premium revenues were down \$1.7 billion, or 11.9 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 up \$42 million, or 0.2 per cent.

For the April to November 2017 period, program expenses were \$188.1 billion, up \$5.8 billion, or 3.2 per cent, from the same period the previous year.

- Major transfers to persons were up \$2.6 billion, or 4.4 per cent. Elderly benefits increased by \$1.8 billion, or 5.7 per cent, reflecting growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. EI benefit payments decreased by \$0.5 billion, or 3.8 per cent. Children's benefits were up \$1.3 billion, or 9.3 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 \$1.4 billion, or 3.0 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 \$1.8 billion, or 2.3 per cent. Within direct program expenses:
 - Transfer payments decreased by \$0.5 billion, or 2.0 per cent.
 - Other direct program expenses increased by \$2.3 billion, or 4.2 per cent.

Public debt charges decreased by \$0.5 billion, or 3.0 per cent, largely due to a lower average effective interest rate on the stock of interest-bearing debt.



Financial requirement of \$17.0 billion for April to November 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 \$9.1 billion and a financial requirement of \$7.9 billion from non-budgetary transactions, there was a financial requirement of \$17.0 billion for the April to November 2017 period, compared to a financial requirement of \$24.2 billion for the same period the previous year.

Net financing activities up \$17.3 billion

The Government financed this financial requirement of \$17.0 billion and increased cash balances by \$0.3 billion by increasing unmatured debt by \$17.3 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 November 2017 stood at \$37.2 billion, down \$4.1 billion from their level at the end of November 2016.

Table 1 Summary statement of transactions \$ millions				
	November		April to November	
	2016	2017	2016-17	2017-18
Budgetary transactions				
Revenues	22,155	23,113	186,076	194,921
Expenses				
Program expenses	-23,545	-23,908	-182,295	-188,081
Public debt charges	-1,934	-2,044	-16,445	-15,956
Budgetary balance (deficit/surplus)	-3,324	-2,839	-12,664	-9,116
Non-budgetary transactions	1,494	-467	-11,502	-7,868
Financial source/requirement	-1,830	-3,306	-24,166	-16,984
Net change in financing activities	-162	-1,381	27,596	17,251
Net change in cash balances	-1,992	-4,687	3,430	267
Cash balance at end of period			41,274	37,168
Note: Positive numbers indicate a net source of funds. Negative numbers indicate a net requirement for funds.				

Table 2 Revenues						
	November			April to November		
	2016 (\$ millions)	2017 (\$ millions)	Change (%)	2016-17 (\$ millions)	2017-18 (\$ millions)	Change (%)
Tax revenues						
Income taxes						
Personal income tax	10,952	11,881	8.5	89,478	94,615	5.7
Corporate income tax	3,118	3,079	-1.3	24,826	26,677	7.5
Non-resident income tax	519	660	27.2	4,018	4,976	23.8
Total income tax	14,589	15,620	7.1	118,322	126,268	6.7
Excise taxes and duties						
Goods and Services Tax	2,967	2,843	-4.2	23,456	25,853	10.2
Energy taxes	503	504	0.2	3,745	3,840	2.5
Customs import duties	484	416	-14.0	3,664	3,772	2.9
Other excise taxes and duties	536	476	-11.2	4,057	4,012	-1.1
Total excise taxes and duties	4,490	4,239	-5.6	34,922	37,477	7.3
Total tax revenues	19,079	19,859	4.1	153,244	163,745	6.9
Employment Insurance premiums	1,079	938	-13.1	14,261	12,563	-11.9
Other revenues	1,997	2,316	16.0	18,571	18,613	0.2
Total revenues	22,155	23,113	4.3	186,076	194,921	4.8
Note: Totals may not add due to rounding.						

Table 3 Expenses						
	November			April to November		
	2016 (\$ millions)	2017 (\$ millions)	Change (%)	2016-17 (\$ millions)	2017-18 (\$ millions)	Change (%)
Major transfers to persons						
Elderly benefits	4,081	4,269	4.6	31,775	33,572	5.7
Employment Insurance benefits	1,509	1,401	-7.2	13,116	12,616	-3.8
Children's benefits	1,968	2,005	1.9	14,242	15,562	9.3
Total	7,558	7,675	1.5	59,133	61,750	4.4
Major transfers to other levels of government						
Support for health and other social programs						
Canada Health Transfer	3,006	3,096	3.0	24,045	24,766	3.0
Canada Social Transfer	1,112	1,146	3.1	8,899	9,166	3.0
Home care and mental health	n/a	0	n/a	n/a	300	n/a
Total	4,118	4,242	3.0	32,944	34,232	3.9
Fiscal arrangements and other transfers	1,731	1,772	2.4	14,610	14,872	1.8
Canada's cities and communities	250	555	n/a	1,700	1,590	-6.5
Quebec Abatement	-398	-406	2.0	-3,183	-3,247	2.0
Total	5,701	6,163	8.1	46,071	47,447	3.0
Direct program expenses						
Transfer payments						
Agriculture and Agri-Food Canada	92	199	116.3	540	633	17.2
Employment and Social Development Canada	594	513	-13.6	4,127	4,458	8.0
Global Affairs Canada	477	194	-59.3	1,928	2,077	7.7
Health Canada	247	297	20.2	2,149	2,362	9.9
Indigenous and Northern Affairs Canada	597	592	-0.8	5,358	5,156	-3.8
Innovation, Science and Economic Development Canada	328	249	-24.1	2,088	2,435	16.6
Other	765	695	-9.2	6,962	5,570	-20.0

Total	3,100	2,739	-11.6	23,152	22,691	-2.0
Other direct program expenses						
Consolidated Crown corporations	802	692	-13.7	6,152	6,607	7.4
National Defence	2,234	2,198	-1.6	15,844	16,970	7.1
All other departments and agencies	4,150	4,441	7.0	31,943	32,616	2.1
Total other direct program expenses	7,186	7,331	2.0	53,939	56,193	4.2
Total direct program expenses	10,286	10,070	-2.1	77,091	78,884	2.3
Total program expenses	23,545	23,908	1.5	182,295	188,081	3.2
Public debt charges	1,934	2,044	5.7	16,445	15,956	-3.0
Total expenses	25,479	25,952	1.9	198,740	204,037	2.7
Note: Totals may not add due to rounding.						

Table 4 The budgetary balance and financial source/requirement \$ millions				
	November		April to November	
	2016	2017	2016-17	2017-18
Budgetary balance (deficit/surplus)	-3,324	-2,839	-12,664	-9,116
Non-budgetary transactions				
Capital investment activities	-376	-512	-2,548	-1,649
Other investing activities	-629	-599	-6,874	-2,508
Pension and other accounts	227	662	4,356	4,191
Other activities				
Accounts payable, receivables, accruals and allowances	2,921	4,193	-1,956	-6,655
Foreign exchange activities	-934	-4,531	-7,042	-2,562
Amortization of tangible capital assets	285	320	2,562	1,315
Total other activities	2,272	-18	-6,436	-7,902
Total non-budgetary transactions	1,494	-467	-11,502	-7,868
Financial source/requirement	-1,830	-3,306	-24,166	-16,984
Note: Totals may not add due to rounding.				

Table 5 Financial source/requirement and net financing activities \$ millions				
	November		April to November	
	2016	2017	2016-17	2017-18
Financial source/requirement	-1,830	-3,306	-24,166	-16,984
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	1,349	1,657	21,610	32,102
Treasury bills	-1,300	-6,500	4,300	-15,200
Retail debt	-511	-942	-332	-1,416
Total	-462	-5,785	25,578	15,486
Foreign currency borrowings	595	3,955	1,295	3,373
Total	133	-1,830	26,873	18,859
Cross-currency swap revaluation	-431	540	197	-557
Unamortized discounts and premiums on market debt	190	-75	736	-1,062
Obligations related to capital leases and other unamatured debt	-54	-16	-210	11
Net change in financing activities	-162	-1,381	27,596	17,251
Change in cash balance	-1,992	-4,687	3,430	267
Note: Totals may not add due to rounding.				

Table 6 Condensed statement of assets and liabilities \$ millions			
	March 31, 2017	November 30, 2017	Change
Liabilities			
Accounts payable and accrued liabilities	132,519	141,469	8,950
Interest-bearing debt			
Unmatured debt			
Payable in Canadian currency			
Marketable bonds	536,280	568,382	32,102
Treasury bills	136,700	121,500	-15,200
Retail debt	4,533	3,117	-1,416
Subtotal	677,513	692,999	15,486
Payable in foreign currencies	17,609	20,982	3,373
Cross-currency swap revaluation	7,764	7,207	-557
Unamortized discounts and premiums on market debt	5,322	4,260	-1,062
Obligations related to capital leases and other unamatured debt	5,425	5,436	11
Total unamatured debt	713,633	730,884	17,251
Pension and other liabilities			
Public sector pensions	151,806	151,313	-493
Other employee and veteran future benefits	93,568	97,900	4,332
Other liabilities	5,689	6,041	352
Total pension and other liabilities	251,063	255,254	4,191
Total interest-bearing debt	964,696	986,138	21,442
Total liabilities	1,097,215	1,127,607	30,392
Financial assets			
Cash and accounts receivable	158,055	173,927	15,872
Foreign exchange accounts	98,797	101,359	2,562

Loans, investments, and advances (net of allowances) ¹	124,006	126,690	2,684
Public sector pension assets	1,900	1,900	0
Total financial assets	382,758	403,876	21,118
Net debt	714,457	723,731	9,274
Non-financial assets	82,558	82,892	334
Federal debt (accumulated deficit)	631,899	640,839	8,940
Note: Totals may not add due to rounding.			
¹ November 30, 2017 amount includes \$0.2 billion in other comprehensive income from enterprise Crown corporations and other government business enterprises for the April to November 2017 period.			

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

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