

The Fiscal Monitor

A publication of the Department of Finance

Highlights

December 2017: budgetary surplus of \$0.6 billion

There was a budgetary surplus of \$0.6 billion in December 2017, compared to a deficit of \$1.3 billion in December 2016. Revenues increased by \$2.8 billion, or 11.4 per cent, reflecting increases in income tax revenues and other revenues. Program expenses increased by \$0.9 billion, or 3.8 per cent, largely reflecting increases in major transfers to other levels of government and direct program expenses. Public debt charges decreased by \$16 million, or 0.8 per cent.

April to December 2017: budgetary deficit of \$8.6 billion

For the April to December 2017 period of the 2017–18 fiscal year, the Government posted a budgetary deficit of \$8.6 billion, compared to a deficit of \$14.0 billion reported in the same period of 2016–17. Revenues were up \$11.6 billion, or 5.5 per cent, reflecting increases in tax revenues and other revenues, partially offset by a decrease in Employment Insurance (EI) premium revenues. Program expenses were up \$6.7 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 2.7 per cent, largely due to a lower average effective interest rate on the stock of interest-bearing debt.

December 2017

There was a budgetary surplus of \$0.6 billion in December 2017, compared to a deficit of \$1.3 billion in December 2016.

Revenues in December 2017 totalled \$26.9 billion, up \$2.8 billion, or 11.4 per cent, from December 2016.

- Personal income tax revenues were up \$1.8 billion, or 14.1 per cent.
- Corporate income tax revenues were up \$1.0 billion, or 23.3 per cent.
- Non-resident income tax revenues were down \$0.1 billion, or 19.2 per cent.
- Excise taxes and duties were down \$0.4 billion, or 9.9 per cent. Goods and Services Tax (GST) revenues decreased by \$0.5 billion. Energy taxes increased by \$30 million, customs import duties decreased by \$24 million, and other excise taxes and duties increased by \$0.1 billion.
- EI premium revenues were down \$0.1 billion, or 12.7 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, increased by \$0.6 billion, or 37.4 per cent.

Program expenses in December 2017 were \$24.3 billion, up \$0.9 billion, or 3.8 per cent, from December 2016.

- Major transfers to persons, consisting of elderly, EI and children's benefits, increased by \$0.1 billion, or 1.4 per cent. Elderly benefits increased by \$0.2 billion, or 4.5 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 6.0 per cent. Children's benefits increased by \$21 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 (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, 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 the operating expenses of National Defence, other departments and agencies, and expenses of consolidated Crown corporations. Direct program expenses were up \$0.5 billion, or 5.0 per cent. Within direct program expenses:
 - Transfer payments increased by \$0.2 billion, or 5.1 per cent.
 - Other direct program expenses increased by \$0.3 billion, or 5.0 per cent.

Public debt charges decreased by \$16 million, or 0.8 per cent.

April to December 2017

For the April to December 2017 period of the 2017–18 fiscal year, there was a budgetary deficit of \$8.6 billion, compared to a deficit of \$14.0 billion reported during the same period of 2016–17.

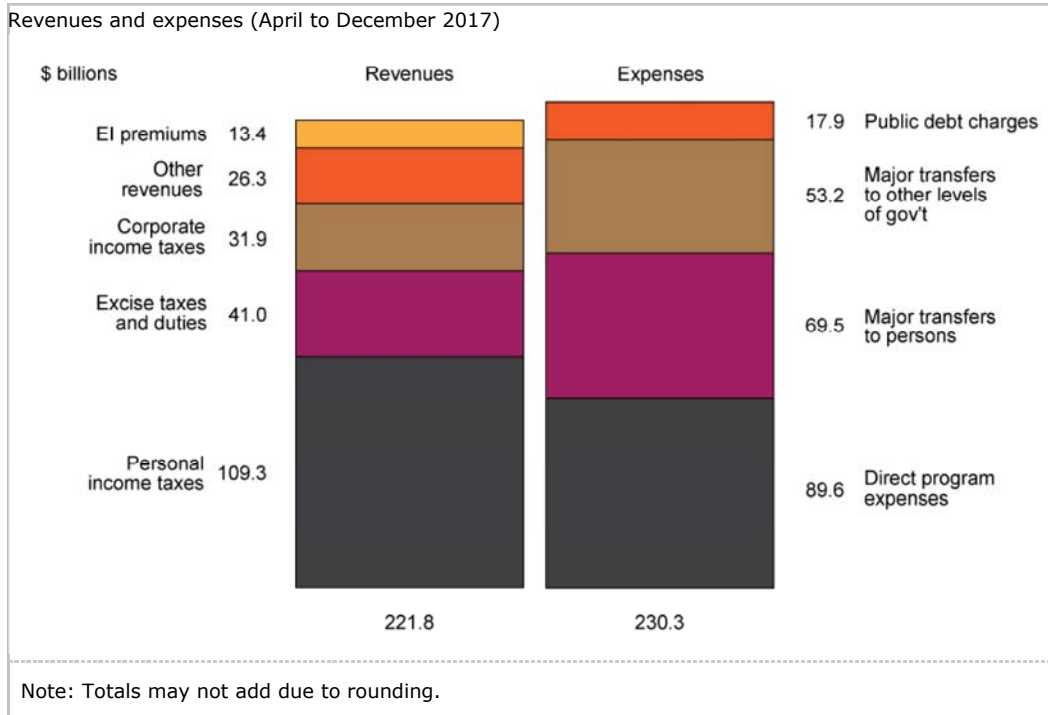
Revenues increased by \$11.6 billion, or 5.5 per cent, to \$221.8 billion.

- Personal income tax revenues were up \$6.9 billion, or 6.8 per cent.
- Corporate income tax revenues were up \$2.8 billion, or 9.7 per cent.
- Non-resident income tax revenues were up \$0.8 billion, or 18.2 per cent.
- Excise taxes and duties were up \$2.2 billion, or 5.6 per cent. GST revenues increased by \$1.9 billion, or 7.4 per cent. Energy taxes and customs import duties both increased by \$0.1 billion, while other excise taxes and duties increased by \$27 million.
- EI premium revenues were down \$1.8 billion, or 12.0 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 \$0.6 billion, or 3.2 per cent.

For the April to December 2017 period, program expenses were \$212.4 billion, up \$6.7 billion, or 3.2 per cent, from the same period the previous year.

- Major transfers to persons were up \$2.7 billion, or 4.1 per cent. Elderly benefits increased by \$2.0 billion, or 5.5 per cent, reflecting growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. EI benefit payments decreased by \$0.6 billion, or 4.1 per cent. Children's benefits were up \$1.3 billion, or 8.3 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 \$1.6 billion, or 3.2 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 \$2.3 billion, or 2.6 per cent. Within direct program expenses:
 - Transfer payments decreased by \$0.3 billion, or 1.1 per cent.
 - Other direct program expenses increased by \$2.6 billion, or 4.3 per cent.

Public debt charges decreased by \$0.5 billion, or 2.7 per cent, largely due to a lower average effective interest rate on the stock of interest-bearing debt.



Financial requirement of \$12.2 billion for April to December 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 \$8.6 billion and a financial requirement of \$3.6 billion from non-budgetary transactions, there was a financial requirement of \$12.2 billion for the April to December 2017 period, compared to a financial requirement of \$26.0 billion for the same period the previous year.

Net financing activities up \$14.8 billion

The Government financed this financial requirement of \$12.2 billion and increased cash balances by \$2.7 billion by increasing unmatured debt by \$14.8 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 December 2017 stood at \$39.6 billion, up \$0.9 billion from their level at the end of December 2016.

Table 1 Summary statement of transactions \$ millions				
	December		April to December	
	2016	2017	2016-17	2017-18
Budgetary transactions				
Revenues	24,105	26,863	210,181	221,785
Expenses				
Program expenses	-23,429	-24,309	-205,725	-212,390
Public debt charges	-2,005	-1,989	-18,450	-17,945
Budgetary balance (deficit/surplus)	-1,329	565	-13,994	-8,550
Non-budgetary transactions	-525	4,249	-12,027	-3,621
Financial source/requirement	-1,854	4,814	-26,021	-12,171
Net change in financing activities	-725	-2,416	26,871	14,835
Net change in cash balances	-2,579	2,398	850	2,664
Cash balance at end of period			38,695	39,565
Note: Positive numbers indicate a net source of funds. Negative numbers indicate a net requirement for funds.				

Table 2 Revenues						
	December			April to December		
	2016 (\$ millions)	2017 (\$ millions)	Change (%)	2016-17 (\$ millions)	2017-18 (\$ millions)	Change (%)
Tax revenues						
Income taxes						
Personal income tax	12,856	14,668	14.1	102,334	109,283	6.8
Corporate income tax	4,200	5,180	23.3	29,026	31,856	9.7
Non-resident income tax	608	491	-19.2	4,626	5,467	18.2
Total income tax	17,664	20,339	15.1	135,986	146,606	7.8
Excise taxes and duties						
Goods and Services Tax	2,511	2,048	-18.4	25,967	27,901	7.4
Energy taxes	472	502	6.4	4,217	4,342	3.0
Customs import duties	400	376	-6.0	4,065	4,148	2.0
Other excise taxes and duties	491	564	14.9	4,548	4,575	0.6
Total excise taxes and duties	3,874	3,490	-9.9	38,797	40,966	5.6
Total tax revenues	21,538	23,829	10.6	174,783	187,572	7.3
Employment Insurance premiums	983	858	-12.7	15,244	13,421	-12.0
Other revenues	1,584	2,176	37.4	20,154	20,792	3.2
Total revenues	24,105	26,863	11.4	210,181	221,785	5.5
Note: Totals may not add due to rounding.						

Table 3 Expenses						
	December			April to December		
	2016 (\$ millions)	2017 (\$ millions)	Change (%)	2016-17 (\$ millions)	2017-18 (\$ millions)	Change (%)
Major transfers to persons						
Elderly benefits	4,072	4,256	4.5	35,847	37,828	5.5
Employment Insurance benefits	1,647	1,548	-6.0	14,764	14,164	-4.1
Children's benefits	1,960	1,981	1.1	16,203	17,543	8.3
Total	7,679	7,785	1.4	66,814	69,535	4.1
Major transfers to other levels of government						
Support for health and other social programs						
Canada Health Transfer	3,006	3,096	3.0	27,051	27,862	3.0
Canada Social Transfer	1,112	1,146	3.1	10,011	10,311	3.0
Home care and mental health	n/a	0	n/a	n/a	300	n/a
Total	4,118	4,242	3.0	37,062	38,473	3.8
Fiscal arrangements and other transfers	1,731	1,772	2.4	16,340	16,643	1.9
Canada's cities and communities	66	168	154.5	1,766	1,758	-0.5
Quebec Abatement	-398	-406	2.0	-3,581	-3,653	2.0
Total	5,517	5,776	4.7	51,587	53,221	3.2
Direct program expenses						
Transfer payments						
Agriculture and Agri-Food Canada	376	87	-76.9	916	720	-21.4
Employment and Social Development Canada	525	678	29.1	4,652	5,136	10.4
Global Affairs Canada	308	289	-6.2	2,237	2,365	5.7
Health Canada	220	251	14.1	2,369	2,614	10.3
Indigenous and Northern Affairs Canada	662	690	4.2	6,020	5,846	-2.9
Innovation, Science and Economic Development Canada	288	384	33.3	2,376	2,819	18.6
Other	895	1,061	18.5	7,856	6,631	-15.6

Total	3,274	3,440	5.1	26,426	26,131	-1.1
Other direct program expenses						
Consolidated Crown corporations	840	956	13.8	6,992	7,563	8.2
National Defence	2,024	2,157	6.6	17,868	19,127	7.0
All other departments and agencies	4,095	4,195	2.4	36,038	36,813	2.2
Total other direct program expenses	6,959	7,308	5.0	60,898	63,503	4.3
Total direct program expenses	10,233	10,748	5.0	87,324	89,634	2.6
Total program expenses	23,429	24,309	3.8	205,725	212,390	3.2
Public debt charges	2,005	1,989	-0.8	18,450	17,945	-2.7
Total expenses	25,434	26,298	3.4	224,175	230,335	2.7
Note: Totals may not add due to rounding.						

Table 4 The budgetary balance and financial source/requirement \$ millions				
	December		April to December	
	2016	2017	2016-17	2017-18
Budgetary balance (deficit/surplus)	-1,329	565	-13,994	-8,550
Non-budgetary transactions				
Capital investment activities	-678	-650	-3,226	-2,299
Other investing activities	-266	-81	-7,140	-2,590
Pension and other accounts	1,363	275	5,719	4,466
Other activities				
Accounts payable, receivables, accruals and allowances	-1,841	1,444	-3,797	-5,212
Foreign exchange activities	547	2,895	-6,495	333
Amortization of tangible capital assets	350	366	2,912	1,681
Total other activities	-944	4,705	-7,380	-3,198
Total non-budgetary transactions	-525	4,249	-12,027	-3,621
Financial source/requirement	-1,854	4,814	-26,021	-12,171
Note: Totals may not add due to rounding.				

Table 5 Financial source/requirement and net financing activities \$ millions				
	December		April to December	
	2016	2017	2016-17	2017-18
Financial source/requirement	-1,854	4,814	-26,021	-12,171
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	4,907	2,086	26,518	34,189
Treasury bills	-5,300	-1,200	-1,000	-16,400
Retail debt	581	-256	249	-1,672
Total	188	630	25,767	16,117
Foreign currency borrowings	-677	-923	617	2,449
Total	-489	-293	26,384	18,566
Cross-currency swap revaluation	-239	-1,970	-42	-2,527
Unamortized discounts and premiums on market debt	47	-111	783	-1,174
Obligations related to capital leases and other unamatured debt	-44	-42	-254	-30
Net change in financing activities	-725	-2,416	26,871	14,835
Change in cash balance	-2,579	2,398	850	2,664
Note: Totals may not add due to rounding.				

Table 6 Condensed statement of assets and liabilities \$ millions			
	March 31, 2017	December 31, 2017	Change
Liabilities			
Accounts payable and accrued liabilities	132,519	145,939	13,420
Interest-bearing debt			
Unmatured debt			
Payable in Canadian currency			
Marketable bonds	536,280	570,469	34,189
Treasury bills	136,700	120,300	-16,400
Retail debt	4,533	2,861	-1,672
Subtotal	677,513	693,630	16,117
Payable in foreign currencies	17,609	20,058	2,449
Cross-currency swap revaluation	7,764	5,237	-2,527
Unamortized discounts and premiums on market debt	5,322	4,148	-1,174
Obligations related to capital leases and other unamatured debt	5,425	5,395	-30
Total unamatured debt	713,633	728,468	14,835
Pension and other liabilities			
Public sector pensions	151,806	151,247	-559
Other employee and veteran future benefits	93,568	98,546	4,978
Other liabilities	5,689	5,736	47
Total pension and other liabilities	251,063	255,529	4,466
Total interest-bearing debt	964,696	983,997	19,301
Total liabilities	1,097,215	1,129,936	32,721
Financial assets			
Cash and accounts receivable	158,055	179,351	21,296
Foreign exchange accounts	98,797	98,464	-333

Loans, investments, and advances (net of allowances) ¹	124,006	126,413	2,407
Public sector pension assets	1,900	1,900	0
Total financial assets	382,758	406,128	23,370
Net debt	714,457	723,808	9,351
Non-financial assets	82,558	83,176	618
Federal debt (accumulated deficit)	631,899	640,632	8,733
Note: Totals may not add due to rounding.			
¹ December 31, 2017 amount includes \$0.2 billion in other comprehensive losses from enterprise Crown corporations and other government business enterprises for the April to December 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.

February 2018

© Her Majesty the Queen in Right of Canada (2018)

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