

The Fiscal Monitor

A publication of the Department of Finance

Highlights

January 2018: budgetary surplus of \$0.2 billion

There was a budgetary surplus of \$0.2 billion in January 2018, compared to a surplus of \$1.2 billion in January 2017. Revenues increased by \$2 million, or 0.0 per cent, as increases in revenues from excise taxes and duties and Employment Insurance (EI) premium revenues were largely offset by decreases in income tax revenues and other revenues. Program expenses increased by \$0.8 billion, or 2.9 per cent, reflecting increases in major transfers to persons and other levels of government and direct program expenses. Public debt charges increased by \$0.3 billion, or 17.6 per cent, largely reflecting higher Consumer Price Index adjustments on Real Return Bonds.

April 2017 to January 2018: budgetary deficit of \$8.4 billion

For the April 2017 to January 2018 period of the 2017–18 fiscal year, the Government posted a budgetary deficit of \$8.4 billion, compared to a deficit of \$12.8 billion reported for the same period of 2016–17. Revenues were up \$11.6 billion, or 4.9 per cent, reflecting increases in tax revenues and other revenues, partially offset by a decrease in EI premium revenues. Program expenses were up \$7.4 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 \$0.2 billion, or 0.9 per cent, largely due to a lower average effective interest rate on the stock of interest-bearing debt.

January 2018

There was a budgetary surplus of \$0.2 billion in January 2018, compared to a surplus of \$1.2 billion in January 2017.

Revenues in January 2018 totalled \$28.7 billion, up \$2 million, or 0.0 per cent, from January 2017.

- Personal income tax revenues were down \$0.3 billion, or 2.1 per cent.
- Corporate income tax revenues were up \$34 million, or 0.9 per cent.
- Non-resident income tax revenues were up \$0.1 billion, or 9.7 per cent.
- Excise taxes and duties were up \$0.3 billion, or 5.9 per cent. Goods and Services Tax (GST) revenues increased by \$0.2 billion, or 5.7 per cent. Energy taxes increased by \$18 million, customs import duties decreased by \$28 million, and other excise taxes and duties increased by \$0.1 billion.
- EI premium revenues were up \$0.1 billion, or 5.7 per cent.
- 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 \$0.3 billion, or 12.6 per cent.

Program expenses in January 2018 were \$26.3 billion, up \$0.8 billion, or 2.9 per cent, from January 2017.

- Major transfers to persons, consisting of elderly, EI and children's benefits, increased by \$0.1 billion, or 1.3 per cent. Elderly benefits increased by \$0.2 billion, or 5.4 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 5.5 per cent. Children's benefits increased by \$16 million, or 0.8 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 \$0.2 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.
- 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 up \$0.5 billion, or 4.1 per cent. Within direct program expenses:

- Transfer payments were largely unchanged, up \$20 million, or 0.4 per cent.
- Other direct program expenses increased by \$0.5 billion, or 6.7 per cent, in large part reflecting increases in the operating expenses of National Defence.

Public debt charges increased by \$0.3 billion, or 17.6 per cent, largely reflecting higher Consumer Price Index adjustments on Real Return Bonds.

April 2017 to January 2018

For the April 2017 to January 2018 period of the 2017–18 fiscal year, there was a budgetary deficit of \$8.4 billion, compared to a deficit of \$12.8 billion reported during the same period of 2016–17.

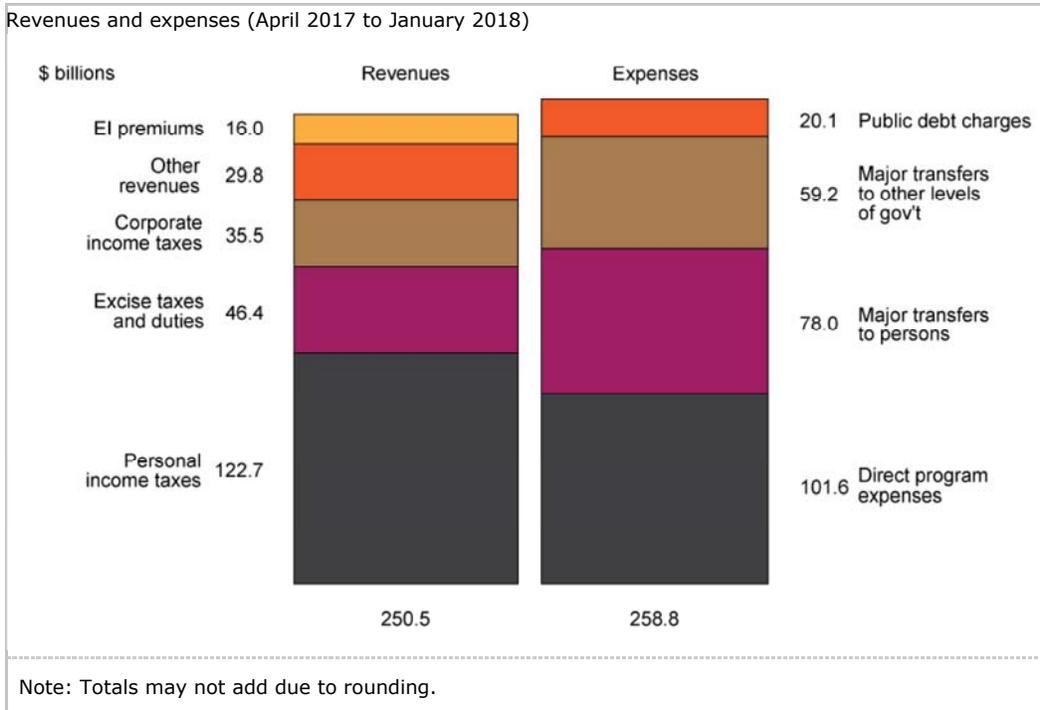
Revenues increased by \$11.6 billion, or 4.9 per cent, to \$250.5 billion.

- Personal income tax revenues were up \$6.7 billion, or 5.7 per cent.
- Corporate income tax revenues were up \$2.9 billion, or 8.8 per cent.
- Non-resident income tax revenues were up \$1.0 billion, or 16.3 per cent.
- Excise taxes and duties were up \$2.5 billion, or 5.6 per cent, largely reflecting a \$2.1-billion increase in GST revenues due to the timing of assessments. Energy taxes, customs import duties and other excise taxes and duties were each up \$0.1 billion.
- EI premium revenues were down \$1.7 billion, or 9.5 per cent, reflecting a decline in the premium rate as a result of the seven-year break-even mechanism introduced in 2017.
- Other revenues were up \$0.3 billion, or 1.4 per cent.

For the April 2017 to January 2018 period, program expenses were \$238.7 billion, up \$7.4 billion, or 3.2 per cent, from the same period the previous year.

- Major transfers to persons were up \$2.8 billion, or 3.8 per cent. Elderly benefits increased by \$2.2 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 \$0.7 billion, or 4.3 per cent. Children's benefits were up \$1.4 billion, or 7.5 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 \$1.8 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 \$2.8 billion, or 2.8 per cent. Within direct program expenses:
 - Transfer payments decreased by \$0.3 billion, or 0.9 per cent.
 - Other direct program expenses increased by \$3.1 billion, or 4.5 per cent, largely reflecting increases in operating expenses of National Defence and personnel costs.

Public debt charges were down \$0.2 billion, or 0.9 per cent, largely due to a lower average effective interest rate on the stock of interest-bearing debt.



Financial requirement of \$5.5 billion for April 2017 to January 2018

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 \$8.4 billion and a financial source of \$2.9 billion from non-budgetary transactions, there was a financial requirement of \$5.5 billion for the April 2017 to January 2018 period, compared to a financial requirement of \$19.4 billion for the same period the previous year.

Net financing activities up \$14.3 billion

The Government financed its financial requirement of \$5.5 billion and increased cash balances by \$8.8 billion by increasing unmatured debt by \$14.3 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 January 2018 stood at \$45.7 billion, up \$0.1 billion from their level at the end of January 2017.

Table 1 Summary statement of transactions \$ millions				
	January		April to January	
	2017	2018	2016-17	2017-18
Budgetary transactions				
Revenues	28,664	28,666	238,845	250,451
Expenses				
Program expenses	-25,564	-26,316	-231,289	-238,706
Public debt charges	-1,857	-2,183	-20,307	-20,128
Budgetary balance (deficit/surplus)	1,243	167	-12,751	-8,383
Non-budgetary transactions	5,371	6,485	-6,658	2,865
Financial source/requirement	6,614	6,652	-19,409	-5,518
Net change in financing activities	282	-548	27,153	14,287
Net change in cash balances	6,896	6,104	7,744	8,769
Cash balance at end of period			45,590	45,669
Note: Positive numbers indicate a net source of funds. Negative numbers indicate a net requirement for funds.				

Table 2 Revenues						
	January			April to January		
	2017 (\$ millions)	2018 (\$ millions)	Change (%)	2016-17 (\$ millions)	2017-18 (\$ millions)	Change (%)
Tax revenues						
Income taxes						
Personal income tax	13,741	13,453	-2.1	116,074	122,736	5.7
Corporate income tax	3,608	3,642	0.9	32,634	35,499	8.8
Non-resident income tax	1,273	1,397	9.7	5,900	6,864	16.3
Total income tax	18,622	18,492	-0.7	154,608	165,099	6.8
Excise taxes and duties						
Goods and Services Tax	3,789	4,004	5.7	29,756	31,905	7.2
Energy taxes	481	499	3.7	4,697	4,841	3.1
Customs import duties	453	425	-6.2	4,518	4,573	1.2
Other excise taxes and duties	415	514	23.9	4,962	5,088	2.5
Total excise taxes and duties	5,138	5,442	5.9	43,933	46,407	5.6
Total tax revenues	23,760	23,934	0.7	198,541	211,506	6.5
Employment Insurance premiums	2,439	2,578	5.7	17,683	15,999	-9.5
Other revenues	2,465	2,154	-12.6	22,621	22,946	1.4
Total revenues	28,664	28,666	0.0	238,845	250,451	4.9
Note: Totals may not add due to rounding.						

Table 3 Expenses						
	January			April to January		
	2017 (\$ millions)	2018 (\$ millions)	Change (%)	2016-17 (\$ millions)	2017-18 (\$ millions)	Change (%)
Major transfers to persons						
Elderly benefits	4,077	4,297	5.4	39,924	42,125	5.5
Employment Insurance benefits	2,347	2,217	-5.5	17,111	16,380	-4.3
Children's benefits	1,925	1,941	0.8	18,128	19,485	7.5
Total	8,349	8,455	1.3	75,163	77,990	3.8
Major transfers to other levels of government						
Support for health and other social programs						
Canada Health Transfer	3,006	3,096	3.0	30,056	30,958	3.0
Canada Social Transfer	1,112	1,146	3.1	11,123	11,457	3.0
Home care and mental health	n/a	0	n/a	n/a	300	n/a
Total	4,118	4,242	3.0	41,179	42,715	3.7
Fiscal arrangements and other transfers	1,750	1,791	2.3	18,090	18,434	1.9
Canada's cities and communities	298	314	5.4	2,064	2,072	0.4
Quebec Abatement	-398	-406	2.0	-3,979	-4,059	2.0
Total	5,768	5,941	3.0	57,354	59,162	3.2
Direct program expenses						
Transfer payments						
Agriculture and Agri-Food Canada	131	36	-72.5	1,047	756	-27.8
Employment and Social Development Canada	1,248	1,229	-1.5	5,900	6,365	7.9
Global Affairs Canada	595	682	14.6	2,832	3,047	7.6
Health Canada	345	332	-3.8	2,714	2,946	8.5
Indigenous and Northern Affairs Canada	892	886	-0.7	6,911	6,732	-2.6
Innovation, Science and Economic Development Canada	221	299	35.3	2,597	3,118	20.1
Other	1,255	1,243	-1.0	9,111	7,874	-13.6

Total	4,687	4,707	0.4	31,112	30,838	-0.9
Other direct program expenses						
Consolidated Crown corporations	706	416	-41.1	7,699	7,979	3.6
National Defence	1,940	2,458	26.7	19,808	21,586	9.0
All other departments and agencies	4,114	4,339	5.5	40,153	41,151	2.5
Total other direct program expenses	6,760	7,213	6.7	67,660	70,716	4.5
Total direct program expenses	11,447	11,920	4.1	98,772	101,554	2.8
Total program expenses	25,564	26,316	2.9	231,289	238,706	3.2
Public debt charges	1,857	2,183	17.6	20,307	20,128	-0.9
Total expenses	27,421	28,499	3.9	251,596	258,834	2.9
Note: Totals may not add due to rounding.						

Table 4 The budgetary balance and financial source/requirement \$ millions				
	January		April to January	
	2017	2018	2016-17	2017-18
Budgetary balance (deficit/surplus)	1,243	167	-12,751	-8,383
Non-budgetary transactions				
Capital investment activities	-274	251	-3,500	-2,048
Other investing activities	-404	-554	-7,544	-3,144
Pension and other accounts	760	461	6,479	4,927
Other activities				
Accounts payable, receivables, accruals and allowances	4,943	5,175	1,146	-37
Foreign exchange activities	236	1,505	-6,260	1,838
Amortization of tangible capital assets	110	-353	3,021	1,329
Total other activities	5,289	6,327	-2,093	3,130
Total non-budgetary transactions	5,371	6,485	-6,658	2,865
Financial source/requirement	6,614	6,652	-19,409	-5,518
Note: Totals may not add due to rounding.				

Table 5 Financial source/requirement and net financing activities \$ millions				
	January		April to January	
	2017	2018	2016-17	2017-18
Financial source/requirement	6,614	6,652	-19,409	-5,518
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	7,223	8,898	33,740	43,085
Treasury bills	-3,900	-7,700	-4,900	-24,100
Retail debt	-743	-133	-494	-1,804
Total	2,580	1,065	28,346	17,181
Foreign currency borrowings	-87	-546	530	1,903
Total	2,493	519	28,876	19,084
Cross-currency swap revaluation	-1,995	-646	-2,036	-3,173
Unamortized discounts and premiums on market debt	-191	-409	592	-1,582
Obligations related to capital leases and other unamatured debt	-25	-12	-279	-42
Net change in financing activities	282	-548	27,153	14,287
Change in cash balance	6,896	6,104	7,744	8,769
Note: Totals may not add due to rounding.				

Table 6 Condensed statement of assets and liabilities \$ millions			
	March 31, 2017	January 31, 2018	Change
Liabilities			
Accounts payable and accrued liabilities	132,519	150,235	17,716
Interest-bearing debt			
Unmatured debt			
Payable in Canadian currency			
Marketable bonds	536,280	579,365	43,085
Treasury bills	136,700	112,600	-24,100
Retail debt	4,533	2,729	-1,804
Subtotal	677,513	694,694	17,181
Payable in foreign currencies	17,609	19,512	1,903
Cross-currency swap revaluation	7,764	4,591	-3,173
Unamortized discounts and premiums on market debt	5,322	3,740	-1,582
Obligations related to capital leases and other unamatured debt	5,425	5,383	-42
Total unamatured debt	713,633	727,920	14,287
Pension and other liabilities			
Public sector pensions	151,806	151,180	-626
Other employee and veteran future benefits	93,568	99,194	5,626
Other liabilities	5,689	5,616	-73
Total pension and other liabilities	251,063	255,990	4,927
Total interest-bearing debt	964,696	983,910	19,214
Total liabilities	1,097,215	1,134,145	36,930
Financial assets			
Cash and accounts receivable	158,055	184,577	26,522
Foreign exchange accounts	98,797	96,959	-1,838

Loans, investments, and advances (net of allowances) ¹	124,006	126,966	2,960
Public sector pension assets	1,900	1,900	0
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Total financial assets	382,758	410,402	27,644
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Net debt	714,457	723,743	9,286
Non-financial assets	82,558	83,277	719
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Federal debt (accumulated deficit)	631,899	640,466	8,567
Note: Totals may not add due to rounding.			
¹ January 31, 2018 amount includes \$0.2 billion in other comprehensive losses from enterprise Crown corporations and other government business enterprises for the April 2017 to January 2018 period.			

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

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