



# The Fiscal Monitor

## A publication of the Department of Finance

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*The Fiscal Monitor* provides an overview of monthly and year-to-date financial results for the Government of Canada. It is prepared in accordance with the same accounting policies used in the annual audited financial statements of the Government of Canada. Summary financial results reported in *The Fiscal Monitor* are based on financial transactions recorded in the Accounts of Canada, maintained by the Receiver General for Canada.

### Highlights

#### **February 2016: budgetary surplus of \$3.2 billion**

There was a budgetary surplus of \$3.2 billion in February 2016, down \$1.4 billion from the budgetary surplus reported for February 2015. Revenues increased by \$7 million. Program expenses increased by \$1.6 billion, or 7.7 per cent, reflecting increases in major transfers to persons and other levels of government and direct program expenses. Public debt charges decreased by \$0.1 billion, or 6.8 per cent, largely reflecting a lower average effective interest rate on the stock of interest-bearing debt.

#### **April 2015 to February 2016: budgetary surplus of \$7.5 billion**

For the April to February period of the 2015–16 fiscal year, the Government posted a budgetary surplus of \$7.5 billion, compared to a surplus of \$5.9 billion reported for the same period of 2014–15. Revenues were up \$15.6 billion, or 6.2 per cent, reflecting increases in all revenue streams. Program expenses were up \$15.3 billion, or 7.0 per cent, reflecting increases in major transfers to persons and other levels of government and direct program expenses. Public debt charges were down \$1.2 billion, or 5.0 per cent, largely reflecting a lower average effective interest rate on the stock of interest-bearing debt.

### February 2016

There was a budgetary surplus of \$3.2 billion in February 2016, down \$1.4 billion from the budgetary surplus reported for February 2015.

Revenues in February 2016 totalled \$26.6 billion, up \$7 million from February 2015.

- Personal income tax revenues were down \$0.6 billion, or 5.7 per cent.
- Corporate income tax revenues were up \$0.2 billion, or 3.6 per cent.
- Non-resident income tax revenues were down \$0.1 billion, or 26.9 per cent.
- Excise taxes and duties were up \$0.5 billion, or 14.3 per cent. Goods and Services Tax (GST) revenues increased by \$0.4 billion, energy taxes decreased by \$6 million, customs import duties increased by \$0.1 billion, and other excise taxes and duties increased by \$46 million.
- Employment Insurance (EI) premium revenues were up \$20 million, or 0.7 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 up \$46 million, or 2.2 per cent.

Program expenses in February 2016 were \$21.8 billion, up \$1.6 billion, or 7.7 per cent, from February 2015.

- Major transfers to persons, consisting of elderly, EI and children's benefits, increased by \$0.8 billion, or 11.9 per cent. Elderly benefits increased by \$0.1 billion, or 3.7 per cent, due to growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. EI benefit payments increased by \$0.2 billion, or 10.7 per cent. Children's benefits, which consist of the Canada Child Tax Benefit and the Universal Child Care Benefit (UCCB), increased by \$0.4 billion, or 43.0 per cent, largely reflecting increased benefits related to the enhancement and expansion of the UCCB in 2015.
- 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 \$0.5 billion, or 9.4 per cent, reflecting legislated growth in the Canada Health Transfer, the Canada Social Transfer, Equalization transfers and transfers to the territories, as well as a Fiscal Stabilization payment to Alberta.
- 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 Crown corporations. Direct program expenses were up \$0.3 billion, or 3.5 per cent. Within direct program expenses:
  - Transfer payments decreased by \$0.2 billion, or 6.7 per cent.
  - Other direct program expenses increased by \$0.5 billion, or 7.8 per cent.

Public debt charges decreased by \$0.1 billion, or 6.8 per cent, largely reflecting a lower average effective interest rate on the stock of interest-bearing debt.

## April 2015 to February 2016

For the April to February period of the 2015–16 fiscal year, there was a budgetary surplus of \$7.5 billion, compared to a surplus of \$5.9 billion reported during the same period of 2014–15.

Revenues increased by \$15.6 billion, or 6.2 per cent, to \$265.5 billion.

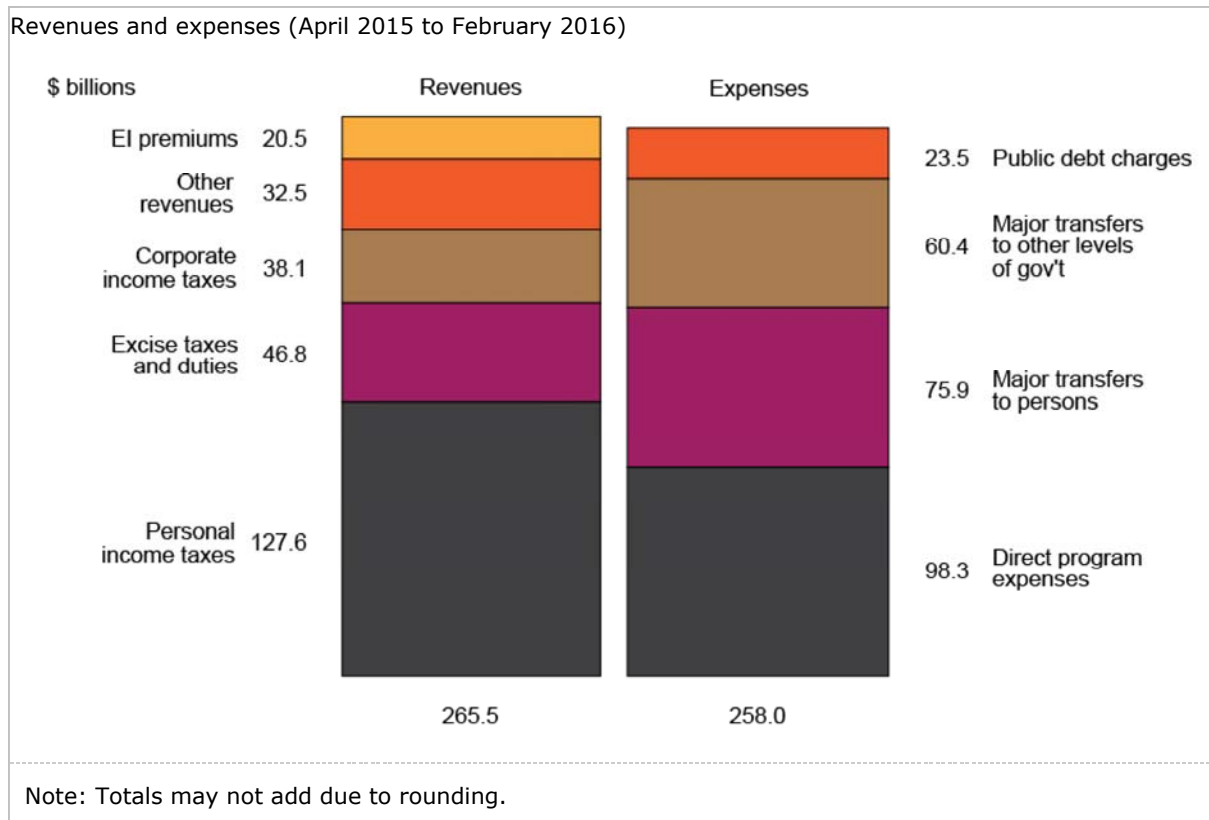
- Personal income tax revenues were up \$5.5 billion, or 4.5 per cent.
- Corporate income tax revenues were up \$4.6 billion, or 13.8 per cent.
- Non-resident income tax revenues were up \$0.2 billion, or 3.0 per cent.
- Excise taxes and duties were up \$3.4 billion, or 7.7 per cent. GST revenues increased by \$2.3 billion, or 7.9 per cent, energy taxes by \$0.1 billion, customs import duties by \$0.7 billion, and other excise taxes and duties by \$0.2 billion.
- EI premium revenues were up \$0.6 billion, or 2.9 per cent, reflecting growth in earnings.
- Other revenues were up \$1.3 billion, or 5.2 per cent.

Program expenses increased by \$15.3 billion, or 7.0 per cent, to \$234.5 billion.

- Major transfers to persons were up \$7.8 billion, or 11.4 per cent. Elderly benefits increased by \$1.6 billion, or 4.0 per cent, reflecting growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. EI benefit payments increased by \$1.6 billion, or 9.8 per cent, and children's benefits were up \$4.5 billion, or 38.3 per cent, largely reflecting increased benefits related to the enhancement and expansion of the UCCB.

- Major transfers to other levels of government were up \$2.9 billion, or 5.0 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 were up \$4.6 billion, or 4.9 per cent. Within direct program expenses:
  - Transfer payments decreased by \$0.4 billion, or 1.4 per cent.
  - Other direct program expenses increased by \$5.0 billion, or 7.7 per cent, due in large part to an increase in Crown corporation expenses and an increase in pension and other future benefit costs based on the Government’s latest actuarial valuations.

Public debt charges decreased by \$1.2 billion, or 5.0 per cent, largely reflecting a lower average effective interest rate on the stock of interest-bearing debt.



## Financial requirement of \$14.1 billion for April 2015 to February 2016

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 surplus of \$7.5 billion and a financial requirement of \$21.6 billion from non-budgetary transactions, there was a financial requirement of \$14.1 billion for the April 2015 to February 2016 period, compared to a financial requirement of \$3.8 billion for the same period the previous year.

## Net financing activities up \$29.0 billion

The Government financed its financial requirement of \$14.1 billion and increased cash balances by \$14.9 billion by increasing unmatured debt by \$29.0 billion. The increase in unmatured debt was achieved primarily through the issuance of marketable bonds and treasury bills.

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 February 2016 stood at \$42.8 billion, up \$14.4 billion from their level at the end of February 2015.

Table 1 Summary statement of transactions \$ millions				
	February		April to February	
	2015	2016	2014-15	2015-16
<b>Budgetary transactions</b>				
Revenues	26,641	26,648	249,923	265,486
Expenses				
Program expenses	-20,213	-21,764	-219,272	-234,529
Public debt charges	-1,801	-1,679	-24,715	-23,484
Budgetary balance (deficit/surplus)	4,627	3,205	5,936	7,473
<b>Non-budgetary transactions</b>	-2,352	-83	-9,734	-21,622
<b>Financial source/requirement</b>	2,275	3,122	-3,798	-14,149
<b>Net change in financing activities</b>	-10,652	-10,433	6,116	29,033
<b>Net change in cash balances</b>	-8,377	-7,311	2,318	14,884
<b>Cash balance at end of period</b>			28,391	42,835
Note: Positive numbers indicate a net source of funds. Negative numbers indicate a net requirement for funds.				

Table 2 Revenues						
	February			April to February		
	2015 (\$ millions)	2016 (\$ millions)	Change (%)	2014-15 (\$ millions)	2015-16 (\$ millions)	Change (%)
<b>Tax revenues</b>						
Income taxes						
Personal income tax	11,392	10,744	-5.7	122,051	127,587	4.5
Corporate income tax	6,533	6,769	3.6	33,482	38,099	13.8
Non-resident income tax	499	365	-26.9	5,712	5,883	3.0
Total income tax	18,424	17,878	-3.0	161,245	171,569	6.4
Excise taxes and duties						
Goods and Services Tax	2,169	2,556	17.8	28,912	31,210	7.9
Energy taxes	461	455	-1.3	5,071	5,211	2.8
Customs import duties	391	451	15.3	4,165	4,899	17.6
Other excise taxes and duties	381	427	12.1	5,316	5,500	3.5
Total excise taxes and duties	3,402	3,889	14.3	43,464	46,820	7.7
Total tax revenues	21,826	21,767	-0.3	204,709	218,389	6.7
<b>Employment Insurance premiums</b>	2,714	2,734	0.7	19,935	20,506	2.9
<b>Other revenues</b>	2,101	2,147	2.2	25,279	26,591	5.2
<b>Total revenues</b>	26,641	26,648	0.0	249,923	265,486	6.2
Note: Totals may not add due to rounding.						

Table 3 Expenses						
	February			April to February		
	2015 (\$ millions)	2016 (\$ millions)	Change (%)	2014-15 (\$ millions)	2015-16 (\$ millions)	Change (%)
<b>Major transfers to persons</b>						
Elderly benefits	3,745	3,885	3.7	39,977	41,592	4.0
Employment Insurance benefits	1,690	1,870	10.7	16,255	17,850	9.8
Children's benefits	1,044	1,493	43.0	11,864	16,407	38.3
Total	6,479	7,248	11.9	68,096	75,849	11.4
<b>Major transfers to other levels of government</b>						
Support for health and other social programs						
Canada Health Transfer	2,676	2,836	6.0	29,438	31,189	5.9
Canada Social Transfer	1,048	1,080	3.1	11,533	11,879	3.0
Total	3,724	3,916	5.2	40,971	43,068	5.1
Fiscal arrangements and other transfers <sup>1</sup>	1,625	1,939	19.3	18,702	19,500	4.3
Canada's cities and communities	27	27	0.0	1,958	1,937	-1.1
Quebec Abatement	-340	-371	9.1	-4,098	-4,081	-0.4
Total	5,036	5,511	9.4	57,533	60,424	5.0
<b>Direct program expenses</b>						
Transfer payments						
Aboriginal Affairs and Northern Development	526	370	-29.7	5,492	6,292	14.6
Agriculture and Agri-Food	108	57	-47.2	873	1,019	16.7
Employment and Social Development	410	469	14.4	5,168	5,328	3.1
Foreign Affairs, Trade and Development	427	429	0.5	2,393	2,831	18.3

Health	100	99	-1.0	2,630	2,652	0.8
Industry	170	185	8.8	1,985	938	-52.7
Other <sup>1</sup>	810	771	-4.8	9,927	9,019	-9.1
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Total	2,551	2,380	-6.7	28,468	28,079	-1.4
Other direct program expenses						
Crown corporations	810	823	1.6	6,923	7,836	13.2
National Defence	1,752	1,949	11.2	18,378	20,660	12.4
All other departments and agencies	3,585	3,853	7.5	39,874	41,681	4.5
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Total other direct program expenses	6,147	6,625	7.8	65,175	70,177	7.7
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Total direct program expenses	8,698	9,005	3.5	93,643	98,256	4.9
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<b>Total program expenses</b>	20,213	21,764	7.7	219,272	234,529	7.0
<b>Public debt charges</b>	1,801	1,679	-6.8	24,715	23,484	-5.0
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<b>Total expenses</b>	22,014	23,443	6.5	243,987	258,013	5.7

Note: Totals may not add due to rounding.

<sup>1</sup> Comparative figures have been reclassified to conform to the presentation in the 2014-15 Consolidated Financial Statements of the Government of Canada.



Table 4 The budgetary balance and financial source/requirement \$ millions				
	February		April to February	
	2015	2016	2014-15	2015-16
<b>Budgetary balance (deficit/surplus)</b>	4,627	3,205	5,936	7,473
<b>Non-budgetary transactions</b>				
Capital investment activities	-637	-419	-3,551	-3,979
Other investing activities	-66	-172	2,408	-6,111
Pension and other accounts	357	397	2,103	4,439
Other activities				
Accounts payable, receivables, accruals and allowances	-3,286	-3,596	-6,222	-8,424
Foreign exchange activities	936	3,416	-7,884	-11,356
Amortization of tangible capital assets	344	291	3,412	3,809
Total other activities	-2,006	111	-10,694	-15,971
Total non-budgetary transactions	-2,352	-83	-9,734	-21,622
<b>Financial source/requirement</b>	2,275	3,122	-3,798	-14,149
Note: Totals may not add due to rounding.				

Table 5 Financial source/requirement and net financing activities \$ millions				
	February		April to February	
	2015	2016	2014-15	2015-16
<b>Financial source/requirement</b>	2,275	3,122	-3,798	-14,149
<b>Net increase (+)/decrease (-) in financing activities</b>				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	-5,903	-1,723	10,098	15,477
Treasury bills	-3,500	-5,600	-7,800	6,500
Retail debt	-32	-27	-662	-589
Total	-9,435	-7,350	1,636	21,388
Foreign currency borrowings	-483	-387	-317	3,447
Total	-9,918	-7,737	1,319	24,835
Cross-currency swap revaluation	-1,131	-2,657	4,218	3,718
Unamortized discounts and premiums on market debt	409	-20	943	702
Obligations related to capital leases and other unmatured debt	-12	-19	-364	-222
<b>Net change in financing activities</b>	-10,652	-10,433	6,116	29,033
<b>Change in cash balance</b>	-8,377	-7,311	2,318	14,884
Note: Totals may not add due to rounding.				

Table 6 Condensed statement of assets and liabilities \$ millions			
	March 31, 2015	February 29, 2016	Change
<b>Liabilities</b>			
Accounts payable and accrued liabilities	123,631	124,984	1,353
Interest-bearing debt			
Unmatured debt			
Payable in Canadian currency			
Marketable bonds	487,881	503,358	15,477
Treasury bills	135,692	142,192	6,500
Retail debt	5,660	5,071	-589
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Subtotal	629,233	650,621	21,388
Payable in foreign currencies	20,267	23,714	3,447
Cross-currency swap revaluation	6,669	10,387	3,718
Unamortized discounts and premiums on market debt	4,296	4,998	702
Obligations related to capital leases and other unamortized debt	4,715	4,493	-222
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Total unamortized debt	665,180	694,213	29,033
Pension and other liabilities			
Public sector pensions	152,664	152,068	-596
Other employee and veteran future benefits	76,140	81,343	5,203
Other liabilities	6,002	5,834	-168
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Total pension and other liabilities	234,806	239,245	4,439
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Total interest-bearing debt	899,986	933,458	33,472
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<b>Total liabilities</b>	1,023,617	1,058,442	34,825
<b>Financial assets</b>			
Cash and accounts receivable	136,696	161,357	24,661
Foreign exchange accounts	85,018	96,374	11,356
Loans, investments, and advances (net of allowances) <sup>1</sup>	113,681	118,325	4,644
Public sector pension assets	1,263	1,263	0
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Total financial assets	336,658	377,319	40,661
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<b>Net debt</b>	686,959	681,123	-5,836
<b>Non-financial assets</b>	74,629	74,799	170
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<b>Federal debt (accumulated deficit)</b>	612,330	606,324	-6,006
Note: Totals may not add due to rounding.			
<sup>1</sup> February 29, 2016 amount includes \$1.5 billion in other comprehensive losses from enterprise Crown corporations and other government business enterprises for the April 2015 to February 2016 period.			

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

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April 2016

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