



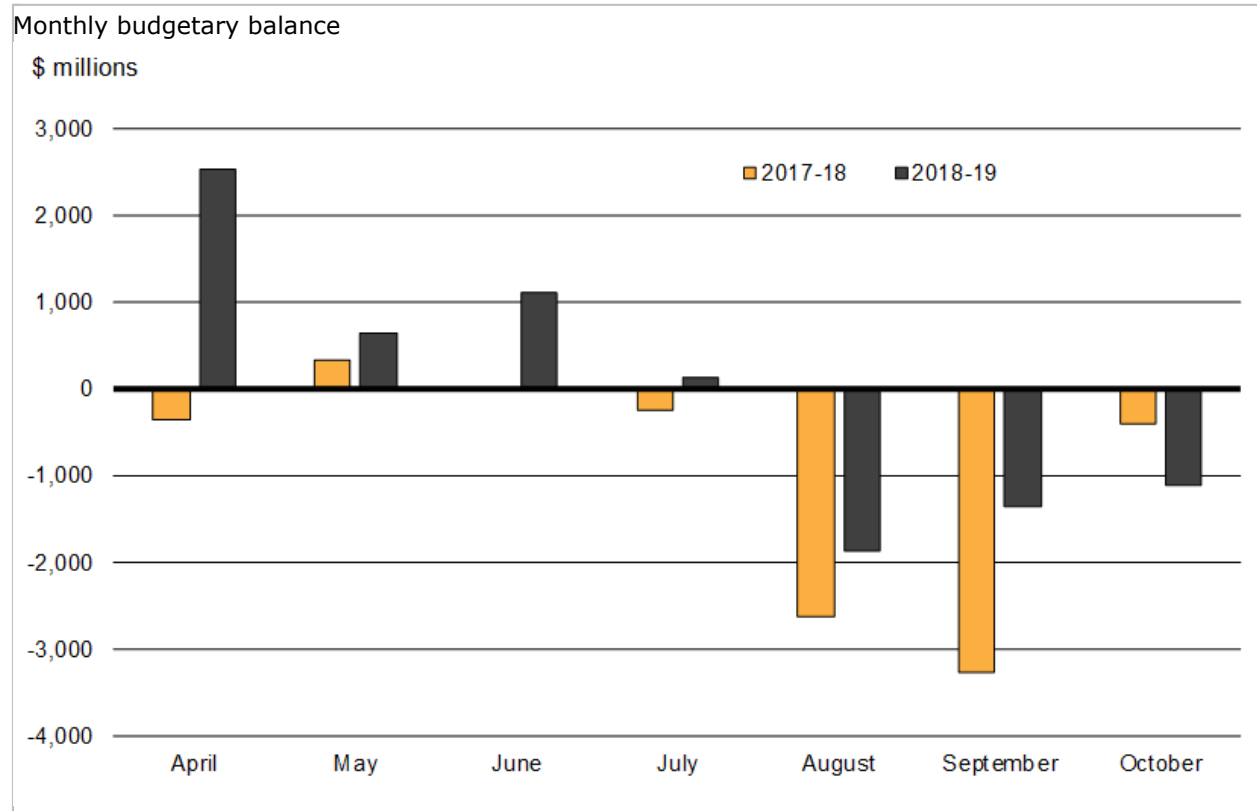
The Fiscal Monitor

A publication of the Department of Finance

Highlights

October 2018

There was a budgetary deficit of \$1.1 billion in October 2018, compared to a deficit of \$0.4 billion in October 2017. Revenues increased by \$1.4 billion, or 5.5 per cent, reflecting increases in tax revenues, Employment Insurance (EI) premium revenues and other revenues. Program expenses increased by \$2.1 billion, or 8.7 per cent, largely reflecting increases in major transfers to other levels of government and direct program expenses. Public debt charges increased by \$32 million, or 1.7 per cent.



April to October 2018

For the April to October 2018 period of the 2018–19 fiscal year, the Government posted a budgetary surplus of \$0.1 billion, compared to a deficit of \$6.6 billion reported for the same period of 2017–18. Revenues were up \$14.3 billion, or 8.3 per cent, reflecting increases in tax revenues, EI premium revenues and other revenues. Program expenses were up \$6.1 billion, or 3.7 per cent, reflecting increases in major transfers to persons and other levels of government and direct program expenses. Public debt charges increased by \$1.6 billion, or 12.5 per cent, reflecting both higher Consumer Price Index adjustments on Real Return Bonds and a higher average effective interest rate on the stock of Government of Canada treasury bills.

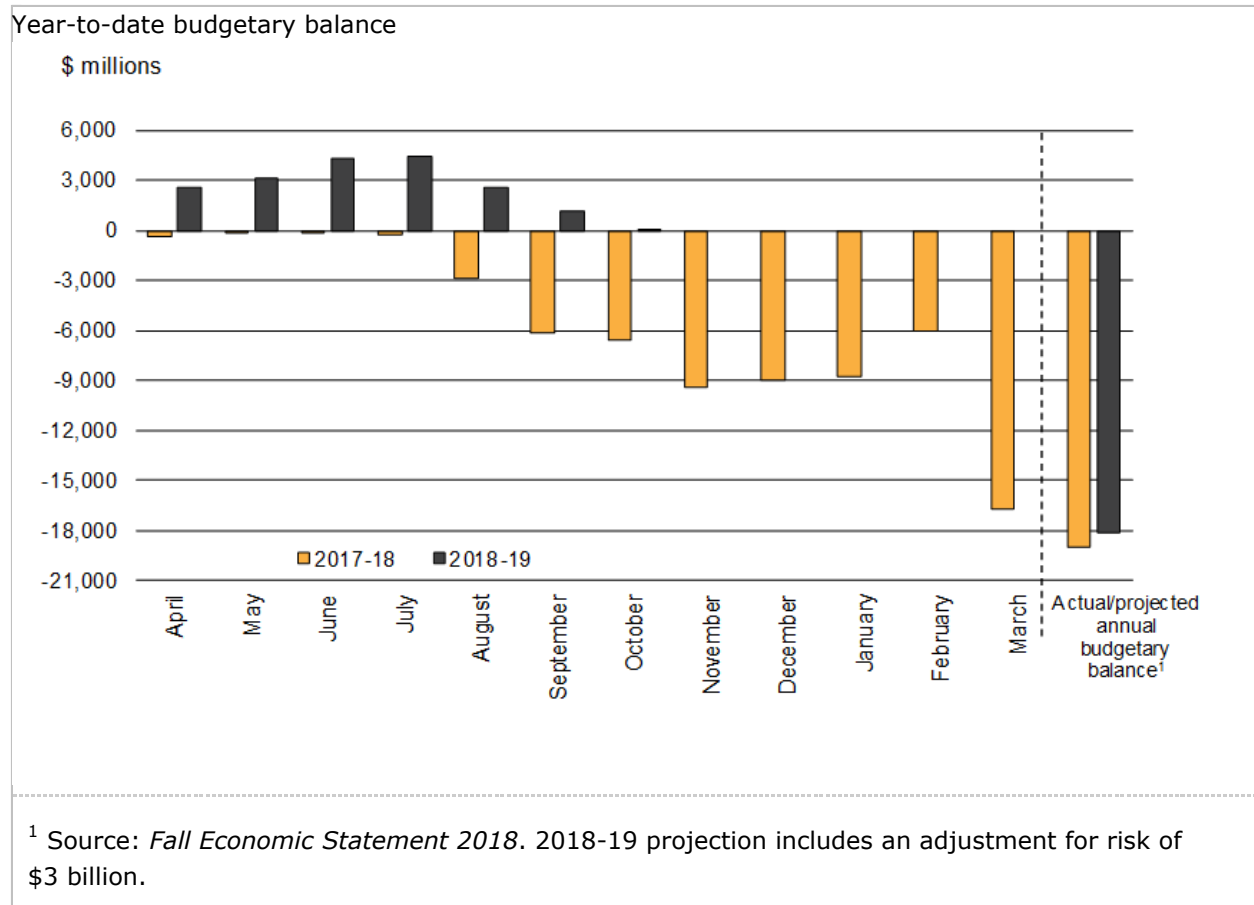


Table 1
Summary statement of transactions
 (\$ millions)

	October		April to October	
	2017 Restated ¹	2018	2017-18 Restated ¹	2018-19
Budgetary transactions				
Revenues	25,466	26,867	171,808	186,114
Expenses				
Program expenses	-24,017	-26,108	-165,804	-171,877
Public debt charges	-1,840	-1,872	-12,575	-14,145
Budgetary balance (deficit/surplus)	-391	-1,113	-6,571	92
Non-budgetary transactions	-782	-1,703	-7,106	-12,585
Financial source/requirement	-1,173	-2,816	-13,677	-12,493
Net change in financing activities	5,876	12,713	18,632	20,441
Net change in cash balances	4,703	9,897	4,955	7,948
Cash balance at end of period			41,856	45,625

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

¹ Certain comparative figures have been restated to reflect a change in accounting policy. See Note 8 at the end of this document for further details.

Revenues

Revenues in October 2018 totalled \$26.9 billion, up \$1.4 billion, or 5.5 per cent, from October 2017.

- Tax revenues increased by \$1.0 billion, or 4.7 per cent, due mainly to growth in non-resident income tax revenues, Goods and Services Tax (GST) revenues and customs import duties revenues.

- EI premium revenues were up \$45 million, or 4.2 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 \$0.3 billion, or 13.7 per cent, largely reflecting higher interest and penalties revenues.

For the April to October period of 2018–19, revenues were \$186.1 billion, up \$14.3 billion, or 8.3 per cent, from the same period the previous year.

- Tax revenues increased by \$12.2 billion, or 8.5 per cent, driven largely by growth in income tax revenues, GST revenues and customs import duties revenues.
- EI premium revenues were up \$0.6 billion, or 4.8 per cent.
- Other revenues were up \$1.5 billion, or 9.4 per cent, largely reflecting higher interest and penalties revenues.

	October			April to October		
	2017	2018	Change	2017–18	2018–19	Change
	(\$ millions)		(%)	(\$ millions)		(%)
Tax revenues						
Income taxes						
Personal	11,863	11,751	-0.9	82,734	87,642	5.9
Corporate	4,054	4,024	-0.7	23,598	27,012	14.5
Non-resident	795	1,276	60.5	4,315	5,390	24.9
	<hr/>			<hr/>		
Total income tax revenues	16,712	17,051	2.0	110,647	120,044	8.5
Other taxes and duties						
Goods and Services Tax	3,929	4,410	12.2	23,010	24,823	7.9
Energy taxes	504	524	4.0	3,335	3,406	2.1
Customs import duties	432	656	51.9	3,356	4,165	24.1
Other excise taxes and duties	482	454	-5.8	3,536	3,652	3.3

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Total other taxes and duties	5,347	6,044	13.0	33,237	36,046	8.5
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Total tax revenues	22,059	23,095	4.7	143,884	156,090	8.5
Employment Insurance premiums	1,067	1,112	4.2	11,625	12,185	4.8
Other revenues	2,340	2,660	13.7	16,299	17,839	9.4
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Total revenues	25,466	26,867	5.5	171,808	186,114	8.3
Note: Totals may not add due to rounding.						

Expenses

Program expenses in October 2018 were \$26.1 billion, up \$2.1 billion, or 8.7 per cent, from October 2017.

- Major transfers to persons, consisting of elderly, EI and children's benefits, were up \$45 million, or 0.6 per cent. Elderly benefits increased by \$0.2 billion, or 4.6 per cent, reflecting growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. EI benefits decreased by \$0.2 billion, or 12.1 per cent. Children's benefits were up \$32 million, or 1.6 per cent.
- Major transfers to other levels of government were up \$0.3 billion, or 5.6 per cent, largely reflecting legislated growth in the Canada Health Transfer, the Canada Social Transfer and Equalization transfers, as well as a year-over-year difference in the timing of payments under home care and mental health transfers.
- Direct program expenses were up \$1.7 billion, or 16.3 per cent. Within direct program expenses:
 - Other transfer payments increased by \$1.5 billion, or 49.6 per cent, in large part reflecting increased transfers relating to claims and infrastructure funding.
 - Other direct program expenses, consisting of operating expenses of the Government's departments, agencies, and consolidated Crown corporations and other entities, increased by \$0.3 billion, or 3.4 per cent.

Public debt charges were up \$32 million, or 1.7 per cent.

For the April to October period of 2018–19, program expenses were \$171.9 billion, up \$6.1 billion, or 3.7 per cent, from the same period the previous year.

- Major transfers to persons were up \$1.1 billion, or 2.1 per cent. Elderly benefits increased by \$1.5 billion, or 5.2 per cent, reflecting growth in the elderly population

and changes in consumer prices. EI benefits decreased by \$0.7 billion, or 6.6 per cent, while children's benefits were up \$0.4 billion, or 2.7 per cent.

- Major transfers to other levels of government were up \$1.3 billion, or 3.1 per cent, largely reflecting legislated growth in the Canada Health Transfer, the Canada Social Transfer and Equalization transfers.
- Direct program expenses were up \$3.6 billion, or 5.2 per cent. Within direct program expenses:
 - Other transfer payments increased by \$2.2 billion, or 11.1 per cent, in large part reflecting increased transfers relating to claims and infrastructure funding.
 - Other direct program expenses increased by \$1.4 billion, or 2.8 per cent, largely due to an increase in personnel costs.

Public debt charges increased by \$1.6 billion, or 12.5 per cent, reflecting both higher Consumer Price Index adjustments on Real Return Bonds and a higher average effective interest rate on the stock of Government of Canada treasury bills.

Table 3 Expenses						
	October			April to October		
	2017 Restated ¹	2018	Change	2017-18 Restated ¹	2018-19	Change
	(\$ millions)		(%)	(\$ millions)		(%)
Major transfers to persons						
Elderly benefits	4,290	4,488	4.6	29,303	30,817	5.2
Employment Insurance benefits	1,527	1,342	-12.1	11,215	10,470	-6.6
Children's benefits	1,951	1,983	1.6	13,556	13,918	2.7
Total	7,768	7,813	0.6	54,074	55,205	2.1
Major transfers to other levels of government						
Canada Health Transfer	3,096	3,215	3.8	21,671	22,507	3.9
Canada Social Transfer	1,146	1,180	3.0	8,020	8,260	3.0
Equalization	1,521	1,580	3.9	10,648	11,059	3.9
Territorial Formula Financing	250	257	2.8	2,430	2,498	2.8
Gas Tax Fund	0	0	n/a	1,036	1,085	4.7
Home care and mental health	0	117	100.0	300	148	-50.7
Other fiscal arrangements ²	-405	-427	5.4	-2,819	-2,972	5.4
Total	5,608	5,922	5.6	41,286	42,585	3.1
Direct program expenses						

Other transfer payments	2,968	4,441	49.6	19,952	22,166	11.1
Other direct program expenses	7,673	7,932	3.4	50,492	51,921	2.8
	<hr/>			<hr/>		
Total direct program expenses	10,641	12,373	16.3	70,444	74,087	5.2
	<hr/>			<hr/>		
Total program expenses	24,017	26,108	8.7	165,804	171,877	3.7
Public debt charges	1,840	1,872	1.7	12,575	14,145	12.5
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Total expenses	25,857	27,980	8.2	178,379	186,022	4.3
<p>Note: Totals may not add due to rounding.</p> <p>¹ Certain comparative figures have been restated to reflect a change in accounting policy. See Note 8 at the end of this document for further details.</p> <p>²Other fiscal arrangements include the Youth Allowances Recovery and Alternative Payments for Standing Programs, which represent a recovery from Quebec of a tax point transfer; statutory subsidies; payments under the 2005 Offshore Accords; and payments to provinces in respect of common securities regulation.</p>						

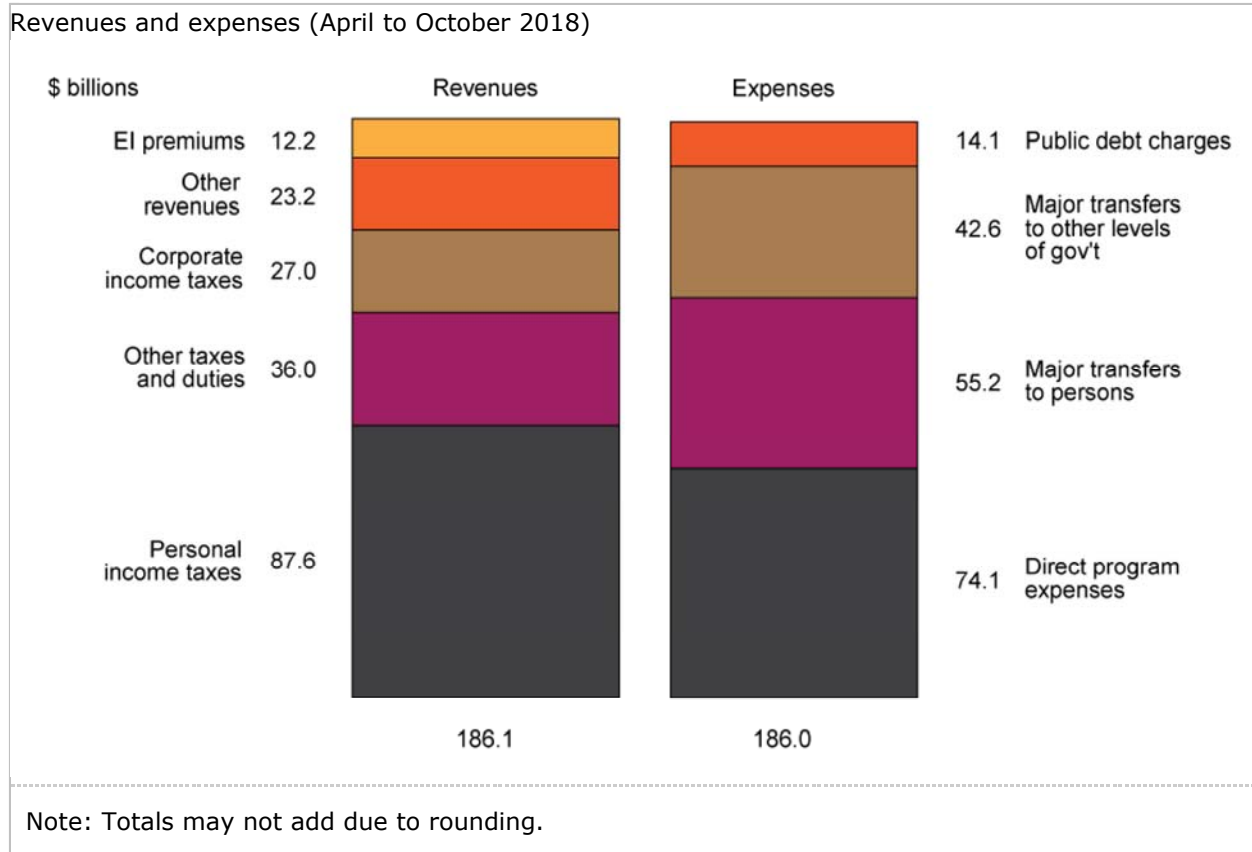
The following table presents total expenses by main object of expense.

Table 4

Total expenses by object of expense

	October			April to October		
	2017	2018	Change	2017-18	2018-19	Change
	(\$ millions)		(%)	(\$ millions)		(%)
Transfer payments	16,344	18,176	11.2	115,312	119,956	4.0
Other expenses						
Personnel	4,330	4,664	7.7	30,100	31,604	5.0
Transportation and communications	243	264	8.6	1,414	1,537	8.7
Information	21	34	61.9	102	126	23.5
Professional and special services	965	1,049	8.7	5,181	5,425	4.7
Rentals	267	292	9.4	1,685	1,773	5.2
Repair and maintenance	267	340	27.3	1,326	1,581	19.2
Utilities, materials and supplies	212	223	5.2	1,293	1,331	2.9
Other subsidies and expenses	955	657	-31.2	6,492	5,653	-12.9
Amortization of tangible capital assets	403	398	-1.2	2,821	2,811	-0.4
Net loss on disposal of assets	10	11	10.0	78	80	2.6
	<hr/>			<hr/>		
Total other expenses	7,673	7,932	3.4	50,492	51,921	2.8
	<hr/>			<hr/>		
Total program expenses	24,017	26,108	8.7	165,804	171,877	3.7
Public debt charges	1,840	1,872	1.7	12,575	14,145	12.5
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Total expenses	25,857	27,980	8.2	178,379	186,022	4.3

Note: Totals may not add due to rounding.



Financial requirement of \$12.5 billion for April to October 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 surplus of \$0.1 billion and a requirement of \$12.6 billion from non-budgetary transactions, there was a financial requirement of \$12.5 billion for the April to October 2018 period, compared to a financial requirement of \$13.7 billion for the same period the previous year.

Table 5

**The budgetary balance and financial source/requirement
(\$ millions)**

	October		April to October	
	2017 Restated ¹	2018	2017-18 Restated ¹	2018-19
Budgetary balance (deficit/surplus)	-391	-1,113	-6,571	92
Non-budgetary transactions				
Accounts payable, accrued liabilities and accounts receivable	678	1,869	-10,849	-5,059
Pensions, other future benefits, and other liabilities	950	818	3,823	4,614
Foreign exchange accounts	-2,095	-3,703	1,970	-1,493
Loans, investments and advances	-184	-386	-1,909	-9,568
Non-financial assets	-131	-301	-141	-1,079
Total non-budgetary transactions	-782	-1,703	-7,106	-12,585
Financial source/requirement	-1,173	-2,816	-13,677	-12,493

Note: Totals may not add due to rounding.

¹ Certain comparative figures have been restated to reflect a change in accounting policy. See Note 8 at the end of this document for further details.

Net financing activities up \$20.4 billion

The Government financed this financial requirement of \$12.5 billion and increased cash balances by \$7.9 billion by increasing unmatured debt by \$20.4 billion. The increase in unmatured debt was achieved primarily through the issuance of 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 October 2018 stood at \$45.6 billion, up \$3.8 billion from their level at the end of October 2017.

Table 6

**Financial source/requirement and net financing activities
(\$ millions)**

	October		April to October	
	2017	2018	2017-18	2018-19
Financial source/requirement	-1,173	-2,816	-13,677	-12,493
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	10,317	6,808	30,445	320
Treasury bills	-6,200	4,500	-8,700	22,300
Retail debt	-141	-35	-474	-276
Total	3,976	11,273	21,271	22,344
Foreign currency borrowings	10	678	-582	553
Total	3,986	11,951	20,689	22,897
Cross-currency swap revaluation	2,213	948	-1,097	-1,173
Unamortized discounts and premiums on market debt	-306	-163	-987	-1,035
Obligations related to capital leases and other unamatured debt	-17	-23	27	-248
Net change in financing activities	5,876	12,713	18,632	20,441
Change in cash balance	4,703	9,897	4,955	7,948
Cash balance at end of period			41,856	45,625
Note: Totals may not add due to rounding.				

Federal debt

The federal debt, or accumulated deficit, is the difference between the Government's total liabilities and total assets. The year-over-year change in the accumulated deficit reflects the year-to-date budgetary balance plus other comprehensive income or loss. Other comprehensive income or loss represents certain unrealized gains and losses on financial instruments and certain actuarial gains and losses related to pensions and other employee future benefits reported by enterprise Crown corporations and other government business enterprises.

The federal debt decreased by \$1.8 billion over the April to October 2018 period, reflecting the \$0.1-billion budgetary surplus as well as \$1.7 billion in other comprehensive income.

	March 31, 2018	October 31, 2018	Change
Liabilities			
Accounts payable and accrued liabilities	154,824	145,004	(9,820)
Interest-bearing debt			
Unmatured debt			
Payable in Canadian currency			
Marketable bonds	574,968	575,288	320
Treasury bills	110,700	133,000	22,300
Retail debt	2,586	2,310	(276)
Subtotal	688,254	710,598	22,344
Payable in foreign currencies	16,049	16,602	553
Cross-currency swap revaluation	7,835	6,662	(1,173)
Unamortized discounts and premiums on market debt	3,467	2,432	(1,035)
Obligations related to capital leases and other unamatured debt	5,596	5,348	(248)
Total unamatured debt	721,201	741,642	20,441

Pension and other liabilities			
Public sector pensions	170,914	169,699	(1,215)
Other employee and veteran future benefits	104,793	110,345	5,552
Other liabilities	5,670	5,947	277
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Total pension and other liabilities	281,377	285,991	4,614
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Total interest-bearing debt	1,002,578	1,027,633	25,055
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Total liabilities	1,157,402	1,172,637	15,235
Financial assets			
Cash and accounts receivable	173,206	176,393	3,187
Foreign exchange accounts	96,938	98,431	1,493
Loans, investments, and advances (net of allowances) ¹	126,371	137,608	11,237
Public sector pension assets	2,124	2,124	-
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Total financial assets	398,639	414,556	15,917
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Net debt	758,763	758,081	(682)
Non-financial assets	87,509	88,588	1,079
	<hr/>		
Federal debt (accumulated deficit)	671,254	669,493	(1,761)
<p>Note: Totals may not add due to rounding.</p> <p>¹ October 31, 2018 amount includes \$1.7 billion in other comprehensive income from enterprise Crown corporations and other government business enterprises for the April to October 2018 period.</p>			

Notes

1. *The Fiscal Monitor* is a report on the consolidated financial results of the Government of Canada, prepared monthly by the Department of Finance Canada. The Government is committed to releasing *The Fiscal Monitor* on a timely basis in accordance with the International Monetary Fund's Special Data Dissemination Standard Plus, which is designed to promote member countries' data transparency and promote the development of sound statistical systems.
2. The financial results reported in *The Fiscal Monitor* are drawn from the accounts of Canada, which are maintained by the Receiver General and used to prepare the annual *Public Accounts of Canada*.
3. *The Fiscal Monitor* is generally prepared in accordance with the same accounting policies as used to prepare the Government's annual consolidated financial statements, which are summarized in Section 2 of Volume I of the *Public Accounts of Canada*, available through the Public Services and Procurement Canada website.
4. The financial results presented in *The Fiscal Monitor* have not been audited or reviewed by an external auditor.
5. There can be substantial volatility in monthly results due to the timing of revenue receipts and expense recognition. For instance, a large share of government spending is typically reported in the March *Fiscal Monitor*.
6. The April to March results reported in *The Fiscal Monitor* are not the final results for the fiscal year as a whole. The final results are published in the annual *Public Accounts of Canada* and incorporate post-March end-of-year adjustments made once further information becomes available, including the accrual of tax revenues reflecting assessments of tax returns and valuation adjustments for assets and liabilities. Post-March adjustments may also include the accrual of measures announced in the budget that are recorded upon receipt of Royal Assent of enabling legislation.
7. Table 7, Condensed Statement of Assets and Liabilities, is included in the monthly *Fiscal Monitor* following the finalization and publication of the Government's financial results for the preceding fiscal year, typically in the fall.
8. Accounting Change and Restatement

In finalizing its 2017–18 annual financial results, the Government implemented a change in the discount rate methodology used in valuing unfunded pension obligations. This change resulted in a \$0.5-billion increase in the 2017–18 budgetary deficit. Further details regarding this accounting policy change can be found in Note 3 to the condensed consolidated financial statements in the *Annual Financial Report of the Government of Canada 2017–2018*, available on the Department of Finance Canada website.

The monthly financial results for 2017–18 presented for comparative purposes in *The Fiscal Monitor* have been restated to reflect this change in accounting policy.

The following table provides an overview of these restatements of the 2017–18 financial results.

Table 8
Summary of Restatements
(\$ millions)

	October 2017			April to October 2017-18		
	As previously reported	Effect of change in accounting policy	As restated	As previously reported	Effect of change in accounting policy	As restated
Program expenses	-23,784	-233	-24,017	-164,173	-1,631	-165,804
Public debt charges	-2,031	191	-1,840	-13,912	1,337	-12,575
Budgetary balance (deficit/surplus)	-349	-42	-391	-6,277	-294	-6,571
Non-budgetary transactions	-824	42	-782	-7,400	294	-7,106
Note: Totals may not add due to rounding.						

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.

December 2018

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