

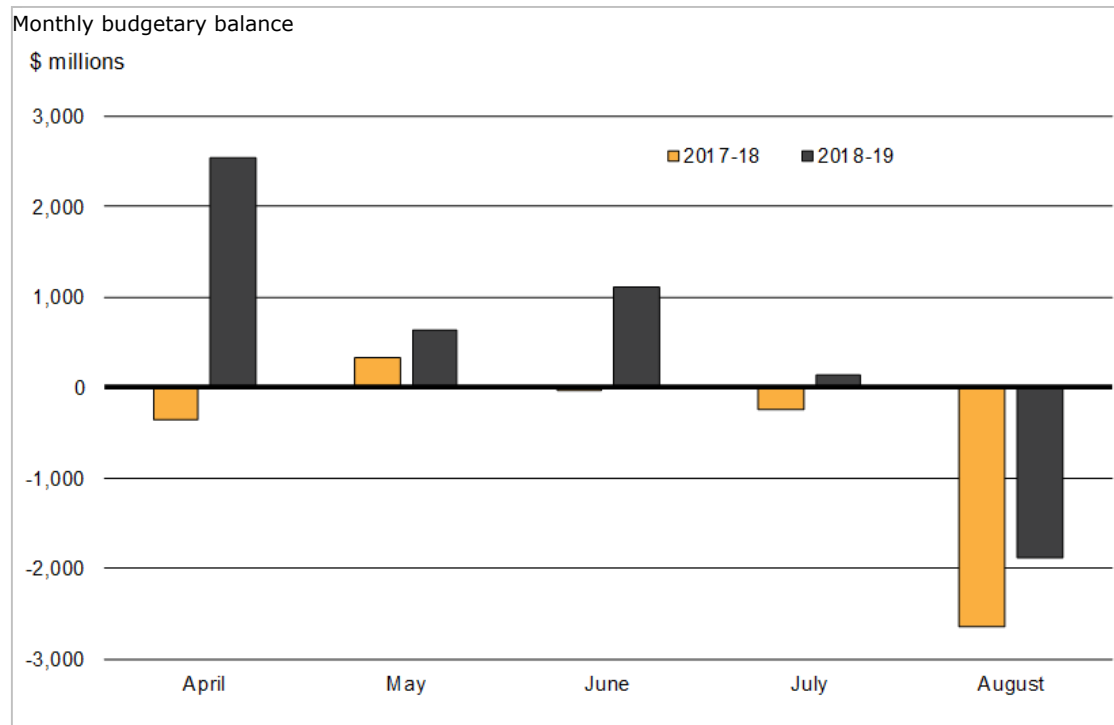
The Fiscal Monitor

A publication of the Department of Finance

Highlights

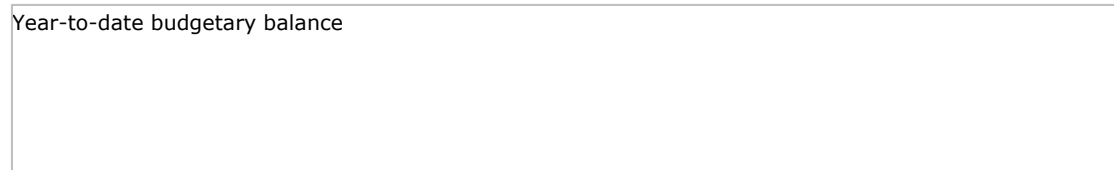
August 2018

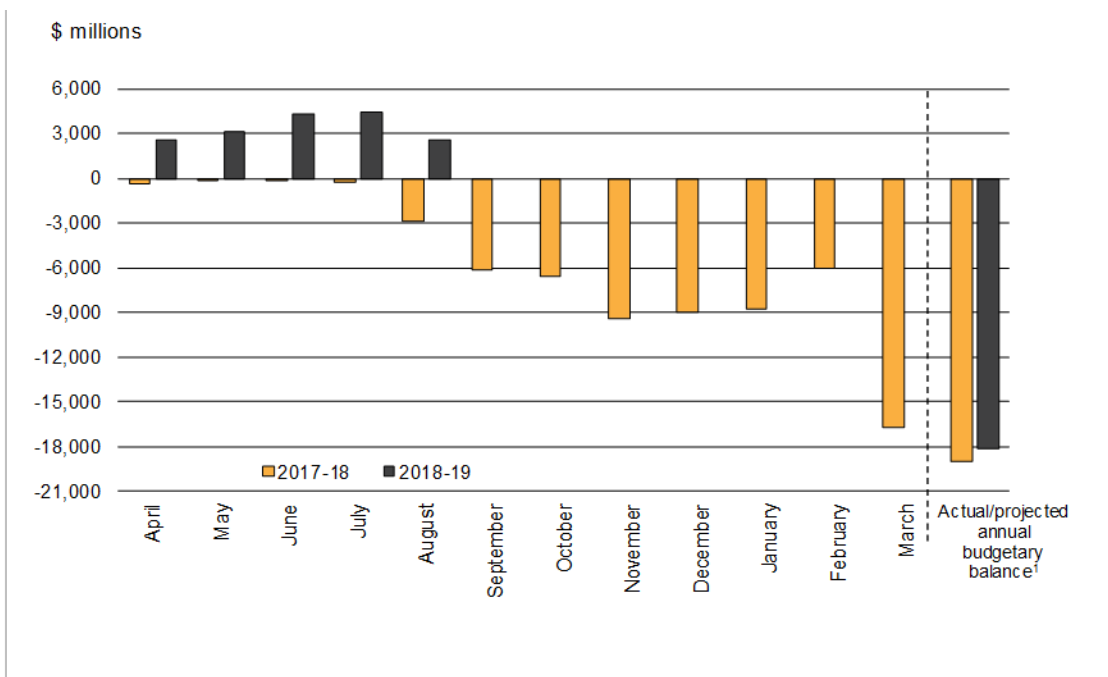
There was a budgetary deficit of \$1.9 billion in August 2018, compared to a deficit of \$2.6 billion in August 2017. Revenues increased by \$2.4 billion, or 10.4 per cent, reflecting increases in tax revenues, Employment Insurance (EI) premium revenues and other revenues. Program expenses increased by \$1.4 billion, or 6.0 per cent, largely reflecting an increase in direct program expenses. Public debt charges increased by \$0.2 billion, or 10.9 per cent, due mainly to higher Consumer Price Index adjustments on Real Return Bonds.



April to August 2018

For the April to August 2018 period of the 2018–19 fiscal year, the Government posted a budgetary surplus of \$2.6 billion, compared to a deficit of \$2.9 billion reported in the same period of 2017–18. Revenues were up \$9.9 billion, or 8.0 per cent, reflecting increases in tax revenues, EI premium revenues and other revenues. Program expenses were up \$3.5 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 were up \$1.0 billion, or 10.9 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.





¹ Source: Budget 2018. 2018-19 projection includes an adjustment for risk of \$3 billion.

Table 1 Summary statement of transactions (\$ millions)				
	August		April to August	
	2017 Restated ¹	2018	2017-18 Restated ¹	2018-19 ²
Budgetary transactions				
Revenues	22,762	25,127	124,090	134,013
Expenses				
Program expenses	-23,568	-24,980	-117,874	-121,332
Public debt charges	-1,823	-2,022	-9,122	-10,119
Budgetary balance (deficit/surplus)	-2,629	-1,875	-2,906	2,562
Non-budgetary transactions	1,922	-2,793	-9,627	-13,210
Financial source/requirement	-707	-4,668	-12,533	-10,648
Net change in financing activities	-2,785	1,000	13,838	13,754
Net change in cash balances	-3,492	-3,668	1,305	3,106
Cash balance at end of period			38,207	40,783
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.				
² Certain 2018-19 year-to-date figures have been adjusted to reflect a change in accounting policy. See Note 8 at the end of this document for further details.				

Revenues

Revenues in August 2018 totalled \$25.1 billion, up \$2.4 billion, or 10.4 per cent, from August 2017.

- Tax revenues increased by \$1.8 billion, or 9.3 per cent, due mainly to growth in income tax revenues, Goods and Services Tax (GST) revenues and customs import duties revenues.
- EI premium revenues were up \$0.1 billion, or 4.7 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 \$0.5 billion, or 23.9 per cent, largely reflecting higher interest and penalties revenues.

For the April to August period of 2018-19, revenues were \$134.0 billion, up \$9.9 billion, or 8.0 per cent, from the same

period the previous year.

- Tax revenues increased by \$8.7 billion, or 8.4 per cent, driven largely by growth in income tax revenues and GST revenues.
- EI premium revenues were up \$0.5 billion, or 4.9 per cent.
- Other revenues were up \$0.8 million, or 6.9 per cent, largely reflecting higher interest and penalties revenues.

	August			April to August		
	2017	2018	Change	2017-18	2018-19	Change
	(\$ millions)		(%)	(\$ millions)		(%)
Tax revenues						
Income taxes						
Personal	11,095	11,962	7.8	58,882	62,138	5.5
Corporate	2,707	3,023	11.7	17,194	20,113	17.0
Non-resident	552	722	30.8	3,013	3,718	23.4
Total income tax revenues	14,354	15,707	9.4	79,089	85,969	8.7
Other taxes and duties						
Goods and Services Tax	3,110	3,386	8.9	16,517	17,877	8.2
Energy taxes	592	503	-15.0	2,293	2,336	1.9
Customs import duties	520	856	64.6	2,453	2,790	13.7
Other excise taxes and duties	587	485	-17.4	2,557	2,587	1.2
Total other taxes and duties	4,809	5,230	8.8	23,820	25,590	7.4
Total tax revenues	19,163	20,937	9.3	102,909	111,559	8.4
Employment Insurance premiums	1,396	1,461	4.7	9,332	9,789	4.9
Other revenues	2,203	2,729	23.9	11,849	12,665	6.9
Total revenues	22,762	25,127	10.4	124,090	134,013	8.0

Note: Totals may not add due to rounding.

Expenses

Program expenses in August 2018 were \$25.0 billion, up \$1.4 billion, or 6.0 per cent, from August 2017.

- Major transfers to persons, consisting of elderly, EI and children's benefits, were up \$0.1 billion, or 0.7 per cent. Elderly benefits increased by \$0.2 billion, or 5.2 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 13.1 per cent. Children's benefits were up \$0.1 billion, or 3.0 per cent.
- Major transfers to other levels of government were down \$0.1 billion, or 1.5 per cent, as legislated growth in the Canada Health Transfer, the Canada Social Transfer and Equalization transfers was more than offset by a year-over-year difference in the timing of payments under home care and mental health transfers.
- Direct program expenses were up \$1.4 billion, or 14.5 per cent. Within direct program expenses:
 - Other transfer payments increased by \$0.6 billion, or 26.2 per cent, reflecting increases across several departments.
 - Other direct program expenses, consisting of operating expenses of the Government's departments, agencies, and consolidated Crown corporations and other entities, increased by \$0.8 billion, or 10.8 per cent, largely due to an increase in personnel costs.

Public debt charges were up \$0.2 billion, or 10.9 per cent, largely reflecting higher Consumer Price Index adjustments on Real Return Bonds.

For the April to August period of 2018–19, program expenses were \$121.3 billion, up \$3.5 billion, or 2.9 per cent, from the same period the previous year.

- Major transfers to persons were up \$0.6 billion, or 1.5 per cent. Elderly benefits increased by \$1.1 billion, or 5.2 per cent, reflecting growth in the elderly population and changes in consumer prices. EI benefits decreased by \$0.8 billion, or 10.0 per cent, while children's benefits were up \$0.3 billion, or 3.4 per cent.
- Major transfers to other levels of government were up \$0.8 billion, or 2.7 per cent, largely reflecting legislated growth in the Canada Health Transfer, the Canada Social Transfer and Equalization transfers, offset in part by a year-over-year difference in the timing of payments under home care and mental health transfers.
- Direct program expenses were up \$2.1 billion, or 4.2 per cent. Within direct program expenses:
 - Other transfer payments increased by \$0.7 billion, or 4.8 per cent, reflecting increases across several departments.
 - Other direct program expenses increased by \$1.4 billion, or 4.0 per cent, largely due to an increase in personnel costs.

Public debt charges increased by \$1.0 billion, or 10.9 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.

	August			April to August		
	2017 Restated ¹	2018	Change	2017-18 Restated ¹	2018-19 ²	Change
	(\$ millions)		(%)	(\$ millions)		(%)
Major transfers to persons						
Elderly benefits	4,200	4,417	5.2	20,812	21,893	5.2
Employment Insurance benefits	1,657	1,440	-13.1	8,300	7,468	-10.0
Children's benefits	1,906	1,963	3.0	9,634	9,959	3.4
Total	7,763	7,820	0.7	38,746	39,320	1.5
Major transfers to other levels of government						
Canada Health Transfer	3,096	3,215	3.8	15,479	16,077	3.9
Canada Social Transfer	1,146	1,180	3.0	5,728	5,900	3.0
Equalization	1,521	1,580	3.9	7,606	7,899	3.9
Territorial Formula Financing	251	257	2.4	1,929	1,984	2.9
Gas Tax Fund	0	0	n/a	1,036	1,085	4.7
Home care and mental health	289	13	-95.5	289	31	-89.3
Other fiscal arrangements ³	-443	-473	6.8	-2,009	-2,118	5.4
Total	5,860	5,772	-1.5	30,058	30,858	2.7
Direct program expenses						
Other transfer payments	2,398	3,027	26.2	13,685	14,339	4.8
Other direct program expenses	7,547	8,361	10.8	35,385	36,815	4.0
Total direct program expenses	9,945	11,388	14.5	49,070	51,154	4.2
Total program expenses	23,568	24,980	6.0	117,874	121,332	2.9

Public debt charges	1,823	2,022	10.9	9,122	10,119	10.9
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Total expenses	25,391	27,002	6.3	126,996	131,451	3.5

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.

² Certain 2018-19 year-to-date figures have been adjusted to reflect a change in accounting policy. See Note 8 at the end of this document for further details.

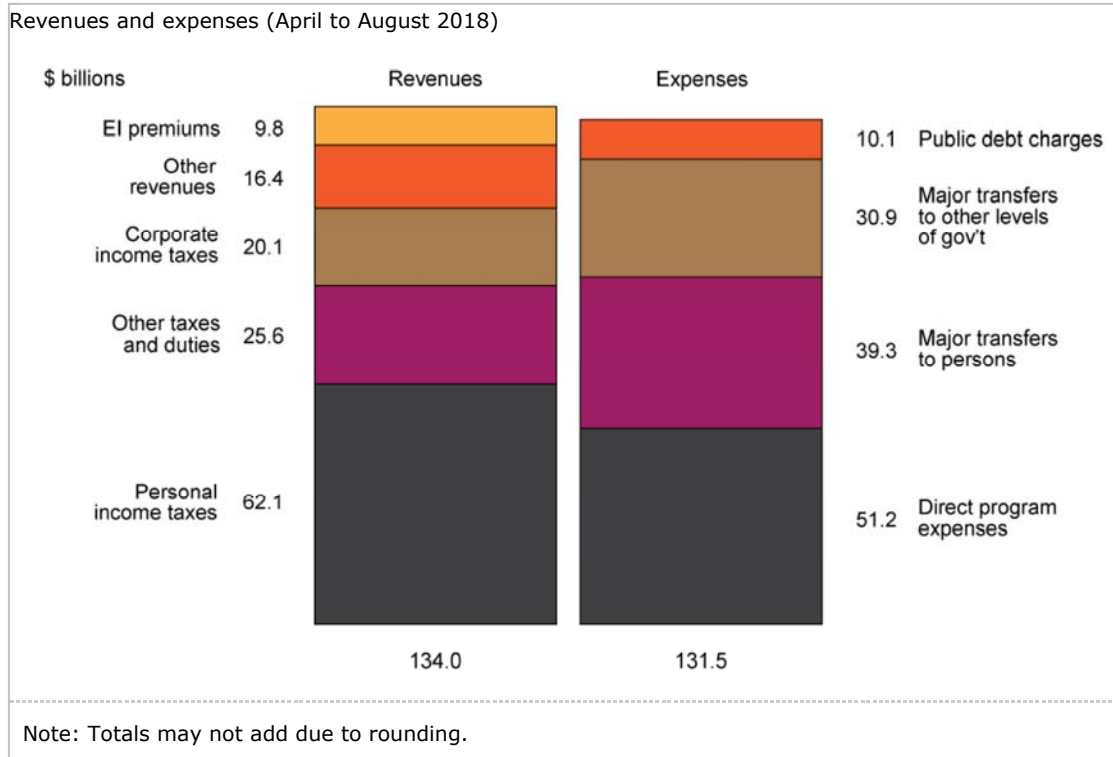
³ Other fiscal arrangements include the Youth Allowances Recovery and Alternative Payments for Standing Programs, which represent a recovery from Quebec of a tax point transfer; statutory subsidies; payments under the 2005 Offshore Accords; and payments to provinces in respect of common securities regulation.

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

	August		Change	April to August		Change
	2017	2018		2017-18	2018-19 ¹	
	(\$ millions)		(%)	(\$ millions)		(%)
Transfer payments	16,021	16,619	3.7	82,489	84,517	2.5
Other expenses						
Personnel	4,620	5,268	14.0	21,365	22,784	6.6
Transportation and communications	236	243	3.0	961	1,051	9.4
Information	15	22	46.7	67	77	14.9
Professional and special services	871	919	5.5	3,317	3,508	5.8
Rentals	215	216	0.5	1,216	1,271	4.5
Repair and maintenance	228	307	34.6	819	955	16.6
Utilities, materials and supplies	183	219	19.7	876	916	4.6
Other subsidies and expenses	761	747	-1.8	4,695	4,194	-10.7
Amortization of tangible capital assets	403	408	1.2	2,016	2,002	-0.7
Net loss on disposal of assets	15	12	-20.0	53	57	7.5
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Total other expenses	7,547	8,361	10.8	35,385	36,815	4.0
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Total program expenses	23,568	24,980	6.0	117,874	121,332	2.9
Public debt charges	1,823	2,022	10.9	9,122	10,119	10.9
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Total expenses	25,391	27,002	6.3	126,996	131,451	3.5

Note: Totals may not add due to rounding.

¹ Certain 2018-19 year-to-date figures have been adjusted to reflect a change in accounting policy. See Note 8 at the end of this document for further details.



Financial requirement of \$10.6 billion for April to August 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 \$2.6 billion and a requirement of \$13.2 billion from non-budgetary transactions, there was a financial requirement of \$10.6 billion for the April to August 2018 period, compared to a financial requirement of \$12.5 billion for the same period the previous year. The financial requirement for August 2018 reflects in large part the Government's \$4.5-billion purchase of the Trans Mountain Pipeline and Expansion Project on August 31, 2018.

Table 5 The budgetary balance and financial source/requirement (\$ millions)				
	August		April to August	
	2017 Restated ¹	2018	2017-18 Restated ¹	2018-19 ²
Budgetary balance (deficit/surplus)	-2,629	-1,875	-2,906	2,562
Non-budgetary transactions				
Accounts payable, accrued liabilities and accounts receivable	2,036	1,487	-15,637	-9,498
Pensions, other future benefits, and other liabilities	732	909	2,086	3,149
Foreign exchange accounts	52	687	3,620	1,069
Loans, investments and advances	-842	-5,127	260	-7,159
Non-financial assets	-56	-749	44	-771
Total non-budgetary transactions	1,922	-2,793	-9,627	-13,210
Financial source/requirement	-707	-4,668	-12,533	-10,648

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.

² Certain 2018-19 year-to-date figures have been adjusted to reflect a change in accounting policy. See Note 8 at the end of this document for further details.

Net financing activities up \$13.8 billion

The Government financed this financial requirement of \$10.6 billion and increased cash balances by \$3.1 billion by increasing unmatured debt by \$13.8 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 August 2018 stood at \$40.8 billion, up \$2.6 billion from their level at the end of August 2017.

Table 6 Financial source/requirement and net financing activities (\$ millions)				
	August		April to August	
	2017	2018	2017-18	2018-19
Financial source/requirement	-707	-4,668	-12,533	-10,648
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	1,266	-6,184	18,216	-422
Treasury bills	-4,300	7,300	300	16,300
Retail debt	-28	-16	-258	-161
Total	-3,062	1,100	18,258	15,717
Foreign currency borrowings	324	161	-433	240
Total	-2,738	1,261	17,825	15,957
Cross-currency swap revaluation	10	-69	-3,415	-1,361
Unamortized discounts and premiums on market debt	-39	-141	-634	-670
Obligations related to capital leases and other unamortized debt	-18	-51	62	-172
Net change in financing activities	-2,785	1,000	13,838	13,754
Change in cash balance	-3,492	-3,668	1,305	3,106
Cash balance at end of period			38,207	40,783
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 accumulated deficit decreased by \$3.5 billion over the April to August 2018 period, reflecting the \$2.6-billion budgetary surplus as well as \$1.0 billion in other comprehensive income.

Table 7 Condensed statement of assets and liabilities (\$ millions)			
	March 31, 2018	August 31, 2018	Change
Liabilities			
Accounts payable and accrued liabilities	154,824	137,563	(17,261)
Interest-bearing debt			
Unmatured debt			
Payable in Canadian currency			
Marketable bonds	574,968	574,546	(422)
Treasury bills	110,700	127,000	16,300
Retail debt	2,586	2,425	(161)
Subtotal	688,254	703,971	15,717
Payable in foreign currencies	16,049	16,289	240
Cross-currency swap revaluation	7,835	6,474	(1,361)
Unamortized discounts and premiums on market debt	3,467	2,797	(670)
Obligations related to capital leases and other unamatured debt	5,596	5,424	(172)
Total unamatured debt	721,201	734,955	13,754
Pension and other liabilities			
Public sector pensions	170,914	169,896	(1,018)
Other employee and veteran future benefits	104,793	108,759	3,966
Other liabilities	5,670	5,871	201
Total pension and other liabilities	281,377	284,526	3,149
Total interest-bearing debt	1,002,578	1,019,481	16,903
Total liabilities	1,157,402	1,157,044	(358)
Financial assets			

Cash and accounts receivable	173,206	168,548	(4,658)
Foreign exchange accounts	96,938	95,869	(1,069)
Loans, investments, and advances (net of allowances) ¹	126,371	134,485	8,114
Public sector pension assets	2,124	2,124	-
Total financial assets	398,639	401,026	2,387
Net debt	758,763	756,018	(2,745)
Non-financial assets	87,509	88,280	771
Federal debt (accumulated deficit)	671,254	667,738	(3,516)
Note: Totals may not add due to rounding.			
¹ August 31, 2018 amount includes \$1.0 billion in other comprehensive income from enterprise Crown corporations and other government business enterprises for the April to August 2018 period.			

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 year-to-date results for the April to July period of 2018–19 have also been adjusted to reflect the retroactive impact of this change.

The following table provides an overview of these restatements of the financial results for 2017–18 and 2018–19.

	August 2017			April to August 2017-18			April to July 2018-19		
	As previously reported	Effect of change in accounting policy	As restated	As previously reported	Effect of change in accounting policy	As restated	As previously reported	Effect of change in accounting policy	As restated
Program expenses	-23,335	-233	-23,568	-116,709	-1,165	-117,874	-95,566	-786	-96,352
Public debt charges	-2,014	191	-1,823	-10,077	955	-9,122	-8,894	797	-8,097
Budgetary balance (deficit/surplus)	-2,587	-42	-2,629	-2,696	-210	-2,906	4,426	11	4,437
Non-budgetary transactions	1,880	42	1,922	-9,837	210	-9,627	-10,406	-11	-10,417

Note: Totals may not add due to rounding.

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

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October 2018

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