

# The Fiscal Monitor

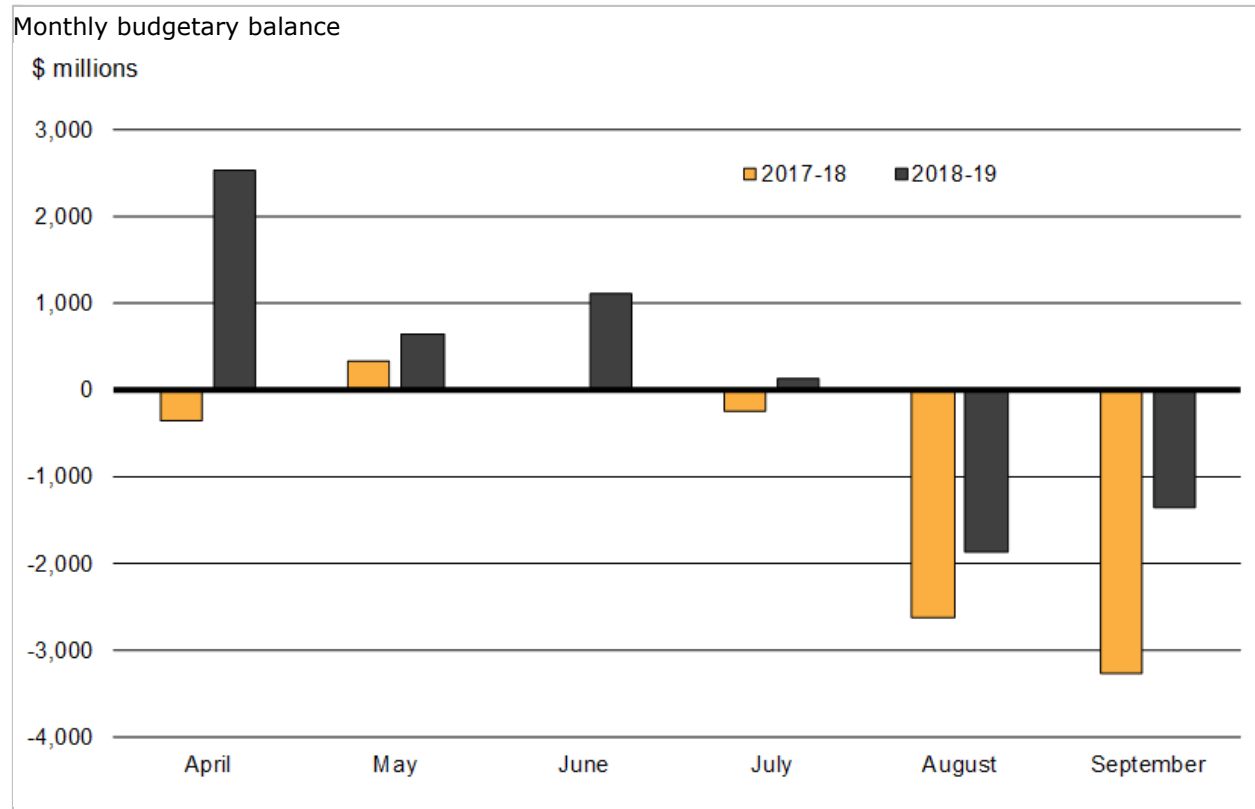
## A publication of the Department of Finance

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### Highlights

#### September 2018

There was a budgetary deficit of \$1.4 billion in September 2018, compared to a deficit of \$3.3 billion in September 2017. Revenues increased by \$3.0 billion, or 13.4 per cent, reflecting increases in tax revenues and other revenues. Program expenses increased by \$0.5 billion, or 2.2 per cent, largely reflecting increases in major transfers to persons and other levels of government. Public debt charges increased by \$0.5 billion, 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.



## April to September 2018

For the April to September 2018 period of the 2018–19 fiscal year, the Government posted a budgetary surplus of \$1.2 billion, compared to a deficit of \$6.2 billion reported for the same period of 2017–18. Revenues were up \$12.9 billion, or 8.8 per cent, reflecting increases in tax revenues, Employment Insurance (EI) premium revenues and other revenues. Program expenses were up \$4.0 billion, or 2.8 per cent, reflecting increases in major transfers to persons and other levels of government and direct program expenses. Public debt charges increased by \$1.5 billion, or 14.3 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.

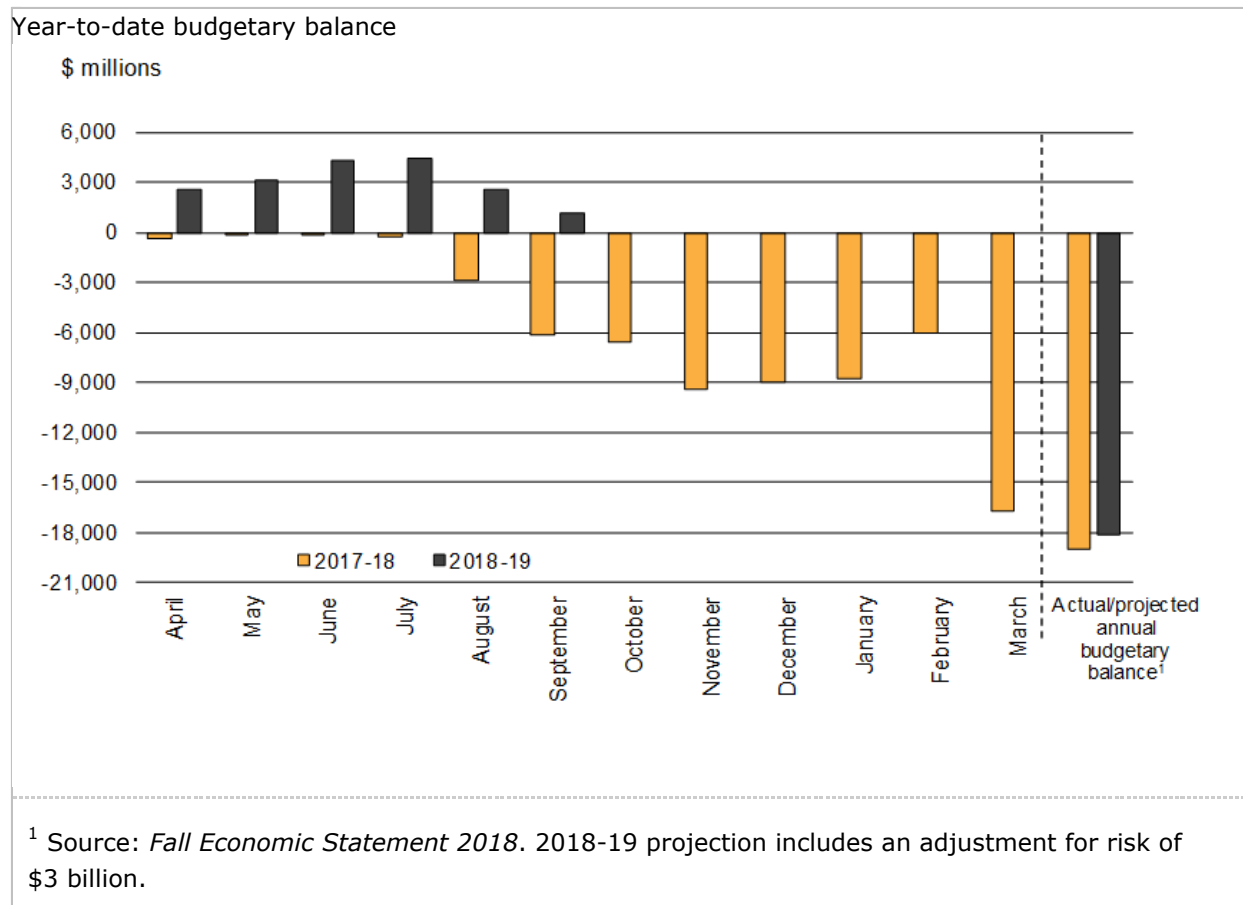


Table 1  
**Summary statement of transactions**  
 (\$ millions)

	September		April to September	
	2017 Restated <sup>1</sup>	2018	2017-18 Restated <sup>1</sup>	2018-19
<b>Budgetary transactions</b>				
Revenues	22,252	25,234	146,342	159,247
Expenses				
Program expenses	-23,913	-24,436	-141,786	-145,769
Public debt charges	-1,614	-2,154	-10,736	-12,273
Budgetary balance (deficit/surplus)	-3,275	-1,356	-6,180	1,205
<b>Non-budgetary transactions</b>	3,303	2,328	-6,323	-10,882
<b>Financial source/requirement</b>	28	972	-12,503	-9,677
<b>Net change in financing activities</b>	-1,082	-6,025	12,756	7,729
<b>Net change in cash balances</b>	-1,054	-5,053	253	-1,948
<b>Cash balance at end of period</b>			37,154	35,730

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

<sup>1</sup> 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 September 2018 totalled \$25.2 billion, up \$3.0 billion, or 13.4 per cent, from September 2017.

- Tax revenues increased by \$2.5 billion, or 13.3 per cent, due mainly to growth in income tax revenues, customs import duties revenues and other excise taxes and duties revenues.
- EI premium revenues were up \$0.1 billion, or 4.8 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 \$0.4 billion, or 19.1 per cent, largely reflecting higher interest and penalties revenues.

For the April to September period of 2018–19, revenues were \$159.2 billion, up \$12.9 billion, or 8.8 per cent, from the same period the previous year.

- Tax revenues increased by \$11.2 billion, or 9.2 per cent, driven largely by growth in income tax revenues, Goods and Services Tax revenues and customs import duties revenues.
- EI premium revenues were up \$0.5 billion, or 4.9 per cent.
- Other revenues were up \$1.2 billion, or 8.7 per cent, largely reflecting higher interest and penalties revenues.

	September			April to September		
	2017	2018	Change	2017–18	2018–19	Change
	(\$ millions)		(%)	(\$ millions)		(%)
<b>Tax revenues</b>						
Income taxes						
Personal	11,989	13,752	14.7	70,871	75,890	7.1
Corporate	2,350	2,876	22.4	19,544	22,988	17.6
Non-resident	507	396	-21.9	3,520	4,114	16.9
	<hr/>			<hr/>		
Total income tax revenues	14,846	17,024	14.7	93,935	102,992	9.6
Other taxes and duties						
Goods and Services Tax	2,564	2,536	-1.1	19,081	20,413	7.0
Energy taxes	537	545	1.5	2,831	2,882	1.8

Customs import duties	471	719	52.7	2,924	3,509	20.0
Other excise taxes and duties	497	611	22.9	3,054	3,198	4.7
	<hr/>			<hr/>		
Total other taxes and duties	4,069	4,411	8.4	27,890	30,002	7.6
	<hr/>			<hr/>		
Total tax revenues	18,915	21,435	13.3	121,825	132,994	9.2
<b>Employment Insurance premiums</b>	1,225	1,284	4.8	10,558	11,073	4.9
<b>Other revenues</b>	2,112	2,515	19.1	13,959	15,180	8.7
	<hr/>			<hr/>		
<b>Total revenues</b>	22,252	25,234	13.4	146,342	159,247	8.8
Note: Totals may not add due to rounding.						

## Expenses

Program expenses in September 2018 were \$24.4 billion, up \$0.5 billion, or 2.2 per cent, from September 2017.

- Major transfers to persons, consisting of elderly, EI and children's benefits, were up \$0.5 billion, or 6.7 per cent. Elderly benefits increased by \$0.2 billion, or 5.6 per cent, reflecting growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. EI benefits increased by \$0.3 billion, or 19.6 per cent. Children's benefits were up \$4 million, or 0.2 per cent.
- Major transfers to other levels of government were up \$0.2 billion, or 3.3 per cent, largely reflecting legislated growth in the Canada Health Transfer, the Canada Social Transfer and Equalization transfers.
- Direct program expenses were down \$0.2 billion, or 1.6 per cent. Within direct program expenses:
  - Other transfer payments increased by \$0.1 billion, or 2.6 per cent.
  - Other direct program expenses, consisting of operating expenses of the Government's departments, agencies, and consolidated Crown corporations and other entities, decreased by \$0.3 billion, or 3.5 per cent.

Public debt charges were up \$0.5 billion, 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.

For the April to September period of 2018–19, program expenses were \$145.8 billion, up \$4.0 billion,

or 2.8 per cent, from the same period the previous year.

- Major transfers to persons were up \$1.1 billion, or 2.3 per cent. Elderly benefits increased by \$1.3 billion, or 5.3 per cent, reflecting growth in the elderly population and changes in consumer prices. EI benefits decreased by \$0.6 billion, or 5.8 per cent, while children's benefits were up \$0.3 billion, or 2.8 per cent.
- Major transfers to other levels of government were up \$1.0 billion, or 2.8 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 \$1.9 billion, or 3.2 per cent. Within direct program expenses:
  - Other transfer payments increased by \$0.7 billion, or 4.4 per cent, reflecting increases across several departments.
  - Other direct program expenses increased by \$1.2 billion, or 2.7 per cent, largely due to an increase in personnel costs.

Public debt charges increased by \$1.5 billion, or 14.3 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						
	September			April to September		
	2017 Restated <sup>1</sup>	2018	Change	2017-18 Restated <sup>1</sup>	2018-19	Change
	(\$ millions)		(%)	(\$ millions)		(%)
<b>Major transfers to persons</b>						
Elderly benefits	4,202	4,436	5.6	25,014	26,329	5.3
Employment Insurance benefits	1,388	1,660	19.6	9,688	9,127	-5.8
Children's benefits	1,972	1,976	0.2	11,605	11,935	2.8
Total	7,562	8,072	6.7	46,307	47,391	2.3
<b>Major transfers to other levels of government</b>						
Canada Health Transfer	3,096	3,215	3.8	18,575	19,292	3.9
Canada Social Transfer	1,146	1,180	3.0	6,874	7,080	3.0
Equalization	1,521	1,580	3.9	9,127	9,479	3.9
Territorial Formula Financing	251	257	2.4	2,180	2,241	2.8
Gas Tax Fund	0	0	n/a	1,036	1,085	4.7
Home care and mental health	11	0	-100.0	300	31	-89.7
Other fiscal arrangements <sup>2</sup>	-406	-427	5.2	-2,414	-2,546	5.5
Total	5,619	5,805	3.3	35,678	36,662	2.8

<b>Direct program expenses</b>						
Other transfer payments	3,299	3,386	2.6	16,983	17,725	4.4
Other direct program expenses	7,433	7,173	-3.5	42,818	43,991	2.7
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Total direct program expenses	10,732	10,559	-1.6	59,801	61,716	3.2
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<b>Total program expenses</b>	23,913	24,436	2.2	141,786	145,769	2.8
<b>Public debt charges</b>	1,614	2,154	33.5	10,736	12,273	14.3
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<b>Total expenses</b>	25,527	26,590	4.2	152,522	158,042	3.6
<p>Note: Totals may not add due to rounding.</p> <p><sup>1</sup> 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><sup>2</sup> 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.</p>						

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

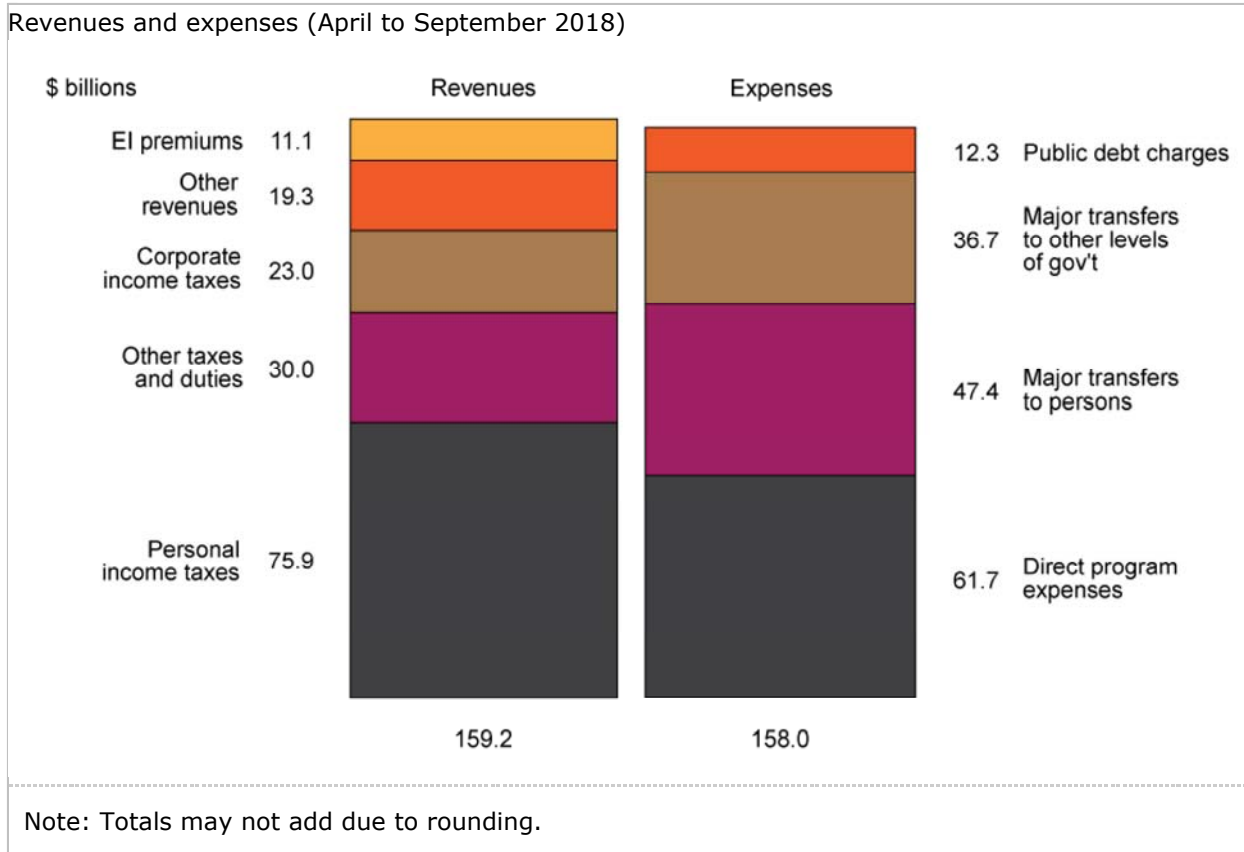


Table 4

**Total expenses by object of expense**

	September			April to September		
	2017	2018	Change	2017-18	2018-19	Change
	(\$ millions)		(%)	(\$ millions)		(%)
Transfer payments	16,480	17,263	4.8	98,968	101,778	2.8
Other expenses						
Personnel	4,405	4,157	-5.6	25,770	26,941	4.5
Transportation and communications	210	222	5.7	1,171	1,273	8.7
Information	14	16	14.3	81	92	13.6
Professional and special services	898	868	-3.3	4,215	4,376	3.8
Rentals	202	210	4.0	1,418	1,482	4.5
Repair and maintenance	240	285	18.8	1,059	1,241	17.2
Utilities, materials and supplies	204	192	-5.9	1,081	1,109	2.6
Other subsidies and expenses	842	802	-4.8	5,537	4,996	-9.8
Amortization of tangible capital assets	403	410	1.7	2,418	2,413	-0.2
Net loss on disposal of assets	15	11	-26.7	68	68	0.0
	<hr/>			<hr/>		
Total other expenses	7,433	7,173	-3.5	42,818	43,991	2.7
	<hr/>			<hr/>		
<b>Total program expenses</b>	23,913	24,436	2.2	141,786	145,769	2.8
<b>Public debt charges</b>	1,614	2,154	33.5	10,736	12,273	14.3
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<b>Total expenses</b>	25,527	26,590	4.2	152,522	158,042	3.6

Note: Totals may not add due to rounding.



## Financial requirement of \$9.7 billion for April to September 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 \$1.2 billion and a requirement of \$10.9 billion from non-budgetary transactions, there was a financial requirement of \$9.7 billion for the April to September 2018 period, compared to a financial requirement of \$12.5 billion for the same period the previous year.

Table 5

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

	September		April to September	
	2017 Restated <sup>1</sup>	2018	2017-18 Restated <sup>1</sup>	2018-19
<b>Budgetary balance (deficit/surplus)</b>	-3,275	-1,356	-6,180	1,205
<b>Non-budgetary transactions</b>				
Accounts payable, accrued liabilities and accounts receivable	4,111	2,569	-11,525	-6,929
Pensions, other future benefits, and other liabilities	787	648	2,873	3,797
Foreign exchange accounts	445	1,142	4,065	2,211
Loans, investments and advances	-1,985	-2,023	-1,725	-9,182
Non-financial assets	-55	-8	-11	-779
Total non-budgetary transactions	3,303	2,328	-6,323	-10,882
<b>Financial source/requirement</b>	28	972	-12,503	-9,677

Note: Totals may not add due to rounding.

<sup>1</sup> 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 \$7.7 billion

The Government financed this financial requirement of \$9.7 billion by decreasing cash balances by \$1.9 billion and increasing unmatured debt by \$7.7 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 September 2018 stood at \$35.7 billion, down \$1.4 billion from their level at the end of September 2017.

Table 6

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

	September		April to September	
	2017	2018	2017-18	2018-19
<b>Financial source/requirement</b>	28	972	-12,503	-9,677
<b>Net increase (+)/decrease (-) in financing activities</b>				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	1,911	-6,065	20,128	-6,487
Treasury bills	-2,800	1,500	-2,500	17,800
Retail debt	-76	-80	-333	-241
Total	-965	-4,645	17,295	11,072
Foreign currency borrowings	-159	-365	-592	-125
Total	-1,124	-5,010	16,703	10,947
Cross-currency swap revaluation	106	-760	-3,309	-2,121
Unamortized discounts and premiums on market debt	-47	-202	-682	-872
Obligations related to capital leases and other unamatured debt	-17	-53	44	-225
<b>Net change in financing activities</b>	-1,082	-6,025	12,756	7,729
<b>Change in cash balance</b>	-1,054	-5,053	253	-1,948
<b>Cash balance at end of period</b>			37,154	35,730

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 \$2.9 billion over the April to September 2018 period, reflecting the \$1.2-billion budgetary surplus as well as \$1.7 billion in other comprehensive income.

Table 7 <b>Condensed statement of assets and liabilities</b> <b>(\$ millions)</b>			
	<b>March 31, 2018</b>	<b>September 30, 2018</b>	<b>Change</b>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	154,824	141,071	(13,753)
Interest-bearing debt			
Unmatured debt			
Payable in Canadian currency			
Marketable bonds	574,968	568,481	(6,487)
Treasury bills	110,700	128,500	17,800
Retail debt	2,586	2,345	(241)
	<hr/>		
Subtotal	688,254	699,326	11,072
Payable in foreign currencies	16,049	15,924	(125)
Cross-currency swap revaluation	7,835	5,714	(2,121)
Unamortized discounts and premiums on market debt	3,467	2,595	(872)
Obligations related to capital leases and other unamatured debt	5,596	5,371	(225)
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Total unamatured debt	721,201	728,930	7,729

Pension and other liabilities			
Public sector pensions	170,914	169,737	(1,177)
Other employee and veteran future benefits	104,793	109,556	4,763
Other liabilities	5,670	5,881	211
	<hr/>		
Total pension and other liabilities	281,377	285,174	3,797
	<hr/>		
Total interest-bearing debt	1,002,578	1,014,104	11,526
	<hr/>		
<b>Total liabilities</b>	1,157,402	1,155,175	(2,227)
<b>Financial assets</b>			
Cash and accounts receivable	173,206	164,434	(8,772)
Foreign exchange accounts	96,938	94,727	(2,211)
Loans, investments, and advances (net of allowances) <sup>1</sup>	126,371	137,222	10,851
Public sector pension assets	2,124	2,124	-
	<hr/>		
Total financial assets	398,639	398,507	(132)
	<hr/>		
<b>Net debt</b>	758,763	756,668	(2,095)
<b>Non-financial assets</b>	87,509	88,288	779
	<hr/>		
<b>Federal debt (accumulated deficit)</b>	671,254	668,380	(2,874)
<p>Note: Totals may not add due to rounding.</p> <p><sup>1</sup> September 30, 2018 amount includes \$1.7 billion in other comprehensive income from enterprise Crown corporations and other government business enterprises for the April to September 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)**

	September 2017			April to September 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	-23,680	-233	-23,913	-140,388	-1,398	-141,786
Public debt charges	-1,805	191	-1,614	-11,882	1,146	-10,736
Budgetary balance (deficit/surplus)	-3,233	-42	-3,275	-5,928	-252	-6,180
Non-budgetary transactions	3,261	42	3,303	-6,575	252	-6,323
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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November 2018

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