



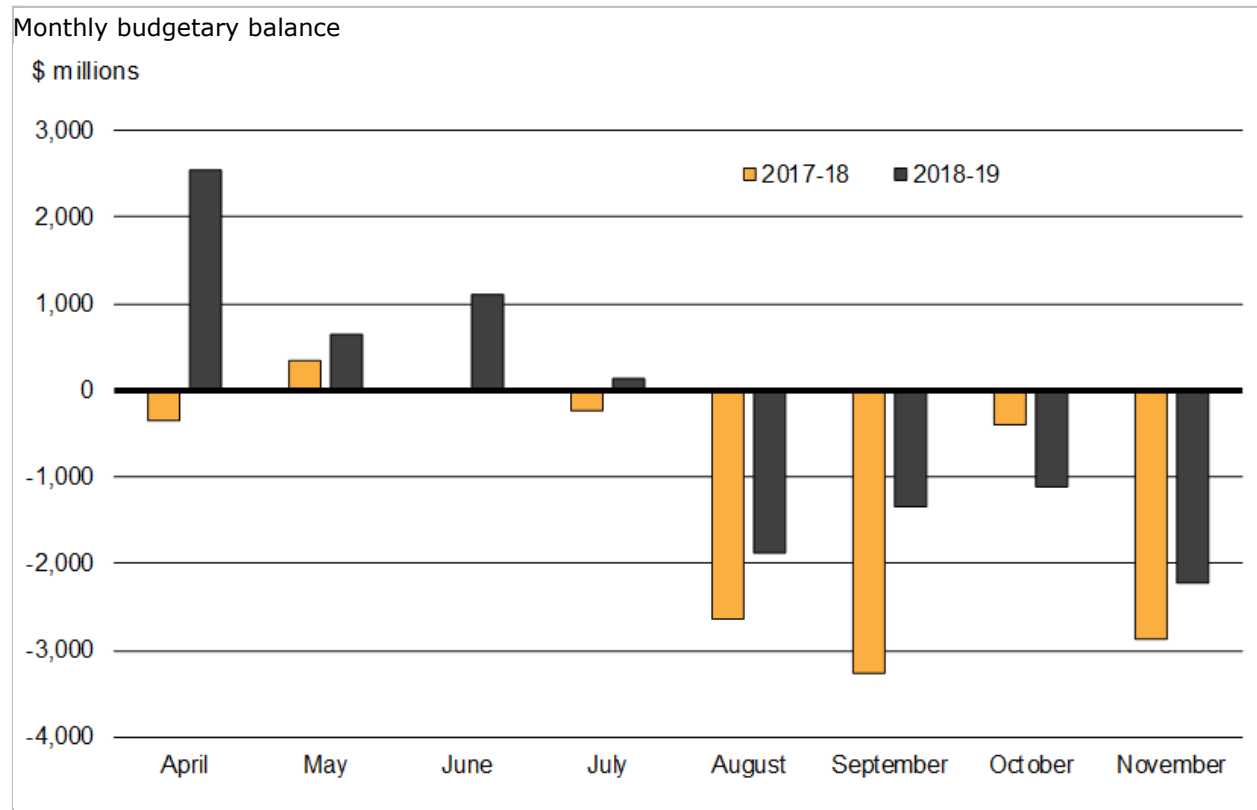
# The Fiscal Monitor

## A publication of the Department of Finance

### Highlights

#### November 2018

There was a budgetary deficit of \$2.2 billion in November 2018, compared to a deficit of \$2.9 billion in November 2017. Revenues increased by \$2.4 billion, or 10.5 per cent, reflecting increases in tax revenues, Employment Insurance (EI) premium revenues and other revenues. Program expenses increased by \$1.9 billion, or 7.9 per cent, reflecting increases in major transfers to persons and other levels of government and direct program expenses. Public debt charges decreased by \$0.2 billion, or 8.3 per cent, largely reflecting lower Consumer Price Index adjustments for the month of November.



## April to November 2018

For the April to November 2018 period of the 2018–19 fiscal year, the Government posted a budgetary deficit of \$2.1 billion, compared to a deficit of \$9.5 billion reported for the same period of 2017–18. Revenues were up \$16.7 billion, or 8.6 per cent, reflecting increases in tax revenues, EI premium revenues and other revenues. Program expenses were up \$8.0 billion, or 4.2 per cent, reflecting increases in major transfers to persons and other levels of government and direct program expenses. Public debt charges increased by \$1.4 billion, or 9.8 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.

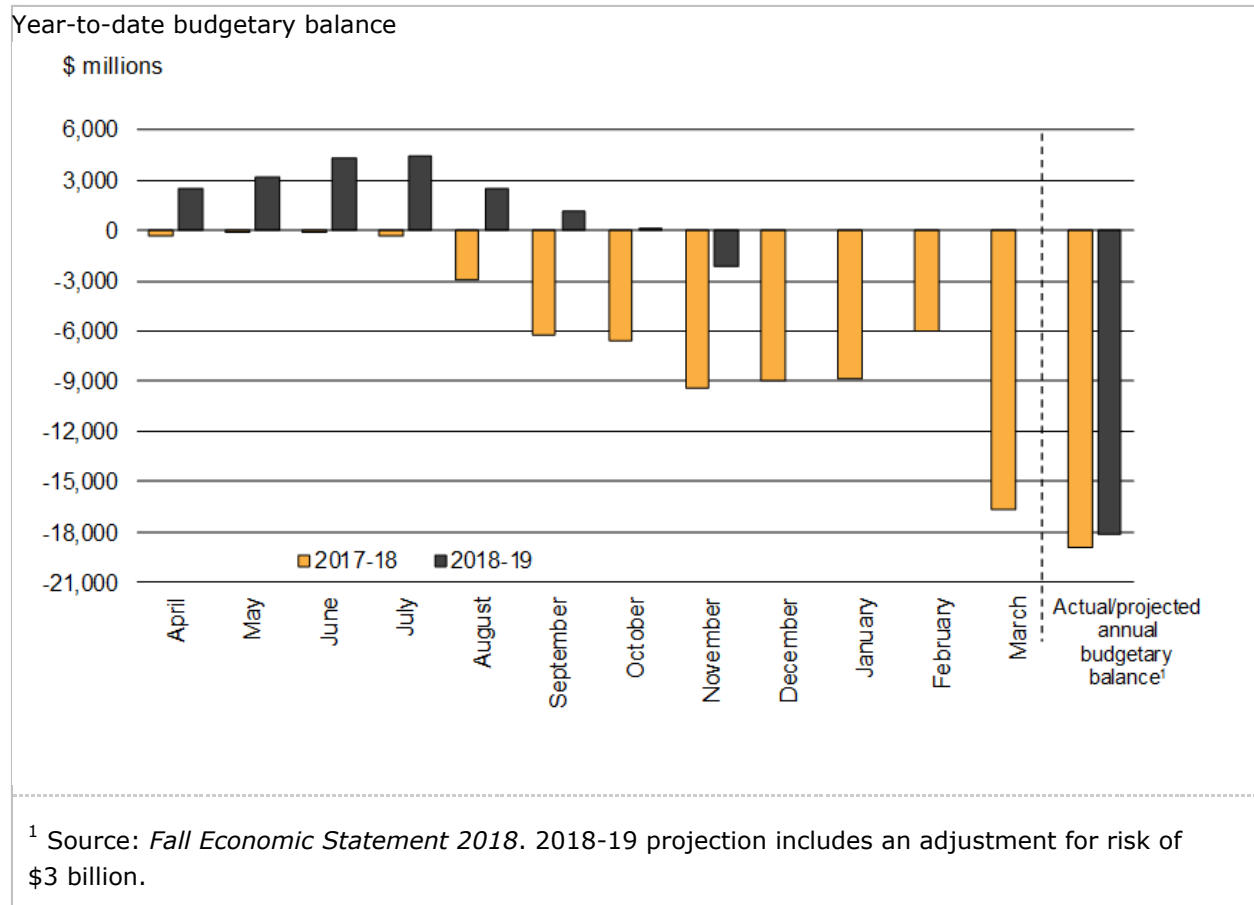


Table 1  
**Summary statement of transactions**  
 (\$ millions)

	November		April to November	
	2017 Restated <sup>1</sup>	2018	2017-18 Restated <sup>1</sup>	2018-19
<b>Budgetary transactions</b>				
Revenues	23,113	25,534	194,921	211,648
Expenses				
Program expenses	-24,141	-26,053	-189,945	-197,930
Public debt charges	-1,853	-1,700	-14,428	-15,845
Budgetary balance (deficit/surplus)	-2,881	-2,219	-9,452	-2,127
<b>Non-budgetary transactions</b>	-425	2,829	-7,532	-9,756
<b>Financial source/requirement</b>	-3,306	610	-16,984	-11,883
<b>Net change in financing activities</b>	-1,381	-6,048	17,251	14,394
<b>Net change in cash balances</b>	-4,687	-5,438	267	2,511
<b>Cash balance at end of period</b>			37,168	40,187

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 November 2018 totalled \$25.5 billion, up \$2.4 billion, or 10.5 per cent, from November 2017.

- Tax revenues increased by \$2.3 billion, or 11.5 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 \$27 million, or 2.9 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 \$0.1 billion, or 5.0 per cent.

For the April to November period of 2018–19, revenues were \$211.6 billion, up \$16.7 billion, or 8.6 per cent, from the same period the previous year.

- Tax revenues increased by \$14.5 billion, or 8.8 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 4.7 per cent.
- Other revenues were up \$1.7 billion, or 8.9 per cent, largely reflecting higher interest and penalties revenues.

	November			April to November		
	2017	2018	Change	2017–18	2018–19	Change
	(\$ millions)		(%)	(\$ millions)		(%)
<b>Tax revenues</b>						
Income taxes						
Personal	11,881	12,642	6.4	94,615	100,283	6.0
Corporate	3,079	4,246	37.9	26,677	31,258	17.2
Non-resident	660	678	2.7	4,976	6,068	21.9
	<hr/>			<hr/>		
Total income tax revenues	15,620	17,566	12.5	126,268	137,609	9.0
Other taxes and duties						
Goods and Services Tax	2,843	2,994	5.3	25,853	27,817	7.6
Energy taxes	504	462	-8.3	3,839	3,868	0.8
Customs import duties	416	645	55.0	3,772	4,810	27.5

Other excise taxes and duties	476	470	-1.3	4,012	4,122	2.7
	<hr/>			<hr/>		
Total other taxes and duties	4,239	4,571	7.8	37,476	40,617	8.4
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Total tax revenues	19,859	22,137	11.5	163,744	178,226	8.8
<b>Employment Insurance premiums</b>	938	965	2.9	12,563	13,151	4.7
<b>Other revenues</b>	2,316	2,432	5.0	18,614	20,271	8.9
	<hr/>			<hr/>		
<b>Total revenues</b>	23,113	25,534	10.5	194,921	211,648	8.6
Note: Totals may not add due to rounding.						

## Expenses

Program expenses in November 2018 were \$26.1 billion, up \$1.9 billion, or 7.9 per cent, from November 2017.

- Major transfers to persons, consisting of elderly, EI and children's benefits, were up \$49 million, or 0.6 per cent. Elderly benefits increased by \$0.2 billion, or 5.4 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 \$2 million, or 0.1 per cent.
- Major transfers to other levels of government were up \$0.5 billion, or 7.6 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 \$1.4 billion, or 13.5 per cent. Within direct program expenses:
  - Other transfer payments increased by \$0.9 billion, or 33.5 per cent, in large part reflecting an increase in disaster assistance.
  - Other direct program expenses, consisting of operating expenses of the Government's departments, agencies, and consolidated Crown corporations and other entities, increased by \$0.5 billion, or 6.3 per cent, largely reflecting an increase in personnel costs.

Public debt charges were down \$0.2 billion, or 8.3 per cent, largely reflecting lower Consumer Price Index adjustments for the month of November.

For the April to November period of 2018–19, program expenses were \$197.9 billion, up \$8.0 billion, or 4.2 per cent, from the same period the previous year.

- Major transfers to persons were up \$1.2 billion, or 1.9 per cent. Elderly benefits increased by \$1.7 billion, or 5.2 per cent, reflecting growth in the elderly population and changes in consumer prices. EI benefits decreased by \$0.9 billion, or 7.4 per cent, while children's benefits were up \$0.4 billion, or 2.3 per cent.
- Major transfers to other levels of government were up \$1.8 billion, or 3.7 per cent, largely reflecting legislated growth in the Canada Health Transfer, the Canada Social Transfer and Equalization transfers.
- Direct program expenses were up \$5.0 billion, or 6.2 per cent. Within direct program expenses:
  - Other transfer payments increased by \$3.1 billion, or 13.8 per cent, largely reflecting increased transfers to First Nations, as well as increased infrastructure funding and disaster assistance.
  - Other direct program expenses increased by \$1.9 billion, or 3.3 per cent, largely reflecting an increase in personnel costs.

Public debt charges increased by \$1.4 billion, or 9.8 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						
	November			April to November		
	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	4,269	4,500	5.4	33,572	35,317	5.2
Employment Insurance benefits	1,401	1,217	-13.1	12,616	11,687	-7.4
Children's benefits	2,006	2,008	0.1	15,562	15,926	2.3
Total	7,676	7,725	0.6	61,750	62,930	1.9
<b>Major transfers to other levels of government</b>						
Canada Health Transfer	3,096	3,215	3.8	24,766	25,722	3.9
Canada Social Transfer	1,146	1,180	3.0	9,166	9,441	3.0
Equalization	1,521	1,580	3.9	12,169	12,639	3.9
Territorial Formula Financing	250	257	2.8	2,680	2,756	2.8
Gas Tax Fund	555	497	-10.5	1,590	1,582	-0.5
Home care and mental health	0	329	100.0	300	476	58.7
Other fiscal arrangements <sup>2</sup>	-406	-428	5.4	-3,225	-3,400	5.4
Total	6,162	6,630	7.6	47,446	49,216	3.7
<b>Direct program expenses</b>						

Other transfer payments	2,740	3,657	33.5	22,691	25,823	13.8
Other direct program expenses	7,563	8,041	6.3	58,058	59,961	3.3
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Total direct program expenses	10,303	11,698	13.5	80,749	85,784	6.2
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<b>Total program expenses</b>	24,141	26,053	7.9	189,945	197,930	4.2
<b>Public debt charges</b>	1,853	1,700	-8.3	14,428	15,845	9.8
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<b>Total expenses</b>	25,994	27,753	6.8	204,373	213,775	4.6
<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.

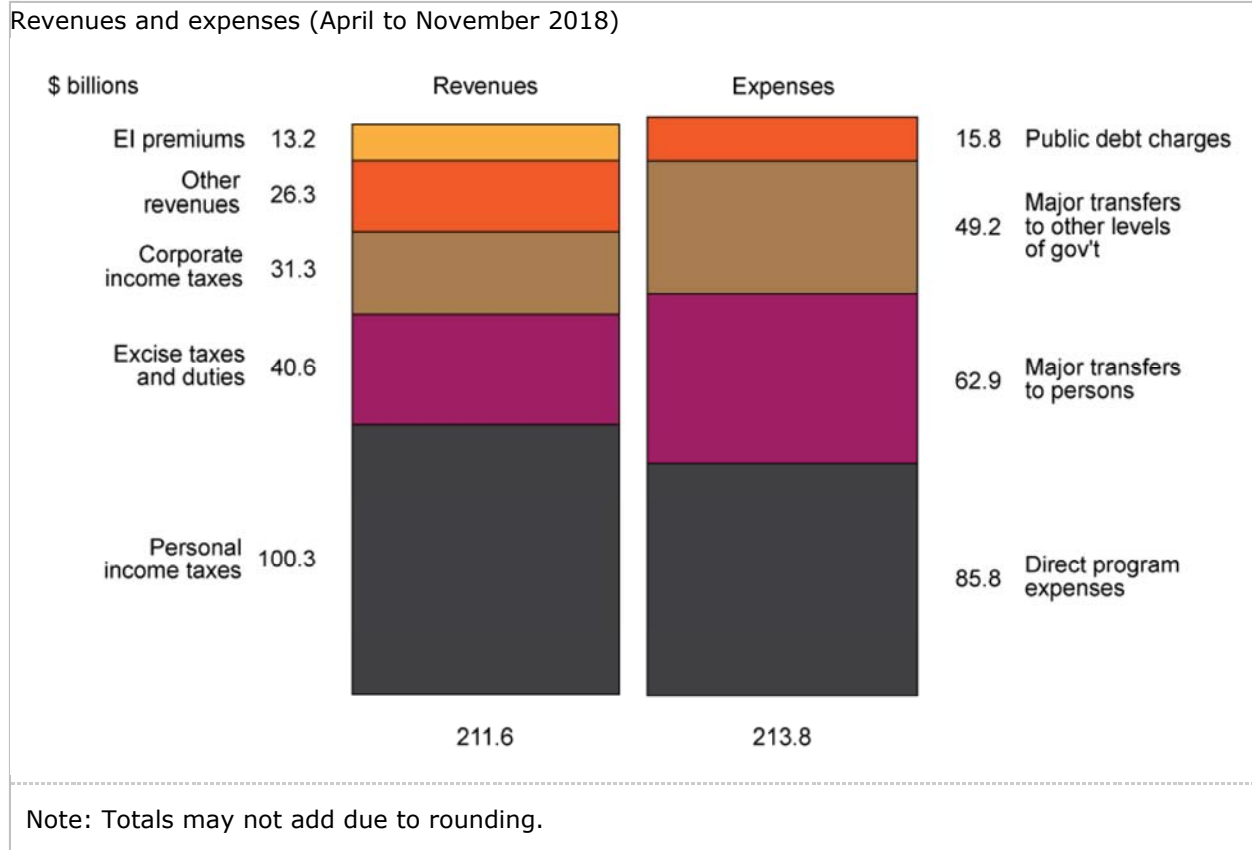


Table 4

**Total expenses by object of expense**

	November			April to November		
	2017	2018	Change	2017-18	2018-19	Change
	(\$ millions)		(%)	(\$ millions)		(%)
Transfer payments	16,578	18,014	8.7	131,887	137,969	4.6
Other expenses						
Personnel	4,520	4,738	4.8	34,620	36,343	5.0
Transportation and communications	240	253	5.4	1,654	1,790	8.2
Information	17	23	35.3	120	149	24.2
Professional and special services	1,081	1,054	-2.5	6,263	6,479	3.4
Rentals	220	221	0.5	1,905	1,995	4.7
Repair and maintenance	338	335	-0.9	1,664	1,915	15.1
Utilities, materials and supplies	226	255	12.8	1,519	1,587	4.5
Other subsidies and expenses	507	712	40.4	6,999	6,365	-9.1
Amortization of tangible capital assets	404	441	9.2	3,226	3,252	0.8
Net loss on disposal of assets	10	7	-30.0	88	86	-2.3
	<hr/>			<hr/>		
Total other expenses	7,563	8,039	6.3	58,058	59,961	3.3
	<hr/>			<hr/>		
<b>Total program expenses</b>	24,141	26,053	7.9	189,945	197,930	4.2
<b>Public debt charges</b>	1,853	1,700	-8.3	14,428	15,845	9.8
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<b>Total expenses</b>	25,994	27,753	6.8	204,373	213,775	4.6

Note: Totals may not add due to rounding.



## Financial requirement of \$11.9 billion for April to November 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 \$2.1 billion and a requirement of \$9.8 billion from non-budgetary transactions, there was a financial requirement of \$11.9 billion for the April to November 2018 period, compared to a financial requirement of \$17.0 billion for the same period the previous year.

Table 5

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

	November		April to November	
	2017 Restated <sup>1</sup>	2018	2017-18 Restated <sup>1</sup>	2018-19
<b>Budgetary balance (deficit/surplus)</b>	-2,881	-2,219	-9,452	-2,127
<b>Non-budgetary transactions</b>				
Accounts payable, accrued liabilities and accounts receivable	4,194	2,615	-6,655	-2,443
Pensions, other future benefits, and other liabilities	704	583	4,527	5,197
Foreign exchange accounts	-4,531	-483	-2,562	-1,976
Loans, investments and advances	-599	337	-2,508	-9,231
Non-financial assets	-193	-223	-334	-1,303
Total non-budgetary transactions	-425	2,829	-7,532	-9,756
<b>Financial source/requirement</b>	-3,306	610	-16,984	-11,883

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 \$14.4 billion

The Government financed this financial requirement of \$11.9 billion and increased cash balances by \$2.5 billion by increasing unmatured debt by \$14.4 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 November 2018 stood at \$40.2 billion, up \$3.0 billion from their level at the end of November 2017.

Table 6

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

	November		April to November	
	2017	2018	2017-18	2018-19
<b>Financial source/requirement</b>	-3,306	610	-16,984	-11,883
<b>Net increase (+)/decrease (-) in financing activities</b>				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	1,657	-4,192	32,102	-3,870
Treasury bills	-6,500	-300	-15,200	22,000
Retail debt	-942	-1,204	-1,416	-1,480
Total	-5,785	-5,696	15,486	16,650
Foreign currency borrowings	3,955	-582	3,373	-29
Total	-1,830	-6,278	18,859	16,621
Cross-currency swap revaluation	540	566	-557	-608
Unamortized discounts and premiums on market debt	-75	-307	-1,062	-1,342
Obligations related to capital leases and other unamatured debt	-16	-29	11	-277
<b>Net change in financing activities</b>	-1,381	-6,048	17,251	14,394
<b>Change in cash balance</b>	-4,687	-5,438	267	2,511
<b>Cash balance at end of period</b>			37,168	40,187
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 increased by \$0.5 billion over the April to November 2018 period, reflecting the \$2.1-billion budgetary deficit, offset in part by \$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>November 30, 2018</b>	<b>Change</b>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	154,824	149,733	(5,091)
Interest-bearing debt			
Unmatured debt			
Payable in Canadian currency			
Marketable bonds	574,968	571,098	(3,870)
Treasury bills	110,700	132,700	22,000
Retail debt	2,586	1,106	(1,480)
	<hr/>		
Subtotal	688,254	704,904	16,650
Payable in foreign currencies	16,049	16,020	(29)
Cross-currency swap revaluation	7,835	7,227	(608)
Unamortized discounts and premiums on market debt	3,467	2,125	(1,342)
Obligations related to capital leases and other unamatured debt	5,596	5,319	(277)
	<hr/>		
Total unamatured debt	721,201	735,595	14,394

Pension and other liabilities			
Public sector pensions	170,914	169,539	(1,375)
Other employee and veteran future benefits	104,793	111,136	6,343
Other liabilities	5,670	5,899	229
	<hr/>		
Total pension and other liabilities	281,377	286,574	5,197
	<hr/>		
Total interest-bearing debt	1,002,578	1,022,169	19,591
	<hr/>		
<b>Total liabilities</b>	<b>1,157,402</b>	<b>1,171,902</b>	<b>14,500</b>
<b>Financial assets</b>			
Cash and accounts receivable	173,206	173,069	(137)
Foreign exchange accounts	96,938	98,914	1,976
Loans, investments, and advances (net of allowances) <sup>1</sup>	126,371	137,271	10,900
Public sector pension assets	2,124	2,124	-
	<hr/>		
Total financial assets	398,639	411,378	12,739
	<hr/>		
<b>Net debt</b>	<b>758,763</b>	<b>760,524</b>	<b>1,761</b>
<b>Non-financial assets</b>	<b>87,509</b>	<b>88,812</b>	<b>1,303</b>
	<hr/>		
<b>Federal debt (accumulated deficit)</b>	<b>671,254</b>	<b>671,712</b>	<b>458</b>
Note: Totals may not add due to rounding.			
<sup>1</sup> November 30, 2018 amount includes \$1.7 billion in other comprehensive income from enterprise Crown corporations and other government business enterprises for the April to November 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 following table provides an overview of these restatements of the 2017–18 financial results.

Table 8  
**Summary of Restatements**  
**(\$ millions)**

	November 2017			April to November 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	-23,908	-233	-24,141	-188,081	-1,864	-189,945
Public debt charges	-2,044	191	-1,853	-15,956	1,528	-14,428
Budgetary balance (deficit/surplus)	-2,839	-42	-2,881	-9,116	-336	-9,452
Non-budgetary transactions	-467	42	-425	-7,868	336	-7,532
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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