



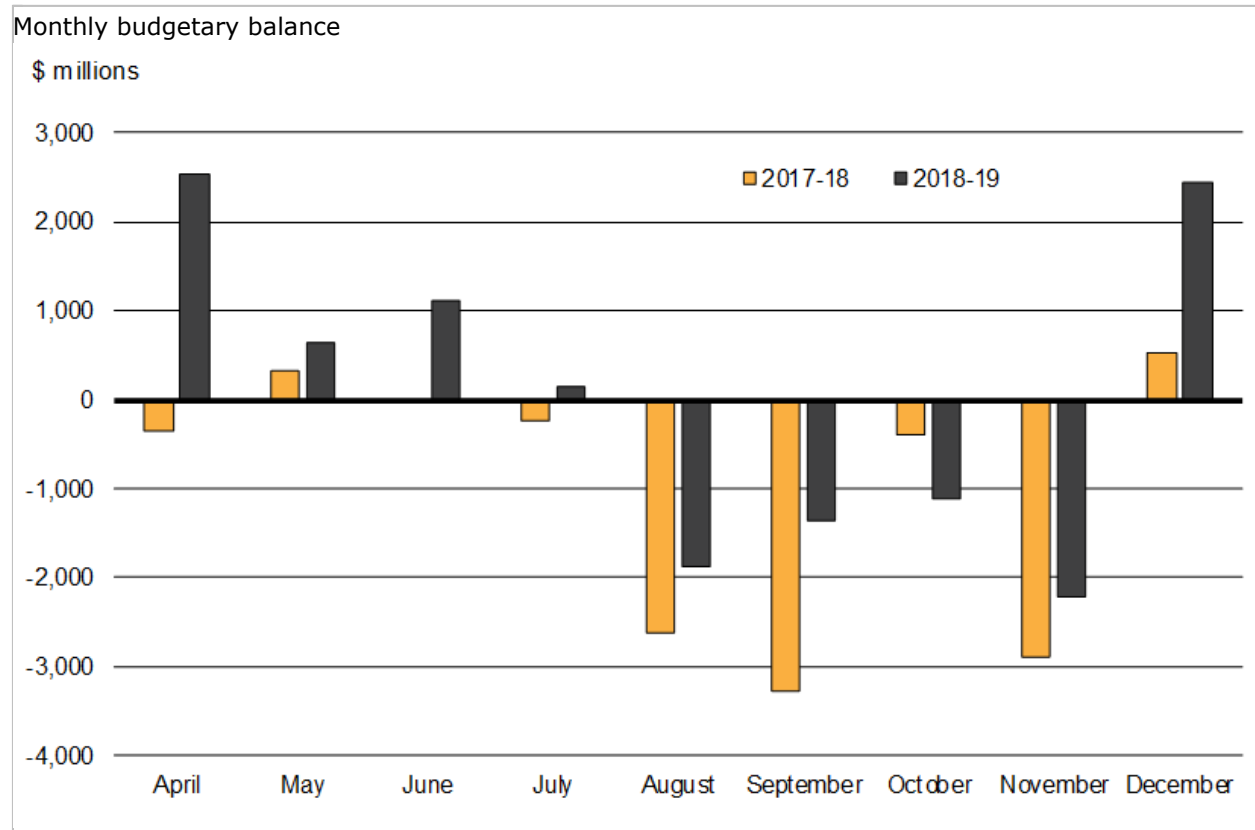
The Fiscal Monitor

A publication of the Department of Finance

Highlights

December 2018

There was a budgetary surplus of \$2.5 billion in December 2018, compared to a surplus of \$0.5 billion in December 2017. Revenues increased by \$2.6 billion, or 9.8 per cent, reflecting increases in tax revenues, Employment Insurance (EI) premium revenues and other revenues. Program expenses increased by \$0.4 billion, or 1.8 per cent, reflecting increases in major transfers to persons and major transfers to other levels of government. Public debt charges increased by \$0.2 billion, or 13.7 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.



April to December 2018

For the April to December 2018 period of the 2018–19 fiscal year, the Government posted a budgetary surplus of \$0.3 billion, compared to a deficit of \$8.9 billion reported for the same period of 2017–18. Revenues were up \$19.3 billion, or 8.7 per cent, reflecting increases in tax revenues, EI premium revenues and other revenues. Program expenses were up \$8.4 billion, or 3.9 per cent, reflecting increases in major transfers to persons, major transfers to other levels of government and direct program expenses. Public debt charges increased by \$1.7 billion, or 10.3 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.

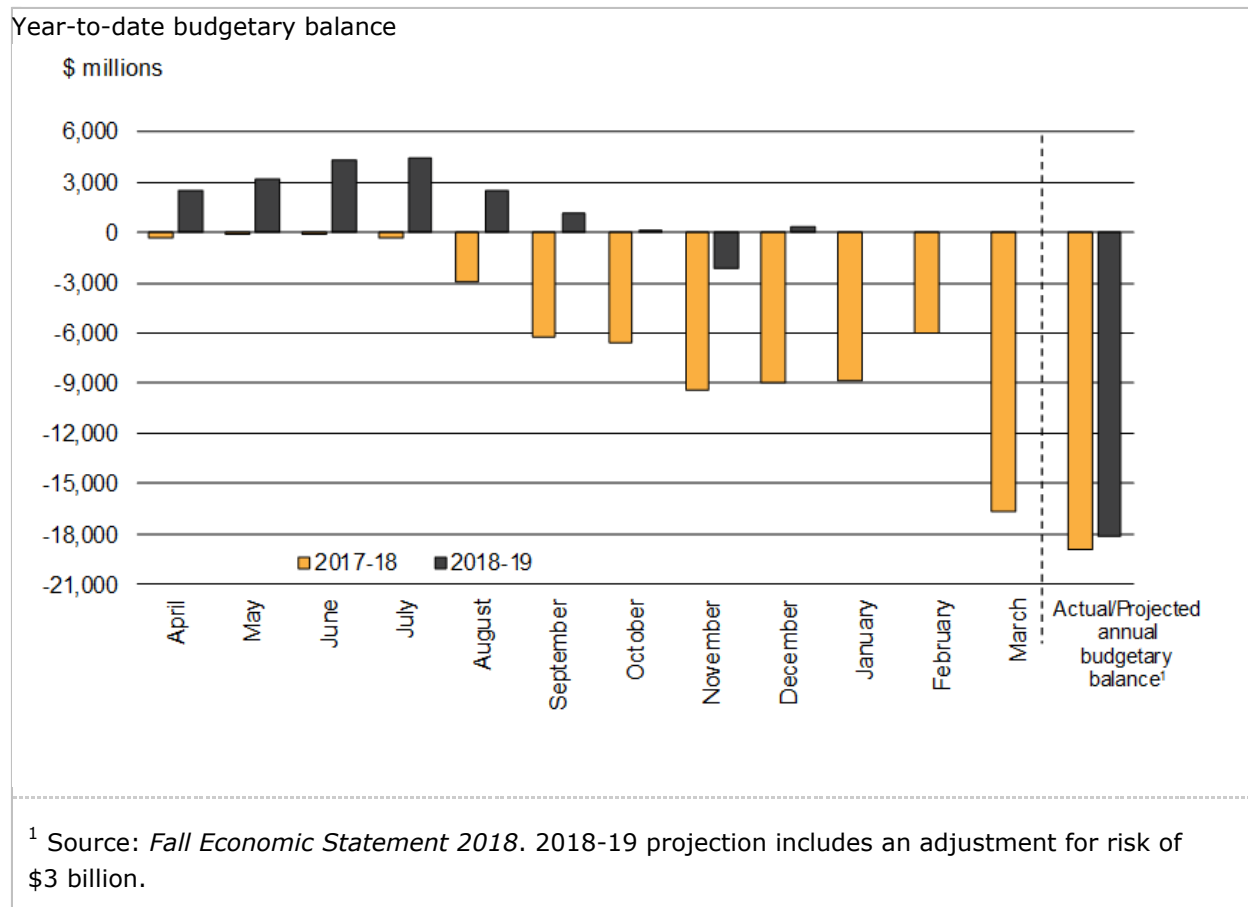


Table 1
Summary statement of transactions
(\$ millions)

	December		April to December	
	2017 Restated ¹	2018	2017-18 Restated ¹	2018-19
Budgetary transactions				
Revenues	26,863	29,483	221,785	241,131
Expenses				
Program expenses	-24,542	-24,986	-214,487	-222,917
Public debt charges	-1,798	-2,045	-16,226	-17,890
Budgetary balance (deficit/surplus)	523	2,452	-8,928	324
Non-budgetary transactions	4,291	-4,662	-3,243	-14,419
Financial source/requirement	4,814	-2,210	-12,171	-14,095
Net change in financing activities	-2,416	2,264	14,835	16,658
Net change in cash balances	2,398	54	2,664	2,563
Cash balance at end of period			39,565	40,240

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 December 2018 totalled \$29.5 billion, up \$2.6 billion, or 9.8 per cent, from December 2017.

- Tax revenues increased by \$2.6 billion, or 10.8 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 \$15 million, or 1.7 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 \$24 million, or 1.1 per cent.

For the April to December period of 2018–19, revenues were \$241.1 billion, up \$19.3 billion, or 8.7 per cent, from the same period the previous year.

- Tax revenues increased by \$17.1 billion, or 9.1 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 4.5 per cent.
- Other revenues were up \$1.7 billion, or 8.1 per cent, largely reflecting higher interest and penalties revenues.

	December			April to December		
	2017	2018	Change	2017–18	2018–19	Change
	(\$ millions)		(%)	(\$ millions)		(%)
Tax revenues						
Income taxes						
Personal	14,668	16,524	12.7	109,283	116,807	6.9
Corporate	5,180	4,656	-10.1	31,856	35,915	12.7
Non-resident	491	564	14.9	5,467	6,632	21.3
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Total income tax revenues	20,339	21,744	6.9	146,606	159,354	8.7
Other taxes and duties						
Goods and Services Tax	2,048	3,087	50.7	27,901	30,904	10.8
Energy taxes	502	425	-15.3	4,342	4,293	-1.1
Customs import duties	376	499	32.7	4,148	5,309	28.0

Other excise taxes and duties	564	655	16.1	4,575	4,777	4.4
	_____			_____		
Total other taxes and duties	3,490	4,666	33.7	40,966	45,283	10.5
	_____			_____		
Total tax revenues	23,829	26,410	10.8	187,572	204,637	9.1
Employment Insurance premiums	858	873	1.7	13,421	14,023	4.5
Other revenues	2,176	2,200	1.1	20,792	22,471	8.1
	_____			_____		
Total revenues	26,863	29,483	9.8	221,785	241,131	8.7
Note: Totals may not add due to rounding.						

Expenses

Program expenses in December 2018 were \$25.0 billion, up \$0.4 billion, or 1.8 per cent, from December 2017.

- Major transfers to persons, consisting of elderly, EI and children's benefits, were up \$0.4 billion, or 4.9 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 increased by \$0.1 billion, or 7.1 per cent. Children's benefits were up \$44 million, or 2.2 per cent.
- Major transfers to other levels of government were up \$0.1 billion, or 1.3 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 Gas Tax Fund transfers.
- Direct program expenses were down \$13 million, or 0.1 per cent. Within direct program expenses:
 - Other transfer payments decreased by \$0.2 billion, or 5.6 per cent.
 - Other direct program expenses, consisting of operating expenses of the Government's departments, agencies, and consolidated Crown corporations and other entities, increased by \$0.2 billion, or 2.4 per cent.

Public debt charges were up \$0.2 billion, or 13.7 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.

For the April to December period of 2018–19, program expenses were \$222.9 billion, up \$8.4 billion, or 3.9 per cent, from the same period the previous year.

- Major transfers to persons were up \$1.6 billion, or 2.2 per cent. Elderly benefits increased by \$2.0 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 5.8 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 3.5 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 5.5 per cent. Within direct program expenses:
 - Other transfer payments increased by \$2.9 billion, or 11.2 per cent, largely reflecting increases in transfers to First Nations and disaster assistance.
 - Other direct program expenses increased by \$2.1 billion, or 3.2 per cent, largely reflecting an increase in personnel costs.

Public debt charges increased by \$1.7 billion, or 10.3 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						
	December			April to December		
	2017 Restated ¹	2018	Change	2017-18 Restated ¹	2018-19	Change
	(\$ millions)		(%)	(\$ millions)		(%)
Major transfers to persons						
Elderly benefits	4,256	4,484	5.4	37,828	39,802	5.2
Employment Insurance benefits	1,548	1,658	7.1	14,164	13,345	-5.8
Children's benefits	1,981	2,025	2.2	17,543	17,951	2.3
Total	7,785	8,167	4.9	69,535	71,098	2.2
Major transfers to other levels of government						
Canada Health Transfer	3,096	3,215	3.8	27,862	28,938	3.9
Canada Social Transfer	1,146	1,180	3.0	10,311	10,621	3.0
Equalization	1,521	1,553	2.1	13,690	14,192	3.7
Territorial Formula Financing	250	257	2.8	2,931	3,013	2.8
Gas Tax Fund	168	60	-64.3	1,758	1,642	-6.6
Home care and mental health	0	13	100.0	300	490	63.3
Other fiscal arrangements ²	-406	-428	5.4	-3,631	-3,828	5.4
Total	5,775	5,850	1.3	53,221	55,068	3.5
Direct program expenses						

Other transfer payments	3,440	3,246	-5.6	26,131	29,069	11.2
Other direct program expenses	7,542	7,723	2.4	65,600	67,682	3.2
	<hr/>			<hr/>		
Total direct program expenses	10,982	10,969	-0.1	91,731	96,751	5.5
	<hr/>			<hr/>		
Total program expenses	24,542	24,986	1.8	214,487	222,917	3.9
Public debt charges	1,798	2,045	13.7	16,226	17,890	10.3
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Total expenses	26,340	27,031	2.6	230,713	240,807	4.4
<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>						

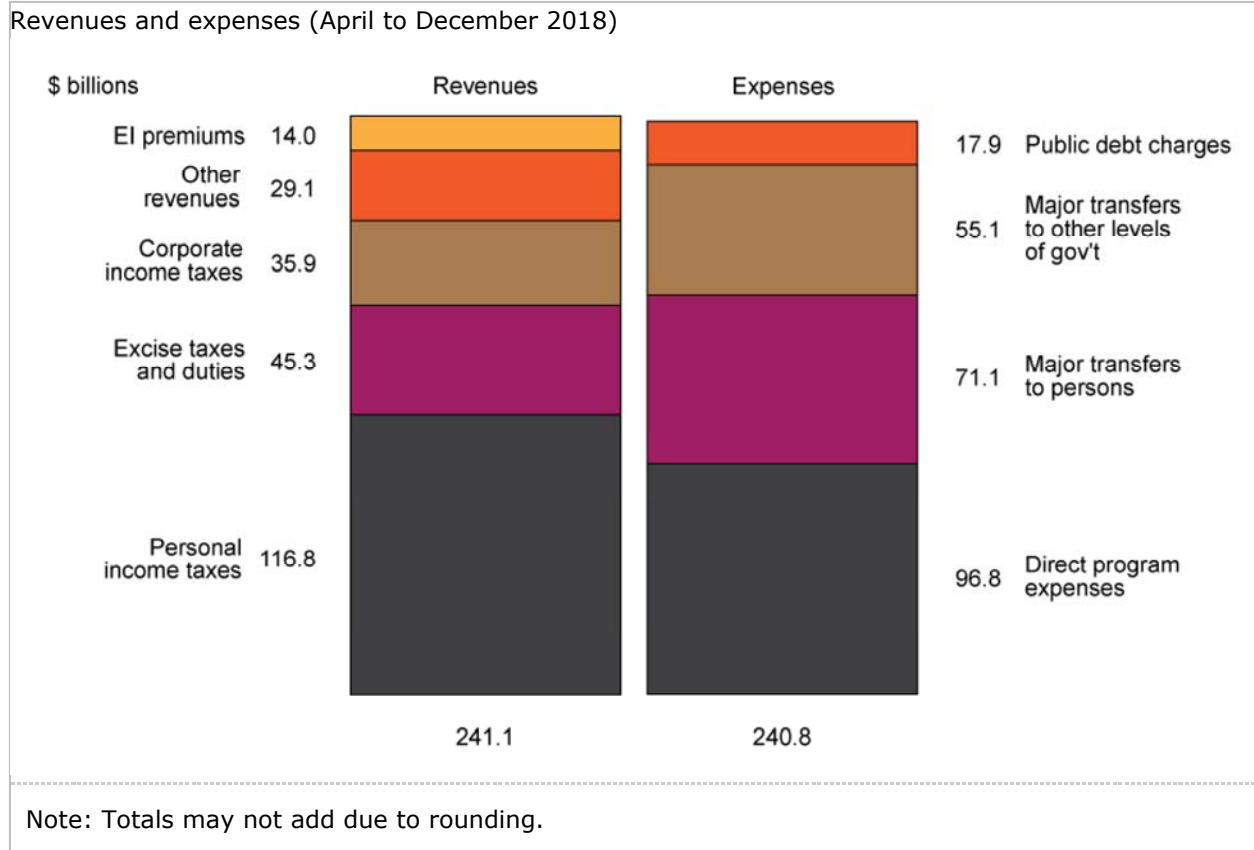
The following table presents total expenses by main object of expense.

Table 4

Total expenses by object of expense

	December			April to December		
	2017	2018	Change	2017-18	2018-19	Change
	(\$ millions)		(%)	(\$ millions)		(%)
Transfer payments	17,000	17,263	1.5	148,887	155,235	4.3
Other expenses						
Personnel	4,358	4,561	4.7	38,978	40,903	4.9
Transportation and communications	193	215	11.4	1,847	2,005	8.6
Information	29	31	6.9	149	180	20.8
Professional and special services	1,055	1,075	1.9	7,317	7,554	3.2
Rentals	241	235	-2.5	2,146	2,229	3.9
Repair and maintenance	297	277	-6.7	1,962	2,193	11.8
Utilities, materials and supplies	203	230	13.3	1,722	1,816	5.5
Other subsidies and expenses	752	673	-10.5	7,751	7,038	-9.2
Amortization of tangible capital assets	403	414	2.7	3,629	3,666	1.0
Net loss on disposal of assets	11	12	9.1	99	98	-1.0
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Total other expenses	7,542	7,723	2.4	65,600	67,682	3.2
	<hr/>			<hr/>		
Total program expenses	24,542	24,986	1.8	214,487	222,917	3.9
Public debt charges	1,798	2,045	13.7	16,226	17,890	10.3
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Total expenses	26,340	27,031	2.6	230,713	240,807	4.4

Note: Totals may not add due to rounding.



Financial requirement of \$14.1 billion for April to December 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 \$0.3 billion and a requirement of \$14.4 billion from non-budgetary transactions, there was a financial requirement of \$14.1 billion for the April to December 2018 period, compared to a financial requirement of \$12.2 billion for the same period the previous year.

Table 5

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

	December		April to December	
	2017 Restated ¹	2018	2017-18 Restated ¹	2018-19
Budgetary balance (deficit/surplus)	523	2,452	-8,928	324
Non-budgetary transactions				
Accounts payable, accrued liabilities and accounts receivable	1,443	-555	-5,212	-2,998
Pensions, other future benefits, and other liabilities	317	744	4,844	5,941
Foreign exchange accounts	2,895	-4,460	333	-6,436
Loans, investments and advances	-81	-215	-2,590	-9,447
Non-financial assets	-283	-176	-618	-1,479
Total non-budgetary transactions	4,291	-4,662	-3,243	-14,419
Financial source/requirement	4,814	-2,210	-12,171	-14,095

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 \$16.7 billion

The Government financed this financial requirement of \$14.1 billion and increased cash balances by \$2.6 billion by increasing unmatured debt by \$16.7 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 December 2018 stood at \$40.2 billion, up \$0.7 billion from their level at the end of December 2017.

Table 6

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

	December		April to December	
	2017	2018	2017-18	2018-19
Financial source/requirement	4,814	-2,210	-12,171	-14,095
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	2,086	1,983	34,190	-1,886
Treasury bills	-1,200	-2,800	-16,400	19,200
Retail debt	-256	233	-1,672	-1,247
Total	630	-584	16,118	16,067
Foreign currency borrowings	-923	511	2,449	481
Total	-293	-73	18,567	16,548
Cross-currency swap revaluation	-1,970	2,412	-2,527	1,804
Unamortized discounts and premiums on market debt	-111	-15	-1,174	-1,357
Obligations related to capital leases and other unamatured debt	-42	-60	-31	-337
Net change in financing activities	-2,416	2,264	14,835	16,658
Change in cash balance	2,398	54	2,664	2,563
Cash balance at end of period			39,565	40,240
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 \$1.9 billion over the April to December 2018 period, reflecting the \$0.3-billion budgetary surplus and \$1.5 billion in other comprehensive income.

	March 31, 2018	December 31, 2018	Change
Liabilities			
Accounts payable and accrued liabilities	154,824	151,650	-3,174
Interest-bearing debt			
Unmatured debt			
Payable in Canadian currency			
Marketable bonds	574,968	573,082	-1,886
Treasury bills	110,700	129,900	19,200
Retail debt	2,586	1,339	-1,247
Subtotal	688,254	704,321	16,067
Payable in foreign currencies	16,049	16,530	481
Cross-currency swap revaluation	7,835	9,639	1,804
Unamortized discounts and premiums on market debt	3,467	2,110	-1,357
Obligations related to capital leases and other unamatured debt	5,596	5,259	-337
Total unamatured debt	721,201	737,859	16,658

Pension and other liabilities			
Public sector pensions	170,914	169,358	-1,556
Other employee and veteran future benefits	104,793	111,936	7,143
Other liabilities	5,670	6,024	354
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Total pension and other liabilities	281,377	287,318	5,941
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Total interest-bearing debt	1,002,578	1,025,177	22,599
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Total liabilities	1,157,402	1,176,827	19,425
Financial assets			
Cash and accounts receivable	173,206	175,594	2,388
Foreign exchange accounts	96,938	103,374	6,436
Loans, investments, and advances (net of allowances) ¹	126,371	137,366	10,995
Public sector pension assets	2,124	2,124	0
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Total financial assets	398,639	418,458	19,819
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Net debt	758,763	758,369	-394
Non-financial assets	87,509	88,988	1,479
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Federal debt (accumulated deficit)	671,254	669,381	-1,873
Note: Totals may not add due to rounding.			
¹ December 31, 2018 amount includes \$1.5 billion in other comprehensive income from enterprise Crown corporations and other government business enterprises for the April to December 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)

	December 2017			April to December 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	-24,309	-233	-24,542	-212,390	-2,097	-214,487
Public debt charges	-1,989	191	-1,798	-17,945	1,719	-16,226
Budgetary balance (deficit/surplus)	565	-42	523	-8,550	-378	-8,928
Non-budgetary transactions	4,249	42	4,291	-3,621	378	-3,243
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.

February 2019

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