

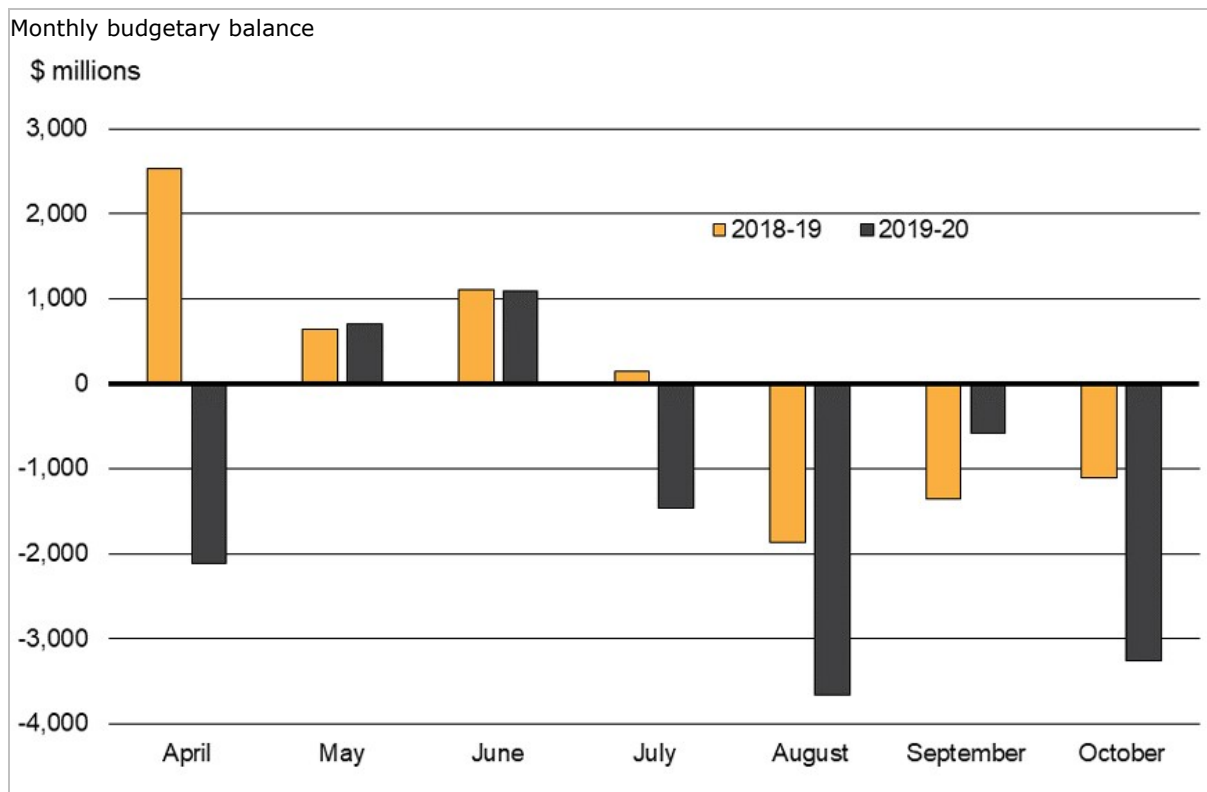
The Fiscal Monitor

A publication of the Department of Finance

Highlights

October 2019

There was a budgetary deficit of \$3.3 billion in October 2019, compared to a deficit of \$1.1 billion in October 2018. Revenues decreased by \$1.2 billion, or 4.6 per cent, reflecting decreases in tax revenues and other revenues. Program expenses increased by \$1.0 billion, or 3.9 per cent, largely reflecting increases in major transfers to other levels of government and direct program expenses. Public debt charges decreased by \$0.1 billion, or 4.8 per cent, reflecting in part lower monthly Consumer Price Index adjustments on Real Return Bonds.



April to October 2019

For the April to October period of the 2019–20 fiscal year, the Government posted a budgetary deficit of \$9.1 billion, compared to a surplus of \$0.1 billion reported for the same period of 2018–19. Revenues were up \$4.9 billion, or 2.6 per cent, largely reflecting an increase in personal income tax revenues. Program expenses were up \$13.4 billion, or 7.9 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 \$0.6 billion, or 4.3 per cent, largely reflecting 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.

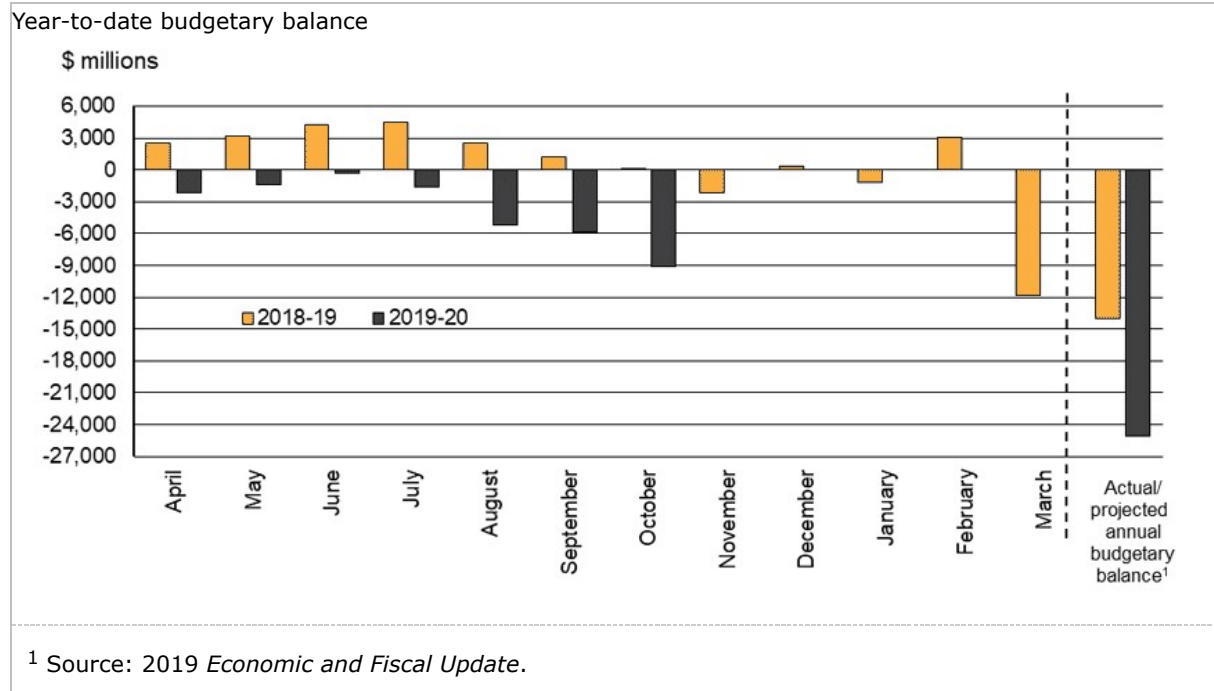


Table 1 Summary statement of transactions (\$ millions)				
	October		April - October	
	2018 Restated ¹	2019	2018-19 Restated ¹	2019-20
Budgetary transactions				
Revenues	26,695	25,465	184,652	189,532
Expenses				
Program expenses	-25,936	-26,937	-170,415	-183,829
Public debt charges	-1,872	-1,782	-14,145	-14,757
Budgetary balance (deficit/surplus)	-1,113	-3,254	92	-9,054
Non-budgetary transactions	-1,703	2,003	-12,585	-5,681
Financial source/requirement	-2,816	-1,251	-12,493	-14,735
Net change in financing activities	12,713	14,108	20,441	24,701
Net change in cash balances	9,897	12,857	7,948	9,966
Cash balance at end of period			45,625	49,969
<p>Note: 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.</p>				

Revenues

Revenues in October 2019 totalled \$25.5 billion, down \$1.2 billion, or 4.6 per cent, from October 2018.

- Tax revenues decreased by \$1.2 billion, or 5.2 per cent.
- Fuel charge proceeds assessed under the federal carbon pollution pricing system totalled \$0.2 billion.
- Employment Insurance (EI) premium revenues increased by \$0.1 billion, or 6.7 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 down \$0.3 billion, or 10.9 per cent.

For the April to October period of 2019–20, revenues were \$189.5 billion, up \$4.9 billion, or 2.6 per cent, from the same period the previous year.

- Tax revenues increased by \$3.3 billion, or 2.1 per cent, driven largely by growth in personal income tax revenues. The increase in tax revenues for the April to October period includes \$24 million from the federal portion of assessed cannabis excise duties.
- Assessed fuel charge proceeds totalled \$0.7 billion over the period.
- EI premium revenues were up \$0.3 billion, or 2.5 per cent.
- Other revenues were up \$0.6 billion, or 3.5 per cent.

	October			April - October		
	2018 Restated ¹	2019	Change	2018–19 Restated ¹	2019–20	Change
	(\$ millions)		(%)	(\$ millions)		(%)
Tax revenues						
Income taxes						
Personal	11,751	12,601	7.2	87,642	92,102	5.1
Corporate	4,024	2,862	-28.9	27,012	26,868	-0.5
Non-resident	1,276	1,170	-8.3	5,390	5,216	-3.2
	<hr/>			<hr/>		
Total income tax revenues	17,051	16,633	-2.5	120,044	124,186	3.5
Other taxes and duties						

Goods and Services Tax	4,410	3,860	-12.5	24,823	24,628	-0.8
Energy taxes	524	506	-3.4	3,406	3,381	-0.7
Customs import duties	656	413	-37.0	4,165	3,222	-22.6
Other excise taxes and duties	454	492	8.4	3,652	3,938	7.8
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Total other taxes and duties	6,044	5,271	-12.8	36,046	35,169	-2.4
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Total tax revenues	23,095	21,904	-5.2	156,090	159,355	2.1
Fuel charge proceeds	0	159	n/a	0	731	n/a
Employment Insurance premiums	1,112	1,186	6.7	12,185	12,489	2.5
Other revenues	2,488	2,216	-10.9	16,377	16,957	3.5
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Total revenues	26,695	25,465	-4.6	184,652	189,532	2.6
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.						

Expenses

Program expenses in October 2019 were \$26.9 billion, up \$1.0 billion, or 3.9 per cent, from October 2018.

- Major transfers to persons, consisting of elderly, EI and children's benefits, were up \$0.1 billion, or 1.5 per cent. Elderly benefits increased by \$0.3 billion, or 6.0 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 14.6 per cent. Children's benefits were up \$42 million, or 2.1 per cent.
- Major transfers to other levels of government were up \$0.4 billion, or 7.1 per cent, primarily reflecting legislated growth in the Canada Health Transfer, the Canada Social Transfer, Equalization transfers and transfers to the territories, and an increase in Gas Tax Fund transfers due to a year-over-year difference in the timing of payments.
- Direct program expenses were up \$0.5 billion, or 3.8 per cent. Within direct program expenses:
 - Fuel charge proceeds returned reflected \$10 million in payments under the federal carbon pollution pricing system.
 - Other transfer payments decreased by \$0.7 billion, or 14.8 per cent, in large part reflecting decreased transfers relating to claims.
 - Other direct program expenses, consisting of operating expenses of the Government's departments, agencies, and consolidated Crown corporations

and other entities, increased by \$1.1 billion, or 14.3 per cent, reflecting in part an increase in personnel costs.

Public debt charges were down \$0.1 billion, or 4.8 per cent, reflecting in part lower monthly Consumer Price Index adjustments on Real Return Bonds.

For the April to October period of 2019–20, program expenses were \$183.8 billion, up \$13.4 billion, or 7.9 per cent, from the same period the previous year.

- Major transfers to persons were up \$1.4 billion, or 2.6 per cent. Elderly benefits increased by \$1.5 billion, or 4.9 per cent, reflecting growth in the elderly population and changes in consumer prices. EI benefits decreased by \$0.3 billion, or 2.7 per cent. Children's benefits were up \$0.2 billion, or 1.4 per cent.
- Major transfers to other levels of government were up \$4.2 billion, or 9.8 per cent, reflecting legislated growth in the Canada Health Transfer, the Canada Social Transfer, Equalization transfers and transfers to the territories; an increase in payments under home care and mental health transfers; an increase in Gas Tax Fund transfers due to year-over-year timing differences; and, \$1.9 billion in transfers under the new Hibernia Dividend Backed Annuity Agreement reached on April 1, 2019 between Canada and Newfoundland and Labrador.
- Direct program expenses were up \$7.8 billion, or 10.7 per cent. Within direct program expenses:
 - Fuel charge proceeds returned totalled \$1.3 billion.
 - Other transfer payments increased by \$1.2 billion, or 5.6 per cent, reflecting increases across a number of departments.
 - Other direct program expenses increased by \$5.3 billion, or 10.5 per cent, reflecting in part an increase in personnel costs.

Public debt charges increased by \$0.6 billion, or 4.3 per cent, largely reflecting 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 - October		
	2018 Restated ¹	2019	Change	2018–19 Restated ¹	2019–20	Change
	(\$ millions)		(%)	(\$ millions)		(%)
Major transfers to persons						
Elderly benefits	4,488	4,759	6.0	30,817	32,340	4.9
Employment Insurance benefits	1,342	1,146	-14.6	10,470	10,189	-2.7
Children's benefits	1,983	2,025	2.1	13,918	14,118	1.4
Total	7,813	7,930	1.5	55,205	56,647	2.6

Major transfers to other levels of government						
Canada Health Transfer	3,215	3,364	4.6	22,507	23,551	4.6
Canada Social Transfer	1,180	1,215	3.0	8,260	8,508	3.0
Equalization	1,580	1,653	4.6	11,059	11,575	4.7
Territorial Formula Financing	257	268	4.3	2,498	2,606	4.3
Gas Tax Fund	0	324	n/a	1,085	1,408	29.8
Home care and mental health	117	0	-100.0	148	550	271.6
Other fiscal arrangements ²	-427	-481	12.6	-2,972	-1,432	-51.8
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Total	5,922	6,343	7.1	42,585	46,766	9.8
Direct program expenses						
Fuel charge proceeds returned	0	10	n/a	0	1,267	n/a
Other transfer payments	4,441	3,785	-14.8	22,166	23,397	5.6
Other direct program expenses	7,760	8,869	14.3	50,459	55,752	10.5
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Total direct program expenses	12,201	12,664	3.8	72,625	80,416	10.7
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Total program expenses	25,936	26,937	3.9	170,415	183,829	7.9
Public debt charges	1,872	1,782	-4.8	14,145	14,757	4.3
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Total expenses	27,808	28,719	3.3	184,560	198,586	7.6

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.

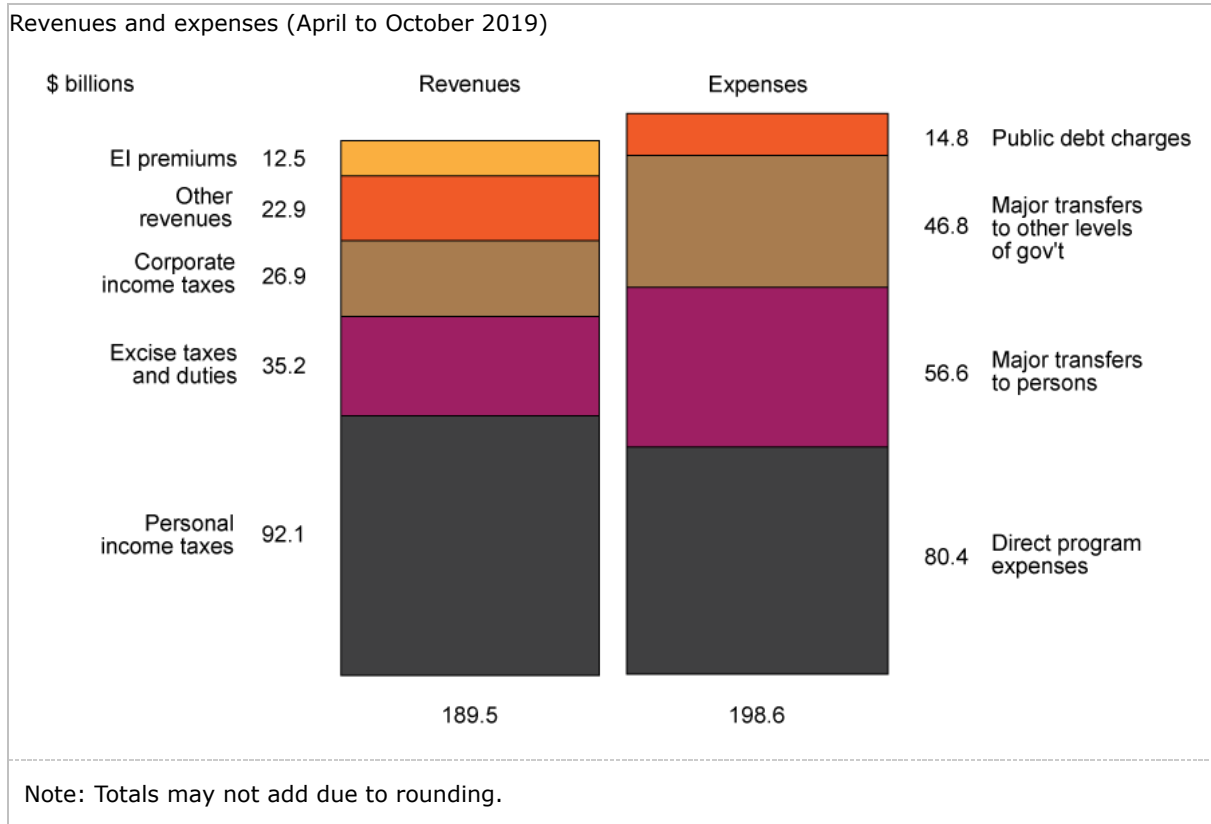
² Other fiscal arrangements include the Youth Allowances Recovery and Alternative Payments for Standing Programs, which represent a recovery from Quebec of a tax point transfer; statutory subsidies; payments under the 2005 Offshore Accords; payments to provinces in respect of common securities regulation; transfers under the new Hibernia Dividend Backed Annuity Agreement with Newfoundland and Labrador; and, other items.

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

	October			April - October		
	2018 Restated ¹	2019	Change	2018-19 Restated ¹	2019-20	Change
	(\$ millions)		(%)	(\$ millions)		(%)
Transfer payments	18,176	18,068	-0.6	119,956	128,077	6.8
Other expenses						
Personnel	4,664	5,403	15.8	31,604	35,153	11.2
Transportation and communications	264	268	1.5	1,537	1,520	-1.1
Information	34	28	-17.6	126	165	31.0
Professional and special services	1,049	1,067	1.7	5,425	5,778	6.5
Rentals	292	317	8.6	1,773	1,850	4.3
Repair and maintenance	340	302	-11.2	1,581	1,661	5.1
Utilities, materials and supplies	223	221	-0.9	1,331	1,390	4.4
Other subsidies and expenses	485	813	67.6	4,191	5,153	23.0
Amortization of tangible capital assets	398	427	7.3	2,811	2,989	6.3
Net loss on disposal of assets	11	23	109.1	80	93	16.3
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Total other expenses	7,760	8,869	14.3	50,459	55,752	10.5
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Total program expenses	25,936	26,937	3.9	170,415	183,829	7.9
Public debt charges	1,872	1,782	-4.8	14,145	14,757	4.3
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Total expenses	27,808	28,719	3.3	184,560	198,586	7.6

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.



Financial requirement of \$14.7 billion for April to October 2019

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 \$9.1 billion and a requirement of \$5.7 billion from non-budgetary transactions, there was a financial requirement of \$14.7 billion for the April to October 2019 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)				
	October		April - October	
	2018	2019	2018-19	2019-20
Budgetary balance (deficit/surplus)	-1,113	-3,254	92	-9,054
Non-budgetary transactions				
Accounts payable, accrued liabilities and accounts receivable	1,869	2,704	-5,059	-3,017
Pensions, other future benefits, and other liabilities	818	844	4,614	6,240
Foreign exchange accounts	-3,703	119	-1,493	305
Loans, investments and advances	-386	-1,387	-9,568	-8,741
Non-financial assets	-301	-277	-1,079	-468
Total non-budgetary transactions	-1,703	2,003	-12,585	-5,681
Financial source/requirement	-2,816	-1,251	-12,493	-14,735

Note: Totals may not add due to rounding.

Net financing activities up \$24.7 billion

The Government financed this financial requirement of \$14.7 billion and increased cash balances by \$10.0 billion by increasing unmatured debt by \$24.7 billion. The increase in unmatured debt was achieved primarily through the issuance of marketable bonds.

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 2019 stood at \$50.0 billion, up \$4.3 billion from their level at the end of October 2018.

Table 6 Financial source/requirement and net financing activities (\$ millions)				
	October		April - October	
	2018	2019	2018-19	2019-20
Financial source/requirement	-2,816	-1,251	-12,493	-14,735
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	6,808	11,150	320	25,214
Treasury bills	4,500	2,800	22,300	2,700
Retail debt	-35	-11	-276	-126
Total	11,273	13,939	22,344	27,788
Foreign currency borrowings	678	-35	553	-782
Total	11,951	13,904	22,897	27,006
Cross-currency swap revaluation	948	290	-1,173	-1,627
Unamortized discounts and premiums on market debt	-163	-65	-1,035	157
Obligations related to capital leases and other unmaturred debt	-23	-21	-248	-835
Net change in financing activities	12,713	14,108	20,441	24,701
Change in cash balance	9,897	12,857	7,948	9,966
Cash balance at end of period			45,625	49,969

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 increased by \$10.2 billion over the April to October 2019 period, reflecting the \$9.1-billion budgetary deficit as well as \$1.2 billion in other comprehensive losses.

Table 7 Condensed statement of assets and liabilities (\$ millions)			
	March 31, 2019	October 31, 2019	Change
Liabilities			
Accounts payable and accrued liabilities	159,707	146,509	-13,198
Interest-bearing debt			
Unmatured debt			
Payable in Canadian currency			
Marketable bonds	569,526	594,740	25,214
Treasury bills	134,300	137,000	2,700
Retail debt	1,237	1,111	-126
Subtotal	705,063	732,851	27,788
Payable in foreign currencies	16,011	15,229	-782
Cross-currency swap revaluation	7,274	5,647	-1,627
Unamortized discounts and premiums on market debt	2,163	2,320	157
Obligations related to capital leases and other unmatured debt	6,404	5,569	-835
Total unmatured debt	736,915	761,616	24,701
Pension and other liabilities			
Public sector pensions	168,782	167,633	-1,149
Other employee and veteran future benefits	113,862	121,271	7,409
Other liabilities	5,905	5,885	-20

Total pension and other liabilities	288,549	294,789	6,240
Total interest-bearing debt	1,025,464	1,056,405	30,941
Total liabilities	1,185,171	1,202,914	17,743
Financial assets			
Cash and accounts receivable	177,041	176,826	-215
Foreign exchange accounts	99,688	99,383	-305
Loans, investments, and advances (net of allowances) ¹	133,912	141,470	7,558
Public sector pension assets	2,406	2,406	0
Total financial assets	413,047	420,085	7,038
Net debt	772,124	782,829	10,705
Non-financial assets	86,674	87,142	468
Federal debt (accumulated deficit)	685,450	695,687	10,237
Note: Totals may not add due to rounding.			
¹ October 31, 2019 amount includes \$1.2 billion in other comprehensive losses from enterprise Crown corporations and other government business enterprises for the April to October 2019 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. A 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

The monthly financial results for 2018–19 presented for comparative purposes in *The Fiscal Monitor* have been restated to reflect the following change in accounting policy.

Canadian Commercial Corporation

During 2018–19, the Canadian Commercial Corporation determined that it acts as an agent in its commercial trading transactions. As a result, the revenues and expenses and related asset and liability balances arising from these transactions are no longer consolidated in the Government's financial results. This accounting change has no net impact on the budgetary balance, as the decrease in the Government's revenues is offset by an equal reduction in expenses. Similarly, this change has no net impact on the federal debt, as the decrease in the Government's assets is offset by an equal reduction in its liabilities.

The following table provides an overview of this restatement of the 2018–19 financial results.

Table 8 Summary of restatement (\$ millions)		
	Other direct program expenses	Other revenues
October 2018		
As previously reported	7,932	2,660
Effect of change in accounting policy		
Canadian Commercial Corporation	-172	-172
As restated	7,760	2,488
April to October 2018		
As previously reported	51,921	17,839
Effect of change in accounting policy		
Canadian Commercial Corporation	-1,462	-1,462
As restated	50,459	16,377
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 2019

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