

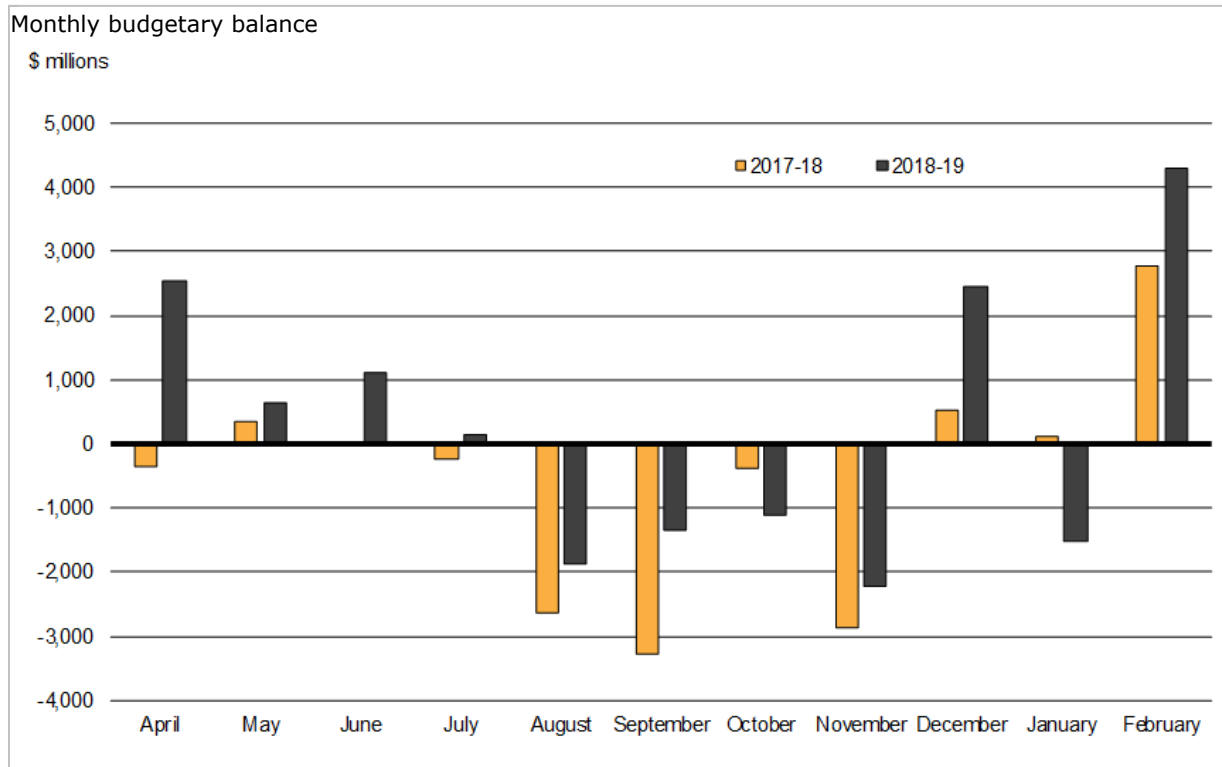
The Fiscal Monitor

A publication of the Department of Finance

Highlights

February 2019

There was a budgetary surplus of \$4.3 billion in February 2019, compared to a surplus of \$2.8 billion in February 2018. Revenues increased by \$3.5 billion, or 12.2 per cent, primarily reflecting an increase in tax revenues. Program expenses increased by \$1.7 billion, or 6.9 per cent, largely reflecting an increase in direct program expenses. Public debt charges increased by \$0.3 billion, or 19.9 per cent, reflecting higher Consumer Price Index adjustments on Real Return Bonds.



April 2018 to February 2019

For the April to February period of the 2018–19 fiscal year, the Government posted a budgetary surplus of \$3.1 billion, compared to a deficit of \$6.0 billion reported for the same period of 2017–18. Revenues were up \$23.5 billion, or 8.5 per cent, reflecting increases in tax revenues, Employment Insurance (EI) premium revenues and other revenues. Program expenses were up \$12.7 billion, or 4.8 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 8.4 per cent, reflecting a higher average effective interest rate on the stock of interest-bearing debt.

Budget 2019 announced several significant measures for 2018–19, which will be recorded once enabling legislation receives Royal Assent. These measures include:

- a one-time transfer of \$2.2 billion through the federal Gas Tax Fund;
- \$1.0 billion to increase energy efficiency in residential, commercial and multi-unit buildings; and
- \$0.9 billion for forgiving and reimbursing loans for comprehensive claims negotiations.

Taking these measures, along with expected March 2019 results and end-of-year adjustments, into account, the results to date are broadly in line with the budgetary deficit for 2018–19 projected in Budget 2019.

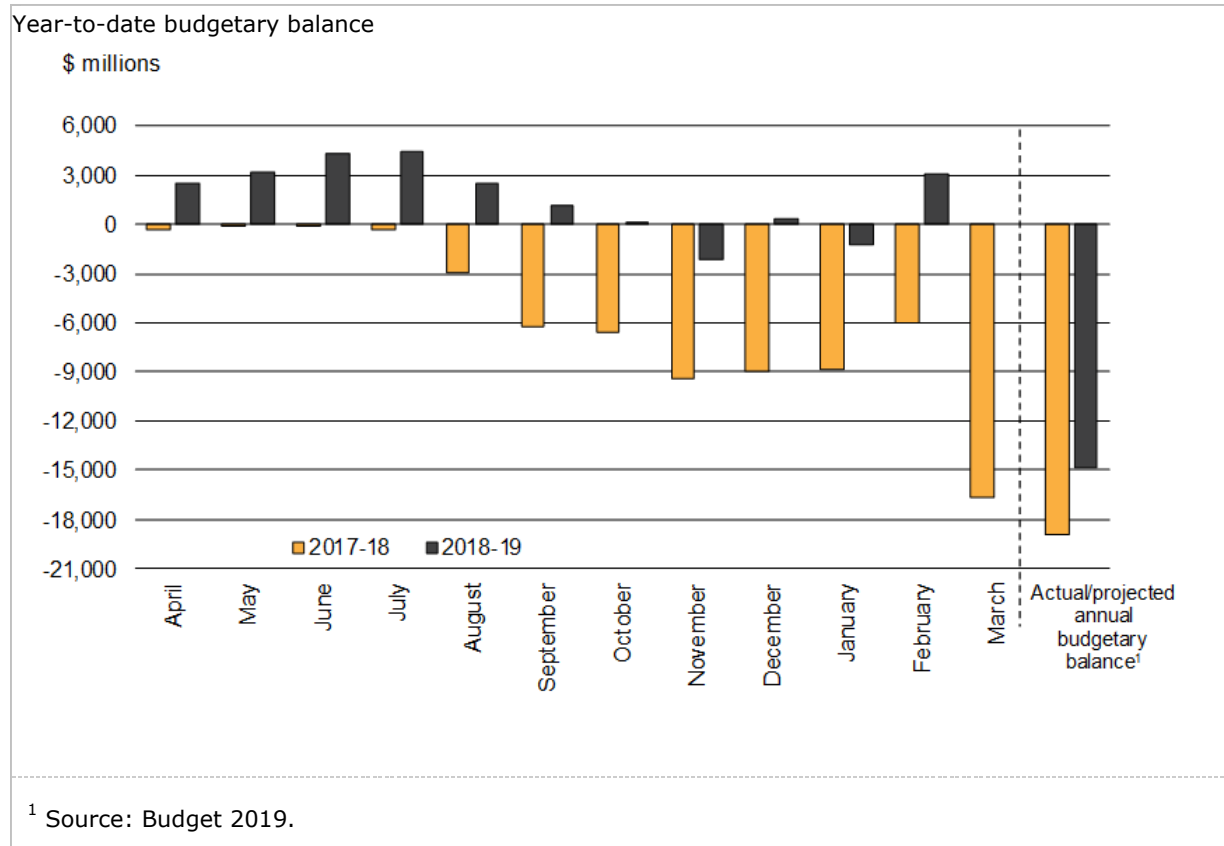


Table 1 Summary statement of transactions (\$ millions)				
	February		April to February	
	2018 Restated ¹	2019	2017-18 Restated ¹	2018-19
Budgetary transactions				
Revenues	28,544	32,040	276,951	300,459
Expenses				
Program expenses	-24,234	-25,904	-263,226	-275,958
Public debt charges	-1,526	-1,830	-19,744	-21,407
Budgetary balance (deficit/surplus)	2,784	4,306	-6,019	3,094
Non-budgetary transactions	-9,341	-2,446	-6,057	-13,819
Financial source/requirement	-6,557	1,860	-12,076	-10,725
Net change in financing activities	5,173	-8,739	19,460	12,332
Net change in cash balances	-1,384	-6,879	7,384	1,607
Cash balance at end of period			44,285	39,284
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 February 2019 totalled \$32.0 billion, up \$3.5 billion, or 12.2 per cent, from February 2018.

- Tax revenues increased by \$3.1 billion, or 13.1 per cent, largely reflecting increases in personal and corporate income tax revenues.
- EI premium revenues were unchanged at \$2.6 billion.
- 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 17.3 per cent.

For the April to February period of 2018–19, revenues were \$300.5 billion, up \$23.5 billion, or 8.5 per cent, from the same period the previous year.

- Tax revenues increased by \$20.2 billion, or 8.6 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 \$0.6 billion, or 3.3 per cent.
- Other revenues were up \$2.7 billion, or 11.9 per cent, largely reflecting higher interest and penalties revenues.

Table 2 Revenues						
	February			April to February		
	2018 Restated ¹	2019	Change	2017-18 Restated ¹	2018-19	Change
	(\$ millions)		(%)	(\$ millions)		(%)
Tax revenues						
Income taxes						
Personal	11,568	13,022	12.6	134,304	143,227	6.6
Corporate	7,914	9,179	16.0	43,412	48,897	12.6
Non-resident	630	925	46.8	7,494	9,168	22.3
Total income tax revenues	20,112	23,126	15.0	185,210	201,292	8.7
Other taxes and duties						
Goods and Services Tax	2,476	2,511	1.4	34,381	36,875	7.3
Energy taxes	454	453	-0.2	5,295	5,325	0.6
Customs import duties	430	494	14.9	5,003	6,319	26.3
Other excise taxes and duties	378	395	4.5	5,466	5,712	4.5
Total other taxes and duties	3,738	3,853	3.1	50,145	54,231	8.1
Total tax revenues	23,850	26,979	13.1	235,355	255,523	8.6
Employment Insurance premiums	2,573	2,573	0.0	18,572	19,176	3.3
Other revenues	2,121	2,488	17.3	23,024	25,760	11.9
Total revenues	28,544	32,040	12.2	276,951	300,459	8.5

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.

Expenses

Program expenses in February 2019 were \$25.9 billion, up \$1.7 billion, or 6.9 per cent, from February 2018.

- Major transfers to persons, consisting of elderly, EI and children's benefits, were up \$0.1 billion, or 1.4 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 \$0.1 billion, or 6.6 per cent. Children's benefits were up \$7 million, or 0.4 per cent.
- Major transfers to other levels of government were up \$0.4 billion, or 6.2 per cent, largely reflecting legislated growth in the Canada Health Transfer, the Canada Social Transfer and Equalization transfers, as well as an increase in Gas Tax Fund transfers.
- Direct program expenses were up \$1.2 billion, or 11.6 per cent. Within direct program expenses:
 - Other transfer payments increased by \$0.2 billion, or 6.3 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 \$1.0 billion, or 14.4 per cent.

Public debt charges were up \$0.3 billion, or 19.9 per cent, reflecting higher Consumer Price Index adjustments on Real Return Bonds.

For the April to February period of 2018–19, program expenses were \$276.0 billion, up \$12.7 billion, or 4.8 per cent, from the same period the previous year.

- Major transfers to persons were up \$1.9 billion, or 2.3 per cent. Elderly benefits increased by \$2.4 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 5.0 per cent, while children's benefits were up \$0.4 billion, or 2.0 per cent.
- Major transfers to other levels of government were up \$2.4 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 \$8.4 billion, or 7.5 per cent. Within direct program expenses:
 - Other transfer payments increased by \$3.9 billion, or 11.3 per cent, reflecting increases across a number of departments, including increased transfers relating to claims, disaster assistance and infrastructure.
 - Other direct program expenses increased by \$4.5 billion, or 5.8 per cent, largely reflecting an increase in personnel costs and expenses related to claims.

Public debt charges increased by \$1.7 billion, or 8.4 per cent, reflecting a higher average effective interest rate on the stock of interest-bearing debt.

Table 3 Expenses						
	February			April to February		
	2018 Restated ¹	2019	Change	2017-18 Restated ¹	2018-19	Change
	(\$ millions)		(%)	(\$ millions)		(%)
Major transfers to persons						
Elderly benefits	4,314	4,538	5.2	46,439	48,867	5.2
Employment Insurance benefits	1,808	1,688	-6.6	18,189	17,274	-5.0
Children's benefits	1,982	1,989	0.4	21,467	21,902	2.0
Total	8,104	8,215	1.4	86,095	88,043	2.3
Major transfers to other levels of government						
Canada Health Transfer	3,096	3,215	3.8	34,054	35,368	3.9
Canada Social Transfer	1,146	1,180	3.0	12,603	12,981	3.0
Equalization	1,521	1,580	3.9	16,733	17,352	3.7
Territorial Formula Financing	250	257	2.8	3,431	3,528	2.8
Gas Tax Fund	0	267	n/a	2,072	2,161	4.3
Home care and mental health	0	0	n/a	300	490	63.3
Other fiscal arrangements ²	-291	-421	44.7	-4,308	-4,584	6.4
Total	5,722	6,078	6.2	64,885	67,296	3.7
Direct program expenses						
Other transfer payments	3,706	3,941	6.3	34,543	38,438	11.3
Other direct program expenses	6,702	7,670	14.4	77,703	82,181	5.8
Total direct program expenses	10,408	11,611	11.6	112,246	120,619	7.5

Total program expenses	24,234	25,904	6.9	263,226	275,958	4.8
Public debt charges	1,526	1,830	19.9	19,744	21,407	8.4
Total expenses	25,760	27,734	7.7	282,970	297,365	5.1

Note: Totals may not add due to rounding.

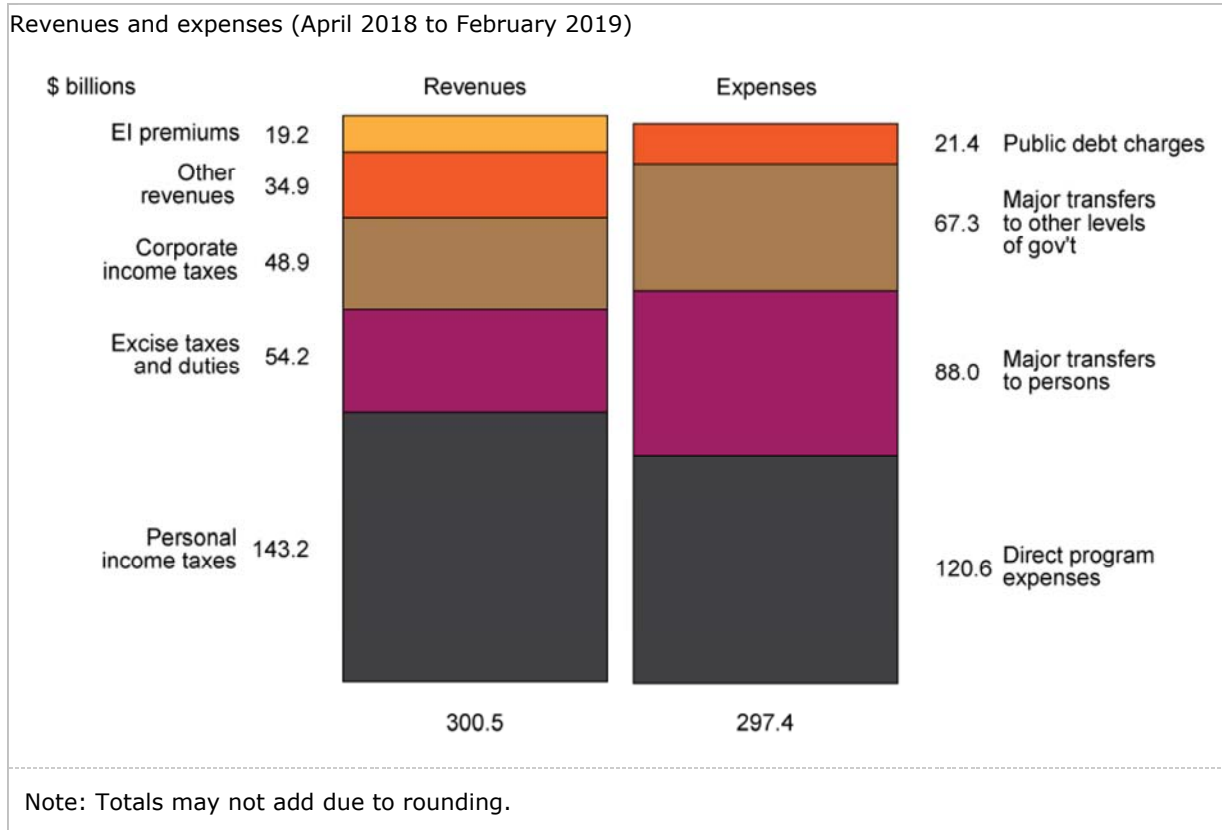
¹ Certain comparative figures have been restated to reflect a change in accounting policy. See Note 8 at the end of this document for further details.

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.

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

Table 4 Total expenses by object of expense						
	February			April to February		
	2018	2019	Change	2017-18	2018-19	Change
	(\$ millions)		(%)	(\$ millions)		(%)
Transfer payments	17,532	18,234	4.0	185,523	193,777	4.4
Other expenses						
Personnel	4,284	4,558	6.4	47,686	50,109	5.1
Transportation and communications	203	196	-3.4	2,235	2,398	7.3
Information	25	32	28.0	210	259	23.3
Professional and special services	972	1,019	4.8	9,299	9,606	3.3
Rentals	209	239	14.4	2,590	2,769	6.9
Repair and maintenance	252	287	13.9	2,467	2,768	12.2
Utilities, materials and supplies	234	252	7.7	2,160	2,261	4.7
Other subsidies and expenses	114	644	464.9	6,505	7,414	14.0
Amortization of tangible capital assets	398	422	6.0	4,430	4,466	0.8
Net loss on disposal of assets	11	21	90.9	121	131	8.3
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Total other expenses	6,702	7,670	14.4	77,703	82,181	5.8
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Total program expenses	24,234	25,904	6.9	263,226	275,958	4.8
Public debt charges	1,526	1,830	19.9	19,744	21,407	8.4
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Total expenses	25,760	27,734	7.7	282,970	297,365	5.1

Note: Totals may not add due to rounding.



Financial requirement of \$10.7 billion for April 2018 to February 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 surplus of \$3.1 billion and a requirement of \$13.8 billion from non-budgetary transactions, there was a financial requirement of \$10.7 billion for the April 2018 to February 2019 period, compared to a financial requirement of \$12.1 billion for the same period the previous year.

Table 5 The budgetary balance and financial source/requirement (\$ millions)				
	February		April to February	
	2018 Restated ¹	2019	2017-18 Restated ¹	2018-19
Budgetary balance (deficit/surplus)	2,784	4,306	-6,019	3,094
Non-budgetary transactions				
Accounts payable, accrued liabilities and accounts receivable	-5,082	-6,288	-5,120	-3,825
Pensions, other future benefits, and other liabilities	835	548	6,182	6,947
Foreign exchange accounts	-4,130	4,200	-2,292	-3,249
Loans, investments and advances	-834	-823	-3,978	-11,769
Non-financial assets	-130	-83	-849	-1,923
Total non-budgetary transactions	-9,341	-2,446	-6,057	-13,819
Financial source/requirement	-6,557	1,860	-12,076	-10,725

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 \$12.3 billion

The Government financed this financial requirement of \$10.7 billion and increased cash balances by \$1.6 billion by increasing unmatured debt by \$12.3 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 February 2019 stood at \$39.3 billion, down \$5.0 billion from their level at the end of February 2018.

Table 6 Financial source/requirement and net financing activities (\$ millions)				
	February		April to February	
	2018	2019	2017-18	2018-19
Financial source/requirement	-6,557	1,860	-12,076	-10,725
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	-472	-5,583	42,613	-2,463
Treasury bills	2,300	1,000	-21,800	19,100
Retail debt	-78	-22	-1,882	-1,303
Total	1,750	-4,605	18,931	15,334
Foreign currency borrowings	869	-4,077	2,773	-74
Total	2,619	-8,682	21,704	15,260
Cross-currency swap revaluation	2,756	-62	-417	-1,257
Unamortized discounts and premiums on market debt	-176	37	-1,758	-1,288
Obligations related to capital leases and other unmatuured debt	-26	-32	-69	-383
Net change in financing activities	5,173	-8,739	19,460	12,332
Change in cash balance	-1,384	-6,879	7,384	1,607
Cash balance at end of period			44,285	39,284
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 \$3.7 billion over the April 2018 to February 2019 period, reflecting the \$3.1-billion budgetary surplus and \$0.6 billion in other comprehensive income.

Table 7			
Condensed statement of assets and liabilities			
(\$ millions)			
	March 31, 2018	February 28, 2019	Change
	Restated²		
Liabilities			
Accounts payable and accrued liabilities	148,733	155,776	7,043
Interest-bearing debt			
Unmatured debt			
Payable in Canadian currency			
Marketable bonds	574,968	572,505	-2,463
Treasury bills	110,700	129,800	19,100
Retail debt	2,586	1,283	-1,303
Subtotal	688,254	703,588	15,334
Payable in foreign currencies	16,049	15,975	-74
Cross-currency swap revaluation	7,835	6,578	-1,257
Unamortized discounts and premiums on market debt	3,467	2,179	-1,288
Obligations related to capital leases and other unamatured debt	5,596	5,213	-383
Total unamatured debt	721,201	733,533	12,332
Pension and other liabilities			
Public sector pensions	170,914	169,020	-1,894

Other employee and veteran future benefits	104,793	113,530	8,737
Other liabilities	5,670	5,774	104
Total pension and other liabilities	281,377	288,324	6,947
Total interest-bearing debt	1,002,578	1,021,857	19,279
Total liabilities	1,151,311	1,177,633	26,322
Financial assets			
Cash and accounts receivable	172,991	185,466	12,475
Foreign exchange accounts	96,938	100,187	3,249
Loans, investments, and advances (net of allowances) ¹	126,371	138,712	12,341
Public sector pension assets	2,124	2,124	0
Total financial assets	398,424	426,489	28,065
Net debt	752,887	751,144	-1,743
Non-financial assets	81,633	83,556	1,923
Federal debt (accumulated deficit)	671,254	667,588	-3,666
<p>Note: Totals may not add due to rounding.</p> <p>¹ February 28, 2019 amount includes \$0.6 billion in other comprehensive income from enterprise Crown corporations and other government business enterprises for the April 2018 to February 2019 period.</p> <p>² Certain March 31, 2018 balances have been restated to reflect a change in the Government's accounting for the Canadian Commercial Corporation. This restatement has resulted in a \$6,091-million decrease in accounts payable and accrued liabilities, a \$215-million decrease in cash and accounts receivable, and a \$5,876-million decrease in non-financial assets, with no overall impact on the federal debt. See Note 8 at the end of this document for further details.</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 Changes and Restatement

The monthly financial results for 2017–18 presented for comparative purposes in *The Fiscal Monitor* have been restated to reflect the following two changes in accounting policy.

Change in Discount Rate Methodology

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.

Canadian Commercial Corporation

For the 2018–19 fiscal year, the Canadian Commercial Corporation has 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 decline 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 March 31, 2018 Condensed Statement of Assets and Liabilities shown in Table 7 has been adjusted to reflect the retroactive impact of this change.

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

Table 8 Summary of Restatements (\$ millions)					
	Program expenses	Public debt charges	Other revenues	Budgetary balance (deficit/surplus)	Non-budgetary transactions
February 2018					
As previously reported	-24,173	-1,717	2,293	2,826	-9,383
Effect of change in accounting policy					
Change in discount rate methodology	-233	191		-42	42
Canadian Commercial Corporation	172		-172	-	
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As restated	-24,234	-1,526	2,121	2,784	-9,341
	<hr/>				
April 2017 to February 2018					
As previously reported	-262,879	-21,845	25,240	-5,557	-6,519
Effect of change in accounting policy					
Change in discount rate methodology	-2,563	2,101		-462	462
Canadian Commercial Corporation	2,216		-2,216	-	
	<hr/>				
As restated	-263,226	-19,744	23,024	-6,019	-6,057
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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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