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Department of Finance Canada



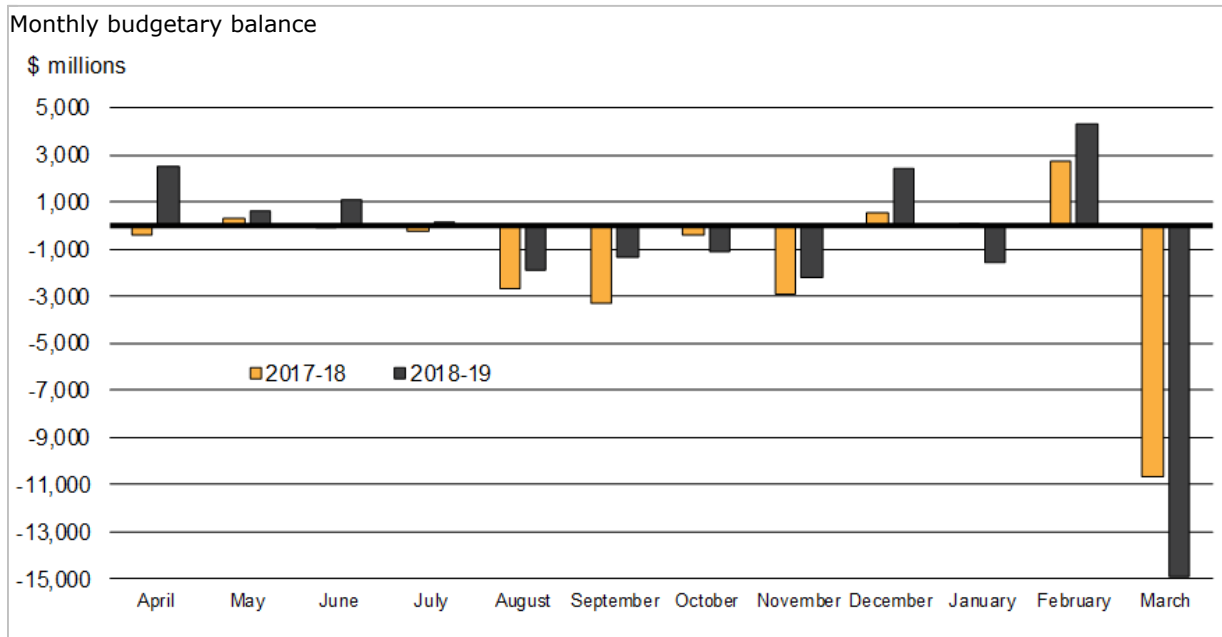
# The Fiscal Monitor

## A publication of the Department of Finance

### Highlights

#### March 2019

There was a budgetary deficit of \$14.9 billion in March 2019, compared to a deficit of \$10.7 billion in March 2018. Revenues increased by \$1.2 billion, or 4.6 per cent, primarily reflecting an increase in other revenues. Program expenses increased by \$5.7 billion, or 16.4 per cent, largely reflecting increases in major transfers to other levels of government and direct program expenses. Public debt charges decreased by \$0.3 billion, or 12.2 per cent, reflecting lower Consumer Price Index adjustments on Real Return Bonds.



### April 2018 to March 2019

For the April to March period of the 2018–19 fiscal year, the Government posted a budgetary deficit of \$11.8 billion, compared to a deficit of \$16.7 billion reported for the same period of 2017–18. Revenues were up \$24.7 billion, or 8.1 per cent, primarily reflecting increases in tax revenues and other revenues. Program expenses were up \$18.5 billion, or 6.2 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 \$1.4 billion, or 6.3 per cent, reflecting a higher average effective interest rate on the stock of interest-bearing debt.

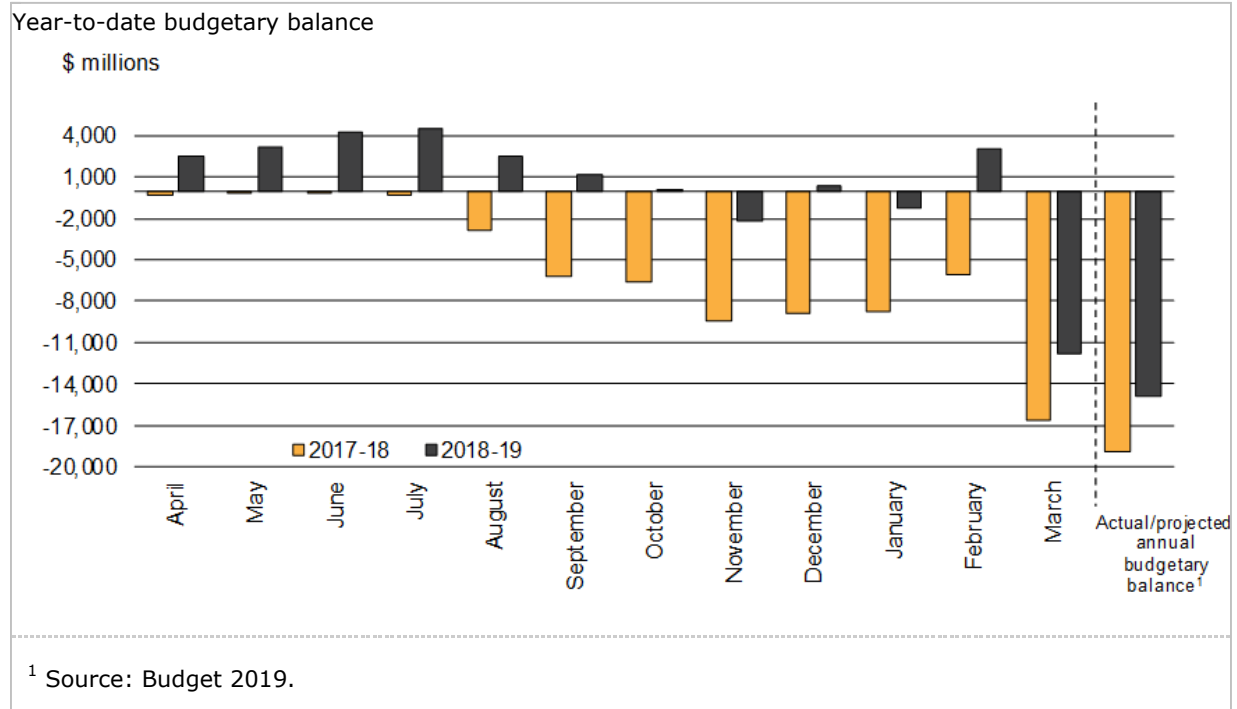


Table 1 Summary statement of transactions (\$ millions)				
	March		April to March	
	2018 Restated <sup>1</sup>	2019	2017-18 Restated <sup>1</sup>	2018-19
<b>Budgetary transactions</b>				
Revenues	26,577	27,797	303,527	328,256
Expenses				
Program expenses	-34,983	-40,708	-298,209	-316,666
Public debt charges	-2,265	-1,989	-22,010	-23,396
Budgetary balance (deficit/surplus)	-10,671	-14,900	-16,692	-11,806
<b>Non-budgetary transactions</b>	16,575	13,283	10,520	-536
<b>Financial source/requirement</b>	5,904	-1,617	-6,172	-12,342
<b>Net change in financing activities</b>	-12,513	2,336	6,947	14,668
<b>Net change in cash balances</b>	-6,609	719	775	2,326
<b>Cash balance at end of period</b>			37,677	40,004

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 March 2019 totalled \$27.8 billion, up \$1.2 billion, or 4.6 per cent, from March 2018.

- Tax revenues increased by \$0.1 billion, or 0.4 per cent.
- Employment Insurance (EI) premium revenues increased by \$0.2 billion, or 9.1 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 \$0.9 billion, or 33.8 per cent, largely reflecting gains on the sale of real property and higher interest and penalties revenues.

For the April to March period of 2018–19, revenues were \$328.3 billion, up \$24.7 billion, or 8.1 per cent, from the same period the previous year.

- Tax revenues increased by \$20.3 billion, or 7.9 per cent, driven largely by growth in income tax revenues, Goods and Services Tax (GST) revenues and customs import duties revenues.
- EI premium revenues were up \$0.8 billion, or 3.9 per cent.
- Other revenues were up \$3.6 billion, or 14.2 per cent, largely reflecting higher interest and penalties revenues and gains on the sale of real property.

Table 2 Revenues						
	March			April to March		
	2018 Restated <sup>1</sup>	2019	Change	2017-18 Restated <sup>1</sup>	2018-19	Change
	(\$ millions)		(%)	(\$ millions)		(%)
<b>Tax revenues</b>						
Income taxes						
Personal	12,136	12,667	4.4	146,440	155,894	6.5
Corporate	4,787	4,739	-1.0	48,199	53,636	11.3
Non-resident	574	358	-37.6	8,068	9,525	18.1
Total income tax revenues	17,497	17,764	1.5	202,707	219,055	8.1
Other taxes and duties						
Goods and Services Tax	2,607	2,252	-13.6	36,988	39,127	5.8
Energy taxes	454	432	-4.8	5,749	5,757	0.1
Customs import duties	413	562	36.1	5,416	6,881	27.0
Other excise taxes and duties	414	464	12.1	5,880	6,177	5.1
Total other taxes and duties	3,888	3,710	-4.6	54,033	57,942	7.2
Total tax revenues	21,385	21,474	0.4	256,740	276,997	7.9
<b>Employment Insurance premiums</b>	2,519	2,747	9.1	21,091	21,923	3.9
<b>Other revenues</b>	2,673	3,576	33.8	25,696	29,336	14.2
<b>Total revenues</b>	26,577	27,797	4.6	303,527	328,256	8.1

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.

## Expenses

Program expenses in March 2019 were \$40.7 billion, up \$5.7 billion, or 16.4 per cent, from March 2018.

- Major transfers to persons, consisting of elderly, EI and children's benefits, were up \$0.3 billion, or 3.6 per cent. Elderly benefits increased by \$0.2 billion, or 4.8 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 3.7 per cent. Children's benefits were up \$17 million, or 0.9 per cent.
- Major transfers to other levels of government were up \$0.8 billion, or 14.6 per cent, largely reflecting legislated growth in the Canada Health Transfer, the Canada Social Transfer and Equalization transfers, as well as an increase in payments under home care and mental health transfers.
- Direct program expenses were up \$4.6 billion, or 21.6 per cent. Within direct program expenses:
  - Fuel charge proceeds returned reflects \$0.6 billion in payments under the new federal carbon pollution pricing system.
  - Other transfer payments increased by \$2.2 billion, or 21.8 per cent, reflecting increases across a number of departments, including increased transfers relating to infrastructure.
  - Other direct program expenses, consisting of operating expenses of the Government's departments, agencies, and consolidated Crown corporations and other entities, increased by \$1.9 billion, or 16.5 per cent, in large part reflecting an increase in expenses related to claims and environmental liabilities.

Public debt charges were down \$0.3 billion, or 12.2 per cent, reflecting lower Consumer Price Index adjustments on Real Return Bonds.

For the April to March period of 2018–19, program expenses were \$316.7 billion, up \$18.5 billion, or 6.2 per cent, from the same period the previous year.

- Major transfers to persons were up \$2.2 billion, or 2.4 per cent. Elderly benefits increased by \$2.6 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 4.3 per cent, while children's benefits were up \$0.5 billion, or 1.9 per cent.
- Major transfers to other levels of government were up \$3.2 billion, or 4.6 per cent, largely reflecting legislated growth in the Canada Health Transfer, the Canada Social Transfer and Equalization transfers, as well as an increase in payments under home care and mental health transfers.
- Direct program expenses were up \$13.0 billion, or 9.7 per cent. Within direct program expenses:
  - Fuel charge proceeds returned reflects \$0.7 billion in payments under the new federal carbon pollution pricing system.

- Other transfer payments increased by \$6.0 billion, or 13.4 per cent, reflecting increases across a number of departments, including increased transfers relating to infrastructure and claims.
- Other direct program expenses increased by \$6.4 billion, or 7.1 per cent, largely reflecting an increase in personnel costs and expenses related to claims.

Public debt charges increased by \$1.4 billion, or 6.3 per cent, reflecting a higher average effective interest rate on the stock of interest-bearing debt.

Table 3 Expenses						
	March			April to March		
	2018 Restated <sup>1</sup>	2019	Change	2017-18 Restated <sup>1</sup>	2018-19	Change
	(\$ millions)		(%)	(\$ millions)		(%)
<b>Major transfers to persons</b>						
Elderly benefits	4,400	4,612	4.8	50,838	53,479	5.2
Employment Insurance benefits	1,617	1,677	3.7	19,806	18,951	-4.3
Children's benefits	1,982	1,999	0.9	23,448	23,900	1.9
Total	7,999	8,288	3.6	94,092	96,330	2.4
<b>Major transfers to other levels of government</b>						
Canada Health Transfer	3,070	3,199	4.2	37,124	38,568	3.9
Canada Social Transfer	1,146	1,180	3.0	13,748	14,161	3.0
Equalization	1,521	1,580	3.9	18,254	18,958	3.9
Territorial Formula Financing	250	257	2.8	3,682	3,785	2.8
Gas Tax Fund	0	9	100.0	2,072	2,171	4.8
Home care and mental health	0	360	100.0	300	849	183.0
Other fiscal arrangements <sup>2</sup>	-352	-127	-63.9	-4,661	-4,738	1.7
Total	5,635	6,458	14.6	70,519	73,754	4.6
<b>Direct program expenses</b>						
Fuel charge proceeds returned	n/a	565	n/a	n/a	664	n/a
Other transfer payments	9,976	12,147	21.8	44,519	50,486	13.4
Other direct program expenses	11,373	13,250	16.5	89,079	95,432	7.1



Total direct program expenses	21,349	25,962	21.6	133,598	146,582	9.7
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<b>Total program expenses</b>	34,983	40,708	16.4	298,209	316,666	6.2
<b>Public debt charges</b>	2,265	1,989	-12.2	22,010	23,396	6.3
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<b>Total expenses</b>	37,248	42,697	14.6	320,219	340,062	6.2

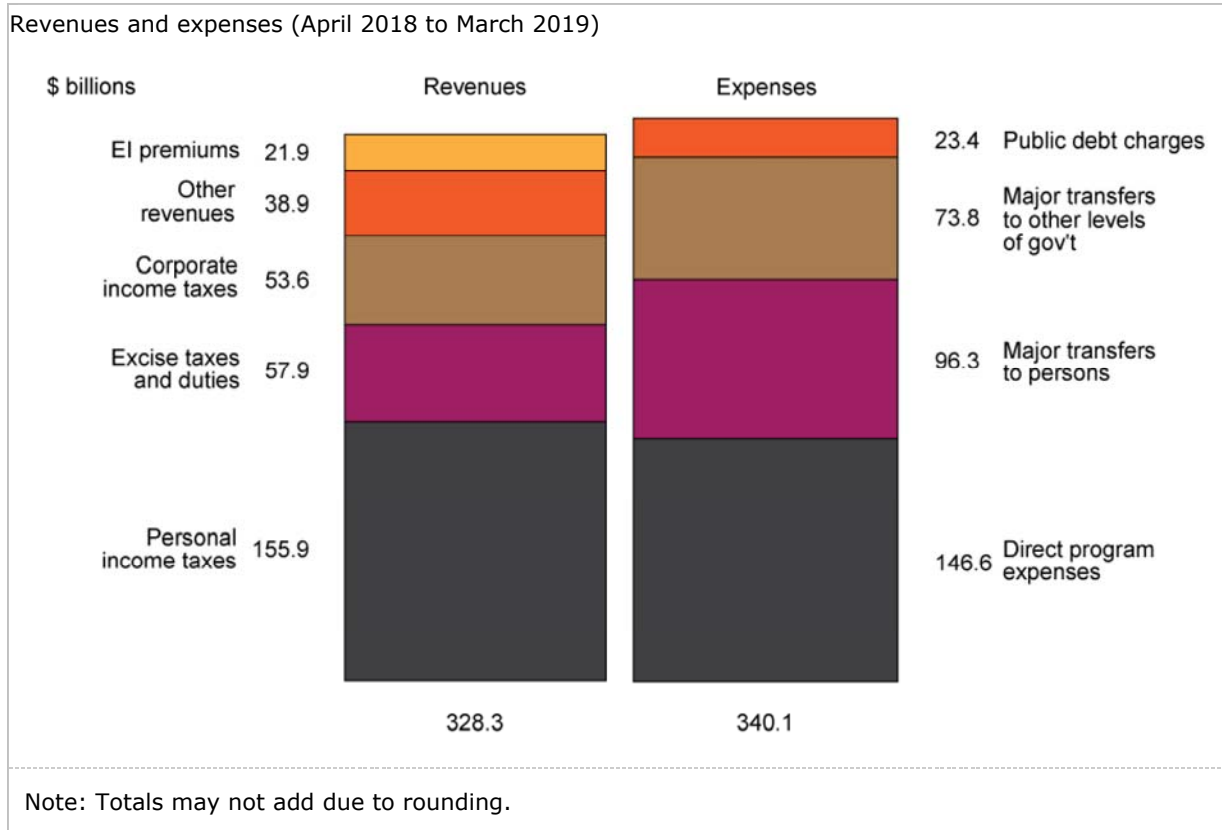
Note: Totals may not add due to rounding.

<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.

<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.

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

Table 4 Total expenses by object of expense						
	March			April to March		
	2018	2019	Change	2017-18	2018-19	Change
	(\$ millions)		(%)	(\$ millions)		(%)
Transfer payments	23,610	27,458	16.3	209,130	221,234	5.8
Other expenses						
Personnel	5,573	5,502	-1.3	53,261	55,613	4.4
Transportation and communications	543	633	16.6	2,778	3,031	9.1
Information	114	130	14.0	324	389	20.1
Professional and special services	3,085	3,067	-0.6	12,384	12,673	2.3
Rentals	406	500	23.2	2,996	3,269	9.1
Repair and maintenance	892	808	-9.4	3,360	3,575	6.4
Utilities, materials and supplies	477	471	-1.3	2,636	2,732	3.6
Other subsidies and expenses	-93	1,398	1,603.2	6,412	8,812	37.4
Amortization of tangible capital assets	352	658	86.9	4,782	5,124	7.2
Net loss on disposal of assets	24	83	245.8	146	214	46.6
	<hr/>			<hr/>		
Total other expenses	11,373	13,250	16.5	89,079	95,432	7.1
	<hr/>			<hr/>		
<b>Total program expenses</b>	34,983	40,708	16.4	298,209	316,666	6.2
<b>Public debt charges</b>	2,265	1,989	-12.2	22,010	23,396	6.3
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<b>Total expenses</b>	37,248	42,697	14.6	320,219	340,062	6.2
Note: Totals may not add due to rounding.						



## Financial requirement of \$12.3 billion for April 2018 to March 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 \$11.8 billion and a requirement of \$0.5 billion from non-budgetary transactions, there was a financial requirement of \$12.3 billion for the April 2018 to March 2019 period, compared to a financial requirement of \$6.2 billion for the same period the previous year.

Table 5 The budgetary balance and financial source/requirement (\$ millions)				
	March		April to March	
	2018 Restated <sup>1</sup>	2019	2017-18 Restated <sup>1</sup>	2018-19
<b>Budgetary balance (deficit/surplus)</b>	-10,671	-14,900	-16,692	-11,806
<b>Non-budgetary transactions</b>				
Accounts payable, accrued liabilities and accounts receivable	14,351	11,489	9,232	7,665
Pensions, other future benefits, and other liabilities	-132	650	6,050	7,597
Foreign exchange accounts	4,152	498	1,860	-2,751
Loans, investments and advances	309	2,215	-3,668	-9,554
Non-financial assets	-2,105	-1,569	-2,954	-3,493
Total non-budgetary transactions	16,575	13,283	10,520	-536
<b>Financial source/requirement</b>	5,904	-1,617	-6,172	-12,342

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 \$14.7 billion

The Government financed this financial requirement of \$12.3 billion and increased cash balances by \$2.3 billion by increasing unmatured debt by \$14.7 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 March 2019 stood at \$40.0 billion, up \$2.3 billion from their level at the end of March 2018.

Table 6 Financial source/requirement and net financing activities (\$ millions)				
	March		April to March	
	2018	2019	2017-18	2018-19
<b>Financial source/requirement</b>	5,904	-1,617	-6,172	-12,342
<b>Net increase (+)/decrease (-) in financing activities</b>				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	-3,898	-2,943	38,715	-5,407
Treasury bills	-4,200	4,500	-26,000	23,600
Retail debt	-66	-46	-1,948	-1,349
Total	-8,164	1,511	10,767	16,844
Foreign currency borrowings	-4,333	35	-1,560	-39
Total	-12,497	1,546	9,207	16,805
Cross-currency swap revaluation	488	695	71	-561
Unamortized discounts and premiums on market debt	-97	-16	-1,855	-1,304
Obligations related to capital leases and other unmatuured debt	-407	111	-476	-272
<b>Net change in financing activities</b>	-12,513	2,336	6,947	14,668
<b>Change in cash balance</b>	-6,609	719	775	2,326
<b>Cash balance at end of period</b>			37,677	40,004
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 \$12.0 billion over the April 2018 to March 2019 period, reflecting the \$11.8-billion budgetary deficit and \$0.2 billion in other comprehensive losses.

Table 7 Condensed statement of assets and liabilities (\$ millions)			
	March 31, 2018 Restated <sup>2</sup>	March 31, 2019	Change
<b>Liabilities</b>			
Accounts payable and accrued liabilities	148,733	157,239	8,506
Interest-bearing debt			
Unmatured debt			
Payable in Canadian currency			
Marketable bonds	574,968	569,561	-5,407
Treasury bills	110,700	134,300	23,600
Retail debt	2,586	1,237	-1,349
Subtotal	688,254	705,098	16,844
Payable in foreign currencies	16,049	16,010	-39
Cross-currency swap revaluation	7,835	7,274	-561
Unamortized discounts and premiums on market debt	3,467	2,163	-1,304
Obligations related to capital leases and other unamatured debt	5,596	5,324	-272
Total unamatured debt	721,201	735,869	14,668
Pension and other liabilities			
Public sector pensions	170,914	168,817	-2,097
Other employee and veteran future benefits	104,793	114,244	9,451
Other liabilities	5,670	5,913	243
Total pension and other liabilities	281,377	288,974	7,597

Total interest-bearing debt	1,002,578	1,024,843	22,265
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<b>Total liabilities</b>	1,151,311	1,182,082	30,771
<b>Financial assets</b>			
Cash and accounts receivable	172,991	176,160	3,169
Foreign exchange accounts	96,938	99,689	2,751
Loans, investments, and advances (net of allowances) <sup>1</sup>	126,371	135,693	9,322
Public sector pension assets	2,124	2,124	0
	<hr/>		
Total financial assets	398,424	413,666	15,242
	<hr/>		
<b>Net debt</b>	752,887	768,416	15,529
<b>Non-financial assets</b>	81,633	85,126	3,493
	<hr/>		
<b>Federal debt (accumulated deficit)</b>	671,254	683,290	12,036
Note: Totals may not add due to rounding.			
<sup>1</sup> March 31, 2019 amount includes \$0.2 billion in other comprehensive losses from enterprise Crown corporations and other government business enterprises for the April 2018 to March 2019 period.			
<sup>2</sup> 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.			

## 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.

<b>Table 8 Summary of Restatements (\$ millions)</b>					
	<b>Program expenses</b>	<b>Public debt charges</b>	<b>Other revenues</b>	<b>Budgetary balance (deficit/surplus)</b>	<b>Non-budgetary transactions</b>
<b>March 2018</b>					
As previously reported	-34,922	-2,456	2,845	-10,629	16,533
Effect of change in accounting policy					
Change in discount rate methodology	-233	191	n/a	-42	42
Canadian Commercial Corporation	172	n/a	-172	0	n/a
	<hr/>				
As restated	-34,983	-2,265	2,673	-10,671	16,575
	<hr/>				
<b>April 2017 to March 2018</b>					
As previously reported	-297,801	-24,302	28,084	-16,188	10,016
Effect of change in accounting policy					
Change in discount rate methodology	-2,796	2,292	n/a	-504	504
Canadian Commercial Corporation	2,388	n/a	-2,388	0	n/a
	<hr/>				
As restated	-298,209	-22,010	25,696	-16,692	10,520
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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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May 2019

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