

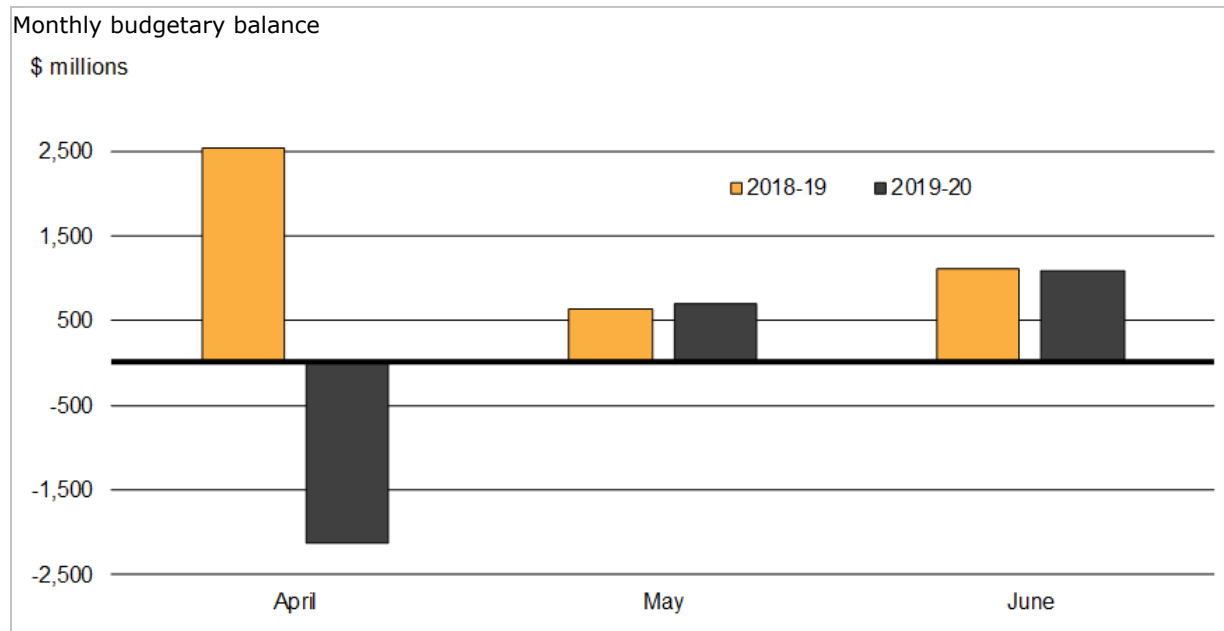
The Fiscal Monitor

A publication of the Department of Finance

Highlights

June 2019

There was a budgetary surplus of \$1.0 billion in June 2019, compared to a surplus of \$1.1 billion in June 2018. Revenues increased by \$0.9 billion, or 3.5 per cent, primarily reflecting an increase in income tax revenues. Program expenses increased by \$0.9 billion, or 3.9 per cent, reflecting increases in major transfers to persons and other levels of government and direct program expenses. Public debt charges increased by \$0.2 billion, or 7.7 per cent, reflecting higher Consumer Price Index adjustments on Real Return Bonds and a higher average effective interest rate on the stock of Treasury Bills.



April to June 2019

For the April to June period of the 2019–20 fiscal year, the Government posted a budgetary deficit of \$0.5 billion, compared to a surplus of \$4.3 billion reported for the same period of 2018–19. Revenues were up \$3.2 billion, or 4.0 per cent, primarily reflecting increases in tax revenues and other revenues. Program expenses were up \$7.3 billion, or 10.3 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 \$0.7 billion, or 11.5 per cent, reflecting higher Consumer Price Index adjustments on Real Return Bonds and a higher average effective interest rate on the stock of Treasury Bills.

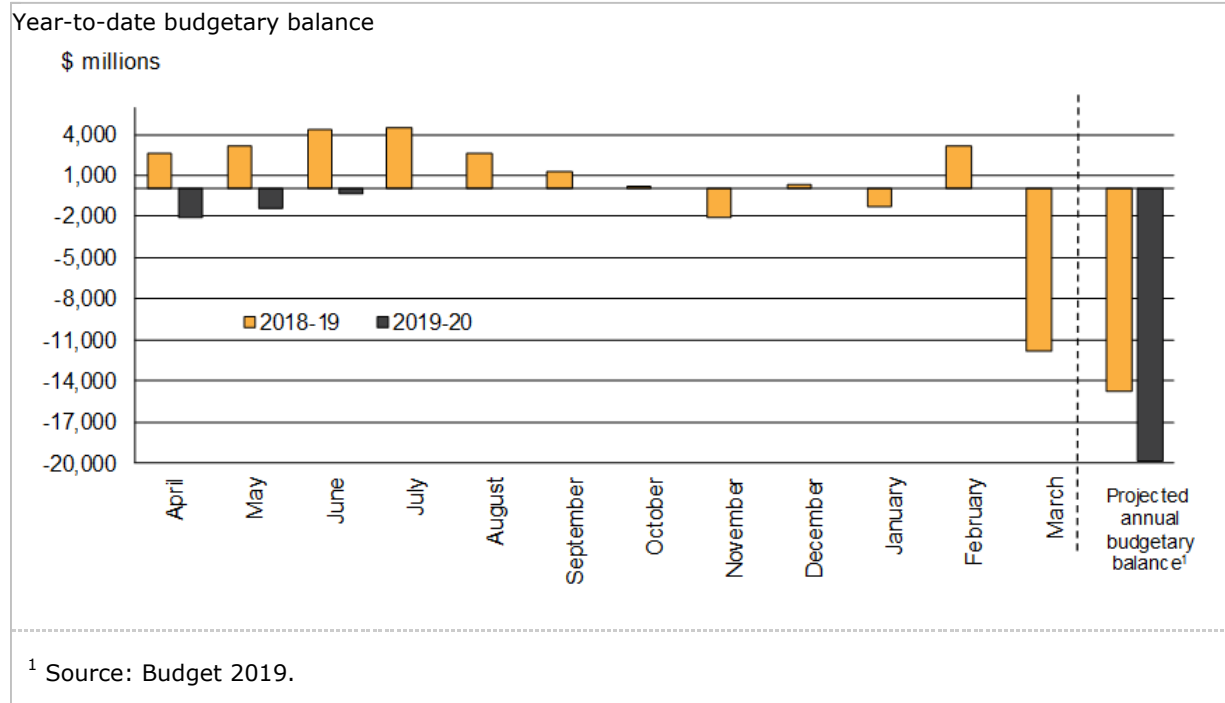


Table 1 Summary statement of transactions (\$ millions)				
	June		April - June	
	2018 Restated ¹	2019	2018-19 Restated ¹	2019-20
Budgetary transactions				
Revenues	26,926	27,859	81,156	84,374
Expenses				
Program expenses	-23,800	-24,733	-70,661	-77,919
Public debt charges	-2,013	-2,168	-6,200	-6,911
Budgetary balance (deficit/surplus)	1,113	958	4,295	-456
Non-budgetary transactions	-8,246	-3,271	-11,190	-9,369
Financial source/requirement	-7,133	-2,313	-6,895	-9,825
Net change in financing activities	-7,214	-10,671	5,909	6,386
Net change in cash balances	-14,347	-12,984	-986	-3,439
Cash balance at end of period			36,691	36,565
<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 changes in accounting policy. See Note 8 at the end of this document for further details.</p>				

Revenues

Revenues in June 2019 totalled \$27.9 billion, up \$0.9 billion, or 3.5 per cent, from June 2018.

- Tax revenues increased by \$1.0 billion, or 4.5 per cent.
- Fuel charge proceeds under the new federal carbon pollution pricing system totaled \$0.1 billion.
- Employment Insurance (EI) premium revenues increased by \$28 million, or 1.4 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 \$0.2 billion, or 10.7 per cent, largely reflecting lower interest and penalties revenues.

For the April to June period of 2019–20, revenues were \$84.4 billion, up \$3.2 billion, or 4.0 per cent, from the same period the previous year.

- Tax revenues increased by \$2.7 billion, or 3.9 per cent, driven largely by growth in personal income tax revenues.
- Fuel charge proceeds totaled \$0.1 billion over the April to June period of 2019-20.
- EI premium revenues were up \$0.1 billion, or 0.8 per cent.
- Other revenues were up \$0.4 billion, or 5.3 per cent, largely reflecting higher net foreign exchange revenues.

	June			April - June		
	2018 Restated ¹	2019	Change	2018–19 Restated ¹	2019–20	Change
	(\$ millions)		(%)	(\$ millions)		(%)
Tax revenues						
Income taxes						
Personal	12,433	14,366	15.5	37,743	40,639	7.7
Corporate	5,253	4,269	-18.7	13,642	13,077	-4.1
Non-resident	650	639	-1.7	2,063	2,128	3.2
Total income tax revenues	18,336	19,274	5.1	53,448	55,844	4.5
Other taxes and duties						

Goods and Services Tax	2,763	2,970	7.5	10,132	10,180	0.5
Energy taxes	441	444	0.7	1,320	1,371	3.9
Customs import duties	455	433	-4.8	1,314	1,458	11.0
Other excise taxes and duties	567	457	-19.4	1,548	1,576	1.8
	<hr/>			<hr/>		
Total other taxes and duties	4,226	4,304	1.8	14,314	14,585	1.9
	<hr/>			<hr/>		
Total tax revenues	22,562	23,578	4.5	67,762	70,429	3.9
Fuel charge proceeds	0	137	n/a	0	137	n/a
Employment Insurance premiums	2,054	2,082	1.4	6,625	6,680	0.8
Other revenues	2,310	2,062	-10.7	6,769	7,128	5.3
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Total revenues	26,926	27,859	3.5	81,156	84,374	4.0
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 June 2019 were \$24.7 billion, up \$0.9 billion, or 3.9 per cent, from June 2018.

- Major transfers to persons, consisting of elderly, EI and children's benefits, were up \$0.4 billion, or 5.9 per cent. Elderly benefits increased by \$0.6 billion, or 13.2 per cent, reflecting growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. EI benefits decreased by \$0.2 billion, or 12.4 per cent. Children's benefits were up \$27 million, or 1.3 per cent.
- Major transfers to other levels of government were up \$0.3 billion, or 4.5 per cent, largely reflecting legislated growth in the Canada Health Transfer, the Canada Social Transfer and Equalization transfers.
- Direct program expenses were up \$0.2 billion, or 2.2 per cent. Within direct program expenses:
 - Fuel charge proceeds returned reflects \$0.1 billion in payments under the federal carbon pollution pricing system.
 - Other transfer payments decreased by \$33 million.
 - 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 2.5 per cent.

Public debt charges were up \$0.2 billion, or 7.7 per cent, reflecting higher Consumer Price Index adjustments on Real Return Bonds and a higher average effective interest rate on the stock of Treasury Bills.

For the April to June period of 2019–20, program expenses were \$77.9 billion, up \$7.3 billion, or 10.3 per cent, from the same period the previous year.

- Major transfers to persons were up \$0.9 billion, or 3.9 per cent. Elderly benefits increased by \$1.0 billion, or 7.8 per cent, reflecting growth in the elderly population and changes in consumer prices. EI benefits decreased by \$0.1 billion, or 2.1 per cent, and children’s benefits were down \$14 million, or 0.2 per cent.
- Major transfers to other levels of government were up \$3.2 billion, or 17.9 per cent, primarily 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; and, 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 \$3.1 billion, or 10.7 per cent. Within direct program expenses:
 - Fuel charge proceeds returned totaled \$1.2 billion.
 - Other transfer payments increased by \$0.7 billion, or 8.8 per cent, reflecting increases across a number of departments.
 - Other direct program expenses increased by \$1.2 billion, or 5.7 per cent, reflecting in part an increase in personnel costs.

Public debt charges increased by \$0.7 billion, or 11.5 per cent, reflecting higher Consumer Price Index adjustments on Real Return Bonds and a higher average effective interest rate on the stock of Treasury Bills.

Table 3 Expenses						
	June			April - June		
	2018 Restated ¹	2019	Change	2018–19 Restated ¹	2019 –20	Change
	(\$ millions)		(%)	(\$ millions)		(%)
Major transfers to persons						
Elderly benefits	4,361	4,938	13.2	13,024	14,038	7.8
Employment Insurance benefits	1,254	1,098	-12.4	4,373	4,282	-2.1
Children’s benefits	2,033	2,060	1.3	6,110	6,096	-0.2
Total	7,648	8,096	5.9	23,507	24,416	3.9
Major transfers to other levels of government						

Canada Health Transfer	3,215	3,364	4.6	9,646	10,093	4.6
Canada Social Transfer	1,180	1,215	3.0	3,540	3,646	3.0
Equalization	1,580	1,653	4.6	4,740	4,959	4.6
Territorial Formula Financing	257	268	4.3	1,469	1,532	4.3
Gas Tax Fund	0	0	n/a	0	0	n/a
Home care and mental health	0	0	n/a	17	550	3,135.3
Other fiscal arrangements ²	-416	-425	-2.2	-1,248	630	150.5
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Total	5,816	6,075	4.5	18,164	21,410	17.9
Direct program expenses						
Fuel charge proceeds returned	0	76	n/a	0	1,186	n/a
Other transfer payments	3,082	3,049	-1.1	8,486	9,233	8.8
Other direct program expenses	7,254	7,437	2.5	20,504	21,674	5.7
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Total direct program expenses	10,336	10,562	2.2	28,990	32,093	10.7
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Total program expenses	23,800	24,733	3.9	70,661	77,919	10.3
Public debt charges	2,013	2,168	7.7	6,200	6,911	11.5
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Total expenses	25,813	26,901	4.2	76,861	84,830	10.4

Note: Totals may not add due to rounding.

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

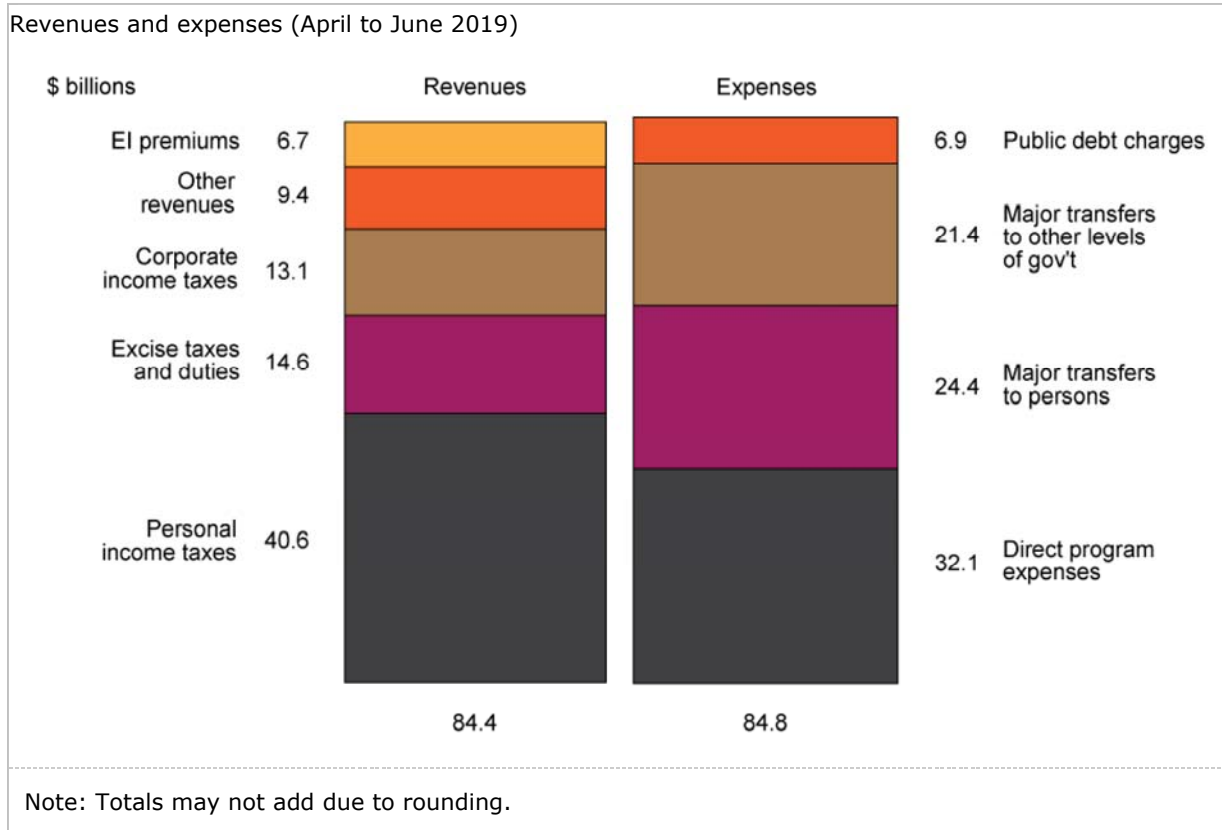
² Other fiscal arrangements include the Youth Allowances Recovery and Alternative Payments for Standing Programs, which represent a recovery from Quebec of a tax point transfer; statutory subsidies; payments under the 2005 Offshore Accords; payments to provinces in respect of common securities regulation; 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.

	June		Change	April - June		Change
	2018 Restated ¹	2019		2018-19 Restated ¹	2019-20	
	(\$ millions)		(%)	(\$ millions)		(%)
Transfer payments	16,546	17,296	4.5	50,157	56,245	12.1
Other expenses						
Personnel	4,414	4,559	3.3	13,093	13,800	5.4
Transportation and communications	252	246	-2.4	541	528	-2.4
Information	15	28	86.7	40	54	35.0
Professional and special services	822	837	1.8	1,684	1,886	12.0
Rentals	201	261	29.9	782	806	3.1
Repair and maintenance	231	256	10.8	411	496	20.7
Utilities, materials and supplies	199	217	9.0	510	528	3.5
Other subsidies and expenses	728	600	-17.6	2,213	2,274	2.8
Amortization of tangible capital assets	374	427	14.2	1,196	1,281	7.1
Net loss on disposal of assets	18	6	-66.7	34	21	-38.2
	<hr/>			<hr/>		
Total other expenses	7,254	7,437	2.5	20,504	21,674	5.7
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Total program expenses	23,800	24,733	3.9	70,661	77,919	10.3
Public debt charges	2,013	2,168	7.7	6,200	6,911	11.5
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Total expenses	25,813	26,901	4.2	76,861	84,830	10.4

Note: Totals may not add due to rounding.

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Financial requirement of \$9.8 billion for April to June 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 \$0.5 billion and a requirement of \$9.4 billion from non-budgetary transactions, there was a financial requirement of \$9.8 billion for the April to June 2019 period, compared to a financial requirement of \$6.9 billion for the same period the previous year.

Table 5 The budgetary balance and financial source/requirement (\$ millions)				
	June		April - June	
	2018 Restated ¹	2019	2018-19 Restated ¹	2019-20
Budgetary balance (deficit/surplus)	1,113	958	4,295	-456
Non-budgetary transactions				
Accounts payable, accrued liabilities and accounts receivable	-5,523	-5,764	-10,147	-8,345
Pensions, other future benefits, and other liabilities	664	584	1,448	1,915
Foreign exchange accounts	-2,774	3,044	-316	-500
Loans, investments and advances	-602	-1,073	-2,387	-2,685
Non-financial assets	-11	-62	212	246
Total non-budgetary transactions	-8,246	-3,271	-11,190	-9,369
Financial source/requirement	-7,133	-2,313	-6,895	-9,825

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 \$6.4 billion

The Government financed this financial requirement of \$9.8 billion by decreasing cash balances by \$3.4 billion and increasing unmatured debt by \$6.4 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 June 2019 stood at \$36.6 billion, down \$0.1 billion from their level at the end of June 2018.

Table 6 Financial source/requirement and net financing activities (\$ millions)				
	June		April - June	
	2018	2019	2018-19	2019-20
Financial source/requirement	-7,133	-2,313	-6,895	-9,825
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	-4,059	-644	-2,109	8,257
Treasury bills	-4,600	-6,500	8,600	600
Retail debt	-29	-13	-114	-67
Total	-8,688	-7,157	6,377	8,790
Foreign currency borrowings	706	-1,142	523	-636
Total	-7,982	-8,299	6,900	8,154
Cross-currency swap revaluation	846	-2,374	-367	-1,712
Unamortized discounts and premiums on market debt	-32	50	-520	55
Obligations related to capital leases and other unamatured debt	-46	-48	-104	-111
Net change in financing activities	-7,214	-10,671	5,909	6,386
Change in cash balance	-14,347	-12,984	-986	-3,439
Cash balance at end of period			36,691	36,565
Note: Totals may not add due to rounding.				

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 Changes and Restatement

The monthly financial results for 2018–19 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 \$9 million increase in the budgetary surplus as of June 30, 2018. 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

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 these restatements of the 2018–19 financial results.

Table 7 Summary of Restatements (\$ millions)					
	Program expenses	Public debt charges	Other revenues	Budgetary balance (deficit/surplus)	Non- budgetary transactions
June 2018					
As previously reported	-23,809	-2,213	2,516	1,110	-8,243
Effect of change in accounting policy					
Change in discount rate methodology	-197	200	n/a	3	-3
Canadian Commercial Corporation	206	n/a	-206	0	n/a
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As restated	-23,800	-2,013	2,310	1,113	-8,246
	<hr/>				
April to June 2018					
As previously reported	-70,688	-6,800	7,387	4,286	-11,181
Effect of change in accounting policy					
Change in discount rate methodology	-591	600	n/a	9	-9
Canadian Commercial Corporation	618	n/a	-618	0	n/a
	<hr/>				
As restated	-70,661	-6,200	6,769	4,295	-11,190
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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.

For inquiries about this publication, contact Bradley Recker at 613-369-5667.

August 2019

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Cat. No.: F12-4E-PDF

ISSN: 1487-0134