

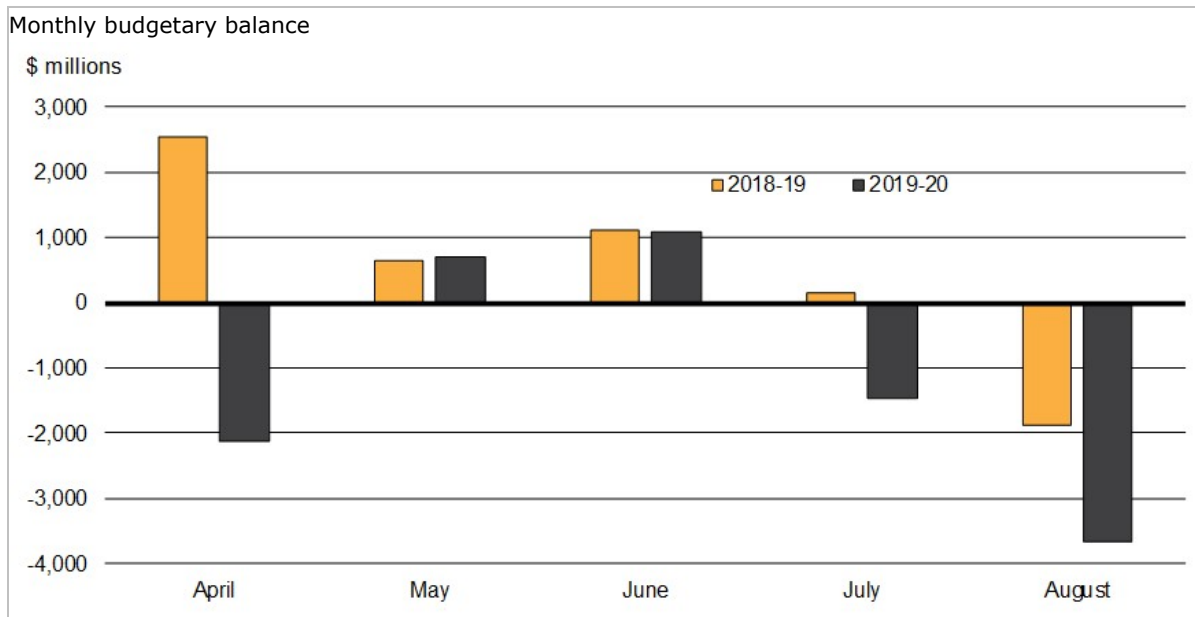
The Fiscal Monitor

A publication of the Department of Finance

Highlights

August 2019

There was a budgetary deficit of \$3.7 billion in August 2019, compared to a deficit of \$1.9 billion in August 2018. Revenues decreased by \$0.3 billion, or 1.2 per cent, primarily reflecting a decrease in excise taxes and duties. Program expenses increased by \$1.8 billion, or 7.4 per cent, primarily reflecting increases in major transfers to persons and direct program expenses. Public debt charges decreased by \$0.3 billion, or 17.0 per cent, reflecting lower Consumer Price Index adjustments on Real Return Bonds.



April to August 2019

For the April to August period of the 2019–20 fiscal year, the Government posted a budgetary deficit of \$5.2 billion, compared to a surplus of \$2.6 billion reported for the same period of 2018–19. Revenues were up \$3.9 billion, or 2.9 per cent, largely reflecting increases in tax revenues and other revenues. Program expenses were up \$10.9 billion, or 9.1 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 7.2 per cent, reflecting higher Consumer Price Index adjustments on Real Return Bonds.

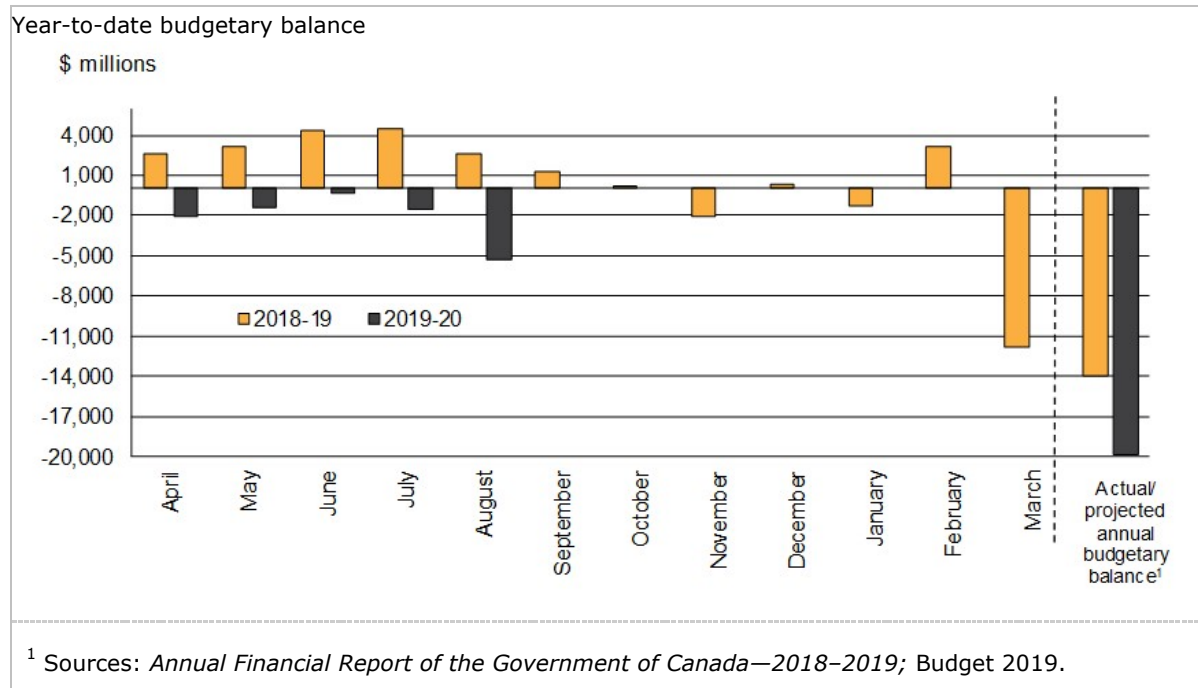


Table 1 Summary statement of transactions (\$ millions)				
	August		April - August	
	2018 Restated ¹	2019	2018-19 Restated ¹	2019-20
Budgetary transactions				
Revenues	24,903	24,595	132,947	136,815
Expenses				
Program expenses	-24,756	-26,584	-120,266	-131,188
Public debt charges	-2,022	-1,678	-10,119	-10,850
Budgetary balance (deficit/surplus)	-1,875	-3,667	2,562	-5,223
Non-budgetary transactions	-2,793	2,088	-13,210	-10,725
Financial source/requirement	-4,668	-1,579	-10,648	-15,948
Net change in financing activities	1,000	4,012	13,754	21,900
Net change in cash balances	-3,668	2,433	3,106	5,952
Cash balance at end of period			40,783	45,956
<p>Note: Positive numbers indicate net source of funds. Negative numbers indicate net requirement for funds.</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>				

Revenues

Revenues in August 2019 totalled \$24.6 billion, down \$0.3 billion, or 1.2 per cent, from August 2018.

- Tax revenues decreased by \$0.4 billion, or 1.8 per cent, led by customs import duties that were higher last year due to temporary retaliatory surtaxes on steel, aluminum and other products.
- Fuel charge proceeds assessed under the new federal carbon pollution pricing system totalled \$0.1 billion.
- Employment Insurance (EI) premium revenues increased by \$0.1 billion, or 4.6 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 \$0.1 billion, or 5.3 per cent.

For the April to August period of 2019–20, revenues were \$136.8 billion, up \$3.9 billion, or 2.9 per cent, from the same period the previous year.

- Tax revenues increased by \$2.6 billion, or 2.3 per cent, driven largely by growth in personal income tax revenues. The increase in tax revenues for the April to August period includes \$18 million from the federal portion of assessed cannabis excise duties.
- Assessed fuel charge proceeds totalled \$0.4 billion over the period.
- EI premium revenues were up \$0.2 billion, or 1.8 per cent.
- Other revenues were up \$0.6 billion, or 5.6 per cent.

	August			April - August		
	2018 Restated ¹	2019	Change	2018–19 Restated ¹	2019–20	Change
	(\$ millions)		(%)	(\$ millions)		(%)
Tax revenues						
Income taxes						
Personal	11,962	12,506	4.5	62,138	65,132	4.8
Corporate	3,023	2,828	-6.5	20,113	20,527	2.1
Non-resident	722	617	-14.5	3,718	3,542	-4.7
	<hr/>			<hr/>		
Total income tax revenues	15,707	15,951	1.6	85,969	89,201	3.8
Other taxes and duties						

Goods and Services Tax	3,386	3,117	-7.9	17,877	17,442	-2.4
Energy taxes	503	478	-5.0	2,336	2,342	0.3
Customs import duties	856	442	-48.4	2,790	2,367	-15.2
Other excise taxes and duties	485	574	18.4	2,587	2,823	9.1
	<hr/>			<hr/>		
Total other taxes and duties	5,230	4,611	-11.8	25,590	24,974	-2.4
	<hr/>			<hr/>		
Total tax revenues	20,937	20,562	-1.8	111,559	114,175	2.3
Fuel charge proceeds	0	133	n/a	0	436	n/a
Employment Insurance premiums	1,461	1,528	4.6	9,789	9,961	1.8
Other revenues	2,505	2,372	-5.3	11,599	12,243	5.6
	<hr/>			<hr/>		
Total revenues	24,903	24,595	-1.2	132,947	136,815	2.9
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 August 2019 were \$26.6 billion, up \$1.8 billion, or 7.4 per cent, from August 2018.

- Major transfers to persons, consisting of elderly, EI and children's benefits, were up \$0.5 billion, or 6.4 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 increased by \$0.2 billion, or 16.0 per cent. Children's benefits were up \$43 million, or 2.2 per cent.
- Major transfers to other levels of government were up \$29 million, or 0.5 per cent.
- Direct program expenses were up \$1.3 billion, or 11.6 per cent. Within direct program expenses:
 - Fuel charge proceeds returned reflects \$21 million in payments under the federal carbon pollution pricing system.
 - Other transfer payments increased by \$0.3 billion, or 10.9 per cent, reflecting increases across a number of departments.
 - Other direct program expenses, consisting of operating expenses of the Government's departments, agencies, and consolidated Crown corporations and other entities, increased by \$0.9 billion, or 11.6 per cent, largely reflecting an increase in pension and benefit costs based on the Government's latest actuarial valuations.

Public debt charges were down \$0.3 billion, or 17.0 per cent, reflecting lower Consumer Price Index adjustments on Real Return Bonds.

For the April to August period of 2019–20, program expenses were \$131.2 billion, up \$10.9 billion, or 9.1 per cent, from the same period the previous year.

- Major transfers to persons were up \$1.2 billion, or 3.1 per cent. Elderly benefits increased by \$1.1 billion, or 4.9 per cent, reflecting growth in the elderly population and changes in consumer prices. EI benefits increased by \$0.1 billion, or 1.3 per cent. Children’s benefits were up \$0.1 billion, or 0.8 per cent.
- Major transfers to other levels of government were up \$3.5 billion, or 11.5 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, \$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 \$6.2 billion, or 12.3 per cent. Within direct program expenses:
 - Fuel charge proceeds returned totalled \$1.2 billion.
 - Other transfer payments increased by \$1.7 billion, or 11.6 per cent, reflecting increases across a number of departments.
 - Other direct program expenses increased by \$3.2 billion, or 9.1 per cent, reflecting in part an increase in personnel costs.

Public debt charges increased by \$0.7 billion, or 7.2 per cent, reflecting higher Consumer Price Index adjustments on Real Return Bonds.

Table 3 Expenses						
	August			April - August		
	2018 Restated ¹	2019	Change	2018-19 Restated ¹	2019-20	Change
	(\$ millions)		(%)	(\$ millions)		(%)
Major transfers to persons						
Elderly benefits	4,417	4,646	5.2	21,893	22,955	4.9
Employment Insurance benefits	1,440	1,670	16.0	7,468	7,566	1.3
Children’s benefits	1,963	2,006	2.2	9,959	10,036	0.8
Total	7,820	8,322	6.4	39,320	40,557	3.1
Major transfers to other levels of government						
Canada Health Transfer	3,215	3,364	4.6	16,077	16,822	4.6

Canada Social Transfer	1,180	1,215	3.0	5,900	6,077	3.0
Equalization	1,580	1,653	4.6	7,899	8,269	4.7
Territorial Formula Financing	257	268	4.3	1,984	2,069	4.3
Gas Tax Fund	0	0	n/a	1,085	1,084	-0.1
Home care and mental health	13	0	-100.0	31	550	1,674.2
Other fiscal arrangements ²	-473	-699	47.8	-2,118	-478	-77.4
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Total	5,772	5,801	0.5	30,858	34,393	11.5
Direct program expenses						
Fuel charge proceeds returned	0	21	n/a	0	1,243	n/a
Other transfer payments	3,027	3,356	10.9	14,339	15,998	11.6
Other direct program expenses	8,137	9,084	11.6	35,749	38,997	9.1
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Total direct program expenses	11,164	12,461	11.6	50,088	56,238	12.3
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Total program expenses	24,756	26,584	7.4	120,266	131,188	9.1
Public debt charges	2,022	1,678	-17.0	10,119	10,850	7.2
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Total expenses	26,778	28,262	5.5	130,385	142,038	8.9

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.

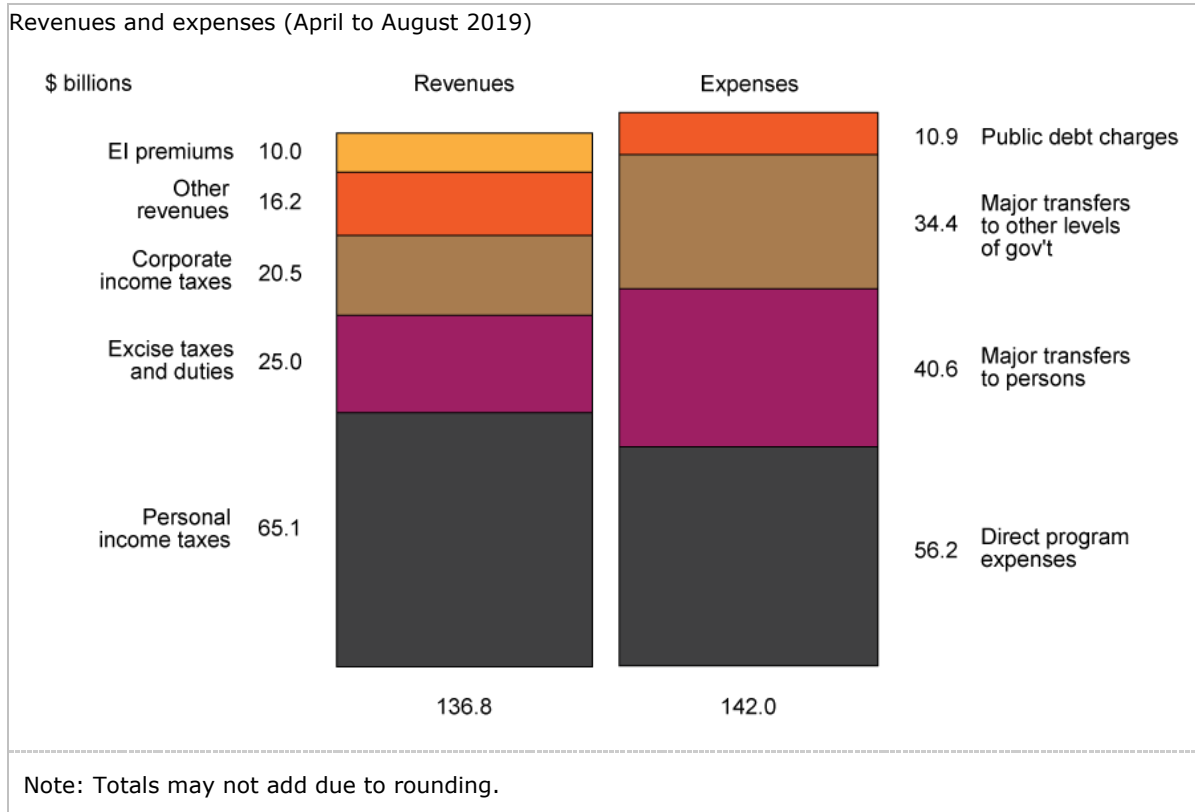
² Other fiscal arrangements include the Youth Allowances Recovery and Alternative Payments for Standing Programs, which represent a recovery from Quebec of a tax point transfer; statutory subsidies; payments under the 2005 Offshore Accords; payments to provinces in respect of common securities regulation;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

	August			April - August		
	2018	2019	Change	2018-19	2019-20	Change
	Restated ¹			Restated ¹		
	(\$ millions)		(%)	(\$ millions)		(%)
Transfer payments	16,619	17,500	5.3	84,517	92,191	9.1
Other expenses						
Personnel	5,268	6,190	17.5	22,784	24,867	9.1
Transportation and communications	243	226	-7.0	1,051	1,032	-1.8
Information	22	22	0.0	77	112	45.5
Professional and special services	919	880	-4.2	3,508	3,756	7.1
Rentals	216	211	-2.3	1,271	1,305	2.7
Repair and maintenance	307	262	-14.7	955	1,041	9.0
Utilities, materials and supplies	219	211	-3.7	916	957	4.5
Other subsidies and expenses	523	644	23.1	3,128	3,729	19.2
Amortization of tangible capital assets	408	427	4.7	2,002	2,135	6.6
Net loss on disposal of assets	12	11	-8.3	57	63	10.5
Total other expenses	8,137	9,084	11.6	35,749	38,997	9.1
Total program expenses	24,756	26,584	7.4	120,266	131,188	9.1
Public debt charges	2,022	1,678	-17.0	10,119	10,850	7.2
Total expenses	26,778	28,262	5.5	130,385	142,038	8.9

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 \$15.9 billion for April to August 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 \$5.2 billion and a requirement of \$10.7 billion from non-budgetary transactions, there was a financial requirement of \$15.9 billion for the April to August 2019 period, compared to a financial requirement of \$10.6 billion for the same period the previous year.

Table 5 The budgetary balance and financial source/requirement (\$ millions)				
	August		April - August	
	2018	2019	2018-19	2019-20
Budgetary balance (deficit/surplus)	-1,875	-3,667	2,562	-5,223
Non-budgetary transactions				
Accounts payable, accrued liabilities and accounts receivable	1,487	2,750	-9,498	-9,073
Pensions, other future benefits, and other liabilities	909	1,961	3,149	4,495
Foreign exchange accounts	687	-804	1,069	-927
Loans, investments and advances	-5,127	-1,634	-7,159	-5,078
Non-financial assets	-749	-185	-771	-142
Total non-budgetary transactions	-2,793	2,088	-13,210	-10,725
Financial source/requirement	-4,668	-1,579	-10,648	-15,948
Note: Totals may not add due to rounding.				

Net financing activities up \$21.9 billion

The Government financed this financial requirement of \$15.9 billion and increased cash balances by \$6.0 billion by increasing unmatured debt by \$21.9 billion. The increase in unmatured debt was achieved primarily through the issuance of marketable bonds and 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 August 2019 stood at \$46.0 billion, up \$5.2 billion from their level at the end of August 2018.

Table 6 Financial source/requirement and net financing activities (\$ millions)				
	August		April - August	
	2018	2019	2018-19	2019-20
Financial source/requirement	-4,668	-1,579	-10,648	-15,948
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	-6,184	5,034	-422	21,269
Treasury bills	7,300	-2,100	16,300	2,500
Retail debt	-16	-21	-161	-101
Total	1,100	2,913	15,717	23,668
Foreign currency borrowings	161	321	240	45
Total	1,261	3,234	15,957	23,713
Cross-currency swap revaluation	-69	516	-1,361	-1,399
Unamortized discounts and premiums on market debt	-141	279	-670	385
Obligations related to capital leases and other unamatured debt	-51	-17	-172	-799
Net change in financing activities	1,000	4,012	13,754	21,900
Change in cash balance	-3,668	2,433	3,106	5,952
Cash balance at end of period			40,783	45,956

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 \$6.4 billion over the April to August 2019 period, reflecting the \$5.2-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	August 31, 2019	Change
Liabilities			
Accounts payable and accrued liabilities	159,707	138,778	-20,929
Interest-bearing debt			
Unmatured debt			
Payable in Canadian currency			
Marketable bonds	569,526	590,795	21,269
Treasury bills	134,300	136,800	2,500
Retail debt	1,237	1,136	-101
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Subtotal	705,063	728,731	23,668
Payable in foreign currencies	16,011	16,056	45
Cross-currency swap revaluation	7,274	5,875	-1,399
Unamortized discounts and premiums on market debt	2,163	2,548	385
Obligations related to capital leases and other unamatured debt	6,404	5,605	-799
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Total unamatured debt	736,915	758,815	21,900
Pension and other liabilities			
Public sector pensions	168,782	167,997	-785
Other employee and veteran future benefits	113,862	119,158	5,296
Other liabilities	5,905	5,889	-16
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Total pension and other liabilities	288,549	293,044	4,495
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Total interest-bearing debt	1,025,464	1,051,859	26,395
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Total liabilities	1,185,171	1,190,637	5,466
Financial assets			
Cash and accounts receivable	177,041	171,137	-5,904
Foreign exchange accounts	99,688	100,615	927
Loans, investments, and advances (net of allowances) ¹	133,912	137,812	3,900
Public sector pension assets	2,406	2,406	0
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Total financial assets	413,047	411,970	-1,077
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Net debt	772,124	778,667	6,543
Non-financial assets	86,674	86,816	142
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Federal debt (accumulated deficit)	685,450	691,851	6,401
Note: Totals may not add due to rounding.			
¹ August 31, 2019 amount includes \$1.2 billion in other comprehensive losses from enterprise Crown corporations and other government business enterprises for the April to August 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
August 2018		
As previously reported	8,361	2,729
Effect of change in accounting policy		
Canadian Commercial Corporation	-224	-224
As restated	8,137	2,505
April to August 2018		
As previously reported	36,815	12,665
Effect of change in accounting policy		
Canadian Commercial Corporation	-1,066	-1,066
As restated	35,749	11,599
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.

October 2019

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Cat. No.: F12-4E-PDF

ISSN: 1487-0134