

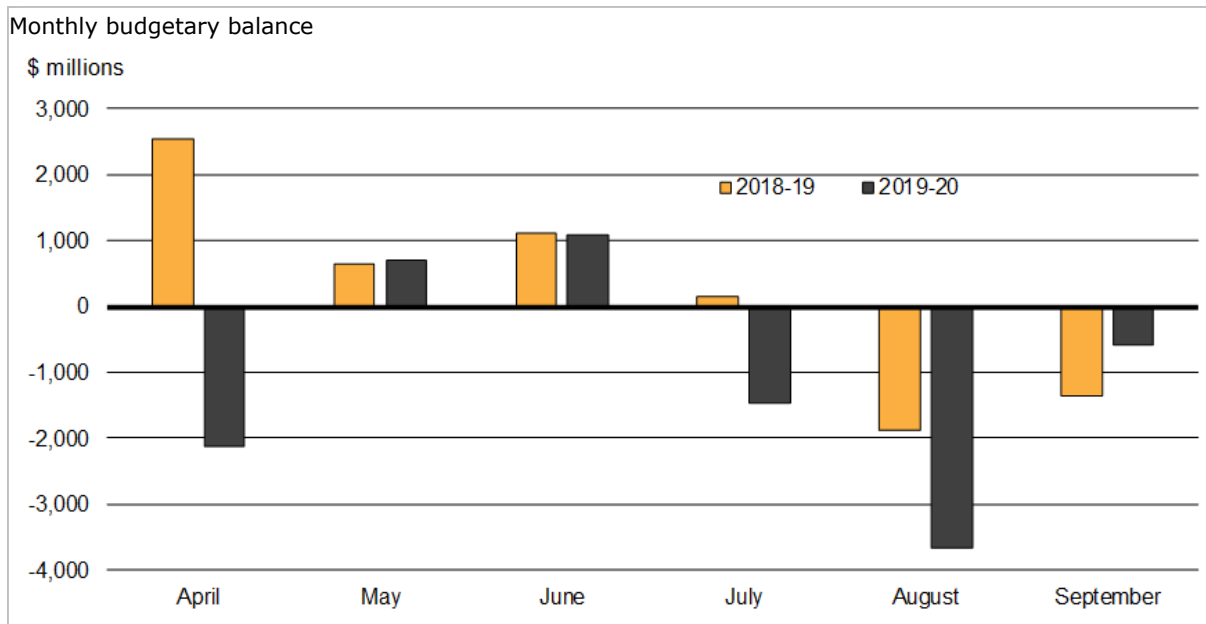
The Fiscal Monitor

A publication of the Department of Finance

Highlights

September 2019

There was a budgetary deficit of \$0.6 billion in September 2019, compared to a deficit of \$1.4 billion in September 2018. Revenues increased by \$2.2 billion, or 9.0 per cent, largely reflecting increases in tax revenues and other revenues. Program expenses increased by \$1.5 billion, or 6.2 per cent, largely reflecting an increase in direct program expenses. Public debt charges decreased by \$28 million, or 1.3 per cent.



April to September 2019

For the April to September period of the 2019–20 fiscal year, the Government posted a budgetary deficit of \$5.8 billion, compared to a surplus of \$1.2 billion reported for the same period of 2018–19. Revenues were up \$6.1 billion, or 3.9 per cent, largely reflecting increases in personal and corporate income tax revenues. Program expenses were up \$12.4 billion, or 8.6 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 5.7 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.

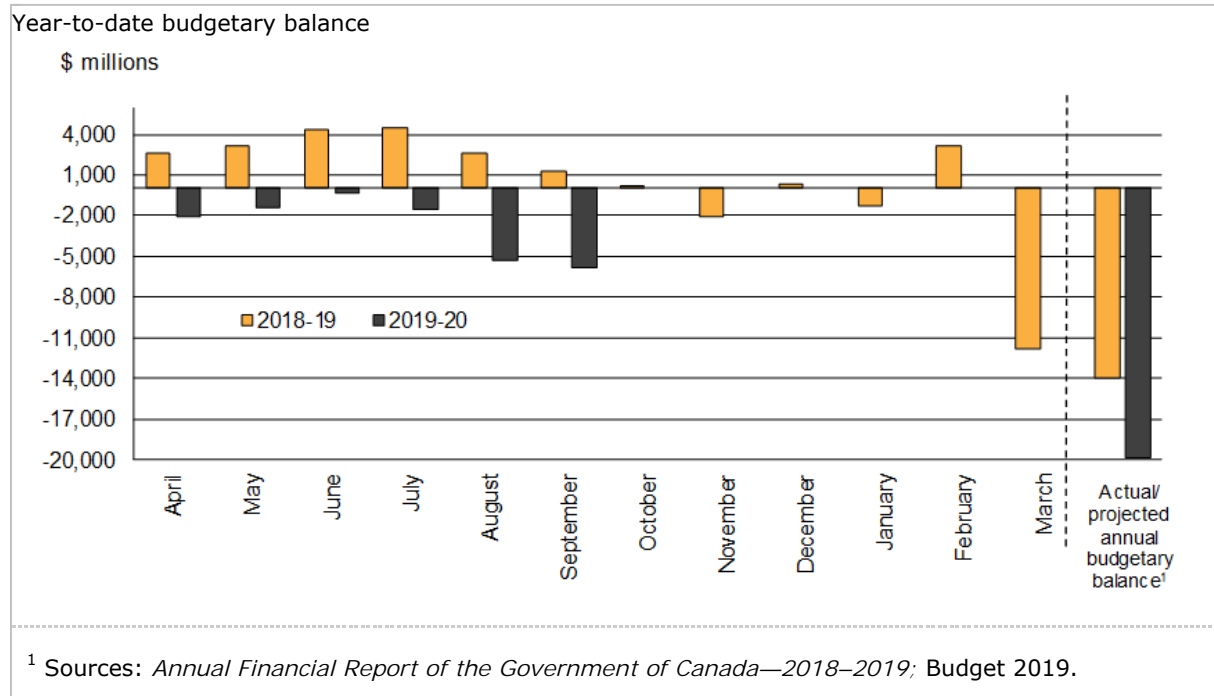


Table 1 Summary statement of transactions (\$ millions)				
	September		April - September	
	2018 Restated ¹	2019	2018-19 Restated ¹	2019-20
Budgetary transactions				
Revenues	25,010	27,252	157,957	164,067
Expenses				
Program expenses	-24,212	-25,704	-144,479	-156,892
Public debt charges	-2,154	-2,126	-12,273	-12,976
Budgetary balance (deficit/surplus)	-1,356	-578	1,205	-5,801
Non-budgetary transactions	2,328	3,040	-10,882	-7,686
Financial source/requirement	972	2,462	-9,677	-13,487
Net change in financing activities	-6,025	-11,306	7,729	10,594
Net change in cash balances	-5,053	-8,844	-1,948	-2,893
Cash balance at end of period			35,730	37,112
<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 September 2019 totalled \$27.3 billion, up \$2.2 billion, or 9.0 per cent, from September 2018.

- Tax revenues increased by \$1.8 billion, or 8.6 per cent.
- 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 4.5 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 \$0.2 billion, or 9.1 per cent.

For the April to September period of 2019–20, revenues were \$164.1 billion, up \$6.1 billion, or 3.9 per cent, from the same period the previous year.

- Tax revenues increased by \$4.5 billion, or 3.4 per cent, driven largely by growth in personal and corporate income tax revenues. The increase in tax revenues for the April to September period includes \$20 million from the federal portion of assessed cannabis excise duties.
- Assessed fuel charge proceeds totalled \$0.6 billion over the period.
- EI premium revenues were up \$0.2 billion, or 2.1 per cent.
- Other revenues were up \$0.9 billion, or 6.1 per cent.

	September			April - September		
	2018 Restated ¹	2019	Change	2018–19 Restated ¹	2019–20	Change
	(\$ millions)		(%)	(\$ millions)		(%)
Tax revenues						
Income taxes						
Personal	13,752	14,369	4.5	75,890	79,501	4.8
Corporate	2,876	3,479	21.0	22,988	24,006	4.4
Non-resident	396	504	27.3	4,114	4,047	-1.6
Total income tax revenues	17,024	18,352	7.8	102,992	107,554	4.4
Other taxes and duties						

Goods and Services Tax	2,536	3,325	31.1	20,413	20,767	1.7
Energy taxes	545	533	-2.2	2,882	2,875	-0.2
Customs import duties	719	442	-38.5	3,509	2,809	-19.9
Other excise taxes and duties	611	623	2.0	3,198	3,445	7.7
	<hr/>			<hr/>		
Total other taxes and duties	4,411	4,923	11.6	30,002	29,896	-0.4
	<hr/>			<hr/>		
Total tax revenues	21,435	23,275	8.6	132,994	137,450	3.4
Fuel charge proceeds	0	136	n/a	0	572	n/a
Employment Insurance premiums	1,284	1,342	4.5	11,073	11,303	2.1
Other revenues	2,291	2,499	9.1	13,890	14,742	6.1
	<hr/>			<hr/>		
Total revenues	25,010	27,252	9.0	157,957	164,067	3.9
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 September 2019 were \$25.7 billion, up \$1.5 billion, or 6.2 per cent, from September 2018.

- Major transfers to persons, consisting of elderly, EI and children's benefits, were up \$0.1 billion, or 1.1 per cent. Elderly benefits increased by \$0.2 billion, or 4.3 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 11.0 per cent. Children's benefits were up \$0.1 billion, or 4.1 per cent.
- Major transfers to other levels of government were up \$0.2 billion, or 3.8 per cent, primarily reflecting legislated growth in the Canada Health Transfer, the Canada Social Transfer, Equalization transfers and transfers to the territories.
- Direct program expenses were up \$1.2 billion, or 11.5 per cent. Within direct program expenses:
 - Fuel charge proceeds returned reflects \$14 million in payments under the federal carbon pollution pricing system.
 - Other transfer payments increased by \$0.2 billion, or 6.7 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 13.6 per cent, largely reflecting an increase in personnel costs.

Public debt charges were down \$28 million, or 1.3 per cent.

For the April to September period of 2019–20, program expenses were \$156.9 billion, up \$12.4 billion, or 8.6 per cent, from the same period the previous year.

- Major transfers to persons were up \$1.3 billion, or 2.8 per cent. Elderly benefits increased by \$1.3 billion, or 4.8 per cent, reflecting growth in the elderly population and changes in consumer prices. EI benefits decreased by \$0.1 billion, or 0.9 per cent. Children's benefits were up \$0.2 billion, or 1.3 per cent.
- Major transfers to other levels of government were up \$3.8 billion, or 10.3 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 \$7.3 billion, or 12.1 per cent. Within direct program expenses:
 - Fuel charge proceeds returned totalled \$1.3 billion.
 - Other transfer payments increased by \$1.9 billion, or 10.6 per cent, reflecting increases across a number of departments.
 - Other direct program expenses increased by \$4.2 billion, or 9.8 per cent, reflecting in part an increase in personnel costs.

Public debt charges increased by \$0.7 billion, or 5.7 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						
	September			April - September		
	2018 Restated ¹	2019	Change	2018–19 Restated ¹	2019–20	Change
	(\$ millions)		(%)	(\$ millions)		(%)
Major transfers to persons						
Elderly benefits	4,436	4,625	4.3	26,329	27,581	4.8
Employment Insurance benefits	1,660	1,477	-11.0	9,127	9,043	-0.9
Children's benefits	1,976	2,057	4.1	11,935	12,094	1.3
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Total	8,072	8,159	1.1	47,391	48,718	2.8

Major transfers to other levels of government						
Canada Health Transfer	3,215	3,364	4.6	19,292	20,186	4.6
Canada Social Transfer	1,180	1,215	3.0	7,080	7,293	3.0
Equalization	1,580	1,653	4.6	9,479	9,922	4.7
Territorial Formula Financing	257	268	4.3	2,241	2,337	4.3
Gas Tax Fund	0	0	n/a	1,085	1,084	-0.1
Home care and mental health	0	0	n/a	31	550	1,674.2
Other fiscal arrangements ²	-427	-474	11.0	-2,546	-951	-62.6
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Total	5,805	6,026	3.8	36,662	40,421	10.3
Direct program expenses						
Fuel charge proceeds returned	0	14	n/a	0	1,257	n/a
Other transfer payments	3,386	3,614	6.7	17,725	19,612	10.6
Other direct program expenses	6,949	7,891	13.6	42,701	46,884	9.8
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Total direct program expenses	10,335	11,519	11.5	60,426	67,753	12.1
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Total program expenses	24,212	25,704	6.2	144,479	156,892	8.6
Public debt charges	2,154	2,126	-1.3	12,273	12,976	5.7
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Total expenses	26,366	27,830	5.6	156,752	169,868	8.4

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.

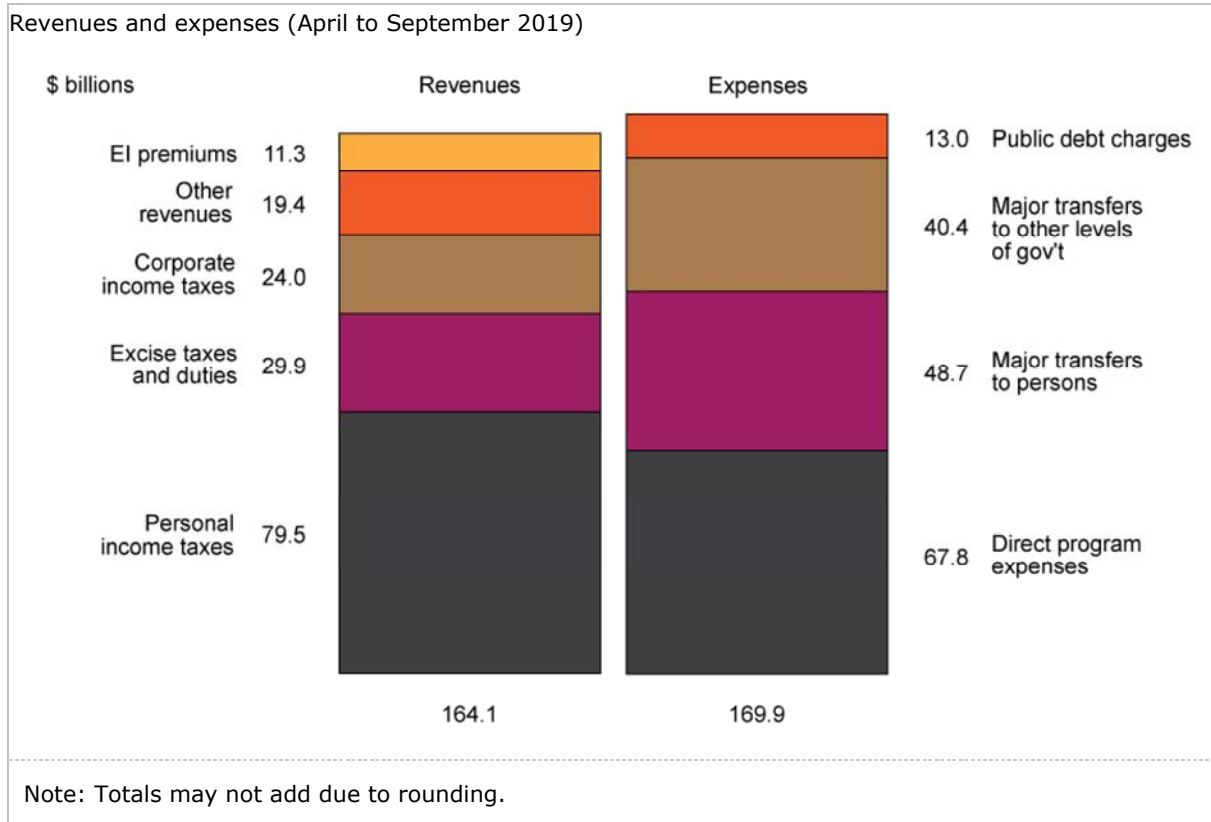
² Other fiscal arrangements include the Youth Allowances Recovery and Alternative Payments for Standing Programs, which represent a recovery from Quebec of a tax point transfer; statutory subsidies; payments under the 2005 Offshore Accords; payments to provinces in respect of common securities regulation;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

	September			April - September		
	2018	2019	Change	2018-19	2019-20	Change
	Restated ¹			Restated ¹		
	(\$ millions)		(%)	(\$ millions)		(%)
Transfer payments	17,263	17,813	3.2	101,778	110,008	8.1
Other expenses						
Personnel	4,157	4,887	17.6	26,941	29,752	10.4
Transportation and communications	222	220	-0.9	1,273	1,252	-1.6
Information	16	26	62.5	92	137	48.9
Professional and special services	868	955	10.0	4,376	4,711	7.7
Rentals	210	228	8.6	1,482	1,533	3.4
Repair and maintenance	285	317	11.2	1,241	1,358	9.4
Utilities, materials and supplies	192	212	10.4	1,109	1,169	5.4
Other subsidies and expenses	578	611	5.7	3,706	4,340	17.1
Amortization of tangible capital assets	410	427	4.1	2,413	2,562	6.2
Net loss on disposal of assets	11	8	-27.3	68	70	2.9
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Total other expenses	6,949	7,891	13.6	42,701	46,884	9.8
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Total program expenses	24,212	25,704	6.2	144,479	156,892	8.6
Public debt charges	2,154	2,126	-1.3	12,273	12,976	5.7
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Total expenses	26,366	27,830	5.6	156,752	169,868	8.4

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 \$13.5 billion for April to September 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 \$5.8 billion and a requirement of \$7.7 billion from non-budgetary transactions, there was a financial requirement of \$13.5 billion for the April to September 2019 period, compared to a financial requirement of \$9.7 billion for the same period the previous year.

Table 5 The budgetary balance and financial source/requirement (\$ millions)				
	September		April - September	
	2018	2019	2018-19	2019-20
Budgetary balance (deficit/surplus)	-1,356	-578	1,205	-5,801
Non-budgetary transactions				
Accounts payable, accrued liabilities and accounts receivable	2,569	3,353	-6,929	-5,721
Pensions, other future benefits, and other liabilities	648	901	3,797	5,396
Foreign exchange accounts	1,142	1,112	2,211	185
Loans, investments and advances	-2,023	-2,277	-9,182	-7,355
Non-financial assets	-8	-49	-779	-191
Total non-budgetary transactions	2,328	3,040	-10,882	-7,686
Financial source/requirement	972	2,462	-9,677	-13,487
Note: Totals may not add due to rounding.				

Net financing activities up \$10.6 billion

The Government financed this financial requirement of \$13.5 billion by decreasing cash balances by \$2.9 billion and increasing unmatured debt by \$10.6 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 September 2019 stood at \$37.1 billion, up \$1.4 billion from their level at the end of September 2018.

Table 6 Financial source/requirement and net financing activities (\$ millions)				
	September		April - September	
	2018	2019	2018-19	2019-20
Financial source/requirement	972	2,462	-9,677	-13,487
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	-6,065	-7,204	-6,487	14,065
Treasury bills	1,500	-2,600	17,800	-100
Retail debt	-80	-14	-241	-115
Total	-4,645	-9,818	11,072	13,850
Foreign currency borrowings	-365	-792	-125	-747
Total	-5,010	-10,610	10,947	13,103
Cross-currency swap revaluation	-760	-518	-2,121	-1,917
Unamortized discounts and premiums on market debt	-202	-163	-872	222
Obligations related to capital leases and other unmaturing debt	-53	-15	-225	-814
Net change in financing activities	-6,025	-11,306	7,729	10,594
Change in cash balance	-5,053	-8,844	-1,948	-2,893
Cash balance at end of period			35,730	37,112
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 \$7.0 billion over the April to September 2019 period, reflecting the \$5.8-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	September 30, 2019	Change
Liabilities			
Accounts payable and accrued liabilities	159,707	143,412	-16,295
Interest-bearing debt			
Unmatured debt			
Payable in Canadian currency			
Marketable bonds	569,526	583,591	14,065
Treasury bills	134,300	134,200	-100
Retail debt	1,237	1,122	-115
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Subtotal	705,063	718,913	13,850
Payable in foreign currencies	16,011	15,264	-747
Cross-currency swap revaluation	7,274	5,357	-1,917
Unamortized discounts and premiums on market debt	2,163	2,385	222
Obligations related to capital leases and other unamatured debt	6,404	5,590	-814
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Total unamatured debt	736,915	747,509	10,594
Pension and other liabilities			
Public sector pensions	168,782	167,773	-1,009
Other employee and veteran future benefits	113,862	120,220	6,358
Other liabilities	5,905	5,952	47
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Total pension and other liabilities	288,549	293,945	5,396
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Total interest-bearing debt	1,025,464	1,041,454	15,990
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Total liabilities	1,185,171	1,184,866	-305
Financial assets			
Cash and accounts receivable	177,041	163,574	-13,467
Foreign exchange accounts	99,688	99,503	-185
Loans, investments, and advances (net of allowances) ¹	133,912	140,086	6,174
Public sector pension assets	2,406	2,406	0
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Total financial assets	413,047	405,569	-7,478
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Net debt	772,124	779,297	7,173
Non-financial assets	86,674	86,865	191
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Federal debt (accumulated deficit)	685,450	692,432	6,982
Note: Totals may not add due to rounding.			
¹ September 30, 2019 amount includes \$1.2 billion in other comprehensive losses from enterprise Crown corporations and other government business enterprises for the April to September 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
September 2018		
As previously reported	7,173	2,515
Effect of change in accounting policy		
Canadian Commercial Corporation	-224	-224
As restated	6,949	2,291
April to September 2018		
As previously reported	43,991	15,180
Effect of change in accounting policy		
Canadian Commercial Corporation	-1,290	-1,290
As restated	42,701	13,890
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.

November 2019

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