



Department of Finance
Canada

Ministère des Finances
Canada

THE FISCAL MONITOR

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Financial results for February 2020

Canada

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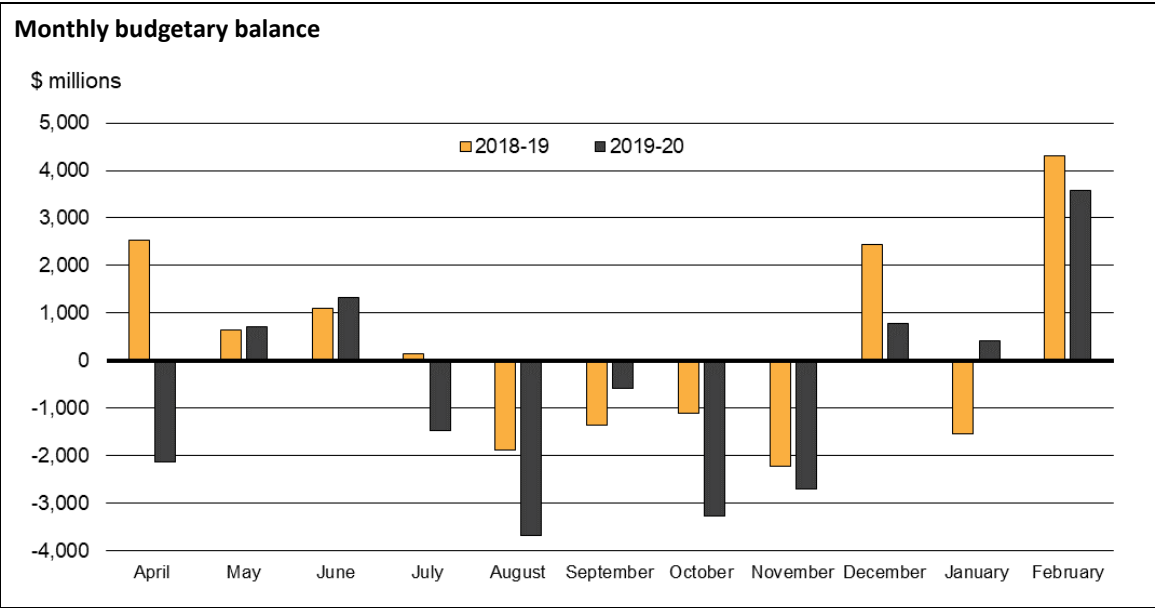
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Highlights

February 2020

There was a budgetary surplus of \$3.6 billion in February 2020, compared to a surplus of \$4.3 billion in February 2019. Revenues increased by \$0.1 billion, or 0.4%. Program expenses increased by \$0.9 billion, or 3.3%, primarily reflecting increases in major transfers to persons and direct program expenses. Public debt charges decreased by \$7 million, or 0.4%.



April 2019 to February 2020

For the April to February period of the 2019–20 fiscal year, the government posted a budgetary deficit of \$7.0 billion, compared to a surplus of \$3.1 billion reported for the same period of 2018–19.

Revenues were up \$8.0 billion, or 2.7%, largely reflecting an increase in personal income tax revenues. Program expenses were up \$17.5 billion, or 6.3%, reflecting increases in major transfers to persons, major transfers to other levels of government and direct program expenses. Public debt charges increased by \$0.6 billion, or 2.9%, 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.

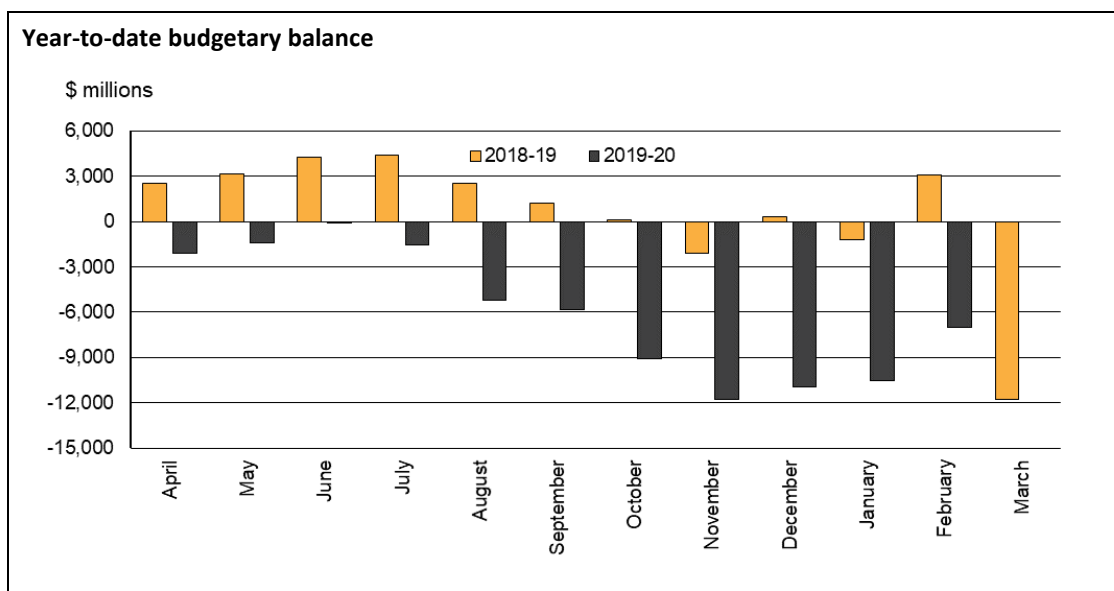


Table 1

Summary statement of transactions

\$ millions

	February		April to February	
	2019	2020	2018–19	2019–20
Budgetary transactions				
Revenues	32,040	32,159	300,459	308,470
Expenses				
Program expenses	-25,904	-26,759	-275,958	-293,426
Public debt charges	-1,830	-1,823	-21,407	-22,022
Budgetary balance (deficit/surplus)	4,306	3,577	3,094	-6,978
Non-budgetary transactions	-2,446	-7,280	-13,819	-13,186
Financial source/requirement	1,860	-3,703	-10,725	-20,164
Net change in financing activities	-8,739	9,487	12,332	27,125
Net change in cash balances	-6,879	5,784	1,607	6,961
Cash balance at end of period			39,284	46,965

Note: Positive numbers indicate net source of funds. Negative numbers indicate net requirement for funds.

Revenues

Revenues in February 2020 totalled \$32.2 billion, up \$0.1 billion, or 0.4%, from February 2019.

- Tax revenues decreased by \$0.4 billion, or 1.4%.
- Fuel charge proceeds assessed under the federal carbon pollution pricing system totalled \$0.4 billion.
- Employment Insurance (EI) premium revenues increased by \$47 million, or 1.8%.
- 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 \$22 million, or 0.9%.

For the April to February period of 2019–20, revenues were \$308.5 billion, up \$8.0 billion, or 2.7%, from the same period the previous year.

- Tax revenues increased by \$4.5 billion, or 1.7%, driven largely by growth in personal income tax revenues. The increase in tax revenues for the April to February period includes \$31 million from the federal portion of assessed cannabis excise duties.
- Assessed fuel charge proceeds totalled \$1.7 billion over the period.
- EI premium revenues were up \$0.6 billion, or 2.9%.
- Other revenues were up \$1.3 billion, or 4.9%.

Table 2

Revenues

	February		Change	April to February		Change
	2019	2020		2018-19	2019-20	
	(\$ millions)		(%)	(\$ millions)		(%)
Tax revenues						
Income taxes						
Personal	13,022	15,202	16.7	143,227	152,151	6.2
Corporate	9,179	7,200	-21.6	48,897	46,534	-4.8
Non-resident	925	692	-25.2	9,168	9,187	0.2
Total income tax revenues	23,126	23,094	-0.1	201,292	207,872	3.3
Other taxes and duties						
Goods and Services Tax	2,511	2,301	-8.4	36,875	36,487	-1.1
Energy taxes	453	466	2.9	5,325	5,302	-0.4
Customs import duties	494	293	-40.7	6,319	4,597	-27.3
Other excise taxes and duties	395	445	12.7	5,712	5,734	0.4
Total excise taxes and duties	3,853	3,505	-9.0	54,231	52,120	-3.9
Total tax revenues	26,979	26,599	-1.4	255,523	259,992	1.7
Fuel charge proceeds	0	430	n/a	0	1,702	n/a
Employment Insurance premiums	2,573	2,620	1.8	19,176	19,741	2.9
Other revenues	2,488	2,510	0.9	25,760	27,035	4.9
Total revenues	32,040	32,159	0.4	300,459	308,470	2.7

Note: Totals may not add due to rounding.

Expenses

Program expenses in February 2020 were \$26.8 billion, up \$0.9 billion, or 3.3%, from February 2019.

- Major transfers to persons, consisting of elderly, EI and children's benefits, were up \$0.6 billion, or 7.6%. EI benefits increased by \$0.3 billion, or 19.7%, reflecting a change in the timing of payments to provinces and territories under the Labour Market Development Agreements, which fund skills training and employment assistance. Elderly benefits increased by \$0.2 billion, or 5.5%, reflecting growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. Children's benefits were up \$45 million, or 2.3%.
- Major transfers to other levels of government were down \$0.1 billion, or 0.9%, as legislated growth in the Canada Health Transfer, the Canada Social Transfer, Equalization transfers and transfers to the territories was more than offset by a decrease in Gas Tax Fund transfers due to year-over-year timing differences and an increase in recoveries under the Quebec Abatement.
- Direct program expenses were up \$0.3 billion, or 2.4%. Within direct program expenses:
 - Fuel charge proceeds returned reflected \$0.3 billion in payments under the federal carbon pollution pricing system.
 - Other transfer payments decreased by \$0.2 billion, or 5.1%.
 - 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 3.0%.

Public debt charges were down \$7 million, or 0.4%.

For the April to February period of 2019–20, program expenses were \$293.4 billion, up \$17.5 billion, or 6.3%, from the same period the previous year.

- Major transfers to persons were up \$3.5 billion, or 4.0%. Elderly benefits increased by \$2.5 billion, or 5.1%, reflecting growth in the elderly population and changes in consumer prices. EI benefits increased by \$0.6 billion, or 3.7%. Children's benefits were up \$0.4 billion, or 1.6%.
- Major transfers to other levels of government were up \$4.8 billion, or 7.2%, 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 \$9.1 billion, or 7.6%. Within direct program expenses:
 - Fuel charge proceeds returned totalled \$1.5 billion.
 - Other transfer payments increased by \$1.7 billion, or 4.3%, reflecting increases across a number of departments.
 - Other direct program expenses increased by \$5.9 billion, or 7.2%, due in large part to an increase in personnel costs.

Public debt charges increased by \$0.6 billion, or 2.9%, 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

	February		Change	April to February		Change
	2019	2020		2018-19	2019-20	
	(\$ millions)		(%)	(\$ millions)		(%)
Major transfers to persons						
Elderly benefits	4,538	4,786	5.5	48,867	51,372	5.1
Employment Insurance benefits	1,688	2,020	19.7	17,274	17,910	3.7
Children's benefits	1,989	2,034	2.3	21,902	22,259	1.6
Total major transfers to persons	8,215	8,840	7.6	88,043	91,541	4.0
Major transfers to other levels of government						
Canada Health Transfer	3,215	3,364	4.6	35,368	37,008	4.6
Canada Social Transfer	1,180	1,215	3.0	12,981	13,370	3.0
Equalization	1,580	1,653	4.6	17,352	18,195	4.9
Territorial Formula Financing	257	268	4.3	3,528	3,680	4.3
Gas Tax Fund	267	28	-89.5	2,161	2,162	0.0
Home care and mental health	0	1	n/a	490	1,080	120.4
Other fiscal arrangements ¹	-421	-504	19.7	-4,584	-3,356	-26.8
Total major transfers to other levels of government	6,078	6,025	-0.9	67,296	72,139	7.2
Direct program expenses						
Fuel charge proceeds returned	0	252	n/a	0	1,536	n/a
Other transfer payments	3,941	3,740	-5.1	38,438	40,107	4.3
Other direct program expenses	7,670	7,902	3.0	82,181	88,103	7.2
Total direct program expenses	11,611	11,894	2.4	120,619	129,746	7.6
Total program expenses	25,904	26,759	3.3	275,958	293,426	6.3
Public debt charges	1,830	1,823	-0.4	21,407	22,022	2.9
Total expenses	27,734	28,582	3.1	297,365	315,448	6.1

Note: Totals may not add due to rounding.

¹ 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.

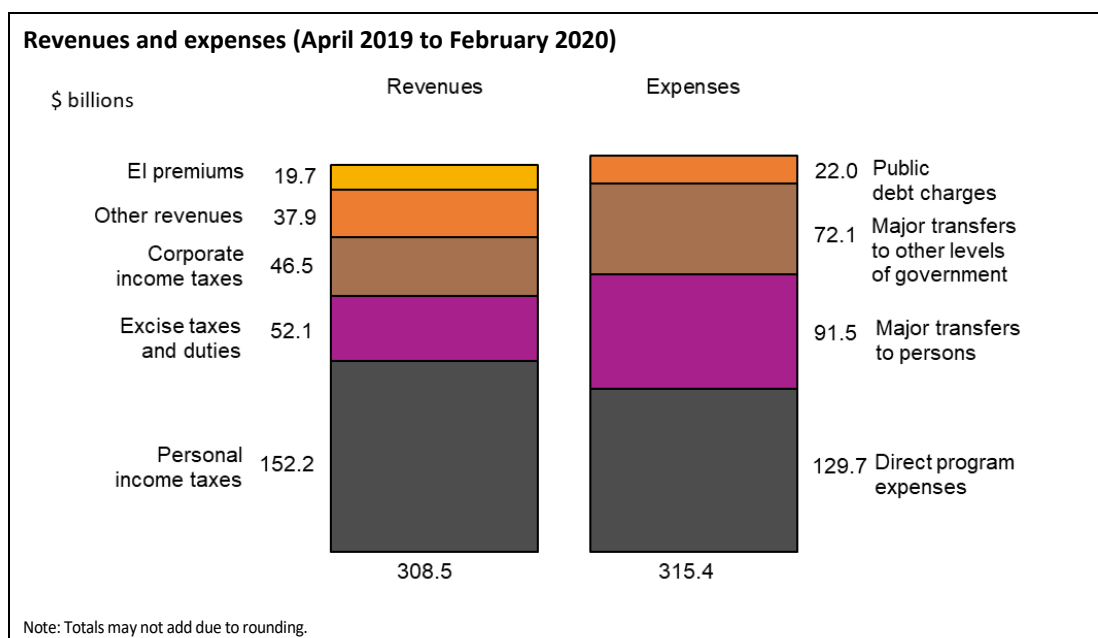
The following table presents total expenses by main object of expense.

Table 4

Total expenses by object of expense

	February			April to February		
	2019	2020	Change	2018-19	2019-20	Change
	(\$ millions)		(%)	(\$ millions)		(%)
Transfer payments	18,234	18,857	3.4	193,777	205,323	6.0
Other expenses						
Personnel	4,558	5,021	10.2	50,109	55,813	11.4
Transportation and communications	196	243	24.0	2,398	2,420	0.9
Information	32	33	3.1	259	281	8.5
Professional and special services	1,019	1,039	2.0	9,606	9,951	3.6
Rentals	239	234	-2.1	2,769	2,875	3.8
Repair and maintenance	287	292	1.7	2,768	2,793	0.9
Utilities, materials and supplies	252	273	8.3	2,261	2,348	3.8
Other subsidies and expenses	644	300	-53.4	7,414	6,766	-8.7
Amortization of tangible capital assets	422	461	9.2	4,466	4,730	5.9
Net loss on disposal of assets	21	6	-71.4	131	126	-3.8
Total other expenses	7,670	7,902	3.0	82,181	88,103	7.2
Total program expenses	25,904	26,759	3.3	275,958	293,426	6.3
Public debt charges	1,830	1,823	-0.4	21,407	22,022	2.9
Total expenses	27,734	28,582	3.1	297,365	315,448	6.1

Note: Totals may not add due to rounding.



Financial requirement of \$20.2 billion for April 2019 to February 2020

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 \$7.0 billion and a requirement of \$13.2 billion from non-budgetary transactions, there was a financial requirement of \$20.2 billion for the April 2019 to February 2020 period, compared to a financial requirement of \$10.7 billion for the same period the previous year.

Table 5

The budgetary balance and financial source/requirement

\$ millions

	February		April to February	
	2019	2020	2018–19	2019–20
Budgetary balance (deficit/surplus)	4,306	3,577	3,094	-6,978
Non-budgetary transactions				
Accounts payable, accrued liabilities and accounts receivable	-6,288	-6,120	-3,825	-7,788
Pensions, other future benefits, and other liabilities	548	1,091	6,947	10,015
Foreign exchange accounts	4,200	-1,848	-3,249	-2,984
Loans, investments and advances	-823	-290	-11,769	-10,500
Non-financial assets	-83	-113	-1,923	-1,929
Total non-budgetary transactions	-2,446	-7,280	-13,819	-13,186
Financial source/requirement	1,860	-3,703	-10,725	-20,164

Note: Totals may not add due to rounding.

Net financing activities up \$27.1 billion

The government financed this financial requirement of \$20.2 billion and increased cash balances by \$7.0 billion by increasing unmatured debt by \$27.1 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 February 2020 stood at \$47.0 billion, up \$7.7 billion from their level at the end of February 2019.

Table 6

Financial source/requirement and net financing activities

\$ millions

	February		April to February	
	2019	2020	2018–19	2019–20
Financial source/requirement	1,860	-3,703	-10,725	-20,164
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	-5,583	5,838	-2,463	35,568
Treasury bills	1,000	2,300	19,100	-7,200
Retail debt	-22	-17	-1,303	-722
Total Canadian currency borrowings	-4,605	8,121	15,334	27,646
Foreign currency borrowings	-4,077	422	-74	333
Total market debt transactions	-8,682	8,543	15,260	27,979
Cross-currency swap revaluation	-62	908	-1,257	-337
Unamortized discounts and premiums on market debt	37	30	-1,288	358
Obligations related to capital leases and other unmatured debt	-32	6	-383	-875
Net change in financing activities	-8,739	9,487	12,332	27,125
Change in cash balance	-6,879	5,784	1,607	6,961
Cash balance at end of period			39,284	46,965

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 \$6.3 billion over the April 2019 to February 2020 period, reflecting the \$7.0 billion budgetary deficit, offset in part by \$0.7 billion in other comprehensive income.

Table 7

Condensed statement of assets and liabilities

\$ millions

	March 31, 2019	February 29, 2020	Change
Liabilities			
Accounts payable and accrued liabilities	159,707	160,093	386
Interest-bearing debt			
Unmatured debt			
Payable in Canadian currency			
Marketable bonds	569,526	605,094	35,568
Treasury bills	134,300	127,100	-7,200
Retail debt	1,237	515	-722
Subtotal	705,063	732,709	27,646
Payable in foreign currencies	16,011	16,344	333
Cross-currency swap revaluation	7,274	6,937	-337
Unamortized discounts and premiums on market debt	2,163	2,521	358
Obligations related to capital leases and other unmaturing debt	6,404	5,529	-875
Total unmaturing debt	736,915	764,040	27,125
Pension and other liabilities			
Public sector pensions	168,782	166,967	-1,815
Other employee and veteran future benefits	113,862	125,491	11,629
Other liabilities	5,905	6,106	201
Total pension and other liabilities	288,549	298,564	10,015
Total interest-bearing debt	1,025,464	1,062,604	37,140
Total liabilities	1,185,171	1,222,697	37,526
Financial assets			
Cash and accounts receivable	177,041	192,176	15,135
Foreign exchange accounts	99,688	102,672	2,984
Loans, investments, and advances (net of allowances) ¹	133,912	145,130	11,218
Public sector pension assets	2,406	2,406	0
Total financial assets	413,047	442,384	29,337
Net debt	772,124	780,313	8,189
Non-financial assets	86,674	88,603	1,929
Federal debt (accumulated deficit)	685,450	691,710	6,260

Note: Totals may not add due to rounding.

¹ February 29, 2020 amount includes \$0.7 billion in other comprehensive income from enterprise Crown corporations and other government business enterprises for the April 2019 to February 2020 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.

Note: Unless otherwise noted, changes in financial results are presented on a year-over-year basis.

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April 2020