



Department of Finance
Canada

Ministère des Finances
Canada

THE FISCAL MONITOR

A publication of the Department of Finance

Financial results for March 2020

Canada

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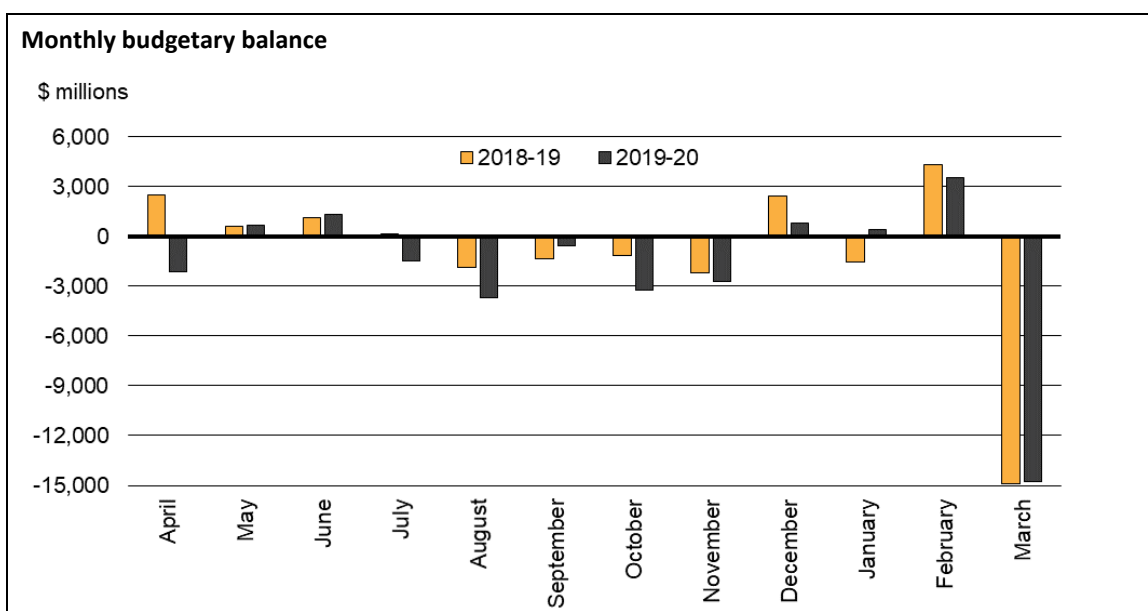
Cat. No.: F12-4E-PDF
ISSN: 1487-0134

Highlights

Note: Due to extensions in financial reporting timelines for government departments and agencies in connection with COVID-19, the March 2020 *Fiscal Monitor* does not include year-end accrual adjustments, which were included in the March 2019 results presented for comparative purposes in this document. Year-end adjustments for 2019–20 will be reflected in the *Public Accounts of Canada 2020*, to be tabled in Parliament later this year.

March 2020

There was a budgetary deficit of \$14.8 billion in March 2020, compared to a deficit of \$14.9 billion in March 2019. Revenues decreased by \$2.0 billion, or 7.2%, reflecting decreases in tax revenues and other revenues. Program expenses decreased by \$2.7 billion, or 6.6%, primarily reflecting lower direct program expenses. Public debt charges increased by \$0.6 billion, or 28.9%, largely reflecting expenses from multiple bond buyback operations held in March 2020, which did not occur in March 2019, as well as higher Consumer Price Index adjustments on Real Return Bonds.



April 2019 to March 2020

For the April to March period of the 2019–20 fiscal year, the government posted a budgetary deficit of \$21.8 billion, compared to a deficit of \$11.8 billion reported for the same period of 2018–19.

Revenues were up \$6.0 billion, or 1.8%, largely reflecting increases in personal income tax revenues and fuel charge proceeds. Program expenses were up \$14.8 billion, or 4.7%, reflecting increases in major transfers to persons, major transfers to other levels of government and direct program expenses. Public debt charges increased by \$1.2 billion, or 5.1%, 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.

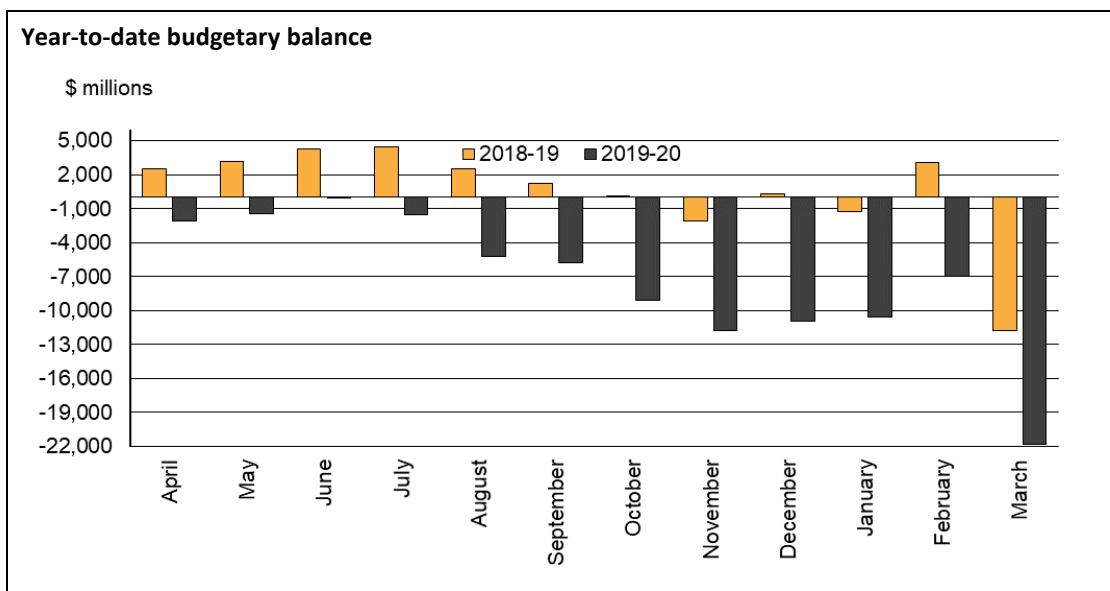


Table 1

Summary statement of transactions

\$ millions

	March		April to March	
	2019	2020	2018–19	2019–20
Budgetary transactions				
Revenues	27,797	25,790	328,256	334,260
Expenses				
Program expenses	-40,708	-38,020	-316,666	-331,446
Public debt charges	-1,989	-2,564	-23,396	-24,586
Budgetary balance (deficit/surplus)	-14,900	-14,794	-11,806	-21,772
Non-budgetary transactions	13,283	-7,330	-536	-20,516
Financial source/requirement	-1,617	-22,124	-12,342	-42,288
Net change in financing activities	2,336	19,811	14,668	46,936
Net change in cash balances	719	-2,313	2,326	4,648
Cash balance at end of period			40,004	44,651

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

Revenues

Revenues in March 2020 totalled \$25.8 billion, down \$2.0 billion, or 7.2%, from March 2019.

- Tax revenues decreased by \$1.3 billion, or 6.1%.
- Fuel charge proceeds assessed under the federal carbon pollution pricing system totalled \$0.3 billion.
- Employment Insurance (EI) premium revenues increased by \$0.2 billion, or 7.0%.
- 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 \$1.2 billion, or 34.0%.

For the April to March period of 2019–20, revenues were \$334.3 billion, up \$6.0 billion, or 1.8%, from the same period the previous year.

- Tax revenues increased by \$5.2 billion, or 2.4%, driven largely by growth in personal income tax revenues. The increase in tax revenues for the April to March period includes \$32 million from the federal portion of assessed cannabis excise duties.
- Assessed fuel charge proceeds totalled \$2.0 billion over the period.
- EI premium revenues were up \$0.8 billion, or 3.4%.
- Other revenues were up \$0.1 billion, or 0.2%.

Table 2

Revenues

	March			April to March		
	2019	2020	Change	2018-19	2019-20	Change
	(\$ millions)			(\$ millions)		
Tax revenues						
Income taxes						
Personal	12,667	12,259	-3.2	155,894	164,410	5.5
Corporate	4,739	4,032	-14.9	53,636	50,566	-5.7
Non-resident	358	141	-60.6	9,525	9,328	-2.1
Total income tax revenues	17,764	16,432	-7.5	219,055	224,304	2.4
Other taxes and duties						
Goods and Services Tax	2,252	2,565	13.9	39,127	39,052	-0.2
Energy taxes	432	462	6.9	5,757	5,763	0.1
Customs import duties	562	377	-32.9	6,881	4,974	-27.7
Other excise taxes and duties	464	336	-27.6	6,177	6,070	-1.7
Total excise taxes and duties	3,710	3,740	0.8	57,942	55,859	-3.6
Total tax revenues	21,474	20,172	-6.1	276,997	280,163	1.1
Fuel charge proceeds	0	319	n/a	0	2,021	n/a
Employment Insurance premiums	2,747	2,938	7.0	21,923	22,679	3.4
Other revenues	3,576	2,361	-34.0	29,336	29,397	0.2
Total revenues	27,797	25,790	-7.2	328,256	334,260	1.8

Note: Totals may not add due to rounding.

Expenses

Program expenses in March 2020 were \$38.0 billion, down \$2.7 billion, or 6.6%, from March 2019.

- Major transfers to persons, consisting of elderly, EI and children's benefits, were up \$0.9 billion, or 11.4%. Elderly benefits increased by \$0.2 billion, or 4.4%, reflecting growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. EI benefits increased by \$0.6 billion, or 37.7%. Children's benefits were up \$0.1 billion, or 5.7%.
- Major transfers to other levels of government were up \$0.1 billion, or 2.1%, reflecting a \$0.5-billion transfer to provinces and territories for public health preparedness, critical health care system needs and to support mitigation efforts associated with COVID-19, as well as legislated growth in the Canada Health Transfer, the Canada Social Transfer, Equalization transfers and transfers to the territories. These increases were offset in part by a decrease in transfers for home care and mental health, due to year over year timing differences, and an increase in recoveries under the Quebec Abatement.
- Direct program expenses were down \$3.8 billion, or 14.5%. Within direct program expenses:
 - Fuel charge proceeds returned were up \$0.5 billion, reflecting the introduction of the new federal carbon pollution pricing system on January 1, 2019.
 - Other transfer payments decreased by \$3.7 billion, or 30.7%, largely reflecting the inclusion of year-end accrual adjustments in the previous year.
 - Other direct program expenses, consisting of operating expenses of the government's departments, agencies, and consolidated Crown corporations and other entities, decreased by \$0.5 billion, or 4.1%.

Public debt charges increased by \$0.6 billion, or 28.9%, largely reflecting expenses from multiple bond buyback operations held in March 2020, which did not occur in March 2019, as well as higher Consumer Price Index adjustments on Real Return Bonds.

For the April to March period of 2019–20, program expenses were \$331.4 billion, up \$14.8 billion, or 4.7%, from the same period the previous year.

- Major transfers to persons were up \$4.4 billion, or 4.6%. Elderly benefits increased by \$2.7 billion, or 5.1%, reflecting growth in the elderly population and changes in consumer prices. EI benefits increased by \$1.3 billion, or 6.7%. Children's benefits were up \$0.5 billion, or 2.0%.
- Major transfers to other levels of government were up \$5.0 billion, or 6.8%, primarily reflecting legislated growth in the Canada Health Transfer, the Canada Social Transfer, Equalization transfers and transfers to the territories; a \$0.5-billion transfer to provinces and territories for public health preparedness, critical health care system needs and to support mitigation efforts associated with COVID-19; 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 \$5.4 billion, or 3.7%. Within direct program expenses:
 - Fuel charge proceeds returned increased by \$1.9 billion.
 - Other transfer payments decreased by \$2.0 billion, or 3.9%.
 - Other direct program expenses increased by \$5.4 billion, or 5.6%, due in large part to an increase in personnel costs.

Public debt charges increased by \$1.2 billion, or 5.1%, 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

	March		Change	April to March		Change
	2019	2020		2018-19	2019-20	
	(\$ millions)		(%)	(\$ millions)		(%)
Major transfers to persons						
Elderly benefits	4,612	4,813	4.4	53,479	56,185	5.1
Employment Insurance benefits	1,677	2,309	37.7	18,951	20,218	6.7
Children's benefits	1,999	2,113	5.7	23,900	24,371	2.0
Total major transfers to persons	8,288	9,235	11.4	96,330	100,774	4.6
Major transfers to other levels of government						
Canada Health Transfer	3,199	3,864	20.8	38,568	40,872	6.0
Canada Social Transfer	1,180	1,215	3.0	14,161	14,586	3.0
Equalization	1,580	1,655	4.7	18,958	19,850	4.7
Territorial Formula Financing	257	268	4.3	3,785	3,948	4.3
Gas Tax Fund	9	8	-11.1	2,171	2,170	0.0
Home care and mental health	360	20	-94.4	849	1,100	29.6
Other fiscal arrangements ¹	-127	-436	243.3	-4,738	-3,791	-20.0
Total major transfers to other levels of government	6,458	6,594	2.1	73,754	78,735	6.8
Direct program expenses						
Fuel charge proceeds returned	565	1,071	89.6	664	2,608	292.8
Other transfer payments	12,147	8,415	-30.7	50,486	48,522	-3.9
Other direct program expenses	13,250	12,705	-4.1	95,432	100,807	5.6
Total direct program expenses	25,962	22,191	-14.5	146,582	151,937	3.7
Total program expenses	40,708	38,020	-6.6	316,666	331,446	4.7
Public debt charges	1,989	2,564	28.9	23,396	24,586	5.1
Total expenses	42,697	40,584	-4.9	340,062	356,032	4.7

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.

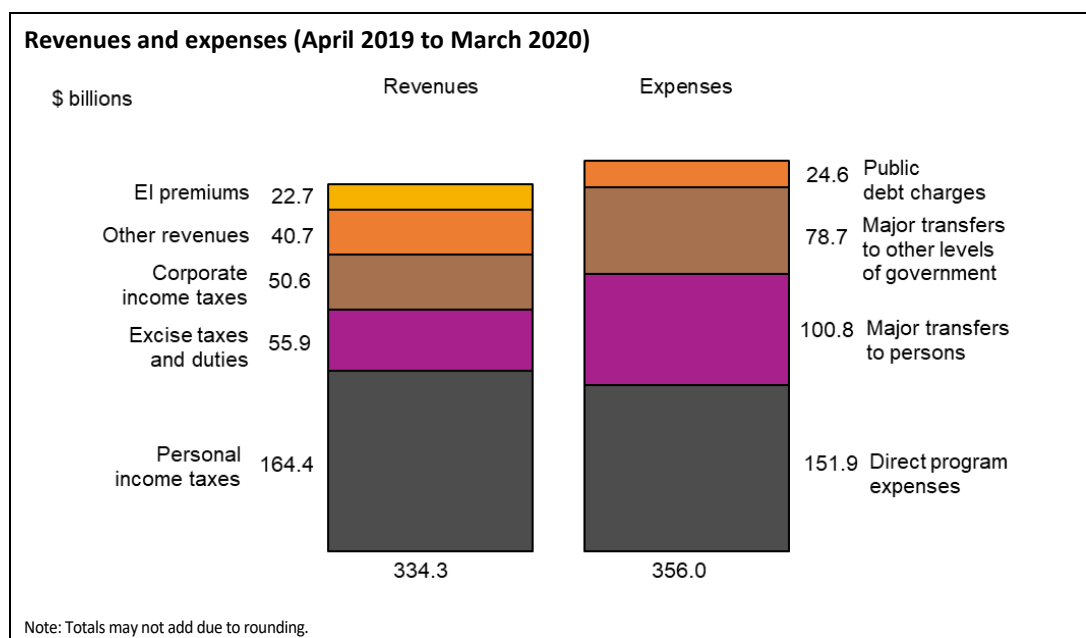
The following table presents total expenses by main object of expense.

Table 4

Total expenses by object of expense

	March			April to March		
	2019	2020	Change	2018-19	2019-20	Change
	(\$ millions)		(%)	(\$ millions)		(%)
Transfer payments	27,458	25,315	-7.8	221,234	230,639	4.3
Other expenses						
Personnel	5,502	6,840	24.3	55,613	62,653	12.7
Transportation and communications	633	384	-39.3	3,031	2,803	-7.5
Information	130	103	-20.8	389	384	-1.3
Professional and special services	3,067	2,399	-21.8	12,673	12,350	-2.5
Rentals	500	424	-15.2	3,269	3,298	0.9
Repair and maintenance	808	815	0.9	3,575	3,608	0.9
Utilities, materials and supplies	471	658	39.7	2,732	3,006	10.0
Other subsidies and expenses	1,398	593	-57.6	8,812	7,359	-16.5
Amortization of tangible capital assets	658	435	-33.9	5,124	5,166	0.8
Net loss on disposal of assets	83	54	-34.9	214	180	-15.9
Total other expenses	13,250	12,705	-4.1	95,432	100,807	5.6
Total program expenses	40,708	38,020	-6.6	316,666	331,446	4.7
Public debt charges	1,989	2,564	28.9	23,396	24,586	5.1
Total expenses	42,697	40,584	-4.9	340,062	356,032	4.7

Note: Totals may not add due to rounding.



Financial requirement of \$42.3 billion for April 2019 to March 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 \$21.8 billion and a requirement of \$20.5 billion from non-budgetary transactions, there was a financial requirement of \$42.3 billion for the April 2019 to March 2020 period, compared to a financial requirement of \$12.3 billion for the same period the previous year.

Table 5

The budgetary balance and financial source/requirement

\$ millions

	March		April to March	
	2019	2020	2018-19	2019-20
Budgetary balance (deficit/surplus)	-14,900	-14,794	-11,806	-21,772
Non-budgetary transactions				
Accounts payable, accrued liabilities and accounts receivable	11,489	4,701	7,665	-3,086
Pensions, other future benefits, and other liabilities	650	685	7,597	10,699
Foreign exchange accounts	498	-2,230	-2,751	-5,214
Loans, investments and advances	2,215	-8,830	-9,554	-19,330
Non-financial assets	-1,569	-1,656	-3,493	-3,585
Total non-budgetary transactions	13,283	-7,330	-536	-20,516
Financial source/requirement	-1,617	-22,124	-12,342	-42,288

Note: Totals may not add due to rounding.

Net financing activities up \$46.9 billion

The government financed this financial requirement of \$42.3 billion and increased cash balances by \$4.6 billion by increasing unmatured debt by \$46.9 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 March 2020 stood at \$44.7 billion, up \$4.6 billion from their level at the end of March 2019.

Table 6

Financial source/requirement and net financing activities

\$ millions

	March		April to March	
	2019	2020	2018-19	2019-20
Financial source/requirement	-1,617	-22,124	-12,342	-42,288
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	-2,943	-8,195	-5,407	27,372
Treasury bills	4,500	24,767	23,600	17,567
Retail debt	-46	-18	-1,349	-740
Total Canadian currency borrowings	1,511	16,554	16,844	44,199
Foreign currency borrowings	35	-403	-39	-70
Total market debt transactions	1,546	16,151	16,805	44,129
Cross-currency swap revaluation	695	3,655	-561	3,319
Unamortized discounts and premiums on market debt	-16	-34	-1,304	324
Obligations related to capital leases and other unmatured debt	111	39	-272	-836
Net change in financing activities	2,336	19,811	14,668	46,936
Change in cash balance	719	-2,313	2,326	4,648
Cash balance at end of period			40,004	44,651

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 \$18.7 billion over the April 2019 to March 2020 period, reflecting the \$21.8 billion budgetary deficit, offset in part by \$3.1 billion in other comprehensive income.

Table 7

Condensed statement of assets and liabilities

\$ millions

	March 31, 2019	March 31, 2020	Change
Liabilities			
Accounts payable and accrued liabilities	159,707	146,311	-13,396
Interest-bearing debt			
Unmatured debt			
Payable in Canadian currency			
Marketable bonds	569,526	596,898	27,372
Treasury bills	134,300	151,867	17,567
Retail debt	1,237	497	-740
Subtotal	705,063	749,262	44,199
Payable in foreign currencies	16,011	15,941	-70
Cross-currency swap revaluation	7,274	10,593	3,319
Unamortized discounts and premiums on market debt	2,163	2,487	324
Obligations related to capital leases and other unmaturing debt	6,404	5,568	-836
Total unmaturing debt	736,915	783,851	46,936
Pension and other liabilities			
Public sector pensions	168,782	166,631	-2,151
Other employee and veteran future benefits	113,862	126,542	12,680
Other liabilities	5,905	6,075	170
Total pension and other liabilities	288,549	299,248	10,699
Total interest-bearing debt	1,025,464	1,083,099	57,635
Total liabilities	1,185,171	1,229,410	44,239
Financial assets			
Cash and accounts receivable	177,041	171,379	-5,662
Foreign exchange accounts	99,688	104,902	5,214
Loans, investments, and advances (net of allowances) ¹	133,912	156,297	22,385
Public sector pension assets	2,406	2,406	0
Total financial assets	413,047	434,984	21,937
Net debt	772,124	794,426	22,302
Non-financial assets	86,674	90,259	3,585
Federal debt (accumulated deficit)	685,450	704,167	18,717

Note: Totals may not add due to rounding.

¹ March 31, 2020 amount includes \$3.1 billion in other comprehensive income from enterprise Crown corporations and other government business enterprises for the April 2019 to March 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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May 2020