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Ministère des Finances
Canada



THE FISCAL MONITOR

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Financial Results for August 2022

Canada 

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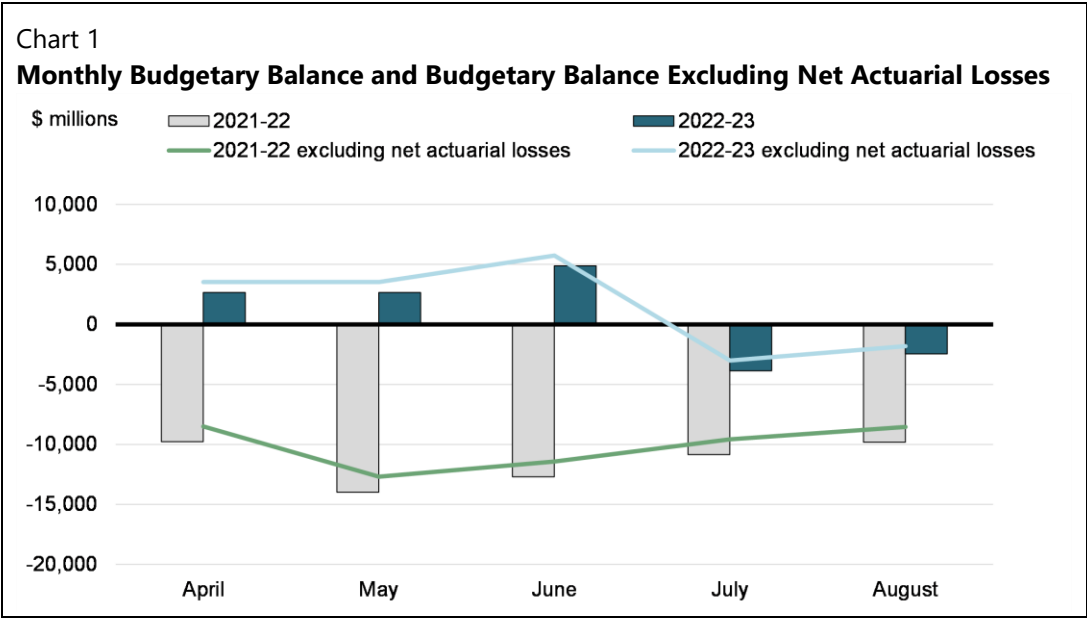
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Highlights

August 2022

There was a budgetary deficit of \$2.5 billion in August 2022, compared to a deficit of \$9.8 billion in August 2021. The budgetary deficit before net actuarial losses was \$1.8 billion, compared to a deficit of \$8.5 billion in the same period of 2021-22. The budgetary balance before net actuarial losses is intended to supplement the traditional budgetary balance and improve the transparency of the government’s financial reporting by isolating the impact of the amortization of net actuarial losses arising from the revaluation of the government’s pension and other employee future benefit plans.

The government’s 2022-23 financial results continue to improve compared to 2021-22 as the fiscal impact of the COVID-19 crisis and the unprecedented level of temporary COVID-19 response measures wane.



Compared to August 2021:

- Revenues increased by \$3.6 billion, or 12.0 per cent, reflecting improvement particularly in income tax revenues and other revenues.
- Program expenses excluding net actuarial losses were down \$4.8 billion, or 12.9 per cent, largely reflecting lower transfers to individuals and businesses due to expiring temporary COVID measures.
- Public debt charges were up \$1.7 billion, or 92.5 per cent, largely due to higher interest rates, a year-to-date adjustment for interest on the government's pension and other employee future benefit obligations to reflect actuarial valuations prepared for the *Public Accounts of Canada 2022*, and higher Consumer Price Index adjustments on Real Return Bonds.
- Net actuarial losses were down \$0.6 billion, or 50.5 per cent, largely due to an adjustment in August 2022 to reflect the government's updated actuarial valuations. A similar adjustment was not made until October in the prior year.

April to August 2022

The government posted a budgetary surplus of \$3.9 billion for the April to August period of the 2022-23 fiscal year, compared to a deficit of \$57.2 billion reported for the same period of 2021-22. The budgetary surplus before net actuarial losses was \$8.0 billion, compared to a deficit of \$50.7 billion in the April to August period of 2021-22.

Compared to 2021-22:

- Revenues were up \$28.2 billion, or 19.0 per cent, reflecting broad-based improvement across revenue streams.
- Program expenses excluding net actuarial losses were down \$35.6 billion, or 18.7 per cent, largely reflecting lower transfers to individuals and businesses due to expiring temporary COVID measures.
- Public debt charges increased by \$5.1 billion, or 52.8 per cent, primarily driven by higher interest rates and higher Consumer Price Index adjustments on Real Return Bonds.
- Net actuarial losses decreased by \$2.3 billion, or 36.5 per cent, largely due to an adjustment in August 2022 to reflect updated actuarial valuations prepared for the *Public Accounts of Canada 2022*. A similar adjustment was not made until October in the prior year.

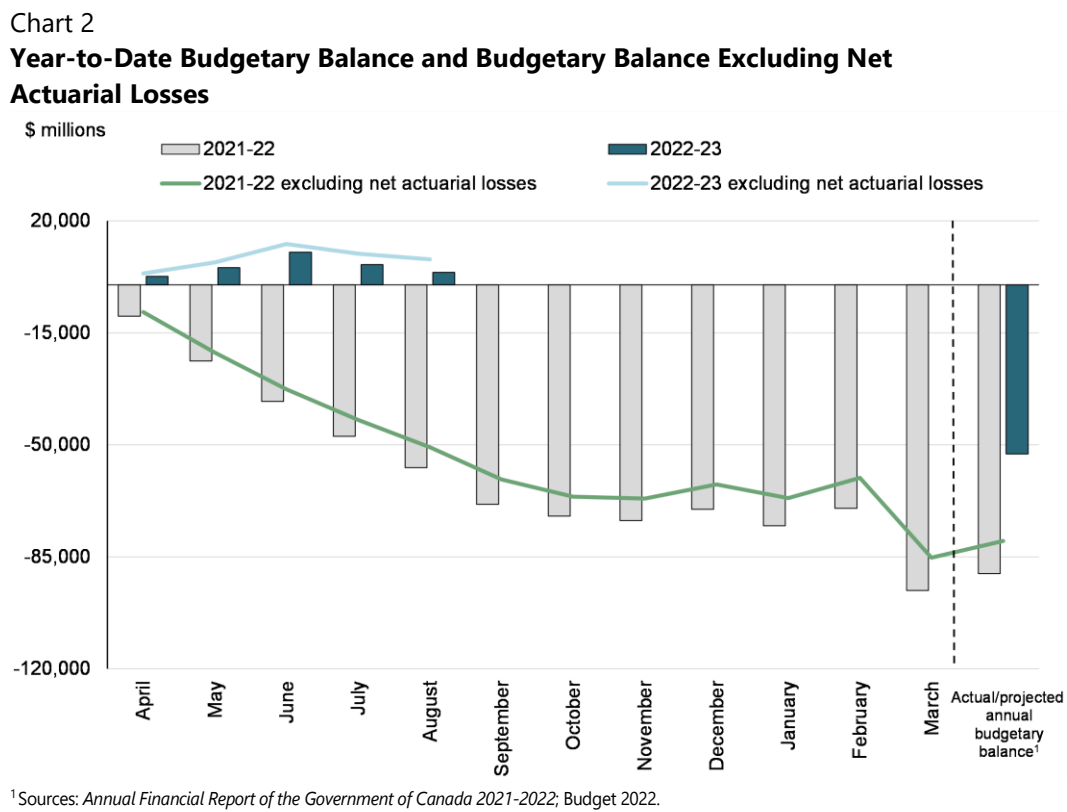


Table 1
Summary statement of transactions
\$ millions

	August		April to August	
	2021	2022	2021-22	2022-23
Budgetary transactions				
Revenues	30,437	34,081	148,967	177,197
Expenses				
Program expenses, excluding net actuarial losses	-37,126	-32,330	-190,044	-154,485
Public debt charges	-1,855	-3,570	-9,662	-14,759
Budgetary balance, excluding net actuarial losses	-8,544	-1,819	-50,739	7,953
Net actuarial losses	-1,283	-635	-6,415	-4,075
Budgetary balance (deficit/surplus)	-9,827	-2,454	-57,154	3,878
Non-budgetary transactions	2,357	-2,024	-22,223	-25,452
Financial source/requirement	-7,470	-4,478	-79,377	-21,574
Net change in financing activities	13,798	-5,229	101,503	26,249
Net change in cash balances	6,328	-9,707	22,126	4,675
Cash balance at end of period			81,514	96,937

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

Revenues

Revenues in August 2022 totalled \$34.1 billion, up \$3.6 billion, or 12.0 per cent, from August 2021, reflecting broad-based improvement in economic activity relative to the greater weight of COVID-19 impacts in the year prior.

- Tax revenues increased by \$2.8 billion, or 10.6 per cent, compared to the same period in 2021-22, reflecting continuing improvement in economic performance of several sectors and among large corporations (in particular, businesses in the natural resource-related and financial sectors) and growth in labour compensation.
- Proceeds from the pollution pricing framework were up \$0.1 billion, or 27.8 per cent, reflecting higher carbon pollution pricing in 2022.
- Employment Insurance (EI) premium revenues were up \$0.2 billion, or 13.8 per cent, reflecting better labour market conditions.
- Other revenues, consisting of enterprise Crown corporations' net profits, sales of goods and services, returns on investments and net foreign exchange revenues, were up \$0.5 billion, or 25.7 per cent, largely reflecting higher interest and penalty revenue and revenue from enterprise Crown corporations.

Revenues for the April to August period of 2022-23 totalled \$177.2 billion, up \$28.2 billion, or 19.0 per cent, from the same period in 2021-22.

- Tax revenues increased by \$23.0 billion, or 18.3 per cent, compared to the same period in 2021-22, when COVID-19 restrictions weighed on revenue as well as due to strong economic growth particularly reflected in corporate and personal income as well as retail sales. For its part, the federal portion of assessed cannabis excise duties increased by \$18 million to \$77 million over the April to August period.
- Proceeds from the pollution pricing framework were up \$0.9 billion, or 40.1 per cent, reflecting higher carbon pollution pricing in 2022.
- EI premium revenues were up \$1.2 billion, or 11.2 per cent, reflecting better labour market conditions.
- Other revenues were up \$3.1 billion, or 30.5 per cent, largely reflecting higher interest and penalty revenue and enterprise Crown corporation profits.

Table 2

Revenues

	August			April to August		
	2021	2022	Change	2021-22	2022-23	Change
	(\$ millions)		(%)	(\$ millions)		(%)
Tax revenues						
Income taxes						
Personal	14,879	15,506	4.2	71,533	77,228	8.0
Corporate	4,773	6,800	42.5	25,143	35,844	42.6
Non-resident	716	748	4.5	3,462	5,252	51.7
Total income tax revenues	20,368	23,054	13.2	100,138	118,324	18.2
Other taxes and duties						
Goods and Services Tax	4,657	4,188	-10.1	19,264	23,095	19.9
Energy taxes	480	623	29.8	2,066	2,244	8.6
Customs import duties	463	570	23.1	2,247	2,684	19.4
Other excise taxes and duties	498	834	67.5	2,410	2,810	16.6
Total excise taxes and duties	6,098	6,215	1.9	25,987	30,833	18.6
Total tax revenues	26,466	29,269	10.6	126,125	149,157	18.3
Proceeds from the pollution pricing framework	396	506	27.8	2,237	3,134	40.1
Employment Insurance premiums	1,589	1,809	13.8	10,277	11,430	11.2
Other revenues	1,986	2,497	25.7	10,328	13,476	30.5
Total revenues	30,437	34,081	12.0	148,967	177,197	19.0

Note: Totals may not add due to rounding.

Expenses

Program expenses excluding net actuarial losses in August 2022 were \$32.3 billion, down \$4.8 billion, or 12.9 per cent, from August 2021.

- Major transfers to persons, consisting of elderly benefits, EI benefits, COVID-19 income support for workers, and children's benefits, were down \$3.2 billion or 23.6 per cent.
 - Elderly benefits increased by \$0.7 billion, or 14.3 per cent, reflecting changes in consumer prices to which benefits are fully indexed, and growth in the number of recipients. In addition, as announced in Budget 2021, and implemented in July 2022, the Old Age Security pension has permanently increased by 10 per cent for seniors aged 75 and over.
 - EI benefits decreased by \$2.3 billion, or 48.1 per cent, reflecting improved labour market conditions.
 - COVID-19 income support for workers decreased \$1.6 billion, or 99.8 per cent, primarily reflecting the wind-down of the Canada Recovery Benefit in 2021-22.
 - Children's benefits were up \$28 million, or 1.4 per cent.
- Major transfers to other levels of government were up \$0.3 billion, or 4.0 per cent, largely reflecting legislated growth in the Canada Health Transfer, the Canada Social Transfer, Equalization transfers and transfers to the territories.
- Proceeds from the pollution pricing framework returned decreased by \$5 million, or 6.6 per cent. Direct proceeds will continue to be fully returned in the provinces or territories where they are generated.

- Direct program expenses were down \$1.9 billion, or 11.0 per cent. Within direct program expenses:
 - Canada Emergency Wage Subsidy (CEWS) payments decreased by \$2.1 billion, or 100.4 per cent, reflecting the end of the program and reassessments of previous returns.
 - Other transfer payments decreased by \$0.6 billion, or 10.7 per cent, largely reflecting a one-time payment to seniors aged 75 and older in August 2021 and the end of temporary COVID-19 measures, including the Canada Emergency Rent Subsidy, offset in part by an increase in international assistance and transfers in respect of Indigenous Peoples.
 - Operating expenses of the government's departments, agencies, and consolidated Crown corporations and other entities increased by \$0.8 billion, or 8.8 per cent, largely reflecting an increase in personnel costs.

Public debt charges increased \$1.7 billion, or 92.5 per cent, largely due to higher interest rates, a year-to-date adjustment for interest on the government's pension and other employee future benefit obligations to reflect actuarial valuations prepared for the *Public Accounts of Canada 2022*, and higher Consumer Price Index adjustments on Real Return Bonds.

Net actuarial losses, which represent the amortization of changes in the value of the government's obligations for pensions and other employee future benefits accrued in previous fiscal years and related assets, were down \$0.6 billion, or 50.5 per cent, largely due to an adjustment in August 2022 to reflect the government's updated actuarial valuations. A similar adjustment was not made until October in the prior year.

For the April to August period of 2022-23, program expenses excluding net actuarial losses were \$154.5 billion, down \$35.6 billion, or 18.7 per cent, from the same period the previous year.

- Major transfers to persons were down \$22.1 billion or 31.8 per cent.
 - Elderly benefits increased by \$2.4 billion, or 9.5 per cent, largely reflecting growth in the number of recipients and changes in consumer prices, to which benefits are fully indexed. In addition, as of July 2022, the Old Age Security pension has permanently increased by 10 per cent for seniors aged 75 and over.
 - EI benefits decreased by \$11.8 billion, or 55.1 per cent, reflecting improved labour market conditions.
 - COVID-19 income support for workers decreased \$11.5 billion, or 98.0 per cent, primarily reflecting the wind-down of the Canada Recovery Benefit.
 - Children's benefits were down \$1.2 billion, or 10.3 per cent, largely reflecting the temporary Canada Child Benefit young child supplement in 2021-22.
- Major transfers to other levels of government were up \$1.6 billion, or 4.5 per cent, primarily reflecting Canada-wide early learning and child care transfers, which began partway through 2021-22, and 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 year-over-year differences in the timing of the Canada Community-Building Fund and home care and mental health transfers.
- Proceeds from the pollution pricing framework returned decreased by \$0.3 billion, or 9.4 per cent, largely reflecting the change in the delivery of the Climate Action Incentive, from annually on personal income tax returns to a quarterly benefit.

- Direct program expenses were down \$14.7 billion, or 18.2 per cent. Within direct program expenses:
 - CEWS payments decreased by \$14.7 billion, or 100.8 per cent, reflecting the end of the program and reassessments of previous returns.
 - Other transfer payments decreased by \$1.7 billion, or 6.8 per cent, in large part reflecting the wind-down of temporary COVID-19 response measures and a one-time payment to seniors aged 75 and older in August 2021. This decrease was offset in part by an increase in international assistance and transfers in respect of Indigenous Peoples.
 - Operating expenses of the government's departments, agencies, and consolidated Crown corporations and other entities increased by \$1.7 billion, or 4.1 per cent, in large part reflecting increased personnel expenses.

Public debt charges increased by \$5.1 billion, or 52.8 per cent, primarily driven by higher interest rates and higher Consumer Price Index adjustments on Real Return Bonds.

Net actuarial losses decreased by \$2.3 billion, or 36.5 per cent, largely due to an adjustment in August 2022 to reflect updated actuarial valuations prepared for the *Public Accounts of Canada 2022*. A similar adjustment was not made until October in the prior year.

Table 3

Expenses

	August			April to August		
	2021	2022	Change	2021-22	2022-23	Change
	(\$ millions)		(%)	(\$ millions)		(%)
Major transfers to persons						
Elderly benefits	5,006	5,723	14.3	24,968	27,348	9.5
Employment Insurance benefits	4,727	2,452	-48.1	21,366	9,594	-55.1
COVID-19 income support for workers ¹	1,625	4	-99.8	11,788	241	-98.0
Children's benefits	1,986	2,014	1.4	11,295	10,126	-10.3
Total major transfers to persons	13,344	10,193	-23.6	69,417	47,309	-31.8
Major transfers to other levels of government						
Canada Health Transfer	3,594	3,767	4.8	17,969	18,837	4.8
Canada Social Transfer	1,289	1,328	3.0	6,447	6,641	3.0
Equalization	1,743	1,827	4.8	8,713	9,133	4.8
Territorial Formula Financing	298	310	4.0	2,295	2,386	4.0
Canada-wide early learning and child care	-	-	n/a	-	2,219	n/a
Canada Community-Building Fund	-	-	n/a	2,320	1,134	-51.1
Home care and mental health	-	-	n/a	750	1	-99.9
Other fiscal arrangements ²	-482	-531	-10.2	-2,377	-2,625	-10.4
Total major transfers to other levels of government	6,442	6,701	4.0	36,117	37,726	4.5
Proceeds from the pollution pricing framework returned	76	71	-6.6	3,526	3,194	-9.4
Direct program expenses						
Canada Emergency Wage Subsidy	2,087	-8	-100.4	14,582	-112	-100.8
Other transfer payments	5,812	5,188	-10.7	25,408	23,677	-6.8
Operating expenses	9,365	10,185	8.8	40,994	42,691	4.1
Total direct program expenses	17,264	15,365	-11.0	80,984	66,256	-18.2
Total program expenses, excluding net actuarial losses	37,126	32,330	-12.9	190,044	154,485	-18.7
Public debt charges	1,855	3,570	92.5	9,662	14,759	52.8
Total expenses, excluding net actuarial losses	38,981	35,900	-7.9	199,706	169,244	-15.3
Net actuarial losses	1,283	635	-50.5	6,415	4,075	-36.5
Total expenses	40,264	36,535	-9.3	206,121	173,319	-15.9

Note: Totals may not add due to rounding.

¹ COVID-19 income support for workers includes the Canada Recovery Benefit, the Canada Recovery Caregiving Benefit, the Canada Recovery Sickness Benefit, and the Canada Worker Lockdown Benefit.

² Other fiscal arrangements include the Youth Allowance Recovery and Alternative Payments for Standing Programs, which represent a recovery from Quebec of a tax point transfer; statutory subsidies; and, other items.

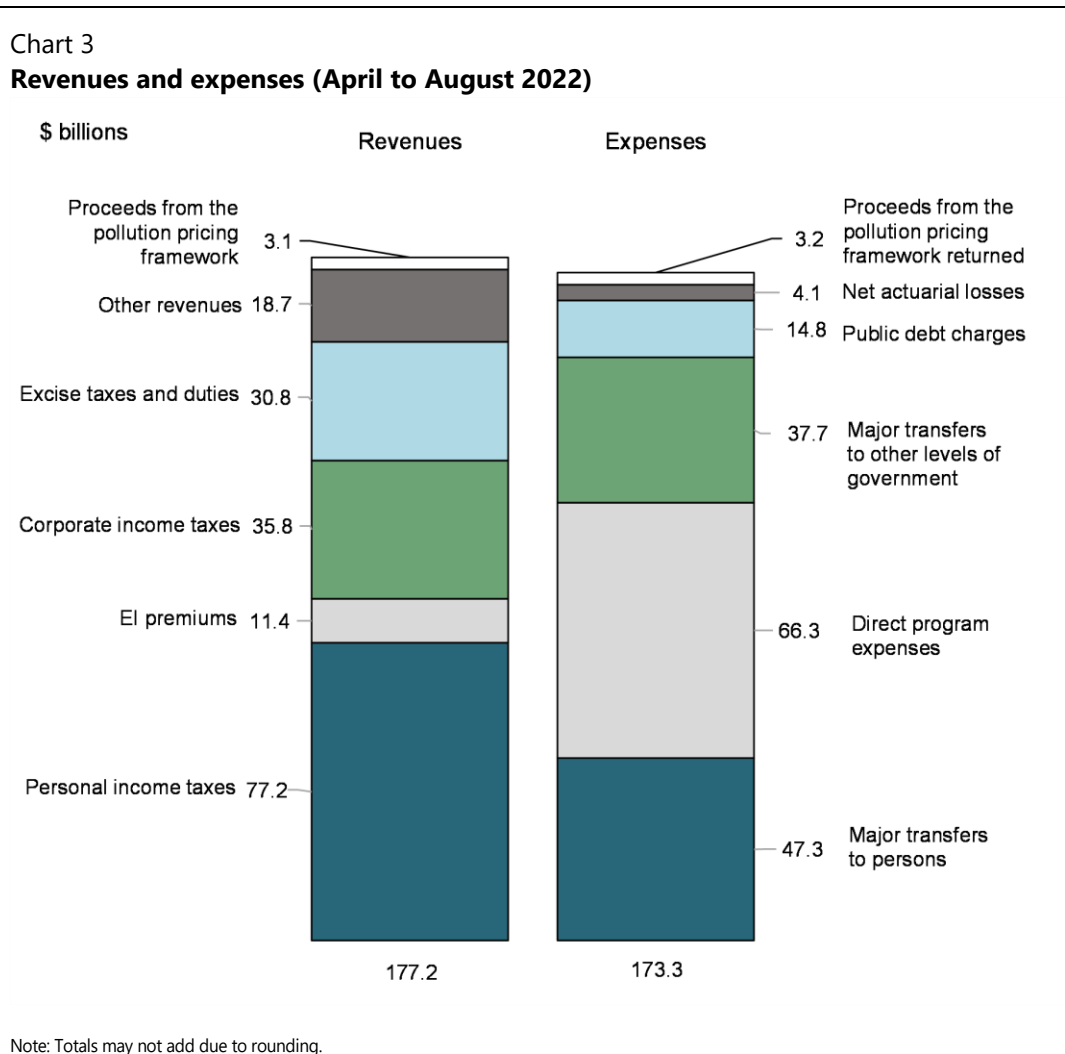
The following table presents total expenses by main object of expense.

Table 4

Total expenses by object of expense

	August			April to August		
	2021	2022	Change	2021-22	2022-23	Change
	(\$ millions)		(%)	(\$ millions)		(%)
Transfer payments	27,761	22,145	-20.2	149,050	111,794	-25.0
Other expenses						
Personnel, excluding net actuarial losses	4,881	6,106	25.1	24,012	25,761	7.3
Transportation and communications	209	282	34.9	797	1,031	29.4
Information	74	56	-24.3	184	143	-22.3
Professional and special services	1,143	1,224	7.1	4,638	5,158	11.2
Rentals	241	333	38.2	1,554	1,807	16.3
Repair and maintenance	256	350	36.7	1,045	1,429	36.7
Utilities, materials and supplies	1,502	653	-56.5	3,348	2,717	-18.8
Other subsidies and expenses	597	745	24.8	3,095	2,465	-20.4
Amortization of tangible capital assets	454	425	-6.4	2,283	2,131	-6.7
Net loss on disposal of assets	8	11	37.5	38	49	28.9
Total other expenses	9,365	10,185	8.8	40,994	42,691	4.1
Total program expenses, excluding net actuarial losses	37,126	32,330	-12.9	190,044	154,485	-18.7
Public debt charges	1,855	3,570	92.5	9,662	14,759	52.8
Total expenses, excluding net actuarial losses	38,981	35,900	-7.9	199,706	169,244	-15.3
Net actuarial losses	1,283	635	-50.5	6,415	4,075	-36.5
Total expenses	40,264	36,535	-9.3	206,121	173,319	-15.9

Note: Totals may not add due to rounding.



Financial requirement of \$21.6 billion for April to August 2022

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 surplus of \$3.9 billion and a requirement of \$25.5 billion from non-budgetary transactions, there was a financial requirement of \$21.6 billion for the April to August 2022 period, compared to a financial requirement of \$79.4 billion for the same period of the previous year.

Table 5

The budgetary balance and financial source/requirement

\$ millions

	August		April to August	
	2021	2022	2021-22	2022-23
Budgetary balance (deficit/surplus)	-9,827	-2,454	-57,154	3,878
Non-budgetary transactions				
Accounts payable, accrued liabilities and accounts receivable ¹	3,827	3,249	-11,590	-11,282
Pensions, other future benefits, and other liabilities	1,411	1,375	6,105	5,568
Foreign exchange accounts and derivatives ¹	-2,214	-5,778	-9,397	-14,406
Loans, investments and advances	-1,007	-745	-7,659	-4,623
Non-financial assets	340	-125	318	-709
Total non-budgetary transactions	2,357	-2,024	-22,223	-25,452
Financial source/requirement	-7,470	-4,478	-79,377	-21,574

Note: Totals may not add due to rounding.

¹ Comparative figures have been reclassified to reflect the current year presentation under a new accounting standard. See Note 8 at the end of this document for further details.

Net financing activities up \$26.2 billion

The government financed this financial requirement of \$21.6 billion and increased cash balances by \$4.7 billion by increasing unmatured debt by \$26.2 billion. The increase in unmatured debt was achieved primarily through the issuance of marketable bonds.

Cash balances at the end of August 2022 stood at \$96.9 billion, up \$15.4 billion from their level at the end of August 2021.

Table 6

Financial source/requirement and net financing activities

\$ millions

	August		April to August	
	2021	2022	2021-22	2022-23
Financial source/requirement	-7,470	-4,478	-79,377	-21,574
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds ¹	16,282	-10,537	90,884	26,546
Treasury bills ¹	-3,402	1,816	4,574	-7,810
Retail debt	-4	-	-13	-
Total Canadian currency borrowings	12,876	-8,721	95,445	18,736
Foreign currency borrowings ¹	937	3,512	6,016	7,639
Total market debt transactions	13,813	-5,209	101,461	26,375
Obligations related to capital leases and other unmaturing debt	-15	-20	42	-126
Net change in financing activities	13,798	-5,229	101,503	26,249
Change in cash balance	6,328	-9,707	22,126	4,675
Cash balance at end of period			81,514	96,937

Note: Totals may not add due to rounding.

¹ Comparative figures have been reclassified to reflect the current year presentation under a new accounting standard. See Note 8 at the end of this document for further details.

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 and remeasurement gains and losses.

- 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.
- Remeasurement gains and losses represent changes in the fair value of derivatives, such as swap agreements and foreign exchange forward agreements, which are used by the government to manage financial risks. As with other comprehensive income or loss, remeasurement gains and losses are not reflected in the budgetary balance, but are instead charged directly to the accumulated deficit. The government began accounting for remeasurement gains and losses in 2022-23 with the adoption of a new standard of the Public Sector Accounting Board regarding financial instruments (see Note 8).

The accumulated deficit decreased by \$4.8 billion over the April to August 2022 period, reflecting the \$3.9-billion budgetary surplus, \$0.7 billion in other comprehensive income, and \$0.2 billion in net remeasurement gains.

Table 7

Condensed statement of assets and liabilities

\$ millions

	April 1, 2022		
	Opening balance		
	Note 8	August 31, 2022	Change
Liabilities			
Accounts payable and accrued liabilities	262,220	230,880	-31,340
Derivative financial liabilities ¹	2,778	167	-2,611
Interest-bearing debt			
Unmatured debt			
Payable in Canadian currency			
Marketable bonds	1,043,989	1,070,535	26,546
Treasury bills	186,877	179,067	-7,810
Subtotal	1,230,866	1,249,602	18,736
Payable in foreign currencies	14,473	22,112	7,639
Obligations related to capital leases and other unmaturred debt	5,366	5,240	-126
Total unmaturred debt	1,250,705	1,276,954	26,249
Pension and other liabilities			
Public sector pensions	167,666	165,653	-2,013
Other employee and veteran future benefits	159,705	167,468	7,763
Other liabilities	7,707	7,525	-182
Total pension and other liabilities	335,078	340,646	5,568
Total interest-bearing debt	1,585,783	1,617,600	31,817
Total liabilities	1,850,781	1,848,647	-2,134
Financial assets			
Cash and accounts receivable	280,026	264,643	-15,383
Foreign exchange accounts	104,031	119,357	15,326
Derivative financial assets ¹	3,403	61	-3,342
Loans, investments, and advances (net of allowances) ²	207,031	212,347	5,316
Public sector pension assets	9,203	9,203	-
Total financial assets	603,694	605,611	1,917
Net debt	1,247,087	1,243,036	-4,051
Non-financial assets	105,268	105,977	709
Federal debt (accumulated deficit)	1,141,819	1,137,059	-4,760

Note: Totals may not add due to rounding.

¹ August 31, 2022 net balance of derivative assets and derivative liabilities includes remeasurement gains of \$0.2 billion resulting from the change in their fair values over the April to August 2022 period.² August 31, 2022 amount includes \$0.7 billion in other comprehensive income from enterprise Crown corporations and other government business enterprises for the April to August 2022 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 Standards Plus, which are 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. Table 7, 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. Reclassification of comparative information and adjustment to opening balances:
 - i) Starting in 2022-23, the government has adopted a new standard of the Public Sector Accounting Board regarding asset retirement obligations. Asset retirement obligations represent requirements under an agreement, contract, legislation, or a constructive or equitable obligation to undertake specific actions to retire tangible capital assets at the end of their useful lives. This includes activities such as decommissioning of nuclear reactors and removal of asbestos. The adoption of this standard has not had a material effect on the budgetary balance for the current year. This standard has been applied on a modified retroactive basis and the prior year's budgetary transactions have not been restated for the purposes of *The Fiscal Monitor*. However, an adjustment to the opening balance of the accumulated deficit for 2022-23 has been reflected in Table 7, Condensed Statement of Assets and Liabilities. The amount of this adjustment may be revised as more information becomes available.
 - ii) Also starting in 2022-23, the government has adopted a new standard of the Public Sector Accounting Board regarding financial instruments. Financial instruments include receivables, payables, equity instruments, debt, and derivatives, such as forward contracts and cross-currency swaps. Under the new standard, derivatives, which were previously recorded at historical cost, are recognized at fair value. Changes in the fair value of derivatives are not reflected in the budgetary balance, but are instead charged directly to the accumulated deficit as remeasurement gains and losses. The adoption of this standard has also resulted in the reclassification of certain accounts, as follows:
 - cross-currency swaps, previously reported as part of unmatured debt, are classified as derivatives and reported outside of unmatured debt;

- forward contracts, previously reported as part of accounts payable and accrued liabilities, are reported as derivatives;
- accrued interest, previously reported as part of accounts payable and accrued liabilities, is now included with the associated category of unmatured debt (i.e., marketable bonds, treasury bills, and foreign currency borrowings); and,
- unamortized discounts and premiums on market debt, previously reported as a separate item within unmatured debt, are now included with the associated category of unmatured debt (i.e., marketable bonds, treasury bills, and foreign currency borrowings).

This standard has been applied on a prospective basis. The prior year's budgetary transactions have not been restated, but balances in the prior year have been reclassified to reflect the current year's presentation. An adjustment to the opening balance of the accumulated deficit for 2022-23 is also reflected in Table 7, Condensed Statement of Assets and Liabilities.

A reconciliation of the reclassification and adjustment to the opening balance of the government's financial position as at April 1, 2022 is summarized as follows:

Table 8

Summary of reclassifications and adjustments to opening balances

\$ millions

	March 31, 2022 Closing balance ¹	Effect of change in accounting policy for asset retirement obligations	Effect of change in accounting policy for financial instruments	April 1, 2022 Opening balance
Liabilities				
Accounts payable and accrued liabilities	260,288	6,095	(4,163)	262,220
Derivative financial liabilities	-	-	2,778	2,778
Interest-bearing debt				
Unmatured debt				
Payable in Canadian currency				
Marketable bonds	1,030,896	-	13,093	1,043,989
Treasury bills	187,381	-	(504)	186,877
Subtotal	1,218,277	-	12,589	1,230,866
Payable in foreign currencies	14,451	-	22	14,473
Cross-currency swap revaluation	(2,246)	-	2,246	-
Unamortized discounts and premiums on market debt	7,443	-	(7,443)	-
Obligations related to capital leases and other unamortized debt	5,366	-	-	5,366
Total unamortized debt	1,243,291	-	7,414	1,250,705
Pension and other liabilities	335,078	-	-	335,078
Total interest-bearing debt	1,578,369	-	7,414	1,585,783
Total liabilities	1,838,657	6,095	6,029	1,850,781
Financial assets				
Derivative financial assets	-	-	3,403	3,403
Other financial assets	600,291	-	-	600,291
Total financial assets	600,291	-	3,403	603,694
Net debt	1,238,366	6,095	2,626	1,247,087
Non-financial assets	103,873	1,395	-	105,268
Federal debt (accumulated deficit)	1,134,493	4,700	2,626	1,141,819

¹ Source: Public Accounts of Canada 2022.

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

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