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Canada

Ministère des Finances
Canada



The Fiscal Monitor

A publication of the Department of Finance

Financial Results for August 2023

Canada 

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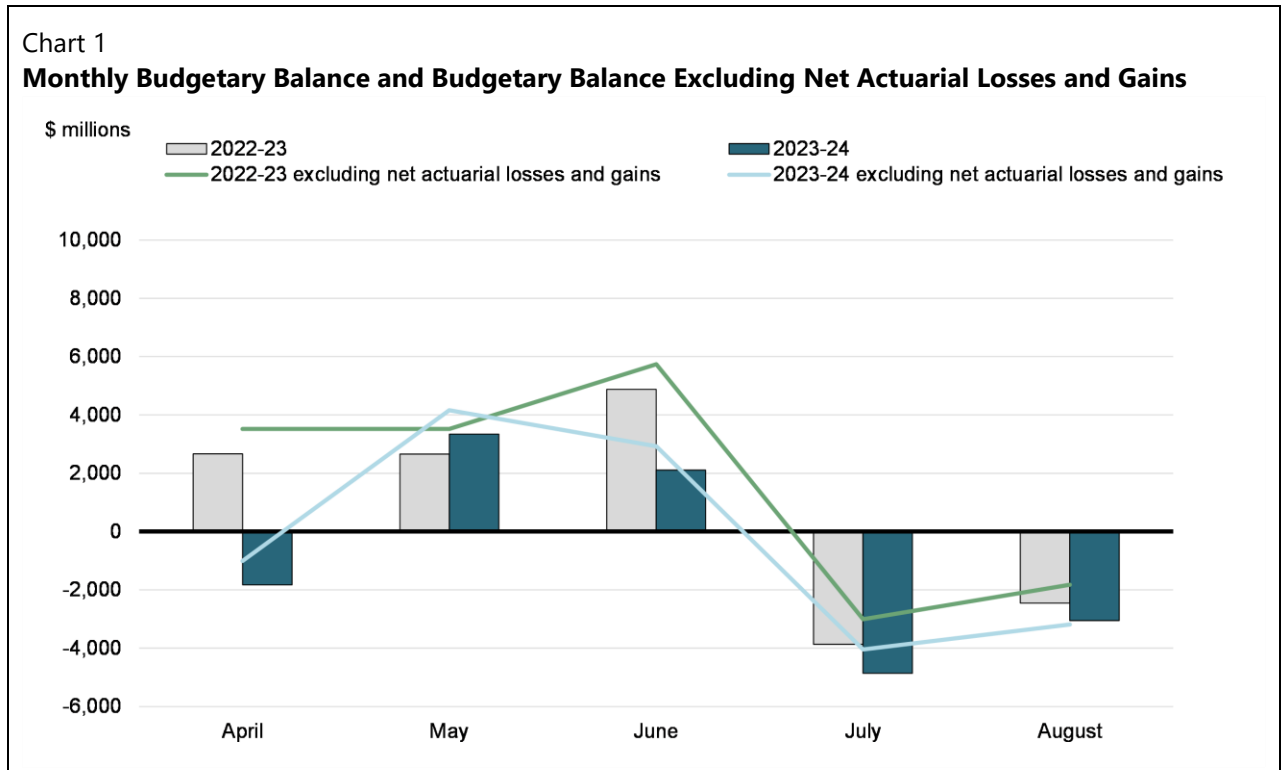
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Highlights

August 2023

There was a budgetary deficit of \$3.1 billion in August 2023, compared to a deficit of \$2.5 billion in August 2022. The budgetary deficit before net actuarial losses and gains was \$3.2 billion, compared to a deficit of \$1.8 billion in the same period of 2022-23. The budgetary balance before net actuarial losses and gains 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 and gains arising from the revaluation of the government's pension and other employee future benefit plans.



Compared to August 2022:

- Revenues decreased by \$0.4 billion, or 1.3 per cent.
- Program expenses excluding net actuarial losses and gains were up \$0.2 billion, or 0.6 per cent, as higher transfers to other levels of government were largely offset by lower operating expenses and other transfer payments.
- Public debt charges were up \$0.7 billion, or 20.6 per cent, largely reflecting higher interest rates, offset in part by lower Consumer Price Index adjustments on Real Return Bonds.
- The government recorded net actuarial gains of \$0.1 billion in August 2023, compared to net actuarial losses of \$0.6 billion in August 2022, largely due to a year-to-date adjustment in August 2023 to reflect the amortization of gains arising from actuarial valuations prepared for the *Public Accounts of Canada 2023*.

April to August 2023

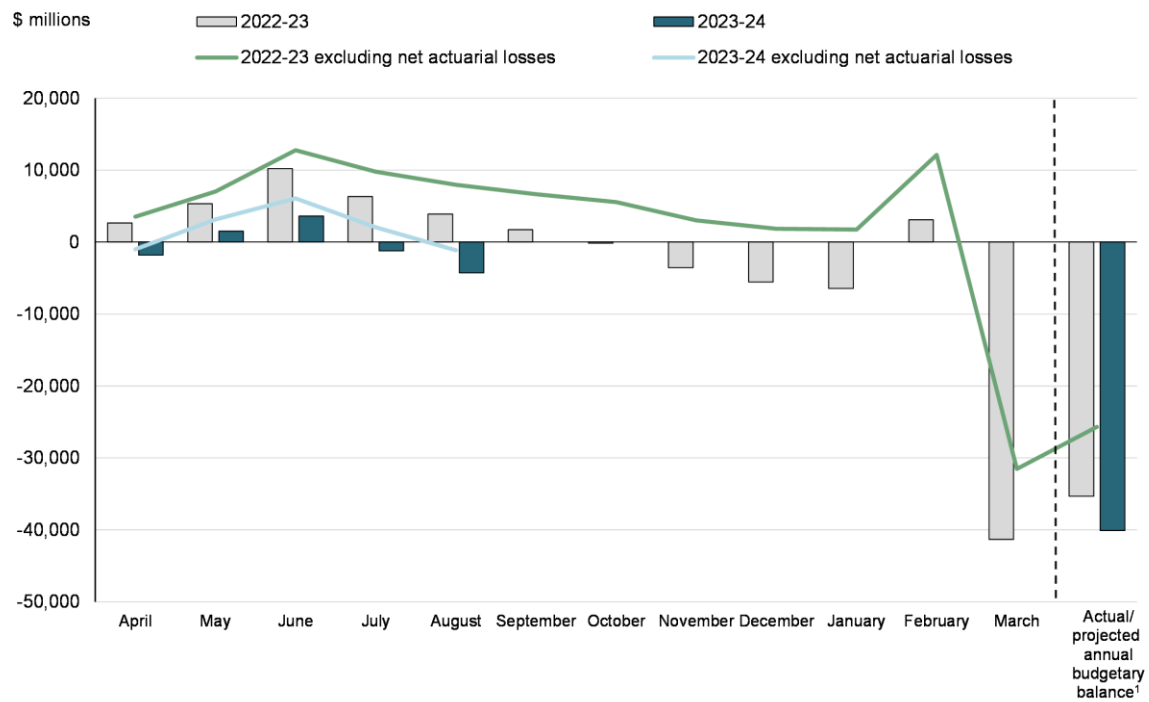
The government posted a budgetary deficit of \$4.3 billion for the April to August period of the 2023-24 fiscal year, compared to a surplus of \$3.9 billion reported for the same period of 2022-23. The budgetary deficit before net actuarial losses was \$1.1 billion, compared to a surplus of \$8.0 billion in the April to August period of 2022-23.

Compared to 2022-23:

- Revenues were up \$2.4 billion, or 1.4 per cent, largely reflecting higher interest revenues and other non-tax revenues.
- Program expenses excluding net actuarial losses were up \$7.4 billion, or 4.8 per cent, reflecting increases across direct program expenses, major transfers to other levels of government, proceeds from the pollution pricing framework returned, and major transfers to persons.
- Public debt charges increased by \$4.1 billion, or 27.7 per cent, largely reflecting higher interest rates, offset in part by lower Consumer Price Index adjustments on Real Return Bonds.
- Net actuarial losses decreased by \$0.9 billion, or 22.7 per cent, reflecting the amortization of gains arising from actuarial valuations prepared for the *Public Accounts of Canada 2023*.

Chart 2

Year-to-Date Budgetary Balance and Budgetary Balance Excluding Net Actuarial Losses



¹ Sources: Annual Financial Report of the Government of Canada 2022-2023; Budget 2023.

Table 1

Summary statement of transactions

\$ millions

	August		April to August	
	2022	2023	2022-23	2023-24
Budgetary transactions				
Revenues	34,081	33,647	177,197	179,602
Expenses				
Program expenses, excluding net actuarial losses and gains	-32,330	-32,526	-154,485	-161,896
Public debt charges	-3,570	-4,304	-14,759	-18,843
Budgetary balance, excluding net actuarial losses and gains	-1,819	-3,183	7,953	-1,137
Net actuarial (losses) gains	-635	130	-4,075	-3,150
Budgetary balance (deficit/surplus)	-2,454	-3,053	3,878	-4,287
Non-budgetary transactions	-2,024	-1,220	-25,452	-40,109
Financial source/requirement	-4,478	-4,273	-21,574	-44,396
Net change in financing activities	-5,229	19,711	26,249	70,032
Net change in cash balances	-9,707	15,438	4,675	25,636
Cash balance at end of period			96,937	67,432

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

Revenues

Revenues in August 2023 totalled \$33.6 billion, down \$0.4 billion, or 1.3 per cent, from August 2022.

- Tax revenues decreased by \$1.4 billion, or 4.6 per cent, compared to the same period in 2022-23, driven by a decline in corporate income tax revenue partially offset by an increase in personal income tax revenue and non-resident income tax revenue.
- Proceeds from the pollution pricing framework were up \$0.2 billion, or 36.6 per cent, reflecting higher carbon pollution pricing in 2023.
- Employment Insurance (EI) premium revenues were up \$0.2 billion, or 10.3 per cent, reflecting a higher premium rate and better labour market conditions.
- Other revenues were up \$0.5 billion, or 21.8 per cent, reflecting higher interest revenues and net foreign exchange gains. These increases were offset in part by lower net profits from enterprise Crown corporations, largely reflecting Bank of Canada losses as its interest expense on variable-rate deposits has outpaced interest earned on its fixed-rate investments.

Revenues for the April to August period of 2023-24 totalled \$179.6 billion, up \$2.4 billion, or 1.4 per cent, from the same period in 2022-23.

- Tax revenues decreased by \$1.4 billion, or 0.9 per cent, compared to the same period in 2022-23, driven by a decline in income tax revenue, with lower corporate and non-resident income tax revenue partially offset by an increase in personal income tax revenue.
- Proceeds from the pollution pricing framework were up \$0.6 billion, or 20.3 per cent, reflecting higher carbon pollution pricing in 2023.
- EI premium revenues were up \$1.0 billion, or 8.7 per cent, reflecting a higher premium rate and better labour market conditions.
- Other revenues were up \$2.2 billion, or 16.0 per cent, largely reflecting higher interest revenues and net foreign exchange revenues, offset in part by Bank of Canada losses.

Table 2

Revenues

	August			April to August		
	2022	2023	Change	2022-23	2023-24	Change
	(\$ millions)			(\$ millions)		
	Change (%)			Change (%)		
Tax revenues						
Income taxes						
Personal	15,506	16,154	4.2	77,228	82,294	6.6
Corporate	6,800	4,764	-29.9	35,844	29,696	-17.2
Non-resident	748	785	4.9	5,252	4,976	-5.3
Total income tax revenues	23,054	21,703	-5.9	118,324	116,966	-1.1
Other taxes and duties						
Goods and Services Tax	4,188	4,634	10.6	23,095	23,418	1.4
Energy taxes	623	494	-20.7	2,244	2,154	-4.0
Customs import duties	570	489	-14.2	2,684	2,331	-13.2
Other excise taxes and duties	834	599	-28.2	2,810	2,908	3.5
Total excise taxes and duties	6,215	6,216	0.0	30,833	30,811	-0.1
Total tax revenues	29,269	27,919	-4.6	149,157	147,777	-0.9
Proceeds from the pollution pricing framework	506	691	36.6	3,134	3,771	20.3
Employment Insurance premiums	1,809	1,996	10.3	11,430	12,419	8.7
Other revenues	2,497	3,041	21.8	13,476	15,635	16.0
Total revenues	34,081	33,647	-1.3	177,197	179,602	1.4

Note: Totals may not add due to rounding.

Expenses

Program expenses excluding net actuarial losses and gains in August 2023 were \$32.5 billion, up \$0.2 billion, or 0.6 per cent, from August 2022.

- Major transfers to persons, consisting of elderly benefits, EI benefits, COVID-19 income support for workers, and children's benefits, were up \$0.1 billion or 1.2 per cent.
 - Elderly benefits increased by \$0.5 billion, or 9.0 per cent, largely reflecting changes in consumer prices to which benefits are fully indexed, and growth in the number of recipients.
 - EI benefits decreased by \$0.1 billion, or 4.4 per cent.
 - COVID-19 income support for workers decreased \$0.5 billion, primarily reflecting redeterminations of benefits in August 2023.
 - Children's benefits were up \$0.2 billion, or 8.7 per cent, mainly reflecting the indexation of benefits to consumer prices.
- Major transfers to other levels of government were up \$1.7 billion, or 25.1 per cent, largely due to year-over-year timing differences in Canada-wide early learning and child care transfers and 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 increased by \$36 million, or 50.7 per cent, largely reflecting an increase in the rate of the Climate Action Incentive and, starting July 2023, the inclusion of Newfoundland and Labrador, Nova Scotia, and Prince Edward Island in the framework for the fuel charge. Direct proceeds continue to be fully returned in the provinces or territories where they are generated.
- Direct program expenses were down \$1.6 billion, or 10.7 per cent. Within direct program expenses:
 - Other transfer payments decreased by \$0.8 billion, or 14.6 per cent, largely reflecting increased transfers for international assistance in August 2022, which did not recur in the current year.
 - Operating expenses of the government's departments, agencies, and consolidated Crown corporations and other entities decreased by \$0.9 billion, or 8.7 per cent, largely reflecting year-to-date adjustments made in the prior and current years for pensions and benefits expense to reflect the latest actuarial valuations prepared for the *Public Accounts of Canada*.

Public debt charges increased \$0.7 billion, or 20.6 per cent, largely reflecting higher interest rates, offset in part by lower Consumer Price Index adjustments on Real Return Bonds.

Net actuarial losses and gains, 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, contributed a \$0.1 billion gain, compared to a \$0.6 billion loss in the same period of the prior year. This largely reflects a year-to-date adjustment in August 2023 to reflect the amortization of gains arising from actuarial valuations prepared for the *Public Accounts of Canada 2023*.

For the April to August period of 2023-24, program expenses excluding net actuarial losses were \$161.9 billion, up \$7.4 billion, or 4.8 per cent, from the same period the previous year.

- Major transfers to persons were up \$0.9 billion or 1.9 per cent.
 - Elderly benefits increased by \$3.6 billion, or 13.1 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 \$1.0 billion, or 10.9 per cent, largely reflecting the expiry of temporary pandemic-related measures to facilitate access to EI.
 - COVID-19 income support for workers decreased \$2.0 billion, due to the wind-down of these benefits in the prior year, and the redetermination of benefits in the current year.
 - Children's benefits were up \$0.4 billion, or 4.0 per cent, mainly reflecting the indexation of benefits to consumer prices.
- Major transfers to other levels of government were up \$2.2 billion, or 6.0 per cent, largely reflecting legislated growth in the Canada Health Transfer, the Canada Social Transfer, Equalization transfers and transfers to the territories, offset in part by year-over-year timing differences in Canada-wide early learning and child care transfers and an increase in the current year in the amount recorded for the Quebec Abatement, which is accounted for as a reduction in transfer payments.
- Proceeds from the pollution pricing framework returned increased by \$1.5 billion, or 46.3 per cent, largely reflecting an increase in the rate of the Climate Action Incentive and, starting July 2023, the inclusion of Newfoundland and Labrador, Nova Scotia, and Prince Edward Island in the framework for the fuel charge.
- Direct program expenses were up \$2.8 billion, or 4.2 per cent. Within direct program expenses:
 - Other transfer payments increased by \$1.1 billion, or 4.7 per cent, reflecting a number of factors including higher payments with respect to Indigenous Peoples, disbursements for the third round of the Rapid Housing Initiative, and higher transfers under the Canada Workers Benefit, offset in part by the one-time, non-taxable grant provided by the government in 2022-23 to alleviate the financial hardship of Guaranteed Income Supplement and Allowance recipients who received pandemic benefits in 2020, as well as a decrease in international assistance.
 - Operating expenses of the government's departments, agencies, and consolidated Crown corporations and other entities increased by \$1.6 billion, or 3.9 per cent, reflecting in large part higher personnel expenses and bad debt expenses.

Public debt charges increased by \$4.1 billion, or 27.7 per cent, largely reflecting higher interest rates, offset in part by lower Consumer Price Index adjustments on Real Return Bonds.

Net actuarial losses decreased by \$0.9 billion, or 22.7 per cent, reflecting the amortization of gains arising from actuarial valuations prepared for the *Public Accounts of Canada 2023*.

Table 3

Expenses

	August			April to August		
	2022	2023	Change	2022-23	2023-24	Change
	(\$ millions)		(%)	(\$ millions)		(%)
Major transfers to persons						
Elderly benefits	5,723	6,237	9.0	27,348	30,936	13.1
Employment Insurance benefits	2,452	2,345	-4.4	9,594	8,548	-10.9
COVID-19 income support for workers ¹	4	-461	-11,625.0	241	-1,780	-838.6
Children's benefits	2,014	2,190	8.7	10,126	10,527	4.0
Total major transfers to persons	10,193	10,311	1.2	47,309	48,231	1.9
Major transfers to other levels of government						
Canada Health Transfer	3,767	4,118	9.3	18,837	20,592	9.3
Canada Social Transfer	1,328	1,368	3.0	6,641	6,840	3.0
Equalization	1,827	1,997	9.3	9,133	9,984	9.3
Territorial Formula Financing	310	329	6.1	2,386	2,533	6.2
Canada-wide early learning and child care	-	1,170	n/a	2,219	1,788	-19.4
Canada Community-Building Fund	-	-	n/a	1,134	1,184	4.4
Health agreements with provinces/territories ²	-	-	n/a	1	-	-100.0
Other fiscal arrangements ³	-531	-596	-12.2	-2,625	-2,949	-12.3
Total major transfers to other levels of government	6,701	8,386	25.1	37,726	39,972	6.0
Proceeds from the pollution pricing framework returned	71	107	50.7	3,194	4,672	46.3
Direct program expenses						
Other transfer payments ⁴	5,180	4,423	-14.6	23,565	24,681	4.7
Operating expenses	10,185	9,299	-8.7	42,691	44,340	3.9
Total direct program expenses	15,365	13,722	-10.7	66,256	69,021	4.2
Total program expenses, excluding net actuarial losses and gains	32,330	32,526	0.6	154,485	161,896	4.8
Public debt charges	3,570	4,304	20.6	14,759	18,843	27.7
Total expenses, excluding net actuarial losses and gains	35,900	36,830	2.6	169,244	180,739	6.8
Net actuarial losses (gains)	635	-130	-120.5	4,075	3,150	-22.7
Total expenses	36,535	36,700	0.5	173,319	183,889	6.1

Note: Totals may not add due to rounding.

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

² Health agreements with provinces/territories include Home and Community Care and Mental Health and Substance Use Agreements.

³ Other fiscal arrangements include the Quebec Abatement (Youth Allowances Recovery and Alternative Payments for Standing Programs), which represent a recovery from Quebec of a tax point transfer; statutory subsidies; and other items.

⁴ Comparative figures have been reclassified to reflect the current year's presentation.

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

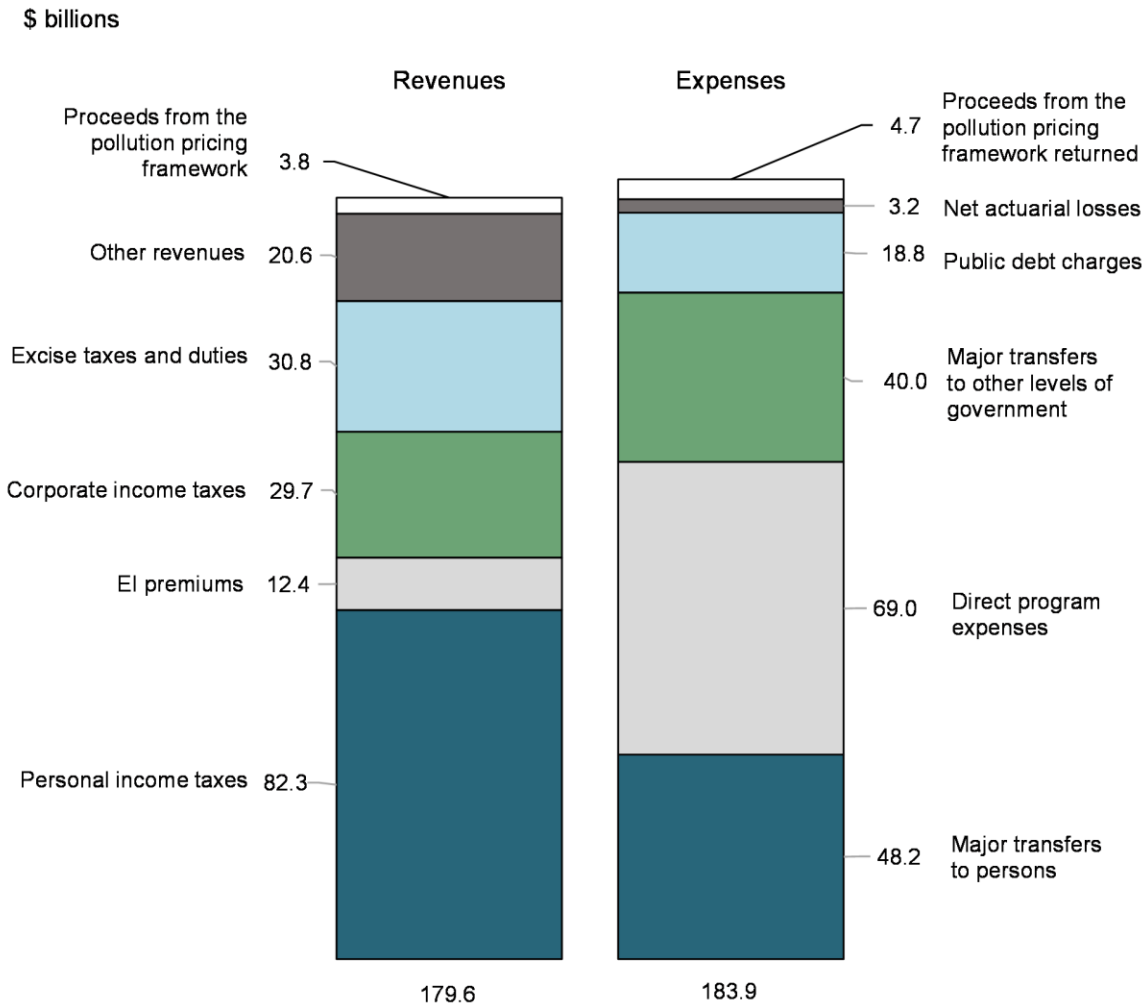
Table 4

Total expenses by object of expense

	August			April to August		
	2022	2023	Change	2022-23	2023-24	Change
	(\$ millions)		(%)	(\$ millions)		(%)
Transfer payments	22,145	23,227	4.9	111,794	117,556	5.2
Other expenses						
Personnel, excluding net actuarial losses and gains	6,106	5,495	-10.0	25,761	26,834	4.2
Transportation and communications	282	243	-13.8	1,031	1,084	5.1
Information	56	34	-39.3	143	133	-7.0
Professional and special services	1,224	1,577	28.8	5,158	5,825	12.9
Rentals	333	295	-11.4	1,807	1,907	5.5
Repair and maintenance	350	336	-4.0	1,429	1,255	-12.2
Utilities, materials and supplies	653	439	-32.8	2,717	1,959	-27.9
Other subsidies and expenses	745	433	-41.9	2,465	3,126	26.8
Amortization of tangible capital assets	425	434	2.1	2,131	2,173	2.0
Net loss on disposal of assets	11	13	18.2	49	44	-10.2
Total other expenses	10,185	9,299	-8.7	42,691	44,340	3.9
Total program expenses, excluding net actuarial losses and gains	32,330	32,526	0.6	154,485	161,896	4.8
Public debt charges	3,570	4,304	20.6	14,759	18,843	27.7
Total expenses, excluding net actuarial losses and gains	35,900	36,830	2.6	169,244	180,739	6.8
Net actuarial losses (gains)	635	-130	-120.5	4,075	3,150	-22.7
Total expenses	36,535	36,700	0.5	173,319	183,889	6.1

Note: Totals may not add due to rounding.

Chart 3
Revenues and expenses (April to August 2023)



Note: Totals may not add due to rounding.

Financial requirement of \$44.4 billion for April to August 2023

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 \$4.3 billion and a requirement of \$40.1 billion from non-budgetary transactions, there was a financial requirement of \$44.4 billion for the April to August 2023 period, compared to a financial requirement of \$21.6 billion for the same period of the previous year.

Table 5

The budgetary balance and financial source/requirement

\$ millions

	August		April to August	
	2022	2023	2022-23	2023-24
Budgetary balance (deficit/surplus)	-2,454	-3,053	3,878	-4,287
Non-budgetary transactions				
Accounts payable, accrued liabilities and accounts receivable	3,249	1,172	-11,282	-31,033
Pensions, other future benefits, and other liabilities	1,375	5	5,568	3,971
Foreign exchange accounts and derivatives	-5,778	-1,636	-14,406	-9,622
Loans, investments and advances	-745	-406	-4,623	-2,822
Non-financial assets	-125	-355	-709	-603
Total non-budgetary transactions	-2,024	-1,220	-25,452	-40,109
Financial source/requirement	-4,478	-4,273	-21,574	-44,396

Note: Totals may not add due to rounding.

Net financing activities up \$70.0 billion

The government financed this financial requirement of \$44.4 billion and increased cash balances by \$25.6 billion by increasing unmatured debt by \$70.0 billion. The increase in unmatured debt was achieved primarily through the issuance of treasury bills and marketable bonds.

Cash balances at the end of August 2023 stood at \$67.4 billion, down \$29.5 billion from their level at the end of August 2022.

Table 6

Financial source/requirement and net financing activities

\$ millions

	August		April to August	
	2022	2023	2022-23	2023-24
Financial source/requirement	-4,478	-4,273	-21,574	-44,396
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	-10,537	-1,101	26,546	11,795
Treasury bills	1,816	20,911	-7,810	51,898
Total Canadian currency borrowings	-8,721	19,810	18,736	63,693
Foreign currency borrowings	3,512	-79	7,639	6,469
Total market debt transactions	-5,209	19,731	26,375	70,162
Obligations related to capital leases and other unmaturing debt	-20	-20	-126	-130
Net change in financing activities	-5,229	19,711	26,249	70,032
Change in cash balance	-9,707	15,438	4,675	25,636
Cash balance at end of period			96,937	67,432

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 remeasurement gains and losses.

Remeasurement gains and losses include:

- 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, and
- certain unrealized gains and losses on financial instruments and certain actuarial gains and losses related to pensions and other employee future benefits reported by consolidated Crown corporations, enterprise Crown corporations, and other government business enterprises.

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.

The accumulated deficit increased by \$7.2 billion over the April to August 2023 period, reflecting the \$4.3-billion budgetary deficit and \$2.9 billion in net remeasurement losses.

Table 7

Condensed statement of assets and liabilities

\$ millions

	March 31, 2023	August 31, 2023	Change
Liabilities			
Accounts payable and accrued liabilities	259,440	220,638	-38,802
Interest-bearing debt			
Unmatured debt			
Payable in Canadian currency			
Marketable bonds	1,044,997	1,056,792	11,795
Treasury bills	198,899	250,797	51,898
Subtotal	1,243,896	1,307,589	63,693
Payable in foreign currencies	16,034	22,503	6,469
Obligations related to capital leases and other unmaturing debt	5,110	4,980	-130
Total unmaturing debt	1,265,040	1,335,072	70,032
Pension and other liabilities			
Public sector pensions	166,425	163,758	-2,667
Other employee and veteran future benefits	177,949	185,647	7,698
Other liabilities	7,339	6,279	-1,060
Total pension and other liabilities	351,713	355,684	3,971
Total interest-bearing debt	1,616,753	1,690,756	74,003
Foreign exchange accounts liabilities	44,151	43,796	-355
Derivatives ¹	4,689	2,372	-2,317
Total liabilities	1,925,033	1,957,562	32,529
Financial assets			
Cash and accounts receivable	243,520	261,387	17,867
Foreign exchange accounts assets	169,390	176,948	7,558
Derivatives ¹	3,260	83	-3,177
Loans, investments, and advances (net of allowances) ²	213,110	215,581	2,471
Public sector pension assets	12,996	12,996	-
Total financial assets	642,276	666,995	24,719
Net debt	1,282,757	1,290,567	7,810
Non-financial assets	109,744	110,347	603
Federal debt (accumulated deficit)	1,173,013	1,180,220	7,207

Note: Totals may not add due to rounding.

¹ August 31, 2023 net balance of derivative assets and derivative liabilities includes net remeasurement losses of \$2.6 billion resulting from the change in their fair values over the April to August 2023 period.

² August 31, 2023 amount includes \$0.4 billion in net remeasurement losses from consolidated Crown corporations, enterprise Crown corporations, and other government business enterprises for the April to August 2023 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.

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

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October 2023