

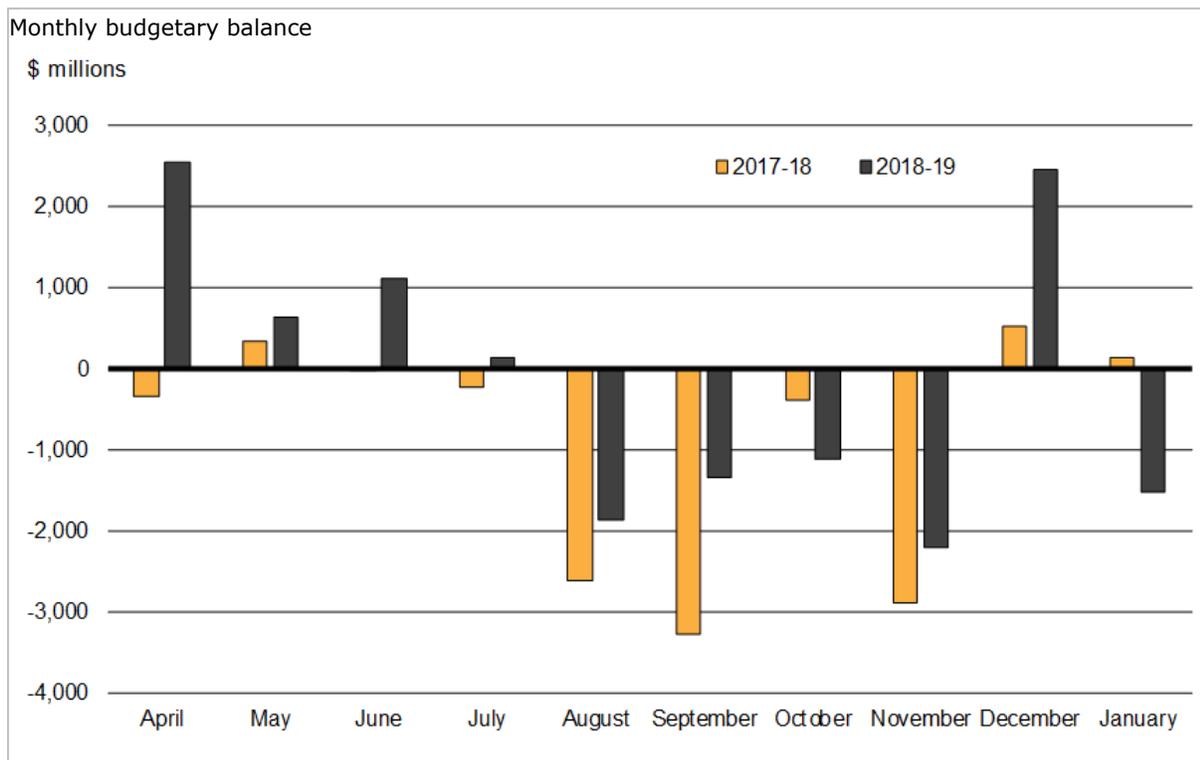
The Fiscal Monitor

A publication of the Department of Finance

Highlights

January 2019

There was a budgetary deficit of \$1.5 billion in January 2019, compared to a surplus of \$0.1 billion in January 2018. Revenues increased by \$0.6 billion, or 2.1 per cent, reflecting increases in corporate and non-resident income tax revenues, as well as other revenues. Program expenses increased by \$2.6 billion, or 9.7 per cent, largely reflecting an increase in direct program expenses. Public debt charges decreased by \$0.3 billion, or 15.3 per cent, reflecting lower Consumer Price Index adjustments on Real Return Bonds.



April 2018 to January 2019

For the April to January period of the 2018–19 fiscal year, the Government posted a budgetary deficit of \$1.2 billion, compared to a deficit of \$8.8 billion reported for the same period of 2017–18. Revenues were up \$20.0 billion, or 8.1 per cent, reflecting increases in tax revenues, Employment Insurance (EI) premium revenues and other revenues. Program expenses were up \$11.1 billion, or 4.6 per cent, reflecting increases in major transfers to persons, major transfers to other levels of government and direct program expenses. Public debt charges increased by \$1.4 billion, or 7.5 per cent, reflecting a higher average effective interest rate on the stock of interest-bearing debt.

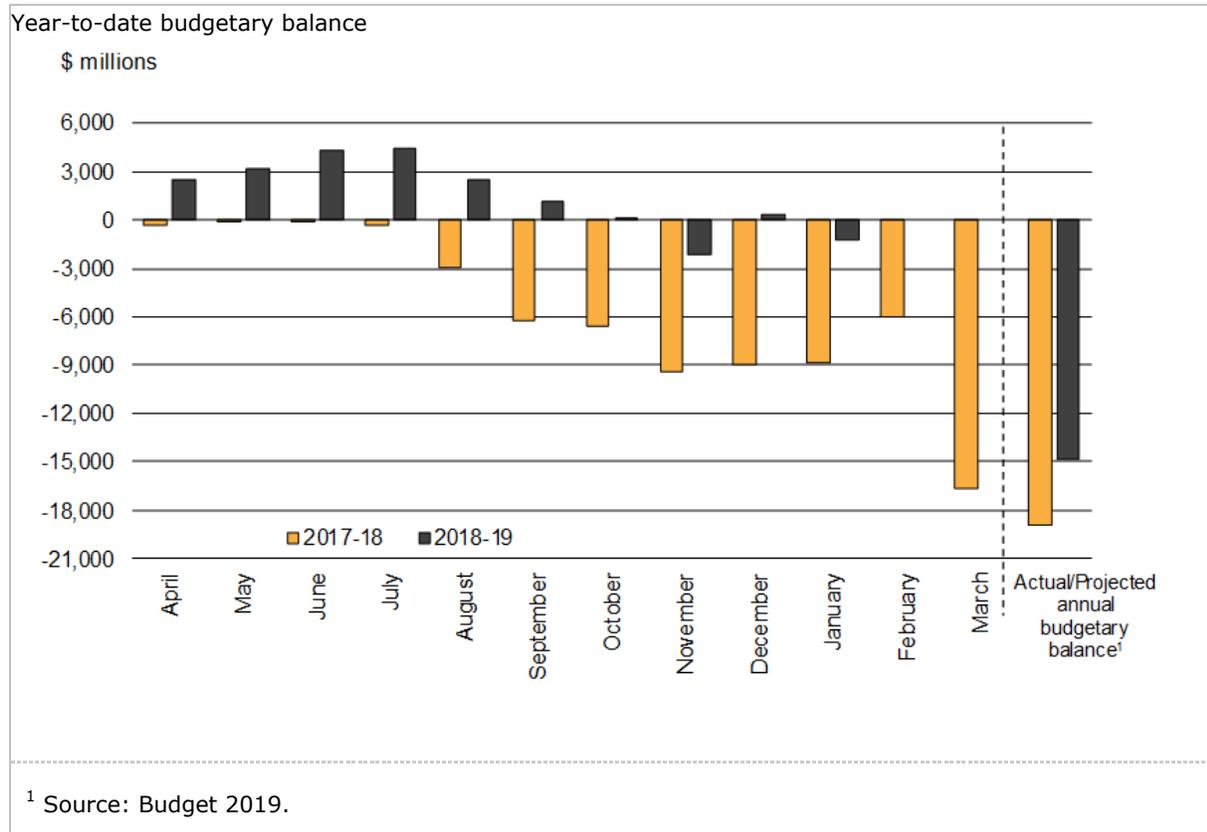


Table 1 Summary statement of transactions (\$ millions)				
	January		April to January	
	2018 Restated ¹	2019	2017-18 Restated ¹	2018-19
Budgetary transactions				
Revenues	28,494	29,096	248,407	268,419
Expenses				
Program expenses	-26,377	-28,945	-238,992	-250,054
Public debt charges	-1,992	-1,687	-18,218	-19,577
Budgetary balance (deficit/surplus)	125	-1,536	-8,803	-1,212
Non-budgetary transactions	6,527	3,045	3,285	-11,373
Financial source/requirement	6,652	1,509	-5,518	-12,585
Net change in financing activities	-548	4,413	14,287	21,071
Net change in cash balances	6,104	5,922	8,769	8,486
Cash balance at end of period			45,669	46,162
Notes: Positive numbers indicate net source of funds. Negative numbers indicate net requirement for funds. ¹ Certain comparative figures have been restated to reflect a change in accounting policy. See Note 8 at the end of this document for further details.				

Revenues

Revenues in January 2019 totalled \$29.1 billion, up \$0.6 billion, or 2.1 per cent, from January 2018.

- Tax revenues decreased by \$27 million, or 0.1 per cent, as increases in income taxes were more than offset by a net decrease in other taxes and duties.
- EI premium revenues were up \$2 million, or 0.1 per cent.
- Other revenues, consisting of net profits from enterprise Crown corporations, revenues of consolidated Crown corporations, revenues from sales of goods and services, returns on investments, net foreign exchange revenues and miscellaneous revenues, were up \$0.6 billion, or 31.6 per cent.

For the April to January period of 2018–19, revenues were \$268.4 billion, up \$20.0 billion, or 8.1 per cent, from the same period the previous year.

- Tax revenues increased by \$17.0 billion, or 8.1 per cent, driven largely by growth in income tax revenues, Goods and Services Tax (GST) revenues and customs import duties revenues.
- EI premium revenues were up \$0.6 billion, or 3.8 per cent.
- Other revenues were up \$2.4 billion, or 11.3 per cent, largely reflecting higher interest and penalties revenues.

Table 2 Revenues						
	January			April to January		
	2018 Restated ¹	2019	Change	2017-18 Restated ¹	2018-19	Change
	(\$ millions)		(%)	(\$ millions)		(%)
Tax revenues						
Income taxes						
Personal	13,453	13,398	-0.4	122,736	130,205	6.1
Corporate	3,642	3,803	4.4	35,499	39,718	11.9
Non-resident	1,397	1,611	15.3	6,864	8,242	20.1
Total income tax revenues	18,492	18,812	1.7	165,099	178,165	7.9
Other taxes and duties						
Goods and Services Tax	4,004	3,460	-13.6	31,905	34,364	7.7
Energy taxes	499	579	16.0	4,841	4,872	0.6
Customs import duties	425	515	21.2	4,573	5,824	27.4
Other excise taxes and duties	514	541	5.3	5,088	5,318	4.5
Total other taxes and duties	5,442	5,095	-6.4	46,407	50,378	8.6
Total tax revenues	23,934	23,907	-0.1	211,506	228,543	8.1
Employment Insurance premiums	2,578	2,580	0.1	15,999	16,604	3.8
Other revenues	1,982	2,609	31.6	20,902	23,272	11.3
Total revenues	28,494	29,096	2.1	248,407	268,419	8.1

Note: Totals may not add due to rounding.

¹ Certain comparative figures have been restated to reflect a change in accounting policy. See Note 8 at the end of this document for further details.

Expenses

Program expenses in January 2019 were \$28.9 billion, up \$2.6 billion, or 9.7 per cent, from January 2018.

- Major transfers to persons, consisting of elderly, EI and children's benefits, were up \$0.3 billion, or 3.2 per cent. Elderly benefits increased by \$0.2 billion, or 5.4 per cent, reflecting growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. EI benefits increased by \$24 million, or 1.1 per cent. Children's benefits were up \$19 million, or 1.0 per cent.
- Major transfers to other levels of government were up \$0.2 billion, or 3.5 per cent, largely reflecting legislated growth in the Canada Health Transfer, the Canada Social Transfer and Equalization transfers.
- Direct program expenses were up \$2.1 billion, or 17.4 per cent. Within direct program expenses:
 - Other transfer payments increased by \$0.7 billion, or 15.3 per cent, in large part reflecting increased transfers relating to claims.
 - Other direct program expenses, consisting of operating expenses of the Government's departments, agencies, and consolidated Crown corporations and other entities, increased by \$1.4 billion, or 18.8 per cent, largely reflecting increased expenses relating to claims.

Public debt charges were down \$0.3 billion, or 15.3 per cent, reflecting lower Consumer Price Index adjustments on Real Return Bonds.

For the April to January period of 2018–19, program expenses were \$250.1 billion, up \$11.1 billion, or 4.6 per cent, from the same period the previous year.

- Major transfers to persons were up \$1.8 billion, or 2.4 per cent. Elderly benefits increased by \$2.2 billion, or 5.2 per cent, reflecting growth in the elderly population and changes in consumer prices. EI benefits decreased by \$0.8 billion, or 4.8 per cent, while children's benefits were up \$0.4 billion, or 2.2 per cent.
- Major transfers to other levels of government were up \$2.1 billion, or 3.5 per cent, largely reflecting legislated growth in the Canada Health Transfer, the Canada Social Transfer and Equalization transfers.
- Direct program expenses were up \$7.2 billion, or 7.0 per cent. Within direct program expenses:
 - Other transfer payments increased by \$3.7 billion, or 11.9 per cent, reflecting increases across a number of departments, including increased transfers relating to claims, disaster assistance and infrastructure.
 - Other direct program expenses increased by \$3.5 billion, or 4.9 per cent, largely reflecting an increase in personnel costs and expenses related to claims.

Public debt charges increased by \$1.4 billion, or 7.5 per cent, reflecting a higher average effective interest rate on the stock of interest-bearing debt.

Table 3 Expenses						
	January			April to January		
	2018 Restated ¹	2019	Change	2017-18 Restated ¹	2018-19	Change
	(\$ millions)		(%)	(\$ millions)		(%)
Major transfers to persons						
Elderly benefits	4,297	4,527	5.4	42,125	44,329	5.2
Employment Insurance benefits	2,217	2,241	1.1	16,380	15,586	-4.8
Children's benefits	1,942	1,961	1.0	19,484	19,913	2.2
Total	8,456	8,729	3.2	77,989	79,828	2.4
Major transfers to other levels of government						
Canada Health Transfer	3,096	3,215	3.8	30,958	32,153	3.9
Canada Social Transfer	1,146	1,180	3.0	11,457	11,801	3.0
Equalization	1,521	1,580	3.9	15,211	15,772	3.7
Territorial Formula Financing	250	257	2.8	3,181	3,271	2.8
Gas Tax Fund	314	252	-19.7	2,072	1,894	-8.6
Home care and mental health	0	0	100.0	300	490	63.3
Other fiscal arrangements ²	-386	-335	-13.2	-4,017	-4,163	3.6
Total	5,941	6,149	3.5	59,162	61,218	3.5
Direct program expenses						
Other transfer payments	4,707	5,428	15.3	30,838	34,497	11.9
Other direct program expenses	7,273	8,639	18.8	71,003	74,511	4.9
Total direct program expenses	11,980	14,067	17.4	101,841	109,008	7.0
Total program expenses	26,377	28,945	9.7	238,992	250,054	4.6

Public debt charges	1,992	1,687	-15.3	18,218	19,577	7.5
Total expenses	28,369	30,632	8.0	257,210	269,631	4.8

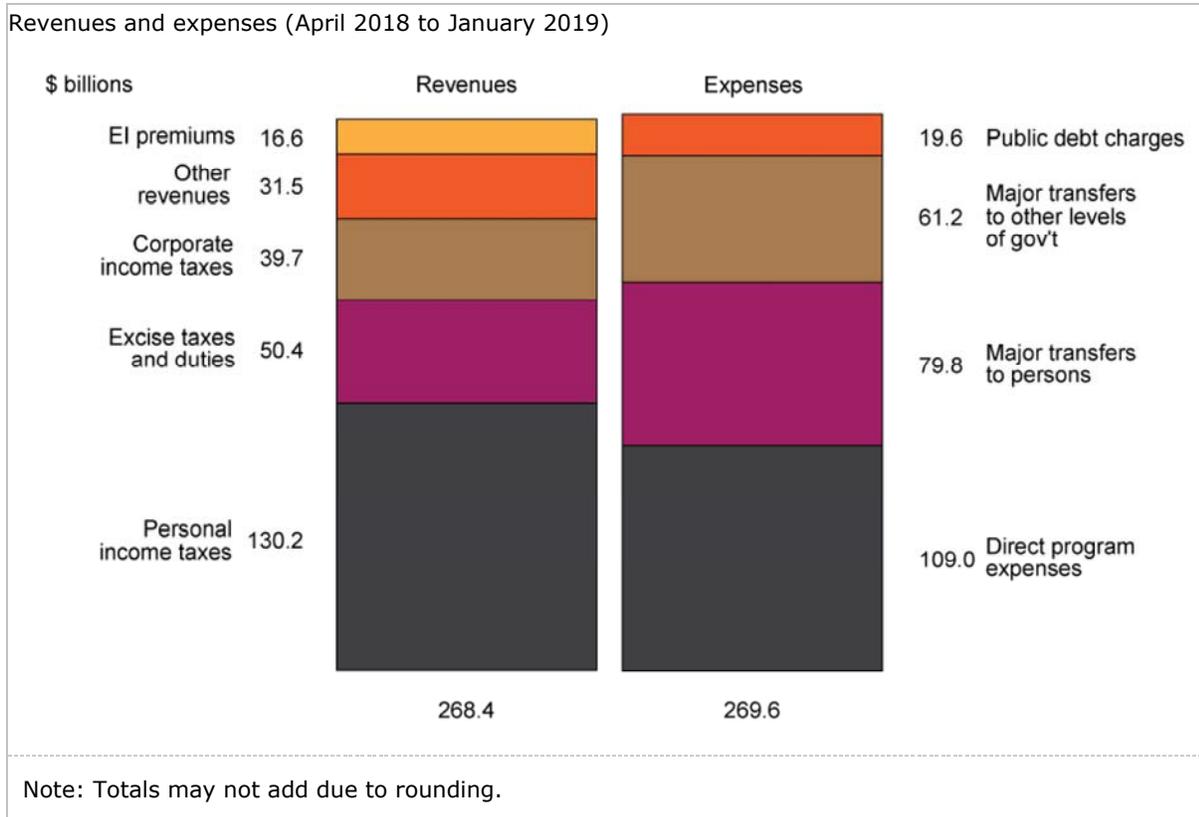
Note: Totals may not add due to rounding.

¹ Certain comparative figures have been restated to reflect a change in accounting policy. See Note 8 at the end of this document for further details.

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

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

	January			April to January		
	2018	2019	Change	2017-18	2018-19	Change
	(\$ millions)		(%)	(\$ millions)		(%)
Transfer payments	19,104	20,306	6.3	167,989	175,543	4.5
Other expenses						
Personnel	4,422	4,650	5.2	43,403	45,548	4.9
Transportation and communications	186	197	5.9	2,032	2,202	8.4
Information	36	47	30.6	185	227	22.7
Professional and special services	1,009	1,034	2.5	8,327	8,588	3.1
Rentals	236	300	27.1	2,382	2,530	6.2
Repair and maintenance	253	288	13.8	2,215	2,481	12.0
Utilities, materials and supplies	203	193	-4.9	1,925	2,010	4.4
Other subsidies and expenses	512	1,540	200.8	6,391	6,770	5.9
Amortization of tangible capital assets	404	378	-6.4	4,032	4,045	0.3
Net loss on disposal of assets	12	12	0.0	111	110	-0.9
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Total other expenses	7,273	8,639	18.8	71,003	74,511	4.9
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Total program expenses	26,377	28,945	9.7	238,992	250,054	4.6
Public debt charges	1,992	1,687	-15.3	18,218	19,577	7.5
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Total expenses	28,369	30,632	8.0	257,210	269,631	4.8
Note: Totals may not add due to rounding.						



Financial requirement of \$12.6 billion for April 2018 to January 2019

The budgetary balance is presented on an accrual basis of accounting, recording government revenues and expenses when they are earned or incurred, regardless of when the cash is received or paid. In contrast, the financial source/requirement measures the difference between cash coming in to the Government and cash going out. This measure is affected not only by changes in the budgetary balance but also by the cash source/requirement resulting from the Government's investing activities through its acquisition of capital assets and its loans, financial investments and advances, as well as from other activities, including payment of accounts payable and collection of accounts receivable, foreign exchange activities, and the amortization of its tangible capital assets. The difference between the budgetary balance and financial source/requirement is recorded in non-budgetary transactions.

With a budgetary deficit of \$1.2 billion and a requirement of \$11.4 billion from non-budgetary transactions, there was a financial requirement of \$12.6 billion for the April 2018 to January 2019 period, compared to a financial requirement of \$5.5 billion for the same period the previous year.

Table 5 The budgetary balance and financial source/requirement (\$ millions)				
	January		April to January	
	2018 Restated ¹	2019	2017-18 Restated ¹	2018-19
Budgetary balance (deficit/surplus)	125	-1,536	-8,803	-1,212
Non-budgetary transactions				
Accounts payable, accrued liabilities and accounts receivable	5,175	5,462	-37	2,464
Pensions, other future benefits, and other liabilities	503	458	5,347	6,399
Foreign exchange accounts	1,505	-1,013	1,838	-7,449
Loans, investments and advances	-554	-1,500	-3,144	-10,946
Non-financial assets	-102	-362	-719	-1,841
Total non-budgetary transactions	6,527	3,045	3,285	-11,373
Financial source/requirement	6,652	1,509	-5,518	-12,585

Note: Totals may not add due to rounding.

¹ Certain comparative figures have been restated to reflect a change in accounting policy. See Note 8 at the end of this document for further details.

Net financing activities up \$21.1 billion

The Government financed this financial requirement of \$12.6 billion and increased cash balances by \$8.5 billion by increasing unmatured debt by \$21.1 billion. The increase in unmatured debt was achieved primarily through the issuance of 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 January 2019 stood at \$46.2 billion, up \$0.5 billion from their level at the end of January 2018.

Table 6 Financial source/requirement and net financing activities (\$ millions)				
	January		April to January	
	2018	2019	2017-18	2018-19
Financial source/requirement	6,652	1,509	-5,518	-12,585
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	8,898	5,006	43,086	3,120
Treasury bills	-7,700	-1,100	-24,100	18,100
Retail debt	-133	-34	-1,804	-1,281
Total	1,065	3,872	17,182	19,939
Foreign currency borrowings	-546	3,522	1,903	4,003
Total	519	7,394	19,085	23,942
Cross-currency swap revaluation	-646	-2,999	-3,173	-1,195
Unamortized discounts and premiums on market debt	-409	32	-1,582	-1,325
Obligations related to capital leases and other unmaturing debt	-12	-14	-43	-351
Net change in financing activities	-548	4,413	14,287	21,071
Change in cash balance	6,104	5,922	8,769	8,486
Cash balance at end of period			45,669	46,162

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 federal debt increased by \$0.7 billion over the April 2018 to January 2019 period, reflecting the \$1.2-billion budgetary deficit, offset in part by \$0.5 billion in other comprehensive income.

Table 7 Condensed statement of assets and liabilities (\$ millions)			
	March 31, 2018	January 31, 2019	Change
	Restated²		
Liabilities			
Accounts payable and accrued liabilities	148,733	151,659	2,926
Interest-bearing debt			
Unmatured debt			
Payable in Canadian currency			
Marketable bonds	574,968	578,088	3,120
Treasury bills	110,700	128,800	18,100
Retail debt	2,586	1,305	-1,281
Subtotal	688,254	708,193	19,939
Payable in foreign currencies	16,049	20,052	4,003
Cross-currency swap revaluation	7,835	6,640	-1,195
Unamortized discounts and premiums on market debt	3,467	2,142	-1,325
Obligations related to capital leases and other unamatured debt	5,596	5,245	-351
Total unamatured debt	721,201	742,272	21,071
Pension and other liabilities			
Public sector pensions	170,914	169,208	-1,706
Other employee and veteran future benefits	104,793	112,735	7,942
Other liabilities	5,670	5,833	163
Total pension and other liabilities	281,377	287,776	6,399
Total interest-bearing debt	1,002,578	1,030,048	27,470

Total liabilities	1,151,311	1,181,707	30,396
Financial assets			
Cash and accounts receivable	172,991	181,939	8,948
Foreign exchange accounts	96,938	104,387	7,449
Loans, investments, and advances (net of allowances) ¹	126,371	137,861	11,490
Public sector pension assets	2,124	2,124	0
Total financial assets	398,424	426,311	27,887
Net debt	752,887	755,396	2,509
Non-financial assets	81,633	83,474	1,841
Federal debt (accumulated deficit)	671,254	671,922	668

Note: Totals may not add due to rounding.

¹ January 31, 2019 amount includes \$0.5 billion in other comprehensive income from enterprise Crown corporations and other government business enterprises for the April 2018 to January 2019 period.

² Certain March 31, 2018 balances have been restated to reflect a change in the Government's accounting for the Canadian Commercial Corporation. This restatement has resulted in a \$6,091-million decrease in accounts payable and accrued liabilities, a \$215-million decrease in cash and accounts receivable, and a \$5,876-million decrease in non-financial assets, with no overall impact on the federal debt. See Note 8 at the end of this document for further details.

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. 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. Accounting Changes and Restatement

The monthly financial results for 2017–18 presented for comparative purposes in *The Fiscal Monitor* have been restated to reflect the following two changes in accounting policy.

Change in Discount Rate Methodology

In finalizing its 2017–18 annual financial results, the Government implemented a change in the discount rate methodology used in valuing unfunded pension obligations. This change resulted in a \$0.5-billion increase in the 2017–18 budgetary deficit. Further details regarding this accounting policy change can be found in Note 3 to the condensed consolidated financial statements in the *Annual Financial Report of the Government of Canada 2017–2018*, available on the Department of Finance Canada website.

Canadian Commercial Corporation

For the 2018–19 fiscal year, the Canadian Commercial Corporation has determined that it acts as an agent in its commercial trading transactions. As a result, the revenues and expenses and related asset and liability balances arising from these transactions are no longer consolidated in the Government's financial results. This accounting change has no net impact on the budgetary balance, as the decline in the Government's revenues is offset by an equal reduction in expenses. Similarly, this change has no net impact on the federal debt, as the decrease in the Government's assets is offset by an equal reduction in its liabilities. The March 31, 2018 Condensed Statement of Assets and Liabilities shown in Table 7 and the year-to-date results for the April to December period of 2018–19 have been adjusted to reflect the retroactive impact of this change.

The following table provides an overview of these restatements on the 2017–18 and 2018–19 financial results.

Table 8					
Summary of Restatements					
(\$ millions)					
	Program expenses	Public debt charges	Other revenues	Budgetary balance (deficit/surplus)	Non-budgetary transactions
January 2018 (2017-18)					
As previously reported	(26,316)	(2,183)	2,154	167	6,485
Effect of change in accounting policy					
Change in discount rate methodology	(233)	191		(42)	42
Canadian Commercial Corporation	172		(172)	-	
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As restated	(26,377)	(1,992)	1,982	125	6,527
	<hr/>				
April 2017 to January 2018 (2017-18)					
As previously reported	(238,706)	(20,128)	22,946	(8,383)	2,865
Effect of change in accounting policy					
Change in discount rate methodology	(2,330)	1,910		(420)	420
Canadian Commercial Corporation	2,044		(2,044)	-	
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As restated	(238,992)	(18,218)	20,902	(8,803)	3,285
	<hr/>				
April 2018 to December 2018 (2018-19)					
As previously reported	(222,917)	(17,890)	22,471	324	(14,419)
Effect of change in accounting policy					
Canadian Commercial Corporation	1,807		(1,807)	-	
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As restated	(221,110)	(17,890)	20,664	324	(14,419)
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Note: Totals may not add due to rounding.					

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

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March 2019

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