

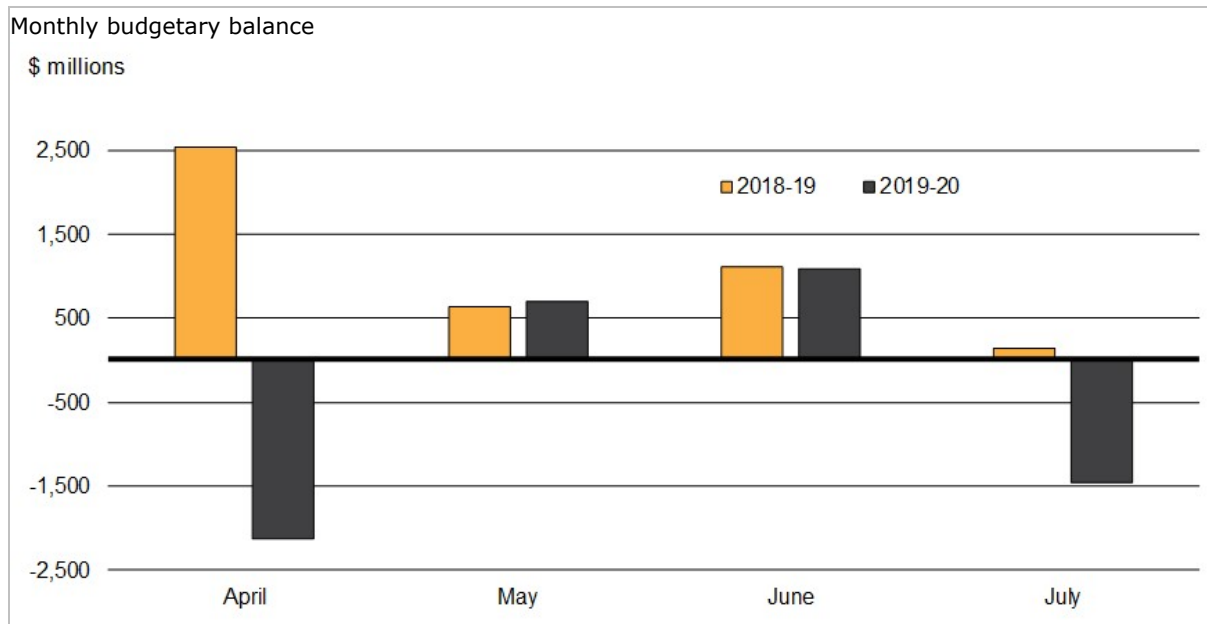
The Fiscal Monitor

A publication of the Department of Finance

Highlights

July 2019

There was a budgetary deficit of \$1.5 billion in July 2019, compared to a surplus of \$0.1 billion in July 2018. Revenues increased by \$1.0 billion, or 3.6 per cent, primarily reflecting increases in tax revenues and other revenues. Program expenses increased by \$2.2 billion, or 8.9 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 \$0.4 billion, or 19.1 per cent, largely reflecting higher Consumer Price Index adjustments on Real Return Bonds.



April to July 2019

For the April to July period of the 2019–20 fiscal year, the Government posted a budgetary deficit of \$1.6 billion, compared to a surplus of \$4.4 billion reported for the same period of 2018–19. Revenues were up \$4.2 billion, or 3.9 per cent, largely reflecting increases in tax revenues and other revenues. Program expenses were up \$9.1 billion, or 9.5 per cent, primarily reflecting increases in major transfers to other levels of government, including \$1.9 billion in transfers under the new Hibernia Dividend Backed Annuity Agreement, and direct program expenses. Public debt charges increased by \$1.1 billion, or 13.3 per cent, due mainly to higher Consumer Price Index adjustments on Real Return Bonds.

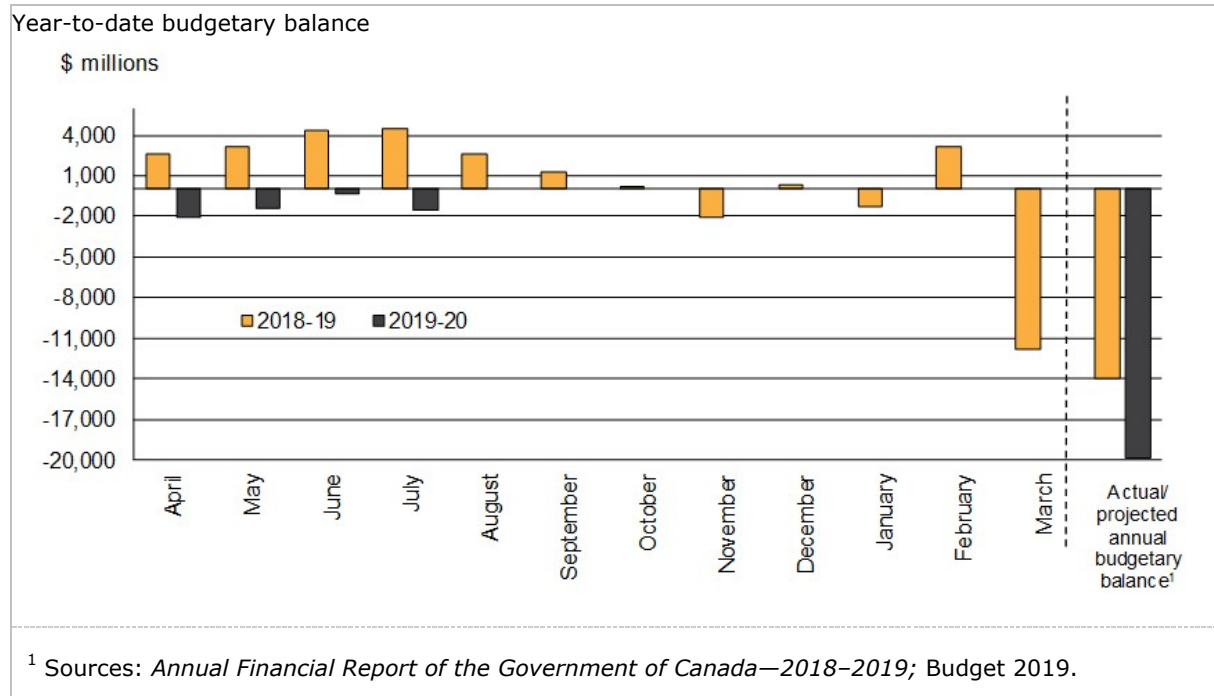


Table 1 Summary statement of transactions (\$ millions)				
	July		April - July	
	2018 Restated ¹	2019	2018-19 Restated ¹	2019-20
Budgetary transactions				
Revenues	26,888	27,845	108,044	112,219
Expenses				
Program expenses ²	-24,849	-27,055	-95,510	-104,604
Public debt charges	-1,897	-2,260	-8,097	-9,172
Budgetary balance (deficit/surplus)	142	-1,470	4,437	-1,557
Non-budgetary transactions	773	-3,072	-10,417	-12,811
Financial source/requirement	915	-4,542	-5,980	-14,368
Net change in financing activities	6,845	11,502	12,753	17,888
Net change in cash balances	7,760	6,960	6,773	3,520
Cash balance at end of period			44,450	43,524
<p>Note: Positive numbers indicate net source of funds. Negative numbers indicate net requirement for funds.</p> <p>¹ Certain comparative figures have been restated to reflect changes in accounting policy. See Note 8 at the end of this document for further details.</p> <p>² Year-to-date results for 2019-20 have been adjusted by \$371 million to reflect a correction to the amount originally reported for June 2019.</p>				

Revenues

Revenues in July 2019 totalled \$27.8 billion, up \$1.0 billion, or 3.6 per cent, from July 2018.

- Tax revenues increased by \$0.3 billion, or 1.4 per cent.
- Fuel charge proceeds under the new federal carbon pollution pricing system totalled \$0.2 billion.
- Employment Insurance (EI) premium revenues increased by \$0.1 billion, or 2.9 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 \$0.4 billion, or 17.9 per cent.

For the April to July period of 2019–20, revenues were \$112.2 billion, up \$4.2 billion, or 3.9 per cent, from the same period the previous year.

- Tax revenues increased by \$3.0 billion, or 3.3 per cent, driven largely by growth in personal income tax revenues.
- Fuel charge proceeds totalled \$0.3 billion over the period.
- EI premium revenues were up \$0.1 billion, or 1.2 per cent.
- Other revenues were up \$0.8 billion, or 8.6 per cent.

	July			April - July		
	2018 Restated ¹	2019	Change	2018–19 Restated ¹	2019–20	Change
	(\$ millions)		(%)	(\$ millions)		(%)
Tax revenues						
Income taxes						
Personal	12,433	11,987	-3.6	50,176	52,626	4.9
Corporate	3,448	4,623	34.1	17,090	17,700	3.6
Non-resident	934	797	-14.7	2,997	2,925	-2.4
	<hr/>			<hr/>		
Total income tax revenues	16,815	17,407	3.5	70,263	73,251	4.3
Other taxes and duties						
Goods and Services Tax	4,359	4,146	-4.9	14,492	14,326	-1.1

Energy taxes	513	493	-3.9	1,833	1,864	1.7
Customs import duties	620	467	-24.7	1,934	1,925	-0.5
Other excise taxes and duties	554	673	21.5	2,102	2,248	6.9
	<hr/>			<hr/>		
Total other taxes and duties	6,046	5,779	-4.4	20,361	20,363	0.0
	<hr/>			<hr/>		
Total tax revenues	22,861	23,186	1.4	90,624	93,614	3.3
Fuel charge proceeds	0	165	n/a	0	302	n/a
Employment Insurance premiums	1,703	1,753	2.9	8,329	8,433	1.2
Other revenues	2,324	2,741	17.9	9,091	9,870	8.6
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Total revenues	26,888	27,845	3.6	108,044	112,219	3.9

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 July 2019 were \$27.1 billion, up \$2.2 billion, or 8.9 per cent, from July 2018.

- Major transfers to persons, consisting of elderly, EI and children's benefits, were up \$0.2 billion, or 2.5 per cent. Elderly benefits increased by \$0.2 billion, or 4.3 per cent, reflecting growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. EI benefits decreased by \$41 million, or 2.5 per cent. Children's benefits were up \$49 million, or 2.6 per cent.
- Major transfers to other levels of government were up \$0.3 billion, or 3.7 per cent, largely reflecting legislated growth in the Canada Health Transfer, the Canada Social Transfer and Equalization transfers.
- Direct program expenses were up \$1.7 billion, or 17.6 per cent. Within direct program expenses:
 - Fuel charge proceeds returned reflects \$36 million in payments under the federal carbon pollution pricing system.
 - Other transfer payments increased by \$0.6 billion, or 20.6 per cent, reflecting increases across a number of departments.
 - Other direct program expenses, consisting of operating expenses of the Government's departments, agencies, and consolidated Crown corporations and other entities, increased by \$1.1 billion, or 15.9 per cent, reflecting in part an increase in personnel costs.

Public debt charges were up \$0.4 billion, or 19.1 per cent, largely reflecting higher Consumer Price Index adjustments on Real Return Bonds.

For the April to July period of 2019–20, program expenses were \$104.6 billion, up \$9.1 billion, or 9.5 per cent, from the same period the previous year.

- Major transfers to persons were up \$0.7 billion, or 2.3 per cent. Elderly benefits increased by \$0.8 billion, or 4.8 per cent, reflecting growth in the elderly population and changes in consumer prices. EI benefits decreased by \$0.1 billion, or 2.2 per cent. Children’s benefits were up \$34 million, or 0.4 per cent.
- Major transfers to other levels of government were up \$3.5 billion, or 14.0 per cent, primarily reflecting legislated growth in the Canada Health Transfer, the Canada Social Transfer, Equalization transfers and transfers to the territories; an increase in payments under home care and mental health transfers; and, \$1.9 billion in transfers under the new Hibernia Dividend Backed Annuity Agreement reached on April 1, 2019 between Canada and Newfoundland and Labrador.
- Direct program expenses were up \$4.9 billion, or 12.5 per cent. Within direct program expenses:
 - Fuel charge proceeds returned totalled \$1.2 billion.
 - Other transfer payments increased by \$1.3 billion, or 11.8 per cent, reflecting increases across a number of departments.
 - Other direct program expenses increased by \$2.3 billion, or 8.3 per cent, reflecting in part an increase in personnel costs.

Public debt charges increased by \$1.1 billion, or 13.3 per cent, largely reflecting higher Consumer Price Index adjustments on Real Return Bonds.

Table 3 Expenses						
	July			April - July		
	2018 Restated ¹	2019	Change	2018–19 Restated ¹	2019–20	Change
	(\$ millions)		(%)	(\$ millions)		(%)
Major transfers to persons						
Elderly benefits ²	4,452	4,642	4.3	17,476	18,309	4.8
Employment Insurance benefits	1,655	1,614	-2.5	6,028	5,896	-2.2
Children’s benefits	1,886	1,935	2.6	7,996	8,030	0.4
Total	7,993	8,191	2.5	31,500	32,235	2.3
Major transfers to other levels of government						
Canada Health Transfer	3,215	3,364	4.6	12,861	13,458	4.6

Canada Social Transfer	1,180	1,215	3.0	4,720	4,862	3.0
Equalization	1,580	1,656	4.8	6,319	6,615	4.7
Territorial Formula Financing	257	268	4.3	1,726	1,800	4.3
Gas Tax Fund	1,085	1,084	-0.1	1,085	1,084	-0.1
Home care and mental health	0	0	n/a	17	550	3,135.3
Other fiscal arrangements ³	-397	-408	-2.8	-1,645	221	n/a
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Total	6,920	7,179	3.7	25,083	28,590	14.0
Direct program expenses						
Fuel charge proceeds returned	0	36	n/a	0	1,222	n/a
Other transfer payments	2,827	3,409	20.6	11,312	12,642	11.8
Other direct program expenses	7,109	8,240	15.9	27,615	29,915	8.3
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Total direct program expenses	9,936	11,685	17.6	38,927	43,779	12.5
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Total program expenses	24,849	27,055	8.9	95,510	104,604	9.5
Public debt charges	1,897	2,260	19.1	8,097	9,172	13.3
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Total expenses	26,746	29,315	9.6	103,607	113,776	9.8
Note: Totals may not add due to rounding.						
¹ Certain comparative figures have been restated to reflect changes in accounting policy. See Note 8 at the end of this document for further details.						
² Year-to-date results for 2019-20 have been reduced by \$371 million to reflect a correction to the amount originally reported for June 2019.						
³ 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.						

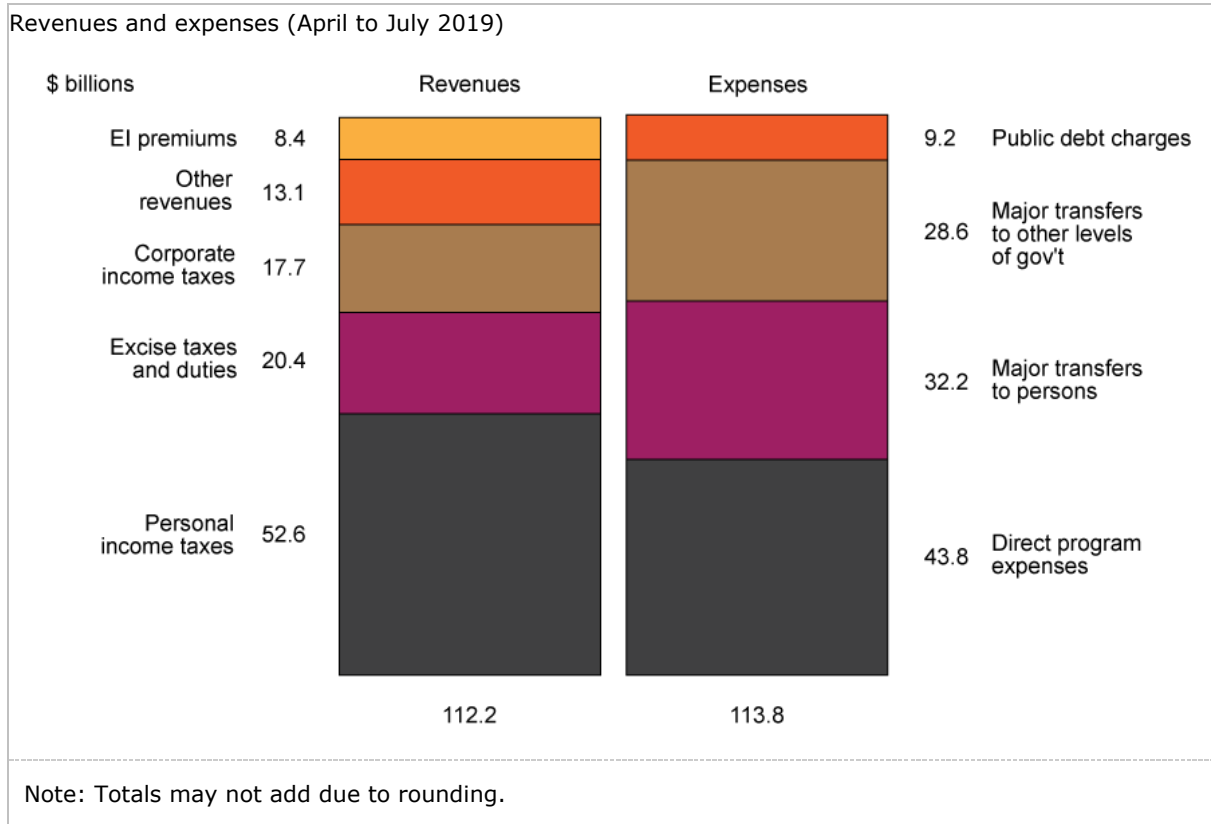
The following table presents total expenses by main object of expense.

	July			April - July		
	2018	2019	Change	2018-19	2019-20	Change
	Restated ¹			Restated ¹		
	(\$ millions)		(%)	(\$ millions)		(%)
Transfer payments ²	17,740	18,815	6.1	67,895	74,689	10.0
Other expenses						
Personnel	4,424	4,876	10.2	17,517	18,677	6.6
Transportation and communications	267	278	4.1	808	806	-0.2
Information	15	36	140.0	55	90	63.6
Professional and special services	905	991	9.5	2,589	2,877	11.1
Rentals	273	288	5.5	1,055	1,094	3.7
Repair and maintenance	237	284	19.8	649	780	20.2
Utilities, materials and supplies	187	218	16.6	697	746	7.0
Other subsidies and expenses	391	811	107.4	2,605	3,085	18.4
Amortization of tangible capital assets	398	427	7.3	1,594	1,708	7.2
Net loss on disposal of assets	12	31	158.3	46	52	13.0
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Total other expenses	7,109	8,240	15.9	27,615	29,915	8.3
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Total program expenses	24,849	27,055	8.9	95,510	104,604	9.5
Public debt charges	1,897	2,260	19.1	8,097	9,172	13.3
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Total expenses	26,746	29,315	9.6	103,607	113,776	9.8

Note: Totals may not add due to rounding.

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² Year-to-date results for 2019-20 have been reduced by \$371 million to reflect a correction to the amount originally reported for June 2019.



Financial requirement of \$14.4 billion for April to July 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 \$1.6 billion and a requirement of \$12.8 billion from non-budgetary transactions, there was a financial requirement of \$14.4 billion for the April to July 2019 period, compared to a financial requirement of \$6.0 billion for the same period the previous year.

Table 5 The budgetary balance and financial source/requirement (\$ millions)				
	July		April - July	
	2018 Restated ¹	2019	2018-19 Restated ¹	2019-20
Budgetary balance (deficit/surplus)²	142	-1,470	4,437	-1,557
Non-budgetary transactions				
Accounts payable, accrued liabilities and accounts receivable	-838	-3,108	-10,984	-11,823
Pensions, other future benefits, and other liabilities	792	619	2,240	2,534
Foreign exchange accounts	697	377	381	-122
Loans, investments and advances	355	-758	-2,032	-3,443
Non-financial assets	-233	-202	-22	43
Total non-budgetary transactions	773	-3,072	-10,417	-12,811
Financial source/requirement	915	-4,542	-5,980	-14,368

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 Year-to-date results for 2019-20 have been adjusted by \$371 million to reflect a correction to the amount originally reported for June 2019.

Net financing activities up \$17.9 billion

The Government financed this financial requirement of \$14.4 billion and increased cash balances by \$3.5 billion by increasing unmatured debt by \$17.9 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 July 2019 stood at \$43.5 billion, down \$0.9 billion from their level at the end of July 2018.

Table 6 Financial source/requirement and net financing activities (\$ millions)				
	July		April - July	
	2018	2019	2018-19	2019-20
Financial source/requirement	915	-4,542	-5,980	-14,368
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	7,872	7,977	5,762	16,235
Treasury bills	400	4,000	9,000	4,600
Retail debt	-32	-13	-146	-80
Total	8,240	11,964	14,616	20,755
Foreign currency borrowings	-444	361	79	-276
Total	7,796	12,325	14,695	20,479
Cross-currency swap revaluation	-925	-203	-1,292	-1,915
Unamortized discounts and premiums on market debt	-9	51	-529	106
Obligations related to capital leases and other unmaturing debt	-17	-671	-121	-782
Net change in financing activities	6,845	11,502	12,753	17,888
Change in cash balance	7,760	6,960	6,773	3,520
Cash balance at end of period			44,450	43,524
Note: Totals may not add due to rounding.				

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.
 8. Accounting Changes and Restatement

The monthly financial results for 2018–19 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 an \$11 million increase in the budgetary surplus as of July 31, 2018. 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

During 2018–19, the Canadian Commercial Corporation 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 decrease 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 following table provides an overview of these restatements of the 2018–19 financial results.

Table 7 Summary of Restatements (\$ millions)					
	Program expenses	Public debt charges	Other revenues	Budgetary balance (deficit/surplus)	Non-budgetary transactions
July 2018					
As previously reported	-24,878	-2,094	2,548	140	775
Effect of change in accounting policy					
Change in discount rate methodology	-195	197	n/a	2	-2
Canadian Commercial Corporation	224	n/a	-224	0	n/a
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As restated	-24,849	-1,897	2,324	142	773
	<hr/>				
April to July 2018					
As previously reported	-95,566	-8,894	9,933	4,426	-10,406
Effect of change in accounting policy					
Change in discount rate methodology	-786	797	n/a	11	-11
Canadian Commercial Corporation	842	n/a	-842	0	n/a
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As restated	-95,510	-8,097	9,091	4,437	-10,417
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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.

For inquiries about this publication, contact Bradley Recker at 613-369-5667.

September 2019

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