



Department of Finance
Canada Ministère des Finances
Canada

THE FISCAL MONITOR

A publication of the Department of Finance

Financial results for December 2019

Canada

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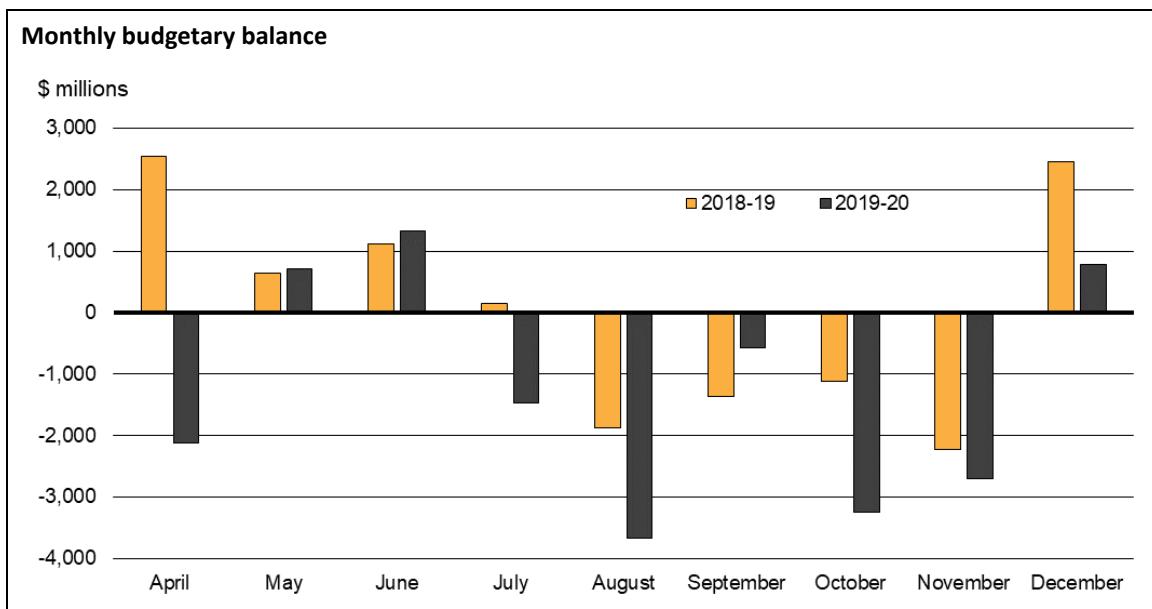
Cette publication est également disponible en français.

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

Highlights

December 2019

There was a budgetary surplus of \$0.8 billion in December 2019, compared to a surplus of \$2.5 billion in December 2018. Revenues increased by \$1.0 billion, or 3.4%, largely reflecting an increase in income tax and other revenues. Program expenses increased by \$2.7 billion, or 10.8%, primarily reflecting increases in major transfers to persons and direct program expenses. Public debt charges decreased by \$40 million, or 2.0%.



April to December 2019

For the April to December period of the 2019–20 fiscal year, the government posted a budgetary deficit of \$11.0 billion, compared to a surplus of \$0.3 billion reported for the same period of 2018–19. Revenues were up \$6.7 billion, or 2.8%, largely reflecting an increase in personal income tax revenues. Program expenses were up \$17.4 billion, or 7.9%, reflecting increases in major transfers to persons, major transfers to other levels of government and direct program expenses. Public debt charges increased by \$0.5 billion, or 2.9%, largely reflecting higher Consumer Price Index adjustments on Real Return Bonds and a higher average effective interest rate on the stock of Government of Canada treasury bills.

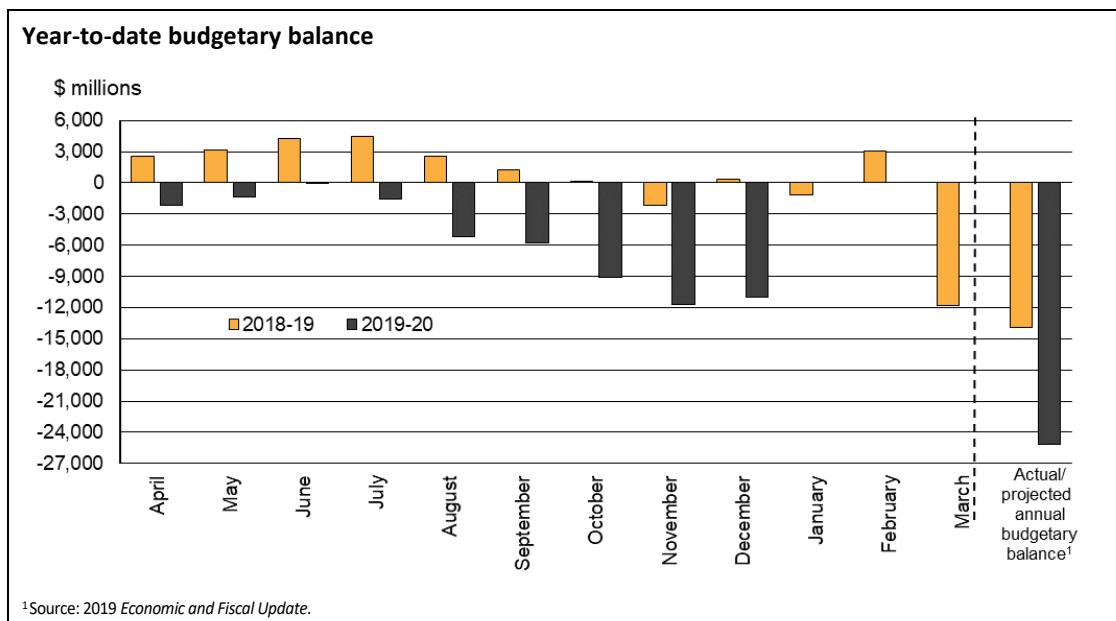


Table 1

Summary statement of transactions

\$ millions

	December		April to December	
	2018 Restated ¹	2019	2018–19 Restated ¹	2019–20
Budgetary transactions				
Revenues	29,310	30,292	239,324	245,985
Expenses				
Program expenses	-24,813	-27,505	-221,110	-238,551
Public debt charges	-2,045	-2,005	-17,890	-18,404
Budgetary balance (deficit/surplus)	2,452	782	324	-10,970
Non-budgetary transactions	-4,662	1,576	-14,419	-4,253
Financial source/requirement	-2,210	2,358	-14,095	-15,223
Net change in financing activities	2,264	-5,574	16,658	11,583
Net change in cash balances	54	-3,216	2,563	-3,640
Cash balance at end of period			40,240	36,364

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

¹Certain 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 December 2019 totalled \$30.3 billion, up \$1.0 billion, or 3.4%, from December 2018.

- Tax revenues increased by \$0.3 billion, or 1.2%.
- Fuel charge proceeds assessed under the federal carbon pollution pricing system totalled \$0.1 billion.
- Employment Insurance (EI) premium revenues increased by \$0.1 billion, or 7.8%.
- 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 \$0.5 billion, or 22.6%.

For the April to December period of 2019–20, revenues were \$246.0 billion, up \$6.7 billion, or 2.8%, from the same period the previous year.

- Tax revenues increased by \$4.0 billion, or 1.9%, driven largely by growth in personal income tax revenues. The increase in tax revenues for the April to December period includes \$30 million from the federal portion of assessed cannabis excise duties.
- Assessed fuel charge proceeds totalled \$1.0 billion over the period.
- EI premium revenues were up \$0.5 billion, or 3.2%.
- Other revenues were up \$1.2 billion, or 5.9%.

Table 2
Revenues

	December			April to December		
	2018		Change	2018–19		Change
	Restated ¹	2019		Restated ¹	2019–20	
	(\$ millions)		(%)	(\$ millions)		(%)
Tax revenues						
Income taxes						
Personal	16,524	16,452	-0.4	116,807	122,661	5.0
Corporate	4,656	4,968	6.7	35,915	35,285	-1.8
Non-resident	564	759	34.6	6,632	7,098	7.0
Total income tax revenues	21,744	22,179	2.0	159,354	165,044	3.6
Other taxes and duties						
Goods and Services Tax	3,087	3,320	7.5	30,904	30,531	-1.2
Energy taxes	425	500	17.6	4,293	4,363	1.6
Customs import duties	499	320	-35.9	5,309	3,896	-26.6
Other excise taxes and duties	655	410	-37.4	4,777	4,775	0.0
Total other taxes and duties	4,666	4,550	-2.5	45,283	43,565	-3.8
Total tax revenues	26,410	26,729	1.2	204,637	208,609	1.9
Fuel charge proceeds	0	137	n/a	0	1,023	n/a
Employment Insurance premiums	873	941	7.8	14,023	14,477	3.2
Other revenues	2,027	2,485	22.6	20,664	21,876	5.9
Total revenues	29,310	30,292	3.4	239,324	245,985	2.8

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.

Expenses

Program expenses in December 2019 were \$27.5 billion, up \$2.7 billion, or 10.8%, from December 2018.

- Major transfers to persons, consisting of elderly, EI and children's benefits, were up \$0.7 billion, or 8.9%. This is primarily due to an increase in EI benefits of \$0.5 billion, or 28.4%, reflecting a change in the timing of payments to provinces and territories under the Labour Market Development Agreements, which fund skills training and employment assistance. Elderly benefits increased by \$0.2 billion, or 5.3%, reflecting growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. Children's benefits were up \$20 million, or 1.0%.
- Major transfers to other levels of government were up \$0.3 billion, or 4.9%, primarily reflecting legislated growth in the Canada Health Transfer, the Canada Social Transfer and Equalization transfers.
- Direct program expenses were up \$1.7 billion, or 15.6%. Within direct program expenses:
 - Fuel charge proceeds reflected \$6 million in payments under the federal carbon pollution pricing system.
 - Other transfer payments increased by \$0.8 billion, or 23.8%, 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 \$0.9 billion, or 11.9%, largely reflecting an increase in personnel expenses.

Public debt charges were down \$40 million, or 2.0%.

For the April to December period of 2019–20, program expenses were \$238.6 billion, up \$17.4 billion, or 7.9%, from the same period the previous year.

- Major transfers to persons were up \$3.1 billion, or 4.3%. Elderly benefits increased by \$2.0 billion, or 5.1%, reflecting growth in the elderly population and changes in consumer prices. EI benefits increased by \$0.8 billion, or 6.0%. Children's benefits were up \$0.3 billion, or 1.5%.
- Major transfers to other levels of government were up \$4.9 billion, or 8.9%, reflecting legislated growth in the Canada Health Transfer, the Canada Social Transfer, Equalization transfers and transfers to the territories; an increase in Gas Tax Fund transfers due to year-over-year timing differences; 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 \$9.5 billion, or 10.0%. Within direct program expenses:
 - Fuel charge proceeds returned totalled \$1.3 billion.
 - Other transfer payments increased by \$1.9 billion, or 6.6%, reflecting increases across a number of departments.
 - Other direct program expenses increased by \$6.3 billion, or 9.5%, due in large part to an increase in personnel costs.

Public debt charges increased by \$0.5 billion, or 2.9%, largely reflecting higher Consumer Price Index adjustments on Real Return Bonds and a higher average effective interest rate on the stock of Government of Canada treasury bills.

Table 3
Expenses

	December			April to December		
	2018		Change	2018–19		Change
	Restated ¹	2019		Restated ¹	2019–20	
	(\$ millions)		(%)	(\$ millions)		(%)
Major transfers to persons						
Elderly benefits	4,484	4,722	5.3	39,802	41,815	5.1
Employment Insurance benefits	1,658	2,129	28.4	13,345	14,144	6.0
Children's benefits	2,025	2,045	1.0	17,951	18,222	1.5
Total major transfers to persons	8,167	8,896	8.9	71,098	74,181	4.3
Major transfers to other levels of government						
Canada Health Transfer	3,215	3,364	4.6	28,938	30,279	4.6
Canada Social Transfer	1,180	1,215	3.0	10,621	10,939	3.0
Equalization	1,580	1,653	4.6	14,219	14,878	4.6
Territorial Formula Financing	257	268	4.3	3,013	3,143	4.3
Gas Tax Fund	60	100	66.7	1,642	2,094	27.5
Home care and mental health	13	0	-100.0	490	1,015	107.1
Other fiscal arrangements ²	-455	-466	2.4	-3,855	-2,378	-38.3
Total major transfers to other levels of government	5,850	6,134	4.9	55,068	59,970	8.9
Direct program expenses						
Fuel charge proceeds returned	0	6	n/a	0	1,281	n/a
Other transfer payments	3,246	4,018	23.8	29,069	30,979	6.6
Other direct program expenses	7,550	8,451	11.9	65,875	72,140	9.5
Total direct program expenses	10,796	12,475	15.6	94,944	104,400	10.0
Total program expenses	24,813	27,505	10.8	221,110	238,551	7.9
Public debt charges	2,045	2,005	-2.0	17,890	18,404	2.9
Total expenses	26,858	29,510	9.9	239,000	256,955	7.5

Note: Totals may not add due to rounding.

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

²Other fiscal arrangements include the Youth Allowances Recovery and Alternative Payments for Standing Programs, which represent a recovery from Quebec of a tax point transfer; statutory subsidies; payments under the 2005 Offshore Accords; payments to provinces in respect of common securities regulation; transfers under the new Hibernia Dividend Backed Annuity Agreement with Newfoundland and Labrador; and, other items.

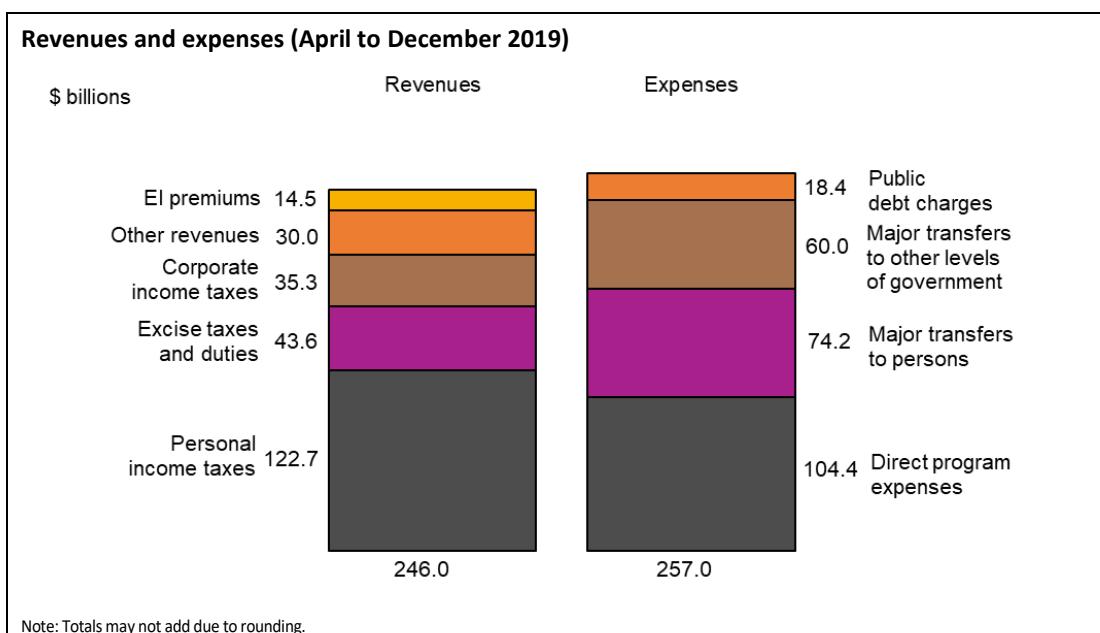
The following table presents total expenses by main object of expense.

Table 4
Total expenses by object of expense

	December			April to December		
	2018		Change	2018–19		Change
	Restated ¹	2019		Restated ¹	2019–20	
	(\$ millions)		(%)	(\$ millions)		(%)
Transfer payments	17,263	19,054	10.4	155,235	166,411	7.2
Other expenses						
Personnel	4,561	5,437	19.2	40,903	45,697	11.7
Transportation and communications	215	208	-3.3	2,005	1,967	-1.9
Information	31	31	0.0	180	219	21.7
Professional and special services	1,075	1,162	8.1	7,554	7,941	5.1
Rentals	235	250	6.4	2,229	2,342	5.1
Repair and maintenance	277	309	11.6	2,193	2,255	2.8
Utilities, materials and supplies	230	224	-2.6	1,816	1,868	2.9
Other subsidies and expenses	500	396	-20.8	5,231	5,898	12.8
Amortization of tangible capital assets	414	427	3.1	3,666	3,843	4.8
Net loss on disposal of assets	12	7	-41.7	98	110	12.2
Total other expenses	7,550	8,451	11.9	65,875	72,140	9.5
Total program expenses	24,813	27,505	10.8	221,110	238,551	7.9
Public debt charges	2,045	2,005	-2.0	17,890	18,404	2.9
Total expenses	26,858	29,510	9.9	239,000	256,955	7.5

Note: Totals may not add due to rounding.

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



Financial requirement of \$15.2 billion for April to December 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 \$11.0 billion and a requirement of \$4.3 billion from non-budgetary transactions, there was a financial requirement of \$15.2 billion for the April to December 2019 period, compared to a financial requirement of \$14.1 billion for the same period the previous year.

Table 5
The budgetary balance and financial source/requirement
\$ millions

	December		April to December	
	2018	2019	2018-19	2019-20
Budgetary balance (deficit/surplus)	2,452	782	324	-10,970
Non-budgetary transactions				
Accounts payable, accrued liabilities and accounts receivable	-555	-431	-2,998	-3,138
Pensions, other future benefits, and other liabilities	744	975	5,941	8,161
Foreign exchange accounts	-4,460	1,559	-6,436	1,214
Loans, investments and advances	-215	-204	-9,447	-9,005
Non-financial assets	-176	-323	-1,479	-1,485
Total non-budgetary transactions	-4,662	1,576	-14,419	-4,253
Financial source/requirement	-2,210	2,358	-14,095	-15,223

Note: Totals may not add due to rounding.

Net financing activities up \$11.6 billion

The government financed this financial requirement of \$15.2 billion by decreasing cash balances by \$3.6 billion and increasing unmatured debt by \$11.6 billion. The increase in unmatured debt was achieved primarily through the issuance of marketable bonds.

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 December 2019 stood at \$36.4 billion, down \$3.9 billion from their level at the end of December 2018.

Table 6

Financial source/requirement and net financing activities

\$ millions

	December		April to December	
	2018	2019	2018–19	2019–20
Financial source/requirement	-2,210	2,358	-14,095	-15,223
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	1,983	1,361	-1,886	25,989
Treasury bills	-2,800	-5,100	19,200	-9,500
Retail debt	233	-70	-1,247	-687
Total Canadian currency borrowings	-584	-3,809	16,067	15,802
Foreign currency borrowings	511	-431	481	-1,120
Total market debt transactions	-73	-4,240	16,548	14,682
Cross-currency swap revaluation	2,412	-1,376	1,804	-2,632
Unamortized discounts and premiums on market debt	-15	60	-1,357	402
Obligations related to capital leases and other unmatured debt	-60	-18	-337	-869
Net change in financing activities	2,264	-5,574	16,658	11,583
Change in cash balance	54	-3,216	2,563	-3,640
Cash balance at end of period			40,240	36,364

Note: Totals may not add due to rounding.

Federal debt

The federal debt, or accumulated deficit, is the difference between the government's total liabilities and total assets. The year-over-year change in the accumulated deficit reflects the year-to-date budgetary balance plus other comprehensive income or loss. Other comprehensive income or loss represents certain unrealized gains and losses on financial instruments and certain actuarial gains and losses related to pensions and other employee future benefits reported by enterprise Crown corporations and other government business enterprises.

The accumulated deficit increased by \$12.0 billion over the April to December 2019 period, reflecting the \$11.0 billion budgetary deficit as well as \$1.0 billion in other comprehensive losses.

Table 7

Condensed statement of assets and liabilities

\$ millions

	March 31, 2019	December 31, 2019	Change
Liabilities			
Accounts payable and accrued liabilities	159,707	153,350	-6,357
Interest-bearing debt			
Unmatured debt			
Payable in Canadian currency			
Marketable bonds	569,526	595,515	25,989
Treasury bills	134,300	124,800	-9,500
Retail debt	1,237	550	-687
Subtotal	705,063	720,865	15,802
Payable in foreign currencies	16,011	14,891	-1,120
Cross-currency swap revaluation	7,274	4,642	-2,632
Unamortized discounts and premiums on market debt	2,163	2,565	402
Obligations related to capital leases and other unmatured debt	6,404	5,535	-869
Total unmatured debt	736,915	748,498	11,583
Pension and other liabilities			
Public sector pensions	168,782	167,396	-1,386
Other employee and veteran future benefits	113,862	123,385	9,523
Other liabilities	5,905	5,929	24
Total pension and other liabilities	288,549	296,710	8,161
Total interest-bearing debt	1,025,464	1,045,208	19,744
Total liabilities	1,185,171	1,198,558	13,387
Financial assets			
Cash and accounts receivable	177,041	170,182	-6,859
Foreign exchange accounts	99,688	98,474	-1,214
Loans, investments, and advances (net of allowances) ¹	133,912	141,883	7,971
Public sector pension assets	2,406	2,406	0
Total financial assets	413,047	412,945	-102
Net debt	772,124	785,613	13,489
Non-financial assets	86,674	88,159	1,485
Federal debt (accumulated deficit)	685,450	697,454	12,004

Note: Totals may not add due to rounding.

¹ December 31, 2019 amount includes \$1.0 billion in other comprehensive losses from enterprise Crown corporations and other government business enterprises for the April to December 2019 period.

Notes

1. *The Fiscal Monitor* is a report on the consolidated financial results of the Government of Canada, prepared monthly by the Department of Finance Canada. The government is committed to releasing *The Fiscal Monitor* on a timely basis in accordance with the International Monetary Fund's Special Data Dissemination Standard Plus, which is designed to promote member countries' data transparency and promote the development of sound statistical systems.
2. The financial results reported in *The Fiscal Monitor* are drawn from the accounts of Canada, which are maintained by the Receiver General and used to prepare the annual *Public Accounts of Canada*.
3. *The Fiscal Monitor* is generally prepared in accordance with the same accounting policies as used to prepare the government's annual consolidated financial statements, which are summarized in Section 2 of Volume I of the *Public Accounts of Canada*, available through the Public Services and Procurement Canada website.
4. The financial results presented in *The Fiscal Monitor* have not been audited or reviewed by an external auditor.
5. There can be substantial volatility in monthly results due to the timing of revenue receipts and expense recognition. For instance, a large share of government spending is typically reported in the March *Fiscal Monitor*.
6. The April to March results reported in *The Fiscal Monitor* are not the final results for the fiscal year as a whole. The final results are published in the annual *Public Accounts of Canada* and incorporate post-March end-of-year adjustments made once further information becomes available, including the accrual of tax revenues reflecting assessments of tax returns and valuation adjustments for assets and liabilities. Post-March adjustments may also include the accrual of measures announced in the budget that are recorded upon receipt of Royal Assent of enabling legislation.
7. A Condensed Statement of Assets and Liabilities is included in the monthly *Fiscal Monitor* following the finalization and publication of the government's financial results for the preceding fiscal year, typically in the fall.
8. Accounting Change and Restatement

The monthly financial results for 2018–19 presented for comparative purposes in *The Fiscal Monitor* have been restated to reflect the following change in accounting policy.

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 this restatement of the 2018–19 financial results.

Table 8

Summary of restatement

\$ millions

	Other direct program expenses	Other revenues
December 2018		
As previously reported	7,723	2,200
Effect of change in accounting policy		
Canadian Commercial Corporation	-173	-173
As restated	7,550	2,027
April to December 2018		
As previously reported	67,682	22,471
Effect of change in accounting policy		
Canadian Commercial Corporation	-1,807	-1,807
As restated	65,875	20,664

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.

February 2020