Department of Finance Canada | Ministère des Finances Canada

THE FISCAL MONITOR

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Financial Results for April and May 2022

Canada

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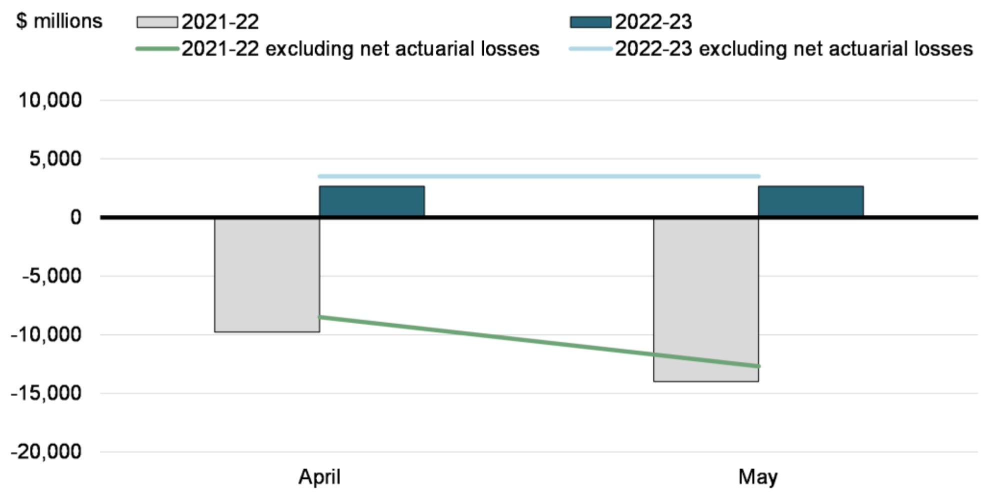
Highlights for April and May 2022

For the first two months of the 2022-23 fiscal year (April and May), there was a budgetary surplus of $5.3 billion, compared to a deficit of $23.8 billion reported for the same period of 2021-22. By month, there were surpluses of $2.7 billion in both April and May.

The budgetary surplus before net actuarial losses was $7.0 billion, compared to a deficit of $21.2 billion in the same period of 2021-22. By month, the budgetary balance before net actuarial losses were surpluses of $3.5 billion in April and in May. 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.

As expected, the government's 2022–23 financial results continue to improve compared to the peak of the COVID-19 crisis and the unprecedented level of temporary COVID-19 response measures at the time.

Chart 1
Monthly Budgetary Balance and Budgetary Balance Excluding Net Actuarial Losses

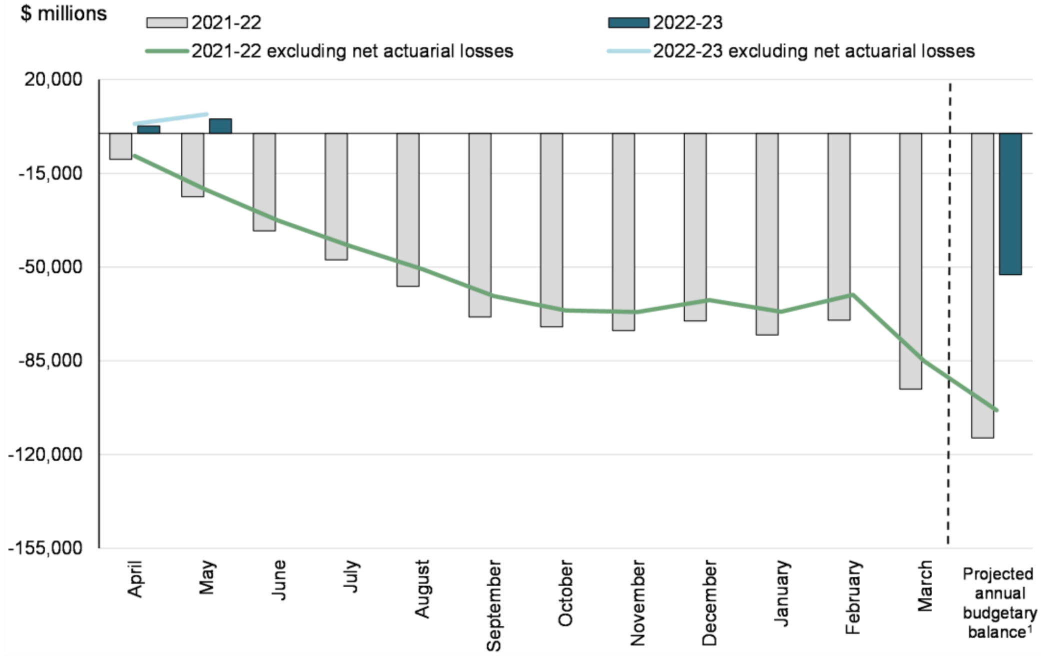


For the two months combined:

- Revenues were up $12.1 billion, or 20.3 per cent, reflecting broad-based improvement across revenue streams.
- Program expenses excluding net actuarial losses were down $17.9 billion, or 23.3 per cent, largely reflecting lower transfers to individuals, businesses, and other levels of government.
- Public debt charges increased by $1.7 billion, or 44.2 per cent, primarily driven by higher Consumer Price Index adjustments on Real Return Bonds and higher interest rates.
- Net actuarial losses decreased by $0.8 billion, or 33.0 per cent, reflecting a decrease in the measurement of the government's obligations for pensions and other employee future benefits based on the government's latest actuarial valuations. This decrease reflects higher prevailing interest rates at the end of 2020–21 used in valuing these obligations.

Chart 2

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



[1]Source: *Budget 2022*.

Table 1

Summary statement of transactions

$ millions

	April		May		April to May	
	2021	**2022**	**2021**	**2022**	**2021-22**	**2022-23**
Budgetary transactions						
Revenues	29,909	35,709	29,662	35,953	59,571	71,662
Expenses						
Program expenses, excluding net actuarial losses	-36,486	-29,602	-40,378	-29,390	-76,864	-58,992
Public debt charges	-1,922	-2,585	-1,981	-3,042	-3,903	-5,627
Budgetary balance, excluding net actuarial losses	-8,499	3,522	-12,697	3,521	-21,196	7,043
Net actuarial losses	-1,283	-860	-1,283	-860	-2,566	-1,720
Budgetary balance (deficit/surplus)	-9,782	2,662	-13,980	2,661	-23,762	5,323
Non-budgetary transactions	-10,103	-18,371	-3,784	3,429	-13,887	-14,942
Financial source/requirement	-19,885	-15,709	-17,764	6,090	-37,649	-9,619
Net change in financing activities	12,836	18,154	25,132	2,995	37,968	21,149
Net change in cash balances	-7,049	2,445	7,368	9,085	319	11,530
Cash balance at end of period					59,709	103,792

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

Revenues

Revenues for the April to May period of 2022-23 totalled $71.7 billion, up $12.1 billion, or 20.3 per cent, from the same period in 2021-22, reflecting broad-based improvement in economic activity relative to the greater weight of COVID-19 impacts in the year prior.

- Tax revenues increased by $9.7 billion, or 19.3 per cent, compared to the same period in 2021-22, when COVID-19 resulted in the limiting of activities to those deemed essential. For its part, the federal portion of assessed cannabis excise duties increased by $7 million to $29 million for the April to May period.
- Employment Insurance (EI) premium revenues were up $0.4 billion, or 8.3 per cent, reflecting better labour market conditions.
- Proceeds from the pollution pricing framework were up $0.6 billion, or 73.1 per cent, reflecting higher carbon pollution pricing in 2022.
- Other revenues were up $1.5 billion, or 36.4 per cent, largely reflecting higher interest and penalty revenue and enterprise Crown corporation profits.

Table 2
Revenues

	April		**May**		**April to May**		
	2021	**2022**	**2021**	**2022**	**2021-22**	**2022-23**	**Change**
			($ millions)				**(%)**
Tax revenues							
Income taxes							
Personal	15,789	16,386	13,603	14,711	29,392	31,097	5.8
Corporate	5,227	6,819	4,344	7,265	9,571	14,084	47.2
Non-resident	416	1,260	625	765	1,041	2,025	94.5
Total income tax revenues	21,432	24,465	18,572	22,741	40,004	47,206	18.0
Other taxes and duties							
Goods and Services Tax	2,661	4,560	4,804	5,100	7,465	9,660	29.4
Energy taxes	372	392	309	373	681	765	12.3
Customs import duties	329	408	698	681	1,027	1,089	6.0
Other excise taxes and duties	375	362	451	585	826	947	14.6
Total excise taxes and duties	3,737	5,722	6,262	6,739	9,999	12,461	24.6
Total tax revenues	25,169	30,187	24,834	29,480	50,003	59,667	19.3
Proceeds from the pollution pricing framework	387	648	398	711	785	1,359	73.1
Employment Insurance premiums	2,504	2,373	2,283	2,812	4,787	5,185	8.3
Other revenues	1,849	2,501	2,147	2,950	3,996	5,451	36.4
Total revenues	29,909	35,709	29,662	35,953	59,571	71,662	20.3

Note: Totals may not add due to rounding.

Expenses

For the April to May period of 2022-23, program expenses excluding net actuarial losses were $59.0 billion, down $17.9 billion, or 23.3 per cent, from the same period the previous year.

- Major transfers to persons were down $8.6 billion or 31.7 per cent.
  - Elderly benefits increased by $0.7 billion, or 7.0 per cent, reflecting growth in the number of recipients and changes in consumer prices, to which benefits are fully indexed.
  - EI benefits decreased by $4.2 billion, or 53.3 per cent, reflecting improved labour market conditions.
  - COVID-19 income support for workers decreased $4.5 billion, or 95.7 per cent, reflecting the wind-down of the Canada Recovery Benefit in 2021-22.
  - Children's benefits were down $0.7 billion, or 13.7 per cent, largely reflecting the payment of the Canada Child Benefit young child supplement in 2021-22.
- Major transfers to other levels of government were down $2.5 billion, or 14.8 per cent, primarily reflecting a year-over-year difference in the timing of the Canada Community-Building Fund and home care and mental health transfers. This decrease was offset in part by legislated growth in the Canada Health Transfer, the Canada Social Transfer, Equalization transfers and transfers to the territories in the current year.
- Direct program expenses were down $6.8 billion, or 20.6 per cent. Within direct program expenses:
  - Proceeds from the pollution pricing framework returned decreased by $3.0 billion, or 97.4 per cent, reflecting the change in the delivery of the Climate Action Incentive, from annually on personal income tax returns to a quarterly benefit.
  - Canada Emergency Wage Subsidy payments decreased by $4.6 billion, or 100.0 per cent, reflecting the wind-down of the program.
  - Other transfer payments increased by $0.1 billion, or 1.1 per cent.
  - Operating expenses of the government's departments, agencies, and consolidated Crown corporations and other entities increased by $0.7 billion, or 4.5 per cent, largely reflecting increased personnel costs and year-over-year timing differences.

Public debt charges increased by $1.7 billion, or 44.2 per cent, primarily driven by higher Consumer Price Index adjustments on Real Return Bonds and higher interest rates.

Net actuarial losses decreased by $0.8 billion, or 33.0 per cent, reflecting the amortization of a decrease in the government's obligations for pensions and other employee future benefits based on actuarial valuations prepared for the *Public Accounts of Canada 2021*. This decrease reflects higher prevailing interest rates at the end of 2020–21 used in valuing these obligations.

Table 3

Expenses

	April		May		April to May		
	2021	**2022**	**2021**	**2022**	**2021-22**	**2022-23**	**Change**
			($ millions)				**(%)**
Major transfers to persons							
Elderly benefits	4,938	5,296	5,008	5,345	9,946	10,641	7.0
Employment Insurance benefits	2,436	1,570	5,353	2,064	7,789	3,634	-53.3
COVID-19 income support for workers[1]	2,011	110	2,696	91	4,707	201	-95.7
Children's benefits	2,201	2,057	2,597	2,084	4,798	4,141	-13.7
Total major transfers to persons	11,586	9,033	15,654	9,584	27,240	18,617	-31.7
Major transfers to other levels of government							
Canada Health Transfer	3,594	3,768	3,594	3,767	7,188	7,535	4.8
Canada Social Transfer	1,290	1,328	1,289	1,328	2,579	2,656	3.0
Equalization	1,742	1,826	1,743	1,827	3,485	3,653	4.8
Territorial Formula Financing	701	729	701	728	1,402	1,457	3.9
Canada-Wide Early Learning and Child Care	-	-	-	-	-	-	n/a
Canada Community-Building Fund	-	-	2,269	-	2,269	-	-100.0
Home care and mental health	750	1	-	-	750	1	-99.9
Other fiscal arrangements[2]	-480	-530	-482	-531	-962	-1,061	-10.3
Total major transfers to other levels of government	7,597	7,122	9,114	7,119	16,711	14,241	-14.8
Direct program expenses							
Proceeds from the pollution pricing framework returned	2,216	48	882	32	3,098	80	-97.4
Canada Emergency Wage Subsidy	1,607	-	2,945	-	4,552	-	-100.0
Other transfer payments	6,079	6,254	4,269	4,210	10,348	10,464	1.1
Operating expenses	7,401	7,145	7,514	8,445	14,915	15,590	4.5
Total direct program expenses	17,303	13,447	15,610	12,687	32,913	26,134	-20.6
Total program expenses, excluding net actuarial losses	36,486	29,602	40,378	29,390	76,864	58,992	-23.3
Public debt charges	1,922	2,585	1,981	3,042	3,903	5,627	44.2
Total expenses, excluding net actuarial losses	38,408	32,187	42,359	32,432	80,767	64,619	-20.0
Net actuarial losses	1,283	860	1,283	860	2,566	1,720	-33.0
Total expenses	39,691	33,047	43,642	33,292	83,333	66,339	-20.4

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, and the Canada Recovery Sickness 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

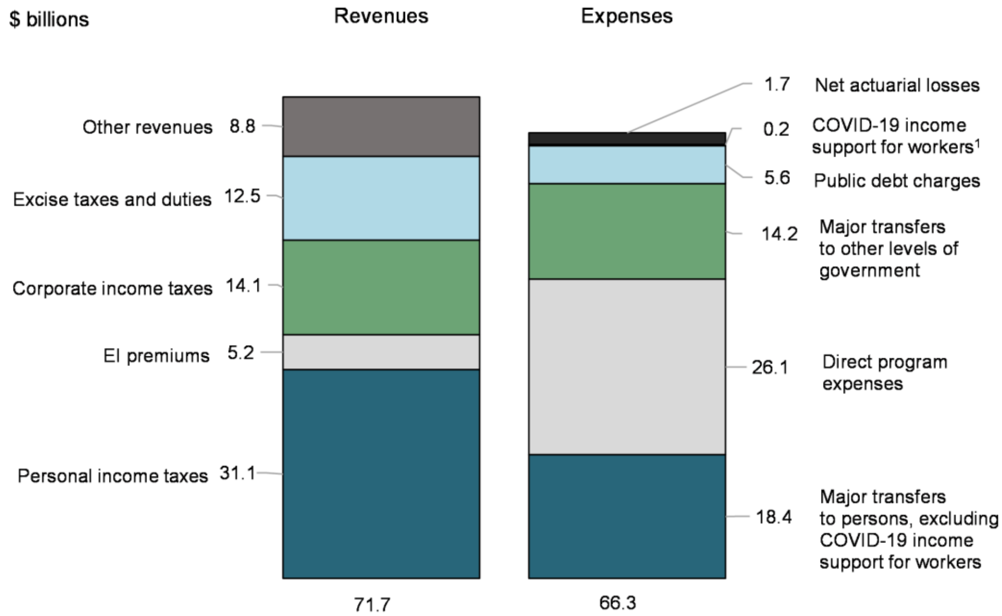
The following table presents total expenses by main object of expense.

Table 4
Total expenses by object of expense

	April		May		April to May		
	2021	2022	2021	2022	2021-22	2022-23	Change
			($ millions)				(%)
Transfer payments	29,085	22,457	32,864	20,945	61,949	43,402	-29.9
Other expenses							
Personnel, excluding net actuarial losses	4,724	4,310	4,653	5,329	9,377	9,639	2.8
Transportation and communications	48	66	152	186	200	252	26.0
Information	12	9	48	24	60	33	-45.0
Professional and special services	379	442	767	845	1,146	1,287	12.3
Rentals	472	485	220	259	692	744	7.5
Repair and maintenance	79	102	151	206	230	308	33.9
Utilities, materials and supplies	191	225	389	520	580	745	28.4
Other subsidies and expenses	1,040	1,089	669	621	1,709	1,710	0.1
Amortization of tangible capital assets	453	412	457	439	910	851	-6.5
Net loss on disposal of assets	3	5	8	16	11	21	90.9
Total other expenses	7,401	7,145	7,514	8,445	14,915	15,590	4.5
Total program expenses, excluding net actuarial losses	36,486	29,602	40,378	29,390	76,864	58,992	-23.3
Public debt charges	1,922	2,585	1,981	3,042	3,903	5,627	44.2
Total expenses, excluding net actuarial losses	38,408	32,187	42,359	32,432	80,767	64,619	-20.0
Net actuarial losses	1,283	860	1,283	860	2,566	1,720	-33.0
Total expenses	39,691	33,047	43,642	33,292	83,333	66,339	-20.4

Note: Totals may not add due to rounding.

Chart 3
Revenues and expenses (April to May 2022)



Note: Totals may not add due to rounding.
[1] Includes Canada Emergency Response Benefits processed through the Employment Insurance Operating Account.

Financial requirement of $9.6 billion for April to May 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 $5.3 billion and a requirement of $14.9 billion from non-budgetary transactions, there was a financial requirement of $9.6 billion for the April to May 2022 period, compared to a financial requirement of $37.6 billion for the same period of the previous year.

Table 5

The budgetary balance and financial source/requirement

$ millions

	April		May		April to May	
	2021	2022	2021	2022	2021-22	2022-23
Budgetary balance (deficit/surplus)	-9,782	2,662	-13,980	2,661	-23,762	5,323
Non-budgetary transactions						
Accounts payable, accrued liabilities and accounts receivable[1]	-8,432	-8,897	25	4,490	-8,407	-4,407
Pensions, other future benefits, and other liabilities	1,263	-199	2,224	1,039	3,487	840
Foreign exchange accounts and derivatives[1]	-8	-6,870	-4,992	-1,730	-5,000	-8,600
Loans, investments and advances	-3,316	-2,697	-1,047	-218	-4,363	-2,915
Non-financial assets	390	292	6	-152	396	140
Total non-budgetary transactions	-10,103	-18,371	-3,784	3,429	-13,887	-14,942
Financial source/requirement	-19,885	-15,709	-17,764	6,090	-37,649	-9,619

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 $21.1 billion

The government financed this financial requirement of $9.6 billion and increased cash balances by $11.5 billion by increasing unmatured debt by $21.1 billion. The increase in unmatured debt was achieved primarily through the issuance of marketable bonds.

Cash balances at the end of May 2022 stood at $103.8 billion, up $44.1 billion from their level at the end of May 2021.

Table 6

Financial source/requirement and net financing activities

$ millions

	April		May		April to May	
	2021	**2022**	**2021**	**2022**	**2021-22**	**2022-23**
Financial source/requirement	-19,885	-15,709	-17,764	6,090	-37,649	-9,619
Net increase (+)/decrease (-) in financing activities						
Unmatured debt transactions						
Canadian currency borrowings						
Marketable bonds[1]	25,204	14,563	16,384	4,216	41,588	18,779
Treasury bills[1]	-12,404	-1,344	3,998	-2,342	-8,406	-3,686
Retail debt[1]	-2	-	-3	-	-5	-
Total Canadian currency borrowings	12,798	13,219	20,379	1,874	33,177	15,093
Foreign currency borrowings[1]	80	4,979	4,772	1,142	4,852	6,121
Total market debt transactions	12,878	18,198	25,151	3,016	38,029	21,214
Obligations related to capital leases and other unmatured debt	-42	-44	-19	-21	-61	-65
Net change in financing activities	12,836	18,154	25,132	2,995	37,968	21,149
Change in cash balance	-7,049	2,445	7,368	9,085	319	11,530
Cash balance at end of period					59,709	103,792

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.

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. Accounting Changes and Reclassifications:
    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 results 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 is expected and will be reflected in Table 7, Condensed Statement of Assets and Liabilities, to be included in the Fiscal Monitor following the finalization and publication of the government's financial results for 2021-22 later this year.
    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 results 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 expected and will be reflected in Table 7, Condensed Statement of Assets and Liabilities, when published later this year.

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

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July 2022