Department of Finance Canada | Ministère des Finances Canada

THE FISCAL MONITOR

A publication of the Department of Finance

Financial Results for July 2022

Canada

Cette publication est également disponible en français.

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

Highlights

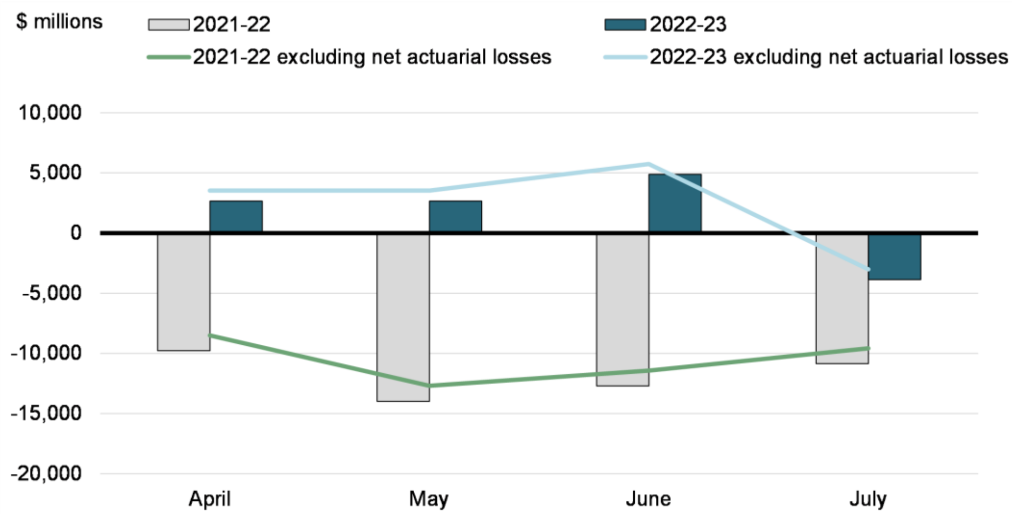
July 2022

There was a budgetary deficit of $3.9 billion in July 2022, compared to a deficit of $10.9 billion in July 2021. The budgetary deficit before net actuarial losses was $3.0 billion, compared to a deficit of $9.6 billion in the same period of 2021-22. 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



Compared to July 2021:

- Revenues increased by $5.9 billion, or 20.1 per cent, reflecting broad-based improvement across revenue streams.
- Program expenses excluding net actuarial losses were down $1.8 billion, or 4.8 per cent, largely reflecting lower transfers to individuals and businesses, offset in part by higher transfers to other levels of government.
- Public debt charges were up $1.1 billion, or 56.5 per cent, largely due to higher Consumer Price Index adjustments on Real Return Bonds and higher interest rates.
- Net actuarial losses were down $0.4 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 is due mainly to a year-over-year increase in year-end interest rates used in valuing these obligations.

April to July 2022

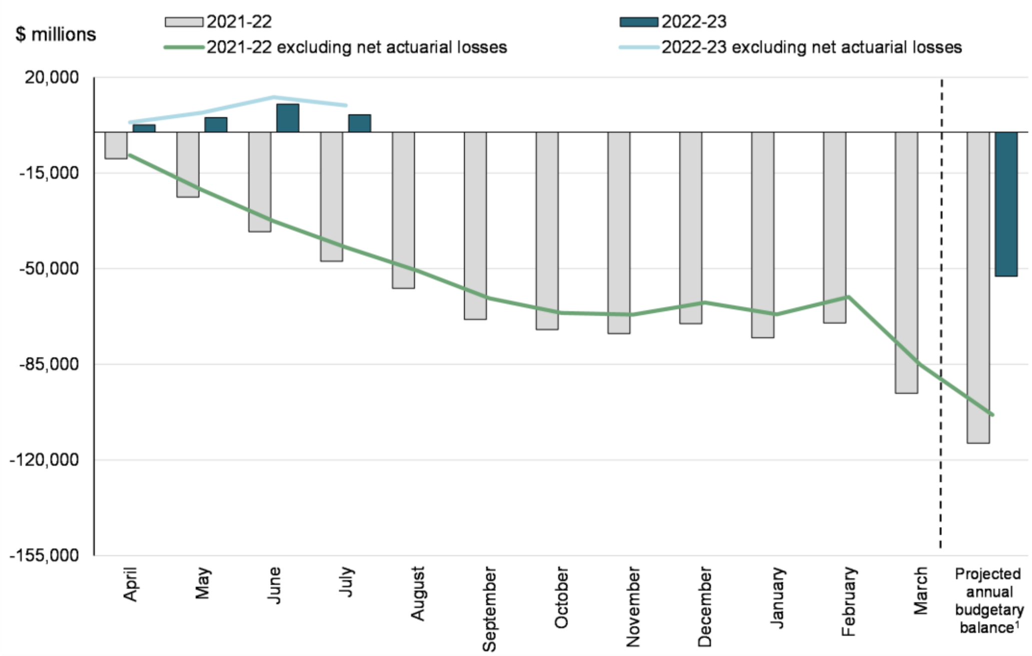
The government posted a budgetary surplus of $6.3 billion for the April to July period of the 2022-23 fiscal year, compared to a deficit of $47.3 billion reported for the same period of 2021-22. The budgetary surplus before net actuarial losses was $9.8 billion, compared to a deficit of $42.2 billion in the April to July period of 2021-22.

Compared to 2021-22:

- Revenues were up $24.6 billion, or 20.7 per cent, reflecting broad-based improvement across revenue streams.
- Program expenses excluding net actuarial losses were down $30.8 billion, or 20.1 per cent, largely reflecting lower transfers to individuals and businesses.
- Public debt charges increased by $3.4 billion, or 43.3 per cent, primarily driven by higher Consumer Price Index adjustments on Real Return Bonds and higher interest rates.
- Net actuarial losses decreased by $1.7 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

	July		April to July	
	2021	**2022**	**2021-22**	**2022-23**
Budgetary transactions				
Revenues	29,333	35,238	118,530	143,116
Expenses				
Program expenses, excluding net actuarial losses	-36,912	-35,124	-152,919	-122,154
Public debt charges	-1,994	-3,121	-7,807	-11,190
Budgetary balance, excluding net actuarial losses	-9,573	-3,007	-42,196	9,772
Net actuarial losses	-1,283	-860	-5,132	-3,440
Budgetary balance (deficit/surplus)	-10,856	-3,867	-47,328	6,332
Non-budgetary transactions	-10,981	-3,896	-24,581	-23,427
Financial source/requirement	-21,837	-7,763	-71,909	-17,095
Net change in financing activities	34,471	17,931	87,705	31,477
Net change in cash balances	12,634	10,168	15,796	14,382
Cash balance at end of period			75,185	106,645

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

Revenues

Revenues in July 2022 totalled $35.2 billion, up $5.9 billion, or 20.1 per cent, from July 2021, reflecting broad-based improvement in economic activity relative to the greater weight of COVID-19 impacts in the year prior.

- Tax revenues increased by $4.7 billion, or 18.8 per cent, compared to the same period in 2021-22.
- Employment Insurance (EI) premium revenues were up $0.2 billion, or 13.2 per cent, reflecting better labour market conditions.
- Proceeds from the pollution pricing framework were up $0.1 billion, or 12.7 per cent, reflecting higher carbon pollution pricing in 2022.
- Other revenues, consisting of enterprise Crown corporations' net profits, sales of goods and services, returns on investments and net foreign exchange revenues, were up $0.9 billion, or 44.4 per cent, largely reflecting higher interest and penalty revenue and net foreign exchange gains.

Revenues for the April to July period of 2022-23 totalled $143.1 billion, up $24.6 billion, or 20.7 per cent, from the same period in 2021-22.

- Tax revenues increased by $20.2 billion, or 20.3 per cent, reflecting COVID-19 restrictions in the prior year and strong economic growth in the current year. For its part, the federal portion of assessed cannabis excise duties increased by $16 million to $62 million over the April to July period.
- EI premium revenues were up $0.9 billion, or 10.8 per cent, reflecting better labour market conditions.
- Proceeds from the pollution pricing framework were up $0.8 billion, or 42.8 per cent, reflecting higher carbon pollution pricing in 2022.
- Other revenues were up $2.6 billion, or 31.6 per cent, largely reflecting higher interest and penalty revenue and enterprise Crown corporation profits.

Table 2
Revenues

	July			April to July		
	2021	2022	Change	2021-22	2022-23	Change
	($ millions)		(%)	($ millions)		(%)
Tax revenues						
Income taxes						
Personal	13,911	15,520	11.6	56,655	61,722	8.9
Corporate	4,641	6,395	37.8	20,370	29,044	42.6
Non-resident	1,192	1,329	11.5	2,746	4,504	64.0
Total income tax revenues	19,744	23,244	17.7	79,771	95,270	19.4
Other taxes and duties						
Goods and Services Tax	3,809	4,760	25.0	14,607	18,907	29.4
Energy taxes	393	411	4.6	1,587	1,621	2.1
Customs import duties	367	529	44.1	1,783	2,113	18.5
Other excise taxes and duties	542	585	7.9	1,912	1,976	3.3
Total excise taxes and duties	5,111	6,285	23.0	19,889	24,617	23.8
Total tax revenues	24,855	29,529	18.8	99,660	119,887	20.3
Proceeds from the pollution pricing framework	576	649	12.7	1,840	2,628	42.8
Employment Insurance premiums	1,842	2,085	13.2	8,688	9,622	10.8
Other revenues	2,060	2,975	44.4	8,342	10,979	31.6
Total revenues	29,333	35,238	20.1	118,530	143,116	20.7

Note: Totals may not add due to rounding.

Expenses

Program expenses excluding net actuarial losses in July 2022 were $35.1 billion, down $1.8 billion, or 4.8 per cent, from July 2021.

- Major transfers to persons, consisting of elderly benefits, EI benefits, COVID-19 income support for workers, and children's benefits, were down $4.5 billion or 33.0 per cent.
  - Elderly benefits increased by $0.7 billion, or 14.1 per cent, reflecting changes in consumer prices to which benefits are fully indexed, and growth in the number of recipients. In addition, as announced in Budget 2021, and implemented in July 2022, the Old Age Security pension has permanently increased by 10 per cent for seniors aged 75 and over.
  - EI benefits decreased by $2.2 billion, or 59.0 per cent, reflecting improved labour market conditions.
  - COVID-19 income support for workers decreased $2.5 billion, or 99.7 per cent, largely reflecting the wind-down of the Canada Recovery Benefit in 2021-22.
  - Children's benefits were down $0.5 billion, or 20.5 per cent, largely reflecting the July 2021 payment of the temporary Canada Child Benefit young child supplement.
- Major transfers to other levels of government were up $3.6 billion, or 54.7 per cent, largely reflecting Canada-wide early learning and child care transfers, which began partway through 2021-22, and a year-over-year difference in the timing of Canada Community-Building Fund transfers.

- Proceeds from the pollution pricing framework returned increased by $2.9 billion, reflecting a change in the delivery of the Climate Action Incentive, from annually on personal income tax returns to a quarterly benefit. The first quarterly payment in July 2022 was a double payment that returned proceeds from the first two quarters of the 2022-23 fuel charge year (April-June and July-September).

- Direct program expenses were down $3.7 billion, or 22.4 per cent. Within direct program expenses:
  - Canada Emergency Wage Subsidy (CEWS) payments decreased by $3.6 billion, reflecting the wind-down of the program and reassessments of previous returns.
  - Other transfer payments decreased by $21 million, or 0.5 per cent.
  - Operating expenses of the government's departments, agencies, and consolidated Crown corporations and other entities decreased by $0.1 billion, or 1.4 per cent.

Public debt charges increased $1.1 billion, or 56.5 per cent, largely due to higher Consumer Price Index adjustments on Real Return Bonds and higher interest rates.

Net actuarial losses, 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, decreased $0.4 billion, or 33.0 per cent, in large part due to an increase in prevailing interest rates at the end of 2020-21 used in valuing these obligations.

For the April to July period of 2022-23, program expenses excluding net actuarial losses were $122.2 billion, down $30.8 billion, or 20.1 per cent, from the same period the previous year.

- Major transfers to persons were down $19.0 billion or 33.8 per cent.
  - Elderly benefits increased by $1.7 billion, or 8.3 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 $9.5 billion, or 57.1 per cent, reflecting improved labour market conditions.
  - COVID-19 income support for workers decreased $9.9 billion, or 97.7 per cent, largely reflecting the wind-down of the Canada Recovery Benefit.
  - Children's benefits were down $1.2 billion, or 12.9 per cent, largely reflecting the temporary Canada Child Benefit young child supplement in 2021-22.

- Major transfers to other levels of government were up $1.4 billion, or 4.5 per cent, primarily reflecting Canada-wide early learning and child care transfers, which began partway through 2021-22, and legislated growth in the Canada Health Transfer, the Canada Social Transfer, Equalization transfers and transfers to the territories. These increases were offset in part by year-over-year differences in the timing of the Canada Community-Building Fund transfer and home care and mental health transfers.

- Proceeds from the pollution pricing framework returned decreased by $0.3 billion, or 9.5 per cent, largely reflecting the change in the delivery of the Climate Action Incentive, from annually on personal income tax returns to a quarterly benefit.

- Direct program expenses were down $12.8 billion, or 20.1 per cent. Within direct program expenses:
  - CEWS payments decreased by $12.6 billion, reflecting the wind-down of the program and reassessments of previous returns.
  - Other transfer payments decreased by $1.1 billion, or 5.6 per cent, largely reflecting the wind-down of temporary COVID-19 response measures, offset in part by an increase in transfers in respect of Indigenous Peoples.
  - Operating expenses of the government's departments, agencies, and consolidated Crown corporations and other entities increased by $0.9 billion, or 2.8 per cent, reflecting a number of factors, including increased personnel costs and public health expenses.

Public debt charges increased by $3.4 billion, or 43.3 per cent, primarily driven by higher Consumer Price Index adjustments on Real Return Bonds and higher interest rates.

Net actuarial losses decreased by $1.7 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 primarily reflects higher prevailing interest rates at the end of 2020-21 used in valuing these obligations.

Table 3

Expenses

	July			April to July		
	2021	2022	Change	2021-22	2022-23	Change
	($ millions)		(%)	($ millions)		(%)
Major transfers to persons						
Elderly benefits	5,011	5,717	14.1	19,962	21,626	8.3
Employment Insurance benefits	3,766	1,543	-59.0	16,639	7,142	-57.1
COVID-19 income support for workers[1]	2,526	8	-99.7	10,163	236	-97.7
Children's benefits	2,437	1,937	-20.5	9,309	8,112	-12.9
Total major transfers to persons	13,740	9,205	-33.0	56,073	37,116	-33.8
Major transfers to other levels of government						
Canada Health Transfer	3,594	3,767	4.8	14,375	15,069	4.8
Canada Social Transfer	1,289	1,328	3.0	5,158	5,313	3.0
Equalization	1,743	1,827	4.8	6,970	7,307	4.8
Territorial Formula Financing	298	310	4.0	1,997	2,076	4.0
Canada-wide early learning and child care	-	2,219	n/a	-	2,219	n/a
Canada Community-Building Fund	51	1,134	2,123.5	2,320	1,134	-51.1
Home care and mental health	-	-	n/a	750	1	-99.9
Other fiscal arrangements[2]	-462	-511	-10.6	-1,895	-2,094	-10.5
Total major transfers to other levels of government	6,513	10,074	54.7	29,675	31,025	4.5
Proceeds from the pollution pricing framework returned	107	2,998	2,701.9	3,451	3,123	-9.5
Direct program expenses						
Canada Emergency Wage Subsidy	3,520	-46	-101.3	12,495	-104	-100.8
Other transfer payments	4,464	4,443	-0.5	19,595	18,489	-5.6
Operating expenses	8,568	8,450	-1.4	31,630	32,505	2.8
Total direct program expenses	16,552	12,847	-22.4	63,720	50,890	-20.1
Total program expenses, excluding net actuarial losses	36,912	35,124	-4.8	152,919	122,154	-20.1
Public debt charges	1,994	3,121	56.5	7,807	11,190	43.3
Total expenses, excluding net actuarial losses	38,906	38,245	-1.7	160,726	133,344	-17.0
Net actuarial losses	1,283	860	-33.0	5,132	3,440	-33.0
Total expenses	40,189	39,105	-2.7	165,858	136,784	-17.5

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, the Canada Recovery Sickness Benefit, and the Canada Worker Lockdown 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.

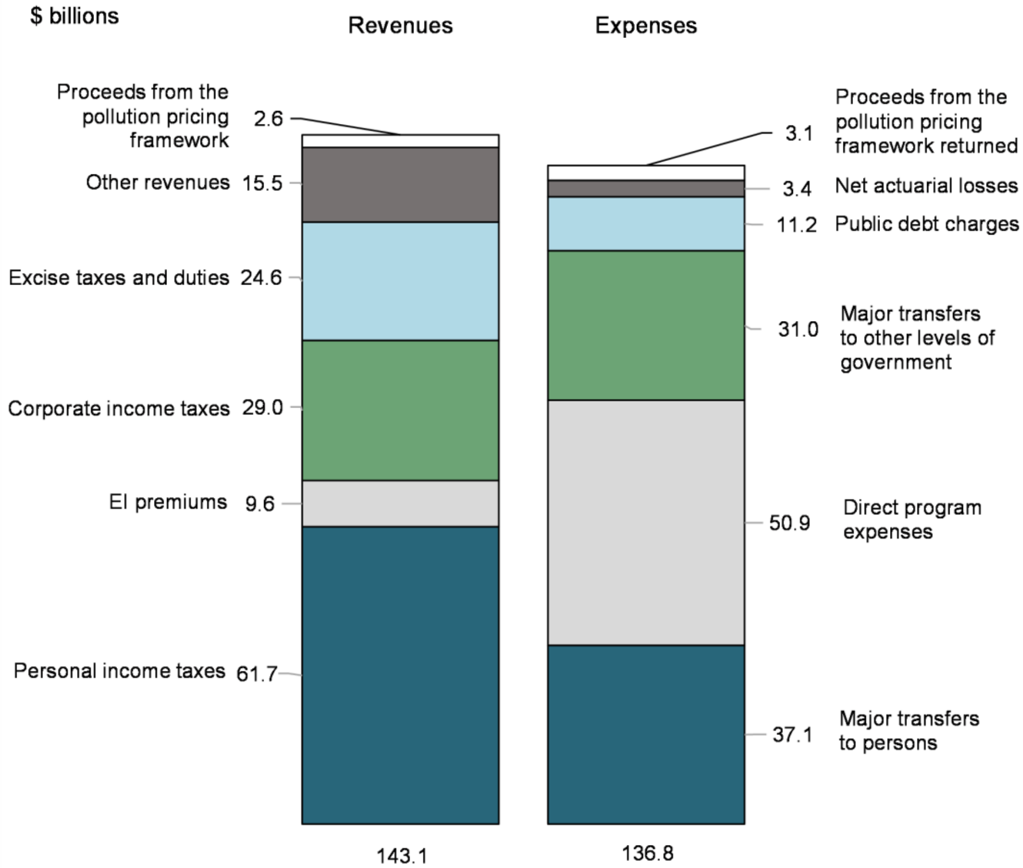
The following table presents total expenses by main object of expense.

Table 4
Total expenses by object of expense

	July			April to July		
	2021	**2022**	**Change**	**2021-22**	**2022-23**	**Change**
	($ millions)		**(%)**	**($ millions)**		**(%)**
Transfer payments	28,344	26,674	-5.9	121,289	89,649	-26.1
Other expenses						
Personnel, excluding net actuarial losses	4,837	4,913	1.6	19,132	19,655	2.7
Transportation and communications	203	248	22.2	588	749	27.4
Information	23	23	0.0	110	87	-20.9
Professional and special services	1,266	1,336	5.5	3,495	3,934	12.6
Rentals	356	437	22.8	1,312	1,473	12.3
Repair and maintenance	267	507	89.9	789	1,079	36.8
Utilities, materials and supplies	714	818	14.6	1,846	2,064	11.8
Other subsidies and expenses	434	-270	-162.2	2,499	1,720	-31.2
Amortization of tangible capital assets	457	428	-6.3	1,829	1,706	-6.7
Net loss on disposal of assets	11	10	-9.1	30	38	26.7
Total other expenses	8,568	8,450	-1.4	31,630	32,505	2.8
Total program expenses, excluding net actuarial losses	36,912	35,124	-4.8	152,919	122,154	-20.1
Public debt charges	1,994	3,121	56.5	7,807	11,190	43.3
Total expenses, excluding net actuarial losses	38,906	38,245	-1.7	160,726	133,344	-17.0
Net actuarial losses	1,283	860	-33.0	5,132	3,440	-33.0
Total expenses	40,189	39,105	-2.7	165,858	136,784	-17.5

Note: Totals may not add due to rounding.

Chart 3
Revenues and expenses (April to July 2022)



Note: Totals may not add due to rounding.

Financial requirement of $17.1 billion for April to July 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 $6.3 billion and a requirement of $23.4 billion from non-budgetary transactions, there was a financial requirement of $17.1 billion for the April to July 2022 period, compared to a financial requirement of $71.9 billion for the same period of the previous year.

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

	July		April to July	
	2021	**2022**	**2021-22**	**2022-23**
Budgetary balance (deficit/surplus)	-10,856	-3,867	-47,328	6,332
Non-budgetary transactions				
Accounts payable, accrued liabilities and accounts receivable[1]	-8,547	-5,915	-15,416	-14,530
Pensions, other future benefits, and other liabilities	747	2,791	4,694	4,193
Foreign exchange accounts and derivatives[1]	-825	509	-7,184	-8,628
Loans, investments and advances	-2,235	-795	-6,652	-3,878
Non-financial assets	-121	-486	-23	-584
Total non-budgetary transactions	-10,981	-3,896	-24,581	-23,427
Financial source/requirement	-21,837	-7,763	-71,909	-17,095

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 $31.5 billion

The government financed this financial requirement of $17.1 billion and increased cash balances by $14.4 billion by increasing unmatured debt by $31.5 billion. The increase in unmatured debt was achieved primarily through the issuance of marketable bonds.

Cash balances at the end of July 2022 stood at $106.6 billion, up $31.5 billion from their level at the end of July 2021.

Table 6
Financial source/requirement and net financing activities
$ millions

	July		April to July	
	2021	**2022**	**2021-22**	**2022-23**
Financial source/requirement	-21,837	-7,763	-71,909	-17,095
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds[1]	25,670	20,866	74,601	37,083
Treasury bills[1]	8,989	-1,779	7,976	-9,626
Retail debt	-2	-	-9	-
Total Canadian currency borrowings	34,657	19,087	82,568	27,457
Foreign currency borrowings[1]	-171	-1,142	5,079	4,126
Total market debt transactions	34,486	17,945	87,647	31,583
Obligations related to capital leases and other unmatured debt	-15	-14	58	-106
Net change in financing activities	34,471	17,931	87,705	31,477
Change in cash balance	12,634	10,168	15,796	14,382
Cash balance at end of period			75,185	106,645

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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September 2022