



THE FISCAL MONITOR

A publication of the Department of Finance

Financial Results for September 2022

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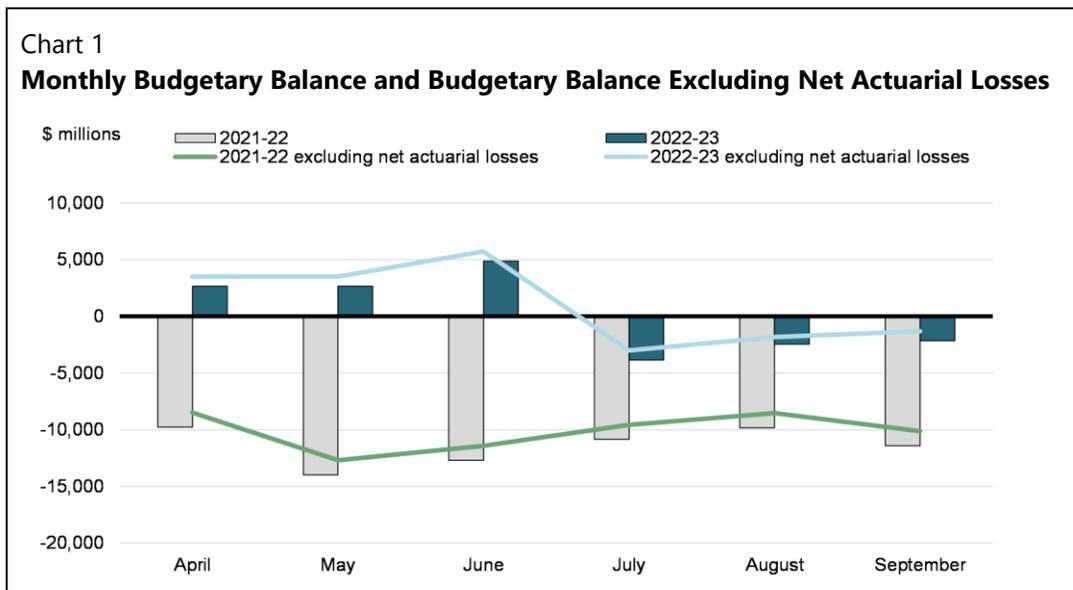
Cat. No.: F12-4E-PDF
ISSN: 1487-0134

Highlights

September 2022

There was a budgetary deficit of \$2.2 billion in September 2022, compared to a deficit of \$11.4 billion in September 2021. The budgetary deficit before net actuarial losses was \$1.3 billion, compared to a deficit of \$10.1 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.

The government's 2022-23 financial results continue to improve compared to 2021-22 as the fiscal impact of the COVID-19 crisis and the unprecedented level of temporary COVID-19 response measures wane.



Compared to September 2021:

- Revenues increased by \$4.5 billion, or 16.9 per cent, reflecting a broad-based improvement across revenue streams.
- Program expenses excluding net actuarial losses were down \$4.8 billion, or 13.7 per cent, largely reflecting lower transfers to individuals and businesses due to expiring temporary COVID-19 measures.
- Public debt charges were up \$0.5 billion, or 24.0 per cent, mainly due to higher interest rates.
- Net actuarial losses were down \$0.4 billion, or 34.1 per cent, largely due to an adjustment in the current year to reflect the government's latest annual actuarial valuations. A similar adjustment was not made until October in the prior year.

April to September 2022

The government posted a budgetary surplus of \$1.7 billion for the April to September period of the 2022-23 fiscal year, compared to a deficit of \$68.6 billion reported for the same period of 2021-22. The budgetary surplus before net actuarial losses was \$6.6 billion, compared to a deficit of \$60.9 billion in the April to September period of 2021-22.

Compared to 2021-22:

- Revenues were up \$32.8 billion, or 18.6 per cent, reflecting broad-based improvement across revenue streams.
- Program expenses excluding net actuarial losses were down \$40.3 billion, or 17.9 per cent, largely reflecting lower transfers to individuals and businesses due to expiring temporary COVID-19 measures.
- Public debt charges increased by \$5.6 billion, or 47.8 per cent, primarily driven by higher interest rates and higher Consumer Price Index adjustments on Real Return Bonds.
- Net actuarial losses decreased by \$2.8 billion, or 36.1 per cent, largely due to an adjustment in August 2022 to reflect updated actuarial valuations prepared for the *Public Accounts of Canada 2022*. A similar adjustment was not made until October in the prior year.

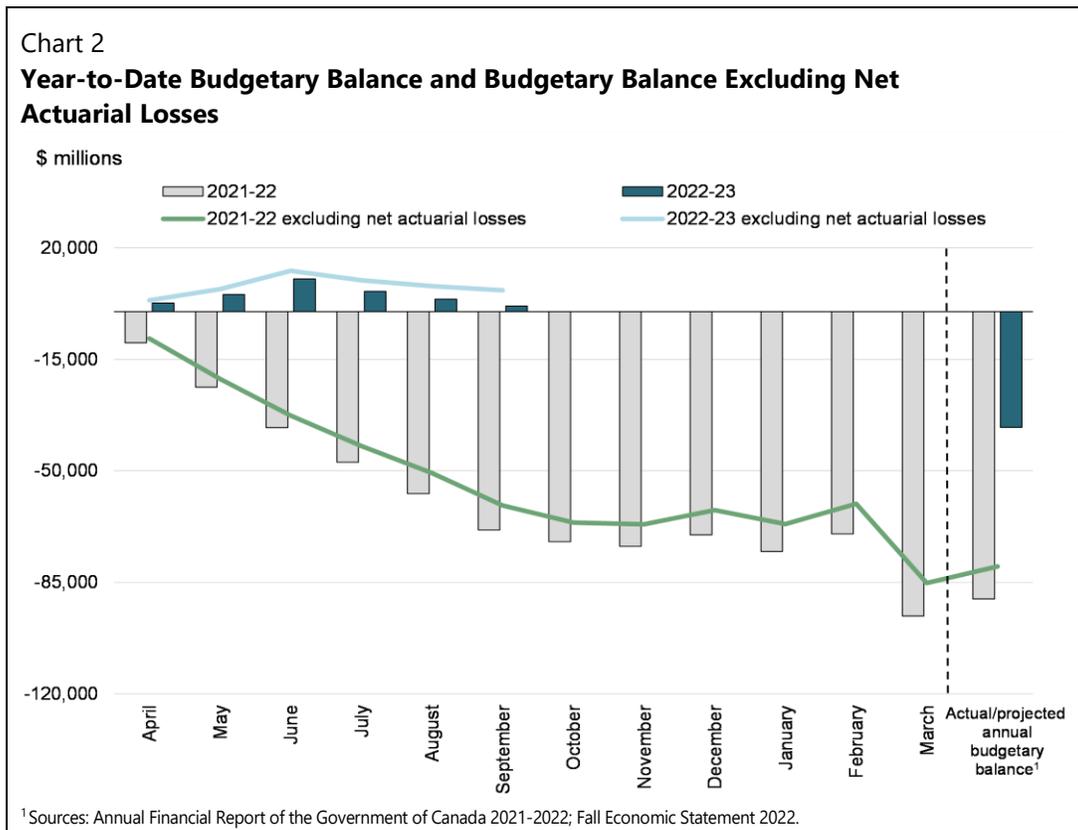


Table 1

Summary statement of transactions

\$ millions

	September		April to September	
	2021	2022	2021-22	2022-23
Budgetary transactions				
Revenues	26,850	31,375	175,817	208,573
Expenses				
Program expenses, excluding net actuarial losses	-34,951	-30,169	-224,995	-184,654
Public debt charges	-2,030	-2,518	-11,692	-17,277
Budgetary balance, excluding net actuarial losses	-10,131	-1,312	-60,870	6,642
Net actuarial losses	-1,283	-845	-7,698	-4,920
Budgetary balance (deficit/surplus)	-11,414	-2,157	-68,568	1,722
Non-budgetary transactions	17,065	-5,930	-5,160	-31,382
Financial source/requirement	5,651	-8,087	-73,728	-29,660
Net change in financing activities	-25,105	-11,835	76,398	14,414
Net change in cash balances	-19,454	-19,922	2,670	-15,246
Cash balance at end of period			62,059	77,015

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

Revenues

Revenues in September 2022 totalled \$31.4 billion, up \$4.5 billion, or 16.9 per cent, from September 2021, reflecting broad-based improvement in economic activity relative to the greater weight of COVID-19 on the year prior.

- Tax revenues increased by \$3.9 billion, or 17.0 per cent, compared to the same period in 2021-22.
- Proceeds from the pollution pricing framework were up \$49 million, or 13.0 per cent, reflecting higher carbon pollution pricing in 2022.
- Employment Insurance (EI) premium revenues were up \$0.2 billion, or 16.2 per cent, reflecting better labour market conditions.
- Other revenues, consisting of enterprise Crown corporations' net profits, sales of goods and services, returns on investments and net foreign exchange revenues, were up \$0.3 billion, or 16.9 per cent.

Revenues for the April to September period of 2022-23 totalled \$208.6 billion, up \$32.8 billion, or 18.6 per cent, from the same period in 2021-22.

- Tax revenues increased by \$26.9 billion, or 18.1 per cent, compared to the same period in 2021-22, when COVID-19 restrictions weighed on revenue as well as due to strong economic growth particularly reflected in corporate and personal income as well as retail sales. For its part, the federal portion of assessed cannabis excise duties increased by \$18 million to \$92 million over the April to September period.
- Proceeds from the pollution pricing framework were up \$0.9 billion, or 36.2 per cent, reflecting higher carbon pollution pricing in 2022.
- EI premium revenues were up \$1.4 billion, or 11.8 per cent, reflecting better labour market conditions.
- Other revenues were up \$3.5 billion, or 28.3 per cent, largely reflecting higher interest revenue.

Table 2

Revenues

	September			April to September		
	2021	2022	Change	2021-22	2022-23	Change
	(\$ millions)			(\$ millions)		
	Change (%)			Change (%)		
Tax revenues						
Income taxes						
Personal	14,022	15,333	9.3	85,555	92,561	8.2
Corporate	3,856	5,528	43.4	28,999	41,372	42.7
Non-resident	705	878	24.5	4,167	6,130	47.1
Total income tax revenues	18,583	21,739	17.0	118,721	140,063	18.0
Other taxes and duties						
Goods and Services Tax	3,120	3,646	16.9	22,384	26,742	19.5
Energy taxes	481	516	7.3	2,547	2,760	8.4
Customs import duties	459	613	33.6	2,705	3,297	21.9
Other excise taxes and duties	448	491	9.6	2,858	3,302	15.5
Total excise taxes and duties	4,508	5,266	16.8	30,494	36,101	18.4
Total tax revenues	23,091	27,005	17.0	149,215	176,164	18.1
Proceeds from the pollution pricing framework	377	426	13.0	2,614	3,560	36.2
Employment Insurance premiums	1,400	1,627	16.2	11,676	13,058	11.8
Other revenues	1,982	2,317	16.9	12,312	15,791	28.3
Total revenues	26,850	31,375	16.9	175,817	208,573	18.6

Note: Totals may not add due to rounding.

Expenses

Program expenses excluding net actuarial losses in September 2022 were \$30.2 billion, down \$4.8 billion, or 13.7 per cent, from September 2021.

- Major transfers to persons, consisting of elderly benefits, EI benefits, COVID-19 income support for workers, and children's benefits, were down \$2.8 billion or 23.6 per cent.
 - Elderly benefits increased by \$0.7 billion, or 14.5 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 \$1.8 billion, or 57.7 per cent, reflecting improved labour market conditions.
 - COVID-19 income support for workers decreased \$1.7 billion, or 100.0 per cent, reflecting the wind-down of the Canada Recovery Benefit, Canada Recovery Sickness Benefit, and Canada Recovery Caregiving Benefit.
 - Children's benefits were down \$36 million, or 1.7 per cent.
- Major transfers to other levels of government were down \$0.3 billion, or 5.0 per cent, largely reflecting an adjustment in the current year to reflect a revised estimate of recoveries under the Quebec Abatement.
- Proceeds from the pollution pricing framework returned decreased by \$36 million, or 59.0 per cent. Direct proceeds will continue to be fully returned in the provinces or territories where they are generated.

- Direct program expenses were down \$1.6 billion, or 9.8 per cent. Within direct program expenses:
 - Canada Emergency Wage Subsidy (CEWS) payments decreased by \$2.7 billion, or 100.3 per cent, reflecting the end of the program and reassessments of previous returns.
 - Other transfer payments increased by \$0.1 billion, or 2.4 per cent.
 - Operating expenses of the government's departments, agencies, and consolidated Crown corporations and other entities increased by \$0.9 billion, or 11.0 per cent, reflecting a number of factors, including increased public health care and personnel expenses.

Public debt charges increased \$0.5 billion, or 24.0 per cent, largely due to 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 and related assets, were down \$0.4 billion, or 34.1 per cent, largely due to an adjustment in the current year to reflect the government's latest annual actuarial valuations. A similar adjustment was not made until October in the prior year.

For the April to September period of 2022-23, program expenses excluding net actuarial losses were \$184.7 billion, down \$40.3 billion, or 17.9 per cent, from the same period the previous year.

- Major transfers to persons were down \$24.9 billion or 30.6 per cent.
 - Elderly benefits increased by \$3.1 billion, or 10.4 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 \$13.6 billion, or 55.4 per cent, reflecting improved labour market conditions.
 - COVID-19 income support for workers decreased \$13.2 billion, or 98.2 per cent, primarily reflecting the wind-down of the Canada Recovery Benefit.
 - Children's benefits were down \$1.2 billion, or 9.0 per cent, largely reflecting the temporary Canada Child Benefit young child supplement in 2021-22.
- Major transfers to other levels of government were up \$1.3 billion, or 3.0 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 and home care and mental health transfers.
- Proceeds from the pollution pricing framework returned decreased by \$0.4 billion, or 10.3 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 \$16.3 billion, or 16.8 per cent. Within direct program expenses:
 - CEWS payments decreased by \$17.3 billion, or 100.7 per cent, reflecting the end of the program and reassessments of previous returns.
 - Other transfer payments decreased by \$1.6 billion, or 5.2 per cent, in large part reflecting the wind-down of temporary COVID-19 response measures and a one-time payment to seniors aged 75 and older in August 2021. This decrease was offset in part by increased transfers in respect of Indigenous Peoples and an increase in international assistance.
 - Operating expenses of the government's departments, agencies, and consolidated Crown corporations and other entities increased by \$2.6 billion, or 5.3 per cent, in large part reflecting increased personnel expenses.

Public debt charges increased by \$5.6 billion, or 47.8 per cent, primarily driven by higher interest rates and higher Consumer Price Index adjustments on Real Return Bonds.

Net actuarial losses decreased by \$2.8 billion, or 36.1 per cent, largely due to an adjustment in August 2022 to reflect updated actuarial valuations prepared for the *Public Accounts of Canada 2022*. A similar adjustment was not made until October in the prior year.

Table 3

Expenses

	September			April to September		
	2021	2022	Change	2021-22	2022-23	Change
	(\$ millions)		(%)	(\$ millions)		(%)
Major transfers to persons						
Elderly benefits	5,042	5,772	14.5	30,010	33,121	10.4
Employment Insurance benefits	3,186	1,349	-57.7	24,552	10,943	-55.4
COVID-19 income support for workers ¹	1,679	-	-100.0	13,468	241	-98.2
Children's benefits	2,069	2,033	-1.7	13,365	12,159	-9.0
Total major transfers to persons	11,976	9,154	-23.6	81,395	56,464	-30.6
Major transfers to other levels of government						
Canada Health Transfer	3,594	3,767	4.8	21,563	22,604	4.8
Canada Social Transfer	1,289	1,328	3.0	7,737	7,969	3.0
Equalization	1,743	1,827	4.8	10,455	10,960	4.8
Territorial Formula Financing	298	310	4.0	2,593	2,695	3.9
Canada-wide early learning and child care	-	-	n/a	-	2,219	n/a
Canada Community-Building Fund	-	-	n/a	2,320	1,134	-51.1
Home care and mental health	81	-	-100.0	831	1	-99.9
Other fiscal arrangements ²	-471	-1,022	-117.0	-2,848	-3,647	-28.1
Total major transfers to other levels of government	6,534	6,210	-5.0	42,651	43,935	3.0
Proceeds from the pollution pricing framework returned	61	25	-59.0	3,588	3,219	-10.3
Direct program expenses						
Canada Emergency Wage Subsidy	2,641	-9	-100.3	17,223	-122	-100.7
Other transfer payments	5,322	5,450	2.4	30,729	29,127	-5.2
Operating expenses	8,417	9,339	11.0	49,409	52,031	5.3
Total direct program expenses	16,380	14,780	-9.8	97,361	81,036	-16.8
Total program expenses, excluding net actuarial losses	34,951	30,169	-13.7	224,995	184,654	-17.9
Public debt charges	2,030	2,518	24.0	11,692	17,277	47.8
Total expenses, excluding net actuarial losses	36,981	32,687	-11.6	236,687	201,931	-14.7
Net actuarial losses	1,283	845	-34.1	7,698	4,920	-36.1
Total expenses	38,264	33,532	-12.4	244,385	206,851	-15.4

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, 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.

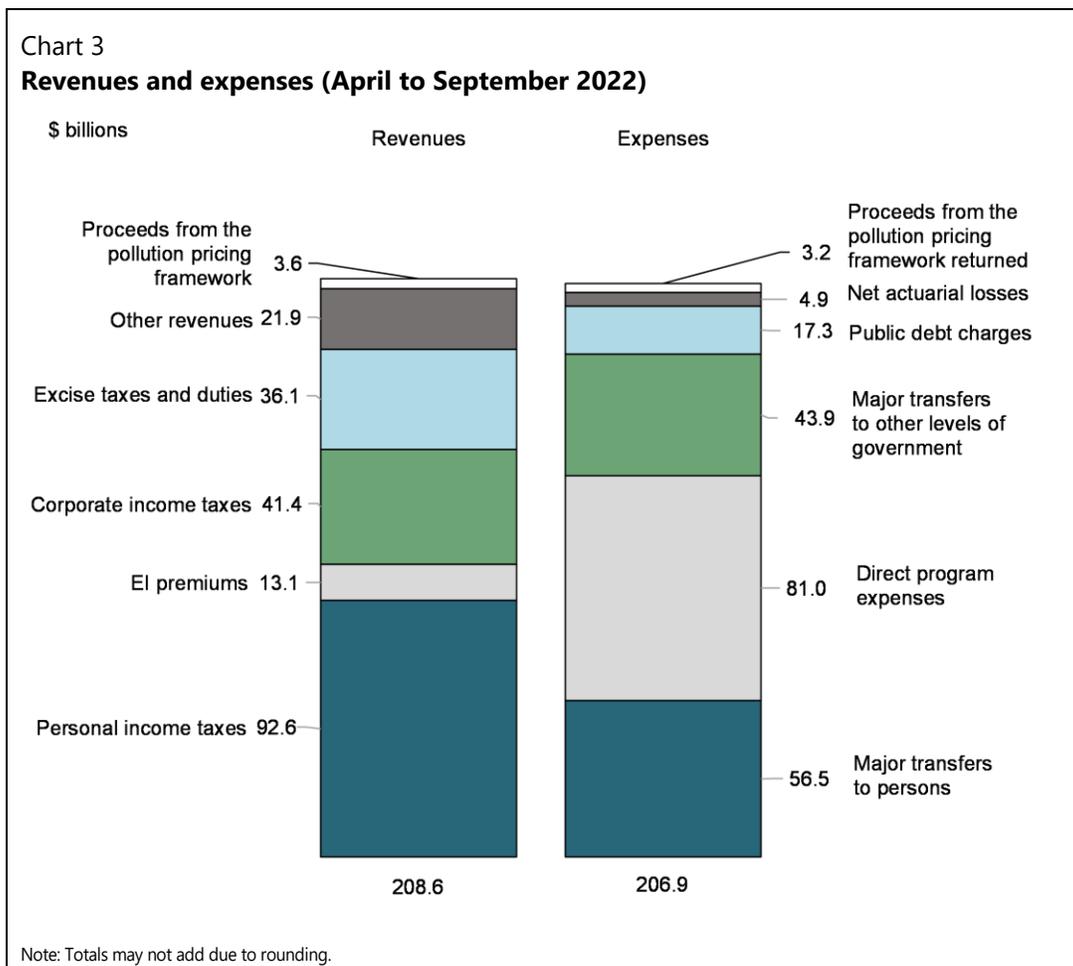
The following table presents total expenses by main object of expense.

Table 4

Total expenses by object of expense

	September			April to September		
	2021	2022	Change	2021-22	2022-23	Change
	(\$ millions)		(%)	(\$ millions)		(%)
Transfer payments	26,534	20,830	-21.5	175,586	132,623	-24.5
Other expenses						
Personnel, excluding net actuarial losses	5,067	5,159	1.8	29,078	30,919	6.3
Transportation and communications	236	245	3.8	1,032	1,277	23.7
Information	37	-9	-124.3	221	135	-38.9
Professional and special services	1,372	1,356	-1.2	6,010	6,514	8.4
Rentals	293	267	-8.9	1,846	2,074	12.4
Repair and maintenance	318	313	-1.6	1,363	1,741	27.7
Utilities, materials and supplies	471	815	73.0	3,820	3,532	-7.5
Other subsidies and expenses	445	756	69.9	3,540	3,221	-9.0
Amortization of tangible capital assets	170	429	152.4	2,453	2,560	4.4
Net loss on disposal of assets	8	8	0.0	46	58	26.1
Total other expenses	8,417	9,339	11.0	49,409	52,031	5.3
Total program expenses, excluding net actuarial losses	34,951	30,169	-13.7	224,995	184,654	-17.9
Public debt charges	2,030	2,518	24.0	11,692	17,277	47.8
Total expenses, excluding net actuarial losses	36,981	32,687	-11.6	236,687	201,931	-14.7
Net actuarial losses	1,283	845	-34.1	7,698	4,920	-36.1
Total expenses	38,264	33,532	-12.4	244,385	206,851	-15.4

Note: Totals may not add due to rounding.



Financial requirement of \$29.7 billion for April to September 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 \$1.7 billion and a requirement of \$31.4 billion from non-budgetary transactions, there was a financial requirement of \$29.7 billion for the April to September 2022 period, compared to a financial requirement of \$73.7 billion for the same period of the previous year. The lower financial requirement in 2022-23 largely reflects the improvement in the budgetary balance, offset in part by an increase in the financial requirement from non-budgetary transactions, due mainly to a year-over-year timing difference in cash settlements for matured treasury bills, which affected accounts payable, accrued liabilities and accounts receivable.

Table 5

The budgetary balance and financial source/requirement

\$ millions

	September		April to September	
	2021	2022	2021-22	2022-23
Budgetary balance (deficit/surplus)	-11,414	-2,157	-68,568	1,722
Non-budgetary transactions				
Accounts payable, accrued liabilities and accounts receivable ¹	19,804	-5,450	8,215	-16,732
Pensions, other future benefits, and other liabilities	1,225	-642	7,330	4,926
Foreign exchange accounts and derivatives ¹	-1,673	1,596	-11,071	-12,810
Loans, investments and advances	-2,008	-1,573	-9,668	-6,196
Non-financial assets	-283	139	34	-570
Total non-budgetary transactions	17,065	-5,930	-5,160	-31,382
Financial source/requirement	5,651	-8,087	-73,728	-29,660

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 \$14.4 billion

The government financed this financial requirement of \$29.7 billion by increasing unmatured debt by \$14.4 billion and drawing down cash balances by \$15.2 billion. The increase in unmatured debt was achieved primarily through the issuance of marketable bonds.

Cash balances at the end of September 2022 stood at \$77.0 billion, up \$15.0 billion from their level at the end of September 2021.

Table 6

Financial source/requirement and net financing activities

\$ millions

	September		April to September	
	2021	2022	2021-22	2022-23
Financial source/requirement	5,651	-8,087	-73,728	-29,660
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds ¹	3,315	-14,346	94,199	12,200
Treasury bills ¹	-29,596	4,127	-25,022	-3,683
Retail debt	-2	-	-15	-
Total Canadian currency borrowings	-26,283	-10,219	69,162	8,517
Foreign currency borrowings ¹	1,204	-1,599	7,220	6,040
Total market debt transactions	-25,079	-11,818	76,382	14,557
Obligations related to capital leases and other unmaturing debt	-26	-17	16	-143
Net change in financing activities	-25,105	-11,835	76,398	14,414
Change in cash balance	-19,454	-19,922	2,670	-15,246
Cash balance at end of period			62,059	77,015

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.

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 and remeasurement gains and losses.

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.

Remeasurement gains and losses represent changes in the fair value of derivatives, such as swap agreements and foreign exchange forward agreements, which are used by the government to manage financial risks. As with other comprehensive income or loss, remeasurement gains and losses are not reflected in the budgetary balance, but are instead charged directly to the accumulated deficit. The government began accounting for remeasurement gains and losses in 2022-23 with the adoption of a new standard of the Public Sector Accounting Board regarding financial instruments (see Note 8).

The accumulated deficit decreased by \$5.4 billion over the April to September 2022 period, reflecting the \$1.7-billion budgetary surplus, \$0.6 billion in other comprehensive income, and \$3.1 billion in net remeasurement gains.

Table 7

Condensed statement of assets and liabilities

\$ millions

	April 1, 2022	September 30, 2022	Change
	Opening balance Note 8		
Liabilities			
Accounts payable and accrued liabilities	262,220	226,043	-36,177
Derivative financial liabilities ¹	2,778	327	-2,451
Interest-bearing debt			
Unmatured debt			
Payable in Canadian currency			
Marketable bonds	1,043,989	1,056,189	12,200
Treasury bills	186,877	183,194	-3,683
Subtotal	1,230,866	1,239,383	8,517
Payable in foreign currencies	14,473	20,513	6,040
Obligations related to capital leases and other unmaturing debt	5,366	5,223	-143
Total unmaturing debt	1,250,705	1,265,119	14,414
Pension and other liabilities			
Public sector pensions	167,666	165,323	-2,343
Other employee and veteran future benefits	159,705	169,026	9,321
Other liabilities	7,707	5,655	-2,052
Total pension and other liabilities	335,078	340,004	4,926
Total interest-bearing debt	1,585,783	1,605,123	19,340
Total liabilities	1,850,781	1,831,493	-19,288
Financial assets			
Cash and accounts receivable	280,026	245,335	-34,691
Foreign exchange accounts	104,031	120,649	16,618
Derivative financial assets ¹	3,403	206	-3,197
Loans, investments, and advances (net of allowances) ²	207,031	213,842	6,811
Public sector pension assets	9,203	9,203	-
Total financial assets	603,694	589,235	-14,459
Net debt	1,247,087	1,242,258	-4,829
Non-financial assets	105,268	105,838	570
Federal debt (accumulated deficit)	1,141,819	1,136,420	-5,399

Note: Totals may not add due to rounding.

¹ September 30, 2022 net balance of derivative assets and derivative liabilities includes remeasurement gains of \$3.1 billion resulting from the change in their fair values for the April to September 2022 period.² September 30, 2022 amount includes \$0.6 billion in other comprehensive income from enterprise Crown corporations and other government business enterprises for the April to September 2022 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 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. Reclassification of comparative information and adjustment to opening balances:
 - 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 budgetary transactions 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 has been reflected in Table 7, Condensed Statement of Assets and Liabilities. The amount of this adjustment may be revised as more information becomes available.

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 budgetary transactions 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 also reflected in Table 7, Condensed Statement of Assets and Liabilities.

A reconciliation of the reclassification and adjustment to the opening balance of the government's financial position as at April 1, 2022 is summarized as follows:

Table 8

Summary of reclassifications and adjustments to opening balances

\$ millions

	March 31, 2022 Closing balance ¹	Effect of change in accounting policy for asset retirement obligations	Effect of change in accounting policy for financial instruments	April 1, 2022 Opening balance
Liabilities				
Accounts payable and accrued liabilities	260,288	6,095	(4,163)	262,220
Derivative financial liabilities	-	-	2,778	2,778
Interest-bearing debt				
Unmatured debt				
Payable in Canadian currency				
Marketable bonds	1,030,896	-	13,093	1,043,989
Treasury bills	187,381	-	(504)	186,877
Subtotal	1,218,277	-	12,589	1,230,866
Payable in foreign currencies	14,451	-	22	14,473
Cross-currency swap revaluation	(2,246)	-	2,246	-
Unamortized discounts and premiums on market debt	7,443	-	(7,443)	-
Obligations related to capital leases and other unamatured debt	5,366	-	-	5,366
Total unamatured debt	1,243,291	-	7,414	1,250,705
Pension and other liabilities	335,078	-	-	335,078
Total interest-bearing debt	1,578,369	-	7,414	1,585,783
Total liabilities	1,838,657	6,095	6,029	1,850,781
Financial assets				
Derivative financial assets	-	-	3,403	3,403
Other financial assets	600,291	-	-	600,291
Total financial assets	600,291	-	3,403	603,694
Net debt	1,238,366	6,095	2,626	1,247,087
Non-financial assets	103,873	1,395	-	105,268
Federal debt (accumulated deficit)	1,134,493	4,700	2,626	1,141,819

¹ Source: Public Accounts of Canada 2022.

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

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November 2022