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Canada



THE FISCAL MONITOR

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Financial Results for October 2022

Canada 

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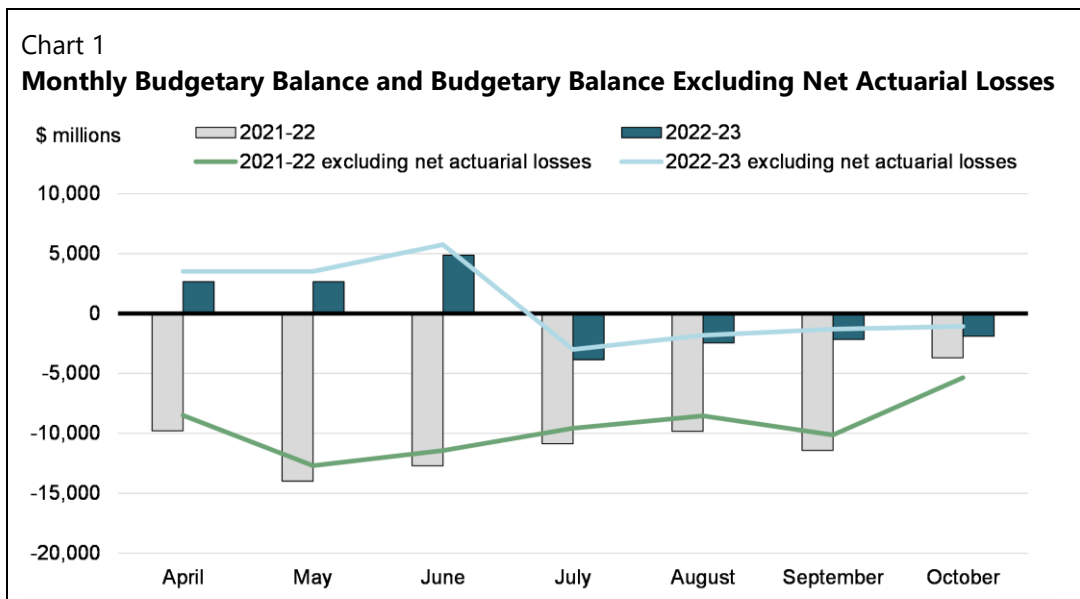
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Highlights

October 2022

There was a budgetary deficit of \$1.9 billion in October 2022, compared to a deficit of \$3.7 billion in October 2021. The budgetary deficit before net actuarial losses was \$1.1 billion, compared to a deficit of \$5.4 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 October 2021:

- Revenues increased by \$3.8 billion, or 12.0 per cent, reflecting broad-based improvement across revenue streams.
- Program expenses excluding net actuarial losses were down \$0.1 billion, or 0.2 per cent.
- Public debt charges were down \$0.4 billion, or 14.4 per cent, due to a year-to-date adjustment in October 2021 to reflect updated actuarial valuations of the government's pension and other employee future benefit obligations as per the *Public Accounts of Canada 2021*, as well as lower Consumer Price Index adjustments on Real Return Bonds in October 2022. These decreases were partly offset by the impact of higher interest rates in the current year.
- Net actuarial losses were up \$2.5 billion, or 148.9 per cent, largely reflecting an adjustment in the prior year to reflect the government's latest actuarial valuations for pensions and benefits in the *Public Accounts of Canada 2021*.

April to October 2022

The government posted a budgetary deficit of \$0.2 billion for the April to October period of the 2022-23 fiscal year, compared to a deficit of \$72.3 billion reported for the same period of 2021-22. The budgetary surplus before net actuarial losses was \$5.6 billion, compared to a deficit of \$66.2 billion in the April to October period of 2021-22.

Compared to 2021-22:

- Revenues were up \$36.6 billion, or 17.6 per cent, reflecting broad-based improvement across revenue streams particularly given the waning fiscal and economic impact of COVID-19.
- Program expenses excluding net actuarial losses were down \$40.4 billion, or 15.6 per cent, largely reflecting lower transfers to individuals and businesses due to expiring temporary COVID-19 measures.
- Public debt charges increased by \$5.2 billion, or 35.7 per cent, primarily driven by higher interest rates and higher Consumer Price Index adjustments on Real Return Bonds.
- Net actuarial losses decreased by \$0.3 billion, or 4.7 per cent.

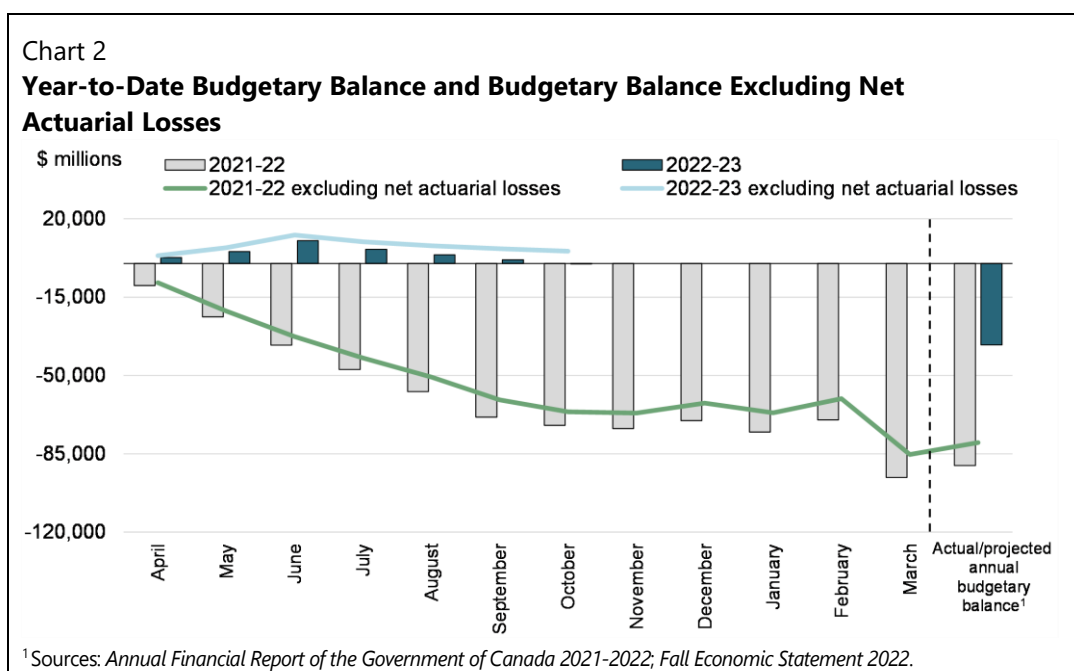


Table 1

Summary statement of transactions

\$ millions

	October		April to October	
	2021	2022	2021-22	2022-23
Budgetary transactions				
Revenues	31,512	35,307	207,329	243,880
Expenses				
Program expenses, excluding net actuarial losses	-34,059	-33,974	-259,054	-218,628
Public debt charges	-2,815	-2,409	-14,507	-19,686
Budgetary balance, excluding net actuarial losses	-5,362	-1,076	-66,232	5,566
Net actuarial losses	1,678	-820	-6,020	-5,740
Budgetary balance (deficit/surplus)	-3,684	-1,896	-72,252	-174
Non-budgetary transactions	-17,722	316	-22,882	-31,064
Financial source/requirement	-21,406	-1,580	-95,134	-31,238
Net change in financing activities	20,479	19,153	96,878	33,567
Net change in cash balances	-927	17,573	1,744	2,329
Cash balance at end of period			61,133	94,590

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

Revenues

Revenues in October 2022 totalled \$35.3 billion, up \$3.8 billion, or 12.0 per cent, from October 2021, reflecting broad-based improvement in economic activity relative to the greater weight of COVID-19 on the year prior.

- Tax revenues increased by \$3.2 billion, or 11.6 per cent, compared to the same period in 2021-22.
- Proceeds from the pollution pricing framework were up \$0.1 billion, or 31.7 per cent, reflecting higher carbon pollution pricing in 2022.
- Employment Insurance (EI) premium revenues were up \$0.2 billion, or 13.4 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 13.2 per cent.

Revenues for the April to October period of 2022-23 totalled \$243.9 billion, up \$36.6 billion, or 17.6 per cent, from the same period in 2021-22.

- Tax revenues increased by \$30.1 billion, or 17.1 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. For its part, the federal portion of assessed cannabis excise duties increased by \$17 million to \$104 million over the April to October period.
- Proceeds from the pollution pricing framework were up \$1.1 billion, or 35.6 per cent, reflecting higher carbon pollution pricing in 2022.
- EI premium revenues were up \$1.6 billion, or 12.0 per cent, reflecting better labour market conditions.
- Other revenues were up \$3.8 billion, or 25.8 per cent, due to economic improvement and normalization following COVID-19 and higher interest rates.

Table 2

Revenues

	October			April to October		
	2021	2022	Change	2021-22	2022-23	Change
	(\$ millions)			(\$ millions)		
	Change (%)			Change (%)		
Tax revenues						
Income taxes						
Personal	15,339	15,918	3.8	100,894	108,479	7.5
Corporate	5,035	6,557	30.2	34,034	47,929	40.8
Non-resident	939	1,342	42.9	5,105	7,471	46.3
Total income tax revenues	21,313	23,817	11.7	140,033	163,879	17.0
Other taxes and duties						
Goods and Services Tax	4,522	5,302	17.2	26,906	32,043	19.1
Energy taxes	505	436	-13.7	3,053	3,196	4.7
Customs import duties	491	590	20.2	3,197	3,887	21.6
Other excise taxes and duties	577	439	-23.9	3,435	3,740	8.9
Total excise taxes and duties	6,095	6,767	11.0	36,591	42,866	17.1
Total tax revenues	27,408	30,584	11.6	176,624	206,745	17.1
Proceeds from the pollution pricing framework	401	528	31.7	3,015	4,088	35.6
Employment Insurance premiums	1,266	1,436	13.4	12,943	14,494	12.0
Other revenues	2,437	2,759	13.2	14,747	18,553	25.8
Total revenues	31,512	35,307	12.0	207,329	243,880	17.6

Note: Totals may not add due to rounding.

Expenses

Program expenses excluding net actuarial losses in October 2022 were \$34.0 billion, down \$0.1 billion, or 0.2 per cent, from October 2021.

- Major transfers to persons, consisting of elderly benefits, EI benefits, COVID-19 income support for workers, and children's benefits, were down \$2.5 billion or 20.6 per cent.
 - Elderly benefits increased by \$0.9 billion, or 16.5 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 \$0.9 billion, or 37.0 per cent, reflecting improved labour market conditions.
 - COVID-19 income support for workers decreased \$1.9 billion, or 99.8 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 \$0.6 billion, or 21.4 per cent, largely reflecting the October 2021 payment of the temporary Canada Child Benefit young child supplement.
- Major transfers to other levels of government were up \$0.6 billion, or 10.3 per cent, reflecting a number of factors, including legislated growth in the Canada Health Transfer, the Canada Social Transfer, Equalization transfers and transfers to the territories, an adjustment in the prior year to reflect a revised estimate of recoveries under the Quebec Abatement, and a year-over-year difference in the timing of home care and mental health transfers.

- Proceeds from the pollution pricing framework returned increased by \$1.6 billion, reflecting a change in the delivery of the Climate Action Incentive, from annually on personal income tax returns to a quarterly benefit. Direct proceeds will continue to be fully returned in the provinces or territories where they are generated.
- Direct program expenses were up \$0.2 billion, or 1.2 per cent. Within direct program expenses:
 - Canada Emergency Wage Subsidy (CEWS) payments decreased by \$2.1 billion, or 100.0 per cent, reflecting the end of the program.
 - Other transfer payments increased by \$1.1 billion, or 19.0 per cent, reflecting a number of factors, including year-over-year differences in the timing of transfer payments and an increase in international assistance.
 - Operating expenses of the government's departments, agencies, and consolidated Crown corporations and other entities increased by \$1.2 billion, or 15.4 per cent, largely reflecting increased personnel and public health care expenses.

Public debt charges decreased \$0.4 billion, or 14.4 per cent, due to an October 2021 adjustment to reflect updated actuarial valuations of the government's pension and other employee future benefit obligations, as well as lower Consumer Price Index adjustments on Real Return Bonds in October 2022. The decrease in public debt charges was partly offset by the impact of higher interest rates in the current year.

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 up \$2.5 billion, or 148.9 per cent, largely due to an October 2021 year-to-date adjustment to incorporate updated actuarial valuations for pensions and benefits prepared for the *Public Accounts of Canada 2021*.

For the April to October period of 2022-23, program expenses excluding net actuarial losses were \$218.6 billion, down \$40.4 billion, or 15.6 per cent, from the same period the previous year.

- Major transfers to persons were down \$27.4 billion or 29.3 per cent.
 - Elderly benefits increased by \$4.0 billion, or 11.3 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 \$14.5 billion, or 53.8 per cent, reflecting improved labour market conditions.
 - COVID-19 income support for workers decreased \$15.1 billion, or 98.4 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 \$1.8 billion, or 11.0 per cent, largely reflecting the temporary Canada Child Benefit young child supplement in 2021-22.
- Major transfers to other levels of government were up \$1.9 billion, or 3.9 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, as well as increased recoveries under the Quebec Abatement.
- Proceeds from the pollution pricing framework returned increased by \$1.2 billion, or 33.4 per cent, reflecting an increase in the rate of the Climate Action Incentive as well as 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 \$16.1 billion, or 14.3 per cent. Within direct program expenses:
 - CEWS payments decreased by \$19.5 billion, or 100.6 per cent, reflecting the end of the program and reassessments of previous returns.
 - Other transfer payments decreased by \$0.5 billion, or 1.3 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 an increase in international assistance and transfers in respect of Indigenous Peoples.
 - Operating expenses of the government's departments, agencies, and consolidated Crown corporations and other entities increased by \$3.8 billion, or 6.7 per cent, in large part reflecting increased personnel expenses.

Public debt charges increased by \$5.2 billion, or 35.7 per cent, primarily driven by higher interest rates and higher Consumer Price Index adjustments on Real Return Bonds.

Net actuarial losses decreased by \$0.3 billion, or 4.7 per cent.

Table 3

Expenses

	October			April to October		
	2021	2022	Change	2021-22	2022-23	Change
	(\$ millions)		(%)	(\$ millions)		(%)
Major transfers to persons						
Elderly benefits	5,166	6,016	16.5	35,177	39,136	11.3
Employment Insurance benefits	2,359	1,485	-37.0	26,911	12,428	-53.8
COVID-19 income support for workers ¹	1,903	3	-99.8	15,371	243	-98.4
Children's benefits	2,603	2,046	-21.4	15,968	14,205	-11.0
Total major transfers to persons	12,031	9,550	-20.6	93,427	66,012	-29.3
Major transfers to other levels of government						
Canada Health Transfer	3,594	3,767	4.8	25,157	26,371	4.8
Canada Social Transfer	1,289	1,328	3.0	9,026	9,297	3.0
Equalization	1,743	1,827	4.8	12,198	12,787	4.8
Territorial Formula Financing	298	310	4.0	2,891	3,005	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	-	135	n/a	831	136	-83.6
Other fiscal arrangements ²	-801	-613	23.5	-3,649	-4,260	-16.7
Total major transfers to other levels of government	6,123	6,754	10.3	48,774	50,689	3.9
Proceeds from the pollution pricing framework returned	38	1,617	4,155.3	3,626	4,836	33.4
Direct program expenses						
Canada Emergency Wage Subsidy	2,139	-	-100.0	19,362	-122	-100.6
Other transfer payments	5,940	7,068	19.0	36,669	36,195	-1.3
Operating expenses	7,788	8,985	15.4	57,196	61,018	6.7
Total direct program expenses	15,867	16,053	1.2	113,227	97,091	-14.3
Total program expenses, excluding net actuarial losses	34,059	33,974	-0.2	259,054	218,628	-15.6
Public debt charges	2,815	2,409	-14.4	14,507	19,686	35.7
Total expenses, excluding net actuarial losses	36,874	36,383	-1.3	273,561	238,314	-12.9
Net actuarial losses	-1,678	820	148.9	6,020	5,740	-4.7
Total expenses	35,196	37,203	5.7	279,581	244,054	-12.7

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 Quebec Abatement (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

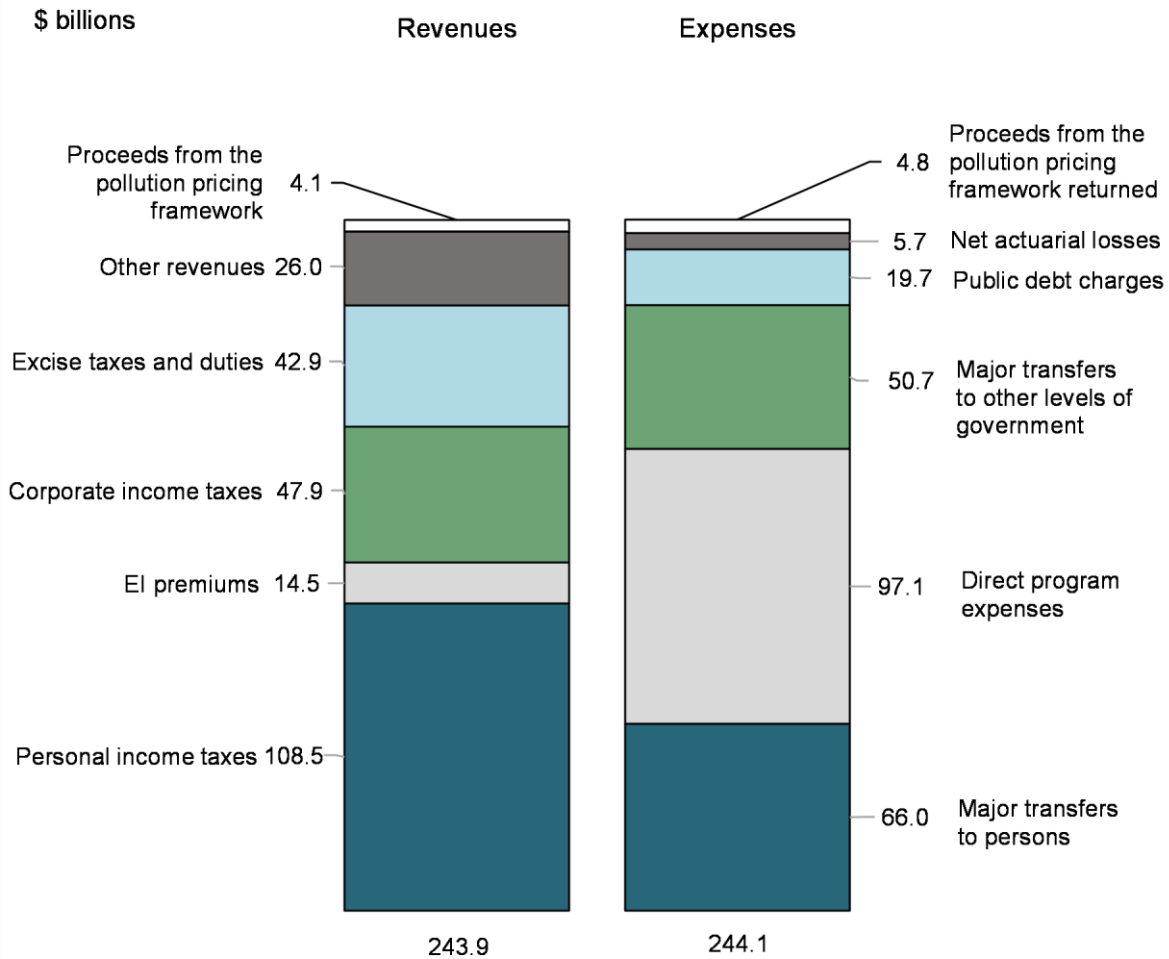
Total expenses by object of expense

	October			April to October		
	2021	2022	Change	2021-22	2022-23	Change
	(\$ millions)		(%)	(\$ millions)		(%)
Transfer payments	26,271	24,989	-4.9	201,858	157,610	-21.9
Other expenses						
Personnel, excluding net actuarial losses	4,574	5,133	12.2	33,649	36,056	7.2
Transportation and communications	195	239	22.6	1,227	1,515	23.5
Information	38	50	31.6	259	184	-29.0
Professional and special services	1,272	1,393	9.5	7,282	7,907	8.6
Rentals	352	339	-3.7	2,199	2,413	9.7
Repair and maintenance	249	305	22.5	1,612	2,047	27.0
Utilities, materials and supplies	336	841	150.3	4,156	4,373	5.2
Other subsidies and expenses	357	244	-31.7	3,897	3,465	-11.1
Amortization of tangible capital assets	407	432	6.1	2,860	2,992	4.6
Net loss on disposal of assets	8	9	12.5	55	66	20.0
Total other expenses	7,788	8,985	15.4	57,196	61,018	6.7
Total program expenses, excluding net actuarial losses	34,059	33,974	-0.2	259,054	218,628	-15.6
Public debt charges	2,815	2,409	-14.4	14,507	19,686	35.7
Total expenses, excluding net actuarial losses	36,874	36,383	-1.3	273,561	238,314	-12.9
Net actuarial losses	-1,678	820	148.9	6,020	5,740	-4.7
Total expenses	35,196	37,203	5.7	279,581	244,054	-12.7

Note: Totals may not add due to rounding.

Chart 3

Revenues and expenses (April to October 2022)



Note: Totals may not add due to rounding.

Financial requirement of \$31.2 billion for April to October 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 deficit of \$0.2 billion and a requirement of \$31.1 billion from non-budgetary transactions, there was a financial requirement of \$31.2 billion for the April to October 2022 period, compared to a financial requirement of \$95.1 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.

Table 5

The budgetary balance and financial source/requirement

\$ millions

	October		April to October	
	2021	2022	2021-22	2022-23
Budgetary balance (deficit/surplus)	-3,684	-1,896	-72,252	-174
Non-budgetary transactions				
Accounts payable, accrued liabilities and accounts receivable ¹	-13,574	228	-5,359	-16,503
Pensions, other future benefits, and other liabilities	-708	2,790	6,622	7,716
Foreign exchange accounts and derivatives ¹	2,671	-1,462	-8,401	-14,272
Loans, investments and advances	-5,851	-725	-15,518	-6,920
Non-financial assets	-260	-515	-226	-1,085
Total non-budgetary transactions	-17,722	316	-22,882	-31,064
Financial source/requirement	-21,406	-1,580	-95,134	-31,238

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 \$33.6 billion

The government financed this financial requirement of \$31.2 billion and increased cash balances by \$2.3 billion by increasing unmatured debt by \$33.6 billion. The increase in unmatured debt was achieved primarily through the issuance of marketable bonds.

Cash balances at the end of October 2022 stood at \$94.6 billion, up \$33.5 billion from their level at the end of October 2021.

Table 6

Financial source/requirement and net financing activities

\$ millions

	October		April to October	
	2021	2022	2021-22	2022-23
Financial source/requirement	-21,406	-1,580	-95,134	-31,238
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds ¹	20,681	17,699	114,880	29,900
Treasury bills ¹	1,974	1,812	-23,048	-1,872
Retail debt	9	-	-6	-
Total Canadian currency borrowings	22,664	19,511	91,826	28,028
Foreign currency borrowings ¹	-2,166	-339	5,055	5,701
Total market debt transactions	20,498	19,172	96,881	33,729
Obligations related to capital leases and other unmaturing debt	-19	-19	-3	-162
Net change in financing activities	20,479	19,153	96,878	33,567
Change in cash balance	-927	17,573	1,744	2,329
Cash balance at end of period			61,133	94,590

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 \$2.8 billion over the April to October 2022 period, as the \$0.2-billion budgetary deficit was offset by \$0.2 billion in other comprehensive income and \$2.8 billion in net remeasurement gains.

Table 7

Condensed statement of assets and liabilities

\$ millions

	April 1, 2022	October 31, 2022	Change
	Opening balance Note 8)		
Liabilities			
Accounts payable and accrued liabilities	262,220	230,711	-31,509
Derivative financial liabilities ¹	2,778	71	-2,707
Interest-bearing debt			
Unmatured debt			
Payable in Canadian currency			
Marketable bonds	1,043,989	1,073,889	29,900
Treasury bills	186,877	185,005	-1,872
Subtotal	1,230,866	1,258,894	28,028
Payable in foreign currencies	14,473	20,174	5,701
Obligations related to capital leases and other unmaturing debt	5,366	5,204	-162
Total unmaturing debt	1,250,705	1,284,272	33,567
Pension and other liabilities			
Public sector pensions	167,666	164,922	-2,744
Other employee and veteran future benefits	159,705	171,148	11,443
Other liabilities	7,707	6,724	-983
Total pension and other liabilities	335,078	342,794	7,716
Total interest-bearing debt	1,585,783	1,627,066	41,283
Total liabilities	1,850,781	1,857,848	7,067
Financial assets			
Cash and accounts receivable	280,026	267,349	-12,677
Foreign exchange accounts	104,031	121,548	17,517
Derivative financial assets ¹	3,403	224	-3,179
Loans, investments, and advances (net of allowances) ²	207,031	214,153	7,122
Public sector pension assets	9,203	9,203	-
Total financial assets	603,694	612,477	8,783
Net debt	1,247,087	1,245,371	-1,716
Non-financial assets	105,268	106,353	1,085
Federal debt (accumulated deficit)	1,141,819	1,139,018	-2,801

Note: Totals may not add due to rounding.

¹ October 31, 2022 net balance of derivative assets and derivative liabilities includes remeasurement gains of \$2.8 billion resulting from the change in their fair values for the April to October 2022 period.² October 31, 2022 amount includes \$0.2 billion in other comprehensive income from enterprise Crown corporations and other government business enterprises for the April to October 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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