Department of Finance Canada | Ministère des Finances Canada

THE FISCAL MONITOR

A publication of the Department of Finance

Financial Results for February 2023

Canada

Cette publication est également disponible en français.

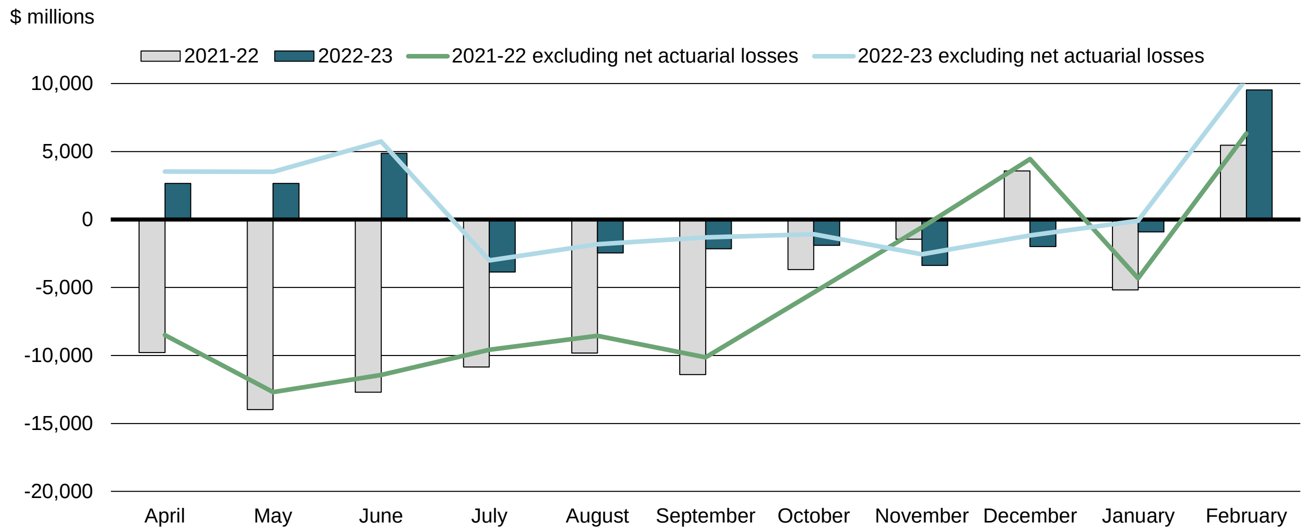
Cat. No.: F12-4E-PDF
ISSN: 1487-0134

Highlights

February 2023

There was a budgetary surplus of $9.5 billion in February 2023, compared to a surplus of $5.5 billion in February 2022. The budgetary surplus before net actuarial losses was $10.4 billion, compared to a surplus of $6.3 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.

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



Compared to February 2022:

- Revenues increased by $1.3 billion, or 3.1 per cent, due largely to an increase in tax revenues.
- Program expenses excluding net actuarial losses were down $3.6 billion, or 10.2 per cent, largely reflecting a change in the provision for contingent liabilities in the previous year.
- Public debt charges were up $0.9 billion, or 55.0 per cent, reflecting higher interest rates.
- Net actuarial losses were down $40 million, or 4.7 per cent.

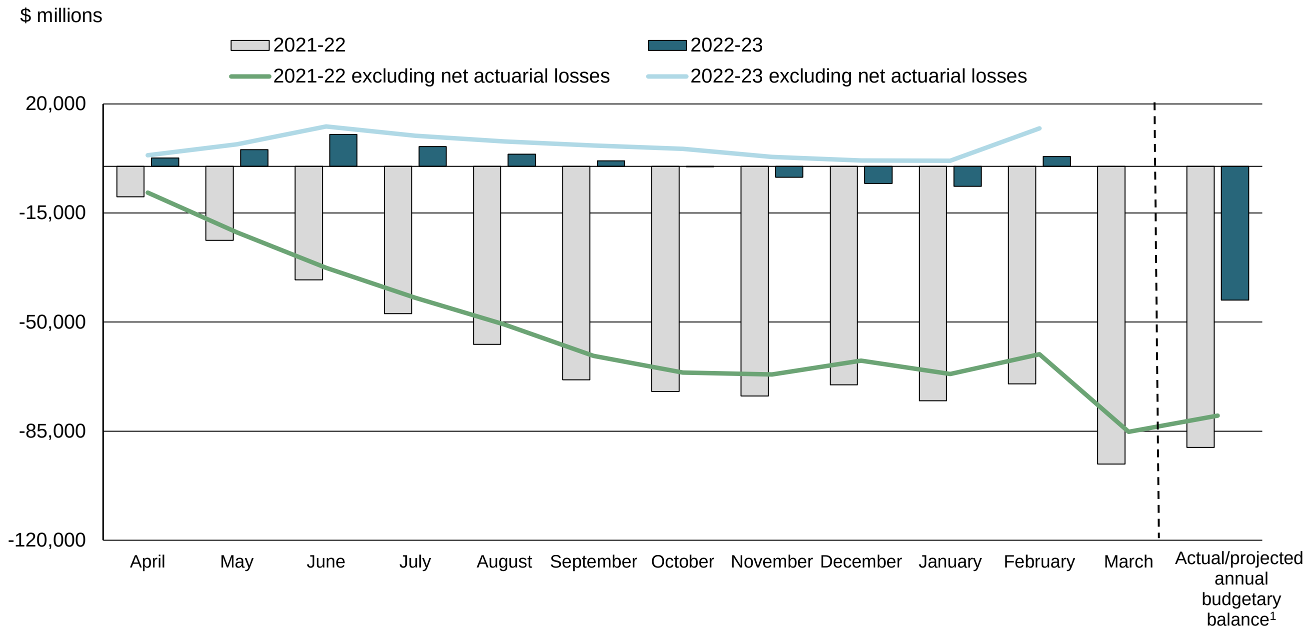
April 2022 to February 2023

The government posted a budgetary surplus of $3.1 billion for the April to February period of the 2022-23 fiscal year, compared to a deficit of $69.8 billion reported for the same period of 2021-22. The budgetary surplus before net actuarial losses was $12.1 billion, compared to a deficit of $60.4 billion in the April to February period of 2021-22.

Compared to 2021-22:

- Revenues were up $36.0 billion, or 10.1 per cent, reflecting broad-based improvement across revenue streams due to economic growth and the waning fiscal and economic impact of COVID-19.
- Program expenses excluding net actuarial losses were down $45.6 billion, or 11.5 per cent, largely reflecting lower transfers to individuals and businesses due to expiring temporary COVID-19 measures.
- Public debt charges increased by $9.1 billion, or 40.7 per cent, reflecting higher interest rates, higher Consumer Price Index adjustments on Real Return Bonds, as well as higher interest on the government's pension and benefit obligations.
- Net actuarial losses decreased by $0.4 billion, or 4.7 per cent.

Chart 2
Year-to-Date Budgetary Balance and Budgetary Balance Excluding Net Actuarial Losses



[1] Sources: Annual Financial Report of the Government of Canada 2021-2022; *Budget 2023*.

Table 1
Summary statement of transactions
$ millions

	February		April to February	
	2022	2023	2021-22	2022-23
Budgetary transactions				
Revenues	43,200	44,544	357,418	393,397
Expenses				
Program expenses, excluding net actuarial losses	-35,215	-31,626	-395,458	-349,873
Public debt charges	-1,655	-2,565	-22,319	-31,413
Budgetary balance, excluding net actuarial losses	6,330	10,353	-60,359	12,111
Net actuarial losses	-860	-820	-9,460	-9,020
Budgetary balance (deficit/surplus)	5,470	9,533	-69,819	3,091
Non-budgetary transactions	-6,323	-20,460	-19,805	-52,575
Financial source/requirement	-853	-10,927	-89,624	-49,484
Net change in financing activities	4,597	-11,689	114,081	18,753
Net change in cash balances	3,744	-22,616	24,457	-30,731
Cash balance at end of period			83,845	61,531

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

Revenues

Revenues in February 2023 totalled $44.5 billion, up $1.3 billion, or 3.1 per cent, from February 2022.

- Tax revenues increased by $2.6 billion, or 7.4 per cent, compared to the same period in 2021-22 driven by economic growth that has buoyed both income tax revenues and excise taxes and duties.
- Proceeds from the pollution pricing framework were up $0.2 billion, or 39.2 per cent, reflecting higher carbon pollution pricing in 2023. Direct proceeds will continue to be fully returned in the provinces or territories where they are generated.
- Employment Insurance (EI) premium revenues were up $0.2 billion, or 5.4 per cent, reflecting better labour market conditions and a higher premium rate.
- Other revenues, consisting of enterprise Crown corporations' net profits, revenues from sales of goods and services, returns on investments and net foreign exchange revenues, were down $1.7 billion, or 37.2 per cent driven by timing impacts of enterprise Crown corporation profits and lower Bank of Canada profits.

Revenues for the April to February period of 2022-23 totalled $393.4 billion, up $36.0 billion, or 10.1 per cent, from the same period in 2021-22.

- Tax revenues increased by $30.0 billion, or 9.8 per cent, compared to the same period in 2021-22, when COVID-19 restrictions weighed on revenue. The year-over-year increase also reflects economic growth in 2022-23, which has contributed to sustained strength in the labour market and corporate results. The federal portion of assessed cannabis excise duties increased by $0.1 billion to $0.2 billion over the April to February period.
- Proceeds from the pollution pricing framework were up $1.8 billion, or 35.5 per cent, reflecting higher carbon pollution pricing in 2022 and 2023.
- EI premium revenues were up $2.2 billion, or 10.6 per cent, largely reflecting better labour market conditions.
- Other revenues were up $2.0 billion, or 7.4 per cent, due to economic improvement and normalization following COVID-19 and higher interest rates.

Table 2

Revenues

	February		Change	April to February		Change
	2022	2023		2021-22	2022-23	
	($ millions)		(%)	($ millions)		(%)
Tax revenues						
Income taxes						
Personal	15,020	15,973	6.3	165,582	176,350	6.5
Corporate	15,517	16,007	3.2	72,270	83,782	15.9
Non-resident	731	1,253	71.4	9,317	12,858	38.0
Total income tax revenues	31,268	33,233	6.3	247,169	272,990	10.4
Other taxes and duties						
Goods and Services Tax	2,779	3,383	21.7	42,227	45,303	7.3
Energy taxes	460	414	-10.0	4,915	4,845	-1.4
Customs import duties	354	412	16.4	4,821	5,644	17.1
Other excise taxes and duties	429	449	4.7	5,330	5,650	6.0
Total excise taxes and duties	4,022	4,658	15.8	57,293	61,442	7.2
Total tax revenues	35,290	37,891	7.4	304,462	334,432	9.8
Proceeds from the pollution pricing framework	620	863	39.2	5,100	6,909	35.5
Employment Insurance premiums	2,841	2,994	5.4	20,765	22,963	10.6
Other revenues	4,449	2,796	-37.2	27,091	29,093	7.4
Total revenues	43,200	44,544	3.1	357,418	393,397	10.1

Note: Totals may not add due to rounding.

Expenses

Program expenses excluding net actuarial losses in February 2023 were $31.6 billion, down $3.6 billion, or 10.2 per cent, from February 2022.

- Major transfers to persons, consisting of elderly benefits, EI benefits, COVID-19 income support for workers, and children’s benefits, were down $0.7 billion or 7.1 per cent.
  - Elderly benefits increased by $0.8 billion, or 15.4 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 $0.4 billion, or 18.0 per cent, largely reflecting the expiry of temporary measures to facilitate access to EI, and a lower unemployment rate.
  - COVID-19 income support for workers decreased $1.2 billion, or 188.0 per cent, reflecting the Canada Worker Lockdown Benefit in the prior year, as well as redeterminations of benefits in the current year.
  - Children’s benefits were up $23 million, or 1.1 per cent.
- Major transfers to other levels of government were up $0.4 billion, or 6.8 per cent, largely reflecting legislated growth in the Canada Health Transfer, the Canada Social Transfer, Equalization transfers and transfers to the territories, as well as the timing of Canada Community-Building Fund transfers. These factors were offset in part by an increase in the amount of the Quebec Abatement, which is accounted for as a reduction in transfer payments.
- Proceeds from the pollution pricing framework returned increased by $14 million, or 66.7 per cent.

- Direct program expenses were down $3.3 billion, or 17.9 per cent. Within direct program expenses:
  - Canada Emergency Wage Subsidy (CEWS) payments decreased by $0.4 billion, or 126.8 per cent, reflecting the end of the program and reassessments of previous claims.
  - Other transfer payments increased by $0.8 billion, or 14.3 per cent.
  - Operating expenses of the government's departments, agencies, and consolidated Crown corporations and other entities decreased by $3.7 billion, or 29.3 per cent, largely reflecting a change in the provision for contingent liabilities in the previous year.

Public debt charges increased $0.9 billion, or 55.0 per cent, reflecting 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 $40 million, or 4.7 per cent.

For the April to February period of 2022-23, program expenses excluding net actuarial losses were $349.9 billion, down $45.6 billion, or 11.5 per cent, from the same period the previous year.

- Major transfers to persons were down $31.7 billion or 23.6 per cent.
  - Elderly benefits increased by $7.3 billion, or 13.1 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 $16.9 billion, or 45.8 per cent, largely reflecting the expiry of temporary measures to facilitate access to EI, and a lower unemployment rate.
  - COVID-19 income support for workers decreased $20.4 billion, or 117.1 per cent, reflecting the wind-down of the Canada Recovery Benefit, Canada Recovery Caregiving Benefit, Canada Recovery Sickness Benefit, and the Canada Worker Lockdown Benefit, as well as the redetermination of benefits in the current year.
  - Children's benefits were down $1.7 billion, or 7.1 per cent, largely reflecting the temporary Canada Child Benefit young child supplement in 2021-22.

- Major transfers to other levels of government were up $2.0 billion, or 2.6 per cent, reflecting legislated growth in the Canada Health Transfer, the Canada Social Transfer, Equalization transfers and transfers to the territories, as well as an increase in Canada-wide early learning and child care transfers. These increases were offset in part by a decrease in transfers under health agreements with provinces and territories, due in part to timing factors, and an increase in the current year in the amount of the Quebec Abatement.

- Proceeds from the pollution pricing framework returned increased by $2.9 billion, or 76.2 per cent, reflecting the change in the delivery of the Climate Action Incentive, from annually on personal income tax returns to a quarterly benefit, as well as an increase in the rate of the Climate Action Incentive.

- Direct program expenses were down $18.7 billion, or 10.4 per cent. Within direct program expenses:
  - CEWS payments decreased by $22.2 billion, or 101.3 per cent, reflecting the end of the program and reassessments of previous benefits.
  - Other transfer payments increased by $20 million.
  - Operating expenses of the government's departments, agencies, and consolidated Crown corporations and other entities increased by $3.4 billion, or 3.6 per cent, reflecting a number of factors, including increased personnel expenses and provisions for bad debt, offset in part by prior-year provisions for contingent liabilities.

Public debt charges increased by $9.1 billion, or 40.7 per cent, reflecting higher interest rates, higher Consumer Price Index adjustments on Real Return Bonds, as well as higher interest on the government's pension and benefit obligations.

Net actuarial losses decreased by $0.4 billion, or 4.7 per cent.

Table 3
Expenses

	February			April to February		
	2022	2023	Change	2021-22	2022-23	Change
	($ millions)		(%)	($ millions)		(%)
Major transfers to persons						
Elderly benefits	5,252	6,063	15.4	55,959	63,266	13.1
Employment Insurance benefits	2,174	1,782	-18.0	36,881	19,983	-45.8
COVID-19 income support for workers[1]	616	-542	-188.0	17,418	-2,979	-117.1
Children's benefits	2,035	2,058	1.1	24,195	22,480	-7.1
Total major transfers to persons	10,077	9,361	-7.1	134,453	102,750	-23.6
Major transfers to other levels of government						
Canada Health Transfer	3,594	3,767	4.8	39,532	41,440	4.8
Canada Social Transfer	1,289	1,328	3.0	14,184	14,610	3.0
Equalization	1,743	1,827	4.8	19,168	20,094	4.8
Territorial Formula Financing	298	310	4.0	4,082	4,243	3.9
Canada-wide early learning and child care	8	-	-100.0	1,831	2,716	48.3
Canada Community-Building Fund	-	300	n/a	2,320	2,173	-6.3
Health agreements with provinces/territories[2]	1	-	-100.0	1,592	461	-71.0
Other fiscal arrangements[3]	-460	-617	-34.1	-5,662	-6,720	-18.7
Total major transfers to other levels of government	6,473	6,915	6.8	77,047	79,017	2.6
Proceeds from the pollution pricing framework returned	21	35	66.7	3,746	6,601	76.2
Direct program expenses						
Canada Emergency Wage Subsidy	306	-82	-126.8	21,898	-276	-101.3
Other transfer payments	5,581	6,377	14.3	62,020	62,040	0.0
Operating expenses	12,757	9,020	-29.3	96,294	99,741	3.6
Total direct program expenses	18,644	15,315	-17.9	180,212	161,505	-10.4
Total program expenses, excluding net actuarial losses	35,215	31,626	-10.2	395,458	349,873	-11.5
Public debt charges	1,655	2,565	55.0	22,319	31,413	40.7
Total expenses, excluding net actuarial losses	36,870	34,191	-7.3	417,777	381,286	-8.7
Net actuarial losses	860	820	-4.7	9,460	9,020	-4.7
Total expenses	37,730	35,011	-7.2	427,237	390,306	-8.6

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] Health agreements with provinces/territories includes Home and Community Care and Mental Health and Substance Use Agreements.

[3] 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.

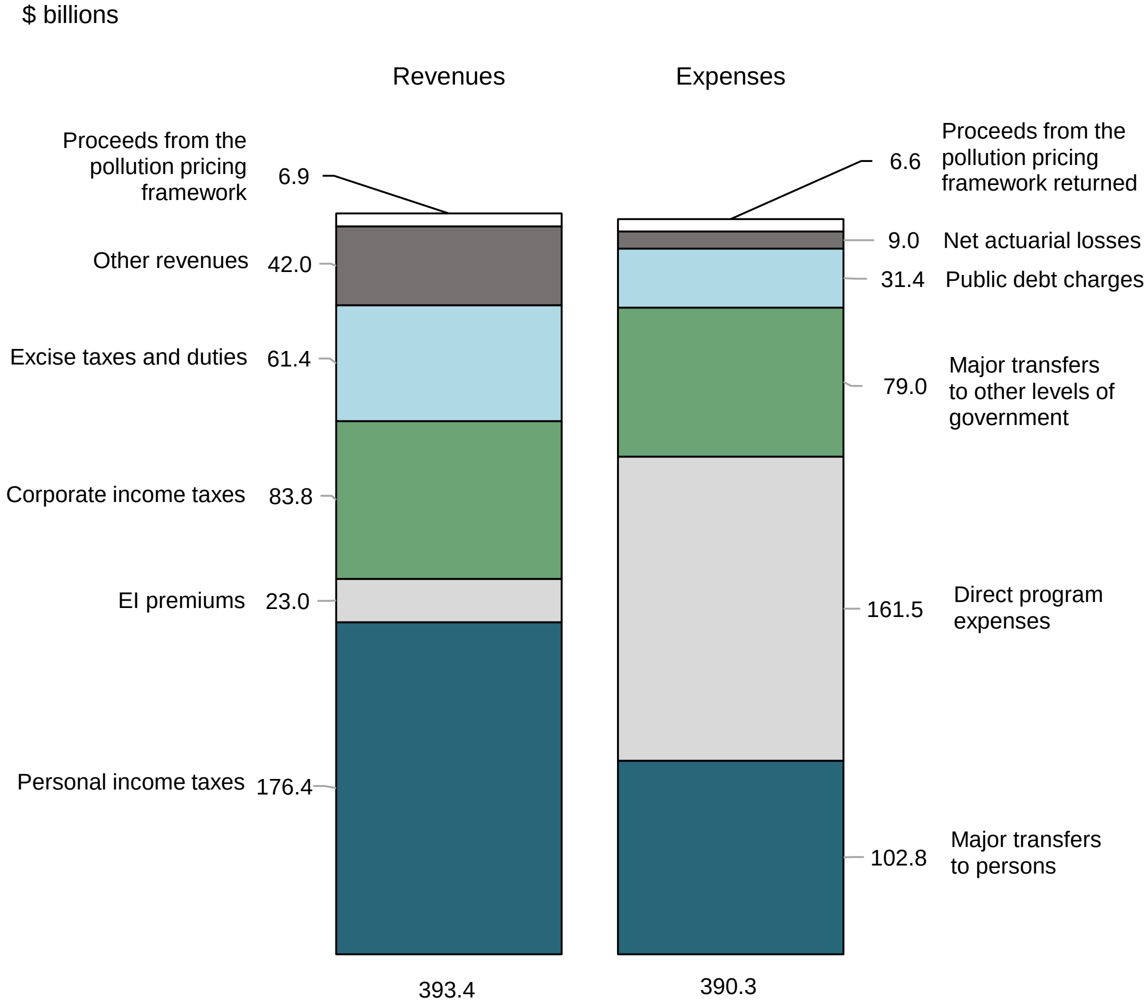
The following table presents total expenses by main object of expense.

Table 4
Total expenses by object of expense

	February			April to February		
	2022	2023	Change	2021-22	2022-23	Change
	($ millions)		(%)	($ millions)		(%)
Transfer payments	22,458	22,606	0.7	299,164	250,132	-16.4
Other expenses						
Personnel, excluding net actuarial losses	5,069	5,260	3.8	53,406	57,769	8.2
Transportation and communications	257	262	1.9	2,082	2,476	18.9
Information	54	73	35.2	463	420	-9.3
Professional and special services	1,430	1,577	10.3	12,911	14,222	10.2
Rentals	218	287	31.7	3,417	3,601	5.4
Repair and maintenance	281	305	8.5	2,817	3,437	22.0
Utilities, materials and supplies	654	405	-38.1	7,764	7,535	-2.9
Other subsidies and expenses	4,361	412	-90.6	8,834	5,471	-38.1
Amortization of tangible capital assets	413	430	4.1	4,494	4,709	4.8
Net loss on disposal of assets	20	9	-55.0	106	101	-4.7
Total other expenses	12,757	9,020	-29.3	96,294	99,741	3.6
Total program expenses, excluding net actuarial losses	35,215	31,626	-10.2	395,458	349,873	-11.5
Public debt charges	1,655	2,565	55.0	22,319	31,413	40.7
Total expenses, excluding net actuarial losses	36,870	34,191	-7.3	417,777	381,286	-8.7
Net actuarial losses	860	820	-4.7	9,460	9,020	-4.7
Total expenses	37,730	35,011	-7.2	427,237	390,306	-8.6

Note: Totals may not add due to rounding.

Chart 3
Revenues and expenses (April 2022 to February 2023)



Note: Totals may not add due to rounding.

Financial requirement of $49.5 billion for April 2022 to February 2023

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 $3.1 billion and a requirement of $52.6 billion from non-budgetary transactions, there was a financial requirement of $49.5 billion for the April 2022 to February 2023 period, compared to a financial requirement of $89.6 billion for the same period of the previous year.

The lower financial requirement in 2022-23 largely reflects the improvement in the budgetary balance.

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

	February		April to February	
	2022	**2023**	**2021-22**	**2022-23**
Budgetary balance (deficit/surplus)	5,470	9,533	-69,819	3,091
Non-budgetary transactions				
Accounts payable, accrued liabilities and accounts receivable[1]	-6,236	-14,621	3,880	-39,429
Pensions, other future benefits, and other liabilities	1,236	-3,489	10,216	12,574
Foreign exchange accounts and derivatives[1]	1,409	-2,551	-10,147	-17,322
Loans, investments and advances	-2,506	405	-21,995	-6,144
Non-financial assets	-226	-204	-1,759	-2,254
Total non-budgetary transactions	-6,323	-20,460	-19,805	-52,575
Financial source/requirement	-853	-10,927	-89,624	-49,484

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 $18.8 billion

The government financed this financial requirement of $49.5 billion by drawing down cash balances by $30.7 billion and increasing unmatured debt by $18.8 billion. The increase in unmatured debt was achieved primarily through the issuance of marketable bonds and treasury bills.

Cash balances at the end of February 2023 stood at $61.5 billion, down $22.3 billion from their level at the end of February 2022.

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

	February		April to February	
	2022	**2023**	**2021-22**	**2022-23**
Financial source/requirement	-853	-10,927	-89,624	-49,484
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds[1]	6,353	-17,214	150,259	10,775
Treasury bills[1]	1,130	4,225	-34,422	5,637
Retail debt	-	-	-299	-
Total Canadian currency borrowings	7,483	-12,989	115,538	16,412
Foreign currency borrowings[1]	-2,886	1,317	-1,467	2,556
Total market debt transactions	4,597	-11,672	114,071	18,968
Obligations related to capital leases and other unmatured debt	-	-17	10	-215
Net change in financing activities	4,597	-11,689	114,081	18,753
Change in cash balance	3,744	-22,616	24,457	-30,731
Cash balance at end of period			83,845	61,531

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 $7.0 billion over the April 2022 to February 2023 period, reflecting the $3.1-billion budgetary surplus, $1.4 billion in other comprehensive income, and $2.5 billion in net remeasurement gains.

Table 7

Condensed statement of assets and liabilities

$ millions

	April 1, 2022 Opening balance (Note 8)	February 28, 2023	Change
Liabilities			
Accounts payable and accrued liabilities	262,220	233,304	-28,916
Derivative financial liabilities[1]	2,778	2,615	-163
Interest-bearing debt			
Unmatured debt			
Payable in Canadian currency			
Marketable bonds	1,043,989	1,054,764	10,775
Treasury bills	186,877	192,514	5,637
Subtotal	1,230,866	1,247,278	16,412
Payable in foreign currencies	14,473	17,029	2,556
Obligations related to capital leases and other unmatured debt	5,366	5,151	-215
Total unmatured debt	1,250,705	1,269,458	18,753
Pension and other liabilities			
Public sector pensions	167,666	163,104	-4,562
Other employee and veteran future benefits	159,705	177,565	17,860
Other liabilities	7,707	6,983	-724
Total pension and other liabilities	335,078	347,652	12,574
Total interest-bearing debt	1,585,783	1,617,110	31,327
Total liabilities	1,850,781	1,853,029	2,248
Financial assets			
Cash and accounts receivable	280,026	259,808	-20,218
Foreign exchange accounts	104,031	127,042	23,011
Derivative financial assets[1]	3,403	78	-3,325
Loans, investments, and advances (net of allowances)[2]	207,031	214,528	7,497
Public sector pension assets	9,203	9,203	-
Total financial assets	603,694	610,659	6,965
Net debt	1,247,087	1,242,370	-4,717
Non-financial assets	105,268	107,522	2,254
Federal debt (accumulated deficit)	1,141,819	1,134,848	-6,971

Note: Totals may not add due to rounding.

[1] February 28, 2023 net balance of derivative assets and derivative liabilities includes remeasurement gains of $2.5 billion resulting from the change in their fair values for the April 2022 to February 2023 period.

[2] February 28, 2023 amount includes $1.4 billion in other comprehensive income from enterprise Crown corporations and other government business enterprises for the April 2022 to February 2023 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 unmatured debt	5,366	-	-	5,366
Total unmatured 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 stated otherwise, changes in financial results are presented on a year-over-year basis.

For inquiries about this publication, contact Bradley Recker at bradley.recker@fin.gc.ca.

April 2023