Department of Finance Canada | Ministère des Finances Canada

THE FISCAL MONITOR

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Financial Results for July 2023

Canada

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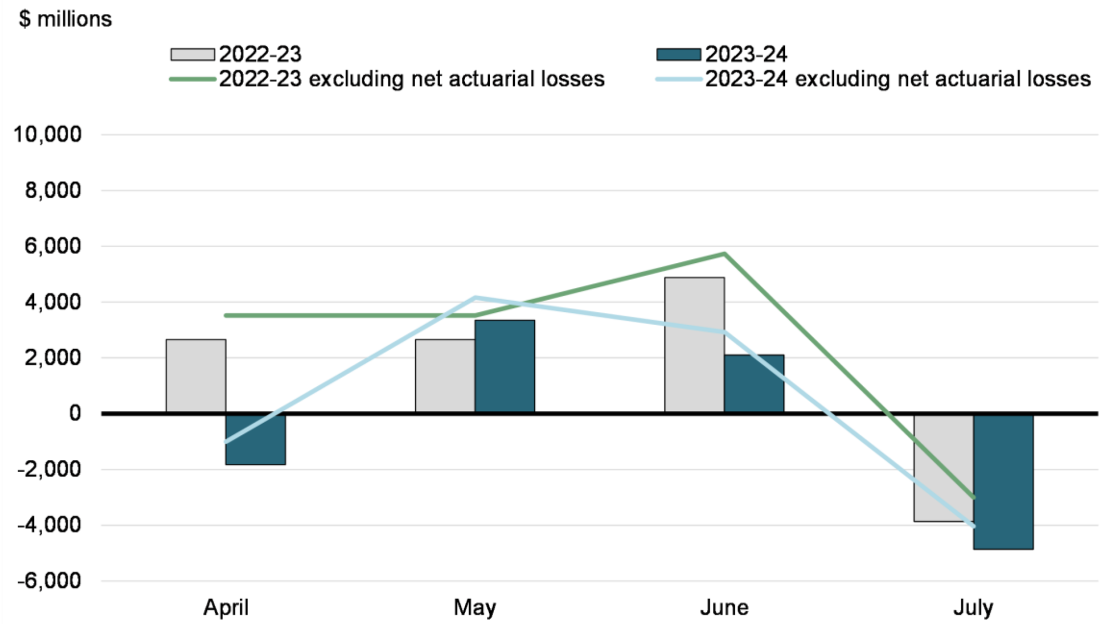
Highlights

July 2023

There was a budgetary deficit of $4.9 billion in July 2023, compared to a deficit of $3.9 billion in July 2022. The budgetary deficit before net actuarial losses was $4.0 billion, compared to a deficit of $3.0 billion in the same period of 2022-23. 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 July 2022:

- Revenues increased by $0.1 billion, or 0.4 per cent, largely reflecting growth in non-tax revenue, which was in part offset by a decrease in tax revenues.
- Program expenses excluding net actuarial losses were up $0.4 billion, or 1.2 per cent, reflecting increases in direct program expenses and major transfers to persons, offset in part by decreases in major transfers to other levels of government and proceeds from the pollution pricing framework returned.
- Public debt charges were up $0.7 billion, or 23.5 per cent, largely reflecting higher interest rates, offset in part by lower Consumer Price Index adjustments on Real Return Bonds.
- Net actuarial losses were down $40 million, or 4.7 per cent.

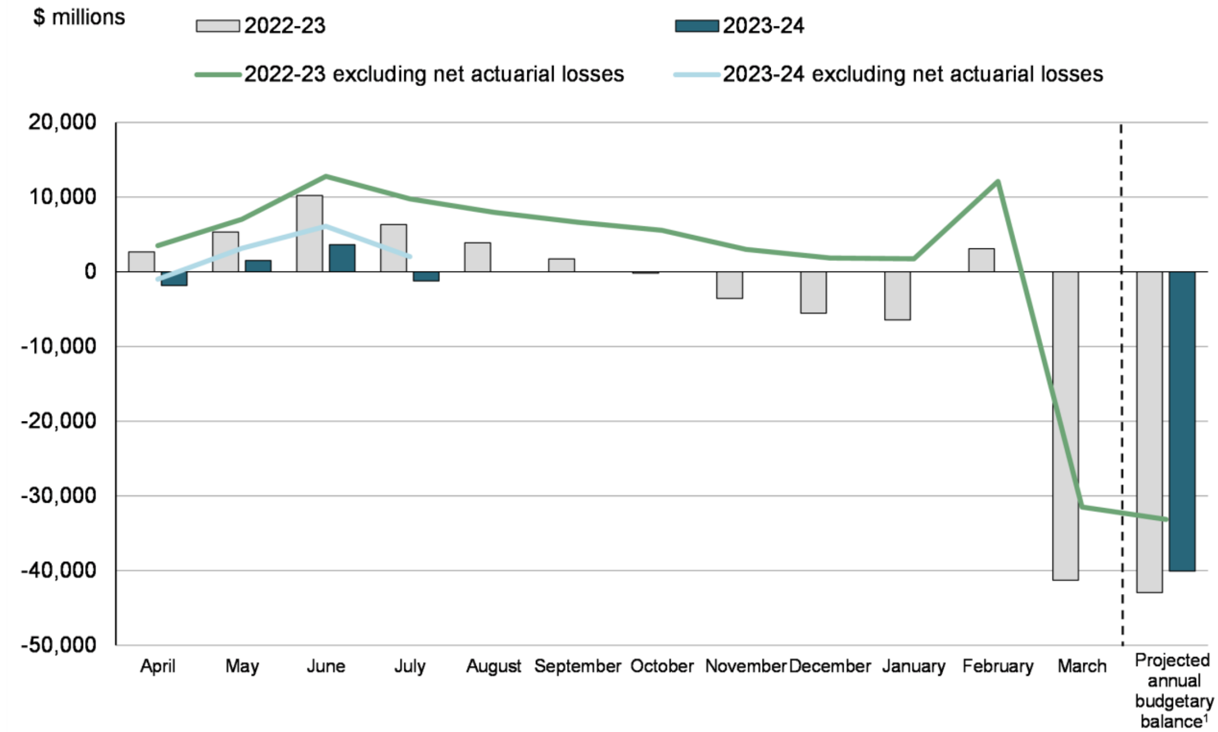
April to July 2023

The government posted a budgetary deficit of $1.2 billion for the April to July period of the 2023-24 fiscal year, compared to a surplus of $6.3 billion reported for the same period of 2022-23. The budgetary surplus before net actuarial losses was $2.0 billion, compared to a surplus of $9.8 billion in the April to July period of 2022-23.

Compared to 2022-23:

- Revenues were up $2.8 billion, or 2.0 per cent, largely reflecting higher interest revenues and other non-tax revenues.
- Program expenses excluding net actuarial losses were up $7.2 billion, or 5.9 per cent, reflecting increases in all major categories of expenses.
- Public debt charges increased by $3.3 billion, or 29.9 per cent, largely reflecting higher interest rates, offset in part by lower Consumer Price Index adjustments on Real Return Bonds.
- Net actuarial losses decreased by $0.2 billion, or 4.7 per cent.

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



[1] Source: Budget 2023.

Table 1
Summary statement of transactions
$ millions

	July		April to July	
	2022	**2023**	**2022-23**	**2023-24**
Budgetary transactions				
Revenues	35,238	35,375	143,116	145,954
Expenses				
Program expenses, excluding net actuarial losses	-35,124	-35,562	-122,154	-129,371
Public debt charges	-3,121	-3,853	-11,190	-14,539
Budgetary balance, excluding net actuarial losses	-3,007	-4,040	9,772	2,044
Net actuarial losses	-860	-820	-3,440	-3,280
Budgetary balance (deficit/surplus)	-3,867	-4,860	6,332	-1,236
Non-budgetary transactions	-3,896	-5,844	-23,427	-38,889
Financial source/requirement	-7,763	-10,704	-17,095	-40,125
Net change in financing activities	17,931	18,554	31,477	50,321
Net change in cash balances	10,168	7,850	14,382	10,196
Cash balance at end of period			106,645	51,995

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

Revenues

Revenues in July 2023 totalled $35.4 billion, up $0.1 billion, or 0.4 per cent, from July 2022.

- Tax revenues decreased by $0.2 billion, or 0.8 per cent, compared to the same period in 2022-23, driven by a decline in income tax revenue, with lower corporate and non-resident income tax revenue partially offset by an increase in personal income tax revenue.
- Proceeds from the pollution pricing framework were up $0.1 billion, or 13.9 per cent, reflecting higher carbon pollution pricing in 2023.
- Employment Insurance (EI) premium revenues were up $0.2 billion, or 9.8 per cent, reflecting a higher premium rate and better labour market conditions.
- Other revenues were up $0.1 billion, or 2.9 per cent, largely reflecting higher interest revenues. These increases were offset in part by lower net profits from enterprise Crown corporations, largely reflecting Bank of Canada losses as its interest expense on variable-rate deposits has outpaced interest earned on its fixed-rate investments.

Revenues for the April to July period of 2023-24 totalled $146.0 billion, up $2.8 billion, or 2.0 per cent, from the same period in 2022-23.

- Tax revenues decreased by $29 million, compared to the same period in 2022-23, as declines in corporate income tax, non-resident income tax, and other taxes and duties were largely offset by an increase in personal income tax revenue.
- Proceeds from the pollution pricing framework were up $0.5 billion, or 17.2 per cent, reflecting higher carbon pollution pricing in 2023.
- EI premium revenues were up $0.8 billion, or 8.3 per cent, reflecting a higher premium rate and better labour market conditions.
- Other revenues were up $1.6 billion, or 14.7 per cent, largely reflecting higher interest revenues and net foreign exchange revenues, offset in part by Bank of Canada losses.

Table 2
Revenues

	July			April to July		
	2022	2023	Change	2022-23	2023-24	Change
	($ millions)		(%)	($ millions)		(%)
Tax revenues						
Income taxes						
Personal	15,520	16,857	8.6	61,722	66,141	7.2
Corporate	6,395	4,723	-26.1	29,044	24,932	-14.2
Non-resident	1,329	1,073	-19.3	4,504	4,191	-6.9
Total income tax revenues	23,244	22,653	-2.5	95,270	95,264	0.0
Other taxes and duties						
Goods and Services Tax	4,760	5,143	8.0	18,907	18,784	-0.7
Energy taxes	411	495	20.4	1,621	1,660	2.4
Customs import duties	529	417	-21.2	2,113	1,841	-12.9
Other excise taxes and duties	585	576	-1.5	1,976	2,309	16.9
Total excise taxes and duties	6,285	6,631	5.5	24,617	24,594	-0.1
Total tax revenues	29,529	29,284	-0.8	119,887	119,858	0.0
Proceeds from the pollution pricing framework	649	739	13.9	2,628	3,081	17.2
Employment Insurance premiums	2,085	2,290	9.8	9,622	10,424	8.3
Other revenues	2,975	3,062	2.9	10,979	12,591	14.7
Total revenues	35,238	35,375	0.4	143,116	145,954	2.0

Note: Totals may not add due to rounding.

Expenses

Program expenses excluding net actuarial losses in July 2023 were $35.6 billion, up $0.4 billion, or 1.2 per cent, from July 2022.

- Major transfers to persons, consisting of elderly benefits, EI benefits, COVID-19 income support for workers, and children's benefits, were up $0.5 billion or 5.3 per cent.
  - Elderly benefits increased by $0.5 billion, or 9.4 per cent, largely reflecting changes in consumer prices to which benefits are fully indexed, and growth in the number of recipients.
  - EI benefits decreased by $10 million, or 0.6 per cent.
  - COVID-19 income support for workers decreased $0.2 billion, primarily reflecting redeterminations of benefits in July 2023.
  - Children's benefits were up $0.2 billion, or 8.9 per cent.
- Major transfers to other levels of government were down $1.0 billion, or 10.3 per cent, largely due to a year-over-year difference in the timing of Canada-wide early learning and child care transfers, offset in part by legislated growth in the Canada Health Transfer, the Canada Social Transfer, Equalization transfers and transfers to the territories.
- Proceeds from the pollution pricing framework returned decreased by $0.9 billion, or 29.5 per cent, largely reflecting a July 2022 double payment of the Climate Action Incentive that returned proceeds from the first two quarters of the 2022-23 fuel charge year (April-June and July-September). This factor was offset in part by an increase in the rate of the Climate Action Incentive and, starting July 2023, the inclusion of Newfoundland and Labrador, Nova Scotia, and Prince Edward Island in the framework for the fuel charge. Direct proceeds will continue to be fully returned in the provinces or territories where they are generated.

- Direct program expenses were up $1.9 billion, or 14.6 per cent. Within direct program expenses:
  - Other transfer payments increased by $1.1 billion, or 26.1 per cent, largely reflecting disbursements for the third round of the Rapid Housing Initiative and the transfer of exploration licence forfeitures for the Canada-Newfoundland and Labrador Offshore Area to the province.
  - Operating expenses of the government's departments, agencies, and consolidated Crown corporations and other entities increased by $0.7 billion, or 8.6 per cent, reflecting higher personnel expenses as well as a number of other factors, including an increase in bad debt expense and year-over-year timing differences.

Public debt charges increased $0.7 billion, or 23.5 per cent, largely reflecting higher interest rates, offset in part by lower Consumer Price Index adjustments on Real Return Bonds.

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 July period of 2023-24, program expenses excluding net actuarial losses were $129.4 billion, up $7.2 billion, or 5.9 per cent, from the same period the previous year.

- Major transfers to persons were up $0.8 billion, or 2.2 per cent.
  - Elderly benefits increased by $3.1 billion, or 14.2 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 $0.9 billion, or 13.1 per cent, largely reflecting the expiry of temporary pandemic-related measures to facilitate access to EI.
  - COVID-19 income support for workers decreased $1.6 billion, due to the wind-down of these benefits in the prior year and the redetermination of benefits in the current year.
  - Children's benefits were up $0.2 billion, or 2.8 per cent.

- Major transfers to other levels of government were up $0.6 billion, or 1.8 per cent, largely reflecting legislated growth in the Canada Health Transfer, the Canada Social Transfer, Equalization transfers and transfers to the territories, offset in part by year-over-year timing differences in Canada-wide early learning and child care transfers.

- Proceeds from the pollution pricing framework returned increased by $1.4 billion, or 46.2 per cent, largely reflecting an increase in the rate of the Climate Action Incentive and, starting July 2023, the inclusion of Newfoundland and Labrador, Nova Scotia, and Prince Edward Island in the framework for the fuel charge.

- Direct program expenses were up $4.4 billion, or 8.7 per cent. Within direct program expenses:
  - Other transfer payments increased by $1.9 billion, or 10.2 per cent, reflecting a number of factors including higher payments with respect to Indigenous Peoples and disbursements for the third round of the Rapid Housing Initiative, offset in part by the one-time, non-taxable grant provided by the government in 2022-23 to alleviate the financial hardship of Guaranteed Income Supplement and Allowance recipients who received pandemic benefits in 2020.
  - Operating expenses of the government's departments, agencies, and consolidated Crown corporations and other entities increased by $2.5 billion, or 7.8 per cent, reflecting in large part higher personnel expenses and bad debt expenses associated with provisions for credit risk against accounts receivable established during the April to July period of 2023-24.

Public debt charges increased by $3.3 billion, or 29.9 per cent, largely reflecting higher interest rates, offset in part by lower Consumer Price Index adjustments on Real Return Bonds.

Net actuarial losses decreased by $0.2 billion, or 4.7 per cent.

Table 3
Expenses

	July			April to July		
	2022	2023	Change	2022-23	2023-24	Change
	($ millions)		(%)	($ millions)		(%)
Major transfers to persons						
Elderly benefits	5,717	6,252	9.4	21,626	24,699	14.2
Employment Insurance benefits	1,543	1,533	-0.6	7,142	6,203	-13.1
COVID-19 income support for workers[1]	8	-203	-2,637.5	236	-1,319	-658.9
Children's benefits	1,937	2,110	8.9	8,112	8,337	2.8
Total major transfers to persons	9,205	9,692	5.3	37,116	37,920	2.2
Major transfers to other levels of government						
Canada Health Transfer	3,767	4,118	9.3	15,069	16,474	9.3
Canada Social Transfer	1,328	1,368	3.0	5,313	5,472	3.0
Equalization	1,827	1,997	9.3	7,307	7,987	9.3
Territorial Formula Financing	310	329	6.1	2,076	2,204	6.2
Canada-wide early learning and child care	2,219	617	-72.2	2,219	617	-72.2
Canada Community-Building Fund	1,134	1,184	4.4	1,134	1,184	4.4
Health agreements with provinces/territories[2]	-	-	n/a	1	-	-100.0
Other fiscal arrangements[3]	-511	-576	-12.7	-2,094	-2,353	-12.4
Total major transfers to other levels of government	10,074	9,037	-10.3	31,025	31,585	1.8
Proceeds from the pollution pricing framework returned	2,998	2,114	-29.5	3,123	4,565	46.2
Direct program expenses						
Other transfer payments[4]	4,397	5,543	26.1	18,385	20,258	10.2
Operating expenses	8,450	9,176	8.6	32,505	35,043	7.8
Total direct program expenses	12,847	14,719	14.6	50,890	55,301	8.7
Total program expenses, excluding net actuarial losses	35,124	35,562	1.2	122,154	129,371	5.9
Public debt charges	3,121	3,853	23.5	11,190	14,539	29.9
Total expenses, excluding net actuarial losses	38,245	39,415	3.1	133,344	143,910	7.9
Net actuarial losses	860	820	-4.7	3,440	3,280	-4.7
Total expenses	39,105	40,235	2.9	136,784	147,190	7.6

Note: Totals may not add due to rounding.

[1] COVID-19 income support for workers includes the Canada Emergency Response Benefit, 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 include Home and Community Care and Mental Health and Substance Use Agreements.

[3] Other fiscal arrangements include the Quebec Abatement (Youth Allowances Recovery and Alternative Payments for Standing Programs), which represent a recovery from Quebec of a tax point transfer; statutory subsidies; and other items.

[4] Comparative figures have been reclassified to reflect the current year's presentation.

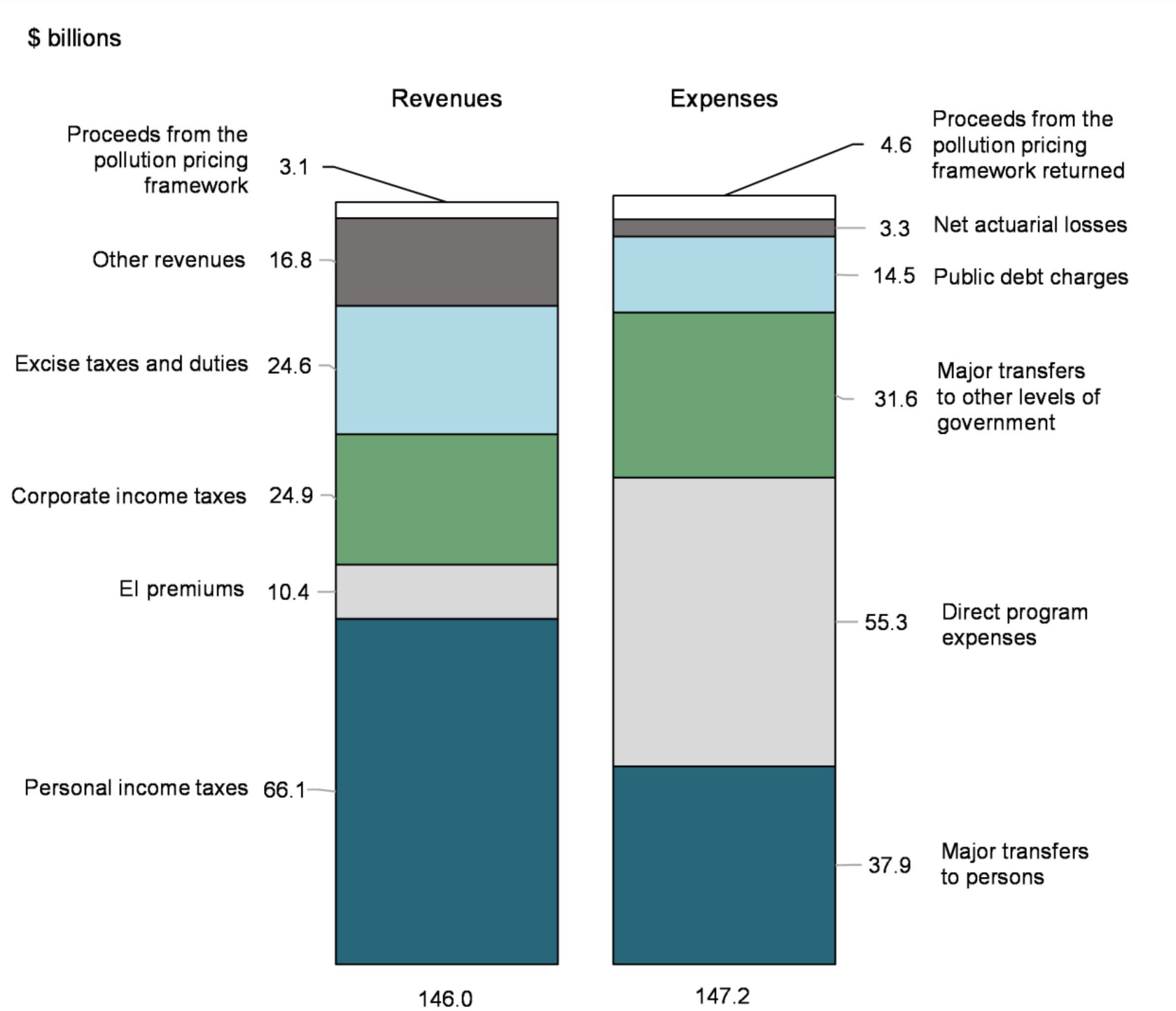
The following table presents total expenses by main object of expense.

Table 4
Total expenses by object of expense

	July			April to July		
	2022	**2023**	**Change**	**2022-23**	**2023-24**	**Change**
	($ millions)		**(%)**	**($ millions)**		**(%)**
Transfer payments	26,674	26,386	-1.1	89,649	94,328	5.2
Other expenses						
Personnel, excluding net actuarial losses	4,913	5,372	9.3	19,655	21,341	8.6
Transportation and communications	248	262	5.6	749	840	12.1
Information	23	41	78.3	87	100	14.9
Professional and special services	1,336	1,494	11.8	3,934	4,248	8.0
Rentals	437	466	6.6	1,473	1,612	9.4
Repair and maintenance	507	312	-38.5	1,079	919	-14.8
Utilities, materials and supplies	818	510	-37.7	2,064	1,520	-26.4
Other subsidies and expenses	-270	275	-201.9	1,720	2,693	56.6
Amortization of tangible capital assets	428	435	1.6	1,706	1,739	1.9
Net loss on disposal of assets	10	9	-10.0	38	31	-18.4
Total other expenses	8,450	9,176	8.6	32,505	35,043	7.8
Total program expenses, excluding net actuarial losses	35,124	35,562	1.2	122,154	129,371	5.9
Public debt charges	3,121	3,853	23.5	11,190	14,539	29.9
Total expenses, excluding net actuarial losses	38,245	39,415	3.1	133,344	143,910	7.9
Net actuarial losses	860	820	-4.7	3,440	3,280	-4.7
Total expenses	39,105	40,235	2.9	136,784	147,190	7.6

Note: Totals may not add due to rounding.

Chart 3
Revenues and expenses (April to July 2023)



Note: Totals may not add due to rounding.

Financial requirement of $40.1 billion for April to July 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 deficit of $1.2 billion and a requirement of $38.9 billion from non-budgetary transactions, there was a financial requirement of $40.1 billion for the April to July 2023 period, compared to a financial requirement of $17.1 billion for the same period of the previous year.

Table 5

The budgetary balance and financial source/requirement

$ millions

	July		April to July	
	2022	**2023**	**2022-23**	**2023-24**
Budgetary balance (deficit/surplus)	-3,867	-4,860	6,332	-1,236
Non-budgetary transactions				
Accounts payable, accrued liabilities and accounts receivable	-5,915	-6,869	-14,530	-32,204
Pensions, other future benefits, and other liabilities	2,791	1,226	4,193	3,966
Foreign exchange accounts and derivatives	509	365	-8,628	-7,986
Loans, investments and advances	-795	-324	-3,878	-2,416
Non-financial assets	-486	-242	-584	-249
Total non-budgetary transactions	-3,896	-5,844	-23,427	-38,889
Financial source/requirement	-7,763	-10,704	-17,095	-40,125

Note: Totals may not add due to rounding.

Net financing activities up $50.3 billion

The government financed this financial requirement of $40.1 billion and increased cash balances by $10.2 billion by increasing unmatured debt by $50.3 billion. The increase in unmatured debt was achieved primarily through the issuance of treasury bills and marketable bonds.

Cash balances at the end of July 2023 stood at $52.0 billion, down $54.7 billion from their level at the end of July 2022. The government maintained higher cash balances during the COVID-19 pandemic to be prepared for uncertain spending needs such as emergency supports for people and businesses. These cash balances have been reduced to offset some of the government’s financial requirements, as part of a general shift in the return to normal government operations.

Table 6

Financial source/requirement and net financing activities

$ millions

	July		April to July	
	2022	**2023**	**2022-23**	**2023-24**
Financial source/requirement	-7,763	-10,704	-17,095	-40,125
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	20,866	13,310	37,083	12,897
Treasury bills	-1,779	5,337	-9,626	30,987
Total Canadian currency borrowings	19,087	18,647	27,457	43,884
Foreign currency borrowings	-1,142	-51	4,126	6,548
Total market debt transactions	17,945	18,596	31,583	50,432
Obligations related to capital leases and other unmatured debt	-14	-42	-106	-111
Net change in financing activities	17,931	18,554	31,477	50,321
Change in cash balance	10,168	7,850	14,382	10,196
Cash balance at end of period			106,645	51,995

Note: Totals may not add due to rounding.

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.

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

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September 2023