

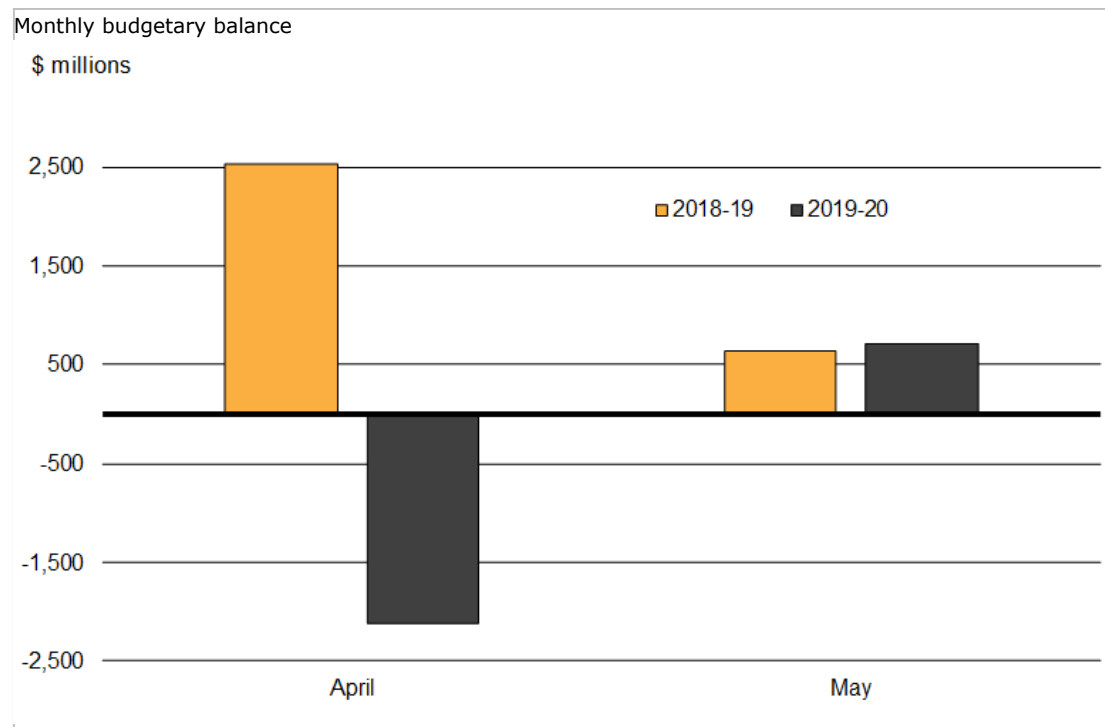
The Fiscal Monitor

A publication of the Department of Finance

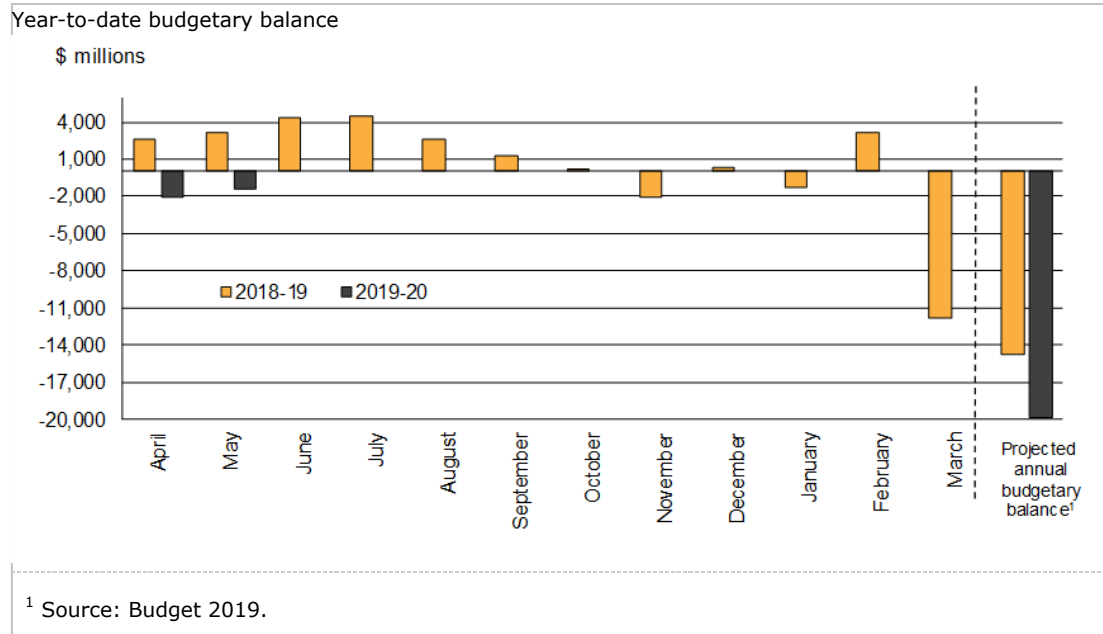
Highlights

April and May 2019

For the first two months of the 2019–20 fiscal year (April and May), there was a budgetary deficit of \$1.4 billion, compared to a surplus of \$3.2 billion reported in the same period of 2018–19. By month, there was a deficit of \$2.1 billion in April and a surplus of \$0.7 billion in May.



For the two months combined, revenues were up \$2.3 billion, or 4.2 per cent, largely reflecting increases in tax revenues and other revenues. Program expenses were up \$6.3 billion, or 13.5 per cent, largely reflecting increases in major transfers to other levels of government and direct program expenses. Public debt charges were up \$0.6 billion, or 13.3 per cent, reflecting higher Consumer Price Index adjustments on Real Return Bonds and a higher average effective interest rate on the stock of Treasury Bills.



	April		May		April-May	
	2018 Restated ¹	2019	2018 Restated ¹	2019	2018-19 Restated ¹	2019-20
Budgetary transactions						
Revenues	28,719	28,926	25,511	27,590	54,230	56,516
Expenses						
Program expenses	-24,061	-28,731	-22,800	-24,455	-46,861	-53,186
Public debt charges	-2,120	-2,315	-2,067	-2,428	-4,187	-4,743
Budgetary balance (deficit/surplus)	2,538	-2,120	644	707	3,182	-1,413
Non-budgetary transactions	-4,093	-3,703	1,150	-2,394	-2,943	-6,097
Financial source/requirement	-1,555	-5,823	1,794	-1,687	239	-7,510
Net change in financing activities	9,472	11,715	3,651	5,342	13,123	17,057
Net change in cash balances	7,917	5,892	5,445	3,655	13,362	9,547
Cash balance at end of period					51,038	49,551
Notes: Positive numbers indicate net source of funds. Negative numbers indicate net requirement for funds.						
¹ Certain comparative figures have been restated to reflect changes in accounting policy. See Note 8 at the end of this document for further details.						

Revenues

For the April to May period of 2019-20, revenues increased by \$2.3 billion, or 4.2 per cent, to \$56.5 billion.

- Tax revenues increased by \$1.6 billion, or 3.6 per cent, driven largely by growth in personal and corporate income tax revenues.
- Employment Insurance (EI) premium revenues were up \$26 million, or 0.6 per cent.
- Other revenues, consisting of net profits from enterprise Crown corporations, revenues of consolidated Crown corporations, revenues from sales of goods and services, returns on investments, net foreign exchange revenues and miscellaneous revenues, were up \$0.6 billion, or 13.7 per cent.

	April		May		April - May		
	2018 Restated ¹	2019	2018 Restated ¹	2019	2018-19 Restated ¹	2019-20	Change
	(\$ millions)		(\$ millions)		(\$ millions)		(%)
Tax revenues							
Income taxes							
Personal	14,526	13,889	10,784	12,384	25,310	26,273	3.8
Corporate	4,720	4,531	3,669	4,277	8,389	8,808	5.0
Non-resident	682	735	731	753	1,413	1,488	5.3
Total income tax revenues	19,928	19,155	15,184	17,414	35,112	36,569	4.1
Other taxes and duties							
Goods and Services Tax	3,115	3,398	4,254	3,812	7,369	7,210	-2.2
Energy taxes	423	439	457	489	880	928	5.5
Customs import duties	414	514	445	511	859	1,025	19.3
Other excise taxes and duties	415	597	566	521	981	1,118	14.0
Total other taxes and duties	4,367	4,948	5,722	5,333	10,089	10,281	1.9
Total tax revenues	24,295	24,103	20,906	22,747	45,201	46,850	3.6
Employment Insurance premiums	2,358	2,356	2,214	2,242	4,572	4,598	0.6
Other revenues	2,066	2,467	2,391	2,601	4,457	5,068	13.7
Total revenues	28,719	28,926	25,511	27,590	54,230	56,516	4.2

Note: Totals may not add due to rounding.

¹ Certain comparative figures have been restated to reflect a change in accounting policy. See Note 8 at the end of this document for further details.

Expenses

For the April to May period of 2019–20, program expenses were \$53.2 billion, up \$6.3 billion, or 13.5 per cent, from the same period the previous year.

- Major transfers to persons, consisting of elderly benefits, EI benefits and children's benefits, were up \$0.5 billion or 2.9 per cent. Elderly benefits increased by \$0.4 billion, or 5.0 per cent, reflecting growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. EI benefits increased by \$0.1 billion, or 2.1 per cent. Children's benefits were down \$42 million, or 1.0 per cent.
- Major transfers to other levels of government were up \$3.0 billion, or 24.2 per cent, primarily reflecting legislated growth in the Canada Health Transfer, the Canada Social Transfer, Equalization transfers and transfers to the territories; an increase in payments under home care and mental health transfers; and, a \$1.9 billion expense resulting from the new Hibernia Dividend Backed Annuity Agreement reached on April 1, 2019 between Canada and Newfoundland and Labrador.
- Direct program expenses were up \$2.9 billion, or 15.4 per cent. Within direct program expenses:
 - Fuel charge proceeds returned reflects \$1.1 billion in payments under the new federal carbon pollution pricing system.
 - Other transfer payments increased by \$0.8 billion, or 14.4 per cent, reflecting increases across a number of departments.
 - Operating expenses of the Government's departments, agencies and consolidated Crown corporations and other entities increased by \$1.0 billion, or 7.5 per cent, reflecting in part an increase in personnel costs.

Public debt charges increased by \$0.6 billion, or 13.3 per cent, reflecting higher Consumer Price Index adjustments on Real Return Bonds and a higher average effective interest rate on the stock of Treasury Bills.

	April		May		April - May		Change
	2018 Restated ¹	2019	2018 Restated ¹	2019	2018-19 Restated ¹	2019 -20	
	(\$ millions)		(\$ millions)		(\$ millions)		(%)
Major transfers to persons							
Elderly benefits	4,281	4,527	4,382	4,573	8,663	9,100	5.0
Employment Insurance benefits	1,923	1,817	1,196	1,366	3,119	3,183	2.1
Children's benefits	2,021	2,005	2,057	2,031	4,078	4,036	-1.0
Total	8,225	8,349	7,635	7,970	15,860	16,319	2.9
Major transfers to other levels of government							
Canada Health Transfer	3,216	3,365	3,215	3,364	6,431	6,729	4.6
Canada Social Transfer	1,180	1,216	1,180	1,215	2,360	2,431	3.0
Equalization	1,580	1,653	1,580	1,653	3,160	3,306	4.6
Territorial Formula Financing	605	631	606	632	1,211	1,263	4.3
Gas Tax Fund	0	0	0	0	0	0	n/a
Home care and mental health	17	530	0	20	17	550	3,135.3
Other fiscal arrangements ²	-416	1,480	-416	-425	-832	1,055	226.8
Total	6,182	8,875	6,165	6,459	12,347	15,334	24.2
Direct program expenses							
Fuel charge proceeds returned	0	779	0	331	0	1,110	n/a
Other transfer payments	3,451	3,830	1,953	2,354	5,404	6,184	14.4
Other direct program expenses	6,203	6,898	7,047	7,341	13,250	14,239	7.5
Total direct program expenses	9,654	11,507	9,000	10,026	18,654	21,533	15.4
Total program expenses	24,061	28,731	22,800	24,455	46,861	53,186	13.5

Public debt charges	2,120	2,315	2,067	2,428	4,187	4,743	13.3
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Total expenses	26,181	31,046	24,867	26,883	51,048	57,929	13.5

Note: Totals may not add due to rounding.

¹ Certain comparative figures have been restated to reflect changes in accounting policy. See Note 8 at the end of this document for further details.

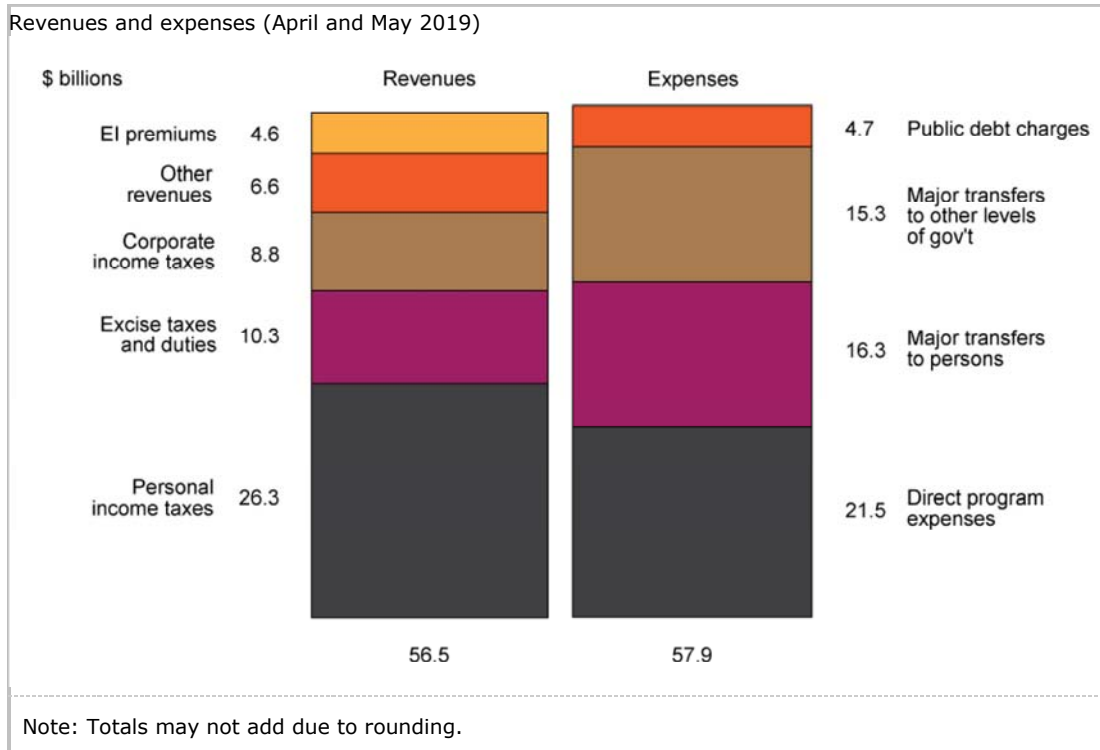
²Other fiscal arrangements include the Youth Allowances Recovery and Alternative Payments for Standing Programs, which represent a recovery from Quebec of a tax point transfer; statutory subsidies; payments under the 2005 Offshore Accords; payments to provinces in respect of common securities regulation; transfers under the new Hibernia Dividend Backed Annuity Agreement with Newfoundland and Labrador; and, other items.

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

	April		May		April - May		Change
	2018	2019	2018	2019	2018-19	2019-20	
	Restated ¹		Restated ¹		Restated ¹		
	(\$ millions)		(\$ millions)		(\$ millions)		(%)
Transfer payments	17,858	21,833	15,753	17,114	33,611	38,947	15.9
Other expenses							
Personnel	4,116	4,370	4,562	4,874	8,678	9,244	6.5
Transportation and communications	66	68	223	214	289	282	-2.4
Information	5	6	20	20	25	26	4.0
Professional and special services	227	394	635	655	862	1,049	21.7
Rentals	311	221	270	324	581	545	-6.2
Repair and maintenance	59	83	121	156	180	239	32.8
Utilities, materials and supplies	115	97	197	214	312	311	-0.3
Other subsidies and expenses	884	1,225	602	449	1,486	1,674	12.7
Amortization of tangible capital assets	412	427	409	427	821	854	4.0
Net loss on disposal of assets	8	7	8	8	16	15	-6.3
Total other expenses	6,203	6,898	7,047	7,341	13,250	14,239	7.5
Total program expenses	24,061	28,731	22,800	24,455	46,861	53,186	13.5
Public debt charges	2,120	2,315	2,067	2,428	4,187	4,743	13.3
Total expenses	26,181	31,046	24,867	26,883	51,048	57,929	13.5

Note: Totals may not add due to rounding.

¹ Certain comparative figures have been restated to reflect changes in accounting policy. See Note 8 at the end of this document for further details.



Financial requirement of \$7.5 billion for April and May 2019

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 \$1.4 billion and a requirement of \$6.1 billion from non-budgetary transactions, there was a financial requirement of \$7.5 billion for the April to May 2019 period, compared to a financial source of \$0.2 billion from the same period the previous year.

	April		May		April - May	
	2018 Restated ¹	2019	2018 Restated ¹	2019	2018-19 Restated ¹	2019-20
Budgetary balance (deficit/surplus)	2,538	-2,120	644	707	3,182	-1,413
Non-budgetary transactions						
Accounts payable, accrued liabilities and accounts receivable	-5,233	-1,338	610	-1,241	-4,623	-2,579
Pensions, other future benefits, and other liabilities	359	713	425	618	784	1,331
Foreign exchange accounts	1,239	-2,435	1,219	-1,109	2,458	-3,544
Loans, investments and advances	-701	-1,019	-1,084	-593	-1,785	-1,612
Non-financial assets	243	376	-20	-69	223	307
Total non-budgetary transactions	-4,093	-3,703	1,150	-2,394	-2,943	-6,097
Financial source/requirement	-1,555	-5,823	1,794	-1,687	239	-7,510

Note: Totals may not add due to rounding.

¹ Certain comparative figures have been restated to reflect changes in accounting policy. See Note 8 at the end of this document for further details.

Net financing activities up \$17.1 billion

The government financed this financial requirement of \$7.5 billion and increased cash balances by \$9.5 billion by increasing unmatured debt by \$17.1 billion. The increase in unmatured debt was achieved primarily through the issuance of marketable bonds and treasury bills.

The level of cash balances varies from month to month based on a number of factors including periodic large debt maturities, which can be quite volatile on a monthly basis. Cash balances at the end of May 2019 stood at \$49.6 billion, down \$1.5 billion from their level at the end of May 2018.

	April		May		April - May	
	2018	2019	2018	2019	2018 -19	2019 -20
Financial source/requirement	-1,555	-5,823	1,794	-1,687	239	-7,510
Net increase (+)/decrease (-) in financing activities						
Unmatured debt transactions						
Canadian currency borrowings						
Marketable bonds	5,725	7,583	-3,775	1,318	1,950	8,901
Treasury bills	5,200	2,800	8,000	4,300	13,200	7,100
Retail debt	-68	-31	-17	-23	-85	-54
Total	10,857	10,352	4,208	5,595	15,065	15,947
Foreign currency borrowings	-159	1,030	-24	-525	-183	505
Total	10,698	11,382	4,184	5,070	14,882	16,452
Cross-currency swap revaluation	-988	205	-225	457	-1,213	662
Unamortized discounts and premiums on market debt	-198	174	-290	-168	-488	6
Obligations related to capital leases and other unamatured debt	-40	-46	-18	-17	-58	-63
Net change in financing activities	9,472	11,715	3,651	5,342	13,123	17,057
Change in cash balance	7,917	5,892	5,445	3,655	13,362	9,547
Cash balance at end of period					51,038	49,551
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. 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. The Condensed Statement of Assets and Liabilities is included in the monthly Fiscal Monitor following the finalization and publication of the Government's financial results for the preceding fiscal year, typically in the fall.
8. Accounting Changes and Restatement

The monthly financial results for 2018–19 presented for comparative purposes in The Fiscal Monitor have been restated to reflect the following two changes in accounting policy.

Change in Discount Rate Methodology

In finalizing its 2017–18 annual financial results, the Government implemented a change in the discount rate methodology used in valuing unfunded pension obligations. This change resulted in a \$6 million increase in the budgetary surplus as of May 31, 2018. Further details regarding this accounting policy change can be found in Note 3 to the condensed consolidated financial statements in the Annual Financial Report of the Government of Canada 2017–2018, available on the Department of Finance Canada website.

Canadian Commercial Corporation

During 2018–19, the Canadian Commercial Corporation determined that it acts as an agent in its commercial trading transactions. As a result, the revenues and expenses and related asset and liability balances arising from these transactions are no longer consolidated in the Government's financial results. This accounting change has no net impact on the budgetary balance, as the decrease in the Government's revenues is offset by an equal reduction in expenses. Similarly, this change has no net impact on the federal debt, as the decrease in the Government's assets is offset by an equal reduction in its liabilities.

The following table provides an overview of these restatements of the 2018–19 financial results.

Table 7 Summary of Restatements (\$ millions)					
	Program expenses	Public debt charges	Other revenues	Budgetary balance (deficit/surplus)	Non-budgetary transactions
April 2018					
As previously reported	-24,070	-2,320	2,273	2,535	-4,090
Effect of change in accounting policy					
Change in discount rate methodology	-197	200	n/a	3	-3
Canadian Commercial Corporation	206	n/a	-206	0	n/a
	<hr/>				
As restated	-24,061	-2,120	2,066	2,538	-4,093
	<hr/>				
May 2018					
As previously reported	-22,809	-2,267	2,596	641	1,153
Effect of change in accounting policy					
Change in discount rate methodology	-197	200	n/a	3	-3
Canadian Commercial Corporation	206	n/a	-206	0	n/a
	<hr/>				
As restated	-22,800	-2,067	2,391	644	1,150
	<hr/>				
April to May 2018					
As previously reported	-46,879	-4,587	4,869	3,176	-2,937
Effect of change in accounting policy					
Change in discount rate methodology	-394	400	n/a	6	-6
Canadian Commercial Corporation	412	n/a	-412	0	n/a
	<hr/>				
As restated	-46,861	-4,187	4,457	3,182	-2,943
Note: Totals may not add due to rounding.					

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

For inquiries about this publication, contact Bradley Recker at 613-369-5667.

July 2019

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