



Department of Finance
Canada

Ministère des Finances
Canada

THE FISCAL MONITOR

A publication of the Department of Finance

Financial results for April and May 2020

Canada

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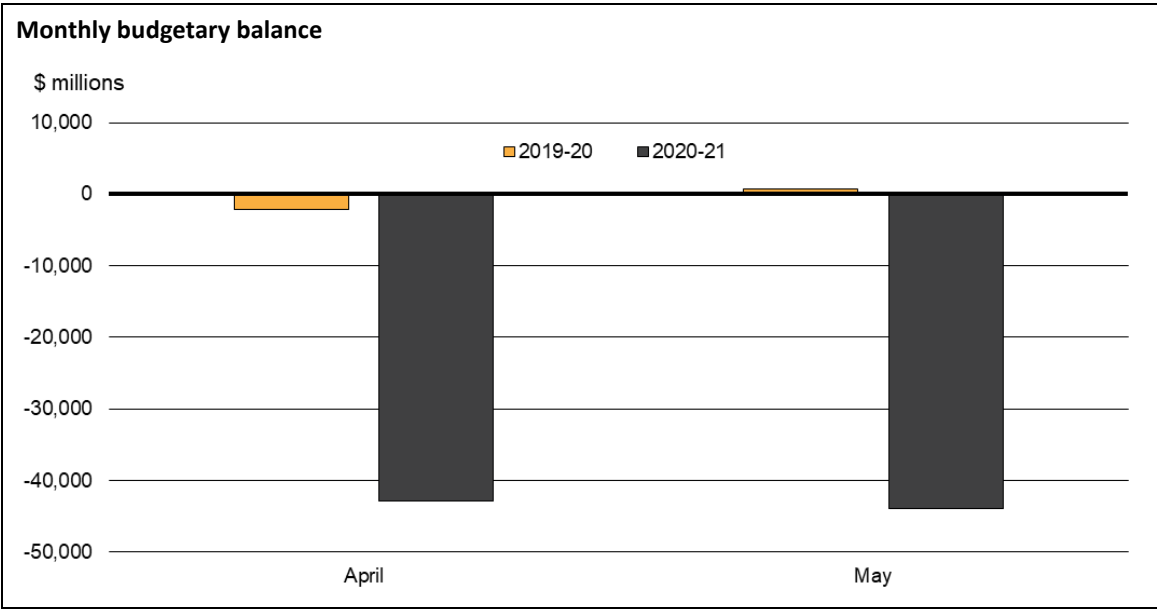
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Highlights

April and May 2020

For the first two months of the 2020-21 fiscal year (April and May), there was a budgetary deficit of \$86.8 billion, compared to a deficit of \$1.4 billion reported in the same period of 2019-20. By month, there was a deficit of \$42.8 billion in April and a deficit of \$43.9 billion in May. The unprecedented shift in the government’s financial results reflects the severe deterioration in the economic situation and temporary measures implemented through the government’s Economic Response Plan to support Canadians and businesses facing hardship as a result of the COVID-19 outbreak, and is consistent with the budgetary balance presented in the Economic and Fiscal Snapshot (July).



For the two months combined, revenues were down \$24.1 billion, or 42.6 per cent, largely reflecting decreases in tax revenues and other revenues. Program expenses were up \$62.4 billion, or 117.4 per cent, largely reflecting transfers to businesses and individuals under the Economic Response Plan, including the Canada Emergency Response Benefit (CERB), the Canada Emergency Wage Subsidy (CEWS), the 25 per cent incentive for the Canada Emergency Business Account (CEBA), and the Canada Emergency Student Benefit (CESB). Public debt charges were down \$1.2 billion, or 24.5 per cent, largely reflecting lower Consumer Price Index adjustments on Real Return Bonds.

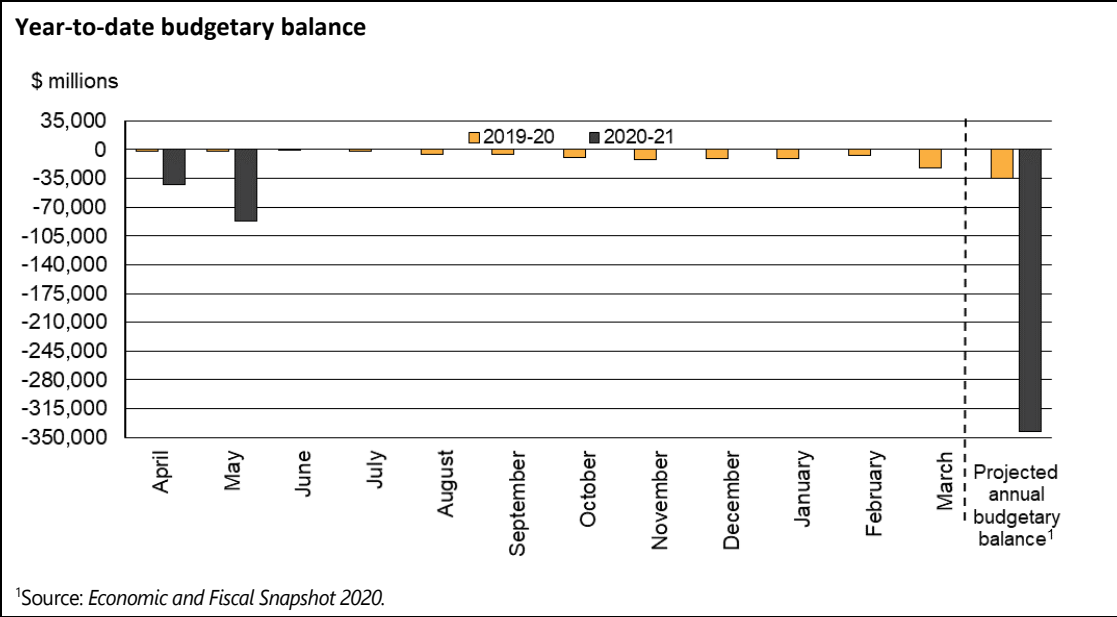


Table 1

Summary statement of transactions

\$ millions

| | April | | May | | April to May | |
|---|---------|---------|---------|---------|--------------|----------|
| | 2019 | 2020 | 2019 | 2020 | 2019-20 | 2020-21 |
| Budgetary transactions | | | | | | |
| Revenues | 28,926 | 18,681 | 27,590 | 13,763 | 56,516 | 32,444 |
| Expenses | | | | | | |
| Program expenses | -28,737 | -59,422 | -24,449 | -56,212 | -53,186 | -115,634 |
| Public debt charges | -2,315 | -2,096 | -2,428 | -1,483 | -4,743 | -3,579 |
| Budgetary balance (deficit/surplus) | -2,126 | -42,837 | 713 | -43,932 | -1,413 | -86,769 |
| Non-budgetary transactions | -3,698 | -41,514 | -2,399 | -8,790 | -6,097 | -50,304 |
| Financial source/requirement | -5,824 | -84,351 | -1,686 | -52,722 | -7,510 | -137,073 |
| Net change in financing activities | 11,715 | 135,825 | 5,342 | 104,118 | 17,057 | 239,943 |
| Net change in cash balances | 5,891 | 51,474 | 3,656 | 51,396 | 9,547 | 102,870 |
| Cash balance at end of period | | | | | 49,551 | 147,549 |

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

Revenues

For the April to May period of 2020-21, revenues decreased by \$24.1 billion, or 42.6 per cent, to \$32.4 billion.

- Tax revenues decreased by \$16.8 billion, or 35.9 per cent, driven largely by declines in Goods and Services Tax (GST) and corporate income tax revenues, as a result of COVID-19 lockdowns and related measures such as the introduction of the enhanced GST credit and tax deferrals.
- Employment Insurance (EI) premium revenues were down \$0.4 billion, or 8.8 per cent.
- Assessed fuel charge proceeds under the federal carbon pollution pricing system totaled \$0.7 billion.
- Other revenues, consisting of enterprise Crown corporations' net profits, revenues of consolidated Crown corporations, sales of goods and services, returns on investments and net foreign exchange revenues, were down \$7.5 billion, or 148.0 per cent. This decrease is largely due to lower Bank of Canada profits resulting from its secondary market purchases of Government of Canada securities to support liquidity in financial markets. The decrease in Bank of Canada profits reflects the up-front expensing of premiums paid on these bond purchases, which more than offsets interest earnings on the securities in April and May 2020.

Table 2

Revenues

| | April | | May | | April to May | | Change |
|--------------------------------------|---------------|-------------|-------------|-------------|---------------------|----------------|---------------|
| | 2019 | 2020 | 2019 | 2020 | 2019–20 | 2020–21 | |
| | (\$ millions) | | | | | | (%) |
| Tax revenues | | | | | | | |
| Income taxes | | | | | | | |
| Personal | 13,889 | 12,442 | 12,384 | 13,137 | 26,273 | 25,579 | -2.6 |
| Corporate | 4,531 | 1,183 | 4,277 | 1,389 | 8,808 | 2,572 | -70.8 |
| Non-resident | 735 | 932 | 753 | 717 | 1,488 | 1,649 | 10.8 |
| Total income tax revenues | 19,155 | 14,557 | 17,414 | 15,243 | 36,569 | 29,800 | -18.5 |
| Other taxes and duties | | | | | | | |
| Goods and Services Tax | 3,398 | 1,351 | 3,812 | -3,342 | 7,210 | -1,991 | -127.6 |
| Energy taxes | 439 | 426 | 489 | 416 | 928 | 842 | -9.3 |
| Customs import duties | 514 | 212 | 511 | 282 | 1,025 | 494 | -51.8 |
| Other excise taxes and duties | 597 | 344 | 521 | 539 | 1,118 | 883 | -21.0 |
| Total excise taxes and duties | 4,948 | 2,333 | 5,333 | -2,105 | 10,281 | 228 | -97.8 |
| Total tax revenues | 24,103 | 16,890 | 22,747 | 13,138 | 46,850 | 30,028 | -35.9 |
| Fuel charge proceeds | 0 | 363 | 0 | 294 | 0 | 657 | n/a |
| Employment Insurance premiums | 2,356 | 2,223 | 2,242 | 1,971 | 4,598 | 4,194 | -8.8 |
| Other revenues | 2,467 | -795 | 2,601 | -1,640 | 5,068 | -2,435 | -148.0 |
| Total revenues | 28,926 | 18,681 | 27,590 | 13,763 | 56,516 | 32,444 | -42.6 |

Note: Totals may not add due to rounding.

Expenses

For the April to May period of 2020-21, program expenses were \$115.6 billion, up \$62.4 billion, or 117.4 per cent, from the same period the previous year.

- Major transfers to persons, consisting of elderly benefits, EI benefits, the CERB and children's benefits, were up \$34.5 billion or 211.5 per cent.
 - Elderly benefits increased by \$0.5 billion, or 5.3 per cent, reflecting growth in the elderly population.
 - EI benefits increased by \$1.5 billion, or 47.9 per cent, due to higher unemployment resulting from the crisis.
 - The CERB, an income support program introduced under Canada's COVID-19 Economic Response Plan, accounted for \$30.4 billion in payments, reflecting labour market impacts of the economic shutdown.
 - Children's benefits were up \$2.1 billion, or 52.8 per cent, reflecting the one-time increase to the May 2020 Canada Child Benefit payment.
- Major transfers to other levels of government were down \$1.2 billion, or 8.0 per cent, largely reflecting the \$1.9-billion expense recorded in April 2019 resulting from the Hibernia Dividend Backed Annuity Agreement between Canada and Newfoundland and Labrador, which did not recur in 2020-21. This decrease was offset in part by legislated growth in 2020-21 in the Canada Health Transfer, the Canada Social Transfer, Equalization transfers and transfers to the territories, as well as an increase in payments under home care and mental health transfers.

- Direct program expenses were up \$29.2 billion, or 135.4 per cent. Within direct program expenses:
 - Fuel charge proceeds returned increased by \$0.8 billion, or 72.5 per cent, largely reflecting an increase in the rate of the Climate Action Incentive payment for tax year 2019.
 - The CEWS reflects \$14.9 billion in payments to eligible employers under Canada's COVID-19 Economic Response Plan.
 - Other transfer payments increased by \$11.1 billion, or 180.2 per cent, largely reflecting the 25 per cent incentive under the CEBA and transfers to students under the new CESB.
 - Operating expenses of the Government's departments, agencies and consolidated Crown corporations and other entities increased by \$1.9 billion, or 14.9 per cent, reflecting in large part purchases of medical and personal protective equipment in response to the COVID-19 crisis, as well as an increase in pensions and benefits expenses.
 - Losses from employee future benefit plans, which represents the amortization of changes in the measurement of the government's obligations for pensions and other employee future benefits accrued in previous fiscal years, increased by \$0.4 billion, or 25.3 per cent, due mainly to declines in long-term interest rates, which are used to value the obligations.

Public debt charges decreased by \$1.2 billion, or 24.5 per cent, largely reflecting lower Consumer Price Index adjustments on Real Return Bonds.

Table 3

Expenses

| | April | | May | | April to May | | |
|--|----------------------|-------------|-------------|-------------|---------------------|----------------|---------------|
| | 2019 | 2020 | 2019 | 2020 | 2019–20 | 2020–21 | Change |
| | (\$ millions) | | | | | | (%) |
| Major transfers to persons | | | | | | | |
| Elderly benefits | 4,527 | 4,771 | 4,573 | 4,810 | 9,100 | 9,581 | 5.3 |
| Employment Insurance benefits | 1,817 | 2,336 | 1,366 | 2,373 | 3,183 | 4,709 | 47.9 |
| Canada Emergency Response Benefit | 0 | 15,870 | 0 | 14,511 | 0 | 30,381 | n/a |
| Children's benefits | 2,005 | 2,127 | 2,031 | 4,038 | 4,036 | 6,165 | 52.8 |
| Total major transfers to persons | 8,349 | 25,104 | 7,970 | 25,732 | 16,319 | 50,836 | 211.5 |
| Major transfers to other levels of government | | | | | | | |
| Canada Health Transfer | 3,365 | 3,489 | 3,364 | 3,489 | 6,729 | 6,978 | 3.7 |
| Canada Social Transfer | 1,216 | 1,252 | 1,215 | 1,252 | 2,431 | 2,504 | 3.0 |
| Equalization | 1,653 | 1,715 | 1,653 | 1,714 | 3,306 | 3,429 | 3.7 |
| Territorial Formula Financing | 631 | 669 | 632 | 669 | 1,263 | 1,338 | 5.9 |
| Gas Tax Fund | 0 | 0 | 0 | 0 | 0 | 0 | n/a |
| Home care and mental health | 530 | 625 | 20 | 0 | 550 | 625 | 13.6 |
| Other fiscal arrangements ¹ | 1,486 | -384 | -431 | -386 | 1,055 | -770 | -173.0 |
| Total major transfers to other levels of government | 8,881 | 7,366 | 6,453 | 6,738 | 15,334 | 14,104 | -8.0 |
| Direct program expenses | | | | | | | |
| Fuel charge proceeds returned | 779 | 874 | 331 | 1,041 | 1,110 | 1,915 | 72.5 |
| Canada Emergency Wage Subsidy | 0 | 6,005 | 0 | 8,932 | 0 | 14,937 | n/a |
| Other transfer payments | 3,831 | 11,389 | 2,354 | 5,942 | 6,185 | 17,331 | 180.2 |
| Operating expenses | 6,181 | 7,787 | 6,625 | 6,930 | 12,806 | 14,717 | 14.9 |
| Losses from employee future benefit plans | 716 | 897 | 716 | 897 | 1,432 | 1,794 | 25.3 |
| Total direct program expenses | 11,507 | 26,952 | 10,026 | 23,742 | 21,533 | 50,694 | 135.4 |
| Total program expenses | 28,737 | 59,422 | 24,449 | 56,212 | 53,186 | 115,634 | 117.4 |
| Public debt charges | 2,315 | 2,096 | 2,428 | 1,483 | 4,743 | 3,579 | -24.5 |
| Total expenses | 31,052 | 61,518 | 26,877 | 57,695 | 57,929 | 119,213 | 105.8 |

Note: Totals may not add due to rounding.

Note: Certain comparative figures have been reclassified to conform to the current year's presentation.

¹ Other 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.

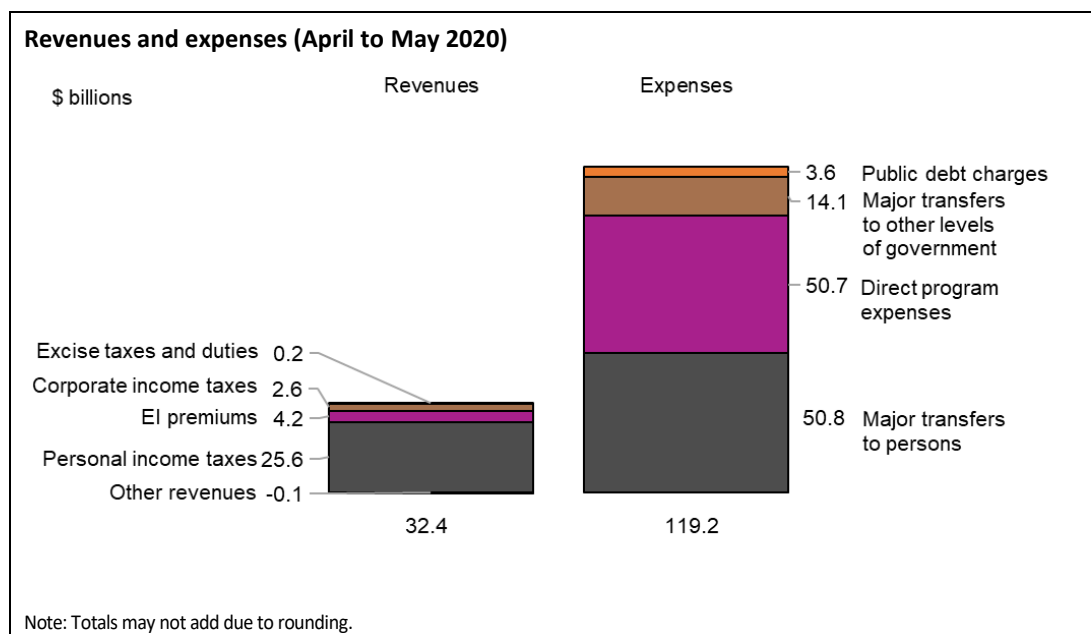
The following table presents total expenses by main object of expense.

Table 4

Total expenses by object of expense

| | April | | May | | April to May | | Change |
|---|---------------|--------|--------|--------|--------------|---------|--------|
| | 2019 | 2020 | 2019 | 2020 | 2019–20 | 2020–21 | |
| | (\$ millions) | | | | | | (%) |
| Transfer payments | 21,840 | 50,738 | 17,108 | 48,385 | 38,948 | 99,123 | 154.5 |
| Other expenses | | | | | | | |
| Personnel | 4,369 | 4,973 | 4,874 | 4,933 | 9,243 | 9,906 | 7.2 |
| Transportation and communications | 68 | 78 | 214 | 133 | 282 | 211 | -25.2 |
| Information | 6 | 5 | 20 | 67 | 26 | 72 | 176.9 |
| Professional and special services | 394 | 347 | 655 | 586 | 1,049 | 933 | -11.1 |
| Rentals | 221 | 235 | 324 | 335 | 545 | 570 | 4.6 |
| Repair and maintenance | 83 | 96 | 156 | 181 | 239 | 277 | 15.9 |
| Utilities, materials and supplies | 97 | 1,361 | 214 | 298 | 311 | 1,659 | 433.4 |
| Other subsidies and expenses | 1,225 | 1,153 | 449 | 853 | 1,674 | 2,006 | 19.8 |
| Amortization of tangible capital assets | 427 | 427 | 427 | 436 | 854 | 863 | 1.1 |
| Net loss on disposal of assets | 7 | 9 | 8 | 5 | 15 | 14 | -6.7 |
| Total other expenses | 6,897 | 8,684 | 7,341 | 7,827 | 14,238 | 16,511 | 16.0 |
| Total program expenses | 28,737 | 59,422 | 24,449 | 56,212 | 53,186 | 115,634 | 117.4 |
| Public debt charges | 2,315 | 2,096 | 2,428 | 1,483 | 4,743 | 3,579 | -24.5 |
| Total expenses | 31,052 | 61,518 | 26,877 | 57,695 | 57,929 | 119,213 | 105.8 |

Note: Totals may not add due to rounding.



Financial requirement of \$137.1 billion for April to May 2020

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 \$86.8 billion and a requirement of \$50.3 billion from non-budgetary transactions, there was a financial requirement of \$137.1 billion for the April to May 2020 period, compared to a financial requirement of \$7.5 billion from the same period the previous year.

The increased financial requirement for non-budgetary transactions for the April to May 2020 period was mainly driven by COVID-19 response measures affecting accounts payable, accrued liabilities and accounts receivable; and loans, investments and advances. Changes to accounts payable, accrued liabilities and accounts receivable reflect uptake of deferrals of personal and corporate income tax payments and Goods and Services Tax remittances offered under the government's Economic Response Plan, while changes to loans, investments and advances largely reflect loans advanced under the CEBA program during this period.

Table 5

The budgetary balance and financial source/requirement

\$ millions

| | April | | May | | April to May | |
|---|--------|---------|--------|---------|--------------|----------|
| | 2019 | 2020 | 2019 | 2020 | 2019-20 | 2020-21 |
| Budgetary balance (deficit/surplus) | -2,126 | -42,837 | 713 | -43,932 | -1,413 | -86,769 |
| Non-budgetary transactions | | | | | | |
| Accounts payable, accrued liabilities and accounts receivable | -1,333 | -27,626 | -1,246 | -8,227 | -2,579 | -35,853 |
| Pensions, other future benefits, and other liabilities | 713 | 624 | 618 | 912 | 1,331 | 1,536 |
| Foreign exchange accounts | -2,435 | -423 | -1,109 | 963 | -3,544 | 540 |
| Loans, investments and advances | -1,019 | -14,325 | -593 | -2,721 | -1,612 | -17,046 |
| Non-financial assets | 376 | 236 | -69 | 283 | 307 | 519 |
| Total non-budgetary transactions | -3,698 | -41,514 | -2,399 | -8,790 | -6,097 | -50,304 |
| Financial source/requirement | -5,824 | -84,351 | -1,686 | -52,722 | -7,510 | -137,073 |

Note: Totals may not add due to rounding.

Net financing activities up \$239.9 billion

The government financed this financial requirement of \$137.1 billion and increased cash balances by \$102.9 billion by increasing unmatured debt by \$239.9 billion. The increase in unmatured debt was achieved primarily through the issuance of treasury bills and marketable bonds.

Cash balances at the end of May 2020 stood at \$147.5 billion, up \$102.9 billion from their level at the end of March 2020. The significant increase in the cash balance largely reflects borrowings undertaken to meet the Government's projected financial requirements under the COVID-19 Economic Response Plan.

Table 6

Financial source/requirement and net financing activities

\$ millions

| | April | | May | | April to May | |
|--|--------|---------|--------|---------|--------------|----------|
| | 2019 | 2020 | 2019 | 2020 | 2019-20 | 2020-21 |
| Financial source/requirement | -5,824 | -84,351 | -1,686 | -52,722 | -7,510 | -137,073 |
| Net increase (+)/decrease (-) in financing activities | | | | | | |
| Unmatured debt transactions | | | | | | |
| Canadian currency borrowings | | | | | | |
| Marketable bonds | 7,583 | 27,762 | 1,318 | 19,063 | 8,901 | 46,825 |
| Treasury bills | 2,800 | 106,133 | 4,300 | 84,400 | 7,100 | 190,533 |
| Retail debt | -31 | -18 | -23 | 1 | -54 | -17 |
| Total Canadian currency borrowings | 10,352 | 133,877 | 5,595 | 103,464 | 15,947 | 237,341 |
| Foreign currency borrowings | 1,030 | 2,492 | -525 | 1,301 | 505 | 3,793 |
| Total market debt transactions | 11,382 | 136,369 | 5,070 | 104,765 | 16,452 | 241,134 |
| Cross-currency swap revaluation | 205 | -1,307 | 457 | -1,239 | 662 | -2,546 |
| Unamortized discounts and premiums on market debt | 174 | 810 | -168 | 610 | 6 | 1,420 |
| Obligations related to capital leases and other unmatured debt | -46 | -47 | -17 | -18 | -63 | -65 |
| Net change in financing activities | 11,715 | 135,825 | 5,342 | 104,118 | 17,057 | 239,943 |
| Change in cash balance | 5,891 | 51,474 | 3,656 | 51,396 | 9,547 | 102,870 |
| Cash balance at end of period | | | | | 49,551 | 147,549 |

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. 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 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 2020