



Department of Finance
Canada

Ministère des Finances
Canada

THE FISCAL MONITOR

A publication of the Department of Finance

Financial results for July 2020

Canada

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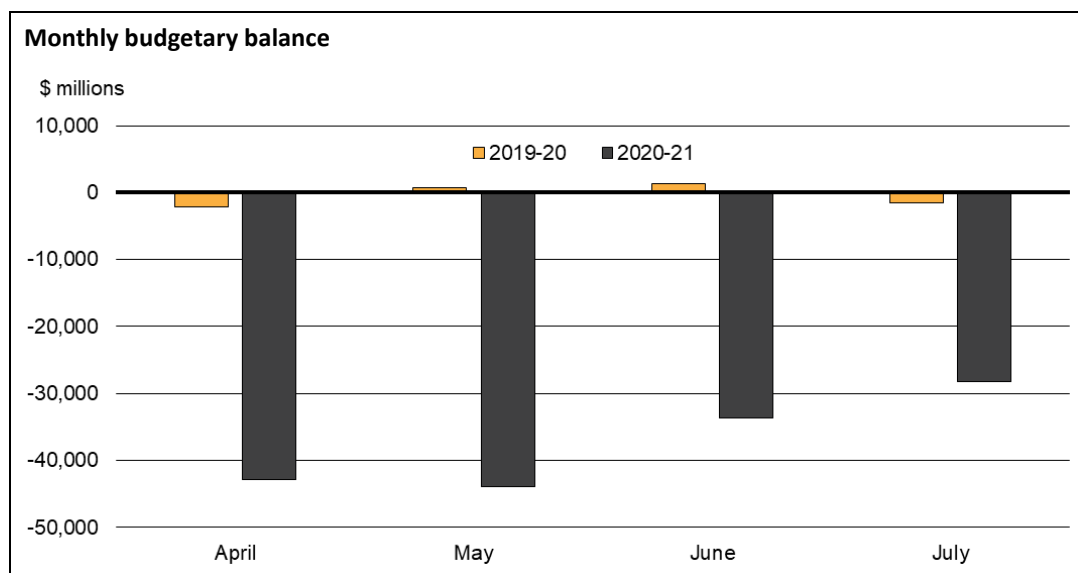
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Highlights

July 2020

There was a budgetary deficit of \$28.2 billion in July 2020, compared to a deficit of \$1.5 billion in July 2019. The government's financial results reflect the economic downturn 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.



Revenues decreased by \$6.3 billion, or 22.5 per cent, reflecting decreases in tax revenues and other revenues. Program expenses were up \$20.8 billion, or 76.9 per cent, driven by increased transfers to individuals, businesses, and other levels of government as part of COVID-19 response measures. Public debt charges were down \$0.3 billion, or 13.1 per cent, reflecting in part lower Consumer Price Index adjustments on Real Return Bonds.

April to July 2020

For the April to July period of the 2020–21 fiscal year, the government posted a budgetary deficit of \$148.6 billion, compared to a deficit of \$1.6 billion reported for the same period of 2019–20. 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 during this period, and remains consistent with the budgetary balance presented in the Economic and Fiscal Snapshot in July.

Revenues were down \$38.3 billion, or 34.1 per cent, primarily reflecting lower tax revenues and other revenues. Program expenses were up \$111.1 billion, or 106.2 per cent, largely reflecting transfers to individuals and businesses under the Economic Response Plan, including the Canada Emergency Response Benefit (CERB), the Canada Emergency Wage Subsidy (CEWS), and the 25 per cent incentive for the Canada Emergency Business Account (CEBA). Public debt charges decreased by \$2.4 billion, or 25.7 per cent, largely reflecting lower Consumer Price Index adjustments on Real Return Bonds.

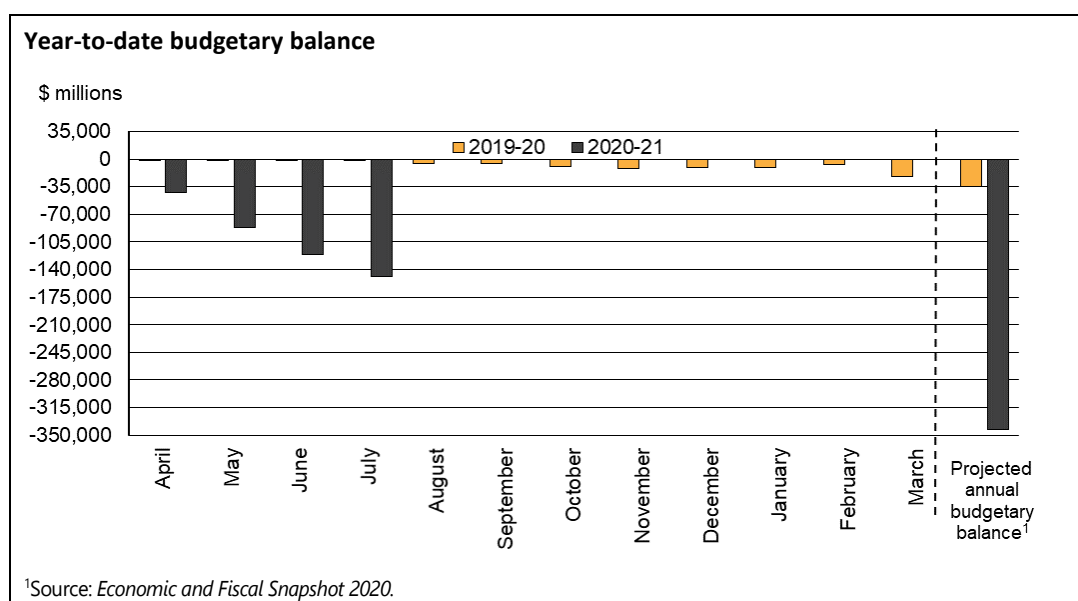


Table 1

Summary statement of transactions

\$ millions

	July		April to July	
	2019	2020	2019–20	2020–21
Budgetary transactions				
Revenues	27,845	21,585	112,219	73,945
Expenses				
Program expenses	-27,055	-47,848	-104,604	-215,708
Public debt charges	-2,260	-1,965	-9,172	-6,816
Budgetary balance (deficit/surplus)	-1,470	-28,228	-1,557	-148,579
Non-budgetary transactions	-3,072	3,889	-12,811	-63,365
Financial source/requirement	-4,542	-24,339	-14,368	-211,944
Net change in financing activities	11,502	25,449	17,888	323,098
Net change in cash balances	6,960	1,110	3,520	111,154
Cash balance at end of period			43,524	155,834

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

Revenues

Revenues in 2020–21 have been affected by the economic impacts of the COVID-19 crisis and by measures introduced under the government's Economic Response Plan, such as tax deferrals and the one-time Goods and Services Tax/Harmonized Sales Tax (GST/HST) credit payment. However, due to challenges in isolating these impacts from underlying economic activity, it is not possible to provide an accurate measure of the impact of COVID-19 on federal revenues.

Revenues in July 2020 totalled \$21.6 billion, down \$6.3 billion, or 22.5 per cent, from July 2019.

- Tax revenues decreased by \$3.2 billion, or 13.6 per cent, driven largely by a decline in corporate income tax revenues, reflecting COVID-19 and related measures, such as tax deferrals.
- Employment Insurance (EI) premium revenues were up \$17 million, or 1.0 per cent.
- Assessed fuel charge proceeds under the federal carbon pollution pricing system were up \$0.2 billion, or 109.1 per cent.
- 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 \$3.3 billion, or 120.4 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 July 2020.

For the April to July period of 2020–21, revenues were \$73.9 billion, down \$38.3 billion, or 34.1 per cent, from the same period the previous year.

- Tax revenues decreased by \$25.0 billion, or 26.7 per cent, driven largely by declines in GST, corporate income tax and personal income tax revenues, reflecting COVID-19 and related measures such as the introduction of the enhanced GST credit and tax deferrals. For its part, the federal portion of assessed cannabis excise duties increased by \$12 million to \$25 million over the April to July period.
- EI premium revenues were down \$0.4 billion, or 5.1 per cent.
- Assessed fuel charge proceeds were up \$1.0 billion, or 321.9 per cent.
- Other revenues were down \$13.9 billion, or 140.4 per cent, largely reflecting the up-front expensing of premiums paid by the Bank of Canada on its secondary market purchases of Government of Canada securities.

Table 2

Revenues

	July		Change	April to July		Change
	2019	2020		2019–20	2020–21	
	(\$ millions)		(%)	(\$ millions)		(%)
Tax revenues						
Income taxes						
Personal	11,987	12,836	7.1	52,626	50,481	-4.1
Corporate	4,623	1,519	-67.1	17,700	5,661	-68.0
Non-resident	797	621	-22.1	2,925	2,670	-8.7
Total income tax revenues	17,407	14,976	-14.0	73,251	58,812	-19.7
Other taxes and duties						
Goods and Services Tax	4,146	3,861	-6.9	14,326	5,311	-62.9
Energy taxes	493	363	-26.4	1,864	1,481	-20.5
Customs import duties	467	331	-29.1	1,925	1,107	-42.5
Other excise taxes and duties	673	497	-26.2	2,248	1,942	-13.6
Total excise taxes and duties	5,779	5,052	-12.6	20,363	9,841	-51.7
Total tax revenues	23,186	20,028	-13.6	93,614	68,653	-26.7
Fuel charge proceeds	165	345	109.1	302	1,274	321.9
Employment Insurance premiums	1,753	1,770	1.0	8,433	8,005	-5.1
Other revenues	2,741	-558	-120.4	9,870	-3,987	-140.4
Total revenues	27,845	21,585	-22.5	112,219	73,945	-34.1

Note: Totals may not add due to rounding.

Expenses

Program expenses in 2020–21 have been significantly impacted by spending measures under the Economic Response Plan, including the CERB, the CEWS, the 25 per cent incentive under the CEBA, the Canada Emergency Student Benefit (CESB), and the Canada Emergency Commercial Rent Assistance (CECRA) program. Further information regarding these measures is provided below.

Program expenses in July 2020 were \$47.8 billion, up \$20.8 billion, or 76.9 per cent, from July 2019.

- Major transfers to persons, consisting of elderly benefits, EI benefits, the CERB and children's benefits, were up \$8.5 billion or 104.2 per cent.
 - Elderly benefits increased by \$0.3 billion, or 5.7 per cent, due to growth in the number of recipients.
 - EI benefits decreased by \$0.7 billion, or 41.1 per cent, reflecting the introduction of the CERB.
 - The CERB, an income support program introduced under Canada's COVID-19 Economic Response Plan, accounted for \$8.8 billion in payments, reflecting labour market impacts of the economic shutdown.
 - Children's benefits were up \$0.2 billion, or 8.1 per cent.
- Major transfers to other levels of government were down \$0.5 billion, or 7.5 per cent, as legislated growth in the Canada Health Transfer, the Canada Social Transfer, Equalization transfers and transfers to the territories, as well as payments to provinces and territories to cost-share a top-up to the salaries of low-income essential workers in the fight against COVID-19, was more than offset by a year-over-year timing difference due to the acceleration of federal funding delivered through the Gas Tax Fund in 2020–21.
- Direct program expenses were up \$12.8 billion, or 109.5 per cent. Within direct program expenses:
 - Fuel charge proceeds returned increased by \$0.1 billion, or 300.0 per cent, largely reflecting the maturity of the program and an increase in the rate of the Climate Action Incentive payments for tax year 2019.
 - The CEWS reflects \$7.8 billion in payments to eligible employers under Canada's COVID-19 Economic Response Plan.
 - Other transfer payments increased by \$4.3 billion, or 124.8 per cent, largely reflecting a number of COVID-19 response measures, including support for seniors eligible for Old Age Security and the Guaranteed Income Supplement to cover increased costs as a result of COVID-19, the 25 per cent incentive under the CEBA, transfers to students under the CESB, and relief provided under the CECRA program.
 - Operating expenses of the government's departments, agencies and consolidated Crown corporations and other entities increased by \$0.4 billion, or 5.4 per cent, reflecting increases in personnel costs and purchases of medical and personal protective equipment in response to the COVID-19 crisis.
 - 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 \$0.2 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 \$0.3 billion, or 13.1 per cent, reflecting in part lower Consumer Price Index adjustments on Real Return Bonds.

For the April to July period of 2020–21, program expenses were \$215.7 billion, up \$111.1 billion, or 106.2 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 \$55.1 billion or 170.8 per cent.
 - Elderly benefits increased by \$1.1 billion, or 6.0 per cent, reflecting growth in the number of recipients.
 - EI benefits increased by \$1.2 billion, or 20.3 per cent, due to higher unemployment resulting from the crisis.
 - The CERB accounted for \$50.4 billion in transfers.
 - Children's benefits were up \$2.3 billion, or 29.2 per cent, reflecting the one-time increase to the May 2020 Canada Child Benefit payment.
- Major transfers to other levels of government were up \$2.8 billion, or 9.8 per cent, largely reflecting transfers under the Essential Workers Wage Top-Up; the accelerated timing of federal funding delivered through the Gas Tax Fund; and legislated growth in 2020–21 in the Canada Health Transfer, the Canada Social Transfer, Equalization transfers and transfers to the territories. These increases were offset in part by a \$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.
- Direct program expenses were up \$53.2 billion, or 121.6 per cent. Within direct program expenses:
 - Fuel charge proceeds returned increased by \$1.3 billion, or 107.4 per cent, largely reflecting the continued administration of Climate Action Incentive payments, at an increased rate, for the 2019 tax year.
 - The CEWS accounted for \$30.6 billion in payments.
 - Other transfer payments increased by \$17.3 billion, or 137.0 per cent, largely reflecting a number of COVID-19 response measures, including the 25 per cent incentive under the CEBA, support for seniors to cover increased costs as a result of COVID-19, transfers to students under the CESB, and payments under the CECRA.
 - Operating expenses of the government's departments, agencies and consolidated Crown corporations and other entities increased by \$3.3 billion, or 12.2 per cent, reflecting in large part purchases of medical and personal protective equipment in response to the COVID-19 crisis and an increase in pensions and benefits current service costs.
 - Losses from employee future benefit plans increased by \$0.7 billion, or 25.3 per cent, due mainly to declines in long-term interest rates used to value the obligations.

Public debt charges decreased by \$2.4 billion, or 25.7 per cent, largely reflecting lower Consumer Price Index adjustments on Real Return Bonds.

Table 3

Expenses

	July		Change	April to July		Change
	2019	2020		2019–20	2020–21	
	(\$ millions)		(%)	(\$ millions)		(%)
Major transfers to persons						
Elderly benefits	4,642	4,906	5.7	18,309	19,411	6.0
Employment Insurance benefits	1,614	951	-41.1	5,896	7,094	20.3
Canada Emergency Response Benefit	0	8,776	n/a	0	50,404	n/a
Children's benefits	1,935	2,092	8.1	8,030	10,377	29.2
Total major transfers to persons	8,191	16,725	104.2	32,235	87,286	170.8
Major transfers to other levels of government						
Canada Health Transfer	3,364	3,489	3.7	13,458	13,957	3.7
Canada Social Transfer	1,215	1,252	3.0	4,862	5,008	3.0
Equalization	1,656	1,714	3.5	6,615	6,858	3.7
Territorial Formula Financing	268	284	6.0	1,800	1,906	5.9
Gas Tax Fund	1,084	0	-100.0	1,084	2,170	100.2
Home care and mental health	0	0	n/a	550	625	13.6
Other fiscal arrangements ¹	-408	-96	-76.5	221	881	298.6
Total major transfers to other levels of government	7,179	6,643	-7.5	28,590	31,405	9.8
Direct program expenses						
Fuel charge proceeds returned	36	144	300.0	1,222	2,534	107.4
Canada Emergency Wage Subsidy	0	7,841	n/a	0	30,593	n/a
Other transfer payments	3,409	7,665	124.8	12,642	29,957	137.0
Operating expenses	7,524	7,933	5.4	27,051	30,345	12.2
Losses from employee future benefit plans	716	897	25.3	2,864	3,588	25.3
Total direct program expenses	11,685	24,480	109.5	43,779	97,017	121.6
Total program expenses	27,055	47,848	76.9	104,604	215,708	106.2
Public debt charges	2,260	1,965	-13.1	9,172	6,816	-25.7
Total expenses	29,315	49,813	69.9	113,776	222,524	95.6

Notes: Totals may not add due to rounding. 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; the Essential Workers Wage Top-Up; and, other items.

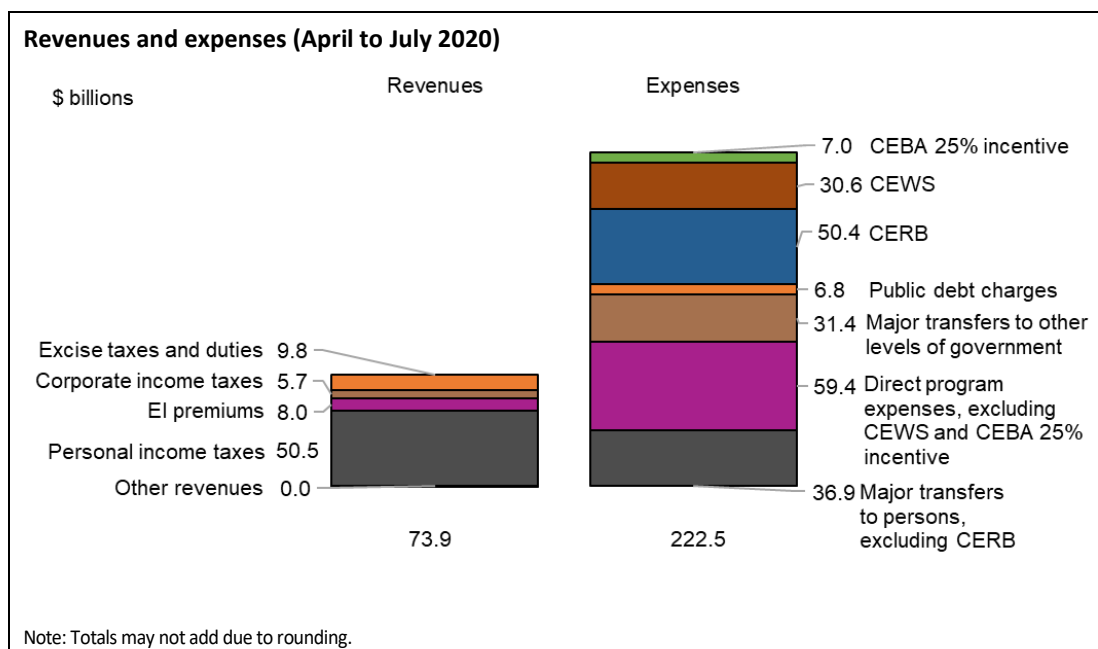
The following table presents total expenses by main object of expense.

Table 4

Total expenses by object of expense

	July			April to July		
	2019	2020	Change	2019-20	2020-21	Change
	(\$ millions)		(%)	(\$ millions)		(%)
Transfer payments	18,815	39,018	107.4	74,689	181,775	143.4
Other expenses						
Personnel	4,876	5,575	14.3	18,677	20,692	10.8
Transportation and communications	278	186	-33.1	806	556	-31.0
Information	36	28	-22.2	90	114	26.7
Professional and special services	991	918	-7.4	2,877	2,569	-10.7
Rentals	288	290	0.7	1,094	1,135	3.7
Repair and maintenance	284	235	-17.3	780	687	-11.9
Utilities, materials and supplies	218	656	200.9	746	2,902	289.0
Other subsidies and expenses	811	497	-38.7	3,085	3,468	12.4
Amortization of tangible capital assets	427	435	1.9	1,708	1,778	4.1
Net loss on disposal of assets	31	10	-67.7	52	32	-38.5
Total other expenses	8,240	8,830	7.2	29,915	33,933	13.4
Total program expenses	27,055	47,848	76.9	104,604	215,708	106.2
Public debt charges	2,260	1,965	-13.1	9,172	6,816	-25.7
Total expenses	29,315	49,813	69.9	113,776	222,524	95.6

Note: Totals may not add due to rounding.



Financial requirement of \$211.9 billion for April to July 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 \$148.6 billion and a requirement of \$63.4 billion from non-budgetary transactions, there was a financial requirement of \$211.9 billion for the April to July 2020 period, compared to a financial requirement of \$14.4 billion for the same period the previous year.

The increased financial requirement for non-budgetary transactions for the April to July 2020 period was mainly driven by changes in accounts payable, accrued liabilities and accounts receivable; and loans, investments and advances. Changes to accounts payable, accrued liabilities and accounts receivable reflect a number of factors, including the uptake of deferrals of personal and corporate income tax payments 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

	July		April to July	
	2019	2020	2019-20	2020-21
Budgetary balance (deficit/surplus)	-1,470	-28,228	-1,557	-148,579
Non-budgetary transactions				
Accounts payable, accrued liabilities and accounts receivable	-3,108	3,048	-11,823	-48,015
Pensions, other future benefits, and other liabilities	619	-564	2,534	3,306
Foreign exchange accounts	377	-2,319	-122	-171
Loans, investments and advances	-758	3,907	-3,443	-18,819
Non-financial assets	-202	-183	43	334
Total non-budgetary transactions	-3,072	3,889	-12,811	-63,365
Financial source/requirement	-4,542	-24,339	-14,368	-211,944

Note: Totals may not add due to rounding

Net financing activities up \$323.1 billion

The government financed this financial requirement of \$211.9 billion and increased cash balances by \$111.2 billion by increasing unmatured debt by \$323.1 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 2020 stood at \$155.8 billion, up \$111.2 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

	July		April to July	
	2019	2020	2019-20	2020-21
Financial source/requirement	-4,542	-24,339	-14,368	-211,944
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	7,977	30,172	16,235	95,633
Treasury bills	4,000	-7,100	4,600	222,533
Retail debt	-13	-4	-80	-14
Total Canadian currency borrowings	11,964	23,068	20,755	318,152
Foreign currency borrowings	361	709	-276	4,652
Total market debt transactions	12,325	23,777	20,479	322,804
Cross-currency swap revaluation	-203	181	-1,915	-3,693
Unamortized discounts and premiums on market debt	51	1,507	106	4,086
Obligations related to capital leases and other unmatured debt	-671	-16	-782	-99
Net change in financing activities	11,502	25,449	17,888	323,098
Change in cash balance	6,960	1,110	3,520	111,154
Cash balance at end of period			43,524	155,834

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

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September 2020