



Department of Finance
Canada

Ministère des Finances
Canada

THE FISCAL MONITOR

A publication of the Department of Finance

Financial results for August 2020

Canada

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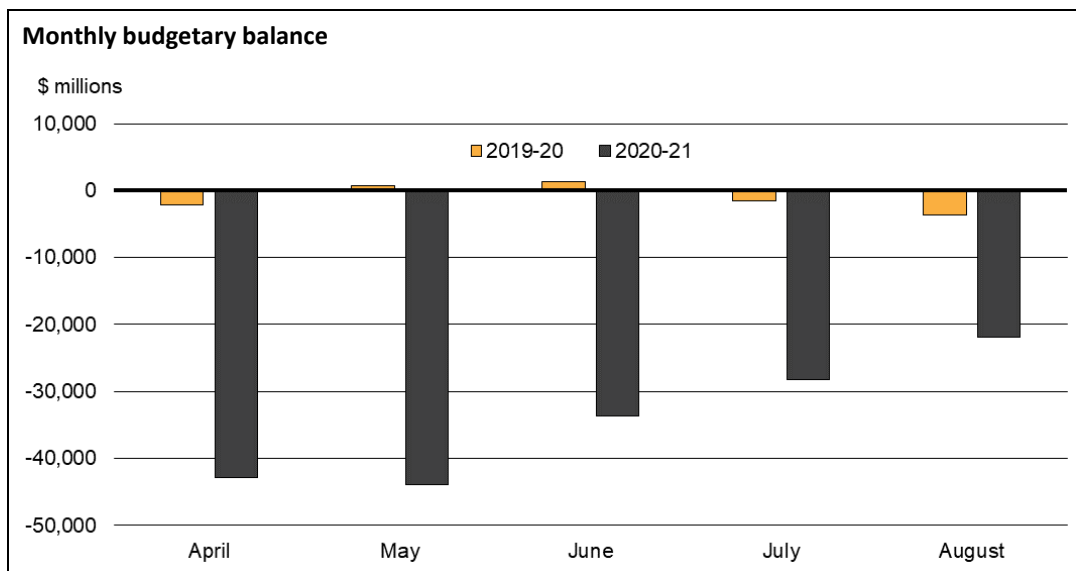
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Highlights

August 2020

There was a budgetary deficit of \$21.9 billion in August 2020, compared to a deficit of \$3.7 billion in August 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 \$1.3 billion, or 5.4 per cent, reflecting a decrease in other revenues. Program expenses were up \$16.3 billion, or 61.4 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 up \$0.6 billion, or 35.6 per cent, reflecting higher Consumer Price Index adjustments on Real Return Bonds.

April to August 2020

For the April to August period of the 2020–21 fiscal year, the government posted a budgetary deficit of \$170.5 billion, compared to a deficit of \$5.2 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 \$39.6 billion, or 29.0 per cent, primarily reflecting a broad-based reduction in revenues, including lower tax revenues and other revenues. Program expenses were up \$127.4 billion, or 97.1 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 \$1.8 billion, or 16.2 per cent, largely reflecting lower Consumer Price Index adjustments on Real Return Bonds and lower interest on Government of Canada treasury bills.

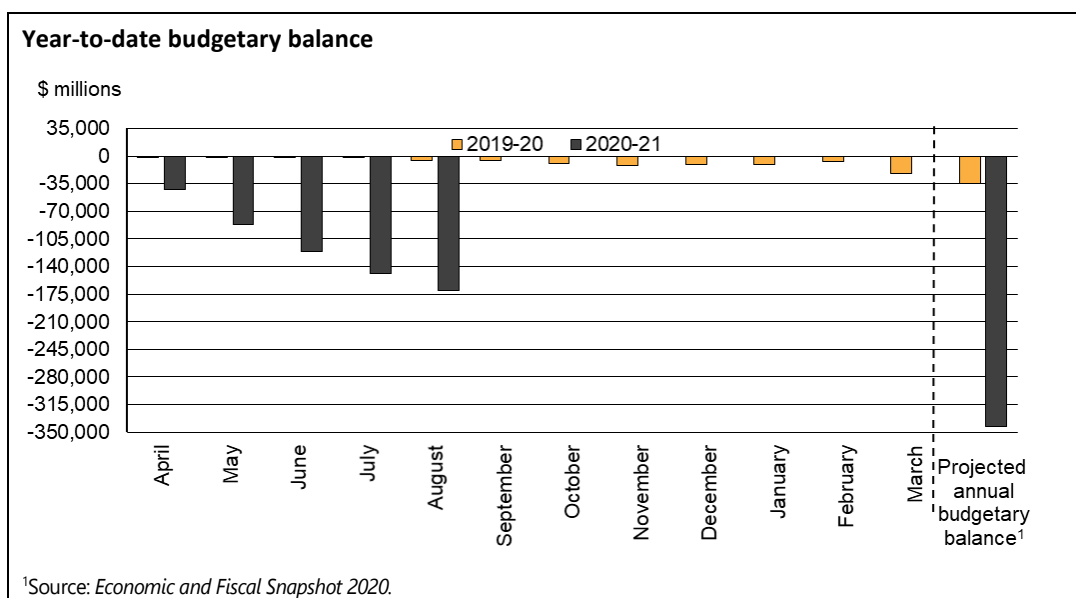


Table 1

Summary statement of transactions

\$ millions

	August		April to August	
	2019	2020	2019–20	2020–21
Budgetary transactions				
Revenues	24,595	23,257	136,815	97,200
Expenses				
Program expenses	-26,584	-42,919	-131,188	-258,626
Public debt charges	-1,678	-2,275	-10,850	-9,091
Budgetary balance (deficit/surplus)	-3,667	-21,937	-5,223	-170,517
Non-budgetary transactions	2,088	10,743	-10,725	-52,622
Financial source/requirement	-1,579	-11,194	-15,948	-223,139
Net change in financing activities	4,012	-15,449	21,900	307,650
Net change in cash balances	2,433	-26,643	5,952	84,511
Cash balance at end of period			45,956	129,190

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 August 2020 totalled \$23.3 billion, down \$1.3 billion, or 5.4 per cent, from August 2019.

- Tax revenues increased by \$1.0 billion, or 4.8 per cent, driven by an increase in personal income tax revenues, reflecting in part the timing of remittances by large filers.
- Employment Insurance (EI) premium revenues were up \$22 million, or 1.4 per cent.
- Assessed fuel charge proceeds under the federal carbon pollution pricing system were up \$0.3 billion, or 214.3 per cent.
- Other revenues, consisting of enterprise Crown corporations' net profits, sales of goods and services, returns on investments and net foreign exchange revenues, were down \$2.6 billion, or 111.3 per cent. This decrease largely reflects lower revenues from interest and penalties and lower profits from enterprise Crown corporations, mainly due to the Bank of Canada. The decrease in Bank of Canada profits is attributable to the Bank's secondary market purchases of Government of Canada securities to support liquidity in financial markets. Under the public sector accounting standards, premiums paid on these bond purchases are expensed immediately, which more than offsets interest earnings on the securities during the month.

For the April to August period of 2020–21, revenues were \$97.2 billion, down \$39.6 billion, or 29.0 per cent, from the same period the previous year.

- Tax revenues decreased by \$24.0 billion, or 21.0 per cent, driven largely by declines in corporate income tax and GST revenues, reflecting COVID-19 impacts and related measures such as the introduction of the enhanced GST credit. For its part, the federal portion of assessed cannabis excise duties increased by \$16 million to \$34 million over the April to August period.
- EI premium revenues were down \$0.4 billion, or 4.1 per cent.
- Assessed fuel charge proceeds were up \$1.3 billion, or 287.8 per cent.
- Other revenues were down \$16.5 billion, or 134.8 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

	August		Change	April to August		Change
	2019	2020		2019–20	2020–21	
	(\$ millions)		(%)	(\$ millions)		(%)
Tax revenues						
Income taxes						
Personal	12,506	14,060	12.4	65,132	64,541	-0.9
Corporate	2,828	2,508	-11.3	20,527	8,169	-60.2
Non-resident	617	607	-1.6	3,542	3,277	-7.5
Total income tax revenues	15,951	17,175	7.7	89,201	75,987	-14.8
Other taxes and duties						
Goods and Services Tax	3,117	3,059	-1.9	17,442	8,370	-52.0
Energy taxes	478	412	-13.8	2,342	1,894	-19.1
Customs import duties	442	374	-15.4	2,367	1,481	-37.4
Other excise taxes and duties	574	538	-6.3	2,823	2,480	-12.2
Total excise taxes and duties	4,611	4,383	-4.9	24,974	14,225	-43.0
Total tax revenues	20,562	21,558	4.8	114,175	90,212	-21.0
Fuel charge proceeds	133	418	214.3	436	1,691	287.8
Employment Insurance premiums	1,528	1,550	1.4	9,961	9,555	-4.1
Other revenues	2,372	-269	-111.3	12,243	-4,258	-134.8
Total revenues	24,595	23,257	-5.4	136,815	97,200	-29.0

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 August 2020 were \$42.9 billion, up \$16.3 billion, or 61.4 per cent, from August 2019.

- Major transfers to persons, consisting of elderly benefits, EI benefits, the CERB and children's benefits, were up \$8.1 billion or 96.9 per cent.
 - Elderly benefits increased by \$0.2 billion, or 5.3 per cent, due to growth in the number of recipients.
 - EI benefits decreased by \$0.7 billion, or 40.1 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 \$8.4 billion in payments, reflecting labour market impacts of the economic shutdown.
 - Children's benefits were up \$0.1 billion, or 5.2 per cent.
- Major transfers to other levels of government were up \$0.8 billion, or 13.3 per cent. This increase was due mainly to an adjustment in the prior year to reflect a revised estimate of recoveries under the Quebec Abatement; legislated growth in the Canada Health Transfer, the Canada Social Transfer, Equalization transfers and transfers to the territories in the current year; and, payments to provinces and territories in August 2020 to cost-share a top-up to the salaries of low-income essential workers in the fight against COVID-19.
- Direct program expenses were up \$7.5 billion, or 60.2 per cent. Within direct program expenses:
 - Fuel charge proceeds returned increased by \$47 million, or 223.8 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 \$6.8 billion in payments to eligible employers under Canada's COVID-19 Economic Response Plan.
 - Other transfer payments increased by \$1.8 billion, or 55.1 per cent, largely reflecting a number of COVID-19 response measures, including 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 decreased by \$0.5 billion, or 6.9 per cent, largely due to a year-to-date adjustment made in the prior year to the government's current service costs for pensions and other employee future benefits based on updated actuarial valuations.
 - 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, decreased by \$0.7 billion, or 44.6 per cent, due mainly to a year-to-date adjustment made in the prior year to reflect the government's updated actuarial valuations.

Public debt charges increased by \$0.6 billion, or 35.6 per cent, reflecting higher Consumer Price Index adjustments on Real Return Bonds.

For the April to August period of 2020–21, program expenses were \$258.6 billion, up \$127.4 billion, or 97.1 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 \$63.1 billion or 155.6 per cent.
 - Elderly benefits increased by \$1.3 billion, or 5.9 per cent, reflecting growth in the number of recipients.
 - EI benefits increased by \$0.5 billion, or 7.0 per cent, due to higher unemployment resulting from the crisis, which more than offsets the payment of benefits through the CERB this year.
 - The CERB accounted for \$58.8 billion in transfers.
 - Children's benefits were up \$2.5 billion, or 24.4 per cent, reflecting the one-time increase to the May 2020 Canada Child Benefit payment.
- Major transfers to other levels of government were up \$3.6 billion, or 10.4 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 \$60.7 billion, or 108.0 per cent. Within direct program expenses:
 - Fuel charge proceeds returned increased by \$1.4 billion, or 109.3 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 \$37.4 billion in payments.
 - Other transfer payments increased by \$19.2 billion, or 119.8 per cent, largely reflecting a number of COVID-19 response measures, including the 25 per cent incentive under the CEBA, transfers to students under the CESB, support for seniors to cover increased costs as a result of COVID-19, and payments under the CECRA.
 - Operating expenses of the government's departments, agencies and consolidated Crown corporations and other entities increased by \$2.8 billion, or 8.1 per cent, reflecting in large part purchases of medical and personal protective equipment in response to the COVID-19 crisis.
 - Losses from employee future benefit plans increased by \$2 million.

Public debt charges decreased by \$1.8 billion, or 16.2 per cent, largely reflecting lower Consumer Price Index adjustments on Real Return Bonds and lower interest on Government of Canada treasury bills.

Table 3

Expenses

	August		Change	April to August		Change
	2019	2020		2019-20	2020-21	
	(\$ millions)		(%)	(\$ millions)		(%)
Major transfers to persons						
Elderly benefits	4,646	4,891	5.3	22,955	24,302	5.9
Employment Insurance benefits	1,670	1,000	-40.1	7,566	8,094	7.0
Canada Emergency Response Benefit	-	8,380	n/a	-	58,784	n/a
Children's benefits	2,006	2,111	5.2	10,036	12,487	24.4
Total major transfers to persons	8,322	16,382	96.9	40,557	103,667	155.6
Major transfers to other levels of government						
Canada Health Transfer	3,364	3,489	3.7	16,822	17,446	3.7
Canada Social Transfer	1,215	1,252	3.0	6,077	6,260	3.0
Equalization	1,653	1,714	3.7	8,269	8,572	3.7
Territorial Formula Financing	268	284	6.0	2,069	2,190	5.8
Gas Tax Fund	-	-	n/a	1,084	2,170	100.2
Home care and mental health	-	-	n/a	550	625	13.6
Other fiscal arrangements ¹	-699	-164	-76.5	-478	717	-250.0
Total major transfers to other levels of government	5,801	6,575	13.3	34,393	37,980	10.4
Direct program expenses						
Fuel charge proceeds returned	21	68	223.8	1,243	2,601	109.3
Canada Emergency Wage Subsidy	-	6,840	n/a	-	37,432	n/a
Other transfer payments	3,356	5,205	55.1	15,998	35,162	119.8
Operating expenses	7,465	6,952	-6.9	34,514	37,299	8.1
Losses from employee future benefit plans	1,619	897	-44.6	4,483	4,485	0.0
Total direct program expenses	12,461	19,962	60.2	56,238	116,979	108.0
Total program expenses	26,584	42,919	61.4	131,188	258,626	97.1
Public debt charges	1,678	2,275	35.6	10,850	9,091	-16.2
Total expenses	28,262	45,194	59.9	142,038	267,717	88.5

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.

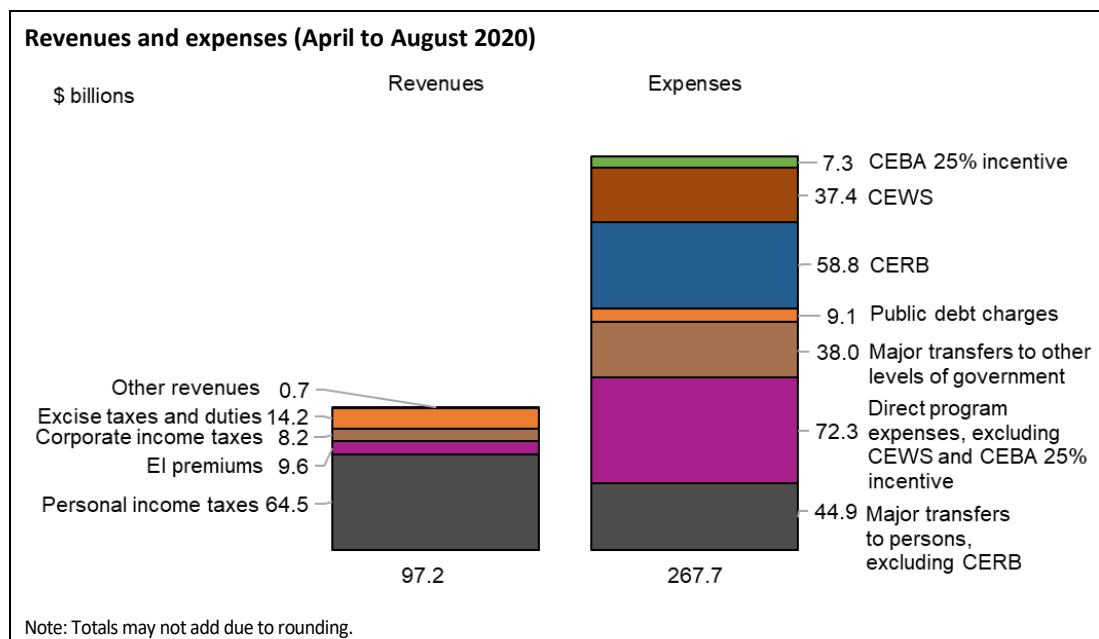
The following table presents total expenses by main object of expense.

Table 4

Total expenses by object of expense

	August			April to August		
	2019	2020	Change	2019–20	2020–21	Change
	(\$ millions)		(%)	(\$ millions)		(%)
Transfer payments	17,500	35,070	100.4	92,191	216,842	135.2
Other expenses						
Personnel	6,190	5,001	-19.2	24,867	25,694	3.3
Transportation and communications	226	156	-31.0	1,032	712	-31.0
Information	22	27	22.7	112	141	25.9
Professional and special services	880	934	6.1	3,756	3,503	-6.7
Rentals	211	257	21.8	1,305	1,392	6.7
Repair and maintenance	262	213	-18.7	1,041	900	-13.5
Utilities, materials and supplies	211	250	18.5	957	3,152	229.4
Other subsidies and expenses	644	545	-15.4	3,729	4,014	7.6
Amortization of tangible capital assets	427	456	6.8	2,135	2,234	4.6
Net loss on disposal of assets	11	10	-9.1	63	42	-33.3
Total other expenses	9,084	7,849	-13.6	38,997	41,784	7.1
Total program expenses	26,584	42,919	61.4	131,188	258,626	97.1
Public debt charges	1,678	2,275	35.6	10,850	9,091	-16.2
Total expenses	28,262	45,194	59.9	142,038	267,717	88.5

Note: Totals may not add due to rounding.



Financial requirement of \$223.1 billion for April to August 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 \$170.5 billion and a requirement of \$52.6 billion from non-budgetary transactions, there was a financial requirement of \$223.1 billion for the April to August 2020 period, compared to a financial requirement of \$15.9 billion for the same period the previous year.

The increased financial requirement for non-budgetary transactions for the April to August 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

	August		April to August	
	2019	2020	2019–20	2020–21
Budgetary balance (deficit/surplus)	-3,667	-21,937	-5,223	-170,517
Non-budgetary transactions				
Accounts payable, accrued liabilities and accounts receivable	2,750	6,238	-9,073	-41,776
Pensions, other future benefits, and other liabilities	1,961	1,064	4,495	4,369
Foreign exchange accounts	-804	3,068	-927	2,897
Loans, investments and advances	-1,634	773	-5,078	-18,046
Non-financial assets	-185	-400	-142	-66
Total non-budgetary transactions	2,088	10,743	-10,725	-52,622
Financial source/requirement	-1,579	-11,194	-15,948	-223,139

Note: Totals may not add due to rounding

Net financing activities up \$307.7 billion

The government financed this financial requirement of \$223.1 billion and increased cash balances by \$84.5 billion by increasing unmatured debt by \$307.7 billion. The increase in unmatured debt was achieved primarily through the issuance of treasury bills and marketable bonds.

Cash balances at the end of August 2020 stood at \$129.2 billion, up \$84.5 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

	August		April to August	
	2019	2020	2019-20	2020-21
Financial source/requirement	-1,579	-11,194	-15,948	-223,139
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	5,034	37,311	21,269	132,944
Treasury bills	-2,100	-51,300	2,500	171,233
Retail debt	-21	-4	-101	-17
Total Canadian currency borrowings	2,913	-13,993	23,668	304,160
Foreign currency borrowings	321	-989	45	3,663
Total market debt transactions	3,234	-14,982	23,713	307,823
Cross-currency swap revaluation	516	-2,170	-1,399	-5,863
Unamortized discounts and premiums on market debt	279	1,721	385	5,807
Obligations related to capital leases and other unmatured debt	-17	-18	-799	-117
Net change in financing activities	4,012	-15,449	21,900	307,650
Change in cash balance	2,433	-26,643	5,952	84,511
Cash balance at end of period			45,956	129,190

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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October 2020