



Department of Finance  
Canada

Ministère des Finances  
Canada

# THE FISCAL MONITOR

A publication of the Department of Finance

Financial results for April and May 2021

Canada 

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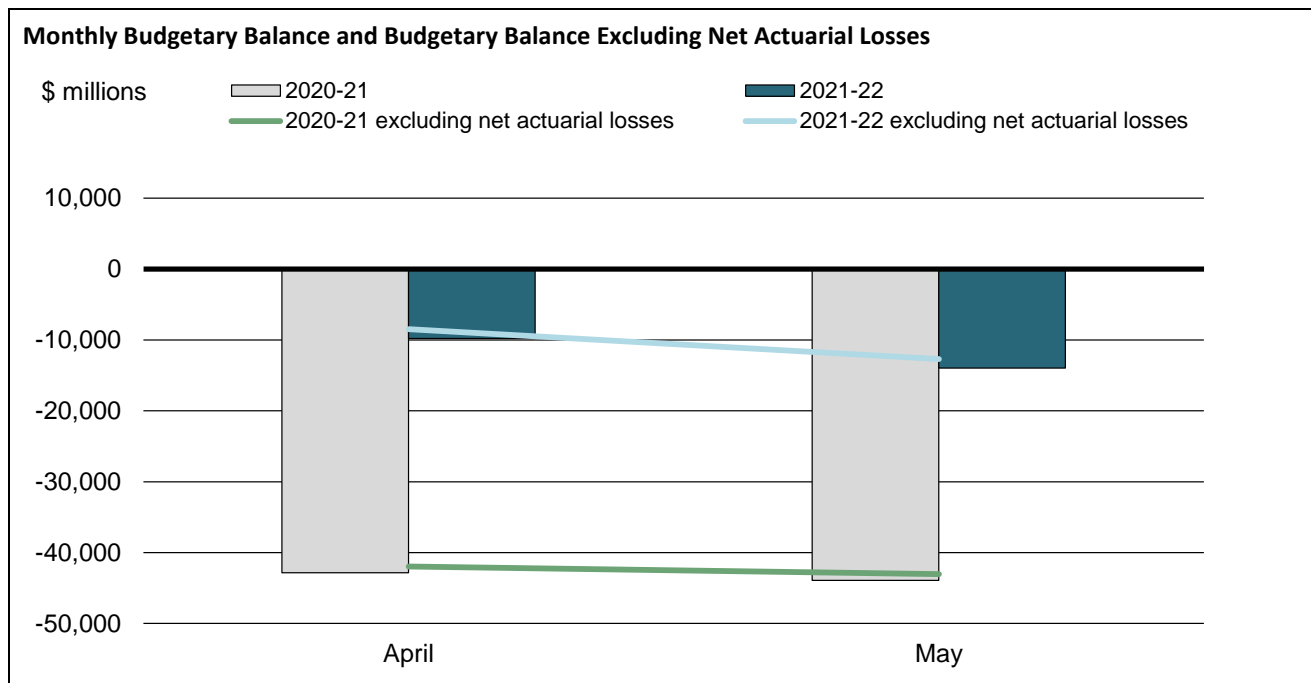
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# Highlights for April and May 2021

For the first two months of the 2021-22 fiscal year (April and May), there was a budgetary deficit of \$23.8 billion, compared to a deficit of \$86.8 billion reported in the same period of 2020-21. By month, there was a deficit of \$9.8 billion in April and a deficit of \$14.0 billion in May.

The budgetary deficit before net actuarial losses was \$21.2 billion, compared to a deficit of \$85.0 billion in the same period of 2020-21. By month, the budgetary balance before net actuarial losses was a deficit of \$8.5 billion in April and a deficit of \$12.7 billion in May. 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.

As expected, the government's 2021-22 financial results show a marked improvement compared to the peak of the COVID-19 crisis reached in April-May 2020, and the unprecedented level of temporary COVID response measures at the time. That said, they continue to reflect challenging economic conditions, including the impact of third-wave lockdowns, and the remaining temporary COVID-19 Economic Response Plan supports in 2021-22.



For the two months combined,

- Revenues increased by \$27.1 billion, or 83.6 per cent, on a year-over-year basis, largely reflecting lower revenue last year as a result of COVID-19 and the government's response measures.
- Program expenses excluding net actuarial losses were down \$37.0 billion, or 32.5 per cent, largely reflecting a decrease in transfers to individuals and businesses under the government's COVID-19 Economic Response Plan.
- Public debt charges increased \$0.3 billion, or 9.1 per cent, reflecting higher Consumer Price Index adjustments on Real Return Bonds, offset in part by lower interest on treasury bills and lower interest on the government's pension and benefit obligations.
- Net actuarial losses were up \$0.8 billion, or 43.0 per cent, reflecting changes in the actuarial valuations for pensions and benefits, which have increased in large part due to declines in year-end interest rates used in valuing these obligations, as well as increased costs associated with the utilization of disability and other future benefits provided to veterans.

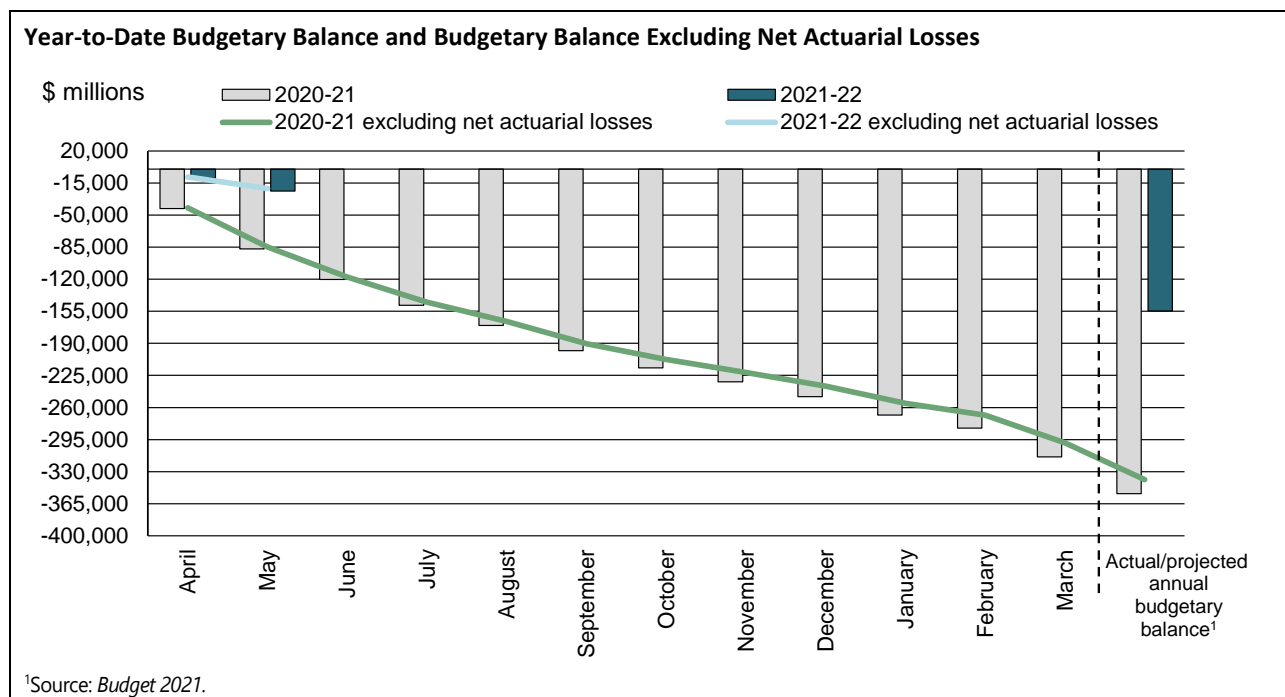


Table 1

**Summary statement of transactions**

\$ millions

	April		May		April to May	
	2020	2021	2020	2021	2020-21	2021-22
<b>Budgetary transactions</b>						
Revenues	18,681	29,909	13,763	29,662	32,444	59,571
Expenses						
Program expenses, excluding net actuarial losses <sup>1</sup>	-58,525	-36,486	-55,315	-40,378	-113,840	-76,864
Public debt charges	-2,096	-1,922	-1,483	-1,981	-3,579	-3,903
Budgetary balance, excluding net actuarial losses <sup>1</sup>	-41,940	-8,499	-43,035	-12,697	-84,975	-21,196
Net actuarial losses <sup>1</sup>	-897	-1,283	-897	-1,283	-1,794	-2,566
Budgetary balance (deficit/surplus)	-42,837	-9,782	-43,932	-13,980	-86,769	-23,762
<b>Non-budgetary transactions</b>	-41,514	-7,644	-8,790	-1,940	-50,304	-9,584
<b>Financial source/requirement</b>	-84,351	-17,426	-52,722	-15,920	-137,073	-33,346
<b>Net change in financing activities</b>	135,825	10,377	104,118	23,288	239,943	33,665
<b>Net change in cash balances</b>	51,474	-7,049	51,396	7,368	102,870	319
<b>Cash balance at end of period</b>					147,549	59,709

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

<sup>1</sup> Comparative figures have been reclassified to conform to the presentation used in the *Annual Financial Report of the Government of Canada 2019-2020*. Information regarding this reclassification can be found in Note 8 at the end of this document.

# Revenues

Revenues have been affected by the economic impacts of the COVID-19 crisis and by measures introduced under the government's Economic Response Plan, including tax deferrals and the one-time Goods and Services Tax/Harmonized Sales Tax (GST/HST) credit payment offered in 2020-21. 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 for the April to May period of 2021-22 totalled \$59.6 billion, up \$27.1 billion, or 83.6 per cent, from the same period in 2020-21.

- Tax revenues increased by \$20.0 billion, or 66.5 per cent, compared to the same period in 2020-21, when COVID-19 resulted in the shutdown of large portions of the economy and resulting government support measures such as the one-time enhanced GST credit payment and deferral of tax filing and payment deadlines. For its part, the federal portion of assessed cannabis excise duties increased by \$10 million to \$22 million over the April to May period.
- Employment Insurance (EI) premium revenues were up \$0.6 billion, or 14.1 per cent, reflecting a better labour market.
- Assessed fuel charge proceeds under the federal carbon pollution pricing system were up \$0.1 billion, or 19.5 per cent, reflecting higher carbon pollution pricing in 2021.
- Other revenues, consisting of enterprise Crown corporations' net profits, sales of goods and services, returns on investments and net foreign exchange revenues, were up \$6.4 billion, or 264.1 per cent. This increase largely reflects higher Bank of Canada profits related to its secondary market purchases of Government of Canada securities to support liquidity in financial markets. Under public sector accounting standards, premiums paid on these bond purchases are expensed immediately. Whereas premiums more than offset interest earnings on the securities in 2020-21, premiums paid have since decreased and interest earnings have increased.

Table 2

**Revenues**

	April		May		April to May		Change (%)
	2020	2021	2020	2021	2020–21	2021–22	
	(\$ millions)						
<b>Tax revenues</b>							
Income taxes							
Personal	12,442	15,789	13,137	13,603	25,579	29,392	14.9
Corporate	1,183	5,227	1,389	4,344	2,572	9,571	272.1
Non-resident	932	416	717	625	1,649	1,041	-36.9
Total income tax revenues	14,557	21,432	15,243	18,572	29,800	40,004	34.2
Other taxes and duties							
Goods and Services Tax	1,351	2,661	-3,342	4,804	-1,991	7,465	474.9
Energy taxes	426	372	416	309	842	681	-19.1
Customs import duties	212	329	282	698	494	1,027	107.9
Other excise taxes and duties	344	375	539	451	883	826	-6.5
Total excise taxes and duties	2,333	3,737	-2,105	6,262	228	9,999	4285.5
Total tax revenues	16,890	25,169	13,138	24,834	30,028	50,003	66.5
<b>Fuel charge proceeds</b>	363	387	294	398	657	785	19.5
<b>Employment Insurance premiums</b>	2,223	2,504	1,971	2,283	4,194	4,787	14.1
<b>Other revenues</b>	-795	1,849	-1,640	2,147	-2,435	3,996	264.1
<b>Total revenues</b>	18,681	29,909	13,763	29,662	32,444	59,571	83.6

Note: Totals may not add due to rounding.

## Expenses

Program expenses have been significantly affected by spending measures under the Economic Response Plan, including the Canada Emergency Response Benefit (CERB), the Canada Emergency Wage Subsidy (CEWS), the repayment incentive under the Canada Emergency Business Account (CEBA), and the Canada Recovery Benefits. Further information regarding these measures is provided below.

For the April to May period of 2021–22, program expenses excluding net actuarial losses were \$76.9 billion, down \$37.0 billion, or 32.5 per cent, from the same period the previous year.

- Major transfers to persons, consisting of elderly benefits, EI benefits, the CERB and Canada Recovery Benefits, and children's benefits, were down \$23.6 billion or 46.4 per cent.
  - Elderly benefits increased by \$0.4 billion, or 3.8 per cent, largely reflecting growth in the number of recipients.
  - EI benefits decreased by \$10.2 billion, or 56.8 per cent, reflecting improved labour market conditions. EI benefits for the same period of the previous year included \$13.3 billion in CERB benefits processed through the Employment Insurance Operating Account.
  - Canada Recovery Benefits and CERB payments to individuals processed outside of the Employment Insurance Operating Account decreased \$12.4 billion, or 72.4 per cent, reflecting the wind down of the Canada Emergency Response Benefit in 2020-21 and the introduction of the Canada Recovery Benefit, the Canada Recovery Sickness Benefit, and the Canada Recovery Caregiving Benefit.
  - Children's benefits were down \$1.4 billion, or 22.2 per cent, largely reflecting the one-time enhanced Canada Child Benefit (CCB) payment in May 2020. This decrease was offset in part by the introduction of the CCB young child supplement for 2021.
- Major transfers to other levels of government were up \$2.6 billion, or 18.5 per cent, primarily reflecting the timing of payments through the Canada Community-Building Fund (previously the Gas Tax Fund), and legislated growth in the Canada Health Transfer, the Canada Social Transfer, Equalization transfers, and transfers to the territories.
- Direct program expenses were down \$16.0 billion, or 32.7 per cent. Within direct program expenses:
  - Fuel charge proceeds returned increased by \$1.2 billion, or 61.8 per cent, largely reflecting an increase in the rate of the Climate Action Incentive for tax year 2020.
  - CEWS payments to eligible employers under Canada's COVID-19 Economic Response Plan decreased \$10.4 billion, or 69.5 per cent, reflecting declines in the number of eligible employees and the average subsidy per employee.
  - Other transfer payments decreased by \$7.0 billion, or 40.3 per cent, largely reflecting a decrease in repayment incentive costs under the CEBA program owing to lower take-up compared to the same period in 2020, and the end of temporary COVID-19 response measures introduced in the previous year.
  - Operating expenses of the government's departments, agencies, and consolidated Crown corporations and other entities increased by \$0.2 billion, or 1.3 per cent.

Public debt charges increased by \$0.3 billion, or 9.1 per cent, largely reflecting higher Consumer Price Index adjustments on Real Return Bonds, offset in part by lower interest on treasury bills and lower interest on the government's pension and benefit obligations.

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, increased by \$0.8 billion, or 43.0 per cent, in large part due to declines in year-end interest rates used in valuing these obligations, as well as increased costs associated with the utilization of disability and other future benefits provided to veterans.

Table 3

**Expenses**

	April		May		April to May		Change
	2020	2021	2020	2021	2020-21	2021-22	
	(\$ millions)						(%)
<b>Major transfers to persons</b>							
Elderly benefits	4,771	4,938	4,810	5,008	9,581	9,946	3.8
Employment Insurance benefits <sup>1</sup>	9,792	2,436	8,218	5,353	18,010	7,789	-56.8
Canada Emergency Response Benefit and Canada Recovery Benefits <sup>1</sup>	8,414	2,011	8,666	2,696	17,080	4,707	-72.4
Children's benefits	2,127	2,201	4,038	2,597	6,165	4,798	-22.2
Total major transfers to persons	25,104	11,586	25,732	15,654	50,836	27,240	-46.4
<b>Major transfers to other levels of government</b>							
Canada Health Transfer	3,489	3,594	3,489	3,594	6,978	7,188	3.0
Canada Social Transfer	1,252	1,290	1,252	1,289	2,504	2,579	3.0
Equalization	1,715	1,742	1,714	1,743	3,429	3,485	1.6
Territorial Formula Financing	669	701	669	701	1,338	1,402	4.8
Canada Community-Building Fund	0	0	0	2,269	0	2,269	n/a
Home care and mental health	625	750	0	0	625	750	20.0
Other fiscal arrangements <sup>2</sup>	-384	-480	-386	-482	-770	-962	-24.9
Total major transfers to other levels of government	7,366	7,597	6,738	9,114	14,104	16,711	18.5
<b>Direct program expenses<sup>1</sup></b>							
Fuel charge proceeds returned	874	2,216	1,041	882	1,915	3,098	61.8
Canada Emergency Wage Subsidy	6,005	1,607	8,932	2,945	14,937	4,552	-69.5
Other transfer payments	11,389	6,079	5,942	4,269	17,331	10,348	-40.3
Operating expenses	7,787	7,401	6,930	7,514	14,717	14,915	1.3
Total direct program expenses	26,055	17,303	22,845	15,610	48,900	32,913	-32.7
<b>Total program expenses, excluding net actuarial losses<sup>1</sup></b>	58,525	36,486	55,315	40,378	113,840	76,864	-32.5
<b>Public debt charges</b>	2,096	1,922	1,483	1,981	3,579	3,903	9.1
<b>Total expenses, excluding net actuarial losses<sup>1</sup></b>	60,621	38,408	56,798	42,359	117,419	80,767	-31.2
Net actuarial losses <sup>1</sup>	897	1,283	897	1,283	1,794	2,566	43.0
<b>Total expenses</b>	61,518	39,691	57,695	43,642	119,213	83,333	-30.1

Note: Totals may not add due to rounding.

<sup>1</sup> Comparative figures have been reclassified to conform to the presentation used in the *Annual Financial Report of the Government of Canada 2019–2020*.

Information regarding this reclassification can be found in Note 8 at the end of this document.

<sup>2</sup> 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; and, other items.

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

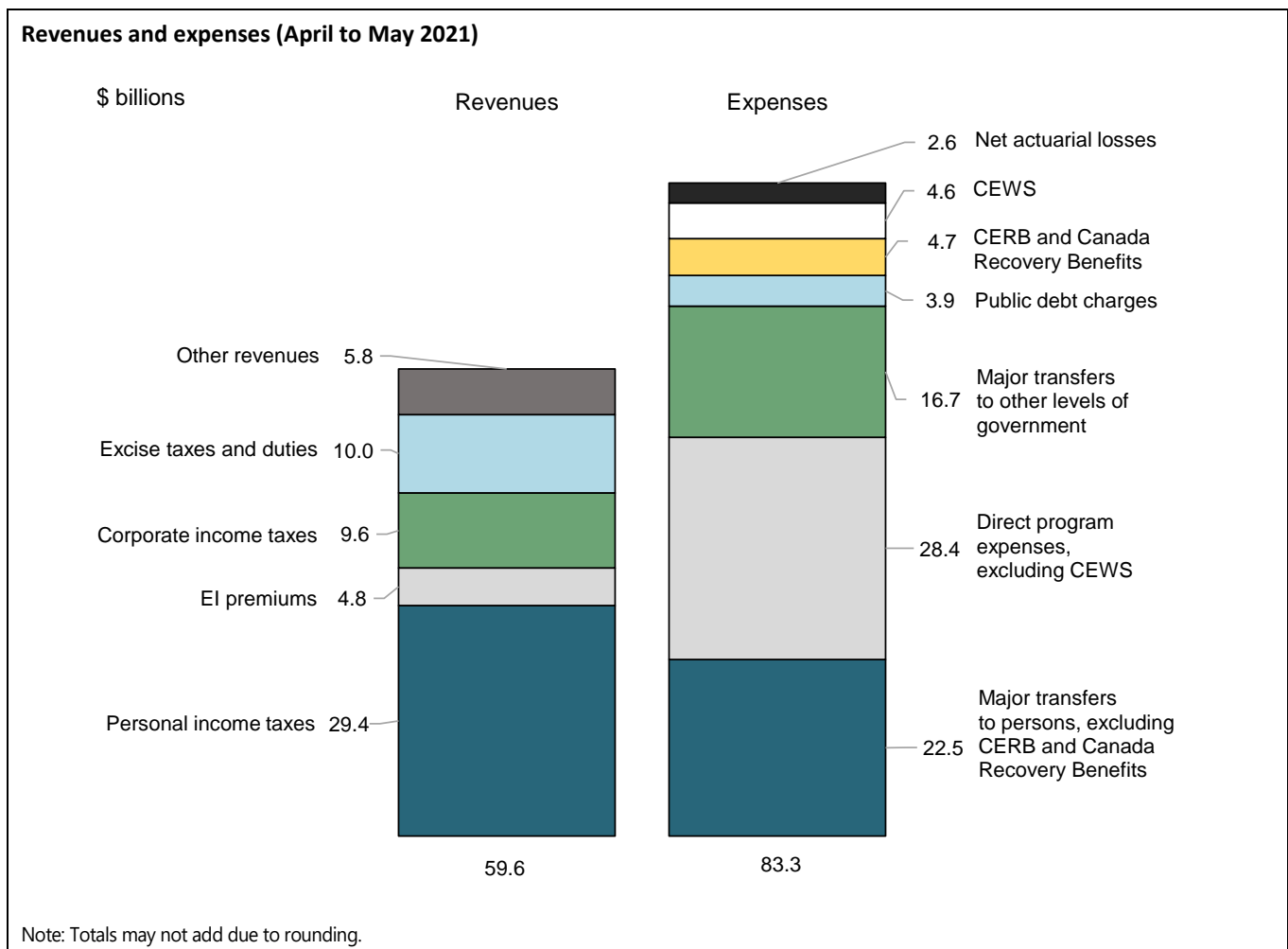
Table 4

**Total expenses by object of expense**

	April		May		April to May		Change
	2020	2021	2020	2021	2020–21	2021–22	
	(\$ millions)						(%)
Transfer payments	50,738	29,085	48,385	32,864	99,123	61,949	-37.5
Other expenses							
Personnel, excluding net actuarial losses <sup>1</sup>	4,076	4,724	4,036	4,653	8,112	9,377	15.6
Transportation and communications	78	48	133	152	211	200	-5.2
Information	5	12	67	48	72	60	-16.7
Professional and special services	347	379	586	767	933	1,146	22.8
Rentals	235	472	335	220	570	692	21.4
Repair and maintenance	96	79	181	151	277	230	-17.0
Utilities, materials and supplies	1,361	191	298	389	1,659	580	-65.0
Other subsidies and expenses	1,153	1,040	853	669	2,006	1,709	-14.8
Amortization of tangible capital assets	427	453	436	457	863	910	5.4
Net loss on disposal of assets	9	3	5	8	14	11	-21.4
Total other expenses	7,787	7,401	6,930	7,514	14,717	14,915	1.3
<b>Total program expenses, excluding net actuarial losses<sup>1</sup></b>	58,525	36,486	55,315	40,378	113,840	76,864	-32.5
<b>Public debt charges</b>	2,096	1,922	1,483	1,981	3,579	3,903	9.1
<b>Total expenses, excluding net actuarial losses<sup>1</sup></b>	60,621	38,408	56,798	42,359	117,419	80,767	-31.2
Net actuarial losses <sup>1</sup>	897	1,283	897	1,283	1,794	2,566	43.0
<b>Total expenses</b>	61,518	39,691	57,695	43,642	119,213	83,333	-30.1

Note: Totals may not add due to rounding.

<sup>1</sup> Comparative figures have been reclassified to conform to the presentation used in the *Annual Financial Report of the Government of Canada 2019–2020*. Information regarding this reclassification can be found in Note 8 at the end of this document.



## Financial requirement of \$33.3 billion for April to May 2021

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 \$23.8 billion and a requirement of \$9.6 billion from non-budgetary transactions, there was a financial requirement of \$33.3 billion for the April to May 2021 period, compared to a financial requirement of \$137.1 billion for the same period of the previous year.

The decrease in the financial requirement for non-budgetary transactions is due in large part to the end of temporary COVID-19 response measures, including deferrals of personal and corporate income tax payments and Goods and Services Tax remittances in 2020-21, which affected accounts payable, accrued liabilities and accounts receivable; and, a decrease in loans advanced under the CEBA program in 2021-22, reflected in the financial requirement associated with loans, investments and advances.

Table 5

**The budgetary balance and financial source/requirement**

\$ millions

	<b>April</b>		<b>May</b>		<b>April to May</b>	
	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020–21</b>	<b>2021–22</b>
<b>Budgetary balance (deficit/surplus)</b>	-42,837	-9,782	-43,932	-13,980	-86,769	-23,762
<b>Non-budgetary transactions</b>						
Accounts payable, accrued liabilities and accounts receivable	-27,626	-7,176	-8,227	991	-35,853	-6,185
Pensions, other future benefits, and other liabilities	624	1,263	912	2,224	1,536	3,487
Foreign exchange accounts	-423	1,195	963	-4,114	540	-2,919
Loans, investments and advances	-14,325	-3,316	-2,721	-1,047	-17,046	-4,363
Non-financial assets	236	390	283	6	519	396
Total non-budgetary transactions	-41,514	-7,644	-8,790	-1,940	-50,304	-9,584
<b>Financial source/requirement</b>	-84,351	-17,426	-52,722	-15,920	-137,073	-33,346

Note: Totals may not add due to rounding.

## Net financing activities up \$33.7 billion

The government financed this financial requirement of \$33.3 billion and increased cash balances by \$0.3 billion by increasing unmatured debt by \$33.7 billion. The increase in unmatured debt was achieved primarily through the issuance of marketable bonds.

Cash balances at the end of May 2021 stood at \$59.7 billion, down \$87.8 billion from their level at the end of May 2020. The decrease in cash largely reflects elevated balances held in the previous year 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	
	2020	2021	2020	2021	2020-21	2021-22
<b>Financial source/requirement</b>	-84,351	-17,426	-52,722	-15,920	-137,073	-33,346
<b>Net increase (+)/decrease (-) in financing activities</b>						
Unmatured debt transactions						
Canadian currency borrowings						
Marketable bonds	27,762	24,343	19,063	15,576	46,825	39,919
Treasury bills	106,133	-12,400	84,400	4,000	190,533	-8,400
Retail debt	-18	-2	1	-3	-17	-5
Total Canadian currency borrowings	133,877	11,941	103,464	19,573	237,341	31,514
Foreign currency borrowings	2,492	61	1,301	4,811	3,793	4,872
Total market debt transactions	136,369	12,002	104,765	24,384	241,134	36,386
Cross-currency swap revaluation	-1,307	-1,290	-1,239	-944	-2,546	-2,234
Unamortized discounts and premiums on market debt	810	-293	610	-133	1,420	-426
Obligations related to capital leases and other unmatured debt	-47	-42	-18	-19	-65	-61
<b>Net change in financing activities</b>	135,825	10,377	104,118	23,288	239,943	33,665
<b>Change in cash balance</b>	51,474	-7,049	51,396	7,368	102,870	319
<b>Cash balance at end of period</b>					147,549	59,709

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.
8. The Department of Finance Canada has changed the presentation of the financial results in *The Fiscal Monitor* to: (a) separately present the recognition of actuarial gains and losses related to public sector pensions and other employee and veteran future benefits; and, (b) reflect CERB benefits paid to individuals processed through the Employment Insurance Operating Account within EI benefits. This new format is aligned with the presentation adopted in the Condensed Consolidated Statement of Operations and Accumulated Deficit in the *Annual Financial Report of the Government of Canada 2019–2020*.
  - a. Actuarial gains and losses were previously reported as part of direct program expenses, but are now presented in a new line item titled "Net actuarial losses". A new subtotal line titled "Budgetary balance, excluding net actuarial losses" has also been added. The purpose of this revised presentation is to enhance financial reporting and decision making for users by isolating the impacts of re-measurements of public sector pension and other employee and veteran future benefit obligations, which are often significant and can potentially mask underlying events and trends in current government spending. Comparative figures for the prior year have been reclassified to conform to this new presentation. Further details regarding this change in presentation can be found in the *Annual Financial Report of the Government of Canada 2019–2020*, available on the Department of Finance Canada website.
  - b. CERB payments processed through the Employment Insurance Operating Account were previously reported in *The Fiscal Monitor* within the line item titled "Canada Emergency Response Benefit", but are now presented in the line item "Employment Insurance benefits". Comparative figures have been reclassified to conform to this new presentation.

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 2021