Department of Finance Canada | Ministère des Finances Canada

THE FISCAL MONITOR

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Financial Results for September 2021

Canada

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In memory of Peter DeVries, Director of Fiscal Policy Division (1990 – 2005),
who was instrumental in the creation of the department's Fiscal Monitor reports

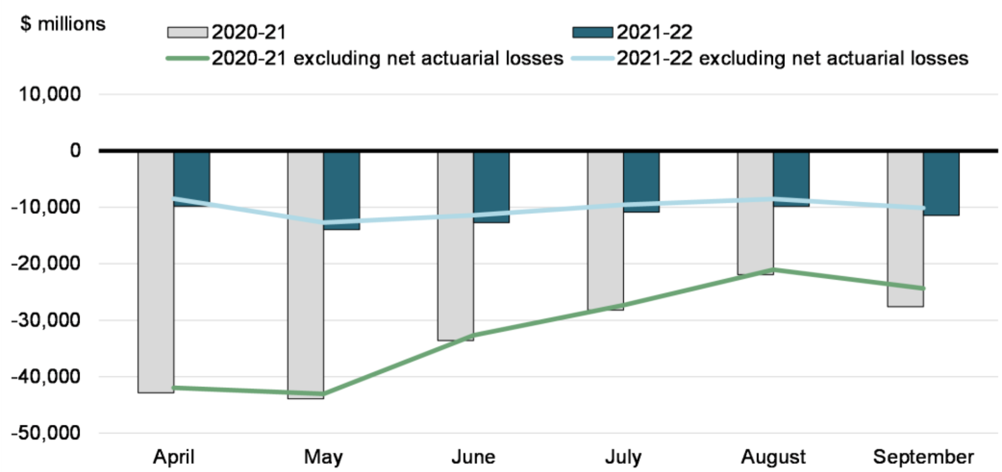
Highlights

September 2021

There was a budgetary deficit of $11.4 billion in September 2021, compared to a deficit of $27.6 billion in September 2020. The budgetary deficit before net actuarial losses was $10.1 billion, compared to a deficit of $24.4 billion in the same period of 2020–21. 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 early 2020–21, and the unprecedented level of temporary COVID-19 response measures at the time. That said, they continue to reflect challenging economic conditions, including the impact of continuing restrictions, and the remaining temporary COVID-19 Economic Response Plan supports in 2021–22.

Chart 1
Monthly Budgetary Balance and Budgetary Balance Excluding Net Actuarial Losses



Compared to September 2020:

- Revenues decreased by $4.8 billion, or 15.2 per cent, on a year-over-year basis, reflecting a decrease in tax revenues predominantly due to base effects as a result of tax deferrals in the prior year.
- Program expenses excluding net actuarial losses were down $19.8 billion, or 36.1 per cent, largely reflecting decreases in temporary transfers under the COVID-19 Economic Response Plan, including the Canada Emergency Wage Subsidy (CEWS), the Canada Emergency Response Benefit (CERB) and Canada Recovery Benefits, and the Safe Restart Agreement.
- Public debt charges increased $0.7 billion, or 56.2 per cent, primarily due to higher Consumer Price Index adjustments on Real Return Bonds and higher interest on the government's pension and other employee future benefit obligations. Interest on marketable bonds also increased, to a lesser extent, and was largely offset by lower interest on treasury bills.
- Net actuarial losses were down $1.9 billion, or 60.1 per cent, reflecting an adjustment made in the prior year based on actuarial valuations for pensions and benefits prepared for the *Public Accounts of Canada 2020*.

April to September 2021

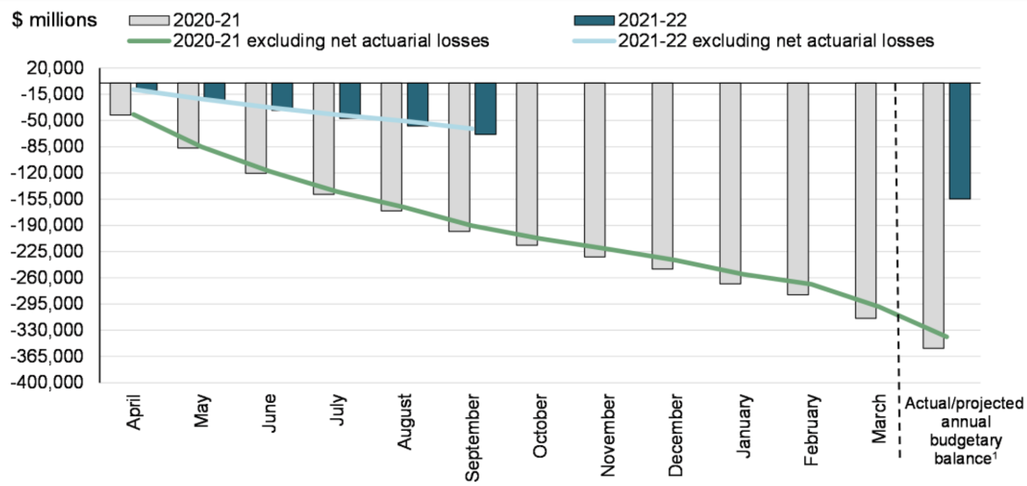
The government posted a budgetary deficit of $68.6 billion for the April to September period of the 2021–22 fiscal year, compared to a deficit of $198.1 billion reported for the same period of 2020–21. The budgetary deficit before net actuarial losses was $60.9 billion, compared to a deficit of $190.4 billion in the April to September period of 2020–21.

Compared to 2020–21:

- Revenues were up $47.0 billion, or 36.5 per cent, primarily reflecting higher tax revenues and other revenues.
- Program expenses excluding net actuarial losses were down $83.9 billion, or 27.2 per cent, largely reflecting lower transfers to businesses, individuals, and other levels of government under the Economic Response Plan.
- Public debt charges increased by $1.3 billion, or 12.5 per cent, primarily driven by higher Consumer Price Index adjustments on Real Return Bonds. Interest on marketable bonds also increased compared to the prior year, but was more than offset by a decrease in interest on treasury bills.
- Net actuarial losses were relatively unchanged, down $2 million.

Chart 2

Year-to-Date Budgetary Balance and Budgetary Balance Excluding Net Actuarial Losses



[1]Source: *Budget 2021*.

Table 1

Summary statement of transactions

$ millions

	September		April to September	
	2020	**2021**	**2020–21**	**2021–22**
Budgetary transactions				
Revenues	31,648	26,850	128,848	175,817
Expenses				
Program expenses, excluding net actuarial losses	-54,726	-34,951	-308,868	-224,995
Public debt charges	-1,300	-2,030	-10,390	-11,692
Budgetary balance, excluding net actuarial losses	-24,378	-10,131	-190,410	-60,870
Net actuarial losses	-3,215	-1,283	-7,700	-7,698
Budgetary balance (deficit/surplus)	-27,593	-11,414	-198,110	-68,568
Non-budgetary transactions	-1,792	16,610	-54,413	-5,551
Financial source/requirement	-29,385	5,196	-252,523	-74,119
Net change in financing activities	-11,587	-24,650	296,063	76,789
Net change in cash balances	-40,972	-19,454	43,540	2,670
Cash balance at end of period			88,219	62,059

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

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 (GST) 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 in September 2021 totalled $26.9 billion, down $4.8 billion, or 15.2 per cent, from September 2020.

- Tax revenues decreased by $6.8 billion, or 22.7 per cent, compared to the same period in 2020–21. This was driven in large part by lower corporate income tax revenue, which predominantly reflects a base effect: tax deferrals for corporations ended by September 2020, which resulted in unusually strong revenue growth in that month as corporations filed their deferred taxes.
- Employment Insurance (EI) premium revenues were up $31 million, or 2.3 per cent.
- Proceeds under the federal carbon pollution pricing system (previously titled Fuel charge proceeds) were up $0.1 billion, or 51.4 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 up $1.8 billion, from $0.1 billion in September 2020 to $2.0 billion in September 2021. This increase largely reflects higher profits from enterprise Crown corporations, including 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 bond purchases by the Bank of Canada 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. As well, the improvement in other revenues reflects higher revenues from interest and penalties relative to the prior year when the government temporarily waived such amounts on existing tax debts.

Revenues for the April to September period of 2021–22 totalled $175.8 billion, up $47.0 billion, or 36.5 per cent, from the same period in 2020–21.

- Tax revenues increased by $29.1 billion, or 24.2 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 $35 million to $74 million over the April to September period.
- EI premium revenues were up $0.8 billion, or 6.9 per cent, reflecting better labour market conditions.
- Proceeds under the federal carbon pollution pricing system were up $0.7 billion, or 34.7 per cent, reflecting higher carbon pollution pricing and consumption in 2021.
- Other revenues were up $16.4 billion, from -$4.1 billion in 2020–21 to $12.3 billion in 2021–22, largely reflecting higher Bank of Canada profits.

Table 2

Revenues

	September		Change	April to September		Change
	2020	2021		2020–21	2021–22	
	($ millions)		(%)	($ millions)		(%)
Tax revenues						
Income taxes						
Personal	14,282	14,022	-1.8	78,823	85,555	8.5
Corporate	10,396	3,856	-62.9	18,565	28,999	56.2
Non-resident	459	705	53.6	3,736	4,167	11.5
Total income tax revenues	25,137	18,583	-26.1	101,124	118,721	17.4
Other taxes and duties						
Goods and Services Tax	3,365	3,120	-7.3	11,735	22,384	90.7
Energy taxes	468	481	2.8	2,362	2,547	7.8
Customs import duties	411	459	11.7	1,892	2,705	43.0
Other excise taxes and duties	502	448	-10.8	2,982	2,858	-4.2
Total excise taxes and duties	4,746	4,508	-5.0	18,971	30,494	60.7
Total tax revenues	29,883	23,091	-22.7	120,095	149,215	24.2
Proceeds from the pollution pricing framework	249	377	51.4	1,941	2,614	34.7
Employment Insurance premiums	1,369	1,400	2.3	10,924	11,676	6.9
Other revenues	147	1,982	1,248.3	-4,112	12,312	399.4
Total revenues	31,648	26,850	-15.2	128,848	175,817	36.5

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 CERB, CEWS, Canada Emergency Business Account (CEBA) repayment incentive, and Canada Recovery Benefits. Further information regarding these measures is provided below.

Program expenses excluding net actuarial losses in September 2021 were $35.0 billion, down $19.8 billion, or 36.1 per cent, from September 2020.

- Major transfers to persons, consisting of elderly benefits, EI benefits, the CERB and Canada Recovery Benefits, and children's benefits, were down $3.0 billion or 20.2 per cent.
  - Elderly benefits increased by $0.1 billion, or 2.9 per cent, reflecting growth in the number of recipients.
  - EI benefits decreased by $0.4 billion, or 10.5 per cent, reflecting improved labour market conditions.
  - Canada Recovery Benefits and CERB payments to individuals processed outside of the EI Operating Account decreased $3.1 billion, or 65.1 per cent, reflecting the wind-down of the CERB 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 up $0.3 billion, or 19.2 per cent.

- Major transfers to other levels of government were down $13.5 billion, or 67.3 per cent, primarily reflecting transfers made to provinces and territories in the prior year under the Safe Restart Agreement and the Safe Return to Class Fund, as well as transfers to clean up orphan and inactive oil and gas wells.
- Direct program expenses were down $3.3 billion, or 16.7 per cent. Within direct program expenses:
  - Proceeds from the pollution pricing framework returned (previously titled Fuel charge proceeds returned) decreased by $1 million, or 1.6 per cent.
  - CEWS payments decreased by $4.1 billion, or 60.6 per cent, reflecting declines in the number of eligible employees and the average subsidy per employee.
  - Other transfer payments decreased by $26 million, or 0.5 per cent.
  - Operating expenses of the government's departments, agencies, and consolidated Crown corporations and other entities increased by $0.8 billion, or 10.6 per cent, largely reflecting year-over-year timing differences in public health expenses.

Public debt charges increased $0.7 billion, or 56.2 per cent, primarily due to higher Consumer Price Index adjustments on Real Return Bonds and higher interest on the government's pension and other employee future benefit obligations. Interest on marketable bonds also increased, to a lesser extent, and was largely offset by lower interest on treasury bills.

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, decreased by $1.9 billion, or 60.1 per cent, reflecting an adjustment made in the prior year to incorporate updated actuarial valuations for pensions and benefits prepared for the *Public Accounts of Canada 2020*.

For the April to September period of 2021–22, program expenses excluding net actuarial losses were $225.0 billion, down $83.9 billion, or 27.2 per cent, from the same period the previous year.

- Major transfers to persons were down $37.3 billion or 31.4 per cent.
  - Elderly benefits increased by $0.8 billion, or 2.8 per cent, reflecting growth in the number of recipients.
  - EI benefits decreased by $10.8 billion, or 30.6 per cent, reflecting improved labour market conditions. EI benefits for the same period of the previous year included $26.6 billion in CERB benefits processed through the EI Operating Account. Per the government's announcement in 2020, the EI Operating Account will be credited for CERB benefits.
  - Canada Recovery Benefits and CERB payments to individuals processed outside of the EI Operating Account decreased $26.4 billion, or 66.2 per cent, reflecting the wind-down of the CERB in 2020–21 and the introduction of the new suite of Canada Recovery Benefits.
  - Children's benefits were down $0.9 billion, or 6.0 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 down $15.3 billion, or 26.4 per cent, primarily reflecting transfers made to provinces and territories in the prior year under the Safe Restart Agreement, the Essential Workers Wage Top-Up, and the Safe Return to Class Fund, as well as transfers to clean up orphan and inactive oil and gas wells.
- Direct program expenses were down $31.3 billion, or 23.7 per cent. Within direct program expenses:
    - Proceeds from the pollution pricing framework returned increased by $0.9 billion, or 34.7 per cent, largely reflecting an increase in the rate of the Climate Action Incentive for tax year 2020.
    - CEWS payments decreased $26.9 billion, or 61.0 per cent, reflecting declines in the number of eligible employees and the average subsidy per employee.
    - Other transfer payments decreased by $9.8 billion, or 24.1 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 $4.5 billion, or 10.0 per cent, largely reflecting increases in personnel costs and expenses associated with purchases of vaccines.

Public debt charges increased by $1.3 billion, or 12.5 per cent, primarily driven by higher Consumer Price Index adjustments on Real Return Bonds. Interest on marketable bonds also increased compared to the prior year, but was more than offset by a decrease in interest on treasury bills.

Net actuarial losses were relatively unchanged, down $2 million.

Table 3

Expenses

	September			April to September		
	2020	2021	Change	2020–21	2021–22	Change
	($ millions)		(%)	($ millions)		(%)
Major transfers to persons						
Elderly benefits	4,901	5,042	2.9	29,203	30,010	2.8
Employment Insurance benefits	3,558	3,186	-10.5	35,384	24,552	-30.6
Canada Emergency Response Benefit and Canada Recovery Benefits	4,807	1,679	-65.1	39,860	13,468	-66.2
Children's benefits	1,736	2,069	19.2	14,223	13,365	-6.0
Total major transfers to persons	15,002	11,976	-20.2	118,670	81,395	-31.4
Major transfers to other levels of government						
Canada Health Transfer	3,489	3,594	3.0	20,935	21,563	3.0
Canada Social Transfer	1,252	1,289	3.0	7,512	7,737	3.0
Equalization	1,714	1,743	1.7	10,286	10,455	1.6
Territorial Formula Financing	284	298	4.9	2,475	2,593	4.8
Canada Community-Building Fund	-	-	n/a	2,170	2,320	6.9
Home care and mental health	-	81	n/a	625	831	33.0
Other fiscal arrangements[1]	13,259	-471	-103.6	13,976	-2,848	-120.4
Total major transfers to other levels of government	19,998	6,534	-67.3	57,979	42,651	-26.4
Direct program expenses						
Proceeds from the pollution pricing framework returned	62	61	-1.6	2,663	3,588	34.7
Canada Emergency Wage Subsidy	6,705	2,641	-60.6	44,138	17,223	-61.0
Other transfer payments	5,348	5,322	-0.5	40,510	30,729	-24.1
Operating expenses	7,611	8,417	10.6	44,908	49,409	10.0
Total direct program expenses	19,726	16,441	-16.7	132,219	100,949	-23.7
Total program expenses, excluding net actuarial losses	54,726	34,951	-36.1	308,868	224,995	-27.2
Public debt charges	1,300	2,030	56.2	10,390	11,692	12.5
Total expenses, excluding net actuarial losses	56,026	36,981	-34.0	319,258	236,687	-25.9
Net actuarial losses	3,215	1,283	-60.1	7,700	7,698	0.0
Total expenses	59,241	38,264	-35.4	326,958	244,385	-25.3

Note: Totals may not add due to rounding.

[1] Other fiscal arrangements include the Youth Allowance Recovery and Alternative Payments for Standing Programs, which represent a recovery from Quebec of a tax point transfer; statutory subsidies; transfers under the COVID-19 Essential Workers Support Fund and the Safe Restart Agreement; and, other items.

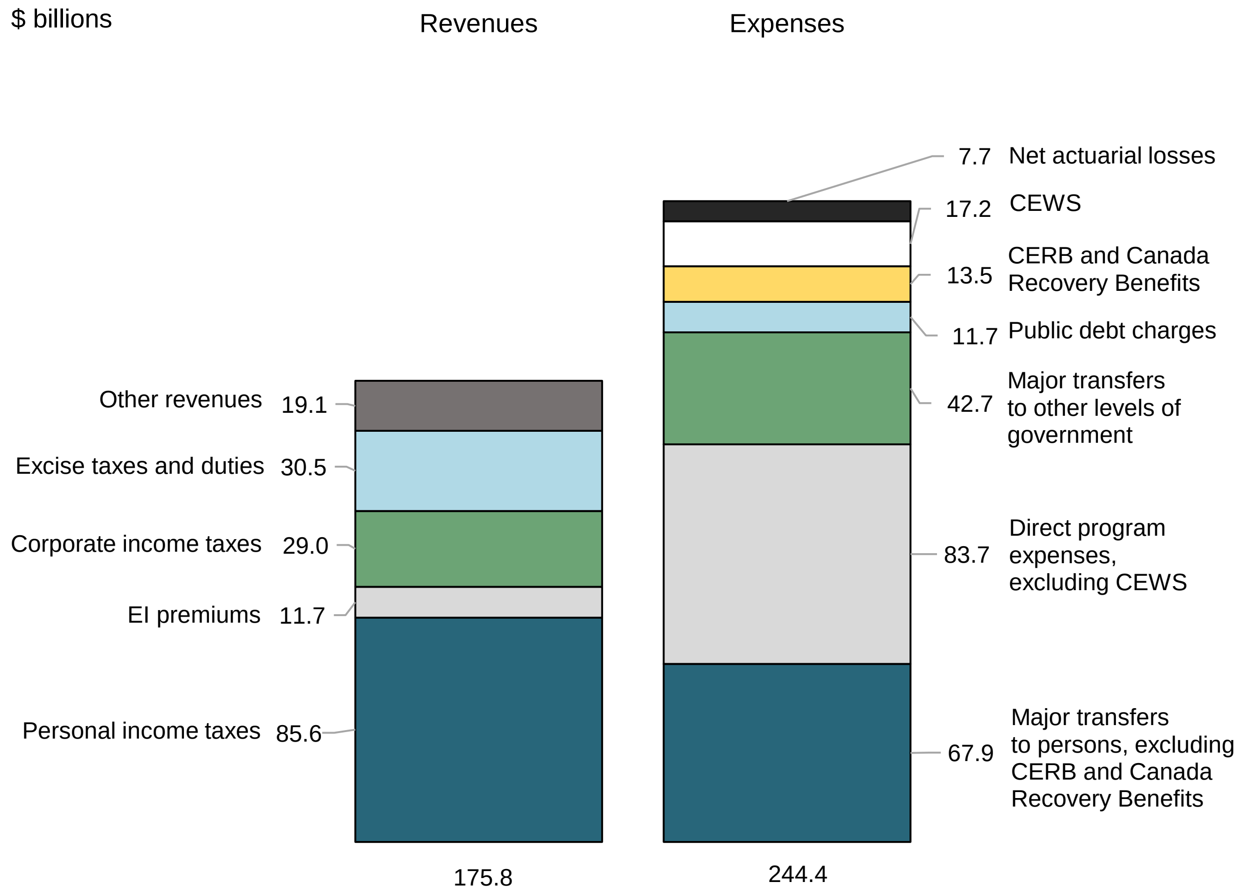
The following table presents total expenses by main object of expense.

Table 4
Total expenses by object of expense

	September			April to September		
	2020	**2021**	**Change**	**2020–21**	**2021–22**	**Change**
	($ millions)		**(%)**	**($ millions)**		**(%)**
Transfer payments	47,115	26,534	-43.7	263,960	175,586	-33.5
Other expenses						
Personnel, excluding net actuarial losses	5,463	5,067	-7.2	26,670	29,078	9.0
Transportation and communications	93	236	153.8	805	1,032	28.2
Information	25	37	48.0	166	221	33.1
Professional and special services	1,108	1,372	23.8	4,611	6,010	30.3
Rentals	262	293	11.8	1,655	1,846	11.5
Repair and maintenance	274	318	16.1	1,174	1,363	16.1
Utilities, materials and supplies	-541	471	187.1	2,611	3,820	46.3
Other subsidies and expenses	484	445	-8.1	4,498	3,540	-21.3
Amortization of tangible capital assets	436	170	-61.0	2,669	2,453	-8.1
Net loss on disposal of assets	7	8	14.3	49	46	-6.1
Total other expenses	7,611	8,417	10.6	44,908	49,409	10.0
Total program expenses, excluding net actuarial losses	54,726	34,951	-36.1	308,868	224,995	-27.2
Public debt charges	1,300	2,030	56.2	10,390	11,692	12.5
Total expenses, excluding net actuarial losses	56,026	36,981	-34.0	319,258	236,687	-25.9
Net actuarial losses	3,215	1,283	-60.1	7,700	7,698	0.0
Total expenses	59,241	38,264	-35.4	326,958	244,385	-25.3

Note: Totals may not add due to rounding.

Chart 3
Revenues and expenses (April to September 2021)



Note: Totals may not add due to rounding.

Financial requirement of $74.1 billion for April to September 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 $68.6 billion and a requirement of $5.6 billion from non-budgetary transactions, there was a financial requirement of $74.1 billion for the April to September 2021 period, compared to a financial requirement of $252.5 billion for the same period of the previous year.

The decrease in the financial requirement for non-budgetary transactions is due to a number of factors, including year-over-year changes in the balances of taxes receivable and amounts payable related to tax, 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. In addition, the timing of cash settlements for matured treasury bills also contributed a temporary financial source reflected in accounts payable, accrued liabilities and accounts receivable in September 2021.

Table 5

The budgetary balance and financial source/requirement

$ millions

	September		April to September	
	2020	**2021**	**2020–21**	**2021–22**
Budgetary balance (deficit/surplus)	-27,593	-11,414	-198,110	-68,568
Non-budgetary transactions				
Accounts payable, accrued liabilities and accounts receivable	1,634	19,565	-40,144	8,520
Pensions, other future benefits, and other liabilities	3,657	1,225	8,027	7,330
Foreign exchange accounts	-2,573	-1,889	325	-11,767
Loans, investments and advances	-2,987	-2,008	-21,032	-9,668
Non-financial assets	-1,523	-283	-1,589	34
Total non-budgetary transactions	-1,792	16,610	-54,413	-5,551
Financial source/requirement	-29,385	5,196	-252,523	-74,119

Note: Totals may not add due to rounding.

Net financing activities up $76.8 billion

The government financed this financial requirement of $74.1 billion and increased cash balances by $2.7 billion by increasing unmatured debt by $76.8 billion. The increase in unmatured debt was achieved primarily through the issuance of marketable bonds.

Cash balances at the end of September 2021 stood at $62.1 billion, down $26.2 billion from their level at the end of September 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

	September		April to September	
	2020	**2021**	**2020–21**	**2021–22**
Financial source/requirement	-29,385	5,196	-252,523	-74,119
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	4,310	3,175	137,253	93,956
Treasury bills	-19,000	-29,600	152,233	-25,000
Retail debt	-8	-2	-25	-15
Total Canadian currency borrowings	-14,698	-26,427	289,461	68,941
Foreign currency borrowings	627	1,181	4,290	7,225
Total market debt transactions	-14,071	-25,246	293,751	76,166
Cross-currency swap revaluation	1,092	288	-4,770	581
Unamortized discounts and premiums on market debt	1,409	334	7,216	26
Obligations related to capital leases and other unmatured debt	-17	-26	-134	16
Net change in financing activities	-11,587	-24,650	296,063	76,789
Change in cash balance	-40,972	-19,454	43,540	2,670
Cash balance at end of period			88,219	62,059

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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November 2021