



2021-22 Extraordinary Borrowing Report to Parliament

May 25, 2021

Canada

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2021-22 Extraordinary Borrowing Report – Foreword from the Deputy Prime Minister and Minister of Finance

From the start of the COVID pandemic, the Government of Canada has responded swiftly to save Canadians' lives and protect Canadians' livelihoods. Federal support measures have helped families, preserved jobs, and supported businesses of all sizes across Canada. Vaccines procured by the federal government are becoming more widely available with each passing week. Canada is on track for full availability of full vaccination, meaning both shots, by September.

Federal emergency financial supports have been a lifeline for many people, and continue to be. Today, about a million Canadians who had a job before the COVID-19 crisis are still out of work or working reduced hours, and many small businesses continue to struggle.

This *2021-22 Extraordinary Borrowing Report* outlines the Government of Canada's new borrowing and sets out the amount that may be borrowed, but will not necessarily be borrowed, to address the challenges caused by the pandemic, as of May 6, 2021.

Federal emergency measures include, but are not limited to

- The Canada Emergency Wage Subsidy, which has helped more than 5.3 million Canadians keep their jobs by enabling employers to keep workers on the payroll and by encouraging them to re-hire.
- The Canada Emergency Rent Subsidy and Lockdown Support, which have helped more than 156,000 organizations with rent, mortgage, and other expenses, including extra support in the event of closures due to a public health order.
- The Canada Emergency Business Account, which has provided interest-free, partially forgivable loans to more than 874,000 Canadian small businesses, to help cover fixed costs and help them through this crisis.

These and other support measures are already paying dividends, allowing the Canadian economy to begin strongly rebounding from the pandemic recession. Indeed, the International Monetary Fund's recent Article IV report highlighted the importance of Canada's "decisive actions and unprecedented fiscal support," in limiting economic scarring and protecting Canadians' jobs.

It's important to underline that the extraordinary federal spending undertaken to support Canadians through the pandemic and stimulate a rapid recovery in jobs, is temporary. The federal budget for 2021 shows both the federal deficit and debt-to-GDP ratio declining in the years ahead. Current and proposed government spending is sustainable.

There are early signs of recovery, outpacing forecasters' expectations. With ever-increasing availability of vaccines, emergency support, and the significant new investments we are making in jobs, growth, green transformation and social infrastructure, Canada is set to come roaring back from this pandemic recession. Brighter days lie ahead.

The Honourable Chrystia Freeland, P.C., M.P.
Deputy Prime Minister and Minister of Finance
Ottawa, 2021

Introduction

In response to the extraordinary circumstances caused by the COVID-19 pandemic, on March 23, 2021, the Administrator of the Government of Canada in Council authorized the Minister of Finance to borrow money under paragraph 46.1(c) of the *Financial Administration Act* (FAA). This provision authorized the Minister to conduct necessary borrowings to continue to fund the Government of Canada through this crisis.

This authority was undertaken due to the temporary, time-limited need to fund programs previously approved by Parliament, in particular key emergency supports such as the Canada Emergency Wage Subsidy and the Canada Recovery Benefit, prior to the passage of a corresponding increase in the borrowing authority limit, as provided for in the *Economic Statement Implementation Act, 2020* (C-14). C-14 was approved by Parliament and received Royal Assent on May 6, 2021, at which time the extraordinary borrowing authorities were retired.

Pursuant to subsection 49.1(1) of the FAA, this report provides a detailed account, as of May 6, 2021, of amounts borrowed in extraordinary circumstances by the Minister on behalf of Her Majesty in Right of Canada under the authority of paragraph 46.1(c) of the FAA.

Contingency and Extraordinary Borrowings as of May 6, 2021

The Administrator of the Government of Canada in Council approved two Orders in Council on March 23, 2021 that enabled the government to continue to respond to the extraordinary circumstances of the COVID-19 pandemic.

1. Order in Council P.C. 2021-177 authorized the Minister of Finance to borrow money in extraordinary circumstances beginning on March 23, 2021 and ending on March 31, 2021.
2. Order in Council P.C. 2021-179 authorized the Minister of Finance to borrow money in extraordinary circumstances beginning on April 1, 2021 and ending on May 6, 2021, when Part 7 of Bill C-14, entitled the *Economic Statement Implementation Act, 2020*, came into force.

With the exception of refinancing of and interest payments on existing debt under paragraph 46.1(a), all new borrowing undertaken by the government under both orders from March 23, 2021 to May 6, 2021, inclusive, was borrowed under the authority of paragraph 46.1(c) of the FAA (see Annex A for a description of relevant borrowing authorities). Amounts borrowed under paragraph 46.1(c) do not count towards the Government of Canada's borrowing limit under the *Borrowing Authority Act*.

The total sum borrowed from March 23, 2021 to March 31, 2021, inclusive, under paragraph 46.1(c) as authorized under Order in Council P.C. 2021-177 was \$6.3 billion. From April 1, 2021 to May 6, 2021, inclusive, the total amount borrowed under paragraph 46.1(c) as authorized under Order in Council P.C. 2021-179 was \$2.1 billion. These funds are to address the government's financial requirements, including to fund a variety of COVID-19 related programs and policies. Additional information concerning the government's financial requirements, including its COVID-19 response, can be found in Budget 2021.¹

¹ <https://www.budget.gc.ca/2021/home-accueil-en.html>

Table 1 below lists all domestic borrowing activities of the government from March 23, 2021 to May 6, 2021.

Table 1
Issuance History¹

Settlement Date	Operation	Auction Size (\$ billions)	Average Yield (%)	Year-to-Date Cost (%)²
24-Mar	3Y	6	0.52	0.52
29-Mar	10Y	5	1.47	0.95
01-Apr	Treasury bill	15	0.12	0.47
05-Apr	5Y	4	0.99	0.54
12-Apr	3Y	4.5	0.47	0.53
15-Apr	Treasury bill	18	0.13	0.39
16-Apr	5Y	4	1.07	0.44
19-Apr	2Y	6	0.27	0.43
26-Apr	10Y	5.5	1.62	0.52
29-Apr	Treasury bill	21	0.14	0.43
03-May	30Y	3	2.11	0.49
Total:		92.0		

¹ This table outlines the issuance activities of the government, which differs from the amounts tracked under the extraordinary borrowing authority as the extraordinary borrowing amounts exclude refinancing of and interest payments on existing debt under paragraph 46.1(a) of the FAA.

² Year-to-date cost is calculated as the weighted average yield (i.e. the average yield weighted by the auction size).

Annex A: Contingency and Extraordinary Borrowings

Contingency and extraordinary borrowings include the total amount of money borrowed by the Minister under an order made under each of paragraphs 46.1(a) to (c) of the FAA. Paragraphs 46.1(a) and (b) address contingencies whereas 46.1(c) addresses extraordinary borrowings. These paragraphs address circumstances where the Minister might need to borrow:

- a) to avoid defaulting on existing debt,
- b) to reduce or extinguish liabilities, and
- c) to respond to emergencies such as natural disasters or to promote stability or maintain efficiency of the financial system (i.e. extraordinary borrowings).