



Department of Finance
Canada

Ministère des Finances
Canada

Extraordinary Borrowing Report to Parliament

October 22, 2020

A large, abstract graphic in the background consisting of overlapping, semi-transparent circular and rectangular shapes in shades of light blue, yellow, and orange, creating a layered, architectural effect.

Canada

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Extraordinary Borrowing Report – Foreword

The COVID-19 pandemic is a severe public health crisis, which has imposed tremendous strains on Canada and countries around the world. The economic toll of COVID-19 on the global economy is expected to be the largest and most sudden contraction since the Great Depression. In April, nearly 5.5 million Canadians, about 30 per cent of Canada's pre-crisis workforce, were out of work or working significantly reduced hours.

Canada entered this crisis with a solid fiscal position relative to our G7 peers. The government deployed that fiscal firepower to help protect millions of jobs, provide emergency support to families, and keep businesses afloat during the pandemic. Canada's rapidly implemented COVID-19 Economic Response Plan provided an ambitious and broad-based set of measures to keep our economy strong and stable. As the crisis has evolved, so too has the government's response, ensuring that support is targeted to those who need it the most.

The *Extraordinary Borrowing Report* details the Government of Canada's new borrowing to address the significant challenges caused by the COVID-19 pandemic, as of September 30, 2020. Canada recognizes the financial impact of doing what needs to be done – all while knowing that doing less would end up costing more.

The government's COVID programs and measures have provided a crucial lifeline for Canadians and Canadian businesses during this unprecedented challenge, including:

- The Canada Emergency Response Benefit (CERB), which has ensured that nearly 9 million Canadians who could not work or had their hours reduced because of COVID-19 were able to receive \$2,000 a month to help them pay rent, buy groceries, and get the medicines they need.
- The Canada Emergency Wage Subsidy (CEWS), which has protected over 3.7 million jobs by helping employers keep workers on the payroll and encouraging them to re-hire workers previously laid off. This has preserved the crucial tie between workers and businesses, positioning them to safely and quickly return to work as conditions allow.
- The Canada Emergency Business Account (CEBA), which is providing interest-free loans of up to \$40,000 for small businesses and not-for-profits, 25 per cent of which is forgivable if paid back by December 31, 2022, to help cover fixed costs and see them through this crisis.

The pandemic has had a profound impact on the lives of all Canadians and has laid bare many of the inequalities in our society. It has offered us an opportunity to take stock of what really matters, to have meaningful conversations about taking care of each other, and to reflect on how we can work towards a stronger, more sustainable and more resilient Canada.

Canada has a well-deserved international reputation for smart and prudent fiscal management, which will continue to be the approach of our government. As we committed in the Speech from the Throne, the government will release an update to Canada's COVID-19 Economic Response Plan this fall. This will outline our economic and fiscal position, provide fiscal projections, and set out new measures to implement the Throne Speech.

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

Introduction

In response to the extraordinary circumstances caused by the COVID-19 pandemic, on March 31, 2020, the Minister of Finance approved borrowings, under extraordinary circumstances, under section 47 of the *Financial Administration Act* (as enacted by the *COVID-19 Emergency Response Act* that received Royal Assent on March 25, 2020). This unprecedented provision authorized the Minister to conduct new and necessary borrowings to fund the Government of Canada through this crisis.

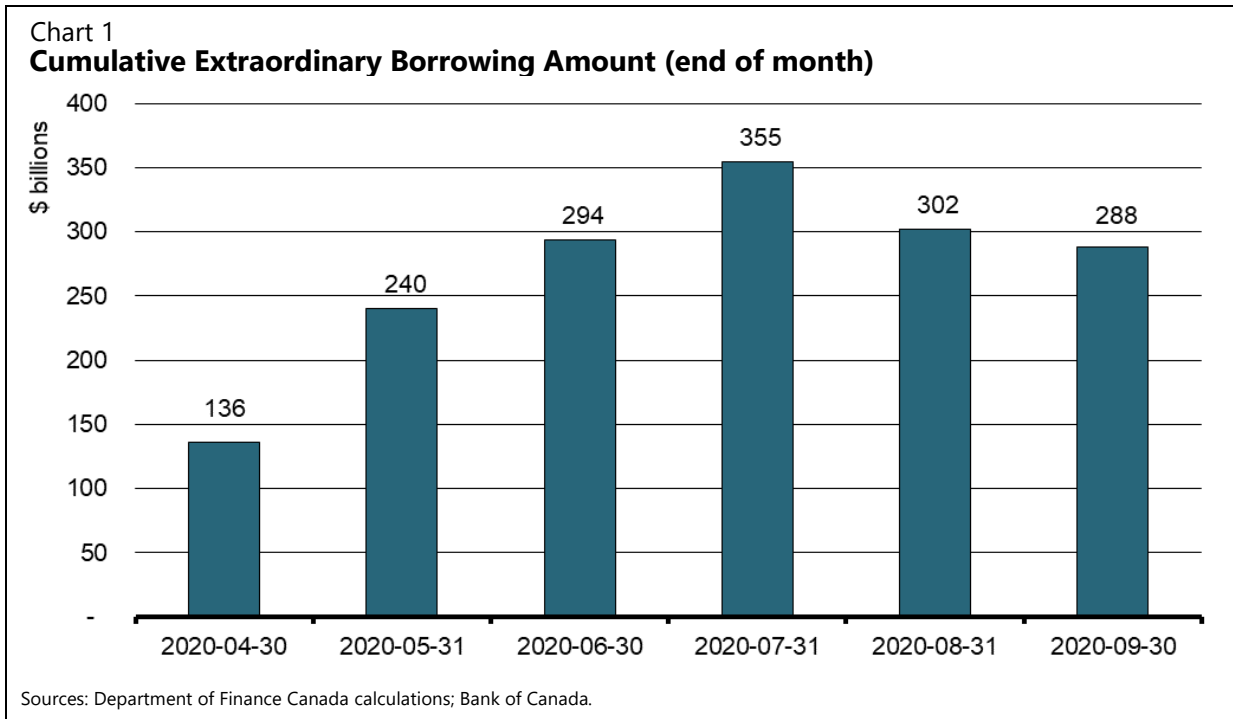
This report provides a detailed account, as at September 30, 2020, of amounts borrowed in extraordinary circumstances by the Minister on behalf of Her Majesty in Right of Canada under the authority of paragraph 47(b) of the *Financial Administration Act* (FAA) and as required by subsection 49.1(2) of that Act.

Contingency and Extraordinary Borrowings as of September 30, 2020

Upon receiving Royal Assent on March 25, 2020, the *COVID-19 Emergency Response Act* enabled the government to respond to the extraordinary circumstances of the COVID-19 pandemic. The *COVID-19 Emergency Response Act* enacted section 47 of the FAA, which authorizes the Minister of Finance to borrow money in extraordinary circumstances without those amounts counting towards the Government of Canada's borrowing limit under the *Borrowing Authority Act*. The FAA was also amended to require the Minister of Finance to table a report on new borrowings under paragraph 47(b) within the first 30 sitting days of using this authority. This authority was in effect from April 1, 2020 to September 30, 2020.

With the exception of interest payments on existing debt, all new borrowing undertaken by the government between April 1, 2020 and September 30, 2020 has been borrowed under the authority of the FAA and is reported here. Refinancing of maturing debt between April 20, 2020 and September 30, 2020 has not been financed under paragraph 47(b) and thus is excluded in this report.

In response to increases in projected expenditures to support the economy through COVID-19 related policies, the government increased borrowing in advance of the expected cash needs. This allowed the government to distribute the sudden increase in borrowing needs over a longer period and mitigate any potential stress on the Government of Canada securities market. The increase in the frequency and size of the government's regular borrowings built up an appropriate temporary cash buffer to prepare for future COVID-19 related spending. Borrowings related to these cash buffers are included under extraordinary borrowing.



As of September 30, 2020, the total amount borrowed under paragraph 47(b) was \$287.8 billion. These funds were used for a variety of COVID-19 related programs and policies. Additional information concerning these programs and policies can be found in the *Economic and Fiscal Snapshot 2020*.¹

Government Borrowing Breakdown

Total borrowings from April 1, 2020 to September 30, 2020 amounted to \$293.8 billion, of which \$287.8 billion is extraordinary borrowing: a \$136.9 billion increase in domestic bonds, a net increase in treasury bill issuance of \$152.2 billion, and a \$4.3 billion increase in foreign currency bonds. The remaining \$6.0 billion was regular borrowing for interest payments for debt issued prior to April 1, 2020 under 47(b). A detailed breakdown of monthly issuance can be found in Annex A.

Overall, the government expanded the borrowing program in both number of auctions and its size, prioritizing issuance in the longer-term sectors to lock in the historically low interest rates and minimize the long-term cost of funding. While stock of debt has increased, due to the decline in average interest rates, interest costs for domestic marketable debt are expected to fall in 2020-21. Table 1 below outlines the domestic borrowing activities of the government from April 1, 2020 to September 30, 2020.

¹ <https://www.canada.ca/en/department-finance/services/publications/economic-fiscal-snapshot.html>

Table 1
Issuance History¹

Date	Operation	Auction Size (\$ billions)	Average Yield (%)	Year-to-Date Cost (%)
1-Apr	5Y	5.5	0.57	0.57
2-Apr	10Y	4	0.66	0.61
3-Apr	Cash Management Bill (CMB)	4.5	0.22	0.61
7-Apr	Treasury bill (T-bill)	20	0.33	0.42
8-Apr	CMB	4.5	0.23	0.42
8-Apr	2Y	6	0.44	0.42
9-Apr	5Y	5.5	0.67	0.46
14-Apr	T-bill	25	0.37	0.42
16-Apr	CMB	6.5	0.41	0.42
16-Apr	3Y	4.5	0.41	0.42
20-Apr	CMB	5	0.19	0.42
21-Apr	T-bill	35	0.31	0.39
22-Apr	30Y	2.5	1.27	0.41
24-Apr	CMB	5	0.19	0.41
28-Apr	T-bill	35	0.31	0.38
30-Apr	2Y	6	0.32	0.38
5-May	T-bill	35	0.30	0.36
6-May	10Y	5	0.63	0.37
12-May	T-bill	35	0.29	0.36
13-May	5Y	5.5	0.39	0.36
19-May	T-bill	32	0.29	0.35
20-May	3Y	4.5	0.35	0.35
21-May	2Y	6	0.31	0.35
26-May	T-bill	25	0.27	0.34
27-May	Real Return Bond (RRB)	0.4	0.12	0.34
28-May	5Y	5.5	0.42	0.34
2-Jun	T-bill	20	0.22	0.34
4-Jun	30Y	2.5	1.26	0.34
9-Jun	T-bill	18	0.22	0.34
11-Jun	2Y	6	0.29	0.34
16-Jun	T-bill	15	0.22	0.33
17-Jun	3Y	4.5	0.32	0.33
18-Jun	10Y	4.5	0.54	0.33
23-Jun	T-bill	15	0.24	0.33
25-Jun	5Y	5.5	0.37	0.33
30-Jun	T-bill	15	0.23	0.33
2-Jul	2Y	6	0.30	0.33
7-Jul	T-bill	12	0.22	0.32
8-Jul	3Y	5	0.30	0.32
9-Jul	10Y	5	0.53	0.33

Date	Operation	Auction Size (\$ billions)	Average Yield (%)	Year-to-Date Cost (%)
14-Jul	T-bill	10	0.21	0.32
16-Jul	5Y	5	0.34	0.33
21-Jul	T-bill	10	0.19	0.32
22-Jul	2Y	6	0.27	0.32
23-Jul	30Y	3	1.02	0.34
28-Jul	T-bill	10	0.19	0.32
30-Jul	3Y	5	0.27	0.34
4-Aug	T-bill	10	0.18	0.32
5-Aug	5Y	5	0.35	0.32
6-Aug	10Y	5	0.46	0.34
11-Aug	T-bill	10	0.18	0.32
12-Aug	30Y	3	1.12	0.33
13-Aug	2Y	6	0.33	0.34
18-Aug	T-bill	10	0.17	0.33
19-Aug	5Y	5	0.39	0.33
20-Aug	2Y	6	0.32	0.34
25-Aug	T-bill	10	0.17	0.33
26-Aug	10Y	5	0.63	0.33
27-Aug	2Y	6	0.33	0.35
1-Sep	T-bill	10	0.21	0.33
2-Sep	RRB	0.3	-0.24	0.33
3-Sep	5Y	5	0.34	0.34
8-Sep	T-bill	10	0.17	0.33
10-Sep	2Y	6	0.30	0.34
15-Sep	T-bill	10	0.17	0.33
17-Sep	30Y	3	1.10	0.34
22-Sep	T-bill	10	0.17	0.33
23-Sep	3Y	5	0.27	0.33
24-Sep	10Y	5	0.56	0.34
29-Sep	T-bill	10	0.16	0.33
30-Sep	2Y	6	0.27	0.33
Total:		672.7		

¹ This table outlines the issuance activities of the government, which differs from the stock amounts tracked by the extraordinary borrowing authority as securities can mature during this period to reduce the net change in outstanding.

Annex A: Domestic Debt Security Breakdown by Issue and Outstanding

