



Department of Finance
Canada

Ministère des Finances
Canada

THE FISCAL MONITOR

A publication of the Department of Finance

Financial results for April and May 2020

Canada

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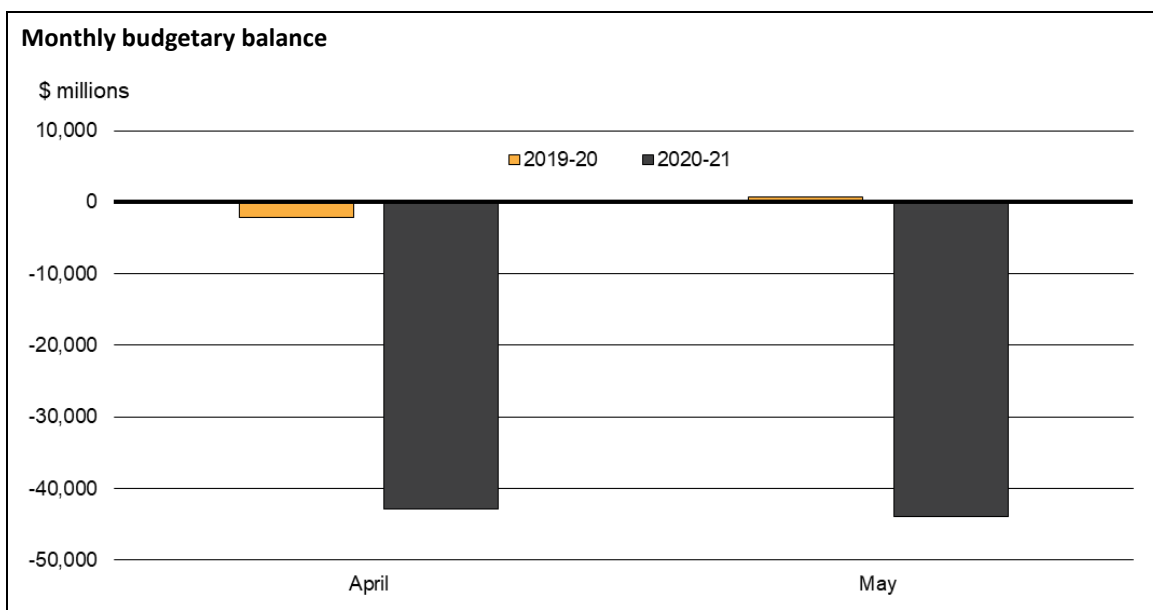
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Highlights

April and May 2020

For the first two months of the 2020-21 fiscal year (April and May), there was a budgetary deficit of \$86.8 billion, compared to a deficit of \$1.4 billion reported in the same period of 2019-20. By month, there was a deficit of \$42.8 billion in April and a deficit of \$43.9 billion in May. 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, and is consistent with the budgetary balance presented in the Economic and Fiscal Snapshot (July).



For the two months combined, revenues were down \$24.1 billion, or 42.6 per cent, largely reflecting decreases in tax revenues and other revenues. Program expenses were up \$62.4 billion, or 117.4 per cent, largely reflecting transfers to businesses and individuals under the Economic Response Plan, including the Canada Emergency Response Benefit (CERB), the Canada Emergency Wage Subsidy (CEWS), the 25 per cent incentive for the Canada Emergency Business Account (CEBA), and the Canada Emergency Student Benefit (CESB). Public debt charges were down \$1.2 billion, or 24.5 per cent, largely reflecting lower Consumer Price Index adjustments on Real Return Bonds.

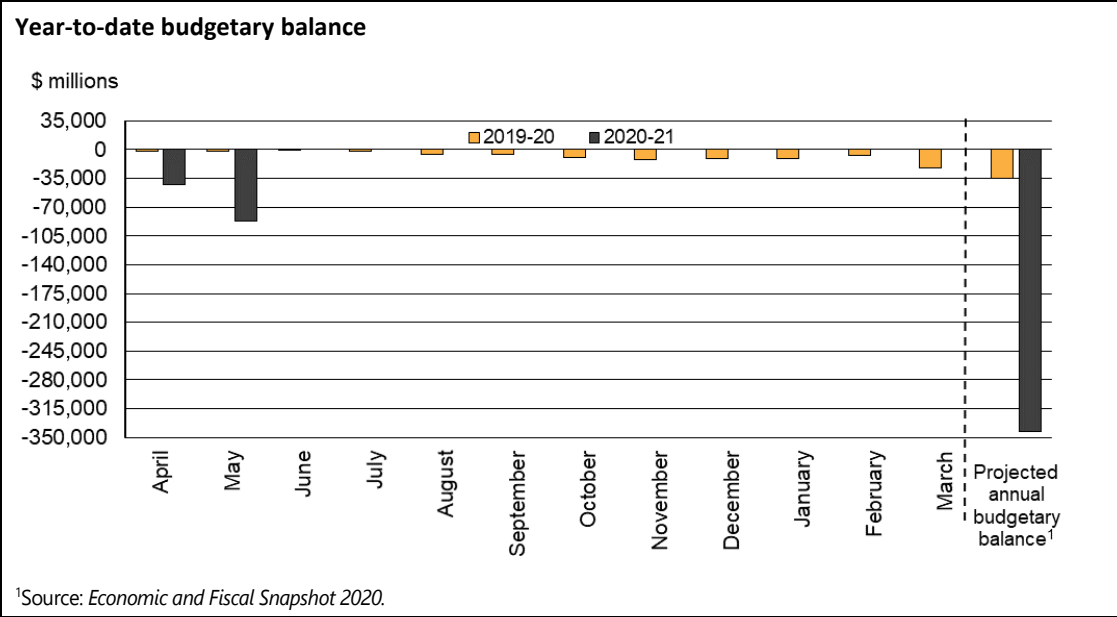


Table 1

Summary statement of transactions

\$ millions

	April		May		April to May	
	2019	2020	2019	2020	2019-20	2020-21
Budgetary transactions						
Revenues	28,926	18,681	27,590	13,763	56,516	32,444
Expenses						
Program expenses	-28,737	-59,422	-24,449	-56,212	-53,186	-115,634
Public debt charges	-2,315	-2,096	-2,428	-1,483	-4,743	-3,579
Budgetary balance (deficit/surplus)	-2,126	-42,837	713	-43,932	-1,413	-86,769
Non-budgetary transactions	-3,698	-41,514	-2,399	-8,790	-6,097	-50,304
Financial source/requirement	-5,824	-84,351	-1,686	-52,722	-7,510	-137,073
Net change in financing activities	11,715	135,825	5,342	104,118	17,057	239,943
Net change in cash balances	5,891	51,474	3,656	51,396	9,547	102,870
Cash balance at end of period					49,551	147,549

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

Revenues

For the April to May period of 2020-21, revenues decreased by \$24.1 billion, or 42.6 per cent, to \$32.4 billion.

- Tax revenues decreased by \$16.8 billion, or 35.9 per cent, driven largely by declines in Goods and Services Tax (GST) and corporate income tax revenues, as a result of COVID-19 lockdowns and related measures such as the introduction of the enhanced GST credit and tax deferrals.
- Employment Insurance (EI) premium revenues were down \$0.4 billion, or 8.8 per cent.
- Assessed fuel charge proceeds under the federal carbon pollution pricing system totaled \$0.7 billion.
- Other revenues, consisting of enterprise Crown corporations' net profits, revenues of consolidated Crown corporations, sales of goods and services, returns on investments and net foreign exchange revenues, were down \$7.5 billion, or 148.0 per cent. This decrease is largely due to lower Bank of Canada profits resulting from its secondary market purchases of Government of Canada securities to support liquidity in financial markets. The decrease in Bank of Canada profits reflects the up-front expensing of premiums paid on these bond purchases, which more than offsets interest earnings on the securities in April and May 2020.

Table 2

Revenues

	April		May		April to May		Change
	2019	2020	2019	2020	2019–20	2020–21	
	(\$ millions)						(%)
Tax revenues							
Income taxes							
Personal	13,889	12,442	12,384	13,137	26,273	25,579	-2.6
Corporate	4,531	1,183	4,277	1,389	8,808	2,572	-70.8
Non-resident	735	932	753	717	1,488	1,649	10.8
Total income tax revenues	19,155	14,557	17,414	15,243	36,569	29,800	-18.5
Other taxes and duties							
Goods and Services Tax	3,398	1,351	3,812	-3,342	7,210	-1,991	-127.6
Energy taxes	439	426	489	416	928	842	-9.3
Customs import duties	514	212	511	282	1,025	494	-51.8
Other excise taxes and duties	597	344	521	539	1,118	883	-21.0
Total excise taxes and duties	4,948	2,333	5,333	-2,105	10,281	228	-97.8
Total tax revenues	24,103	16,890	22,747	13,138	46,850	30,028	-35.9
Fuel charge proceeds	0	363	0	294	0	657	n/a
Employment Insurance premiums	2,356	2,223	2,242	1,971	4,598	4,194	-8.8
Other revenues	2,467	-795	2,601	-1,640	5,068	-2,435	-148.0
Total revenues	28,926	18,681	27,590	13,763	56,516	32,444	-42.6

Note: Totals may not add due to rounding.

Expenses

For the April to May period of 2020-21, program expenses were \$115.6 billion, up \$62.4 billion, or 117.4 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 \$34.5 billion or 211.5 per cent.
 - Elderly benefits increased by \$0.5 billion, or 5.3 per cent, reflecting growth in the elderly population.
 - EI benefits increased by \$1.5 billion, or 47.9 per cent, due to higher unemployment resulting from the crisis.
 - The CERB, an income support program introduced under Canada's COVID-19 Economic Response Plan, accounted for \$30.4 billion in payments, reflecting labour market impacts of the economic shutdown.
 - Children's benefits were up \$2.1 billion, or 52.8 per cent, reflecting the one-time increase to the May 2020 Canada Child Benefit payment.
- Major transfers to other levels of government were down \$1.2 billion, or 8.0 per cent, largely reflecting the \$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. This decrease was offset in part by legislated growth in 2020-21 in the Canada Health Transfer, the Canada Social Transfer, Equalization transfers and transfers to the territories, as well as an increase in payments under home care and mental health transfers.

- Direct program expenses were up \$29.2 billion, or 135.4 per cent. Within direct program expenses:
 - Fuel charge proceeds returned increased by \$0.8 billion, or 72.5 per cent, largely reflecting an increase in the rate of the Climate Action Incentive payment for tax year 2019.
 - The CEWS reflects \$14.9 billion in payments to eligible employers under Canada's COVID-19 Economic Response Plan.
 - Other transfer payments increased by \$11.1 billion, or 180.2 per cent, largely reflecting the 25 per cent incentive under the CEBA and transfers to students under the new CESB.
 - Operating expenses of the Government's departments, agencies and consolidated Crown corporations and other entities increased by \$1.9 billion, or 14.9 per cent, reflecting in large part purchases of medical and personal protective equipment in response to the COVID-19 crisis, as well as an increase in pensions and benefits expenses.
 - 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, increased by \$0.4 billion, or 25.3 per cent, due mainly to declines in long-term interest rates, which are used to value the obligations.

Public debt charges decreased by \$1.2 billion, or 24.5 per cent, largely reflecting lower Consumer Price Index adjustments on Real Return Bonds.

Table 3

Expenses

	April		May		April to May		Change
	2019	2020	2019	2020	2019-20	2020-21	
	(\$ millions)						(%)
Major transfers to persons							
Elderly benefits	4,527	4,771	4,573	4,810	9,100	9,581	5.3
Employment Insurance benefits	1,817	2,336	1,366	2,373	3,183	4,709	47.9
Canada Emergency Response Benefit	0	15,870	0	14,511	0	30,381	n/a
Children's benefits	2,005	2,127	2,031	4,038	4,036	6,165	52.8
Total major transfers to persons	8,349	25,104	7,970	25,732	16,319	50,836	211.5
Major transfers to other levels of government							
Canada Health Transfer	3,365	3,489	3,364	3,489	6,729	6,978	3.7
Canada Social Transfer	1,216	1,252	1,215	1,252	2,431	2,504	3.0
Equalization	1,653	1,715	1,653	1,714	3,306	3,429	3.7
Territorial Formula Financing	631	669	632	669	1,263	1,338	5.9
Gas Tax Fund	0	0	0	0	0	0	n/a
Home care and mental health	530	625	20	0	550	625	13.6
Other fiscal arrangements ¹	1,486	-384	-431	-386	1,055	-770	-173.0
Total major transfers to other levels of government	8,881	7,366	6,453	6,738	15,334	14,104	-8.0
Direct program expenses							
Fuel charge proceeds returned	779	874	331	1,041	1,110	1,915	72.5
Canada Emergency Wage Subsidy	0	6,005	0	8,932	0	14,937	n/a
Other transfer payments	3,831	11,389	2,354	5,942	6,185	17,331	180.2
Operating expenses	6,181	7,787	6,625	6,930	12,806	14,717	14.9
Losses from employee future benefit plans	716	897	716	897	1,432	1,794	25.3
Total direct program expenses	11,507	26,952	10,026	23,742	21,533	50,694	135.4
Total program expenses	28,737	59,422	24,449	56,212	53,186	115,634	117.4
Public debt charges	2,315	2,096	2,428	1,483	4,743	3,579	-24.5
Total expenses	31,052	61,518	26,877	57,695	57,929	119,213	105.8

Note: Totals may not add due to rounding.

Note: 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; and, other items.

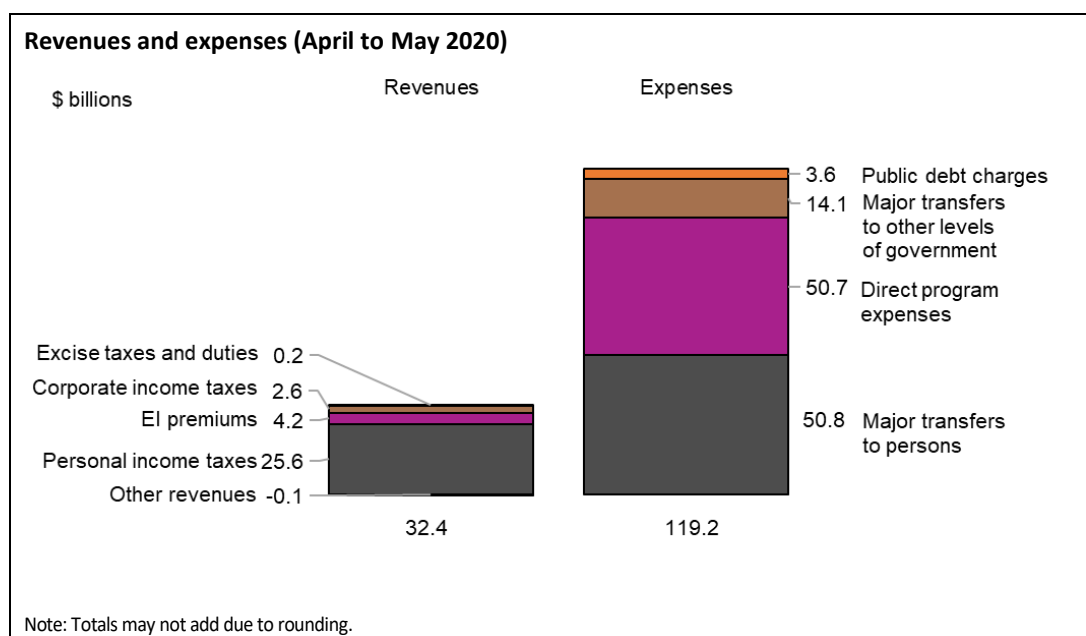
The following table presents total expenses by main object of expense.

Table 4

Total expenses by object of expense

	April		May		April to May		Change
	2019	2020	2019	2020	2019–20	2020–21	
	(\$ millions)						(%)
Transfer payments	21,840	50,738	17,108	48,385	38,948	99,123	154.5
Other expenses							
Personnel	4,369	4,973	4,874	4,933	9,243	9,906	7.2
Transportation and communications	68	78	214	133	282	211	-25.2
Information	6	5	20	67	26	72	176.9
Professional and special services	394	347	655	586	1,049	933	-11.1
Rentals	221	235	324	335	545	570	4.6
Repair and maintenance	83	96	156	181	239	277	15.9
Utilities, materials and supplies	97	1,361	214	298	311	1,659	433.4
Other subsidies and expenses	1,225	1,153	449	853	1,674	2,006	19.8
Amortization of tangible capital assets	427	427	427	436	854	863	1.1
Net loss on disposal of assets	7	9	8	5	15	14	-6.7
Total other expenses	6,897	8,684	7,341	7,827	14,238	16,511	16.0
Total program expenses	28,737	59,422	24,449	56,212	53,186	115,634	117.4
Public debt charges	2,315	2,096	2,428	1,483	4,743	3,579	-24.5
Total expenses	31,052	61,518	26,877	57,695	57,929	119,213	105.8

Note: Totals may not add due to rounding.



Financial requirement of \$137.1 billion for April to May 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 \$86.8 billion and a requirement of \$50.3 billion from non-budgetary transactions, there was a financial requirement of \$137.1 billion for the April to May 2020 period, compared to a financial requirement of \$7.5 billion from the same period the previous year.

The increased financial requirement for non-budgetary transactions for the April to May 2020 period was mainly driven by COVID-19 response measures affecting accounts payable, accrued liabilities and accounts receivable; and loans, investments and advances. Changes to accounts payable, accrued liabilities and accounts receivable reflect uptake of deferrals of personal and corporate income tax payments and Goods and Services Tax remittances 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

	April		May		April to May	
	2019	2020	2019	2020	2019-20	2020-21
Budgetary balance (deficit/surplus)	-2,126	-42,837	713	-43,932	-1,413	-86,769
Non-budgetary transactions						
Accounts payable, accrued liabilities and accounts receivable	-1,333	-27,626	-1,246	-8,227	-2,579	-35,853
Pensions, other future benefits, and other liabilities	713	624	618	912	1,331	1,536
Foreign exchange accounts	-2,435	-423	-1,109	963	-3,544	540
Loans, investments and advances	-1,019	-14,325	-593	-2,721	-1,612	-17,046
Non-financial assets	376	236	-69	283	307	519
Total non-budgetary transactions	-3,698	-41,514	-2,399	-8,790	-6,097	-50,304
Financial source/requirement	-5,824	-84,351	-1,686	-52,722	-7,510	-137,073

Note: Totals may not add due to rounding.

Net financing activities up \$239.9 billion

The government financed this financial requirement of \$137.1 billion and increased cash balances by \$102.9 billion by increasing unmatured debt by \$239.9 billion. The increase in unmatured debt was achieved primarily through the issuance of treasury bills and marketable bonds.

Cash balances at the end of May 2020 stood at \$147.5 billion, up \$102.9 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

	April		May		April to May	
	2019	2020	2019	2020	2019-20	2020-21
Financial source/requirement	-5,824	-84,351	-1,686	-52,722	-7,510	-137,073
Net increase (+)/decrease (-) in financing activities						
Unmatured debt transactions						
Canadian currency borrowings						
Marketable bonds	7,583	27,762	1,318	19,063	8,901	46,825
Treasury bills	2,800	106,133	4,300	84,400	7,100	190,533
Retail debt	-31	-18	-23	1	-54	-17
Total Canadian currency borrowings	10,352	133,877	5,595	103,464	15,947	237,341
Foreign currency borrowings	1,030	2,492	-525	1,301	505	3,793
Total market debt transactions	11,382	136,369	5,070	104,765	16,452	241,134
Cross-currency swap revaluation	205	-1,307	457	-1,239	662	-2,546
Unamortized discounts and premiums on market debt	174	810	-168	610	6	1,420
Obligations related to capital leases and other unmatured debt	-46	-47	-17	-18	-63	-65
Net change in financing activities	11,715	135,825	5,342	104,118	17,057	239,943
Change in cash balance	5,891	51,474	3,656	51,396	9,547	102,870
Cash balance at end of period					49,551	147,549

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. 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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July 2020