

# MONTHLY REPORT ON FINANCIAL TRANSACTIONS

January 15, 2021

AT SEPTEMBER 30, 2020

## Note to the reader

The *Monthly Report on Financial Transactions* provides an overview of the Québec government's monthly financial results. It is produced to increase the transparency of public finances and to provide regular monitoring of the achievement of the budgetary balance target for the fiscal year. The financial information presented in this report is unaudited and is based on the accounting policies used in the government's annual financial statements.<sup>(1)</sup>

In March 2020, the World Health Organization declared a COVID-19 pandemic. The pandemic and the measures implemented to deal with it are having significant impacts, in particular on the Québec government's financial situation.

The *Monthly Report on Financial Transactions at October 31, 2020* will be published on February 12, 2021.

## Highlights for September 2020

At September 30, 2020, that is, for the first six months of 2020-2021, the budgetary balance within the meaning of the *Balanced Budget Act* showed a deficit of \$4.1 billion. This is a decrease of \$7.9 billion compared to the surplus observed the previous year at the same time.

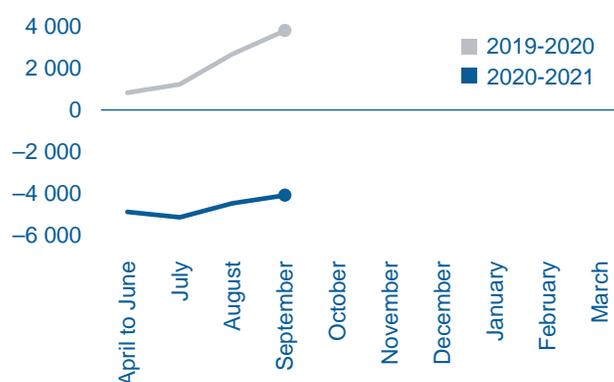
This result is due to:

- revenues of \$54.6 billion;
- expenditures of \$57.4 billion;
- deposits of \$1.3 billion in the Generations Fund.

According to the data presented in the November 2020 *Update on Québec's Economic and Financial Situation*, a budgetary deficit of \$15.0 billion is expected for the year as a whole, before the use of the stabilization reserve.

- This includes a \$4.0-billion provision to mitigate potential economic risks and fund additional support and recovery measures.

Cumulative budgetary balance  
(millions of dollars)



## SUMMARY OF CONSOLIDATED RESULTS

(unaudited data, millions of dollars)

	September			April to September			
	2019	2020	Change	2019-2020	2020-2021	Change	Change (%)
Own-source revenue	7 839	7 642	-197	45 375	40 899	-4 476	-9.9
Federal transfers	2 234	2 897	663	11 944	13 674	1 730	14.5
<b>Consolidated revenue</b>	<b>10 073</b>	<b>10 539</b>	<b>466</b>	<b>57 319</b>	<b>54 573</b>	<b>-2 746</b>	<b>-4.8</b>
Portfolio expenditures	-8 082	-9 353	-1 271	-48 400	-53 973	-5 573	11.5
Debt service	-675	-612	63	-3 878	-3 420	458	-11.8
<b>Consolidated expenditure</b>	<b>-8 757</b>	<b>-9 965</b>	<b>-1 208</b>	<b>-52 278</b>	<b>-57 393</b>	<b>-5 115</b>	<b>9.8</b>
<b>SURPLUS (DEFICIT)<sup>(2)</sup></b>	<b>1 316</b>	<b>574</b>	<b>-742</b>	<b>5 041</b>	<b>-2 820</b>	<b>-7 861</b>	<b>—</b>
<b>BALANCED BUDGET ACT</b>							
Deposits of dedicated revenues in the Generations Fund	-195	-195	—	-1 248	-1 263	-15	—
<b>BUDGETARY BALANCE<sup>(3)</sup></b>	<b>1 121</b>	<b>379</b>	<b>-742</b>	<b>3 793</b>	<b>-4 083</b>	<b>-7 876</b>	<b>—</b>

## CONSOLIDATED REVENUE

### Own-source revenue

At September 30, 2020, that is, for the first six months of 2020-2021, own-source revenue totalled \$40.9 billion. This represents a decrease of \$4.5 billion (9.9%) compared to the same period last year.

- The COVID-19-related economic downturn in Québec led to a decrease in own-source revenue.

**Tax revenue** decreased by \$2.9 billion (7.9%) to \$33.1 billion, due to:

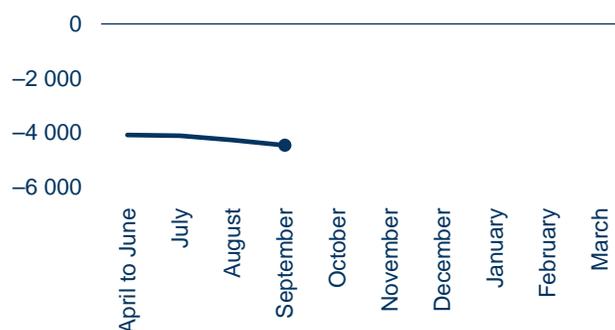
- a \$543-million decrease (3.3%) in **personal income tax**, attributable to a decrease in wages and salaries;
- a \$352-million decrease (10.7%) in **contributions for health services**, stemming from a decrease in wages and salaries and the implementation of a credit on employer contributions to the Health Services Fund in respect of employees on paid leave;
- an \$835-million decrease (21.3%) in revenue from **corporate taxes**, attributable in particular to a decrease in the net operating surplus of businesses in the second quarter of 2020;
- a \$168-million decrease (21.1%) in **school property taxes**, due to the school tax system reform, which aims to reduce school tax rates in Québec;
- a \$963-million decrease (8.3%) in **consumption taxes**, resulting in particular from reduced household consumption and residential construction.

**Other own-source revenue** decreased by \$1.3 billion (16.6%) to \$6.6 billion, due to:

- a \$274-million decrease (12.9%) in **duties and permits**, mainly due to reduced revenue from Québec's greenhouse gas emission cap-and-trade system;
- a \$1.0-billion decrease (18.0%) in **miscellaneous revenue**, attributable to reduced revenue from the sale of goods and services caused by COVID-19-related confinement measures, as well as lower revenue from Natural Resources and Energy Capital Fund in connection with the sale of shares held in Quebec Iron Ore in 2019-2020.

**Revenue from government enterprises** decreased by \$308 million (20.5%) to \$1.2 billion. The decrease stems principally from Loto-Québec's results, affected by the temporary closing of casinos, gaming halls, and sales outlets. Moreover, Hydro-Québec observed a drop in electricity consumption in Québec and a downturn in prices on export markets. This decrease is partially offset by an increase in Investissement Québec's results, mainly as a result of the rise of the fair value of investments.

Cumulative change in own-source revenue (millions of dollars)



### OWN-SOURCE REVENUE

(unaudited data, millions of dollars)

	September			April to September			
	2019	2020	Change	2019-2020	2020-2021	Change	Change (%)
Income and property taxes							
Personal income tax	3 266	2 968	-298	16 437	15 894	-543	-3.3
Contributions for health services	605	497	-108	3 276	2 924	-352	-10.7
Corporate taxes	602	486	-116	3 912	3 077	-835	-21.3
School property tax	122	76	-46	795	627	-168	-21.1
Consumption taxes	1 884	2 210	326	11 582	10 619	-963	-8.3
<b>Tax revenue</b>	<b>6 479</b>	<b>6 237</b>	<b>-242</b>	<b>36 002</b>	<b>33 141</b>	<b>-2 861</b>	<b>-7.9</b>
Duties and permits	311	296	-15	2 124	1 850	-274	-12.9
Miscellaneous revenue	1 034	893	-141	5 746	4 713	-1 033	-18.0
<b>Other own-source revenue</b>	<b>1 345</b>	<b>1 189</b>	<b>-156</b>	<b>7 870</b>	<b>6 563</b>	<b>-1 307</b>	<b>-16.6</b>
<b>Total own-source revenue excluding revenue from government enterprises</b>	<b>7 824</b>	<b>7 426</b>	<b>-398</b>	<b>43 872</b>	<b>39 704</b>	<b>-4 168</b>	<b>-9.5</b>
Revenue from government enterprises	15	216	201	1 503	1 195	-308	-20.5
<b>TOTAL</b>	<b>7 839</b>	<b>7 642</b>	<b>-197</b>	<b>45 375</b>	<b>40 899</b>	<b>-4 476</b>	<b>-9.9</b>

# MONTHLY REPORT ON FINANCIAL TRANSACTIONS

## Federal transfers

At September 30, 2020, that is, for the first six months of 2020-2021, federal transfers totalled \$13.7 billion. This represents an increase of \$1.7 billion (14.5%) compared to the same period last year.

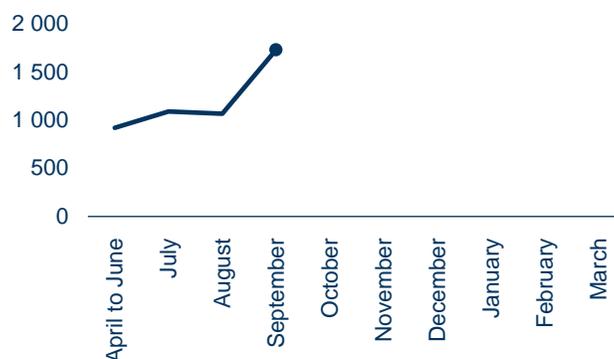
- The increase is mainly attributable to revenue from other programs.

Revenue from **health transfers** rose by \$170-million (5.2%), to \$3.4 billion. This increase stems, in part, from growth in Canada's nominal GDP, which determines the pace of growth of Canada Health Transfer (CHT) funding.

Revenue from **other programs** increased by \$1.5 billion (105.9%) to \$2.8 billion, due in particular to:

- a transfer payment of \$661 million in June 2020 to offset part of Québec's efforts to mitigate the financial impact of the COVID-19 pandemic;
- transfer payments of \$838 million recorded at September 30 in relation to the new safe recovery and back-to-school agreements with the federal government to support the provinces in implementing pandemic-related measures.

Cumulative change in federal transfers (millions of dollars)



## FEDERAL TRANSFERS

(unaudited data, millions of dollars)

	September			April to September			
	2019	2020	Change	2019-2020	2020-2021	Change	Change (%)
Equalization	1 094	1 104	10	6 562	6 626	64	1.0
Health transfers	540	569	29	3 241	3 411	170	5.2
Transfers for post-secondary education and other social programs	127	134	7	764	802	38	5.0
Other programs	473	1 090	617	1 377	2 835	1 458	105.9
<b>TOTAL</b>	<b>2 234</b>	<b>2 897</b>	<b>663</b>	<b>11 944</b>	<b>13 674</b>	<b>1 730</b>	<b>14.5</b>

## CONSOLIDATED EXPENDITURE

At September 30, 2020, that is, for the first six months of 2020-2021, consolidated expenditure totalled \$57.4 billion. This represents an increase of \$5.1 billion (9.8%) compared to the same period last year.

- This expenditure growth reflects in particular the significant resources mobilized in the **Santé et Services sociaux** portfolio, as well as the financial assistance provided to individuals, businesses and municipalities in the context of the COVID-19 pandemic.

Expenditure in the **Éducation et Enseignement supérieur** portfolio has remained stable at \$11.0 billion.

Expenditure in the **Santé et Services sociaux** portfolio increased by \$3.6 billion (16.3%) to \$25.3 billion, mainly due to:

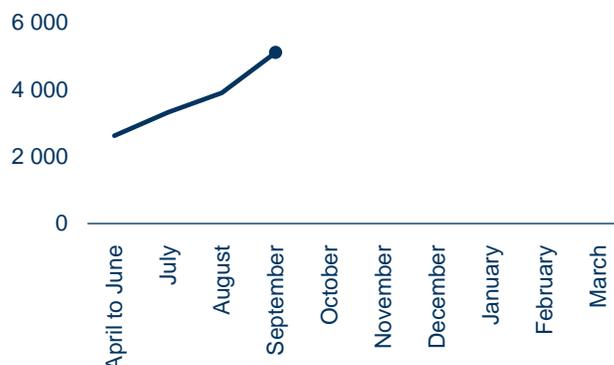
- a \$3.5-billion increase in the expenditures of health and social services institutions, stemming from the cost of personal protective equipment and wage increases granted to healthcare workers, including patient-care attendants, to recognize additional efforts to face the public health crisis.

Expenditure in **other portfolios** increased by \$2.0 billion (12.9%) to \$17.6 billion, due to:

- a \$788-million increase in expenditure in the Finances portfolio, attributable in part to Québec's contribution to the Canada Emergency Commercial Rent Assistance (CECRA) program for the period of April to September 2020, the Incentive Program to Retain Essential Workers (IPREW) and the Gas Tax and Québec Contribution Program (TECQ);
- a \$423-million increase in expenditure in the Famille portfolio, including a \$266-million increase related to the full enhancement of the family allowance announced in the November 2019 *Update on Québec's Economic and Financial Situation*;
- a \$409-million increase in expenditure in the Transport portfolio, mainly due to financial assistance granted for public passenger transit under the Programme d'aide d'urgence au transport collectif des personnes;
- a \$283-million increase in expenditure in the Économie et Innovation portfolio, which stems from tax credits, including those for scientific research and experimental development, for investments in manufacturing and processing equipment, and for the development of e-business;
- a \$208-million increase in expenditure in the Affaires municipales et Habitation portfolio, mainly due to financial assistance to support municipalities in the context of the pandemic provided for in the Safe Restart Agreement;
- a \$351-million decrease in expenditure in the Sécurité publique portfolio, attributable to the financial assistance granted in 2019-2020 with respect to flooding in the spring of 2019.

**Debt service** expenditure decreased by \$458 million (11.8%) to \$3.4 billion because of lower interest rates.

Cumulative change in consolidated expenditure (millions of dollars)



## CONSOLIDATED EXPENDITURES BY PORTFOLIO<sup>(4)</sup>

(unaudited data, millions of dollars)

	September			April to September			
	2019 <sup>(5)</sup>	2020	Change	2019-2020 <sup>(5)</sup>	2020-2021	Change	Change (%)
Éducation et Enseignement supérieur	2 197	2 193	-4	11 033	11 043	10	0.1
Santé et Services sociaux	3 690	4 045	355	21 758	25 315	3 557	16.3
Other portfolios <sup>(6)</sup>	2 195	3 115	920	15 609	17 615	2 006	12.9
<b>Portfolio expenditures</b>	<b>8 082</b>	<b>9 353</b>	<b>1 271</b>	<b>48 400</b>	<b>53 973</b>	<b>5 573</b>	<b>11.5</b>
<b>Debt service</b>	<b>675</b>	<b>612</b>	<b>-63</b>	<b>3 878</b>	<b>3 420</b>	<b>-458</b>	<b>-11.8</b>
<b>TOTAL</b>	<b>8 757</b>	<b>9 965</b>	<b>1 208</b>	<b>52 278</b>	<b>57 393</b>	<b>5 115</b>	<b>9.8</b>

## NET FINANCIAL SURPLUSES OR REQUIREMENTS

### Composition of net financial surpluses or requirements

The government's revenues and expenditures are established on an accrual basis of accounting. Revenues are recognized when earned and expenses when incurred, regardless of when receipts and disbursements occur.

Financial surpluses (requirements), on the other hand, consist of the difference between receipts and disbursements resulting from government activities. To meet its net financial requirements, the government uses a variety of financing sources, including cash and borrowings.

The various items for net financial requirements represent net receipts and disbursements generated by the government's loans, interests in its enterprises, fixed assets and other investments, as well as by retirement plans and other employee future benefits, and by other accounts. This last item includes the payment of accounts payable and the collection of accounts receivable.

For the period of April to September 2020, net financial requirements amount to \$3.4 billion and are due to:

- the \$2.8-billion deficit resulting from the difference between government revenues and expenditures;
- the \$1.6-billion financial requirements for investments, loans and advances, due primarily to an increase in loans to government enterprises and loans granted by the Economic Development Fund, especially through support measures for businesses affected by the COVID-19 pandemic and the growth in the consolidation value of government enterprises;<sup>(7)</sup>
- the \$1.5-billion financial requirements for government capital investments, due to investments of \$3.6 billion, partially offset by amortization expenses of \$2.1 billion;<sup>(7)</sup>
- the \$1.7-billion financial surplus related to retirement plans and other employee future benefits liabilities, resulting from an increase in these liabilities of \$4.9 billion,<sup>(7)</sup> partially offset by the payment of government employee benefits of \$3.2 billion;
- the \$836-million financial surplus from other accounts,<sup>(8)</sup> which results in particular from the receipt in September 2020 of an amount from the federal government for the year 2020-2021 under the Safe Restart Agreement to finance efforts to mitigate the impact of COVID-19 and to support safe economic recovery.

### NET FINANCIAL SURPLUSES OR REQUIREMENTS

(unaudited data, millions of dollars)

	April to September	
	2019-2020	2020-2021
<b>SURPLUS (DEFICIT)<sup>(2)</sup></b>	<b>5 041</b>	<b>-2 820</b>
<b>Non-budgetary transactions</b>		
Investments, loans and advances	-844	-1 612
Capital investments	-1 020	-1 501
Retirement plans and other employee future benefits	1 670	1 696
Other accounts <sup>(8)</sup>	147	836
<b>Total non-budgetary transactions</b>	<b>-47</b>	<b>-581</b>
<b>NET FINANCIAL SURPLUSES (REQUIREMENTS)</b>	<b>4 994</b>	<b>-3 401</b>

## ➤ CHANGE IN THE BUDGETARY BALANCE IN 2020-2021

Results at September 30, 2020 showed a budgetary deficit of \$4.1 billion for the first six months of the year.

According to the data presented in the *Update on Québec's Economic and Financial Situation* of November 2020, a budgetary deficit of \$15.0 billion is expected for 2020-2021, before the use of the stabilization reserve.

For the last six months of the fiscal year, that is, from October 2020 to March 2021, the budgetary deficit will come from:

- results excluding initiatives announced since the beginning of the fiscal year, which will contribute to increase the deficit by \$623 million;
- initiatives announced in the June 2020 snapshot, *Québec's Economic and Financial Situation*, of which a balance of \$2.7 billion has yet to be recorded;
- initiatives announced in the November 2020 *Update on Québec's Economic and Financial Situation*, of which a balance of \$3.6 billion has yet to be recorded.

Moreover, the government has set up a provision of \$4.0 billion to mitigate potential economic risk and fund additional support and recovery measures.

The use of the stabilization reserve will reduce the budgetary deficit to \$3.0 billion.

### CHANGE IN THE BUDGETARY BALANCE FOR 2020-2021

(millions of dollars)

	2020-2021
<b>BUDGETARY BALANCE<sup>(3)</sup> – MONTHLY REPORT ON FINANCIAL TRANSACTIONS AT SEPTEMBER 30, 2020</b>	<b>–4 083</b>
<b>UPCOMING RESULTS FROM OCTOBER 2020 TO MARCH 2021</b>	
<b>Results excluding initiatives</b>	
– Consolidated revenue	64 351
– Consolidated expenditure	–63 584
– Deposits of dedicated revenues in the Generations Fund	–1 390
<b>Subtotal</b>	<b>–623</b>
Balance of the initiatives in the June 2020 snapshot to be recorded	–2 735
Balance of the initiatives in the November 2020 update to be recorded	–3 560
Provision for economic risks and other support and recovery measures	–4 000
<b>TOTAL</b>	<b>–10 917</b>
<b>PROJECTED BUDGETARY BALANCE BEFORE USE OF THE STABILIZATION RESERVE</b>	<b>–15 000</b>
Use of the stabilization reserve	12 009
<b>PROJECTED BUDGETARY BALANCE<sup>(9)</sup> – NOVEMBER 2020 UPDATE</b>	<b>–2 991</b>

Note: Totals may not add due to rounding.

# MONTHLY REPORT ON FINANCIAL TRANSACTIONS

## APPENDIX 1: BUDGET FORECASTS – CHANGE SINCE THE MARCH 2020 BUDGET

### BUDGET FORECASTS FOR 2020-2021

(millions of dollars)

	March 2020 Budget	Adjustments	November 2020 update <sup>(10)</sup>	Change (%) <sup>(11)</sup>
<b>CONSOLIDATED REVENUE</b>				
Income and property taxes				
Personal income tax	35 435	-137	35 298	4.4
Contributions for health services	6 896	-515	6 381	-2.1
Corporate taxes	8 530	-863	7 667	-10.9
School property tax	1 349	-192	1 157	-24.8
Consumption taxes	22 961	-2 959	20 002	-6.3
<b>Tax revenue</b>	<b>75 171</b>	<b>-4 666</b>	<b>70 505</b>	<b>-1.8</b>
Duties and permits	4 643	-441	4 202	-7.3
Miscellaneous revenue	10 975	-851	10 124	-7.6
<b>Other own-source revenue</b>	<b>15 618</b>	<b>-1 292</b>	<b>14 326</b>	<b>-7.6</b>
<b>Total own-source revenue excluding revenue from government enterprises</b>	<b>90 789</b>	<b>-5 958</b>	<b>84 831</b>	<b>-2.9</b>
Revenue from government enterprises	4 814	-1 208	3 606	-18.4
<b>Total own-source revenue</b>	<b>95 603</b>	<b>-7 166</b>	<b>88 437</b>	<b>-3.6</b>
Federal transfers	25 692	4 604	30 296	20.1
<b>Total consolidated revenue</b>	<b>121 295</b>	<b>-2 562</b>	<b>118 733</b>	<b>1.5</b>
<b>CONSOLIDATED EXPENDITURE</b>				
Éducation et Enseignement supérieur	-25 734	-349	-26 083	6.9
Santé et Services sociaux	-47 760	-4 699	-52 459	16.6
Other portfolios <sup>(6)</sup>	-36 806	-4 158	-40 964	13.1
<b>Portfolio expenditures</b>	<b>-110 300</b>	<b>-9 207</b>	<b>-119 507</b>	<b>13.1</b>
Debt service	-8 266	693	-7 573	-1.3
<b>Total consolidated expenditure</b>	<b>-118 566</b>	<b>-8 514</b>	<b>-127 080</b>	<b>12.2</b>
Provision for economic risks and other support and recovery measures	—	-4 000	-4 000	—
<b>SURPLUS (DEFICIT)<sup>(2)</sup></b>	<b>2 729</b>	<b>-15 076</b>	<b>-12 347</b>	<b>—</b>
<b>BALANCED BUDGET ACT</b>				
Deposits of dedicated revenues in the Generations Fund	-2 729	76	-2 653	—
<b>BUDGETARY BALANCE BEFORE USE OF THE STABILIZATION RESERVE</b>	<b>—</b>	<b>-15 000</b>	<b>-15 000</b>	<b>—</b>
Use of the stabilization reserve	—	12 009	12 009	—
<b>BUDGETARY BALANCE<sup>(9)</sup></b>	<b>—</b>	<b>-2 991</b>	<b>-2 991</b>	<b>—</b>

Note: Totals may not add due to rounding.

## APPENDIX 2: EXPENDITURES BY MISSION

Government expenditures are broken down into five missions that focus on public services. This breakdown of government expenditure in its main areas of activity is a stable indicator over time, as it is generally not influenced by ministerial changes. Moreover, since this breakdown is also used in the Public Accounts, its presentation in the *Monthly Report on Financial Transactions* allows for a better monitoring of actual results over the course of the year.

The missions dedicated to public services are:

- **Health and Social Services**, which consists primarily of the activities of the health and social services network and the programs administered by the Régie de l'assurance maladie du Québec;
- **Education and Culture**, which consists primarily of the activities of the education networks, student financial assistance, programs in the culture sector and immigration-related programs;
- **Economy and Environment**, which primarily includes programs related to economic development, employment assistance measures, international relations, the environment and infrastructure support;
- **Support for Individuals and Families**, which includes, in particular, last resort financial assistance, assistance measures for families and seniors, and certain legal aid measures;
- **Administration and Justice**, which consists of the activities of the legislature, central bodies and public security, as well as administrative programs.

### CONSOLIDATED EXPENDITURES BY MISSION EXCLUDING DEBT SERVICE

(unaudited data, millions of dollars)

	September		April to September	
	2019 <sup>(5)</sup>	2020	2019-2020 <sup>(5)</sup>	2020-2021
Health and Social Services	3 632	3 907	21 255	24 657
Education and Culture	2 211	2 282	11 429	11 582
Economy and Environment	979	1 354	6 383	7 387
Support for Individuals and Families	721	715	5 290	5 700
Administration and Justice	539	1 095	4 043	4 647
<b>TOTAL</b>	<b>8 082</b>	<b>9 353</b>	<b>48 400</b>	<b>53 973</b>

## Consolidated financial information

Consolidated results include the results of all entities that are part of the government's reporting entity, i.e., that are under its control. To determine consolidated results, the government eliminates transactions carried out between entities in the reporting entity. Additional information on the government's financial organization and the financing of public services can be found on pages 13 to 18 of the document titled "[Budgetary Process and Documents: Public Financial Accountability](#)" (in French only).

## Notes

- (1) The government's accounting policies can be found on pages 82 to 85 of the [Public Accounts 2019-2020](#).
- (2) Balance as defined in the Public Accounts.
- (3) Budgetary balance within the meaning of the *Balanced Budget Act*.
- (4) Consolidated expenditures by mission are presented in Appendix 2.
- (5) Certain expenditures were reclassified between portfolios and between missions to take into account the transition to the 2020-2021 budgetary structure.
- (6) Other portfolios include inter-portfolio eliminations resulting from the elimination of reciprocal transactions between entities in different portfolios.
- (7) These items, which are included in the government's budgetary surplus (deficit), are eliminated in non-budgetary transactions because they have no effect on cash flow.
- (8) The financial surpluses or requirements pertaining to other accounts can vary significantly from one month to the next, in particular according to the time when the government collects or disburses funds related to its activities. For example, when the last day of the month is not a business day, QST remittances are collected at the beginning of the following month, such that the equivalent of two months' remittances can be collected in a given month.
- (9) Budgetary balance within the meaning of the *Balanced Budget Act*, after use of the stabilization reserve.
- (10) The presentation of the budgetary information in this monthly report is consistent with that of the financial framework as published in the [Update on Québec's Economic and Financial Situation – Fall 2020](#).
- (11) This is the annual change compared to preliminary results in 2019-2020.

For more information, contact the Direction des communications of the Ministère des Finances at 418 528-7382.

The report is also available on the Ministère des Finances website: [www.finances.gouv.qc.ca](http://www.finances.gouv.qc.ca).