

MONTHLY REPORT ON FINANCIAL TRANSACTIONS

April 22, 2022

AT JANUARY 31, 2022

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.⁽¹⁾

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 February 28, 2022*, will be published on May 20, 2022.

Highlights for January 2022

At January 31, 2022, that is, for the first 10 months of 2021-2022, the budgetary balance within the meaning of the *Balanced Budget Act* showed a surplus of \$2.7 billion. This represents an \$8.0-billion increase in the budgetary balance compared to the same time last year, when Québec was dealing with the first waves of the COVID-19 pandemic.

The result at January 31, 2022, is due to:

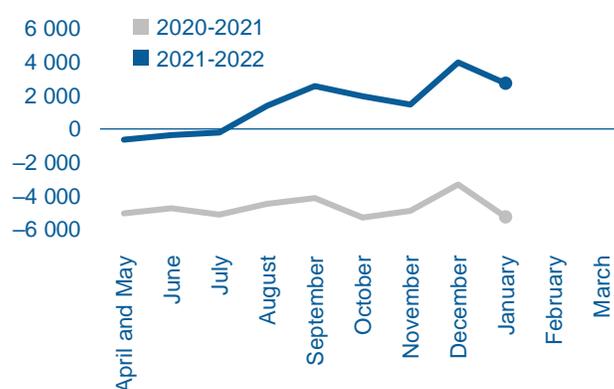
- revenue of \$111.5 billion;
- expenditure of \$106.0 billion;
- deposits of \$2.8 billion in the Generations Fund.

According to the data presented in the *Québec Budget Plan – March 2022*, a budgetary deficit of \$7.4 billion is expected for the full year, before use of the stabilization reserve.

The decrease in the budgetary balance between January 31, 2022, and the end of the 2021-2022 fiscal year is due to:

- expenditures totalling \$5.1 billion related to several initiatives presented in the *Québec Budget Plan – March 2021*, the *Update on Québec's Economic and Financial Situation – Fall 2021* and the *Québec Budget Plan – March 2022* realized in February and March 2022, including the one-time amount for the cost of living;
- economic activity in Québec, which will remain strong, but will evolve at a slower pace.

Cumulative budgetary balance
(millions of dollars)



SUMMARY OF CONSOLIDATED RESULTS

(unaudited data, millions of dollars)

	January			April to January			
	2021	2022	Change	2020-2021	2021-2022	Change	Change (%)
Own-source revenue	7 502	8 467	965	73 730	87 921	14 191	19.2
Federal transfers	2 456	2 498	42	23 867	23 577	-290	-1.2
Consolidated revenue	9 958	10 965	1 007	97 597	111 498	13 901	14.2
Portfolio expenditures ⁽²⁾	-10 720	-11 285	-565	-94 213	-98 870	-4 657	4.9
Debt service	-701	-662	39	-6 074	-7 083	-1 009	16.6
Consolidated expenditure	-11 421	-11 947	-526	-100 287	-105 953	-5 666	5.6
SURPLUS (DEFICIT)⁽³⁾	-1 463	-982	481	-2 690	5 545	8 235	—
BALANCED BUDGET ACT							
Deposits of dedicated revenues in the Generations Fund	-485	-272	213	-2 579	-2 819	-240	—
BUDGETARY BALANCE⁽⁴⁾	-1 948	-1 254	694	-5 269	2 726	7 995	—

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CONSOLIDATED REVENUE

Own-source revenue

At January 31, 2022, own-source revenue totalled \$87.9 billion. This represents an increase of \$14.2 billion (19.2%) compared to the same period last year.

- Strong economic activity since March 2021 is having a positive effect on own-source revenue.

Tax revenue increased by \$11.1 billion (18.9%) to \$69.8 billion, due to:

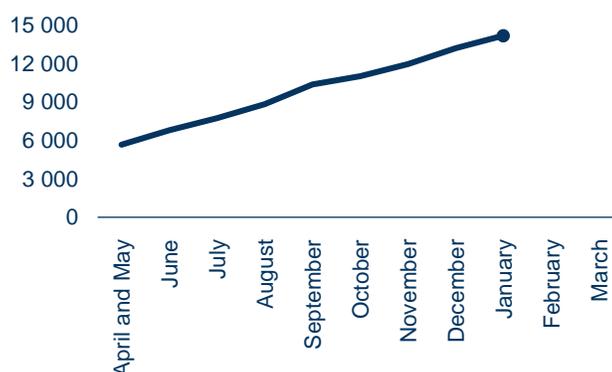
- a \$3.8-billion increase (13.4%) in **personal income tax**, owing in particular to the growth in wages and salaries;
- an \$860-million increase (16.5%) in **contributions for health services**, due to the growth in wages and salaries;
- a \$3.1-billion increase (51.8%) in revenue from **corporate taxes**, owing in particular to the growth in the net operating surplus of corporations and the effect of the business support measures announced since the beginning of the pandemic;
- an \$84-million decrease (8.6%) in the **school property tax**, due mainly to the reduction in school tax rates resulting from the introduction of a single rate since July 1, 2020;
- a \$3.4-billion increase (18.9%) in **consumption taxes**, due to increased household consumption and robust investment in residential construction.

Other own-source revenue increased by \$1.6 billion (13.2%) to \$13.5 billion, due to:

- a \$1.1-billion increase (31.1%) in **duties and permits**, owing mainly to the increase in mining revenues resulting from sustained metal prices in markets since 2020 and to the increase in revenues collected under Québec's cap-and-trade system for greenhouse gas emission allowances;
- a \$484-million increase (5.7%) in **miscellaneous revenue**, owing in particular to higher revenues from the sale of goods and services due to the easing of lockdown measures related to the COVID-19 pandemic compared to the same period in 2020-2021.

Revenue from government enterprises increased by \$1.5 billion (49.9%) to \$4.6 billion. This increase is mainly attributable to the impact of COVID-19 on the results of government enterprises in 2020-2021, particularly those of Hydro-Québec and Loto-Québec.

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



OWN-SOURCE REVENUE

(unaudited data, millions of dollars)

	January			April to January			
	2021	2022	Change	2020-2021	2021-2022	Change	Change (%)
Income and property taxes							
Personal income tax	2 870	2 898	28	28 759	32 606	3 847	13.4
Contributions for health services	482	591	109	5 201	6 061	860	16.5
Corporate taxes	691	842	151	5 999	9 107	3 108	51.8
School property tax	90	96	6	982	898	-84	-8.6
Consumption taxes	1 181	1 888	707	17 790	21 151	3 361	18.9
Tax revenue	5 314	6 315	1 001	58 731	69 823	11 092	18.9
Duties and permits	372	398	26	3 506	4 597	1 091	31.1
Miscellaneous revenue	1 103	859	-244	8 440	8 924	484	5.7
Other own-source revenue	1 475	1 257	-218	11 946	13 521	1 575	13.2
Total own-source revenue excluding revenue from government enterprises	6 789	7 572	783	70 677	83 344	12 667	17.9
Revenue from government enterprises	713	895	182	3 053	4 577	1 524	49.9
TOTAL	7 502	8 467	965	73 730	87 921	14 191	19.2

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Federal transfers

At January 31, 2022, federal transfers totalled \$23.6 billion. This represents a decrease of \$290 million (1.2%) compared to the same period last year.

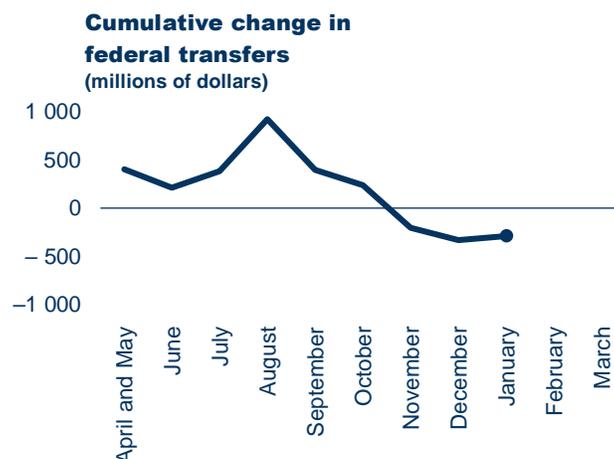
- This change is mainly due to a decrease in revenue from other programs, partially offset by an increase in revenue from health transfers.

Revenue from **health transfers** increased by \$1.0 billion (18.4%) to \$6.7 billion, primarily due to:

- an additional health transfer that will total \$902 million as at March 31, 2022, of which \$752 million has been recorded as at January 31, 2022;
- an additional transfer under Canada's COVID-19 immunization plan that will total \$226 million as at March 31, 2022, of which \$188 million has been recorded as at January 31, 2022.

Revenue from **other programs** decreased by \$1.2 billion (20.6%) to \$4.6 billion.

- This decrease is due in part to one-time transfers in 2020-2021 related to the Safe Restart Agreement, of which \$2.1 billion had been recorded as at January 31, 2021.
- It is partially offset by the transfer resulting from the asymmetrical agreement on childcare that will total \$660 million as at March 31, 2022, of which \$550 million has been recorded as at January 31, 2022.



FEDERAL TRANSFERS

(unaudited data, millions of dollars)

	January			April to January			
	2021	2022	Change	2020-2021	2021-2022	Change	Change (%)
Equalization	1 105	1 093	-12	11 044	10 932	-112	-1.0
Health transfers	566	670	104	5 666	6 707	1 041	18.4
Transfers for post-secondary education and other social programs	132	130	-2	1 325	1 308	-17	-1.3
Other programs	653	605	-48	5 832	4 630	-1 202	-20.6
TOTAL	2 456	2 498	42	23 867	23 577	-290	-1.2

CONSOLIDATED EXPENDITURE

At January 31, 2022, consolidated expenditure totalled \$106.0 billion. This represents an increase of \$5.7 billion (5.6%) compared to the same period last year.

- This expenditure growth reflects in particular the significant resources of the **Santé et Services sociaux** portfolio mobilized in the context of the COVID-19 pandemic.

Expenditure in the **Santé et Services sociaux** portfolio increased by \$3.2 billion (7.2%) to \$47.0 billion, mainly due to:

- a \$1.5-billion increase in compensation paid by health and social services institutions, including staffing requirements for the vaccination campaign and incentive bonuses for full-time work in the context of the pandemic;
- a \$934-million increase in other expenditures by health and social services institutions, including payments to intermediate and family-type resources, which provide a complementary living environment to the natural or institutional setting;
- a \$408-million increase in remuneration paid by the Régie de l'assurance maladie du Québec, due in particular to the resumption of certain non-emergency specialized medical interventions that were postponed in 2020-2021.

Expenditure in the **Éducation** portfolio increased by \$927 million (7.0%) to \$14.2 billion. This increase is explained, in particular, by the reopening of schools, which were temporarily closed in the spring of 2020 due to the COVID-19 pandemic.

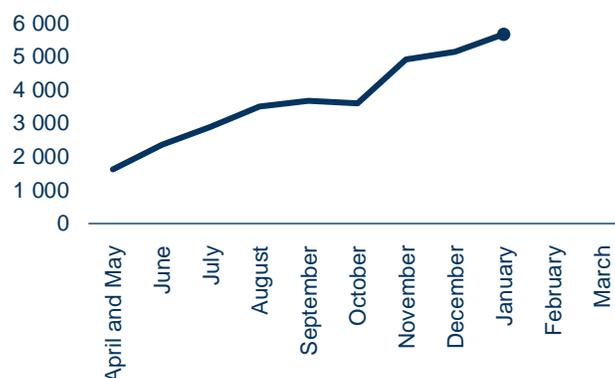
Expenditure in the **Enseignement supérieur** portfolio increased by \$315 million (4.5%) to \$7.2 billion. This growth is due in part to the resumption of some activities that were limited in 2020-2021 in higher education institutions.

Expenditure in **other portfolios** increased by \$243 million (0.8%) to \$30.4 billion, due in particular to:

- a \$646-million increase in expenditure in the Travail, Emploi et Solidarité sociale portfolio, mainly due to the implementation of the extraordinary cost of living allowance announced in the *Update on Québec's Economic and Financial Situation – Fall 2021*;
- a \$302-million increase in expenditure in the Famille portfolio, mainly due to the increase in the refundable tax credit for childcare expenses announced in the *Update on Québec's Economic and Financial Situation – Fall 2021*;
- a \$519-million decrease in expenditure in the Affaires municipales et Habitation portfolio, mainly due to one-time financial assistance in 2020-2021 under the Safe Restart Agreement to support municipalities in the context of the pandemic.

Debt service expenditure increased by \$1.0 billion (16.6%) to \$7.1 billion. This increase is mainly due to the rise in interest rates.

Cumulative change in consolidated expenditure
(millions of dollars)



CONSOLIDATED EXPENDITURES BY PORTFOLIO⁽⁵⁾

(unaudited data, millions of dollars)

	January			April to January			
	2021 ⁽⁶⁾	2022	Change	2020-2021 ⁽⁶⁾	2021-2022	Change	Change (%)
Santé et Services sociaux	4 717	5 377	660	43 832	47 004	3 172	7.2
Éducation	1 554	1 653	99	13 279	14 206	927	7.0
Enseignement supérieur	843	876	33	6 931	7 246	315	4.5
Other portfolios ⁽⁷⁾	3 606	3 379	-227	30 171	30 414	243	0.8
Portfolio expenditures	10 720	11 285	565	94 213	98 870	4 657	4.9
Debt service	701	662	-39	6 074	7 083	1 009	16.6
TOTAL	11 421	11 947	526	100 287	105 953	5 666	5.6

NET FINANCIAL SURPLUSES OR REQUIREMENTS

Composition of net financial surpluses or requirements

The government's revenue and expenditure are established on an accrual basis of accounting. Revenue is recognized when earned and expenditure when incurred, regardless of when receipts and disbursements occur.

Net 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. Deposits in the Generations Fund also result in financial requirements.

For the period April 2021 to January 2022, net financial requirements amount to \$6.8 billion and are due to:

- the \$5.5-billion surplus resulting from the difference between government revenue and expenditure;
- the \$9.1-billion financial requirements for investments, loans and advances, due primarily to an increase in short-term investments of \$5.0 billion as part of overall cash management, as well as the growth in the consolidation value of government enterprises;⁽⁸⁾
- the \$3.6-billion financial requirements related to government capital investments, mainly due to investments of \$7.3 billion, offset by amortization expenses of \$3.7 billion;⁽⁸⁾
- the \$2.5-billion financial requirements related to retirement plans and other employee future benefits liabilities, resulting from the payment of government employee benefits of \$5.6 billion, partially offset by the net cost of plans of \$3.1 billion;⁽⁸⁾
- the \$5.6-billion financial surplus from other accounts;⁽⁹⁾
- the \$2.8-billion financial requirements generated by deposits in the Generations Fund.

NET FINANCIAL SURPLUSES OR REQUIREMENTS

(unaudited data, millions of dollars)

	April to January	
	2020-2021	2021-2022
SURPLUS (DEFICIT)⁽³⁾	-2 690	5 545
Non-budgetary transactions		
Investments, loans and advances	-10 669	-9 099
Capital investments	-3 106	-3 588
Retirement plans and other employee future benefits	-2 210	-2 497
Other accounts ⁽⁹⁾	1 076	5 619
Deposits in the Generations Fund	-2 579	-2 819
Total non-budgetary transactions	-17 488	-12 384
NET FINANCIAL SURPLUSES (REQUIREMENTS)	-20 178	-6 839

➤ CHANGE IN THE BUDGETARY BALANCE IN 2021-2022

Results at January 31, 2022, that is, for the first 10 months of the fiscal year, showed a budgetary surplus of \$2.7 billion.

According to the data presented in the *Québec Budget Plan – March 2022*, a budgetary deficit of \$7.4 billion is expected for the entire year 2021-2022, before use of the stabilization reserve.

For the last two months of the fiscal year, that is, in February and March 2022, the budgetary deficit will come from:

- results excluding initiatives, which will increase the deficit by \$5.0 billion;
 - A significant portion of the anticipated annual expenditures will be made in the last two months.
 - Moreover, growth in own-source revenue will gradually slow from 19.2% after 10 months to 15.3% for the full fiscal year, similar to the change in nominal GDP (13.1%). High growth at the beginning of 2021-2022 is mainly due to the strong recovery in economic activities, while a significant slowdown was observed in the same period in 2020-2021. This effect will subside by the end of the fiscal year.
- initiatives presented in the *Québec Budget Plan – March 2021*, of which a balance of \$1.1 billion has yet to be recorded;
- initiatives presented in the *Update on Québec's Economic and Financial Situation – Fall 2021*, of which a balance of \$583 million has yet to be recorded;
- new initiatives presented in the *Québec Budget Plan – March 2022*, which will total \$3.4 billion by March 31, 2022.

The use of the stabilization reserve will reduce the budgetary deficit to \$6.1 billion.

Moreover, the financial framework set out in the *Québec Budget Plan – March 2022* is based on prudent economic forecasts in a context of continuing uncertainty due to both the pandemic and Russia's invasion of Ukraine.

CHANGE IN THE BUDGETARY BALANCE IN 2021-2022

(millions of dollars)

	2021-2022
BUDGETARY BALANCE⁽⁴⁾ – MONTHLY REPORT ON FINANCIAL TRANSACTIONS AT JANUARY 31, 2022	2 726
UPCOMING RESULTS IN FEBRUARY AND MARCH 2022	
Results excluding initiatives	
– Consolidated revenue	23 907
– Consolidated expenditure	–28 266
– Deposits of dedicated revenues in the Generations Fund	–638
Subtotal	–4 959
Balance of initiatives in the March 2021 budget to be recorded	–1 120
Balance of initiatives in the November 2021 update to be recorded	–583
Initiatives in the March 2022 budget	–3 418
TOTAL UPCOMING RESULTS	–10 080
PROJECTED BUDGETARY BALANCE BEFORE USE OF THE STABILIZATION RESERVE	–7 354
Use of the stabilization reserve	1 221
PROJECTED BUDGETARY BALANCE⁽⁴⁾ – MARCH 2022 BUDGET	–6 133

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APPENDIX 1: BUDGET FORECASTS – CHANGE SINCE THE MARCH 2021 BUDGET

BUDGET FORECASTS FOR 2021-2022

(millions of dollars)

	March 2021 budget	Adjustments	March 2022 budget ⁽¹⁰⁾	Change (%) ⁽¹¹⁾
CONSOLIDATED REVENUE				
Income and property taxes				
Personal income tax	35 921	3 173	39 094	11.7
Contributions for health services	6 796	221	7 017	9.7
Corporate taxes	8 013	3 971	11 984	33.9
School property tax	1 113	-33	1 080	-6.6
Consumption taxes	23 325	1 211	24 536	14.8
Tax revenue	75 168	8 543	83 711	14.9
Duties and permits	4 853	832	5 685	23.2
Miscellaneous revenue	10 989	35	11 024	11.5
Other own-source revenue	15 842	867	16 709	15.3
Total own-source revenue excluding revenue from government enterprises	91 010	9 410	100 420	14.9
Revenue from government enterprises	4 658	836	5 494	22.3
Total own-source revenue	95 668	10 246	105 914	15.3
Federal transfers	26 899	2 648	29 547	-3.8
Total consolidated revenue	122 567	12 894	135 461	10.5
CONSOLIDATED EXPENDITURE				
Santé et Services sociaux	-52 358	-5 868	-58 226	6.4
Éducation	-18 312	44	-18 268	7.9
Enseignement supérieur	-9 491	358	-9 133	9.6
Other portfolios ⁽⁷⁾	-41 763	-3 528	-45 290	15.8
Portfolio expenditures	-121 924	-8 993	-130 917	9.9
Debt service	-8 563	122	-8 441	9.8
Total consolidated expenditure	-130 487	-8 871	-139 358	9.9
Provision for economic risks and other support and recovery measures	-1 250	1 250	—	—
SURPLUS (DEFICIT)⁽⁹⁾	-9 170	5 273	-3 897	—
BALANCED BUDGET ACT				
Deposits of dedicated revenues in the Generations Fund	-3 080	-377	-3 457	—
BUDGETARY BALANCE BEFORE USE OF THE STABILIZATION RESERVE	-12 250	4 896	-7 354	—
Use of the stabilization reserve	—	1 221	1 221	—
BUDGETARY BALANCE⁽⁴⁾	-12 250	6 117	-6 133	—

APPENDIX 2: EXPENDITURES BY MISSION

Government expenditures are broken down into five public service missions. This breakdown of the government's expenditures into its main areas of activity is a stable indicator over time because it is usually not influenced by Cabinet shuffles. Moreover, since this breakdown is also used in 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 public service missions 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 mainly of the activities of legislature, central bodies and public security, as well as administrative programs.

CONSOLIDATED EXPENDITURES BY MISSION EXCLUDING DEBT SERVICE

(unaudited data, millions of dollars)

	January		April to January	
	2021 ⁽⁶⁾	2022	2020-2021 ⁽⁶⁾	2021-2022
Health and Social Services	4 596	5 269	42 706	46 033
Education and Culture	2 529	2 593	21 044	22 301
Economy and Environment	1 414	1 129	12 516	12 706
Support for Individuals and Families	1 239	1 325	9 702	10 678
Administration and Justice	942	969	8 245	7 152
TOTAL	10 720	11 285	94 213	98 870

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 funding 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).

Change in the application of the accounting standard respecting transfer payments

The Québec government contributes to the funding of public infrastructure owned by third parties. In most cases, funding is provided through annual transfers paid according to a schedule that corresponds to the rate of repayment of the loans contracted by the recipients to carry out the projects.

For these infrastructure projects, the government changed the application of PS 3410, Transfer payments, to account for transfer expenditures based on the period of completion of eligible work by transfer recipients. Previously, transfer expenditures were recorded at the rate of disbursements authorized by Parliament and the balance of funded work was reported in contractual obligations. This change results in more timely recognition of transfer expenditures in the government's consolidated financial statements.

In this monthly report, the estimated impact of this change has been accounted for retroactively and is included in the consolidated expenditures. The *Public Accounts 2020-2021* present the final impact of the application of the accounting standard, including on the government's accumulated deficit as at March 31, 2021.

Notes

- (1) A summary of the government's accounting policies can be found on pages 74 to 77 of Volume 1 of the [Public Accounts 2020-2021](#).
- (2) Portfolio expenditures include the impact of the change in the application of the accounting standard respecting transfer payments.
- (3) Balance as defined in the Public Accounts.
- (4) Budgetary balance within the meaning of the *Balanced Budget Act*.
- (5) Consolidated expenditures by mission are presented in Appendix 2.
- (6) Certain expenditures were reclassified between portfolios and between missions to take into account the transition to the 2021-2022 budgetary structure.
- (7) Other portfolios include inter-portfolio eliminations resulting from the elimination of reciprocal transactions between entities in different portfolios.
- (8) 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.
- (9) 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.
- (10) The presentation of the budgetary information in this monthly report is consistent with that of the financial framework as published in the [Québec Budget Plan – March 2022](#).
- (11) This is the annual change compared to results in 2020-2021.

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.