

# MONTHLY REPORT ON FINANCIAL TRANSACTIONS

## AT AUGUST 31, 2022

**November 18, 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.<sup>(1)</sup>

The *Monthly Report on Financial Transactions at September 30, 2022* will be published at the same time as the fall 2022 *Update on Québec's Economic and Financial Situation*, on December 8, 2022.

## Highlights for August 2022

At August 31, 2022, that is, for the first five months of 2022-2023, the budgetary balance within the meaning of the *Balanced Budget Act* showed a surplus of \$1.3 billion. This represents a \$69-million decrease in the budgetary balance compared to the same time last year.

The result at August 31, 2022 is due to:

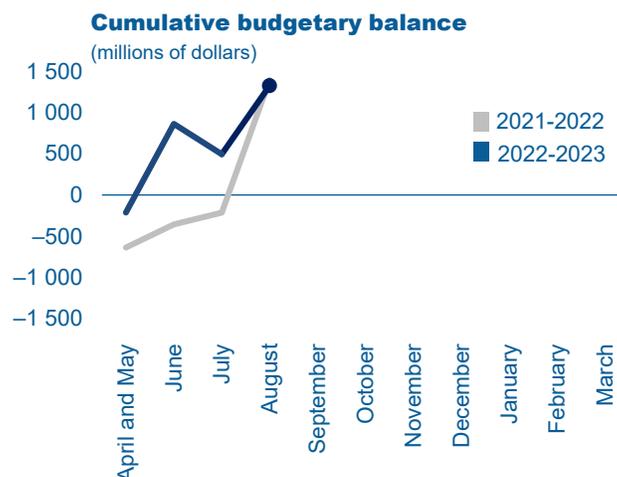
- revenues of \$57.2 billion;
- expenditures of \$54.6 billion;
- deposits of \$1.3 billion in the Generations Fund.

According to the data presented in the *Pre-election Report on the State of Québec's Finances – August 2022*, a budgetary deficit of \$1.7 billion is expected for the full year before use of the stabilization reserve (see Appendix 1).

- The deficit takes into account a provision for economic risks and other support and recovery measures of \$2.0 billion.

The publication of the fall 2022 *Update on Québec's Economic and Financial Situation* will provide an opportunity to present an update of the government's overall economic and budgetary forecasts and the budgetary balance for the 2022-2023 fiscal year.

- This update will take into consideration, among other things, the new one-time cost-of-living amount, which was announced on November 9.



## SUMMARY OF CONSOLIDATED RESULTS

(unaudited data, millions of dollars)

	August			April to August			
	2021	2022	Change	2021-2022	2022-2023	Change	Change (%)
Own-source revenue	8 578	8 822	244	42 104	45 971	3 867	9.2
Federal transfers	2 464	2 233	-231	11 700	11 265	-435	-3.7
<b>Total revenue</b>	<b>11 042</b>	<b>11 055</b>	<b>13</b>	<b>53 804</b>	<b>57 236</b>	<b>3 432</b>	<b>6.4</b>
Portfolio expenditures <sup>(2)</sup>	-8 452	-9 089	-637	-47 348	-50 160	-2 812	5.9
Debt service	-716	-888	-172	-3 608	-4 421	-813	22.5
<b>Total expenditure</b>	<b>-9 168</b>	<b>-9 977</b>	<b>-809</b>	<b>-50 956</b>	<b>-54 581</b>	<b>-3 625</b>	<b>7.1</b>
<b>SURPLUS (DEFICIT)<sup>(3)</sup></b>	<b>1 874</b>	<b>1 078</b>	<b>-796</b>	<b>2 848</b>	<b>2 655</b>	<b>-193</b>	<b>—</b>
<b>BALANCED BUDGET ACT</b>							
Deposits of dedicated revenues in the Generations Fund	-260	-243	17	-1 448	-1 324	124	—
<b>BUDGETARY BALANCE BEFORE USE OF THE STABILIZATION RESERVE</b>	<b>1 614</b>	<b>835</b>	<b>-779</b>	<b>1 400</b>	<b>1 331</b>	<b>-69</b>	<b>—</b>

## REVENUE

### Own-source revenue

At August 31, 2022, own-source revenue totalled \$46.0 billion. This represents an increase of \$3.9 billion (9.2%) compared to the same period last year.

- Strong economic activity combined with the easing of public health measures from April to August 2022 has a positive effect on own-source revenue compared with the same period last year.

**Tax revenue** increased by \$3.5 billion (10.5%) to \$36.8 billion, due to:

- a \$1.3-billion increase (8.7%) in **personal income tax** and a \$158-million increase (5.3%) in **contributions for health services**, mainly due to growth in wages and salaries;
- a \$951-million increase (22.4%) in revenue from **corporate taxes**, due in particular to changes in the net operating surplus of corporations;
- a \$1.0-billion increase (10.2%) in **consumption taxes**, due to the increase in household consumption, which was supported by the gradual removal of public health measures, the use of accumulated savings and the good performance of employment.

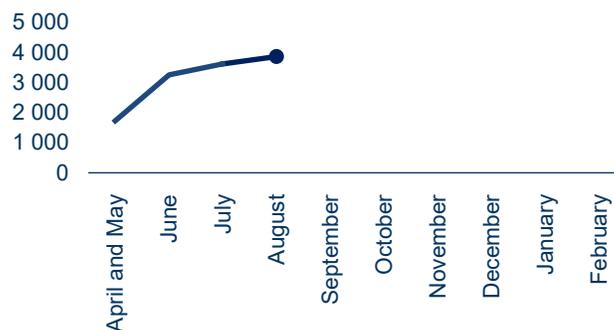
**Other own-source revenue** increased by \$440 million (6.5%) to \$7.2 billion, due to:

- a \$198-million increase (8.4%) in **duties and permits**, mainly due to higher revenues from Québec's cap-and-trade system for greenhouse gas emission allowances (CAT system);
- a \$242-million increase (5.5%) in **miscellaneous revenue**, due in particular to the increase in revenues from the sale of goods and services.

**Revenue from government enterprises** decreased by \$76 million (3.7%), to \$2.0 billion. This decrease is due in part to the decrease in Investissement Québec's results related to unfavourable financial market results from April to August 2022. The decrease was mitigated by the increase in the value of electricity exports reported by Hydro-Québec and by a return to normal operations for Loto-Québec, whereas during the same period last year, the corporation had not fully resumed its activities due to public health restrictions related to the pandemic.

### Cumulative change in own-source revenue

(millions of dollars)



### OWN-SOURCE REVENUE

(unaudited data, millions of dollars)

	August			April to August			
	2021	2022	Change	2021-2022	2022-2023	Change	Change (%)
Income and property taxes							
Personal income tax	2 769	2 893	124	15 340	16 675	1 335	8.7
Contributions for health services	573	558	-15	3 001	3 159	158	5.3
Corporate taxes	794	974	180	4 245	5 196	951	22.4
School property tax	90	94	4	440	453	13	3.0
Consumption taxes	2 099	2 131	32	10 294	11 340	1 046	10.2
<b>Tax revenue</b>	<b>6 325</b>	<b>6 650</b>	<b>325</b>	<b>33 320</b>	<b>36 823</b>	<b>3 503</b>	<b>10.5</b>
Duties and permits	656	637	-19	2 362	2 560	198	8.4
Miscellaneous revenue	873	978	105	4 366	4 608	242	5.5
<b>Other own-source revenue</b>	<b>1 529</b>	<b>1 615</b>	<b>86</b>	<b>6 728</b>	<b>7 168</b>	<b>440</b>	<b>6.5</b>
<b>Total own-source revenue excluding revenue from government enterprises</b>	<b>7 854</b>	<b>8 265</b>	<b>411</b>	<b>40 048</b>	<b>43 991</b>	<b>3 943</b>	<b>9.8</b>
Revenue from government enterprises	724	557	-167	2 056	1 980	-76	-3.7
<b>TOTAL</b>	<b>8 578</b>	<b>8 822</b>	<b>244</b>	<b>42 104</b>	<b>45 971</b>	<b>3 867</b>	<b>9.2</b>

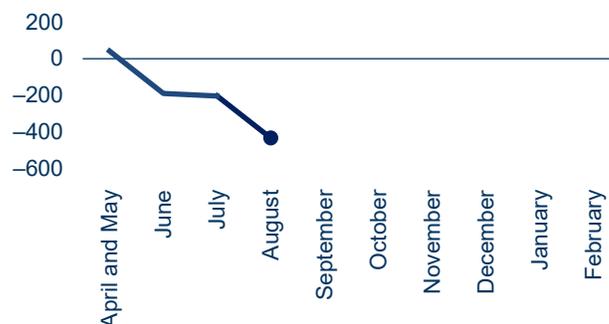
## Federal transfers

As of August 31, 2022, federal transfers totalled \$11.3 billion. This represents a decrease of \$435 million (3.7%) compared to the same period last year. This change is mainly due to a decrease in revenue from health transfers, partially offset by an increase in equalization revenue.

- Revenue from **health transfers** decreased by \$393 million (11.6%) to \$3.0 billion, mainly due to the decrease in the supplementary health transfer related to COVID-19 compared to the previous year.
- **Equalization** revenue increased by \$228 million (4.2%) to \$5.7 billion. This increase is partially due to growth in Canada's nominal GDP, which determines the pace of growth in the equalization envelope across Canada.

### Cumulative change in federal transfers

(millions of dollars)



## FEDERAL TRANSFERS

(unaudited data, millions of dollars)

	August			April to August			
	2021	2022	Change	2021-2022	2022-2023	Change	Change (%)
Equalization	1 093	1 139	46	5 466	5 694	228	4.2
Health transfers	673	600	-73	3 391	2 998	-393	-11.6
Transfers for post-secondary education and other social programs	133	125	-8	677	622	-55	-8.1
Other programs	565	369	-196	2 166	1 951	-215	-9.9
<b>TOTAL</b>	<b>2 464</b>	<b>2 233</b>	<b>-231</b>	<b>11 700</b>	<b>11 265</b>	<b>-435</b>	<b>-3.7</b>

## EXPENDITURE

As of August 31, 2022, consolidated expenditure totalled \$54.6 billion. This represents an increase of \$3.6 billion (7.1%) compared to the same period last year.

Expenditure in the **Santé et Services sociaux** portfolio increased by \$227 million (1.0%) to \$23.4 billion. This increase is primarily due to the indexation of salary scales of staff in health and social services institutions.

Expenditure in the **Éducation** portfolio increased by \$708 million (11.5%) to \$6.8 billion. This increase is due in part to the indexation of salary scales as well as the increase in the number of students in educational institutions.

Expenditure in the **Enseignement supérieur** portfolio increased by \$228 million (6.6%) to \$3.7 billion. This growth is due in particular to increased spending by college and university educational institutions.

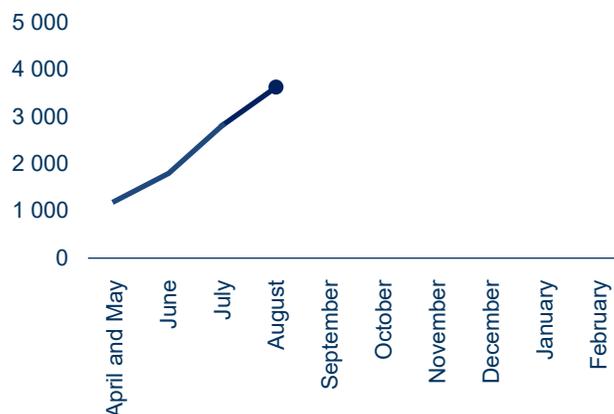
Expenditure in **other portfolios** increased by \$1.6 billion (11.3%) to \$16.2 billion, due in particular to:

- a \$346-million increase in expenditure in the Affaires municipales et Habitation portfolio, due in part to grants for the renovation of the low-income housing stock;
- a \$287-million increase in expenditure in the Famille portfolio, due in part to the tax credit for childcare expenses and the family allowance;
- a \$410-million increase in expenditure in the Transports portfolio, due in particular to the \$91-million compensation granted to the Caisse de dépôt et placement du Québec for studies related to the Réseau express métropolitain (REM) project in the east end of Montréal, the governance of which is now assumed by the government and the Ville de Montréal;
- a \$222-million increase in expenditure in the Travail, Emploi et Solidarité sociale portfolio, due in part to the increase in grants from the Labour Market Development Fund.

**Debt service** expenditure increased by \$813 million (22.5%) to \$4.4 billion. This increase is mainly due to the rise in interest rates.

### Cumulative change in expenditure

(millions of dollars)



## CONSOLIDATED EXPENDITURES BY PORTFOLIO<sup>(2)</sup>

(unaudited data, millions of dollars)

	August			April to August			
	2021 <sup>(4)</sup>	2022	Change	2021-2022 <sup>(4)</sup>	2022-2023	Change	Change (%)
Santé et Services sociaux	4 425	4 354	-71	23 171	23 398	227	1.0
Éducation	852	897	45	6 140	6 848	708	11.5
Enseignement supérieur	635	688	53	3 462	3 690	228	6.6
Other portfolios <sup>(5)</sup>	2 540	3 150	610	14 575	16 224	1 649	11.3
<b>Portfolio expenditures</b>	<b>8 452</b>	<b>9 089</b>	<b>637</b>	<b>47 348</b>	<b>50 160</b>	<b>2 812</b>	<b>5.9</b>
<b>Debt service</b>	<b>716</b>	<b>888</b>	<b>172</b>	<b>3 608</b>	<b>4 421</b>	<b>813</b>	<b>22.5</b>
<b>TOTAL</b>	<b>9 168</b>	<b>9 977</b>	<b>809</b>	<b>50 956</b>	<b>54 581</b>	<b>3 625</b>	<b>7.1</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.

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, by retirement plans and other employee future benefits, as well as 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 of April to August 2022, net financial requirements amount to \$5.7 billion and are due to:

- the \$2.7-billion surplus resulting from the difference between government revenue and expenditure;
- the \$688-million financial requirements for investments, loans and advances, due in part to an increase in the consolidation value of government enterprises;<sup>(6)</sup>
- the \$976-million financial requirements related to government capital investments, mainly due to investments of \$2.9 billion, offset by amortization expenses of \$1.9 billion;<sup>(6)</sup>
- the \$1.2-billion financial requirements related to retirement plans and other employee future benefits liabilities, resulting from the payment of government employee benefits of \$2.8 billion, partially offset by the net cost of plans of \$1.6 billion;<sup>(6)</sup>
- the \$4.2-billion financial requirements from other accounts<sup>(7)</sup>, resulting in particular from disbursements for expenditures recorded at the end of 2021-2022;
- the \$1.3-billion financial requirements generated by deposits in the Generations Fund.

## NET FINANCIAL SURPLUSES OR REQUIREMENTS

(unaudited data, millions of dollars)

	April to August	
	2021-2022	2022-2023
<b>SURPLUS (DEFICIT)<sup>(3)</sup></b>	<b>2 848</b>	<b>2 655</b>
<b>Non-budgetary transactions</b>		
Investments, loans and advances	-8 670	-688
Capital investments	-1 110	-976
Retirement plans and other employee future benefits	-1 227	-1 179
Other accounts <sup>(7)</sup>	71	-4 233
Deposits in the Generations Fund	-1 448	-1 324
<b>Total non-budgetary transactions</b>	<b>-12 384</b>	<b>-8 400</b>
<b>NET FINANCIAL SURPLUSES (REQUIREMENTS)</b>	<b>-9 536</b>	<b>-5 745</b>

# MONTHLY REPORT ON FINANCIAL TRANSACTIONS

## APPENDIX 1: BUDGET FORECASTS – CHANGE SINCE THE MARCH 2022 BUDGET

### BUDGET FORECAST FOR 2022-2023

(millions of dollars)

	March 2022 budget <sup>(8)</sup>	Revision	Pre-election report – August 2022 <sup>(9)</sup>	Change (%) <sup>(10)</sup>
<b>REVENUE</b>				
Income and property taxes				
Personal income tax	41 147	2 267	43 414	5.2
Contributions for health services	7 299	485	7 784	5.7
Corporate taxes	10 882	1 043	11 925	-7.8
School property tax	1 178	-130	1 048	-3.1
Consumption taxes	26 706	639	27 345	10.8
<b>Tax revenue</b>	<b>87 212</b>	<b>4 304</b>	<b>91 516</b>	<b>4.8</b>
Duties and permits	5 171	347	5 518	-8.8
Miscellaneous revenue	11 680	-51	11 629	6.7
<b>Other own-source revenue</b>	<b>16 851</b>	<b>296</b>	<b>17 147</b>	<b>1.2</b>
<b>Total own-source revenue excluding revenue from government enterprises</b>	<b>104 063</b>	<b>4 600</b>	<b>108 663</b>	<b>4.2</b>
Revenue from government enterprises	5 628	579	6 207	4.0
<b>Total own-source revenue</b>	<b>109 691</b>	<b>5 179</b>	<b>114 870</b>	<b>4.2</b>
Federal transfers	28 790	810	29 600	1.6
<b>Total revenue</b>	<b>138 481</b>	<b>5 989</b>	<b>144 470</b>	<b>3.6</b>
<b>EXPENDITURE</b>				
Santé et Services sociaux	-55 842	-52	-55 894	-3.2
Éducation	-19 120	-152	-19 272	8.0
Enseignement supérieur	-10 141	-162	-10 303	17.8
Other portfolios <sup>(5)</sup>	-45 041	1	-45 040	4.4
<b>Portfolio expenditures</b>	<b>-130 144</b>	<b>-365</b>	<b>-130 509</b>	<b>2.4</b>
Debt service	-8 842	-1 347	-10 189	18.2
<b>Total expenditure</b>	<b>-138 986</b>	<b>-1 712</b>	<b>-140 698</b>	<b>3.4</b>
Provision for economic risks and other support and recovery measures	-2 500	500	-2 000	—
<b>SURPLUS (DEFICIT)<sup>(3)</sup></b>	<b>-3 005</b>	<b>4 777</b>	<b>1 772</b>	<b>—</b>
<b>BALANCED BUDGET ACT</b>				
Deposits of dedicated revenues in the Generations Fund	-3 445	17	-3 428	—
<b>BUDGETARY BALANCE BEFORE USE OF THE STABILIZATION RESERVE</b>	<b>-6 450</b>	<b>4 794</b>	<b>-1 656</b>	<b>—</b>
Use of the stabilization reserve	—	927	927	—
<b>BUDGETARY BALANCE<sup>(11)</sup></b>	<b>-6 450</b>	<b>5 721</b>	<b>-729</b>	<b>—</b>

## APPENDIX 2: PORTFOLIO EXPENDITURES

Since 2022-2023, government spending is no longer broken down by mission but rather by portfolio.

The portfolio expenditures presented in the *Monthly Report on Financial Transactions* correspond to those incurred in the various sectors of government activity. The expenditure level presented also provides another budget management tool, which contributes to the accountability of public decision-makers for their entire departmental portfolio.

In order to ensure comparability between the budget forecasts, the *Monthly Report on Financial Transactions* and the public accounts, the following table presents the portfolio expenditures after inter-portfolio eliminations have been allocated.

Inter-portfolio eliminations result from the elimination of reciprocal transactions between entities in different portfolios.

Portfolios tied to the delivery of public services are:

- **Santé et Services sociaux**, which mainly includes expenditure related to the activities of bodies in the health and social services network and the programs administered by the Régie de l'assurance maladie du Québec. This portfolio also includes the expenditures of other governmental organizations related to health, such as Héma-Québec;
- **Éducation**, which mainly includes expenditure related to the activities of pre-school, elementary and secondary educational institutions. This portfolio also includes programs to promote recreational and sports activities as well as programs related to the status of women;
- **Enseignement supérieur**, which mainly includes expenditure attributable to the activities of educational institutions at the college and university levels. This portfolio also includes student financial assistance;
- **Other portfolios**, which include expenditures in all other portfolios, other than the Santé et Services sociaux, Éducation and Enseignement supérieur portfolios. Other portfolios include government funding for the cultural, transportation and childcare sectors, as well as support for individuals, municipalities and businesses.

### EXPENDITURES BY DEPARTMENTAL PORTFOLIO AFTER INTER-PORTFOLIO ELIMINATIONS

(unaudited data, millions of dollars)

	April to August 2022		
	Expenditures before distribution of inter-portfolio eliminations	Inter-portfolio eliminations	Expenditures after distribution of inter-portfolio eliminations
Santé et Services sociaux	23 398	-521	22 877
Éducation	6 848	-229	6 619
Enseignement supérieur	3 690	-63	3 627
Autres portefeuilles	16 224	813	17 037
<b>TOTAL</b>	<b>50 160</b>	<b>—</b>	<b>50 160</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 funding of public services can be found on pages 14 to 19 of the document titled "[Processus et documentation budgétaires : une reddition de comptes sur les finances publiques de l'État](#)" (in French only).

## Notes

- (1) A summary of the government's significant accounting policies can be found on pages 76 to 81 of Volume 1 of [Public Accounts 2021-2022](#). The impact of the following accounting standards issued by the Public Sector Accounting Board (PSAB), effective as of fiscal year 2022-2023, will be reflected in the public accounts as at March 31, 2023: PS 3450 Financial Instruments (as well as PS 1201 Financial Statement Presentation, PS 3041 Portfolio Investments and PS 2601 Foreign Currency Translation) and PS 3280 Asset Retirement Obligations.
- (2) Portfolio expenditures after inter-portfolio eliminations have been allocated are presented in Appendix 2.
- (3) Balance as defined in the Public Accounts.
- (4) Certain expenditures were reclassified between portfolios to take into account the transition to the 2022-2023 budgetary structure.
- (5) Other portfolios include inter-portfolio eliminations resulting from the elimination of reciprocal transactions between entities in different portfolios.
- (6) 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.
- (7) 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.
- (8) The data in this column is consistent with that of the financial framework as published in the [Québec Budget Plan – March 2022](#).
- (9) The data in this column is consistent with that of the financial framework as published in the [Pre-election Report on the State of Québec's Public Finances – August 2022](#).
- (10) This is the annual change compared to results in 2021-2022.
- (11) Budgetary balance within the meaning of the *Balanced Budget Act*.

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).