

MONTHLY REPORT ON FINANCIAL TRANSACTIONS

February 4, 2022

AT OCTOBER 31, 2021

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 November 30, 2021*, will be published on February 25, 2022.

Highlights for October 2021

At October 31, 2021, that is, for the first seven months of 2021-2022, the budgetary balance within the meaning of the *Balanced Budget Act* showed a surplus of \$2.0 billion. This represents a \$7.3-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 October 31, 2021, is due to:

- revenue of \$75.9 billion;
- expenditure of \$72.0 billion;
- deposits of \$2.0 billion in the Generations Fund.

According to the data presented in the fall 2021 *Update on Québec's Economic and Financial Situation*, a budgetary deficit of \$6.8 billion is expected for the full year, before use of the stabilization reserve.

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

- expenditures totalling \$4.6 billion related to several initiatives presented in the *Québec Budget Plan – March 2021* and the fall 2021 *Update on Québec's Economic and Financial Situation* that will be carried out in the coming months, particularly in health and education;
- economic activity in Québec, which will remain strong, but will evolve at a slower pace than at the beginning of the year.

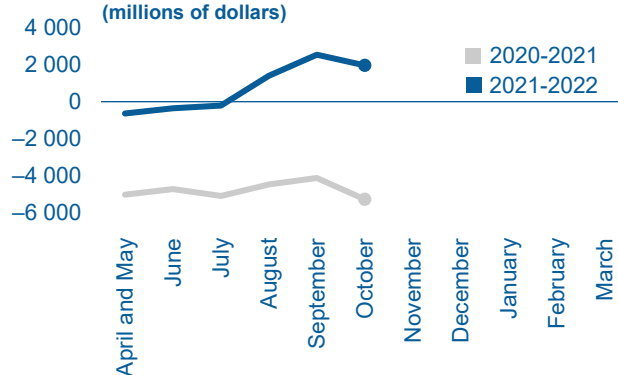
The 2022-2023 Québec budget plan will provide an opportunity to review the recent effects of the pandemic on Québec's fiscal situation.

SUMMARY OF CONSOLIDATED RESULTS

(unaudited data, millions of dollars)

	October			April to October			
	2020	2021	Change	2020-2021	2021-2022	Change	Change (%)
Own-source revenue	7 585	8 211	626	48 484	59 495	11 011	22.7
Federal transfers	2 542	2 380	-162	16 216	16 452	236	1.5
Consolidated revenue	10 127	10 591	464	64 700	75 947	11 247	17.4
Portfolio expenditures ⁽²⁾	-10 311	-10 160	151	-64 337	-67 000	-2 663	4.1
Debt service	-661	-736	-75	-4 081	-5 019	-938	23.0
Consolidated expenditure	-10 972	-10 896	76	-68 418	-72 019	-3 601	5.3
SURPLUS (DEFICIT)⁽³⁾	-845	-305	540	-3 718	3 928	7 646	—
BALANCED BUDGET ACT							
Deposits of dedicated revenues in the Generations Fund	-318	-277	41	-1 581	-1 963	-382	—
BUDGETARY BALANCE⁽⁴⁾	-1 163	-582	581	-5 299	1 965	7 264	—

Cumulative budgetary balance
(millions of dollars)



CONSOLIDATED REVENUE

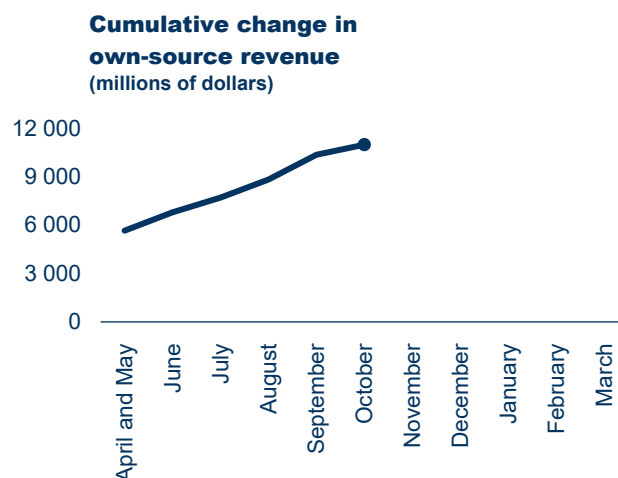
Own-source revenue

At October 31, 2021, own-source revenue totalled \$59.5 billion. This represents an increase of \$11.0 billion (22.7%) compared to the same period last year.

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

Tax revenue increased by \$8.3 billion (21.1%) to \$47.5 billion, due to:

- a \$3.5-billion increase (18.6%) in **personal income tax**, owing in particular to the growth in wages and salaries, while a significant slowdown was observed in the same period in 2020;
- a \$783-million increase (22.9%) in **contributions for health services**, due to the growth in wages and salaries;
- a \$2.1-billion increase (55.6%) 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;
- a \$93-million decrease (13.0%) 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 \$2.0-billion increase (16.0%) in **consumption taxes**, due to increased household consumption and robust investment in residential construction.



Other own-source revenue increased by \$1.5 billion (18.6%) to \$9.3 billion, due to:

- an \$830-million increase (36.5%) 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 \$631-million increase (11.3%) 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.

Revenue from government enterprises increased by \$1.3 billion (90.0%) to \$2.7 billion. This increase is mainly attributable to the impact of COVID-19 on the results of government enterprises in 2020-2021, particularly those of Loto-Québec and Hydro-Québec, as well as favourable results in 2021-2022 for Investissement Québec.

OWN-SOURCE REVENUE

(unaudited data, millions of dollars)

	October			April to October			
	2020	2021	Change	2020-2021	2021-2022	Change	Change (%)
Income and property taxes							
Personal income tax	2 711	3 103	392	18 605	22 074	3 469	18.6
Contributions for health services	496	611	115	3 420	4 203	783	22.9
Corporate taxes	631	777	146	3 708	5 771	2 063	55.6
School property tax	88	92	4	715	622	-93	-13.0
Consumption taxes	2 150	1 947	-203	12 769	14 817	2 048	16.0
Tax revenue	6 076	6 530	454	39 217	47 487	8 270	21.1
Duties and permits	425	385	-40	2 275	3 105	830	36.5
Miscellaneous revenue	856	822	-34	5 569	6 200	631	11.3
Other own-source revenue	1 281	1 207	-74	7 844	9 305	1 461	18.6
Total own-source revenue excluding revenue from government enterprises	7 357	7 737	380	47 061	56 792	9 731	20.7
Revenue from government enterprises	228	474	246	1 423	2 703	1 280	90.0
TOTAL	7 585	8 211	626	48 484	59 495	11 011	22.7

MONTHLY REPORT ON FINANCIAL TRANSACTIONS

Federal transfers

At October 31, 2021, federal transfers totalled \$16.5 billion. This represents an increase of \$236 million (1.5%) compared to the same period last year.

- This change is mainly attributable to revenue from health transfers and other programs.

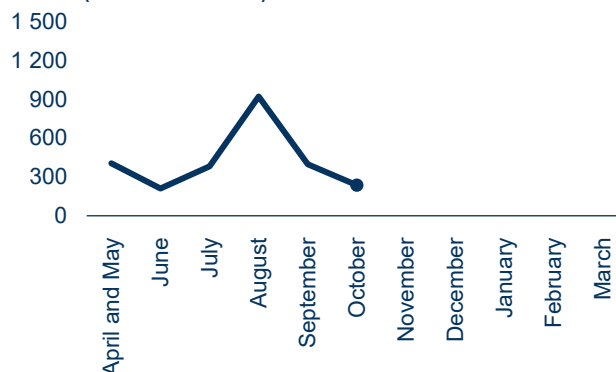
Revenue from **health transfers** increased by \$767 million (19.3%) to \$4.7 billion, primarily due to:

- an additional health transfer that will total \$902 million as at March 31, 2022, of which \$526 million has been recorded as at October 31, 2021;
- an additional transfer under Canada's COVID-19 immunization plan that will total \$226 million as at March 31, 2022, of which \$132 million has been recorded as at October 31, 2021.

Revenue from **other programs** decreased by \$463 million (13.0%) to \$3.1 billion.

- This decrease is due in part to one-time transfers in 2020-2021 related to the Safe Restart Agreement, of which \$1.1 billion had been recorded as at October 31, 2020.
- 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 \$385 million has been recorded as at October 31, 2021.

Cumulative change in federal transfers
(millions of dollars)



FEDERAL TRANSFERS

(unaudited data, millions of dollars)

	October			April to October			
	2020	2021	Change	2020-2021	2021-2022	Change	Change (%)
Equalization	1 105	1 093	-12	7 731	7 652	-79	-1.0
Health transfers	569	678	109	3 980	4 747	767	19.3
Transfers for post-secondary education and other social programs	134	135	1	936	947	11	1.2
Other programs	734	474	-260	3 569	3 106	-463	-13.0
TOTAL	2 542	2 380	-162	16 216	16 452	236	1.5

CONSOLIDATED EXPENDITURE

At October 31, 2021, consolidated expenditure totalled \$72.0 billion. This represents an increase of \$3.6 billion (5.3%) 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 \$2.2 billion (7.2%) to \$32.2 billion, mainly due to:

- a \$1.2-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 \$391-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.

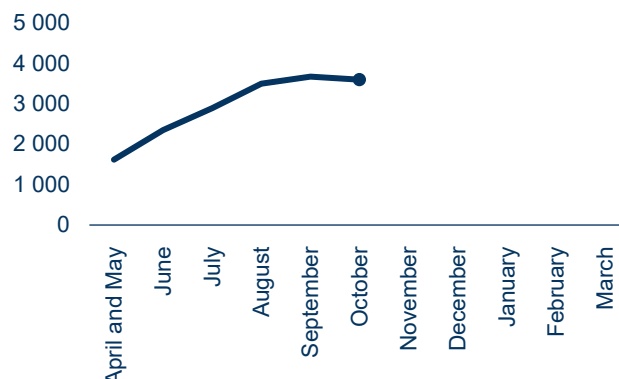
Expenditure in the **Éducation** portfolio increased by \$576 million (6.6%) to \$9.3 billion. This increase is explained, in particular, by the reopening of schools, which were temporarily closed in the spring of 2020 due to the COVID-19 pandemic.

Expenditure in the **Enseignement supérieur** portfolio increased by \$221 million (4.8%) to \$4.8 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** decreased by \$232 million (1.1%) to \$20.6 billion.

Debt service expenditure increased by \$938 million (23.0%) to \$5.0 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)

	October			April to October			
	2020 ⁽⁶⁾	2021	Change	2020-2021 ⁽⁶⁾	2021-2022	Change	Change (%)
Santé et Services sociaux	4 743	4 674	-69	30 058	32 209	2 151	7.2
Éducation	1 491	1 551	60	8 725	9 301	576	6.6
Enseignement supérieur	769	797	28	4 597	4 818	221	4.8
Other portfolios ⁽⁷⁾	3 241	3 079	-162	20 837	20 605	-232	-1.1
Change in the application of the accounting standard respecting transfer payments	67	59	-8	120	67	-53	-44.2
Portfolio expenditures	10 311	10 160	-151	64 337	67 000	2 663	4.1
Debt service	661	736	75	4 081	5 019	938	23.0
TOTAL	10 972	10 896	-76	68 418	72 019	3 601	5.3

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.

Beginning with the *Monthly Report on Financial Transactions at December 31, 2020*, the presentation of net financial surpluses (requirements) has been modified to make it comparable to the presentation used in the *Québec Budget Plan – March 2021*. Thus, the heading "Investments, loans and advances" now includes the change in short-term investments, and the heading "Retirement plans and other employee future benefits" now takes into account the reinvestment of investment income from the Retirement Plans Sinking Fund and specific funds. A new heading, "Deposits in the Generations Fund," includes the financial requirements generated by the revenues dedicated to the Generations Fund.

For the period April to October 2021, net financial requirements amount to \$10.2 billion and are due to:

- the \$3.9-billion surplus resulting from the difference between government revenue and expenditure;
- the \$8.9-billion financial requirements for investments, loans and advances, due primarily to an increase in short-term investments of \$6.5 billion as part of overall cash management, as well as the growth in the consolidation value of government enterprises;⁽⁸⁾
- the \$2.4-billion financial requirements related to government capital investments, mainly due to investments of \$4.9 billion, offset by amortization expenses of \$2.5 billion;⁽⁸⁾
- the \$1.7-billion financial requirements related to retirement plans and other employee future benefits liabilities, resulting from the payment of government employee benefits of \$3.8 billion, partially offset by the net cost of plans of \$1.7 billion;⁽⁸⁾
- the \$930-million surplus for other accounts;⁽⁹⁾
- the \$2.0-billion financial requirements generated by deposits in the Generations Fund.

NET FINANCIAL SURPLUSES OR REQUIREMENTS

(unaudited data, millions of dollars)

	April to October	
	2020-2021	2021-2022
SURPLUS (DEFICIT)⁽³⁾	-3 718	3 928
Non-budgetary transactions		
Investments, loans and advances	-11 932	-8 897
Capital investments	-1 894	-2 427
Retirement plans and other employee future benefits	-1 519	-1 724
Other accounts ⁽⁹⁾	127	930
Deposits in the Generations Fund	-1 581	-1 963
Total non-budgetary transactions	-16 799	-14 081
NET FINANCIAL SURPLUSES (REQUIREMENTS)	-20 517	-10 153

CHANGE IN THE BUDGETARY BALANCE IN 2021-2022

Results at October 31, 2021, that is, for the first seven months of the fiscal year, showed a budgetary surplus of \$2.0 billion.

According to the data presented in the fall 2021 *Update on Québec's Economic and Financial Situation*, a budgetary deficit of \$6.8 billion is expected for 2021-2022, before the use of the stabilization reserve.

For the last five months of the fiscal year, that is, from November 2021 to March 2022, the budgetary deficit will come from:

- results excluding initiatives, which will increase the deficit by \$4.2 billion;
 - A significant portion of the anticipated annual expenditures will be made in the last five months.
 - Moreover, growth in own-source revenue will gradually slow from 22.7% after seven months to 10.6% for the full fiscal year, similar to the projected change in nominal GDP (10.8%). 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 \$2.0 billion has yet to be recorded;
- new initiatives presented in the fall 2021 *Update on Québec's Economic and Financial Situation*, of which a balance of \$2.7 billion has yet to be recorded.

The use of the stabilization reserve will reduce the budgetary deficit to \$5.6 billion.

CHANGE IN THE BUDGETARY BALANCE IN 2021-2022

(millions of dollars)

	2021-2022
BUDGETARY BALANCE⁽⁴⁾ – MONTHLY REPORT ON FINANCIAL TRANSACTIONS AT OCTOBER 31, 2021	1 965
UPCOMING RESULTS FROM NOVEMBER 2021 TO MARCH 2022	
Results excluding initiatives	
– Consolidated revenue	55 099
– Consolidated expenditure	–57 963
– Deposits of dedicated revenues in the Generations Fund	–1 325
Subtotal	–4 189
Balance of initiatives in the March 2021 budget to be recorded	–1 957
Balance of initiatives in the November 2021 update to be recorded	–2 666
TOTAL UPCOMING RESULTS	–8 812
PROJECTED BUDGETARY BALANCE BEFORE USE OF THE STABILIZATION RESERVE	–6 847
Use of the stabilization reserve	1 221
PROJECTED BUDGETARY BALANCE⁽⁴⁾ – NOVEMBER 2021 UPDATE	–5 626

MONTHLY REPORT ON FINANCIAL TRANSACTIONS

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

BUDGET FORECASTS FOR 2021-2022

(millions of dollars)

	March 2021 budget	Adjustments	Fall 2021 update ⁽¹⁰⁾	Change (%) ⁽¹¹⁾
CONSOLIDATED REVENUE				
Income and property taxes				
Personal income tax	35 921	1 711	37 632	7.5
Contributions for health services	6 796	393	7 189	12.4
Corporate taxes	8 013	1 764	9 777	9.2
School property tax	1 113	-26	1 087	-6.0
Consumption taxes	23 325	950	24 275	13.6
Tax revenue	75 168	4 792	79 960	9.7
Duties and permits	4 853	325	5 178	12.2
Miscellaneous revenue	10 989	-8	10 981	11.1
Other own-source revenue	15 842	317	16 159	11.5
Total own-source revenue excluding revenue from government enterprises	91 010	5 109	96 119	10.0
Revenue from government enterprises	4 658	831	5 489	22.2
Total own-source revenue	95 668	5 940	101 608	10.6
Federal transfers	26 899	2 565	29 464	-4.1
Total consolidated revenue	122 567	8 505	131 072	6.9
CONSOLIDATED EXPENDITURE				
Santé et Services sociaux	-52 358	-3 732	-56 090	2.5
Éducation	-18 312	202	-18 110	6.9
Enseignement supérieur	-9 491	27	-9 464	14.5
Other portfolios ⁽⁷⁾	-40 981	-1 071	-42 052	8.6
Change in the application of the accounting standard respecting transfer payments	-732	382	-350	—
Portfolio expenditures	-121 874	-4 192	-126 066	5.8
Debt service	-8 613	48	-8 565	11.4
Total consolidated expenditure	-130 487	-4 144	-134 631	6.2
Provision for economic risks and other support and recovery measures	-1 250	1 250	—	—
SURPLUS (DEFICIT)⁽³⁾	-9 170	5 611	-3 559	—
BALANCED BUDGET ACT				
Deposits of dedicated revenues in the Generations Fund	-3 080	-208	-3 288	—
BUDGETARY BALANCE BEFORE USE OF THE STABILIZATION RESERVE	-12 250	5 403	-6 847	—
Use of the stabilization reserve	—	1 221	1 221	—
BUDGETARY BALANCE⁽⁴⁾	-12 250	6 624	-5 626	—

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)

	October		April to October	
	2020 ⁽⁶⁾	2021	2020-2021 ⁽⁶⁾	2021-2022
Health and Social Services	4 637	4 605	29 294	31 557
Education and Culture	2 314	2 388	13 886	14 738
Economy and Environment	1 307	1 277	8 694	9 051
Support for Individuals and Families	1 181	1 299	6 881	6 978
Administration and Justice	805	532	5 462	4 609
Change in the application of the accounting standard respecting transfer payments	67	59	120	67
TOTAL	10 311	10 160	64 337	67 000

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 presented in the consolidated expenditures in the line "Change in the application of the accounting standard respecting transfer payments." 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 fall 2021 [Update on Québec's Economic and Financial Situation](#).
- (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.