

MONTHLY REPORT ON FINANCIAL TRANSACTIONS

September 30, 2022

AT JUNE 30, 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⁾

The *Monthly Report on Financial Transactions at July 31, 2022* will be published on October 21, 2022.

Highlights for June 2022

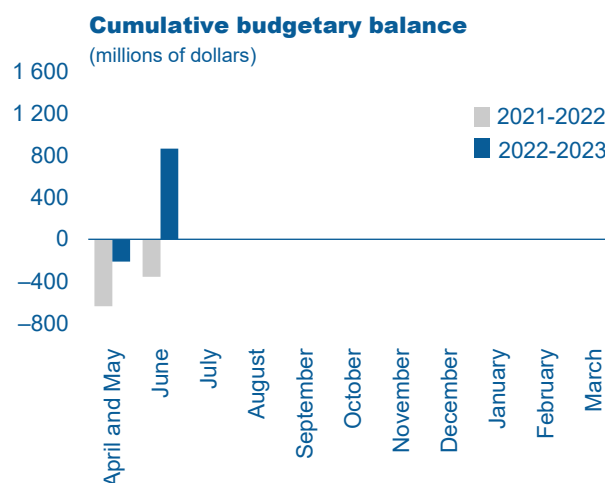
At June 30, 2022, that is, for the first three months of 2022-2023, the budgetary balance within the meaning of the *Balanced Budget Act* showed a surplus of \$867 million. This represents a \$1.2-billion increase in the budgetary balance compared to the same time last year.

The result at June 30, 2022 is due to:

- revenues of \$35.5 billion;
- expenditures of \$33.7 billion;
- deposits of \$844 million 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.



SUMMARY OF CONSOLIDATED RESULTS

(unaudited data, millions of dollars)

	June			April to June			
	2021	2022	Change	2021-2022	2022-2023	Change	Change (%)
Own-source revenue	8 747	10 274	1 527	25 368	28 625	3 257	12.8
Federal transfers	2 519	2 287	-232	7 016	6 826	-190	-2.7
Total revenue	11 266	12 561	1 295	32 384	35 451	3 067	9.5
Portfolio expenditures ⁽²⁾	-9 902	-10 207	-305	-29 750	-31 030	-1 280	4.3
Debt service	-724	-1 010	-286	-2 191	-2 710	-519	23.7
Total expenditure	-10 626	-11 217	-591	-31 941	-33 740	-1 799	5.6
SURPLUS (DEFICIT)⁽³⁾	640	1 344	704	443	1 711	1 268	—
BALANCED BUDGET ACT							
Deposits of dedicated revenues in the Generations Fund	-359	-263	96	-802	-844	-42	—
BUDGETARY BALANCE BEFORE USE OF THE STABILIZATION RESERVE	281	1 081	800	-359	867	1 226	—

REVENUE

Own-source revenue

At June 30, 2022, own-source revenue totalled \$28.6 billion. This represents an increase of \$3.3 billion (12.8%) compared to the same period last year.

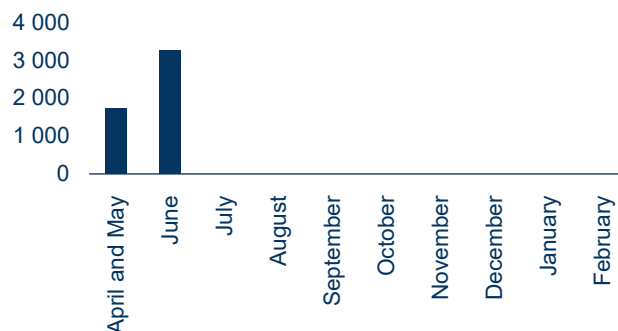
- Strong economic activity combined with the easing of public health measures from April to June 2022 has a positive effect on own-source revenue compared with the same period last year.

Tax revenue increased by \$2.8 billion (13.8%) to \$23.2 billion, due to:

- a \$963-million increase (10.0%) in **personal income tax** and a \$100-million increase (5.6%) in **contributions for health services**, mainly due to growth in wages and salaries;
- a \$716-million increase (28.9%) in revenue from **corporate taxes**, due in particular to changes in the net operating surplus of corporations;
- a \$1.0-billion increase (16.3%) 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.

Cumulative change in own-source revenue

(millions of dollars)



Other own-source revenue increased by \$374 million (9.4%) to \$4.4 billion, due to:

- a \$229-million increase (16.9%) in **duties and permits**, mainly due to higher revenues from Québec's cap-and-trade system for greenhouse gas emission allowances (CAT system);
- a \$145-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 increased by \$75 million (7.8%), to \$1.0 billion. This increase is due in particular to the increase in the value of electricity exports reported by Hydro-Québec and to a return to normal operations for Loto-Québec, which experienced a decline in 2021-2022 due to public health restrictions related to the pandemic. The increase was mitigated by a decrease in Investissement Québec's results related to unfavourable financial market results from April to June 2022.

OWN-SOURCE REVENUE

(unaudited data, millions of dollars)

	June			April to June			
	2021	2022	Change	2021-2022	2022-2023	Change	Change (%)
Income and property taxes							
Personal income tax	3 548	4 242	694	9 643	10 606	963	10.0
Contributions for health services	604	701	97	1 783	1 883	100	5.6
Corporate taxes	838	1 130	292	2 481	3 197	716	28.9
School property tax	87	91	4	262	272	10	3.8
Consumption taxes	2 085	2 455	370	6 247	7 266	1 019	16.3
Tax revenue	7 162	8 619	1 457	20 416	23 224	2 808	13.8
Duties and permits	470	409	-61	1 353	1 582	229	16.9
Miscellaneous revenue	812	898	86	2 640	2 785	145	5.5
Other own-source revenue	1 282	1 307	25	3 993	4 367	374	9.4
Total own-source revenue excluding revenue from government enterprises	8 444	9 926	1 482	24 409	27 591	3 182	13.0
Revenue from government enterprises	303	348	45	959	1 034	75	7.8
TOTAL	8 747	10 274	1 527	25 368	28 625	3 257	12.8

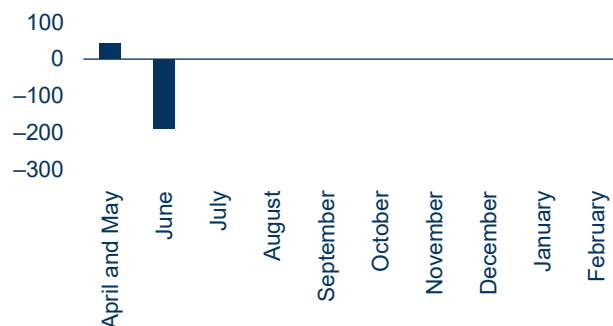
Federal transfers

As of June 30, 2022, federal transfers totalled \$6.8 billion. This represents a decrease of \$190 million (2.7%) 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 \$239 million (11.7%) to \$1.8 billion, mainly due to the decrease in the supplementary health transfer related to COVID-19 compared to the previous year.
- **Equalization** revenue increased by \$137 million (4.2%) to \$3.4 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)

	June			April to June			
	2021	2022	Change	2021-2022	2022-2023	Change	Change (%)
Equalization	1 094	1 139	45	3 280	3 417	137	4.2
Health transfers	867	664	-203	2 038	1 799	-239	-11.7
Transfers for post-secondary education and other social programs	136	118	-18	408	373	-35	-8.6
Other programs	422	366	-56	1 290	1 237	-53	-4.1
TOTAL	2 519	2 287	-232	7 016	6 826	-190	-2.7

EXPENDITURE

As of June 30, 2022, consolidated expenditure totalled \$33.7 billion. This represents an increase of \$1.8 billion (5.6%) compared to the same period last year.

Expenditure in the **Santé et Services sociaux** portfolio decreased by \$72 million (0.5%) to \$14.3 billion. This decrease is primarily due to lower operating expenditure related to the pandemic compared to the same period last year.

Expenditure in the **Éducation** portfolio increased by \$542 million (11.4%) to \$5.3 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 \$158 million (7.3%) to 2.3 billion. This increase is due in particular to increased spending by college and university educational institutions.

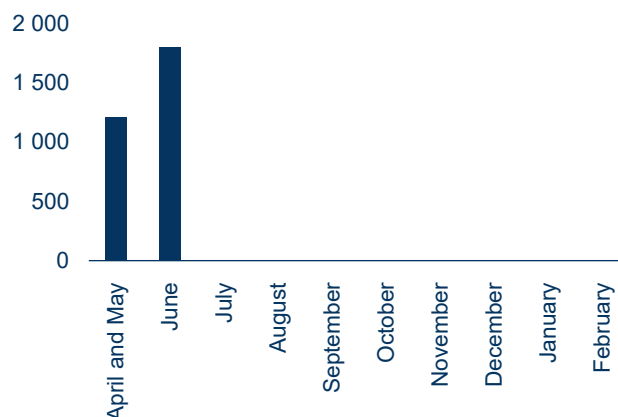
Expenditure in **other portfolios** increased by \$652 million (7.6%) to \$9.2 billion, due in particular to:

- a \$250-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 \$189-million increase in expenditure in the Famille portfolio, due in part to the increase in the tax credit for childcare expenses and the family allowance;
- a \$110-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 \$519 million (23.7%) to 2.7 billion. This increase is mainly due to the rise in interest rates.

Cumulative change in expenditure

(millions of dollars)



CONSOLIDATED EXPENDITURES BY PORTFOLIO⁽²⁾

(unaudited data, millions of dollars)

	June			April to June			
	2021 ⁽⁴⁾	2022	Change	2021-2022 ⁽⁴⁾	2022-2023	Change	Change (%)
Santé et Services sociaux	4 659	4 716	57	14 326	14 254	-72	-0.5
Éducation	1 711	1 915	204	4 742	5 284	542	11.4
Enseignement supérieur	656	708	52	2 157	2 315	158	7.3
Other portfolios ⁽⁵⁾	2 876	2 868	-8	8 525	9 177	652	7.6
Portfolio expenditures	9 902	10 207	305	29 750	31 030	1 280	4.3
Debt service	724	1 010	286	2 191	2 710	519	23.7
TOTAL	10 626	11 217	591	31 941	33 740	1 799	5.6

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 June 2022, net financial requirements amount to \$5.1 billion and are due to:

- the \$1.7-billion surplus resulting from the difference between government revenue and expenditure;
- the \$1.4-billion surplus for investments, loans and advances, due primarily to a decrease in short-term investments of \$2.0 billion as part of overall cash management, partially offset by an increase in the consolidation value of government enterprises;⁽⁶⁾
- the \$364-million financial requirements related to government capital investments, mainly due to investments of \$1.5 billion, offset by amortization expenses of \$1.2 billion;⁽⁶⁾
- the \$858-million financial requirements related to retirement plans and other employee future benefits liabilities, resulting from the payment of government employee benefits of \$1.7 billion, partially offset by the net cost of plans of \$840 million;⁽⁶⁾
- the \$6.2-billion financial requirements from other accounts⁽⁷⁾, resulting in particular from disbursements for expenditures recorded at the end of 2021-2022;
- the \$844-million financial requirements generated by deposits in the Generations Fund.

NET FINANCIAL SURPLUSES OR REQUIREMENTS

(unaudited data, millions of dollars)

	April to June	
	2021-2022	2022-2023
SURPLUS (DEFICIT)⁽³⁾	443	1 711
Non-budgetary transactions		
Investments, loans and advances	-5 939	1 381
Capital investments	-376	-364
Retirement plans and other employee future benefits	-783	-858
Other accounts ⁽⁷⁾	-3 410	-6 167
Deposits in the Generations Fund	-802	-844
Total non-budgetary transactions	-11 310	-6 852
NET FINANCIAL SURPLUSES (REQUIREMENTS)	-10 867	-5 141

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

BUDGET FORECAST FOR 2022-2023

(millions of dollars)

	March 2022 budget ⁽⁸⁾	Revision	Pre-election report – August 2022 ⁽⁹⁾	Change (%) ⁽¹⁰⁾
REVENUE				
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
Tax revenue	87 212	4 304	91 516	4.8
Duties and permits	5 171	347	5 518	-8.8
Miscellaneous revenue	11 680	-51	11 629	6.7
Other own-source revenue	16 851	296	17 147	1.2
Total own-source revenue excluding revenue from government enterprises	104 063	4 600	108 663	4.2
Revenue from government enterprises	5 628	579	6 207	4.0
Total own-source revenue	109 691	5 179	114 870	4.2
Federal transfers	28 790	810	29 600	1.6
Total revenue	138 481	5 989	144 470	3.6
EXPENDITURE				
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 ⁽⁵⁾	-45 041	1	-45 040	4.4
Portfolio expenditures	-130 144	-365	-130 509	2.4
Debt service	-8 842	-1 347	-10 189	18.2
Total expenditure	-138 986	-1 712	-140 698	3.4
Provision for economic risks and other support and recovery measures	-2 500	500	-2 000	—
SURPLUS (DEFICIT)⁽³⁾	-3 005	4 777	1 772	—
BALANCED BUDGET ACT				
Deposits of dedicated revenues in the Generations Fund	-3 445	17	-3 428	—
BUDGETARY BALANCE BEFORE USE OF THE STABILIZATION RESERVE	-6 450	4 794	-1 656	—
Use of the stabilization reserve	—	927	927	—
BUDGETARY BALANCE⁽¹¹⁾	-6 450	5 721	-729	—

APPENDIX 2: PORTFOLIO EXPENDITURES

Starting in 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 June 2022		
	Expenditures before distribution of inter-portfolio eliminations	Inter-portfolio eliminations	Expenditures after distribution of inter-portfolio eliminations
Santé et Services sociaux	14 254	-322	13 932
Éducation	5 284	-178	5 106
Enseignement supérieur	2 315	-39	2 276
Other portfolios	9 177	539	9 716
TOTAL	31 030	—	31 030

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 74 to 77 of Volume 1 of [*Public Accounts 2020-2021*](#). 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 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*](#).
- (9) The presentation of the budgetary information in this monthly report 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.