

# MONTHLY REPORT ON FINANCIAL TRANSACTIONS

## AT DECEMBER 31, 2022

**March 21, 2023**
**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 January 31, 2023* will be published on April 28, 2023.

## Highlights for December 2022

At December 31, 2022, that is, for the first nine months of 2022-2023, the budgetary balance within the meaning of the *Balanced Budget Act* showed a deficit of \$1.2 billion. This represents a \$5.2-billion decrease in the budgetary balance compared to the same time last year.

The result is due to:

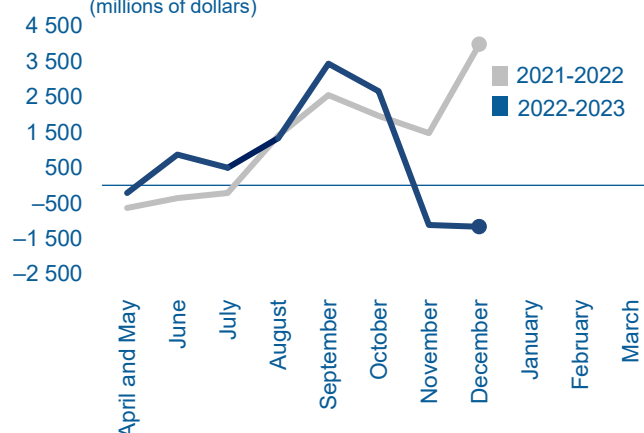
- revenues of \$106.5 billion;
- expenditures of \$105.4 billion;
- deposits of \$2.3 billion in the Generations Fund.

According to the data presented in the *Québec Budget Plan – March 2023*, a budgetary deficit of \$5.0 billion is expected for the full year before use of the stabilization reserve (see Appendix 1).

- This deficit includes new initiatives of \$6.6 billion announced since March 2022, including the implementation of the Anti-Inflation Shield and the reduction in the two bottom tax rates by 1 percentage point.

### Cumulative budgetary balance

(millions of dollars)



## SUMMARY OF CONSOLIDATED RESULTS

(unaudited data, millions of dollars)

	December			April to December			
	2021	2022	Change	2021-2022	2022-2023	Change	Change (%)
Own-source revenue	10 956	11 294	338	79 454	85 303	5 849	7.4
Federal transfers	2 366	2 529	163	21 079	21 231	152	0.7
<b>Total revenue</b>	<b>13 322</b>	<b>13 823</b>	<b>501</b>	<b>100 533</b>	<b>106 534</b>	<b>6 001</b>	<b>6.0</b>
Portfolio expenditures	-9 842	-12 894	-3 052	-87 585	-97 640	-10 055	11.5
Debt service	-662	-693	-31	-6 421	-7 756	-1 335	20.8
<b>Total expenditure</b>	<b>-10 504</b>	<b>-13 587</b>	<b>-3 083</b>	<b>-94 006</b>	<b>-105 396</b>	<b>-11 390</b>	<b>12.1</b>
<b>SURPLUS (DEFICIT)<sup>(2)</sup></b>	<b>2 818</b>	<b>236</b>	<b>-2 582</b>	<b>6 527</b>	<b>1 138</b>	<b>-5 389</b>	<b>—</b>
<b>BALANCED BUDGET ACT</b>							
Deposits of dedicated revenues in the Generations Fund	-311	-285	26	-2 547	-2 309	238	—
<b>BUDGETARY BALANCE BEFORE USE OF THE STABILIZATION RESERVE</b>	<b>2 507</b>	<b>-49</b>	<b>-2 556</b>	<b>3 980</b>	<b>-1 171</b>	<b>-5 151</b>	<b>—</b>

## REVENUE

### Own-source revenue

At December 31, 2022, own-source revenue totalled \$85.3 billion. This represents an increase of \$5.8 billion (7.4%) compared to the same period last year.

- Changes in the main economic indicators had a positive effect on own-source revenue.

**Tax revenue** increased by \$4.8 billion (7.5%) to \$68.3 billion, due to:

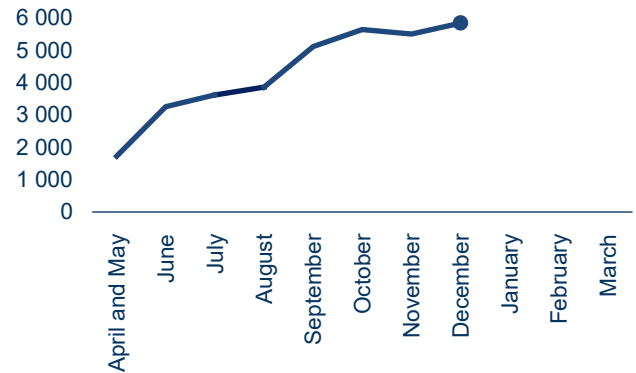
- a \$1.9-billion increase (6.5%) in **personal income tax** and a \$448-million increase (8.2%) in **contributions for health services**, mainly due to growth in wages and salaries;
- a \$734-million increase (8.9%) in revenue from **corporate taxes**, due in particular to changes in the net operating surplus of corporations;
- a \$1.6-billion increase (8.3%) in **consumption taxes**, due to the increase in household consumption, which was supported by the good performance of the labour market and the use of accumulated savings.

**Other own-source revenue** increased by \$810 million (6.6%) to \$13.1 billion, due to:

- a \$772-million increase (9.6%) in **miscellaneous revenue**, due in particular to the increase in revenues from the sale of goods and services and to the increase in interest income related to tax debts administered by the Agence du revenu du Québec, which increases were partially mitigated by the decrease in investment income of the Generations Fund.

**Revenue from government enterprises** increased by \$289 million (7.8%), to \$4.0 billion. This increase is due in part to 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. The increase was mitigated by a decrease in Investissement Québec's results related to unfavourable financial market results from April to December 2022.

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



### OWN-SOURCE REVENUE (unaudited data, millions of dollars)

	December			April to December			
	2021	2022	Change	2021-2022	2022-2023	Change	Change (%)
Income and property taxes							
Personal income tax	4 627	4 913	286	29 708	31 650	1 942	6.5
Contributions for health services	731	792	61	5 470	5 918	448	8.2
Corporate taxes	1 372	1 067	-305	8 265	8 999	734	8.9
School property tax	90	95	5	802	830	28	3.5
Consumption taxes	2 243	2 321	78	19 263	20 861	1 598	8.3
<b>Tax revenue</b>	<b>9 063</b>	<b>9 188</b>	<b>125</b>	<b>63 508</b>	<b>68 258</b>	<b>4 750</b>	<b>7.5</b>
Duties and permits	372	349	-23	4 199	4 237	38	0.9
Miscellaneous revenue	929	1 109	180	8 065	8 837	772	9.6
<b>Other own-source revenue</b>	<b>1 301</b>	<b>1 458</b>	<b>157</b>	<b>12 264</b>	<b>13 074</b>	<b>810</b>	<b>6.6</b>
<b>Total own-source revenue excluding revenue from government enterprises</b>	<b>10 364</b>	<b>10 646</b>	<b>282</b>	<b>75 772</b>	<b>81 332</b>	<b>5 560</b>	<b>7.3</b>
Revenue from government enterprises	592	648	56	3 682	3 971	289	7.8
<b>TOTAL</b>	<b>10 956</b>	<b>11 294</b>	<b>338</b>	<b>79 454</b>	<b>85 303</b>	<b>5 849</b>	<b>7.4</b>

# MONTHLY REPORT ON FINANCIAL TRANSACTIONS

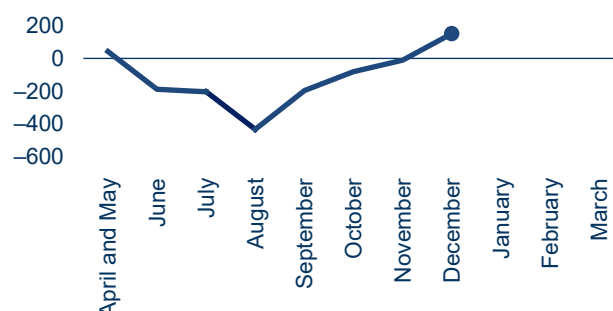
## Federal transfers

At December 31, 2022, federal transfers totalled \$21.2 billion. This represents an increase of \$152 million (0.7%) compared to the same period last year. This change is mainly due to:

- an increase in **equalization** revenue of \$411 million (4.2%), due to growth in Canada's nominal GDP, which determines the pace of growth in the equalization envelope across Canada;
- a decrease in revenue from **health transfers** by \$535 million (8.9%), mainly due to the decrease in the supplementary health transfer related to COVID-19 compared to the previous year;
- an increase in revenue from other programs of \$393 million (9.8%), primarily due to the Asymmetrical Agreement on Early Learning and Child Care.

### Cumulative change in federal transfers

(millions of dollars)



## FEDERAL TRANSFERS

(unaudited data, millions of dollars)

	December			April to December			
	2021	2022	Change	2021-2022	2022-2023	Change	Change (%)
Equalization	1 093	1 139	46	9 839	10 250	411	4.2
Health transfers	611	611	—	6 037	5 502	-535	-8.9
Transfers for post-secondary education and other social programs	95	118	23	1 178	1 061	-117	-9.9
Other programs	567	661	94	4 025	4 418	393	9.8
<b>TOTAL</b>	<b>2 366</b>	<b>2 529</b>	<b>163</b>	<b>21 079</b>	<b>21 231</b>	<b>152</b>	<b>0.7</b>

## EXPENDITURE

At December 31, 2022, consolidated expenditure totalled \$105.4 billion. This represents an increase of \$11.4 billion (12.1%) compared to the same period last year.

Expenditure in the **Santé et Services sociaux** portfolio increased by \$2.7 billion (6.5%) to \$43.3 billion. This increase is mainly due to the recognition in December of the enhancement of the senior assistance amount and the indexation of salary scales of staff in health and social services institutions.

Expenditure in the **Éducation** portfolio increased by \$1.4 billion (11.8%) to \$13.7 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 \$664 million (10.6%) to \$6.9 billion. This growth is due in particular to increased spending by college and university educational institutions.

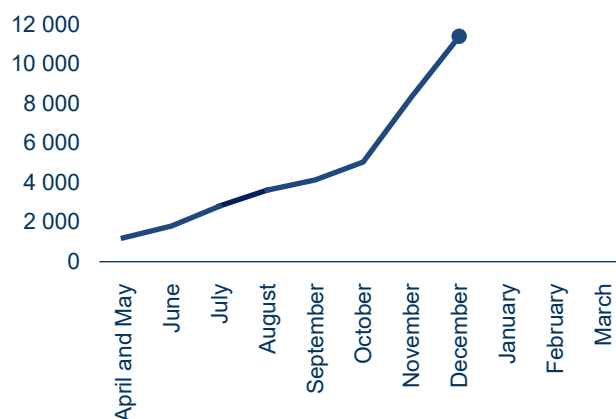
Expenditure in **other portfolios** increased by \$5.3 billion (18.7%) to \$33.7 billion, due, among other things, to:

- a \$3.2-billion increase in expenditure in the Emploi et Solidarité sociale portfolio, which is mainly due to the recognition in November of the new one-time cost of living amount totaling \$3.5 billion;
- a \$797-million increase in expenditure in the Affaires municipales et Habitation portfolio, due in part to grants to promote access to quality, affordable housing and to renovate the low-income housing stock;
- a \$511-million increase in expenditure in the Transports et Mobilité durable portfolio, due in particular to financial assistance to transit authorities under the Programme d'aide d'urgence au transport collectif des personnes, as well as increased spending on road maintenance operations;
- a \$263-million increase in expenditure in the Famille portfolio, due in part to the increase in funding under the agreement on national clauses for childcare centres and the family allowance.

**Debt service** expenditure increased by \$1.3 billion (20.8%) to \$7.8 billion. This increase is mainly due to the rise in interest rates.

### Cumulative change in expenditure

(millions of dollars)



## EXPENDITURE

(unaudited data, millions of dollars)

	December			April to December			
	2021 <sup>(3)</sup>	2022	Change	2021-2022 <sup>(3)</sup>	2022-2023	Change	Change (%)
Santé et Services sociaux <sup>(4)</sup>	4 309	6 624	2 315	40 683	43 336	2 653	6.5
Éducation <sup>(4)</sup>	1 636	1 874	238	12 244	13 683	1 439	11.8
Enseignement supérieur <sup>(4)</sup>	767	964	197	6 254	6 918	664	10.6
Other portfolios <sup>(4)</sup>	3 130	3 432	302	28 404	33 703	5 299	18.7
<b>Portfolio expenditures</b>	<b>9 842</b>	<b>12 894</b>	<b>3 052</b>	<b>87 585</b>	<b>97 640</b>	<b>10 055</b>	<b>11.5</b>
<b>Debt service</b>	<b>662</b>	<b>693</b>	<b>31</b>	<b>6 421</b>	<b>7 756</b>	<b>1 335</b>	<b>20.8</b>
<b>TOTAL</b>	<b>10 504</b>	<b>13 587</b>	<b>3 083</b>	<b>94 006</b>	<b>105 396</b>	<b>11 390</b>	<b>12.1</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 December 2022, net financial requirements amount to \$15.2 billion and are due to:

- the \$1.1-billion surplus resulting from the difference between government revenue and expenditure;
- the \$4.2-billion financial requirements for investments, loans and advances, due in part to an increase in the consolidation value of government enterprises;<sup>(5)</sup>
- the \$3.5-billion financial requirements related to government capital investments, mainly due to investments of \$7.1 billion, offset by amortization expenses of \$3.6 billion;<sup>(5)</sup>
- the \$2.2-billion financial requirements related to retirement plans and other employee future benefits liabilities, mainly resulting from the payment of government employee benefits of \$5.2 billion, partially offset by the net cost of plans of \$3.0 billion;<sup>(5)</sup>
- the \$4.1-billion financial requirements from other accounts,<sup>(6)</sup> resulting in particular from disbursements for expenditures recorded at the end of 2021-2022;
- the \$2.3-billion financial requirements generated by deposits in the Generations Fund.

### NET FINANCIAL SURPLUSES OR REQUIREMENTS

(unaudited data, millions of dollars)

	April to December	
	2021-2022	2022-2023
<b>SURPLUS (DEFICIT)<sup>(2)</sup></b>	<b>6 527</b>	<b>1 138</b>
<b>Non-budgetary transactions</b>		
Investments, loans and advances	-9 074	-4 210
Capital investments	-3 283	-3 489
Retirement plans and other employee future benefits	-2 331	-2 243
Other accounts <sup>(6)</sup>	12	-4 067
Deposits in the Generations Fund	-2 547	-2 309
<b>Total non-budgetary transactions</b>	<b>-17 223</b>	<b>-16 318</b>
<b>NET FINANCIAL SURPLUSES (REQUIREMENTS)</b>	<b>-10 696</b>	<b>-15 180</b>

## CHANGE IN THE BUDGETARY BALANCE IN 2022-2023

Results at December 31, 2022, that is, for the first nine months of the fiscal year, showed a budgetary deficit of \$1.2 billion.

According to the data presented in the *Québec Budget Plan – March 2023*, a budgetary deficit of \$5.0 billion is expected for 2022-2023 before use of the stabilization reserve. Several factors will have a downward impact on the budgetary balance by March 31, 2023:

- the accelerating pace of monetary policy tightening and rising cost of living lead to a marked deterioration in the economic outlook:
  - nominal GDP growth of 9.1% expected for the period from April to December 2022 will fall to 3.7% for the first quarter of 2023. As a result, own-source revenue growth will slow to 5.7% as of March 31, 2023,
  - the slowdown in revenue, combined with expenditures and deposits of dedicated revenues in the Generations Fund expected by March 31, 2023, will have the effect of reducing the budgetary balance by \$2.7 billion;
- new initiatives of \$6.6 billion announced since March 2022, including the implementation of the Anti-Inflation Shield and the reduction in the two bottom tax rates by 1 percentage point, of which a \$1.2-billion balance remains to be recognized:
  - in fact, the new one-time cost of living amount, which represents assistance totalling \$3.5 billion, was recorded in November and the enhancement of the senior assistance amount, totalling \$1.5 billion, was recorded in December.

The use of the stabilization reserve will also make it possible to reduce the budgetary deficit in 2022-2023 to \$4.6 billion.

## CHANGE IN THE BUDGETARY BALANCE IN 2022-2023

(millions of dollars)

	2022-2023
<b>BUDGETARY BALANCE BEFORE USE OF THE STABILIZATION RESERVE – MONTHLY REPORT ON FINANCIAL TRANSACTIONS AT DECEMBER 31, 2022</b>	<b>-1 171</b>
<b>UPCOMING RESULTS FROM JANUARY TO MARCH 2023</b>	
<b>Results excluding new initiatives</b>	
Consolidated revenue	38 999
Consolidated expenditure	-40 639
Deposits of dedicated revenues in the Generation Funds	-1 042
<b>Subtotal</b>	<b>-2 682</b>
<b>Balance of the initiatives announced since March 2022 to be recognized</b>	<b>-1 168</b>
<b>TOTAL UPCOMING RESULTS</b>	<b>-3 850</b>
<b>BUDGETARY BALANCE BEFORE USE OF THE STABILIZATION RESERVE – MARCH 2023 BUDGET</b>	<b>-5 021</b>
Use of the stabilization reserve	449
<b>PROJECTED BUDGETARY BALANCE<sup>(7)</sup> – MARCH 2023 BUDGET</b>	<b>-4 572</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>	Adjustment	March 2023 budget <sup>(9)</sup>	Change (%) <sup>(10)</sup>
<b>REVENUE</b>				
Income and property taxes				
Personal income tax	41 147	1 523	42 670	4.3
Contributions for health services	7 299	542	7 841	5.9
Corporate taxes	10 882	2 381	13 263	2.6
School property tax	1 178	-66	1 112	3.3
Consumption taxes	26 706	-158	26 548	7.9
<b>Tax revenue</b>	<b>87 212</b>	<b>4 222</b>	<b>91 434</b>	<b>5.2</b>
Duties and permits	5 171	810	5 981	-1.3
Miscellaneous revenue	11 680	104	11 784	10.1
<b>Other own-source revenue</b>	<b>16 851</b>	<b>914</b>	<b>17 765</b>	<b>6.0</b>
<b>Total own-source revenue excluding revenue from government enterprises</b>	<b>104 063</b>	<b>5 136</b>	<b>109 199</b>	<b>5.3</b>
Revenue from government enterprises	5 628	1 046	6 674	12.0
<b>Total own-source revenue</b>	<b>109 691</b>	<b>6 182</b>	<b>115 873</b>	<b>5.7</b>
Federal transfers	28 790	436	29 226	0.1
<b>Total revenue</b>	<b>138 481</b>	<b>6 618</b>	<b>145 099</b>	<b>4.5</b>
<b>EXPENDITURE</b>				
Santé et Services sociaux <sup>(4)</sup>	-54 441	-3 668	-58 109	2.7
Éducation <sup>(4)</sup>	-18 659	-405	-19 064	10.1
Enseignement supérieur <sup>(4)</sup>	-9 905	-76	-9 981	14.2
Other portfolios <sup>(4)</sup>	-47 139	-2 423	-49 562	10.8
<b>Portfolio expenditures</b>	<b>-130 144</b>	<b>-6 572</b>	<b>-136 716</b>	<b>7.4</b>
Debt service	-8 842	-1 211	-10 053	16.4
<b>Total expenditure</b>	<b>-138 986</b>	<b>-7 783</b>	<b>-146 769</b>	<b>7.9</b>
Contingency reserve	-2 500	2 500	—	—
<b>SURPLUS (DEFICIT)<sup>(2)</sup></b>	<b>-3 005</b>	<b>1 335</b>	<b>-1 670</b>	<b>—</b>
<b>BALANCED BUDGET ACT</b>				
Deposits of dedicated revenues in the Generations Fund	-3 445	94	-3 351	—
<b>BUDGETARY BALANCE BEFORE USE OF THE STABILIZATION RESERVE</b>	<b>-6 450</b>	<b>1 429</b>	<b>-5 021</b>	<b>—</b>
Use of the stabilization reserve	—	449	449	—
<b>BUDGETARY BALANCE<sup>(7)</sup></b>	<b>-6 450</b>	<b>1 878</b>	<b>-4 572</b>	<b>—</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) Balance as defined in the public accounts.
- (3) Certain expenditures were reclassified between portfolios to comply with the presentation adopted in 2022-2023.
- (4) Consolidation adjustments, which mainly result from the elimination of reciprocal transactions between entities in different portfolios, are allocated to each portfolio.
- (5) 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.
- (6) 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.
- (7) Budgetary balance within the meaning of the *Balanced Budget Act*.
- (8) The data in this column is consistent with that of the financial framework as published in the [\*Québec Budget Plan – March 2022\*](#), with the exception of certain expenditures that have been reclassified between portfolios to make them comparable to the presentation adopted in the March 2023 budget.
- (9) The data in this column is consistent with that of the financial framework as published in the [\*Québec Budget Plan – March 2023\*](#).
- (10) This is the annual change compared to results in 2021-2022.

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).