Budget
2018–19

Stronger Services and Supports

NOVA SCOTIA

Contents

1. Introduction

Budget 2018–19

Stronger Services and Supports

Budget 2018–19 focuses on strengthening important services and supports so that all Nova Scotians have opportunities to grow and succeed.

This budget will recruit more doctors and improve access to primary care; invest in pre-primary and classrooms; help people participate more fully in their communities and in the economy; and connect more young people to the workforce, including expanding the Graduate to Opportunity program.

Budget 2018–19 invests in key sectors and funds initiatives to build and promote a more innovative, diverse economy that creates more opportunities for Nova Scotians from all backgrounds. We are committed to ensuring that our economic success is shared by all Nova Scotians.

Some of the many investments in Budget 2018–19 include:

- Expanding existing teams and creating new collaborative-care teams
- Increasing funding to recruit, train, and retain more doctors
- Performing 350 more hip and knee surgeries
- Increasing funding for mental health care
- Helping seniors stay in their homes longer
- Upgrading healthcare facilities
- Adding about 130 new pre-primary classes
- Making child care more accessible and affordable
- Increasing the Disability Support program to help more people move out of institutions and to improve respite care
- Doubling the poverty reduction credit to $500
- Funding more initiatives under the Blueprint to End Poverty
- Creating eight small-options homes and two community-options homes
- Improving public housing units
- Offering 400 more rent supplements to low income Nova Scotians

- Expanding the Graduate to Opportunity program and expanding Mitacs internships
- Enhancing work incentives for people receiving income assistance
- Expanding the Innovation Rebate Program to encourage private sector investment
- Establishing a fund to support innovation in agriculture, fisheries, and aquaculture sectors

We can invest in these and other services and supports because we have a sound financial plan that is working. We are in a position to invest in areas that benefit Nova Scotians and can move our province forward.

2. Budget Overview

The Province of Nova Scotia is tabling its third consecutive balanced budget for fiscal year 2018–19 with an estimated surplus of $29.4 million (Table 2.1). Demonstrating the government's commitment to fiscal sustainability, the province is projecting balanced budgets for the entire four-year fiscal plan.

Table 2.1 Budget Summary – Statement of Operations ($ thousands)

General Revenue Fund	2017-18 Estimate	2017-18 Forecast	2018-19 Estimate
Revenues			
Ordinary Revenue	9,485,518	9,656,176	9,773,351
Ordinary Recoveries	709,389	696,936	655,546
Net Income from Government			
Business Enterprises	378,754	387,524	381,255
Total Revenues	**10,573,661**	**10,740,636**	**10,810,152**
Expenses			
Departmental Expenses	9,505,542	9,658,875	9,693,362
Refundable Tax Credits	125,472	115,213	146,883
Pension Valuation Adjustment	31,214	63,785	128,803
Debt Servicing Costs	850,214	837,713	893,573
Total Expenses	**10,512,442**	**10,675,586**	**10,862,621**
Consolidation and Accounting Adjustments			
General Revenue Fund			
Consolidation Adjustments	64,381	65,604	75,848
Special Purpose Funds	(664)	1,607	(22)
Other Organizations	6,674	1,251	6,073
	70,391	**68,462**	**81,899**
Provincial Surplus (Deficit)	**131,610**	**133,512**	**29,430**
Contribution to Fiscal Capacity for Provincial Health Complex	(110,300)	(110,300)	
Net Position	**21,310**	**23,212**	**29,430**

Total revenues for 2018–19 are projected to be $10.810 billion, an increase of $236.5 million or 2.2 per cent over the 2017–18 Estimate. This revenue increase is attributable to a $208.2 million or 3.0 per cent increase in provincial source revenues and, a $28.3 million or 0.8 per cent increase in federal source revenues (Table 2.2).

Total expenses for fiscal year 2018–19 including consolidation and accounting adjustments are budgeted at $10.781 billion, up $338.7 million or 3.2 per cent from 2017–18 estimates. Departmental Expenses are projected to increase by $187.8 million or 2.0 per cent (Table 2.1).

Table 2.2 Budget Summary – Highlights
($ thousands)

	2017-18 Estimate	2017-18 Forecast	2018-19 Estimate
Total Revenues	10,573,661	10,740,636	10,810,152
Total Expenses	10,512,442	10,675,586	10,862,621
Consolidation Adjustments	70,391	68,462	81,899
Provincial Surplus (Deficit)	131,610	133,512	29,430
Contribution to Fiscal Capacity for Provincial Health Complex	(110,300)	(110,300)	---
Net Position	21,310	23,212	29,430
Provincial Revenue Sources			
Personal Income Tax	2,710,594	2,741,333	2,816,066
Corporate Income Tax	506,627	540,588	531,267
Harmonized Sales Tax	1,829,442	1,797,704	1,858,125
Cannabis Tax		---	10,400
Motive Fuel Tax	266,655	264,506	272,440
Tobacco Tax	220,119	215,172	214,118
Other Tax Revenue	160,416	166,654	165,961
Registry of Motor Vehicles	131,464	133,084	131,966
Royalties - Petroleum	11,973	11,095	5,954
Other Provincial Sources	149,831	150,406	229,303
TCA Cost Shared Revenue	60,316	62,282	2,249
Other Fees and Charges	61,710	62,692	61,793
Gain (Loss) on Disposal of Crown Assets	444	733	---
Prior Years' Adjustments	---	107,120	---
Interest Revenues	79,551	77,014	85,384
Sinking Fund Earnings	100,519	101,090	107,670
Ordinary Recoveries	359,055	366,551	361,703
Net Income from Government Business Enterprises	378,754	387,524	381,255
Total - Provincial Sources	7,027,470	7,185,548	7,235,654
Federal Revenue Sources			
Equalization Payments	1,750,644	1,794,968	1,820,257
Canada Health Transfer	967,248	965,873	996,467
Canada Social Transfer	357,960	357,451	365,720
Offshore Accord	19,957	19,957	18,092
Crown Share	3,046	(276)	1,423
Other Federal Sources	24,014	13,389	28,340
TCA Cost Shared Revenue	72,988	73,884	50,356
Prior Years' Adjustments	---	(543)	---
Ordinary Recoveries	350,334	330,385	293,843
Total - Federal Sources	3,546,191	3,555,088	3,574,498
Expenses			
Agriculture	41,992	50,121	49,615
Business	196,137	304,927	156,111
Communities, Culture and Heritage	84,295	98,473	88,046
Community Services	949,621	958,158	989,698
Education and Early Childhood Development	1,317,657	1,324,804	1,397,782
Energy	29,004	52,898	31,462
Environment	37,239	36,472	37,516
Finance and Treasury Board	23,100	20,996	23,446
Fisheries and Aquaculture	15,062	15,062	20,889
Health and Wellness	4,214,153	4,264,448	4,367,099
Internal Services	189,091	190,403	189,497
Justice	340,711	340,711	354,581
Labour and Advanced Education	376,151	379,300	389,373
Assistance to Universities	433,079	473,343	425,272
Municipal Affairs	332,423	286,890	212,581
Natural Resources	77,178	77,545	79,601
Public Service	217,153	214,656	210,298
Seniors	2,301	2,267	2,709
Transportation and Infrastructure Renewal	465,774	479,399	477,545
Restructuring Costs	163,421	88,002	190,241
Refundable Tax Credits	125,472	115,213	146,883
Pension Valuation Adjustment	31,214	63,785	128,803
Debt Servicing Costs	850,214	837,713	893,573
Total - Expenses	10,512,442	10,675,586	10,862,621

Economic growth is stronger than expected in 2017 for Nova Scotia. For 2017, the economic outlook estimates that Nova Scotia's nominal GDP grew by 3.3 per cent and real GDP by 1.4 per cent. Nominal GDP growth is projected to be stable at 2.9 per cent in each of 2018 and 2019. Real GDP growth is projected at 1.0 per cent in 2018 and 0.8 per cent for 2019.

The Net Debt of the province is expected to be $15.1 billion for the year ended 2017–18 and $15.2 billion for the year ended 2018–19. This is $9.0 million below the 2017–18 Budget estimate for 2017–18 and $6.7 million below the 2017–18 estimate for 2018–19.

The Debt-to-GDP ratio for 2017–18 is forecast to be 34.9 per cent instead of the 35.5 per cent projected in Budget 2017–18, lower primarily because of better than expected nominal GDP forecast for 2017–18. The ratio is expected to improve to 34.2 per cent for 2018–19 (Table 2.3).

Table 2.3 Budget Summary – Net Debt/Gross Domestic Product

	2017-18 Estimate	2017-18 Forecast	2018-19 Estimate
Net Debt ($billions)	15.1	15.1	15.2
Nominal GDP ($billions)	42.5	43.1	44.3
Net Debt to GDP (ratio)	35.5%	34.9%	34.2%

Budget 2018–19 presents a balanced budget forecast for 2017–18 and a balanced budget for 2018–19, on-course with achieving long-term fiscal sustainability. The province's improving fiscal health provides opportunities for strategic investments for stronger services and supports. The province is, however, still vulnerable to economic events and other factors outside of its control.

3. Four Year Fiscal Plan 2018–19 to 2021–22

Medium-Term Outlook

The Four-Year Fiscal Plan indicates that government will achieve a balanced fiscal plan for 2017–18 as projected in Budget 2017–18 (Table 3.1). With a projected balanced budget for 2018–19, and continuing surpluses throughout the Four-Year Fiscal Plan, the province is delivering public services in a fiscally sustainable manner.

Table 3.1 Four-Year Fiscal Plan: Projections 2018–19 to 2021–22
($ millions)

General Revenue Fund	2017-18 Estimate	2017-18 Forecast	2018-19 Estimate	2019-20 Estimate	2020-21 Estimate	2021-22 Estimate
Revenue						
Ordinary Revenue	9,485.5	9,656.2	9,773.4	9,844.0	10,240.7	10,567.3
Ordinary Recoveries	709.4	696.9	655.5	614.2	618.6	624.0
Net Income Government Business Enterprises	378.8	387.5	381.3	400.6	410.2	423.1
Total Revenue	**10,573.7**	**10,740.6**	**10,810.2**	**10,858.8**	**11,269.5**	**11,614.4**
Expenses						
Departmental Expenses	9,505.5	9,658.9	9,693.4	9,790.7	10,233.2	10,582.4
Refundable Tax Credits	125.5	115.2	146.9	144.4	145.1	145.8
Pension Valuation Adjustment	31.2	63.8	128.8	49.3	52.3	56.9
Debt Servicing Costs	850.2	837.7	893.6	864.3	806.6	776.1
Total Expenses	**10,512.4**	**10,675.6**	**10,862.6**	**10,848.7**	**11,237.2**	**11,561.2**
Consolidation and Accounting Adjustments	70.4	68.5	81.9	28.9	28.6	21.7
Provincial Surplus (Deficit)	**131.6**	**133.5**	**29.4**	**39.1**	**60.9**	**75.0**
Contribution to Fiscal Capacity for Provincial Health Complex	(110.3)	(110.3)	-	-	-	-
Net Position (After Contribution)	**21.3**	**23.2**	**29.4**	**39.1**	**60.9**	**75.0**
Net Debt	15,060	15,051	15,171	15,272	15,491	15,527
Nominal GDP	42,456	43,099	44,329	45,604	47,224	48,406
Debt to GDP Ratio	35.5%	34.9%	34.2%	33.5%	32.8%	32.1%

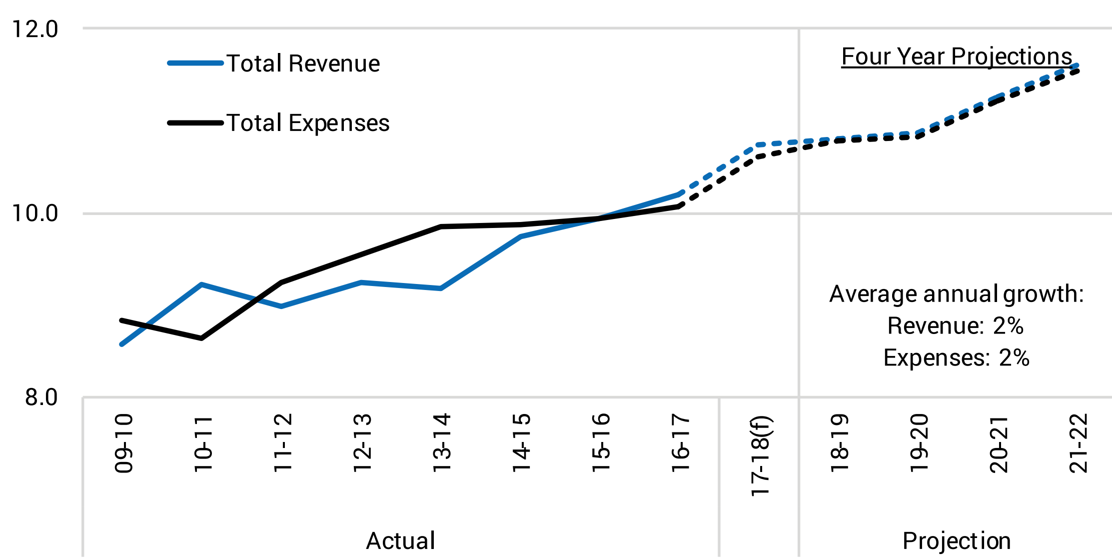
Budget 2018–19 projects a surplus of $29.4 million. The Government of Nova Scotia has improved its fiscal health since 2013–14 and is currently projecting balanced budgets throughout its four-year planning horizon. The government is projecting modest surpluses over the next four years of its fiscal plan.

The projected surpluses throughout the Four-Year Fiscal Plan are indicative of a sustainable fiscal plan. The debt arising from operating deficits (Accumulated Deficits) is expected to reduce by $204.4 million between 2018–19 and 2021–22. The Net Debt, which includes operating deficits and net capital spending, will increase by $120.6 million in 2018–19 to $15.2 billion and reach $15.3 billion in 2019–20. The net debt is expected to be $15.5 billion by 2021–22.

Revenue and Expense

For 2018–19, total revenue is estimated to grow by 2.2 per cent compared to the 2017–18 estimate (0.6 per cent from the final Forecast). Average annual growth in total revenue is projected to be 2.0 per cent over the four-year fiscal period (Chart 3.1).

Chart 3.1 Projected Revenues and Expenses 2018–19 to 2021–22
($ billions)



Total Expenses, including consolidation and accounting adjustments, are projected to increase by 3.2 per cent compared to the 2017–18 estimate (1.6 per cent from the final Forecast). Average annual growth in total expenses is projected to be 2.0 per cent over the four-year fiscal period. It is these growth rates, spending growing at the same pace as revenue, that allows the province to maintain a surplus position throughout the four-year projection period.

The growth of revenue is projected to slow in 2019–20 before rebounding to above 3 per cent for the following two years. Downward pressure on the Equalization Cumulative Best-of Guarantee amount, due to a narrowing in the gap between the calculations of the two formulas being compared, is one of the main reasons for lower revenue growth in the 2019–20 fiscal year.

Prospects for revenue growth are primarily related to three sources — personal income tax, corporate income tax, and sales tax (HST). All three are heavily dependent upon an improving economy. Growth in federal transfer revenues will remain relatively flat for the foreseeable future, primarily because of the province's declining share of the national population and lower revenues for the offshore accord and cumulative best-of guarantee payments.

Medium-Term Economic Outlook

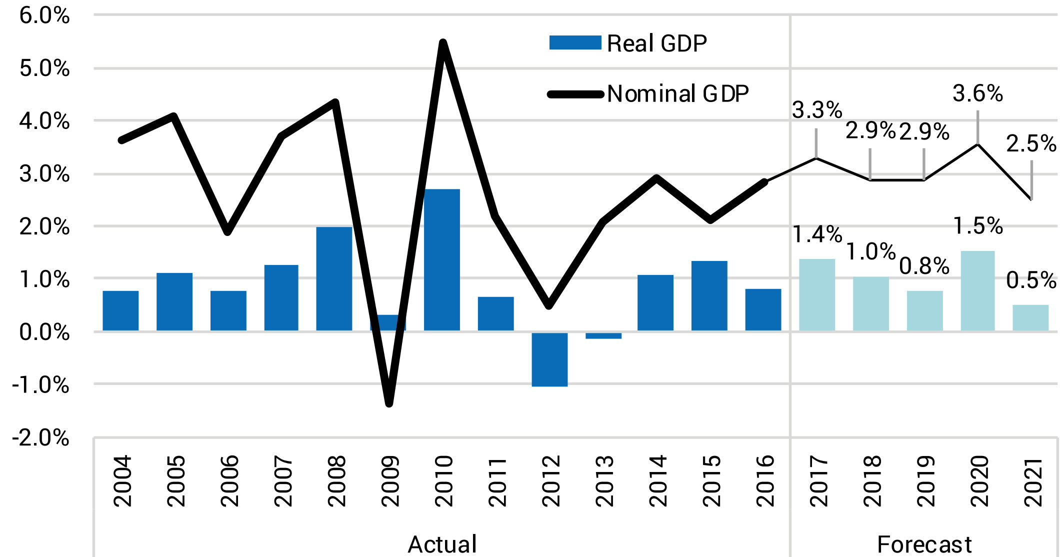
The province's medium-term economic outlook forms the basis for revenue projections as well as the benchmark for assessing the relative size of government and debt. Any five-year economic projection is subject to forecast uncertainty, especially beyond the short term. After declining in 2012 and 2013, Nova Scotia's real GDP started to grow steadily over the period 2014–16 (Chart 3.2). Nova Scotia's economy grew by 2.8 per cent in nominal terms during 2016. Nominal GDP growth has been between 2.1 per cent and 2.9 per cent from 2013 to 2016.

Real GDP growth (nominal growth less estimated price increases) was negative in 2013, but has been between 0.8 per cent and 1.4 per cent from 2014 to 2016. Real GDP growth in 2017 was estimated to be stronger than in 2016 and is expected to slow slightly over the next two years. Nova Scotia's growth depends on continued productivity improvements to offset the impacts of demographic changes on labour force and employment growth.

Much of Nova Scotia's real economic growth in recent years has come from rising exports, major project investments, and improved productivity with a peak in 2017. After some of these projects wind down, economic growth is expected to slow in the medium term. Faster growth at the end of the forecast horizon is associated with commencement of the second phase of combat vessel construction at the Halifax Shipyard, though assumptions about this project's timing and impacts on the economy are uncertain. Beyond construction of combat vessels, the medium-term economic outlook does not include prospective investment projects. Over the medium term, price inflation is expected to return to its historic pace, lifting nominal GDP growth above recent trends.

Chart 3.2 Nova Scotia's Medium-Term Economic Outlook: GDP Growth

Growth rate, real is measured in 2007 (chained) dollars, nominal in current dollars

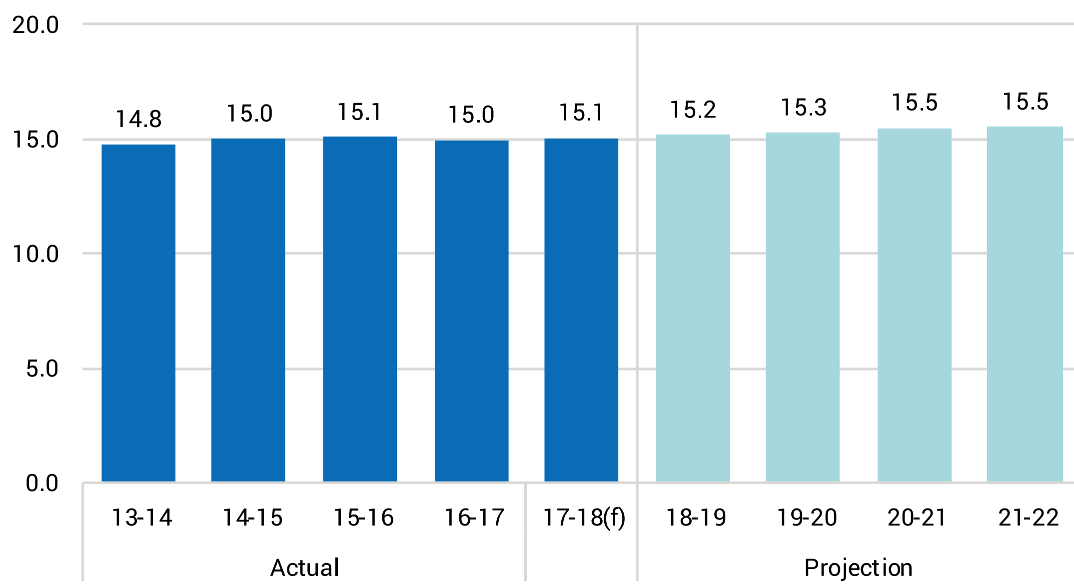


Source: Statistics Canada, CANSIM Table 384-0038; Nova Scotia Department of Finance and Treasury Board

Debt

The Net Debt of the province is expected to be $15.1 billion for the year end of 2017–18 and $15.2 billion for the year end of 2018–19 (Chart 3.3). The total net debt will grow marginally over the four-year planning horizon, reaching $15.5 billion in 2021–22.

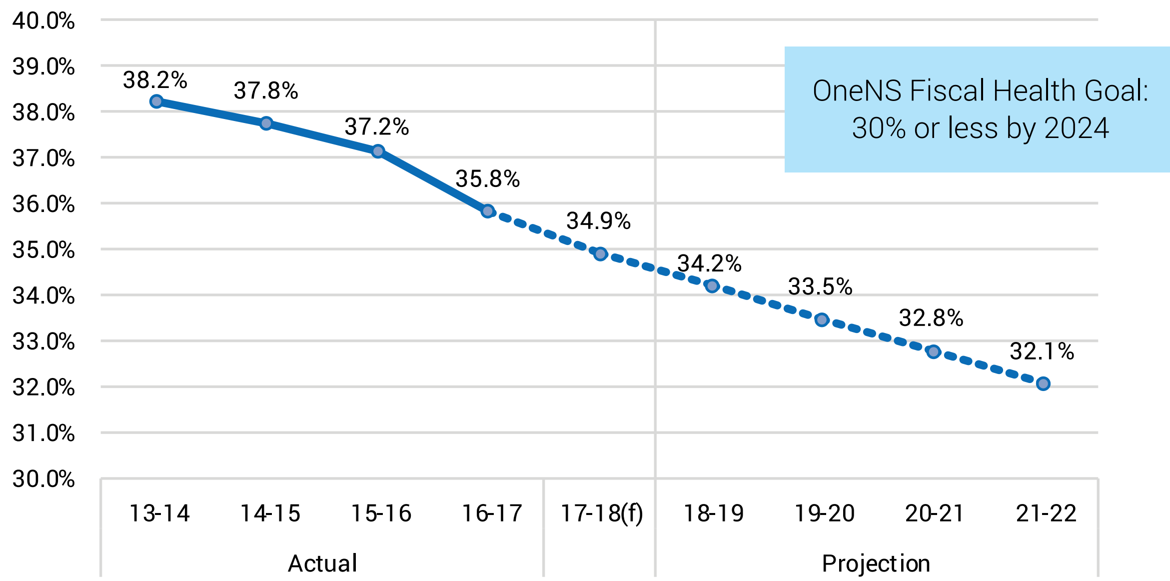
Chart 3.3 Projected Net Debt
($ billions)



The Government of Nova Scotia continues to place emphasis on improving its debt position. Although debt is expected to increase through the fiscal plan period, the position relative to GDP is stable with a downward trend (Chart 3.4).

In 2013–14, the net debt-to-GDP ratio was 38.2 per cent. The One Nova Scotia Report noted the province needed to reduce that ratio to 30 per cent by 2024. Each year since 2013–14, the net debt-to-GDP ratio has decreased from 38.2 per cent to 35.8 per cent in 2016–17, and Nova Scotia's debt-to-GDP ratio is still on track towards meeting the One Nova Scotia Coalition's suggested goal of 30 per cent or less by 2024. Fiscal sustainability is the degree to which government can make expenditures and meet creditor requirements without increasing the debt burden on the economy. The debt-to-GDP ratio is the most widely recognized measure of government financial sustainability, and by this measure Nova Scotia's financial sustainability is improving.

Chart 3.4 Ratio of Net Debt to Gross Domestic Product



Nova Scotia's debt-to-GDP ratio is forecast to be 34.9 per cent for fiscal year 2017–18, which is below the Estimate of 35.5 per cent. Budget 2018–19 projects that the ratio will decline to 34.2 per cent in 2018–19 and continue to decline to 32.1 per cent by 2021–22.

Fiscal Capacity for Provincial Health Complex

Nova Scotia's financial picture has improved through a disciplined approach to fiscal planning, which has held spending growth down. It is because of this fiscal discipline that the 2017–18 fiscal year is projected to end in a surplus position and the Four-Year Fiscal Plan is projected to be balanced for each year of the plan.

The recognition of the federal and municipal contributions to the Halifax Convention Centre as one-time Tangible Capital Asset (TCA) revenue in 2017–18 total creates $110.3 million in additional fiscal capacity in 2017–18. This additional capacity provides flexibility within the fiscal plan for future capital priorities that may not have been funded otherwise. When considering the $133.5 million surplus forecasted in 2017–18, it is important to recognize that $110.3 million relates to the one-time funding and should not be considered as ongoing operating revenue. Budget 2017–18 recognized the $110.3 million as one-time revenue. Rather than using it for ongoing spending, it will be used to create fiscal capacity for the future QEII Health Sciences redevelopment. This circumstance is not reoccurring in 2018–19.

4. Report of the Auditor General on the Revenue Estimates

Report to the House of Assembly

The following pages provide a statement by the Department of Finance and Treasury Board and the Auditor General of Nova Scotia's Report, as required by the Auditor General Act.

NOVA SCOTIA

Finance & Treasury Board
Office of the Deputy Minister

RE: Province of Nova Scotia 2018-19 Revenue Estimates

The 2018-19 Revenue Estimates have been prepared on a basis consistent with the accounting policies used by the Government in its consolidated financial statements for the year ended March 31, 2018.

Uncertainty exists whenever estimates are used, which means that actual results will vary from those planned. In advance of receiving actual tax revenues collected, the Department of Finance and Treasury Board relies on economic forecast and known relationships with historical and administrative tax data to estimate tax revenues.

The assumptions underlying the 2018-19 Revenue Estimates reflect management's judgment as to a reasonable set of economic conditions and Government's planned courses of action for fiscal year 2018-19.

Byron Rafuse
Deputy Minister of Finance and Treasury Board

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Auditor General of Nova Scotia

INDEPENDENT LIMITED ASSURANCE REPORT

To the House of Assembly of Nova Scotia

Conclusion

Based on the limited assurance procedures performed and evidence obtained, no matters have come to my attention to cause me to believe that the 2018-19 Revenue Estimates of Nova Scotia are not prepared, in all material respects, in accordance with the criteria.

Basis for my Report on the 2018-19 Revenue Estimates of Nova Scotia

Under Section 20 of the Auditor General Act, my office is mandated to conduct a limited assurance engagement and provide a report as to whether the Revenue Estimates of Nova Scotia used in the preparation of the annual budget address of the Minister of Finance and Treasury Board of Nova Scotia to the House of Assembly of Nova Scotia are reasonable and presented fairly.

The criteria used to assess whether the 2018-19 Revenue Estimates of Nova Scotia are reasonable and presented fairly, are that the 2018-19 Revenue Estimates of Nova Scotia are prepared on a basis consistent with the accounting policies used by Government in its consolidated financial statements which are prepared in accordance with Canadian public sector accounting standards; and the assumptions underlying the 2018-19 Revenue Estimates of Nova Scotia reflect a reasonable set of economic conditions and Government's planned courses of action for fiscal year 2018-19.

Since the 2018-19 Revenue Estimates of Nova Scotia are based on assumptions regarding future events, actual results will vary from the information presented and the variance may be material. Accordingly, I express no opinion as to whether the 2018-19 Revenue Estimates of Nova Scotia will actually be achieved as budgeted. My work did not include, and my Report does not cover, the 2018-19 expense estimates of Nova Scotia, Government's overall estimated results and any resulting surplus or deficit, or the budget speech. My Report also does not cover prior years' forecast or actual information provided for comparative purposes.

Management's Responsibility for the 2018-19 Revenue Estimates of Nova Scotia

The Nova Scotia Department of Finance and Treasury Board is responsible for the preparation and fair presentation of the 2018-19 Revenue Estimates of Nova Scotia. The Nova Scotia Department of Finance and Treasury Board is responsible for ensuring that the 2018-19 Revenue Estimates of Nova Scotia are prepared on a basis consistent with the accounting policies used by Government in its consolidated financial statements, and that the assumptions underlying the 2018-19 Revenue Estimates of Nova Scotia reflect a reasonable set of economic conditions and Government's planned courses of action for fiscal year 2018-19.

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Auditor General's Responsibility

My responsibility is to provide a conclusion and report on whether the 2018-19 Revenue Estimates of Nova Scotia are reasonable and presented fairly based on the limited assurance procedures performed, and evidence obtained. I conducted a limited assurance engagement in accordance with Canadian generally accepted assurance standards, including, Canadian Standard for Assurance Engagements (CSAE) 3000 - Attestation Engagements other than Audits or Reviews of Historical Financial Information, and applicable Assurance and Related Services Guidelines set out in the CPA Canada Handbook; and Section 20 of the Auditor General Act.

My office applies Canadian Standard on Quality Control 1 and, accordingly, maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

In conducting my work, I have complied with the independence and other ethical requirements of the Code of Professional Conduct of the Chartered Professional Accountants of Nova Scotia and the Province of Nova Scotia's Code of Conduct for Public Servants.

In a limited assurance engagement, the practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Michael A. Pickup, CPA, CA
Auditor General of Nova Scotia

Halifax, Nova Scotia
March 20, 2018

Table 4.1 Revenues By Source

($ thousands)

General Revenue Fund: Revenues	2018-19 Estimate
Ordinary Revenue - Provincial Sources	
Tax Revenue:	
Personal Income Tax	2,816,066
Corporate Income Tax	531,267
Harmonized Sales Tax	1,858,125
Cannabis Tax	10,400
Motive Fuel Tax	272,440
Tobacco Tax	214,118
Other Tax Revenue	165,961
	5,868,377
Other Provincial Revenue:	
Registry of Motor Vehicles	131,966
Royalties - Petroleum	5,954
Other Provincial Sources	229,303
TCA Cost Shared Revenue - Provincial Sources	2,249
Other Fees and Charges	61,793
	431,265
Investment Income:	
Interest Revenues	85,384
Sinking Fund Earnings	107,670
	193,054
Total - Provincial Sources	**6,492,696**
Ordinary Revenue - Federal Sources	
Equalization Payments	1,820,257
Canada Health Transfer	996,467
Canada Social Transfer	365,720
Offshore Accord	18,092
Crown Share	1,423
Other Federal Sources	28,340
TCA Cost Shared Revenue - Federal Sources	50,356
Total - Federal Sources	**3,280,655**
Total - Revenues	**9,773,351**
Ordinary Recoveries	
Provincial Sources	361,703
Federal Sources	293,843
Total - Ordinary Recoveries	**655,546**
Net Income from Government Business Enterprises	
Nova Scotia Liquor Corporation	233,632
Nova Scotia Provincial Lotteries and Casino Corporation	130,400
Halifax-Dartmouth Bridge Commission	7,883
Highway 104 Western Alignment Corporation	9,340
Total - Net Income from GBEs	**381,255**
Total - Revenues of the General Revenue Fund	**10,810,152** 1
Governmental Unit Third Party Revenues (Table 4.2)	1,025,120
Total - Revenue of the Province	**11,835,272**

1: Total Revenue of the General Revenue Fund is the balance that is carried through the Estimates of the province. It is the budget of the General Revenue Fund that is the responsibility of the House of Assembly. The activities of the Governmental Units are effectively presented as off-sets against the expenses of their respective governmental units within the "Consolidation and Accounting Adjustments for Governmental Units."

See Table 4.2 for further explanation of the Total Third Party Revenue of Governmental Units.

Table 4.2 Governmental Unit Third Party Revenues
($ thousands)

Governmental Unit Third Party Revenues	2018-19 Estimate
Regional Education Centres, CSAP, and Nova Scotia Community College	403,250
Provincial Health Authorities	349,667
Housing Nova Scotia	160,740
Resource Recovery Fund Board	52,794
Governmental Units with third party revenue less than $10 Million	58,669
Total - Governmental Unit Third Party Revenues	**1,025,120** [2]

2: The governmental unit third party revenues are presented in this table to enable the total revenues of the province to be presented on a basis consistent with the consolidated financial statements of the province. The budgets of these organizations are subject to the approval of their respective board of directors.

CSAP = Conseil scolaire acadien provincial.

5. Budget 2018–19

Budget 2018–19's fiscal outlook provides the final forecast update for Budget 2017–18 and the Budget Estimate for 2018–19. The Province of Nova Scotia is forecasting a net surplus position of $23.2 million in 2017–18, an improvement of $1.9 million compared with the 2017–18 Budget Estimate net position of $21.3 million.

The projected surplus for 2017–18 is $133.5 million before the Contribution to Fiscal Capacity for Provincial Health Complex of $110.3 million related to the new Convention Centre. The contribution was made on substantial completion of the project in February 2018, which leaves the net final forecast surplus position, or Net Position, of $23.2 million.

Looking forward, the province is projecting a surplus of $29.4 million for 2018–19, a third balanced Budget in a row. This section presents more detail on revenues by source, total expenses, and the estimated value of tax credits, rebates, and tax expenditures.

2017–18 Budget Forecast Update

The Forecast Update provides updated information about the major components of revenue and expenses as set out in the 2017–18 Budget Estimates.

The Province of Nova Scotia is forecasting a surplus of $133.5 million and a Net Position of $23.2 million for the year ended March 31, 2018, which is an improvement of $1.9 million from the budgeted estimate (Table 5.1).

The difference is the result of Total Revenue being $167.0 million higher than expected, Total Expenses being $163.1 million higher than expected, and changes to Consolidation and Accounting Adjustments which negatively impact the bottom line by $1.9 million.

Table 5.1 2017–18 Budget Forecast Update
General Revenue Fund ($ thousands)

	2017-18 Estimate	2017-18 Forecast	2018-19 Estimate
Revenue			
Ordinary Revenue	9,485,518	9,656,176	9,773,351
Ordinary Recoveries	709,389	696,936	655,546
Net Income from Government Business Enterprises	378,754	387,524	381,255
Total Revenue	**10,573,661**	**10,740,636**	**10,810,152**
Expenses			
Departmental Expenses	9,505,542	9,658,875	9,693,362
Refundable Tax Credits	125,472	115,213	146,883
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Total Expenses	**10,512,442**	**10,675,586**	**10,862,621**
Consolidation and Accounting Adjustments			
General Revenue Fund Consolidation Adjustments	64,381	65,604	75,848
Special Purpose Funds	(664)	1,607	(22)
Other Organizations	6,674	1,251	6,073
Total Consolidation and Accounting Adjustments	**70,391**	**68,462**	**81,899**
Provincial Surplus (Deficit)	**131,610**	**133,512**	**29,430**
Contribution to Fiscal Capacity for Provincial Health Complex	(110,300)	(110,300)	---
Net Position	**21,310**	**23,212**	**29,430**

2017–18 Revenues: Total Revenue is forecasted to be $10.741 billion.

Relative to the 2017–18 Budget Estimates, tax revenue overall is forecasted to be higher by $32.1 million, as a $30.7 million increase in Personal Income Tax, a $34.0 million increase in Corporate Income Tax, and a $6.2 million increase in Other Taxes is partially offset by decreases to HST of $31.7 million, Tobacco Tax of $4.9 million, and Motive fuel tax of $2.1 million.

Ordinary Recoveries are forecasted to be $12.5 million lower than Budget. This is primarily due to a $34.1 million decrease tied to changes in timing for federal infrastucture programs flowing through the province to municipal and other projects. This decrease is offset by total increases of $21.0 million for various programs including $7.0 million for Federal Labour Market Programs and $5.6 million for a new Federal agreement for early year initiatives. The net decrease in recoveries is offset by corresponding decreases to expenses.

Other Provincial Revenues are forecasted to increase by $111.7 million primarily because of net positive Prior Year Adjustments (PYAs) of $107.1 million from a transportation arbitration related to the Offshore Petroleum Royalties, which offsets negative PYAs from personal income taxes.

Net Income from Government Business Enterprises is forecasted to increase by $8.8 million due to forecasted increases in net income at the Nova Scotia Liquor Corporation of $2.8 million, Nova Scotia Provincial Lotteries & Casino Corporation of $3.6 million, Highway 104 Corporation of $1.4 million, and the Halifax-Dartmouth Bridge Commission of $1.0 million.

2017–18 Expenses: Total Expenses are forecasted to be $10.676 billion.

Total Departmental Expenses are forecasted to increase by $153.3 million, relative to the 2017–18 Budget Estimates. This is due in large part to forecasted increases for the Department of Business of $108.8 million primarily for NS Internet Trust Funding, an increase of $50.3 million at the Department of Health and Wellness primarily for rising healthcare services demands and investments in primary health care. There is also an increase for Assistance to Universities of $40.3 million for the Research NS Trust, Saint Mary's University innovation hub, and other capital investments. A $23.9 million increase at the Department of Energy is for low income energy efficiency programs and Offshore Growth Strategy work. The increases are partially offset by a $75.4 million decrease to Restructuring Costs.

For Other Expenses, Refundable Tax Credits are forecasted to decline by $10.3 million lower than expected. Reductions in the Capital Investment Tax Credit and the Scientific Research & Experimental Development Tax Credits are partially offset by higher costs for the Digital Media, Digital Animation and Film Industry tax credits. The Pension Valuation Adjustment has increased by $32.6 million as a result of updated actuarial reports and changes in actuarial assumptions. Debt Servicing costs have decreased by $12.5 million primarily as a result of favourable interest rates, and lower capital lease interest costs due to the later date for the substantial completion of the Halifax Convention Centre.

2017–18 Consolidation and Accounting Adjustments: Overall changes in Consolidation adjustments are forecasted to result in a $1.9 million negative impact to the provincial surplus position relative to the 2017–18 Budget Estimates.

Budget 2018–19: Revenue Outlook

In 2018–19, Nova Scotia's total revenues in its General Revenue Fund are estimated to be $10,810.2 million. This is an increase of $236.5 million or 2.2 per cent from the 2017–18 Budget Estimates and an increase of $69.5 million or 0.6 per cent compared to the 2017–18 forecast.

Total Revenue from all provincial sources, including Ordinary Recoveries and Net Income from Government Business Enterprises, contributes 66.9 per cent of all revenue in 2018–19. Revenue from federal sources contributes 33.1 per cent of all revenue in 2018–19.

Table 5.2 provides financial statistics of the Revenues by Source by amount, and Table 5.3 as a percentage of total revenues, and a breakdown of revenues by the four main sources. Chart 5.1 provides a visual breakdown of Revenues by Source.

Provincial Own-Source Ordinary Revenues in 2018–19 are expected to be $6,492.7 million. This is an increase of $203.0 million or 3.2 per cent from the 2017–18 Budget Estimates and an increase of $61.2 million or 1.0 per cent from the 2017– 2018 forecast.

Federal Source Ordinary Revenues are projected to be $3,280.7 million in 2018–19, an increase of $84.8 million or 2.7 per cent from the 2017–18 Budget Estimates; an increase of $56.0 million or 1.7 per cent, from the 2017–18 forecast.

Ordinary Recoveries from provincial sources are up $2.6 million or 0.7 per cent from the 2017–18 Budget Estimates; down $4.8 million or 1.3 per cent compared to the 2017–18 forecast. Ordinary Recoveries from federal sources are down $56.5 million or 16.1 per cent from the 2017–18 Budget Estimates; down $36.5 million or 11.1 per cent from the 2017–18 forecast.

Net Income from Government Business Enterprises is up $2.5 million or 0.7 per cent from the 2017–18 Budget Estimates; down $6.3 million or 1.6 per cent from the 2017–18 forecast.

Table 5.2 2018–19 Revenues by Source

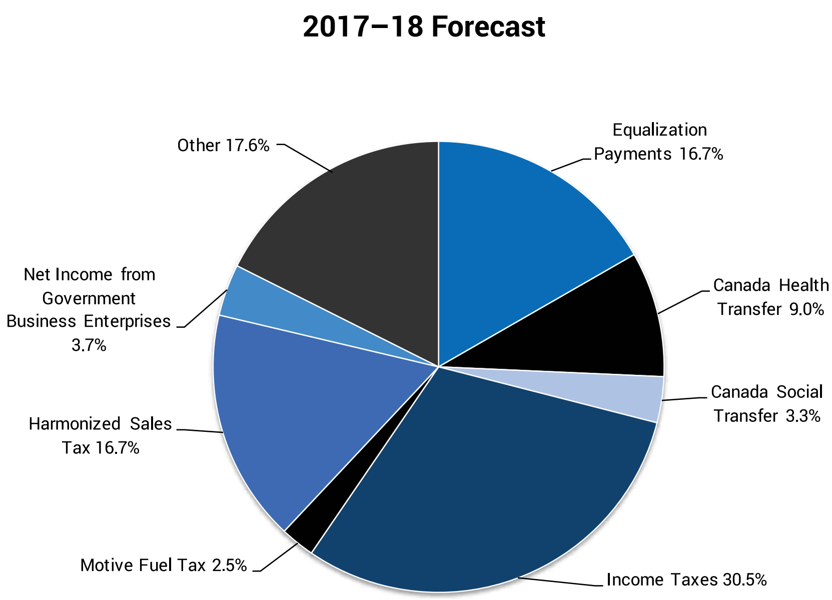
($ thousands)

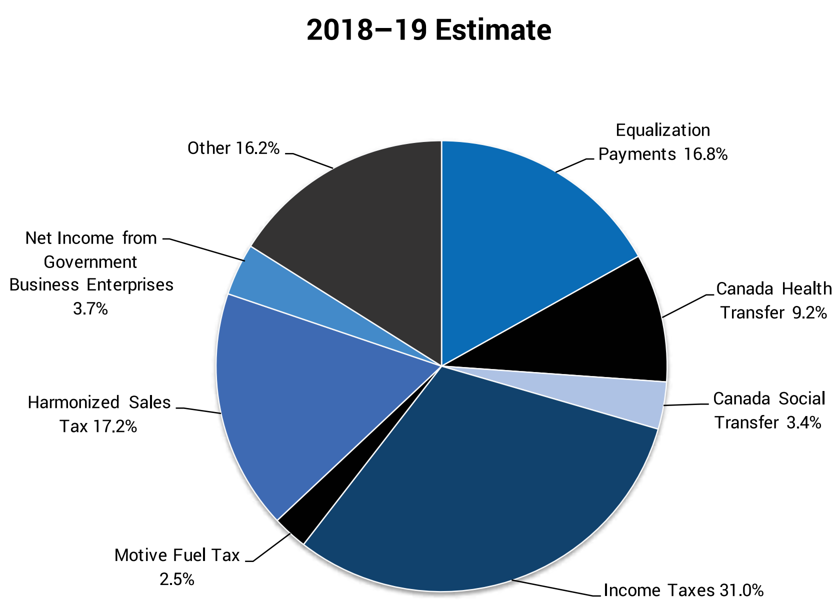
General Revenue Fund: Revenues	2014-15 Actual	2015-16 Actual	2016-17 Actual	2017-18 Forecast	2018-19 Estimate
Ordinary Revenue - Provincial Sources					
Tax Revenue:					
Personal Income Tax	2,349,724	2,562,544	2,636,616	2,741,333	2,816,066
Corporate Income Tax	474,031	461,661	513,038	540,588	531,267
Harmonized Sales Tax	1,702,427	1,760,221	1,778,545	1,797,704	1,858,125
Cannabis Tax	---	---	---	---	10,400
Motive Fuel Tax	248,274	254,011	258,501	264,506	272,440
Tobacco Tax	206,255	217,009	222,234	215,172	214,118
Other Tax Revenue	155,087	164,250	164,998	166,654	165,961
	5,135,798	5,419,696	5,573,932	5,725,957	5,868,377
Other Provincial Revenue:					
Registry of Motor Vehicles	123,032	130,317	133,077	133,084	131,966
Royalties - Petroleum	30,019	14,068	9,870	11,095	5,954
Other Provincial Sources	130,498	144,615	138,662	150,406	229,303
TCA Cost Shared Revenue - Provincial Sources	8,564	2,080	2,653	62,282	2,249
Other Fees and Charges	62,249	61,626	62,511	62,692	61,793
Prior Years' Adjustments - Provincial Sources	110,207	(68,403)	(5,803)	107,120	---
Gain (Loss) on Disposal of Crown Assets	4,767	(273)	5,804	733	---
	469,336	284,030	346,774	527,412	431,265
Investment Income:					
Interest Revenues	83,660	89,549	81,777	77,014	85,384
Sinking Fund Earnings	103,892	95,982	90,475	101,090	107,670
	187,552	185,531	172,252	178,104	193,054
Total - Provincial Sources	5,792,686	5,889,257	6,092,958	6,431,473	6,492,696
Ordinary Revenue - Federal Sources					
Equalization Payments	1,750,653	1,777,759	1,732,893	1,794,968	1,820,257
Canada Health Transfer	852,161	895,694	944,419	965,873	996,467
Canada Social Transfer	334,007	341,134	349,511	357,451	365,720
Offshore Accord	64,481	36,779	33,255	19,957	18,092
Crown Share	14,058	(2,716)	2,176	(276)	1,423
Other Federal Sources	3,620	2,083	4,684	13,389	28,340
TCA Cost Shared Revenue - Federal Sources	21,950	32,410	24,337	73,884	50,356
Prior Years' Adjustments - Federal Sources	8,963	3,799	1,244	(543)	---
Total - Federal Sources	3,049,893	3,086,942	3,092,519	3,224,703	3,280,655
Total - Ordinary Revenue	8,842,579	8,976,199	9,185,477	9,656,176	9,773,351
Ordinary Recoveries					
Provincial Sources	340,653	354,699	363,797	366,551	361,703
Federal Sources	203,972	215,531	264,142	330,385	293,843
Total - Ordinary Recoveries	544,625	570,230	627,939	696,936	655,546
Net Income from Government Business Enterprises (GBE)					
Nova Scotia Liquor Corporation	227,986	241,257	239,221	238,971	233,632
Nova Scotia Provincial Lotteries and Casino Corporation	110,033	127,526	130,808	130,300	130,400
Halifax-Dartmouth Bridge Commission	9,033	14,560	14,506	8,309	7,883
Highway 104 Western Alignment Corporation	4,114	4,020	10,056	9,944	9,340
QEII Health Sciences	229	394	---	---	---
Total - Net Income from GBEs	351,395	387,757	394,591	387,524	381,255
Total - Revenues	9,738,599	9,934,186	10,208,007	10,740,636	10,810,152

Table 5.3 2018–19 Revenues by Source
(as a percentage of Total Revenue)

General Revenue Fund: Revenues	2014-15 Actual	2015-16 Actual	2016-17 Actual	2017-18 Forecast	2018-19 Estimate
Ordinary Revenue - Provincial Sources					
Tax Revenue:					
Personal Income Tax	24.1%	25.8%	25.8%	25.5%	26.1%
Corporate Income Tax	4.9%	4.6%	5.0%	5.0%	4.9%
Harmonized Sales Tax	17.5%	17.7%	17.4%	16.7%	17.2%
Cannabis Tax	---	---	---	---	0.1%
Motive Fuel Tax	2.5%	2.6%	2.5%	2.5%	2.5%
Tobacco Tax	2.1%	2.2%	2.3%	2.0%	2.0%
Other Tax Revenue	1.6%	1.7%	1.6%	1.6%	1.4%
	52.7%	54.6%	54.7%	53.2%	54.2%
Other Provincial Revenue:					
Registry of Motor Vehicles	1.3%	1.3%	1.3%	1.2%	1.2%
Royalties - Petroleum	0.3%	0.1%	0.1%	0.1%	0.1%
Other Provincial Sources	1.3%	1.5%	1.5%	1.4%	2.1%
TCA Cost Shared Revenue - Provincial Sources	0.1%	0.0%	0.0%	0.6%	0.0%
Other Fees and Charges	0.6%	0.6%	0.6%	0.6%	0.6%
Prior Years' Adjustments - Provincial Sources	1.1%	-0.7%	-0.1%	1.0%	0.0%
Gain on Disposal of Crown Assets	0.0%	0.0%	0.1%	0.0%	---
	4.9%	2.9%	3.4%	4.9%	4.0%
Investment Income:					
Interest Revenues	0.9%	0.9%	0.8%	0.7%	0.8%
Sinking Fund Earnings	1.1%	1.0%	0.9%	0.9%	1.0%
	1.8%	2.0%	1.7%	1.7%	1.8%
Total - Provincial Sources	59.5%	59.3%	59.8%	59.8%	60.0%
Ordinary Revenue - Federal Sources					
Equalization Payments	18.0%	17.9%	17.0%	16.7%	16.8%
Canada Health Transfer	8.8%	9.0%	9.3%	9.0%	9.2%
Canada Social Transfer	3.4%	3.4%	3.4%	3.3%	3.4%
Offshore Accord	0.7%	0.4%	0.3%	0.2%	0.2%
Crown Share	0.1%	0.0%	0.0%	0.0%	0.0%
Other Federal Sources	0.0%	0.0%	0.0%	0.1%	0.3%
TCA Cost Shared Revenue - Federal Sources	0.2%	0.3%	0.2%	0.7%	0.5%
Prior Years' Adjustments - Federal Sources	0.1%	0.0%	0.0%	0.0%	0.0%
Total - Federal Sources	31.3%	31.1%	30.2%	29.9%	30.4%
Total - Ordinary Revenue	90.8%	90.4%	90.0%	89.7%	90.4%
Ordinary Recoveries -					
Provincial Sources	3.5%	3.6%	3.6%	3.4%	3.3%
Federal Sources	2.1%	2.2%	2.6%	3.1%	2.7%
Total - Ordinary Recoveries	5.7%	5.7%	6.3%	6.5%	6.0%
Net Income from Government Business Enterprises (GBE)					
Nova Scotia Liquor Corporation	2.3%	2.4%	2.3%	2.3%	2.2%
Nova Scotia Provincial Lotteries and Casino Corporation	1.1%	1.3%	1.3%	1.3%	1.3%
Halifax-Dartmouth Bridge Commission	0.1%	0.1%	0.1%	0.1%	0.1%
Highway 104 Western Alignment Corporation	0.0%	0.1%	0.1%	0.1%	0.1%
QEII Health Sciences	0.0%	0.0%	---	0.0%	0.0%
Total - Net Income from GBEs	3.6%	3.9%	3.8%	3.7%	3.7%
Total - Revenues	100.0%	100.0%	100.0%	100.0%	100.0%

Chart 5.1 Total Revenues 2017-18 Forecast and 2018-19 Estimate





Ordinary Revenue – Provincial Sources – Tax Revenue

Personal Income Tax (PIT)

Nova Scotia's 2018–19 estimate for personal income tax is $2,816.1 million, up $74.7 million or 2.7 per cent compared to the 2017–18 forecast and up $105.5 million or 3.9 per cent from the 2017–18 budget estimate.

Personal taxable income is projected to grow by $1.0 billion to $31.4 billion in 2018 — an increase of 3.34 per cent; and grow to $32.2 billion in 2019 — an increase of 2.7 per cent. This is primarily because of growth in household income in 2018 (+2.7 per cent) and in 2019 (+2.2 per cent) combined with yield growth in 2019.

The yield rate on personal taxable income is projected to decline by 1.9 per cent to 8.91 in calendar year 2018 because of the enhancements to the Basic Personal Amount, Age Amount, Spousal Amount, and Amount for Eligible Dependant, which became effective on January 1, 2018. Yield growth is estimated to be 1.4 per cent in calendar year 2019.

Table 5.4 provides a summary of personal income tax revenue growth since 2014, broken down by taxable income and the yield rate, for the taxation year. The yield rate is the effective or average tax rate on personal taxable income.

Table 5.4 Components of PIT Revenue by Calendar Year

	2014	2015	2016	2017 (F)	2018 (E)	2019 (E)
Personal Taxable Income ($billions)	27.9	28.8	28.6	30.4	31.4	32.2
Yield Rate	8.62%	8.85%	8.68%	9.09%	8.91%	9.04%
Net PIT ($millions)	2,386	2,525	2,462	2,734	2,786	2,898

Note: Net PIT includes impact of provincial tax credits.

Corporate Income Tax (CIT)

Nova Scotia's 2018–19 estimate for corporate income tax is $531.3 million, down $9.3 million or 1.7 per cent compared to the 2017–18 forecast and up $24.6 million or 4.9 per cent from the 2017–18 budget estimate.

National corporate taxable income is projected to decline by $8.4 billion or 2.6 per cent in 2018 to $320.0 billion and increase by $2.6 billion or 0.8 per cent to $322.7 billion in 2019. Effective from the 2014–15 Public Accounts, the province calculates its share of national corporate taxable income on a three-year moving average of actual share rates. For 2018–19 the province's share is estimated to be 1.53 per cent. Nova Scotia's corporate taxable income in 2018 is estimated to be $4.9 billion, growing to $5.0 billion in 2019.

The average effective tax rate (yield) on corporate taxable income for the province is projected to be 10.79 per cent. The small business share of taxable income is projected to be 40.0 per cent in both 2018 and 2019.

Harmonized Sales Tax (HST)

Net Harmonized Sales Tax is estimated to total $1,858.1 million in 2018–19 up $60.4 million or 3.4 per cent compared to the 2017–18 forecast; up $28.7 million or 1.6 per cent from the 2017–18 budget estimate.

The increase in HST revenues is largely attributable to growth in the consumer expenditure tax base. The province's total tax base for taxable goods and services is projected to grow by $489 million or 2.4 per cent to $20.9 billion in 2018 and by $535 million or 2.6 per cent to $21.5 billion in 2019. Growth in the consumer expenditure base is forecasted to be 3.3 per cent in 2018 and 2.4 per cent in 2019. Consumer expenditures represent over 70 per cent of the HST tax base.

The pace of growth in taxable residential housing expenditures is expected to decline by 2.9 per cent in 2018 and rise by 3.5 per cent in 2019. The rebate on residential energy (Your Energy Rebate Program) is expected to total $104.7 million in 2018–19.

Public sector body rebates are projected to increase by $2.7 million or 2.1 per cent in 2018–19, while point-of-sale (POS) rebates for children's clothing, children's footwear, children's diapers, and printed books will increase by $0.7 million or 3.0 per cent.

Cannabis Tax

In December 2017, the province agreed in principle to enter into a coordinated cannabis tax framework with the Government of Canada for a two-year period following the legalization of recreational cannabis.

Both parties agreed that the combined rate of provincial and federal tax would not exceed the higher of $1.00 per gram of flowering material contained in a cannabis product or 10.0 per cent of a licensed producer's selling price.

The federal government is proposing a federal excise duty of $0.25 per gram of flowering material in a cannabis product and will collect a $0.75 per gram additional duty on behalf of the province. The duties will be payable once the cannabis product is packaged for sale and ready delivered to a provincially authorized retailer of recreational cannabis or an individual purchasing medical cannabis.

Nova Scotia Liquor Corporation, the province's sole recreational cannabis retailer, has projected that it will purchase 12 million grams of recreational cannabis in 2018–19, while medical cannabis sales are projected to be 1.8 million grams. The duty applied to cannabis sales is estimated to generate $10.4 million in revenues for the 2018–19 fiscal year.

Products that contain no more than 0.3 per cent of tetrahydrocannabinol (THC) are not subject to duty, nor will pharmaceutical products approved by Health Canada with a Drug Identification Number (DIN) that are derived from cannabis and that can only be acquired through a prescription.

Medical and recreational cannabis products are subject to the Harmonized Sales Tax (HST). It is estimated that an additional $10.4 million in HST will be generated from the sale of recreational cannabis. However, this assumption may vary and depends on actual consumer use in the legal market.

Tobacco Tax

Tobacco tax revenues are projected to total $214.1 million in 2018–19, down $1.1 million or 0.5 per cent from the 2017–18 forecast and down $6.0 million or 2.7 per cent compared to the 2017–18 budget estimate.

Cigarette consumption is projected to decline by 7.2 million cigarettes to 712.1 million, a decrease of 1.0 per cent. The consumption of fine cut tobacco is projected to decline by 2.4 million grams — a decrease of 5.5 per cent.

Motive Fuel Taxes

Motive fuel taxes are projected to total $272.4 million in 2018–19, an increase of $7.9 million or 3.0 per cent compared to the 2017–18 forecast and up by $5.8 million or 2.2 per cent from the 2017–18 budget estimate.

Gasoline consumption is estimated to rise by 3.3 per cent to 1.33 billion litres in 2018–19, while the consumption of diesel oil is estimated to increase by 0.2 per cent to 435 million litres in 2018–19.

The average prices for gasoline and diesel oil are projected to be lower in 2018–19, while labour income is expected to increase by 1.9 per cent over 2017–18.

Other Tax Revenue

Other Tax Revenue includes such items as Corporations Capital Tax, Casino Win Tax, Levy on Private Sale of Used Vehicles, Tax on Insurance Premiums, and Gypsum Tax. The total for these items is estimated to be $166.0 million for 2018–19, up $5.5 million or 3.5 per cent from the 2017–18 budget estimate; down $0.7 million or 0.4 per cent from the 2017–18 forecast.

Ordinary Revenue – Provincial Sources – Other Provincial Revenue

Registry of Motor Vehicles

Revenue generated by the Registry of Motor Vehicles is estimated to be $132.0 million for 2018–19, up $0.5 million or 0.4 per cent from the 2017–18 estimate; a decrease of $1.1 million or 0.8 per cent from the 2017–18 forecast.

Offshore Petroleum Royalties

Offshore Petroleum Royalties are estimated to be $6.0 million in 2018–19, a decrease of $5.1 million or 46.3 per cent from the 2017–18 forecast, and down by $6.0 million or 50.3 per cent compared to the 2017–18 budget estimate.

Production volume for the Sable Offshore Energy Project (SOEP) and Deep Panuke continue to decline as the projects near their technical end date. The accrual of decommissioning costs estimated by SOEP interest holders contributes to lower revenues.

Other Provincial Sources

Revenue from other provincial sources is estimated to be $229.3 million for 2018–19, up $79.5 million or 53.0 per cent from the 2017–18 budget estimates; up $78.9 million or 52.5 per cent from the 2017–18 forecast.

This revenue source includes such items as Pharmacare premiums; Nova Scotia Securities Commission; registration revenues for deeds, companies, and property; various other licenses and permits; and timber licenses and revenue. The province is anticipated to enter into an agreement with the federal government to implement the Cooperative Capital Markets Regulatory System (national securities regulator) in 2018–19. Upon entering into this agreement, it is expected that the province will receive a one-time payment of $77.1 million, and this payment is included in Other Provincial Sources revenue.

Tangible Capital Asset (TCA) Cost Shared Revenue – Provincial Sources

TCA Cost Shared Revenue from provincial sources is estimated to be $2.2 million for 2018–19, down $58.1 million from the 2017–18 Budget Estimates; down $60.0 million from the 2017–18 forecast.

The largest portion of this change reflects that the Halifax Regional Municipality's (HRM) share of the capital lease for the new Halifax Convention Centre ($58.9 million) was completed and recognized in 2017–18 and does not carry over into 2018–19.

Other Fees and Charges

Revenue generated from other fees and charges is estimated to be $61.8 million for 2018–19, basically unchanged from the 2017–18 estimate, and a decrease of $0.9 million or 1.4 per cent from the 2017–18 forecast.

Ordinary Revenue – Provincial Sources – Investment Income

Interest Revenue

Interest revenue is estimated to be $85.4 million for 2018–19, up $5.8 million or 7.3 per cent from the 2017–18 estimate; up $8.4 million or 10.9 per cent from the 2017–18 forecast. This increase from estimate results mainly from a change in the value of derivatives as a result of increased forecasted interest rates.

Sinking Fund Earnings

Sinking Fund Earnings are projected to total $107.7 million in 2018–19, an increase of $7.2 million or 7.1 per cent from the 2017–18 budget estimate; up $6.6 million or 6.5 per cent from the 2017–18 forecast, primarily as a result of a higher forecast for interest rates and reinvestment of proceeds at higher yields.

Ordinary Revenue – Federal Sources

Equalization

Equalization revenues in 2018–19 are estimated to be $1,820.3 million, an increase of $25.3 million or 1.4 per cent compared to the 2017–18 forecast and up by $69.7 million or 4.0 per cent compared to the 2017–18 budget estimate. The figure is composed of two separate fiscal equalization payments from the federal government.

Firstly, the Equalization estimate reflects the province's adoption of the Expert Panel formula for equalization payments, projected to be $1,933.5 million in 2018–19, an increase of $155.0 million or 8.7 per cent compared to the 2017–18 forecast. The primary factors contributing to the increase are the year-over-year growth in the size of the Equalization program (+ 3.86 per cent) and a change to the fiscal capacity cap calculation as a result of Ontario's per capita fiscal capacity becoming the new cap.

Secondly, as part of a clarification reached with the Government of Canada on October 10, 2007, commencing with the 2008–09 fiscal year, Nova Scotia is entitled to receive an additional payment from the federal government if the cumulative value of the equalization formula in effect at the time the Offshore Accord was signed (the Interim approach) exceeds the cumulative value of the Expert Panel approach. This is known as the Cumulative Best-of Guarantee. The arrangement is in effect until the end of 2019–20 to coincide with the term of the Offshore Accord.

The first estimate of the Cumulative Best-of Guarantee payment is -$113.2 million, a decrease of $85.3 million or 305.5 per cent compared to the 2017–18 forecast. Although the cumulative value of the Interim approach is estimated to exceed the cumulative value of the Expert Panel by $773.4 million, the difference between the two cumulative values has narrowed (Table 5.5). This results from the Expert Panel entitlements and Offshore Accord values growing at a faster pace than the Interim Approach. A second and final estimate for the value of the 2018–19 payment will be made by the federal government in March 2019.

Table 5.5 Cumulative Best-of Guarantee Payments (CBOG)
($ thousands)

Fiscal Year	Expert Panel	Interim Approach	Difference	Guarantee Payment
2008-09	1,464,935	1,329,227	(135,708)	0
2009-10	2,855,682	2,593,180	(262,502)	0
2010-11	4,216,405	4,016,069	(200,336)	0
2011-12	5,574,664	5,657,342	82,678	82,678
2012-13	7,002,235	7,382,230	379,995	297,317
2013-14	8,549,622	9,189,874	640,252	260,257
2014-15	10,233,572	11,005,008	771,436	131,184
2015-16	11,959,924	12,819,546	859,622	88,186
2016-17	13,715,474	14,585,694	870,220	10,598
2017-18	15,513,992	16,400,619	886,627	16,407
2018-19	17,465,544	18,238,968	773,424	(113,203)
TOTAL				773,424

Offshore Accord Payments

By the end of 2017–18, the province is expected to have received a total of $1.3 billion from the 2005 Offshore Accord. Offshore Accord payments are estimated to be $18.1 million in 2018–19, a decrease of $1.9 million or 9.3 per cent compared to the 2017–18 forecast. The decrease reflects the declining offshore royalties included in the equalization formula. The equalization formula uses a two-year lag in data and a three-year weighted average.

The province is eligible to receive offshore accord payments for the second phase of the 2005 Offshore Accord that runs from 2012–13 until the end of 2019–20, as long as it continues to be in receipt of equalization payments.

The Canada Health Transfer (CHT)

Effective with the 2014–15 fiscal year, the federal government renewed the CHT to provide for equal per capita cash for all provinces and territories. Commencing in 2017–18 the CHT is legislated to grow by the three-year average growth rate of national Nominal Gross Domestic Product with a floor of 3 per cent. In 2018–19 the three-year average growth rate of Nominal Gross Domestic Product is 3.86 per cent.

The 2018–19 national CHT amount that is available for distribution is set at $38.6 billion. The CHT cash entitlement for Nova Scotia is estimated to be $996.5 million in 2018–19, an increase of $30.6 million or 3.2 per cent compared to the 2017–18 forecast and up by $29.2 million or 3 per cent from the 2017–18 budget estimate. The CHT estimate reflects the federal government's estimate of the province's share of national population which has fallen from 2.60 per cent in 2017–18 to 2.58 per cent.

The federal government's healthcare funding for targeted initiatives such as home care and mental health care will be delivered outside the CHT.

The Canada Social Transfer (CST)

Nova Scotia's 2018–19 cash entitlement for CST is estimated to be $365.7 million, an increase of $8.3 million or 2.3 per cent compared to the 2017–18 forecast and up by $7.8 million or 2.2 per cent from the 2017–18 budget estimate.

The provincial entitlement is based on an equal per capita cash provincial allocation of a fixed national entitlement which stands at $14.2 billion for 2018–19. Effective with the 2014–15 fiscal year the CST was renewed for a further 10-year period with the national pool legislated to grow by 3 per cent a year through to the end of the 2023–24 fiscal year.

The CST estimate reflects the federal government's estimate of the province's share of national population, which has fallen from 2.60 per cent in 2017–18 to 2.58 per cent.

The Crown Share Adjustment Payment

The Crown Share Adjustment Payment is estimated to be $1.4 million in 2018–19, a decrease of $1.6 million or 53.3 per cent compared to the 2017–18 budget estimate. The estimate reflects the underlying profitability of offshore oil and gas projects.

Other Federal Sources

Other Federal Sources are estimated to be $28.3 million in 2018–19, an increase of $4.3 million from the 2017–18 Budget Estimates; up $15.0 million from the 2017–18 forecast.

Other Federal Sources come from a statutory subsidy from the federal government, Infoway funding, and additional Health funding secured under the Canada Health Transfer renegotiation. The variance year over year results primarily from additional health funding, which is estimated to total $22.0 million in 2018–19 and was $16.3 million in 2017–18. The additional variance from forecast arise as a result of changes to funding source for components of the additional health dollars.

Tangible Capital Asset (TCA) Cost Shared Revenue – Federal Sources

The estimate of TCA cost shared federal revenue is $50.4 million for 2018–19. This represents a decrease of $22.6 million compared to the 2017–18 Budget Estimates; a decrease of $23.5 million from the 2017–18 forecast.

This line item included one-time federal cost shared funding of $51.4 million for the new Halifax Convention Centre in 2017–18, which does not reoccur in 2018–19.

Ordinary Recoveries

Ordinary Recoveries are projected to total $655.5 million in 2018–19, a decrease of $53.8 million or 7.6 per cent from the 2017–18 budget estimate; down $41.4 million or 5.9 per cent from the 2017–18 forecast of $696.9 million.

Provincial source recoveries are estimated to be $361.7 million for 2018–19, up $2.6 million or 0.7 per cent from the 2017–18 Budget Estimate and a decrease of $4.8 million or 1.3 per cent from the 2017–18 forecast. Federal source recoveries are estimated to be $293.8 million, down $56.5 million or 16.1 per cent from the 2017–18 Budget Estimate and a decrease of $36.5 million or 11.1 per cent from the 2017–18 forecast.

Federal sources are down $56.5 million or 16.1 per cent to $293.8 million. The decrease in federal sources relates primarily to $63.6 million for the Clean Water and Wastewater Fund, $27.1 million for the Public Transit Infrastructure Fund, and $13.2 million for the Post-Secondary Strategic Infrastructure Fund. This decrease is offset by increases in various other federal programs including $14.0 million for the Low Carbon Economic Leadership Fund, $15.5 million for early year initiatives, and $10.8 million for Labour Market Programs.

Government Business Enterprises – Net Income

Nova Scotia Liquor Corporation: The Nova Scotia Liquor Corporation (NSLC) returns all of its income from operations ("income") to the Government of Nova Scotia as the shareholder. The NSLC is budgeting net income of $233.6 million in 2018–19. This is a decrease of $2.6 million or 1.1 per cent compared to the 2017–18 Budget Estimates of $236.2 million. Net income performance of cannabis has been included in the estimate of net income and reflects a break-even expectation in the 2018–19 fiscal year for cannabis. Total net sales are budgeted to increase 16.1 per cent which is primarily attributed to the anticipated sales of recreational cannabis when it is legalized; beverage alcohol sales are increasing moderately at 0.6 percent. Total expenses are up 18.6 per cent compared to the 2017–18 budget estimates and is a result of increase in expenses on the beverage alcohol business and the addition of expenses to execute and operate the retailing of recreational cannabis.

Nova Scotia Provincial Lotteries and Casino Corporation: The Nova Scotia Provincial Lotteries and Casino Corporation's (NSPLCC) net income is budgeted to be $130.4 million in 2018–19, which is $3.7 million higher than the 2017–18 estimate of $126.7 million. NSPLCC expects sales will increase in 2018–19 by $25.4 million compared to the 2017–18 estimate, primarily due to an $11.8 million increase in lottery sales from new products and an increase of $12.3 million in casino sales as a result of operational improvements.

Halifax-Dartmouth Bridge Commission: Halifax-Dartmouth Bridge Commission (operating as Halifax Harbour Bridges) is budgeting net income for the 2018–19 fiscal year at $7.9 million. This represents an increase of $0.5 million or 7.3 per cent from the 2017–18 Budget. This represents a small increase in revenue from tolls and other income and a small decrease in expense overall.

Highway 104 Western Alignment Corporation: Highway 104 Western Alignment Corporation's budget estimate of net income for 2018–19 is $9.3 million, up $0.8 million from the 2017–18 estimate of $8.5 million, mainly the result of a slight increase in toll revenue.

Key Tax Measures – Enhancement of the Basic Personal Amount, Age Amount, Spousal Amount, and Dependant Amount

The Basic Personal Amount (BPA) is a non-refundable credit that can be claimed by all tax filers. The purpose of the basic personal amount is to provide full relief from provincial income tax to all tax filers with taxable income below the BPA. It also provides partial relief to tax filers with taxable income above the BPA. Effective January 1, 2018, Budget 2018–19 contains the first full year impact of the enhancement to the BPA and other amounts, totalling $85 million in this fiscal year.

A tax filer cohabitating with their spouse or common law partner can claim a Spousal Amount equal to the BPA. This amount is reduced by the income of the spouse or common law partner on a dollar-for-dollar basis. The purpose of this non-refundable credit is to provide tax relief to families with secondary incomes at or below the BPA. If the Spousal Amount is claimed, the tax filer cannot use the Eligible Dependant Amount.

The Eligible Dependant Amount is a non-refundable credit for individuals who do not have a spouse or common law partner and are caring for children who have not reached the age of 18 in the taxation year. The amount can only be claimed if the dependant resides in a home maintained by the tax filer through any part of the year. Claiming the Dependant Amount precludes the individual from claiming the Spousal Amount, and only one person can claim the child as a dependant. The purpose of this credit is to reduce taxes for individuals without a secondary source of income supporting the household and who are incurring expenses associated with raising children. The value of the Dependant Amount is equal to the BPA and is reduced for each dollar of the dependant's net income.

The province will increase the Basic Personal Amount (BPA), the Spousal Amount, and the Amount for an Eligible Dependant by $3,000 from $8,481 to $11,481 for the 2018 taxation year and subsequent taxation years. These credit amounts have been unchanged since 2011 and the increase represents a 35.4 per cent enhancement. The $3,000 increase will be available to all tax filers who have taxable income of less than $25,000. For tax filers who have taxable income between $25,000 and $75,000, the enhanced benefit will roll-off at the rate of 6 cents for every dollar of taxable income and will be fully phased out at $75,000 of taxable income. Tax filers who have more than $75,000 in taxable income will not receive any benefit from the enhanced BPA.

The value of the tax credit is determined by multiplying the amount of the credit by the lowest bracket rate. Currently, the maximum benefit a tax filer can receive under the credits is $745.48 ($8,481 * 8.79 per cent). The maximum benefit will rise to $1,009.18 ($11,481 * 8.79 per cent) — an increase of $263.70.

The Age Amount is a non-refundable credit provided to individuals over the age of 65 in the taxation year. The Age Amount available to a tax filer is reduced for net income above $30,828 at a rate of $0.15 per $1 over the income threshold. The maximum Age Amount is currently $4,141 and it will be increased by 35.4 per cent to $5,606 for 2018 and subsequent taxation years. The increase is proportional to the increase in the BPA. Similarly, the maximum benefit will be available for tax filers with taxable income of less than $25,000 and will be phased out between taxable incomes of $25,000 and $75,000.

The enhancement of these non-refundable tax credits will cost $85 million in 2018–19. Approximately 223,000 tax filers do not pay any provincial income tax. These enhancements will add almost 63,000 tax filers to that number. In total, 501,648 tax filers will benefit from the enhancement. On average, Nova Scotia tax filers receiving the enhancement will save an additional $159.22 in provincial income tax for the 2018 taxation year. The average varies by income range.

In some cases, tax filers will no longer have to use the Low Income Tax Reduction or Age Amount Tax Credit to reduce or eliminate their tax liability. In addition, some seniors who are in receipt of the federal Guaranteed Income Supplement (GIS) will see their tax liability reduced or eliminated. This will mean paying less in advance of receiving their refund of provincial income tax.

Key Tax Measures – Personal Income Tax – Removal of Maximum for The Medical Expenses Tax Credit for Dependant

The province is removing the $10,000 maximum on eligible medical expenses that can be claimed for a financially dependant relative.

The Medical Expense Tax Credit is a non-refundable personal income tax credit for eligible medical expenses paid by an individual in respect of the individual, their spouse or common-law partner, their child under the age of 18, or a financially dependant relative. A dependant relative is defined as a child who is 18 years of age or older, or a grandchild, parent, grandparent, brother, sister, uncle, aunt, niece, or nephew who is dependent on the taxpayer for support.

An individual may claim eligible medical expenses that exceed the lesser of 3 per cent of their income or $1,637. However, there is currently a $10,000 maximum for eligible medical expenses paid for a financially dependant relative.

The cost of the tax measure is estimated to be less than $150,000 per year and is consistent with the federal government's change to the federal medical expense tax credit for 2011 and subsequent taxation years. The removal of the cap on dependant relatives makes it consistent with the treatment of expenses that may be claimed for the individual, their children under 18, and their spouse or common-law partner.

Key Tax Measures – Consumption Taxes – Cannabis Tax

In December 2017, the province agreed in principle to enter into a coordinated cannabis tax framework with the Government of Canada for a two-year period following the legalization of recreational cannabis.

The federal government will impose a federal excise duty of $0.25 per gram of flowering material in a cannabis product and will collect a $0.75 per gram additional duty on behalf of the province. The duties are payable once the cannabis product is packaged for sale and ready for delivery to a provincially authorized retailer of non-medical cannabis or an individual purchasing medical cannabis.

The duty applied to cannabis sales is estimated to generate $10.4 million in revenues for the 2018–19 fiscal year.

Key Tax Measures – New Innovation Equity Tax Credit

The province intends to introduce a new Innovation Equity Tax Credit, to begin January 1, 2019, which will be more narrowly focused and have a threshold similar to our neighbours. The existing equity tax credit will be phased out over time.

Tax Credits, Rebates, and Tax Expenditures

Details of the estimated value of credits, rebates, and tax expenditures are presented in Table 5.6.

Table 5.6 Estimated Value of Tax Credits, Rebates, and Tax Expenditures
($ thousands)

	2017-18 Estimate	2017-18 Actual*	2018-19 Estimate
Personal Income Tax			
Political Tax Credit	1,132	1,128	858
Volunteer Firefighter & Ground Search and Rescue	3,795	3,871	3,829
Labour Sponsored Venture Capital Corporation	(9)	4	4
Equity Tax Credit	9,218	9,016	9,337
Affordable Living Tax Credit	65,080	65,166	65,166
Total	**79,216**	**79,185**	**79,194**
Corporate Income Tax			
Political Tax Credit	79	79	38
Scientific Research & Experimental Development	15,899	12,879	15,221
New Small Business Tax Holiday	71	82	85
Digital Media Tax Credit	4,405	16,005	8,638
Film Industry Tax Credit	3,780	5,332	---
Digital Animation Tax Credit	1,141	10,284	22,657
Food Bank Tax Credit for Farmers	300	300	300
Capital Investment Tax Credit	31,372	1,676	31,372
Small Business Tax Rate	220,319	260,728	256,213
Total	**277,366**	**307,365**	**334,524**
Harmonized Sales Tax			
Public Sector Rebates	137,923	129,588	131,584
Printed Book Rebate	9,995	9,110	9,378
First-time Homebuyers Rebate	497	498	515
Disability Rebates	80	78	81
Fire Fighting Equipment Rebate	90	90	93
Your Energy Rebate (YERP)	102,535	104,659	104,659
Children's Clothing Rebate	8,739	8,602	8,855
Children's Footwear Rebate	2,094	2,088	2,150
Diapers and Feminine Hygiene Products Rebate	3,451	2,484	2,557
Total	**265,404**	**257,197**	**259,872**

*** 2017-18 includes the following Prior Year Adjustments (PYA's):**

Volunteer Firefighter & Ground Search and Rescue	42
Scientific Research & Experimental Development	(1,832)
Digital Media Tax Credit	4,299
Film Industry Tax Credit	(10,779)
Digital Animation Tax Credit	1,269
Capital Investment Tax Credit	(29,696)
	(36,697)

Revenue Sensitivity

Revenue estimates, which are in the form of a forecast, are based on several economic, financial, tax assessment, and statistical values and assumptions. All of these reflect the province's planned course of action for the forecast period and professional judgment as to the most probable set of economic conditions.

As these variables change and more information becomes available throughout the year, they may have an impact, either negative or positive, on the revenue forecasts. These impacts could be material. The province intends to update the forecast periodically throughout the forecast period. The above referenced variables can move independently and may have offsetting effects.

Table 5.7 lists the specific key economic assumptions and variables that directly affect the calculation of provincial revenue estimate and forecast figures, as included in this Revenue Outlook section, and reflect assumptions developed by the province as of February 16, 2018.

Key Risks - Revenues

Provincial own-source revenues are strongly influenced by several key factors in the economic outlook. In addition, the revenue models use administrative data, external factors, and historical relationships between factors to arrive at forecasted revenues. All factors are subject to change throughout the fiscal year and can contribute to significant variations in revenues. In addition, historical revisions to data by Statistics Canada often have revenue implications; and final personal and corporate income tax assessments for a taxation year are not received until approximately 18 months following the end of a taxation year, thereby creating prior year adjustments (PYAs).

Any slowdown in growth in the level of compensation of employees poses a downside risk to personal income tax revenues — the province's largest source of revenue.

Yield growth over the recent past has been strong but will decline in 2018 due to new measures to enhance the Basic Personal Amount and other non-refundable tax credits. Slowing yield growth would pose significant pressure on revenues.

Harmonized Sales Tax (HST) revenues are highly dependent on growth in consumer expenditures, which accounts for more than 70 per cent of the HST tax base. In addition, any decline in the growth of residential housing investment will put downward pressure on HST revenues.

The forecast of corporate income tax revenues is highly dependent upon national corporate taxable income, especially given the fact that the province has adopted a three-year average share approach. As revenues are sensitive to fluctuations in share, there are substantial risks to corporate income tax revenues if the share does not stay as strong. In addition, the increase to the small business taxable income threshold for 2017 and subsequent taxation years is likely to continue to increase the small business share of the province's corporate taxable income and place downward pressure on revenues.

Cannabis tax revenues are subject to a number of uncertainties, including the date of legalization to be established by the federal government. This is a new product and estimates have been made as to the likely take-up of cannabis from the legal market. These estimates remain uncertain until the legal market is established and trends emerge.

Tobacco tax revenues continue to be influenced by cessation and reduced consumption.

Growth in federal source revenues remain flat. Agreements associated with the Equalization program (e.g., Offshore Accord and Cumulative Best-of Guarantee Payment) will end in 2019–20 but are already showing significant decline from peak revenues achieved in the past. A narrowing of the cumulative gap between the Expert Panel approach for Equalization and the Interim approach for the purpose of calculating the Cumulative Best-of Guarantee payment has arisen in 2018–19. Any further narrowing of this gap poses downside risks for revenues.

Table 5.7 Key Economic Assumptions and Variables Affecting Revenue Estimates

Revenue Source	Key Variables
Personal Income Taxes	• personal taxable income levels • provincial taxable income yield • tax credits uptake
Corporate Income Taxes	• national corporate taxable income levels as provided by Finance Canada • Nova Scotia's share of national taxable income • tax credits uptake
HST	• personal consumer expenditure levels • provincial gross domestic product • spending by exempt industries • rebate levels • residential housing investment
Tobacco, Gasoline and Diesel Taxes	• personal consumer expenditure levels • tobacco and fuel consumption patterns • tobacco and fuel prices • labour income, affecting disposable income spent on fuel
Petroleum Royalties	• foreign exchange rates • production levels • capital and operating costs of interest holders • world price of natural gas, subject to current market conditions
Equalization	• one-estimate one-payment approach
CHT/CST	• annual increases in the national base amount • changes in share of national population

Additional Information

In addition to the key economic and fiscal assumptions contained in the 2018–19 revenue estimates, the following information should also be taken into account when interpreting the revenue estimates.

The revenue estimates for 2018–19 are considered to have been prepared on a basis consistent with accounting policies currently used by the province to record and/or recognize revenue for purposes of its General Revenue Fund.

The Department of Finance and Treasury Board and other departments or agencies of the province have prepared specific revenue estimates for 2018–19 using a combination of current internal and external models and other information available.

Every effort has been made to ensure the integrity of the results of the models and other information. As actual or more current information becomes available, adjustments may be necessary to the projection of revenues.

The revenue projected from federal transfer payment programs pursuant to the Federal-Provincial Fiscal Arrangements Act incorporates official information released by the federal government as of December 6, 2017. In addition, transfer payment revenue estimates are based on Canadian national and provincial population estimates supplied by Statistics Canada.

Prior Years' Adjustments (PYAs) are normally made to federal transfers and to income tax revenues. All PYAs known to date have been included in the revenue estimate.

Budget 2018–19: Expenses Outlook

In 2018–19, Nova Scotia's total expenses for the General Revenue Fund are estimated to be $10,862.6 million (Table 2.1). This is an increase of $350.2 million or 3.3 per cent from the 2017–18 budget estimate and an increase of $187.0 million or 1.8 per cent compared to the 2017–18 forecast.

Tables 5.8 and 5.9 provide financial statistics of provincial Total Expenses amount and as a percentage of total expenses, and Chart 5.2 presents a breakdown of expenses by the four main sources.

Departmental Expenses in 2018–19 are estimated to be $9,693.4 million. This is an increase of $187.8 million or 2.0 per cent from the 2017–18 Budget Estimates and an increase of $34.5 million or 0.4 per cent from the 2017–18 forecast.

Refundable Tax Credits are projected to be $146.9 million in 2018–19, an increase of $21.4 million or 17.1 per cent from the 2017–18 Budget Estimates; an increase of $31.7 million or 27.5 per cent, from the 2017–18 forecast.

Pension Valuation Adjustment is estimated to be $128.8 million in 2018–19, up $97.6 million from the 2017–18 Budget Estimates; up $65.0 million compared to the 2017–18 forecast.

Debt Servicing Costs are projected to be $893.6 million for 2018–19, up $43.4 million or 5.1 per cent from the 2017–18 Budget Estimates; up $55.9 million or 6.7 per cent from the 2017–18 forecast.

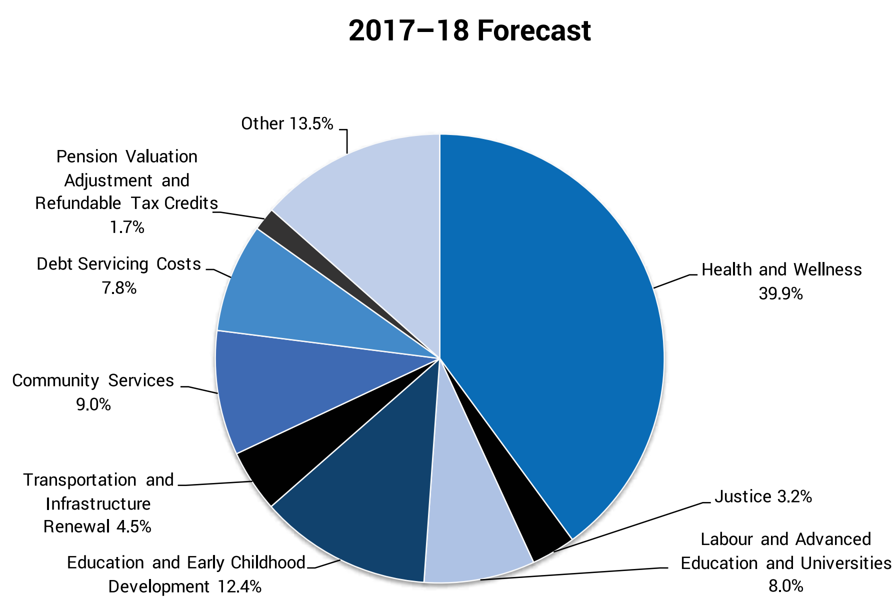
Table 5.8 2018–19 Total Expenses
($ thousands)

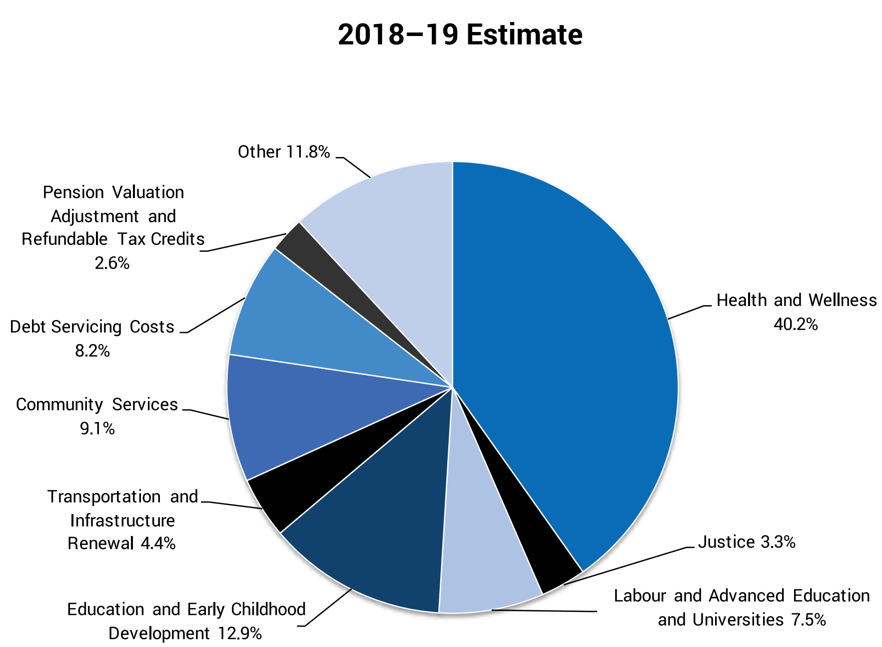
General Revenue Fund: Expenses	2014-15 Actual	2015-16 Actual	2016-17 Actual	2017-18 Forecast	2018-19 Estimate
Departmental Expenses:					
Agriculture	73,116	60,929	65,135	50,121	49,615
Business	---	113,731	131,689	304,927	156,111
Communities, Culture and Heritage	57,840	64,236	97,925	98,473	88,046
Community Services	919,978	922,341	932,731	958,158	989,698
Economic and Rural Development and Tourism	163,545	---	---	---	---
Education and Early Childhood Development	1,222,394	1,241,209	1,274,121	1,324,804	1,397,782
Energy	31,712	29,962	36,736	52,898	31,462
Environment	25,894	24,801	36,381	36,472	37,516
Finance and Treasury Board	12,656	12,586	26,911	20,996	23,446
Fisheries and Aquaculture	9,411	9,871	12,289	15,062	20,889
Health and Wellness	4,076,944	4,106,403	4,104,616	4,264,448	4,367,099
Internal Services	154,448	215,145	186,051	190,403	189,497
Justice	322,156	327,414	329,559	340,711	354,581
Labour and Advanced Education	346,724	358,158	381,635	379,300	389,373
Assistance to Universities	370,721	374,715	441,622	473,343	425,272
Municipal Affairs	150,523	158,800	198,435	286,890	212,581
Natural Resources	88,468	82,979	79,478	77,545	79,601
Public Service	226,887	191,878	198,838	214,656	210,298
Seniors	1,431	1,493	1,526	2,267	2,709
Transportation and Infrastructure Renewal	421,946	433,717	522,279	479,399	477,545
Restructuring Costs	138,683	98,639	53,640	88,002	190,241
Total - Departmental Expenses	**8,815,477**	**8,829,007**	**9,111,597**	**9,658,875**	**9,693,362**
Other Expenses					
Refundable Tax Credits	133,980	120,644	133,738	115,213	146,883
Pension Valuation Adjustment	78,370	140,582	17,191	63,785	128,803
Debt Servicing Costs	874,053	853,956	823,759	837,713	893,573
Total Expenses	**9,901,880**	**9,944,189**	**10,086,285**	**10,675,586**	**10,862,621**

Table 5.9 2018–19 Total Expenses
(as a percentage of Total Expenses)

General Revenue Fund: Expenses	2014-15 Actual	2015-16 Actual	2016-17 Actual	2017-18 Forecast	2018-19 Estimate
Departmental Expenses:					
Agriculture	0.7%	0.6%	0.6%	0.5%	0.5%
Business	0.0%	1.1%	1.3%	2.9%	1.4%
Communities, Culture and Heritage	0.6%	0.6%	1.0%	0.9%	0.8%
Community Services	9.3%	9.3%	9.2%	9.0%	9.1%
Economic and Rural Development and Tourism	1.7%	---	0.0%	0.0%	0.0%
Education and Early Childhood Development	12.3%	12.5%	12.6%	12.4%	12.9%
Energy	0.3%	0.3%	0.4%	0.5%	0.3%
Environment	0.3%	0.2%	0.4%	0.3%	0.3%
Finance and Treasury Board	0.1%	0.1%	0.3%	0.2%	0.2%
Fisheries and Aquaculture	0.1%	0.1%	0.1%	0.1%	0.2%
Health and Wellness	41.2%	41.3%	40.7%	39.9%	40.2%
Internal Services	1.6%	2.2%	1.8%	1.8%	1.7%
Justice	3.3%	3.3%	3.3%	3.2%	3.3%
Labour and Advanced Education	3.5%	3.6%	3.8%	3.6%	3.6%
Assistance to Universities	3.7%	3.8%	4.4%	4.4%	3.9%
Municipal Affairs	1.5%	1.6%	2.0%	2.7%	2.0%
Natural Resources	0.9%	0.8%	0.8%	0.7%	0.7%
Public Service	2.3%	1.9%	2.0%	2.0%	1.9%
Seniors	0.0%	0.0%	0.0%	0.0%	0.0%
Transportation and Infrastructure Renewal	4.3%	4.4%	5.2%	4.5%	4.4%
Restructuring Costs	1.4%	1.0%	0.5%	0.8%	1.8%
Total - Departmental Expenses	**89.0%**	**88.8%**	**90.3%**	**90.5%**	**89.2%**
Other Expenses					
Refundable Tax Credits	1.4%	1.2%	1.3%	1.1%	1.4%
Pension Valuation Adjustment	0.8%	1.4%	0.2%	0.6%	1.2%
Debt Servicing Costs	8.8%	8.6%	8.2%	7.8%	8.2%
Total Expenses	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Chart 5.2 Total Expenses 2017-18 Forecast and 2018-19 Estimate





6. Borrowing and Debt Management

The Department of Finance and Treasury Board serves as the treasury function for most of the government entity, including managing daily banking functions (bank transfers, short-term investing and borrowing, and banking relationships) and short-term investments of special funds (sinking funds and miscellaneous trust funds).

Financial Market Debt: The Department of Finance and Treasury Board is responsible for managing Nova Scotia's gross financial market debt portfolio, which is estimated to have stood at $16.6 billion as of March 31, 2018. Against this gross financial market debt are financial assets held in a mandatory sinking fund ($1,946.6 million) and liquidity sinking fund ($893.3 million) plus holdings of Nova Scotia Municipal Finance Corporation debt ($767.9 million) plus advances to Halifax Bridges ($147.6 million). These assets total $3.8 billion and are subtracted from gross financial market debt to result in a net financial market debt of $12.8 billion. The management of this net financial market debt position consists of executing the borrowing program, investing sinking funds, and where cost-effective to do so, executing derivative transactions.

The government's budgetary policy sets the context for treasury management operations. The province's annual fiscal plan sets the context for debt management. This budget shows that the government intends to post a budgetary surplus of $29.4 million in 2018–19 followed by further surpluses throughout the fiscal plan years.

The management of the debt portfolio and borrowing program must consider the external financial and economic environment. Global financial markets are expected to be challenging for the Province of Nova Scotia even though the province has a relatively modest borrowing program for the 2018–19 fiscal year. While there is a strengthening of the American and global economies, there remains the prospect of international trade protectionism, geo-political tensions, political uncertainty, and China's internal debt problems.

Net Financial Market Debt: The Budget Estimates and Public Accounts are presented on a full accrual basis. In contrast, Treasury Management is the cash side of government operations, and in this context, the borrowing requirements are a cash flow measure, representing actual cash transactions related to the current, past, and future budgetary transactions, as well as the cash flow implications of non-budgetary transactions, such as capital advances to governmental units, differences in cash versus accrual revenues in the Budget, and net acquisition of tangible capital assets.

In 2017–18, the province estimates there was a $338 million increase in net financial market debt outstanding in financial markets and capital leases due in part to the lease for the Nova Centre, numerous cash-accrual differences pertaining to revenues, offset somewhat by the budgetary surplus. The province estimates that net financial market debt in financial markets will increase by about $444 million in 2018–19 due to reimbursement of SOEP royalties for abandonment costs, and the payout of Long Term Service Awards.

Nova Scotia Credit Ratings

Nova Scotia maintains a policy of full disclosure and transparency with financial market participants.

Nova Scotia actively communicates its economic and fiscal position both to investors and to bond-rating agencies. The improved fiscal outlook has been recognized by credit rating agencies. Nova Scotia has generally posted budgetary surpluses since the early 2000s, interrupted with modest budgetary deficits in 2009–10 and the years 2011–12 to 2015–16. In 2017–18 two rating agencies confirmed the province's credit rating with a stable outlook, and positive outlook by Standard & Poor's. The following table shows current provincial credit ratings. Note that (neg) refers to a negative outlook, indicating the rating agency may change the respective province's credit rating downward over the next year or so. Similarly, (pos) refers to a positive outlook, indicating the rating agency may change the rating upwards over the next year or so.

Table 6.1 Canadian Provincial Credit Ratings

	DBRS	S&P	Moody's
Nova Scotia	A(high)	A+(pos)	Aa2
Prince Edward Island	A(low)	A	Aa2
Newfoundland & Labrador	A(low)	A	Aa3(neg)
New Brunswick	A(high)(neg)	A+	Aa2
Quebec	A(high)	AA-	Aa2
Ontario	AA(low)	A+	Aa2
Manitoba	A(high)	A+	Aa2
Saskatchewan	AA	AA	Aaa
Alberta	AA(neg)	A+	Aa1(neg)
British Columbia	AA(high)	AAA	Aaa

Nova Scotia files a Form 18-K Annual Report and other required documents with the Securities and Exchange Commission, which provides information to investors and the general public on the economic, fiscal, and debt situation of the province. The most recent submission can be viewed on the Department of Finance and Treasury Board's website.

Structure of the Debt Portfolio

The structure of the debt portfolio has been evolving over the past number of years with the intent of locking in historically low interest rates, protecting the province's fiscal situation from unanticipated increases in interest rates, and managing the province's refinancing requirements for the long term. At the same time, the province maintains a consistent level of exposure to short-term interest rates, primarily achieved through the issuance of floating interest rate notes.

1. Primary Issuance Market Activities

The Province of Nova Scotia expects to post a budgetary surplus of $29.4 million in 2018–19. The Department of Finance and Treasury Board continues to borrow monies each year in capital markets primarily to refinance existing debt, but also to fund the acquisition of net tangible capital assets, for on-lending to Crown corporations, and for other non-budgetary purposes.

The management of the debt maturities and timing of new debt issuance are optimized by using discretionary sinking fund reserves held by the province. As noted below, these discretionary funds represent an integral component of the Treasury Management strategy of the province as their drawdown or replenishment can significantly alter the timing of debt issuance year to year.

2017–18 Borrowing Completed: In the fiscal year 2017–18, the province borrowed $812.5 million compared to term debt borrowing requirements of $684 million estimated in the Budget. The Department of Finance and Treasury Board issued the entire $812.5 million in Canadian Dollar Offered Rate ("CDOR") floating rate notes in the five- and seven-year terms. The province did not pre-borrow for the 2018–19 fiscal year. The province did not access the domestic public markets for funding in fiscal year 2017–18. The province continues to maintain access to a diversity of borrowing sources, both domestically and in foreign markets. This access is a key factor in achieving lower financing costs and maintaining a broad demand for Nova Scotia debt issues.

2018–19 Annual Borrowing: Projected term debt borrowing requirements for fiscal year 2018–19 are expected to be $1,363 million. The increase in borrowing requirements for the 2018–19, compared to the previous year, are due to the higher level of debt maturities and the payout of the Long Term Service Awards. The Department of Finance and Treasury Board does not anticipate drawing down discretionary sinking funds in 2018– 19, but draws attention to the fact that these funds total $893 million.

Table 6.2 shows the projected borrowing program for 2019–20 to 2021–22. The borrowing program starts with the provincial budgetary surplus that reduces requirements. There are numerous cash versus accrual adjustments (non-budgetary items) that need to be made to determine the actual cash requirements of the General Revenue Fund. Each year there are requirements for the excess of capital expenditure over capital amortization, referred to as the net acquisition of tangible capital assets; those requirements in 2018–19 are $150 million. The remaining non-budgetary adjustments are primarily related to non-cash interest charges on unfunded pension liabilities and post-employment benefits, and the non-cash expense of the Pension Valuation Adjustment.

Table 6.2 Projected Borrowing Requirements

($ millions)

	2017-18 Estimate	2017-18 Forecast	2018-19 Estimate	2019-20 Estimate	2020-21 Estimate	2021-22 Estimate
Budgetary (surplus)/deficit	(131.6)	(133.5)	(29.4)	(39.1)	(60.9)	(75.0)
Net Capital Advances	41.7	19.1	47.2	30.0	30.0	30.0
NS MFC Net Advances	(69.4)	(21.8)	(104.6)	(96.8)	(94.9)	(79.9)
HDBC Net Advances	34.9	22.8	12.4	-	-	-
Tangible Capital Assets: Net Cash	236.6	229.5	150.0	139.5	280.4	110.1
Other Non-Budgetary Transactions	(15.3)	109.2	92.3	357.4	(110.5)	(146.9)
Cash Operating Requirements	**96.9**	**225.3**	**167.9**	**391.0**	**44.1**	**(161.7)**
Cash Debt Retirement	**459.7**	**459.7**	**1,261.0**	**2,072.8**	**1,080.9**	**1,713.9**
Mandatory Sinking Fund Income	84.2	84.3	85.8	74.9	51.0	38.0
Mandatory Sinking Fund Contributions	26.3	26.3	24.0	17.9	17.9	10.0
Mandatory Sinking Fund Withdrawals	-	-	(198.0)	(855.4)	-	(512.0)
Net Mandatory Sinking Fund Requirements	**110.6**	**110.6**	**(88.2)**	**(762.7)**	**68.9**	**(463.9)**
Discretionary Fund Income	16.3	16.8	21.9	24.3	25.7	27.2
Discretionary Fund Contributions	-	-	-	-	-	-
Discretionary Fund Withdrawals	-	-	-	-	-	-
Net Discretionary Fund Requirements	**16.3**	**16.8**	**21.9**	**24.3**	**25.7**	**27.2**
Total Requirements:	683.5	812.5	1,362.6	1,725.4	1,219.6	1,115.4
Change inShort -Term Borrowing (inc) / dec	-	-	-	-	-	-
Total Borrowing Requirements	**683.5**	**812.5**	**1,362.6**	**1,725.4**	**1,219.6**	**1,115.4**

Projected Borrowing Requirements: The province, through its access to capital markets, can raise financing in an efficient and cost-effective manner; as such the province, through its annual borrowing program, secures wholesale funding on behalf of its Crown entities for their diverse on-lending requirements. Net capital advances to Crown entities in 2017–18 are estimated to be $19 million, down from Budget Estimate of $41.7 million. For fiscal year 2018–19, net capital advances are estimated to be $47 million.

The Nova Scotia Municipal Finance Corporation (NSMFC), a provincial Crown corporation, acts as a central borrowing agency for municipalities and municipal enterprises in Nova Scotia. Under the incorporating legislation, municipalities and municipal enterprises are required to raise their long-term capital requirements through the NSMFC except for borrowings from the federal government, the province, another municipality, or their agencies. The NSMFC issues serial debentures to fund these cash requirements; the NSMFC has the legislative authority and ability to issue such securities through capital markets with the assistance of a provincial guarantee. There has never been a default by the NSMFC on any of its obligations.

For many years, the province, although having no obligation to do so, has purchased all NSMFC debenture issues in their entirety and at March 31, 2018, held a portfolio of $767.9 million NSMFC debentures in the General Revenue Fund, down from $789.3 million from a year earlier. The NSMFC asset portfolio held by the province, along with sinking and liquidity funds, are netted against the gross financial market debt of the province to arrive at net financial market debt (Table 6.3). Much the same as the NSMFC asset portfolio, the financial market debt issued by the province under its own name to fund the re-decking of the Angus L. Macdonald Bridge is offset by the loan provided to the Halifax-Dartmouth Bridge Commission.

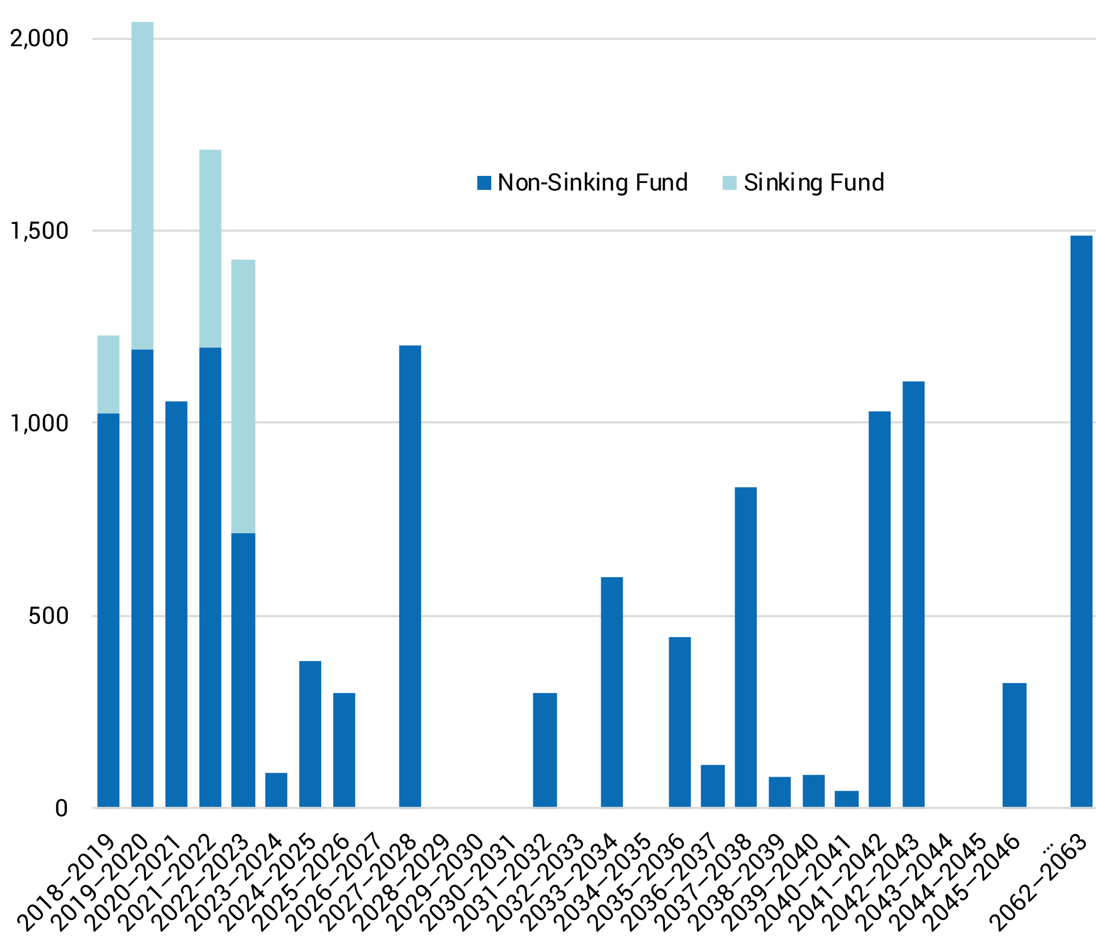
The province maintains documentation with the Securities and Exchange Commission in the United States to provide access to the US and global bond markets. Although Nova Scotia maintains documentation to borrow in foreign markets, the domestic Canadian debt market is expected to be the primary source of funding for the province's borrowing program in 2018–19. The province attempts to maintain a presence in the domestic public debt markets with liquid benchmark issues. The domestic Medium Term Note (MTN) program is maintained to add flexibility to the domestic borrowing programs.

2. Debt Maturity Schedule

The Province of Nova Scotia's gross financial market debt at March 31, 2018, consisted of Canadian fixed-coupon marketable debentures, floating interest rate marketable debentures, foreign currency denominated fixed-coupon marketable debentures (all issues are hedged to Canadian dollars), Canada Pension Plan non-marketable debentures, capital leases on public-private-partnership schools, the Convention Centre, and a correctional facility (total capital leases are $215 million), and short-term promissory notes. Chart 6.1, titled General Revenue Fund Debt Portfolio: Debenture Debt Maturity Schedule, displays the maturity profile of the province's debenture debt portfolio ($15.9 billion).

Chart 6.1 General Revenue Fund Debt Portfolio

Debenture Debt Maturity Schedule ($ millions)



The province's debenture portfolio is shown for those debt issues that have no mandatory sinking fund provisions ($13.6 billion), and the eight remaining debentures issues that have a mandatory sinking fund contribution by way of bond covenant ($2.3 billion). The province has no debt issues outstanding with put options.

As of March 31, 2018, the average term to maturity of the gross debenture portfolio was 12.8 years, down from 13.8 one year ago. The average term to maturity has been falling in recent years after completion of the long-term debt issuance strategy and the passage of time.

The Province of Nova Scotia has accumulated and actively manages a large offsetting asset position in sinking funds. At March 31, 2018, the estimated book value of the mandatory sinking and liquidity funds was $2,839.9 million, of which $1,946.6 million were held in mandatory sinking funds established by way of bond covenant, and $893.3 million in the discretionary liquidity funds that were held for policy purposes. The policy objectives of the discretionary funds are to manage interest rates, manage short-term liquidity, and assist in the refunding of maturing debt, while at the same time providing an appropriate level of investment return to the General Revenue Fund.

3. Derivative Counterparty Exposure

Derivative is a broadly used term for any financial contract where future cash flows (and thus its value) are derived from a specific underlying reference point or benchmark, for example, interest rate, foreign currency rate, financial asset, index, forward, future, or any other agreed upon reference point. Derivatives allow the Province of Nova Scotia to identify and synthetically isolate and manage the market risks in financial instruments for hedging, risk transfer, arbitraging interest rate differences, and adjusting portfolio risks. Derivative transactions are used when viewed to be more cost-effective and can be done at a lower cost than would be possible by a cash market transaction.

At March 31, 2018, the province's use of derivatives was for two purposes: (1) the hedging of foreign currency debt issues to Canadian dollars, and (2) asset-liability management purposes. The latter derivative transactions are designed to protect the provincial budgetary surplus from changes in interest rates associated with the Department of Finance and Treasury Board's on-lending program to Crown corporations. The province does not use derivatives for speculative purposes.

Currently, the province is party to approximately $2.8 billion notional face value of derivative transactions with external swap counterparties, down significantly from the peak of $6.5 billion at March 31, 2011. The decline in swap counterparty exposure is due primarily to the maturity of five foreign currency debt issues and the maturity of other interest rate swaps. The province's current cross currency swap portfolio is approximately $1.7 billion notional face value, and assuming no further foreign currency denominated debenture issuances, the cross-currency swap portfolio would wind down to zero by July 30, 2022.

The Department of Finance and Treasury Board credit policy states that it executes derivative transactions only with well-rated counterparties. The Liability Management and Treasury Services Division actively manage the credit risks of the derivative portfolio. The Debt Management Committee reviews all counterparty exposure and limits. When the counterparty has a split credit rating, the province considers the most conservative among the ratings.

Table 6.3 Projected Gross and Net Financial Market Debt
($ millions)

	2017-18 Estimate	2017-18 Forecast	2018-19 Estimate	2019-20 Estimate	2020-21 Estimate	2021-22 Estimate
Gross Debt:						
Opening Balance	16,088.3	16,088.3	16,554.2	16,563.6	16,119.4	16,163.2
Borrowing Program	683.5	812.4	1,362.6	1,725.4	1,219.6	1,115.4
Debt Retirement	(459.7)	(459.7)	(1,261.0)	(2,072.8)	(1,080.9)	(1,713.9)
Change in other unfunded debt	(69.6)	113.2	(92.2)	(96.8)	(94.9)	(79.9)
Closing Balance	**16,242.4**	**16,554.2**	**16,563.6**	**16,119.4**	**16,163.2**	**15,484.8**
Mandatory Sinking Funds:						
Opening Balance	1,836.0	1,836.0	1,946.6	1,858.4	1,095.8	1,164.7
Installments	26.3	26.3	24.0	17.9	17.9	10.0
Earnings	84.2	84.3	85.8	74.9	51.0	38.0
Sinking Fund withdrawals	-	-	(198.0)	(855.4)	-	(512.0)
Closing Balance	**1,946.6**	**1,946.6**	**1,858.4**	**1,095.8**	**1,164.7**	**700.7**
Discretionary Funds:						
Opening Balance	876.5	876.5	893.3	915.2	939.4	965.1
Installments	-	-	-	-	-	-
Earnings	16.3	16.8	21.9	24.3	25.7	27.2
Fund Withdrawals	-	-	-	-	-	-
Closing Balance	**892.8**	**893.3**	**915.2**	**939.4**	**965.1**	**992.4**
NSMFC / HDBC Assets:						
Opening Balance	914.5	914.5	915.5	823.3	726.5	631.6
Repayments	(104.5)	(105.2)	(104.6)	(96.8)	(94.9)	(79.9)
Advances to MFC	35.1	83.4	-	-	-	-
Advances to HDBC	34.9	22.8	12.4	-	-	-
Closing Balance	**880.0**	**915.5**	**823.3**	**726.5**	**631.6**	**551.7**
Net Financial Market Debt	**12,523.1**	**12,798.7**	**12,966.7**	**13,357.6**	**13,401.8**	**13,240.0**

Net Debt: Net debt is made up of Total Liabilities less Financial Assets, and the actual year-end results are reported in the Consolidated Financial Statements of the province. Surpluses reduce the net debt of the province while deficits and net capital spending increase the net debt. Net debt is a key measure of the province's financial position, and the Net Debt to Gross domestic product ratio is the most widely recognized measure of government financial sustainability. Table 6.4 presents the projected net debt over the fiscal plan. Nova Scotia's ratio of net debt to nominal gross domestic product at market prices is estimated to have stood at 34.9 per cent at March 31, 2018, down from 35.8 per cent a year earlier.

Table 6.4 Projected Net Debt
($ millions)

	2017-18 Estimate	2017-18 Forecast	2018-19 Estimate	2019-20 Estimate	2020-21 Estimate	2021-22 Estimate
Net Debt - Opening Balance	**14,954.9**	**14,954.9**	**15,050.9**	**15,171.5**	**15,271.9**	**15,491.5**
Add (Deduct):						
Provincial Deficit (Surplus)	(131.6)	(133.5)	(29.4)	(39.1)	(60.9)	(75.0)
Increase in the Net Book Value of Tangible Capital Assets	236.6	229.5	150.0	139.5	280.4	110.1
Change in Net Debt	105.0	96.0	120.6	100.4	219.5	35.1
Net Debt - Closing Balance	**15,059.9**	**15,050.9**	**15,171.5**	**15,271.9**	**15,491.5**	**15,526.6**

Debt-Servicing Costs

Gross debt-servicing costs comprise the following items: (1) interest on existing long-term debenture and capital lease debt and the estimated interest cost of incremental borrowing; (2) general interest that provides for bank charges, bond issue expense, amortization of debenture discounts/premiums, and short-term interest costs; and (3) the accrual of interest of the province's unfunded pension and post-retirement benefit obligations.

In addition, gross debt-servicing costs also supports the General Revenue Fund's on-lending activities to Crown corporations. That is, the General Revenue Fund incurs interest charges on long-term debt obligations that have been borrowed on behalf of Crown corporations such as the Nova Scotia Municipal Finance Corporation and Farm Loan Board. The General Revenue Fund earns interest on those monies lent to Crown corporations and other investments in amounts of $77.0 million in the 2017–18 forecast, and $85.4 million in the 2018–19 Budget Estimate. Unlike the earnings on sinking and liquidity fund assets, the income from the on-lending activity is not typically shown as netted against debt-servicing costs. To achieve a true picture of the actual interest cost on long-term indebtedness, these amounts should be subtracted from gross debt-servicing costs (Table 6.5).

Table 6.5 Projected Debt Servicing Costs
($ millions)

	2017-18 Estimate	2017-18 Forecast	2018-19 Estimate	2019-20 Estimate	2020-21 Estimate	2021-22 Estimate
Interest on Long-term Debt	714.0	702.5	757.0	727.3	671.3	638.3
General Interest	13.0	11.6	18.8	19.6	18.2	20.5
Interest on Pension, Retirement and other obligations	123.2	123.6	117.8	117.5	117.1	117.3
Gross Debt Servicing Costs	**850.2**	**837.7**	**893.6**	**864.3**	**806.6**	**776.1**
Less: Sinking Fund Earnings	(100.5)	(101.1)	(107.7)	(99.1)	(76.7)	(65.3)
Net Debt Servicing Costs	**749.7**	**736.6**	**785.9**	**765.2**	**729.9**	**710.9**

Debt-Servicing Costs: Assumptions and Sensitivity Analysis

Actual debt-servicing costs will vary from estimated amounts due to the dependence of debt-servicing costs on certain financial market variables and changes in the amount borrowed.

With the elimination of the province's foreign currency exposure, the main factor in debt-servicing cost sensitivity is the overall level of Canadian short-term interest rates during the fiscal year. Sensitivity to this variable (how much debt-servicing costs would change if a variable changed from the assumed level for a full year) is $15 million if Canada Treasury Bills were a full percentage point higher relative to the assumed level.

Risk Management

The Debt Management Committee, an advisory committee to the Minister of Finance and Treasury Board, carries out the governance and oversight function for the debt management of the Province of Nova Scotia. The committee ensures that the province's treasury management is based on sound financial principles and is conducted in a prudent manner, balancing the costs and risks within acceptable control standards. The committee has responsibilities for the following key governance roles: strategic planning, risk management, internal control, and communications. These functions ensure that the governance and oversight roles of treasury management operations are independent of operational staff.

7. Economic Outlook

The province relies on economic forecasts and statistical relationships with historical administrative data to estimate tax revenues prior to receiving information on actual tax revenues collected. The economic assumptions used in this forward-looking outlook are presented here. The outlook is based on data and external events up to December 4, 2017. Any new information and resulting deviations from this outlook will be incorporated into subsequent forecasts and published in future updates.

External Economic Conditions

Global Economy: Global economic conditions continue to strengthen with activity picking up across advanced and emerging economies. The International Monetary Fund (IMF) projects global real GDP growth to continue to accelerate from 3.7 per cent in 2017 to 3.9 per cent in both 2018 and 2019.

Trade within North America remains the primary destination for Nova Scotia exports. However, growing exports to the Asia-Pacific region and the new Canada–European Union Comprehensive Economic Trade Agreement (CETA) are shifting the province's trade exposure. In recent years, there has been a large increase in exports to the Asian-Pacific region, concentrated mostly in seafood. Economic growth in the Asia-Pacific region is expected to continue at a similar pace but will slow in some countries after 2017.

China's economy continues to shift away from rapid industrialization to serve export markets, adopting new policies aimed at resolving financial sector imbalances and growing through higher consumer spending. The IMF forecasts economic growth in China to slow to 6.6 per cent and to 6.4 per cent in 2018 and 2019. Japan's economy continues to benefit from an improving global environment and accommodative monetary policy, supporting both the domestic economy and lowering the Yen. The outlook for Japanese economic growth in 2018 is 1.2 per cent. South Korea's real GDP growth is expected to continue at around a 3.0 per cent pace, supported by exports, household spending, and supportive fiscal policy while monetary policy is gradually normalized.

Economic conditions in the European Union (EU) improved in 2017 with growth strengthening across countries. Goods exports to the European Union account for around 8.0 per cent of Nova Scotia's international shipments. Within the Euro Area, real GDP growth was 2.5 per cent in 2017, and the IMF projects growth at a pace of 2.2 per cent in 2018 and 2.0 per cent in 2019. The Euro Area economy has benefitted from improving employment and labour income. Monetary policy in the Euro Area remained accommodative in 2017, even as the Euro strengthened against the US dollar. Monetary stimulus will likely start to be removed towards the end of the year. The United Kingdom's (UK) pending exit from the European Union continues to be a risk. The IMF expects UK growth to slow to 1.5 per cent in 2018 and 2019. The Pound depreciated against other currencies, increasing inflation and supporting UK exports since the Brexit vote. The Bank of England has tightened monetary policy modestly in light of the rising inflation.

United States: The United States (US) is still the destination for over 60 per cent of Nova Scotia's international goods exports and is a major source of tourism visitors and imports to the province. The US economy had robust growth in 2017, expanding 2.3 per cent after growth of 1.5 per cent in 2016. The US economy had rising household consumption, investment, and exports in 2017. US real GDP is forecasted to increase 2.4 per cent in 2018 and 2.0 per cent in 2019.

For 2018, tax reforms are expected to lift household spending and business capital investment, keeping the pace of real GDP growth elevated. US imports are also expected to rise along with these higher expenditures. US household balance sheets remain healthy and wage growth is expected to pick-up as the labour market tightens. This will combine with pent-up demand and rising prices to support housing investment, despite rising interest rates. The US Federal Reserve is in the process of removing monetary support with reductions to the size of its balance sheet and regular increases in interest rates. US inflation is currently around 2.0 per cent and the price pressures from fiscal stimulus and rising wages will likely be met with further monetary tightening.

Canada: Nova Scotia trade with other provinces accounted for more than 50 per cent of the provinces total trade in 2017. While Nova Scotia's international trade is primarily goods shipments, trade with the rest of Canada is weighted towards trade in services. Canada's economic momentum slowed during the second half of 2017, but overall real GDP growth was robust, at 3.0 per cent. The Canadian economy was operating near its potential by the end of 2017.

Consumer spending played an important role in Canada's strong performance in 2017. Increases in population, employment, wages, and debt all help to fuel spending. Canada's labour market tightened significantly over the year with the unemployment rate reaching a 40-year low and average earnings growing by around 3.0 per cent at the end of 2017. The Bank of Canada started monetary tightening policy in 2017 and is expected to continue in 2018 and 2019 (assuming no significant shocks to the Canadian economy).

Canada's real GDP is projected to grow by 2.0 per cent in 2018 and 1.7 per cent in 2019. Consumer spending growth is expected to slow as debt-serving costs rise.

Housing activity is also expected to moderate in light of new mortgage rules, higher interest rates, and affordability issues in some markets. Business investment was up in 2017 with moderate growth expected to continue in 2018, despite uncertainty about trade policy and tax competitiveness.

Given expectations for US and Canadian monetary policy, the Canadian dollar is projected to remain around 80 US cents in 2018 and 2019. Canadian exports are projected to grow in line with rising foreign demand in the absence of changes to trading agreements or new protectionist measures. Both the improving global economy and compliance with production targets among Organization of the Petroleum Exporting Countries (OPEC) supported higher oil prices through 2017. Tighter oil market conditions going forward are expected to support rising global oil prices.

Budget Economic Assumptions

Table 7.1 presents the key external economic assumptions as of December 4, 2017.

Table 7.1 External Economic Assumptions for Nova Scotia Budget Forecast

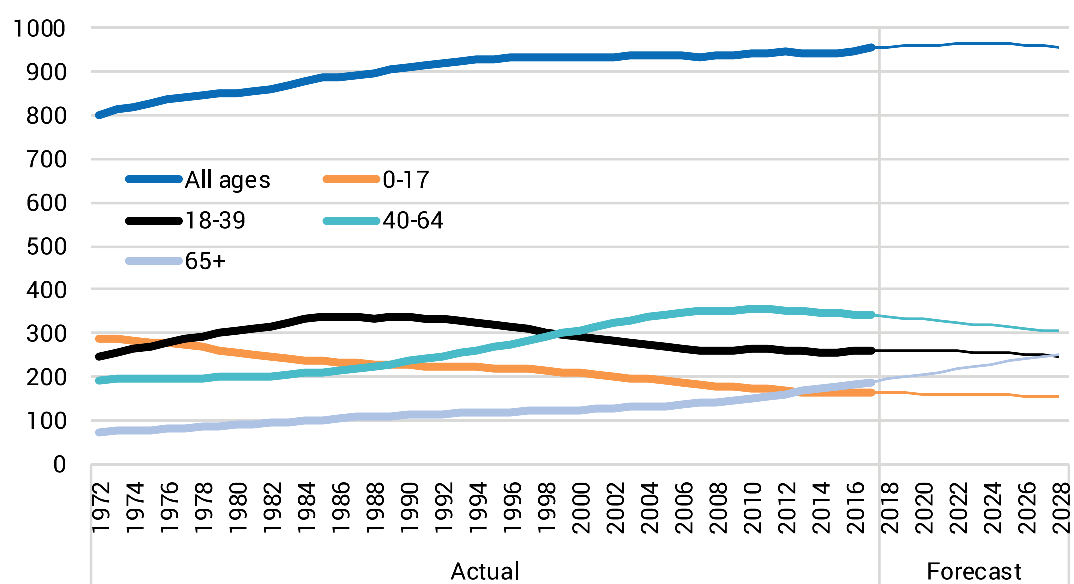
	2018	2019
US Real GDP Growth (% change, 2009 chained)	2.4	2.0
Canada Real GDP Growth (% change, 2007 chained)	2.0	1.7
Canada Nominal GDP Growth (% change, current prices)	4.1	3.7
USD/CAD exchange rate (US¢ per CAD)	78.9	79.4
Natural Gas (USD/mmBTU, Henry Hub)	3.06	3.18
Crude Oil (USD/bbl, WTI)	53.6	56.8
Canadian Prime Lending Rate	3.5	4.2
5 Year Conventional Mortgage Rate	5.5	6.0

Nova Scotia Economic Review and Outlook

Population and demography: Nova Scotia's population continues to grow at a faster pace than has been reported for decades. The population grew by over 5,200 between July 1, 2016, and July 1, 2017 (Chart 7.1). There have been notable increases in international sources of population growth (immigration, non-permanent residents) as well as net positive inflows of population from other parts of Canada. Natural population change continues to reduce the population as deaths outnumber births.

In the latest population projections, the population is expected to continue growing through the early part of the next decade, peaking at just over 964,000. This includes assumptions of higher immigration. Over this time, the composition of the population is expected to change as the baby boom cohort will be largely over the age of 65 by the end of the next decade. Improvements in immigration and net interprovincial migration are expected to help stabilize the population aged 18–39 over the next decade.

Chart 7.1 Nova Scotia's Population Stabilizing
(000s)



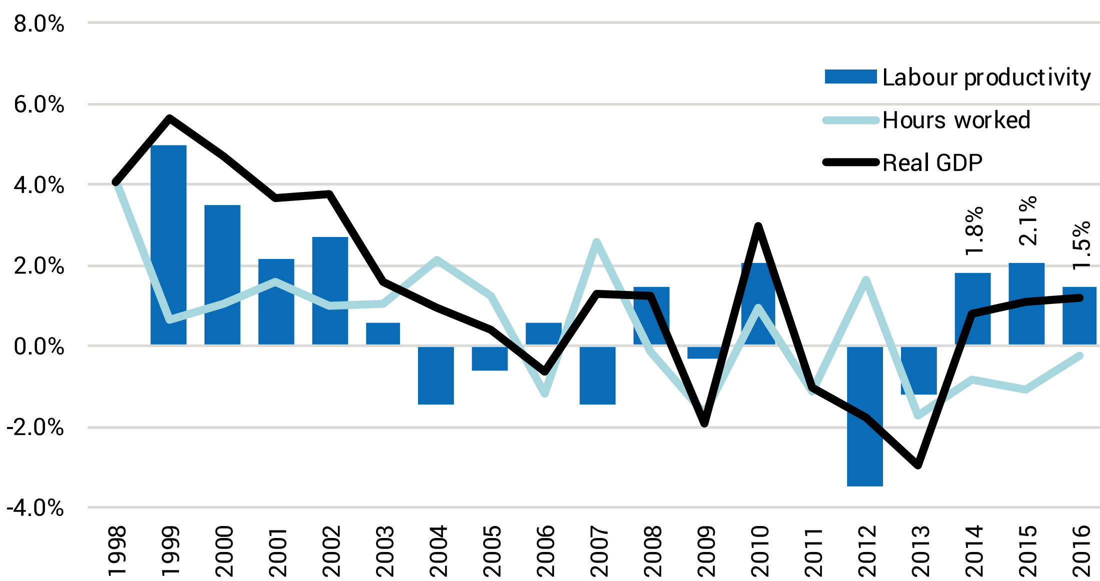
Source: Statistics Canada, CANSIM table 051-001;Department of Finance and Treasury Board projections

Nova Scotia's Recent Economic Performance: From 2012 to 2016, the effects of changing demography were visible in the provincial labour market. Nova Scotia's labour force declined in each year from 2013 to 2016, and employment was either down or stable at the same time. Although the provincial unemployment rate declined to levels below low run averages, constraints on the labour supply could place a limit on Nova Scotia's long term potential growth.

However, Nova Scotia's economy adapted to these changes with greater productivity from the business sector. Starting in 2014, Nova Scotia's business sector posted the three strongest years of productivity growth since 2000–02 (Chart 7.2). Improvements in productivity (real GDP generated per hour worked) were spread across many sectors, demonstrating the economy's capacity to grow despite the constraints of diminished labour supply.

Chart 7.2 Nova Scotia's productivity growth

Annual change, Business Sector Industries, real GDP at base prices



Source: Statistics Canada, CANSIM table 383-0033

Although Nova Scotia's recent economic growth has depended on productivity to offset declining labour hours, current estimates suggest a different pattern in 2017. Accompanying the rise in overall population, Nova Scotia's labour force expanded by 0.7 per cent, while employment grew by 0.6 per cent. Employment gains were concentrated in manufacturing, retail, and public administration, offsetting declines in work in resources, construction, transportation, finance, and health care.

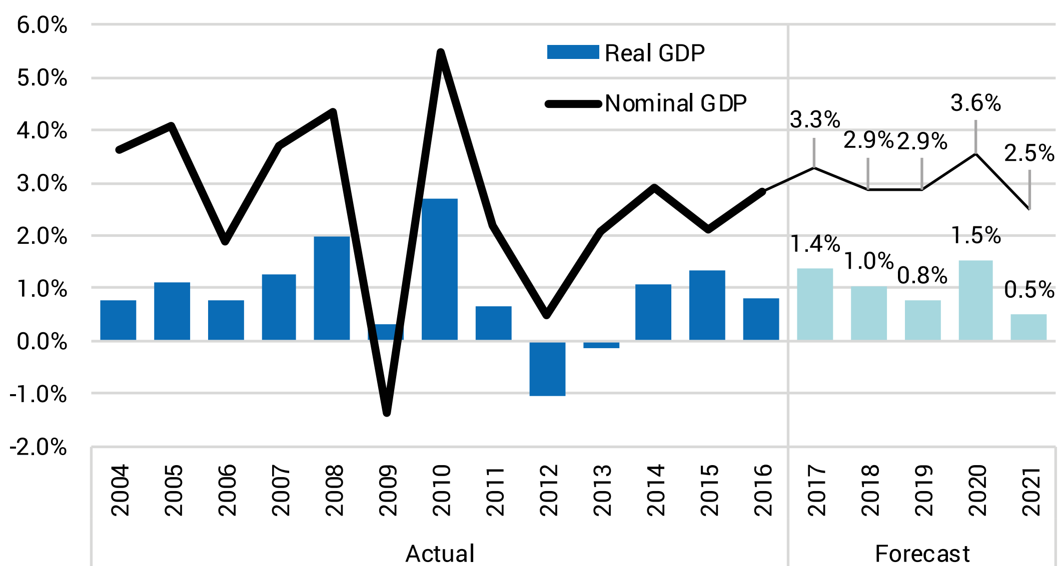
In addition to higher employment, Nova Scotia's average weekly earnings grew by 1.5 per cent while consumer price inflation averaged 1.1 per cent. Higher employment and earnings contributed to retail sales growth of 6.2 per cent (the fastest since 1999) and residential construction investment growth estimated at 4.8 per cent. Non-residential building construction was down as some major projects (notably in Halifax) reached their conclusion.

Nova Scotia's international merchandise exports were up 2.6 per cent — with rising exports to Asia and Europe offsetting declining shipments to the US. Nova Scotia's manufacturing shipments grew 4.2 per cent in 2017, the same as in 2016.

Overall real GDP for 2017 is estimated to have grown by 1.4 per cent, with nominal growth of 3.3 per cent.

Nova Scotia Economic Outlook: In the immediate term, Nova Scotia's economic growth is expected to slow after stronger growth in 2017 (Chart 7.3). Real GDP is projected to rise by 1.0 per cent in 2018 and by 0.8 per cent in 2019. Nominal GDP is forecast to grow by 2.9 per cent in each of the next two years, slowing less than real GDP as inflation returns to its long run pace.

Chart 7.3 Nova Scotia's Economic Outlook
Annual change



Source: Statistics Canada, CANSIM table 384-0038; Department of Finance and Treasury Board projections

Over the medium term, Nova Scotia's economic growth is expected to accelerate again in 2020, but this is dependent on timing of major project activities — notably construction of combat vessels at the Halifax Shipyard — that are still subject to uncertainty.

Nova Scotia's labour force and employment are projected to rise slightly in 2018. The unemployment rate is expected to remain below the long run average at 8.5 per cent. Looking forward into 2019, the labour force is again expected to decline slightly, limiting employment growth while the unemployment rate edges down.

Although there is limited employment growth, nominal household consumption spending is expected to maintain growth of over 3.0 per cent as fiscal policy (including payment of long service awards for provincial public sector employees) increases household disposable income in 2018. For 2019, nominal household consumption spending growth is projected to slow to 2.4 per cent, consistent with long run trends.

In 2018, some major construction investments are expected to reach completion. In addition, investments in a number of multi-unit residential projects are expected to wind down at the same time as changes to mortgage rules diminish demand. Overall, slower capital formation is projected for 2018. However, public infrastructure investments, production from a new gold mine, and decommissioning of the Sable Offshore Energy Project are projected to offset some of the reductions in major project activity. Residential investment in Nova Scotia is expected to grow again by 2019, in line with assumptions about demographic growth and rising interest rates.

Export growth in non-energy commodities has made substantial contributions to Nova Scotia's economic growth in recent years. For 2018, Nova Scotia's international goods exports are projected to accelerate to 4.9 per cent growth in nominal terms as output from the new gold mine adds to the province's trade. Overall exports of goods and services are expected to grow by 4.3 per cent on improving economic conditions in Canada the US and among major trading partners globally. Imports (international and interprovincial) are expected to rise by 2.6 per cent in 2018, followed by 2.2 per cent in 2019.

From 2011 to 2016, there were a number of sectors that reported declining output, including resources, utilities, manufacturing, administrative/support services, and public administration (Table 7.2). The economic outlook for these sectors, measured by average annual real GDP growth in 2017, 2018, and 2019, is expected to improve compared to the previous five years. Compared with 2011–2016, the outlook for growth in the construction sector is expected to stall while growth in professional services output slows.

Table 7.2 Nova Scotia Outlook for GDP by Industry

Compound annual growth rates, real GDP at basic prices

Sector	Share of GDP 2016	Actual Growth 2011-16	Projected Growth 2016-19
Agriculture, forestry, fishing	2.9	-0.9	1.0
Mining, oil, gas	1.1	-6.1	-4.6
Utilities	2.1	-2.2	0.3
Construction	6.2	1.6	-0.1
Manufacturing	7.9	-1.4	1.9
Wholesale trade	4.0	0.3	0.9
Retail trade	6.4	1.0	1.4
Transportation	3.4	0.8	0.3
Information, culture	3.2	-0.2	0.7
Finance, insurance	5.6	0.4	1.1
Real estate, rental, leasing	15.7	2.0	2.3
Professional, technical	4.5	2.9	2.1
Company management	0.3	-3.5	0.0
Administration, support	2.1	-1.6	0.5
Education	6.7	0.3	0.4
Health care, social assistance	10.6	1.2	0.9
Arts, entertainment, recreation	0.6	2.3	1.5
Accommodation, food	2.5	1.0	1.0
Personal, repair	2.0	-0.2	1.1
Public administration	12.5	-0.7	0.6

Source: Statistics Canada, CANSIM tables 379-0028, 379-0030; Department of Finance and Treasury Board projections
Note: Real estate rental, leasing includes the imputed rent on owner-occupied dwellings

Risks to the economic forecast: These economic assumptions constitute forward-looking assessments of economic conditions and prospects, based on external data and information up to December 4, 2017. As new information is revealed after this date, the outlook in this forecast is subject to change. The Department of Finance and Treasury Board monitors new data and events that may result in a revised economic outlook. Any changes to the economic outlook will be published in future updates.

Although global economic growth has accelerated in 2017, there remain external risks that could affect Nova Scotia's economic outlook. With rising economic growth, several central banks have started or signaled monetary tightening. The impacts of monetary tightening on interest rates, investment, foreign exchange rates, and trade could affect the Nova Scotia economic outlook.

Re-negotiation of the North American Free Trade Agreement (NAFTA) remains uncertain and US leadership has adopted protectionist measures. Nova Scotia has recently diversified its exports to both Asia and Europe, but international trade remains a source of uncertainty in the economic forecast. Economic growth in China is currently slowing and the impacts of policy changes for the financial sector and household consumption are uncertain. The impacts of Brexit on the UK and EU economies also remains a source of risk to the economic forecast.

The US economy could outperform expectations in the short-run with tax reform measures or a slower tightening cycle supporting above potential growth for a longer period. Within Nova Scotia, sources of immediate uncertainty in domestic conditions remain modest. There are still long-run uncertainties around the effects of changing demographics on output, though recent evidence suggests that Nova Scotia's business sector has been able to adapt to this circumstance through rising productivity. The impacts of higher interest rates and new national housing market policies may be different for Nova Scotia than the expected impacts for Canada as a whole.

As is the practice for Budget economic forecasts, the outlook presented does not include the impacts of some major projects under consideration for Nova Scotia — this is an upside risk to the medium-term outlook. Among the major projects and events included in this forecast (shipbuilding, decommissioning Sable Offshore Energy project, gold production, infrastructure spending, tax changes, long-service award payments) there are some uncertainties around the timing of multi-year impacts.

Forecast Summary and Comparison With Private Sector

Table 7.3 presents a summary of the Nova Scotia economic outlook used in preparing the revenue estimates. The economic forecast contains data and information up to and including December 4, 2017, as well as fiscal planning assumptions as of February 14, 2018. The economic forecast was finalized and approved for use in fiscal planning as of February 21, 2018. The private sector forecast comparison is based on the average of published forecasts as of December 4, 2017.

Table 7.3 Summary Budget Economic Forecast
Per cent change, nominal values, except where noted

(Per cent change at current prices, except where noted)	2017	2018	2019
Real GDP ($2007 chained)	1.4%	1.0%	0.8%
Average of private sector forecasters: Real GDP	*1.4%*	*1.1%*	*0.9%*
Nominal GDP	3.3%	2.9%	2.9%
Average of private sector forecasters: Nominal GDP	*3.2%*	*3.0%*	*2.8%*
Compensation of Employees	2.4%	2.6%	1.6%
Household Income	2.5%	2.7%	2.2%
Household Final Consumption	3.4%	3.3%	2.4%
Retail Sales	5.3%	2.5%	1.7%
Average of private sector forecasters: Retail sales	*5.7%*	*3.4%*	*2.0%*
Consumer Price Index	1.1%	1.7%	2.0%
Average of private sector forecasters: CPI	*1.1%*	*1.7%*	*2.0%*
Residential Investment	4.8%	-2.9%	3.5%
Non-Residential, Machinery, Intellectual Property	2.0%	0.8%	2.4%
Net Operating Surplus: Corporations	5.1%	3.4%	3.7%
Net Mixed Income: Unincorporated	2.0%	1.8%	1.9%
Exports of Goods and Services	3.9%	4.3%	3.3%
Exports of Goods to Other Countries	3.6%	4.9%	3.4%
Imports of Goods and Services	3.4%	2.6%	2.2%
Population at July 1 (000s, all ages)	a953.9	957.1	959.5
Population at July 1 (000s, 18-64)	a602.9	600.8	597.4
Labour Force (000s)	490.0	491.0	490.1
Employment (000s)	449.0	449.3	449.6
Average of private sector forecasters: Employment	*449.5*	*449.5*	*450.5*
Unemployment Rate	8.4%	8.5%	8.3%
Average of private sector forecasters: Unemployment rate	*8.3%*	*8.3%*	*8.2%*

a~actual (forecast growth rates apply to actuals estimated as of December 4, 2017)

Note: non-residential, machinery, intellectual property refers to all categories of gross fixed capital formation except residential structures. This includes business as well as non-profit and government investment

Only a limited number of private sector forecasters make projections for nominal GDP and retail sales.

Economic Forecast Process and Review

Section 56(3)(b) of the *Finance Act* requires the Minister of Finance and Treasury Board to present the major economic assumptions made in preparing the fiscal plan.

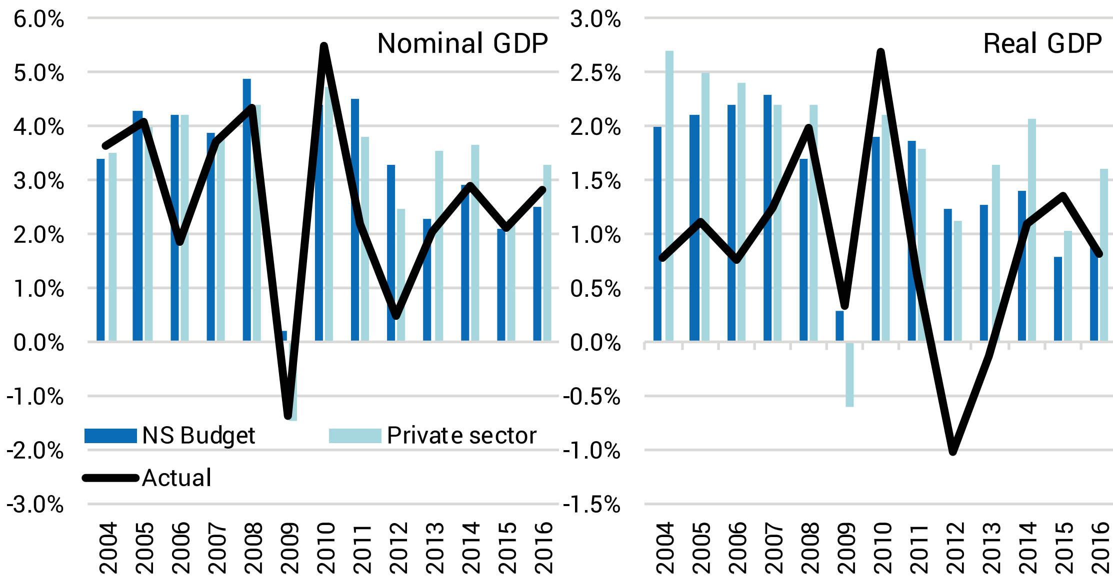
The Department of Finance and Treasury Board uses a proprietary econometric forecasting model to project the key indicators of Nova Scotia's economy. The model builds future projections on historical trends as well as external assumptions about global conditions. In the process of generating an economic forecast, staff identify conditions that are expected to deviate from historical trends and make appropriate adjustments to reflect these events. This exercise of professional judgment is documented and disclosed to decision-makers prior to releasing the economic forecast.

The Department of Finance and Treasury Board conducts challenge and review sessions to validate the economic forecast generated after Statistics Canada's release of the Provincial Economic Accounts. Before using economic assumptions and forecasts for budget planning, the Department of Finance and Treasury Board presents them to members of the academic community and leading private-sector forecasters who evaluate whether the exogenous assumptions and resulting economic forecasts form a reasonable and internally coherent basis for fiscal planning. Senior management of the Department of Finance and Treasury Board as well as staff from the Office of the Auditor General (OAG) participate in challenge sessions, so that they can hear credible, objective advice on whether the economic forecast is a reasonable basis for fiscal planning.

The Department of Finance and Treasury Board provides its economic outlook as part of the OAG's review of revenue estimates, scrutinizing the reasonableness of the forecast, consistent process, full disclosure of assumptions, professional judgment, and appropriate approvals.

The provincial economic forecast is intended to provide a reasonable basis for fiscal planning, but it is often different from the final economic results that drive revenue growth. These variances are typically caused by major events and shocks to the provincial economy as well as revisions to historical data (Chart 7.4).

Chart 7.4 Economic Forecast Accuracy



Source: Statistics Canada, CANSIM tables 384-0038; Department of Finance and Treasury Board Budget projections and private sector forecast averages

Economic Performance and Outlook – Key Indicators

Table 7.4 provides details of key indicators for Nova Scotia's economic performance and outlook.

Table 7.4 Nova Scotia Key Indicators

					ACTUAL
	2012	**2013**	**2014**	**2015**	**2016**
Gross domestic product at market prices ($millions current)	37,836	38,615	39,739	40,580	41,726
(% change)	*0.5%*	*2.1%*	*2.9%*	*2.1%*	*2.8%*
Gross domestic product at market prices ($2007, chained millions)	35,530	35,483	35,871	36,356	36,654
(% change)	*-1.0%*	*-0.1%*	*1.1%*	*1.4%*	*0.8%*
Compensation of employees ($millions current)	20,346	20,838	21,303	21,775	22,162
(% change)	*1.8%*	*2.4%*	*2.2%*	*2.2%*	*1.8%*
Household income ($millions current)	36,686	37,690	38,603	39,791	40,813
(% change)	*2.9%*	*2.7%*	*2.4%*	*3.1%*	*2.6%*
Household final consumption expenditure ($millions current)	26,909	27,762	28,562	28,848	29,512
(% change)	*2.6%*	*3.2%*	*2.9%*	*1.0%*	*2.3%*
Retail sales ($millions current)	13,239	13,663	14,038	14,063	14,703
(% change)	*1.1%*	*3.2%*	*2.7%*	*0.2%*	*4.6%*
Consumer Price Index (all-items, Index 2002=100)	125.1	126.6	128.8	129.3	130.9
(% change)	*2.0%*	*1.2%*	*1.7%*	*0.4%*	*1.2%*
Business gross fixed capital formation: residential ($millions current)	2,711	2,723	2,397	2,569	2,726
(% change)	*4.5%*	*0.4%*	*-12.0%*	*7.2%*	*6.1%*
Gross fixed capital formation: non-res., M&E, gov't, IP ($millions current)	4,773	5,144	5,312	5,549	6,165
(% change)	*-15.8%*	*7.8%*	*3.3%*	*4.5%*	*11.1%*
Net operating surplus: corporations ($millions current)	2,284	2,165	2,566	2,247	2,627
(% change)	*-17.1%*	*-5.2%*	*18.5%*	*-12.4%*	*16.9%*
Net mixed income: unincorporated ($millions current)	4,005	4,049	4,188	4,328	4,467
(% change)	*2.8%*	*1.1%*	*3.4%*	*3.3%*	*3.2%*
Exports of goods and services ($millions current)	15,098	14,931	14,327	14,947	15,410
(% change)	*-1.3%*	*-1.1%*	*-4.0%*	*4.3%*	*3.1%*
Exports of goods to other countries ($millions current)	5,726	5,251	5,023	5,315	5,413
(% change)	*-2.5%*	*-8.3%*	*-4.3%*	*5.8%*	*1.8%*
Imports of goods and services ($millions current)	25,518	26,148	25,207	26,092	26,960
(% change)	*-1.5%*	*2.5%*	*-3.6%*	*3.5%*	*3.3%*
Population (all ages, 000s July 1)	944.9	943.0	942.2	941.5	948.6
(% change)	*0.1%*	*-0.2%*	*-0.1%*	*-0.1%*	*0.8%*
Population (ages 18-64, 000s July 1)	615.1	609.7	605.5	601.0	602.5
(% change)	*-0.6%*	*-0.9%*	*-0.7%*	*-0.7%*	*0.2%*
Labour Force (000s)	503.5	497.7	491.6	490.2	486.6
(% change)	*1.1%*	*-1.2%*	*-1.2%*	*-0.3%*	*-0.7%*
Participation rate (%)	64.4%	63.7%	62.8%	62.4%	61.7%
(change)	*0.5%*	*-0.7%*	*-0.9%*	*-0.4%*	*-0.7%*
Employment (000s)	457.6	452.6	447.6	448.1	446.2
(% change)	*1.0%*	*-1.1%*	*-1.1%*	*0.1%*	*-0.4%*
Employment Rate (%)	58.5%	57.9%	57.2%	57.0%	56.6%
(change)	*0.4%*	*-0.6%*	*-0.7%*	*-0.2%*	*-0.4%*
Unemployment Rate (%)	9.1%	9.1%	9.0%	8.6%	8.3%
(change)	*0.1%*	*0.0%*	*-0.1%*	*-0.4%*	*-0.3%*

		FORECAST		Avg.	Avg.
	2017	**2018**	**2019**	***2012-16***	***2017-19***
Gross domestic product at market prices ($millions current)	43,099	44,329	45,604		
(% change)	*3.3%*	*2.9%*	*2.9%*	*2.1%*	*3.0%*
Gross domestic product at market prices ($2007, chained millions)	37,153	37,538	37,823		
(% change)	*1.4%*	*1.0%*	*0.8%*	*0.4%*	*1.1%*
Compensation of employees ($millions current)	22,693	23,278	23,652		
(% change)	*2.4%*	*2.6%*	*1.6%*	*2.1%*	*2.2%*
Household income ($millions current)	41,836	42,960	43,896		
(% change)	*2.5%*	*2.7%*	*2.2%*	*2.7%*	*2.5%*
Household final consumption expenditure ($millions current)	30,526	31,522	32,281		
(% change)	*3.4%*	*3.3%*	*2.4%*	*2.4%*	*3.0%*
Retail sales ($millions current)	15,477	15,868	16,134		
(% change)	*5.3%*	*2.5%*	*1.7%*	*2.4%*	*3.2%*
Consumer Price Index (all-items, Index 2002=100)	132.3	134.6	137.3		
(% change)	*1.1%*	*1.7%*	*2.0%*	*1.3%*	*1.6%*
Business gross fixed capital formation: residential ($millions current)	2,857	2,774	2,871		
(% change)	*4.8%*	*-2.9%*	*2.9%*	*1.2%*	*1.6%*
Gross fixed capital formation: non-res., M&E, gov't, IP ($millions current)	6,287	6,337	6,491		
(% change)	*2.0%*	*0.8%*	*2.4%*	*2.2%*	*1.7%*
Net operating surplus: corporations ($millions current)	2,760	2,854	2,959		
(% change)	*5.1%*	*3.4%*	*3.7%*	*0.1%*	*4.0%*
Net mixed income: unincorporated ($millions current)	4,556	4,636	4,724		
(% change)	*2.0%*	*1.8%*	*1.9%*	*2.8%*	*1.9%*
Exports of goods and services ($millions current)	16,012	16,697	17,249		
(% change)	*3.9%*	*4.3%*	*3.3%*	*0.2%*	*3.8%*
Exports of goods to other countries ($millions current)	5,608	5,884	6,083		
(% change)	*3.6%*	*4.9%*	*3.4%*	*-1.5%*	*4.0%*
Imports of goods and services ($millions current)	27,886	28,606	29,229		
(% change)	*3.4%*	*2.6%*	*2.2%*	*0.9%*	*2.7%*
Population (all ages, 000s July 1)	953.9	957.1	959.5		
(% change)	*0.6%*	*0.3%*	*0.3%*	*0.1%*	*0.4%*
Population (ages 18-64, 000s July 1)	602.9	600.9	597.4		
(% change)	*0.1%*	*-0.3%*	*-0.6%*	*-0.5%*	*-0.3%*
Labour Force (000s)	490.0	491.0	490.1		
(% change)	*0.7%*	*0.2%*	*-0.2%*	*-0.5%*	*0.2%*
Participation rate (%)	61.8%	61.7%	61.4%	*63.0%‡*	*61.6%‡*
(change)	*0.1%*	*-0.1%*	*-0.3%*		
Employment (000s)	449.0	449.3	449.6		
(% change)	*0.6%*	*0.1%*	*0.1%*	*-0.3%*	*0.3%*
Employment Rate (%)	56.6%	56.4%	56.3%	*57.4%‡*	*56.4%‡*
(change)	*0.0%*	*-0.2%*	*-0.1%*		
Unemployment Rate (%)	8.4%	8.5%	8.3%	*8.8%‡*	*8.4%‡*
(change)	*0.1%*	*0.1%*	*-0.2%*		

‡ average level over period, not average change

Note: Highlighted material are forecast estimates

Gross fixed capital formulation of non-residential structures, machinery, equipment, intellectual property, includes government and non-profit sector investments as well as business sector investments.

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NOVA SCOTIA