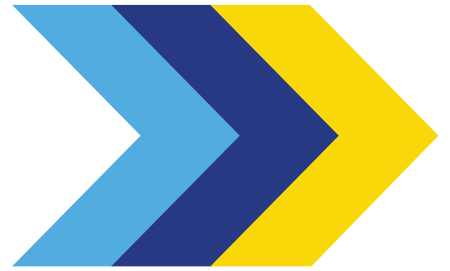


BUDGET

2022-23



Solutions for Healthcare
Solutions for Nova Scotians



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Budget 2022–23
Finance and Treasury Board
March 2022

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Contents

1. Introduction	1
2. Budget Overview	3
3. Four-Year Fiscal Plan: 2022–23 to 2025–26	7
4. Report of the Auditor General on the Revenue Estimates	13
5. 2021–22 Budget Forecast Update	19
6. Budget 2022–23	27
7. Economic Outlook	51
8. Borrowing and Debt Management	71

1. Introduction

Solutions for Healthcare, Solutions for Nova Scotians

Budget 2022–23 is a compassionate budget that focuses on solutions to Nova Scotia’s most pressing challenges and our most basic needs.

Solutions include fixing healthcare, growing our population, strengthening our economy, and investing in supports for Nova Scotian families and communities.

This budget reflects that healthcare is the most important issue for Nova Scotians and government’s top priority. Innovation and decisive action are required to achieve real and lasting solutions. Budget 2022–23 is focused on:

- Solutions for Healthcare: laying the foundation for mental health, improving access to primary care and investing in long-term care
- Solutions for our Economy: housing, business, economy/workforce
- Solutions for our Future: environment, education, supporting Nova Scotians

Like other provinces, Nova Scotia’s economic growth was interrupted by the COVID-19 global pandemic. While the province had the second smallest economic contraction in Canada in 2020, it was still the largest in decades. In 2021, Nova Scotia’s economy made a good recovery from the pandemic, in part due to strong adherence by Nova Scotians to public health measures, limiting the extent of lock-down periods. There continue to be some industries that will take time to recover. A rising population (now over 1 million), improving exports and employment, and capital investment will continue to improve the province’s economic opportunities.

The province is making generational investments to renew and rebuild important infrastructure. The Capital Plan 2022–23 invests the largest single-year capital funding in the province’s history, to provide greater access to modern hospitals and medical equipment, schools, highways, and other improved infrastructure.

The province is well-positioned to make these priority investments, especially in healthcare. Budget 2022–23’s revenues are increasing relative to previous year estimates. The Government of Nova Scotia continues to place emphasis on a sustainable fiscal position. In its four-year fiscal plan, Government is planning for reducing deficits over the four-year planning horizon.

2. Budget Overview

The Operating Budget contains the estimates of revenue and expenditures that establish the financial plan of the province for the 2022–23 fiscal year, commencing April 1, 2022.

In 2021, Nova Scotia's economy largely recovered from the shock of the COVID-19 pandemic. This contributed to the better-than-expected fiscal position for the province, with a forecasted budgetary surplus for 2021–22. This positions the province well to make priority investments, especially in healthcare, in order to achieve its objectives. The Province of Nova Scotia is tabling a budget with an estimated deficit of \$506.2 million for 2022–23 (Table 2.1).

Table 2.1 Summary Nova Scotia 2022–23 Operating Budget

(\$ thousands)

	2021-22 Estimate	2021-22 Forecast	2022-23 Estimate
General Revenue Fund			
Revenues			
Ordinary Revenues	10,696,926	11,713,973	11,440,457
Ordinary Recoveries	684,998	764,275	801,635
Net Income from Government Business Enterprises	399,896	399,792	419,818
Total Revenues	11,781,820	12,878,040	12,661,910
Expenses			
Departmental Expenses	11,509,399	12,079,752	12,422,746
Refundable Tax Credits	144,698	104,992	121,828
Pension Valuation Adjustment	107,833	62,078	71,480
Debt Servicing Costs	710,886	682,157	676,402
Total Expenses	12,472,816	12,928,979	13,292,456
Consolidation and Accounting Adjustments			
General Revenue Fund Consolidation Adjustments	109,581	59,667	130,043
Special Purpose Funds	(901)	(1,200)	(105)
Other Organizations	(2,629)	100,150	(5,576)
Total Consolidation and Accounting Adjustments	106,051	158,617	124,362
Provincial Surplus (Deficit)	(584,945)	107,678	(506,184)

Table 2.2 Budget Summary – Highlights

(\$ thousands)

	2021-22 Estimate	2021-22 Forecast	2022-23 Estimate
Total Revenues	11,781,820	12,878,040	12,661,910
Total Expenses	12,472,816	12,928,979	13,292,456
Consolidation and Accounting Adjustments	106,051	158,617	124,362
Provincial Surplus (Deficit)	(584,945)	107,678	(506,184)
Provincial Revenue Sources			
Personal Income Tax	2,945,359	3,172,804	3,282,916
Corporate Income Tax	500,223	517,765	535,713
Harmonized Sales Tax	2,025,505	2,080,000	2,176,660
Cannabis Tax	7,756	12,220	13,442
Vaping Tax	4,305	3,416	3,416
Non-resident Deed Transfer Tax	---	---	15,497
Non-resident Property Tax	---	---	65,544
Motive Fuel Tax	238,632	253,183	255,100
Tobacco Tax	185,850	185,441	170,631
Other Tax Revenue	193,224	189,786	200,633
Prior Years' Adjustments - Provincial Taxes	---	385,555	---
Registry of Motor Vehicles	136,985	140,463	135,816
Other Provincial Sources	150,841	252,852	150,129
TCA Cost Shared Revenue	7,833	2,689	12,871
Other Fees and Charges	60,036	53,672	58,692
Prior Years' Adjustments - Other Provincial Revenue	---	---	---
Interest Revenues	70,978	76,921	93,610
Sinking Fund Earnings	34,929	39,782	18,454
Ordinary Recoveries	359,679	345,956	358,348
Net Income from Government Business Enterprises	399,896	399,792	419,818
Total - Provincial Sources	7,322,031	8,112,297	7,967,290
Federal Revenue Sources			
Equalization Payments	2,315,000	2,315,000	2,458,356
Canada Health Transfer	1,109,000	1,219,992	1,175,357
Canada Social Transfer	398,000	400,779	414,378
Offshore Accord	44,000	129,626	47,772
Crown Share	---	---	---
Other Federal Sources	60,458	117,195	45,314
TCA Cost Shared Revenue	208,012	162,212	110,156
Prior Years' Adjustments	---	2,620	---
Ordinary Recoveries	325,319	418,319	443,287
Total - Federal Sources	4,459,789	4,765,743	4,694,620
Expenses			
Advanced Education	657,803	799,804	676,617
Agriculture	40,613	40,772	40,499
Communities, Culture, Tourism and Heritage	137,769	252,817	141,951
Community Services	1,124,314	1,106,668	1,217,652
Economic Development	104,923	152,432	96,529
Education and Early Childhood Development	1,591,394	1,641,037	1,751,280
Environment and Climate Change	44,379	46,125	37,901
Finance and Treasury Board	26,034	25,834	28,877
Fisheries and Aquaculture	19,493	18,047	17,698
Health and Wellness	4,025,905	4,109,259	4,266,326
Justice	392,342	408,285	415,750
Labour, Skills and Immigration	203,446	282,836	207,493
Municipal Affairs and Housing	321,024	455,055	400,479
Natural Resources and Renewables	149,801	193,397	134,886
Public Service	379,118	397,570	415,909
Public Works	579,134	576,428	606,960
Seniors and Long-term Care	1,061,780	1,130,173	1,204,270
Service Nova Scotia and Internal Services	328,485	328,229	359,570
Restructuring Costs	321,642	114,984	402,099
Refundable Tax Credits	144,698	104,992	121,828
Pension Valuation Adjustment	107,833	62,078	71,480
Debt Servicing Costs	710,886	682,157	676,402
Total - Expenses	12,472,816	12,928,979	13,292,456

Revenues: Total Revenues for 2022–23 are projected to be \$12.7 billion, an increase of \$880.1 million or 7.5 per cent over the 2021–22 estimate. This revenue increase is attributable to a \$645.3 million or 8.8 per cent increase in provincial source revenues, and a \$234.8 million or 5.3 per cent increase in federal source revenues (Table 2.2).

Expenses: Total Expenses for fiscal year 2022–23 including Consolidation and Accounting Adjustments are budgeted at \$13.2 billion, up \$801.3 million or 6.5 per cent from the 2021–22 estimate. Taken separately, Total Expenses are up \$819.6 million or 6.6 per cent from the 2021–22 estimate while Consolidation and Accounting Adjustments have increased \$18.3 million or 17.3 per cent from the 2021–22 estimate (Table 2.2).

Economic Growth: The economy is expected to return to more normal levels of growth following a rebound in 2021 from the economic contraction caused by the pandemic. In 2020, Nova Scotia’s economy grew by 0.7 per cent in nominal Gross Domestic Product (GDP) and contracted by 2.5 per cent in real GDP. For 2021, the economic outlook projects that nominal GDP grew by 7.0 per cent and real GDP by 3.1 per cent. Nominal GDP is projected to grow by 5.1 per cent in 2022 and 3.5 per cent in 2023. Real GDP growth is projected at 2.1 per cent in 2022 and 1.6 per cent in 2023.

Net Debt: The Net Debt of the province is expected to be \$16.8 billion for the year ending March 31, 2022 and \$18.4 billion for the year ending March 31, 2023, primarily reflecting investments from the 2022–23 capital plan and the budget deficit. The estimate for 2022–23 is \$0.4 billion above the 2021–22 estimate and \$1.6 billion above the 2021–22 forecast.

The Net Debt-to-GDP ratio for 2021–22 is forecast to be 33.5 per cent instead of 37.9 per cent as projected in Budget 2021–22 (Table 2.3). The decrease in the Net Debt-to-GDP ratio reflects an upward adjustment to forecasted nominal GDP for 2021 and improved 2020–21 year end results. In 2022–23, the Net Debt-to-GDP ratio is expected to be 34.9 per cent.

Table 2.3 Budget Summary – Net Debt-to-GDP

	2021-22 Estimate	2021-22 Forecast	2022-23 Estimate
Net Debt (\$ billions)	18.0	16.8	18.4
Nominal GDP (\$ billions)	47.4	50.1	52.7
Net Debt-to-GDP Ratio	37.9%	33.5%	34.9%

Budget 2022–23 shows that the province remains in good fiscal health despite the impact of the COVID-19 pandemic. Following a balanced budget forecast for 2021–22, government continues to move forward on its priorities, with a focus on healthcare. Given the continuing uncertainty around the epidemiology of the pandemic and other economic events outside of the province’s control, the estimates may not unfold as budgeted. Subsequent information will be used in future forecast updates to assess Nova Scotia’s fiscal progress.

3. Four-Year Fiscal Plan: 2022–23 to 2025–26

Medium-Term Outlook

The Four-Year Fiscal Plan indicates that government will achieve a budget surplus for 2021–22. This is a significant improvement from the budgetary deficit expected in the 2021–22 Budget Estimates. The province will run a deficit in 2022–23 and in each year throughout the Four-Year Fiscal Plan in order to make investments in priority areas such as healthcare. The fiscal position of the province is expected to improve over the four-year fiscal plan horizon, with declining annual deficits (Table 3.1).

Table 3.1 Four-Year Fiscal Plan – Projections 2022–23 to 2025–26

(\$ millions)

General Revenue Fund	2021-22 Estimate	2021-22 Forecast	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate	2025-26 Estimate
Revenues						
Ordinary Revenues	10,696.9	11,714.0	11,440.5	11,656.5	12,051.0	12,440.1
Ordinary Recoveries	685.0	764.3	801.6	818.0	763.7	764.9
Net Income from Government Business Enterprises	399.9	399.8	419.8	436.0	449.1	457.0
Total Revenues	11,781.8	12,878.0	12,661.9	12,910.5	13,263.8	13,662.0
Expenses						
Departmental Expenses	11,509.4	12,079.8	12,422.7	12,434.1	12,704.5	13,019.9
Refundable Tax Credits	144.7	105.0	121.8	123.1	124.1	124.9
Pension Valuation Adjustment	107.8	62.1	71.5	69.6	79.5	71.7
Debt Servicing Costs	710.9	682.2	676.4	704.0	734.1	739.9
Total Expenses	12,472.8	12,929.0	13,292.5	13,330.8	13,642.2	13,956.4
Consolidation and Accounting Adjustments	106.1	158.6	124.4	1.4	1.1	0.7
Provincial Surplus (Deficit)	(584.9)	107.7	(506.2)	(418.8)	(377.3)	(293.7)
Net Debt	17,976	16,806	18,397	20,130	21,779	22,875
Nominal GDP	47,387	50,124	52,667	54,522	55,491	57,118
Net Debt-to-GDP Ratio	37.9%	33.5%	34.9%	36.9%	39.2%	40.0%

Budget 2022–23 projects a deficit of \$506.2 million, which is a decrease of \$613.9 million from the forecasted surplus for 2021–22. Government is expecting gradually declining deficits over the four-year planning horizon, with the deficit declining to \$293.7 million by 2025–26.

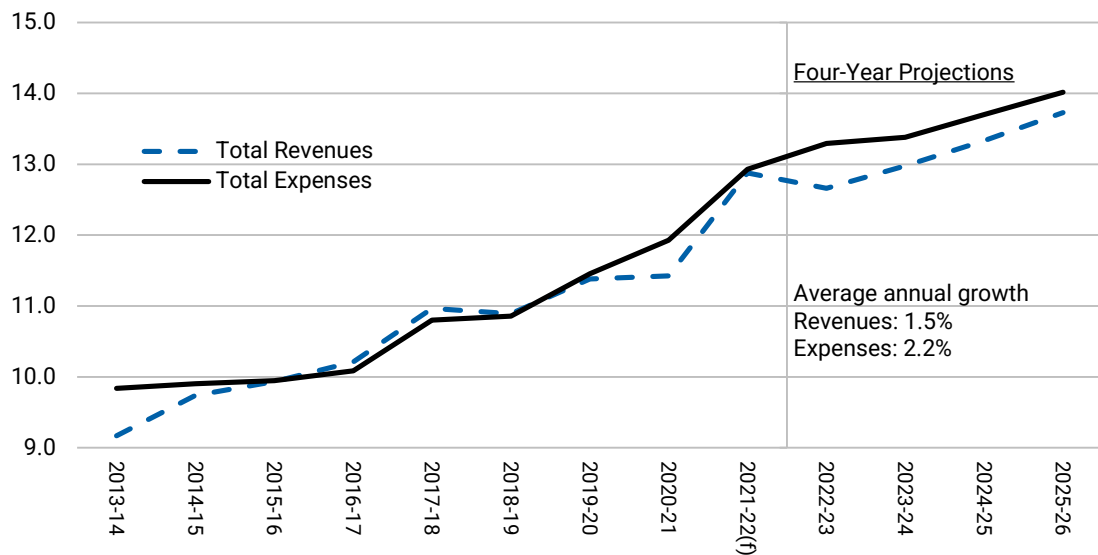
Net Debt, which includes operating deficits and net capital spending, is expected to increase by \$0.4 billion in 2021–22 to \$16.8 billion and increase by a further \$1.6 billion in 2022–23 to \$18.4 billion.

The Net Debt is expected to be \$22.9 billion by 2025–26. The debt arising from operating deficits is expected to add close to \$1.5 billion to the Net Debt between 2021–22 and 2025–26. The remaining increase in debt is reflective of government’s capital plans over the four-year period, which includes major projects such as the QEII redevelopment, other large healthcare projects in Cape Breton Regional Municipality, the Bayers Lake Community Outpatient Centre, the twinning of Highway 104 between Sutherlands River and Antigonish, Nova Scotia Community College development projects, and the new Art Gallery of Nova Scotia.

Revenue and Expenses

For 2022–23, Total Revenue is estimated to grow by 7.5 per cent compared to the 2021–22 estimate (down 1.7 per cent from the final forecast). Average annual growth in Total Revenue is projected to be 1.5 per cent over the four-year fiscal period (Chart 3.1).

Chart 3.1 Revenues and Expenses – Projections 2022–23 to 2025–26
(\$ billions)



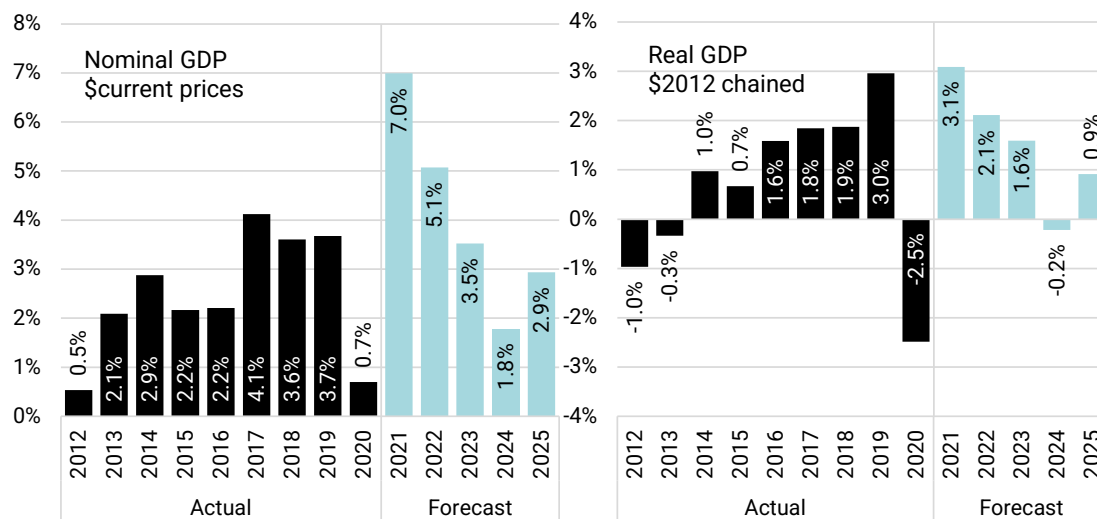
In 2022–23, Total Expenses, including Consolidation and Accounting Adjustments, are projected to increase by 6.5 per cent compared to the 2021–22 estimate (up 3.1 per cent from the final forecast). Average annual growth in Total Expenses is projected to be 2.2 per cent over the four-year fiscal period. The average annual growth over the four-year fiscal period for revenues and expenses is heavily influenced by the decrease in revenues and increase in expenses between fiscal years 2021–22 and 2022–23. From 2023–24 onward, spending is growing at a slower pace (2.0 per cent) than revenue (2.6 per cent), resulting in declining deficits over the four-year projection period.

Economic Outlook

The province’s medium-term economic outlook forms the basis for revenue projections and provides the benchmark for assessing the relative size of government and debt. Any economic projection is subject to forecast uncertainty, especially beyond the short term.

Chart 3.2 Nova Scotia’s Medium-Term Economic Outlook – GDP Growth

(Annual change, real GDP in \$2012 chained)



Source: Statistics Canada, Table 36-10-0222-01 Gross domestic product, expenditure-based, provincial and territorial, annual (x 1,000,000); Department of Finance and Treasury Board projections

Prior to the outbreak of the global pandemic in 2020, Nova Scotia’s economy had enjoyed stronger growth, with rising population, labour force and employment as well as several years of strong productivity growth.

The COVID-19 pandemic interrupted this trend with a 2.5 per cent decline in real Gross Domestic Product (GDP) and only a 0.7 per cent increase in nominal GDP in 2020

(Chart 3.2). However, Nova Scotia's economy and employment has largely recovered from this shock in 2021. Population growth has accelerated, and the medium-term demographic outlook now incorporates an improvement in immigration patterns. Over the medium-term, Nova Scotia's economic growth is expected to realign with previous growth trends.

Nova Scotia's medium-term economic growth also depends on the interaction of renewed population growth, productivity improvements, private capital investments, and international exports. There is a significant risk of a prolonged supply shock and inflationary period associated with Russia's invasion of Ukraine.

Nova Scotia's medium-term outlook is sensitive to assumptions about major project investment activities. In 2024, Nova Scotia's real GDP is projected to contract slightly, as capital project activity is lower while the economy slows and converges to pre-pandemic trends. The timing and economic impacts of these medium-term project expenditures are subject to change, particularly if there are capacity constraints in the construction industry or new projects arise.

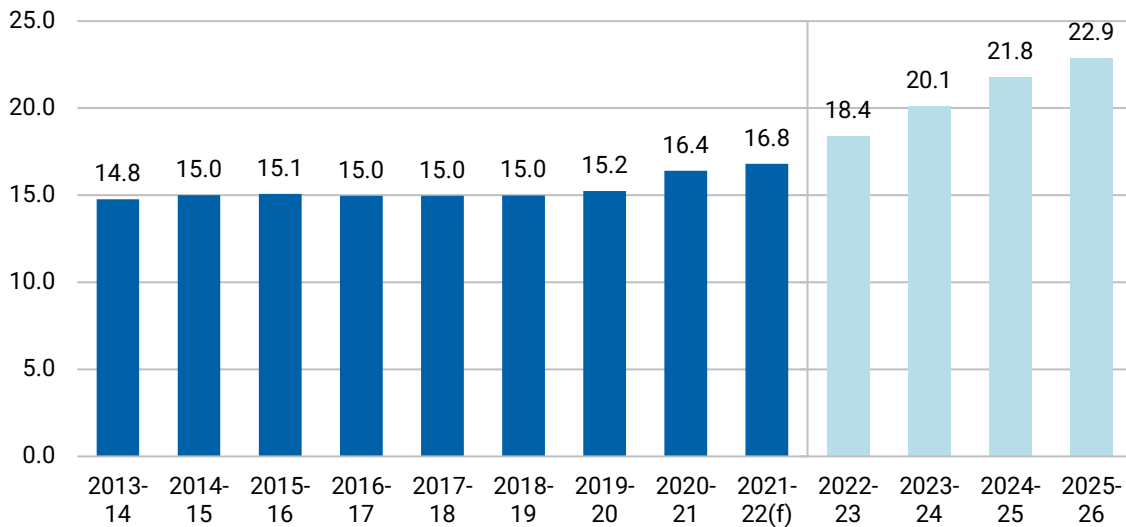
Debt

The Net Debt of the province is expected to be \$16.8 billion for the 2021–22 year end and \$18.4 billion for the 2022–23 year end (Chart 3.3). The total Net Debt will grow over the four-year planning horizon, reflecting generational investments in infrastructure, reaching \$22.9 billion in 2025–26.

The Government of Nova Scotia continues to prioritize a sustainable fiscal position. Even with the impacts of the COVID-19 pandemic and generational investments in healthcare, education, and transportation infrastructure, the Net Debt position of Nova Scotia, although higher, remains in a relatively good position.

Chart 3.3 Projected Net Debt

(\$ billions)

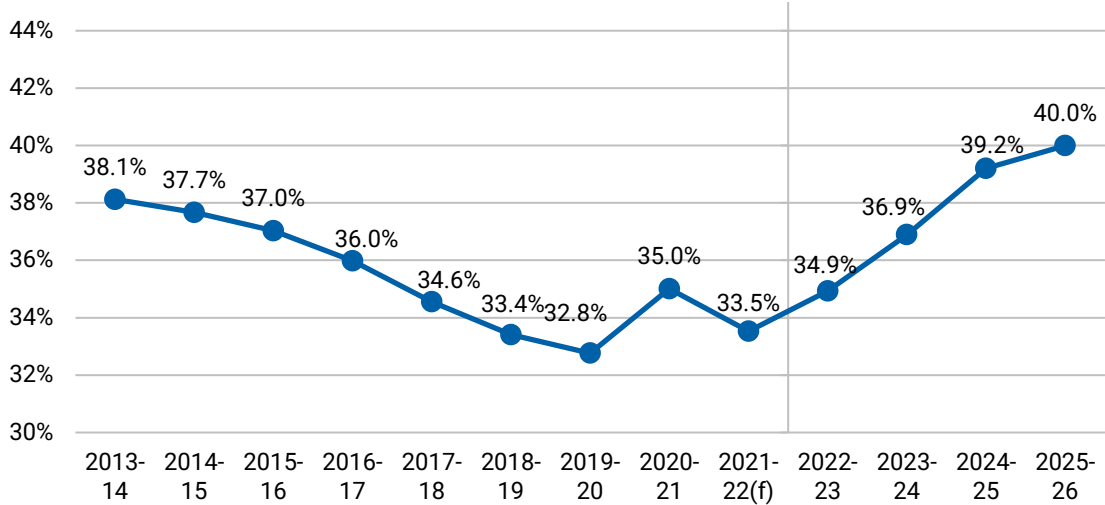


Note: Adoption of the Public Sector Accounting Standards PS 3280 Asset Retirement Obligations; PS 3450 Financial Instruments; PS 3041 Portfolio Investments; PS 2601 Foreign Currency Translation; and PS 1201 Financial Statement Presentation – A new accounting standard for recognizing obligations associated with the retirement of tangible capital assets and a suite of new accounting standards related to financial instruments are effective beginning in the 2022-23 fiscal year. The extent of the impact of the adoption of the new accounting standards is still being assessed and has not yet been fully determined. The financial impact of these new standards will be reported for the first time in the Public Accounts for the fiscal year ending March 31, 2023.

In November 2021, Statistics Canada released GDP data for 2020, which led to a higher GDP figure being used in the Net Debt-to-GDP ratio than what was forecasted for Public Accounts. The 2020–21 Net Debt-to-GDP ratio was revised to 35.0 per cent using this actual 2020 GDP figure.

Nova Scotia’s Net Debt-to-GDP ratio is forecast to be 33.5 per cent for 2021–22, a decrease of 1.5 per cent year over year, as a result of improved nominal GDP and ending the year in a surplus position. Budget 2022–23 projects that the ratio will be 34.9 per cent in 2022–23 (Chart 3.4).

Chart 3.4 Projected Net Debt-to-GDP Ratio
(percentage of GDP)



The Net Debt-to-GDP ratio is expected to rise over the next four years to 40.0 per cent by 2025-26, because of generational investments in capital infrastructure projects such as hospitals, schools, and highways.

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.



Finance & Treasury Board

Office of the Deputy Minister

RE: Management's Responsibility for the 2022-23 Revenue Estimates of the Province of Nova Scotia

The Nova Scotia Department of Finance and Treasury Board is responsible for the preparation of the 2022-23 Revenue Estimates of the Province of Nova Scotia and for ensuring the 2022-23 Revenue Estimates are reasonable and are presented fairly.

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

The 2022-23 Revenue Estimates of the Province of Nova Scotia have been prepared on a basis consistent with the accounting policies to be used by Government in its preparation of the consolidated financial statements of the Province of Nova Scotia for the year ended March 31, 2023. The assumptions underlying the 2022-23 Revenue Estimates reflect management's judgment as to a reasonable set of economic conditions and Government's planned courses of action for fiscal year 2022-23.

A handwritten signature in black ink, appearing to read 'K. Dean'.

Kelliann Dean
Deputy Minister of Finance and Treasury Board



Auditor General of Nova Scotia

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Halifax, Nova Scotia, B3J 1M7

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 2022-23 Revenue Estimates of the Province of Nova Scotia are not, in all material respects, fairly stated in accordance with the criteria.

Basis for my Report on the 2022-23 Revenue Estimates of the Province of Nova Scotia

Under Section 20 of the Auditor General Act, my office is mandated to conduct a review (limited assurance engagement) and provide a report as to whether the Revenue Estimates of the Province 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 are presented fairly.

The criteria used to assess whether the 2022-23 Revenue Estimates of the Province of Nova Scotia are reasonable and presented fairly are that:

- the 2022-23 Revenue Estimates are prepared on a basis consistent with the accounting policies to be used by Government in its preparation of the consolidated financial statements of the Province of Nova Scotia for the year ended March 31, 2023, which are prepared in accordance with Canadian public sector accounting standards; and
- the assumptions underlying the 2022-23 Revenue Estimates reflect a reasonable set of economic conditions and Government's planned courses of action for fiscal year 2022-23.

Since the 2022-23 Revenue Estimates 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 2022-23 Revenue Estimates will actually be achieved as budgeted. My Independent Limited Assurance Report does not cover the 2022-23 expense estimates of the Province of Nova Scotia, Government's overall estimated results and any resulting surplus or deficit, or the budget address. My Report also does not cover the prior year's forecast or actual information provided for comparative purposes.

Significant Inherent Limitation – Additional Uncertainty due to COVID-19

The COVID-19 pandemic has resulted in increased uncertainty in the economic conditions of the Province of Nova Scotia and the 2022-23 Revenue Estimates. This uncertainty represents a significant inherent limitation in the measurement of the 2022-23 Revenue Estimates, as the full extent and duration of the impact of COVID-19 is not yet known. As more information on the impact of COVID-19 on the Province's 2022-23 Revenue Estimates becomes available, adjustments to the Revenue Estimates may be necessary and these adjustments may be significant. The 2022-23 Revenue Estimates represent management's best estimates incorporating the estimated impact of COVID-19 based on information currently available. My conclusion is not modified as a result of this limitation.

Management's Responsibility for the 2022-23 Revenue Estimates of the Province of Nova Scotia

The Nova Scotia Department of Finance and Treasury Board is responsible for the preparation of the 2022-23 Revenue Estimates of the Province of Nova Scotia and for ensuring the 2022-23 Revenue Estimates are reasonable and presented fairly. The Nova Scotia Department of Finance and Treasury Board is responsible for ensuring that the 2022-23 Revenue Estimates are prepared on a basis consistent with the accounting policies to be used by Government in its preparation of the consolidated financial statements of the Province of Nova Scotia for the year ended March 31, 2023, and that the assumptions underlying the 2022-23 Revenue Estimates reflect a reasonable set of economic conditions and Government's planned courses of action for fiscal year 2022-23.

Auditor General's Responsibility

My responsibility is to provide a conclusion and report on whether the 2022-23 Revenue Estimates are reasonable and are presented fairly based on the limited assurance procedures performed and evidence obtained. I conducted a limited assurance engagement in accordance with the Canadian Standard on Assurance Engagements (CSAE) 3000 - *Attestation engagements other than audits or reviews of historical financial information*.

My office applies the Canadian Standard on Quality Control 1 – *Quality control for firms that perform audits and reviews of financial statements, and other assurance engagements* 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 Chartered Professional Accountants of Nova Scotia CPA Code of Professional Conduct 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 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.



Kim Adair, FCPA, FCA, ICD.D
Auditor General of Nova Scotia

Halifax, Nova Scotia
March 29, 2022

Table 4.1 Revenues By Source
(\$ thousands)

	2022-23 Estimate
General Revenue Fund: Revenues	
Ordinary Revenues - Provincial Sources	
Tax Revenue:	
Personal Income Tax	3,282,916
Corporate Income Tax	535,713
Harmonized Sales Tax	2,176,660
Cannabis Tax	13,442
Vaping Tax	3,416
Non-resident Deed Transfer Tax	15,497
Non-resident Property Tax	65,544
Motive Fuel Tax	255,100
Tobacco Tax	170,631
Other Tax Revenue	200,633
	6,719,552
Other Provincial Revenue:	
Registry of Motor Vehicles	135,816
Petroleum Royalties	---
Other Provincial Sources	150,129
TCA Cost Shared Revenue - Provincial Sources	12,871
Other Fees and Charges	58,692
Gain on Disposal of Assets	---
	357,508
Investment Income:	
Interest Revenues	93,610
Sinking Fund Earnings	18,454
	112,064
Total - Provincial Sources	7,189,124
Ordinary Revenues - Federal Sources	
Equalization Payments	2,458,356
Canada Health Transfer	1,175,357
Canada Social Transfer	414,378
Offshore Accord	47,772
Crown Share	---
Other Federal Sources	45,314
TCA Cost Shared Revenue - Federal Sources	110,156
Total - Federal Sources	4,251,333
Total - Ordinary Revenues	11,440,457
Ordinary Recoveries	
Provincial Sources	358,348
Federal Sources	443,287
Total - Ordinary Recoveries	801,635
Net Income from Government Business Enterprises (GBEs)	
Nova Scotia Liquor Corporation	270,446
Nova Scotia Gaming Corporation	138,300
Halifax-Dartmouth Bridge Commission	8,476
Highway 104 Western Alignment Corporation	2,596
Total - Net Income from GBEs	419,818
Total - Revenues of the General Revenue Fund	12,661,910 ¹
Total Governmental Unit Third Party Revenues (Table 4.2)	985,322
Total - Revenues of the Province	13,647,232

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)

	2022-23 Estimate
Regional Centres for Education and Nova Scotia Community College	444,893
Provincial Health Authorities	242,916
Housing Nova Scotia	141,508
Resource Recovery Fund Board	71,547
Green Fund	27,953
Governmental Units with third party revenues less than \$10 Million	56,505
Total - Governmental Unit Third Party Revenues	985,322 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.

5. 2021–22 Budget Forecast Update

The final Forecast Update provides revised information about Nova Scotia's 2021–22 fiscal outlook, including updated information about the major components of revenue and expenses as set out in the 2021–22 Budget Estimates.

Relative to the 2021–22 Budget Estimates, the province is forecasting a significant improvement of the provincial budget position. This is largely attributed to better-than-expected economic performance, resulting in additional revenue for the province, including significant one-time prior year adjustments.

The Province of Nova Scotia is forecasting a surplus of \$107.7 million for the year ending March 31, 2022, which is up \$692.6 million from the budgeted deficit of \$584.9 million (Table 5.1). The difference is due to Total Revenues being \$1,096.2 million higher than expected (Table 5.2), Total Expenses being \$456.2 million higher than expected, and changes to Consolidation and Accounting Adjustments that positively impact the bottom line by \$52.6 million.

Table 5.1 2021–22 Final Forecast Update

(General Revenue Fund, \$ thousands)

	2021-22 Estimate	2021-22 Forecast
General Revenue Fund		
Revenues		
Ordinary Revenue	10,696,926	11,713,973
Ordinary Recoveries	684,998	764,275
Net Income from Government Business Enterprises	399,896	399,792
Total Revenues	11,781,820	12,878,040
Expenses		
Departmental Expenses	11,509,399	12,079,752
Refundable Tax Credits	144,698	104,992
Pension Valuation Adjustment	107,833	62,078
Debt Servicing Costs	710,886	682,157
Total Expenses	12,472,816	12,928,979
Consolidation and Accounting Adjustments		
General Revenue Fund Consolidation Adjustments	109,581	59,667
Special Purpose Funds	(901)	(1,200)
Other Organizations	(2,629)	100,150
Total Consolidation and Accounting Adjustments	106,051	158,617
Provincial Surplus (Deficit)	(584,945)	107,678

Budget 2021–22 Revenues

Total Revenues are forecast to be \$12.878 billion.

Table 5.2 2021–22 Final Forecast Update - Total Revenue
(\$ thousands)

General Revenue Fund: Revenues	2021-22 Estimate	2021-22 Forecast	Variance
Ordinary Revenue - Provincial Sources			
Tax Revenue			
Personal Income Tax	2,945,359	3,172,804	227,445
Corporate Income Tax	500,223	517,765	17,542
Harmonized Sales Tax	2,025,505	2,080,000	54,495
Cannabis Tax	7,756	12,220	4,464
Vaping Tax	4,305	3,416	(889)
Motive Fuel Tax	238,632	253,183	14,551
Tobacco Tax	185,850	185,441	(409)
Other Tax Revenue	193,224	189,786	(3,438)
Prior Years' Adjustments - Provincial Taxes	---	385,555	385,555
	6,100,854	6,800,170	699,316
Other Provincial Revenue			
Registry of Motor Vehicles	136,985	140,463	3,478
Other Provincial Sources	150,841	252,852	102,011
TCA Cost Shared Revenue - Provincial Sources	7,833	2,689	(5,144)
Other Fees and Charges	60,036	53,672	(6,364)
Prior Years' Adjustments - Other Provincial Revenue	---	---	---
	355,695	449,676	93,981
Investment Income			
Interest Revenues	70,978	76,921	5,943
Sinking Fund Earnings	34,929	39,782	4,853
	105,907	116,703	10,796
Total - Provincial Sources	6,562,456	7,366,549	804,093
Ordinary Revenue - Federal Sources			
Equalization Payments	2,315,000	2,315,000	---
Canada Health Transfer	1,109,000	1,219,992	110,992
Canada Social Transfer	398,000	400,779	2,779
Offshore Accord	44,000	129,626	85,626
Crown Share	---	---	---
Other Federal Sources	60,458	117,195	56,737
TCA Cost Shared Revenue - Federal Sources	208,012	162,212	(45,800)
Prior Years' Adjustments - Federal Sources	---	2,620	2,620
Total - Federal Sources	4,134,470	4,347,424	212,954
Total - Ordinary Revenue	10,696,926	11,713,973	1,017,047
Total - Ordinary Recoveries	684,998	764,275	79,277
Net Income from Government Business Enterprises (GBEs)			
Nova Scotia Liquor Corporation	246,126	267,773	21,647
Nova Scotia Gaming Corporation	138,700	123,300	(15,400)
Halifax-Dartmouth Bridge Commission	5,440	4,349	(1,091)
Highway 104 Western Alignment Corporation	9,630	4,370	(5,260)
Total - Net Income from GBEs	399,896	399,792	(104)
Total - Revenues	11,781,820	12,878,040	1,096,220

Ordinary Revenue: Relative to the 2021–22 Budget Estimates, overall tax revenue is forecast to be higher by \$699.3 million. Increases are expected for Personal Income Tax of \$227.4 million, Corporate Income Tax of \$17.5 million, Harmonized Sales Tax of \$54.5 million, Cannabis of \$4.5 million, and Motive Fuel Tax of \$14.6 million. Prior Years' Adjustment for Taxes are forecast to be a net positive \$385.6 million. Tax decreases are expected for Vaping of \$0.9 million, Tobacco of \$0.4 million, and Other Taxes of \$3.4 million.

Other Provincial Revenues are forecast to be up by \$94.0 million due to increases in Other Provincial Sources of \$102.0 million (primarily due to a \$106.0 million increase in offshore license forfeitures) and Registry of Motor Vehicles of \$3.5 million. These increases are partly offset by predicted decreases in Tangible Capital Asset Cost Shared Revenue of \$5.1 million, and Other Fees and Charges of \$6.4 million. Investment income is forecast to be up \$10.8 million, comprised of Interest Revenues and Sinking Fund Earnings, which are expected to increase by \$5.9 million and \$4.9 million, respectively.

Federal Source Ordinary Revenues are forecast to be \$213.0 million higher than the 2021–22 Budget Estimates. Increases are expected in the Canada Health Transfer of \$111.0 million (due to the province's share of an additional one-time top up from the federal government), the Canada Social Transfer of \$2.8 million, the Offshore Accord of \$85.6 million, and Other Federal Sources of \$56.7 million. The variance in Other Federal Sources is largely due to targeted federal health funding and funding for COVID-19 vaccination roll-out. There is an expected net positive Prior Years' Adjustment for Federal Sources of \$2.6 million. Partially offsetting these increases are expected declines in Tangible Capital Asset Cost Shared Revenue of \$45.8 million.

Ordinary Recoveries: Revenue from Ordinary Recoveries is forecast to be \$79.3 million higher than Budget Estimates. This is primarily due to an increase of \$55.8 million in one-time funding for the Canada Community Build Fund (previously Federal Gas Tax Transfers), \$33.0 million for universal childcare initiatives, and \$10.9 million in one-time Early Childhood Workforce federal funding. This increase is offset by a \$13.5 million decrease in Public Works recoveries for various projects including \$4.9 million due to delays for the Highway 103 Bridgewater Interchange, \$3.6 million due to delays related to the Highway 104 Western Alignment Corporation safety projects, and \$3.0 million due to delays related to Boat Harbour remediation.

Net Income from Government Business Enterprises: Net Income is forecast to decline by \$0.1 million due to anticipated decreases in net income at the Nova Scotia Gaming Corporation of \$15.4 million, Halifax-Dartmouth Bridge Commission of \$1.1 million, and Highway 104 Western Alignment Corporation of \$5.3 million. These decreases are partly offset by a predicted increase in net income for the Nova Scotia Liquor Corporation of \$21.6 million.

Budget 2021–22 Expenses

Total Expenses are forecast to be \$12.929 billion.

Departmental Expenses: Total Departmental Expenses are forecast to increase by \$570.4 million relative to the 2021–22 Budget Estimates (see Table 5.3), this includes an increase in COVID-19 related expenses of \$191.5 million higher than Budget (see Table 5.4).

Table 5.3 2021–22 Final Forecast Update - Total Departmental Expenses
(\$ thousands)

Departments and Public Service	Budget	Final Forecast	Increase/ (Decrease) from Budget
Advanced Education	657,803	799,804	142,001
Agriculture	40,613	40,772	159
Communities, Culture, Tourism and Heritage	137,769	252,817	115,048
Community Services	1,124,314	1,106,668	(17,646)
Economic Development	104,923	152,432	47,509
Education and Early Childhood Development	1,591,394	1,641,037	49,643
Environment and Climate Change	44,379	46,125	1,746
Finance and Treasury Board	26,034	25,834	(200)
Fisheries and Aquaculture	19,493	18,047	(1,446)
Health and Wellness	4,025,905	4,109,259	83,354
Justice	392,342	408,285	15,943
Labour, Skills and Immigration	203,446	282,836	79,390
Municipal Affairs and Housing	321,024	455,055	134,031
Natural Resources and Renewables	149,801	193,397	43,596
Public Service	379,118	397,570	18,452
Public Works	579,134	576,428	(2,706)
Seniors and Long-term Care	1,061,780	1,130,173	68,393
Service Nova Scotia and Internal Services	328,485	328,229	(256)
Restructuring Costs	321,642	114,984	(206,658)
Total - Departmental Expenses	11,509,399	12,079,752	570,353

Table 5.4 2021–22 Final Forecast Update – Expenses Related to COVID-19
(\$ thousands)

Departments and Public Service	Budget	Final Forecast	Increase/ (Decrease) from Budget
Advanced Education	389	3,398	3,009
Agriculture	---	---	---
Communities, Culture, Tourism and Heritage	---	34,288	34,288
Community Services	18,446	(15,416)	(33,862)
Economic Development	10,347	40,041	29,694
Education and Early Childhood Development	25,652	31,738	6,086
Environment and Climate Change	1,260	2,213	953
Finance and Treasury Board	---	3	3
Fisheries and Aquaculture	150	150	---
Health and Wellness	204,254	310,421	106,167
Justice	2,738	959	(1,779)
Labour, Skills and Immigration	1,800	9,950	8,150
Municipal Affairs and Housing	8,411	7,971	(440)
Natural Resources and Renewables	---	---	---
Public Service	5,844	5,268	(576)
Public Works	3,220	2,410	(810)
Seniors and Long-term Care	65,611	104,170	38,559
Service Nova Scotia and Internal Services	1,494	3,596	2,102
Restructuring Costs	---	---	---
Total - Departmental COVID-19 Expenses	349,616	541,160	191,544

The overall expense increase is due to net increases in a number of departments as follows:

The Department of Advanced Education expenses are forecast to be \$142.0 million higher than Budget primarily due to \$65.0 million in university infrastructure grants for deferred maintenance, \$35.0 million to invest in a Centre for Discovery and Innovation at Cape Breton University, and \$25.0 million to Research Nova Scotia.

The Department of Municipal Affairs and Housing expenses are forecast to be \$134.0 million higher than Budget, primarily due to \$55.8 million in one-time funding for the fully recoverable Canada Community Building Fund (previously Federal Gas Tax Transfers), \$32.0 million in Municipal Operating Grants, \$32.2 million to address Affordable Housing Commission recommendations, and \$7.0 million in partially recoverable expenditures in the Investing and Canada Infrastructure Program.

The Department of Communities, Culture, Tourism and Heritage is forecast to be \$115.0 million higher than Budget in part due to COVID-19 related costs of \$34.3 million primarily due to the Tourism Restart package, additional funding for the

Tourism Accommodations Real Property Tax Rebate Program, and tourism marketing campaigns. In addition, other operating expense increases include \$31.6 million in various community infrastructure investments, \$22.3 million in various community support grants, \$14.9 million in new productions under the NS Film and Television Production Incentive Fund, and \$12.0 million in Tourism Marketing.

The Department of Health and Wellness expenses are forecast to be \$83.4 million higher than Budget primarily due to \$106.2 million for COVID-19 related expenses, mainly for increased testing and immunization costs, \$11.2 million resulting from more physicians choosing alternative payment plan contracts, \$9.0 million for pharmaceutical services – mainly Seniors' and Family Pharmacare costs, and \$6.7 million for the Nova Scotia Council of Health-Care Unions collective agreement. These expenses are partially offset by decreases of \$58.2 million due to a change in cashflows for capital grant projects.

The Department of Labour, Skills and Immigration expenses are forecast to be \$79.4 million higher than Budget primarily due to \$67.4 million to provide funding to the Workers' Compensation Board to reflect one-time costs associated with expanding presumptive cancer coverage to firefighters, and \$8.2 million in COVID-19 related expenses, mainly for 2020–21 carry forward funding under the Workforce Development Agreement, which are fully recoverable.

The Department of Seniors and Long-term Care is forecast to be \$68.4 million higher than Budget. This is primarily due to \$38.6 million in COVID-19 related expenses, mainly for Personal Protective Equipment, additional travel nursing and surge capacity support, and additional health human resources, \$15.0 million for the Seniors Care Grant, \$11.1 million to invest in Continuing Care workforce initiatives, \$9.1 million to reflect the Continuing Care Assistants wage increase, and \$8.7 million in direct funding programs to address the Home Support waitlist. These and other increases are partially offset by a \$27.5 million reduction in Home Support Service, due to lower than anticipated utilization.

The Department of Education and Early Childhood Development is forecast to be \$49.6 million higher than Budget primarily due to \$33.0 million for fully recoverable expenses related to the 5-year agreement with the federal government for universal childcare, \$10.9 million in fully recoverable Early Childhood Workforce training initiatives, and \$6.1 million in COVID-19 related expenses mainly in operating support grants to the childcare sector.

The Department of Economic Development is forecast to be \$47.5 million higher than Budget primarily due to \$29.7 million net COVID-19 related expenses mainly for the Small Business Impact Grant. In addition, other operating expense increases include \$13.0 million in Halifax International Airport Authority Air Access Fund contribution,

an \$8.5 million Internet Trust contribution for the satellite hardware program, and \$6.3 million for the Sydney Airport Authority Air Access Fund and repairs. These expense increases are partially offset by a reduction of \$12.5 million in the Nova Scotia Jobs Fund.

The Department of Natural Resources and Renewables expenses are forecast to be \$43.6 million higher than Budget primarily due to \$57.0 million for additional energy efficiency programming support for low income and small businesses, partially offset by a decrease of \$15.7 million in Investing in Canada Infrastructure Program spending.

Refundable Tax Credits: The \$39.7 million decrease in the cost of refundable tax credits for 2021–22 is primarily attributable to the delay in the timing of large projects eligible for the Capital Investment Tax Credit. The COVID-19 pandemic played a significant part in applicants' abilities to plan and implement large-scale projects during periods of shutdowns.

Pension Valuation Adjustment: The Pension Valuation Adjustment has decreased by \$45.8 million primarily in relation to Teachers' Pension Plan and retirement health benefit plans as a result of updated actuarial reports, changes in actuarial assumptions, and a lower than expected Teachers' Pension Plan special payment.

Debt Servicing Costs: Debt Servicing Costs have decreased by \$28.7 million, primarily as a result of interest rates being lower than estimated, a reduction in the borrowing plan, and lower pension debt servicing obligations.

Consolidation and Accounting Adjustments

Overall, Consolidation and Accounting Adjustments are forecast to result in a \$158.6 million positive impact on the provincial surplus position. The increase of \$52.6 million over the 2021–22 Budget Estimates is primarily due to the \$101.0 million one-time gain on the sale of shares in an early-stage technology company by Innovacorp, partially offset by a decrease of \$56.6 million due to changing cash flow requirements on healthcare capital projects.

6. Budget 2022–23

The Province of Nova Scotia's 2022–23 financial plan reflects investments in priority areas such as healthcare. The Province is projecting a deficit of \$506.2 million for the 2022–23 fiscal year. This section provides more detail on revenues by source, total expenses, and the estimated value of tax credits, rebates, and tax expenditures.

Budget 2022–23: Revenue Outlook

In 2022–23, Nova Scotia's Total Revenue in its General Revenue Fund is estimated to be \$12,661.9 million. This is an increase of \$880.1 million or 7.5 per cent from the 2021–22 Budget Estimates and a decrease of \$216.1 million or 1.7 per cent compared to the 2020–21 forecast.

Total Revenue from all provincial sources, including Ordinary Recoveries and Net Income from Government Business Enterprises, contributes 62.9 per cent of all revenue in 2022–23. Revenue from federal sources contributes 37.1 per cent of all revenue in 2022–23.

Tables 6.1 and 6.2 provide financial statistics for revenues by source in dollar amounts and as a percentage of Total Revenue, respectively. Chart 6.1 provides a visual percentage breakdown of revenues by source.

Provincial Source Ordinary Revenues in 2022–23 are expected to be \$7,189.1 million. This is an increase of \$626.7 million or 9.5 per cent from the 2021–22 Budget Estimates and a decrease of \$177.4 million or 2.4 per cent from the 2021–22 forecast, largely because the forecast contains a \$385.6 million Prior Year Adjustment for taxes.

Federal Source Ordinary Revenues are projected to be \$4,251.3 million in 2022–23, an increase of \$116.9 million or 2.8 per cent from the 2021–22 Budget Estimates and a decrease of \$96.1 million or 2.2 per cent from the 2021–22 forecast.

Ordinary Recoveries from provincial sources are projected to be \$358.3 million in 2022–23, down \$1.3 million or 0.4 per cent from the 2021–22 Budget Estimates and up \$12.4 million or 3.6 per cent compared to the 2021–22 forecast. Federal source recoveries are estimated to be \$443.3 million in 2022–23, up \$118.0 million or 36.3 per cent from the 2021–22 Budget Estimates and up \$25.0 million or 6.0 per cent from the 2021–22 forecast.

Net Income from Government Business Enterprises is expected to be \$419.8 million in 2022–23, up \$19.9 million or 5.0 per cent from the 2021–22 Budget Estimates and up \$20.0 million or 5.0 per cent from the 2021–22 forecast.

Table 6.1 Revenues by Source
(\$ thousands)

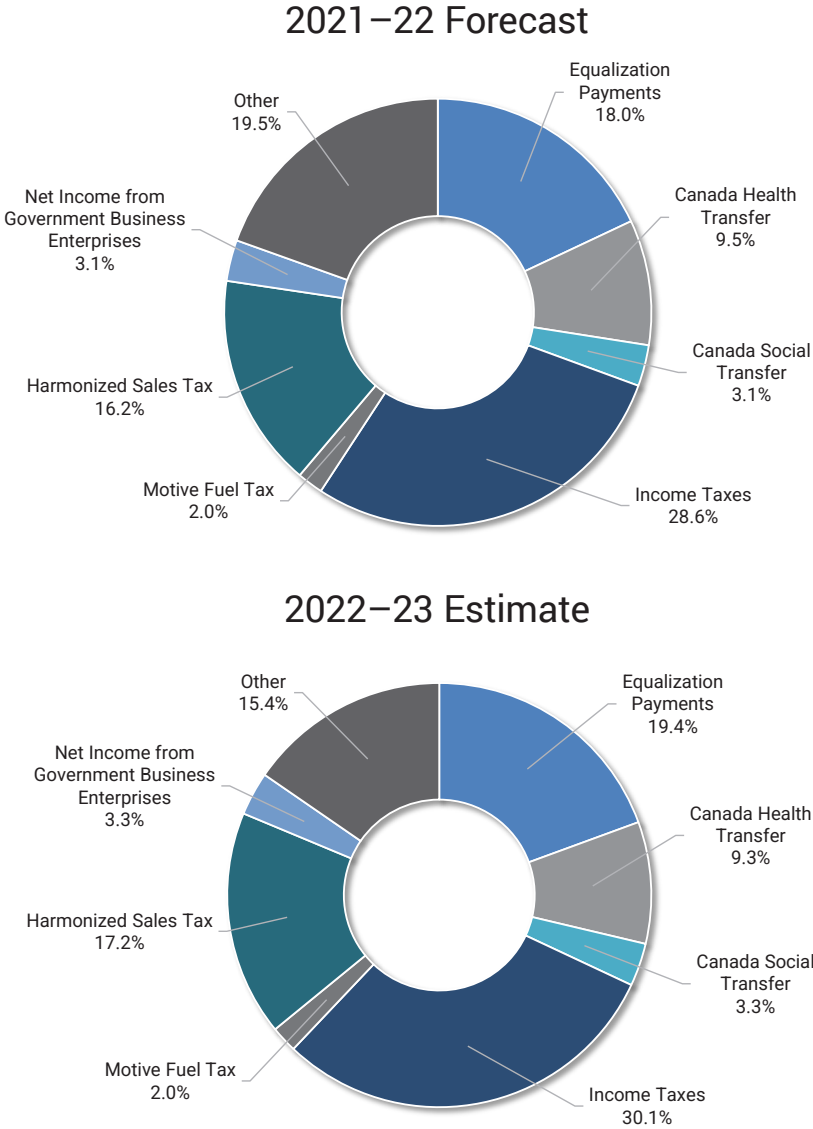
	2019-20 Actual	2020-21 Actual	2021-22 Estimate	2021-22 Forecast	2022-23 Estimate
General Revenue Fund: Revenues					
Ordinary Revenue - Provincial Sources					
Tax Revenue					
Personal Income Tax	2,890,224	2,928,319	2,945,359	3,172,804	3,282,916
Corporate Income Tax	537,865	410,906	500,223	517,765	535,713
Harmonized Sales Tax	1,936,772	1,901,013	2,025,505	2,080,000	2,176,660
Cannabis Tax	7,341	7,437	7,756	12,220	13,442
Vaping Tax	---	1,804	4,305	3,416	3,416
Non-resident Deed Transfer Tax	---	---	---	---	15,497
Non-resident Property Tax	---	---	---	---	65,544
Motive Fuel Tax	266,539	223,787	238,632	253,183	255,100
Tobacco Tax	183,035	208,002	185,850	185,441	170,631
Other Tax Revenue	200,621	188,241	193,224	189,786	200,633
Prior Years' Adjustments - Provincial Taxes	---	(204,978)	---	385,555	---
	6,022,397	5,664,531	6,100,854	6,800,170	6,719,552
Other Provincial Revenue					
Registry of Motor Vehicles	135,023	137,128	136,985	140,463	135,816
Other Provincial Sources	149,070	150,936	150,841	252,852	150,129
TCA Cost Shared Revenue - Provincial Sources	17,392	5,309	7,833	2,689	12,871
Other Fees and Charges	65,641	51,765	60,036	53,672	58,692
Gain (Loss) on Disposal of Crown Assets	754	(736)	---	---	---
Prior Years' Adjustments - Other Provincial Revenue	148,611	38,794	---	---	---
	516,491	383,196	355,695	449,676	357,508
Investment Income					
Interest Revenues	106,208	81,164	70,978	76,921	93,610
Sinking Fund Earnings	93,670	57,802	34,929	39,782	18,454
	199,878	138,966	105,907	116,703	112,064
Total - Provincial Sources	6,738,766	6,186,693	6,562,456	7,366,549	7,189,124
Ordinary Revenue - Federal Sources					
Equalization Payments	2,009,037	2,145,883	2,315,000	2,315,000	2,458,356
Canada Health Transfer	1,043,370	1,078,379	1,109,000	1,219,992	1,175,357
Canada Social Transfer	376,945	386,932	398,000	400,779	414,378
Offshore Accord	8,227	---	44,000	129,626	47,772
Crown Share	4,340	(994)	---	---	---
Other Federal Sources	48,128	452,206	60,458	117,195	45,314
TCA Cost Shared Revenue - Federal Sources	35,112	85,421	208,012	162,212	110,156
Prior Years' Adjustments - Federal Sources	(502)	(2,489)	---	2,620	---
Total - Federal Sources	3,524,657	4,145,338	4,134,470	4,347,424	4,251,333
Total - Ordinary Revenue	10,263,423	10,332,031	10,696,926	11,713,973	11,440,457
Ordinary Recoveries					
Provincial Sources	386,466	366,917	359,679	345,956	358,348
Federal Sources	341,862	341,466	325,319	418,319	443,287
Total - Ordinary Recoveries	728,328	708,383	684,998	764,275	801,635
Net Income from Government Business Enterprises (GBEs)					
Nova Scotia Liquor Corporation	247,278	274,482	246,126	267,773	270,446
Nova Scotia Gaming Corporation	121,171	102,978	138,700	123,300	138,300
Halifax-Dartmouth Bridge Commission	7,556	733	5,440	4,349	8,476
Highway 104 Western Alignment Corporation	12,616	6,068	9,630	4,370	2,596
Total - Net Income from GBEs	388,621	384,261	399,896	399,792	419,818
Total - Revenues	11,380,372	11,424,675	11,781,820	12,878,040	12,661,910

Table 6.2 Revenues by Source
 (percentage of Total Revenue)

	2019-20 Actual	2020-21 Actual	2021-22 Estimate	2021-22 Forecast	2022-23 Estimate
General Revenue Fund: Revenues					
Ordinary Revenue - Provincial Sources					
Tax Revenue					
Personal Income Tax	25.4%	25.6%	25.0%	24.6%	25.9%
Corporate Income Tax	4.7%	3.6%	4.2%	4.0%	4.2%
Harmonized Sales Tax	17.0%	16.6%	17.2%	16.2%	17.2%
Cannabis Tax	0.1%	0.1%	0.1%	0.1%	0.1%
Vaping Tax	---	---	---	---	---
Non-resident Deed Transfer Tax	---	---	---	---	0.1%
Non-resident Property Tax	---	---	---	---	0.5%
Motive Fuel Tax	2.3%	2.0%	2.0%	2.0%	2.0%
Tobacco Tax	1.6%	1.8%	1.6%	1.4%	1.3%
Other Tax Revenue	1.8%	1.6%	1.6%	1.5%	1.6%
Prior Years' Adjustments - Provincial Taxes	---	-1.8%	---	3.0%	---
	52.9%	49.6%	51.8%	52.8%	53.1%
Other Provincial Revenue					
Registry of Motor Vehicles	1.2%	1.2%	1.2%	1.1%	1.1%
Royalties - Petroleum	---	---	---	---	---
Other Provincial Sources	1.3%	1.3%	1.3%	2.0%	1.2%
TCA Cost Shared Revenue - Provincial Sources	0.2%	---	0.1%	---	0.1%
Other Fees and Charges	0.6%	0.5%	0.5%	0.4%	0.5%
Gain (Loss) on Disposal of Crown Assets	---	---	---	---	---
Prior Years' Adjustments - Other Provincial Revenue	1.3%	0.3%	---	---	---
	4.5%	3.4%	3.0%	3.5%	2.8%
Investment Income					
Interest Revenues	0.9%	0.7%	0.6%	0.6%	0.7%
Sinking Fund Earnings	0.8%	0.5%	0.3%	0.3%	0.1%
	1.8%	1.2%	0.9%	0.9%	0.9%
Total - Provincial Sources	59.2%	54.2%	55.7%	57.2%	56.8%
Ordinary Revenue - Federal Sources					
Equalization Payments	17.7%	18.8%	19.6%	18.0%	19.4%
Canada Health Transfer	9.2%	9.4%	9.4%	9.5%	9.3%
Canada Social Transfer	3.3%	3.4%	3.4%	3.1%	3.3%
Offshore Accord	0.1%	---	0.4%	1.0%	0.4%
Crown Share	---	---	---	---	---
Other Federal Sources	0.4%	4.0%	0.5%	0.9%	0.4%
TCA Cost Shared Revenue - Federal Sources	0.3%	0.7%	1.8%	1.3%	0.9%
Prior Years' Adjustments - Federal Sources	---	---	---	---	---
Total - Federal Sources	31.0%	36.3%	35.1%	33.8%	33.6%
Total - Ordinary Revenue	90.2%	90.4%	90.8%	91.0%	90.4%
Ordinary Recoveries					
Provincial Sources	3.4%	3.2%	3.1%	2.7%	2.8%
Federal Sources	3.0%	3.0%	2.8%	3.2%	3.5%
Total - Ordinary Recoveries	6.4%	6.2%	5.8%	5.9%	6.3%
Net Income from Government Business Enterprises (GBEs)					
Nova Scotia Liquor Corporation	2.2%	2.4%	2.1%	2.1%	2.1%
Nova Scotia Gaming Corporation	1.1%	0.9%	1.2%	1.0%	1.1%
Halifax-Dartmouth Bridge Commission	0.1%	---	---	---	0.1%
Highway 104 Western Alignment Corporation	0.1%	0.1%	0.1%	---	---
Total - Net Income from GBEs	3.4%	3.4%	3.4%	3.1%	3.3%
Total - Revenues	100.0%	100.0%	100.0%	100.0%	100.0%

Note: Numbers may not add up to totals due to rounding.

Chart 6.1 Total Revenue 2021-22 Forecast and 2022-23 Estimate



Ordinary Revenue – Provincial Sources – Tax Revenue

Personal Income Tax (PIT): Nova Scotia's 2022–23 estimate for PIT is \$3,282.9 million, up \$337.6 million or 11.5 per cent compared to the 2021–22 Budget Estimates and up \$110.1 million or 3.5 per cent from the 2021–22 forecast.

Personal taxable income is projected to grow by \$837.2 million to \$35.4 billion in 2022, an increase of 2.4 per cent, and grow to \$36.7 billion in 2023, an increase of 3.5 per cent. The yield is expected to grow by 1.0 per cent in 2022 and by 1.5 per cent in 2023.

Table 6.3 provides a summary of PIT revenue growth since 2018, 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 6.3 Components of PIT Revenue by Calendar Year

	2018	2019	2020	2021(F)	2022(E)	2023(E)
Personal Taxable Income (\$ billions)	31.2	31.7	34.2	34.6	35.3	36.5
Yield Rate (per cent)	8.74%	8.83%	8.93%	9.14%	9.22%	9.34%
Net PIT (\$ millions)	2,730	2,846	3,058	3,166	3,248	3,402

Corporate Income Tax (CIT): Nova Scotia's 2022–23 estimate for CIT is \$535.7 million, up \$35.5 million or 7.1 per cent compared to the 2021–22 Budget Estimates and up \$17.9 million or 3.5 per cent from the 2021–22 forecast.

National corporate taxable income is projected to increase by \$8.4 billion or 2.1 per cent in 2022 to \$401.2 billion and increase by \$29.2 billion or 7.3 per cent to \$430.4 billion in 2023.

The province calculates its share of national corporate taxable income on a three-year moving average of actual share rates. For 2022–23 the province's share is estimated to be 1.4 per cent, down 4.1 per cent from the 2021–22 Budget Estimates. Nova Scotia's corporate taxable income in 2022 is estimated to be \$5.5 billion, growing to \$5.9 billion in 2023.

The average effective tax rate is estimated to be 9.6 per cent and the small business share of taxable income is projected to be 38.6 per cent in both 2022 and 2023.

Harmonized Sales Tax (HST): Net HST is estimated to total \$2,176.7 million in 2022–23, up \$151.2 million or 7.5 per cent compared to the 2021–22 Budget Estimates and up \$96.7 million or 4.6 per cent from the 2021–22 forecast.

The increase in HST revenues is primarily attributable to growth in consumer expenditures. The province's total tax base for taxable goods and services is projected to grow by \$882.4 million or 3.8 per cent to \$24.3 billion in 2022 and by \$787.6 million or 3.2 per cent to \$25.1 billion in 2023.

Growth in the consumer expenditure base is projected to be 6.2 per cent in 2022 and 3.7 per cent in 2023. Consumer expenditures represent over 70 per cent of the HST tax base.

Taxable residential housing expenditures are expected to grow by 12.1 per cent in 2022 and by 11.6 per cent in 2023, relative to the 2021–22 Budget Estimates. The rebate on residential energy (Your Energy Rebate Program) is expected to total \$119.6 million in 2022–23.

Compared to the 2021–22 forecast, point-of-sale rebates for children’s clothing, children’s footwear, children’s diapers, and printed books will increase by 5.6 per cent.

Cannabis Tax: The province entered into a Coordinated Cannabis Taxation Agreement (CCTA) with the Government of Canada following the legalization of recreational cannabis. The federal government imposes a federal excise duty of \$0.25 per gram of flowering material in a cannabis product and collects a \$0.75 per gram additional duty on behalf of the province. With the legalization of cannabis edibles, oils, and extracts, the federal government imposes a federal excise duty of \$0.0025 per milligram of total tetrahydrocannabinol (THC) contained in the product and collects a \$0.0075 per milligram of THC additional duty on behalf of the province. The duties are payable once the cannabis product is packaged for sale and ready to be delivered to a provincially authorized retailer of recreational cannabis or an individual purchasing medical cannabis.

Provincial Revenues from duties imposed upon recreational and medical cannabis are estimated to be \$13.4 million in 2022–23, an increase of \$5.7 million or 73.3 per cent from the 2021–22 Budget Estimates and an increase of \$1.2 million or 10.0 per cent from the 2021–22 forecast.

Products containing 0.3 per cent or less of THC are not subject to duty, nor are pharmaceutical products approved by Health Canada with a Drug Identification Number (DIN) that are derived from cannabis and can only be acquired through a prescription.

Medical and recreational cannabis products are both subject to the HST.

Vaping Product Tax: Effective September 15, 2020, the province introduced a vaping product tax on vaping substances and vaping devices. Vaping substances are taxed at the rate of \$0.50 per millilitre, while vaping devices and components are taxed at a rate of 20 per cent of their suggested retail selling price. Cannabis vaping substances are taxed according to the CCTA.

Vaping product tax revenues are projected to be \$3.4 million in 2022–23, down \$0.9 million or 20.7 per cent compared to both the 2021–22 Budget Estimates and equal to the 2021–22 forecast. The market for vaping products continues to mature.

Non-resident Deed Transfer Tax: Effective April 1, 2022, the province will introduce a 5 per cent provincial Deed Transfer Tax on residential real property being purchased by non-residents of Nova Scotia. The tax is estimated to provide \$15.5 million in revenues during the 2022–23 fiscal year. Additional details are provided in the New Tax Measures Section.

Non-resident Property Tax: Effective for the 2022–23 fiscal year the province will introduce a provincial property tax of \$2.00 per \$100 assessed value of residential property owned by non-residents of Nova Scotia. The tax is estimated to provide \$65.5 million in revenues during the 2022–23 fiscal year. Additional details are provided in the New Tax Measures Section.

Motive Fuel Taxes: Motive Fuel Taxes are projected to total \$255.1 million in 2022–23, an increase of \$16.5 million or 6.9 per cent compared to the 2021–22 Budget Estimates and up by \$1.9 million or 0.8 per cent from the 2021–22 forecast.

Gasoline consumption is estimated to decline by 0.6 per cent to 1.2 billion litres in 2022–23 relative to the 2021–22 forecast, while the consumption of diesel oil is estimated to increase by 0.4 per cent to 446 million litres in 2022–23. Labour income contributes to consumption and is expected to increase by 3.7 per cent over the 2021–22 forecast.

Tobacco Tax: Tobacco Tax revenues are projected to total \$170.6 million in 2022–23, down \$15.2 million or 8.2 per cent from the 2021–22 Budget Estimates and down \$14.8 million or 8.0 per cent compared to the 2021–22 forecast.

Cigarette consumption is projected to decline from 561 million cigarettes in 2021–22 to 519 million in 2022–23, a decrease of 7.4 per cent. The consumption of fine cut tobacco is projected to increase slightly following a sharp decline in 2021–22.

Other Tax Revenue: Other Tax Revenue includes items such as Corporation Capital Tax, Casino Win Tax, Levy on Private Sale of Used Vehicles, Tax on Insurance Premiums, and Gypsum Tax. The total for Other Tax Revenue is estimated to be \$200.6 million for 2022–23, up \$7.4 million or 3.8 per cent from the 2021–21 Budget Estimates and up \$10.8 million or 5.7 per cent from the 2021–22 forecast.

Ordinary Revenue – Provincial Sources – Other Provincial Revenue

Registry of Motor Vehicles: Revenue generated by the Registry of Motor Vehicles is estimated to be \$135.8 million for 2022–23, down \$1.2 million or 0.9 per cent from the 2021–22 Budget Estimates and a decrease of \$4.6 million or 3.3 per cent from the 2021–22 forecast.

Other Provincial Sources: Revenue from Other Provincial Sources is estimated to be \$150.1 million for 2022–23, down \$0.7 million or 0.5 per cent from the 2021–22 Budget Estimates and down \$102.7 million or 40.6 per cent from the 2021–22 forecast as a result of the increase to the forecast from offshore license forfeitures.

This revenue source includes items such as pharmacare premiums; Nova Scotia Securities Commission fees; registration revenues for deeds, companies, and property; various other licenses and permits; and timber licenses.

Tangible Capital Asset (TCA) Cost Shared Revenue – Provincial Sources: TCA Cost Shared Revenue from provincial sources is estimated to be \$12.9 million for 2022–23, up \$5.0 million or 64.3 per cent from the 2021–22 Budget Estimates and up \$10.2 million from the 2021–22 forecast.

Other Fees and Charges: Revenue generated from Other Fees and Charges is estimated to be \$58.7 million for 2022–23, \$1.3 million or 2.2 per cent lower than the 2021–22 Budget Estimates and an increase of \$5.0 million or 9.4 per cent from the 2021–22 forecast.

Ordinary Revenue – Provincial Sources – Investment Income

Interest Revenue: Interest Revenue is estimated to be \$93.6 million for 2022–23, up \$22.6 million or 31.9 per cent from the 2021–22 Budget Estimates and up \$16.7 million or 21.7 per cent from the 2021–22 forecast. The increase from Budget Estimates is largely due to higher than estimated interest rates.

Sinking Fund Earnings: Sinking Fund Earnings are projected to total \$18.5 million in 2022–23, a decrease of \$16.5 million or 47.2 per cent from the 2021–22 Budget Estimates and down \$21.3 million or 53.6 per cent from the 2021–22 forecast. This decrease from Budget Estimates is primarily a result of a reduction in sinking fund assets due to loans maturing within mandatory sinking funds.

Ordinary Revenue – Federal Sources

Equalization: Equalization revenues in 2022–23 are estimated to be \$2,458.4 million, an increase of \$143.4 million or 6.2 per cent compared to both the 2021–22 Budget Estimates and the 2021–22 forecast, primarily as a result of the growth in the Equalization program that provided the province with an additional \$128 million compared to growth in 2021–22.

The Equalization program is legislated to grow by the three-year average growth rate of national nominal Gross Domestic Product. For 2022–23 the growth rate is 4.8 per cent and the national pool of cash to be distributed is \$21.9 billion.

Offshore Accord Payments: Offshore Accord Payments in 2022–23 are estimated to be \$47.8 million, an increase of \$3.8 million or 8.6 per cent compared to the 2021–22 Budget Estimates and a decrease of \$81.9 million or 63.1 per cent from the 2021–22 forecast. 2021–22 represented payments for both the 2020–21 and 2021–22 fiscal years.

The federal government passed legislation to extend the Offshore Accord agreement from 2020–21 until the end of 2022–23 to fully protect the province from claw backs in Equalization related to the offshore royalty arbitration settlement recorded as provincial offshore natural resource revenues by the federal government in 2018–19.

The Canada Health Transfer (CHT): In 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 3.0 per cent. In 2022–23 the three-year average growth rate of national nominal Gross Domestic Product is 4.8 per cent.

The 2022–23 national CHT amount that is available for distribution is set at \$45.2 billion. The CHT cash entitlement for Nova Scotia is estimated to be \$1,175.4 million, an increase of \$66.4 million or 6.0 per cent from the 2021–22 Budget Estimates, and down by \$44.6 million or 3.7 per cent compared to the 2021–22 forecast. The CHT estimate reflects the federal government's estimate of the province's share of national population – currently 2.6 per cent.

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

The Canada Social Transfer (CST): Nova Scotia's 2022–23 cash entitlement for CST is estimated to be \$414.4 million, an increase of \$16.4 million or 4.1 per cent from the 2021–22 Budget Estimates, and up by \$13.6 million or 3.4 per cent compared to the 2021–22 forecast.

The provincial entitlement is based on an equal per capita cash provincial allocation of a fixed national entitlement, which stands at \$15.9 billion for 2022–23. 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 3.0 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 – currently 2.6 per cent.

Other Federal Sources: Other Federal Sources are estimated to be \$45.3 million in 2022–23, a decrease of \$15.1 million or 25.0 per cent from the 2021–22 Budget Estimates and decrease of \$71.9 million or 61.3 per cent from the 2021–22 forecast.

Other Federal Sources include statutory subsidies from the federal government and additional health funding secured under the Canada Health Transfer renegotiation. The year-over-year variance mainly results from decreases in targeted health and Investing in Canada Infrastructure Program funding.

Tangible Capital Asset (TCA) Cost Shared Revenue – Federal Sources: The estimate for TCA Cost Shared Revenue from federal sources is \$110.2 million for 2022–23. This represents a decrease of \$97.9 million or 47.0 per cent compared to the 2021–22 Budget Estimates and a decrease of \$52.1 million or 32.1 per cent from the 2021–22 forecast. The decrease from estimate to estimate is mainly attributed to decreased funding for TCA projects under the Department of Education and Early Childhood Development and for highway projects under the Department of Public Works.

Ordinary Recoveries

Ordinary Recoveries are projected to total \$801.6 million in 2022–23, an increase of \$116.6 million or 17.0 per cent from the 2021–22 Budget Estimates and up \$37.4 million or 4.9 per cent from the 2021–22 forecast of \$764.3 million.

Provincial source recoveries are estimated to be \$358.3 million for 2022–23, down \$1.3 million or 0.4 per cent from the 2021–22 Budget Estimate and up \$12.4 million or 3.6 per cent from the 2021–22 forecast.

Federal source recoveries are estimated to be \$443.3 million in 2022–23, up \$118.0 million or 36.3 per cent from the 2021–22 Budget Estimates and up \$25.0 million or 6.0 per cent from the 2021–22 forecast.

Government Business Enterprises – Net Income

Nova Scotia Liquor Corporation (NSLC): The NSLC returns all of its net income from operations to the Government of Nova Scotia as the shareholder. The NSLC is budgeting net income of \$270.4 million in 2022–23. This is an increase of \$24.3 million or 9.9 per cent compared to the 2021–22 Budget Estimate of \$246.1 million and up \$2.7 million or 1.0 per cent compared to the 2021–22 forecast of \$267.8 million.

Total net sales are projected to increase 11.0 per cent compared to the 2021–22 Budget Estimates, which is attributed to beverage alcohol sales increasing 10.0 per cent and cannabis sales increasing 20.7 per cent. Compared to the 2021–22 forecast, total net sales are projected to increase 3.7 per cent, which also reflect price increases to offset rising inflation.

Total expenses are up \$10.1 million or 7.2 per cent compared to the 2021–22 Budget Estimates and up \$8.9 million or 6.4 per cent compared to the 2021–22 forecast. The increases, both compared to the 2021–22 Budget Estimate and forecast, are primarily related to budgeted wage increases, annualization of labour for new cannabis stores and network changes. Depreciation and service contracts continue to increase with continued investment in store network and in IT infrastructure upgrades.

Nova Scotia Gaming Corporation (NSGC): NSGC's net income estimate (before Casino Win Tax) is \$138.3 million for 2022–23, which is a decrease of \$0.4 million, or 0.3 per cent compared to the 2021–22 Budget Estimates and an increase of \$15.0 million or 12.2 per cent compared to the 2021–22 forecast.

The decrease in net income for 2022–23 compared to the 2021–22 estimate is due to higher operating expenses associated with the return to normal operations and the return to events in communities as the COVID-19 public health restrictions are lifted.

Compared to the 2021–22 forecast, the increase in net income for 2022–23 is due to the expected return of operations at full capacity as COVID-19 public health restrictions are lifted.

Halifax-Dartmouth Bridge Commission: Halifax-Dartmouth Bridge Commission (operating as Halifax Harbour Bridges) is budgeting net income for the 2022–23 fiscal year of \$8.5 million. This represents an increase of \$3.0 million or 55.8 per cent from the 2021–22 Budget Estimates and an increase of \$4.1 million or 94.9 per cent from the 2021–22 forecast. The 2021–22 forecast net income is low due to lower toll revenues as traffic volumes decreased during the third and fourth waves of the COVID-19 pandemic. The increased net income in the 2022–23 fiscal year budget is due to higher revenue from increased toll rates and increasing traffic volumes. The higher revenues are required to fund long-term improvements to the bridge structures with low depreciation rates resulting in increased net income.

Highway 104 Western Alignment Corporation: Highway 104 Western Alignment Corporation is budgeting net income for the 2022–23 fiscal year of \$2.6 million. This is a decrease of \$7.0 million or 73.0 per cent from the 2021–22 Budget Estimates and a decrease of \$1.8 million or 40.6 per cent from the 2021–22 forecast. The decrease in budgeted net income is a result of a policy change to eliminate tolls for Nova Scotian passenger and commercial vehicles.

New Tax Measures

Children’s Sports and Arts Tax Credit

Effective for the 2022 and subsequent taxation years the province is introducing a \$500 refundable tax credit to help parents offset the costs of artistic, cultural, and physical activities for children under the age of 19.

The tax credit will apply to eligible expenditures for programs in literary arts, visual arts, performing arts, music, media, languages, customs, and heritage; as well as organized physical activities and programs.

The tax credit is estimated to provide \$4.7 million in support for the 2022-23 fiscal year.

Fertility and Surrogacy Rebates

Effective for the 2022 and subsequent taxation years the province will implement Fertility and Surrogacy rebates to provide financial support for Nova Scotians trying to start a family.

The Fertility Rebate will provide a 40 per cent refundable tax credit, up to a maximum of \$8,000 per year, on expenditures for medical expenses incurred by an individual, their spouse or common-law partner for infertility treatments. The treatments must be provided by a Nova Scotian licensed medical practitioner. There is no lifetime maximum.

For families employing the use of a surrogate, a Surrogacy Rebate will provide a 40 per cent rebate, up to a maximum of \$8,000 per year, on expenditures for medical expenses paid for on behalf of a surrogate – provided that the surrogate does not claim medical expenses for the treatments. These expenditures are not eligible for the Fertility Rebate.

The Fertility and Surrogacy Rebates are estimated to provide \$3.0 million to families in the 2022–23 fiscal year.

More Opportunities for Skilled Trades

Effective for the 2022 and subsequent taxation years the province will implement the More Opportunities for Skilled Trades (MOST) tax refund. MOST aims to attract and retain youth in industries with labour shortages. MOST will provide a refund of personal income tax on the first \$50,000 of earned income for individuals under the age of 30 who are employed and registered in selected skilled trades and occupations.

To start, selected occupations in eligible sectors will include manufacturing, computer and IT, transportation, film, video, and service sectors in the province, with further details to be provided in regulations.

As the refunds will be issued in the next fiscal year, there is no budget amount for MOST in 2022–23.

Non-Resident Deed Transfer Tax

Effective April 1, 2022 the province will implement a Deed Transfer Tax of 5 per cent of the value of residential real property purchased by a non-resident of Nova Scotia. The tax will not apply to a transaction where the Agreement of Purchase and Sale was entered into prior to April 1, 2022. An exemption from the tax will be in place for non-resident purchasers who move to the province within 6 months of the closing date of the transaction.

The Non-Resident Deed Transfer Tax is projected to provide \$15.5 million in revenue for the 2022–23 fiscal year.

Non-Resident Property Tax

Effective for the 2022–23 fiscal year the province will implement a Property Tax of \$2.00 per \$100 of assessed value on residential real property owned by a non-resident of Nova Scotia. The tax will not apply to residential properties that contain more than 3 units nor to residential properties that are leased to individual Nova Scotian residents for a period of at least 12 months.

The Non-Resident Property Tax is projected to provide \$65.5 million in revenue for the 2022–23 fiscal year.

Summary: Tax Credits, Rebates, and Tax Expenditures

Details of the estimated value of credits, rebates, and tax expenditures are presented in Table 6.4.

Table 6.4 Estimated Value of Tax Credits, Rebates, and Expenditures

(\$ thousands)

	2021-22 Estimate	2021-22 Forecast	2022-23 Estimate
Personal Income Tax			
Political Tax Credit	1,236	1,374	980
Volunteer Firefighter & Ground Search and Rescue	3,630	4,006	3,797
Equity Tax Credit	9,122	8,512	8,706
Innovation Equity Tax Credit	10,000	10,000	10,000
Venture Capital Tax Credit	2,000	2,000	2,000
Children's Sports and Arts Tax Credit			4,700
Fertility and Surrogacy Rebates			3,000
Affordable Living Tax Credit	64,646	62,662	62,662
	90,634	88,554	95,845
Corporate Income Tax			
Scientific Research & Experimental Development	19,449	20,794	17,064
New Small Business Tax Holiday	19	37	35
Digital Media Tax Credit	7,576	4,599	7,663
Digital Animation Tax Credit	9,920	5,252	19,608
Food Bank Tax Credit for Farmers	300	300	300
Capital Investment Tax Credit	39,477	7,679	11,034
Innovation Equity Tax Credit	2,000	2,000	2,000
Venture Capital Tax Credit	1,000	1,000	1,000
Small Business Tax Rate	229,023	241,497	249,806
	308,764	283,158	308,510
Harmonized Sales Tax			
Public Sector Rebates	166,231	160,499	162,269
Printed Book Rebate	9,668	9,236	9,751
First-time Homebuyers Rebate	660	831	848
Disability Rebates	50	45	47
Fire Fighting Equipment Rebate	92	77	79
Your Energy Rebate	114,875	119,582	119,582
Children's Clothing Rebate	9,135	7,970	8,415
Children's Footwear Rebate	1,830	1,463	1,544
Diapers and Feminine Hygiene Products Rebate	1,823	1,527	1,612
	304,364	301,230	304,147

Revenue Sensitivity

Revenue estimates, which are in the form of a forecast, are based on several economic, financial, tax assessment, and statistical 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 6.5 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 economic assumptions developed by the province as of November 9, 2021.

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).

Inflation, the Russia-Ukraine conflict, global supply chain issues, and the province's pace of recovery from the effects of the COVID-19 pandemic pose significant risks to revenues.

Any slowdown of projected growth in the levels of household income or compensation of employees poses a downside risk to Personal Income Tax revenues – the province's largest source of revenue. A decline in yield growth would place downward pressure on revenues.

Harmonized Sales Tax (HST) revenues are highly dependent on growth in consumer expenditures, which account for more than 70 per cent of the HST tax base. In addition, HST revenues are highly sensitive to changes in the level of residential housing investment – particularly sales of new residential housing. Projected growth in these tax bases is also subject to how the province's economy recovers from the pandemic, whether business sectors are able to return to their pre-pandemic levels, and the level of consumer confidence.

Table 6.5 Key Economic Assumptions and Variables Affecting Revenue Estimates

Revenue Source	Key Variables
Personal Income Tax	<ul style="list-style-type: none"> • personal taxable income levels • provincial taxable income yield • tax credits uptake
Corporate Income Tax	<ul style="list-style-type: none"> • national corporate taxable income levels as provided by Finance Canada • Nova Scotia's share of national taxable income • tax credits uptake
Harmonized Sales Tax	<ul style="list-style-type: none"> • personal consumer expenditure levels • provincial GDP • spending by exempt industries • rebate levels • residential housing investment
Cannabis and Vaping Taxes	<ul style="list-style-type: none"> • personal consumer expenditure levels • cannabis and vaping product consumption preferences • cannabis and vaping product prices • labour income, affecting disposable income spent on cannabis and vaping products
Non-Resident Deed Transfer and Property Taxes	<ul style="list-style-type: none"> • assessed values of residential properties • number of non-resident property transactions • number of non-resident property owners • market value of residential properties sold to non-residents
Tobacco and Motive Fuel Taxes	<ul style="list-style-type: none"> • personal consumer expenditure levels • tobacco and fuel consumption patterns • tobacco and fuel prices • labour income, affecting disposable income spent on fuel
Equalization	<ul style="list-style-type: none"> • one-estimate one-payment approach
Canada Health Transfer	<ul style="list-style-type: none"> • annual increases in the national base amount
Canada Social Transfer	<ul style="list-style-type: none"> • changes in share of national population

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 Nova Scotia's share, there are substantial risks to Corporate Income Tax revenues if the share does not stay as strong.

Cannabis Tax revenues are subject to a number of uncertainties, including availability of products and consumer preferences, and estimates will need to be refined as the legal market becomes established and trends emerge.

Vaping tax estimates are dependent on assumptions related to usage, in the absence of detailed information about a relatively undeveloped market.

Non-resident Deed Transfer and Property Taxes are dependent on assumptions related to the number of non-residents purchasing and owning property in Nova Scotia, as well as the market and assessed value of these properties.

Additional Information

In addition to the key economic and fiscal assumptions contained in the 2022–23 revenue estimates, the following information should also be considered when interpreting the revenue estimates.

The revenue estimates for 2022–23 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 2022–23 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 (Canada) incorporates official information released by the federal government as of December 2, 2021. In addition, transfer payment revenue estimates are based on Canadian national and provincial population estimates supplied by Statistics Canada.

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

Budget 2022–23: Expenses Outlook

In 2022–23, Nova Scotia's total expenses for the General Revenue Fund are estimated to be \$13.3 billion. This is an increase of \$819.6 million or 6.6 per cent from the 2021–22 Budget Estimates and an increase of \$363.5 million or 2.8 per cent compared to the 2021–22 forecast.

Tables 6.6 and 6.7 provide financial statistics of provincial Total Expenses by dollar amount and as a percentage of total expenses. Chart 6.2 presents a visual breakdown of expenses by the main sources.

Table 6.6 Total Expenses

(\$ thousands)

General Revenue Fund: Expenses	2019-20 Actual	2020-21 Actual	2021-22 Estimate	2021-22 Forecast	2022-23 Estimate
Departmental Expenses					
Advanced Education	---	---	657,803	799,804	676,617
Agriculture	52,224	45,947	40,613	40,772	40,499
Communities, Culture, Tourism and Heritage	103,793	117,943	137,769	252,817	141,951
Community Services	999,085	1,020,624	1,124,314	1,106,668	1,217,652
Economic Development	204,375	183,770	104,923	152,432	96,529
Education and Early Childhood Development	1,440,647	1,536,030	1,591,394	1,641,037	1,751,280
Energy and Mines	34,222	60,986	---	---	---
Environment and Climate Change	41,019	44,804	44,379	46,125	37,901
Finance and Treasury Board	122,093	23,514	26,034	25,834	28,877
Fisheries and Aquaculture	21,508	17,296	19,493	18,047	17,698
Health and Wellness	4,650,910	5,104,652	4,025,905	4,109,259	4,266,326
Justice	366,064	390,627	392,342	408,285	415,750
Labour, Skills and Immigration	401,842	420,352	203,446	282,836	207,493
Assistance to Universities	448,042	475,631	---	---	---
Municipal Affairs and Housing	356,960	363,655	321,024	455,055	400,479
Natural Resources and Renewables	79,661	105,223	149,801	193,397	134,886
Public Service	130,729	134,166	379,118	397,570	415,909
Public Works	595,726	587,258	579,134	576,428	606,960
Seniors and Long-term Care	2,741	2,586	1,061,780	1,130,173	1,204,270
Service Nova Scotia and Internal Services	299,295	302,886	328,485	328,229	359,570
Restructuring Costs	170,662	81,455	321,642	114,984	402,099
Total - Departmental Expenses	10,521,598	11,019,405	11,509,399	12,079,752	12,422,746
Other Expenses					
Refundable Tax Credits	64,391	123,842	144,698	104,992	121,828
Pension Valuation Adjustment	50,246	61,066	107,833	62,078	71,480
Debt Servicing Costs	818,160	724,881	710,886	682,157	676,402
Total - Expenses	11,454,395	11,929,194	12,472,816	12,928,979	13,292,456

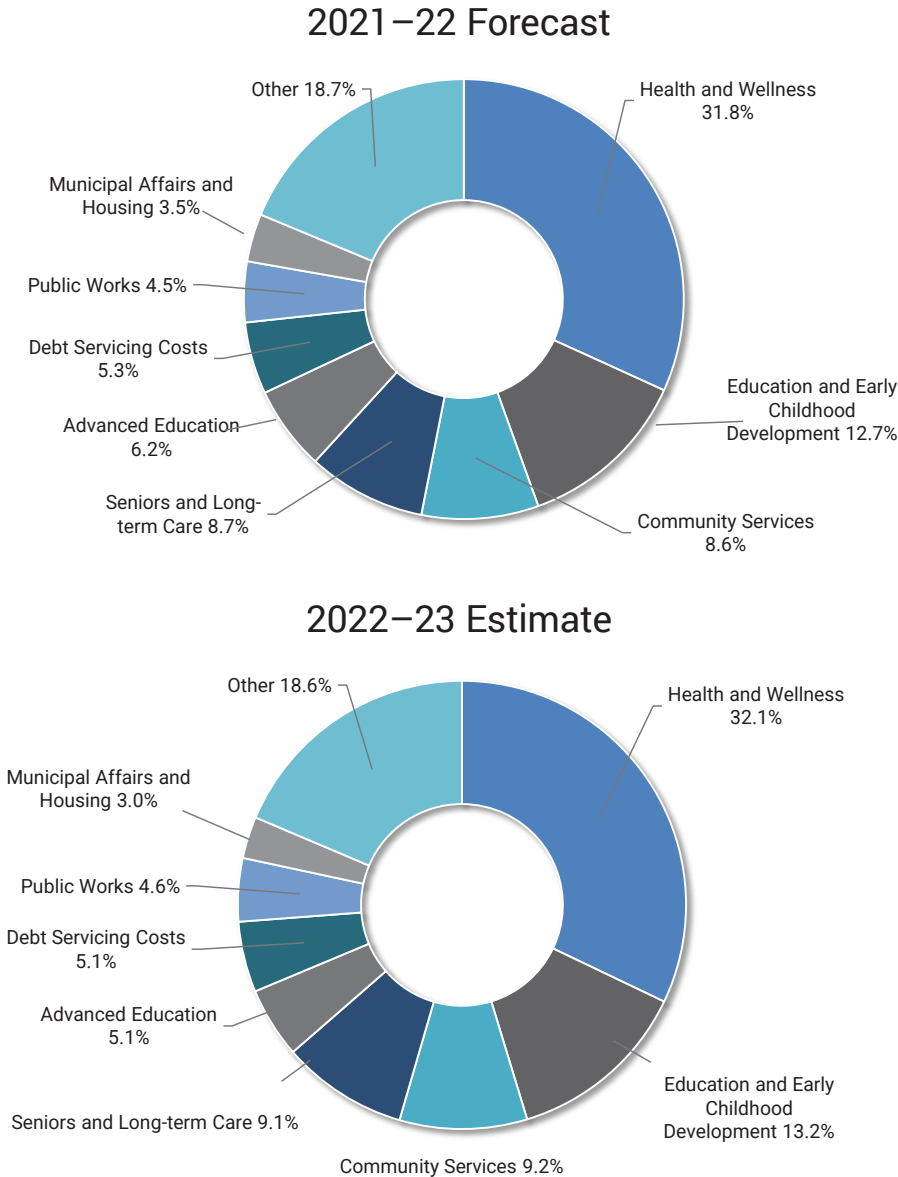
Table 6.7 Total Expenses
(percentage of Total Expenses)

General Revenue Fund: Expenses	2019-20 Actual	2020-21 Actual	2021-22 Estimate	2021-22 Forecast	2022-23 Estimate
Departmental Expenses					
Advanced Education	---	---	5.3%	6.2%	5.1%
Agriculture	0.5%	0.4%	0.3%	0.3%	0.3%
Communities, Culture, Tourism and Heritage	0.9%	1.0%	1.1%	2.0%	1.1%
Community Services	8.7%	8.6%	9.0%	8.6%	9.2%
Economic Development	1.8%	1.5%	0.8%	1.2%	0.7%
Education and Early Childhood Development	12.6%	12.9%	12.8%	12.7%	13.2%
Energy and Mines	0.3%	0.5%	---	---	---
Environment and Climate Change	0.4%	0.4%	0.4%	0.4%	0.3%
Finance and Treasury Board	1.1%	0.2%	0.2%	0.2%	0.2%
Fisheries and Aquaculture	0.2%	0.1%	0.2%	0.1%	0.1%
Health and Wellness	40.6%	42.8%	32.3%	31.8%	32.1%
Justice	3.2%	3.3%	3.1%	3.2%	3.1%
Labour, Skills and Immigration	3.5%	3.5%	1.6%	2.2%	1.6%
Assistance to Universities	3.9%	4.0%	---	---	---
Municipal Affairs and Housing	3.1%	3.0%	2.6%	3.5%	3.0%
Natural Resources and Renewables	0.7%	0.9%	1.2%	1.5%	1.0%
Public Service	1.1%	1.1%	3.0%	3.1%	3.1%
Public Works	5.2%	4.9%	4.6%	4.5%	4.6%
Seniors and Long-term Care	---	---	8.5%	8.7%	9.1%
Service Nova Scotia and Internal Services	2.6%	2.5%	2.6%	2.5%	2.7%
Restructuring Costs	1.5%	0.7%	2.6%	0.9%	3.0%
Total - Departmental Expenses	91.9%	92.4%	92.3%	93.4%	93.5%
Other Expenses					
Refundable Tax Credits	0.6%	1.0%	1.2%	0.8%	0.9%
Pension Valuation Adjustment	0.4%	0.5%	0.9%	0.5%	0.5%
Debt Servicing Costs	7.1%	6.1%	5.7%	5.3%	5.1%
Total - Expenses	100.0%	100.0%	100.0%	100.0%	100.0%

Note: Numbers may not add up to totals due to rounding.

Note: For presentation purposes, the 2021–22 estimates and forecast amounts have been reallocated to align with government departmental structure changes authorized by Orders in Council issued on August 31, 2021. In addition, prior year actuals represent the department structure in effect in each of the fiscal years presented, including renamed department expenses. I.e. actuals for Communities, Culture, Tourism and Heritage represent the expenses of Communities, Culture and Heritage for 2019–20 and 2020–21.

Chart 6.2 Total Expenses 2021-22 Forecast and 2022-23 Estimate



Departmental Expenses

Departmental Expenses in 2022–23 are estimated to be \$12.4 billion. This is an increase of \$913.3 million or 7.9 per cent from the 2021–22 Budget Estimates and an increase of \$343.0 million or 2.8 per cent from the 2021–22 forecast. Details of Departmental Expenses are provided in the Budget 2022–23 Estimates and Supplementary Details document.

COVID-19 Impact: The ongoing pandemic and the associated public health response continues to impact the 2022–23 expenses, however, as the pandemic response transitions, the anticipated costs are decreasing in fiscal year 2022–23. COVID-19 related net operating expenses are estimated to be \$228.2 million across various departments (Table 6.8).

Table 6.8 COVID-19 Cost to the Province

(\$ thousands)

Departments and Public Service	2022-23 Estimate	COVID-19 Impact
Advanced Education	676,617	---
Agriculture	40,499	---
Communities, Culture, Tourism and Heritage	141,951	---
Community Services	1,217,652	5,104
Economic Development	96,529	914
Education and Early Childhood Development	1,751,280	13,089
Environment and Climate Change	37,901	---
Finance and Treasury Board	28,877	---
Fisheries and Aquaculture	17,698	---
Health and Wellness	4,266,326	154,683
Justice	415,750	100
Labour, Skills and Immigration	207,493	1,785
Municipal Affairs and Housing	400,479	6,926
Natural Resources and Renewables	134,886	---
Public Service	415,909	375
Public Works	606,960	1,653
Seniors and Long-term Care	1,204,270	43,156
Service Nova Scotia and Internal Services	359,570	430
Restructuring Costs	402,099	---
Total Departmental Expenses	12,422,746	228,215

Refundable Tax Credits

Refundable Tax Credits are estimated to be \$121.8 million in 2022–23, a decrease of \$22.9 million or 15.8 per cent from the 2021–22 Budget Estimates and an increase of \$16.8 million or 16.0 per cent from the 2021–22 forecast. Projects eligible for the Capital Investment Tax Credit saw considerable start up delays during the COVID-19 pandemic and are taking time to get back on schedule. This is partially offset by much higher expenditures for the Digital Animation Tax Credit.

Pension Valuation Adjustment

The Pension Valuation Adjustment is estimated to be \$71.5 million in 2022–23, down \$36.4 million or 33.7 per cent from the 2021–22 Budget Estimates and up \$9.4 million or 15.1 per cent compared to the 2021–22 forecast. The decrease from estimate to estimate is primarily due to the Teachers' Pension Plan and retirement health benefit plans as a result of updated actuarial reports and changes in actuarial assumptions. The increase in budget to forecast is primarily due to changes in actuarial assumptions in retirement health benefit plans.

Debt Servicing Costs

Debt Servicing Costs are projected to be \$676.4 million for 2022–23, down \$34.5 million or 4.9 per cent from the 2021–22 Budget Estimates and down \$5.8 million or 0.8 per cent from the 2021–22 forecast. Debt Servicing Costs have decreased from the Budget Estimates primarily as a result of lower pension debt servicing obligations and maturing high coupon debt.

Consolidation and Accounting Adjustments

Overall, Consolidation and Accounting Adjustments are estimated to result in a \$124.4 million positive impact on the provincial financial position. The \$18.3 million increase in the consolidation impact over the 2021–22 Budget Estimates is primarily due to a \$47.6 million increase in capital grants to NSHA/IWK for capital equipment envelopes and investments in healthcare infrastructure assets, partially offset by a \$22.3 million decrease in amortization and a \$7.4 million increase in capital grants for various economic stimulus projects completed in 2021–22.

Key Risks – Expenses

After two consecutive years of considerable uncertainty due to the pandemic's evolution, the risk of expense variability may reduce during the 2022–23 year if the pandemic's transition and evolution does not require further unanticipated action.

However, direct support in response to the pandemic is still required. As noted in Table 6.8, significant spending is still required to manage response and infection prevention and control measures, albeit estimated to be reduced from previous years. If additional supports are deemed to be required, the impacted departments may experience a variance to their expenses depending on the magnitude of supports considered necessary.

Further, there are a number of economic variables and external events which may cause pressure to operational spending plans if inflationary pressures mount beyond projections. The Department of Finance and Treasury Board, along with large operational departments, will continue to monitor spending requirements and will update on associated variances, if any, during public forecast updates.

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.

This outlook is based on data and external events up to November 9, 2021, as well as revised fiscal and capital plans as of February 25, 2022. The outlook is subject to change based on information published after November 9, 2021, and new information will be incorporated into future economic forecasts. Some of the descriptive analysis below refers to data and events that emerged after November 9, 2021.

International and Canadian Economic Context

Global Economy: Relaxation of pandemic-related lockdowns started in the second half of 2021. Real global growth is estimated to have increased to 5.9 per cent in 2021, its strongest post-recession pace in 80 years.

However, the prospects for global economic growth going into 2022 have weakened due to the prolonged economic disruptions from the Omicron variant, continued supply chain shortages, and higher commodity prices. Emerging and developing economies are experiencing weaker and more fragile recoveries compared to advanced economies due to slower vaccination progress and more limited policy responses. The invasion of Ukraine by Russia is a major risk to the global economic outlook due to the increased financial market volatility, world energy market disruption, and ensuing geopolitical uncertainty.

The International Monetary Fund (IMF) World Economic Outlook, in January 2022, estimated that global real Gross Domestic Product (GDP) growth will soften to 4.4 per cent in 2022 and 3.8 per cent in 2023, as pent-up demand wanes and supportive monetary policies start to tighten.

The increase in global demand combined with ongoing supply chain disruptions and rising food and energy prices are expected to keep inflation elevated for a longer period. Core consumer prices (excluding food and energy) have also increased, reflecting rising housing prices in some economies. With inflation and price pressures becoming more broad-based, major central banks including the Bank of Canada, the US Federal Reserve, the European Central Bank, and the Bank of England have started to tighten monetary policies or at least slow accommodative measures.

Monetary policy decisions over the near term are expected to vary across countries based on their respective inflation pressures, employment situations, and central bank

policy frameworks. Tightening policy could mean a trade-off between addressing price pressures and slowing economic recovery. As supply-demand imbalances gradually disappear and monetary policy in major economies responds, the IMF expects inflation to reduce in the latter part of 2022.

The IMF notes that effective communication of monetary policy decisions will be important to avoid any potential overreactions in financial markets. Given the potential long-term impacts of COVID-19 lockdowns and social distancing, structural reforms may be needed to ease the longer-term negative impact, or 'scarring' of the pandemic on labour supply and businesses.

United States: A surge in COVID-19 cases and supply disruptions caused US economic growth to moderate in the third quarter of 2021. However, recent indicators point to reacceleration of economic activity. Continued recovery in the US labour market is expected to support wage growth and household spending. As supply disruptions gradually ease, inflation pressures are expected to moderate. The US Federal Reserve has started to reduce the monthly pace of its net asset purchases and higher interest rates are expected in 2022.

Improvements in the public health situation, increases in services consumption, and rising labour force participation rates are expected to support US economic growth over the medium term. Following 5.7 per cent real growth in 2021, the Budget economic assumptions project that US real economic growth will soften to 3.9 per cent in 2022 and 2.7 per cent in 2023.

Europe: Supported by strong consumption, reduced household savings, and higher investments, real GDP growth in the euro area rebounded with growth of 5.2 per cent in 2021. An improving labour market, favorable financing conditions, and the full deployment of the Recovery and Resilience Facility are all set to sustain a robust expansionary phase over the near term. As supply conditions normalize and inflationary pressures moderate, the IMF estimates economic activity in the euro area to grow 3.9 per cent in 2022 and 2.5 per cent in 2023.

The emerging situation in Ukraine clouds the euro area's economic recovery. Rising energy and food prices could lower household purchasing power and erode confidence, while economic sanctions imposed against Russia could impact trade and investment. Additionally, the European Central Bank may face the challenge of setting monetary policy in the near term while the unfolding situation in Ukraine and Russia adds to inflationary pressures and weakens economic activity.

China: The Chinese economic recovery was driven by strong exports and robust investment but stalled in the second half of 2021. Disruptions in China's housing sector reduced confidence and investment, while temporary power cuts in many provinces due to the Winter Olympics and other factors limited manufacturing

production. China's strict zero-COVID strategy has limited mobility and employment, and as a result, the outlook for private consumption is diminished in 2022. Fiscal policy supports that provided relief and boosted public investment are starting to moderate as well. Following an estimated real 8.1 per cent growth in 2021, the IMF projects China's economic growth to moderate to 4.8 per cent in 2022 and 5.2 per cent in 2023.

Canada: In 2021, the Canadian economy continued to recover from the initial impacts of the COVID-19 pandemic. Through the second half of 2021, widespread vaccination allowed for public health measures to be eased. The re-opening of the economy saw higher household spending on services, including food and beverage services. Real activity returned to pre-pandemic levels by the third quarter of 2021. Housing markets were strong with low interest rates and accumulated household savings from 2020. By the end of 2021, Canada's labour markets had recovered to pre-pandemic levels. Exports rebounded due to growth in foreign demand, despite supply chain shortages which impaired manufacturing output. As other countries loosened pandemic-related restrictions, international travel resumed in the second half of 2021. Federal fiscal stimulus has been largely withdrawn, except for targeted supports for industries severely affected by COVID-19 restrictions. Overall, Canada's real GDP grew by 4.6 per cent in 2021.

In the final months of 2021 and first quarter of 2022, economic growth slowed due to the emergence of the highly infectious Omicron variant. However, as businesses and consumers have proved to be more resilient to subsequent outbreaks, growth is expected to resume quickly as short-term public health restrictions wind down. Ongoing global supply chain issues and labour shortages have emerged as a challenge for Canadian businesses. Wage growth has picked up in an effort to fill labour shortages. Growth in 2022 is expected to be driven by consumer spending as households continue to draw down excess savings. Consumer demand is also expected to fuel business spending and non-residential investment. Housing markets are expected to remain elevated in 2022, but ease once interest rates rise and the boost from higher household savings dissipates. Real GDP is expected to be above 2019 levels by about 3 per cent in 2022. By 2023, growth in the Canadian economy is anticipated to return to pre-pandemic trends. Canada's real GDP is projected to grow 3.6 per cent in 2022 and 2.7 per cent in 2023.

Consumer price inflation has reached levels not seen since the early 1990s. Global supply chain disruptions and higher gasoline prices are driving inflation in Canada. Inflation is expected to ease over the course of the next few years. The Bank of Canada increased the overnight rate for the first time in more than three years on March 2, 2022, to 0.5 per cent. The Bank is anticipated to continue a path of monetary tightening given that economic slack has largely been absorbed. However, emerging risks in the global economy make the timing and degree of such movements uncertain.

External Economic Assumptions

Table 7.1 presents the key external economic assumptions used for Nova Scotia's economic forecast.

Table 7.1 External Economic Assumptions for Nova Scotia Budget Forecast

As of November 9, 2021	2022	2023
US Real GDP Growth (% change, 2012 chained)	3.9	2.7
Canada Real GDP Growth (% change, 2012 chained)	3.6	2.7
Canada Nominal GDP Growth (% change, current prices)	6.1	4.2
USD/CAD exchange rate (US¢ per CAD)	80.2	78.9
Canadian Prime Lending Rate (%)	2.8	3.6
5 Year Conventional Mortgage Rate (%)	5.3	5.6

Source: Nova Scotia Department of Finance and Treasury Board

Nova Scotia Economic Context

Population and Demography: Nova Scotia's population rose by over 45,000 persons between 2015 and 2020. Although COVID-19 related border restrictions slowed the pace of growth, Nova Scotia's population reached 992,055 as of July 1, 2021. This was an increase of 10,166 (+1.04%) over the revised 2020 estimate (981,889). Statistics Canada reports that Nova Scotia's population grew to 1,002,586 by January 1, 2022.

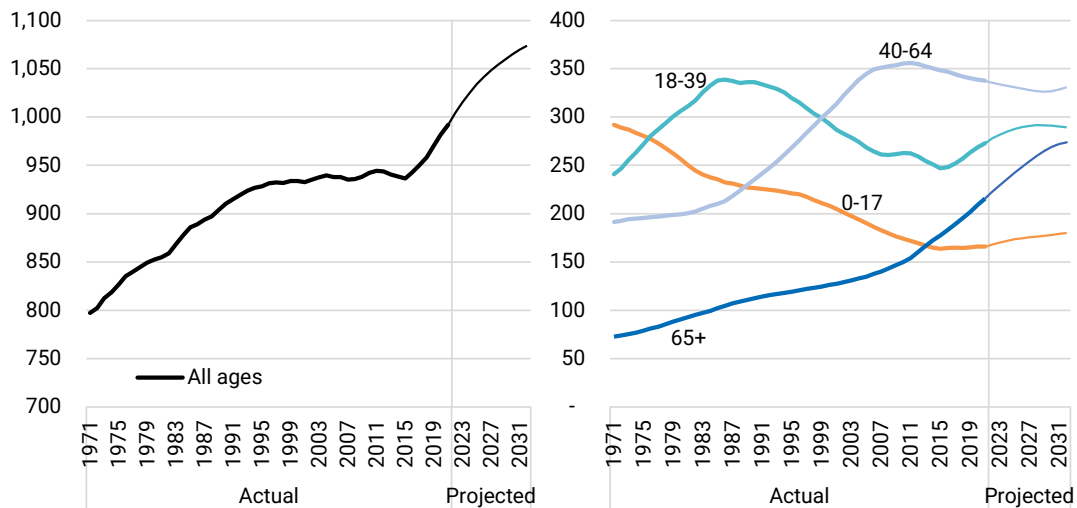
While overall movement between provinces slowed in 2020 due to the pandemic, net interprovincial migration to Nova Scotia grew, including a rise in people moving into the province and a fall in the number moving out. Net interprovincial migration to Nova Scotia between July 1, 2020, and July 1, 2021, was the strongest since the data series started in 1961/1962, with positive net migration from all provinces.

Travel restrictions during the pandemic and processing issues slowed international migration for both permanent and nonpermanent residents (notably international students). The population growth from natural change (births less deaths) continues to be negative. Nova Scotia's population is projected to grow by a further 1.2 per cent from July 1, 2021, to July 1, 2022.

Population growth in Nova Scotia over the medium term is expected to be supported by positive net interprovincial migration and increased immigration based on higher Government of Canada immigration targets (Chart 7.1). With the Atlantic Immigration Pilot program becoming permanent, the population aged 18 to 64 is expected to increase modestly over the medium term.

Chart 7.1 Nova Scotia's Population Above One Million People

Thousands, July 1



Source: Statistics Canada. Table 17-10-0005-01 Population estimates on July 1st, by age and sex; and Nova Scotia Department of Finance and Treasury Board projections.

Economic Growth: Six years of economic growth were interrupted by the COVID-19 pandemic in 2020. Real GDP contracted 2.5 per cent in 2020. Nova Scotia's economic contraction was the second smallest among the provinces, but still the largest contraction seen in decades.

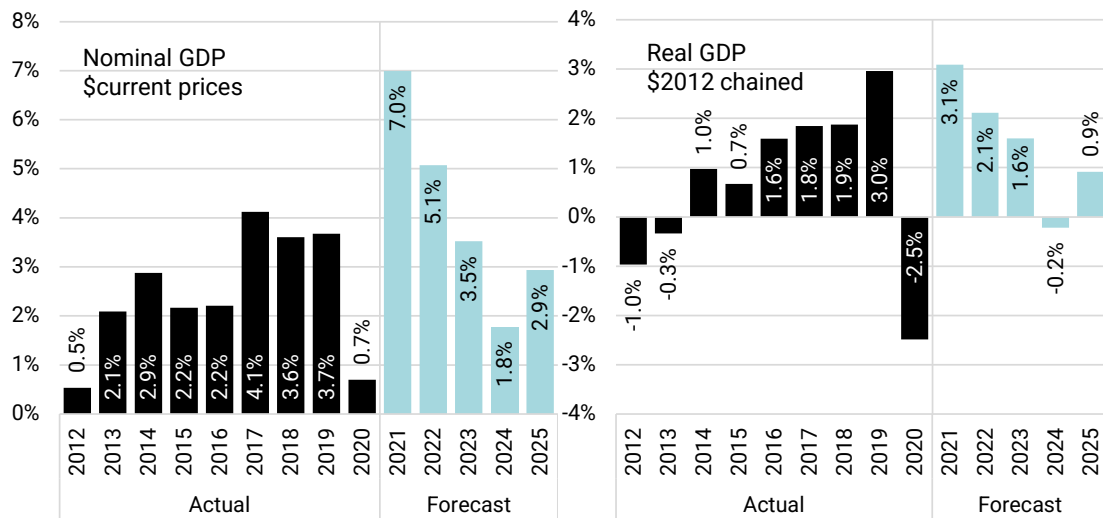
Nova Scotia's economy made a significant recovery from the COVID-19 pandemic in 2021. This is expected to be sufficient to return GDP not only back to 2019 levels, but to the growth trends projected prior to the pandemic. Nova Scotia's real GDP is estimated to have grown 3.1 per cent in 2021 with nominal GDP rising by 7.0 per cent. Recovery in international goods exports and household consumption, along with further growth in residential investment drove provincial economic activity in 2021.

The economic consequences of the Omicron wave are estimated to have been more limited than previous waves. Further re-opening, both in the province and globally, is expected to boost confidence and shift demand back towards pre-pandemic patterns. While demand in high-contact service and tourism-related industries will take time to fully recover, acceleration of digital adoption and work location trends may enhance productivity in the long-run.

In 2022 and 2023, Nova Scotia's economic growth is expected to normalize, after the large rebound in 2021 (Chart 7.2). Real GDP is projected to grow by 2.1 per cent in 2022 and by 1.6 per cent in 2023. Nominal GDP is projected to slow from 5.1 per cent

growth in 2022 to 3.5 per cent in 2023. In the medium-term outlook, Nova Scotia's GDP growth continues to be sensitive to major project investment timing and the emergence of new projects.

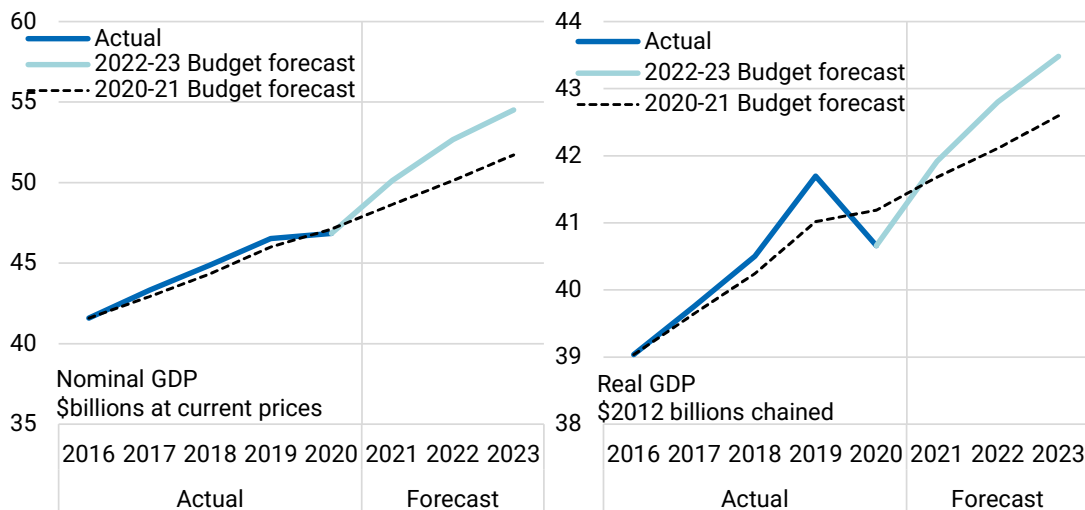
Chart 7.2 Nova Scotia's GDP Growth Normalizes After Pandemic Recovery



Source: Statistics Canada, Table 36-10-0222-01 Gross domestic product, expenditure-based, provincial and territorial, annual (x 1,000,000); Nova Scotia Department of Finance and Treasury Board projections

Upward GDP data revisions along with a more modest pandemic recession, pandemic-related transfers, a robust recovery, rising population and strong housing markets lifted the outlook for real and nominal GDP values above projections made prior to COVID-19 (Chart 7.3).

Chart 7.3 Nova Scotia's GDP Rises Above Previous Projections



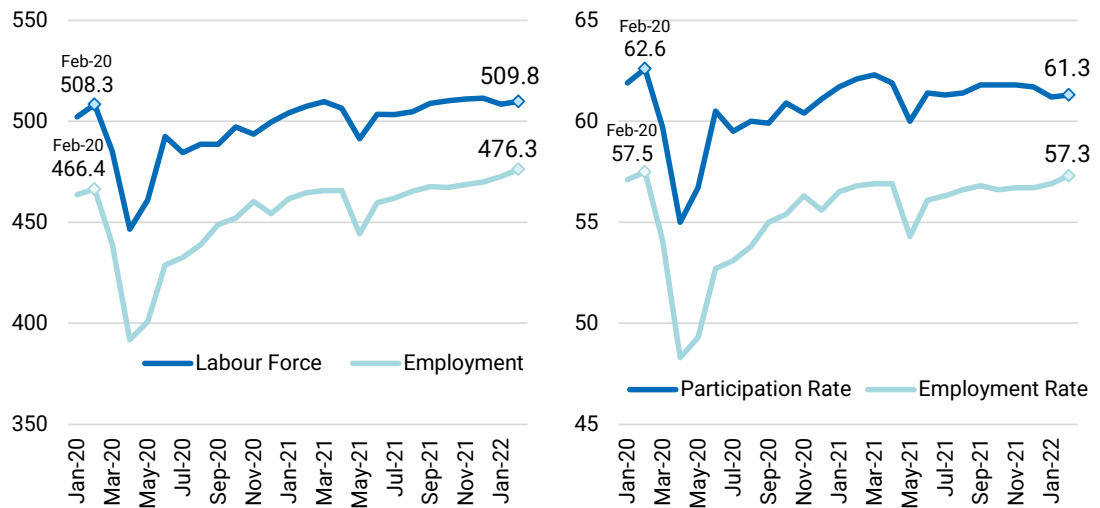
Source: Statistics Canada, Table 36-10-0222-01 Gross domestic product, expenditure-based, provincial and territorial, annual (x 1,000,000); Nova Scotia Department of Finance and Treasury Board projections

Labour Market: The COVID-19 pandemic and public health restrictions caused large monthly variations in the labour market. Employment declines that coincided with restrictions in May 2021 recovered in subsequent months. Employment exceeded pre-pandemic levels by September 2021 and expanded throughout the winter (Chart 7.4). Participation rates are yet to return to their pre-recession levels. Job vacancies rose throughout 2021, but to a lesser extent in Nova Scotia than nationally.

Industry-based employment growth has been uneven, with the ongoing pandemic suppressing activity in some industries throughout 2021. Employment growth from 2019 to 2021 was particularly strong in utilities, professional, scientific and technical services, transportation and warehousing, finance and insurance, and agriculture. Employment levels in 2021 remained depressed among high-contact service and tourism related sectors, such as information, culture and recreation, accommodation and food services, and wholesale and retail trade. Employment in the mining, quarrying and oil and gas extraction sector declined with natural gas production and decommissioning activity winding down.

Nova Scotia's labour force is projected to grow by 1.0 per cent in 2022 and by 0.9 per cent in 2023, though the participation rate remains lower than the 61.8 per cent observed prior to the pandemic.

Chart 7.4 Nova Scotia's Labour Market Rebounded After Restrictions Eased
Ages 15+, Employment and Labour force in Thousands, seasonally adjusted



Source: Statistics Canada, Table 14-10-0287-01 Labour force characteristics, monthly, seasonally adjusted and trend-cycle; Note: Participation rate is the labour force as a share of the population, employment rate is employment as a share of the population.

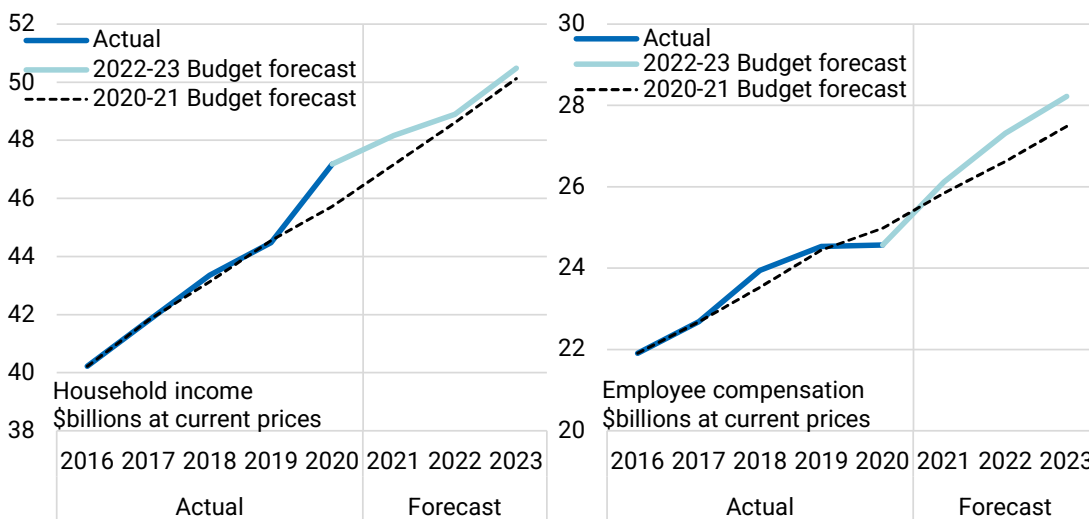
Population growth, further recoveries in tourism and service sectors, and expanding construction and professional services are expected to drive rising employment. Employment is projected to rise 2.2 per cent in 2022 and 1.3 per cent in 2023, though the employment rates (56.8-56.9 per cent) do not reach pre-COVID levels of 2019 (57.2 per cent).

With employment growth anticipated to outpace the growth in the labour supply, Nova Scotia's unemployment rate is projected to fall to 7.3 per cent in 2022 and to 7.0 per cent in 2023.

Household Income: Employee compensation rose 7.4 per cent in 2021 as employment rebounded from COVID-19 restrictions (Chart 7.5). Household income growth in Nova Scotia accelerated to 6.1 per cent in 2020 as large Federal transfer payments offset flat employee compensation (0.2 per cent).

After the withdrawal of Federal COVID-19 transfers to households, household income growth in Nova Scotia is expected to slow to 1.5 per cent in 2022, despite employee compensation growth of 4.6 per cent. By 2023, employee compensation and household income are expected to return to historical growth rates (3.3 per cent and 3.2 per cent, respectively). Both household income and employee compensation are projected to be above pre-COVID trends in 2022 and 2023.

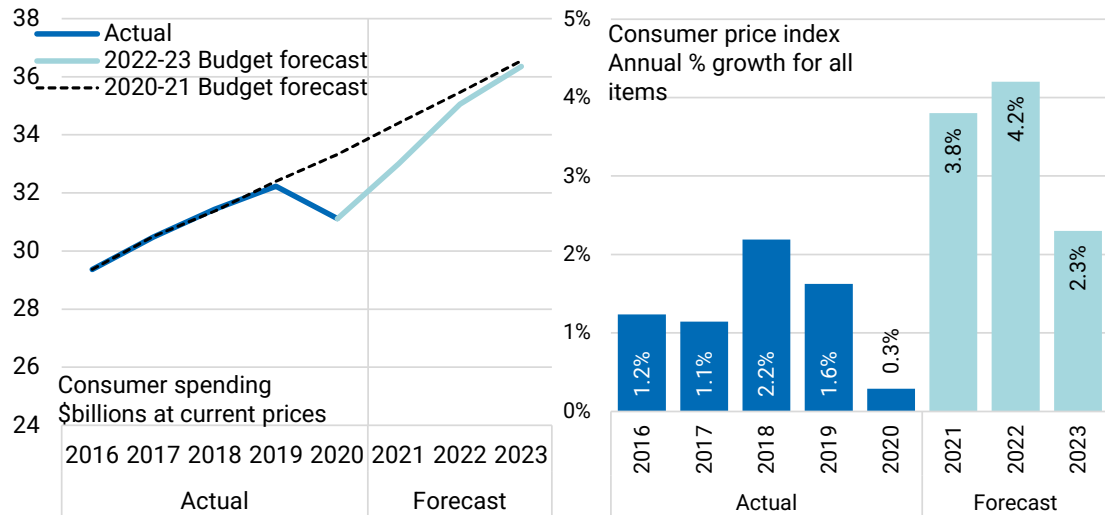
Chart 7.5 Income and Employee Compensation Above Pre-COVID Levels



Source: Statistics Canada, Table 36-10-0221-01 Gross domestic product, income-based, provincial and territorial, annual (x 1,000,000); Table 36-10-0226-01 Household sector, selected indicators, provincial and territorial; Nova Scotia Department of Finance and Treasury Board projections.

Household Consumption: Household consumption recovered with an estimated 6.1 per cent gain in 2021, supported by elevated savings levels, population growth, pent-up demand, and higher prices (Chart 7.6). Retail sales grew by 16.6 per cent in 2021 as consumer preferences shifted to goods purchases. All store types had growth with the strongest growth in areas that had larger declines in 2020: gasoline stations, motor vehicles and parts dealers, and clothing and clothing accessories stores. New motor vehicle sales grew 11.8 per cent to nearly 45,000 units in 2021. However, this is still below pre-pandemic sales volumes. Service consumption has been slower to recover; food services and drinking places sales receipts grew 21.0 per cent in 2021, but the level in December 2021 was 1.9 per cent below February 2020.

Drawdown of elevated savings, rising population, higher inflation, and resumption of service expenditures are expected to drive household consumption to a second year of rapid growth in 2022 (6.2 per cent) before slowing in 2023 (3.7 per cent). Despite fast growth in 2022, Nova Scotia’s household consumer spending levels are expected to remain below pre-COVID trends.

Chart 7.6 Household Consumption is Recovering Despite Higher Inflation

Sources: Statistics Canada, Table 36-10-0222-01 Gross domestic product, expenditure-based, provincial and territorial, annual (x 1,000,000); Table 18-10-0005-01 Consumer Price Index, annual average, not seasonally adjusted; Nova Scotia Department of Finance and Treasury Board projections.

Note: 2021 CPI inflation of 3.8 per cent reflects the economic assumption as of November 9, 2021. Actual CPI growth was 4.1 per cent in 2021.

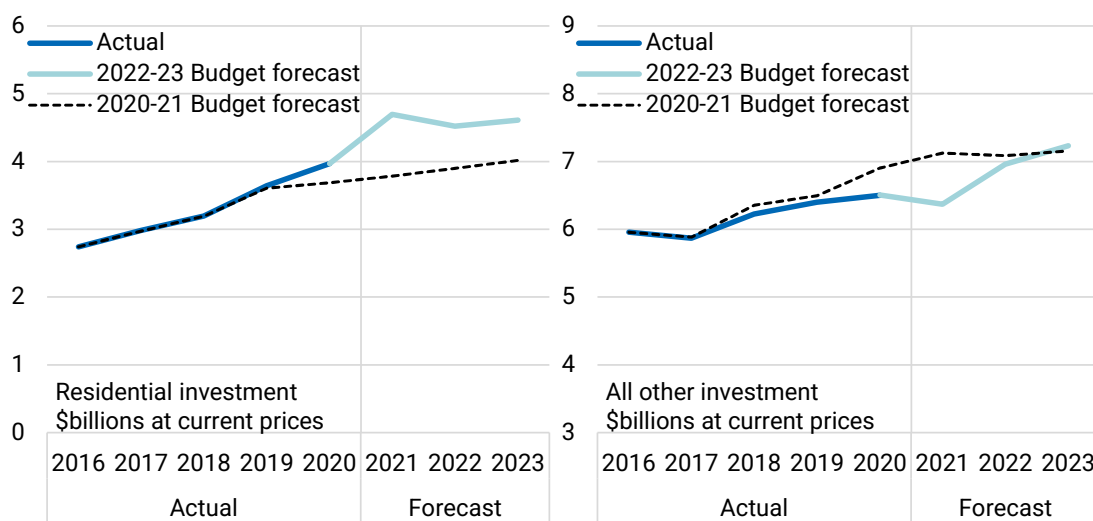
Inflation: Like other advanced economies, Nova Scotia's consumer price pressures ramped up quickly in 2021 after very low inflation in 2020 (0.3 per cent). Consumer price inflation rates were around 1 per cent at the beginning of the year and then rose to over 5 per cent in the fall of 2021. Overall, Nova Scotia's Consumer Price Index (CPI) increased 4.1 per cent in 2021, the fastest pace since 1991. Accelerating inflation was led by energy prices increasing 21.7 per cent and by shelter prices rising 4.8 per cent in 2021. Nova Scotia's consumer price inflation is expected to remain elevated at 4.2 per cent for 2022, before cooling to 2.3 per cent in 2023.

Investment: Growth in residential investment accelerated in 2021, rising by an estimated 18.4 per cent. Residential investment in the province has been growing for several years and is estimated to be nearly \$2 billion more than 5 years ago at \$4.7 billion (Chart 7.7). Low vacancy rates, population growth, low interest rates, and shifting preferences have supported demand in the sector. Home prices continued to increase in the province, evidenced by the new housing price index increasing 9.5 per cent in 2021, faster than any year since 1987, when data collection commenced. Resale housing prices in the Halifax market increased by 28.0 per cent in 2021.

Residential investment is expected to retreat slightly (-3.8 per cent) in 2022 but remains at elevated levels – well above pre-pandemic projections. Further growth in residential investments is sensitive to labour supply constraints and rising interest rates.

All other investment types (non-residential, machinery, government, intellectual property) declined by an estimated 2.1 per cent in 2021 and remain just below 2019 levels. Ongoing capital spending in the healthcare and transportation sectors is expected to support economic activity in the near term and beyond. Non-residential business and government investment growth is expected to have a pickup in 2022 (9.3 per cent).

Chart 7.7 Elevated Residential Investment, Recovering Non-residential Investment



Source: Statistics Canada, Table 36-10-0222-01 Gross domestic product, expenditure-based, provincial and territorial, annual (x 1,000,000); Nova Scotia Department of Finance and Treasury Board projections

Exports and Imports: Global economic recovery and higher prices supported Nova Scotia exports. In 2021, international merchandise shipments increased 18.1 per cent on a customs-basis with rising volumes and prices and were 1.9 per cent above pre-pandemic 2019 levels. Seafood shipments rose to almost \$2.5 billion. Higher shipments of tires, machinery, lumber, and paper were partially offset by lower shipments of frozen fruit, gypsum, and aerospace products in 2021. Shipments to the US (+17.9 per cent) and the European Union (+23.5 per cent) both eclipsed pre-pandemic levels in 2021. Shipments to China grew more modestly at 5.8 per cent in 2021 and were still 30.6 per cent below 2019 levels (which included wood pulp). Exports to other Indo-Pacific markets also increased notably with shipments to South Korea, Hong Kong, Pakistan, and Australia.

Nova Scotia’s tourism sector was limited by COVID-19 restrictions and cautious travellers in 2021. Nova Scotia’s tourism activity tracker showed that tourism activity

picked up in the summer but remained around 40 per cent below pre-pandemic levels near the end of 2021. Tourism among Canadians recovered to a greater extent than international tourists.

After posting robust growth, estimated at 19.7 per cent in 2021, growth of international goods exports is projected to moderate – growing by 5.3 per cent in 2022 and 3.8 per cent in 2023 as the global recovery slows. Service exports are expected to accelerate due to a partial return of tourism activity.

Higher global prices, particularly in energy, are expected to lift the price of imports into the province, which are projected to grow by 3.7 per cent in 2022 and by 3.4 per cent in 2023.

Business Income: Although the pandemic contributed to substantial employment losses and falling real GDP, the net operating surplus of corporations posted very strong growth in 2020 – rising by 48.9 per cent to \$4.8 billion. In 2021, the corporate net operating surplus is estimated to have fallen by 17.6 per cent to \$4.0 billion, but this remains 22.7 per cent higher than in 2019. Net mixed income of unincorporated businesses was steadier over the course of the pandemic – remaining flat in 2020 and rising by an estimated 3.6 per cent in 2021.

Net operating surplus of corporations is projected to contract 8.5 per cent in 2022 before growing by 3.2 per cent in 2023. Net mixed income is projected to rise by 4.3 per cent in 2022 and 3.1 per cent in 2023.

GDP by Industry: During the pandemic, output was limited in high-contact services industries and particularly in tourism-related activities (Table 7.2). Domestic travel and US road-based tourism are anticipated to pick-up in 2022, although recovery in air travel is expected to take longer. Tourism recovery is expected to lift transportation, accommodation and food services, as well as arts, entertainment and recreation industries.

Over the course of the pandemic, there was a notable increase in employment for professional, scientific and technical services – an industry that is well adapted to remote work. Further growth in this industry is expected. Ongoing residential and non-residential investment are expected to contribute to rising construction industry real GDP. A growing population is expected to support growth in many service-producing industries, which continue to account for 80 per cent of Nova Scotia's GDP. Mining, quarrying, and oil and gas extraction real GDP is projected to decline with completion of natural gas decommissioning and a slower period in gold mining.

Table 7.2 Nova Scotia GDP Outlook by Industry

Growth rates, real GDP at basic prices

	Share of GDP: 2020	Actual 2015-2019	Actual 2020	Estimated 2021	Projected 2021-2023
All industries	100.0	2.0	-2.5	3.1	1.9
Agriculture, forestry, fishing	3.3	-1.8	-0.4	1.2	0.6
Mining, oil, gas	0.9	4.2	7.6	-8.6	-9.0
Utilities	2.0	1.9	-6.5	5.4	0.7
Construction	6.6	5.0	7.8	4.7	3.3
Manufacturing	7.1	2.9	-3.2	2.9	0.8
Wholesale trade	2.9	-0.4	-1.3	4.5	0.4
Retail trade	6.3	2.0	-3.0	3.4	0.4
Transportation	3.0	2.9	-14.8	4.9	6.2
Information, culture	3.1	2.3	-1.7	0.4	1.0
Finance, insurance	6.1	3.2	5.5	1.5	1.5
Real estate, rental, leasing	16.8	2.4	2.2	1.6	1.3
Professional, technical	4.5	3.6	-1.5	2.7	2.1
Company management	0.1	-17.7	-25.8	0.1	0.0
Administrative, support	2.0	-1.1	-13.1	4.4	3.6
Education	7.0	1.1	-4.4	4.1	1.0
Health care, social assistance	11.3	1.9	-4.4	6.9	2.2
Arts, entertainment, recreation	0.3	2.7	-46.7	7.4	30.9
Accommodation, food	1.8	2.3	-31.4	8.9	15.2
Personal, repair	1.9	1.8	-12.1	5.8	5.0
Public administration	13.1	1.2	-0.2	1.8	0.7

Source: Statistics Canada, Tables 36-10-0400-01, 36-10-0402-01; Nova Scotia Department of Finance and Treasury Board projections Note: Real estate, rental, leasing includes the imputed rent on owner-occupied dwellings; Compound annual growth: 2015-19 and 2021-23

Forecast Summary and Private Sector Comparison

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 November 9, 2021, as well as fiscal and capital plans as of February 25, 2022. The private sector forecast is as of November 9, 2021.

Table 7.3 Nova Scotia Budget Economic Forecast

(Per cent change, nominal values, except where noted)

	2021	2022	2023
Real GDP (\$2012 chained)	3.1	2.1	1.6
<i>Average of private sector forecasters: Real GDP</i>	4.0	2.8	1.7
Nominal GDP	7.0	5.1	3.5
<i>Average of private sector forecasters: Nominal GDP</i>	9.4	4.3	3.2
Compensation of Employees	6.3‡	4.6	3.3
Household Income	2.1	1.5	3.2
Household Final Consumption	6.1	6.2	3.7
Retail sales	14.0‡	-1.1	2.4
<i>Average of private sector forecasters: Retail sales</i>	13.4	0.8	1.2
Consumer Price Index (all-items, Index 2002=100)	3.8‡	4.2	2.3
<i>Average of private sector forecasters: CPI</i>	3.8	2.9	2.1
Residential Investment	18.4	-3.8	2.0
Non-residential, Machinery, Intellectual Property	-2.1	9.3	3.9
Corporate net operating surplus	-17.6	-8.5	3.2
Unincorporated net mixed income	3.6	4.3	3.1
Exports of goods and services	6.6	5.8	4.8
Exports of goods to other countries	19.7	5.3	3.8
Imports of goods and services	4.8	3.7	3.4
Population at July 1 (000s, all ages)	992.1a	1,004.3	1,014.9
Population at July 1 (000s, 18–64)	610.4a	613.6	615.5
Labour force (000s)	505.3‡	510.4	515.1
Employment (000s)	463.0‡	473.1	479.2
<i>Average of private sector forecasters: Employment</i>	461.9	471.1	476.3
Unemployment rate (%)	8.4‡	7.3	7.0
<i>Average of private sector forecasters: Unemployment rate</i>	8.3	7.4	6.8

Source: Nova Scotia Department of Finance and Treasury Board

‡ 2021 figures as estimated using data up to November 9, 2021. Actuals for 2021 were released after this date. a=actual

Notes: 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 Risks and Sensitivities

Nova Scotia's economic outlook is sensitive to external conditions. As such, the emerging and changing situation in Ukraine and Russia creates a significant risk to the outlook. The invasion of Ukraine by Russia has already generated significant global economic impacts, including rising oil and commodity prices. Economic sanctions aimed at restricting Russian economic activity may also have impacts on other economies, including Nova Scotia's major trading partners. Sanctions on the financial system may have impacts outside of Russia for banks linked to the Russian economy or holding Russian assets and debt. The impacts that this invasion will have on the global economy will be far reaching and the extent to which it will impact Nova Scotia is yet unknown.

Inflation is elevated in most major economies and remains a risk to the outlook at home and abroad. Recent developments on oil and commodity prices will add to the inflation pressures already felt around the world. Long-term inflationary expectations may be fundamentally altered during this period. This could complicate the Bank of Canada's current quantitative tightening program, as well as other central banks looking to tighten monetary policy. Rising interest rates may make it difficult for Canadian households to manage existing debt loads. Moreover, continued housing price growth could also erode the purchasing power of household income and limit growth in non-shelter expenditures.

Global supply chain and trade issues may also be further exacerbated by the unfolding situation in Ukraine and Russia. Energy shortages could create further supply chain issues and impact production schedules, both domestically and for our trade partners.

The outlook for Nova Scotia's trade is influenced by the pace of growth of our major trading partners. Some of Nova Scotia's major partners have not yet returned to pre-pandemic levels of activity and the recovery will be impacted by the situation in Ukraine and Russia. Ongoing trade disputes and trade protectionism between the US and Canada, including Canadian softwood lumber exports, have the potential to impact Nova Scotia's exports.

Demographic projections are a key input to the economic outlook for Nova Scotia. Changes to international and interprovincial migration patterns could impact population projections. Uncertainty about how the invasion of Ukraine will influence migration patterns around the world also presents a risk to the outlook.

The epidemiology of the COVID-19 pandemic continues to be a risk to the economic projections. Although this outlook makes assumptions about the impacts of COVID-19 in 2022, the evolution of the virus remains highly uncertain. A resurgence of new cases either domestically or abroad, as well as new variants of COVID-19 remain a

downside risk to the outlook. Further increases in cases and reinstatement of public health measures would likely slow the pace of economic growth. Nova Scotia's high vaccination rate coupled with further developments around containment and treatment would be supportive of growth.

Looking forward to a post-COVID economy, there may be lingering effects of the pandemic that have not been accounted for in the outlook. Changes to consumer preferences, travel, or work patterns may persist. This could alter demand for some products or services or change how they are produced or delivered to households and businesses. Labour markets could experience 'scarring' due to longer-term disengagement from workers or permanent business closures.

Nova Scotia's investment and GDP are sensitive to the timing of major project activities and infrastructure construction. Uncertainty in major project timing may be further compounded by the risk of labour supply constraints in key industries.

This economic outlook used for fiscal planning only incorporates major investment projects that are imminent and certain. Proposed projects or initiatives in the developmental stage are not included in this outlook and may constitute an upside risk to the medium-term projections.

Although Statistics Canada has undertaken significant new initiatives to measure the economic consequences of the pandemic, there have been lower response rates to surveys and changes in collection methods. This may create an elevated risk that future data revisions alter the economic dimensions of the pandemic.

The provincial economic forecast is intended to provide a reasonable basis for fiscal planning, but it is often different from the final economic outcomes 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.

The economic outlook is sensitive to changes that could occur to different types of economic activity (Table 7.4). Different types of shocks, including their spinoff effects, would be expected to have different impacts on the economic outlook, depending on the supply chain linkages, imports, wages, and employment of the type of activity.

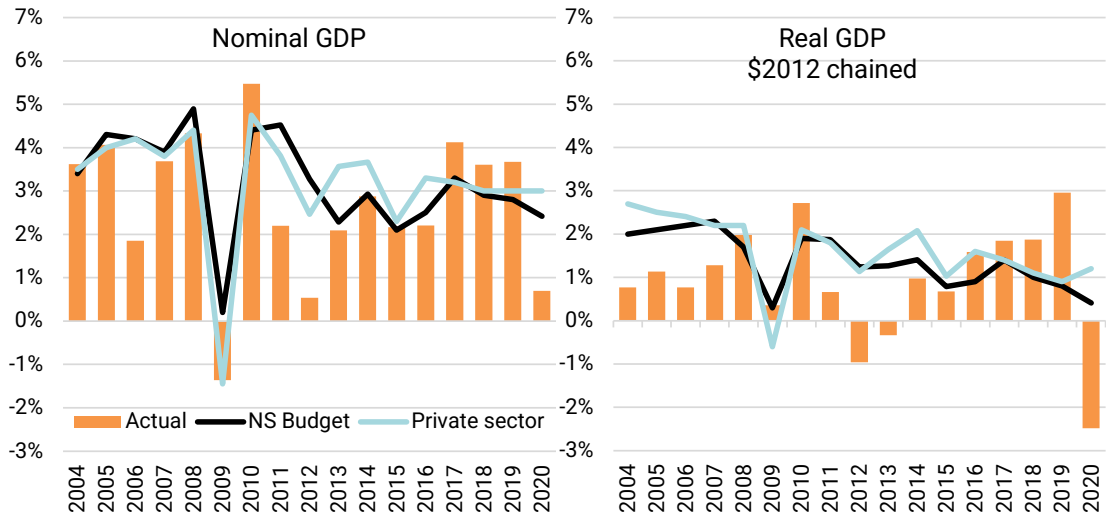
Table 7.4 Change in Output Required to Change Nominal GDP Growth by 0.5 Percentage Points

Capital investment	\$290 million
Household final consumption	\$434 million
Resource sector output	\$300 million
Manufacturing sector output	\$425 million
Service sector output	\$248 million
Residential construction	\$316 million

Source: Nova Scotia Department of Finance and Treasury Board

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 (FTB) 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 accuracy of these projections is compared against the latest Statistics Canada results as well as private sector forecast averages in Chart 7.8.

Chart 7.8 Economic Forecast Accuracy

Source: Statistics Canada, Table 36-10-0222-01 Gross domestic product, expenditure-based, provincial and territorial, annual (x 1,000,000); Nova Scotia Department of Finance and Treasury Board Budget projections and private sector forecast

FTB conducts a challenge and review session to validate the economic forecast. Before using economic assumptions and forecasts for budget planning, FTB 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 participate in challenge sessions, so that they can hear credible, objective advice on whether the economic forecast is a reasonable basis for fiscal planning. FTB provides its economic outlook as part of the Office of the Auditor General's review of revenue estimates.

Economic Indicators

Key economic indicators for Nova Scotia for 2016 to 2023 are presented in Table 7.5.

Table 7.5 Nova Scotia Key Indicators

	2016	2017	2018	2019	ACTUAL 2020
Gross domestic product at market prices (\$ millions current)	41,599	43,314	44,875	46,524	46,849
(% change)	2.2%	4.1%	3.6%	3.7%	0.7%
Gross domestic product at market prices (\$2012, chained millions)	39,038	39,757	40,502	41,700	40,662
(% change)	1.6%	1.8%	1.9%	3.0%	-2.5%
Compensation of employees (\$ millions current)	21,911	22,681	23,946	24,530	24,574
(% change)	0.6%	3.5%	5.6%	2.4%	0.2%
Household income (\$ millions current)	40,223	41,802	43,349	44,472	47,184
(% change)	0.7%	3.9%	3.7%	2.6%	6.1%
Household final consumption expenditure (\$ millions current)	29,373	30,484	31,432	32,234	31,117
(% change)	1.7%	3.8%	3.1%	2.6%	-3.5%
Retail sales (\$ millions current)	14,710	15,861	15,888	16,289	15,924
(% change)	4.7%	7.8%	0.2%	2.5%	-2.2%
Consumer Price Index (all-items, Index 2002=100)	130.9	132.4	135.3	137.5	137.9
(% change)	1.2%	1.1%	2.2%	1.6%	0.3%
Business gross fixed capital formation: residential (\$ millions current)	2,744	2,984	3,194	3,640	3,969
(% change)	6.5%	8.7%	7.0%	14.0%	9.0%
Gross fixed capital formation: non-res., M&E, gov't, IP (\$ millions current)	5,958	5,870	6,225	6,400	6,504
(% change)	9.2%	-1.5%	6.0%	2.8%	1.6%
Net operating surplus: corporations (\$ millions current)	2,673	3,082	2,822	3,254	4,846
(% change)	14.1%	15.3%	-8.4%	15.3%	48.9%
Net mixed income: unincorporated (\$ millions current)	4,570	4,816	4,999	5,248	5,259
(% change)	3.5%	5.4%	3.8%	5.0%	0.2%
Exports of goods and services (\$ millions current)	14,989	15,637	16,214	16,800	15,288
(% change)	0.0%	4.3%	3.7%	3.6%	-9.0%
Exports of goods to other countries (\$ millions current)	5,223	5,427	5,771	6,101	5,037
(% change)	-1.9%	3.9%	6.3%	5.7%	-17.4%
Imports of goods and services (\$ millions current)	26,297	27,190	28,330	28,947	26,810
(% change)	1.8%	3.4%	4.2%	2.2%	-7.4%
Population (all ages, 000s July 1)	942.8	950.1	958.4	970.2	981.9
(% change)	0.7%	0.8%	0.9%	1.2%	1.2%
Population (ages 18-64, 000s July 1)	595.0	596.3	598.8	603.3	607.1
(% change)	0.0%	0.2%	0.4%	0.8%	0.6%
Labour Force (000s)	479.7	483.8	488.1	498.0	487.3
(% change)	-0.3%	0.9%	0.9%	2.0%	-2.1%
Participation rate (%)	61.4	61.4	61.3	61.8	59.9
(change)	-0.6	0.0	-0.1	0.5	-1.9
Employment (000s)	439.3	442.4	450.7	461.2	439.7
(% change)	0.0%	0.7%	1.9%	2.3%	-4.7%
Employment Rate (%)	56.2	56.1	56.6	57.2	54.0
(change)	-0.4	-0.1	0.5	0.6	-3.2
Unemployment Rate (%)	8.4	8.6	7.7	7.4	9.8
(change)	-0.3	0.2	-0.9	-0.3	2.4

Table 7.5 Nova Scotia Key Indicators (continued)

	FORECAST			ANNUAL AVERAGE	
	2021	2022	2023	2016-20	2021-23
Gross domestic product at market prices (\$ millions current)	50,124	52,667	54,522		
(% change)	7.0%	5.1%	3.5%	3.0%	4.3%
Gross domestic product at market prices (\$2012, chained millions)	41,918	42,803	43,484		
(% change)	3.1%	2.1%	1.6%	1.0%	1.9%
Compensation of employees (\$ millions current)	26,121	27,314	28,228		
(% change)	6.3%	4.6%	3.3%	2.9%	4.0%
Household income (\$ millions current)	48,160	48,896	50,484		
(% change)	2.1%	1.5%	3.2%	4.1%	2.4%
Household final consumption expenditure (\$ millions current)	33,000	35,056	36,363		
(% change)	6.1%	6.2%	3.7%	1.5%	5.0%
Retail sales (\$ millions current)	18,150	17,949	18,375		
(% change)	14.0%	-1.1%	2.4%	2.0%	0.6%
Consumer Price Index (all-items, Index 2002=100)	143.1	149.2	152.6		
(% change)	3.8%	4.2%	2.3%	1.3%	3.2%
Business gross fixed capital formation: residential (\$ millions current)	4,699	4,521	4,611		
(% change)	18.4%	-3.8%	2.0%	9.7%	-0.9%
Gross fixed capital formation: non-res., M&E, gov't, IP (\$ millions current)	6,370	6,960	7,234		
(% change)	-2.1%	9.3%	3.9%	2.2%	6.6%
Net operating surplus: corporations (\$ millions current)	3,992	3,652	3,769		
(% change)	-17.6%	-8.5%	3.2%	16.0%	-2.8%
Net mixed income: unincorporated (\$ millions current)	5,450	5,687	5,863		
(% change)	3.6%	4.3%	3.1%	3.6%	3.7%
Exports of goods and services (\$ millions current)	16,290	17,242	18,064		
(% change)	6.6%	5.8%	4.8%	0.5%	5.3%
Exports of goods to other countries (\$ millions current)	6,029	6,349	6,593		
(% change)	19.7%	5.3%	3.8%	-0.9%	4.6%
Imports of goods and services (\$ millions current)	28,101	29,148	30,141		
(% change)	4.8%	3.7%	3.4%	0.5%	3.6%
Population (all ages, 000s July 1)	992.1	1,004.3	1,014.9		
(% change)	1.0%	1.2%	1.1%	1.0%	1.1%
Population (ages 18-64, 000s July 1)	610.4	613.6	615.5		
(% change)	0.5%	0.5%	0.3%	0.5%	0.4%
Labour Force (000s)	505.3	510.4	515.1		
(% change)	3.7%	1.0%	0.9%	0.4%	1.0%
Participation rate (%)	61.4	61.2	61.1	61.2	61.2‡
(change)	1.5	-0.1	-0.1		
Employment (000s)	463.0	473.1	479.2		
(% change)	5.3%	2.2%	1.3%	0.0%	1.7%
Employment Rate (%)	56.2	56.8	56.9	56.0	56.8‡
(change)	2.2	0.5	0.1		
Unemployment Rate (%)	8.4	7.3	7.0	8.4	7.1‡
(change)	-1.4	-1.1	-0.4		

Source: Nova Scotia Department of Finance and Treasury Board

‡ average level over period, not average change

Notes: Highlighted materials 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.

8. 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 stand at \$16.1 billion as of March 31, 2022 (Table 8.1). Against this gross financial market debt are financial assets held in mandatory sinking funds (\$680.3 million) and liquidity sinking funds (\$957.3 million) plus holdings of Nova Scotia Municipal Finance Corporation (NSMFC) debt (\$780.8 million) plus advances to Halifax Bridges (\$145.0 million). These assets total \$2,563.4 million and are subtracted from gross financial market debt to result in an expected net financial market debt of \$13.6 billion on March 31, 2022. 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 is forecasting a budgetary surplus of \$107.7 million in 2021–22 and intends to post a budgetary deficit of \$506.2 million in 2022–23, followed by declining deficits in the next three fiscal years. By way of background, the province posted consecutive surpluses in the fiscal years 2016–17 to 2019–20.

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 all provinces with the lingering effects of the COVID-19 pandemic and developing international global tensions with the invasion of Ukraine by Russia. The Province of Nova Scotia has a comparatively modest borrowing program of \$1,645.9 million for the 2022–23 fiscal year. There has been a strengthening of the American and global economies in the late stages of the COVID-19 pandemic, so administered interest rates are expected to rise over the next number of years.

The Budget Estimates and Public Accounts are presented on an 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.

Table 8.1 Projected Gross and Net Financial Market Debt
(\$ millions)

	2021-22 Estimate	2021-22 Forecast	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate	2025-26 Estimate
Gross Debt						
Opening Balance	16,517.6	16,517.6	16,124.7	16,472.9	17,573.4	18,189.7
Borrowing Program	2,204.7	1,135.0	1,645.9	2,092.9	1,577.0	1,253.8
Debt Retirement	(1,715.8)	(1,715.8)	(1,734.2)	(851.4)	(859.1)	(835.0)
Change in other unfunded debt	(131.8)	187.9	436.6	(141.1)	(101.6)	(86.6)
Closing Balance	16,874.7	16,124.7	16,472.9	17,573.4	18,189.7	18,521.9
Mandatory Sinking Funds						
Opening Balance	1,153.0	1,156.0	680.3	---	---	---
Installments	10.0	10.0	25.0	---	---	---
Earnings	26.5	26.3	3.3	---	---	---
Sinking Fund withdrawals	(512.0)	(512.0)	(708.8)	---	---	---
Closing Balance	677.5	680.3	(0.00)	---	---	---
Discretionary Funds						
Opening Balance	941.1	943.8	957.3	972.5	988.7	1,006.0
Installments	---	---	---	---	---	---
Earnings	8.4	13.5	15.2	16.3	17.2	19.6
Fund withdrawals	---	---	---	---	---	---
Closing Balance	949.5	957.3	972.5	988.7	1,006.0	1,025.6
NSMFC / HDBC Assets						
Opening Balance	895.9	895.9	915.2	801.8	700.7	599.1
Repayments	(131.8)	(131.8)	(163.4)	(141.1)	(101.6)	(86.6)
Advances to NSMFC	---	151.1	---	---	---	---
Advances to HDBC	---	---	50.0	40.0	---	40.0
Closing Balance	764.1	915.2	801.8	700.7	599.1	552.5
Net Financial Market Debt	14,483.6	13,571.9	14,698.7	15,883.9	16,584.6	16,943.8

In 2021–22, the province estimates that there was a \$50.0 million increase in outstanding net financial market debt in financial markets due to the budgetary surplus, a modest level of net acquisition of tangible capital assets, and many other non-cash items that contributed to the reduction in financial market debt. The province estimates that net financial market debt in financial markets will increase by about \$1,126.8 million in 2022–23, primarily due to the budgetary deficit and the net acquisition of tangible capital assets.

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. 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 2021–22, all three credit rating agencies confirmed the province’s credit rating with a stable outlook. Table 8.2 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 8.2 Canadian Provincial Credit Ratings

	DBRS	S&P	Moody’s
Nova Scotia	A(high)	AA-	Aa2
Prince Edward Island	A	A	Aa2
Newfoundland & Labrador	A(low)	A(neg)	A1(neg)
New Brunswick	A(high)	A+	Aa2
Quebec	AA(low)	AA-	Aa2
Ontario	AA(low)	A+	Aa3
Manitoba	A(high)	A+	Aa2
Saskatchewan	AA(low)	AA	Aa1
Alberta	AA(low)	A	Aa3
British Columbia	AA(high)	AA+	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 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 has maintained a relatively constant level of exposure to short-term interest rates.

Primary Issuance Market Activities

The Province of Nova Scotia forecasts the budgetary surplus in 2021–22 to be \$107.7 million and expects to post a budgetary deficit of \$506.2 million in 2022–23. The Department of Finance and Treasury Board borrows monies in capital markets to fund these budgetary deficits, refinance existing debt, 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 issuances 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.

2021–22 Borrowing Completed: In the fiscal year 2021–22, the province borrowed \$1,100 million compared to the term debt borrowing requirements of \$2,204.7 million estimated in the Budget. In the domestic public market, the Department of Finance and Treasury Board issued: \$500 million in 30-year debentures with a coupon rate of 3.15 per cent, although the actual yield-to-maturity on those issues averaged 2.78 per cent as the bond was issued above par value; \$300 million in 10-year debentures with a coupon rate of 2.00 per cent; and \$300 million of a new 10-year issue debenture with a coupon rate of 2.40 per cent.

2022–23 Annual Borrowing: Projected term debt borrowing requirements for fiscal year 2022–23 are expected to be \$1,645.9 million (Table 8.3). While the expected cash requirements are somewhat higher, over the past number of years the Department determined that there has been an incremental accumulation of pre-borrowing of \$600 million. This amount is shown in the 2022–23 Budget as being drawn down over the fiscal year. 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 2022–23 are \$711.5 million. The remaining non-budgetary adjustments are primarily related to non-cash interest charges on unfunded pension liabilities and post-employment benefits, repayment to the Sable Offshore Energy Project (SOEP) interest holders of previous over-payment of royalties, and the non-cash expense of the Pension Valuation Adjustment. The Department of Finance and Treasury Board does not anticipate drawing down discretionary sinking funds in 2022–23 but draws attention to the fact that these funds total \$957.3 million.

Table 8.3 Projected Borrowing Requirements
(\$ millions)

	2021-22 Estimate	2021-22 Forecast	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate	2025-26 Estimate
Budgetary (surplus)/deficit	584.9	(107.7)	506.2	418.8	377.3	293.7
Net Capital Advances	117.3	83.0	136.6	50.0	50.0	50.0
NSMFC Net Advances	(125.8)	25.3	(156.4)	(133.1)	(93.6)	(78.6)
HDBC Net Advances	(6.0)	(6.0)	43.0	32.0	(8.0)	32.0
Tangible Capital Assets: Net Cash	476.5	275.5	711.5	982.8	510.1	226.5
Other Non-Budgetary Transactions	(91.0)	(388.8)	(63.9)	(125.2)	(135.1)	(124.3)
Cash Operating Requirements	955.9	(118.7)	1,177.0	1,225.2	700.7	399.2
Cash Debt Retirement	1,715.8	1,715.8	1,734.2	851.4	859.1	835.0
Mandatory Sinking Fund Income	26.5	26.3	3.3	---	---	---
Mandatory Sinking Fund Contributions	10.0	10.0	25.0	---	---	---
Mandatory Sinking Fund Withdrawals	(512.0)	(512.0)	(708.8)	---	---	---
Net Mandatory Sinking Fund Requirements	(475.5)	(475.7)	(680.5)	---	---	---
Discretionary Fund Income	8.4	13.5	15.2	16.3	17.2	19.6
Discretionary Fund Contributions	---	---	---	---	---	---
Discretionary Fund Withdrawals	---	---	---	---	---	---
Net Discretionary Fund Requirements	8.4	13.5	15.2	16.3	17.2	19.6
Total Requirements:	2,204.7	1,135.0	2,245.9	2,092.9	1,577.0	1,253.8
Change in Short-Term Borrowing (inc) / dec	---	---	(600.0)	---	---	---
Total Borrowing Requirements	2,204.7	1,135.0	1,645.9	2,092.9	1,577.0	1,253.8

The province, through its access to capital markets, can raise financing in an efficient and cost-effective manner. Hence, 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 2021–22 are estimated to be \$83.0 million, down from the Budget Estimate of \$117.3 million. For fiscal year 2022–23, net capital advances are expected to be \$136.6 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. As of March 31, 2022, the province holds a portfolio of \$749.2 million NSMFC debentures in the General Revenue Fund, up from \$697.4 million from the previous year.

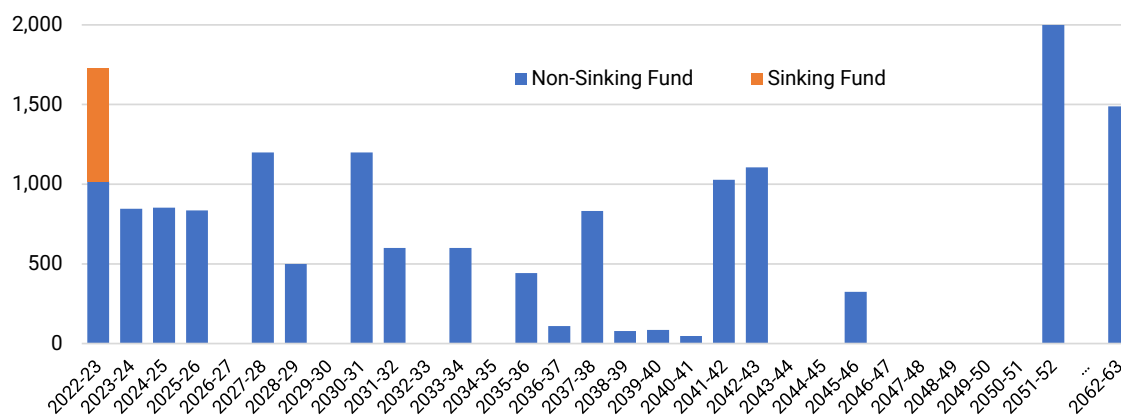
The province maintains documentation with the Securities and Exchange Commission in the United States to provide access to the US and global bond markets. Although Nova Scotia maintains documentation to borrow in foreign markets, the domestic Canadian debt market is expected to be the primary source of funding for the province's borrowing program in 2022–23. 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.

Debt Maturity Schedule

The Province of Nova Scotia's gross financial market debt at March 31, 2022, consisted of Canadian fixed-coupon marketable debentures, floating interest rate marketable debentures, two foreign currency denominated fixed-coupon marketable debentures (all issues are hedged to Canadian dollars), Canada Pension Plan non-marketable debentures, capital leases (\$121.8 million) on public-private-partnership schools, the Convention Centre, and a correctional facility, and net short-term promissory notes. Chart 8.1 displays the maturity profile of the province's debenture debt portfolio (\$15.9 billion).

The province's debenture portfolio is shown for those debt issues that have no mandatory sinking fund provisions (\$15,195.1 million), and the two remaining debentures issues that mature early in the 2022–23 fiscal year (\$708.8 million) that are funded by way of sinking funds. The province has no debt issues outstanding with put options.

**Chart 8.1 General Revenue Fund Debt Portfolio:
Debenture Debt Maturity Schedule**
(\$ millions)



As of March 31, 2022, the average term to maturity of the gross debenture portfolio will be 14.5 years, up from 13.7 years one year ago. The average term to maturity rose in 2021–22 as the province issued longer-dated term debt maturities in the fiscal year.

The Province of Nova Scotia has accumulated \$957.3 million in the discretionary liquidity funds that are 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.

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. Net Debt provides a measure of the future revenues required to pay for past transactions and events. Surpluses reduce the Net Debt of the province while deficits and net capital spending increase the Net Debt. Net Debt is larger than Net Financial Market Debt as it includes future obligations and nets non-marketable assets.

Net Debt is a key measure of the province’s financial position and the Net Debt to Gross Domestic Product (GDP) ratio is the most widely recognized measure of government financial sustainability. Nova Scotia’s ratio of Net Debt to nominal GDP

at market prices is estimated to stand at 33.5 per cent on March 31, 2022, down from 35.0 per cent a year earlier. Table 8.4 presents the projected Net Debt over the fiscal plan.

Table 8.4 Projected Net Debt
(\$ millions)

	2021-22 Estimate	2021-22 Forecast	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate	2025-26 Estimate
Net Debt - Opening Balance	16,680.3	16,400.7	16,805.6	18,397.2	20,130.0	21,779.1
Add (Deduct):						
Provincial Deficit (Surplus)	584.9	(107.7)	506.2	418.8	377.3	293.7
Increase in the Net Book Value of Tangible Capital Assets	710.4	512.6	1,085.4	1,313.9	1,271.9	802.3
Change in Net Debt	1,295.3	404.9	1,591.6	1,732.8	1,649.2	1,096.0
Net Debt - Closing Balance	17,975.7	16,805.6	18,397.2	20,130.0	21,779.1	22,875.1

Debt Servicing Costs

Gross debt servicing costs (Table 8.5) 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 support 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 NSMFC and the Farm Loan Board.

The General Revenue Fund earns interest on those monies lent to Crown corporations and other investments in the amounts of \$116.7 million in the 2021–22 forecast, and \$112.1 million in the 2022–23 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 8.5 Projected Debt Servicing Costs
(\$ millions)

	2021-22 Estimate	2021-22 Forecast	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate	2025-26 Estimate
Interest on Long-term Debt	586.8	578.4	551.6	579.2	611.6	620.8
General Interest	2.7	2.9	23.0	22.9	20.7	20.1
Interest on Pension, Retirement and other obligations	121.4	100.9	101.8	101.9	101.8	99.0
Gross Debt Servicing Costs	710.9	682.2	676.4	704.0	734.1	739.9
Less: Sinking Fund Earnings	(34.9)	(39.8)	(18.5)	(16.3)	(17.2)	(19.6)
Net Debt Servicing Costs	676.0	642.4	657.9	687.7	716.9	720.3

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 \$15.0 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.