



# BUILDING NOVA SCOTIA, **FASTER**

BUDGET 2024-25



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Budget 2024–25  
Finance and Treasury Board  
February 2024

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# 1. Introduction

## *Building Nova Scotia, Faster*

Budget 2024–25 continues to make strategic and necessary investments to transform healthcare, build more housing, help families, and grow the economy. Nova Scotia is continuing to grow with more people living and working here, and with increasing opportunities for our young people.

Budget 2024–25 builds on the work accomplished so far, and continues to prepare Nova Scotians to seize the opportunities for our future. Key priorities are:

- **Supporting Nova Scotians and Building Communities:** helping Nova Scotians to meet the costs of living, including indexation of tax brackets and the basic personal amount, Supportive Housing Action, province-wide school lunch program, a Human Rights Remedy to help people with disabilities better meet their needs, and helping to build resilient communities.
- **Action for Healthcare:** continuing to implement the government’s multi-year roadmap to world-class healthcare, including investing in virtual care, expanding services, introducing new clinical approaches and using more digital solutions for a more coordinated, modern healthcare system that meets the demands of a growing population.
- **Building a Skilled Workforce for More Housing and a Healthy Economy:** critical to the future is a skilled workforce and investments support preparing Nova Scotians for in-demand jobs now and in the future. Key investments in housing and strategic infrastructure are critical to build a strong green economy of the future.

The past two years have seen the economy sharply rebounding and population growth accelerating. Nova Scotia is well-positioned to make these priority investments. Budget 2024–25 revenues are increasing relative to previous year estimates. The Government of Nova Scotia continues to place emphasis on achieving a sustainable fiscal position. The four-year fiscal plan reflects that the deficits being incurred to address healthcare and other priorities are manageable and within Nova Scotia’s growing economic capacity.

## 2. Budget 2024–25 Overview

The Operating Budget contains the estimates of revenue and expenditures that establish the financial plan of the Province for the 2024–25 fiscal year, commencing April 1, 2024.

Budget 2024–25 is focused on the government’s plan to invest in healthcare, housing and other priorities important to Nova Scotians, such as affordability. The Province of Nova Scotia is tabling a budget with an estimated deficit of \$467.4 million for 2024–25 (Table 2.1).

**Table 2.1 Summary Nova Scotia 2024–25 Operating Budget**  
(\$ thousands)

<b>General Revenue Fund</b>	<b>2023-24 Estimate</b>	<b>2023-24 Forecast</b>	<b>2024-25 Estimate</b>
<b>Revenues</b>			
Ordinary Revenues	12,897,256	13,951,908	14,225,841
Ordinary Recoveries	986,210	1,109,448	1,144,023
Net Income from Government Business Enterprises*	285,422	469,652	473,933
<b>Total Revenues</b>	<b>14,168,888</b>	<b>15,531,008</b>	<b>15,843,797</b>
<b>Expenses</b>			
Departmental Expenses	13,850,652	14,659,512	15,536,441
Refundable Tax Credits	136,099	133,867	126,316
Pension Valuation Adjustment	66,639	57,739	33,102
Debt Servicing Costs	766,911	792,341	822,863
<b>Total Expenses</b>	<b>14,820,301</b>	<b>15,643,459</b>	<b>16,518,722</b>
Consolidation and Accounting Adjustments*	372,488	152,801	207,540
<b>Provincial Surplus (Deficit)</b>	<b>(278,925)</b>	<b>40,350</b>	<b>(467,385)</b>

\* As a result of changes in accounting treatment for the Nova Scotia Gaming Corporation since the time of Budget 2023-24, the net results from the casino and lottery operating segments are now reflected in Net Income from GBEs instead of Consolidation and Accounting Adjustments.

**Table 2.2 Budget Summary – Highlights**

(\$ thousands)

	<b>2023-24 Estimate</b>	<b>2023-24 Forecast</b>	<b>2024-25 Estimate</b>
Total Revenues	14,168,888	15,531,008	15,843,797
Total Expenses	14,820,301	15,643,459	16,518,722
Consolidation and Accounting Adjustments	372,488	152,801	207,540
<b>Provincial Surplus (Deficit)</b>	<b>(278,925)</b>	<b>40,350</b>	<b>(467,385)</b>
<b>Provincial Revenue Sources</b>			
Personal Income Tax	3,731,163	3,981,977	4,174,435
Corporate Income Tax	740,408	667,278	748,944
Harmonized Sales Tax	2,438,318	2,651,227	2,755,642
Cannabis Tax	14,666	17,362	18,334
Vaping Tax	3,450	3,353	3,353
Non-resident Deed Transfer Tax	12,515	11,473	11,473
Motive Fuel Tax	263,497	285,350	278,243
Tobacco Tax	139,681	135,564	114,084
Other Tax Revenue	240,827	249,892	241,718
Prior Years' Adjustments - Provincial Taxes	---	560,649	---
Registry of Motor Vehicles	143,412	147,858	147,916
Other Provincial Sources	148,832	155,565	174,087
TCA Cost Shared Revenue	9,545	11,335	13,751
Other Fees and Charges	59,574	60,635	67,103
Gain (Loss) on Disposal of Crown Assets	---	1,300	975
Interest Revenues	118,235	151,349	140,410
Sinking Fund Earnings	19,099	21,256	22,414
Ordinary Recoveries	436,398	537,583	415,410
Net Income from Government Business Enterprises	285,422	469,652	473,933
<b>Total - Provincial Sources</b>	<b>8,805,042</b>	<b>10,120,658</b>	<b>9,802,225</b>
<b>Federal Revenue Sources</b>			
Equalization Payments	2,802,849	2,802,849	3,284,338
Canada Health Transfer	1,357,760	1,357,400	1,378,600
Canada Social Transfer	433,640	433,520	447,583
Other Federal Sources	142,681	164,419	161,033
TCA Cost Shared Revenue	77,104	71,133	41,405
Prior Years' Adjustments	---	9,164	---
Ordinary Recoveries	549,812	571,865	728,613
<b>Total - Federal Sources</b>	<b>5,363,846</b>	<b>5,410,350</b>	<b>6,041,572</b>
<b>Expenses</b>			
Advanced Education	707,234	740,159	725,539
Agriculture	45,350	57,520	46,682
Communities, Culture, Tourism and Heritage	172,009	208,312	171,845
Community Services	1,299,913	1,396,735	1,579,169
Cyber Security and Digital Solutions	229,149	235,983	276,224
Economic Development	95,126	95,597	96,782
Education and Early Childhood Development	1,873,505	1,877,523	1,999,180
Environment and Climate Change	40,445	51,020	73,876
Finance and Treasury Board	35,736	34,783	48,790
Fisheries and Aquaculture	16,633	17,046	15,951
Health and Wellness	4,854,073	5,231,929	5,536,898
Justice	453,452	453,814	468,687
Labour, Skills and Immigration	206,236	233,488	241,644
Municipal Affairs and Housing	554,398	712,947	680,055
Natural Resources and Renewables	142,579	157,664	141,588
Public Service	453,303	464,349	513,429
Public Works	672,290	720,671	716,170
Seniors and Long-term Care	1,331,978	1,439,246	1,362,710
Service Nova Scotia	153,369	253,047	181,457
Restructuring Costs	513,874	277,679	659,765
Refundable Tax Credits	136,099	133,867	126,316
Pension Valuation Adjustment	66,639	57,739	33,102
Debt Servicing Costs	766,911	792,341	822,863
<b>Total - Expenses</b>	<b>14,820,301</b>	<b>15,643,459</b>	<b>16,518,722</b>

**Revenues:** Total Revenues for 2024–25 are projected to be \$15.8 billion, an increase of \$1.7 billion or 11.8 per cent over the 2023–24 estimate. This revenue increase is attributable to a \$997.2 million or 11.3 per cent increase in provincial source revenues, and a \$677.7 million or 12.6 per cent increase in federal source revenues (Table 2.2).

**Expenses:** Total Expenses for fiscal year 2024–25 including Consolidation and Accounting Adjustments are budgeted at \$16.3 billion, up \$1.9 billion or 12.9 per cent from the 2023–24 estimate. Taken separately, Total Expenses are up \$1.7 billion or 11.5 per cent from 2023–24 estimate while Consolidation and Accounting Adjustments have decreased \$164.9 million or 44.3 per cent from the 2023–24 estimate.

**Economic Growth:** Nova Scotia’s economy is expected to resume pre-pandemic growth rates as the population continues to grow and inflationary pressures reduce. In 2023, Nova Scotia’s growth in nominal Gross Domestic Product (GDP) was estimated at 3.3 per cent (1.3 per cent in real terms). The Budget economic outlook projects that nominal GDP will grow by 3.9 per cent in 2024, slowing to 3.3 per cent in 2025 as inflation decelerates to 1.9 per cent. Real GDP is projected to grow by 1.7 per cent in 2024, before rising to 1.9 per cent in 2025.

**Net Debt:** The Net Debt of the Province is expected to be \$18.7 billion for the year ending 2023–24 and \$20.2 billion for the year ending 2024–25, reflecting investments from the 2024–25 capital plan, and the anticipated budget deficit (Table 2.3). Net Debt is forecast to be \$0.8 billion lower than the budget estimate for 2023–24. The Net Debt estimate for 2024–25 is \$0.7 billion above the 2023–24 estimate and \$1.5 billion above the 2023–24 forecast.

The Net Debt-to-GDP ratio for 2023–24 is forecast to be 33.3 per cent instead of 33.6 per cent as projected in Budget 2023–24 (Table 2.3). The decrease in the Net Debt-to-GDP ratio reflects both a downward adjustment to forecasted nominal GDP for 2023 and lower forecasted Net Debt for 2023–24 than was anticipated in Budget 2023–24. In 2024–25, the Net Debt-to-GDP ratio is expected to be 34.6 per cent.

**Table 2.3 Budget Summary – Net Debt-to-GDP**

	<b>2023-24 Estimate</b>	<b>2023-24 Forecast</b>	<b>2024-25 Estimate</b>
Net Debt (\$ millions)	19,544	18,702	20,217
Nominal GDP (\$ millions)	58,143	56,182	58,375
Net Debt-to-GDP Ratio	33.6%	33.3%	34.6%

Budget 2024–25 reflects the Province’s continued focus and commitment to addressing key priorities in healthcare, housing and affordability. The Province remains in good fiscal health and has been supported by continued strong growth in revenues in 2023–24. While the Province’s Net Debt-to-GDP ratio is projected to increase in the near-term, this growth is considered reasonable and manageable in relation to the overall fiscal plan.

The Province’s fiscal outlook is sensitive to economic events and factors outside of the Province’s control. Subsequent information will be used in future forecast updates to assess Nova Scotia’s fiscal progress.



### 3. Four-Year Fiscal Plan: 2024–25 to 2027–28

#### Medium-Term Outlook

The Province is forecasting a small surplus for 2023–24, relative to Budget, with deficits throughout the Four-Year Fiscal Plan (Table 3.1). The projected deficits reflect the government's commitment to making investments in priority areas for Nova Scotians such as healthcare, housing and affordability.

The Four-Year Fiscal Plan shows that the government expects to post a budget surplus of \$40.3 million in 2023–24 and is estimating a budgetary deficit of \$467.4 million in 2024–25, followed by further deficits in the next three fiscal years. The deficit position is anticipated to begin to improve in 2026–27 and 2027–28. The Province has posted surpluses in the fiscal years 2016–17 to 2019–20, and again in 2021–22, and 2022–23.

**Table 3.1 Four-Year Fiscal Plan – Projections 2024–25 to 2027–28**

(\$ millions)

<b>General Revenue Fund</b>	<b>2023-24 Estimate</b>	<b>2023-24 Forecast</b>	<b>2024-25 Estimate</b>	<b>2025-26 Estimate</b>	<b>2026-27 Estimate</b>	<b>2027-28 Estimate</b>
<b>Revenues</b>						
Ordinary Revenues	12,897.3	13,951.9	14,225.8	14,676.9	15,164.6	15,613.2
Ordinary Recoveries	986.2	1,109.4	1,144.0	1,091.0	1,019.0	901.4
Net Income from Government Business Enterprises	285.4	469.7	473.9	472.5	484.9	484.4
<b>Total Revenues</b>	<b>14,168.9</b>	<b>15,531.0</b>	<b>15,843.8</b>	<b>16,240.4</b>	<b>16,668.5</b>	<b>16,999.0</b>
<b>Expenses</b>						
Departmental Expenses	13,850.7	14,659.5	15,536.4	15,984.3	16,268.3	16,307.7
Refundable Tax Credits	136.1	133.9	126.3	128.1	128.2	128.4
Pension Valuation Adjustment	66.6	57.7	33.1	42.2	46.7	58.9
Debt Servicing Costs	766.9	792.3	822.9	899.5	1,001.0	1,056.5
<b>Total Expenses</b>	<b>14,820.3</b>	<b>15,643.5</b>	<b>16,518.7</b>	<b>17,054.1</b>	<b>17,444.2</b>	<b>17,551.5</b>
Consolidation and Accounting Adjustments	372.5	152.8	207.5	205.1	200.0	192.4
<b>Provincial Surplus (Deficit)</b>	<b>(278.9)</b>	<b>40.3</b>	<b>(467.4)</b>	<b>(608.7)</b>	<b>(575.7)</b>	<b>(360.1)</b>
Net Debt	19,544	18,702	20,217	21,814	23,373	24,713
Nominal GDP	58,143	56,182	58,375	60,325	62,276	64,356
Net Debt-to-GDP Ratio	33.6%	33.3%	34.6%	36.2%	37.5%	38.4%

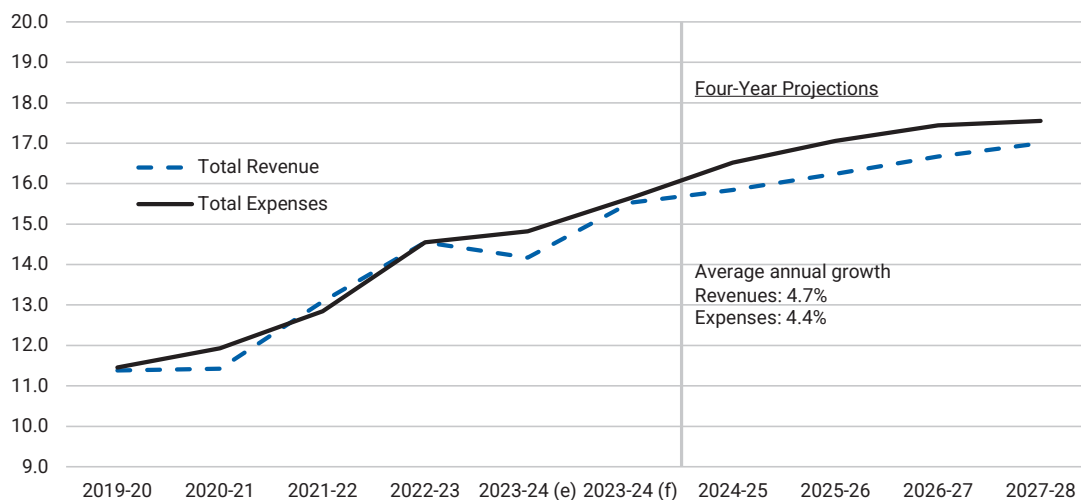
Net Debt results from operating deficits and net capital spending. For 2023–24, Net Debt is forecast to be \$18.7 billion, which is \$0.8 billion below the estimate. Net Debt is projected to increase by a further \$1.5 billion in 2024–25 to \$20.2 billion. Net Debt is expected to be \$24.7 billion by 2027–28.

The debt arising from operating deficits is expected to add \$2.0 billion to the Net Debt between 2023–24 and 2027–28. The remaining \$4.9 billion increase in Net Debt is reflective of government’s capital plans over the four-year period between 2023–24 and 2027–28. In total, it is estimated that the Net Debt will rise by \$6.9 billion for the period 2023–24 to 2027–28.

## Revenue and Expenses

For 2024–25, Total Revenue is estimated to grow by 11.8 per cent above the 2023–24 estimate (up 2.0 per cent from the final forecast). Average annual growth in Total Revenue is projected to be 4.7 per cent over the four-year fiscal period (Chart 3.1).

**Chart 3.1 Revenues and Expenses – Projections 2024–25 to 2027–28**  
(\$ billions)



Note: As a result of changes in accounting treatment for the Nova Scotia Gaming Corporation (NSGC) since the time of the 2023-24 Budget, the net results from the casino and lottery operating segments are now reflected in Net Income from Government Business Enterprises instead of Consolidation and Accounting Adjustments and are therefore now included in Total Revenue. This change is reflected in the 2023-24 forecast and forward. In the 2023-24 Budget Estimates, the net income of the NSGC is not included in Total Revenue.

In 2024–25, Total Expenses are projected to increase by 11.5 per cent compared to the 2023–24 estimate (up 5.6 per cent from the final forecast). Average annual growth in Total Expenses is projected to be 4.4 per cent over the four-year fiscal period.

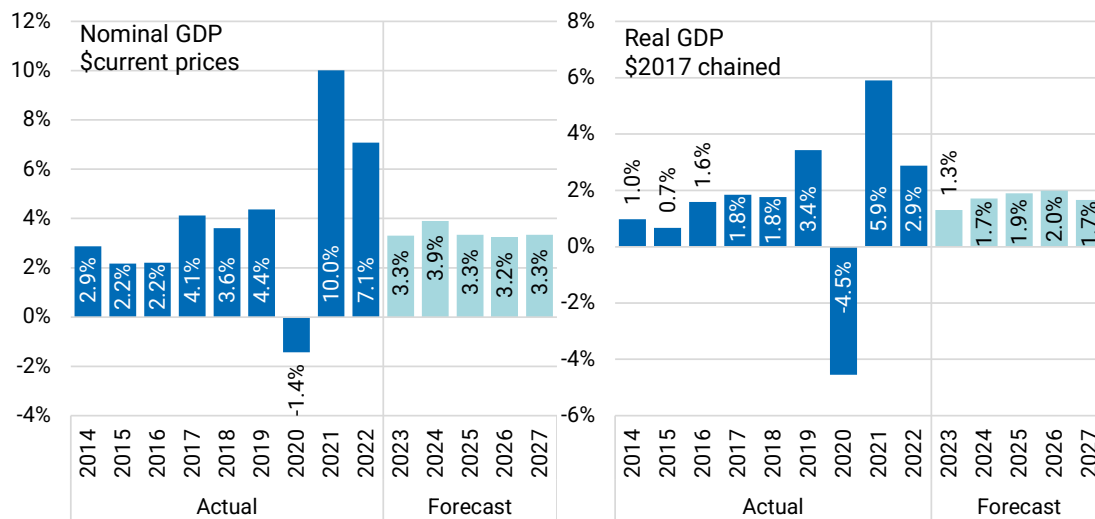
## Economic Outlook

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

Nova Scotia's economic growth is expected to return to pre-pandemic trends in the medium-term (Chart 3.2). Population growth along with improvements in productivity are the main drivers of long-term growth, while major project investments and international exports are also important medium-term determinants of the pace of economic growth.

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

(Annual change, real GDP in \$2017 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

In November 2023, Statistics Canada published downward revisions to Nova Scotia's GDP estimates for 2020 and 2021. The impacts of the pandemic on Nova Scotia's economy in 2020 were more severe than previously estimated. Nova Scotia's real GDP is now estimated to have contracted by 4.5 per cent in 2020. This was better than the national average decline of 5.0 per cent. Nova Scotia's real GDP growth for 2021 was revised downward from 6.2 per cent to 5.9 per cent.

Productivity had been an important source of economic growth prior to the pandemic. After spiking during the pandemic as labour-intensive industries lost employment, business sector labour productivity is returning to previous levels. Over the medium-term, the economic outlook assumes that productivity growth will be slowed by absorption of a larger labour force.

Medium and long-term economic drivers are not independent of one another; the interactions between productivity, technological change, population growth and major capital investments constitute notable risks to the outlook beyond 2025.

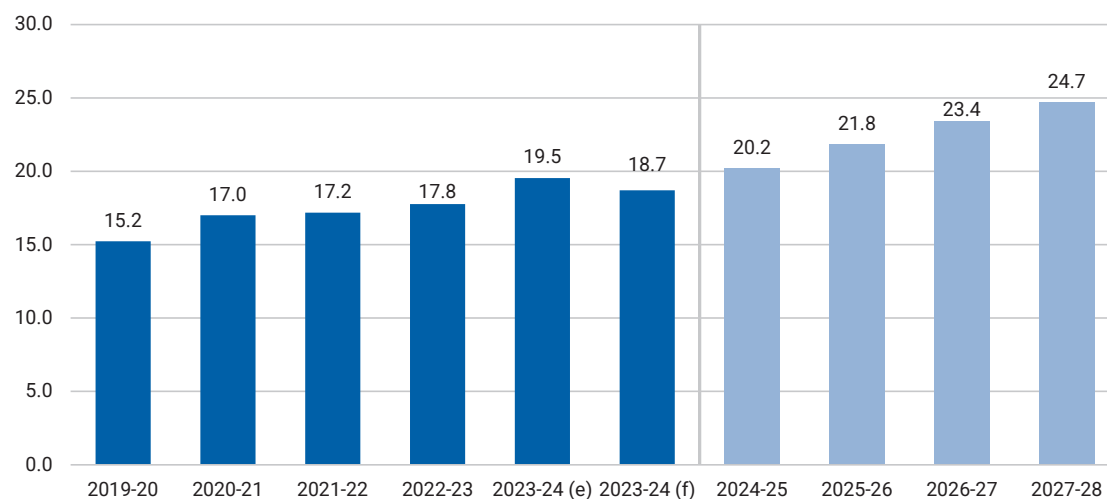
Nova Scotia's medium-term outlook is also sensitive to assumptions about major project investment activities. The timing and economic impacts of these medium-term project expenditures are subject to change, particularly if there are capacity constraints such as labour shortages or if new projects arise.

## Debt

Net Debt of the Province is expected to be \$18.7 billion for the 2023–24 fiscal year-end, \$0.8 billion lower than the Budget Estimate, and reach \$20.2 billion for the 2024–25 fiscal year-end (Chart 3.3). The total Net Debt is anticipated to grow over the four-year planning horizon, reaching \$24.7 billion in 2027–28. The increase in Net Debt primarily reflects the Province's capital plans over the four-year period, which includes spending on major projects such as roads, schools, and healthcare redevelopment, as well as the Province's intention to run budgetary deficits for several years.

The Government of Nova Scotia continues to place emphasis on a sustainable fiscal position. While Net Debt is expected to increase over the next few years because of both capital and operating investments in priority areas, the Net Debt of the Province, although higher, remains in a relatively good position.

**Chart 3.3 Projected Net Debt**  
(\$ billions)

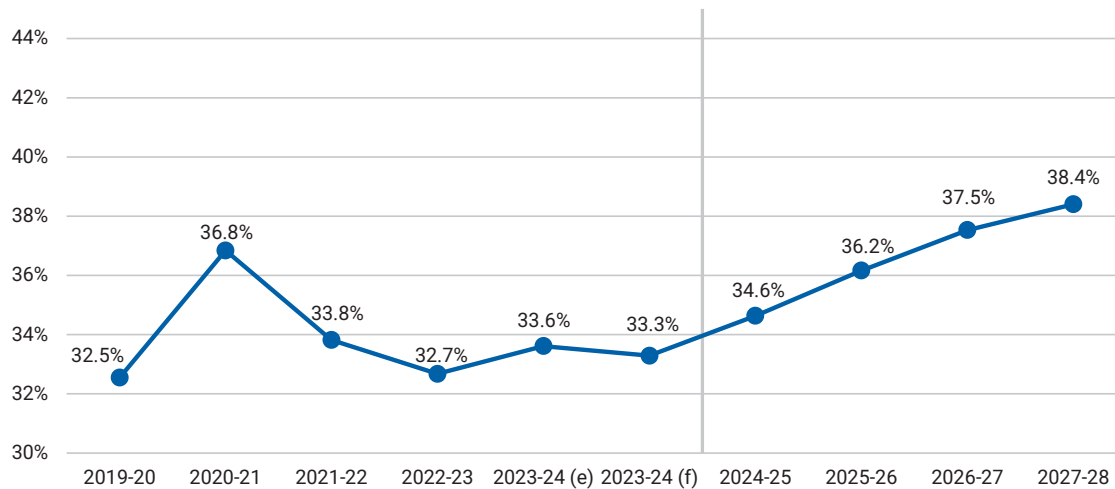


The November 2023 Statistics Canada Gross Domestic Product (GDP) revisions led to revised estimates of the data for 2022, which leads to a lower GDP figure being used in the calculation of the Province's Net Debt-to-GDP ratio than what was used for the forecast in the 2023 Public Accounts. This resulted in a one percentage point change in the Net Debt-to-GDP ratio. The 2022–23 Net Debt-to-GDP ratio was 31.7 per cent in the Public Accounts but has been revised to 32.7 per cent using the revised 2022 GDP figure.

Nova Scotia's Net Debt-to-GDP ratio is forecast to be 33.3 per cent for 2023–24, an increase of 0.6 per cent year-over-year, because of expectations for both slower growth in nominal GDP and an increase in the Net Debt of the Province. Budget 2024–25 projects that the ratio will be 34.6 per cent in 2024–25 (Chart 3.4).

### Chart 3.4 Projected Net Debt-to-GDP Ratio

(percentage of GDP)



Despite forecasted increases in the Net Debt and downward revisions in GDP estimates, there has been improvement in the outlook for growth of the Province's Net Debt-to-GDP ratio since Budget 2022–23. Budget 2022–23 forecasted that the ratio would reach 40.0 per cent by 2025–26. The Net Debt-to-GDP ratio is now expected to reach 36.2 per cent in 2025–26 and 38.4 per cent by 2027–28.

## 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

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**RE: Management's Responsibility for the 2024-25 Revenue Estimates of the Province of Nova Scotia**

The Nova Scotia Department of Finance and Treasury Board is responsible for the preparation of the 2024-25 Revenue Estimates of the Province of Nova Scotia and for ensuring the 2024-25 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 2024-25 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, 2025. The assumptions underlying the 2024-25 Revenue Estimates reflect management's judgment as to a reasonable set of economic conditions and Government's planned courses of action for fiscal year 2024-25.

A handwritten signature in cursive script, appearing to read 'Kelliann Dean'.

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Kelliann Dean  
Deputy Minister of Finance and Treasury Board



## Auditor General of Nova Scotia

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### 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 2024-25 Revenue Estimates of the Province of Nova Scotia are not, in all material respects, reasonable and presented fairly in accordance with the following criteria:

- the 2024-25 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, 2025, which are prepared in accordance with Canadian public sector accounting standards; and
- the assumptions underlying the 2024-25 Revenue Estimates reflect a reasonable set of economic conditions and Government's planned courses of action for fiscal year 2024-25.

Readers should note that this conclusion has been formed on the basis of the matters outlined in the Significant Inherent Limitation section of my report below.

#### Significant Inherent Limitation – Uncertainty Impacting the 2024-25 Revenue Estimates

Over the last three years the Province of Nova Scotia has experienced unprecedented economic conditions and levels of growth. This has resulted in significant uncertainty in the estimation of the Province's Major Tax Revenues including Personal Income Tax, Corporate Income Tax, and Harmonized Sales Tax. This represents a significant inherent limitation in the measurement of the 2024-25 Revenue Estimates as data on the major drivers of the Province's Major Tax Revenues have proven to vary significantly.

Over the last two years, there were budget-to-actual increases to Major Tax Revenues of \$1.7 billion in 2022-23 and \$660 million in 2021-22. Additionally, for 2023-24 the Province is forecasting an increase to Major Tax Revenues of \$936 million over the initial budget amount. As more information on actual growth, economic activity in the Province, and tax filing data becomes available, adjustments to the 2024-25 Revenue Estimates may be necessary, and these adjustments may be significant. The 2024-25 Revenue Estimates represent management's best estimates incorporating the estimated impact of the current and expected economic conditions based on information currently available.

Since the 2024-25 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 2024-25 Revenue Estimates will actually be achieved as budgeted. My conclusion is not modified as a result of this limitation.



**Basis for my Report on the 2024-25 Revenue Estimates of the Province of Nova Scotia**

Under Section 20 of the Auditor General Act, my office is mandated to conduct a review 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.

In 2017 Canadian Standards for Review Engagements changed to apply solely to the review of historical financial information. A review in accordance with Canadian generally accepted assurance standards is a limited assurance engagement. Since the Revenue Estimates engagement relates to future oriented financial information, we have conducted a “Limited Assurance engagement” in accordance with Canadian Standard on Assurance Engagements (CSAE) 3000 - Attestation engagements other than audits or reviews of historical financial information.

My Independent Limited Assurance Report does not cover the 2024-25 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.

**Management's Responsibility for the 2024-25 Revenue Estimates of the Province of Nova Scotia**

The Nova Scotia Department of Finance and Treasury Board is responsible for the preparation of the 2024-25 Revenue Estimates of the Province of Nova Scotia and for ensuring the 2024-25 Revenue Estimates are reasonable and presented fairly. The Nova Scotia Department of Finance and Treasury Board is responsible for ensuring that the 2024-25 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, 2025, and that the assumptions underlying the 2024-25 Revenue Estimates reflect a reasonable set of economic conditions and Government’s planned courses of action for fiscal year 2024-25.

**Auditor General’s Responsibility**

My responsibility is to provide a conclusion and report on whether the 2024-25 Revenue Estimates are reasonable and are presented fairly based on the limited assurance procedures performed, defined criteria 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 Management 1, which requires my office to design, implement and operate a system of quality management, including policies and procedure 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  
February 29, 2024

**Table 4.1 Revenues By Source**  
(\$ thousands)

	<b>2024-25 Estimate</b>
<b>General Revenue Fund: Revenues</b>	
<b>Ordinary Revenues - Provincial Sources</b>	
Tax Revenue:	
Personal Income Tax	4,174,435
Corporate Income Tax	748,944
Harmonized Sales Tax	2,755,642
Cannabis Tax	18,334
Vaping Tax	3,353
Non-resident Deed Transfer Tax	11,473
Motive Fuel Tax	278,243
Tobacco Tax	114,084
Other Tax Revenue	241,718
	<b>8,346,226</b>
Other Provincial Revenue:	
Registry of Motor Vehicles	147,916
Other Provincial Sources	174,087
TCA Cost Shared Revenue - Provincial Sources	13,751
Other Fees and Charges	67,103
Gain on Disposal of Assets	975
	<b>403,832</b>
Investment Income:	
Interest Revenues	140,410
Sinking Fund Earnings	22,414
	<b>162,824</b>
<b>Total - Provincial Sources</b>	<b>8,912,882</b>
<b>Ordinary Revenues - Federal Sources</b>	
Equalization Payments	3,284,338
Canada Health Transfer	1,378,600
Canada Social Transfer	447,583
Other Federal Sources	161,033
TCA Cost Shared Revenue - Federal Sources	41,405
<b>Total - Federal Sources</b>	<b>5,312,959</b>
<b>Total - Ordinary Revenues</b>	<b>14,225,841</b>
<b>Ordinary Recoveries</b>	
Provincial Sources	415,410
Federal Sources	728,613
<b>Total - Ordinary Recoveries</b>	<b>1,144,023</b>
<b>Net Income from Government Business Enterprises (GBEs)</b>	
Nova Scotia Liquor Corporation	269,588
Nova Scotia Gaming Corporation	197,300
Halifax-Dartmouth Bridge Commission	5,314
Highway 104 Western Alignment Corporation	1,731
<b>Total - Net Income from GBEs</b>	<b>473,933</b>
<b>Total - Revenues of the General Revenue Fund</b>	<b>15,843,797</b> <sup>1</sup>
Total Governmental Unit Third Party Revenues (Table 4.2)	964,237
<b>Total - Revenues of the Province</b>	<b>16,808,034</b>

1: Total Revenue of the General Revenue Fund is the balance that is carried through the Estimates of the Province. It is the budget of the General Revenue Fund that is the responsibility of the House of Assembly. The activities of the Governmental Units are effectively presented as off-sets against the expenses of their respective governmental units within the "Consolidation and Accounting Adjustments for Governmental Units". See Table 4.2 for further explanation of the Total Third Party Revenue of Governmental Units.

**Table 4.2 Governmental Unit Third Party Revenues**  
(\$ thousands)

Governmental Unit Third Party Revenues	<b>2024-25 Estimate</b>
Regional Centres for Education and Nova Scotia Community College	485,969
Provincial Health Authorities	287,434
Nova Scotia Provincial Housing Agency	72,173
Resource Recovery Fund Board	70,000
Governmental Units with third party revenues less than \$10 Million	48,661
<b>Total - Governmental Unit Third Party Revenues</b>	<b>964,237</b> <sup>2</sup>

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. 2023–24 Budget Forecast Update

The Forecast Update presents an updated fiscal outlook for Nova Scotia for 2023–24. This is based on updated information about the major components of revenue and expenses as set out in the 2023–24 Budget Estimates, tabled on March 23, 2023.

Relative to the 2023–24 Budget Estimates, the Province is forecasting an improvement for the provincial budget position. This is largely attributed to higher revenues including significant one-time Prior Year Adjustments (PYAs).

The Province of Nova Scotia is forecasting a small surplus of \$40.3 million for the year ending March 31, 2024, which is an improvement of \$319.3 million from the budgeted deficit of \$278.9 million (Table 5.1). Total Revenues are \$1.4 billion higher than expected. An accounting adjustment has resulted in a \$179.7 million increase in Net Income from Government Business Enterprises, as well as an offsetting reduction in Consolidation and Accounting Adjustments. There is a net revenue increase of \$1.2 billion from Budget. Total Expenses are \$823.2 million higher than expected, and changes to Consolidation and Accounting Adjustments negatively impact the bottom line by \$219.7 million more than budgeted, primarily due to the accounting change.

**Table 5.1 2023–24 Final Forecast Update**

(\$ thousands)

<b>General Revenue Fund</b>	<b>2023-24 Estimate</b>	<b>2023-24 Forecast</b>	<b>Increase (Decrease) from Estimate</b>
<b>Revenues</b>			
Ordinary Revenue	12,897,256	13,951,908	1,054,652
Ordinary Recoveries	986,210	1,109,448	123,238
Net Income from Government Business Enterprises*	285,422	469,652	184,230
<b>Total Revenues</b>	<b>14,168,888</b>	<b>15,531,008</b>	<b>1,362,120</b>
<b>Expenses</b>			
Departmental Expenses	13,850,652	14,659,512	808,860
Refundable Tax Credits	136,099	133,867	(2,232)
Pension Valuation Adjustment	66,639	57,739	(8,900)
Debt Servicing Costs	766,911	792,341	25,430
<b>Total Expenses</b>	<b>14,820,301</b>	<b>15,643,459</b>	<b>823,158</b>
Consolidation and Accounting Adjustments*	372,488	152,801	(219,687)
<b>Provincial Surplus (Deficit)</b>	<b>(278,925)</b>	<b>40,350</b>	<b>319,275</b>

\* As a result of changes in accounting treatment for the Nova Scotia Gaming Corporation since the time of Budget 2023-24, the net results from the casino and lottery operating segments are now reflected in Net Income from GBEs instead of Consolidation and Accounting Adjustments.

## Budget 2023–24 Revenues

Total Revenues are forecast to be \$15.5 billion.

**Table 5.2 2023–24 Final Forecast Update – Total Revenue**

(\$ thousands)

	2023-24 Estimate	2023-24 Forecast	Increase (Decrease) from Estimate
<b>General Revenue Fund: Revenues</b>			
<b>Ordinary Revenue - Provincial Sources</b>			
<b>Tax Revenue</b>			
Personal Income Tax	3,731,163	3,981,977	250,814
Corporate Income Tax	740,408	667,278	(73,130)
Harmonized Sales Tax	2,438,318	2,651,227	212,909
Cannabis Tax	14,666	17,362	2,696
Vaping Tax	3,450	3,353	(97)
Non-resident Deed Transfer Tax	12,515	11,473	(1,042)
Motive Fuel Tax	263,497	285,350	21,853
Tobacco Tax	139,681	135,564	(4,117)
Other Tax Revenue	240,827	249,892	9,065
Prior Years' Adjustments - Provincial Taxes	---	560,649	560,649
	7,584,525	8,564,125	979,600
<b>Other Provincial Revenue</b>			
Registry of Motor Vehicles	143,412	147,858	4,446
Other Provincial Sources	148,832	155,565	6,733
TCA Cost Shared Revenue - Provincial Sources	9,545	11,335	1,790
Other Fees and Charges	59,574	60,635	1,061
Gain (Loss) on Disposal of Crown Assets	---	1,300	1,300
	361,363	376,693	15,330
<b>Investment Income</b>			
Interest Revenues	118,235	151,349	33,114
Sinking Fund Earnings	19,099	21,256	2,157
	137,334	172,605	35,271
<b>Total - Provincial Sources</b>	<b>8,083,222</b>	<b>9,113,423</b>	<b>1,030,201</b>
<b>Ordinary Revenue - Federal Sources</b>			
Equalization Payments	2,802,849	2,802,849	---
Canada Health Transfer	1,357,760	1,357,400	(360)
Canada Social Transfer	433,640	433,520	(120)
Other Federal Sources	142,681	164,419	21,738
TCA Cost Shared Revenue - Federal Sources	77,104	71,133	(5,971)
Prior Years' Adjustments - Federal Sources	---	9,164	9,164
<b>Total - Federal Sources</b>	<b>4,814,034</b>	<b>4,838,485</b>	<b>24,451</b>
<b>Total - Ordinary Revenue</b>	<b>12,897,256</b>	<b>13,951,908</b>	<b>1,054,652</b>
<b>Total - Ordinary Recoveries</b>	<b>986,210</b>	<b>1,109,448</b>	<b>123,238</b>
<b>Net Income from Government</b>			
<b>Business Enterprises (GBEs)</b>			
Nova Scotia Liquor Corporation	273,550	277,102	3,552
Nova Scotia Gaming Corporation*	---	179,700	179,700
Halifax-Dartmouth Bridge Commission	9,143	8,723	(420)
Highway 104 Western Alignment Corporation	2,729	4,127	1,398
<b>Total - Net Income from GBEs</b>	<b>285,422</b>	<b>469,652</b>	<b>184,230</b>
<b>Total - Revenues</b>	<b>14,168,888</b>	<b>15,531,008</b>	<b>1,362,120</b>

\* As a result of changes in accounting treatment for the Nova Scotia Gaming Corporation since the time of Budget 2023-24, the net results from the casino and lottery operating segments are now reflected in Net Income from GBEs instead of Consolidation and Accounting Adjustments.

**Ordinary Revenue:** Relative to the 2023–24 Budget Estimates, overall tax revenue is forecast to be \$979.6 million higher (Table 5.2). Increases are expected for Personal Income Tax of \$250.8 million, Harmonized Sales Tax of \$212.9 million, Cannabis Tax of \$2.7 million, Motive Fuel Tax of \$21.9 million, and Other Taxes of \$9.1 million. PYAs for provincial taxes are forecast to be a net positive \$560.6 million. Decreases are expected for Corporate Income Tax of \$73.1 million, Non-resident Deed Transfer Tax of \$1.0 million, and Tobacco Tax of \$4.1 million. Vaping Tax is essentially unchanged from Budget.

Other Provincial Revenue is forecast to be up by \$15.3 million due to increases in Registry of Motor Vehicles revenue of \$4.4 million, Other Provincial Sources of \$6.7 million, Provincial Source Tangible Capital Asset (TCA) Cost Shared Revenue of \$1.8 million, and Other Fees and Charges of \$1.1 million. There is also a gain on disposal of crown assets of \$1.3 million.

Investment Income is forecast to be up \$35.3 million. Interest Revenues and Sinking Fund Earnings are expected to increase by \$33.1 million and \$2.2 million respectively, due to higher interest rates.

Federal Source Ordinary Revenues are forecast to be \$24.5 million higher than the 2023–24 Budget Estimates primarily because of increased long-term care funding and a positive PYA for Federal Sources revenue of \$9.2 million, due to revised population estimates. These increases are partially offset by a \$6.0 million decrease in cost share for capital projects and small decreases in the Canada Health Transfer and Canada Social Transfer, down \$0.4 million and \$0.1 million respectively, due to revised population estimates released by Statistics Canada.

**Ordinary Recoveries:** Revenue from Ordinary Recoveries is forecast to be \$123.2 million higher than the 2023–24 Budget Estimates. This is primarily due to an increase of \$60.0 million mainly in Prior Year Adjustments, \$54.5 million in Disaster Assistance related to the May wildfires and July floods, \$22.0 million for out of province health insured services, and \$20.7 million for the Labour Market Transfer Agreements. These increases are partially offset by a \$33.5 million decrease in Investing in Canada Infrastructure Programming (ICIP) recoveries due to construction delays.

**Net Income from Government Business Enterprises (GBEs):** Net Income from GBEs is forecast to increase by \$184.2 million, primarily due to a change in accounting treatment for the Nova Scotia Gaming Corporation (NSGC).

Since the time of Budget, the net results from the casino and lottery operating segments are now reflected in Net Income from GBEs instead of Consolidation and Accounting Adjustments. As a result, Consolidation and Accounting Adjustments have been reduced by the budgeted net income from GBEs related to NSGC of \$178.8 million. Net income from GBEs related to NSGC is now forecast to be \$179.7 million, which is \$0.9 million higher than Budget, primarily due to stronger performance at the casinos.

The NSGC corporate services expenses continue to be reflected in Consolidation and Accounting Adjustments. There is no impact to the overall surplus/deficit position of the Province associated with these accounting changes.

Increases are also expected in the net income at the Nova Scotia Liquor Corporation of \$3.6 million, primarily due to higher-than-expected sales of cannabis and lower expenses, and Highway 104 Western Alignment Corporation of \$1.4 million because of higher-than-expected interest income on investments due to higher short-term interest rates. Halifax-Dartmouth Bridge Commission is \$0.4 million lower than estimate primarily due to lower-than-expected toll revenue.

## Budget 2023–24 Expenses

Total Expenses are forecast to be \$15.6 billion.

**Departmental Expenses:** Total Departmental Expenses are forecast to increase by \$808.9 million relative to the 2023–24 Budget Estimates (Table 5.3).

**Table 5.3 2023-24 Final Forecast Update - Total Departmental Expenses**

Departments and Public Service	2023-24 Estimate	2023-24 Forecast	Increase (Decrease) from Estimate
Advanced Education	707,234	740,159	32,925
Agriculture	45,350	57,520	12,170
Communities, Culture, Tourism and Heritage	172,009	208,312	36,303
Community Services	1,299,913	1,396,735	96,822
Cyber Security and Digital Solutions	229,149	235,983	6,834
Economic Development	95,126	95,597	471
Education and Early Childhood Development	1,873,505	1,877,523	4,018
Environment and Climate Change	40,445	51,020	10,575
Finance and Treasury Board	35,736	34,783	(953)
Fisheries and Aquaculture	16,633	17,046	413
Health and Wellness	4,854,073	5,231,929	377,856
Justice	453,452	453,814	362
Labour, Skills and Immigration	206,236	233,488	27,252
Municipal Affairs and Housing	554,398	712,947	158,549
Natural Resources and Renewables	142,579	157,664	15,085
Public Service	453,303	464,349	11,046
Public Works	672,290	720,671	48,381
Seniors and Long-term Care	1,331,978	1,439,246	107,268
Service Nova Scotia	153,369	253,047	99,678
Restructuring Costs	513,874	277,679	(236,195)
<b>Total - Departmental Expenses</b>	<b>13,850,652</b>	<b>14,659,512</b>	<b>808,860</b>



The overall increase in expenses is due to net increases in several departments as follows:

The **Department of Health and Wellness** is forecast to be \$377.9 million higher than Budget Estimates, primarily due to \$181.3 million for Nova Scotia Health (NSH) operational pressures, \$129.9 million for the Nursing Union agreement, \$83.8 million for the Physician Agreement, \$25.1 million for infection prevention and control, \$24.0 million for the Health Administrative Professionals agreement, \$12.7 million for Physician Services mainly due to expansion of services through Action for Health initiatives, and \$9.4 million for paramedics wage settlement. These increases are partially offset by decreases of \$50.4 million in capital grants due to changes in cashflows, \$18.0 million in NSH capital project operating costs, and \$14.3 million due to timing of IT Projects.

The **Department of Municipal Affairs and Housing** is forecast to be \$158.5 million higher than Budget Estimates, primarily due to \$102.0 million for the Municipal Capital Growth Program, \$58.5 million in partially recoverable disaster assistance related to May wildfires and July floods, \$49.7 million in housing programs such as modular housing for healthcare, recoverable community housing infrastructure and indigenous housing units, and \$3.7 million for partially recoverable grants in lieu of property taxes. These increases are partially offset by \$59.5 million in lower partially recoverable ICIP project expenses due to construction delays.

The **Department of Seniors and Long-term Care** is forecast to be \$107.3 million higher than Budget Estimates, primarily due to \$37.7 million in travel nurse expenses for long-term care facilities, \$32.0 million for nursing wage settlements in both Long-term Care and Home Care sectors, \$18.1 million for utilization growth in the expanded Home First direct funding home care program, \$16.5 million for Aging with Dignity federal bilateral initiatives, \$10.2 million for workforce initiatives including additional long-term care assistants, \$5.8 million for the Red Cross Health Equipment Loan program, and \$3.3 million for increases in the Care Giver benefit. These increases are partially offset by \$10.7 million in lower net operating costs for expanded bed capacity initiatives and \$10.1 million in utilization of Home Support programs.

The **Department of Service Nova Scotia** is forecast to be \$99.7 million higher than Budget Estimates primarily due to \$74.5 million for the Heating Assistance Rebate Program, \$7.5 million for volunteer public safety providers access to trunked mobile radios, \$5.7 million for trails repair related to the July 2023 floods, \$4.1 million for insurance claim related costs, \$3.2 million for the MOVEit cyber breach, and \$1.6 million for utilization growth under the Property Tax Rebate for Seniors.

The **Department of Community Services** is forecast to be \$96.8 million higher than Budget Estimates due to \$74.8 million for initiatives to address homelessness and improve food security, \$25.0 million to support adults with complex care needs, \$12.0 million for grants to support community housing, \$11.3 million to address social determinants of health, \$10.3 million to support children in care, \$9.9 million for increased staffing and other operating costs. These increases are partially offset by decreases of \$22.0 million in new community-based option homes completion due to construction delays, \$12.3 million due to lower Income Assistance caseloads and NS Child Benefit costs, \$7.0 million due to lower utilization of healthcare worker retention incentives, and \$5.2 million in Prevention and Early Intervention grants.

**Refundable Tax Credits:** The cost of Refundable Tax Credits is forecast to be \$2.2 million lower than Budget Estimates. This decrease is due to expenses associated with the Capital Investment, Children’s Sports and Arts, Fertility and Surrogacy, Digital Media, Affordable Living, and Volunteer Firefighter/Ground Search and Rescue tax credits being lower than estimated, and which more than offset higher forecasts for the Digital Animation and the Scientific Research and Experimental Development tax credits.

**Pension Valuation Adjustment:** The Pension Valuation Adjustment has decreased by \$8.9 million, primarily because of the impact of changes to discount rates and updated actuarial assumptions.

**Debt Servicing Costs:** Debt Servicing Costs have increased by \$25.4 million, primarily because of borrowing requirements and interest rates being higher than anticipated.

## 2023–24 Consolidation and Accounting Adjustments

Overall, Consolidation and Accounting Adjustments are estimated to result in a \$152.8 million positive impact on the provincial financial position. The \$219.7 million decrease in the consolidation impact over the 2023–24 Budget Estimates is primarily due to a change in accounting treatment for the Nova Scotia Gaming Corporation (NSGC). The net results from the casino and lottery operating segments of NSGC are now reflected in Net Income from GBEs instead of Consolidation and Accounting Adjustments. This has resulted in a \$178.8 million reduction in Consolidation and Accounting Adjustments along with a decrease of \$47.0 million mainly due to changing cash flow requirements of healthcare infrastructure projects. These decreases are partially offset by increases of \$6.1 million in various other organizations and special purpose funds.

## 6. Budget 2024–25

The Province of Nova Scotia is projecting a deficit of \$467.4 million for the 2024–25 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 2024–25: Revenue Outlook

In 2024–25, Nova Scotia's Total Revenue in its General Revenue Fund is estimated to be \$15.8 billion. This is an increase of \$1.7 billion or 11.8 per cent from the 2023–24 Budget Estimates and an increase of \$312.8 million or 2.0 per cent compared to the 2023–24 forecast. An accounting adjustment has resulted in a \$197.3 million increase in Net Income from Government Business Enterprises, as well as an offsetting reduction in Consolidation and Accounting Adjustments, as compared with the Budget 2023–24 Estimates. The net revenue increase from Budget 2023–24 is \$1.5 billion.

Total Revenue from all provincial sources, including Ordinary Recoveries and Net Income from Government Business Enterprises (GBEs), contributes 61.9 per cent of all revenue in 2024–25. Revenue from federal sources contributes 38.1 per cent of all revenue in 2024–25.

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 2024–25 are expected to be \$8.9 billion. This is an increase of \$829.7 million or 10.3 per cent from the 2023–24 Budget Estimates and a decrease of \$200.5 million or 2.2 per cent from the 2023–24 forecast.

Federal Source Ordinary Revenues are projected to be \$5.3 billion in 2024–25, an increase of \$498.9 million or 10.4 per cent from the 2023–24 Budget Estimates and an increase of \$474.5 million or 9.8 per cent from the 2023–24 forecast.

Ordinary Recoveries from provincial sources are projected to be \$415.4 million in 2024–25, down \$21.0 million or 4.8 per cent from the 2023–24 Budget Estimates and down \$122.2 million or 22.7 per cent compared to the 2023–24 forecast. Federal source recoveries are estimated to be \$728.6 million, up \$178.8 million or 32.5 per cent from the 2023–24 Budget Estimates and up \$156.7 million or 27.4 per cent from the 2023–24 forecast.

Net Income from GBEs is expected to be \$473.9 million in 2024–25, up \$188.5 million or 66.0 per cent from the 2023–24 Budget Estimates, primarily attributed to accounting changes, and up \$4.3 million or 0.9 per cent from the 2023–24 forecast.

**Table 6.1 Revenues by Source**  
(\$ thousands)

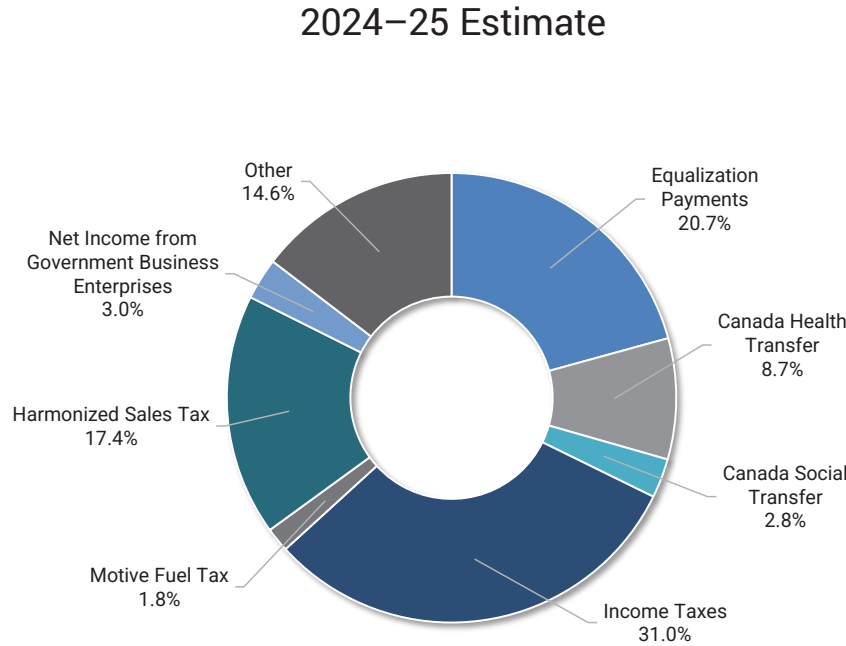
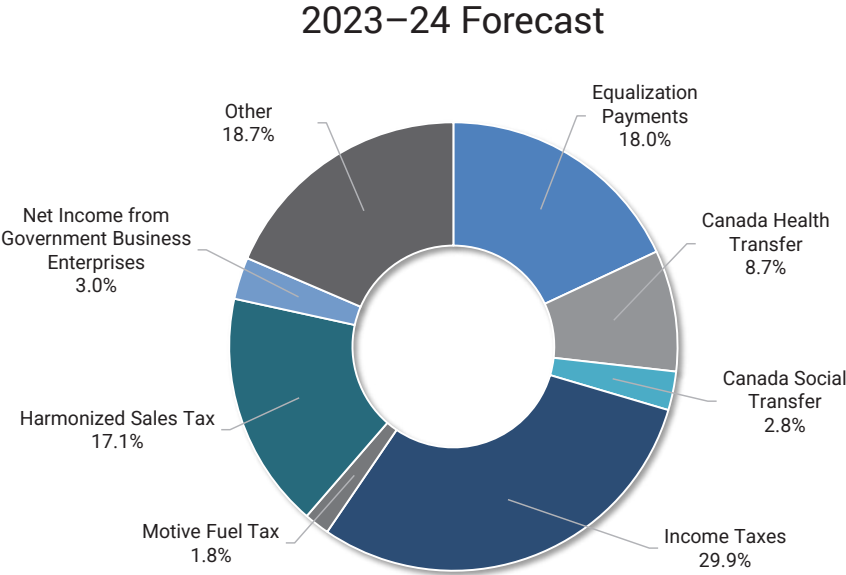
<b>General Revenue Fund: Revenues</b>	<b>2021-22 Actual</b>	<b>2022-23 Actual</b>	<b>2023-24 Estimate</b>	<b>2023-24 Forecast</b>	<b>2024-25 Estimate</b>
<b>Ordinary Revenue - Provincial Sources</b>					
<b>Tax Revenue</b>					
Personal Income Tax	3,124,211	3,632,081	3,731,163	3,981,977	4,174,435
Corporate Income Tax	517,759	728,936	740,408	667,278	748,944
Harmonized Sales Tax	2,100,608	2,397,358	2,438,318	2,651,227	2,755,642
Cannabis Tax	9,929	14,840	14,666	17,362	18,334
Vaping Tax	3,353	3,411	3,450	3,353	3,353
Non-resident Deed Transfer Tax	---	11,464	12,515	11,473	11,473
Motive Fuel Tax	258,528	263,805	263,497	285,350	278,243
Tobacco Tax	181,297	153,425	139,681	135,564	114,084
Other Tax Revenue	227,659	261,689	240,827	249,892	241,718
Prior Years' Adjustments - Provincial Taxes	388,676	929,013	---	560,649	---
	6,812,020	8,396,022	7,584,525	8,564,125	8,346,226
<b>Other Provincial Revenue</b>					
Registry of Motor Vehicles	145,170	146,811	143,412	147,858	147,916
Other Provincial Sources	258,217	174,724	148,832	155,565	174,087
Offshore License Forfeitures	124,721	---	---	---	---
TCA Cost Shared Revenue - Provincial Sources	1,740	4,708	9,545	11,335	13,751
Other Fees and Charges	56,642	62,741	59,574	60,635	67,103
Gain (Loss) on Disposal of Crown Assets	117	(1,041)	---	1,300	975
	586,607	387,943	361,363	376,693	403,832
<b>Investment Income</b>					
Interest Revenues	77,453	117,140	118,235	151,349	140,410
Sinking Fund Earnings	8,490	11,228	19,099	21,256	22,414
	85,943	128,368	137,334	172,605	162,824
<b>Total - Provincial Sources</b>	<b>7,484,570</b>	<b>8,912,333</b>	<b>8,083,222</b>	<b>9,113,423</b>	<b>8,912,882</b>
<b>Ordinary Revenue - Federal Sources</b>					
Equalization Payments	2,315,348	2,458,356	2,802,849	2,802,849	3,284,338
Canada Health Transfer	1,219,992	1,234,122	1,357,760	1,357,400	1,378,600
Canada Social Transfer	400,779	416,833	433,640	433,520	447,583
Offshore Accord	130,063	47,772	---	---	---
Other Federal Sources	109,106	73,070	142,681	164,419	161,033
TCA Cost Shared Revenue - Federal Sources	148,244	82,808	77,104	71,133	41,405
Prior Years' Adjustments - Federal Sources	2,620	(421)	---	9,164	---
	4,326,152	4,312,540	4,814,034	4,838,485	5,312,959
<b>Total - Federal Sources</b>	<b>4,326,152</b>	<b>4,312,540</b>	<b>4,814,034</b>	<b>4,838,485</b>	<b>5,312,959</b>
<b>Total - Ordinary Revenue</b>	<b>11,810,722</b>	<b>13,224,873</b>	<b>12,897,256</b>	<b>13,951,908</b>	<b>14,225,841</b>
<b>Ordinary Recoveries</b>					
Provincial Sources	353,562	410,112	436,398	537,583	415,410
Federal Sources	511,193	446,749	549,812	571,865	728,613
<b>Total - Ordinary Recoveries</b>	<b>864,755</b>	<b>856,861</b>	<b>986,210</b>	<b>1,109,448</b>	<b>1,144,023</b>
<b>Net Income from Government Business Enterprises (GBEs)</b>					
Nova Scotia Liquor Corporation	268,653	284,652	273,550	277,102	269,588
Nova Scotia Gaming Corporation	130,005	163,786	---	179,700	197,300
Halifax-Dartmouth Bridge Commission	5,505	11,473	9,143	8,723	5,314
Highway 104 Western Alignment Corporation	1,946	5,348	2,729	4,127	1,731
<b>Total - Net Income from GBEs</b>	<b>406,109</b>	<b>465,259</b>	<b>285,422</b>	<b>469,652</b>	<b>473,933</b>
<b>Total - Revenues</b>	<b>13,081,586</b>	<b>14,546,993</b>	<b>14,168,888</b>	<b>15,531,008</b>	<b>15,843,797</b>

**Table 6.2 Revenues by Source**  
(percentage of Total Revenue)

<b>General Revenue Fund: Revenues</b>	<b>2021-22 Actual</b>	<b>2022-23 Actual</b>	<b>2023-24 Estimate</b>	<b>2023-24 Forecast</b>	<b>2024-25 Estimate</b>
<b>Ordinary Revenue - Provincial Sources</b>					
<b>Tax Revenue</b>					
Personal Income Tax	23.9%	25.0%	26.3%	25.6%	26.3%
Corporate Income Tax	4.0%	5.0%	5.2%	4.3%	4.7%
Harmonized Sales Tax	16.1%	16.5%	17.2%	17.1%	17.4%
Cannabis Tax	0.1%	0.1%	0.1%	0.1%	0.1%
Vaping Tax	0.0%	0.0%	0.0%	0.0%	0.0%
Non-resident Deed Transfer Tax	0.0%	0.1%	0.1%	0.1%	0.1%
Motive Fuel Tax	2.0%	1.8%	1.9%	1.8%	1.8%
Tobacco Tax	1.4%	1.1%	1.0%	0.9%	0.7%
Other Tax Revenue	1.7%	1.8%	1.7%	1.6%	1.5%
Prior Years' Adjustments - Provincial Taxes	3.0%	6.4%	0.0%	3.6%	0.0%
	52.1%	57.7%	53.5%	55.1%	52.7%
<b>Other Provincial Revenue</b>					
Registry of Motor Vehicles	1.1%	1.0%	1.0%	1.0%	0.9%
Other Provincial Sources	2.0%	1.2%	1.1%	1.0%	1.1%
Offshore License Forfeitures	1.0%	0.0%	0.0%	0.0%	0.0%
TCA Cost Shared Revenue - Provincial Sources	0.0%	0.0%	0.1%	0.1%	0.1%
Other Fees and Charges	0.4%	0.4%	0.4%	0.4%	0.4%
Gain (Loss) on Disposal of Crown Assets	0.0%	0.0%	0.0%	0.0%	0.0%
	4.5%	2.7%	2.6%	2.4%	2.5%
<b>Investment Income</b>					
Interest Revenues	0.6%	0.8%	0.8%	1.0%	0.9%
Sinking Fund Earnings	0.1%	0.1%	0.1%	0.1%	0.1%
	0.7%	0.9%	1.0%	1.1%	1.0%
<b>Total - Provincial Sources</b>	<b>57.2%</b>	<b>61.3%</b>	<b>57.0%</b>	<b>58.7%</b>	<b>56.3%</b>
<b>Ordinary Revenue - Federal Sources</b>					
Equalization Payments	17.7%	16.9%	19.8%	18.0%	20.7%
Canada Health Transfer	9.3%	8.5%	9.6%	8.7%	8.7%
Canada Social Transfer	3.1%	2.9%	3.1%	2.8%	2.8%
Offshore Accord	1.0%	0.3%	0.0%	0.0%	0.0%
Other Federal Sources	0.8%	0.5%	1.0%	1.1%	1.0%
TCA Cost Shared Revenue - Federal Sources	1.1%	0.6%	0.5%	0.5%	0.3%
Prior Years' Adjustments - Federal Sources	0.0%	0.0%	0.0%	0.1%	0.0%
<b>Total - Federal Sources</b>	<b>33.1%</b>	<b>29.6%</b>	<b>34.0%</b>	<b>31.2%</b>	<b>33.5%</b>
<b>Total - Ordinary Revenue</b>	<b>90.3%</b>	<b>90.9%</b>	<b>91.0%</b>	<b>89.8%</b>	<b>89.8%</b>
<b>Ordinary Recoveries</b>					
Provincial Sources	2.7%	2.8%	3.1%	3.5%	2.6%
Federal Sources	3.9%	3.1%	3.9%	3.7%	4.6%
<b>Total - Ordinary Recoveries</b>	<b>6.6%</b>	<b>5.9%</b>	<b>7.0%</b>	<b>7.1%</b>	<b>7.2%</b>
<b>Net Income from Government Business Enterprises (GBEs)</b>					
Nova Scotia Liquor Corporation	2.1%	2.0%	1.9%	1.8%	1.7%
Nova Scotia Gaming Corporation	1.0%	1.1%	0.0%	1.2%	1.2%
Halifax-Dartmouth Bridge Commission	0.0%	0.1%	0.1%	0.1%	0.0%
Highway 104 Western Alignment Corporation	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Total - Net Income from GBEs</b>	<b>3.1%</b>	<b>3.2%</b>	<b>2.0%</b>	<b>3.0%</b>	<b>3.0%</b>
<b>Total - Revenues</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Note: totals may not add due to rounding.

Chart 6.1 Total Revenue 2023-24 Forecast and 2024-25 Estimate



Note: totals may not add due to rounding.

## Ordinary Revenue – Provincial Sources – Tax Revenue

**Personal Income Tax (PIT):** Nova Scotia’s 2024–25 estimate for PIT is \$4.2 billion, up \$443.3 million or 11.9 per cent compared to the 2023–24 Budget Estimates and up \$192.5 million or 4.8 per cent from the 2023–24 forecast.

Personal taxable income is projected to grow by \$1.8 billion to \$42.2 billion in 2024, an increase of 4.5 per cent, and grow to \$43.8 billion in 2025, an increase of 3.9 per cent, closely aligned with household income growth. Yield is expected to grow by 1.2 per cent in 2024 and decline 0.2 per cent in 2025 with the introduction of tax brackets and credit indexation.

Table 6.3 provides a summary of PIT revenue since 2020, broken down by taxable income and the yield rate by 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**

	2020	2021	2022	2023(F)	2024(E)	2025(E)
Personal Taxable Income (\$ billions)	34.2	36.5	38.5	40.4	42.2	43.8
Yield Rate (per cent)	8.93%	9.30%	9.64%	9.77%	9.88%	9.86%
Net PIT (\$ millions)	3,066	3,447	3,729	3,954	4,181	4,336

**Corporate Income Tax (CIT):** Nova Scotia’s 2024–25 estimate for CIT is \$748.9 million, up \$8.5 million or 1.2 per cent compared to the 2023–24 Budget Estimates and up \$81.7 million or 12.2 per cent from the 2023–24 forecast.

National corporate taxable income is projected to rebound in 2024 from the projected dip now expected for 2023, increasing \$64.4 billion or 14.1 per cent to \$519.3 billion. Continuing to 2025, taxable income is expected to increase \$36.4 billion or 7.0 per cent to \$555.7 billion.

The Province calculates its share of national corporate taxable income on a three-year moving average of actual shares. For 2024–25 the Province’s share is estimated to be 1.39 per cent, up 2.1 per cent from the 2023–24 Budget Estimates. Nova Scotia’s corporate taxable income in 2024 is estimated to be \$7.2 billion, growing to \$7.7 billion in 2025.

The average effective tax rate on corporate taxable income is estimated to be 10.2 per cent and the small business share of taxable income is assumed to be 32.6 per cent in both 2024 and 2025.

**Harmonized Sales Tax (HST):** Net HST is estimated to be \$2.8 billion in 2024–25, up \$317.3 million or 13.0 per cent compared to the 2023–24 Budget Estimates and up \$104.4 million or 3.9 per cent from the 2023–24 forecast.

The increase in HST revenues is primarily attributable to growth in consumer expenditures and residential housing investment. The Province's total tax base for taxable goods and services is projected to grow by \$1.4 billion or 4.7 per cent to \$30.7 billion in 2024 and by \$967.9 million or 3.1 per cent to \$31.7 billion in 2025.

Growth in the consumer expenditure base is projected to be 4.7 per cent in 2024 and 3.1 per cent in 2025, based on the economic forecast. Consumer expenditures represent nearly 70 per cent of the HST tax base. In line with expected investment in residential structures, taxable housing expenditures are estimated to grow by 5.1 per cent in 2024 and by 3.4 per cent in 2025.

The rebate on residential energy (Your Energy Rebate Program) is expected to total \$144.2 million, point-of-sale rebates for children's clothing, footwear, diapers, and printed books are projected to be \$25.6 million, and the rebate on purpose-built rental housing is expected to be \$13.5 million in the initial year and range from \$80-100 million annually in subsequent years.

**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 on cannabis product to be distributed and collects an additional duty on behalf of the Province. 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 \$18.3 million in 2024–25, an increase of \$3.7 million or 25.0 per cent from the 2023–24 Budget Estimates and an increase of \$1.0 million or 5.6 per cent from the 2023–24 forecast, in line with expected sales volume for the fiscal year.

**Vaping Product Tax:** Provincial revenues are projected to be \$3.4 million in 2024–25, down less than \$0.1 million or 2.8 per cent compared to the 2023–24 Budget Estimates and unchanged from the 2023–24 forecast.

**Non-resident Deed Transfer Tax:** Effective April 1, 2022, the Province introduced a 5 per cent provincial Deed Transfer Tax on residential real property purchased by non-residents of Nova Scotia. The tax is estimated to total \$11.5 million in 2024–25, down \$1.0 million or 8.3 per cent compared to the 2023-24 Budget Estimates and unchanged from the 2023-24 forecast.

Compared to 2023-24 Budget Estimates, the decline is attributable to lower market value prices for properties purchased by non-residents, as well as the likely impact of the federal Prohibition on the Purchase of Residential Property by Non-Canadians Act, which came into effect on January 1, 2023.



**Motive Fuel Taxes:** Tax revenues are estimated to be \$278.2 million in 2024–25, an increase of \$14.7 million or 5.6 per cent compared to the 2023–24 Budget Estimates and down by \$7.1 million or 2.5 per cent from the 2023–24 forecast. Gasoline consumption is estimated to decline by 54.0 million litres or 3.9 per cent, while the consumption of diesel is estimated to increase by 7.0 million litres or 1.5 per cent.

**Tobacco Tax:** Tax revenues are projected to be \$114.1 million in 2024–25, down \$25.6 million or 18.3 per cent from the 2023–24 Budget Estimates and down \$21.5 million or 15.8 per cent compared to the 2023–24 forecast. Continuing a long-term trend of declining cigarette consumption, the number of cigarettes consumed is projected to decline from 391 million in 2023–24 to 349 million in 2024–25, a decrease of 10.7 per cent. Consumption of fine cut tobacco is projected to decline sharply in 2024–25, down 21.3 per cent.

**Other Tax Revenue:** Other Tax Revenue includes items such as Financial Institutions Capital 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 \$241.7 million for 2024–25, up \$0.9 million or 0.4 per cent from the 2023–24 Budget Estimates and down \$8.2 million or 3.3 per cent from the 2023–24 forecast. The estimate-to-forecast decline is primarily due to a change in classification of the Casino Win Tax, which has been moved to Net Income from GBEs related to the Nova Scotia Gaming Corporation for 2024–25.

## Ordinary Revenue – Provincial Sources – Other Provincial Revenue

**Registry of Motor Vehicles:** Revenue generated by the Registry of Motor Vehicles is estimated to be \$147.9 million for 2024–25, up \$4.5 million or 3.1 per cent from the 2023–24 Budget Estimates and essentially unchanged from the 2023–24 forecast.

**Other Provincial Sources:** Revenue from Other Provincial Sources is estimated to be \$174.1 million for 2024–25, up \$25.3 million or 17.0 per cent from the 2023–24 Budget Estimates and up \$18.5 million or 11.9 per cent from the 2023–24 forecast. This revenue source includes items such as pharmacare premiums, Nova Scotia Securities Commission fees, registration revenues for deeds, companies, and property, and timber licenses. The increase is primarily attributable to the addition of new revenue from the Output Based Pricing System at the Department Environment and Climate Change, which is estimated at \$22.6 million for 2024–25.

**Tangible Capital Asset (TCA) Cost Shared Revenue – Provincial Sources:** TCA Cost Shared Revenue from provincial sources is estimated to be \$13.8 million for 2024–25, up \$4.2 million or 44.1 per cent from the 2023–24 Budget Estimates and up \$2.4 million or 21.3 per cent from the 2023–24 forecast.

**Other Fees and Charges:** Revenue generated from Other Fees and Charges is estimated to be \$67.1 million for 2024–25. This is \$7.5 million or 12.6 per cent higher than the 2023–24 Budget Estimates and up \$6.5 million or 10.7 per cent from the 2023–24 forecast. The increase for 2024–25 is primarily based on the inclusion of a new tax for accommodation registration at the Department of Municipal Affairs and Housing.

## Ordinary Revenue – Provincial Sources – Investment Income

**Interest Revenue:** Interest Revenue is estimated to be \$140.4 million for 2024–25, an increase of \$22.2 million or 18.8 per cent from the 2023–24 Budget Estimates and a decrease of \$10.9 million or 7.2 per cent from the 2023–24 forecast. The increase from the Budget Estimates is primarily due to additional revenue from on-lending for long-term care facilities through the Department of Municipal Affairs and Housing, partially offset by lower interest rates. The decrease from the forecast is primarily due to lower projected interest rates.

**Sinking Fund Earnings:** Sinking Fund Earnings are projected to total \$22.4 million in 2024–25, an increase of \$3.3 million or 17.4 per cent from the 2023–24 Budget Estimates and an increase of \$1.2 million or 5.4 per cent from the 2023–24 forecast. The change in sinking fund earnings is driven by changes in asset and interest rates.

## Ordinary Revenue – Federal Sources

**Equalization:** Equalization revenues in 2024–25 is estimated to be \$3.3 billion, an increase of \$481.5 million or 17.2 per cent compared to both the 2023–24 Budget Estimates and the 2023–24 forecast, primarily as a result of growth in the Equalization program, faster population growth, and fiscal capacity not growing as fast as the 10-province standard.

The Equalization program is legislated to grow by the three-year average growth rate of national nominal Gross Domestic Product (GDP). For 2024–25 the growth rate is 5.38 per cent and the national funding pool for distribution is \$25.3 billion.

**The Canada Health Transfer (CHT):** In the 2014–15 fiscal year, the federal government renewed the CHT to provide 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 GDP with a growth floor of 3.0 per cent. In 2024, Nova Scotia signed a three-year Working Together to Improve Health Care for Canadians funding agreement with the federal government which includes a minimum 5.0 per cent CHT growth guarantee from 2023–24 to 2025–26. For 2024–25, the three-year average growth rate of national nominal GDP is 5.38 per cent, therefore the growth guarantee was not activated for the year.

The 2024–25 national CHT pool amount for distribution is set at \$52.1 billion. Nova Scotia's entitlement is estimated to be \$1.4 billion, an increase of \$20.8 million or 1.5 per cent from the 2023–24 Budget Estimates, and up \$21.2 million or 1.6 per cent compared to the 2023–24 forecast. The amount for 2023–24 included the Province's share of a one-time \$2 billion top-up. The CHT entitlement reflects the federal government's estimate of the Province's share of the national population – currently 2.65 per cent. The federal government's healthcare funding through bilateral agreements with the Province is delivered outside the CHT (and is reflected in Other Federal Sources revenue).

***The Canada Social Transfer (CST):*** Nova Scotia's 2024–25 entitlement for CST is estimated to be \$447.6 million, an increase of \$13.9 million or 3.2 per cent from the 2023–24 Budget Estimates, and up \$14.1 million or 3.2 per cent compared to the 2023–24 forecast.

The provincial entitlement is based on an equal per capita cash provincial allocation of a fixed national entitlement, which stands at \$16.9 billion for 2024–25. Effective in 2014–15, and renewed in 2023–24, the national pool is legislated to grow by 3.0 per cent a year through to the 2033–34 fiscal year. The CST entitlement reflects the federal government's estimate of the province's share of the national population – currently 2.65 per cent.

***Other Federal Sources:*** Other Federal Sources is estimated to be \$161.0 million in 2024–25, an increase of \$18.4 million or 12.9 per cent from the 2023–24 Budget Estimates and a decrease of \$3.4 million or 2.1 per cent from the 2023–24 forecast.

Other Federal Sources include statutory subsidies from the federal government and other federal funding outside of the major federal transfers that is not TCA revenue. The year-over-year improvement mainly results from the Aging with Dignity funding for the Department of Seniors and Long-term Care.

***Tangible Capital Asset (TCA) Cost Shared Revenue – Federal Sources:*** The estimate for TCA Cost Shared Revenue from federal sources is \$41.4 million for 2024–25. This represents a decrease of \$35.7 million or 46.3 per cent compared to the 2023–24 Budget Estimates and a decrease of \$29.7 million or 41.8 per cent from the 2023–24 forecast. The decrease from estimate to estimate is primarily due to the timing of the flow of funding under existing contracts with the federal government.

## Ordinary Recoveries

Ordinary Recoveries are projected to total \$1.1 billion in 2024–25, an increase of \$157.8 million or 16.0 per cent from the 2023–24 Budget Estimates and up \$34.6 million or 3.1 per cent from the 2023–24 forecast of \$1.1 billion.

Provincial source recoveries are estimated to be \$415.4 million for 2024–25, down \$21.0 million or 4.8 per cent from the 2023–24 Budget Estimate and down \$122.2 million or 22.7 per cent from the 2023–24 forecast.

Federal source recoveries are estimated to be \$728.6 million, up \$178.8 million or 32.5 per cent from the 2023–24 Budget Estimates and up \$156.7 million or 27.4 per cent from the 2023–24 forecast.

## Government Business Enterprises – Net Income

***Nova Scotia Liquor Corporation (NSLC):*** The NSLC is budgeting net income of \$269.6 million in 2024–25. This is a decrease of \$4.0 million or 1.4 per cent compared to the 2023–24 Budget Estimates, and a decrease of \$7.5 million or 2.7 per cent compared to the 2023–24 forecast.

Total net sales are projected to increase 0.6 per cent compared to the 2023–24 Budget Estimates, which is attributed to cannabis sales increasing 7.1 per cent, but beverage alcohol sales decreasing 0.4 per cent. Compared to the 2023–24 forecast, total net sales are projected to increase 0.3 per cent.

Total expenses are up \$6.6 million or 4.2 per cent compared to the 2023–24 Budget Estimates and up \$7.5 million or 4.7 per cent compared to the 2023–24 forecast. The increases, both compared to the 2023–24 Budget Estimates and forecast, are primarily related to budgeted wage increases, planned upgrades to current core information technology platforms, and a continued increase in depreciation with ongoing investment in store network and other corporate initiatives.

***Nova Scotia Gaming Corporation (NSGC):*** NSGC is budgeting net income from its casino and lotteries segments of \$197.3 million for 2024–25. This is an increase of \$197.3 million compared to the 2023–24 Budget Estimates and an increase of \$17.6 million or 9.8 per cent compared to the 2023–24 forecast. The increase in net income for 2024–25 compared to the 2023–24 Budget Estimates is primarily due a change in accounting treatment of NSGC since the time of Budget 2023–24, whereby the net results of casinos and lottery operating segments are now reflected in Net Income from GBEs instead of Consolidation and Accounting Adjustments. The increase in the estimate compared to the forecast is primarily due to a reclassification of the Casino Win Tax, which is now included in the estimate for net income associated with casino operations instead of Other Tax Revenue.

**Halifax-Dartmouth Bridge Commission:** Halifax-Dartmouth Bridge Commission (operating as Halifax Harbour Bridges) is budgeting net income of \$5.3 million for the 2024–25 fiscal year. This represents a decrease of \$3.8 million or 41.9 per cent from the 2023–24 Budget Estimates and a decrease of \$3.4 million or 39.1 per cent from the 2023–24 forecast.

The 2024–25 budget includes higher toll revenue as traffic is expected to increase. Increases are expected in interest expense as additional long-term debt is drawn upon to finance required capital works, amortization charges as additions to fixed assets from the capital works are amortized over the expected life of the assets, and engineering and maintenance expenses due to additional planned projects undertaken to extend the life of the bridges.

**Highway 104 Western Alignment Corporation:** Highway 104 Western Alignment Corporation is budgeting net income for the 2024–25 fiscal year of \$1.7 million. This is a decrease of \$1.0 million or 36.6 per cent from the 2023–24 Budget Estimates and a decrease of \$2.4 million or 58.1 per cent from the 2023–24 forecast. The Corporation will be incurring additional costs in 2024–25 for the operation and maintenance of the new rest areas.

## New Tax Measures

### Personal Income Tax Indexation

For the 2025 and subsequent taxation years the Province will introduce indexing to the provincial personal income tax system.

Changes to tax brackets and several non-refundable tax credits will apply as of January 1, 2025. Taxable income brackets will be subject to annual adjustment. In addition, certain non-refundable tax credits will be indexed: basic personal amount, spouse or common-law partner amount, amount for an eligible dependant, age amount, and the amount for infirm dependants age 18 or older. For fiscal year 2024–25, indexation is estimated to reduce tax revenues \$13.4 million, reflecting the portion of the savings related to the 2025 calendar taxation year. For the following fiscal year 2025–26, once this measure is fully incorporated, tax revenue is expected to be reduced \$64.5 million. By 2028, foregone tax revenue will be about \$150-160 million, based on projected inflation rates.

### More Opportunity for Skilled Trades and Occupations Tax Refund

The province implemented the More Opportunity for Skilled Trades and Occupations (MOST) tax refund program effective for the 2022 taxation year. MOST provides a refund of personal income tax on the first \$50,000 of earned income for individuals under the age of 30 who are employed in Nova Scotia in eligible skilled trades and film occupations.

Effective for the 2023 taxation year, the MOST program was expanded to include nurses, with the exception of travel nurses, under the age of 30 who are working in an eligible nursing position and hold a valid conditional or practicing nursing licence.

### **Purpose-built Rental Housing Rebate**

The Province introduced this rebate program in conjunction with the federal government. The program will rebate the provincial portion of the HST applicable to purpose-built rental housing projects which commenced construction on or after September 14th, 2023, and on or before December 31, 2030, which are completed construction by December 31, 2035. It is expected this program will provide tax savings of \$425 million over five years. For 2024–25, it is estimated the rebate will be \$13.5 million on projects which are completed and supplied to the market during the 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)

	2023-24 Estimate	2023-24 Forecast	2024-25 Estimate
<b>Personal Income Tax</b>			
Political Tax Credit	1,251	1,140	1,295
Volunteer Firefighter & Ground Search and Rescue	3,786	3,486	3,653
Equity Tax Credit	8,431	2,627	2,627
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	995	3,200
Fertility and Surrogacy Tax Credit	3,000	1,122	1,182
Affordable Living Tax Credit	61,391	60,938	60,938
	<b>94,559</b>	<b>82,308</b>	<b>84,894</b>
<b>Corporate Income Tax</b>			
Scientific Research & Experimental Development	23,832	27,394	25,688
New Small Business Tax Holiday	15	8	10
Digital Media Tax Credit	8,098	6,645	5,833
Digital Animation Tax Credit	9,920	23,783	11,762
Food Bank Tax Credit for Farmers	100	100	100
Capital Investment Tax Credit	21,372	9,504	14,061
Innovation Equity Tax Credit	2,000	2,000	2,000
Venture Capital Tax Credit	1,000	1,000	1,000
Small Business Tax Rate	322,864	244,783	274,605
	<b>389,201</b>	<b>315,217</b>	<b>335,058</b>
<b>Harmonized Sales Tax</b>			
Public Sector Rebates	176,388	187,006	194,213
Printed Book Rebate	9,745	10,112	10,543
First-time Homebuyers Rebate	807	803	830
Disability Rebates	42	29	30
Fire Fighting Equipment Rebate	49	136	140
Your Energy Rebate	131,220	144,177	144,177
Children's Clothing Rebate	9,234	10,865	11,328
Children's Footwear Rebate	1,732	1,933	2,015
Children's Diaper Rebate	1,557	1,825	1,902
Purpose-Built Rental Housing Rebate	-	466	13,508
	<b>330,774</b>	<b>357,351</b>	<b>378,688</b>

## 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 8, 2023.

## 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 Years Adjustments (PYAs).

Shifts in population growth, economic conditions and the pace of inflation pose risks to both provincial own-source revenue and federal transfer outlooks. Unexpected deviation from key economic projections generally results in similar revenue variations.

The forecast for Personal Income Tax (PIT) revenue is dependent on labour market conditions and income benefits. With slowing inflation, indexed income benefits and average wages are expected to see slower growth. Population and employment growth are expected to continue to support growth in the personal taxable income base. The indexation of Nova Scotia bracket and credits starting in 2025 directly connects the PIT revenue outlook with inflation in the province.

Harmonized Sales Tax (HST) revenues are highly reliant on consumer expenditure and investment in residential construction. Sensitivity to interest rate changes may occur with sales of new residential housing or durable goods. The timing and scale of



purpose-built rental housing will impact the cost of the HST rebate going forward. The degree and permanency of shifts in consumer purchases to zero-rated supplies made during the pandemic and period of elevated inflation is a source of uncertainty in the outlook.

The forecast of Corporate Income Tax revenue is highly dependent upon national corporate taxable income and the province's share. After declining in 2023, national corporate taxable income is projected to grow in 2024 and 2025 but does face headwinds of slowing economic growth. A reversal of the growing share of corporate income taxed at the general rate since pre-pandemic years is a downside risk to the outlook.

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.

## Additional Information

In addition to the key economic and fiscal assumptions contained in the 2024–25 revenue estimates, the following information should also be considered when interpreting the revenue estimates.

The revenue estimates for 2024–25 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 2024–25 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 15, 2023. In addition, transfer payment revenue estimates are based on Canadian national and provincial population estimates supplied by Statistics Canada.

PYAs are normally made to federal transfers and to income tax revenues. All PYAs known to date have been included in the forecast.

**Table 6.5 Key Economic Assumptions and Variables Affecting Revenue Estimates**

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

## Budget 2023–24: Expenses Outlook

In 2024–25, Nova Scotia's total expenses for the General Revenue Fund are estimated to be \$16.5 billion (Table 6.6). This is an increase of \$1.7 billion or 11.5 per cent from the 2023–24 Budget Estimates and an increase of \$875.3 million or 5.6 per cent compared to the 2023–24 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)

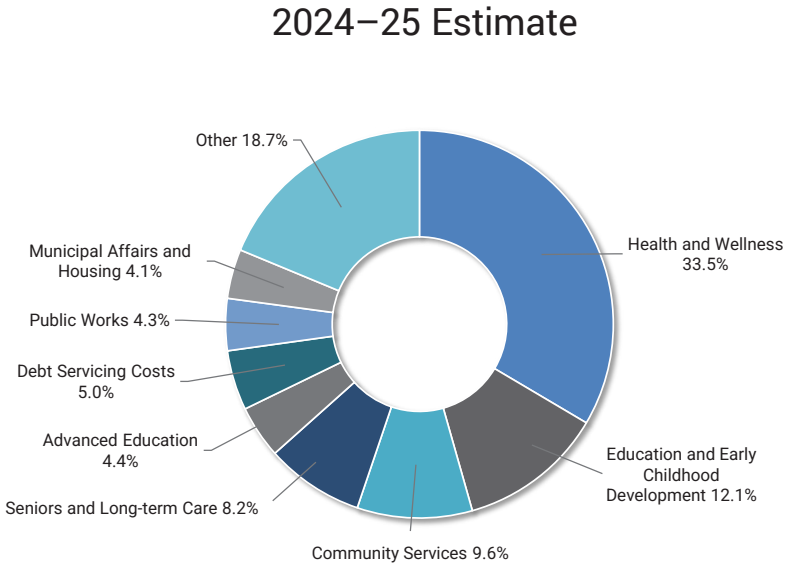
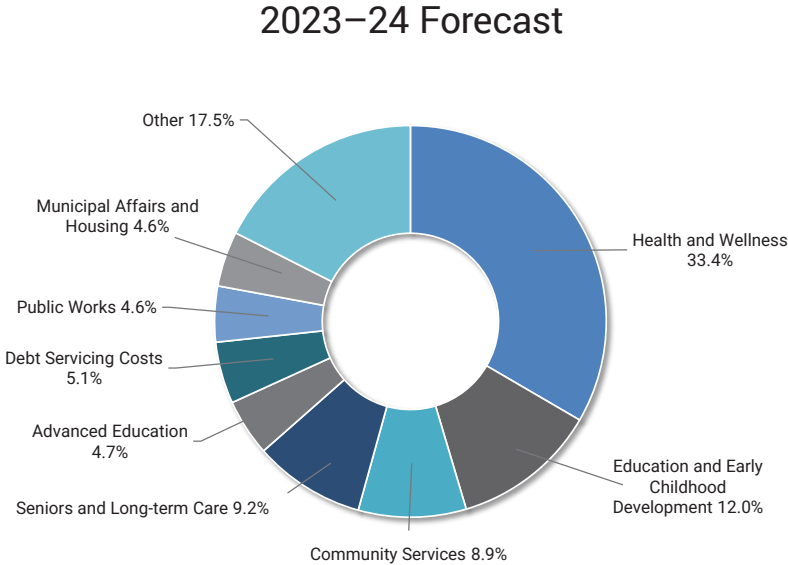
<b>General Revenue Fund: Expenses</b>	<b>2021-22 Actual</b>	<b>2022-23 Actual</b>	<b>2023-24 Estimate</b>	<b>2023-24 Forecast</b>	<b>2024-25 Estimate</b>
<b>Departmental Expenses</b>					
Advanced Education	806,521	841,734	707,234	740,159	725,539
Agriculture	38,912	83,849	45,350	57,520	46,682
Communities, Culture, Tourism and Heritage	245,228	249,611	172,009	208,312	171,845
Community Services	1,089,696	1,267,491	1,299,913	1,396,735	1,579,169
Cyber Security and Digital Solutions	---	---	229,149	235,983	276,224
Economic Development	145,901	96,778	95,126	95,597	96,782
Education and Early Childhood Development	1,629,447	1,750,307	1,873,505	1,877,523	1,999,180
Environment and Climate Change	45,272	199,980	40,445	51,020	73,876
Finance and Treasury Board	25,491	98,050	35,736	34,783	48,790
Fisheries and Aquaculture	17,781	17,333	16,633	17,046	15,951
Health and Wellness	4,128,610	4,483,665	4,854,073	5,231,929	5,536,898
Justice	423,532	435,444	453,452	453,814	468,687
Labour, Skills and Immigration	282,586	220,015	206,236	233,488	241,644
Municipal Affairs and Housing	444,858	497,969	554,398	712,947	680,055
Natural Resources and Renewables	200,512	195,577	142,579	157,664	141,588
Public Service	389,210	414,137	453,303	464,349	513,429
Public Works	617,180	690,948	672,290	720,671	716,170
Seniors and Long-term Care	1,110,532	1,369,975	1,331,978	1,439,246	1,362,710
Service Nova Scotia	---	---	153,369	253,047	181,457
Service Nova Scotia and Internal Services	320,169	513,120	---	---	---
Restructuring Costs	82,988	286,223	513,874	277,679	659,765
<b>Total - Departmental Expenses</b>	<b>12,044,426</b>	<b>13,712,206</b>	<b>13,850,652</b>	<b>14,659,512</b>	<b>15,536,441</b>
<b>Other Expenses</b>					
Refundable Tax Credits	103,268	98,222	136,099	133,867	126,316
Pension Valuation Adjustment	64,867	69,415	66,639	57,739	33,102
Debt Servicing Costs	634,100	671,124	766,911	792,341	822,863
<b>Total - Expenses</b>	<b>12,846,661</b>	<b>14,550,967</b>	<b>14,820,301</b>	<b>15,643,459</b>	<b>16,518,722</b>

**Table 6.7 Total Expenses**  
(percentage of Total Expenses)

<b>General Revenue Fund: Expenses</b>	<b>2021-22 Actual</b>	<b>2022-23 Actual</b>	<b>2023-24 Estimate</b>	<b>2023-24 Forecast</b>	<b>2024-25 Estimate</b>
<b>Departmental Expenses</b>					
Advanced Education	6.3%	5.8%	4.8%	4.7%	4.4%
Agriculture	0.3%	0.6%	0.3%	0.4%	0.3%
Communities, Culture, Tourism and Heritage	1.9%	1.7%	1.2%	1.3%	1.0%
Community Services	8.5%	8.7%	8.8%	8.9%	9.6%
Cyber Security and Digital Solutions	---	---	1.5%	1.5%	1.7%
Economic Development	1.1%	0.7%	0.6%	0.6%	0.6%
Education and Early Childhood Development	12.7%	12.0%	12.6%	12.0%	12.1%
Environment and Climate Change	0.4%	1.4%	0.3%	0.3%	0.4%
Finance and Treasury Board	0.2%	0.7%	0.2%	0.2%	0.3%
Fisheries and Aquaculture	0.1%	0.1%	0.1%	0.1%	0.1%
Health and Wellness	32.1%	30.8%	32.8%	33.4%	33.5%
Justice	3.3%	3.0%	3.1%	2.9%	2.8%
Labour, Skills and Immigration	2.2%	1.5%	1.4%	1.5%	1.5%
Municipal Affairs and Housing	3.5%	3.4%	3.7%	4.6%	4.1%
Natural Resources and Renewables	1.6%	1.3%	1.0%	1.0%	0.9%
Public Service	3.0%	2.8%	3.1%	3.0%	3.1%
Public Works	4.8%	4.7%	4.5%	4.6%	4.3%
Seniors and Long-term Care	8.6%	9.4%	9.0%	9.2%	8.2%
Service Nova Scotia	---	---	1.0%	1.6%	1.1%
Service Nova Scotia and Internal Services	2.5%	3.5%	---	---	---
Restructuring Costs	0.6%	2.0%	3.5%	1.8%	4.0%
<b>Total - Departmental Expenses</b>	<b>93.8%</b>	<b>94.2%</b>	<b>93.5%</b>	<b>93.7%</b>	<b>94.1%</b>
<b>Other Expenses</b>					
Refundable Tax Credits	0.8%	0.7%	0.9%	0.9%	0.8%
Pension Valuation Adjustment	0.5%	0.5%	0.4%	0.4%	0.2%
Debt Servicing Costs	4.9%	4.6%	5.2%	5.1%	5.0%
<b>Total - Expenses</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

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

Chart 6.2 Total Expenses 2023-24 Forecast and 2024-25 Estimate



Note: totals may not add due to rounding

## Departmental Expenses

Departmental Expenses in 2024–25 are estimated to be \$15.5 billion. This is an increase of \$1.7 billion or 12.2 per cent from the 2023–24 Budget Estimates and an increase of \$876.9 million or 6.0 per cent from the 2023–24 forecast. Details of Departmental Expenses are provided in the Budget 2023–24 Estimates and Supplementary Details document.

## Refundable Tax Credits

Refundable Tax Credits are estimated to be \$126.3 million in 2024–25, a decrease of \$9.8 million or 7.2 per cent from the 2023–24 Budget Estimates, and down \$7.6 million or 5.6 per cent from the 2023–24 forecast. The decreases are primarily based on reduced uptake expectations for the Capital Investment Tax Credit partially offset by a higher estimate for the Digital Animation Tax Credit.

## Pension Valuation Adjustment

The Pension Valuation Adjustment is estimated to be \$33.1 million in 2024–25, down \$33.5 million or 50.3 per cent from the 2023–24 Budget Estimates, and down \$24.6 million or 42.7 per cent compared to the 2023–24 forecast. The decrease from estimate-to-estimate is primarily due to changes in discount rates and updated actuarial assumptions, mainly in retirement health benefit plans and the Teachers' Pension Plan. The decrease from forecast to budget is primarily due to updated actuarial assumptions.

## Debt Servicing Costs

Debt Servicing Costs are projected to be \$822.9 million for 2024–25, up \$56.0 million or 7.3 per cent from the 2023–24 Budget Estimates and up \$30.5 million or 3.9 per cent from the 2023–24 forecast. Debt Servicing Costs have increased from the 2023–24 Budget Estimates primarily because of increased borrowing requirements.

## Consolidation and Accounting Adjustments

Overall, Consolidation and Accounting Adjustments are estimated to result in a \$207.5 million positive impact on the provincial financial position. The \$164.9 million decrease in the consolidation impact over the 2023–24 Budget Estimates is primarily due to a decrease of \$179.6 million because of net income from the Nova Scotia Gaming Corporation being removed from Consolidation and Accounting Adjustments in 2024–25 Budget Estimates and reported as Net Income from Government Business Enterprises, offset by an increase of \$10.5 million in capital grants and lower amortization at NSH/IWK, and an increase of \$4.2 million in Special Purpose Funds and Other Organizations.

## Key Risks – Expenses

Government departments may see expense variances if inflationary impacts are heightened, are sustained and cannot be absorbed. The risk of inflation-related variance continues to be monitored, including with those departments with large operations.

Climate change events continue to impact the province. Given the extreme occurrences including flooding and wildfires, other potential events may impact the province and result in additional expense for support and/or repairs and maintenance.

Additionally, further variance may occur in construction related activity – impacting both projected capital spending and operational spending, in instances where government provides financial support to a community partner. Cashflow impacts associated with project delays and market impacts such as availability of labour within the construction industry may cause further variance.

## 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 8, 2023, as well as revised fiscal and capital plans as of February 6, 2024. The outlook is subject to change based on external information published after November 8, 2023, and new information will be incorporated into future economic forecasts. Some of the descriptive analysis below refers to data and events that occurred after November 8, 2023.

### International and Canadian Economic Context

**Global Economy:** The main forces shaping the global economic outlook are high inflation, tight monetary policy, and increased cost-of-living, ongoing effects from Russia's invasion of Ukraine as well as the post-pandemic economic normalization and withdrawal of extraordinary fiscal supports.

The International Monetary Fund (IMF) World Economic Outlook report from January 2024 estimates that global real Gross Domestic Product (GDP) softened to 3.1 per cent growth in 2023. Growth is projected to be stable at 3.1 per cent in 2024, with a slight acceleration to 3.2 per cent in 2025. Moderation in 2024 is due to monetary tightening aimed at controlling inflation as well as withdrawal of fiscal support and limited productivity gains.

**United States (US):** Economic growth proved surprisingly strong in 2023, with annual real GDP growth accelerating to 2.5 per cent in the most recent results. Strong consumer spending, non-residential investment, government spending and exports supported growth despite headwinds from tighter monetary policy. Residential investment, inventories and imports partially offset US economic growth. The US labour market remained robust in 2023 with a 3.6 per cent unemployment rate, little changed from the level observed in 2022.

In its January 2024 meeting, the US Federal Reserve maintained the target range for the federal funds rate at 5.25 per cent to 5.5 per cent. Consumer prices increased 3.1 per cent in January. The Federal Reserve is expecting inflation to decline to 2.4 per cent in 2024 and 2.2 per cent in 2025. The Nova Scotia Budget economic outlook assumes that US real GDP growth slows to 1.0 per cent in 2024 and 1.7 per cent in 2025. This is a slower pace of growth for the US than expected by the IMF.



**Europe:** Recent indicators suggest the Euro Area continues to face economic headwinds into 2024. Preliminary estimates of real GDP growth were flat for Q4 2023 after a 0.5 per cent annualized decline in the third quarter. Retail trade growth slowed through the second half of 2023. Europe's labour markets remain resilient with record low unemployment rates at the end of 2023. Inflation in Europe has declined from a peak of 10.6 per cent in October 2022 to 2.8 per cent in January. The Euro Area's economic outlook is expected to improve going into 2024 and 2025 due to stronger consumption, moderating energy prices and a slowdown in inflation. The IMF expects Euro Area real GDP growth to accelerate to 0.9 per cent in 2024 and 1.7 per cent in 2025.

**China:** Although strong in the first quarter of 2023 due to post-COVID reopening, China's economic growth has diminished in recent results. China's residential sector continues to face significant challenges. Consumer confidence has been impacted by funding constraints on property developers and labour market uncertainty. With inflation near zero, the People's Bank of China has eased monetary policy. According to the IMF, China's real GDP is forecast to grow 5.2 per cent in 2023. Economic growth in China is expected to be more subdued over the next two years, with growth of 4.6 per cent in 2024 and 4.1 per cent in 2025. Real estate investment is expected to contract on ongoing weakness in the property market, though government spending on natural disaster mitigation may support growth.

**Canada:** The Canadian economy grew at a steady rate of 3.8 per cent in 2022. Canada's real GDP declined in the third quarter of 2023 as increases in consumer and government spending as well as falling imports were offset by lower exports and declining investment in non-residential structures, inventory and machinery and equipment. Canada's inflation slowed to 2.9 per cent in January after peaking at 8.1 per cent in June 2022. The Bank of Canada forecasts inflation to average 2.8 per cent in 2024. The Bank of Canada increased its policy rate to a fifteen year high of 5.0 per cent in July 2023 and maintained this rate in January 2024. The Bank has paused any further interest rate hikes while it assesses the impact of earlier tightening.

Canada's economic activity has stalled since the middle of 2023. Growth is expected to remain around zero through the first quarter of 2024 before strengthening by the middle of the year. Higher interest rates have already affected housing resales and major durables. In 2024, high interest rates are expected to slow spending on services and business investment as well. Weakness in the first half of 2024 limits the outlook for Canada's real GDP growth to 0.8 per cent for the year. Residential construction and home resales are also expected to pick up in 2024, supported by low inventories and strong demand generated by immigration. After slowing in 2023, Canada's exports are projected to recover in 2024 as global demand rebounds and major trade partners start easing monetary policy. Canada's real GDP is projected to grow 0.8 per cent in 2024 and 2.0 per cent in 2025.

## 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 8, 2023	2024	2025
US Real GDP Growth (% change, 2017 chained)	1.0	1.7
Canada Real GDP Growth (% change, 2017 chained)	0.8	2.0
Canada Nominal GDP Growth (% change, current prices)	3.1	4.1
USD/CAD exchange rate (US¢ per CAD)	74.3	76.6
Canadian Prime Lending Rate (%)	6.7	5.0
5 Year Conventional Mortgage Rate (%)	7.1	6.7

Source: Nova Scotia Department of Finance and Treasury Board

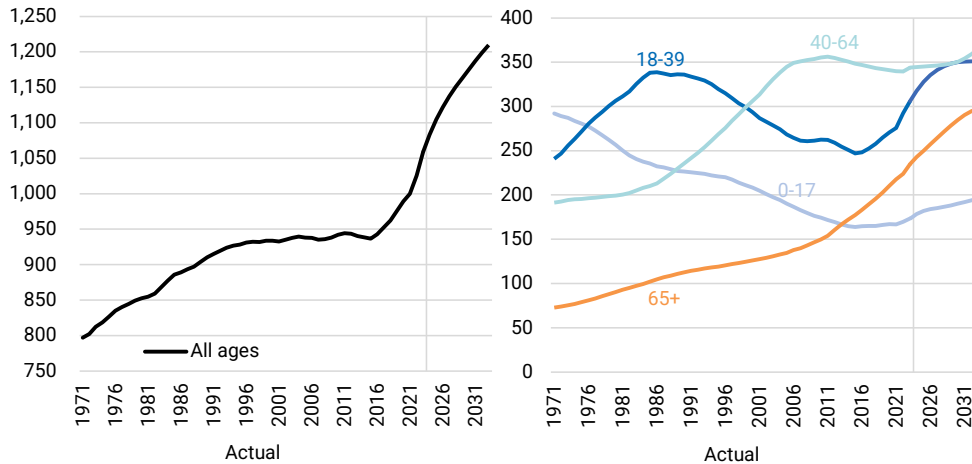
## Nova Scotia Economic Context

**Population and Demography:** Nova Scotia's population growth accelerated in 2023, increasing by 3.24 per cent from July 1, 2022, to July 1, 2023 (+33,249 persons). Nova Scotia's population has been rising since 2015, but this was the fastest pace of annual population growth in modern records. The population continued to expand and was at a record 1,066,416 people as of October 1, 2023. After record immigration increases during 2022, there were 12,303 new permanent residents arriving in the province in the year leading up to July 1, 2023. The inflow of non-permanent residents was 27,238, offset by an outflow of non-permanent residents of 11,720. There were over 13,000 study permits, over 20,000 work permits, and over 9,000 work and study permits in place in 2023. Interprovincial migration to Nova Scotia has been particularly strong in recent years. From July 1, 2022, to July 1, 2023, more than 24,000 Canadians moved to Nova Scotia. On a net basis, interprovincial migration added over 8,500 people to the population for the year prior to July 1, 2023. Population growth from natural change (births less deaths) continues to be negative.

Revised population projections expect Nova Scotia's population growth to slow to around 1 per cent per year by the mid-2030s (Chart 7.1) as migration is assumed to moderate over the next decade.

### Chart 7.1 Nova Scotia's Population Growth Remains Strong

Thousands, July 1

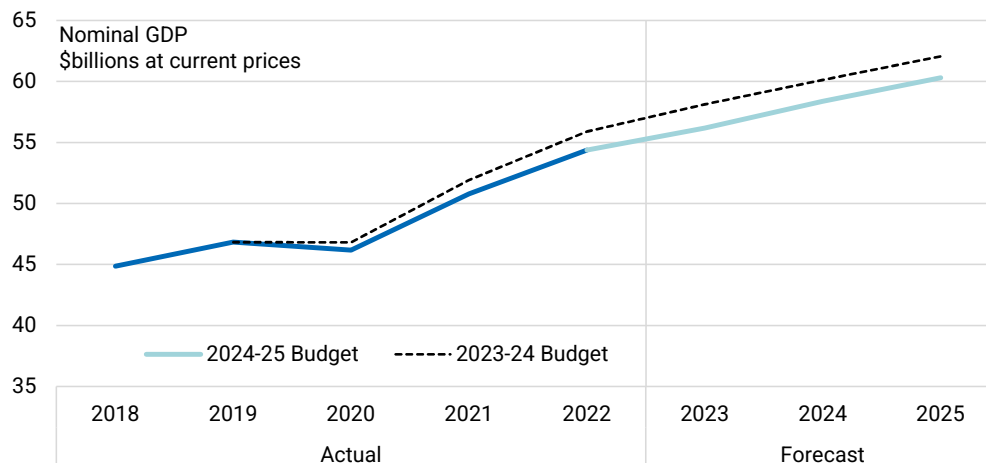


Source: Statistics Canada. Table 17-10-0005-01 Population estimates on July 1st, by age and sex; and Nova Scotia Department of Finance and Treasury Board projections.

**Economic Growth:** Revised data from Statistics Canada shows that Nova Scotia's economic contraction in 2020 was deeper than previously estimated (-4.5 per cent), with a softer rebound in 2021 (+5.9 per cent). The economy continued to expand in 2022, though from a smaller level than previously estimated.

Nova Scotia's weaker than expected recovery in 2021 and 2022 left nominal and real GDP at lower levels than previously projected (Chart 7.2). Including the effects of higher inflation, nominal GDP is now projected to be \$1.7 billion lower in 2025 than forecast in the 2023-24 Budget economic outlook.

### Chart 7.2 Nova Scotia's GDP levels revised down



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

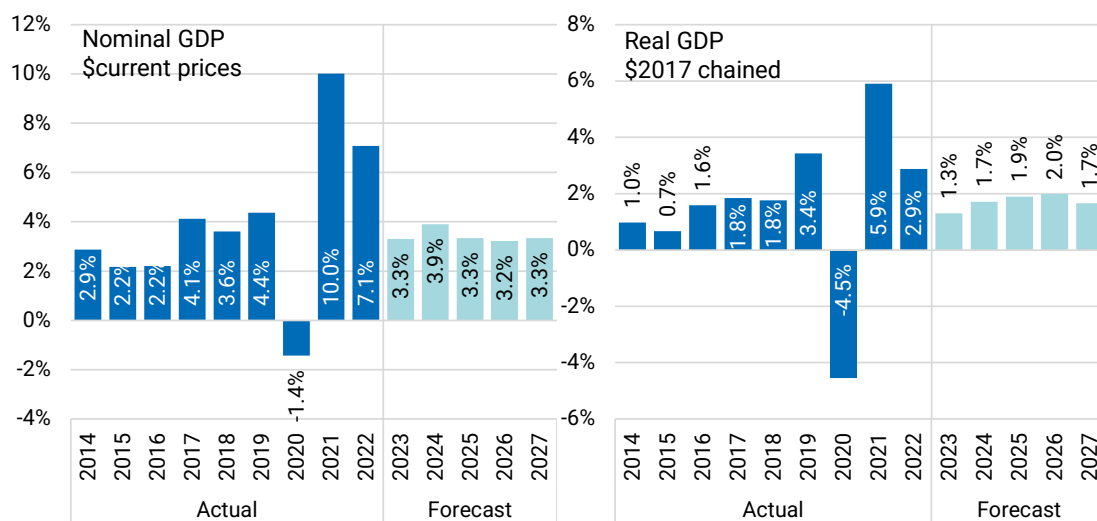
Real GDP is estimated to have grown 2.9 per cent in 2022 with nominal GDP growth of 7.1 per cent. (Chart 7.3). The post-pandemic rebound concluded with significant growth in high-contact service industries, though tourism activity remained below pre-pandemic levels. Nova Scotia’s rapidly growing population continued to support economic growth despite supply constraints. Growth was robust even though Nova Scotia’s inflation continued to be elevated in 2023 after peaking in the spring of 2022.

Real GDP growth slowed further in 2023 as the post-pandemic rebound faded and activities normalized. Nova Scotia’s real GDP is estimated to have grown 1.3 per cent in 2023 with nominal GDP rising 3.3 per cent. Household consumption and non-residential investment contributed to growth in 2023. Investment in residential structures declined slightly in 2023 with notable weakness in the early part of the year. Exports are estimated to have fallen while rising imports were a drag on growth.

By 2024, Nova Scotia’s economy is expected to return to trend growth as the population continues to grow and inflationary pressures abate. Residential investment is expected to rebound in 2024 as construction picks up to meet growing housing needs. Exports are also expected to return to growth as global conditions normalize and inflation slows. Inflation is expected to return to the Bank of Canada’s target of 2.0 per cent by the end of the year. In 2024, Nova Scotia’s real GDP is projected to grow 1.7 per cent while nominal GDP is projected to grow 3.9 per cent.

In 2025, Nova Scotia’s real GDP growth is projected to rise to 1.9 per cent, aided by an increase in major project spending. Nominal GDP growth is projected to be 3.3 per cent in 2025.

**Chart 7.3 Nova Scotia’s GDP Growth Normalizing**



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

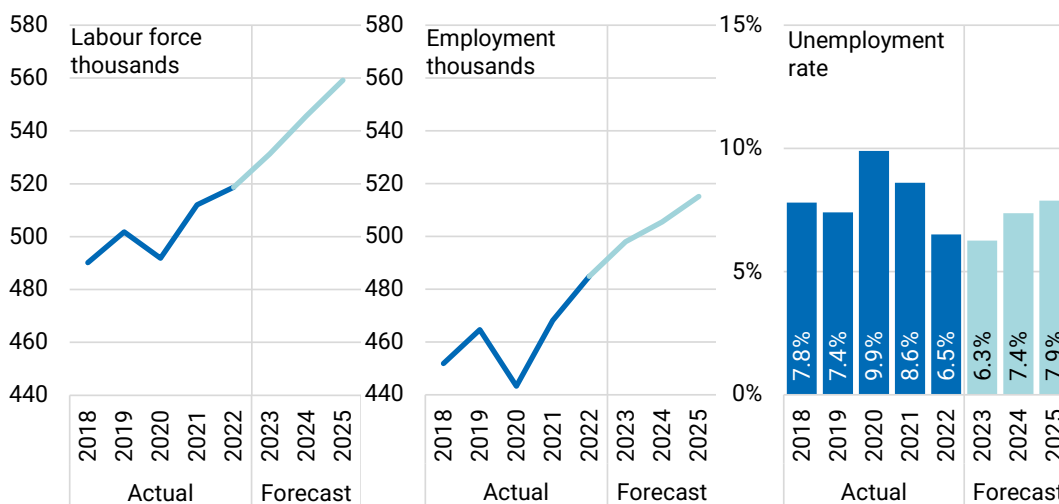
**Labour Market:** Population growth has translated into strong labour force and employment growth in 2023. Employment growth of 2.7 per cent outpaced the labour force growth of 2.4 per cent. The unemployment rate in 2023 fell to 6.3 per cent, the lowest annual average since 1970. Growth in the working age population was slightly faster than employment growth, causing the employment rate to edge down to 57.6 per cent. Nova Scotia's participation rate declined from 61.7 per cent in 2022 to 61.5 per cent in 2023 with lower participation for those aged 15-29 and 65 years and over.

Employment increases across service-producing sectors offset declines in Nova Scotia's good-producing industries. Service sector employment growth was broad based, with notable increases in wholesale and retail trade, information, culture and recreation, personal and repair services and accommodation and food services. Increases in these sectors more than offset declines in health care and social assistance (including daycares) and business support services (including call centres). The job vacancy rate declined throughout the year and reached 4.1 per cent in the third quarter of 2023.

Nova Scotia's labour force is projected to grow 2.7 per cent in 2024 and 2.5 per cent in 2025. Employment growth is projected to lag labour force growth, growing 1.5 per cent in 2024 and 1.9 per cent in 2025 (Chart 7.4). The unemployment rate is projected to rise as the growing labour supply is more slowly absorbed by slower economic growth.

### Chart 7.4 Nova Scotia's Labour Markets Remain Robust

Ages 15+, Employment and Labour force in Thousands, seasonally adjusted

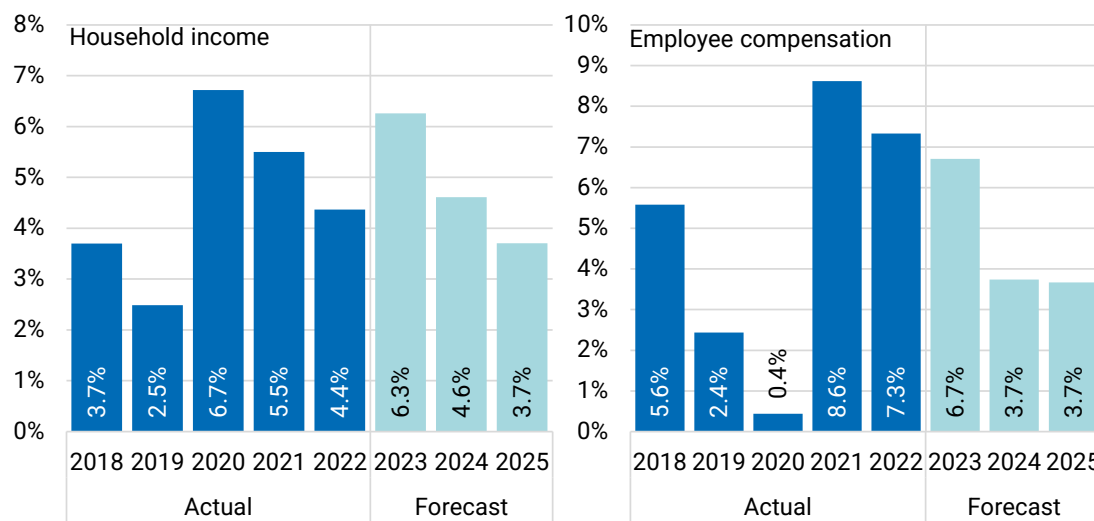


Source: Statistics Canada, Table 14-10-0287-01 Labour force characteristics, monthly, seasonally adjusted and trend-cycle; Note: Participation rate is the labour force as a share of the population, employment rate is employment as a share of the population.

**Household Income:** Nova Scotia’s total employee compensation (including all wages, salaries and employers’ social contributions) is estimated to have increased 6.7 per cent in 2023 (Chart 7.5). Payroll employment across all businesses and organizations increased 2.8 per cent in the first eleven months of 2023. Average weekly wages increased 4.7 per cent, exceeding inflation and pre-pandemic growth rates. Transfers received by households rose 4.6 per cent over the first three quarters of 2023. Household income is estimated to have increased 6.3 per cent in 2023.

Employee compensation is projected to increase 3.7 per cent in 2024 and 2025 as both employment and average wages grow at a slower pace. Household income is expected to grow 4.6 per cent in 2024 and 3.7 per cent in 2025.

**Chart 7.5 Income Growth Projected to Slow**

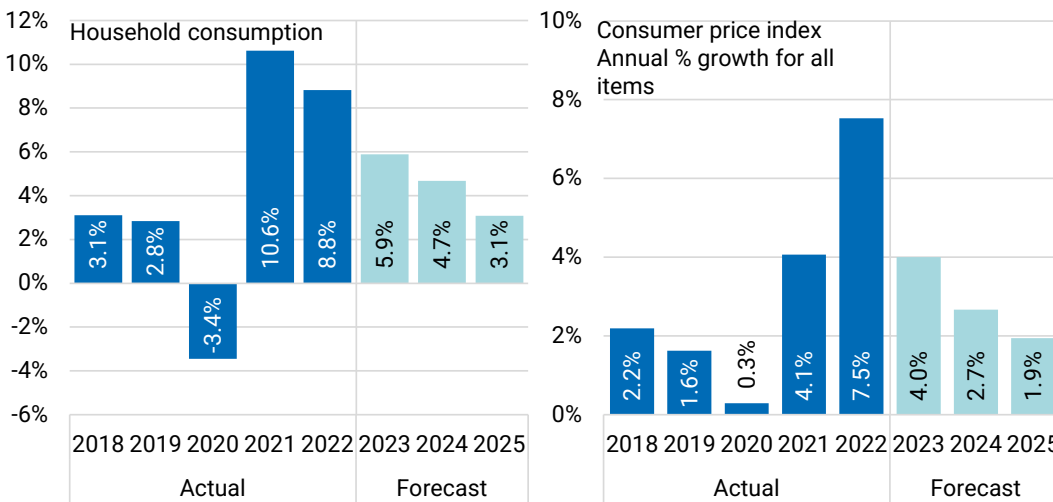


Source: Statistics Canada, Table 36-10-0221-01 Gross domestic product, income-based, provincial and territorial, annual (x 1,000,000); Table 36-10-0226-01 Household sector, selected indicators, provincial and territorial; Nova Scotia Department of Finance and Treasury Board projections.

**Household Consumption:** Household consumption growth is estimated to have slowed to 5.9 per cent 2023, following 8.8 per cent growth in 2022. Spending growth slowed in all broad consumption categories due to higher prices and rising interest rates. Nova Scotia’s retail sales increased 2.9 per cent in 2023, with gains in motor vehicles and parts, food and beverage, health and personal care, clothing and general merchandise. New motor vehicle units sold were up 7.0 per cent in 2023 with the sales value of new motor vehicles up 13.9 per cent. Nova Scotia’s food service and drinking place receipts rose 11.7 per cent in the first eleven months of 2023 with growth concentrated in limited-service eating places and full-service restaurants.

Household consumption spending is projected to further slow in 2024 and 2025 as the effect of higher interest rates is fully realized and mortgage renewals limit discretionary spending.

**Chart 7.6 Consumption and Prices Returning to Trend Growth Rates**



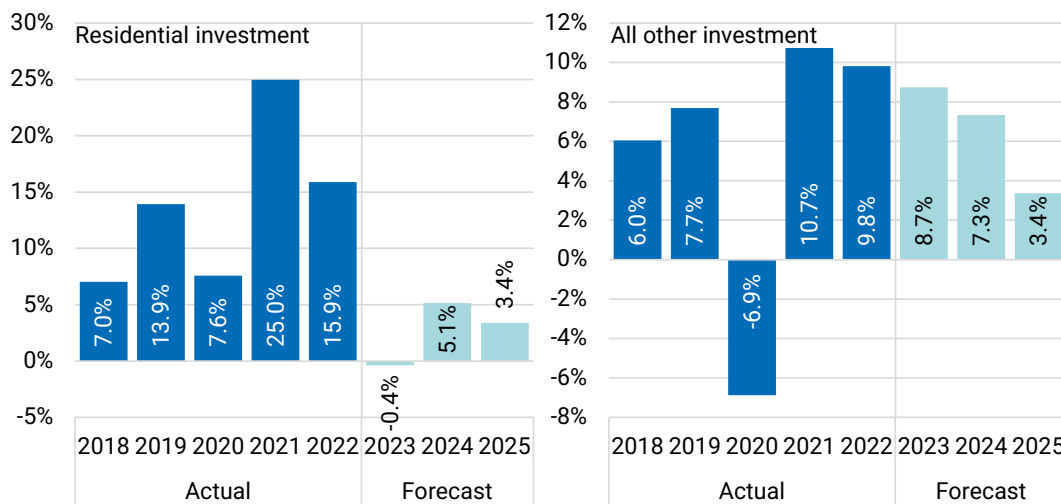
Sources: Statistics Canada, Table 36-10-0222-01 Gross domestic product, expenditure-based, provincial and territorial, annual (x 1,000,000); Table 18-10-0005-01 Consumer Price Index, annual average, not seasonally adjusted; Nova Scotia Department of Finance and Treasury Board projections.

**Inflation:** Advanced economies report slowing inflation in 2023 as monetary tightening worked its way through the economy. The Nova Scotia consumer price index rose 4.0 per cent in 2023, down from 7.5 per cent in 2022 (Chart 7.6). Energy prices fell 3.2 per cent, with declines in fuel oil and gasoline. The food index rose 7.9 per cent and shelter prices were up 5.4 per cent. Excluding food and energy, Nova Scotia's prices increased 4.2 per cent in 2023. The consumer price index is projected to increase by 2.7 per cent in 2024 before slowing to 1.9 per cent in 2025.

**Investment:** Residential investment activity was uneven through 2023. Modest growth was due to investment in single unit dwellings outside of Halifax, while investment in single and multiple unit dwellings in Halifax declined. Housing starts picked up in the second half of the year in Halifax, resulting in 41.0 per cent growth in 2023. Total housing starts for Nova Scotia were up 25.3 per cent to 7,159 units for the year, the strongest level since 1986. Resale home prices were up 1.5 per cent in Halifax, reflecting declining prices in the first half of 2023 and a reacceleration starting in the summer. Residential investment is projected to pick up in 2024 as housing starts translate into more construction in the Halifax area to meet the needs of the growing population.

Business sector non-residential investment is projected to have grown 7.2 per cent in 2023. Non-residential spending is expected to pick up in 2024 with increased capital spending in healthcare and transportation sectors keeping spending elevated (Chart 7.7).

**Chart 7.7 Investment To Rebound As Monetary Policy Eases**



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:** Nova Scotia's international exports are estimated to have fallen by 0.7 per cent in 2023. Seafood exports fell on lower lobster, crab and shrimp exports, only partially offset by increased exports of scallops and halibut. Exports were up for tires but down for forestry products and frozen blueberries. Nova Scotia's exports to the United States (+1.0 per cent) and China (+5.7 per cent) were up while exports to the EU were down 22.3 per cent. Shipments to China remain below pre-pandemic levels as other exports to China have not offset the loss of wood pulp that was previously exported.

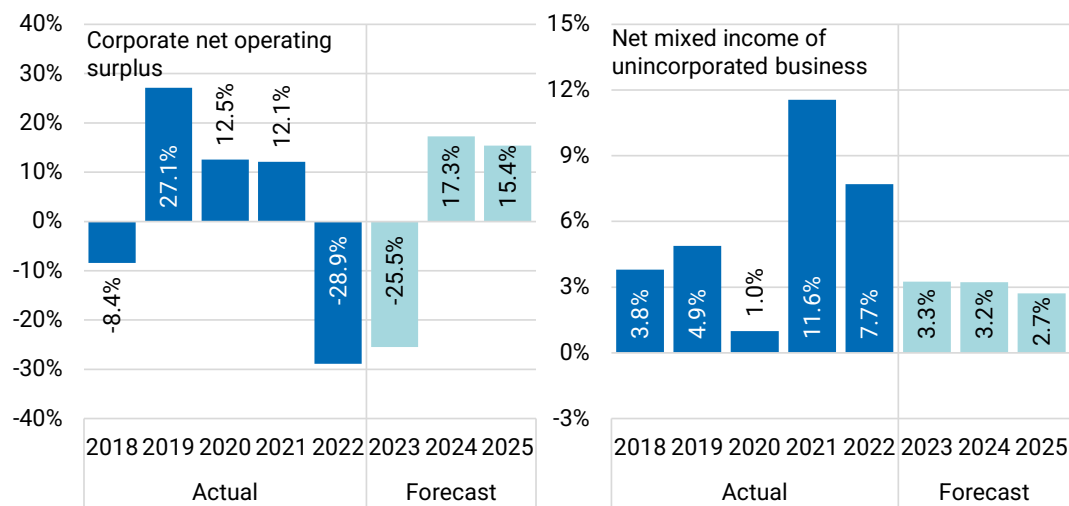
Tourism activity in Nova Scotia continued to grow through 2023 but has not yet returned to pre-pandemic levels. As of October, Tourism Nova Scotia estimated that year-to-date tourism visitation was 7 per cent below 2019 levels. Domestic tourism activity has recovered to a greater extent than international inbound tourism. Tourism is not expected to fully recover until the end of 2025.

Goods exports are projected to recover in 2025 as global conditions improve. Sustained growth is expected for imports in 2024 because of rising household and government consumption, but import growth is then expected to slow in 2025.



**Business Income:** The net operating surplus of corporations is estimated to have declined in 2022 by 28.9 per cent to \$3.2 billion after three years of double-digit growth (Chart 7.8). Growth in employee compensation amid a tight labour market and rising input costs are projected to have put further downward pressure on net operating surplus in 2023. This pressure is expected to be alleviated in 2024 with higher consumption from population growth, lower interest rates and the recovery in exports.

**Chart 7.8 Business Income Rebounds for Corporations**



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

**GDP by Industry:** Sustained inflation in 2023 resulted in nominal growth in some sectors, such as wholesale and retail trade, though growth in real GDP was limited. Population growth supported growth in utilities, transportation, information and culture, administration and support, and arts, entertainment and recreation (Table 7.2). Construction real GDP is estimated to have been weak in 2023 as capacity constraints and high prices limited expansion. Goods sector industries are projected to recover in 2024, though mining GDP is projected to decline with Touquoy gold mine concluding operations by 2024. Continued population growth is expected to support Nova Scotia's service sector going forward.

**Table 7.2 Nova Scotia GDP Outlook by Industry**

Growth rates, real GDP at basic prices

	<b>Share of GDP: 2022</b>	<b>Actual 2021</b>	<b>Actual 2022</b>	<b>Estimated 2023</b>	<b>Projected 2023-2025</b>
All industries	100.0	6.0	3.0	1.3	1.8
Agriculture, forestry, fishing	2.9	6.0	0.3	-2.6	2.0
Mining, oil, gas	0.5	-18.9	-21.3	-4.1	0.8
Utilities	1.8	1.3	0.7	0.9	1.8
Construction	7.2	10.2	8.1	-0.7	4.0
Manufacturing	7.4	7.7	-1.2	-1.7	1.7
Wholesale trade	3.4	9.9	-3.5	0.9	1.1
Retail trade	6.7	9.7	1.3	0.7	0.6
Transportation	3.6	6.8	14.9	2.9	1.5
Information, culture	3.0	5.1	5.2	1.2	1.2
Finance, insurance	5.7	4.8	2.8	2.9	2.2
Real estate, rental, leasing	16.4	3.6	2.1	1.8	1.8
Professional, technical	5.2	13.0	9.1	2.7	2.6
Company management	0.1	-27.6	-27.0	-0.1	-0.1
Administrative, support	1.9	5.4	1.8	1.4	2.3
Education	6.6	4.9	3.9	1.8	1.8
Health care, social assistance	10.2	3.4	1.3	2.9	2.0
Arts, entertainment, recreation	0.4	10.4	11.4	9.4	2.8
Accommodation, food	2.1	14.8	17.2	5.1	3.9
Personal, repair	1.9	8.4	5.8	1.7	1.7
Public administration	13.1	5.9	2.1	0.9	0.6

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

## 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 8, 2023, as well as fiscal and capital plans as of February 6, 2024. The private sector forecast is as of November 8, 2023.

**Table 7.3 Nova Scotia Budget Economic Forecast**

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

	2023	2024	2025
Real GDP (\$2017 chained)	1.3	1.7	1.9
<i>Average of private sector forecasters: Real GDP</i>	1.2	1.0	2.0
Nominal GDP	3.3	3.9	3.3
<i>Average of private sector forecasters: Nominal GDP</i>	2.8	3.0	3.6
Compensation of Employees	6.7	3.7	3.7
Household Income	6.3	4.6	3.7
Household Final Consumption	5.9	4.7	3.1
Retail sales	3.5	2.3	3.1
<i>Average of private sector forecasters: Retail sales</i>	3.1	1.8	2.5
Consumer Price Index (all-items, Index 2002=100)	4.0‡	2.7	1.9
<i>Average of private sector forecasters: CPI</i>	3.9	2.4	2.0
Residential Investment	-0.4	5.1	3.4
Non-residential, Machinery, Intellectual Property	8.7	7.3	3.4
Corporate net operating surplus	-25.5	17.3	15.4
Unincorporated net mixed income	3.3	3.2	2.7
Exports of goods and services	-0.6	3.5	3.4
Exports of goods to other countries	-1.4	2.4	1.7
Imports of goods and services	4.7	5.4	2.9
Population at July 1 (000s, all ages)	1,058.7a	1,083.1	1,104.8
Population at July 1 (000s, 18–64)	650.0†	661.9	672.7
Labour force (000s)	531.3‡	545.6	559.3
Employment (000s)	498.0‡	505.5	515.2
<i>Average of private sector forecasters: Employment</i>	496.8	501.1	508.4
Unemployment rate (%)	6.3‡	7.4	7.9
<i>Average of private sector forecasters: Unemployment rate</i>	6.6	7.2	6.8

Source: Nova Scotia Department of Finance and Treasury Board

‡ 2022 figures as estimated using data up to November 8, 2023. Actuals for 2023 were released after this date. a=actual

† Revised values for population ages 18-64 were not released as of November 8, 2023. This value is an estimate.

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. Ongoing geopolitical conflicts pose a risk to the forecast, including the invasion of Ukraine by Russia and mounting tensions in the Middle East. Commodity prices have stabilized following the invasion of Ukraine, but oil prices are sensitive to an escalation of conflict in the Middle East. Unexpected shifts in battlefield outcomes, government sanctions, and transportation arrangements could result in commodity and financial market impacts.

Inflation is easing in most major economies though it is now expected to take longer to return to target. If inflation persists and inflation expectations become unanchored, interest rates may remain higher for a longer period, furthering disrupting discretionary spending and tourism industries.

Demographic projections are a key driver of the economic outlook for Nova Scotia. Changes to international and interprovincial migration patterns would impact population projections. Conflicts in Ukraine and the Middle East could result in more refugees and international immigrants. Uncertainty around timing and volume of migration presents a risk to the outlook. Demographic growth has also created significant pressures in housing markets. Elevated prices may further impair discretionary consumer spending and/or feed back into migration assumptions.

Changes to carbon pricing occurred in 2023 in Nova Scotia. Assumptions about carbon prices have been incorporated into the economic outlook, but the effects of carbon prices on consumption choices, investment decisions and product prices are uncertain. Households and businesses may respond to the current carbon pricing regime differently than forecast. The degree of sensitivity to GDP growth by changes in key variables is presented in Table 7.4

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

Capital investment	\$336 million
Household final consumption	\$503 million
Resource sector output	\$349 million
Manufacturing sector output	\$494 million
Service sector output	\$288 million
Residential construction	\$367 million

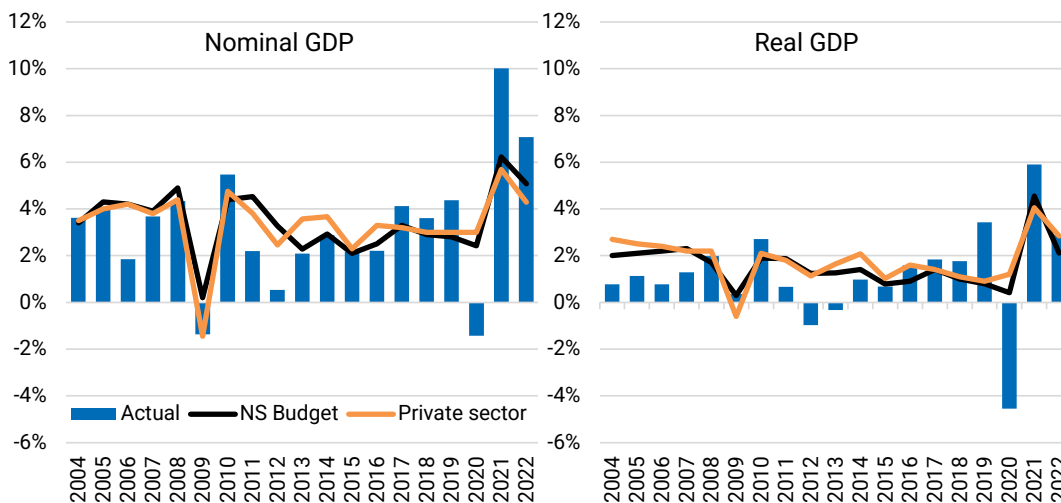
Source: Nova Scotia Department of Finance and Treasury Board

Nova Scotia saw a record wildfire season in 2023 and instances of extreme flash flooding. Extreme weather events are expected to become more common and may be an increasing risk to the economy going forward. 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 and material supply constraints in key industries such as construction.

## 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 7.9.

**Chart 7.9 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 2018 to 2025 are presented in Table 7.5.

**Table 7.5 Nova Scotia Key Indicators**

	2018	2019	ACTUAL		
	2018	2019	2020	2021	2022
Gross domestic product at market prices (\$ millions current)	44,875	46,834	46,165	50,788	54,383
(% change)	3.6%	4.4%	-1.4%	10.0%	7.1%
Gross domestic product at market prices (\$2017, chained millions)	44,077	45,586	43,513	46,082	47,407
(% change)	1.8%	3.4%	-4.5%	5.9%	2.9%
Compensation of employees (\$ millions current)	23,946	24,530	24,638	26,762	28,723
(% change)	5.6%	2.4%	0.4%	8.6%	7.3%
Household income (\$ millions current)	43,349	44,427	47,413	50,020	52,205
(% change)	3.7%	2.5%	6.7%	5.5%	4.4%
Household final consumption expenditure (\$ millions current)	31,432	32,326	31,212	34,527	37,574
(% change)	3.1%	2.8%	-3.4%	10.6%	8.8%
Retail sales (\$ millions current)	16,521	16,927	16,524	19,265	20,605
(% change)	0.8%	2.5%	-2.4%	16.6%	7.0%
Consumer Price Index (all-items, Index 2002=100)	135.3	137.5	137.9	143.5	154.3
(% change)	2.2%	1.6%	0.3%	4.1%	7.5%
Business gross fixed capital formation: residential (\$ millions current)	3,194	3,639	3,915	4,892	5,669
(% change)	7.0%	13.9%	7.6%	25.0%	15.9%
Gross fixed capital formation: non-res., M&E, gov't, IP (\$ millions current)	6,225	6,704	6,243	6,913	7,592
(% change)	6.0%	7.7%	-6.9%	10.7%	9.8%
Net operating surplus: corporations (\$ millions current)	2,822	3,587	4,037	4,526	3,219
(% change)	-8.4%	27.1%	12.5%	12.1%	-28.9%
Net mixed income: unincorporated (\$ millions current)	4,999	5,243	5,295	5,907	6,362
(% change)	3.8%	4.9%	1.0%	11.6%	7.7%
Exports of goods and services (\$ millions current)	16,214	17,397	15,309	17,132	19,786
(% change)	3.7%	7.3%	-12.0%	11.9%	15.5%
Exports of goods to other countries (\$ millions current)	5,771	6,454	5,579	6,443	6,826
(% change)	6.3%	11.8%	-13.6%	15.5%	5.9%
Imports of goods and services (\$ millions current)	28,330	29,656	27,660	31,600	36,951
(% change)	4.2%	4.7%	-6.7%	14.2%	16.9%
Population (all ages, 000s July 1)	962.1	975.8	989.2	999.9	1,025.4
(% change)	1.0%	1.4%	1.4%	1.1%	2.6%
Population (ages 18-64, 000s July 1)†	601.1	606.8	611.7	615.4	631.9
(% change)	0.6%	0.9%	0.8%	0.6%	2.7%
Labour Force (000s)	490.2	501.8	491.9	512.0	518.8
(% change)	0.3%	2.4%	-2.0%	4.1%	1.3%
Participation rate (%)	61.6	62.3	60.4	62.3	61.7
(change)	-0.4	0.7	-1.9	1.9	-0.6
Employment (000s)	451.8	464.6	443.3	468.1	484.9
(% change)	1.1%	2.8%	-4.6%	5.6%	3.6%
Employment Rate (%)	56.8	57.6	54.5	57.0	57.7
(change)	0.1	0.8	-3.1	2.5	0.7
Unemployment Rate (%)	7.8	7.4	9.9	8.6	6.5
(change)	-0.7	-0.4	2.5	-1.3	-2.1

**Table 7.5 Nova Scotia Key Indicators  
(Continued)**

	FORECAST			ANNUAL AVERAGE	
	2023	2024	2025	2018-2022	2023-2025
Gross domestic product at market prices (\$ millions current)	56,182	58,375	60,325		
(% change)	3.3%	3.9%	3.3%	4.9%	3.6%
Gross domestic product at market prices (\$2017, chained millions)	48,022	48,845	49,772		
(% change)	1.3%	1.7%	1.9%	1.8%	1.8%
Compensation of employees (\$ millions current)	30,648	31,795	32,962		
(% change)	6.7%	3.7%	3.7%	4.7%	3.7%
Household income (\$ millions current)	55,472	58,032	60,183		
(% change)	6.3%	4.6%	3.7%	4.8%	4.2%
Household final consumption expenditure (\$ millions current)	39,784	41,647	42,928		
(% change)	5.9%	4.7%	3.1%	4.6%	3.9%
Retail sales (\$ millions current)	21,325	21,808	22,479		
(% change)	3.5%	2.3%	3.1%	5.7%	2.7%
Consumer Price Index (all-items, Index 2002=100)	160.5	164.8	168.0		
(% change)	4.0%	2.7%	1.9%	3.3%	2.3%
Business gross fixed capital formation: residential (\$ millions current)	5,648	5,938	6,138		
(% change)	-0.4%	5.1%	3.4%	15.4%	4.3%
Gross fixed capital formation: non-res., M&E, gov't, IP (\$ millions current)	8,255	8,861	9,160		
(% change)	8.7%	7.3%	3.4%	5.1%	5.3%
Net operating surplus: corporations (\$ millions current)	2,399	2,813	3,247		
(% change)	-25.5%	17.3%	15.4%	3.3%	16.3%
Net mixed income: unincorporated (\$ millions current)	6,569	6,781	6,965		
(% change)	3.3%	3.2%	2.7%	6.2%	3.0%
Exports of goods and services (\$ millions current)	19,661	20,357	21,054		
(% change)	-0.6%	3.5%	3.4%	5.1%	3.5%
Exports of goods to other countries (\$ millions current)	6,730	6,892	7,008		
(% change)	-1.4%	2.4%	1.7%	4.3%	2.0%
Imports of goods and services (\$ millions current)	38,706	40,812	42,012		
(% change)	4.7%	5.4%	2.9%	6.9%	4.2%
Population (all ages, 000s July 1)	1,058.7	1,083.1	1,104.8		
(% change)	3.2%	2.3%	2.0%	1.6%	2.2%
Population (ages 18-64, 000s July 1)†	650.0	661.9	672.7		
(% change)	2.9%	1.8%	1.6%	1.3%	1.7%
Labour Force (000s)	531.3	545.6	559.3		
(% change)	2.4%	2.7%	2.5%	1.4%	2.6%
Participation rate (%)	61.4	61.6	61.9	61.7	61.6‡
(change)	-0.3	0.2	0.3		
Employment (000s)	498.0	505.5	515.2		
(% change)	2.7%	1.5%	1.9%	1.8%	1.7%
Employment Rate (%)	57.6	57.1	57.0	56.7	57.2‡
(change)	-0.1	-0.5	-0.1		
Unemployment Rate (%)	6.3	7.4	7.9	8.0	7.2‡
(change)	-0.2	1.1	0.5		

‡ average level over period, not average change

† Revised values for population ages 18-64 were not released as of November 8, 2023. These values are estimates.

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 \$17,000 million as of March 31, 2024 (Table 8.1). Against this gross financial market debt are financial assets held in the liquidity sinking fund (\$990.5 million) plus holdings of the Municipal Fund debt (\$799.5 million) plus advances to Halifax Harbour Bridges (\$150.0 million). These assets total \$1,939.9 million and are subtracted from gross financial market debt to result in an expected net financial market debt of \$15,060 million on March 31, 2024. 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 Municipal Fund 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 Municipal Fund except for borrowings from the federal government, the Province, another municipality, or their agencies.

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 expects to post a budgetary surplus of \$40.3 million in 2023–24 and is estimating a budgetary deficit of \$467.4 million in 2024–25 followed by further deficits in the next three fiscal years. By way of background, the Province has posted surpluses in the fiscal years 2016–17 to 2019–20, and again in 2021–22, and 2022–23.

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. Financial markets appear to assume inflationary pressures will be contained by the end of 2024 without a major recession, but the invasion of Ukraine by Russia and events in the Middle East will continue to pose significant risks to the global economy and financial markets. Ongoing events in the United States banking sector and upcoming political events in the United States are expected to contribute to continuing volatility in financial markets over the next year. The course of administered interest rates remains uncertain. The Province of Nova Scotia has a comparatively modest borrowing program of \$2,598.2 million for the 2024–25 fiscal year.

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

**Table 8.1 Projected Gross and Net Financial Market Debt**

	2023-24 Estimate	2023-24 Forecast	2024-25 Estimate	2025-26 Estimate	2026-27 Estimate	2027-28 Estimate
<b>Gross Debt</b>						
Opening Balance	15,731.4	15,939.6	17,000.0	19,358.7	21,801.2	23,627.2
Borrowing Program	2,029.7	2,018.1	2,598.2	3,422.3	1,957.1	2,585.1
Debt Retirement	(851.4)	(851.4)	(859.2)	(841.2)	(3.5)	(1,203.4)
Change in other unfunded debt	527.0	(106.3)	619.7	(138.7)	(127.6)	(138.7)
<b>Closing Balance</b>	<b>17,436.6</b>	<b>17,000.0</b>	<b>19,358.7</b>	<b>21,801.2</b>	<b>23,627.2</b>	<b>24,870.1</b>
<b>Discretionary Funds</b>						
Opening Balance	972.0	969.2	990.5	1,012.9	1,039.4	1,071.4
Installments	-	-	-	-	-	-
Earnings	19.1	21.3	22.4	26.6	31.9	36.0
Fund Withdrawals	-	-	-	-	-	-
<b>Closing Balance</b>	<b>991.1</b>	<b>990.5</b>	<b>1,012.9</b>	<b>1,039.4</b>	<b>1,071.4</b>	<b>1,107.3</b>
<b>Municipal Fund / Halifax Bridges</b>						
Opening Balance	899.4	899.0	949.5	1,219.2	1,292.5	1,427.0
Repayments	(153.1)	(152.1)	(130.3)	(138.7)	(127.6)	(138.7)
Advances to Municipal Fund	220.0	202.6	350.0	212.0	212.0	212.0
Advances to Halifax Bridges	40.0	-	50.0	-	50.0	55.0
<b>Closing Balance</b>	<b>1,006.4</b>	<b>949.5</b>	<b>1,219.2</b>	<b>1,292.5</b>	<b>1,427.0</b>	<b>1,555.2</b>
<b>Net Financial Market Debt</b>	<b>15,439.2</b>	<b>15,060.0</b>	<b>17,126.6</b>	<b>19,469.2</b>	<b>21,128.8</b>	<b>22,207.5</b>

In 2023–24, the Province estimates there was a \$989 million increase in net financial market debt outstanding in financial markets due to a modest level of net acquisition of tangible capital assets, and many other non-cash items that contributed an offset to the rise in financial market debt. The Province estimates that net financial market debt in financial markets will increase by about \$2,067 million in 2024–25 primarily due to the budgetary deficit, the net acquisition of tangible capital assets, and the funding for construction of additional long-term care facilities.

## Nova Scotia Credit Ratings

Nova Scotia maintains a policy of full disclosure and transparency with financial market participants. Nova Scotia actively communicates its economic and fiscal position both to investors and to bond-rating agencies. The improved fiscal outlook has been recognized by credit rating agencies. In 2023–24, all three 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**

	<b>DBRS</b>	<b>S&amp;P</b>	<b>Moody's</b>
<b>Nova Scotia</b>	<b>A(high)</b>	<b>AA-</b>	<b>Aa2</b>
Prince Edward Island	A(pos)	A	Aa2
Newfoundland & Labrador	A	A	A1
New Brunswick	A(high)	A+(pos)	Aa2(pos)
Quebec	AA(low)	AA-	Aa2
Ontario	AA(low)(pos)	A+(pos)	Aa3(pos)
Manitoba	A(high)	A+	Aa2
Saskatchewan	AA(low)	AA	Aa1
Alberta	AA	AA-	Aa2
British Columbia	AA(high)	AA(neg)	Aaa

Nova Scotia files a Form 18-K Annual Report and other required documents with the U.S. 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 locking in when interest rates were historically low, 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 2023–24 to be \$40.3 million and expects to post a budgetary deficit of \$467.4 million in 2024–25. 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, 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.

**2023–24 Borrowing Completed:** In the fiscal year 2023–24, the Province borrowed \$2,000 million (proceeds of \$2,018.1 million) compared to term debt borrowing requirements of \$2,029.7 million estimated in the Budget. In the domestic public market, the Department of Finance and Treasury Board issued by way of reopening \$300 million in 5-year debentures with a coupon rate of 4.05 per cent, \$600 million reopening in 10-year debentures with a coupon rate of 4.05 per cent, issued by way of reopening \$600 million in 30-year debentures with a coupon rate of 4.75 per cent, and issued a new 5-year \$500 million Floating Rate Note based on the Canadian Overnight Repo Rate Average ("CORRA") with a coupon rate of CORRA +42.5 basis points.

**2024–25 Annual Borrowing:** Projected term debt borrowing requirements for fiscal year 2024–25 is expected to be \$2,598.2 million (Table 8.3) primarily related to funding of the budgetary deficit, the net acquisition of tangible capital assets, and the funding for construction of additional long-term care facilities. 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. In 2024-25, those requirements are \$1,048.1 million. The remaining non-budgetary adjustments are primarily related to non-cash interest charges on unfunded pension

liabilities and post-employment benefits, and the non-cash expense of the Pension Valuation Adjustment. The Department of Finance and Treasury Board does not anticipate drawing down discretionary sinking funds in 2024–25. These funds total approximately \$990.5 million.

**Table 8.3 Projected Borrowing Requirements**

(\$ millions)

	2023-24 Estimate	2023-24 Forecast	2024-25 Estimate	2025-26 Estimate	2026-27 Estimate	2027-28 Estimate
Budgetary (surplus) / deficit	278.9	(40.3)	467.4	608.7	575.7	360.1
Net Capital Advances	153.8	253.3	758.5	976.2	334.2	(1.7)
Net Advances to Municipal Fund	75.0	58.5	227.7	81.3	92.5	81.3
Net Advances to Halifax Bridges	32.0	(8.0)	42.0	(8.0)	42.0	47.0
Tangible Capital Assets: Net Cash	1,078.9	971.0	1,048.1	988.1	983.5	980.2
Other Non-Budgetary Transactions	220.6	(156.8)	(77.2)	(91.7)	(106.3)	(121.2)
<b>Cash Operating Requirements</b>	<b>1,839.2</b>	<b>1,077.7</b>	<b>2,466.6</b>	<b>2,554.6</b>	<b>1,921.6</b>	<b>1,345.7</b>
<b>Cash Debt Retirement</b>	<b>851.4</b>	<b>851.4</b>	<b>859.2</b>	<b>841.2</b>	<b>3.5</b>	<b>1,203.4</b>
Discretionary Fund Income	19.1	21.3	22.4	26.6	31.9	36.0
Discretionary Fund Contributions	---	---	---	---	---	---
Discretionary Fund Withdrawals	---	---	---	---	---	---
<b>Net Discretionary Fund Requirements</b>	<b>19.1</b>	<b>21.3</b>	<b>22.4</b>	<b>26.6</b>	<b>31.9</b>	<b>36.0</b>
Total Requirements:	2,709.7	1,950.4	3,348.2	3,422.3	1,957.1	2,585.1
Change in Short-Term Borrowing or Drawdown of Short-term Assets (increase) / decrease	(680.0)	67.7	(750.0)	---	---	---
<b>Total Borrowing Requirements</b>	<b>2,029.7</b>	<b>2,018.1</b>	<b>2,598.2</b>	<b>3,422.3</b>	<b>1,957.1</b>	<b>2,585.1</b>

The Province, through its access to capital markets, can raise financing in an efficient and cost-effective manner; as such the Province, through its annual borrowing program, secures wholesale funding on behalf of its Crown entities for their diverse on-lending requirements. Net capital advances to Crown entities in 2023–24 are estimated to have been \$253.3 million, an increase from the Budget Estimate of \$153.8 million. For fiscal year 2024–25, net capital advances are estimated to be \$758.5 million.

At March 31, 2024, the Municipal Fund portfolio is expected to be \$799.5 million in municipal debentures, an increase from \$745.6 million from a year earlier.

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

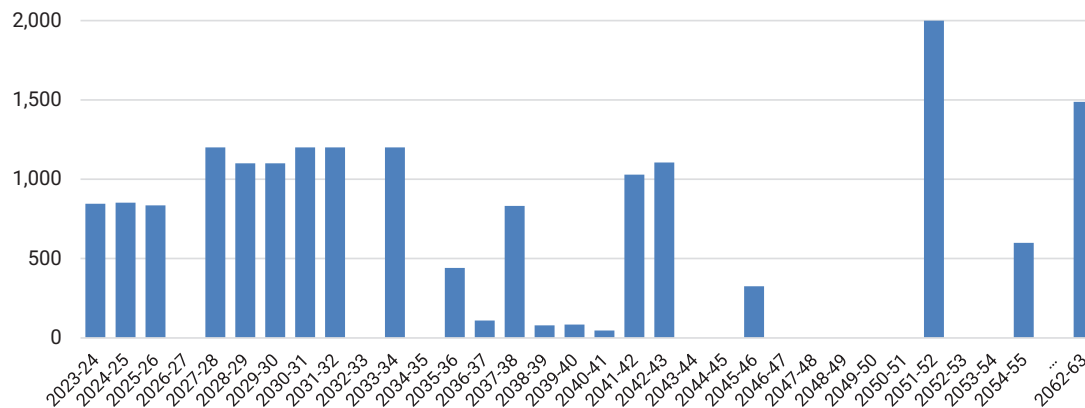
Province's borrowing program in 2024–25. The Province attempts to maintain a presence in the domestic public debt markets with liquid benchmark issues. The domestic Medium-Term Note (MTN) program is maintained to add flexibility to the domestic borrowing program.

## Debt Maturity Schedule

The Province of Nova Scotia's gross financial market debt at March 31, 2024, is expected to consist of Canadian fixed-coupon marketable debentures, floating interest rate marketable debentures, Canada Pension Plan non-marketable debentures, capital leases (\$110.5 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 (\$16,829.5 million).

**Chart 8.1 General Revenue Fund Debt Portfolio:  
Debenture Debt Maturity Schedule**

(\$ millions)



As of March 31, 2024, the average term to maturity of the gross debenture portfolio is expected to be 14.4 years, down marginally from one year ago.

The Province of Nova Scotia has accumulated approximately \$990.5 million in 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 33.3 per cent for March 31, 2024, up from 32.7 per cent a year earlier. Table 8.4 presents the projected Net Debt over the fiscal plan.

**Table 8.4 Projected Net Debt**

(\$ millions)

	2023-24 Estimate	2023-24 Forecast	2024-25 Estimate	2025-26 Estimate	2026-27 Estimate	2027-28 Estimate
<b>Net Debt - Opening Balance</b>	<b>18,186.0</b>	<b>17,771.0</b>	<b>18,701.7</b>	<b>20,217.2</b>	<b>21,813.9</b>	<b>23,373.2</b>
Add (Deduct):						
Provincial Deficit (Surplus)	278.9	(40.3)	467.4	608.7	575.7	360.1
Increase in the Net Book Value of Tangible Capital Assets	1,078.9	971.0	1,048.1	988.1	983.5	980.2
Change in Net Debt	1,357.8	930.6	1,515.5	1,596.8	1,559.3	1,340.3
<b>Net Debt - Closing Balance</b>	<b>19,543.8</b>	<b>18,701.7</b>	<b>20,217.2</b>	<b>21,813.9</b>	<b>23,373.2</b>	<b>24,713.5</b>

## Debt Servicing Costs

Gross debt servicing costs are forecast to be \$792.3 million for 2023–24 and are estimated to be \$822.9 million for 2024–25 (Table 8.5). Gross debt servicing costs comprise the following items: (1) interest on existing long-term debenture and capital lease debt and the estimated interest cost of incremental borrowing; (2) general interest that provides for bank charges, bond issue expense, amortization of debenture discounts/premiums, and short-term interest costs; and (3) the accrual of interest of the Province's unfunded pension and post-retirement benefit obligations.

In addition, gross debt-servicing costs also 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 the Municipal Fund and Crown corporations such as the Farm Loan Board. The General Revenue Fund earns interest on those monies lent to the Municipal Fund and Crown corporations and other investments. These amounts and interest earned on investments in the Sinking Fund may be subtracted from gross debt-servicing costs to achieve a true picture of the actual interest cost on long-term indebtedness.

**Table 8.5 Projected Debt Servicing Costs**

(\$ millions)

	2023-24 Estimate	2023-24 Forecast	2024-25 Estimate	2025-26 Estimate	2026-27 Estimate	2027-28 Estimate
Interest on Long-term Debt	604.0	618.4	656.5	739.2	837.9	888.9
General Interest	66.8	77.5	63.4	57.2	55.6	56.1
Interest on Pension, Retirement and other obligations	96.1	96.4	103.0	103.1	107.4	111.6
<b>Gross Debt Servicing Costs</b>	<b>766.9</b>	<b>792.3</b>	<b>822.9</b>	<b>899.5</b>	<b>1,001.0</b>	<b>1,056.5</b>

## 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 \$10.0 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.