

Credit Update

Province of Nova Scotia

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Department of Finance & Treasury Board

May 2, 2022



Fiscal & Economic Outlook

Budget 2022-23



Table 2.1 Summary Nova Scotia 2022–23 Operating Budget

(\$ thousands)

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

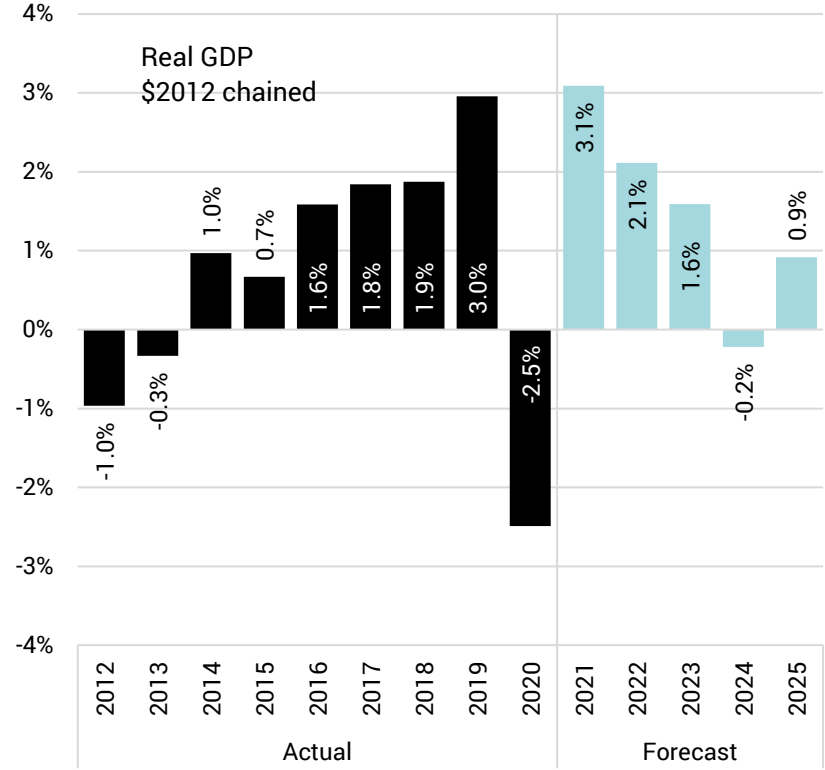
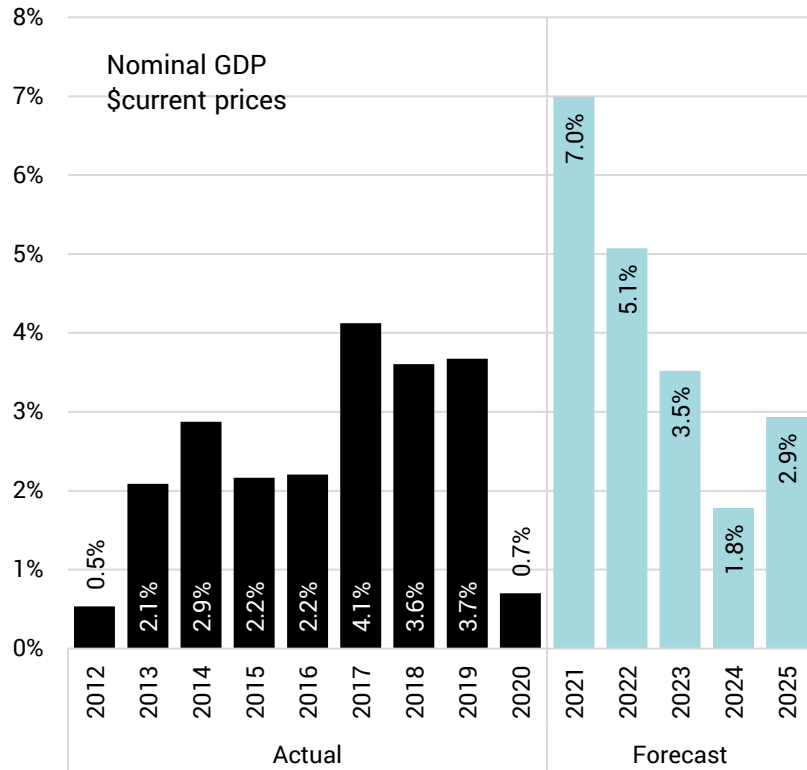
Table 3.1 Four-Year Fiscal Plan – Projections 2022–23 to 2025–26

(\$ millions)

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

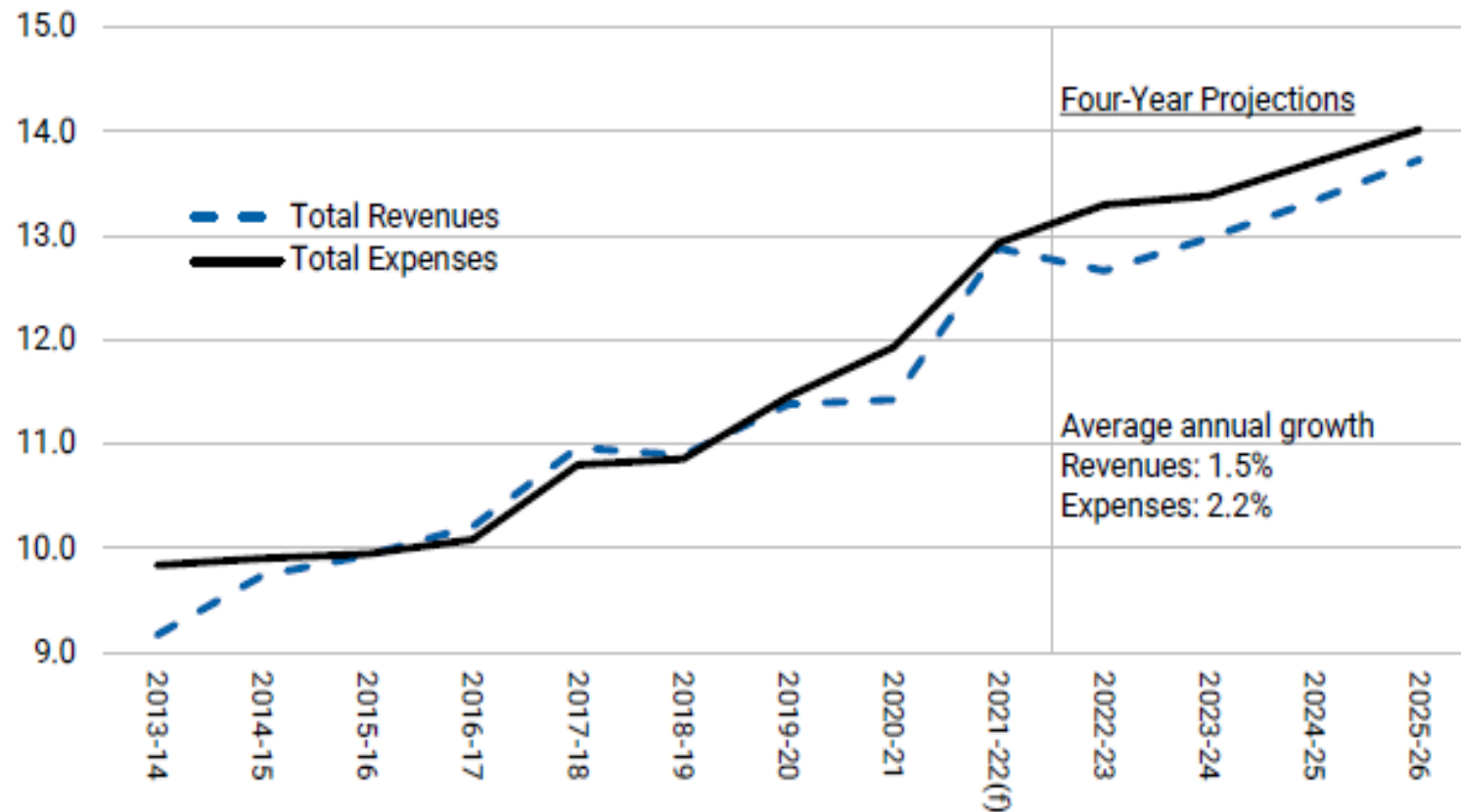


Nova Scotia's GDP growth normalizes after pandemic recovery

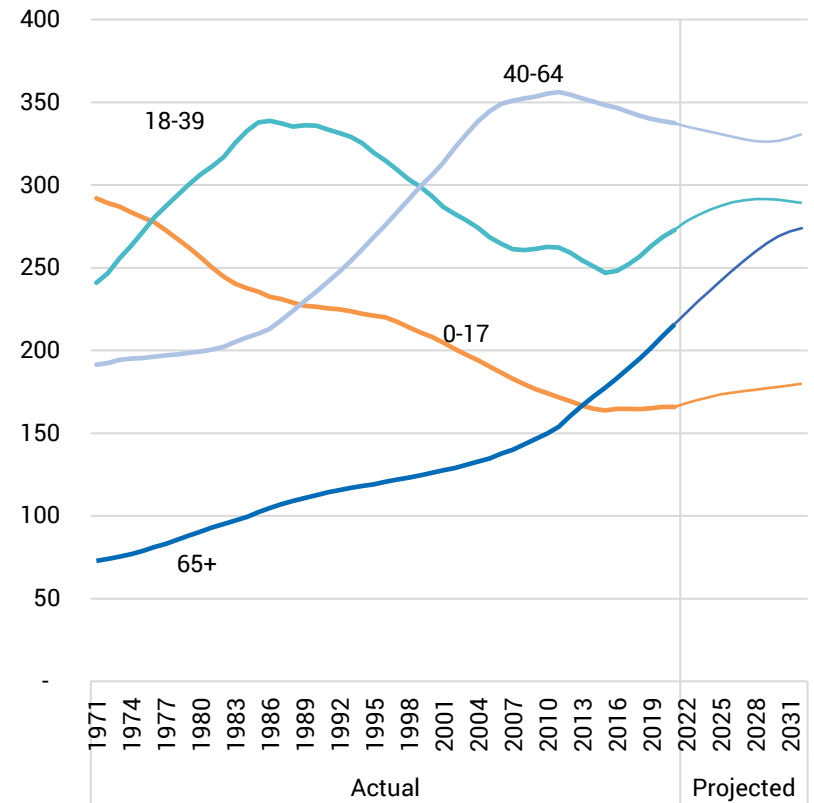
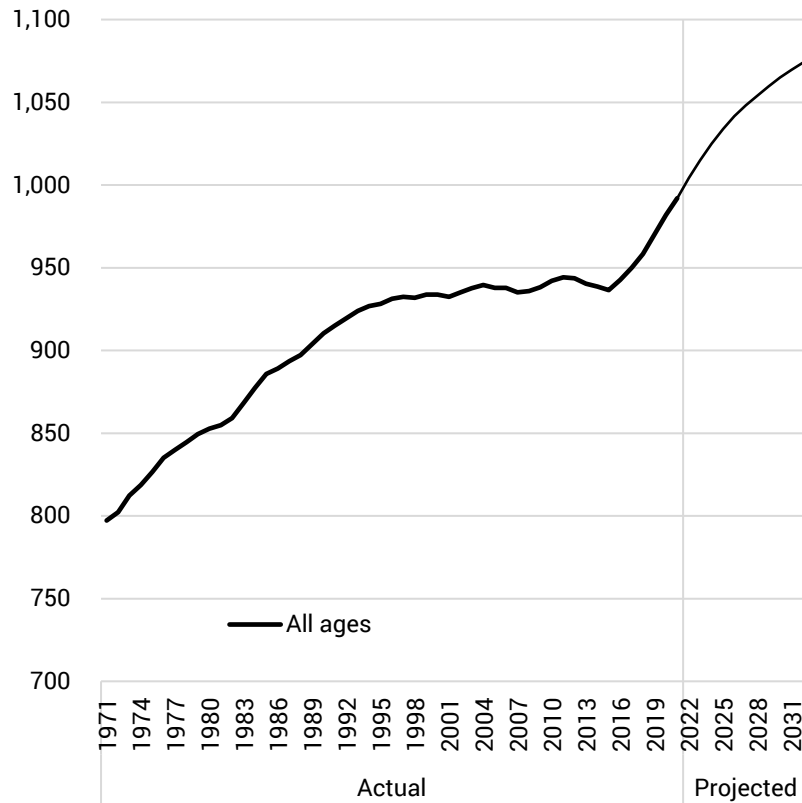


Revenues and Expenses

Projections 2022–23 to 2025–26



Nova Scotia's Population Above 1 million



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.



Debt Management & Borrowing Program



Debt Management & Borrowing program

- Borrowing program of \$1.65 billion this year, up from \$1.1 billion last year
- Liquidity in the GRF stands at \$700 million currently with no significant maturities until a \$720 million FRN maturity in November 2022.
- In addition to liquidity in the GRF, Nova Scotia has a liquidity fund of \$950 million that is invested in 2 to 6 year provincial bonds and CMBs.



Borrowing Strategy

Key objectives are:

- to protect the intrinsic value of debt held by investors thereby improving receptivity of Nova Scotia debt issues in the domestic market

Opportunistic financing through:

- Domestic public markets,
- Domestic MTN program,
- Province has maintained \$1.25 billion USD SEC shelf.

Themes for 2021-2022 / 2022-23

- Potentially re-open 1.10% of June 2028 benchmark
- Re-open 2.40% of December 2031 benchmark
- Establish December 1, 2053/54 benchmark



Credit Ratings

Nova Scotia's current long-term credit ratings, are:

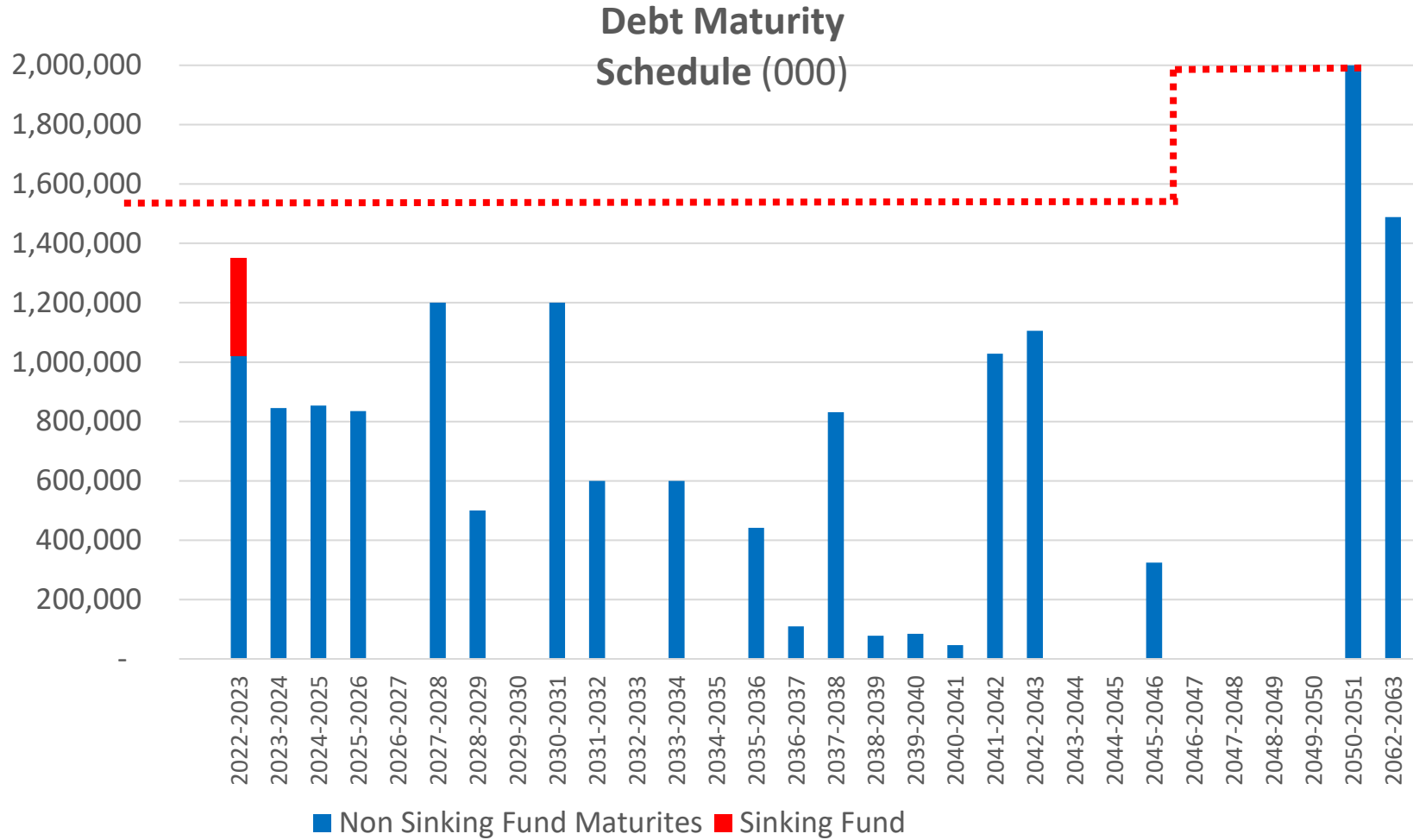
- **Dominion Bond Rating Service ("DBRS"): A (high),** outlook stable, confirmed on November 19, 2021.
- **Standard & Poor's ("S&P"): AA-,** outlook stable confirmed June 10, 2021
- **Moody's: Aa2,** outlook stable affirmed Feb. 3, 2022



Other Information

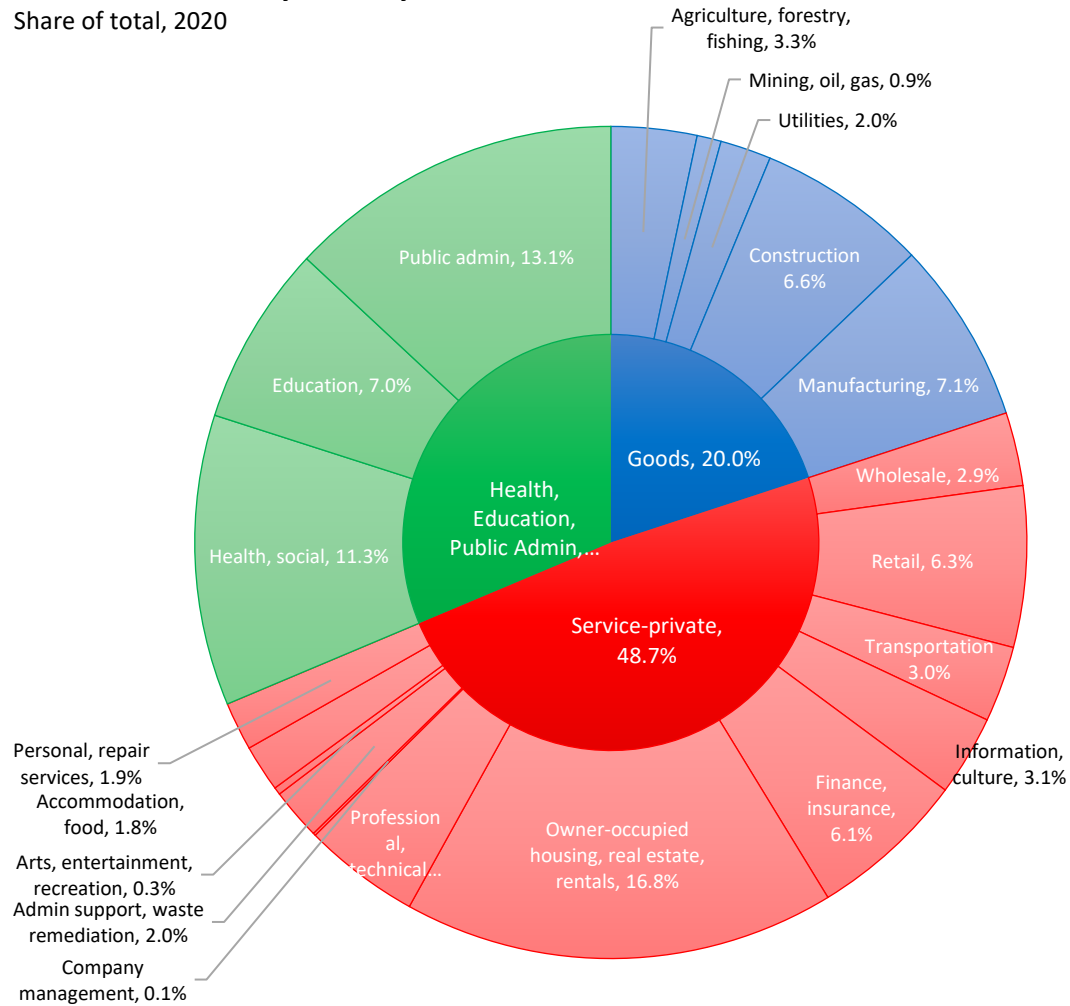


Maturity Schedule – May 2, 2022

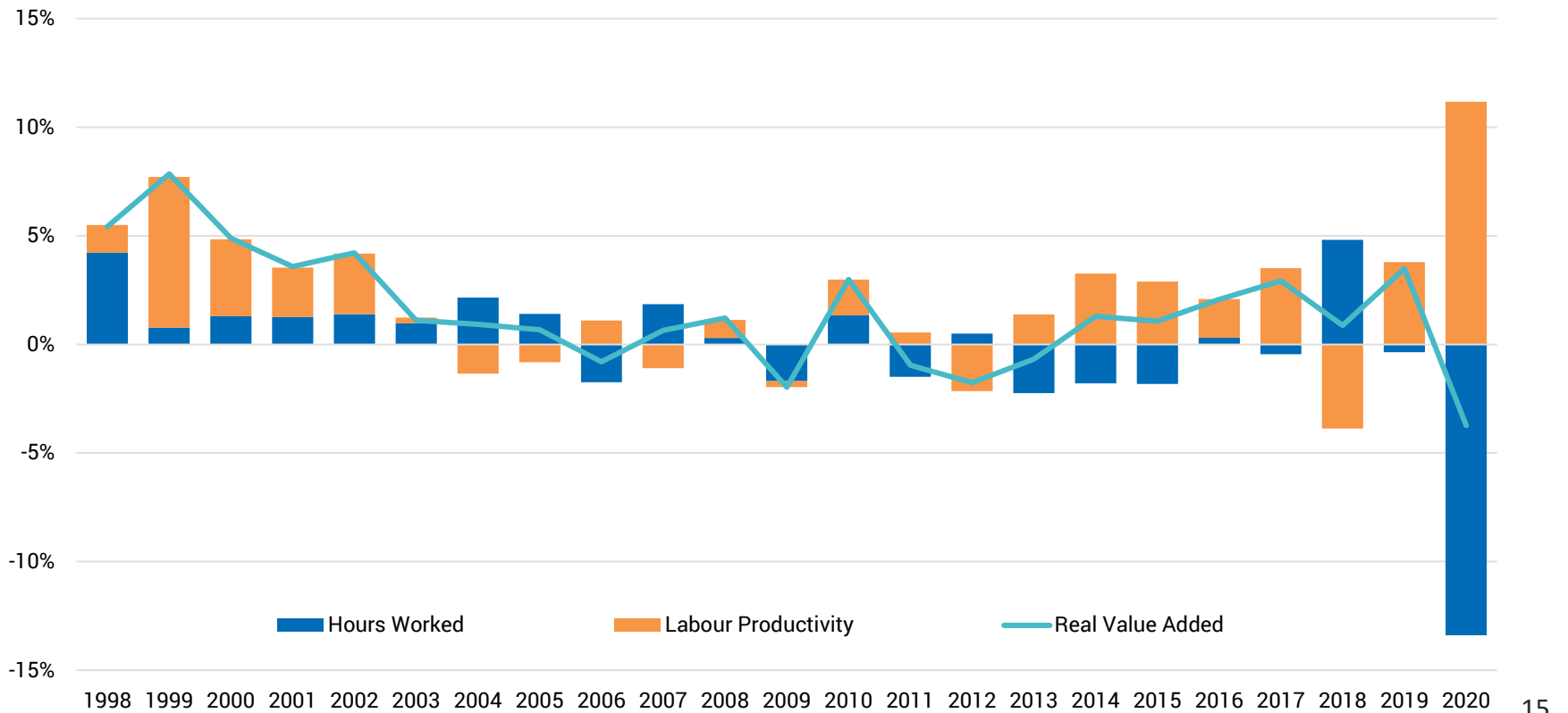


Nova Scotia's Diverse Economy

Nova Scotia's GDP by Industry
Share of total, 2020



Distorted Labour Productivity Growth During Pandemic



Long Term Debt Portfolio Profile

Total Financial Market LT Debt – May 2, 2022	\$15,524,409,999
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Average Coupon	3.38%
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Average Term (years)	14.81
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Average Term to Reset (years)	14.62
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Duration (years)	9.90
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Duration to Reset (years)	9.65
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CDOR Based Financial Market Debt	\$1,818,097,000
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CORRA Based Financial Market Debt	\$100,000,000
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Total Long Term Floating	\$1,918,097,000
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LT Floating Debt as a % of LT Debt	12.36%
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Mandatory SF Debt	\$329,310,000
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Average Coupon	8.25%
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Average Term (years)	0.24
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Average Duration (years)	0.23
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Major projects

Arctic and Offshore Patrol Ships

- \$6 billion project
- Currently increasing Nova Scotia GDP by hundreds of millions; supporting 1000s of jobs
- Completed: 2025/26

Canadian Surface Combatant

- \$56 to 60 billion project budget
- Construction: Mid 2020s through late 2040s

Nova Scotia Capital Plan

- \$1,584.7 million for 2022-23, up from just under \$1,200 million 2021-22
- \$508 million for Highways and Structures
- \$465 million for Health Care Redevelopment (QEII and CBRM)
- \$175.3 million to build and renovate schools

Health Care Redevelopment

- QE II redevelopment ~\$2 billion; activity ongoing, ramps up in 2023.
- Public-private partnership model.
- Cape Breton Regional Hospital expansion \$100 million

Other major projects

- Ocean Supercluster (\$153 million)

Potential projects

- Goldboro LNG facility (\$5 bln +, owned by Pieridae Energy)

