

Unlocking Our **POTENTIAL**



BUDGET **2025-26**

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Budget 2025–26
Finance and Treasury Board
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1. Introduction

Unlocking Our Potential

In the face of global economic uncertainty, Nova Scotia needs to create new opportunities that unlock our potential to increase self-reliance. Budget 2025-26 supports this focus. It builds on progress already made and delivers on promises to lower taxes, hire more doctors, increase wages and strengthen our economy.

Budget 2025-26 also recognizes that economic uncertainty requires planning for the unexpected in a fiscally responsible manner. Reductions in taxes combined with an aggressive capital plan will help to stimulate the economy in the face of these headwinds.

Key priorities are:

Laying the Groundwork: This budget lays the groundwork to strengthen our economy and create our own opportunities for the future. It invests in supporting local businesses and industries, creating good paying jobs to lift up our communities, and unlocking our resource potential.

Making Life More Affordable: The rising cost of living due to global challenges continues to be a concern for Nova Scotians and the government. This budget helps Nova Scotians with affordability by lowering taxes, raising wages and building more housing so we can unlock the potential of our workforce.

Building a Healthy Population: Improving healthcare and making our communities safer all lead to a healthier population. The government will continue to take action to fix healthcare, while moving forward with the largest healthcare build in the history of the province – further unlocking our economic potential.

Highlights of Budget 2025–26:

- Nova Scotian families will benefit from a permanent one percentage point reduction in the provincial portion of the Harmonized Sales Tax (HST). The Basic Personal Amount will increase to \$11,744 for all Nova Scotians, and indexing tax brackets and certain credits will mean the end of bracket creep. These changes will save families over \$1,000 dollars this year.
- Nova Scotian small businesses will benefit from the reduction in the small business tax rate from 2.5 to 1.5 per cent, and businesses will benefit from this lower rate as the income threshold increases from \$500,000 to \$700,000 – the

highest among Canadian provinces.

- The Capital Plan invests \$2.35 billion in projects that will support jobs across the province and services Nova Scotians need now and into the future. It includes:
 - Significant investments in healthcare, including hospital redevelopment projects and electronic records.
 - More investments to expand, modernize and repair public housing
 - New investments to build and renovate schools
 - More than \$500 million for highway improvements.

2. Budget 2025–26 Overview

The Operating Budget contains the estimates of revenue and expenditures that establishes the financial plan of the Province for the 2025–26 fiscal year, commencing April 1, 2025.

Budget 2025–26 is focused on the government’s plan to lower taxes, hire more doctors, increase wages and strengthen our economy. The Province of Nova Scotia is tabling a budget with an estimated deficit of \$697.5 million (before contingency) for 2025–26 (Table 2.1).

Table 2.1 Summary Nova Scotia 2025–26 Operating Budget
(\$ thousands)

General Revenue Fund	2024-25 Estimate	2024-25 Forecast	2025-26 Estimate
Revenues			
Ordinary Revenues	14,225,841	15,128,619	14,970,232
Ordinary Recoveries	1,144,023	1,195,546	1,069,950
Net Income from Government Business Enterprises	473,933	486,920	465,447
Total Revenues	15,843,797	16,811,085	16,505,629
Expenses			
Departmental Expenses	15,536,441	15,907,359	16,495,153
Refundable Tax Credits	126,316	153,176	147,960
Pension Valuation Adjustment	33,102	19,704	17,079
Debt Servicing Costs	822,863	869,310	908,509
Total Expenses	16,518,722	16,949,549	17,568,701
Consolidation and Accounting Adjustments	207,540	220,913	365,573
Provincial Surplus (Deficit) - Before Contingency	(467,385)	82,449	(697,499)
Contingency	---	---	(200,000)
Provincial Surplus (Deficit) - After Contingency	(467,385)	82,449	(897,499)

Table 2.2 Budget Summary – Highlights
(\$ thousands)

	2024-25 Estimate	2024-25 Forecast	2025-26 Estimate
Total Revenues	15,843,797	16,811,085	16,505,629
Total Expenses	16,518,722	16,949,549	17,568,701
Consolidation and Accounting Adjustments	207,540	220,913	365,573
Provincial Surplus (Deficit) - Before Contingency	(467,385)	82,449	(697,499)
Contingency	---	---	(200,000)
Provincial Surplus (Deficit) - After Contingency	(467,385)	82,449	(897,499)
Provincial Revenue Sources			
Personal Income Tax	4,174,435	4,525,250	4,730,924
Corporate Income Tax	748,944	831,397	836,540
Harmonized Sales Tax	2,755,642	2,689,662	2,588,233
Cannabis Tax	18,334	18,358	19,110
Vaping Tax	3,353	3,085	3,085
Non-resident Deed Transfer Tax	11,473	14,521	27,752
Motive Fuel Tax	278,243	279,133	284,393
Tobacco Tax	114,084	107,795	93,291
Other Tax Revenue	241,718	245,231	248,607
Prior Years' Adjustments - Provincial Taxes	---	527,148	---
Registry of Motor Vehicles	147,916	152,825	155,425
Other Provincial Sources	174,087	170,045	176,530
TCA Cost Shared Revenue	13,751	9,823	10,278
Other Fees and Charges	67,103	63,879	62,897
Gain (Loss) on Disposal of Crown Assets	975	7,003	1,700
Interest Revenues	140,410	189,666	188,226
Sinking Fund Earnings	22,414	22,893	27,143
Ordinary Recoveries	415,410	576,949	424,822
Net Income from Government Business Enterprises	473,933	486,920	465,447
Total - Provincial Sources	9,802,225	10,921,583	10,344,403
Federal Revenue Sources			
Equalization Payments	3,284,338	3,284,338	3,464,825
Canada Health Transfer	1,378,600	1,357,718	1,409,990
Canada Social Transfer	447,583	440,804	449,055
Other Federal Sources	161,033	159,042	163,511
TCA Cost Shared Revenue	41,405	31,533	28,717
Prior Years' Adjustments	---	(2,530)	---
Ordinary Recoveries	728,613	618,597	645,128
Total - Federal Sources	6,041,572	5,889,502	6,161,226
Expenses			
Advanced Education	725,539	740,075	732,171
Agriculture	46,682	47,132	47,946
Communities, Culture, Tourism and Heritage	171,845	255,029	168,120
Cyber Security and Digital Solutions	276,224	256,698	283,921
Education and Early Childhood Development	1,999,180	1,999,241	2,225,951
Emergency Management	30,391	48,684	61,060
Energy	37,873	40,810	48,613
Environment and Climate Change	73,876	80,776	80,124
Finance and Treasury Board	48,790	47,326	48,406
Fisheries and Aquaculture	15,951	16,397	15,095
Growth and Development	370,250	387,034	400,214
Health and Wellness	5,536,898	5,767,651	5,976,833
Justice	464,719	476,906	489,245
Labour, Skills and Immigration	241,644	245,185	246,453
Municipal Affairs	396,515	320,877	337,882
Natural Resources	103,715	108,624	112,138
Opportunities and Social Development	1,579,169	1,577,523	1,676,809
Public Service	517,397	541,980	525,274
Public Works	716,170	750,402	840,141
Seniors and Long-term Care	1,362,710	1,399,066	1,462,480
Service Nova Scotia	161,138	224,231	164,805
Restructuring Costs	659,765	575,712	551,472
Refundable Tax Credits	126,316	153,176	147,960
Pension Valuation Adjustment	33,102	19,704	17,079
Debt Servicing Costs	822,863	869,310	908,509
Total - Expenses	16,518,722	16,949,549	17,568,701

Revenues: Total Revenues for 2025–26 are projected to be \$16.5 billion, an increase of \$661.8 million or 4.2 per cent over the 2024–25 estimate. This revenue increase is attributable to a \$542.2 million or 5.5 per cent increase in provincial source revenues, and a \$119.7 million or 2.0 per cent increase in federal source revenues (Table 2.2).

Expenses: Total Expenses for fiscal year 2025–26 are budgeted at \$17.6 billion, up \$1.0 billion or 6.4 per cent from the 2024–25 estimate. The expense increase is primarily due to a \$958.7 million or 6.2 per cent increase in departmental expenses. (Table 2.2).

Consolidation and Accounting Adjustments: Consolidation and Accounting Adjustments are \$365.6 million, up \$158.0 million over 2024–25 estimate. These adjustments are positive to the bottom line.

Economic Growth: In 2023, Nova Scotia's economy, measured by nominal Gross Domestic Product (GDP) grew 8.0 per cent. This unexpected rapid growth was due to increases in the Gross Domestic Product (GDP) deflator and service exports. The GDP deflator is a measure of how prices change over time for all goods and services produced in an economy. For 2024, current indicators suggest that real GDP increased by 1.9 per cent, which was about the same pace of real growth as observed in 2023 (2.0 per cent). However, decelerating prices are estimated to have returned nominal growth to 4.8 per cent. The near-term outlook makes some provisions for United States tariffs and slowing population growth but also includes the stimulus impact from higher government capital investments and tax reduction measures. The Budget economic outlook projects stable growth rates for 2025 (2.0 per cent real GDP growth, 4.7 per cent nominal GDP growth) with a slight deceleration in 2026 (1.8 per cent real GDP growth, 4.3 per cent nominal GDP growth).

Net Debt: The Net Debt of the Province is expected to be \$19.7 billion for the year ending 2024–25 and \$22.4 billion for the year ending 2025–26, reflecting investments from the 2025–26 capital plan, and the anticipated budget deficit (Table 2.3). Net debt in 2025–26 also includes a one-time increase of \$300.0 million due to the consolidation of Halifax Dartmouth Bridge Commission (HDDB) tangible capital assets, as a result of tolls on the Halifax-Dartmouth bridges being eliminated and HDDB no longer meeting the definition of a Government Business Enterprise effective April 1, 2025. Net Debt for 2024–25 is forecast to be \$0.5 billion lower than the budget estimate. The Net Debt estimate for 2025–26 is \$2.2 billion above the 2024–25 estimate and \$2.7 billion above the 2024–25 forecast.

The Net Debt-to-GDP ratio for 2024–25 is forecast to be 31.6 per cent instead of 34.6 per cent as projected in Budget 2024–25 (Table 2.3). The decrease in the Net Debt-to-GDP ratio reflects an upward adjustment to forecasted nominal GDP for 2024 and

lower forecasted Net Debt for 2024–25 than was anticipated in Budget 2024–25. In 2025–26, the Net Debt-to-GDP ratio is expected to be 34.3 per cent.

Contingency: The Province has introduced a contingency in its fiscal planning. The contingency reflects the potential impact of unanticipated changes in economic growth, revenues, or expenses, mainly as a result of the tariffs that could be imposed by the United States (US) on Canadian goods. Other unexpected events include disasters, emergencies, and emerging priorities that may arise during the fiscal year and that are not practical to delay until the next budget.

For 2025–26, the contingency is \$200.0 million. The budgetary position after the contingency shows the deficit/surplus as a result of provincial government operations and an allowance for this contingency amount.

Table 2.3 Budget Summary – Net Debt-to-GDP
(\$ millions)

	2024-25 Estimate	2024-25 Forecast	2025-26 Estimate
Net Debt - Before Contingency	20,217	19,750	22,420
Nominal GDP	58,375	62,447	65,389
Net Debt-to-GDP Ratio - Before Contingency	34.6%	31.6%	34.3%
Contingency	0	0	200
Net Debt - After Contingency	20,217	19,750	22,620
Net Debt-to-GDP Ratio - After Contingency	34.6%	31.6%	34.6%

Budget 2025–26 supports Nova Scotia in accessing opportunities during times of economic uncertainty, unlocking our potential to grow the economy as well as delivering lower taxes and better healthcare. The Province remains in stable fiscal health and has been supported by continued strong growth in revenues in 2024–25, with a lower-than-expected Net Debt-to-GDP position for 2024–25. While the Province’s Net Debt-to-GDP ratio is projected to increase in the near-term, this growth is considered reasonable and within the fiscal planning guardrail of 40 per cent.

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: 2025–26 to 2028–29

Medium-Term Outlook

The Province is forecasting a surplus for 2024–25, followed by three years of declining deficits, and a return to a balanced budget (before contingency) in the fourth year of the Four-Year Fiscal Plan (Table 3.1). The need for budgeted deficits is decreasing while the Province continues to fulfill its commitments.

Table 3.1 Four-Year Fiscal Plan – Projections 2025–26 to 2028–29

(\$ millions)

General Revenue Fund	2024-25 Estimate	2024-25 Forecast	2025-26 Estimate	2026-27 Estimate	2027-28 Estimate	2028-29 Estimate
Revenues						
Ordinary Revenues	14,225.8	15,128.6	14,970.2	15,698.1	16,423.6	16,921.3
Ordinary Recoveries	1,144.0	1,195.5	1,070.0	1,098.4	1,032.0	958.0
Net Income from Government Business Enterprises	473.9	486.9	465.4	468.5	478.3	489.6
Total Revenues	15,843.8	16,811.1	16,505.6	17,265.0	17,933.9	18,368.9
Expenses						
Departmental Expenses	15,536.4	15,907.4	16,495.2	16,925.7	17,053.4	17,238.3
Refundable Tax Credits	126.3	153.2	148.0	162.7	162.7	162.8
Pension Valuation Adjustment	33.1	19.7	17.1	30.4	41.9	63.7
Debt Servicing Costs	822.9	869.3	908.5	1,029.4	1,136.9	1,248.6
Total Expenses	16,518.7	16,949.5	17,568.7	18,148.1	18,394.9	18,713.4
Consolidation and Accounting Adjustments	207.5	220.9	365.6	360.6	353.1	353.1
Provincial Surplus (Deficit) - Before Contingency	(467.4)	82.4	(697.5)	(522.5)	(108.0)	8.6
Net Debt - Before Contingency	20,217	19,750	22,420	24,981	27,165	29,017
Nominal GDP	58,375	62,447	65,389	68,200	70,686	72,817
Net Debt-to-GDP Ratio - Before Contingency	34.6%	31.6%	34.3%	36.6%	38.4%	39.8%
Contingency	-	-	(200.0)	(200.0)	(200.0)	(200.0)
Provincial Surplus (Deficit) - After Contingency	(467.4)	82.4	(897.5)	(722.5)	(308.0)	(191.4)
Net Debt - After Contingency	20,217	19,750	22,620	25,381	27,765	29,817
Nominal GDP	58,375	62,447	65,389	68,200	70,686	72,817
Net Debt-to-GDP Ratio - After Contingency	34.6%	31.6%	34.6%	37.2%	39.3%	40.9%

The Four-Year Fiscal Plan shows that the Province expects to post a budget surplus of \$82.4 million in 2024–25 and is estimating a budgetary deficit of \$697.5 million in 2025–26, followed by smaller deficits in the next two fiscal years. By 2028–29, a return to a budgetary balance with a surplus of \$8.6 million is anticipated. The Province has posted surpluses in the fiscal years 2016–17 to 2019–20, and again from 2021–22 to 2023–24.

There is a very high degree of global economic uncertainty, which could impact the Province's operations and budgetary position to an unknown degree. Hence, the Province has introduced a contingency in its fiscal planning.

The budgetary position before the contingency shows the deficit/surplus as a result of provincial government operations and its fiscal plan.

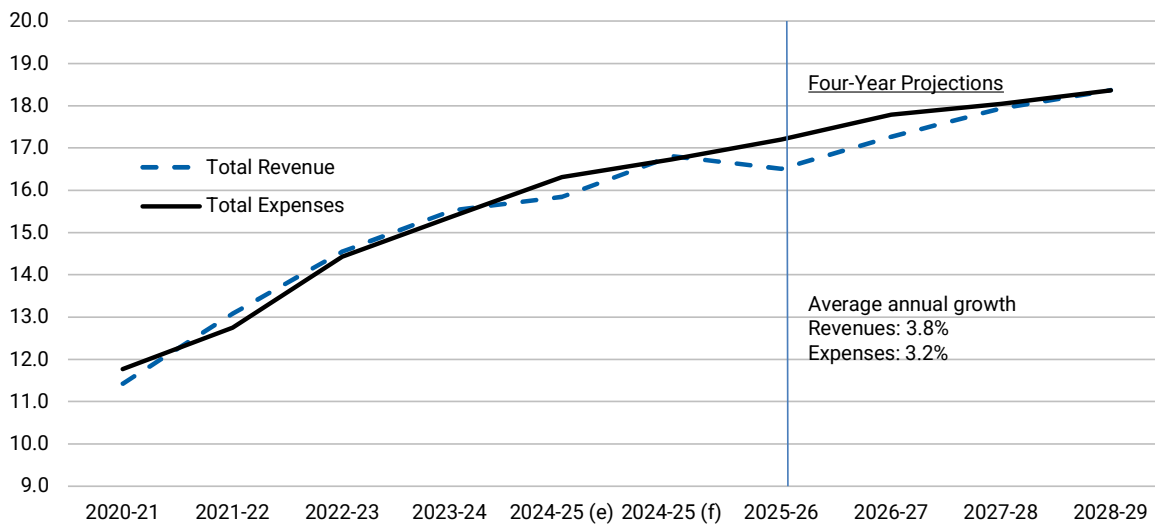
The contingency reflects the impact of unanticipated changes in economic growth, revenues, or expenses, mainly as a result of the tariffs expected to be imposed by the United States on Canadian goods. Other unexpected events include disasters, emergencies, and emerging priorities that may arise during the fiscal year and that are not practical to delay until the next budget. For 2025–26, the contingency is \$200.0 million. The budgetary position after the contingency shows the deficit/surplus as a result of provincial government operations and an allowance for this contingency.

The Province continues to closely monitor the Net Debt-to-GDP position to ensure it remains within fiscally prudent levels, and has established a planning guardrail for Net Debt-to-GDP at less than 40 per cent.

Revenue and Expenses

For 2025–26, Total Revenue is estimated to grow by 4.2 per cent above the 2024–25 estimate (down 1.8 per cent from the final forecast). Average annual growth in Total Revenue is projected to be 3.8 per cent over the four-year fiscal period (Chart 3.1).

Chart 3.1 Revenues and Expenses – Projections 2025–26 to 2028–29
(\$ billions)



In 2025–26, Total Expenses are projected to increase by 6.4 per cent compared to the 2024–25 estimate (up 3.7 per cent from the final forecast). Average annual growth in Total Expenses is projected to be 3.2 per cent over the four-year fiscal period.

The faster pace of growth in Total Revenue relative to Total Expenses contributes to the declining budgetary deficits between 2025–26 and 2027–28, leading to a balanced budget by 2028–29.

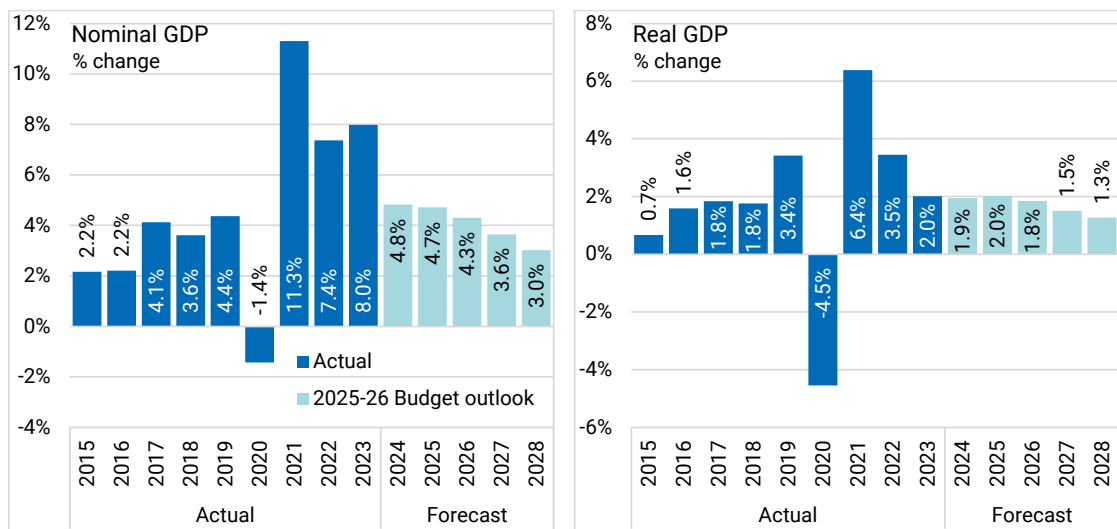
Economic Outlook

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 nominal Gross Domestic Product (GDP) economic growth was notably elevated in 2023 (8.0 per cent) because of higher service exports and the GDP deflator. Real GDP growth slowed to 2.0 per cent in 2023 (Chart 3.2). As price pressures have eased in 2024, nominal GDP growth is estimated to be 4.8 per cent while real GDP growth was steady at 1.9 per cent. In the near term, slowing population growth and provisions for US tariff impacts are expected to be offset by the stimulus impact of higher government capital spending and tax reductions. However, the outlook is sensitive to assumptions about how these phenomena unfold and influence the provincial economy.

Economic growth rates for 2025 are expected to be similar to those estimated for 2024: 2.0 per cent real GDP growth and 4.7 per cent nominal GDP growth. For 2026, real GDP growth is expected to slow to 1.8 per cent while nominal GDP slows to 4.3 per cent. In the medium term, Nova Scotia's GDP growth is expected to slow further as population growth slows. However, the economic outlook does not include major projects that are being planned but not yet implemented.

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

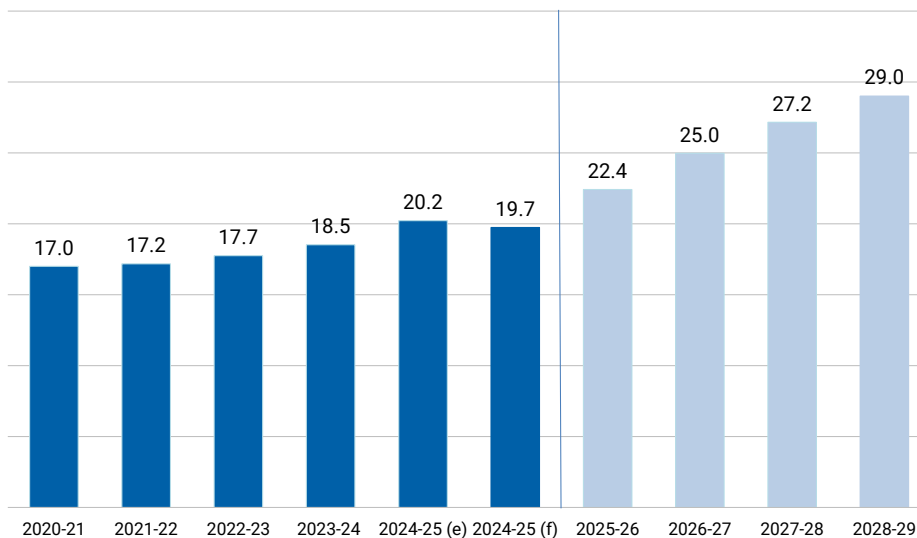
Debt

As of the 2023–24 fiscal year-end, the Net Debt of the Province was \$18.5 billion. Net Debt is forecast to be \$19.7 billion for the 2024–25 fiscal year, an improvement of \$0.5 billion below the Budget Estimate. Net Debt is projected to increase by \$2.7 billion in 2025–26 to \$22.4 billion. This includes a one-time increase of \$300.0 million due to the consolidation of Halifax Dartmouth Bridge Commission (HDBC) tangible capital assets, as a result of tolls on the Halifax-Dartmouth bridges being eliminated and HDBC no longer meeting the definition of a Government Business Enterprise effective April 1, 2025. In total, Net Debt is anticipated to increase by \$9.3 billion over the four-year planning horizon, reaching \$29.0 billion in 2028–29 (Chart 3.3).

Net Debt results from operating deficits and net capital spending. Operating deficits (net of budgetary surpluses) are expected to add \$1.3 billion to the Net Debt from 2025–26 to 2028–29. The remaining \$8.0 billion increase in Net Debt is reflective of the Province’s capital plans over the four-year period, which includes major projects such as roads, schools, healthcare redevelopment, and the \$300.0 million increase due to the consolidation of HDBC.

The Province of Nova Scotia continues to place emphasis on maintaining 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 stable.

Chart 3.3 Projected Net Debt
(\$ billions)

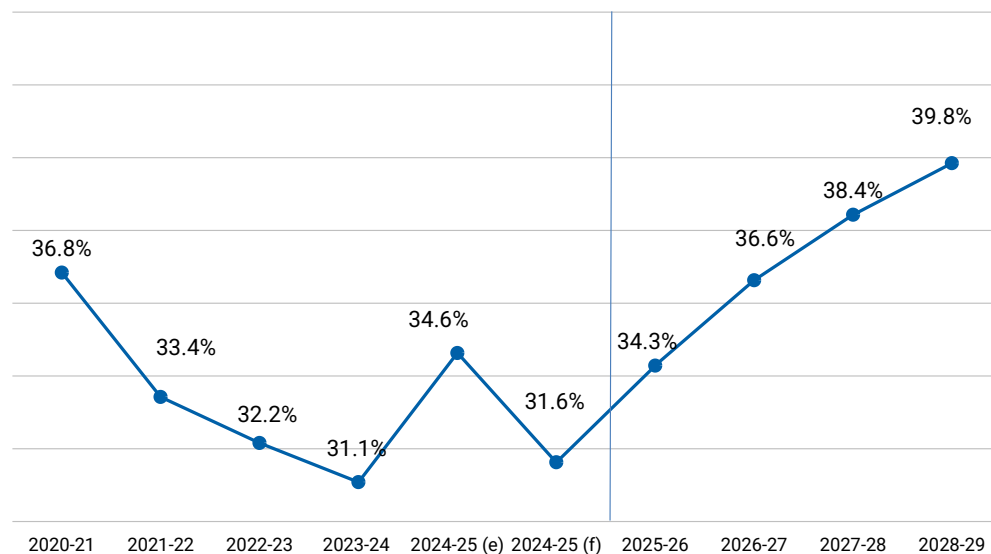


Note: Effective April 1, 2025, tolls on the Halifax-Dartmouth bridges are being eliminated, and Halifax Dartmouth Bridge Commission (HDBC), operating as Halifax Harbour Bridges, will no longer meet the definition of a Government Business Enterprise. As a result, the financial results of HDBC as a provincial Crown corporation will be consolidated on a line-by-line basis. The consolidation of HDBC tangible capital assets has the effect of a one-time increase to the Net Debt of the Province of \$300 million in 2025-26. Going forward, tangible capital assets of HDBC will be accounted for within the capital plan of the Province.

Statistics Canada’s November 2024 release of the Provincial and Territorial Economic Accounts led to higher estimates for nominal GDP in 2023 than what was used for the 2024 Public Accounts. Consequently, a higher GDP figure is used in the calculation of the Province’s Net Debt-to-GDP ratio than what was used for the forecast in the 2024 Public Accounts. The 2023–24 Net Debt-to-GDP ratio was forecast to be 32.8 per cent in the Public Accounts but has been revised down by 1.7 percentage points to 31.1 per cent using the revised 2023 GDP figure.

Nova Scotia’s Net Debt-to-GDP ratio is forecast to be 31.6 per cent for 2024–25. This is a significant improvement from the 2024–25 Budget Estimate of 34.6 per cent. The ratio is forecast to increase by 0.5 percentage points year-over-year because of expectations for both slower growth in nominal GDP and an increase in the Net Debt of the Province, primarily associated with its large Capital Plan. Budget 2025–26 projects that the ratio will be 34.3 per cent in 2025–26 (Chart 3.4).

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



Despite forecasted increases in the Net Debt, 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. Since that time, the Province’s Net Debt-to-GDP ratio has remained stable, with this Budget projecting the ratio to be 34.3 per cent in 2025–26.

Over the next four years the Net Debt-to-GDP ratio is expected to increase, reaching 39.8 per cent by 2028–29. This is due to generational investments that the Province is making in capital infrastructure projects which add to Net Debt, as well as lower forecasted rates of Nominal GDP growth.

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 Executive Deputy Minister

RE: Management's Responsibility for the 2025-26 Revenue Estimates of the Province of Nova Scotia

The Nova Scotia Department of Finance and Treasury Board is responsible for the preparation of the 2025-26 Revenue Estimates of the Province of Nova Scotia (Province) and for ensuring the 2025-26 Revenue Estimates are reasonable and are presented fairly.

Since the 2025-26 Revenue Estimates are based on assumptions regarding future events and economic conditions, actual results will vary from the information presented, and the variances may be material. 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 incorporates known relationships with historical and administrative tax data to estimate tax revenues.

Additional uncertainties arise from potential changes in US tariffs and the occurrence of disaster events. These factors can significantly impact the economic forecast and revenue projections, making it challenging to predict their effects accurately.

The 2025-26 Revenue Estimates have been prepared on a basis consistent with the accounting policies to be used in the preparation of the consolidated financial statements of the Province for the year ended March 31, 2026. The assumptions underlying the 2025-26 Revenue Estimates reflect management's judgment as to a reasonable set of economic conditions and Government's planned courses of action for fiscal year 2025-26. The 2025-26 Revenue Estimates represent management's best estimates incorporating the projected impact of the current and expected economic conditions based on information currently available. Management is accountable for the integrity of these Revenue Estimates and is committed to transparency and responsiveness in addressing any emerging risks or changes to the economy.

In 2017, Canadian Standards for Review Engagements changed to apply solely to the review of historical financial information. The Department of Finance and Treasury Board and the Office of the Auditor General mutually agree that the 2025-26 Revenue Estimates, which are largely based on assumptions regarding future events, are no longer appropriate for an assurance engagement. Therefore, the Auditor General is not able to express a conclusion on whether or not the 2025-26 Revenue Estimates are reasonable and presented fairly.

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

Kelliann Dean
Executive 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:

Disclaimer of Conclusion

Because of the importance of the matter described in the Basis for Disclaimer of Conclusion section of our report, I have not been able to obtain sufficient appropriate evidence to form a conclusion on whether or not the 2025-26 Revenue Estimates of the Province of Nova Scotia are in all material respects reasonable and presented fairly. The Department of Finance and Treasury Board responded to our requests for evidence, however, the underlying subject matter is no longer appropriate for an assurance engagement. Therefore, I do not express a conclusion.

Basis for Disclaimer of Conclusion

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. Given this legislated requirement, I am unable to withdraw from the engagement.

Based on the following reasons, I was unable to form a conclusion on whether or not the 2025-26 Revenue Estimates of the Province of Nova Scotia are, in all material respects, reasonable and presented fairly:

- The Province has reported three years of material budget-to-actual variances for Revenues (\$1.3 billion in 2023-24, \$1.9 billion in 2022-23, and \$1.3 billion in 2021-22);
- The Province is forecasting another material increase from budget for Revenues of \$916 million for 2024-25; and
- Evidence indicates significant economic uncertainty in 2025-26 due to the current unstable federal and global environment.

The reasons listed above have created limitations for the Province's ability to use historical trends and accurately estimate the performance of the economy and Province's Revenues. These factors have made the underlying subject matter no longer appropriate for an assurance engagement.

In consultation with the Department of Finance and Treasury Board, we mutually agreed that the 2025-26 Revenue Estimates are no longer appropriate for an assurance engagement under current conditions and that I am not able to express a conclusion on whether or not the 2025-26 Revenue Estimates are reasonable and presented fairly.

Management's Responsibility for the 2025-26 Revenue Estimates of the Province of Nova Scotia

The Nova Scotia Department of Finance and Treasury Board is responsible for the preparation of the 2025-26 Revenue Estimates of the Province of Nova Scotia and for ensuring the 2025-26 Revenue Estimates are reasonable and presented fairly. The Nova Scotia Department of Finance and Treasury Board is responsible for ensuring that the 2025-26 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, 2026, and that the assumptions underlying the 2025-26 Revenue Estimates reflect a reasonable set of economic conditions and Government's planned courses of action for fiscal year 2025-26.

Auditor General's Responsibility

My responsibility is to provide a conclusion and a report on whether the 2025-26 Revenue Estimates are reasonable and are presented fairly based on the limited assurance procedures performed and evidence obtained. I conducted a limited assurance engagement in accordance with the Canadian Standard on Assurance Engagements (CSAE) 3000 - *Attestation engagements other than audits or reviews of historical financial information*. However, because of the matters described in the Basis for Disclaimer of Conclusion section of my report, I was not able to provide a conclusion on the 2025-26 Revenue Estimates. I bear no responsibility to update my report for events and circumstances occurring after the date of the report.

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 procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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

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



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

Halifax, Nova Scotia
February 18, 2025

Table 4.1 Revenues by Source

(\$ thousands)

	2025-26 Estimate
General Revenue Fund: Revenues	
Ordinary Revenues - Provincial Sources	
Tax Revenue:	
Personal Income Tax	4,730,924
Corporate Income Tax	836,540
Harmonized Sales Tax	2,588,233
Cannabis Tax	19,110
Vaping Tax	3,085
Non-resident Deed Transfer Tax	27,752
Motive Fuel Tax	284,393
Tobacco Tax	93,291
Other Tax Revenue	248,607
	8,831,935
Other Provincial Revenue:	
Registry of Motor Vehicles	155,425
Other Provincial Sources	176,530
TCA Cost Shared Revenue - Provincial Sources	10,278
Other Fees and Charges	62,897
Gain on Disposal of Assets	1,700
	406,830
Investment Income:	
Interest Revenues	188,226
Sinking Fund Earnings	27,143
	215,369
Total - Provincial Sources	9,454,134
Ordinary Revenues - Federal Sources	
Equalization Payments	3,464,825
Canada Health Transfer	1,409,990
Canada Social Transfer	449,055
Other Federal Sources	163,511
TCA Cost Shared Revenue - Federal Sources	28,717
	5,516,098
Total - Federal Sources	5,516,098
Total - Ordinary Revenues	14,970,232
Ordinary Recoveries	
Provincial Sources	424,822
Federal Sources	645,128
	1,069,950
Total - Ordinary Recoveries	1,069,950
Net Income from Government Business Enterprises (GBEs)	
Nova Scotia Liquor Corporation	264,020
Nova Scotia Gaming Corporation	199,200
Highway 104 Western Alignment Corporation	2,227
	465,447
Total - Net Income from GBEs	465,447
Total - Revenues of the General Revenue Fund	16,505,629 ¹
Total Governmental Unit Third Party Revenues (Table 4.2)	1,074,916
Total - Revenues of the Province	17,580,545

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	2025-26 Estimate
Regional Centres for Education and Nova Scotia Community College	540,641
Provincial Health Authorities	333,479
Nova Scotia Provincial Housing Agency	76,689
Resource Recovery Fund Board	74,436
Governmental Units with third party revenues less than \$10 Million	49,671
Total - Governmental Unit Third Party Revenues	1,074,916 ²

2: The Governmental Unit Third Party Revenues are presented in this table to enable the total revenues of the Province to be presented on a basis consistent with the consolidated financial statements of the Province. The budgets of these organizations are subject to the approval of their respective board of directors.

5. 2024–25 Budget Forecast Update

The Forecast Update presents an updated fiscal outlook for Nova Scotia for 2024–25. This is based on updated information about the major components of revenue and expenses as set out in the 2024–25 Budget Estimates, tabled on February 29, 2024.

Relative to the 2024–25 Budget Estimates, the Province is forecasting an improvement for the provincial budget position. This is largely attributed to higher revenues including one-time Prior Year Adjustments (PYAs).

The Province of Nova Scotia is forecasting a surplus of \$82.4 million for the year ending March 31, 2025, which is an improvement of \$549.8 million from the budgeted deficit of \$467.4 million (Table 5.1). The difference is due to Total Revenues being \$967.3 million higher than expected, Total Expenses being \$430.8 million higher than expected, and changes to Consolidation and Accounting Adjustments that positively impact the bottom line by \$13.4 million more than budgeted.

Table 5.1 2024–25 Final Forecast Update

(\$ thousands)

General Revenue Fund	2024-25 Estimate	2024-25 Forecast	Increase (Decrease) from Estimate
Revenues			
Ordinary Revenue	14,225,841	15,128,619	902,778
Ordinary Recoveries	1,144,023	1,195,546	51,523
Net Income from Government Business Enterprises	473,933	486,920	12,987
Total Revenues	15,843,797	16,811,085	967,288
Expenses			
Departmental Expenses	15,536,441	15,907,359	370,918
Refundable Tax Credits	126,316	153,176	26,860
Pension Valuation Adjustment	33,102	19,704	(13,398)
Debt Servicing Costs	822,863	869,310	46,447
Total Expenses	16,518,722	16,949,549	430,827
Consolidation and Accounting Adjustments	207,540	220,913	13,373
Provincial Surplus (Deficit)	(467,385)	82,449	549,834

Budget 2024–25 Revenues

Total Revenues are forecast to be \$16.8 billion (Table 5.2).

Table 5.2 2024–25 Final Forecast Update – Total Revenue

(\$ thousands)

General Revenue Fund: Revenues	2024-25 Estimate	2024-25 Forecast	Increase (Decrease) from Estimate
Ordinary Revenue - Provincial Sources			
Tax Revenue			
Personal Income Tax	4,174,435	4,525,250	350,815
Corporate Income Tax	748,944	831,397	82,453
Harmonized Sales Tax	2,755,642	2,689,662	(65,980)
Cannabis Tax	18,334	18,358	24
Vaping Tax	3,353	3,085	(268)
Non-resident Deed Transfer Tax	11,473	14,521	3,048
Motive Fuel Tax	278,243	279,133	890
Tobacco Tax	114,084	107,795	(6,289)
Other Tax Revenue	241,718	245,231	3,513
Prior Years' Adjustments - Provincial Taxes	---	527,148	527,148
	8,346,226	9,241,580	895,354
Other Provincial Revenue			
Registry of Motor Vehicles	147,916	152,825	4,909
Other Provincial Sources	174,087	170,045	(4,042)
TCA Cost Shared Revenue - Provincial Sources	13,751	9,823	(3,928)
Other Fees and Charges	67,103	63,879	(3,224)
Gain (Loss) on Disposal of Crown Assets	975	7,003	6,028
	403,832	403,575	(257)
Investment Income			
Interest Revenues	140,410	189,666	49,256
Sinking Fund Earnings	22,414	22,893	479
	162,824	212,559	49,735
Total - Provincial Sources	8,912,882	9,857,714	944,832
Ordinary Revenue - Federal Sources			
Equalization Payments	3,284,338	3,284,338	---
Canada Health Transfer	1,378,600	1,357,718	(20,882)
Canada Social Transfer	447,583	440,804	(6,779)
Other Federal Sources	161,033	159,042	(1,992)
TCA Cost Shared Revenue - Federal Sources	41,405	31,533	(9,872)
Prior Years' Adjustments - Federal Sources	---	(2,530)	(2,530)
	5,312,959	5,270,905	(42,055)
Total - Federal Sources	5,312,959	5,270,905	(42,055)
Total - Ordinary Revenue	14,225,841	15,128,619	902,778
Total - Ordinary Recoveries	1,144,023	1,195,546	51,523
Net Income from Government Business Enterprises (GBEs)			
Nova Scotia Liquor Corporation	269,588	280,238	10,650
Nova Scotia Gaming Corporation	197,300	197,100	(200)
Halifax-Dartmouth Bridge Commission	5,314	6,566	1,252
Highway 104 Western Alignment Corporation	1,731	3,016	1,285
Total - Net Income from GBEs	473,933	486,920	12,987
Total - Revenues	15,843,797	16,811,085	967,288

Ordinary Revenue: Relative to the 2024–25 Budget Estimates, overall tax revenue is forecast to be \$895.4 million higher. Expected increases include \$350.8 million from Personal Income Tax, \$82.5 million from Corporate Income Tax, \$3.0 million from Non-resident Deed Transfer Tax, and \$3.5 million from Other Taxes. Prior Year Adjustments (PYA) for provincial taxes are forecast to be a net positive \$527.1 million. These increases are partially offset with decreased Harmonized Sales Tax, down overall by \$66.0 million primarily due to temporary HST tax relief, and Tobacco Tax, down \$6.3 million. Revenues from Motive Fuel, Cannabis, and Vaping Taxes are projected to remain consistent with Budget Estimates.

Other Provincial Revenue is forecast to be down by \$0.3 million. Decreases are expected for Other Provincial Sources revenue of \$4.0 million, Provincial Source Tangible Capital Asset (TCA) Cost Shared Revenue of \$3.9 million, and Other Fees and Charges of \$3.2 million. These decreases are mostly offset by increases in Registry of Motor Vehicles revenue of \$4.9 million and Gain on Disposal of Crown Assets revenue of \$6.0 million.

Investment Income is forecast to be up \$49.7 million. Interest Revenues and Sinking Fund Earnings are expected to increase by \$49.3 million and \$0.5 million respectively, due to higher realized interest rates.

Federal Source Ordinary Revenues are forecast to be \$42.1 million lower than the 2024–25 Budget Estimates. This is primarily because of reductions in the federal transfer entitlements due to revised population estimates released by Statistics Canada. For 2024–25 there were decreases of \$20.9 million in the Canada Health Transfer (CHT), \$6.8 million in the Canada Social Transfer (CST), and a negative \$2.5 million PYA related to 2023–24. Other Federal Sources revenue is forecast to be \$2.0 million lower, and Federal Source TCA Revenue is forecast to be down by \$9.9 million.

Ordinary Recoveries: Revenue from Ordinary Recoveries is forecast to be \$51.5 million higher than Budget Estimates. This is primarily due to an increase of \$104.5 million in Prior Year Adjustments, \$24.6 million for off oil programs, \$24.2 million in disaster assistance related to weather events, \$9.0 million for third-party auto levies resulting from increased insurance rates, \$6.1 million for the Canada Nova Scotia Nature Agreement, \$6.0 million for purchases on behalf of Nova Scotia Health to support the One Person One Record Project and \$5.0 million for out of province health insured services. These increases are partially offset by a \$67.5 million decrease in the Investing in Canada Infrastructure Program due to construction delays, a \$47.8 million decrease related to the Canada-Nova Scotia Early Learning and Child Care Agreement due to timing delays associated with various action plan initiatives, and a \$12.3 million decrease in municipal contributions for correctional facilities and public housing related to the service exchange agreement.

Net Income from Government Business Enterprises (GBEs): Net Income from GBEs is forecast to increase by \$13.0 million, primarily due to an increase in net income at the Nova Scotia Liquor Corporation of \$10.7 million. Increases are also expected in the net income at the Halifax-Dartmouth Bridge Commission of \$1.3 million and Highway 104 Western Alignment Corporation of \$1.3 million. These increases are partially offset by a decrease in Nova Scotia Gaming Corporation net income of \$0.2 million.

Budget 2024–25 Expenses

Total Expenses are forecast to be \$16.9 billion (Table 5.3).

Table 5.3 2024–25 Final Forecast Update – Total Expenses

(\$ thousands)

	2024-25 Estimate	2024-25 Forecast	Increase (Decrease) from Estimate
General Revenue Fund: Expenses			
Departmental Expenses			
Advanced Education	725,539	740,075	14,536
Agriculture	46,682	47,132	450
Communities, Culture, Tourism and Heritage	171,845	255,029	83,184
Cyber Security and Digital Solutions	276,224	256,698	(19,526)
Education and Early Childhood Development	1,999,180	1,999,241	61
Emergency Management	30,391	48,684	18,293
Energy	37,873	40,810	2,937
Environment and Climate Change	73,876	80,776	6,900
Finance and Treasury Board	48,790	47,326	(1,464)
Fisheries and Aquaculture	15,951	16,397	446
Growth and Development	370,250	387,034	16,784
Health and Wellness	5,536,898	5,767,651	230,753
Justice	464,719	476,906	12,187
Labour, Skills and Immigration	241,644	245,185	3,541
Municipal Affairs	396,515	320,877	(75,638)
Natural Resources	103,715	108,624	4,909
Opportunities and Social Development	1,579,169	1,577,523	(1,646)
Public Service	517,397	541,980	24,583
Public Works	716,170	750,402	34,232
Seniors and Long-term Care	1,362,710	1,399,066	36,356
Service Nova Scotia	161,138	224,231	63,093
Restructuring Costs	659,765	575,712	(84,053)
Total - Departmental Expenses	15,536,441	15,907,359	370,918
Other Expenses			
Refundable Tax Credits	126,316	153,176	26,860
Pension Valuation Adjustment	33,102	19,704	(13,398)
Debt Servicing Costs	822,863	869,310	46,447
Total - Expenses	16,518,722	16,949,549	430,827

Departmental Expenses: Total Departmental Expenses are forecast to increase by \$370.9 million relative to the 2024–25 Budget Estimates. 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 \$230.8 million higher than Budget primarily due to \$115.8 million for anticipated operational pressures for Nova Scotia Health mainly attributable to staffing costs, facility operations, inflationary increases for medical/surgical supplies and drug costs, a \$71.9 million increase for Physician Services mainly due to increased utilization in the new physician funding model and establishing the Physician Retirement Fund, a \$46.7 million increase for Healthcare Bargaining Unit agreement, \$13.0 million in increased utilization pressures for plasma protein/fresh blood products collected through Canadian Blood Services, \$12.5 million for Emergency Health Services mainly due to increased air transport utilization and capital expenditure reallocations to operating, and \$8.3 million for implementation of the Your Health NS App which supports patient record accessibility. These increases are partially offset by a decrease of \$25.7 million in Pharmaceutical Services and Extended Benefits mainly due to increased drug rebates for seniors pharmacare, cancer and exception drugs, and \$14.1 million for delayed implementation of information technology related projects.

The **Department of Communities, Culture, Tourism and Heritage** is forecast to be \$83.2 million higher than Budget, primarily due to \$43.4 million in various community support grants and an additional \$38.0 million for the Nova Scotia Film and Television Production Incentive Fund.

The **Department of Municipal Affairs** is forecast to be \$75.6 million lower than Budget, primarily due to a reduction of \$89.5 million in infrastructure projects, mainly Investing in Canada Infrastructure Program, due to a change in project cash flows, which are partially recoverable. This decrease is partially offset by \$10.0 million for Growth and Renewal for Infrastructure Development Program, and \$2.6 million in grants in lieu of provincial property taxes.

The **Department of Service Nova Scotia** is forecast to be \$63.1 million higher than Budget primarily due to an additional \$43.0 million for the Heating Assistance Rebate Program, \$12.8 million for partially recoverable trail repairs expenses due to natural disasters, \$3.6 million for insurance related costs, which are partially recoverable, \$2.0 million for additional operating costs, and \$1.5 million for increased utilization for the Property Tax Rebate for Seniors.

The **Department of Seniors and Long-term Care** is forecast to be \$36.4 million higher than Budget, primarily due to \$37.0 million for increased participation in Home Support Direct Funding Programs, \$15.1 million for the renewal of long-term care service agreements as committed in Action for Health, and \$10.2 million for increased

utilization in the Red Cross Health Equipment Loan Program (HELP). These expenses are partially offset by a decrease of \$30.4 million in long-term care mainly due to the timing of opening of new facilities.

The **Department of Public Works** is forecast to be \$34.2 million higher than Budget primarily due to \$15.1 million for storm damage, partially recoverable, \$7.4 million snow and ice removal costs, \$6.9 million increase for the Middle River Pumping Station due to cost escalations, \$4.3 million for additional highway maintenance, \$4.1 million for increased amortization, \$2.4 million for the Highway 107 Sackville Bedford Burnside Interchange, fully recoverable, and \$1.9 million for ferry maintenance costs. These increases are partially offset by a \$10.2 million decrease in the Municipal Service Exchange Agreement for roads.

Refundable Tax Credits: The cost of Refundable Tax Credits is forecast to be \$26.9 million higher than Budget Estimates. Increases are anticipated for the Affordable Living Tax Credit, Capital Investment Tax Credit, Digital Animation Tax Credit, Digital Media Tax Credit, Fertility and Surrogacy Tax Credit, Scientific Research and Experimental Development Tax Credit, and the Volunteer Firefighter and Ground Search and Rescue Tax Credits. The Children’s Sports and Arts Tax Credit is forecast to be lower than the estimate.

Pension Valuation Adjustment: The Pension Valuation Adjustment has decreased by \$13.4 million, primarily because of the impact of changes to discount rates and updated actuarial assumptions.

Debt Servicing Costs: Debt Servicing Costs have increased by \$46.4 million primarily due to higher realized interest rates.

2024–25 Consolidation and Accounting Adjustments

Consolidation and Accounting Adjustments are forecast to be \$13.4 million higher than Budget primarily due to an increase of \$8.0 million in various other organizations, \$7.0 million in lower than anticipated amortization on healthcare capital equipment, partially offset by a decrease of \$1.6 million in changing cash flow requirements of healthcare infrastructure and other projects.

6. Budget 2025–26

The Province of Nova Scotia is projecting a deficit of \$697.5 million for the 2025–26 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 2025–26: Revenue Outlook

In 2025–26, Nova Scotia's Total Revenue in its General Revenue Fund is estimated to be \$16.5 billion. This is an increase of \$661.8 million or 4.2 per cent from the 2024–25 Budget Estimates and a decrease of \$305.5 million or 1.8 per cent compared to the 2024–25 forecast.

Total Revenue from all provincial sources, including Ordinary Recoveries and Net Income from Government Business Enterprises (GBEs), contributes 62.7 per cent of all revenue in 2025–26. Revenue from federal sources contributes 37.3 per cent of all revenue in 2025–26.

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 percentage breakdown of revenues by source. Table 6.3 shows Ordinary Revenue estimates by department.

Provincial Source Ordinary Revenues in 2025–26 are expected to be \$9.5 billion. This is an increase of \$541.3 million or 6.1 per cent from the 2024–25 Budget Estimates and a decrease of \$403.6 million or 4.1 per cent from the 2024–25 forecast.

Federal Source Ordinary Revenues are projected to be \$5.5 billion in 2025–26, an increase of \$203.1 million or 3.8 per cent from the 2024–25 Budget Estimates and an increase of \$245.2 million or 4.7 per cent from the 2024–25 forecast.

Ordinary Recoveries from provincial sources are projected to be \$424.8 million in 2025–26, up \$9.4 million or 2.3 per cent from the 2024–25 Budget Estimates and down \$152.1 million or 26.4 per cent compared to the 2024–25 forecast. Federal source recoveries are estimated to be \$645.1 million, down \$83.5 million or 11.5 per cent from the 2024–25 Budget Estimates and up \$26.5 million or 4.3 per cent from the 2024–25 forecast. Table 6.4 provides Ordinary Recovery revenue estimates by department.

Net Income from GBEs is expected to be \$465.4 million in 2025–26, down \$8.5 million or 1.8 per cent from the 2024–25 Budget Estimates, and down \$21.5 million or 4.4 per cent from the 2024–25 forecast.

Table 6.1 Revenues by Source
(\$ thousands)

General Revenue Fund: Revenues	2022-23 Actual	2023-24 Actual	2024-25 Estimate	2024-25 Forecast	2025-26 Estimate
Ordinary Revenue - Provincial Sources					
Tax Revenue					
Personal Income Tax	3,632,081	3,951,415	4,174,435	4,525,250	4,730,924
Corporate Income Tax	728,936	673,756	748,944	831,397	836,540
Harmonized Sales Tax	2,397,358	2,615,601	2,755,642	2,689,662	2,588,233
Cannabis Tax	14,840	16,946	18,334	18,358	19,110
Vaping Tax	3,411	3,495	3,353	3,085	3,085
Non-resident Deed Transfer Tax	11,464	11,204	11,473	14,521	27,752
Motive Fuel Tax	263,805	285,789	278,243	279,133	284,393
Tobacco Tax	153,425	132,188	114,084	107,795	93,291
Other Tax Revenue	261,689	265,277	241,718	245,231	248,607
Prior Years' Adjustments - Provincial Taxes	929,013	529,446	---	527,148	---
	8,396,022	8,485,117	8,346,226	9,241,580	8,831,935
Other Provincial Revenue					
Registry of Motor Vehicles	146,811	149,667	147,916	152,825	155,425
Other Provincial Sources	174,724	157,878	174,087	170,045	176,530
TCA Cost Shared Revenue - Provincial Sources	4,708	8,695	13,751	9,823	10,278
Other Fees and Charges	62,741	63,507	67,103	63,879	62,897
Gain (Loss) on Disposal of Crown Assets	(1,041)	81	975	7,003	1,700
	387,943	379,828	403,832	403,575	406,830
Investment Income					
Interest Revenues	117,140	153,571	140,410	189,666	188,226
Sinking Fund Earnings	11,228	24,369	22,414	22,893	27,143
	128,368	177,940	162,824	212,559	215,369
Total - Provincial Sources	8,912,333	9,042,885	8,912,882	9,857,714	9,454,134
Ordinary Revenue - Federal Sources					
Equalization Payments	2,458,356	2,802,849	3,284,338	3,284,338	3,464,825
Canada Health Transfer	1,234,122	1,357,400	1,378,600	1,357,718	1,409,990
Canada Social Transfer	416,833	433,520	447,583	440,804	449,055
Offshore Accord	47,772	---	---	---	---
Other Federal Sources	73,070	162,575	161,033	159,042	163,511
TCA Cost Shared Revenue - Federal Sources	82,808	75,800	41,405	31,533	28,717
Prior Years' Adjustments - Federal Sources	(421)	7,369	---	(2,530)	---
	4,312,540	4,839,513	5,312,959	5,270,905	5,516,098
Total - Federal Sources	4,312,540	4,839,513	5,312,959	5,270,905	5,516,098
Total - Ordinary Revenue	13,224,873	13,882,398	14,225,841	15,128,619	14,970,232
Ordinary Recoveries					
Provincial Sources	410,112	544,982	415,410	576,949	424,822
Federal Sources	446,749	612,707	728,613	618,597	645,128
Total - Ordinary Recoveries	856,861	1,157,689	1,144,023	1,195,546	1,069,950
Net Income from Government Business Enterprises (GBEs)					
Nova Scotia Liquor Corporation	284,652	283,770	269,588	280,238	264,020
Nova Scotia Gaming Corporation	163,786	178,993	197,300	197,100	199,200
Halifax-Dartmouth Bridge Commission	11,473	8,885	5,314	6,566	---
Highway 104 Western Alignment Corporation	5,348	6,721	1,731	3,016	2,227
Total - Net Income from GBEs	465,259	478,369	473,933	486,920	465,447
Total - Revenues	14,546,993	15,518,456	15,843,797	16,811,085	16,505,629

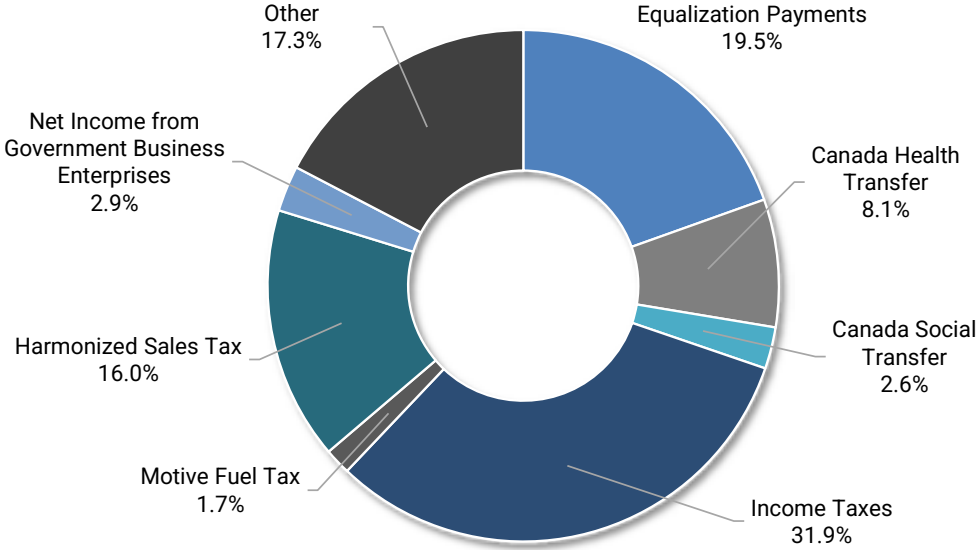
Table 6.2 Revenues by Source
(percentage of Total Revenue)

General Revenue Fund: Revenues	2022-23 Actual	2023-24 Actual	2024-25 Estimate	2024-25 Forecast	2025-26 Estimate
Ordinary Revenue - Provincial Sources					
Tax Revenue					
Personal Income Tax	25.0%	25.5%	26.3%	26.9%	28.7%
Corporate Income Tax	5.0%	4.3%	4.7%	4.9%	5.1%
Harmonized Sales Tax	16.5%	16.9%	17.4%	16.0%	15.7%
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	0.1%	0.1%	0.1%	0.1%	0.2%
Motive Fuel Tax	1.8%	1.8%	1.8%	1.7%	1.7%
Tobacco Tax	1.1%	0.9%	0.7%	0.6%	0.6%
Other Tax Revenue	1.8%	1.7%	1.5%	1.5%	1.5%
Prior Years' Adjustments - Provincial Taxes	6.4%	3.4%	0.0%	3.1%	0.0%
	57.7%	54.7%	52.7%	55.0%	53.5%
Other Provincial Revenue					
Registry of Motor Vehicles	1.0%	1.0%	0.9%	0.9%	0.9%
Other Provincial Sources	1.2%	1.0%	1.1%	1.0%	1.1%
Offshore License Forfeitures	0.0%	0.0%	0.1%	0.0%	0.0%
TCA Cost Shared Revenue - Provincial Sources	0.0%	0.1%	0.4%	0.1%	0.1%
Other Fees and Charges	0.4%	0.4%	0.0%	0.4%	0.4%
Gain (Loss) on Disposal of Crown Assets	0.0%	0.0%	0.0%	0.0%	0.0%
	2.7%	2.4%	2.5%	2.4%	2.5%
Investment Income					
Interest Revenues	0.8%	1.0%	0.9%	1.1%	1.1%
Sinking Fund Earnings	0.1%	0.2%	0.1%	0.1%	0.2%
	0.9%	1.1%	1.0%	1.3%	1.3%
Total - Provincial Sources	61.3%	58.3%	56.3%	58.6%	57.3%
Ordinary Revenue - Federal Sources					
Equalization Payments	16.9%	18.1%	20.7%	19.5%	21.0%
Canada Health Transfer	8.5%	8.7%	8.7%	8.1%	8.5%
Canada Social Transfer	2.9%	2.8%	2.8%	2.6%	2.7%
Offshore Accord	0.3%	0.0%	0.0%	0.0%	0.0%
Other Federal Sources	0.5%	1.0%	1.0%	0.9%	1.0%
TCA Cost Shared Revenue - Federal Sources	0.6%	0.5%	0.3%	0.2%	0.2%
Prior Years' Adjustments - Federal Sources	0.0%	0.0%	0.0%	0.0%	0.0%
Total - Federal Sources	29.6%	31.2%	33.5%	31.4%	33.4%
Total - Ordinary Revenue	90.9%	89.5%	89.8%	90.0%	90.7%
Ordinary Recoveries					
Provincial Sources	2.8%	3.5%	2.6%	3.4%	2.6%
Federal Sources	3.1%	3.9%	4.6%	3.7%	3.9%
Total - Ordinary Recoveries	5.9%	7.5%	7.2%	7.1%	6.5%
Net Income from Government Business Enterprises (GBEs)					
Nova Scotia Liquor Corporation	2.0%	1.8%	1.7%	1.7%	1.6%
Nova Scotia Gaming Corporation	1.1%	1.2%	1.2%	1.2%	1.2%
Halifax-Dartmouth Bridge Commission	0.1%	0.1%	0.0%	0.0%	0.0%
Highway 104 Western Alignment Corporation	0.0%	0.0%	0.0%	0.0%	0.0%
Total - Net Income from GBEs	3.2%	3.1%	3.0%	2.9%	2.8%
Total - Revenues	100.0%	100.0%	100.0%	100.0%	100.0%

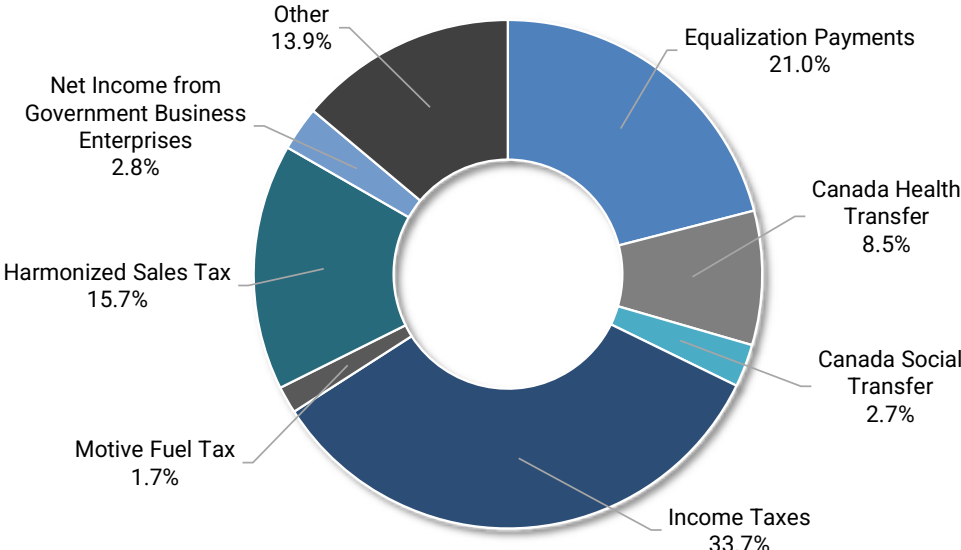
Note: Numbers may not add up to totals due to rounding.

Chart 6.1 Total Revenue 2024-25 Forecast and 2025-26 Estimate

2024-25 Forecast



2025-26 Estimate



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

Table 6.3 Ordinary Revenues by Department

General Revenue Fund: Ordinary Revenues	2024-25 Estimate	2024-25 Forecast	2025-26 Estimate
Advanced Education	9,540	9,540	10,140
Agriculture	5,724	3,367	6,558
Communities, Culture, Tourism and Heritage	1,930	2,585	2,017
Cyber Security and Digital Solutions	---	---	---
Education and Early Childhood Development	4,479	5,877	3,698
Emergency Management	---	---	---
Energy	80	110	110
Environment and Climate Change	29,145	26,036	33,983
Finance and Treasury Board	13,140,578	14,076,612	13,875,508
Fisheries and Aquaculture	1,795	1,795	1,795
Growth and Development	54,562	38,496	82,170
Health and Wellness	180,406	176,340	172,896
Justice	22,176	27,804	22,176
Labour, Skills and Immigration	3,076	3,190	3,076
Municipal Affairs	5	5	5
Natural Resources	19,530	19,179	19,963
Opportunities and Social Development	11	11	11
Public Service	61,051	57,952	59,531
Public Works	40,757	25,071	25,548
Seniors and Long-term Care	27,707	31,109	36,757
Service Nova Scotia	623,289	623,540	614,290
Total - Ordinary Revenues	14,225,841	15,128,619	14,970,232

Table 6.4 Ordinary Recoveries by Department

General Revenue Fund: Ordinary Recoveries	2024-25 Estimate	2024-25 Forecast	2025-26 Estimate
Advanced Education	10,669	11,769	11,769
Agriculture	6,425	6,425	5,602
Communities, Culture, Tourism and Heritage	10,213	11,731	9,852
Cyber Security and Digital Solutions	9,964	18,918	9,392
Education and Early Childhood Development	226,175	176,814	223,946
Emergency Management	48,733	74,670	16,851
Energy	25,591	28,189	32,722
Environment and Climate Change	1,201	8,101	8,759
Finance and Treasury Board	323	272	279
Fisheries and Aquaculture	500	946	500
Growth and Development	74,943	70,378	63,475
Health and Wellness	132,311	151,203	145,887
Justice	150,758	146,321	156,794
Labour, Skills and Immigration	118,898	123,030	124,765
Municipal Affairs	258,972	191,670	199,899
Natural Resources	2,864	5,521	6,587
Opportunities and Social Development	21,256	20,057	23,658
Public Service	7,293	8,415	7,535
Public Works	31,990	29,104	16,438
Seniors and Long-term Care	---	---	---
Service Nova Scotia	4,944	7,559	5,240
Restructuring Costs	---	104,453	---
Total - Ordinary Recoveries	1,144,023	1,195,546	1,069,950

Ordinary Revenue – Provincial Sources – Tax Revenue

Personal Income Tax (PIT): Nova Scotia's 2025–26 estimate for PIT is \$4.7 billion, up \$556.5 million or 13.3 per cent compared to the 2024–25 Budget Estimates and up \$205.7 million or 4.5 per cent from the 2024–25 forecast.

Personal taxable income is projected to grow by \$2.5 billion to \$47.3 billion in 2025, an increase of 5.5 per cent, growing to \$49.5 billion in 2026, an increase of 4.6 per cent, closely aligned with household income growth. Yield is expected to decline by 1.3 per cent in 2025 with the introduction of tax bracket and credit indexation and the increase to basic credits, including the Basic Personal Amount, to all tax filers. The yield rate is expected to grow 0.9 per cent in 2026.

Table 6.5 provides a summary of PIT revenue growth since 2022, broken down by taxable income and the yield rate, for the taxation year. The yield rate is the effective or average tax rate on personal taxable income.

Table 6.5 Components of PIT Revenue by Calendar Year

	2022	2023	2024(F)	2025(E)	2026(E)
Personal Taxable Income (\$ billions)	38.5	41.9	44.8	47.3	49.5
Yield Rate (per cent)	9.64%	9.82%	10.08%	9.96%	10.04%
Net PIT (\$ millions)	3,740	4,103	4,536	4,723	4,983

Corporate Income Tax (CIT): Nova Scotia's 2025–26 estimate for CIT is \$836.5 million, up \$87.6 million or 11.7 per cent compared to the 2024–25 Budget Estimates and up \$5.1 million or 0.6 per cent from the 2024–25 forecast.

National corporate taxable income is projected to grow steadily with increases of \$27.4 billion or 4.7 per cent in 2025 and \$30.5 billion or 5.0 per cent in 2026.

The Province calculates its share of national corporate taxable income on a three-year moving average of actual shares. For 2025–26 the Province's share is estimated to be 1.36 per cent, down 2.0 per cent from the 2024–25 Budget Estimates. Nova Scotia's corporate taxable income in 2025 is estimated to be \$8.4 billion, growing to \$8.8 billion in 2026.

The average effective tax rate is estimated to be 10.0 per cent and the small business share of taxable income is estimated to be 32.0 per cent for 2025–26 after changes to the small business rate and threshold are in effect.

Harmonized Sales Tax (HST): Net HST is estimated to be \$2.6 billion in 2025–26, down \$167.4 million or 6.1 per cent compared to the 2024–25 Budget Estimates and down \$101.4 million or 3.8 per cent from the 2024–25 forecast.

The decrease in HST revenues is primarily attributable to the one percentage point reduction in the provincial portion of the Harmonized Sales Tax (HST) rate beginning on April 1, 2025, that is estimated to save taxpayers \$294 million in 2025–26. This is partially offset by a projected increase in the tax base of \$1.7 billion or 5.3 per cent to \$33.1 billion in 2025 and by \$1.4 billion or 4.1 per cent to \$34.5 billion in 2026.

Growth in the consumer expenditure portion of the tax base is projected to be 5.3 per cent in 2025 and 4.3 per cent in 2026 and makes up around 67 per cent of the HST tax base. In line with expected investment in residential structures, taxable residential housing expenditures are estimated to grow 7.7 per cent in 2025 and 3.3 per cent in 2026.

The rebate on residential energy (Your Energy Rebate Program) is expected to total \$125.7 million in 2025–26. Point-of-sale rebates for children's clothing, footwear, and diapers, and printed books is projected to be \$21.8 million in 2025–26.

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 products to be distributed, and on behalf of the Province also collects an additional duty. 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 \$19.1 million in 2025–26, an increase of \$0.8 million or 4.2 per cent from the 2024–25 Budget Estimates and an increase of \$0.8 million or 4.1 per cent from the 2024–25 forecast, in line with the expected volume of sales for the fiscal year.

Vaping Product Tax: Tax revenues are projected to be \$3.1 million in 2025–26, down \$0.3 million or 8.0 per cent compared to the 2024–25 Budget Estimates and unchanged from the 2024–25 forecast.

Non-resident Deed Transfer Tax: Tax revenues are estimated to total \$27.8 million in 2025–26, up \$16.3 million or 141.9 per cent compared to the 2024–25 Budget Estimates and up \$13.2 million or 91.1 per cent from the 2024–25 forecast. The increases, compared to both the 2024–25 Budget Estimates and forecast, are due to an increase in the tax rate effective April 1, 2025, from 5 to 10 per cent.

Motive Fuel Taxes: Tax revenues are estimated to be \$284.4 million in 2025–26, an increase of \$6.2 million or 2.2 per cent compared to the 2024–25 Budget

Estimates and up by \$5.3 million or 1.9 per cent from the 2024–25 forecast. Gasoline consumption is estimated to increase by 27.8 million litres or 2.1 per cent, while the consumption of diesel is estimated to increase by 14.1 million litres or 3.1 per cent.

Tobacco Tax: Tax revenues are projected to be \$93.3 million in 2025–26, down \$20.8 million or 18.2 per cent from the 2024–25 Budget Estimates and down \$14.5 million or 13.5 per cent compared to the 2024–25 forecast. Continuing a long-term trend of declining legal cigarette consumption, the number of legal cigarettes consumed is projected to decline from 323 million in 2024–25 to 288 million in 2025–26, a decrease of 11.0 per cent. Consumption of legal fine cut tobacco is projected to decline sharply in 2025–26, down 36.4 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 \$248.6 million for 2025–26, up \$6.9 million or 2.9 per cent from the 2024–25 Budget Estimates and up \$3.4 million or 1.4 per cent from the 2024–25 forecast. The estimate-to-estimate increase is primarily due to expected increases in Financial Institutions Capital Tax and Insurance Premiums taxes.

Ordinary Revenue – Provincial Sources – Other Provincial Revenue

Registry of Motor Vehicles: Revenue generated by the Registry of Motor Vehicles is estimated to be \$155.4 million for 2025–26, up \$7.5 million or 5.1 per cent from the 2024–25 Budget Estimates and up \$2.6 million or 1.7 per cent from the 2024–25 forecast.

Other Provincial Sources: Revenue from Other Provincial Sources is estimated to be \$176.5 million for 2025–26, up \$2.4 million or 1.4 per cent from the 2024–25 Budget Estimates and up \$6.5 million or 3.8 per cent from the 2024–25 forecast. This revenue source includes items such as pharmacare premiums, Nova Scotia Securities Commission fees, registration revenues for deeds, companies, and property, various other licenses and permits, and timber licenses. The increase is primarily attributable to projected revenue from the Output Based Pricing System, which was introduced in 2023.

Tangible Capital Asset (TCA) Cost Shared Revenue – Provincial Sources: TCA Cost Shared Revenue from provincial sources is estimated to be \$10.3 million for 2025–26, down \$3.5 million or 25.3 per cent from the 2024–25 Budget Estimates and down \$0.5 million or 4.6 per cent from the 2024–25 forecast.

Other Fees and Charges: Revenue generated from Other Fees and Charges is estimated to be \$62.9 million for 2025–26. This is \$4.2 million or 6.3 per cent lower than the 2024–25 Budget Estimates and down \$1.0 million or 1.5 per cent from the 2024–25 forecast. The decrease for 2025–26 is primarily due to lower short-term rental registration revenue.

Ordinary Revenue – Provincial Sources – Investment Income

Interest Revenue: Interest Revenue is estimated to be \$188.2 million for 2025–26, an increase of \$47.8 million or 34.1 per cent from the 2024–25 Budget Estimates and a decrease of \$1.4 million or 0.8 per cent from the 2024–25 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 Growth and Development, along with a higher projected investment amount, partially offset by lower projected interest rates. The decrease from the forecast is primarily due to lower than projected interest rates.

Sinking Fund Earnings: Sinking Fund Earnings are projected to total \$27.1 million in 2025–26, an increase of \$4.7 million or 21.1 per cent from the 2024–25 Budget Estimates and an increase of \$4.3 million or 18.6 per cent from the 2024–25 forecast. The change is driven by a slight increase in the amount of Sinking Fund assets.

Ordinary Revenue – Federal Sources

Equalization: Equalization revenue in 2025–26 is estimated to be \$3.5 billion, an increase of \$180.5 million or 5.5 per cent compared to both the 2024–25 Budget Estimates and the 2024–25 forecast, primarily as a result of growth in the Equalization program, faster population growth, and a larger per capita fiscal deficit compared to 2024–25.

The Equalization program is legislated to grow by the three-year average growth rate of national nominal Gross Domestic Product (GDP). For 2025–26 the growth rate is 3.63 per cent and the national funding pool for distribution is \$26.2 billion.

The Canada Health Transfer (CHT): In the 2014–15 fiscal year, the federal government renewed the CHT to provide for equal per capita cash for all provinces and territories. Commencing in 2017–18, the CHT is legislated to grow by the three-year average growth rate of national nominal GDP with a floor of 3.0 per cent. In 2024, Nova Scotia signed the Working Together to Improve Health Care for Canadians funding agreement with the federal government which includes a 5.0 per cent CHT growth guarantee to

2027–28. For 2025–26 the three-year average growth rate of national nominal GDP is 3.63 per cent, therefore the 5.0 per cent growth guarantee will be applied.

The 2025–26 national CHT amount for distribution is set at \$54.7 billion. The CHT entitlement for Nova Scotia is estimated to be \$1.4 billion, an increase of \$31.4 million or 2.3 per cent from the 2024–25 Budget Estimates, and \$52.3 million or 3.8 per cent from the 2024–25 forecast. The CHT entitlement reflects the federal government’s estimate of the Province’s share of the national population – currently 2.58 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 2025–26 entitlement for CST is estimated to be \$449.1 million, an increase of \$1.5 million or 0.3 per cent from the 2024–25 Budget Estimates, and \$8.3 million or 1.9 per cent from the 2024–25 forecast.

The CST entitlement is based on an equal per capita cash provincial allocation of a national pool, which stands at \$17.4 billion for 2025–26. Effective in 2014–15, the national pool is legislated to grow by 3.0 per cent a year. The CST entitlement reflects the federal government’s estimate of the province’s share of the national population, which is currently 2.58 per cent.

Other Federal Sources: Other Federal Sources is estimated to be \$163.5 million in 2025–26, an increase of \$2.5 million or 1.5 per cent from the 2024–25 Budget Estimates and an increase of \$4.5 million or 2.8 per cent from the 2024–25 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 increase mainly results from anticipated additional funding under the Aging with Dignity program, with partially offsetting reductions under other federal programs.

Tangible Capital Asset (TCA) Cost Shared Revenue – Federal Sources: The estimate for TCA Cost Shared Revenue from federal sources is \$28.7 million for 2025–26. This represents a decrease of \$12.7 million or 30.6 per cent compared to the 2024–25 Budget Estimates and a decrease of \$2.8 million or 8.9 per cent from the 2024–25 forecast. The decrease from estimate to estimate is mainly due to the timing of federal funding agreements reaching their maximum contribution levels.

Ordinary Recoveries

Ordinary Recoveries are projected to total \$1.1 billion in 2025–26, a decrease of \$74.1 million or 6.5 per cent from the 2024–25 Budget Estimates and down \$125.6 million or 10.5 per cent from the 2024–25 forecast of \$1.2 billion.

Provincial source recoveries are estimated to be \$424.8 million for 2025–26, up \$9.4 million or 2.3 per cent from the 2024–25 Budget Estimates and down \$152.1 million or 26.4 per cent from the 2024–25 forecast.

Federal source recoveries are estimated to be \$645.1 million for 2025–26, down \$83.5 million or 11.5 per cent from the 2024–25 Budget Estimates and up \$26.5 million or 4.3 per cent from the 2024–25 forecast.

Government Business Enterprises – Net Income

Nova Scotia Liquor Corporation (NSLC): The NSLC is budgeting net income of \$264.0 million in 2025–26. This is a decrease of \$5.6 million or 2.1 per cent compared to the 2024–25 Budget Estimates, and a decrease of \$16.2 million or 5.8 per cent compared to the 2024–25 forecast.

Total net sales are projected to increase 1.5 per cent compared to the 2024–25 Budget Estimates, which is attributed to cannabis sales increasing 4.9 per cent, and beverage alcohol sales increasing 0.9 per cent. Compared to the 2024–25 forecast, total net sales are projected to increase 0.2 per cent.

Total expenses are up \$11.1 million or 6.7 per cent compared to the 2024–25 Budget Estimates and up \$13.9 million or 8.6 per cent compared to the 2024–25 forecast. The increases, both compared to the 2024–25 Budget Estimates and forecast, are primarily related to planned upgrades to current core information technology platforms which are Software as a Service (SaaS) model and cannot be capitalized, as well as budgeted wage increases, increased occupancy costs, and continued increases in depreciation with ongoing investment in the store network and other corporate initiatives.

Nova Scotia Gaming Corporation (NSGC): NSGC is budgeting net income from its casino and lotteries segments of \$199.2 million for 2025–26. This is an increase of \$1.9 million or 1.0 per cent compared to the 2024–25 Budget Estimates and an increase of \$2.1 million or 1.1 per cent compared to the 2024–25 forecast. The

increase in net income for 2025–26 compared to the 2024–25 Budget Estimates and forecast is primarily due to Ticket Lottery growth specifically in iCasino, offset by increased operating expenses.

Halifax-Dartmouth Bridge Commission (HDBC): Effective April 1, 2025, tolls on the Halifax-Dartmouth bridges are being eliminated, and HDBC will no longer meet the definition of a Government Business Enterprise. As a result, the financial results of HDBC as a provincial Crown corporation will be consolidated on a line-by-line basis and be reflected in consolidation and accounting adjustment for budget purposes.

Highway 104 Western Alignment Corporation: Highway 104 Western Alignment Corporation is budgeting net income for the 2025–26 fiscal year of \$2.2 million. This is an increase of \$0.5 million or 28.7 per cent from the 2024–25 Budget Estimates and a decrease of \$0.8 million or 26.2 per cent from the 2024–25 Forecast. Relative to the 2024–25 Budget Estimates, the Corporation expects a slight increase in tolling revenue which will be partially offset by additional costs for the operation and maintenance of the new rest areas.

Key Tax Measures

Tax measures are expected to save the average Nova Scotian household more than \$1,000 during the 2025–26 fiscal year, for a total savings of more than \$500 million.

Personal Income Tax Indexation

For the 2025 and subsequent taxation years the Province has indexed the provincial personal income tax system.

Changes to tax brackets and several non-refundable tax credits were made for January 1, 2025. The indexation rate for 2025 was 3.1 per cent based on previous inflation. Both tax brackets and certain non-refundable tax credits were indexed: including the Basic Personal Amount, Spouse or Common-law partner Amount, Amount for an Eligible Dependant, Age Amount, and the Amount for Infirm Dependents aged 18 or older. For fiscal year 2025–26, indexation is estimated to reduce tax revenues by \$78 million. By 2028–29, annual foregone tax revenue will be more than \$200 million based on projected income growth and inflation rates.

Extending enhancements to the Basic Personal Amount, Age Amount, Spousal Amount, and the Eligible Dependant Amount to all Nova Scotian Tax Filers

The Basic Personal Amount (BPA) is a non-refundable tax credit that can be claimed by all tax filers. The purpose of the credit is to provide full provincial income tax relief for tax filers with taxable income below the BPA. It also provides partial relief to tax filers with taxable income above the BPA.

A tax filer cohabitating with their spouse or common law partner may claim a Spousal Amount equal to the BPA and this is reduced based on their spouse's or common law partners net income. The purpose of this non-refundable credit is to provide tax relief to families with secondary incomes at or below the BPA.

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

The Age Amount is a non-refundable tax credit provided to individuals over the age of 65 in the taxation year. The Age Amount available to a tax filer is reduced for net income above \$30,828 at a rate of \$0.15 per \$1 over the income threshold.

In 2018, the Province introduced an enhanced BPA, whereby those with a taxable income of less than \$25,000 would receive an additional \$3,000 in the BPA. For those earning between \$25,000 to \$75,000 the enhanced BPA was phased out at 6 cents for every additional dollar of taxable income over \$25,000. Tax filers earning over \$75,000 would receive only the basic BPA (set at \$8,744).

Effective for the 2025 tax year, it is intended the maximum Basic Personal, Age, Spousal, and Eligible Dependent amounts will be provided to all eligible tax filers, by removing the reduction provision for those with taxable income above \$25,000. The BPA will be \$11,744 for all tax filers. The Spousal Amount will be \$11,744, the Eligible Dependent amount will be \$11,744, and the Age Amount will increase to \$5,734.

Once these changes are in place, Nova Scotia taxpayers benefitting from the enhanced credit amounts will save about \$300 more on average in provincial income tax for the 2025 tax year. Of the approximately 882,000 tax filers, about 629,000 pay provincial income tax. These changes are estimated to provide a level of savings to 568,000 of those taxpayers.

This extended eligibility is estimated to save Nova Scotians \$28 million in 2024–25, increasing to \$114 million in 2025–26 after being in place for a full taxation year.

For future years, these 2025 credit amounts will be indexed for inflation based on the amount determined by the Personal Income Tax Indexation Regulations.

Small Business Tax Rate Reduction and Threshold Increase

The small business corporate income tax rate is currently 2.5 per cent and is applied to the first \$500,000 of active taxable income of Canadian Controlled Private Corporations (CCPCs) who have taxable capital of less than \$10 million. The benefit of the small business rate is phased out for CCPCs with taxable capital between \$10 million and \$50 million.

Effective April 1, 2025, the small business tax rate will be reduced from 2.5 per cent to 1.5 per cent and the small business threshold will be increased from \$500,000 to \$700,000.

Once these changes are in place, the small business threshold amount will be the highest among all the provinces and the federal government, and the small business tax rate will be the 4th lowest compared to other provinces.

The reduction in the small business tax rate and the increase in the threshold is projected to save approximately 19,000 businesses \$43.9 million in 2025–26.

Harmonized Sales Tax Reduction

Nova Scotia's Harmonized Sales Tax rate is currently 15 per cent, which includes the 5 per cent federal portion and the 10 per cent provincial portion. The province offers several rebates to offset the provincial portion of the HST on children's clothing, footwear and diapers, books, home heating, first time new homebuyers, and the recent rebate for purpose built rental housing.

Effective April 1, 2025, the Province will reduce the provincial portion from 10 per cent to 9 per cent, resulting in the HST rate reducing from 15 per cent to 14 per cent.

The HST rate reduction is expected to save Nova Scotian households about \$293.6 million during the 2025–26 fiscal year, an average savings of over \$500 per household.

Non-Resident Deed Transfer Tax Increase

Effective April 1, 2022, the province introduced a Deed Transfer Tax of 5 per cent on the value of residential real property purchased by a non-resident of Nova Scotia.

Exemptions are provided for specific situations, including for a non-resident purchaser who moves to the province within 6 months of the closing date of the transaction.

Effective April 1, 2025, the Non-Resident Deed Transfer Tax rate will be increased from 5 per cent to 10 per cent. The higher tax rate will apply to transactions with an Agreement of Purchase and Sale dated from April 1, 2025, onwards.

Summary: Tax Credits, Rebates, and Tax Expenditures

Details of the estimated value of credits, rebates, and tax expenditures are presented in Table 6.6.

Table 6.6 Estimated Value of Tax Credits, Rebates, and Expenditures

(\$ thousands)

	2024-25 Estimate	2024-25 Forecast	2025-26 Estimate
Personal Income Tax			
Political Tax Credit	1,295	1,611	1,364
Volunteer Firefighter & Ground Search and Rescue	3,653	3,913	3,769
Equity Tax Credit	2,627	2,384	2,384
Innovation Equity Tax Credit	10,000	2,744	2,744
Venture Capital Tax Credit	2,000	100	100
Children's Sports and Arts Tax Credit	3,200	31	1,762
Fertility and Surrogacy Tax Credit	1,182	1,556	1,602
Affordable Living Tax Credit	60,938	61,937	61,937
	84,894	74,277	75,662
Corporate Income Tax			
Scientific Research & Experimental Development	25,688	31,075	31,993
New Small Business Tax Holiday	10	1	0.5
Digital Media Tax Credit	5,833	17,101	10,723
Digital Animation Tax Credit	11,762	14,065	5,572
Food Bank Tax Credit for Farmers	100	64	64
Capital Investment Tax Credit	14,061	23,498	30,602
Innovation Equity Tax Credit	2,000	200	200
Venture Capital Tax Credit	1,000	0.1	0.1
Small Business Tax Rate	274,605	278,327	338,513
	335,058	364,330	417,668
Harmonized Sales Tax			
Public Sector Rebates	194,213	238,815	220,797
Printed Book Rebate	10,543	9,481	8,964
First-time Homebuyers Rebate	830	560	522
Disability Rebates	30	12	11
Fire Fighting Equipment Rebate	140	123	116
Your Energy Rebate	144,177	139,685	125,717
Children's Clothing Rebate	11,328	9,742	9,211
Children's Footwear Rebate	2,015	1,856	1,755
Children's Diaper Rebate	1,902	2,003	1,894
Purpose-Built Rental Housing Rebate	13,508	13,508	54,079
	378,688	415,784	423,065

Revenue Sensitivity

Revenue estimates, which are in the form of a forecast, are based on several economic, financial, tax assessments, 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-mentioned variables can move independently and may have offsetting effects.

Table 6.7 lists the specific key economic assumptions and variables that directly affect the calculation of provincial revenue estimate and forecast figures, as included in this Revenue Outlook section, and reflect economic assumptions developed by the Province as of November 7, 2024, updated for fiscal and capital plans effective January 19, 2025 as well as the provision for US tariffs.

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 forecast 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 15 months following the end of a taxation year, thereby creating Prior Year Adjustments (PYAs). Official estimates for Harmonized Sales Tax revenue are received with a one-year lag from the end of the calendar year and are subject to revisions for a subsequent five-year period.

Economic disruptions from US tariffs and associated indirect shocks are a significant source of uncertainty in the provincial own-source revenue outlook, particularly national corporate taxable income. Impacts may be disproportionately in some sectors or areas of the economy that could have unanticipated outsized effects on revenue. Currently this is unknown. Population and inflation outlooks pose risk 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 PIT revenue is dependent on labour market conditions and income benefits. Inflation shifts impact indexed income benefit programs, average wages, and the indexation amount for brackets and credits. Population and employment growth are expected to continue to support growth in the personal taxable income base.

Harmonized Sales Tax revenues are highly reliant on consumer expenditure and investment in residential construction. The degree and permanency of shifts in consumer purchases from the temporary 2-month HST relief and potential tariffs are sources of uncertainty in the outlook. 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 forecast of CIT revenue is highly dependent upon national corporate taxable income and the Province's share. Changes to corporate profitability from trade policy and uncertainty in 2025 has the potential to impact both in-year revenue and generate carryback losses which can be claimed on previous year tax returns. With the small business rate and threshold changes, growing taxable income from new and expanding businesses provides upside potential in the outlook.

Cannabis Tax revenues are subject to a number of uncertainties, including availability of products and consumer preferences.

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

Table 6.7 Key Economic Assumptions and Variables Affecting Revenue Estimates

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

Additional Information

In addition to the key economic and fiscal assumptions contained in the 2025–26 revenue estimates, the following information should also be considered when interpreting the revenue estimates.

The revenue estimates for 2025–26 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 2025–26 using a combination of current internal and external models and other available information.

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 23, 2024. 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.

Budget 2025–26: Expenses Outlook

In 2025–26, Nova Scotia's total expenses for the General Revenue Fund are estimated to be \$17.6 billion (Table 6.8). This is an increase of \$1.0 billion or 6.4 per cent from the 2024–25 Budget Estimates and an increase of \$619.2 million or 3.7 per cent compared to the 2024–25 forecast.

Tables 6.8 and 6.9 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 6.8 Total Expenses
(\$ thousands)

General Revenue Fund: Expenses	2022-23 Actual	2023-24 Actual	2024-25 Estimate	2024-25 Forecast	2025-26 Estimate
Departmental Expenses					
Advanced Education	841,734	743,330	725,539	740,075	732,171
Agriculture	83,849	57,461	46,682	47,132	47,946
Communities, Culture, Tourism and Heritage	250,947	209,067	171,845	255,029	168,120
Cyber Security and Digital Solutions	176,560	230,565	276,224	256,698	283,921
Economic Development	96,778	118,389	---	---	---
Education and Early Childhood Development	1,750,307	1,884,298	1,999,180	1,999,241	2,225,951
Emergency Management	---	---	30,391	48,684	61,060
Energy	---	---	37,873	40,810	48,613
Environment and Climate Change	199,980	51,729	73,876	80,776	80,124
Finance and Treasury Board	98,050	33,716	48,790	47,326	48,406
Fisheries and Aquaculture	17,333	17,392	15,951	16,397	15,095
Growth and Development	---	---	370,250	387,034	400,214
Health and Wellness	4,483,665	5,178,565	5,536,898	5,767,651	5,976,833
Justice	438,011	453,356	464,719	476,906	489,245
Labour, Skills and Immigration	220,015	230,815	241,644	245,185	246,453
Municipal Affairs	---	---	396,515	320,877	337,882
Municipal Affairs and Housing	490,911	933,204	---	---	---
Natural Resources	---	---	103,715	108,624	112,138
Natural Resources and Renewables	195,577	189,080	---	---	---
Opportunities and Social Development	1,267,491	1,389,659	1,579,169	1,577,523	1,676,809
Public Service	410,234	456,960	517,397	541,980	525,274
Public Works	690,948	717,423	716,170	750,402	840,141
Seniors and Long-term Care	1,369,975	1,406,545	1,362,710	1,399,066	1,462,480
Service Nova Scotia	336,560	249,105	161,138	224,231	164,805
Restructuring Costs	286,223	184,829	659,765	575,712	551,472
Total - Departmental Expenses	13,705,148	14,735,488	15,536,441	15,907,359	16,495,153
Other Expenses					
Refundable Tax Credits	98,222	125,224	126,316	153,176	147,960
Pension Valuation Adjustment	69,415	51,467	33,102	19,704	17,079
Debt Servicing Costs	671,124	782,520	822,863	869,310	908,509
Total - Expenses	14,543,909	15,694,699	16,518,722	16,949,549	17,568,701

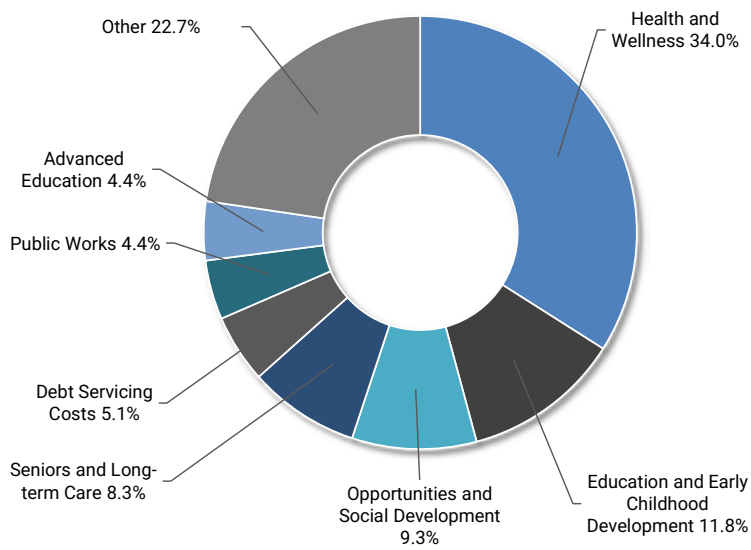
Table 6.9 Total Expenses
(percentage of Total Expenses)

General Revenue Fund: Expenses	2022-23 Actual	2023-24 Actual	2024-25 Estimate	2024-25 Forecast	2025-26 Estimate
Departmental Expenses					
Advanced Education	5.8%	4.7%	4.4%	4.4%	4.2%
Agriculture	0.6%	0.4%	0.3%	0.3%	0.3%
Communities, Culture, Tourism and Heritage	1.7%	1.3%	1.0%	1.5%	1.0%
Cyber Security and Digital Solutions	1.2%	1.5%	1.7%	1.5%	1.6%
Economic Development	0.7%	0.8%	0.0%	0.0%	0.0%
Education and Early Childhood Development	12.0%	12.0%	12.1%	11.8%	12.7%
Emergency Management	0.0%	0.0%	0.2%	0.3%	0.3%
Energy	0.0%	0.0%	0.2%	0.2%	0.3%
Environment and Climate Change	1.4%	0.3%	0.4%	0.5%	0.5%
Finance and Treasury Board	0.7%	0.2%	0.3%	0.3%	0.3%
Fisheries and Aquaculture	0.1%	0.1%	0.1%	0.1%	0.1%
Growth and Development	0.0%	0.0%	2.2%	2.3%	2.3%
Health and Wellness	30.8%	33.0%	33.5%	34.0%	34.0%
Justice	3.0%	2.9%	2.8%	2.8%	2.8%
Labour, Skills and Immigration	1.5%	1.5%	1.5%	1.4%	1.4%
Municipal Affairs	0.0%	0.0%	2.4%	1.9%	1.9%
Municipal Affairs and Housing	3.4%	5.9%	0.0%	0.0%	0.0%
Natural Resources	0.0%	0.0%	0.6%	0.6%	0.6%
Natural Resources and Renewables	1.3%	1.2%	0.0%	0.0%	0.0%
Opportunities and Social Development	8.7%	8.9%	9.6%	9.3%	9.5%
Public Service	2.8%	2.9%	3.1%	3.2%	3.0%
Public Works	4.8%	4.6%	4.3%	4.4%	4.8%
Seniors and Long-term Care	9.4%	9.0%	8.2%	8.3%	8.3%
Service Nova Scotia	2.3%	1.6%	1.0%	1.3%	0.9%
Restructuring Costs	2.0%	1.2%	4.0%	3.4%	3.1%
Total - Departmental Expenses	94.2%	93.9%	94.1%	93.9%	93.9%
Other Expenses					
Refundable Tax Credits	0.7%	0.8%	0.8%	0.9%	0.8%
Pension Valuation Adjustment	0.5%	0.3%	0.2%	0.1%	0.1%
Debt Servicing Costs	4.6%	5.0%	5.0%	5.1%	5.2%
Total - Expenses	100.0%	100.0%	100.0%	100.0%	100.0%

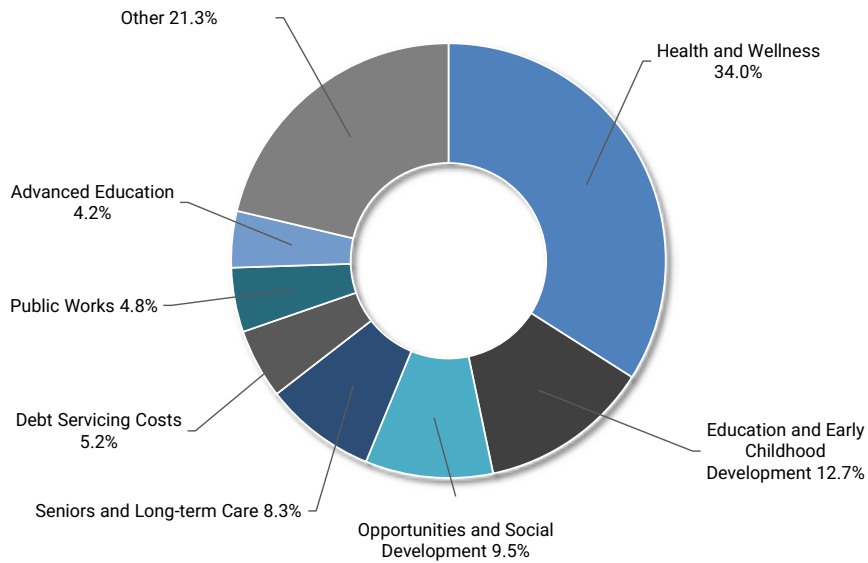
Note: Numbers may not add up to totals due to rounding.

Chart 6.2 Total Expenses 2024–25 Forecast and 2025–26 Estimate

2024–25 Forecast



2025–26 Estimate



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

Departmental Expenses

Departmental Expenses in 2025–26 are estimated to be \$16.5 billion. This is an increase of \$958.7 million or 6.2 per cent from the 2024–25 Budget Estimates and an increase of \$587.8 million or 3.7 per cent from the 2024–25 forecast. Details of Departmental Expenses are provided in the Budget 2025–26 Estimates and Supplementary Details document.

Refundable Tax Credits

Refundable Tax Credits are estimated to be \$148.0 million in 2025–26, an increase of \$21.6 million or 17.1 per cent from the 2024–25 Budget Estimates, and down \$5.2 million or 3.4 per cent from the 2024–25 forecast. The increase from estimate is primarily based on expected increases in utilization for the Capital Investment Tax Credit, Digital Media Tax Credit, and Scientific Research and Development (SRED) credits, partially offset by a lower estimate for the Digital Animation Tax Credit. The decrease from forecast to budget is due to revised timing for the Digital Animation and Digital Media tax credits in 2024–25.

Pension Valuation Adjustment

The Pension Valuation Adjustment is estimated to be \$17.1 million in 2025–26, down \$16.0 million or 48.4 per cent from the 2024–25 Budget Estimates, and down \$2.6 million or 13.3 per cent compared to the 2024–25 forecast. The decrease from the estimate is primarily due to changes in discount rates and updated actuarial assumptions, mainly in retirement health benefit plans. The decrease from forecast to budget is primarily due to updated actuarial assumptions.

Debt Servicing Costs

Debt Servicing Costs are projected to be \$908.5 million for 2025–26, up \$85.6 million or 10.4 per cent from the 2024–25 Budget Estimates and up \$39.2 million or 4.5 per cent from the 2024–25 forecast.

Debt Servicing Costs have increased from the 2024–25 Budget Estimates primarily because of increased borrowing requirements and an increase in the amount of long-term debt.

Consolidation and Accounting Adjustments

Overall, Consolidation and Accounting Adjustments are estimated to result in a \$365.6 million positive impact on the provincial financial position. This is \$158.0 million increase over the 2024–25 Budget Estimates primarily due to a \$100.0 million increase in capital grants to NSH/IWK for healthcare infrastructure projects and \$85.9 million in Capital Grants to Halifax Dartmouth Bridge Commission, known as Halifax Harbour Bridges, due to a change in status of this entity. The increases are partially offset by \$21.2 million in decreases in various Special Purpose Funds and Other Organizations and a \$6.7 million decrease in capital grants to other entities.

Key Risks – Expenses

Rapid changes in US trade policy are causing instability in global commodity markets and supply chains, which may influence the costs of government purchases. Further, there has been strong wage growth in recent months that could also affect department costs from procurements. Department spending plans may see further variances throughout fiscal 2025–26, if price instability drives utility expenditures, fleet costs and purchases of general goods and services.

Labour supply limitations may also drive-up program delivery costs and may generate higher vacancy rates or slow the pace of hiring within government beyond expectations.

Capital projects may also see cost variances if commodity prices and labour shortages influence procurements. If capital project delays emerge, planned expenses may move into future fiscal years.

If changing climate dynamics increase the frequency or intensity of weather events, government may see additional risk to expenses – for support payments and infrastructure repairs.

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 7, 2024, combined with revised external assumptions, tax measures, fiscal policies and capital plans as of January 19, 2025. The outlook is subject to change based on external information published after November 7, 2024. Some of the descriptive analysis below refers to data and events that occurred after November 7, 2024.

There remains significant uncertainty around the timing and extent of US tariff policy changes. Provision for the imposition of tariffs has been included. However, at the time of the tabling of this Budget, tariff policies and Canadian retaliatory policies remain uncertain. New information will be incorporated into future economic forecasts.

International and Canadian Economic Context

Global Economy: Inflation rates are returning near to normal around the world, allowing monetary easing among both advanced and emerging economies. Energy prices have fallen and financial conditions are more accommodative. However, significant trade policy uncertainty and geopolitical tensions weigh on the global outlook.

The International Monetary Fund (IMF) World Economic Outlook report from January 2025 estimates that global real Gross Domestic Product (GDP) grew at 3.2 per cent in 2024. Growth is projected to be stable at 3.3 per cent in each of 2025 and 2026. Growth in 2024 was due to easing monetary policy, inflation moderation, strong trade and improved energy and food supply conditions. The IMF expects that global headline inflation will slow to 4.2 per cent in 2025 and to 3.5 per cent in 2026.

United States (US): Strong economic growth continued for the US in 2024, with real GDP growth of 2.8 per cent reported for the year. Consumer spending, investment, government spending and exports all supported US GDP growth, even with less monetary easing. Rising imports partially offset US economic growth in 2024. The US labour market remained robust in 2024 with a 4.0 per cent unemployment rate.

The US economic outlook has dimmed in recent weeks due to trade policy changes and persistent inflationary pressure. In its January 2025 meeting, the US Federal Reserve maintained its interest rate in a range of 4.25 to 4.5 per cent. US inflation accelerated to 2.9 per cent year-over-year in December. The US Federal Reserve expects inflation to be 2.5 per cent in 2025 and 2.1 per cent in 2026. This Nova Scotia

Budget economic outlook assumes that U.S. real GDP will grow at 2.2 per cent in 2025 and 2.0 per cent in 2026.

Europe: Recent indicators show subdued growth for the Euro Area in 2024. Manufacturing and industrial production remained weak – particularly in Germany. Europe’s retail trade growth was subdued through 2024, despite resilient labour markets and low unemployment rates. Inflation in Europe accelerated slightly to 2.4 per cent in December. The Euro Area’s economic outlook is expected to improve going into 2025 and 2026 due to stronger domestic demand and rising real incomes. The IMF expects 1.0 per cent real GDP growth in the euro area in 2025, accelerating to 1.4 per cent in 2026.

China: China’s economic growth stabilized in 2024 due to stimulus measures, strong exports and high-tech investment. China’s economy still faces demographic challenges as well as weak domestic demand, soft consumer confidence and delayed property market stabilization. With slower inflation, the People’s Bank of China cut its policy rate and lowered its reserve requirement ratio. The IMF’s forecast anticipates real GDP growth of 4.6 per cent in 2025 and 4.5 per cent in 2026. The fiscal package announced in November 2024 is expected to partially offset the negative impacts of trade policy uncertainty and property market drag.

Canada: Canada’s real GDP growth slowed in the third quarter of 2024 as increases in consumer and government spending as well as falling imports were partially offset by lower exports and declining investment in inventory and machinery and equipment. Canada’s inflation slowed to 1.8 per cent in December with temporary GST/HST relief on certain products. The Bank of Canada forecasts inflation to average 2.3 per cent in 2025. Because of easing inflation and soft economic growth, the Bank of Canada has reduced its target for the overnight rate by 200 basis points since June 2024.

Canada’s real GDP growth is expected to accelerate slightly to 1.7 per cent in the first quarter of 2025. Lower interest rates have already started to boost housing resales and purchases of major durable goods. In 2025, per-capita consumption in Canada is expected to pick up, supported by lower interest rates, strong income growth and rising household wealth. However, slower population growth will weigh on overall consumer spending increases. Lower immigration levels and outflows of non-permanent residents are expected to limit Canada’s population growth.

Residential construction and home resales are expected to accelerate in Canada for 2025, supported by lower mortgage rates and pent-up demand for housing. Trade policy uncertainty will weigh heavily on businesses’ investment plans. Canada’s export growth is supported by higher transport capacity for oil and gas, but this is subject to significant risk due to the threat of US tariffs. The tariff situation remains highly fluid and could change substantially in the coming months, which would materially alter the outlook for the Canadian and Nova Scotian economies. Canada’s real GDP is projected to grow 1.7 per cent in 2025 and 1.5 per cent in 2026.

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 January 15, 2025	2025	2026
US Real GDP Growth (% change, 2017 chained)	2.2	2.0
Canada Real GDP Growth (% change, 2017 chained)	1.7	1.5
Canada Nominal GDP Growth (% change, current prices)	3.4	3.7
USD/CAD exchange rate (US¢ per CAD)	70.1	71.6
Canadian Prime Lending Rate (%)	4.5	4.4
5 Year Conventional Mortgage Rate (%)	5.5	5.7

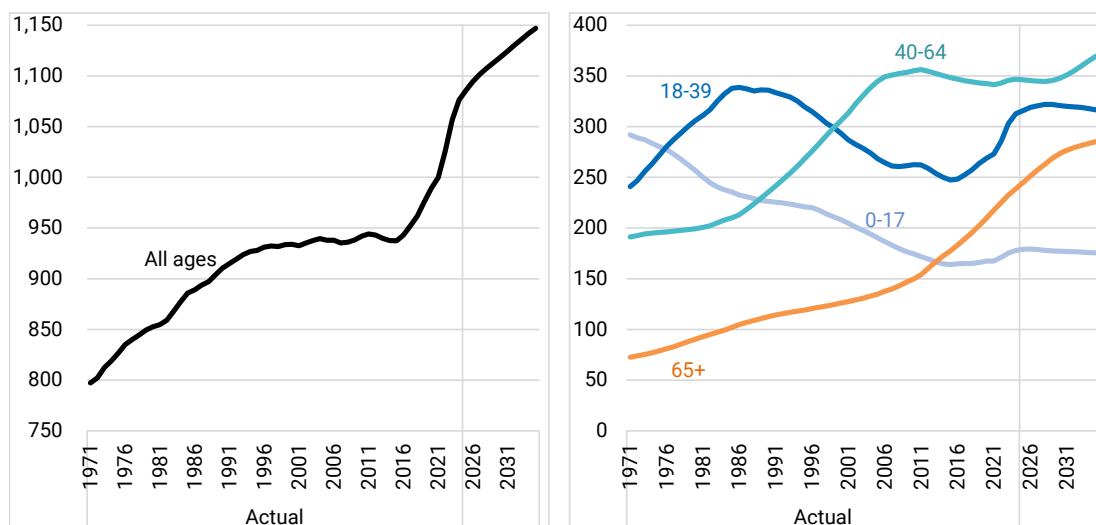
Source: Nova Scotia Department of Finance and Treasury Board

Nova Scotia Economic Context

Population and Demography: Nova Scotia’s population growth slowed in 2024 to 1.88 per cent from July 1, 2023, to July 1, 2024 (+19,888 persons). Nova Scotia’s population has been rising since 2015 and has experienced record-setting growth in recent years. The population reached 1,079,676 people as of October 1, 2024. Immigration

Chart 7.1 Nova Scotia’s Population Growth Is Slowing

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.

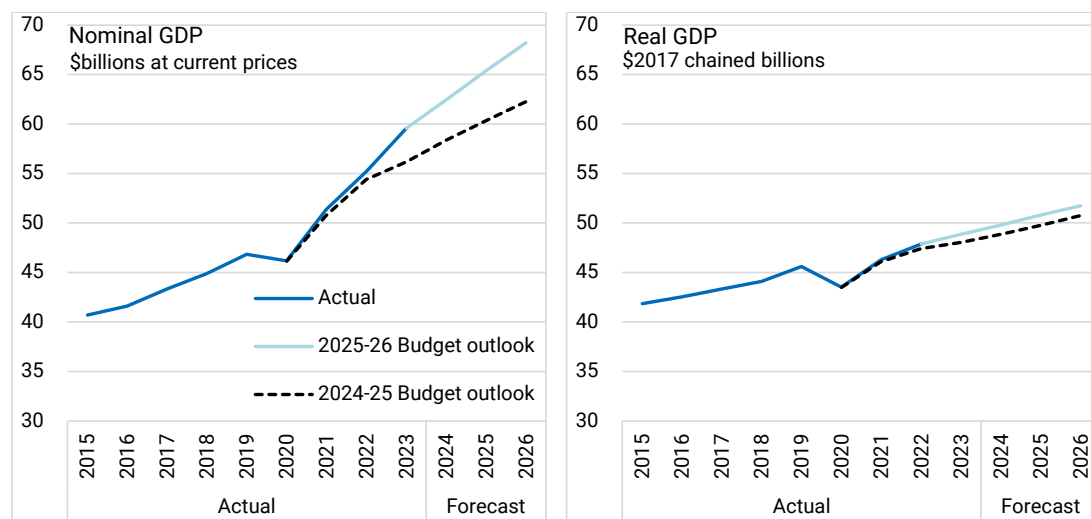
continues to be the main source of population growth for Nova Scotia with 13,736 new permanent residents added to the population in the year leading up to July 1, 2024. The inflow of non-permanent residents of 24,221 was partially offset by an outflow of 15,476. Interprovincial migration to Nova Scotia slowed from the strong pace set during the pandemic. From July 1, 2023, to July 1, 2024, 17,748 Canadians moved to Nova Scotia from other provinces. On a net basis, interprovincial migration added 2,252 persons to the population for the year prior to July 1, 2024. Population growth from natural changes (births less deaths) continues to be negative.

Revised population projections expect Nova Scotia's population growth to slow to less than 0.5 per cent per year by the mid-2030s (Chart 7.1) as internal migration, non-permanent resident entries and immigration are all assumed to moderate over the next decade. Near-term projections have been revised to include lower permanent and non-permanent resident entries that reflect revisions to the Government of Canada's Immigration Levels Plan (2025-2027).

Economic Growth: Revised data from Statistics Canada shows that Nova Scotia's nominal GDP growth was stronger than previously estimated in 2021 (+11.3 per cent) and in 2022 (+7.4 per cent).

Upward revisions to growth have put Nova Scotia's nominal and real GDP at higher levels than previously estimated (Chart 7.2), lifting the base for the entire economic outlook. Nominal GDP is now projected to be \$5.9 billion higher by 2026 than was estimated in the 2024-25 Budget economic outlook.

Chart 7.2 Nova Scotia's GDP

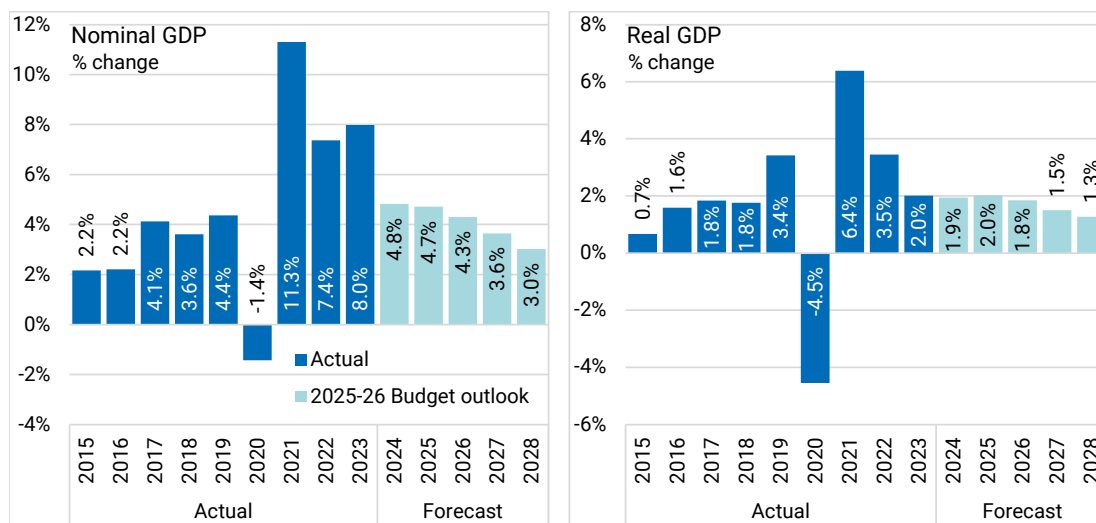


Source: Statistics Canada, Table 36-10-0222-01 Gross domestic product, expenditure-based, provincial and territorial, annual (x 1,000,000); Nova Scotia Department of Finance and Treasury Board projections

Nova Scotia’s real GDP grew 2.0 per cent in 2023 while nominal GDP grew 8.0 per cent. Nominal growth in 2023 was driven by a notable rise (+5.9 per cent) in the GDP deflator, a broader measure of prices than the consumer price index. There were large increases in service exports – both to other provinces and other countries. Population growth supported consumer spending on goods and services, though residential investment was down. Growth was also supported by rising government investment.

Real GDP growth is estimated to have remained steady in 2024 while nominal growth slowed due to moderating inflation. Nova Scotia’s real GDP is estimated to have grown 1.9 per cent in 2024 with nominal GDP growth slowing down to 4.8 per cent. Household consumption, business investment, government spending and exports all contributed to growth in 2024. Investment in residential structures rebounded with an estimated 18.5 per cent gain. Rising imports were a drag on growth. Inflation has returned to the Bank of Canada’s target range.

Chart 7.3 Nova Scotia’s GDP Growth Normalizing, US Tariff Threat Looms



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

In 2025, Nova Scotia’s real GDP growth is projected to remain stable at 2.0 per cent while nominal GDP is expected to rise by 4.7 per cent. Nova Scotia’s economic growth is expected to get support from household consumption spending, tax reduction measures and government capital investments, while the threat of U.S. tariffs looms over exports. Exports of goods are projected to be weak, with some offsets from currency depreciation and tourism expansion. Residential investment is projected to continue growing in 2025, which should ease some housing pressures. Inflation is expected to remain within the Bank of Canada’s target range, with some upward pressure from currency depreciation and possibly from U.S. tariffs.

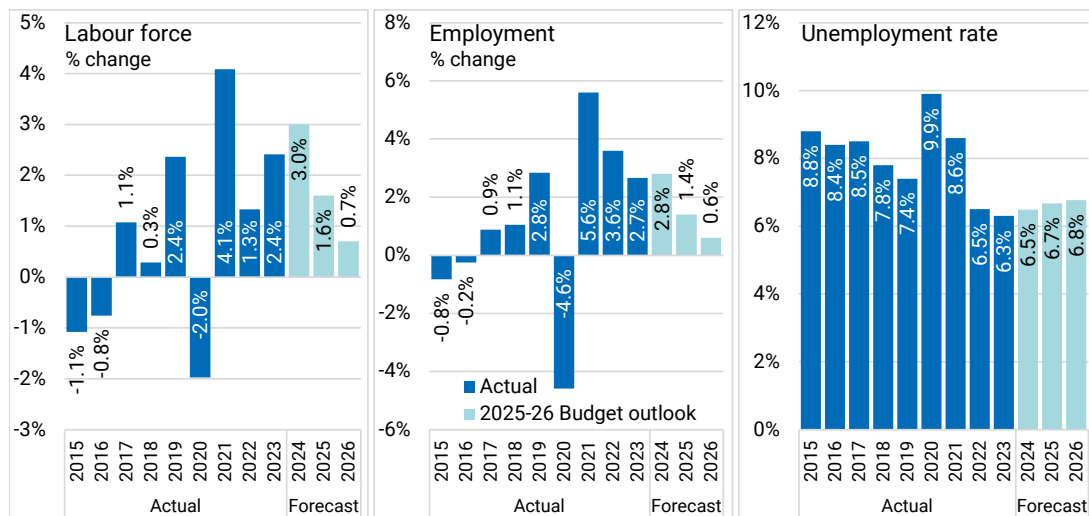
In 2026, Nova Scotia's real GDP is projected to rise 1.8 per cent. Nominal GDP growth is projected to slow to 4.3 per cent in 2026. This outlook assumes that tariff threats will be of limited duration and that economic growth returns to the pace observed prior to the pandemic.

Labour Market: Population growth has contributed to strong growth in Nova Scotia's labour market. In 2024, labour force growth outpaced employment for the first time in three years. The unemployment rate rose slightly to 6.5 per cent in 2024, remaining at historically low levels. Employment growth outpaced growth in the working-age population, causing the employment rate to rise to 57.8 per cent. Nova Scotia's labour market participation rate rose to 61.8 per cent in 2024 with lower participation for those aged 15-19 and 60 years and over.

Employment growth was concentrated in service-producing industries, with smaller growth for goods-producing industries. The strongest gains were in the public sector, including education and health care and social assistance, as well as in accommodation and food services and construction. These gains more than offset employment declines in professional and technical services, business support services (including call centres), agriculture, and manufacturing. The job vacancy rate continued to decline in 2024 and reached 3.3 per cent in the third quarter of the year.

Chart 7.4 Nova Scotia's Labour Markets Slow with Lower Population Growth

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



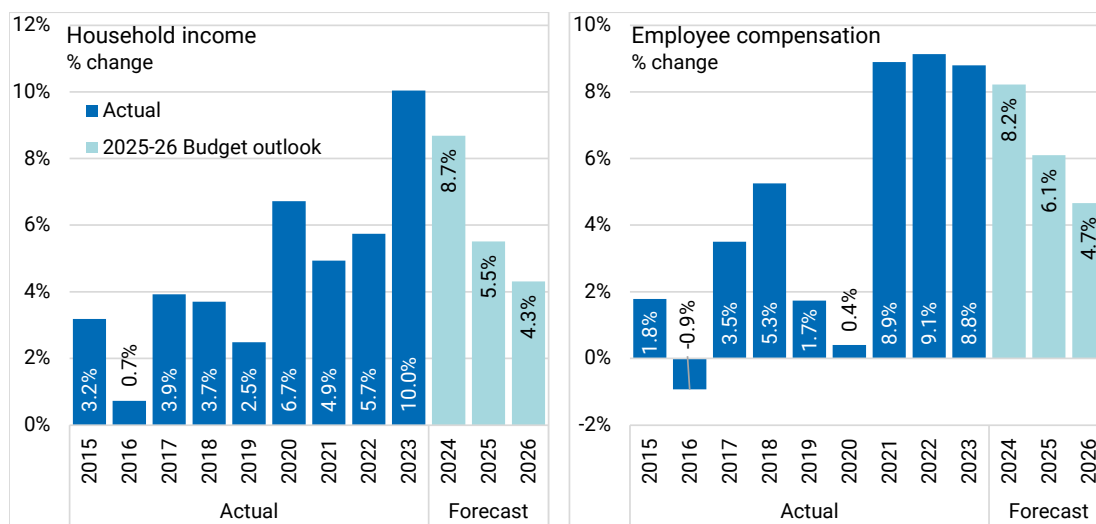
Source: Statistics Canada, Table 14-10-0287-01 Labour force characteristics, monthly, seasonally adjusted and trend-cycle; Note: Participation rate is the labour force as a share of the population, employment rate is employment as a share of the population.

As population growth slows, Nova Scotia’s labour force is projected to grow 1.6 per cent in 2025 and 0.7 per cent in 2026. Employment growth is projected to be 1.4 per cent in 2025 and 0.6 per cent in 2026. The unemployment rate is projected to rise slightly as growth in the labour force outpaces employment growth.

Household Income: Compensation of employees is estimated to have increased 8.2 per cent in 2024 (Chart 7.5). Payroll employment across all businesses and organizations increased 1.8 per cent in the first eleven months of the year. Average weekly wages increased 5.1 per cent over the same period, well outpacing inflation. After adding net income from unincorporated businesses, property income and current transfers to employee compensation, Nova Scotia’s household income is estimated to have increased 8.7 per cent in 2024.

Employee compensation is projected to increase 6.1 per cent in 2025 and 4.7 per cent in 2026, as both employment and average wages grow more slowly. Household income is expected to grow 5.5 per cent in 2025 and 4.3 per cent in 2026. The outlook for employee compensation and household income assumes that higher government investment and tax relief lift incomes. The economic outlook is sensitive to this assumption and the effects of these measures could be felt in different parts of the economy than households.

Chart 7.5 Incomes Supported by Tax Reductions and Government Capital Investments

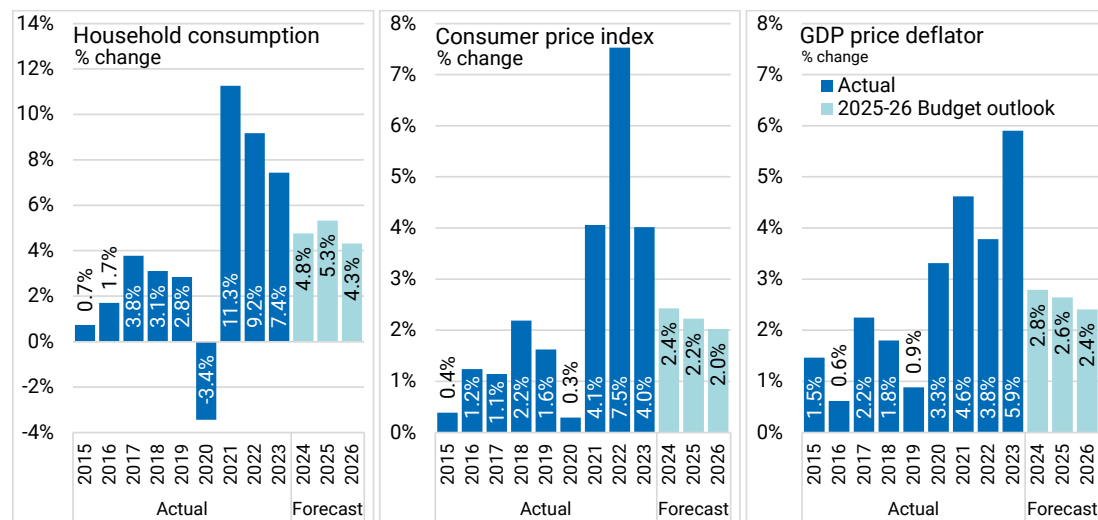


Source: Statistics Canada, Table 36-10-0221-01 Gross domestic product, income-based, provincial and territorial, annual (x 1,000,000); Table 36-10-0226-01 Household sector, selected indicators, provincial and territorial; Nova Scotia Department of Finance and Treasury Board projections.

Household Consumption: Household consumption growth is estimated to have slowed to 4.8 per cent in 2024 (Chart 7.6). Spending slowed for durables, non-durables and services. Retail trade increased 2.0 per cent in the first eleven months of 2024 with growth in motor vehicles and parts dealers, clothing and accessories stores, gas stations and general merchandise stores. New motor vehicle units sold were up 17.8 per cent in the first eleven months of 2024 with the sales value of new motor vehicles up 20.8 per cent. Nova Scotia’s food service and drinking places receipts rose 4.6 per cent in January–November 2024 with growth in limited-service eating places, full-service restaurants and special food services (including catering). Household consumption spending is projected to grow 5.3 per cent in 2025 and 4.3 per cent in 2026, supported by tax relief and government capital expenditures that are assumed to increase disposable income.

Inflation: Throughout 2024, inflation continued to slow down in most advanced economies as the effects of monetary tightening were realized. Nova Scotia’s inflation slowed to 2.3 per cent in 2024. Food prices rose 3.1 per cent while energy prices were up 1.6 per cent. Excluding food and energy, Nova Scotia’s prices increased 2.3 per cent in 2024. Shelter prices rose 4.8 per cent as higher interest rates affected mortgage interest costs. Nova Scotia’s consumer price index is projected to increase by 2.2 per cent in 2025 and 2.0 per cent in 2026. Despite slowing consumer price inflation in 2023, Nova Scotia’s broad prices – measured by the GDP deflator – accelerated to 5.9 per cent. Broad prices are projected to decelerate in line with slowing consumer price inflation through 2026. However, the outlook for consumer prices and broad prices is sensitive to US tariff policies and potential retaliation.

Chart 7.6 Consumption and Inflation Returning to Trend Growth Rates

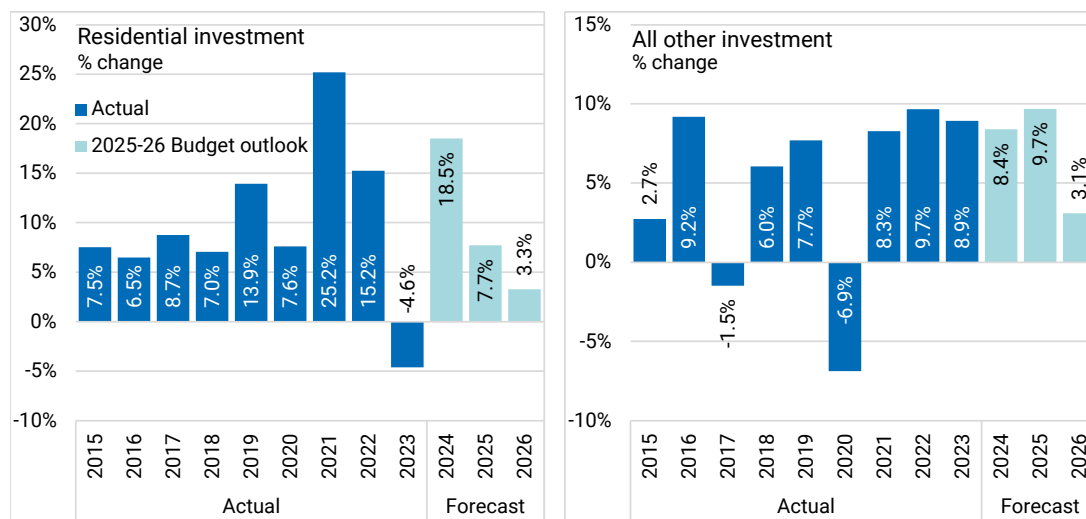


Sources: Statistics Canada, Table 36-10-0222-01 Gross domestic product, expenditure-based, provincial and territorial, annual (x 1,000,000); Table 18-10-0005-01 Consumer Price Index, annual average, not seasonally adjusted; Nova Scotia Department of Finance and Treasury Board projections. Note: forecast CPI value for 2024 was prepared prior to release of actual data.

Investment: Residential investment rebounded in 2024, rising an estimated 18.5 per cent. Housing starts reached 7,381 units in Nova Scotia in 2024, the highest level since 1986. Housing start increases were due mainly to starts for multiple unit dwellings, which reached their highest level since the data series began in 1955. Resale home prices grew 5.9 per cent in Halifax on average in 2024. New home prices across the province were down 0.2 per cent in 2024 – the first decline since 1997. Residential investment is projected to continue growing from its 2024 rebound – rising by 7.7 per cent in 2025 and 3.3 per cent in 2026.

Non-residential investment is estimated to have grown 8.4 per cent in 2024. Non-residential spending is expected to accelerate to 9.7 per cent in 2025 with higher government investment, and then to slow in 2026 as some major projects conclude.

Chart 7.7 Investment Growth Continues with Lower Interest Rates



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 grown 2.1 per cent in 2024. Tires, lobster, paper, lumber and frozen blueberries accounted for the increase while total seafood exports declined. Seafood exports were down on lower exports of crab, scallops, clams and shrimp. Exports were up to the United States (+5.2 per cent) and the European Union (+1.9 per cent) while they were down to China (-10.4 per cent).

Tourism recovery stalled in 2024 as high prices were a drag on visitation from domestic and US sources. Tourism Nova Scotia estimated that January to September tourism in 2024 was 2 per cent below the same period in 2023 and 13 per cent below the same period in 2019. Overseas visitors were the only category in which visitation

had recovered to pre-pandemic levels. Tourism growth is expected to continue in 2025 and to reach pre-pandemic levels by 2026.

Goods exports are projected to be weak in 2025, due to trade actions by the United States. The current status of US trade policy is highly uncertain with significant and rapid changes from day to day. There remains significant uncertainty around sectoral impacts, timing, and the extent of US tariff policy changes. Services exports are projected to continue growing alongside the tourism recovery. Imports are projected to continue growing in line with population growth and consumer spending, slowing through the forecast period.

Chart 7.8 Slower Growth for Goods Exports Under Tariff Threat

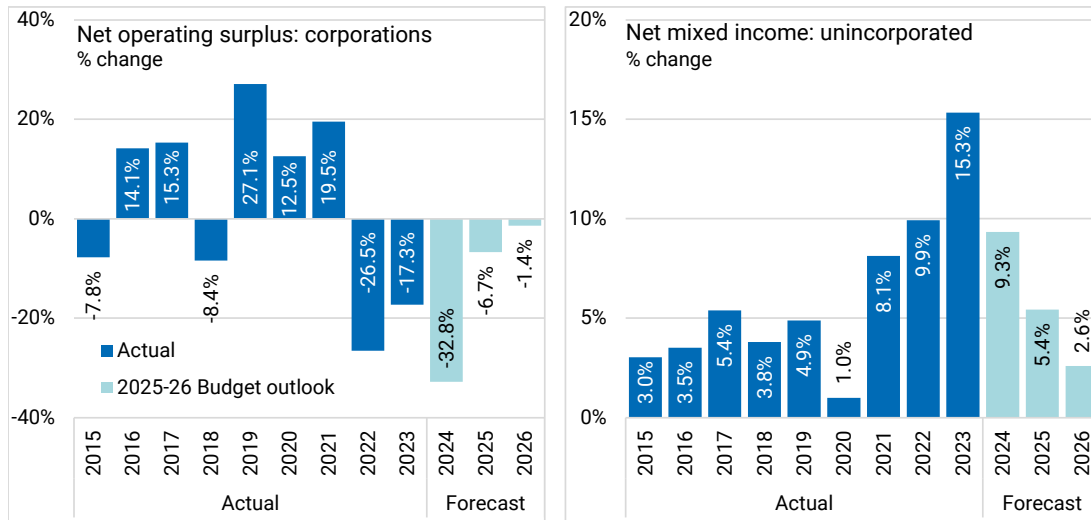


Source: Statistics Canada, Table 36-10-0221-01 Gross domestic product, income-based, provincial and territorial, annual (x 1,000,000); Nova Scotia Department of Finance and Treasury Board projections.

Business Income: Net operating surplus of corporations is estimated to have declined by 32.8 per cent in 2024 as rising employee compensation, a tight labour market, and slower price growth cut into corporate margins. This pressure is expected to ease in 2025, but weak exports will further negatively impact operating surplus generated by Nova Scotia corporations.

Net mixed income of unincorporated businesses reported strong growth in each of the last three years. This trend is estimated to have continued in 2024 (+9.3 per cent). Unincorporated business income is expected to slow to 5.4 per cent in 2025.

Chart 7.9 Business Income Anticipated to Fall 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 population growth and demand for housing supported growth in 2024. Construction activity rebounded with renewed growth in the residential sector. As gold mining operations wound down, mining activity declined. Education and health care and social assistance sectors grew to support the higher population level. Major projects are expected to continue supporting Nova Scotia’s construction and manufacturing sectors in 2025. However, manufacturing is expected to bear most of the impact of import tariffs that may be levied against Canada. Service sector output is expected to continue growing to support the province’s rising population.

Table 7.2 Nova Scotia GDP Outlook by Industry

Growth rates, real GDP at basic prices

	GDP Share	Actual	Estimated	Forecast	Forecast
	2023	2023	2024	2025	2026
All industries	100.0%	2.1%	1.9%	2.0%	1.8%
Agriculture, forestry, fishing	2.6%	-4.8%	0.3%	0.5%	0.3%
Mining, oil, gas	0.4%	-7.6%	-12.1%	0.5%	2.8%
Utilities	1.8%	-3.1%	2.2%	2.3%	2.1%
Construction	6.7%	-2.4%	6.2%	4.7%	1.3%
Manufacturing	7.4%	0.7%	0.9%	-0.1%	2.0%
Wholesale trade	3.3%	-1.3%	1.2%	1.9%	1.7%
Retail trade	6.7%	3.7%	0.9%	1.5%	1.6%
Transportation	3.6%	4.7%	0.4%	0.7%	0.3%
Information, culture	3.0%	2.5%	1.2%	1.4%	1.5%
Finance, insurance	5.8%	-0.04%	1.3%	1.4%	1.3%
Real estate, rental, leasing	17.1%	3.1%	1.0%	1.8%	1.9%
Professional, technical	5.1%	3.3%	0.6%	1.3%	1.7%
Company management	0.03%	-35.2%	-0.1%	0.0%	-0.2%
Administrative, support	1.9%	-0.4%	1.0%	3.6%	4.0%
Education	6.3%	2.6%	2.4%	2.5%	2.3%
Health care, social assistance	10.4%	4.4%	3.0%	3.1%	2.7%
Arts, entertainment, recreation	0.5%	12.7%	3.0%	2.8%	2.3%
Accommodation, food	2.3%	3.1%	6.0%	4.2%	2.5%
Personal, repair	2.0%	3.9%	1.6%	1.5%	1.5%
Public administration	12.9%	3.7%	2.5%	2.0%	1.8%

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 summarizes the Nova Scotia economic outlook used in preparing the revenue estimates. The outlook contains data and information up to November 7, 2024, as well as external assumptions, tax measures, fiscal policies and capital plans as of January 19, 2025, with a provision for US tariffs of limited duration. The private sector forecast is as of January 15, 2025.

Table 7.3 Nova Scotia Budget Economic Forecast

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

	2024	2025	2026
Real GDP (\$2017 chained)	1.9	2.0	1.8
<i>Average of private sector forecasters: Real GDP</i>	1.5	1.6	1.5
Nominal GDP	4.8	4.7	4.3
<i>Average of private sector forecasters: Nominal GDP</i>	4.2	3.4	3.2
Compensation of Employees	8.2	6.1	4.7
Household Income	8.7	5.5	4.3
Household Final Consumption	4.8	5.3	4.3
Retail sales	2.3	5.3	4.7
<i>Average of private sector forecasters: Retail sales</i>	1.4	1.7	2.3
Consumer Price Index (all-items, Index 2002=100)	2.4	2.2	2.0
<i>Average of private sector forecasters: CPI</i>	2.5	2.0	2.0
Residential Investment	18.5	7.7	3.3
Non-residential, Machinery, Intellectual Property	8.4	9.7	3.1
Corporate net operating surplus	-32.8	-6.7	-1.4
Unincorporated net mixed income	9.3	5.4	2.6
Exports of goods and services	3.7	5.7	4.8
Exports of goods to other countries	2.2	1.2	3.9
Imports of goods and services	6.9	6.0	4.1
Population at July 1 (000s, all ages)	a1,076.4	1,085.9	1,094.7
Population at July 1 (000s, 18–64)	a659.7	662.1	664.3
Labour force	3.0	1.6	0.7
Employment	2.8	1.4	0.6
<i>Average of private sector forecasters: Employment</i>	2.9	1.2	0.9
Unemployment rate (%)	6.5	6.7	6.8
<i>Average of private sector forecasters: Unemployment rate (%)</i>	6.7	6.8	6.4

Source: Nova Scotia Department of Finance and Treasury Board

Notes: a=actual; 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

Global risks: Nova Scotia's economic outlook is sensitive to external conditions. The potential changes to US trade policy and the ongoing war in Ukraine among other geopolitical conflicts pose significant risks to the economic outlook.

The outlook for Nova Scotia's trade is sensitive to US trade policy. The outlook currently assumes some impact to international goods exports in the short run due to US tariffs. However, the magnitude and duration of US tariffs is a very significant uncertainty, and any changes could result in significant revisions to the economic outlook. Nova Scotia exporters could be directly exposed to a loss of competitiveness in the US market from tariffs. They could also face indirect shocks from the economic consequences of tariffs across Canada and elevated import prices due to trade retaliations and currency depreciation. Competitiveness impacts would be somewhat softened by foreign exchange depreciation and lower interest rates. The potential for a wider trade war with the US adds significant additional uncertainty. Even if Canada escapes high or long-lasting tariffs, trade conflict between US and China could affect Nova Scotia's trade outlook as these are the province's top two export destinations.

Domestic risks: Population growth from international and internal migration has been a large contributor to Nova Scotia's economic growth in recent years. Slowing population growth as a result of federal immigration policies and internal migration patterns may have a bigger dampening effect than anticipated. Nova Scotia's housing markets remain imbalanced with an insufficient supply for a growing population. Elevated home prices diminish income that might otherwise be spent on discretionary consumption.

The economic forecast includes increases in government capital spending as well as tax reduction measures. While these are assumed to have positive effects on household disposable income and consumption, their impacts could be felt through other parts of the economy.

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, which could alter how much of these investments pass through to Nova Scotia households and businesses as income. The economic outlook only incorporates major investment projects that are imminent and certain. Proposed projects or initiatives in the developmental stage are not included in this outlook and may constitute an upside risk to the medium-term projections.

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

Many key Statistics Canada data inputs used in preparing the economic outlook are subject to historical revision, including the Provincial Economic Accounts, population estimates and the labour force survey. Furthermore, higher-frequency data for income, consumption, and investment in recent periods have not been well correlated with subsequent measures of economic activity. Future data revisions may alter the economic outlook.

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

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

Capital investment	\$369 million
Household final consumption	\$551 million
Resource sector output	\$382 million
Manufacturing sector output	\$541 million
Service sector output	\$316 million
Residential construction	\$402 million

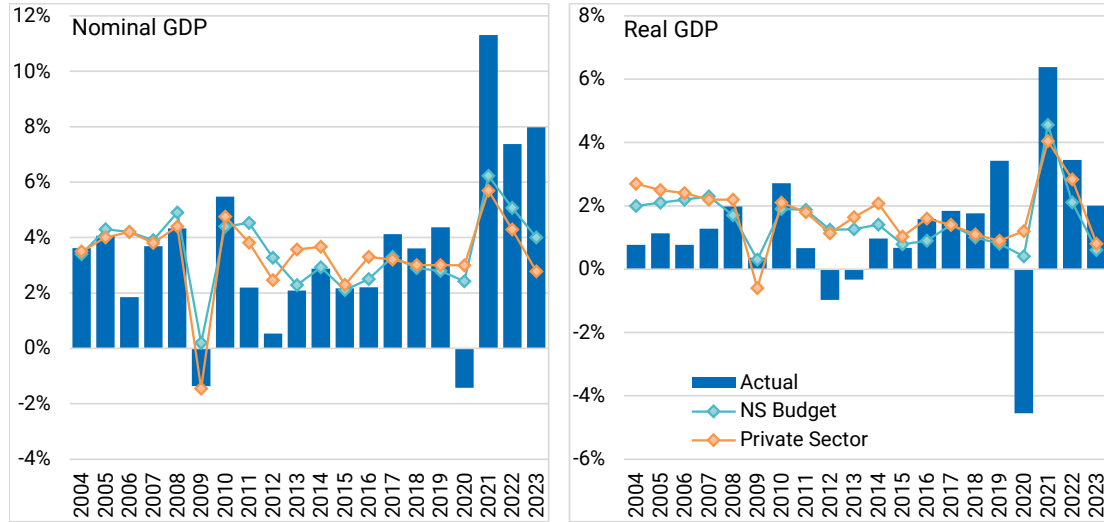
Source: Nova Scotia Department of Finance and Treasury Board

Economic Forecast Process and Review

Section 56(3)(b) of the Finance Act requires the Minister of Finance and Treasury Board to present the major economic assumptions made in preparing the fiscal plan. The Department of Finance and Treasury Board (FTB) uses a proprietary econometric forecasting model to project the key indicators of Nova Scotia's economy. The model builds future projections on historical trends as well as external assumptions about global conditions. In the process of generating an economic forecast, staff identify conditions that are expected to deviate from historical trends and make appropriate adjustments to reflect these events. This exercise of professional judgment is documented and disclosed to decision-makers prior to releasing the economic forecast. The accuracy of these projections is compared against the latest Statistics Canada results as well as private sector forecast averages in Chart 7.10.

FTB conducts a challenge and review session to validate the economic forecast. Before using the economic assumptions and outlook for budget planning, FTB presents them to members of the academic economists' community and leading forecasters who evaluate whether the assumptions and resulting economic forecasts form a reasonable and coherent basis for fiscal planning. FTB senior management 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 also shares its economic outlook during the Office of the Auditor General's review of revenue estimates.

Chart 7.10 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

Economic Indicators

Key economic indicators for Nova Scotia for 2019 to 2026 are presented in Table 7.5.

Table 7.5 Nova Scotia Key Indicators

		ACTUAL				
	2019	2020	2021	2022	2023	
Gross domestic product at market prices (\$ millions current)	46,834	46,165	51,385	55,173	59,574	
(% change)	4.4%	-1.4%	11.3%	7.4%	8.0%	
Gross domestic product at market prices (\$2017, chained millions)	45,586	43,513	46,290	47,888	48,849	
(% change)	3.4%	-4.5%	6.4%	3.5%	2.0%	
Compensation of employees (\$ millions current)	24,830	24,929	27,145	29,623	32,227	
(% change)	1.7%	0.4%	8.9%	9.1%	8.8%	
Household income (\$ millions current)	44,427	47,413	49,752	52,606	57,886	
(% change)	2.5%	6.7%	4.9%	5.7%	10.0%	
Household final consumption expenditure (\$ millions current)	32,326	31,212	34,726	37,911	40,730	
(% change)	2.8%	-3.4%	11.3%	9.2%	7.4%	
Retail sales (\$ millions current)	16,927	16,524	19,265	20,605	21,267	
(% change)	2.5%	-2.4%	16.6%	7.0%	3.2%	
Consumer Price Index (all-items, Index 2002=100)	137.5	137.9	143.5	154.3	160.5	
(% change)	1.6%	0.3%	4.1%	7.5%	4.0%	
Business gross fixed capital formation: residential (\$ millions current)	3,639	3,915	4,901	5,648	5,387	
(% change)	13.9%	7.6%	25.2%	15.2%	-4.6%	
Gross fixed capital formation: non-res., M&E, gov't, IP (\$ millions current)	6,704	6,243	6,760	7,413	8,075	
(% change)	7.7%	-6.9%	8.3%	9.7%	8.9%	
Net operating surplus: corporations (\$ millions current)	3,587	4,037	4,826	3,545	2,932	
(% change)	27.1%	12.5%	19.5%	-26.5%	-17.3%	
Net mixed income: unincorporated (\$ millions current)	5,243	5,295	5,725	6,293	7,258	
(% change)	4.9%	1.0%	8.1%	9.9%	15.3%	
Exports of goods and services (\$ millions current)	17,397	15,309	17,513	19,005	20,746	
(% change)	7.3%	-12.0%	14.4%	8.5%	9.2%	
Exports of goods to other countries (\$ millions current)	6,454	5,579	6,666	6,887	6,883	
(% change)	11.8%	-13.6%	19.5%	3.3%	-0.1%	
Imports of goods and services (\$ millions current)	29,656	27,660	31,698	35,648	37,528	
(% change)	4.7%	-6.7%	14.6%	12.5%	5.3%	
Population (all ages, 000s July 1)	975.8	989.2	999.9	1,025.3	1,056.5	
(% change)	1.4%	1.4%	1.1%	2.5%	3.0%	
Population (ages 18-64, 000s July 1)	607.0	611.5	614.5	628.8	648.7	
(% change)	0.9%	0.7%	0.5%	2.3%	3.2%	
Labour Force (000s)†	501.8	491.9	512.0	518.8	531.3	
(% change)	2.4%	-2.0%	4.1%	1.3%	2.4%	
Participation rate (%)†	62.3%	60.4%	62.3%	61.7%	61.5%	
(change)	0.7%	-1.9%	1.9%	-0.6%	-0.2%	
Employment (000s)†	464.6	443.3	468.1	484.9	497.8	
(% change)	2.8%	-4.6%	5.6%	3.6%	2.7%	
Employment Rate (%)†	57.6%	54.5%	57.0%	57.7%	57.6%	
(change)	0.8%	-3.1%	2.5%	0.7%	-0.1%	
Unemployment Rate (%)†	7.4%	9.9%	8.6%	6.5%	6.3%	
(change)	-0.4%	2.5%	-1.3%	-2.1%	-0.2%	

Source: Nova Scotia Department of Finance and Treasury Board

‡ average level over period, not average change

† Statistics Canada published revised Labour Force Survey estimates in January 2025. Actuals and forecasts shown here are based on unrevised values

Table 7.5 Nova Scotia Key Indicators
 (continued)

	FORECAST			ANNUAL AVERAGE	
	2024	2025	2026	2019-2023	2023-2026
Gross domestic product at market prices (\$ millions current)	62,447	65,389	68,200		
(% change)	4.8%	4.7%	4.3%	6.2%	4.6%
Gross domestic product at market prices (\$2017, chained millions)	49,797	50,802	51,742		
(% change)	1.9%	2.0%	1.8%	1.7%	1.9%
Compensation of employees (\$ millions current)	34,877	37,002	38,727		
(% change)	8.2%	6.1%	4.7%	6.7%	6.3%
Household income (\$ millions current)	62,912	66,379	69,239		
(% change)	8.7%	5.5%	4.3%	6.8%	6.2%
Household final consumption expenditure (\$ millions current)	42,667	44,939	46,877		
(% change)	4.8%	5.3%	4.3%	5.9%	4.8%
Retail sales (\$ millions current)	21,760	22,919	24,001		
(% change)	2.3%	5.3%	4.7%	5.9%	4.1%
Consumer Price Index (all-items, Index 2002=100)	164.4	168.1	171.4		
(% change)	2.4%	2.2%	2.0%	3.9%	2.2%
Business gross fixed capital formation: residential (\$ millions current)	6,384	6,875	7,099		
(% change)	18.5%	7.7%	3.3%	10.3%	9.6%
Gross fixed capital formation: non-res., M&E, gov't, IP (\$ millions current)	8,753	9,601	9,898		
(% change)	8.4%	9.7%	3.1%	4.8%	7.0%
Net operating surplus: corporations (\$ millions current)	1,971	1,838	1,812		
(% change)	-32.8%	-6.7%	-1.4%	-4.9%	-14.8%
Net mixed income: unincorporated (\$ millions current)	7,935	8,366	8,583		
(% change)	9.3%	5.4%	2.6%	8.5%	5.7%
Exports of goods and services (\$ millions current)	21,514	22,737	23,832		
(% change)	3.7%	5.7%	4.8%	4.5%	4.7%
Exports of goods to other countries (\$ millions current)	7,034	7,119	7,397		
(% change)	2.2%	1.2%	3.9%	1.6%	2.4%
Imports of goods and services (\$ millions current)	40,105	42,521	44,263		
(% change)	6.9%	6.0%	4.1%	6.1%	5.7%
Population (all ages, 000s July 1)	1,076.4	1,085.9	1,094.7		
(% change)	1.9%	0.9%	0.8%	2.0%	1.2%
Population (ages 18-64, 000s July 1)	659.7	662.1	664.3		
(% change)	1.7%	0.4%	0.3%	1.7%	0.8%
Labour Force (000s)†	547.2	556.0	559.9		
(% change)	3.0%	1.6%	0.7%	1.4%	1.8%
Participation rate (%)†	62.1%	62.5%	62.3%	61.7%	62.3%‡
(change)	0.6%	0.3%	-0.2%		
Employment (000s)†	511.7	518.9	522.0		
(% change)	2.8%	1.4%	0.6%	1.7%	1.6%
Employment Rate (%)†	58.1%	58.3%	58.1%	56.7%	58.2%‡
(change)	0.5%	0.2%	-0.2%		
Unemployment Rate (%)†	6.5%	6.7%	6.8%	8.1%	6.6%‡
(change)	0.2%	0.2%	0.1%		

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 \$18.8 billion as of March 31, 2025 (Table 8.1). Against this gross financial market debt are financial assets held in a discretionary sinking fund (\$1.0 billion) plus holdings of the Municipal Fund debt (\$893.7 million) plus advances to Halifax Harbour Bridges (\$157.0 million). These assets total approximately \$2.1 billion and are subtracted from gross financial market debt to result in an expected net financial market debt of \$16.7 billion as at March 31, 2025. The management of this net financial market debt position consists of executing the Province's borrowing program, investing sinking funds, and where cost-effective, 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.

Nova Scotia'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 Province is expected to post a budgetary surplus of \$82.4 million in 2024–25 and intends to post a budgetary deficit of \$697.5 million in 2025–26, before contingency, and \$897.5 million in 2025–26 after an allowance for contingency. This is followed by further deficits in the next two fiscal years, and an anticipated balance in the fourth year of the fiscal plan, before an allowance for contingency. By way of background, the Province posted surpluses in fiscal years 2016–17 to 2019–20, and again from 2021–22 to 2023–24.

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. The ongoing invasion of Ukraine by Russia will continue to impose risks and volatility to the global economy and financial markets. The United States, having recently elected a new administration with a more pronounced 'America First' policy stance, has global trading partners concerned about the risk of rising global protectionism and the threat of tariffs. This is expected to add volatility to the global economy and financial markets over the next year. The Bank of

Canada's approach to raising or lowering its key interest rate remains uncertain given the above risks. The Province of Nova Scotia has a borrowing program of \$3.0 billion for the 2025–26 fiscal year, before an allowance for contingency (or \$3.2 billion, after contingency).

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 current, past, and future budgetary transactions, as well as the cash flow implications of non-budgetary transactions, such as capital advances to governmental units, differences in cash versus accrual revenues in the Budget, and net acquisition of tangible capital assets.

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

	2024-25 Estimate	2024-25 Forecast	2025-26 Estimate	2026-27 Estimate	2027-28 Estimate	2028-29 Estimate
Gross Debt						
Opening Balance	17,000.0	17,358.7	18,753.5	21,514.6	24,881.1	27,450.8
Borrowing Program, Before Contingency	2,598.2	2,531.6	2,970.5	3,477.8	3,924.2	3,465.3
Debt Retirement	(859.2)	(859.2)	(841.2)	(3.5)	(1,203.4)	(1,103.6)
Change in other unfunded debt	619.7	(277.6)	631.8	(107.8)	(151.1)	(132.2)
Closing Balance, Before Contingency	19,358.7	18,753.5	21,514.6	24,881.1	27,450.8	29,680.3
Closing Balance, After Contingency	19,358.7	18,753.5	21,714.6	25,281.1	28,050.8	30,480.3
Discretionary Funds						
Opening Balance	990.5	993.6	1,016.5	1,043.6	1,076.4	1,114.0
Earnings	22.4	22.9	27.1	32.8	37.6	40.2
Fund Withdrawals	-	-	-	-	-	-
Closing Balance	1,012.9	1,016.5	1,043.6	1,076.4	1,114.0	1,154.2
Municipal Fund / Halifax Harbour Bridges						
Opening Balance	949.5	944.7	1,050.7	1,157.5	1,274.7	1,348.7
Repayments	(130.3)	(129.3)	(118.2)	(107.8)	(151.1)	(132.2)
Advances to Municipal Fund	350.0	215.3	225.0	225.0	225.0	225.0
Advances to Halifax Harbour Bridges	50.0	20.0	-	-	-	-
Closing Balance	1,219.2	1,050.7	1,157.5	1,274.7	1,348.6	1,441.4
Net Financial Market Debt, Before Contingency	17,126.6	16,686.3	19,313.5	22,530.0	24,988.2	27,084.6
Net Financial Market Debt, After Contingency	17,126.6	16,686.3	19,513.5	22,930.0	25,588.2	27,884.6

In 2024–25, the Province estimates there was approximately a \$1.3 billion 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 to offset the rise in financial market debt. The Province estimates that net financial market debt in financial markets will increase by about \$2.6 billion in 2025–26, before a contingency allowance (or \$2.8 billion after contingency allowance), primarily due to the budgetary deficit, the net acquisition of tangible capital assets, and 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. In 2024–25, 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.

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

Table 8.2 Canadian Provincial Credit Ratings

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

Structure of the Debt Portfolio

The structure of the Province's debt portfolio has been evolving over the past number of years with the intent of locking in historically low interest rates to protect the Province's fiscal situation from unanticipated increases in interest rates, and managing the Province's long-term refinancing requirements. 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 a budgetary surplus in 2024–25 of \$82.4 million and expects to post a budgetary deficit of \$697.5 million in 2025–26 before an allowance for contingency. 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 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 Province's Treasury Management strategy as their drawdown or replenishment can significantly alter the timing of debt issuance year to year.

2024–25 Borrowing Completed: In the fiscal year 2024–25, the Province borrowed \$2,500 million (proceeds of \$2,531.6 million) compared to term debt borrowing requirements of \$2,598.2 million estimated in the Budget. In the domestic public market, the Department of Finance and Treasury Board issued a new \$300 million, 50-year Medium Term Note with a coupon rate of 4.75 per cent, \$900 million reopening in 30-year debentures with a coupon rate of 4.75 per cent, issued a new 7-year \$500 million Floating Rate Note based on the Canadian Overnight Repo Rate Average (CORRA) with a coupon rate of CORRA +71 basis points, issued a new \$400 million in 10-year debentures with a coupon rate of 3.85 per cent, and issued a new \$400 million in 30-year debentures with a coupon of 4.60 per cent.

2025–26 Annual Borrowing: Projected term debt borrowing requirements for fiscal year 2025–26 is expected to be \$3.0 billion (Table 8.3), before contingency (or \$3.2 billion, after contingency) primarily related to funding of the budgetary deficit and net acquisition of tangible capital assets. There are numerous cash versus accrual adjustments (non-budgetary items) that need to be made to determine the actual cash requirements of the General Revenue Fund.

Each year there are requirements for the excess of capital expenditure over capital amortization, referred to as the net acquisition of tangible capital assets, those requirements in 2025–26 are \$1.7 billion. The remaining non-budgetary adjustments

BORROWING AND DEBT MANAGEMENT

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 2025–26 but draws attention to the fact that these funds total approximately \$1.0 billion.

Table 8.3 Projected Borrowing Requirements

(\$ millions)

	2024-25 Estimate	2024-25 Forecast	2025-26 Estimate	2026-27 Estimate	2027-28 Estimate	2028-29 Estimate
Budgetary (surplus) / deficit, Before Contingency	467.4	(82.4)	697.5	522.5	108.0	(8.6)
Net Capital Advances	758.5	587.0	854.6	859.4	536.1	266.2
Net Advances to Municipal Fund	227.7	93.0	106.8	117.2	73.9	92.8
Net Advances to Halifax Harbour Bridges	42.0	(8.0)	-	-	-	-
Tangible Capital Assets: Net Cash	1,048.1	1,316.0	1,672.0	2,039.0	2,075.0	1,860.0
Other Non-Budgetary Transactions	(77.2)	(532.9)	(478.7)	(96.6)	(109.8)	111.5
Cash Operating Requirements	2,466.6	1,372.7	2,852.2	3,441.5	2,683.2	2,321.9
Cash Debt Retirement	859.2	859.2	841.2	3.5	1,203.4	1,103.6
Public Debt Management Fund Income	22.4	22.9	27.1	32.8	37.6	40.2
Net Discretionary Sinking Fund Requirements	22.4	22.9	27.1	32.8	37.6	40.2
Total Requirements:	3,348.2	2,254.8	3,720.5	3,477.8	3,924.2	3,465.7
Change in Short-Term Borrowing or Drawdown of Short-term Assets (increase) / decrease	(750.0)	276.7	(750.0)	---	---	---
Total Borrowing Requirements, Before Contingency	2,598.2	2,531.6	2,970.5	3,477.8	3,924.2	3,465.7
Contingency	-	-	200.0	200.0	200.0	200.0
Total Borrowing Requirements, After Contingency	2,598.2	2,531.6	3,170.5	3,677.8	4,124.2	3,665.7

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 2024–25 is forecast to have been \$587.0 million, a decrease from the Budget Estimate of \$758.5 million. For fiscal year 2025–26 net capital advances are estimated to be \$854.6 million.

At March 31, 2025, the Municipal Fund portfolio is expected to be \$893.7 million in municipal debentures, an increase from \$799.5 million the year before.

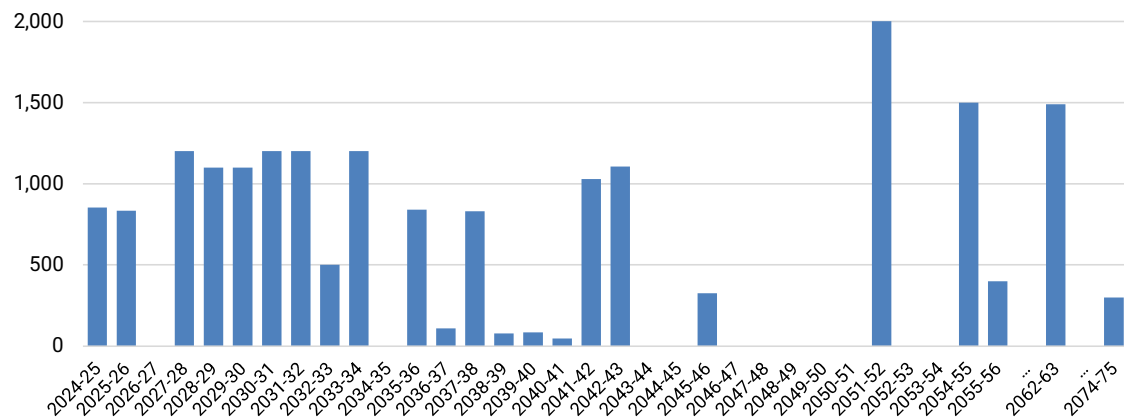
The Province maintains documentation with the Securities and Exchange Commission in the United States to provide access to the US and global bond markets. Although Nova Scotia maintains documentation to borrow in foreign markets, the domestic Canadian debt market is expected to be the primary source of funding for the Province's borrowing program in 2025–26. 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, 2025, is expected to consist of Canadian fixed-coupon marketable debentures, floating interest rate marketable debentures, Canada Pension Plan non-marketable debentures, capital leases (\$104.5 million) on the Halifax Convention Centre and a correctional facility, obligations under public-private partnership arrangements (\$230.0 million), and net short-term promissory notes. Chart 8.1 displays the maturity profile of the Province's debenture debt portfolio (\$18.5 billion).

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

(\$ millions)



As of March 31, 2025, the average term to maturity of the gross debenture portfolio is expected to be 15.5 years, up from 14.4 years, one year ago.

The Province of Nova Scotia has accumulated approximately \$1.0 billion in a discretionary sinking fund that is 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 offset slightly by 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 31.6 per cent on March 31, 2025, up from 0.5 per cent a year earlier. Table 8.4 presents the projected Net Debt over the fiscal plan.

Table 8.4 Projected Net Debt

(\$ millions)

	2024-25 Estimate	2024-25 Forecast	2025-26 Estimate	2026-27 Estimate	2027-28 Estimate	2028-29 Estimate
Net Debt - Opening Balance	18,701.7	18,516.2	19,749.8	22,419.7	24,981.5	27,164.9
Add (Deduct):						
Provincial Deficit (Surplus)	467.4	(82.4)	697.5	522.5	108.0	(8.6)
Increase in the Net Book Value of Tangible Capital Assets	1,048.1	1,316.0	1,672.4	2,039.3	2,075.4	1,860.2
Other	-	-	300.0	-	-	-
Change in Net Debt	1,515.5	1,233.6	2,669.9	2,561.8	2,183.4	1,851.6
Net Debt - Closing Balance	20,217.2	19,749.8	22,419.7	24,981.5	27,164.9	29,016.5

Debt Servicing Costs

Gross debt servicing costs are forecast to be \$869.2 million for 2024–25 and are estimated to be \$908.5 million for 2025–26 (Table 8.5). Gross debt servicing costs comprise the following items: (1) interest on existing long-term debentures, capital leases, public-private partnership arrangements, 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 in amounts of \$693.0 million in the 2024–25 forecast, and \$745.7 million in the 2025–26 Budget Estimate. Unlike the earnings on liquidity fund assets, the income from the on-lending activity is not typically shown as netted against debt-servicing costs. To achieve a true picture of the actual interest cost on long-term indebtedness, these amounts should be subtracted from gross debt servicing costs.

Table 8.5 Projected Debt Servicing Costs

(\$ millions)

	2024-25 Estimate	2024-25 Forecast	2025-26 Estimate	2026-27 Estimate	2027-28 Estimate	2028-29 Estimate
Interest on Long-term Debt	656.5	693.0	745.7	862.9	967.5	1,088.9
General Interest	63.4	71.1	55.2	55.9	56.1	44.3
Interest on Pension, Retirement and other obligations	103.0	105.1	107.6	110.6	113.3	115.4
Gross Debt Servicing Costs	822.9	869.2	908.5	1,029.4	1,136.9	1,248.6

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 approximately \$10.4 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. 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.