

NOVA SCOTIA BUDGET BULLETIN

FOR THE FISCAL YEAR 2008–09



Nova Scotia's Commitment to Debt Reduction

The government of Nova Scotia remains committed to sound fiscal management and reducing the province's debt in 2008–2009.

Nova Scotia's budget will be balanced for the seventh year in a row, and government is budgeting once again for a reduction in the debt.

The 2008–2009 budget includes a total surplus of \$189.7 million, of which \$105.9 million is from the offshore offset.

The budget estimates a \$12.3 million reduction in net direct debt, bringing it to \$12.336 billion.

Meanwhile, the ratio of Nova Scotia's debt to gross domestic product (GDP) will drop once again to 34.9 per cent in 2008–2009 from 36.6 per cent in the previous year.

The province has also limited its spending on capital projects this year to reduce the growth of debt. The budget for tangible capital assets will be \$276.4 million, well short of the requests for funding.

Government continues to manage the debt portfolio prudently. Gross debt-servicing costs are expected to drop once again in 2008–2009, estimated at \$904.5 million compared to the \$954.3 million budgeted in the previous year.

Nova Scotia's current foreign currency exposure is now zero, compared to 72 per cent 1995, after the province hedged all remaining U.S. dollar funds in 2007.

The province has also committed to applying to the debt at least 70 per cent of potential Crown Share dollars owed to Nova Scotia for the years up to and including 2007–2008. In 2008–2009 and beyond, any funds attributed to Crown Share will go on the debt.

Nova Scotia Debt Background

- Nova Scotia has implemented a number of measures in the last eight years, first to slow the growth of its debt and then to produce surpluses each year to reduce it.
- Reducing the net direct debt requires ending the year in a surplus position—with revenues higher than expenses—and not having the change in net book value of tangible capital assets exceed the surplus.
- The 2005 Debt Reduction Plan was a major step in debt reduction. In that year, Nova Scotia put \$830 million from the federal offshore offset payment onto the debt. A portion of this offset is recognized for accounting purposes each year for a total of eight years.
- The Debt Reduction Plan also includes a policy commitment to have the debt decline beginning in 2007–2008.
- Based on current projections and government policy, the debt-to-GDP ratio should drop below 30 per cent by 2012.
- Debt-servicing costs have dropped relative to revenues from 19.9 per cent in 2001–2002 to an estimated 10.7 per cent in 2008–2009.
- Provincial debt as a percentage of gross domestic product has dropped from 48.7 per cent in 1999–2000 to an estimated 34.9 per cent for 2008–2009.