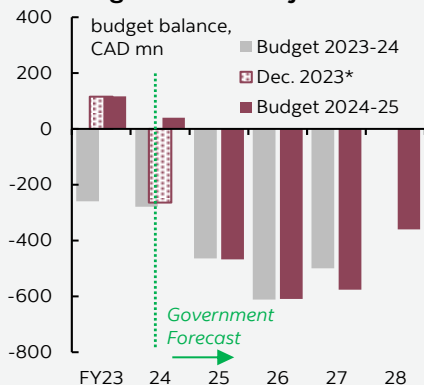


#### Contributors

**John Fanjoy**  
Economist  
Scotiabank Economics  
416.866.4735  
[john.fanjoy@scotiabank.com](mailto:john.fanjoy@scotiabank.com)

Chart 1

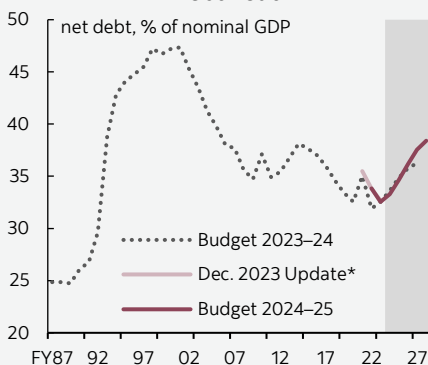
#### Nova Scotia's Updated Budget Balance Projections



\* FY23 figure is final result.  
Sources: Scotiabank Economics, Nova Scotia Finance.

Chart 2

#### Nova Scotia's Projected Debt Load



\*FY23 figure is final result.  
Sources: Scotiabank Economics, Finance Canada, Nova Scotia Finance.

## Nova Scotia: 2024–25 Budget

### CONTINUED SPENDING ON KEY INITIATIVES

- **Budget balance forecasts:** surprise surplus of \$40.3 mn (0.1% of nominal GDP) in FY24, returning to deficits of -\$467.4 mn (-0.8%) FY25 and -\$608.7 mn (-1.0%) in FY26 in line with last year's budget, narrowing to -\$575.7 mn (-0.9%) in FY27 and -\$360.1 mn (-0.6%) in FY28 (chart 1).
- **Net debt:** expected to increase from 33.3% of nominal GDP in FY24 up to 38.4% in FY28 (chart 2).
- **Real GDP growth forecasts:** +1.3% in 2023, 1.7% in 2024, and 1.9% in 2025.
- **Borrowing program:** \$2.0 bn in FY24, \$2.6 bn in FY25, \$3.4 bn in FY26, \$2.0 bn in FY27, and \$2.6 bn in FY28.
- **Budget 2024–25 follows through with a focus on healthcare and key initiatives, while assumptions of an optimistic economic outlook and increased revenue provides the backdrop for increased spending.**

### OUR TAKE

**Nova Scotia's Budget 2024–25 presents a budget balance that, for the most part, looks to be unchanged in the near term.** The Province now expects to run a surprise surplus of \$40.3 mn in FY24, albeit only 0.1% of nominal GDP, as higher own-source revenue and federal transfers are partially offset by greater program spending. Over the following two fiscal years, departmental expenses are expected to rise faster than revenue resulting in deficits that will increase to -\$608.7 mn (-1.0% of nominal GDP) by FY27, in line with last year's Budget, followed by slower declines in the deficit in the outer years.

**Since the December 2023 fiscal update, Nova Scotia has seen greater than expected revenue windfalls.** An additional \$587 mn in federal transfers along with \$425 mn from prior years' adjustments have supported a 4.7% increase in FY24 total revenue relative to December's forecast. While own-source revenue is expected to be lower in FY25 at \$8,913 mn from \$9,113 mn in FY24, when excluding FY24's prior year adjustment own-source revenue is expected to increase by \$360 mn. The introduction of tax brackets and credit indexation supports the upward revisions to the Personal Income Tax outlook. Total revenue is forecast to increase between 2% and 2.6% each of the next four years, reaching \$17 bn by FY28.

**While total expenditure looks set to increase 5.6% in FY25, the Budget continues to follow through on promised spending initiatives.** Spending on Health and Wellness, the single largest item by departmental expense, will increase by \$304 mn (5.8% y/y) to \$5.5 bn in FY25. Nearly \$10.5 bn will be spent in FY25 on the top four departments by share of expenditure: Health and Wellness (33.5%), Education and Early Childhood Development (12.1%), Community Services (9.6%), and Seniors and Long-term Care (8.2%), accounting for almost two-thirds of the fiscal year's total expenses.

**The net debt-to-GDP ratio is expected to continue increasing each year included in the Budget.** Net debt is expected to increase more than 7% from FY25 out through FY27 and 5.7% in FY28, compared to nominal GDP forecasts of 3.9% in 2024 and 3.2–3.3% thereafter. This will drive up the net debt-to-GDP ratio from 33.3% in FY24, marginally below what was presented in last year's Budget, to 38.4% by the end of FY28.

**The economic outlook presented in the Budget is more optimistic than our baseline view.** The Budget assumes real GDP growth of 1.7% in 2024 and 1.9% in 2025, which is

above our latest forecast of 0.8% and 1.6% respectively, following 2023's expected growth of 1.3% year-over-year. Uncertainty around an expected slowdown in the near term owing to elevated interest rates suggest there is more downside than upside risk to the Budget's assumptions on economic activity.

**Nova Scotia's borrowing program for FY24 is complete, at \$2.0 bn for the fiscal year.** Borrowing requirements for FY25 are expected to increase to \$2.6 bn for the purpose of funding the primary deficit and construction of long-term care facilities, as well as the net acquisition of tangible capital assets. Total borrowing requirements as laid out in the Budget are \$3.4 bn in FY26, \$2.0 bn in FY27 and \$2.6 bn in FY28. The province expects the primary source of funding for the FY25 borrowing program to come from the Canadian debt market.

Current-Year Fiscal Forecast			
\$ millions except where noted			
	FY24		FY25
	Dec.'23	Bud.'25	Bud.'25
Personal Income Tax	3,960	3,982	4,174
Corporate Income Tax	642	667	749
Harmonized Sales Tax	2,502	2,651	2,756
Other Taxes	836	703	667
Tax Revenues	7,940	8,003	8,346
Other Own-Source Revenue	542	1,110	567
<b>Own-Source Revenue</b>	<b>8,482</b>	<b>9,113</b>	<b>8,913</b>
Gov. Bus. Ent. - Net Income	465	470	474
Ordinary Recoveries	1,070	538	415
Federal Transfers	4,823	5,410	6,042
<b>Total Revenue</b>	<b>14,840</b>	<b>15,531</b>	<b>15,844</b>
Program Spending	14,470	14,851	15,696
Debt Service	790	792	823
<b>Total Expenditure</b>	<b>15,260</b>	<b>15,643</b>	<b>16,519</b>
Consolidation & Adjustments	156	153	208
<b>Provincial Balance</b>	<b>-264</b>	<b>40</b>	<b>-467</b>
<b>Memo Items, %</b>			
Budget Balance / GDP	-0.5	0.1	-0.8
Debt Service / Revenue	5.3	5.1	5.2
Net Debt / GDP	N/A	33.3	34.6

Sources: Scotiabank Economics, Nova Scotia Finance, Statistics Canada.

Outer-Year Fiscal Forecast					
\$ millions except where noted					
	FY24	FY25	FY26	FY27	FY28
	Ordinary Revenue	13,952	14,226	14,677	15,165
Ordinary Recoveries	1,109	1,144	1,091	1,019	901
GBE Net Income	470	474	473	485	484
<b>Total Revenue</b>	<b>15,531</b>	<b>15,844</b>	<b>16,240</b>	<b>16,669</b>	<b>16,999</b>
<b>% change</b>	10.3%	2.0%	2.5%	2.6%	2.0%
Departmental Expenses	14,660	15,536	15,984	16,268	16,308
Refundable Tax Credits	134	126	128	128	128
Pension Valuation Adjustment	58	33	42	47	59
Debt Service Costs	792	823	900	1,001	1,057
<b>Total Expenses</b>	<b>15,643</b>	<b>16,519</b>	<b>17,054</b>	<b>17,444</b>	<b>17,552</b>
<b>% change</b>	7.5%	5.6%	3.2%	2.3%	0.6%
Consolidation & Accounting Adj.	152.8	207.5	205.1	200.0	192.4
<b>Provincial Balance</b>	<b>40.3</b>	<b>(467.4)</b>	<b>(608.7)</b>	<b>(575.7)</b>	<b>(360.1)</b>
<b>Budget Balance / GDP</b>	<b>0.1</b>	<b>(0.8)</b>	<b>(1.0)</b>	<b>(0.9)</b>	<b>(0.6)</b>
<b>Net Debt</b>	<b>18,702</b>	<b>20,217</b>	<b>21,814</b>	<b>23,373</b>	<b>24,713</b>
<b>Net Debt-to-GDP Ratio</b>	<b>33.3%</b>	<b>34.6%</b>	<b>36.2%</b>	<b>37.5%</b>	<b>38.4%</b>

Source: Nova Scotia Finance.

This report has been prepared by Scotiabank Economics as a resource for the clients of Scotiabank. Opinions, estimates and projections contained herein are our own as of the date hereof and are subject to change without notice. The information and opinions contained herein have been compiled or arrived at from sources believed reliable but no representation or warranty, express or implied, is made as to their accuracy or completeness. Neither Scotiabank nor any of its officers, directors, partners, employees or affiliates accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

These reports are provided to you for informational purposes only. This report is not, and is not constructed as, an offer to sell or solicitation of any offer to buy any financial instrument, nor shall this report be construed as an opinion as to whether you should enter into any swap or trading strategy involving a swap or any other transaction. The information contained in this report is not intended to be, and does not constitute, a recommendation of a swap or trading strategy involving a swap within the meaning of U.S. Commodity Futures Trading Commission Regulation 23.434 and Appendix A thereto. This material is not intended to be individually tailored to your needs or characteristics and should not be viewed as a “call to action” or suggestion that you enter into a swap or trading strategy involving a swap or any other transaction. Scotiabank may engage in transactions in a manner inconsistent with the views discussed this report and may have positions, or be in the process of acquiring or disposing of positions, referred to in this report.

Scotiabank, its affiliates and any of their respective officers, directors and employees may from time to time take positions in currencies, act as managers, co-managers or underwriters of a public offering or act as principals or agents, deal in, own or act as market makers or advisors, brokers or commercial and/or investment bankers in relation to securities or related derivatives. As a result of these actions, Scotiabank may receive remuneration. All Scotiabank products and services are subject to the terms of applicable agreements and local regulations. Officers, directors and employees of Scotiabank and its affiliates may serve as directors of corporations.

Any securities discussed in this report may not be suitable for all investors. Scotiabank recommends that investors independently evaluate any issuer and security discussed in this report, and consult with any advisors they deem necessary prior to making any investment.

**This report and all information, opinions and conclusions contained in it are protected by copyright. This information may not be reproduced without the prior express written consent of Scotiabank.**

™ Trademark of The Bank of Nova Scotia. Used under license, where applicable.

Scotiabank, together with “Global Banking and Markets”, is a marketing name for the global corporate and investment banking and capital markets businesses of The Bank of Nova Scotia and certain of its affiliates in the countries where they operate, including: Scotiabank Europe plc; Scotiabank (Ireland) Designated Activity Company; Scotiabank Inverlat S.A., Institución de Banca Múltiple, Grupo Financiero Scotiabank Inverlat, Scotia Inverlat Casa de Bolsa, S.A. de C.V., Grupo Financiero Scotiabank Inverlat, Scotia Inverlat Derivados S.A. de C.V. – all members of the Scotiabank group and authorized users of the Scotiabank mark. The Bank of Nova Scotia is incorporated in Canada with limited liability and is authorised and regulated by the Office of the Superintendent of Financial Institutions Canada. The Bank of Nova Scotia is authorized by the UK Prudential Regulation Authority and is subject to regulation by the UK Financial Conduct Authority and limited regulation by the UK Prudential Regulation Authority. Details about the extent of The Bank of Nova Scotia's regulation by the UK Prudential Regulation Authority are available from us on request. Scotiabank Europe plc is authorized by the UK Prudential Regulation Authority and regulated by the UK Financial Conduct Authority and the UK Prudential Regulation Authority.

Scotiabank Inverlat, S.A., Scotia Inverlat Casa de Bolsa, S.A. de C.V., Grupo Financiero Scotiabank Inverlat, and Scotia Inverlat Derivados, S.A. de C.V., are each authorized and regulated by the Mexican financial authorities.

Not all products and services are offered in all jurisdictions. Services described are available in jurisdictions where permitted by law.