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#### Updated Fiscal Forecast

\$ millions except where noted

	FY23		FY24	
	Bud.'24	Final	Bud.'24	Dec.'23
Personal Income Tax	3,585	3,632	3,731	3,960
Corporate Income Tax	752	729	740	642
Harmonized Sales Tax	2,339	2,397	2,438	2,502
Other Taxes	692	709	675	836
Tax Revenues	7,368	7,467	7,585	7,940
Other Own-Source Revenue	1,400	1,445	499	542
<b>Own-Source Revenue</b>	<b>8,768</b>	<b>8,912</b>	<b>8,083</b>	<b>8,482</b>
Gov. Bus. Ent. - Net Income	396	465	285	465
Ordinary Recoveries	378	857	436	1,070
Federal Transfers	4,777	4,759	5,364	4,823
<b>Total Revenue</b>	<b>14,318</b>	<b>14,547</b>	<b>14,169</b>	<b>14,840</b>
Program Spending	14,032	13,880	14,053	14,470
Debt Service	680	671	767	790
<b>Total Expenditure</b>	<b>14,713</b>	<b>14,551</b>	<b>14,820</b>	<b>15,260</b>
Consolidation & Adjustments	135	120	372	156
<b>Provincial Balance</b>	<b>-259</b>	<b>116</b>	<b>-279</b>	<b>-264</b>
<b>Memo Items, %</b>				
Budget Balance / GDP	-0.5	0.2	-0.5	-0.5
Debt Service / Revenue	4.8	4.6	5.4	5.3
Net Debt / GDP	32.5	32.7	33.6	N/A

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

## Nova Scotia: 2023–24 Mid-Year Update

### MOSTLY STAYING THE COURSE

- **Budget balance forecasts: -\$264 mn (-0.5% of nominal GDP) in FY24, a slight improvement but in line with Budget 2023's share of GDP projections (chart 1).**
- **Net debt forecast: no specific number has been provided in this update but FY23 could be above forecast owing to weaker than expected nominal GDP (chart 2).**
- **GDP growth forecasts: real GDP outlook for 2023 has been revised up to 1.2% and unchanged for 2024 at 1.1%, while nominal GDP has been revised down to 3.2% from 4.0% in 2023 following a lower than expected handoff from 2022 of 7.1% growth versus 7.7% forecast.**

### OUR TAKE

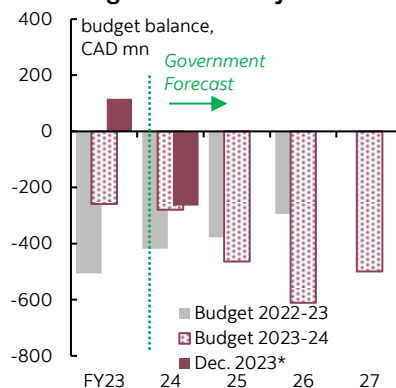
The December forecast update mostly stays the course, albeit with some changes from Budget 2023. Stronger than expected labour markets and wage growth have added to the revenue outlook which is partially offset by higher spending, largely focused on healthcare, reducing the deficit by \$15 mn (5.2%) to -\$264 mn in FY24. However, downward revisions to the nominal GDP outlook, now expecting 3.2% growth versus 4.0% prior in 2023 and a lower handoff of 7.1% in 2022 compared to 7.7% at Budget, has kept the projected budget balance as a share of nominal GDP unchanged at -0.5% in FY24. Upward revisions to the previous year's total revenue and lower than expected total expenditure resulted in a surprise surplus of \$116 mn in FY23. While net debt figures were not included in this update, if net debt levels and all else are unchanged, lower nominal GDP is likely to add upwards pressure to the net debt-to-GDP ratio which was 32.7% at the end of FY23.

### Total revenue is projected to come in higher than Budget by \$671.4 mn (4.7%) in FY24.

Still tight labour markets that have supported strong wage growth through much of this year has added \$229.2 mn (+6.1%) to the projected revenue from Personal Income Taxes. The CPI outlook for 2023 was revised up to 4.0% from 3.7% prior, the persistence of inflation has contributed, at least in part, to higher forecast Harmonized Sales Tax revenues (\$63.9 mn, +2.6%). While net income from Government Business Enterprises (GBEs) is projected to come in \$180 mn above Budget, when controlling for the accounting change where Nova Scotia Gaming Corporation's \$178.7 mn net income is now reported under GBEs instead of consolidation and accounting adjustments, total net income from GBEs is expected to be relatively flat (+0.5%).

Chart 1

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

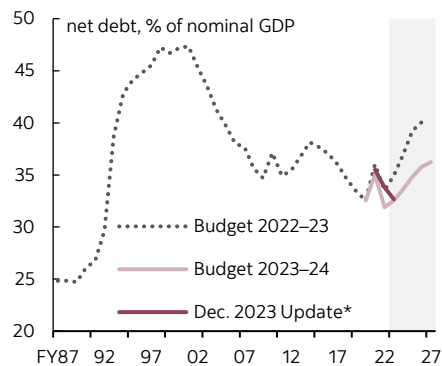


\* FY23 figure is final result.

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.

**Total expenditure in FY24 is projected to be \$440.2 mn (3.0%) above annual target spending laid out in the Spring budget.**

Departmental spending is forecast to account for \$421.9 mn of the incremental additional spending, while higher interest rates are projected to add \$23.4 mn (3.1%) to debt servicing costs. Higher spending by the Department of Health and Wellness (\$363 mn, 7.5%) is the biggest dollar jump in price tag relative to the Budget owing to increased costs of labour and supplies, as well as union contract settlements. Meanwhile, lower projected spending on restructuring costs (-\$268.6 mn, -52.3%) entirely offsets the added spending on the ensuing four largest dollar additions of Service Nova Scotia (\$82.6 mn, +53.9%), long-term care (\$51.1 mn, +3.8%), community services (\$41.8 mn, +3.2%), and housing (\$39.8 mn, +7.2%).

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