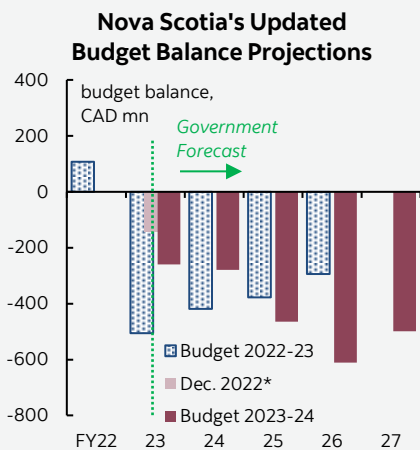


Contributors

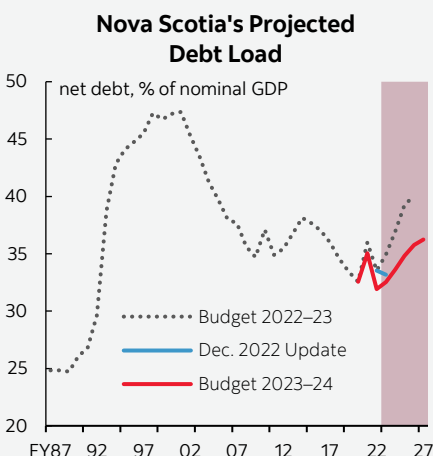
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Chart 1



\* FY22 figure is final result.  
Sources: Scotiabank Economics, Nova Scotia Finance.

Chart 2



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

# Nova Scotia: 2023–24 Budget

## RAMPED UP SPENDING TO ADDRESS HEALTHCARE GAPS

- **Budget balance forecasts:** **-\$259 mn (-0.5% of nominal GDP) in FY23, -\$279 mn (-0.5%) in FY24, -\$464 mn (-0.8%) in FY25, -\$611 mn (-1.0%) in FY26, and -\$499 mn (-0.8%) in FY27 (chart 1).**
- **Net debt:** **strong nominal GDP growth in 2021 pushed the net debt-to-GDP ratio down in FY22, but net debt growth is expected to outpace nominal GDP, increasing the ratio up from 32.5% in FY23 to 36.2% in FY27 (chart 2).**
- **Real GDP growth forecasts:** **+2.9% in 2022, +0.6% in 2023, and 1.1% in 2023.**
- **While the budget ramps up spending, mostly in healthcare, increasing the deficit through FY26, it follows through with a main campaign promise to address strains on the healthcare system. The deficit is forecast to decline only by FY27.**

## OUR TAKE

**The budget adds substantial new funding to address major gaps in Nova Scotia’s healthcare system, while otherwise restraining spending in other areas.** The outlook presented in Budget 2023–24 expects to run deficits that will increase from **-\$259 mn (-0.5% of nominal GDP) in FY23 to -\$611 mn (-1.0%) in FY26**, before falling to **-\$499 mn (-0.8%) in FY27**. This is in contrast to last year’s budget which expected deficits of **-\$506 mn (-1.0%) in FY23** falling to **-\$294 mn (-0.5%) in FY26**.

**Growth in total expenses is expected to be muted in FY24, before increasing through FY26.** The largest change in spending is on Health and Wellness, expected to increase more than \$310 mn, totalling \$4,854 mn in FY24. On the other side of the ledger, lower spending on Environment and Climate Change which was nearly \$160 mn above budget in FY23 due to hurricane Fiona. Total revenue is expected to fall by 1% in FY24, primarily due to lower net income from government business enterprises, and then increase by more than 1% per year in the outer years, with the growth coming solely from ordinary revenue.

**The net debt-to-GDP ratio fell to 31.9% in FY22 owing in large part from nominal GDP growth above 10% in 2021, meanwhile net debt increased 1.0% that same year.** With GDP growth forecasted to slow down to only 0.6% in real terms and 4.0% in nominal terms in 2023 then grow around 1% real and 3.3% nominal per year thereafter, slightly below longer-term averages, net debt-to-GDP is expected to increase to 36.2% by FY27 as net debt is expected to increase more than 6% per year in FY24 through FY26.

**Nova Scotia’s borrowing requirements are greater in FY25 and FY26 than what was presented in last year’s budget.** Total borrowing requirements are expected to increase to \$2.0 bn in FY24, which is below the expected cash requirements due to the pre-borrowing of \$680 mn over the past few years. However, total borrowing requirements are expected to be at least \$2 bn per year from FY24 through FY26, which is \$1.6 bn above the borrowing requirements for those three years presented in last year’s budget. The province expects the Canadian debt market to be their primary source of funding for borrowing in FY24, while maintaining the documentation to borrow in US and global markets.

**For a breakdown of the numbers please see tables on page 2.**

**Current-Year Fiscal Forecast**

\$ millions except where noted

|                             | FY23          |               | FY24          |
|-----------------------------|---------------|---------------|---------------|
|                             | Dec.'22       | Bud.'24       | Bud.'24       |
| Personal Income Tax         | 3,493         | 3,585         | 3,731         |
| Corporate Income Tax        | 789           | 752           | 740           |
| Harmonized Sales Tax        | 2,250         | 2,339         | 2,438         |
| Other Taxes                 | 1,318         | 692           | 675           |
| Tax Revenues                | 7,850         | 7,368         | 7,585         |
| Other Own-Source Revenue    | 494           | 1,400         | 499           |
| <b>Own-Source Revenue</b>   | <b>8,344</b>  | <b>8,768</b>  | <b>8,083</b>  |
| Gov. Bus. Ent. - Net Income | 440           | 396           | 285           |
| Ordinary Recoveries         | 904           | 378           | 436           |
| Federal Transfers           | 4,322         | 4,777         | 5,364         |
| <b>Total Revenue</b>        | <b>14,010</b> | <b>14,318</b> | <b>14,169</b> |
| Program Spending            | 13,575        | 14,032        | 14,053        |
| Debt Service                | 684           | 680           | 767           |
| <b>Total Expenditure</b>    | <b>14,259</b> | <b>14,713</b> | <b>14,820</b> |
| Consolidation & Adjustments | 107           | 135           | 372           |
| <b>Provincial Balance</b>   | <b>-143</b>   | <b>-259</b>   | <b>-279</b>   |
| <b>Memo Items, %</b>        |               |               |               |
| Budget Balance / GDP        | -0.3          | -0.5          | -0.5          |
| Debt Service / Revenue      | 4.9           | 4.8           | 5.4           |

\* Estimated by Scotiabank Economics.

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

**Outer-Year Fiscal Forecast**

\$ millions except where noted

|                                 | FY23           | FY24           | FY25           | FY26           | FY27           |
|---------------------------------|----------------|----------------|----------------|----------------|----------------|
| Ordinary Revenue                | 13,078         | 12,897         | 13,200         | 13,622         | 14,087         |
| Ordinary Recoveries             | 845            | 986            | 868            | 866            | 660            |
| GBE Net Income                  | 396            | 285            | 279            | 276            | 280            |
| <b>Total Revenue</b>            | <b>14,318</b>  | <b>14,169</b>  | <b>14,347</b>  | <b>14,764</b>  | <b>15,026</b>  |
| <b>% change</b>                 | 12.7%          | -1.0%          | 1.3%           | 2.9%           | 1.8%           |
| Departmental Expenses           | 13,833         | 13,851         | 13,983         | 14,505         | 14,577         |
| Refundable Tax Credits          | 136            | 136            | 137            | 137            | 138            |
| Pension Valuation Adjustment    | 63             | 67             | 55             | 51             | 63             |
| Debt Service Costs              | 681            | 767            | 797            | 840            | 903            |
| <b>Total Expenses</b>           | <b>14,713</b>  | <b>14,820</b>  | <b>14,972</b>  | <b>15,533</b>  | <b>15,681</b>  |
| <b>% change</b>                 | 14.3%          | 0.7%           | 1.0%           | 3.7%           | 1.0%           |
| Consolidation & Accounting Adj. | 135.1          | 372.5          | 160.4          | 158.4          | 155.2          |
| <b>Provincial Balance</b>       | <b>(259.4)</b> | <b>(278.9)</b> | <b>(464.3)</b> | <b>(610.7)</b> | <b>(499.2)</b> |
| <b>Budget Balance / GDP</b>     | <b>(0.5)</b>   | <b>(0.5)</b>   | <b>(0.8)</b>   | <b>(1.0)</b>   | <b>(0.8)</b>   |
| <b>Net Debt</b>                 | <b>18,186</b>  | <b>19,544</b>  | <b>20,944</b>  | <b>22,204</b>  | <b>23,257</b>  |
| <b>Net Debt-to-GDP Ratio</b>    | <b>32.5%</b>   | <b>33.6%</b>   | <b>34.8%</b>   | <b>35.8%</b>   | <b>36.2%</b>   |

Source: Nova Scotia Finance.

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