

**FISCAL PULSE**

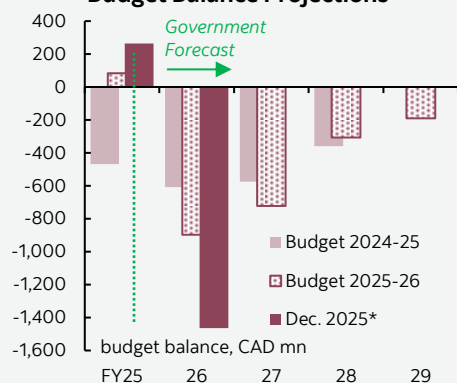
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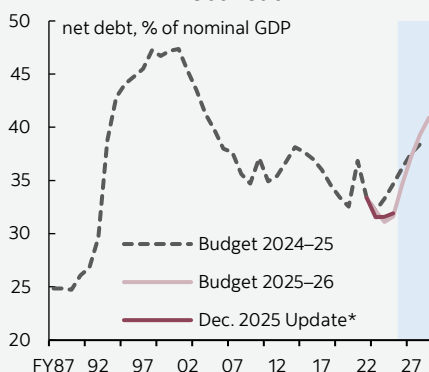
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**Chart 1**
**Nova Scotia's Updated Budget Balance Projections**


\* FY25 figure is final result.

Sources: Scotiabank Economics, Nova Scotia Finance.

**Chart 2**
**Nova Scotia's Projected Debt Load**


\*FY25 figure is final result.

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

# Nova Scotia: 2025–26 Mid-Year Fiscal Update

## **RIISING HEALTHCARE SPENDING PUSHES THE BUDGET BALANCE FURTHER IN THE RED**

- Nova Scotia's December 2025 forecast update revised the budget balance for fiscal year 2025–26 (FY26) to  $-\$1.47$  bn ( $-2.1\%$  of nominal GDP) after accounting for contingencies (chart 1).** The latest outlook sees a larger deficit for the current fiscal year, rising from  $-\$0.9$  bn ( $-1.4\%$ ) expected in Budget 2025–26, as higher departmental expenses outweigh higher revenue. The update also reports a  $\$25$  mn draw down from the  $\$200$  mn contingency funding set aside at the beginning of the fiscal year, with  $\$175$  mn in contingency remaining.
- Total expenses in the December 2025 update were revised higher by  $\$722$  mn ( $+4.1\%$ ) compared to Budget 2025–26.** The increase in spending is largely concentrated in the departments of Health and Wellness ( $+\$416.1$  mn,  $+7\%$ ) and Seniors and Long-Term Care ( $+\$83.5$  mn,  $+5.7\%$ ), as increased utilization and inflationary pressures add to the province's healthcare spending. There is also higher than previously forecasted spending on restructuring costs ( $+\$172$  mn,  $+31.2\%$ ) primarily due to corporate initiatives.
- Meanwhile, total revenue forecast for FY26 was revised up by  $\$144$  mn ( $+0.9\%$ ) compared to the Spring Budget.** The revenue windfall is primarily owing to higher projected corporate income taxes ( $+\$48.8$  mn,  $+5.8\%$ ), federal transfers ( $+\$57.5$  mn,  $+1\%$ ), and positive prior year adjustments ( $+\$82$  mn). This is partially offset by reduced forecasts for personal income taxes ( $-\$79.3$  mn,  $-1.7\%$ ), due to lower-than-expected taxable income in 2024, and investment income ( $-\$65$  mn,  $-30.2\%$ ), primarily owing to an accounting adjustment change.
- There is no updated forecast for net debt (chart 2).** However the larger deficit could reasonably push net debt levels higher. The forecast for nominal GDP growth in 2025 was left unchanged from the Spring Budget at  $4.7\%$ , while real GDP growth was lowered to  $1.5\%$  from  $2\%$  previously.

**Updated Fiscal Forecast**

\$ millions except where noted

|   | FY26          |               |
|---|---------------|---------------|
|   | Bud.'26       | Dec.'25       |
| Ordinary Revenue                                    | 14,970        | 15,027        |
| Ordinary Recoveries                                 | 1,070         | 1,157         |
| GBE Net Income                                      | 465           | 466           |
| <b>Total Revenue</b>                                | <b>16,506</b> | <b>16,650</b> |
| Departmental Expenses                               | 16,495        | 17,214        |
| Refundable Tax Credits                              | 148           | 164           |
| Pension Valuation Adjustment                        | 17            | -8            |
| Debt Servicing Costs                                | 909           | 921           |
| <b>Total Expenses</b>                               | <b>17,569</b> | <b>18,290</b> |
| Consolidation & Accounting Adj.                     | 366           | 350           |
| <b>Balance - Before Contingency</b>                 | <b>-697</b>   | <b>-1,290</b> |
| Contingency   | 200           | 175           |
| <b>Balance - After Contingency</b>                  | <b>-897</b>   | <b>-1,465</b> |
| <b>Budget Balance / GDP - After Contingency (%)</b> | <b>-1.4</b>   | <b>-2.1</b>   |

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

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