

Contributors

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Updated Fiscal Forecast \$ millions except where noted

	FY21		FY22	
	Mar. '21	Final	Mar. '21	Dec. '21
Personal Income Tax	2,839	2,882	2,945	3,170
Corporate Income Tax	413	316	500	508
Harmonized Sales Tax	1,912	1,837	2,026	2,137
Other Taxes	375	629	630	985
Tax Revenues	5,540	5,665	6,101	6,800
Other Own-Source Revenue	487	1,215	461	460
Own-Source Revenue	6,026	6,880	6,562	7,261
Gov. Bus. Ent. - Net Income	363	384	400	403
Ordinary Recoveries	711	758	685	779
Federal Transfers	4,244	4,264	4,134	4,341
Total Revenue	11,344	12,286	11,782	12,784
Program Spending	11,421	11,893	11,762	11,939
Debt Service	743	734	711	689
Total Expenditure	12,164	12,627	12,473	12,852
Consolidation & Adjustments	114		106	176
Provincial Balance	-706	-342	-585	108
Memo Items, %				
Budget Balance / GDP	-1.6	-0.8	-1.2	0.2
Debt Service / Revenue	6.5	6.0	6.0	5.4
Net Debt / GDP	37.4	36.0	37.9	31.2*

* Estimated by Scotiabank Economics.
Sources: Scotiabank Economics, Nova Scotia Finance, Statistics Canada.

Nova Scotia: 2021–22 Mid-Year Update

A WELCOMED BUDGET TURNAROUND LEAVES ROOM TO MANOEUVRE

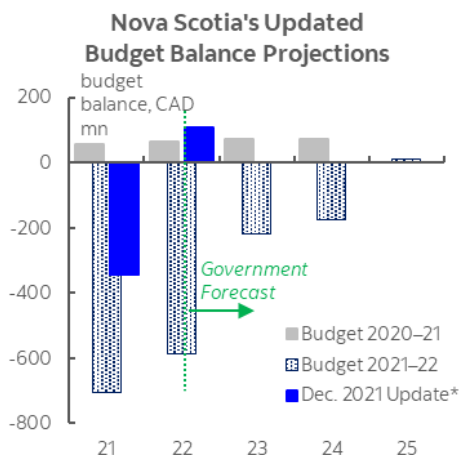
- Budget balance forecasts: \$108 mn surplus (0.2% of nominal GDP) in FY22, a nearly \$700 mn improvement versus Budget 2021 projections (chart 1), while the FY21 shortfall came in \$364 mn less than budgeted (-\$342 mn, 0.8%).**
- Net debt: no specific number provided but expected to be much lower than 37.9% of GDP projected for FY22 at Budget time (chart 2), and below the 36% of GDP posted in FY21.**
- GDP growth forecast: 3% real growth in 2021 and 2.5% in 2022, two successive downward revisions from 4.6% and 3.4% in Budget 2021, and 3.5% and 2.4% in the September Update. Nominal growth revised slightly higher in 2021 (6.9% from 6.2%) in light of recent GDP inflation, and lower in 2022 (3.8% from 5.5%).**
- The province's strong revenue boosts put them on a much-improved fiscal trajectory, leaving room to manoeuvre uncertainties ahead.**

OUR TAKE

In its latest Update, Nova Scotia pencilled in a balanced budget in FY22, attributable to prudent fiscal planning and stronger revenue prospects than budgeted from virtually all sources. This puts the province ahead of schedule on its path to balance proposed in the last fiscal blueprint, which aimed at eliminating the deficit by FY25. The province's own-source revenue was lifted by 11% from the projections made in 2021 Budget. The \$346 mn prior-year tax revenue adjustment, which came from higher PIT, CIT and HST in the 2020 taxation year, accounted for half of the tax revenue boost. Without this, FY22 would have still been in the red, albeit a much narrower shortfall than projected. An increase in federal transfers also contributed to the large improvement this fiscal year, with the province benefiting from higher population estimates.

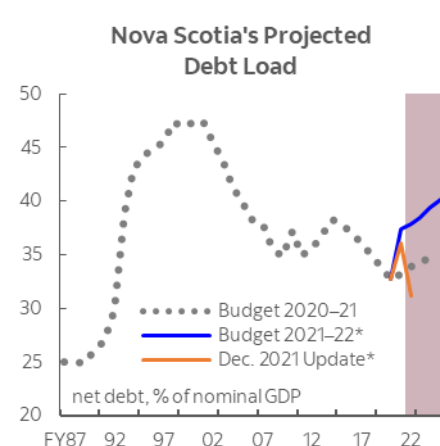
A stronger revenue profile comes despite downward revisions to the 2021–22 economic outlook. Two successive downward revisions were made on its 2021 and 2022 real GDP growth assumptions since the Budget, reflecting less-than-expected GDP contraction in the year prior and prolonged downturns in high-contact industries. The weaker output growth assumption was offset by an optimistic outlook on tax base expansion: the population was estimated to have reached the milestone of one million in December 2021, and was set to grow at a faster speed than projected at Budget time.

Chart 1



* FY21 figure is final result.
Sources: Scotiabank Economics, Nova Scotia Finance.

Chart 2



* FY21 figure is final result. FY22 figure is estimated by Scotiabank Economics. Sources: Scotiabank Economics, Finance Canada, Nova Scotia Finance.

Departmental Expenses were revised slightly higher, but largely in line with what has been budgeted for. Tourism, immigration, and housing-related spending are now expected to be higher than projected in Budget. Capital spending plans for FY22 were revised lower, but topped \$1 billion for a second consecutive year, an elevated amount relative to those allocated before FY20. The government increased planned infrastructure outlays on highways and structures to 26% higher than the amount dedicated in the FY21 Capital Plan.

The province started off the fiscal year in good shape, with projected FY21 and FY22 deficits among the lowest of the provinces (chart 3), as well as middle-of-the-pack net

debt levels (chart 4). The latest release did not provide an update on the net debt level, but the \$693.2 mn and \$364 mn respective fiscal improvements in FY22 and FY21 imply a significant reduction in net debt level. Reducing the deficit component of Budget 2021 net debt forecasts according to updated balance projections results in a net debt burden of about 31% of GDP in FY22. This is close to the net debt level projected in the pre-pandemic budget for FY22, and a sharp decline from the 36% of GDP posted in FY21. Likewise, the cash requirements will be much more modest than the \$1,761 mn forecasted for FY22 at Budget time.

Chart 3
Provincial Budget Balance Projections

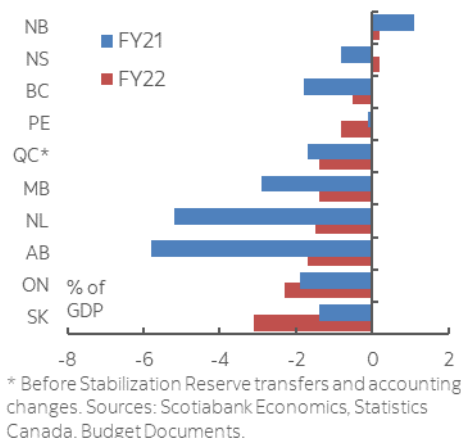
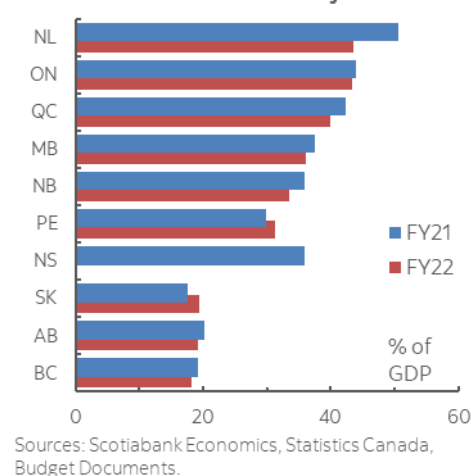


Chart 4
Provincial Net Debt Projections



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