

## Nova Scotia: 2019–20 December Forecast Update

### ONE-TIME EVENTS SHIFT REVENUE AND SPENDING; SURPLUSES SAFE

The Province of Nova Scotia's December *Forecast Update* for fiscal year 2019–20 (FY20) projected a surplus of \$36.9 mn (0% of GDP) in the current fiscal year. That is roughly in line with forecasts from the March 26, 2019 budget (*Budget*) and expectations as of the first quarter update for this fiscal year released in September. As at *Budget* time, the surplus represents the net of provincial revenues and expenditures, plus a boost to the bottom line of about \$170 mn via consolidation and accounting adjustments (table).

**Nova Scotia's economic outlook is significantly improved.** The Province now expects real GDP gains of 1.7% and 1.3% in 2019 and 2020, respectively, far better than the 1.1% and 0.8% advances anticipated in September. Nominal GDP forecasts were also raised (chart). The expansion penciled in for this year would be the strongest since 2010, and complete three successive rises well above consensus estimates of the province's potential economic growth. Forecasts for most variables were raised, but changes were particularly pronounced for incomes and residential investment, evidently anchored by surging population growth.

**Total revenues were revised \$126 mn higher than outlined in September, and are now expected to beat *Budget* estimates by \$245 mn.** The change primarily reflects a jump relative to plan in ordinary recoveries that is sourced from Federal funding for the remediation of the Boat Harbour wastewater treatment plant set to close in January. Federal Gas Tax funds for municipal infrastructure continue to boost revenues, and personal income tax receipts were also up versus prior projections, mirroring the forecast for household income growth.

**Total expenditures are now expected to come in \$240 mn above *Budget* plans following a \$97 mn upward revision since the September update.** Health Department spending continues to account for the largest share of the projected overshoot, primarily due to greater-than-anticipated demand for services. Federal infrastructure supports showed up as heftier transfers to municipalities, which lifted Municipal Affairs and Housing spending plans. Updated actuarial assumptions are expected to add \$28.3 mn to spending versus *Budget*, but that should be partially offset by a \$17.4 mn reduction in debt servicing costs following the larger-than-expected surplus in FY19.

**Capital outlays of \$716 mn are expected in FY20, about \$25 mn higher than the *Budget* projection.** Estimates released in March were already set to be the largest public-sector spending total since FY13.

### IMPLICATIONS

**Changes to the fiscal outlook largely represent one-time effects and healthy provincial finances remain intact.** The update presents some upside for outer-year surpluses and debt reduction efforts to the extent that substantially better 2019 economic growth lifts outer-year revenues. It also suggests more fiscal firepower to address future economic downturns.

### CONTACTS

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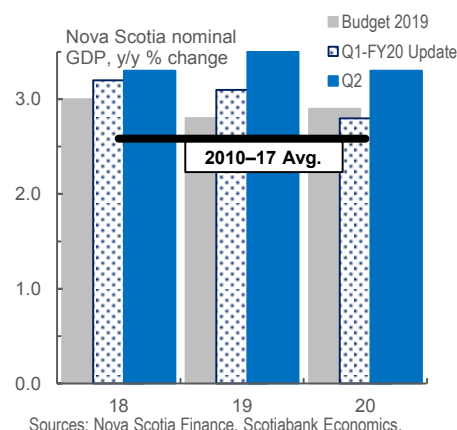
### Updated Fiscal Figures

\$ millions except where noted

	FY20	
	Bud.	Q2
Personal Income Tax (PIT)	2,811	2,880
Corporate Income Tax (CIT)	605	582
Harmonized Sales Tax (HST)	1,896	1,936
Other Taxes	660	643
Tax Revenues	5,971	6,040
Prior Years' Adjustments	--**	39
Royalties - Petroleum	--**	—
Other Own-Source Revenue	535	537
<b>Own-Source Revenue*</b>	<b>6,507</b>	<b>6,617</b>
Gov.Bus.Enterprises - Net Income	389	384
Ordinary Recoveries	659	805
Federal Transfers*	3,456	3,449
<b>Total Revenue</b>	<b>11,010</b>	<b>11,256</b>
Program Spending	10,288	10,553
Debt Service	856	839
<b>Total Expenditure</b>	<b>11,144</b>	<b>11,392</b>
Consolidation & Adjustments	167	173
<b>Provincial Balance</b>	<b>33.6</b>	<b>36.9</b>
<b>Net Debt</b>	<b>15,276</b>	<b>--**</b>
<b>Memo Items, %</b>		
Budget Balance / GDP	0.0	0.0
Debt Service / Revenue	7.8	7.5
Net Debt / GDP	33.8	--**
<b>Annual Change, %</b>		
Total Revenue	1.4	3.4
Program Spending	2.4	5.6
Total Expenditure	2.2	4.9

\* Excluding ordinary recoveries. \*\* Data not available.  
Sources: Nova Scotia Finance; Statistics Canada.

### Economic Growth Revisions Bode Well for Province's Finances



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