

Nova Scotia Budget Highlights

Highlights and analysis of Nova Scotia's FY19/20 budget

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Smooth Sailing

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The Province of Nova Scotia is projecting a **\$33.6 million surplus** in FY19/20 (0.1% of GDP), roughly in-line with the \$28.4 million now expected in FY18/19 (the latter has been little changed during the course of the fiscal year). That would mark the fourth straight year in the black as the Province continues to operate within its means. Indeed, Nova Scotia continues to project small surpluses through FY22/23, with the cumulative total about in-line with that projected a year ago. At the same time, net debt will continue to gradually fall as a share of GDP, down to 33.8% this coming fiscal year, the sixth consecutive year that the burden has fallen. There were few major new policy measures in this budget, with the Province directing some new spending to priority areas such as healthcare.

Total revenue including Government Business Enterprises is projected to rise 2.3% to \$11.0 billion in FY19/20. A rebound in personal income taxes drives a big portion of the increase, while a boost in federal transfers also lifts the top line. GBE income is expected to increase modestly in the upcoming fiscal year. Revenue measures in this budget are minimal, with the changes to the Innovation Equity Tax Credit (expanded for companies) and a new Venture Capital Tax Credit carrying small price tags. The Province continues to employ **reasonable economic growth assumptions**, expecting growth to slow after a solid multi-year run. Real GDP is assumed to rise 0.8% this year and 0.9% in 2020, with nominal growth running at 2.8% and 2.9%, respectively. Note that our forecast is similar (0.7% real GDP growth this year and next). Keep in mind that growth averaged 1.3% in the prior three years, with population inflows and a number of large-scale capital projects providing support. Those drivers, however, have begun to fade somewhat. Indeed, longer-term labour force growth will be depressed by an ageing population, likely leaving potential economic growth below 1%—the Province's budgeting continues to account for this in the medium-term forecast.

Total expenses are projected to rise 2.2% to \$11.1 billion in FY19/20, while departmental expenses will rise 3.0%. A smaller pension valuation adjustment pulls down headline spending growth. Health care spending will receive a chunky 4.3% increase, a clear priority area in this budget. **Longer term, departmental spending runs at a 2.8% annualized pace through FY22/23**, with growth picking up beyond FY20/21. Keep in mind that population growth has surged by Nova Scotia's standards, now running above 1% for the first time in 34 years. So, with 2% inflation, this rate of spending growth is not out whack. But, if population growth softens over time, spending projections will probably have to do so as well. Meantime, **capital spending** is projected to increase after falling in the prior



**Table 1
Fiscal Summary**

Nova Scotia (C\$ mlns, except where noted)	Est.		— Forecast —		
	18/19	19/20	20/21	21/22	22/23
Total Revenue*	10,859	11,011	11,223	11,560	11,930
Expenditures	10,906	11,144	11,187	11,503	11,866
Departmental Exp.	9,797	10,102	10,210	10,551	10,969
Refund. Tax Credits	130	134	135	136	137
Pension Valuation Adj.	117	52	55	59	59
Debt Service	863	856	787	757	701
Consolidated Adj.	76	167	16	9	9
Budget Balance	28.4	33.6	51.9	65.8	73.4
Net Debt	15,069	15,276	15,568	15,652	15,729
As a percent of GDP:					
Budget Balance	0.1	0.1	0.1	0.2	0.2
Net Debt	34.3	33.8	33.5	32.5	31.6
As a percent of revenue:					
Debt Service	7.9	7.8	7.0	6.5	5.9
Federal Transfers	32.9	34.1	n/a	n/a	n/a
Key assumptions:					
Real GDP (% chng)	0.9	0.8	0.9	1.6	1.2
Nominal GDP (% chng)	3.0	2.8	2.9	3.6	3.2

Source: Provincial Budget () = deficit *Includes GBEs
Note: GDP figures are for calendar year (FY19/20=CY19)

**Table 2
Borrowing Requirements**

Nova Scotia (C\$ mlns)	18/19	19/20	20/21	21/22
Total Requirements	1,315	1,503	1,366	1,263

Source: Provincial Budget

fiscal year. Total spending is pegged at \$691 million, with health care infrastructure (QEII Health Sciences Centre in Halifax) getting a significant boost.

Total **borrowing requirements are pegged at \$1.5 billion in FY19/20**, up from \$1.3 billion in FY18/19, but down about \$200 million versus what was projected for the upcoming fiscal year, a year ago. Still, this will mark the largest borrowing requirement in eight years, reflecting a large increase in maturities (to \$2.1 billion). Note that the Province maintains more than \$900 million in discretionary liquidity that is, by definition, to manage interest rates and short-term liquidity, and assist in the refunding of maturing debt.

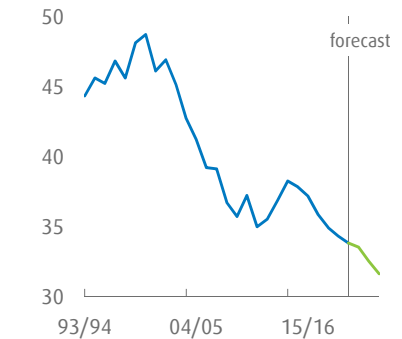
Net debt will continue to fall as a share of GDP, expected at 33.8% of GDP in FY19/20 after peaking at 38.2% in FY13/14. That leaves the Province's debt burden comfortably below its peers in Ontario, Quebec, New Brunswick and Newfoundland & Labrador for the foreseeable future.

The Bottom Line: This budget very much stays the course, which is a positive thing when it comes to Nova Scotia. The Province continues to earn regard on the fiscal front, with small surpluses expected for the foreseeable future, while net debt continues on a downward track.

Chart 1 Debt Burden Shrinking

Nova Scotia (% of GDP)

Net Debt



Source: Provincial Budget

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